Investment Trusts

Managed by Fidelity Worldwide Investment

Fidelity European Values PLC

Annual Report

For the year ended 31 December 2011

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Objective and Highlights

To achieve long term capital growth from the stockmarkets of continental Europe

The full text of the Company's investment policy is on pages 14 and 15.

PERFORMANCE (YEAR TO 31 DECEMBER 2011)

Net Asset Value ("NAV") Total Return	-11.5%
Share Price Total Return	-8.6%
FTSE World Europe (ex UK) Index Total Return	-14.7%

AS AT 31 DECEMBER 2011

Equity Shareholders' Funds	£517.6m
Market Capitalisation	£444.3m
Final Dividend Proposed Per Ordinary Share	26.50p
Capital Structure: Ordinary Shares of 25p each	44,294,946

Standardised Performance (on a total return basis %)

	01/01/2007 to 31/12/2007	01/01/2008 to 31/12/2008	01/01/2009 to 31/12/2009	01/01/2010 to 31/12/2010	01/01/2011 to 31/12/2011
NAV (debt at par)	+13.4	-17.5	+11.3	+7.1	-11.5
Share price	+12.0	-25.9	+21.3	-1.3	-8.6
FTSE World Europe (ex UK) Index[1]	+15.1	-24.6	+19.1	+5.1	-14.7

Sources: Fidelity and Datastream
Past performance is not a guide to future returns
[1] Data prior to the year ended 31 December 2011 is on a net of tax basis

Financial Summary

	2011	2010
Assets at 31 December		
Total portfolio exposure[1]	£561.9m	£716.4m
Shareholders' funds	£517.6m	£660.5m
Total portfolio exposure as a % of shareholders' funds[2]	108.6	104.6
NAV per share	1,168.57p	1,335.78p
Results for the year to 31 December – see page 31		
Revenue return per ordinary share	26.94p	15.95p
Capital (loss)/return per ordinary share	(194.42p)	65.91p
Total (loss)/return per ordinary share	(167.48p)	81.86p
Final dividend proposed per ordinary share	26.50p	15.75p
Stockmarket data at 31 December		
FTSE World Europe (ex UK) Index[3]	314.31	382.26
Share price year end	1,003.00p	1,113.00p
year high	1,287.00p	1,163.00p
year low	912.00p	916.00p
Discount year end	14.2%	16.7%
year high	17.1%	17.9%
year low	9.7%	7.7%
year average	14.0%	15.1%
Returns (includes reinvested income) for the year to 31 December (%)		
NAV per share	-11.5	+7.1
Share price	-8.6	-1.3
FTSE World Europe (ex UK) Index[3]	-14.7	+5.1
Total expense ratio[4]	0.94	0.91

1 The total exposure of the investment portfolio, including exposure to the investments underlying the long CFDs. The 2010 figure represents total assets less current liabilities, excluding the fixed term loan liability
2 The 2010 figure represents total net assets, less loans plus cash at bank and cash funds, as a percentage of shareholders' funds
3 Data prior to the year ended 31 December 2011 is on a net of tax basis
4 Operating expenses before tax (excluding interest) as a percentage of average shareholders' funds

Sources: Fidelity and Datastream
Past performance is not a guide to future returns

Chairman's Statement

Humphrey van der Klugt,
Chairman

I have pleasure in presenting the Annual Report of Fidelity European Values PLC for the year ended 31 December 2011.

PERFORMANCE

Investors entered 2011 in an upbeat mood following a pick up of economic growth and positive stockmarket returns in 2010. However, the Arab spring, Japanese tsunami, continued sovereign debt issues in Europe and concerns over global economic growth swept aside this wave of optimism and pessimism prevailed. In Europe, the sovereign debt crisis, fears that Greece will leave the euro and the contagion effects on other indebted nations, such as Italy, dominated the headlines and investor sentiment. As a result, European equities proved to be volatile throughout the year and underperformed other asset classes.

Against this backdrop, the net asset value ("NAV") per share of the Company returned -11.5%, but it outperformed its benchmark, the FTSE World Europe (ex UK) Index, which returned -14.7%, both figures being on a total return basis. Overall, companies with defensive characteristics whose earnings are less correlated to economic growth outperformed companies with more cyclical business models; and financials struggled once again. The Company benefited from holdings in the healthcare, food producers and tobacco sectors. However, returns were held back by positions in the financials sector. A more detailed review of the performance of the portfolio is provided in the Manager's Review.

Whilst the NAV total return was -11.5%, the share price total return was -8.6% over 2011, with the share price discount to NAV having narrowed slightly over the period. It is of course unattractive to see negative returns, but, to look at the situation more positively, there are many fine and strong companies with wide international businesses quoted on the European stock exchanges and it is encouraging to see this loss limited to 8.6%, against a tumultuous and largely negative political backdrop.

DISCOUNT MANAGEMENT

The Board remains active in discount management, including buying back shares at a discount. This is a practice it has adopted since launch and buybacks have continued during the year, during which the level of discount has narrowed. The purpose of buybacks is to reduce share price volatility and it also results in an enhancement to the NAV per share. Further details of share buybacks made during the year may be found in the Directors' Report on page 18.

In summary, your Board has sanctioned share buybacks over the course of 2011 amounting to just over 10% of the issued share capital of the Company. Yet the discount remained at 14.2% at the year end. In part, this is a reflection on European equities being out of favour in relation to other asset classes. Whilst it is frustrating that the discount remains wide for the time being, we have been able to help dampen the level of share price volatility against net asset value; and this we believe is strongly in the interests of shareholders and it will continue to be an objective of the Board.

DIVIDENDS

The Board intends to continue with its practice of paying out earnings in full. The objective is one of long term capital growth and we will not seek to influence the Manager to determine the level of income of your Company's portfolio in any particular year.

The Board has decided to recommend a final dividend of 26.50 pence per share for the year ended 31 December 2011 (2010: final dividend 15.75p). This dividend will be payable on 25 May 2012 to shareholders on the register at close of business on 16 March 2012 (ex-dividend date 14 March 2012).

The proposed dividend increase for 2011 over 2010 is therefore 68%. Whilst we would continue emphasising that the increase is a function of stock selection and cannot be extrapolated into the future, there are two positive factors shareholders may like to note. Firstly, the fall in European share prices has taken place even as underlying earnings and dividend growth has been positive, thereby enhancing the yield on the market. The dividend yield on the FTSE World Europe (ex UK) index at 31 December 2011 was 4.38% Secondly, your Portfolio Manager, Sam Morse, who took over management of the portfolio from 1 January 2011, focuses on companies which are able to grow their dividends as being one of the underlying factors in his stock selection. A further explanation of the investment process can be found on page 15.

PERFORMANCE OVER ONE YEAR, FIVE YEARS AND SINCE LAUNCH TO 31 DECEMBER 2011 (ON A TOTAL RETURN BASIS)

	NAV	Share price	FTSE World Europe (ex UK) Index[1]
One year	-11.5%	-8.6%	-14.7%
Five years	-1.3%	-9.1%	-7.3%
Since launch (1991)	+1,269.8%	+1,083.3%	+390.0%

Source: Fidelity and Datastream as at 31 December 2011
Basis: bid-bid with net income reinvested
Past performance is not a guide to future returns

[1] Data prior to the year ended 31 December 2011 is on a net of tax basis

Chairman's Statement

INVESTMENT POLICY AND GEARING

During the year, shareholders approved a change in investment policy predominantly to allow the introduction of Contracts For Difference ("CFDs") for gearing purposes. Following the repayment of the drawn down variable rate unsecured credit facility from Lloyds TSB Bank plc on 18 November 2011 and the unsecured bank loan from Barclays Bank PLC on 15 December 2011, the Company has no loans. However, the Company has obtained equivalent exposure, on a significantly more cost effective basis, to the market through the use of CFDs. As at 31 December 2011 the total portfolio exposure represented 108.6% of Shareholders' funds.

Additional disclosures to the financial statements have been added explaining the Company's geared position through the use of CFDs, including details of how they are measured and how they are reported. Further details on the use of CFDs can be found in the Directors' Report on page 14.

CURRENCY HEDGING

Shareholders will be aware that there are inevitably heightened risks in holding a portion of the portfolio in euro denominated shares at a time of considerable stresses for the euro. Although the portfolio has never been hedged out of European currencies into sterling since the Company was first formed in 1991, this is allowable and the Board has considered this option carefully.

We continue to believe on balance that shareholders are looking for continental European exposure, including currency exposure, in making an investment choice; and on this basis euro exposure has not been hedged back into sterling.

It should be noted that a large number of the underlying investments have significantly diversified businesses and non-euro income streams. Companies are also carrying out their own hedging operations, which may or may not be disclosed to the marketplace. Furthermore, from an operational standpoint, your Board has discussed arrangements and contingency plans with your Manager, should the Euro run into further difficulty.

As a result of our overweight position in a number of non-Eurozone markets, the Company has a 14.1% underweight position in euro denominated stocks.

PERFORMANCE FEES

With effect from 1 January 2012 the Board entered into a newly negotiated performance fee arrangement with the Manager. We are pleased to inform you that the performance fee element has been reduced from 20% to 15%; and the upper limit of the performance related fee payable in any one year has been reduced from 1.5% to 1% of net asset value. It remains the case that the Manager must recoup any underperformance against the benchmark before any subsequent outperformance can be rewarded. Given the underperformance brought forward there is no performance fee payable this year. Further details are included in the Directors' Report on page 18.

DIRECTORATE

In accordance with the UK Corporate Governance Code for Directors of FTSE 350 companies the entire Board is subject to annual re-election. The Directors' biographies can be found on page 13. The Directors have a wide range of appropriate skills and experience to make up a balanced board for your Company. With the exception of Simon Fraser, in the opinion of the Board, all other Directors are independent.

Simon Fraser, due to his previous employment relationship with the Manager and his directorship of another investment trust managed by Fidelity, namely Fidelity Japanese Values PLC, is deemed non-independent by the UK Corporate Governance Code. The Board is convinced that Simon Fraser's experience serves the Company well; and the Directors support unanimously his continued position as a Director of the Company.

It may interest shareholders to know that, again in line with good corporate governance, the Board has arranged for an independent, externally facilitated assessment of its performance to take place during 2012.

The Board has considered the proposals for the re-election of all of the Directors and recommends to shareholders that they vote in favour of the proposals.

CONTINUATION VOTE

In accordance with the Articles of Association of the Company, an ordinary resolution that the Company continue as an investment trust for a further two years was passed at the 2011 Annual General Meeting. A further continuation vote will take place at next year's Annual General Meeting.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company is due to take place on 16 May 2012 at midday at Fidelity's offices at 25 Cannon Street. Full details of the meeting are given on pages 51 to 54 and I look forward to talking with as many shareholders as possible on this occasion.

CONCLUSION

European equities will have to contend with a wide range of complex factors in 2012, ranging from a lack of economic growth and high budget deficits and debt in the periphery, to the continued possibilities of a disorderly Greek exit from the euro and the consequences for the Eurozone as a whole of such an event. There also remains a worrying lack of competitiveness mainly in southern Europe, resulting in a 'two speed' Eurozone, which has yet to be addressed satisfactorily in the political arena.

There is a risk that aggregate earnings may fall in 2012. However, as already mentioned, there are many fine companies quoted on the continental European bourses, with strong and internationally competitive businesses. We support your Manager's view that overall valuations look attractive.

Humphrey van der Klugt
Chairman
6 March 2012

Manager's Review

FIL Investments International

The Company is managed by FIL Investments International (which is authorised and regulated by the Financial Services Authority). FIL Investments International is part of the FIL Limited group which, as at 31 December 2011, had total assets under management exceeding £135.3 billion.

Sam Morse

Sam is a portfolio manager with FIL Investment Services (UK) Limited based in London. Sam has more than 20 years' investment experience. He also manages the Fidelity European Fund.

PERFORMANCE REVIEW

As shown in the Financial Summary on page 2, the NAV per share of Fidelity European Values decreased by 11.5 % in the year to 31 December 2011, outperforming the FTSE World Europe (ex UK) Index, which fell by 14.7 %. (All performance figures are quoted on a total return basis and in sterling.)

MARKET BACKGROUND

2011 was a very disappointing year for the European markets.

The year started well. There was an expectation that the economic rebound from the financial crisis would continue to strengthen. This optimism was reflected in a strong reversionary bounce in stockmarkets in January, led by the banking sector and companies listed in the "periphery" of Europe (Spain, Italy, Portugal, Greece and Ireland).

This early optimism, shared by your Manager, was rattled as uncertainty about global economic growth rose following the Arab spring and the dreadful earthquake and tsunami in Japan. The European Central Bank, however, still fearing inflation, raised interest rates fifty basis points with hikes in April and July. Uncertainty turned into a full scale rout, during the summer months, when a suspicion that the economy might slow threatened to turn a sovereign debt crisis into a European catastrophe with global consequences.

Some commentators even began to suggest the unthinkable: disorderly disintegration of the Eurozone and a return to national currencies. Companies in the financials sector, in particular banks, whose fortunes are inextricably linked to the prospects for economic growth and sovereign debt risk, took the brunt of investors' pessimism.

As markets fell, politicians struggled to come up with any policy response that provided optimism that the twin problems of high debt and a lack of growth would be overcome. A series of "summits" produced new lows to the point that pessimism pervaded. The market bottomed in late September, having fallen more than 30% from its peak in February.

The year ended, however, on a more positive note. The new Governor of the European Central Bank, Mario Draghi, announced two cuts in interest rates, reversing his predecessor's hikes, and introduced a new three year Long Term Refinancing Operation (LTRO) with expanded collateral. This provided investors, and banks, with a chink of light at the end of a very long tunnel, given the positive impact this would have, in the short term, on funding and liquidity thereby providing more planning time for lasting solutions to the sovereign debt crisis.

PORTFOLIO REVIEW

Your Manager continues to focus on identifying, and investing in, attractively valued companies, with sound balance sheets, which can deliver consistent dividend growth. The Company is constructed from the "bottom up" which means that stock selection drives sector and country positioning rather than the other way around. Your Manager does, however, apply "top down" risk control to make sure that the fund will not be blown too far off course, relative to its European benchmark, in the event of a change in the economic or market back-drop.

In 2011 the NAV outperformed a declining benchmark by 3.2%. Relative performance was aided, mainly, by stock selection but was held back by gearing which was kept at a level of between 4% and 10% during the year. CFDs replaced fixed term loans for gearing purposes in the later months of 2011 and the process has 'bedded down' well.

Manager's Review

Key positive stock contributions mainly came from sectors with less short term sensitivity to the economy such as healthcare, food producers, tobacco and energy. Outside those sectors, there were three companies among the top ten contributors all of which made positive absolute returns in a year when the market fell. Hugo Boss benefited from strong results and an upgrade to its longer term guidance. Iliad was marked higher on the introduction of a new set-top box which helped the company to regain a share in the French broadband market and as investors looked forward to the launch of their mobile business. Finally, SAP enjoyed a strong year as it became apparent that new products and demand from companies for their software, partly to reduce costs in a more difficult environment, were driving earnings above expectations.

Most of the detractors to performance were financials, banks in particular. Your Manager increased the weighting in financials during the year on the view that many of these companies, unlike non-financial cyclicals, were already discounting a very pessimistic outlook such that they were attractively valued on a low level of earnings. Your Manager was also encouraged, in the early part of the year, that some banks were beginning to re-instate and grow dividends. That optimism proved misplaced, however, as the prospects for dividends and dividend growth worsened as the year progressed due to growing sovereign debt risks and evidence of slowing economies. The French banks, BNP and Societe Generale, were particularly poor performers suffering from concerns about a lack of capital and funding in the face of increased sovereign debt and economic risk. Your Manager sold the holding in Societe Generale, following its announcement that it would not be paying a dividend for 2011, and redistributed the proceeds among other bank holdings with more robust prospects for dividends and dividend growth.

OUTLOOK

Although stockmarkets fell in 2011, European companies overall grew their earnings and dividends such that valuations ended the year at a historic low with an aggregate dividend yield approaching 4.5%, which is a full 50% above the longer term average for Europe over the last few decades.

2011 was a poor year for European stockmarkets because markets look ahead. Valuation is attractive but there is a risk that aggregate earnings, and dividends, fall in 2012, given that non-financial corporate margins are at a historical high, a European recession is possible and governments may target a relatively prosperous corporate sector.

Even in a pessimistic scenario it would be hard, however, to envisage a reduction in dividends that mirrored the 30% cut experienced during the financial crisis when many banks reduced dividends from generous levels to nothing. There are risks to forecasts, but these are largely discounted and so your Manager believes there is fundamental value in European shares. As always, risk and reward are common bed-fellows and the biggest rewards often come when risk appears high.

There are few optimistic market forecasts for 2012 (unlike at the beginning of 2011). This is understandable given the on-going uncertainty about economic growth in Europe in 2012 and the "tail-risk" of more upheaval in the Eurozone with investors mulling the possibility of a disorderly Greek exit and the resulting contagion. Politics will, again, play an important role in 2012 and noise around the elections in France and Greece may unsettle the markets. The technocratic government, led by Mario Monti, seems to have been successful in bringing an element of relative calm to Italy but, with elections looming in 2013, investors may become more cautious as the year progresses.

Your Manager's base case scenario remains that the Eurozone should stay together in 2012 because, although austerity is painful, the costs of exit are too great for the Eurozone nations to bear. Europe's economies are likely, therefore, to remain sluggish, partly due to continued austerity, particularly in the "periphery". In such an environment, attractively valued companies, with sound balance sheets, which can deliver consistent dividend growth, will continue to perform well.

FIL Investments International
6 March 2012

Ten Largest Investments as at 31 December 2011

Ten Largest Investments, including long CFDs The Full Portfolio Listing is set out on pages 49 to 50	Exposure £'000	Fair Value[1] £'000	%[2]
Nestle **Packaged food**	42,307	42,307	7.4
Sanofi **Pharmaceuticals**	25,766	25,766	4.5
Novo-Nordisk **Healthcare services**	24,022	24,022	4.2
SAP **Software solutions and consultancy**	19,568	19,568	3.4
Royal Dutch Shell **Oil and gas**	16,511	16,511	2.9
Schneider Electric (CFD) **Electronics**	16,361	(1,314)	2.9
Saipem (CFD) **Oil and gas**	16,274	2,474	2.8
Zurich Financial Services **Financial services**	16,013	16,013	2.8
UBS **Financial services**	15,056	15,056	2.6
Swedish Match **Smokeless tabacco products**	14,842	14,842	2.6
Ten Largest Investments (2010: 31.9%)	206,720	175,245	36.1
Other Investments - 49 (2010: 51, 64.9%)	355,213	332,273	62.1
Total Portfolio (including long CFDs)	561,933	507,518	98.2
Cash and Other Net Assets (2010: 3.2%)	10,099	10,099	1.8
	572,032	517,617	100.0

[1] Fair value represents the carrying value in the Balance Sheet on page 33

[2] % of the total exposure of the investment portfolio, including exposure to the investments underlying the long CFDs, plus cash and other net current assets

Distribution of the Portfolio as at 31 December 2011

Portfolio, including long CFDs	France	Switzerland	Germany	Netherlands	Belgium	Sweden	Denmark	Italy	Norway	UK	Other	Total 2011[1]	Index 2011[2]	Total 2010[3]
Financials														
Banks	2.5	2.6	-	-	0.6	-	-	1.0	1.3	-	1.2	9.2	11.3	7.9
Non-Life Insurance	-	2.8	-	-	-	-	-	-	1.7	-	1.1	5.6	4.9	3.7
Financial Services	-	1.2	1.7	-	-	-	-	-	-	1.2	-	4.1	1.2	2.2
Life Insurance	-	-	-	1.5	-	-	-	-	-	-	-	1.5	1.0	2.9
Real Estate Investment & Services	-	-	-	-	-	-	-	-	-	-	-	-	0.9	0.3
	2.5	6.6	1.7	1.5	0.6	-	-	1.0	3.0	1.2	2.3	20.4	19.3	17.0
Consumer Goods														
Food Producers	-	7.4	-	-	-	-	-	-	-	-	-	7.4	7.2	8.7
Beverages	1.0	-	-	-	2.4	-	1.0	-	-	-	-	4.4	2.5	3.3
Tobacco	-	-	-	-	-	2.6	-	-	-	-	0.7	3.3	0.2	2.3
Personal Goods	1.5	-	1.6	-	-	-	-	-	-	-	-	3.1	5.3	3.2
Automobiles & Parts	-	-	-	-	-	-	-	-	-	-	-	-	3.2	0.9
	2.5	7.4	1.6	-	2.4	2.6	1.0	-	-	-	0.7	18.2	18.4	18.4
Healthcare														
Pharmaceuticals & Biotechnology	4.5	-	-	-	-	-	4.2	-	-	-	0.7	9.4	10.5	7.0
Healthcare Equipment & Services	1.7	-	2.0	-	-	-	0.7	-	-	-	-	4.4	1.7	2.4
	6.2	-	2.0	-	-	-	4.9	-	-	-	0.7	13.8	12.2	9.4
Consumer Services														
Media	1.9	-	0.7	-	0.8	1.5	-	-	2.0	-	-	6.9	1.9	6.0
General Retailers	-	-	0.8	-	-	2.0	-	-	-	-	-	2.8	1.2	2.0
Food & Drug Retailers	-	-	-	-	-	-	-	-	-	-	1.0	1.0	1.4	0.7
Travel & Leisure	0.4	-	-	-	-	-	-	-	-	-	-	0.4	0.7	0.4
	2.3	-	1.5	-	0.8	3.5	-	-	2.0	-	1.0	11.1	5.2	9.1
Industrials														
Electronic & Electrical Equipment	2.9	-	-	-	-	-	-	-	-	-	0.3	3.2	1.1	3.6
Industrial Engineering	0.7	2.4	-	-	-	-	-	-	-	-	-	3.1	4.4	2.2
Industrial Transportation	-	1.3	-	-	-	-	-	0.9	-	-	-	2.2	1.6	3.2
Support Services	0.7	-	-	-	-	-	-	-	-	1.1	-	1.8	0.9	0.7
Aerospace & Defence	-	-	0.7	-	-	-	-	-	-	-	-	0.7	0.6	1.1
General Industrials	-	-	-	-	-	-	-	-	-	-	-	-	2.4	3.4
Construction & Materials	-	-	-	-	-	-	-	-	-	-	-	-	3.2	-
	4.3	3.7	0.7	-	-	-	-	0.9	-	1.1	0.3	11.0	14.2	14.2

Distribution of the Portfolio as at 31 December 2011

Portfolio, including long CFDs	France	Switzerland	Germany	Netherlands	Belgium	Sweden	Denmark	Italy	Norway	UK	Other	Total 2011[1]	Index 2011[2]	Total 2010[3]
Basic Industries														
Chemicals	-	-	3.6	1.9	2.4	-	-	-	-	-	-	7.9	6.2	7.4
Industrial Metals & Mining	-	-	-	-	-	-	-	-	-	-	1.3	1.3	1.4	1.4
Forestry & Paper	-	-	-	-	-	-	-	-	-	-	-	-	0.3	-
	-	-	3.6	1.9	2.4	-	-	-	-	-	1.3	9.2	7.9	8.8
Technology														
Software & Computer Services	2.0	-	3.4	-	-	-	-	-	-	-	-	5.4	1.6	2.6
Technology Hardware & Equipment	-	-	-	0.8	-	-	-	-	-	-	-	0.8	1.9	-
	2.0	-	3.4	0.8	-	-	-	-	-	-	-	6.2	3.5	2.6
Oil & Gas														
Oil & Gas Producers	-	-	-	2.9	-	-	-	-	-	-	-	2.9	6.1	5.9
Oil Equipment, Services & Distribution	-	-	-	-	-	-	-	2.8	-	-	-	2.8	1.5	2.5
Alternative Energy	-	-	-	-	-	-	-	-	-	-	-	-	0.1	-
	-	-	-	2.9	-	-	-	2.8	-	-	-	5.7	7.7	8.4
Utilities														
Gas, Water & Multi-utilities	-	-	-	-	-	-	-	0.7	-	-	0.8	1.5	3.1	2.8
Electricity	-	-	-	-	-	-	-	-	-	-	1.1	1.1	2.6	1.6
	-	-	-	-	-	-	-	0.7	-	-	1.9	2.6	5.7	4.4
Telecommunications														
Fixed Line Telecommunications	-	-	-	-	-	-	-	-	-	-	-	-	4.1	4.5
Mobile Telecommunications	-	-	-	-	-	-	-	-	-	-	-	-	1.8	-
	-	-	-	-	-	-	-	-	-	-	-	-	5.9	4.5
Total Portfolio Exposure, including long CFDs	**19.8**	**17.7**	**14.5**	**7.1**	**6.2**	**6.1**	**5.9**	**5.4**	**5.0**	**2.3**	**8.2**	**98.2**	**100.0**	**96.8**
Cash and other net current assets	**0.8**	**0.1**	**0.6**	**0.3**	**0.3**	**-**	**-**	**0.2**	**-**	**(0.5)**	**-**	**1.8**	**-**	**3.2**
Total - 2011	**20.6**	**17.8**	**15.1**	**7.4**	**6.5**	**6.1**	**5.9**	**5.6**	**5.0**	**1.8**	**8.2**	**100.0**		**100.0**
Index - 2011	**23.0**	**19.5**	**17.9**	**5.5**	**2.2**	**7.0**	**2.7**	**5.7**	**2.4**	**1.9**	**12.2**	**-**	**100.0**	
Total - 2010	**20.6**	**18.2**	**17.1**	**10.2**	**7.1**	**7.2**	**3.2**	**8.8**	**2.1**	**(0.2)**	**5.7**			**100.0**

1 Distribution of the portfolio is shown as a percentage of the total exposure of the investment portfolio, including exposure to the investments underlying the long CFDs, plus cash and other net current assets

2 FTSE World Europe (ex UK) Index

3 The 2010 distribution is shown as a percentage of total assets less current liabilities, excluding the fixed term loan liability

Summary of Performance

Historical record as at 31 December	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Total portfolio exposure (£m)[1]	562	716	742	750	958	906	802	576	471	355	379
Shareholders' funds (£m)	518	661	649	650	855	802	689	513	407	297	324
NAV per share (p)	1,168.57	1,335.78	1,269.52	1,183.61	1,449.76	1,283.77	1,094.71	815.04	647.43	469.73	514.94
Share price (p)	1,003.00	1,113.00	1,151.00	990.00	1,350.00	1,211.00	1,118.00	766.50	589.00	412.00	533.00
(Discount)/premium to NAV (%)	(14.2)	(16.7)	(9.3)	(16.4)	(6.9)	(5.7)	2.1	(6.0)	(9.0)	(12.3)	3.5
Revenue return per ordinary share (p)	26.94	15.95	20.59	36.77	13.79	5.34	2.82	1.98	1.93	1.69	4.01
Dividend per ordinary share (p)	26.50	15.75	22.50[2]	23.26[3]	13.75	5.25	2.50	1.75	1.50[2]	1.20	2.00
Cost of running the Company (%)	0.94	0.91	0.92	0.89	1.06	1.47	1.55	1.58	1.63	1.51	1.47
Gearing ratio (%)[4]	108.6	104.6	101.0	100.0	99.0	112.4	116.0	111.5	115.3	117.0	113.6
NAV - performance (%)[5]	-11.5	+7.1	+11.3	-17.5	+13.4	+17.5	+34.7	+26.2	+38.2	-8.5	-16.2
Share price performance (%)[5]	-8.6	-1.3	+21.3	-25.9	+12.0	+8.6	+46.2	+30.4	+43.3	-22.5	-2.7
Index performance (%)[5,6]	-14.7	+5.1	+19.1	-24.6	+15.1	+19.5	+23.4	+13.2	+29.0	-27.4	-20.4

1 The total exposure of the investment portfolio, including exposure to the investments underlying the long CFDs. The amounts prior to 2011 represent total assets less current liabilities, excluding the fixed term loan liabilities
2 Interim dividend in respect of the years ended 31 December 2003 and 31 December 2009
3 An additional 13.24p per share was paid by way of a special dividend
4 Total portfolio exposure as a percentage of shareholders' funds. The amounts prior to 2011 represent total net assets, less loans plus cash at bank and cash funds, as a percentage of shareholders' funds
5 Total return basis
6 Data prior to the year ended 31 December 2011 is on a net of tax basis

Sources: Fidelity and Datastream
Past performance is not a guide to future returns

The Company was launched on 5 November 1991 with one warrant attached to every five shares. The original subscription price for each share was £1. In 2013 and every two years thereafter, shareholders have the right to approve, or otherwise, the continued existence of the Company.

The Company is a member of The Association of Investment Companies ("AIC") from whom general information on investment trusts can be obtained by telephoning 020 7282 5555 (email address: enquiries@theaic.co.uk).

PRICE INFORMATION

The mid-market price of the ordinary shares is published daily in the Financial Times under the heading "Investment Companies". The ordinary share price is also published in The Times, The Daily Telegraph and The Independent. You can also obtain current price information by telephoning Fidelity on 0800 41 41 10 (freephone) or FT Cityline on 0905 817 1690 (voice activated service) (calls charged at 60p per minute on a per second basis from a BT landline. Charges from other telephone networks may vary). The Reuters code for Fidelity European Values PLC is FEV.L.

NAV INFORMATION

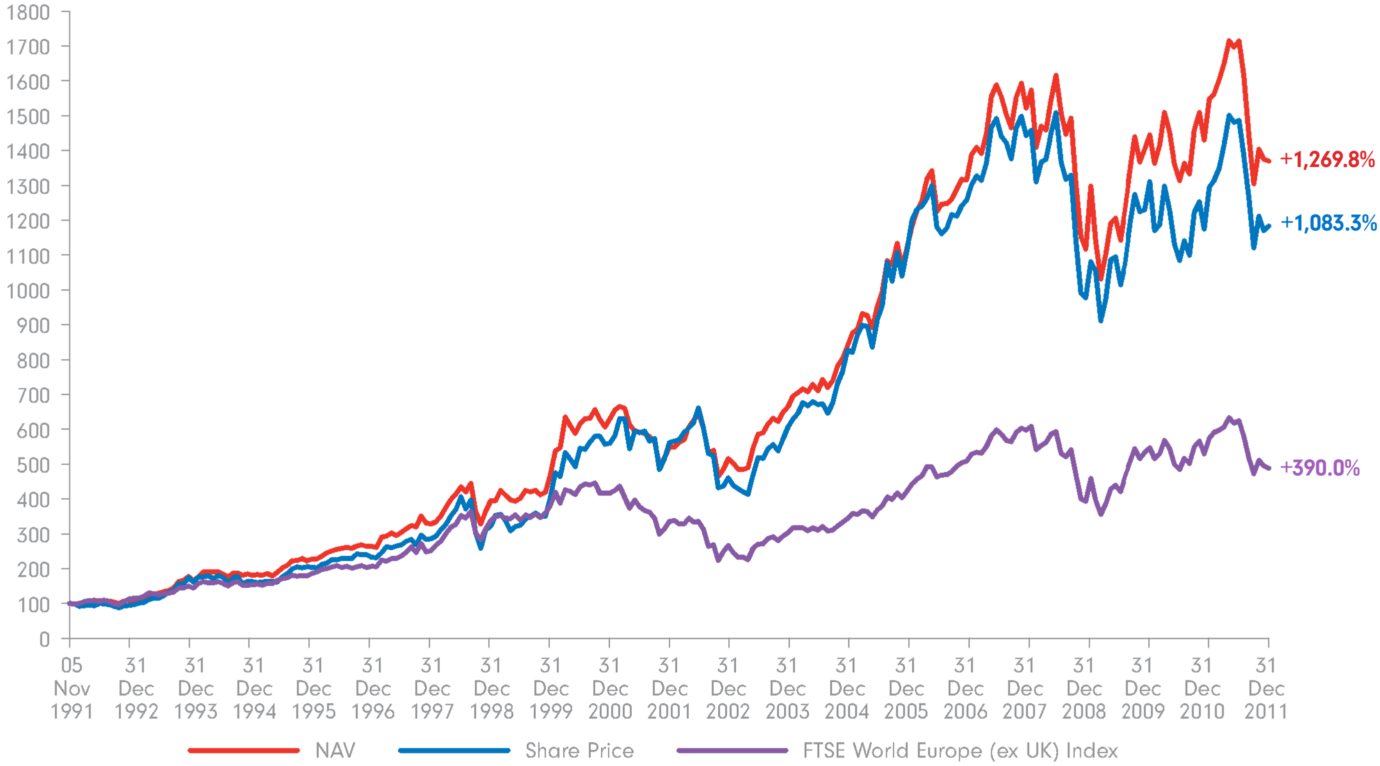
The net asset value of the Company is calculated on a daily basis and released to the London Stock Exchange.

CAPITAL GAINS TAX

Your Directors have been advised that, for the purposes of calculating an investor's possible liability to capital gains tax, the base cost of ordinary shares and warrants, acquired at the time of the Company's launch, is 95.90p. All UK individuals under present legislation are permitted to have £10,600 of capital gains in the current tax year 2011/2012 (2010/2011: £10,100) before being liable for capital gains tax. Capital gains tax is charged at 18% and 28% dependant on the total amount of taxable income.

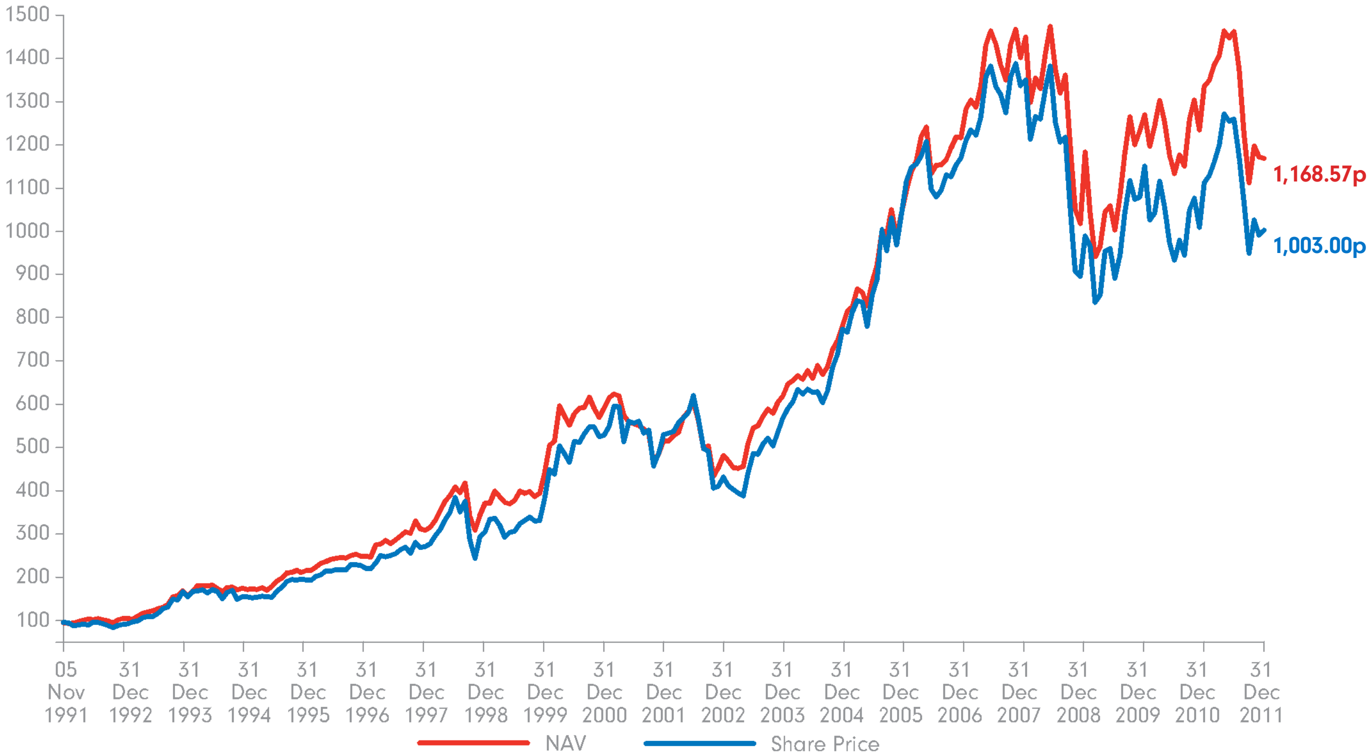
Summary of Performance

Total return performance from launch to 31 December 2011



Prices rebased to 100

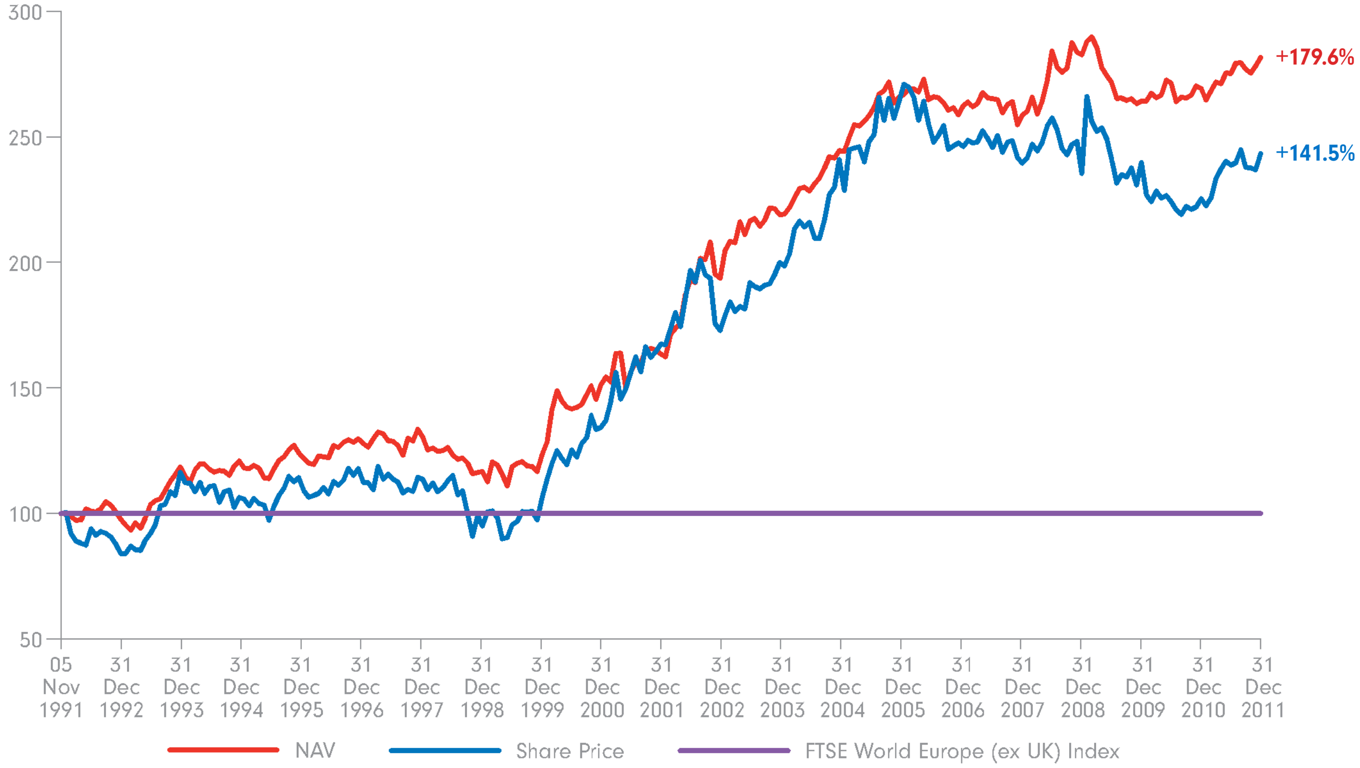
NAV and share price in pence from launch to 31 December 2011



Prices rebased to 100
Sources: Fidelity and Datastream
Basis: Bid-bid with net income reinvested

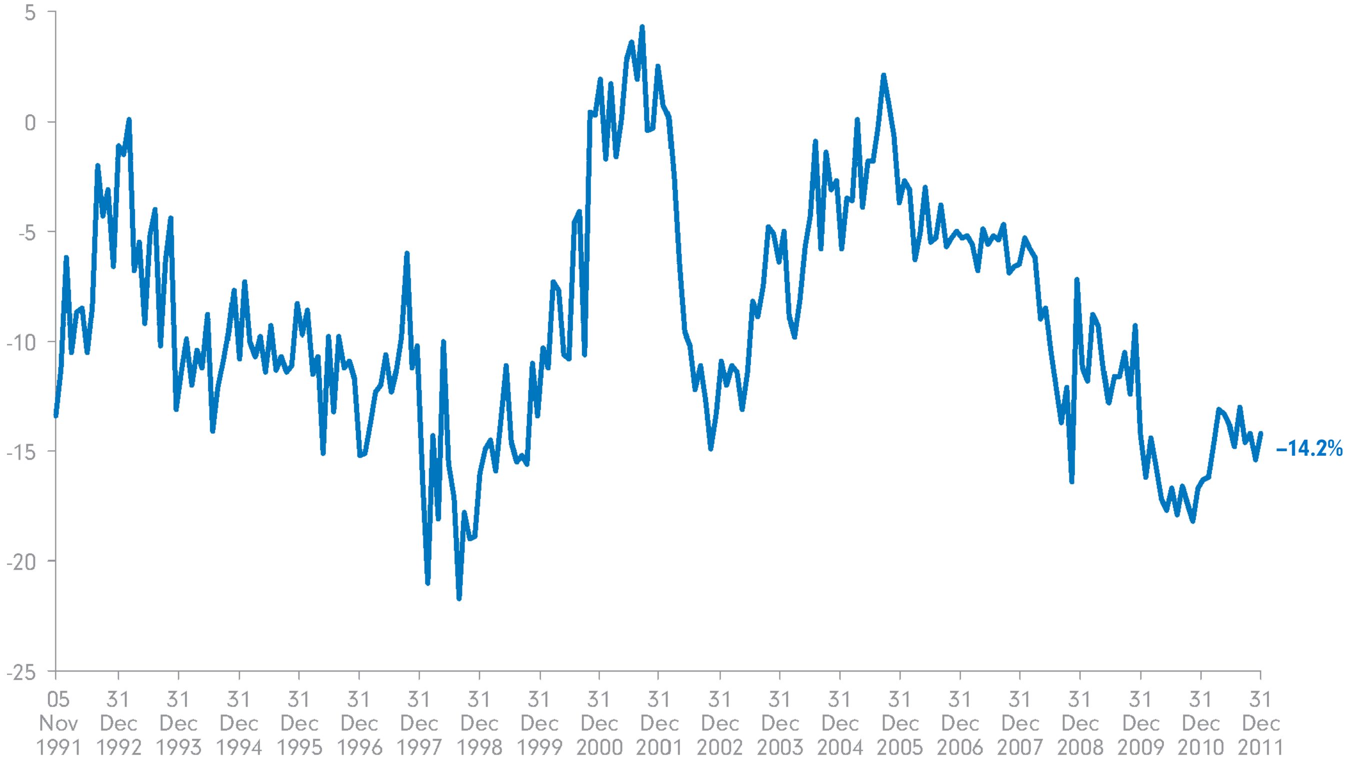
Summary of Performance

Total return performance relative to the benchmark Index from launch to 31 December 2011



Prices rebased to 100

Share price (discount)/premium to NAV from launch to 31 December 2011



Based on figures at month end only

Sources: Fidelity and Datastream

Basis: Bid-bid with net income reinvested

Board of Directors and Corporate Information

HUMPHREY VAN DER KLUGT[1,2]

(date of appointment as Director: 1 June 2007; date of appointment as Chairman: 19 May 2010) is a Chartered Accountant and was previously a Director of Schroder Investment Management Limited. In a 22 year career at Schroders, he was a member of the Group Investment and Asset Allocation Committees. He is a Director of BlackRock Commodities Income Investment Trust plc, Murray Income Trust plc and JPMorgan Claverhouse Investment Trust plc.

SIMON FRASER

(date of appointment: 26 July 2002) spent 27 years at Fidelity but retired from his executive responsibilities at the end of 2008. He started his career at Fidelity as an analyst and spent a number of years in Japan, most recently as Chief Investment Officer for the Asia/Pacific region. He returned to the UK in 1999 to take up the position of Chief Investment Officer for Fidelity International, a position he held until 2005. He is Chairman of Foreign and Colonial Investment Trust plc and Merchants Trust plc. He is also a director of Fidelity Japanese Values PLC, Barclays PLC, Barclays Bank PLC and Ashmore Group plc.

SIMON DUCKWORTH, DL[2]

(date of appointment: 24 February 2003) has been a member of the City of London Corporation since 2000 where he serves on the Corporation's Policy, Finance and Investment Committees. He is a director of Accumuli PLC and the Association of Police Authorities. He currently chairs the City of London Police Authority, the National Olympics Security Oversight Group and the Advisory Board of Barings Targeted Return Fund. One of HM's Lieutenants for the City of London, he holds a number of other public and charitable appointments.

JAMES ROBINSON[2,3]

(date of appointment: 1 June 2007) was Chief Investment Officer, Investment Trusts and Director of Hedge Funds at Henderson Global Investors prior to his retirement in 2005. A Chartered Accountant, he has 32 years' investment experience and is currently Chairman of Polar Capital Global Healthcare Growth and Income Trust plc, a director of Aberdeen New Thai Investment Trust PLC and Invesco Asia Trust plc. With effect from 1 April 2012 he will also serve as a director of J P Morgan Elect plc. He is also a Council Member and Chairman of the Investment Committee of the British Heart Foundation and an adviser to BOCM Pauls Limited.

ROBIN NIBLETT[2]

(date of appointment: 14 January 2010) has been Director and Chief Executive of Chatham House (the Royal Institute of International Affairs) since 2007. Prior to this he worked for the Center for Strategic and International Studies in Washington, DC, becoming Executive Vice President in 2001 and also serving as Director of its Europe Programme from 2004 to 2006. He is currently Chairman of the World Economic Forum's Global Agenda Council on Europe and a Council Member of the Overseas Development Institute.

1 Chairman of the Management Engagement Committee
2 Member of the Audit and Management Engagement Committees
3 Chairman of the Audit Committee and Senior Independent Director

MANAGER, SECRETARY AND REGISTERED OFFICE

FIL Investments International
Beech Gate
Millfield Lane
Lower Kingswood
Tadworth
Surrey KT20 6RP

FINANCIAL ADVISERS AND STOCKBROKERS

Winterflood Investment Trusts
The Atrium Building
Cannon Bridge
25 Dowgate Hill
London EC4R 2GA

INDEPENDENT AUDITOR

Grant Thornton UK LLP
Chartered Accountants and Registered Auditor
30 Finsbury Square
London EC2P 2YU

BANKERS AND CUSTODIAN

JPMorgan Chase Bank (London Branch)
125 London Wall
London EC2Y 5AJ

REGISTRARS

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4BR

LAWYERS

Slaughter and May
One Bunhill Row
London EC1Y 8YY

Speechly Bircham LLP
6 New Street Square
London EC4A 3LX

Directors' Report

The Directors have pleasure in presenting their report together with the audited financial statements of the Company for the year ended 31 December 2011. The Company was incorporated in England and Wales as a public limited company on 16 August 1991 under the name of Legistshelfco No. 112 PLC with the registered number 2638812. The name was changed to Fidelity European Values PLC in September 1991.

BUSINESS REVIEW

This section of the Directors' Report provides a review of the Company's business and describes the principal risks and uncertainties it faces.

BUSINESS OF THE COMPANY

The Company carries on business as an investment trust and was granted approval as such by HM Revenue & Customs under Section 1159 of the Corporation Tax Act 2010 for the accounting year ended 31 December 2010. This approval may be subject to review should there be any subsequent enquiry under Corporation Tax Self Assessment. The Directors are of the opinion that, since that date, the Company has conducted its affairs in a manner which will satisfy the conditions for continued approval as an investment trust under that Section.

The Company is registered as an investment company as defined in Section 833 of the Companies Act 2006 and operates as such. It is not a close company and has no employees.

OBJECTIVE, STRATEGY AND PRINCIPAL ACTIVITY

The Company's objective is to achieve long term capital growth from the stockmarkets of continental Europe. The Company aims to achieve this with an actively managed portfolio of investments, consisting primarily of continental European securities. As part of this strategy the Board has delegated the management of the portfolio and other services. The principal activity is to pursue the objective through operating as an investment trust company. Both the objective strategy and principal activity have remained unchanged throughout the year ended 31 December 2011.

The Board has reviewed the summary of the year's activities and is in agreement with the indications of likely future developments and the factors likely to affect these which are given in the Chairman's Statement on pages 3 and 4 and in the Manager's Review on pages 5 and 6.

The Board believes that individuals and institutions choose to invest in the Company because the stock selection approach adopted by the Portfolio Manager is considered to be well suited to achieving its objective. Although income has been received by way of dividend payments the emphasis is placed on capital growth. The Board recognises that investing in equities is a long term process and that the Company's returns to shareholders will vary from year to year. Unlike equivalent open-ended investment vehicles, the investment trust structure offers investors a portfolio which may be geared. The Board takes the view that long term returns can be enhanced by the use of gearing.

INVESTMENT POLICY

The Company invests principally in continental European securities with a view to achieving long term capital growth for shareholders. The portfolio is selected by the Manager on the basis of its assessment of the fundamental value available in individual situations. Whilst the Company's overall exposure to individual countries and industry sectors is monitored, the portfolio is not structured primarily on a country or industrial weightings basis, although certain investment restrictions apply in an attempt to diversify risk.

A minimum of 80% of gross assets will be invested in companies from countries which are included in the benchmark Index (the FTSE World Europe (ex UK) Index) and a maximum of 5% of gross assets may be invested in companies of non-European countries which have some European exposure or connection. A maximum of 10% of the Company's gross assets may be invested in the aggregate of: a) securities not listed on a recognised stock exchange and b) holdings in which the interest of the Company amounts to 20% or more of the equity capital of any listed company.

The Company will not invest more than 10% of gross assets in any one quoted company at the time of acquisition. A maximum of 5% of the Company's gross assets may be held in unquoted securities in aggregate at any one time.

The Company's normal policy is to be geared in the belief that long term investment returns will exceed the costs of gearing. This gearing will be obtained through the use of borrowing and/or through the use of Contracts for Difference ("CFDs") to obtain exposure to securities selected by the Manager. The effect of gearing is to magnify the consequence of market movements on the portfolio and if the portfolio value rises the NAV will be positively impacted, but if it falls the NAV will be adversely impacted. The Board is responsible for the level of gearing in the Company and reviews the position on a regular basis.

The aggregate exposure of the Company to equities, as a result of borrowing or under CFDs, will not exceed 130% of the total net assets at the time at which any CFD is entered into or a security acquired. It should be stressed that the majority of the Company's exposure to equities will be through direct investment, not CFDs. In addition, the limits on exposure to individual companies and groups will be calculated on the basis that the Company has acquired the securities to which any CFD is providing exposure.

The maximum amount of cash or cash equivalents held by the Company will be 25% of the Company's total net assets, but this limit will not include any cash or cash equivalent paid as collateral for unrealised losses on CFDs. In practice the cash position will normally be much lower.

The Board reserves the right to lend stock and/or assets of up to 10% of the Company's total net assets. The Board also reserves the right to hedge the portfolio by way of currency.

A maximum of 10% of the Company's gross assets may be invested in the securities of other investment companies (including listed investment trusts).

The Full Portfolio Listing as at 31 December 2011 is detailed on pages 49 and 50.

FIDELITY'S INVESTMENT MANAGEMENT PHILOSOPHY, STYLE AND PROCESS

The Portfolio Manager's key focus is on identifying attractively-valued companies which exhibit good long term structural growth prospects. The Portfolio Manager prefers companies that he believes can grow their dividend over the next three to five years, as evidence suggests that such companies outperform over the long term.

In order to identify these companies, the Portfolio Manager looks for the following main characteristics:

- positive fundamentals (structural growth prospects, a proven business model);
- the ability to generate cash;
- a strong balance sheet; and
- an attractive valuation.

The Portfolio Manager draws upon the substantial intelligence uncovered by Fidelity's team of pan-European analysts when researching stocks. A great deal of importance is placed on attending company meetings.

Being a bottom up stock picker, the Portfolio Manager aims to generate outperformance through company selection, on a three to five year investment horizon, rather than through sector or country bets.

CORPORATE ENGAGEMENT

The Board believes that the Company should, where appropriate, take an active interest in the affairs of the companies in which it invests and that it should exercise its voting rights at their general meetings. Unless there are any particularly controversial issues (which are then referred to the Board) it delegates the responsibility for corporate activism and shareholder voting to Fidelity. These activities are reviewed annually.

PREMIUM/DISCOUNT MANAGEMENT: ENHANCING SHAREHOLDER VALUE

The Board seeks authority from shareholders each year to issue new shares at a premium or repurchase shares for cancellation at a discount to the net asset value. It will only use these authorities to enhance the net asset value and to protect or improve the premium/discount rating of the shares. Details of share repurchases may be found on page 18 and the Chairman's Statement provides further information on page 3.

KEY PERFORMANCE INDICATORS

The key performance indicators ("KPIs") used to determine the progress and performance of the Company over time and which are comparable to those reported by other investment trusts are set out below. The first three KPIs, namely NAV, share price and benchmark, are concerned with change, whereas the remaining KPIs deal with absolute amounts.

	Year ended 31 Dec 2011 %	Year ended 31 Dec 2010 %	Three years ended 31 Dec 2011 %
NAV[1,2]	-11.5	+7.1	+5.6
Share price[2]	-8.6	-1.3	+9.5
FTSE World Europe (ex UK) Index[2,3]	-14.7	+5.1	+6.7
Discount to NAV	14.2	16.7	n/a
Gearing ratio	108.6	104.6	n/a
Total expense ratio	0.94	0.91	n/a

All figures are calculated on a total return basis
[1] Calculated in accordance with AIC guidelines
[2] Calculated on a total return basis
[3] Data prior to the year ended 31 December 2011 is on a net of tax basis

Source: Fidelity, Datastream and Fundamental Data as at 31 December 2011
Past performance is not a guide to future returns

The Summary of Performance graphs on pages 11 and 12 indicate the relative historical performance of the Company against its benchmark index since launch and the discount or premium to NAV over that period. Some of the Company's KPIs are considered to be beyond the Board's control, however they are measures of the Company's absolute and relative performance and the Board monitors them regularly. Indices and ratios which assist in managing performance and compliance are also reviewed, including the total expense ratio. Expenses are considered regularly at Board meetings and this enables the Board, amongst other things, to review costs and consider any expenditure outside that of its normal operations.

In addition to the KPIs set out above the Board regularly reviews the Company's performance against its peer group of investment trusts. The principal risks and uncertainties section on pages 16 and 17 includes descriptions of other performance indicators, their monitoring and management which are key to the business of the Company. Long term performance is also monitored and the Summary of Performance graphs on pages 11 and 12 show this information.

Directors' Report

ATTRIBUTION ANALYSIS

The attribution analysis table which follows enables contributions from various sources of income and costs to be determined.

Analysis of change in NAV during the year (pence per share)	
Starting NAV 1 January 2011	**1,335.78**
Impact of:	
Index	-167.13
Stock selection	60.63
Exchange rate	-29.43
Gearing	-16.24
Share repurchases	16.96
Charges	-15.06
Dividend paid	-15.75
Cash and residual	-1.19
Closing NAV 31 December 2011	**1,168.57**

Sources: Fidelity and Datastream
Past performance is not a guide to future returns

PRINCIPAL RISKS AND UNCERTAINTIES

The Board confirms that there is an ongoing process for identifying, evaluating and managing the principal risks faced by the Company. The Board, with the assistance of the Manager, has developed a risk matrix which, as part of the internal controls process, identifies the key risks that the Company faces. The matrix has identified strategic, marketing, investment management, company secretarial and other support function risks. The review by the Board is in accordance with the FRC's "Internal Control: Revised Guidance for Directors". The Board also determines the nature and extent of any risks it is willing to take in order to achieve its strategic objectives.

Risks identified in the matrix are:

1. Market risks

The Company's assets consist mainly of listed securities and the principal risks are therefore market related such as market downturn, interest rate movements, deflation/inflation, terrorism and protectionism.

The Portfolio Manager's success or failure to protect and increase the Company's assets against this background are core to the Company's continued success. Other factors affected by market forces, such as exchange and bond rates, contribute to risks which have to be taken as part of the Company's normal business. Risks associated with the Eurozone crisis can be found in the Chairman's Statement and Manager's Review.

Risks to which the Company is exposed and which form part of the market risks category are included in Note 17 to the financial statements on pages 43 to 46 together with summaries of the policies for managing these risks. These comprise: market price risk (comprising other price risk, interest rate risk and foreign currency risk), liquidity risk, counterparty risk, credit risk and derivative instruments risks.

The Company's €65,000,000 fixed term loan facility with Barclays Bank PLC and the amount drawn down from the €25,000,000 revolving credit facility with Lloyds TSB Bank plc were both repaid on maturity. The Company sought and received approval from shareholders to use CFDs for gearing purposes on 18 May 2011. The Company now has geared exposure through the use of long CFDs.

2. Performance risk

The achievement of the Company's performance objective relative to the market requires the application of risk. Strategy, asset allocation and stock selection might lead to underperformance of the benchmark index and target. Management of the risks set out above is carried out by the Board which, at each Board meeting, considers the asset allocation of the portfolio and the risk associated with particular countries and industry sectors within the parameters of the investment objective. The Portfolio Manager is responsible for actively monitoring the portfolio selected in accordance with the asset allocation parameters and seeks to ensure that individual stocks meet an acceptable risk/reward profile.

3. Income risks – dividends

In addition to the risk of the mis-management of funds by poor investment decisions, there is also a risk involved in income. The Company's objective is capital growth and, as explained in the Chairman's Statement on page 3, the Portfolio Manager is not constrained in any way to determine the level of income. The Board monitors this risk through the receipt of detailed income reports and forecasts which are considered at each meeting.

4. Share price, NAV and discount volatility risk

The price of the Company's shares relative to the benchmark index and in absolute terms, as well as its discount to net asset value, are factors which are not within the Company's total control. Some short term influence over the discount may be exercised by the use of share repurchases at acceptable prices. Details of repurchases during the year are given on page 18. The Company's share price, NAV and discount volatility are monitored daily by the Manager and considered by the Board at each of its meetings.

5. Gearing risk

The Company has the option to invest up to the total of any loan facilities or to use CFDs to invest in equities. In a rising market the Company will benefit but in a falling market the impact would be detrimental. In order to manage the level of gearing the Board regularly considers gearing and gearing risk and sets limits accordingly. The Portfolio Manager follows these and may hold short term cash deposits to control the level of net gearing (if gearing is held by way of a loan facility) appropriate to the circumstances as viewed at the time. The aggregate exposure will not exceed 130% of net assets at the time of investment.

6. Counterparty risk

The Company relies on a number of main counterparties, namely the Manager, Registrar and Custodian. The Manager is the member of a privately owned group of companies on which a regular report is provided to the Board. The Manager, Registrar and Custodian are subject to regular audits by Fidelity's internal audit team and the counterparties' own internal controls reports are received by the Board and any concerns investigated.

7. Control systems, regulation, governance including shareholder relations risks

The Company is dependent on the Manager's control systems and those of its Custodian and Registrar, both of which are monitored and managed by the Manager in the context of the Company's assets and interests on behalf of the Board. The security of the Company's assets, dealing procedures and the maintenance of investment trust status under Section 1159 of the Corporation Tax Act 2010, among other things, rely on the effective operation of such systems. These are regularly tested and a programme of internal audits is carried out by the Manager to maintain standards. Regular reports are provided to the Board.

8. Other risks

Other risks monitored on a regular basis include loan covenants, at times when the Company takes out loans, which are subject to daily monitoring, together with the Company's gearing and cash position, and the continuation vote (at a time of poor performance). Regular reports are provided to the Board.

ENVIRONMENTAL, EMPLOYEE, SOCIAL AND COMMUNITY MATTERS

The Company is managed by FIL Investments International, has no employees and all of its Directors are non-executive, the Company's day to day activities being carried out by third parties. There are therefore no disclosures to be made in respect of employees. The Board fully endorses Fidelity's strong procedures which are involved in the making of its investments.

The Company has no premises, consumes no electricity, gas or diesel fuel and consequently does not have a measurable carbon footprint. FIL Investments International is registered with the Carbon Reduction Commitment Energy Efficiency Scheme administered by the Environment Agency.

The Company's financial reports are printed by a company which has won awards for its environmental awareness and further details of this may be found on the back cover of this report. Financial reports and other publicly available documentation are also available on the Company's website www.fidelity.co.uk/its. Details about Fidelity's own community involvement may be found on its website www.fidelity.co.uk

SOCIALLY RESPONSIBLE INVESTMENT

The Manager's primary objective is to produce superior financial returns to investors. It believes that high standards of corporate social responsibility ("CSR") make good business sense and have the potential to protect and enhance investment returns. Consequently, its investment process takes social, environmental and ethical issues into account when, in its view, these have a material impact on either investment risk or return.

The Manager recognises and supports the view that social, environmental and ethical best practice should be encouraged so long as the potential for financial return is not reduced. It favours companies committed to high standards of CSR and to the principles of sustainable development.

The Manager does not set out to manage an "ethical investment fund" and does not screen out companies from its investment universe purely on the grounds of poor social, environmental or subjective ethical records. Instead it adopts a positive engagement approach whereby social, environmental and ethical matters are discussed with management with the aim of improving procedures and attitudes. The Manager believes that this is the most effective way to improve the attitude of business towards CSR and the Board endorses this approach.

GENERAL

DIVIDENDS

The Directors recommend that a final dividend of 26.50 pence (2010: 15.75 pence) per share be paid on 25 May 2012 to shareholders on the register at the close of business on 16 March 2012 (ex-dividend date 14 March 2012).

SHARE CAPITAL

The Company's issued share capital comprises ordinary shares of 25 pence each. As at 31 December 2011, 44,294,946 shares were in issue (2010: 49,449,986 shares). Each share in issue carries one vote. Deadlines for the exercise of voting rights and details of arrangements by which someone other than the shareholder can exercise voting rights in respect of this year's Annual General Meeting are detailed in the Notes to the Notice of Meeting on pages 53 and 54.

The Company's ordinary shares have a premium listing on the London Stock Exchange.

Directors' Report

SHARE CAPITAL – SHARE REPURCHASES AND SHARE ISSUES

Pursuant to the authority granted at the 2010 Annual General Meeting 1,347,218 ordinary shares of 25p each were repurchased for cancellation between 1 January 2011 and 17 May 2011. At the Annual General Meeting held on 18 May 2011 the Company's shareholders passed a special resolution which granted the Directors authority to purchase up to 7,366,800 ordinary shares in the market for cancellation. Pursuant to this authority, during the period 20 May 2011 to 31 December 2011 a further 3,807,822 ordinary 25p shares were repurchased for cancellation. In aggregate the total shares repurchased during the year ended 31 December 2011 was 5,155,040 (2010: 1,666,619) 11.6% of the issued share capital as at 31 December 2011 (2010: 3.3%) for a total consideration of £55,664,000 (2010: £17,968,000).

As at 31 December 2011, the total number of shares in issue was 44,294,946 (2010: 49,449,986). The authority to repurchase shares expires on 16 May 2012 and a special resolution to renew the authority in respect of up to 14.99% of the issued share capital as at 6 March 2012 will be put to shareholders for approval at the forthcoming Annual General Meeting.

Since the year end, a further eleven share repurchases have been made totalling 603,605 ordinary 25p shares. The issued share capital as at 6 March 2012 was 43,691,341. No share issues were made during the year (2010: nil).

POLITICAL AND CHARITABLE DONATIONS

The Company has not made any political or charitable donations in the year (2010: nil).

PAYMENT OF CREDITORS

The Company's principal supplier is the Manager who is paid in the month following the end of each calendar quarter in accordance with the terms of the Management Agreement (detailed below). The Company's policy for the year to 31 December 2012 (2011: same) for all suppliers, is to fix terms of payment when agreeing the terms of each business transaction to ensure that the supplier is aware of these terms and to abide by the agreed terms of payment. The Company did not have any trade creditors in the year (2010: nil).

MANAGEMENT COMPANY

During the year to 31 December 2011, the Manager, FIL Investments International, a subsidiary of FIL Limited, provided management, accounting, administrative and secretarial services to the Company pursuant to the Management Agreement dated 18 May 2010 as amended with effect from 1 January 2012.

For the year ended 31 December 2011, the Management Agreement provided a quarterly base fee of 0.2125% of net assets (2010: 0.2125% of net assets). The Management Agreement excludes the value of any investment in any other fund which is managed by the Manager or an Associate of the Manager in the calculation of fees. There was no additional company secretarial fee (2010: same). In addition there was an annual performance related fee of 20% (2010: 20%) of any change in net asset value in excess of the returns on the FTSE World Europe (ex UK) Index plus 0.5%.

Both the net asset value and Index are calculated on a total return basis, while the fee is based on the weighted average number of shares in issue.

In the event of underperformance of the NAV relative to the benchmark index in any year, no performance fee is payable for a subsequent accounting year unless and until such (and all cumulative) underperformance has been made good. The performance related fee was subject to an upper limit of 1.5% of net assets (2010: 1.5%). If performance is such that the performance related fee would exceed this cap, any excess outperformance would be carried forward and offset against any future underperformance deficit but will not be counted towards future performance related fees. For the year ended 31 December 2011 no performance fee was payable (2010: nil).

With effect from 1 January 2012 the annual performance related fee has been reduced from 20% to 15% of any change in net asset value as described above. The upper limit has been reduced from 1.5% to 1.0% of net assets.

The Board reviews the services provided by the Manager and also the terms of the Management Agreement on a regular basis. The Management Agreement will continue unless and until terminated by either party giving to the other not less than six months' notice in writing. The Management Agreement may, however, be terminated without compensation if the Company is liquidated in 2012, or in any subsequent year thereafter, pursuant to the procedures laid down in the Articles of Association of the Company.

The Management Agreement may also be terminated forthwith as a result of a material breach of the Agreement or on the insolvency of the Manager or the Company. In addition, the Company may terminate the agreement by six months' notice if the Manager ceases to be a subsidiary of FIL Limited or if the Board shall resolve at two successive quarterly meetings that there has been a material and continuing underperformance in the portfolio of assets.

The Management Engagement Committee met on 19 January 2012 and reviewed the performance of the Manager for the year to 31 December 2011. Further details of this review are included in the Company's Corporate Governance Statement on page 26. The Committee concluded that it was in the interests of shareholders that the appointment of the Manager should continue. The Manager also provides certain services, including marketing and administration, in connection with the Fidelity Investment Trust Share Plan and the Fidelity Individual Savings Account under an agreement dated 4 March 1996. The amount payable for these services for the year to 31 December 2011 was £119,000 (2010: £128,000). An amount of £1,350,000 (2010: £1,488,000) was due to the Manager under the above agreements at 31 December 2011 and is included in "other creditors" in Note 12 to the financial statements on page 41.

Fidelity has adopted a broker segmentation policy which has reduced the number of brokers used and allows it to concentrate on those brokers who, in its opinion, offer the best service in terms of overall execution. These brokers are Fidelity's "core" brokers. At the same time, the Manager evaluates the research provided by other brokers and uses some of them for their research. These brokers are called Secondary State Research firms ("SSRs"). As a consequence of the policy, the "core" brokers earn a larger percentage of the commission paid. These "core" brokers pay away some of the increased commission earned to the SSRs to compensate them for the research provided to Fidelity. Under FSA regulations this type of payment from one broker to another is currently treated as "softing". The Manager's soft commission policy complies with the UK regulations. Fidelity adopts a best execution policy that applies to all transactions in all instruments, regardless of the fund or account or location of the trading desk.

The Manager has an arrangement with certain brokers whereby a portion of commissions from security transactions may be paid to the Company to reduce transaction costs. Amounts received by the Company under this arrangement are credited to capital. In the year to 31 December 2011, £159,000 was received (2010: £212,000).

There is a regulatory requirement on the Manager to obtain best execution and no individual deal is entered into which prevents compliance with this requirement.

Mr Fraser was employed by the FIL Limited group until the end of December 2008. Mr Fraser is a Director of Barclays PLC and Barclays Bank PLC. Mr Fraser had no influence over the decision by Barclays Bank PLC in its former lending relationship with the Company.

FIL Limited has no interest in shares of the Company (2010: 112,379 shares or 0.23%).

DIRECTORS

Details of the Directors who served during the year to 31 December 2011 are set out on page 13 with a brief description of their careers, each of which indicates their qualifications for Board membership. Further details of the contribution made by the Directors may also be found in the Chairman's Statement on page 4. All of the Directors served throughout the year to 31 December 2011.

DIRECTORS' SHAREHOLDINGS

	31 December 2011	31 December 2010
Humphrey van der Klugt[1]	4,000	3,000
Simon Duckworth, DL[2]	2,000	1,500
Simon Fraser[3]	6,970	6,946
Robin Niblett	–	–
James Robinson[4]	3,000	2,000

[1] Purchase of 1,000 shares
[2] Purchase of 500 shares
[3] Dividend reinvestment resulted in purchase of 24 shares
[4] Purchase of 1,000 shares
(All holdings beneficial)

The Board complies with the AIC Code of Corporate Governance requirements for all Directors of FTSE 350 Companies to be subject to annual re-election. Further details on re-election can be found in the Corporate Governance Statement on page 24.

No Director is under a contract of service with the Company and no contracts existed during or at the end of the financial period in which any Director was materially interested and which were significant in relation to the Company's business, except as disclosed previously in relation to Mr Fraser's interest in the Management Agreement and his directorship of Barclays Bank PLC. There have been no other related party transactions requiring disclosure under Financial Reporting Standard ("FRS") 8. The interests of the Directors in the ordinary shares of the Company as at 31 December 2011 and 31 December 2010 are shown above.

Information on the Company's Articles of Association is included in the Corporate Governance Statement on page 23. Any amendments to the Company's Articles of Association must be made by special resolution.

DIRECTORS AND OFFICERS' LIABILITY INSURANCE

In addition to benefits enjoyed under the Manager's global Directors and Officers' insurance arrangements, the Company maintained insurance cover for its Directors and Officers under its own policy as permitted by the Companies Act 2006.

SUBSTANTIAL SHARE INTERESTS

As at 6 March 2012 notification had been received of the following interests in 3% or more of the voting rights of the Company:

Shareholders	%
Fidelity ISA and Share Plan	25.71
1607 Capital Partners	6.43
Rathbone Brothers PLC[1]	5.32
Berwin Dolphin	4.69
Legal & General Investment Management[2]	3.72

1 Indirect holding for Rathbone Group companies
2 Direct holding for various Legal & General entities

Analysis of Ordinary Shareholders as at 31 December 2011	% of issued share capital
Private individuals	52.51
Mutual funds	33.42
Pension funds	5.62
Insurance companies	5.27
Hedge funds	2.19
Trading companies	0.99
Total	**100.00**

Directors' Report

ANNUAL GENERAL MEETING

THIS SECTION IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you should seek your own personal financial advice from your stockbroker, bank manager, solicitor or other financial adviser authorised under the Financial Services and Markets Act 2000.

At the 2012 Annual General Meeting resolutions will be proposed to renew the Directors' authority to allot securities in the Company. The authorities sought by these resolutions are to replace the existing powers of the Directors which expire on the date of the Annual General Meeting and will provide the Directors with the flexibility to issue further ordinary shares if they deem it appropriate to do so. By law, directors are not permitted to allot new shares (or to grant rights over shares) unless authorised to do so by shareholders. Resolution 11 provides the Directors with a general authority to allot securities in the Company up to an aggregate nominal value of £546,141. If passed, this resolution will enable the Directors to allot a maximum of 2,184,564 ordinary shares which represents approximately 5% of the issued ordinary share capital of the Company as at 6 March 2012.

This authority provides the Directors with a degree of flexibility to increase the assets of the Company by the issue of new shares should any favourable opportunities arise to the advantage of shareholders. If new ordinary shares are allotted for cash, the Companies Act 2006 requires such new shares to be offered to existing holders of ordinary shares ("pre-emption rights"). In certain circumstances it is beneficial for the Directors to allot shares for cash otherwise than pro rata to existing shareholders and the Companies Act 2006 provides for shareholders to give such power to the Directors by waiving their pre-emption rights.

Resolution 12 is a special resolution disapplying pre-emption rights and granting authority to the Directors, without the need for further specific shareholder approval, to make allotments of equity securities for cash by way of (a) rights issues where practical considerations, such as fractions and foreign securities laws, make this desirable, and (b) other issues up to an aggregate nominal value of £546,141 (approximately 5% of the issued share capital of the Company as at 6 March 2012). The authority to issue ordinary shares for cash under Resolution 11 will, inter alia, enable the Directors to issue additional new ordinary shares to participants in the Fidelity Investment Trust Share Plan and the Fidelity ISA in the event that the ordinary shares are trading at a premium to their net asset value. The Directors would only intend to use this power if such premium were in excess of 2% and they considered that it was in the interests of shareholders to do so.

Resolution 13 is a special resolution which renews the Directors' authority to repurchase the Company's shares for cancellation. It is proposed that the Board be authorised to make arrangements to purchase through the London Stock Exchange up to 6,549,332 ordinary shares of 25 pence each (equivalent to 14.99% of the shares in issue at 6 March 2012). By utilising this power to repurchase shares when they are trading at a discount to net asset value, the Company will increase the resulting net asset value per share for remaining shareholders. Purchases of shares will be made at the discretion of the Board and within guidelines set from time to time by the Board in the light of prevailing market conditions. Purchases will only be made in the market at prices below the prevailing net asset value.

The full text of the resolutions is set out in the Notice of Meeting contained on pages 51 to 54.

Recommendation: The Board considers that each of the resolutions is likely to promote the success of the Company and is in the best interests of the Company and its shareholders as a whole. The Directors unanimously recommend that you vote in favour of the resolutions as they intend to do in respect of their own beneficial holdings.

CORPORATE GOVERNANCE

Full details are given in the Corporate Governance Statement on pages 22 to 27. The Corporate Governance Statement forms part of this Directors' Report.

AUDITOR'S RIGHT TO INFORMATION

As required by Section 418 of the Companies Act 2006 the Directors in office as at the date of this report each confirm that, so far as they are aware, there is no relevant audit information of which the Auditor is unaware and each Director has taken all the steps that ought to have been taken as a Director to make themselves aware of any relevant audit information and to establish that the Auditor is aware of that information.

AUDITOR'S APPOINTMENT

A resolution to reappoint Grant Thornton UK LLP as Auditor to the Company will be proposed at the forthcoming Annual General Meeting together with a resolution to authorise the Directors to determine the Auditor's remuneration.

By order of the Board
FIL Investments International
6 March 2012

Statement of Directors' Responsibilities

The Directors are responsible for preparing the annual report and financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial period. Under that law they have elected to prepare the financial statements in accordance with UK Generally Accepted Accounting Practice.

The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss for the period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for ensuring that adequate accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that its financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations the Directors are also responsible for preparing a Directors' Report, including a Business Review, a Directors' Remuneration Report and a Corporate Governance Statement that comply with that law and those regulations. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's pages of the Manager's website www.fidelity.co.uk/its. Visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in their own jurisdictions.

We confirm that to the best of our knowledge the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and the Directors' Report includes a fair review of the development and performance of the business and the position of the Company together with a description of the principal risks and uncertainties it faces.

Approved by the Board on 6 March 2012 and signed on its behalf.

Humphrey van der Klugt
Chairman
6 March 2012

Corporate Governance Statement

The Company is committed to high standards of corporate governance. Accordingly, the Board has put in place a framework for corporate governance which it believes is appropriate for an investment trust company. This Corporate Governance Statement forms part of the Directors' Report.

AIC CODE

The Board of Fidelity European Values PLC has considered the principles and recommendations of the AIC Code of Corporate Governance ("AIC Code") by reference to the AIC Corporate Governance Guide for Investment Companies ("AIC Guide"). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in Section 1 of the UK Code of Corporate Governance ("UK Code"), as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company. The Board considers that reporting against the principles and recommendations of the AIC Code and by reference to the AIC Guide (which incorporates the UK Code) will provide better information to shareholders. The AIC Code and the AIC Guide may be found at www.theaic.co.uk

The Board is accountable to the Company's shareholders for good governance and considers that the Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Code and associated disclosure requirements of the Listing Rules except as set out below. The UK Code includes provisions relating to:

- the role of the chief executive
- executive directors' remuneration
- the need for an internal audit function

For the reasons set out in the AIC Guide, and in the preamble to the UK Code, the Board considers that these provisions are not relevant to the position of Fidelity European Values PLC, being an externally managed investment company. The Company has therefore not reported further in respect of these provisions.

The Company has no separate Nomination & Remuneration Committee and in this respect does not comply with the UK Code principle A.4 and the equivalent AIC Code principle. The reasons for non-compliance are detailed on pages 23 and 24.

THE BOARD AND ITS COMMITTEES

THE BOARD

The Board of Directors has overall responsibility for the Company's affairs and for promoting the long term success of the Company. It delegates through the Management Agreement and through specific instructions the day to day management of the Company to the Manager, FIL Investments International. The Company has no executives or employees. All matters not delegated to the Manager are reserved for the Board's decision. Matters reserved for the Board include, inter alia, decisions on strategy, management, structure, capital, share issues, share repurchases, gearing, financial reporting, risk management, investment performance, share price discount, corporate governance, Board appointments and the appointment of the Manager and the Company Secretary. The Company's investment policy is detailed on pages 14 and 15.

The Board currently consists of five non-executive Directors, four of whom are independent of the Company's Manager and are considered to be free from any business or other relationship which could materially interfere with the exercise of their independent judgement. The Board follows a procedure of notification of other interests that may arise as part of considering any potential conflicts. Mr Robinson, the Senior Independent Director, fulfils the role as a "sounding board" for the Chairman and as intermediary for the other non-executive Directors where necessary.

Mr Fraser was an employee of the Manager until the end of December 2008 and is therefore not independent. The Board believes it to be an important aspect of the corporate governance of an investment trust company that there should be links with the Manager to ensure that the Manager is party to the responsibility, authority and accountability of the Board to the shareholders. The Directors are able to allocate sufficient time to the Company to discharge their responsibilities fully and effectively.

In common with most investment trusts there is no chief executive as the management function has been delegated as set out above and is supervised by the Chairman and the Board. The independent Directors form the membership of the Audit Committee and the Management Engagement Committee.

BOARD BALANCE

The Directors believe that the Board has an appropriate balance of skills, experience, independence, knowledge of the Company and length of service to discharge its duties and provide effective strategic leadership and proper governance of the Company. In particular the Directors have a wide knowledge and experience of fund management, investment trust management and business in Europe. Biographical details of all the Directors are given on page 13 of this report.

The Directors support the recommendations of Lord Davies of Abersoch in his report, "Women on Boards", published in 2011.

The Board has specifically considered the issues detailed therein and its policy is as follows:

The Board aims to have a balance of skills, expertise, length of service and knowledge of the Company represented on the Board. The Board carries out its candidate searches with full regard to the benefits of diversity, including gender, drawing from the widest possible pool of talent against a set of objective criteria, and makes its appointments on the basis of merit.

In line with the recommendations of the Davies Report the Board hopes to achieve at least 20% female representation on the Board between 2013 and 2015. Progress reports against this will be provided in each Annual Report.

Corporate Governance Statement

	Regular Board Meetings	Audit Committee Meetings	Management Engagement Committee Meetings
Humphrey van der Klugt	5/5	3/3	3/3
Simon Duckworth, DL	5/5	3/3	3/3
Simon Fraser	5/5	n/a	n/a
Robin Niblett	5/5	3/3	3/3
James Robinson	5/5	3/3	3/3

Figures indicate those meetings for which each Director was eligible to attend and attended in the year
Regular Board Meetings exclude procedural meetings held to discharge, for example, formal approvals

BOARD MEETINGS

The Board meets formally at least fives times a year and between these meetings there is regular contact with the Manager. Other meetings are arranged as necessary. Additionally, Board Committees and sub-groups meet to pursue matters referred from the Board and the Chairman is in contact with the other Directors regularly without representatives of the Manager being present. The Board ensures that it conducts its business at all times with only the interests of the shareholders in mind and quite independently of any other associations. It endeavours to provide leadership in terms of the direction of the Company.

The Board considers that it meets sufficiently regularly to discharge its duties effectively and the table above gives the attendance record for the formal meetings held during the year.

COMPANY SECRETARY

The Company Secretary is a corporate secretary. The appointment of the Company Secretary is a matter for the Board as a whole. The Directors have access to the advice and services of the Company Secretary through its appointed representative who is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. Each of the Directors of the Company is entitled to take independent professional advice, at the Company's expense, in the furtherance of their duties.

SUPPLY OF INFORMATION TO DIRECTORS

The Chairman is responsible for the promotion of a culture of openness and debate, for ensuring that the Directors receive accurate, timely and clear information and for ensuring that there is adequate time available for the discussion of agenda items, particularly strategic issues.

The Board receives in due time information in a form and of a quality appropriate to enable it to discharge its duties. The Board meeting papers are the key source of regular information for the Board, the contents of which are determined by the Board and contain sufficient information on the financial condition of the Company.

Key representatives of the Manager attend each Board meeting, enabling the Board to probe further on matters of concern or seek clarification on certain issues.

The Board has delegated certain of its corporate governance responsibilities to the Audit and Management Engagement Committees, each composed of all the independent Directors.

CHANGES TO THE BOARD

All appointments to the Board and replacements of Directors take place in accordance with the Companies Act, the Company's Articles of Association and the AIC Code. Whilst the independent Directors take the lead in the appointment of new Directors, any proposal for a new Director will be discussed and approved by the whole Board. As a consequence, there is no Nomination Committee. External consultants are used to identify potential candidates.

The Board carries out its candidate search against a set of objective criteria on the basis of merit, with due regard for the benefits of diversity on the Board, including gender.

The terms and conditions of appointment of Directors are available for inspection at the registered office of the Company and will be made available prior to the forthcoming Annual General Meeting.

CHANGES TO THE COMPANY'S ARTICLES OF ASSOCIATION

Changes to the Company's Articles of Association must be made by special resolution.

TRAINING

When a new Director is appointed to the Board, he or she is provided with all relevant information regarding the Company and his or her duties and responsibilities as a Director. In addition, a new Director will receive an induction, spending time with representatives of the Manager whereby he or she will become familiar with the various processes which the Manager considers necessary for the performance of its duties and responsibilities to the Company.

Corporate Governance Statement

The Company's policy is to encourage Directors to keep up to date and attend training courses on matters which are directly relevant to their involvement with the Company and the Chairman reviews and agrees development and training needs with each Director.

The Directors also receive regular briefings from, among others, the AIC, the Auditor and the Company Secretary regarding any proposed developments or changes in law or regulations that could affect the Company and/or the Directors.

ELECTION AND RE-ELECTION

As required by company law, all newly appointed Directors stand for election by the shareholders at the Annual General Meeting following their appointment by the Board. In accordance with the AIC Code all Directors are subject to annual re-election due to the Company's status as a FTSE 350 company. Biographical details can be found on page 13. A procedure has been put in place whereby formal letters of appointment, which specify the terms of appointment, are issued to new Directors on appointment and to existing Directors following re-election at the Annual General Meeting. The Board will consider the length of tenure as one of the matters under review during Director evaluations.

PERFORMANCE EVALUATION

A formal and rigorous process for the evaluation of the Board, its Committees and its Directors has been put in place and takes place regularly. The process includes regular discussion and regular written questionnaires, although the format may change from time to time to ensure that the Board does not become complacent in fulfilling a "box-ticking" exercise. If appropriate, interviews are held.

The performance and contribution to the Company of each Director holding office during the year to 31 December 2011 have been considered. It has been concluded that in each case the Directors have been effective and that they continue to demonstrate commitment to their roles. The candidature of the Directors seeking re-election has been endorsed by the Board as a whole which commends their re-election to shareholders. The performance of the Chairman is evaluated by the Board in the Chairman's absence on an annual basis. The Company Secretary and Portfolio Manager also participate in parts of these processes to provide all-round feedback to the Board. The results of these evaluations are discussed by the Board and the process is considered to be constructive in terms of identifying areas for improving the functioning and performance of the Board and action is taken on the basis of the results.

This year, in line with good corporate governance, the Board has arranged for an independent externally facilitated assessment of its performance to take place.

DIRECTORS' REMUNERATION

The level of Directors' fees is determined by the whole Board and therefore a separate Remuneration Committee has not been appointed. Directors do not vote on their own fees. These fees take into account the responsibilities, commitment and work involved for the Directors together with the levels of remuneration paid by similar companies.

Since all Directors are non-executive, the Company is not required to comply with the principles of the UK Code in respect of executive directors' remuneration. Directors' fees are disclosed fully in the Annual Report (see the Directors' Remuneration Report on page 28). Levels of fees are considered to be competitive and sufficient to attract and retain the standard of Directors needed to manage the Company successfully. The limit on aggregate fees is governed by the Company's Articles of Association. Shareholdings by Directors are encouraged and the Directors' share interests are disclosed on page 19 of the Directors' Report. The Directors do not receive performance related remuneration.

ACCOUNTABILITY AND AUDIT

FINANCIAL REPORTING

Set out on page 21 is a statement by the Directors of their responsibilities in respect of the preparation of the annual report and financial statements. The Auditor has set out its reporting responsibilities within the Independent Auditor's Report on page 30. The Board has a responsibility to present a balanced and understandable assessment of annual, half-yearly, other price sensitive public reports and reports to regulators, as well as to provide information required to be presented by statutory requirements. All such reports are reviewed and approved by the Board prior to their issue to ensure that this responsibility is fulfilled.

GOING CONCERN

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out on pages 14 to 15. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are described in the financial statements and notes thereto on pages 31 to 48. The Company's objectives, policies and processes for managing its capital, financial risk objectives, details and financial instruments and its exposures to credit and liquidity risk are also set out in the Business Review on pages 14 to 17 and in the notes to the financial statements on pages 35 to 48.

The Company's assets consist mainly of securities which are readily realisable. Where outsourcing arrangements are in place, including registrar and custodian services, alternative providers are readily available. As a consequence, the Directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The Board receives regular reports from the Manager and the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

The next continuation vote will be put to shareholders at the Annual General Meeting in 2013.

Corporate Governance Statement

INTERNAL CONTROL

The Board is responsible for the Company's systems of internal control and reviewing their effectiveness. The Board has contractually delegated to external agencies, including the Manager, the management of the investment portfolio, the custodial services (which include the safeguarding of the assets), the registration services and the day to day accounting and company secretarial requirements. Each of these contracts was entered into after full and proper consideration by the Board of the quality and cost of services offered including the control systems in operation in so far as they relate to the affairs of the Company. The Directors review the effectiveness of the Company's systems of internal control on a regular basis.

The identification, control and evaluation of risks identified covering financial, operational and compliance matters is formulated by a series of quarterly investment performance reports, internal controls reports and quarterly compliance reports as provided by the Manager. This process is in accordance with the FRC's "Internal control: Revised Guidance for Directors on the Combined Code", has been in place for the year ended 31 December 2011, continued to be in place up to the date of the approval of these financial statements and is expected to remain in place for the coming year. The systems of internal control are designed to manage and reduce rather than eliminate risk of failure to achieve business objectives and can only provide reasonable, but not absolute, assurance against material mis-statement or loss. The Board also determines the nature and extent of any risks it is willing to take in order to achieve its strategic objectives.

The Company's Audit Committee meets representatives of the Manager and receives reports on the quality and effectiveness of the accounting records and management information maintained on behalf of the Company. It reviews the annual and half-yearly financial statements and the nature, scope and findings of the statutory audit. The Board carries out a risk and control assessment including a review of the corporate strategy and the Manager's and other third party suppliers' risk management processes. The key element of this assessment is the internal controls report prepared by the Manager for its investment trust clients. The internal controls report sets out the Manager's control policies and procedures with respect to the management of its clients' investments. Whilst the Company, in common with most investment trusts, has no internal audit function, the effectiveness of these controls is monitored by the Manager's internal audit department. The Audit Committee receives and reviews the internal controls report on the effectiveness of the internal controls maintained on behalf of the Company and an annual compliance report from the Manager.

The Board also receives each year from the Manager a report on the Manager's internal controls which includes a report from the Manager's reporting accountants on the control procedures in operation around the investment management and administration processes.

By means of the procedures set out above and in accordance with the FRC's internal guidance, the Directors have established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company.

WHISTLE-BLOWING PROCEDURE

Part of the Manager's role in ensuring the provision of a good service pursuant to the Management Agreement includes the ability for employees of Fidelity to raise concerns through a workplace concerns escalation policy (or "whistle-blowing procedure"). Fidelity is committed to providing the highest level of service to its customers and to applying the highest standards of quality, honesty, integrity and probity. The aim of the policy is to encourage employees and others working for Fidelity to assist the Company in tackling fraud, corruption and other malpractice within the organisation and in setting standards of ethical conduct. This policy is endorsed accordingly.

BRIBERY ACT 2010

The Company is committed to carrying out business fairly, honestly and openly. The Board recognises the benefits this has to reputation and business confidence. The Board, the Investment Manager, the Investment Manager's employees and others acting on the Company's behalf, are expected to demonstrate high standards of behaviour when conducting business.
The Board acknowledges its responsibility for the implementation and oversight of the Company's procedures for preventing bribery, and the governance framework for training, communication, monitoring, reporting and escalation of compliance together with enforcing action as appropriate. The Board has adopted a zero tolerance policy in this regard.

AUDIT COMMITTEE AND AUDITOR

The Audit Committee consists of all of the independent Directors and is chaired by Mr Robinson. Mr van der Klugt is a member of the Audit Committee because the Board believes it to be appropriate for all independent Directors to have such responsibility. The Committee meets three times a year and considers that collectively its members have sufficient recent and relevant financial experience to discharge their responsibilities fully. The Committee's authority and duties are clearly defined in its written terms of reference which are available on the Company's pages of the Manager's website. These include responsibility for reviewing the half-yearly report and annual report and financial statements, reviewing the scope and results of the audit and the effectiveness and cost of the audit process and reviewing the Company's internal financial controls.

By means of the procedures set out above and in accordance with the FRC's internal guidance, the Directors have reviewed the effectiveness of the Manager's risk management and internal controls systems throughout the period. They also include responsibility for reviewing and monitoring the external Auditor's independence and objectivity with particular regard to the provision of non-audit services, taking into consideration relevant UK professional and regulatory requirements and to consider the risks associated with audit firms withdrawing from the market.

Corporate Governance Statement

The Audit Committee meets the Auditor at least once a year to review these and other appropriate matters. In the year to 31 December 2011 the Audit Committee discharged its responsibilities by inter alia:

- Reviewing the Company's draft annual and half-yearly financial statements prior to Board approval and reviewing the external Auditor's report on the annual financial statements;
- Determining the appropriateness of the Company's accounting policies;
- Reviewing and recommending the audit fee and reviewing any non-audit fees payable to the Company's external Auditor;
- Reviewing the external Auditor's terms of engagement including the appointment, reappointment or removal of the Auditor as appropriate;
- Evaluating the external Auditor's plan for the audit of the Company's financial statements;
- Reviewing the external Auditor's quality control procedures;
- Assessing and monitoring the effectiveness of the external audit process and the external Auditor's independence and objectivity;
- Considering the scope of work undertaken by the Manager's internal audit department;
- Reviewing reports on risk and internal controls and reporting to the Board;
- Considering and reconfirming that it does not need an internal audit function given that the Company delegates its day to day operations to third parties; and
- Recommending the appointment or reappointment of the external Auditor.

The last review of alternative audit service providers took place in 2006 resulting in a change of audit firm. The Auditor's continued appointment is reviewed each year and audit partners change at least once every five years. There are no contractual obligations that restrict the Committee's choice of Auditor.

The Committee also reviews corporate governance issues, the existence and performance of all controls operating in the Company (including the adherence to Section 1159 status) and, the relationship with and the performance of third party service providers (such as the Registrar and Custodian).

MANAGEMENT ENGAGEMENT COMMITTEE

The Management Engagement Committee consists of all of the independent Directors and is chaired by Mr van der Klugt. The Committee is charged with reviewing and monitoring the performance of the Manager and ensuring that the terms of the Company's Management Agreement are competitive and reasonable for shareholders. This Committee meets annually and reports to the Board of Directors, making recommendations where appropriate. The Committee's terms of reference may be found on the Company's pages of the Manager's website.

The level of remuneration of the Manager is agreed by the Management Engagement Committee; it relates to the investment management function, on which a percentage of the funds under management is paid. The management fee was renegotiated to include a performance related element with effect from 1 January 2007. This was further renegotiated with effect from 1 January 2012.

The criteria which are taken into consideration in reviewing the performance of the Manager are set out below:

- Quality of team – the skills and particularly the experience of the team involved in managing all aspects of the Company's business;
- Commitment of the Manager to the investment trust business generally and to the Company in particular;
- Managing the Company – in running and controlling the administration, the accounting and the secretaryship of the Company;
- Investment management – portfolio management skills, experience and track record and other investment related considerations including gearing, currencies, hedging, buybacks etc;
- Shareholders – shareholder consciousness and relations, discount management and commitment to the Company's goals; and
- Management Agreement – consideration of fees, notice periods and duties.

The Committee met on 19 January 2012 and reviewed the performance of the Manager for the year to 31 December 2011. The Committee noted the Company's good long term performance record and the commitment, quality and continuity of the team which was responsible for the Company. The Committee concluded that it was in the interests of shareholders that the appointment of the Manager should continue. Details of the Management Agreement appear on pages 18 and 19.

RESPONSIBILITY AS INSTITUTIONAL SHAREHOLDER

The Board has adopted the Manager's Principles of Ownership in relation to investments. These principles include the pursuit of an active investment policy through portfolio management decisions, voting on resolutions at general meetings and maintaining a continuing dialogue with the management of investee companies. The Manager, in its Principles of Ownership, expressly declares that it supports the Financial Reporting Council's Stewardship Code setting out the responsibilities of institutional shareholders and agents.

Further details of the Manager's Principles of Ownership and voting may be found at www.fidelity.co.uk

RELATIONS WITH SHAREHOLDERS

The Chairman is responsible for ensuring that all Directors are made aware of shareholders' concerns and the Chairman, the Senior Independent Director and other Directors have meetings with major shareholders to discuss strategy and governance. The shareholder profile of the Company is regularly monitored and the Board liaises with the Manager and the Company's broker to canvass shareholder opinion and communicate views to shareholders. The Company is concerned to provide the maximum opportunity for dialogue between the Company and shareholders. It is believed that institutional shareholders have proper access to the Manager at any time and to the Board if they so wish. If any shareholder wishes to contact a member of the Board directly they should contact the Company Secretary whose details are given on page 56.

Corporate Governance Statement

All shareholders, particularly individual shareholders, are encouraged to attend the Annual General Meeting at which there is a presentation of the past year's results and the forthcoming year's prospects, followed by the opportunity to meet the Board and representatives of the Manager.

At general meetings all proxy votes are counted and, except where a poll is called, proxy voting is reported for each resolution after it has been dealt with on a show of hands. Proxy votes are disclosed on the Company's pages of the Manager's website.

The Notice of the Annual General Meeting on pages 51 to 54 sets out the business of the meeting and the resolutions dealing with special business are explained more fully in the Directors' Report on page 20. A separate resolution is proposed on each substantially separate issue including the annual report and financial statements. The Chairman of the Board and the Chairman of the Audit Committee will be available to answer questions at the Annual General Meeting. The Notice of the Annual General Meeting and related papers are sent to shareholders at least 20 working days before the meeting.

DISCLOSURE AND TRANSPARENCY RULES

Other information required to be disclosed pursuant to the Disclosure and Transparency Rules has been placed in the Directors' Report on pages 14 to 20 because it is information which refers to events that have taken place during the course of the year. The following is a list of that information:

Directors' shareholdings
Directors and Officers' liability insurance
Substantial share interests
Share capital
Share issues
Share repurchases

On behalf of the Board

Humphrey van der Klugt
6 March 2012

Directors' Remuneration Report

This report has been prepared in accordance with Sections 420 - 422 of the Companies Act 2006 in respect of the year ended 31 December 2011. An ordinary resolution for the approval of this report will be put to the members at the forthcoming Annual General Meeting. The law requires the Company's Auditor to audit certain parts of the disclosures provided. Where disclosures have been audited they are indicated as such. The Auditor's opinion is included in its report on page 30.

REMUNERATION

The determination of the Directors' fees is a matter dealt with by the whole Board.

The Company's Articles of Association limit the fee payable to the Board of Directors to a total of £50,000 per annum per Director. Subject to this overall limit it is the Company's policy to determine the level of Directors' fees having regard to the level of fees payable to non-executive directors in the industry generally, the role that individual Directors fulfil and the time committed to the Company's affairs. It is intended that this policy will continue for the year ending 31 December 2012 and subsequent years.

All Directors are non-executive and no Director has a service contract with the Company. The Company does not offer payments to Directors on termination.

The Company's investment objective is to achieve long term capital growth from the stockmarkets of Continental Europe.

The Company's performance is measured against the FTSE World Europe (ex UK) Index as this is the most appropriate in respect of its asset allocation.

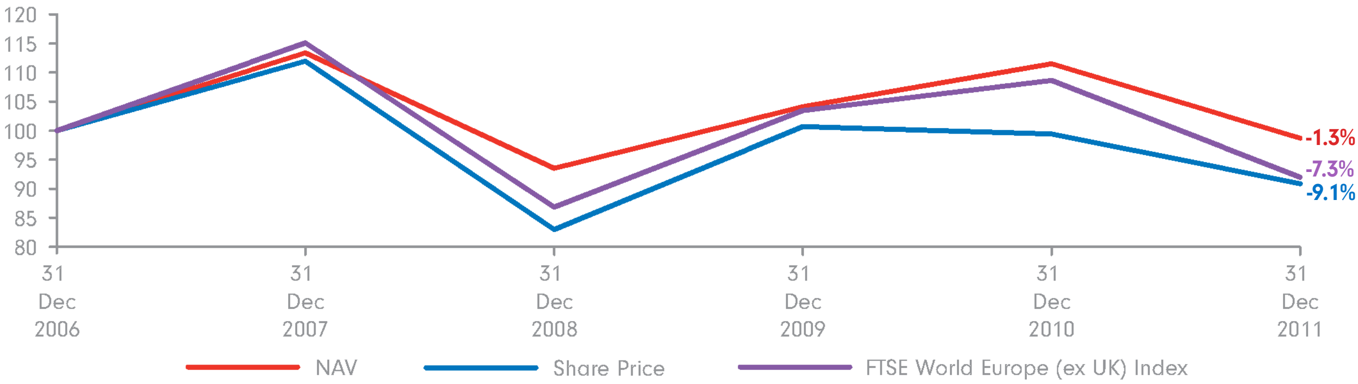
REMUNERATION OF DIRECTORS (AUDITED)

No Director received any bonus, taxable expenses, compensation for loss of office or non-cash benefits for the year ended 31 December 2011 or the year ended 31 December 2010. The fee structure with effect from 1 July 2011 is as follows: Chairman - £33,000; Chairman of the Audit Committee - £25,000; and Director - £22,500. Prior to this change, fees had not been increased since January 2008.

	2011 fees (£)	2010 fees (£)
Humphrey van der Klugt	30,000	25,000
Simon Duckworth, DL	21,000	19,000
Simon Fraser	21,000	19,000
Robin Niblett[1]	21,000	18,500
James Robinson	23,000	20,000
Robert Walther[2]	-	10,500
Total	**116,000**	**112,000**

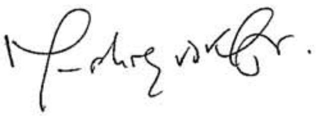
[1] Appointed 14 January 2010
[2] Retired 18 May 2011

Performance from 1 January 2007 to 31 December 2011 (on a total return basis)



Sources: Fidelity and Datastream
Basis: bid-bid with net income reinvested
Past performance is not a guide to future returns

On behalf of the Board



Humphrey van der Klugt
6 March 2012

Financial Calendar

The key dates in the Company's calendar are:

31 December 2011 – financial year end

6 March 2012 – announcement of results

15 March 2012 – publication of this report

Mid May 2012 – interim management statement (as at 31 March 2012)

16 May 2012 – Annual General Meeting

30 June 2012 – half-year end

July/August 2012 – announcement of half-yearly results to 30 June 2012

August 2012 – publication of half-yearly report

Mid November 2012 – interim management statement (as at 30 September 2012)

Independent Auditor's Report to the Members of Fidelity European Values PLC

We have audited the financial statements of Fidelity European Values PLC for the year ended 31 December 2011 which comprise the Income Statement, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Statement of Directors' Responsibilities set out on page 21, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2011 and of its net loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules, we are required to review:

- the Directors' statement, set out on page 24, in relation to going concern;
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to the shareholders by the Board on Directors' remuneration.

Julian Bartlett
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
6 March 2012

Income Statement for the year ended 31 December 2011

	Notes	2011 revenue £'000	2011 capital £'000	2011 total £'000	2010 revenue £'000	2010 capital £'000	2010 total £'000
(Losses)/gains on investments designated at fair value through profit or loss	9	–	(94,320)	(94,320)	–	33,621	33,621
Gains on derivative instruments held at fair value through profit or loss	10	–	3,201	3,201	–	–	–
Income	2	22,831	–	22,831	18,883	–	18,883
Investment management fee	3	(5,127)	–	(5,127)	(5,036)	–	(5,036)
Other expenses	4	(710)	–	(710)	(664)	–	(664)
Exchange (losses)/gains on other net assets		(73)	(2,639)	(2,712)	65	(4,808)	(4,743)
Exchange gains on loans		–	1,394	1,394	–	4,153	4,153
Net return/(loss) before finance costs and taxation		16,921	(92,364)	(75,443)	13,248	32,966	46,214
Finance costs	5	(2,617)	–	(2,617)	(3,025)	–	(3,025)
Net return/(loss) on ordinary activities before taxation		14,304	(92,364)	(78,060)	10,223	32,966	43,189
Taxation on return/(loss) on ordinary activities	6	(1,511)	50	(1,461)	(2,262)	(60)	(2,322)
Net return/(loss) on ordinary activities after taxation for the year		12,793	(92,314)	(79,521)	7,961	32,906	40,867
Return/(loss) per ordinary share	7	26.94p	(194.42p)	(167.48p)	15.95p	65.91p	81.86p

A Statement of Total Recognised Gains and Losses has not been prepared as there are no gains and losses other than those reported in this Income Statement.
The total column of the Income Statement is the profit and loss account of the Company.
All revenue and capital items in the above statement derive from continuing operations.
No operations were acquired or discontinued in the year.

The Notes on pages 35 to 48 form an integral part of these financial statements.

Reconciliation of Movements in Shareholders' Funds

for the year ended 31 December 2011

	Note	share capital £'000	share premium account £'000	capital redemption reserve £'000	capital reserve £'000	revenue reserve £'000	total equity £'000
Opening shareholders' funds: 1 January 2010		12,779	58,615	3,046	558,047	16,448	648,935
Net return on ordinary activities after taxation for the year		–	–	–	32,906	7,961	40,867
Repurchase of ordinary shares		(417)	–	417	(17,968)	–	(17,968)
Dividend paid to shareholders	8	–	–	–	–	(11,292)	(11,292)
Closing shareholders' funds: 31 December 2010		12,362	58,615	3,463	572,985	13,117	660,542
Net (loss)/return on ordinary activities after taxation for the year		–	–	–	(92,314)	12,793	(79,521)
Repurchase of ordinary shares		(1,289)	–	1,289	(55,664)	–	(55,664)
Dividend paid to shareholders	8	–	–	–	–	(7,740)	(7,740)
Closing shareholders' funds: 31 December 2011		11,073	58,615	4,752	425,007	18,170	517,617

The Notes on pages 35 to 48 form an integral part of these financial statements.

Balance Sheet as at 31 December 2011

	Notes	2011 £'000	2010 £'000
Fixed assets			
Investments designated at fair value through profit or loss	9	504,409	693,547
Current assets			
Derivative assets held at fair value through profit or loss	10	4,423	–
Debtors	11	887	2,106
Fidelity Institutional Liquidity Fund plc		31	21,533
Cash at bank		12,371	3,976
		17,712	27,615
Creditors - amounts falling due within one year			
Derivative liabilities held at fair value through profit or loss	10	(1,314)	–
Other creditors	12	(3,190)	(4,808)
Fixed rate unsecured loan	12	–	(55,812)
		(4,504)	(60,620)
Net current assets/(liabilities)		13,208	(33,005)
Total net assets		517,617	660,542
Capital and reserves			
Share capital	13	11,073	12,362
Share premium account		58,615	58,615
Capital redemption reserve		4,752	3,463
Capital reserve		425,007	572,985
Revenue reserve		18,170	13,117
Total equity shareholders' funds		517,617	660,542
Net asset value per ordinary share	14	1,168.57p	1,335.78p

The financial statements on pages 31 to 48 were approved by the Board of Directors on 6 March 2012 and were signed on its behalf by:

Humphrey van der Klugt
Chairman

The Notes on pages 35 to 48 form an integral part of these financial statements.

Cash Flow Statement for the year ended 31 December 2011

	Notes	2011 £'000	2010 £'000
Operating activities			
Investment income received		16,783	14,713
Deposit interest received		78	188
Investment management fee paid		(5,384)	(4,958)
Directors' fees paid		(107)	(112)
Other cash payments		(494)	(735)
Net cash inflow from operating activities	15	10,876	9,096
Servicing of derivatives and bank loans			
Interest paid on long CFDs and bank loans		(2,606)	(3,054)
Net cash outflow from servicing of finance		(2,606)	(3,054)
Taxation			
Taxation recovered		2,608	1,485
Taxation recovered		2,608	1,485
Financial investment			
Purchase of investments		(278,237)	(555,131)
Disposal of investments		372,990	554,223
Net cash inflow/(outflow) from financial investment		94,753	(908)
Derivative activities			
Proceeds of long CFD positions closed		92	–
Net cash inflow from derivative activities		92	–
Dividend paid to shareholders		(7,740)	(11,292)
Net cash inflow/(outflow) before use of liquid resources and financing		97,983	(4,673)
Cash flow from management of liquid resources			
Fidelity Institutional Liquidity Fund plc		21,502	24,290
Net cash inflow from management of liquid resources		21,502	24,290
Net cash inflow before financing		119,485	19,617
Financing			
Repurchase of ordinary shares		(54,354)	(19,590)
Loans repaid		(54,418)	(33,147)
Net cash outflow from financing		(108,772)	(52,737)
Increase/(decrease) in cash	16	10,713	(33,120)

The Notes on pages 35 to 48 form an integral part of these financial statements.

Notes to the Financial Statements

1. ACCOUNTING POLICIES

The Company has prepared its financial statements in accordance with United Kingdom Generally Accepted Accounting Practice ("UK GAAP") and with the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts" ("SORP") issued by the Association of Investment Companies ("AIC"), in January 2009.

a) Basis of accounting - The financial statements have been prepared on a going concern basis and under the historical cost convention, except for the measurement at fair value of fixed asset investments and derivative assets and liabilities, and on the assumption that approval as an investment trust will be granted by HM Revenue and Customs.

b) Income - Income from equity investments is credited to the Income Statement on the date on which the right to receive the payment is established. Overseas dividends are stated gross of withholding tax. UK dividends are stated at the amount actually receivable, which is net of the attaching tax credit. Interest receivable on short term deposits is credited on an accruals basis. Where the Company has elected to receive its dividends in the form of additional shares rather than cash, the amount of the dividend foregone is recognised in the revenue column of the Income Statement. Any excess in the value of the shares received over the amount of the dividend foregone is recognised in the capital column of the Income Statement. Derivative income from dividends on long contracts for difference ("CFDs") is included in 'Income' and recognised in the revenue column of the Income Statement.

c) Special dividends - Special dividends are treated as a capital receipt or a revenue receipt depending on the facts and circumstances of each particular case.

d) Expenses and finance costs - All expenses are accounted for on an accruals basis and are charged in full to the revenue column of the Income Statement with the exception of any performance fee which is charged wholly to the capital column, as it arises mainly from capital returns on the portfolio. Finance costs are accounted for using the effective interest rate method and in accordance with the provisions of Financial Reporting Standard ("FRS") 26 "Financial Instruments: Recognition and Measurement".

e) Taxation - Irrecoverable overseas withholding tax suffered is recognised at the same time as the income to which it relates. Deferred taxation is recognised in respect of all timing differences that have originated, but not reversed, at the balance sheet date, where transactions or events that result in an obligation to pay more, or a right to pay less tax in the future have occurred. A deferred taxation asset is recognised when it is more likely than not that the asset will be recoverable.

f) Foreign currency - The Directors, having regard to the currency of the Company's share capital and the predominant currency in which its investors operate, have determined the functional currency to be UK sterling. Transactions denominated in foreign currencies are calculated in UK sterling at the rate of exchange ruling as at the date of transactions. Assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. All capital gains and losses, including exchange differences on the translation of foreign currency assets and liabilities, are dealt with in 'capital reserve'.

g) Valuation of investments - The Company's business is investing in financial assets with a view to profiting from their total return in the form of income and capital growth. This portfolio of financial assets is managed and its performance evaluated on a fair value basis, in accordance with a documented investment strategy, and information about the portfolio is provided internally on that basis to the Company's Board of Directors and other key management personnel. Accordingly, upon initial recognition the investments are designated by the Company as "at fair value through profit or loss". They are included initially, and subsequently measured, at fair value, which is measured as follows:

- Investments listed overseas are valued at bid prices, or last prices, depending on the convention of the exchange on which they are listed, otherwise at fair value based on published price quotations; and
- Unlisted investments, where there is not an active market, are valued using an appropriate valuation technique so as to establish what the transaction price would have been at the balance sheet date.

In accordance with the AIC SORP the Company includes transaction costs within (losses)/gains on investments and has disclosed them in Note 9 on page 40.

Notes to the Financial Statements

h) Derivative instruments - The Company repaid its loans during the year and has obtained equivalent exposure to European equities through the use of long CFDs. The gearing level is monitored and reviewed by the Board.

CFDs are measured at fair value which is the difference between the settlement price of the contract and the fair value of the underlying shares in the contract calculated in accordance with policy 1(g).

All gains and losses in the fair value of the CFDs are included in 'Gains/(losses) on derivatives instruments held at fair value through profit or loss' in the capital column of the Income Statement.

Income received from dividends on the long CFDs is included in 'Income' and the finance costs are included in 'Finance costs', in the revenue column of the Income Statement.

i) Fidelity Institutional Liquidity Fund plc - The Company holds an investment in Fidelity Institutional Liquidity Fund plc - Euro Fund (the "Fund"). The Fund invests in low risk short term investments. It distributes its income and accordingly the interest earned within the Fund is treated as income.

j) Loans - Loans are initially included in the financial statements at cost, being the fair value of the consideration received, net of any issue costs relating to the borrowing. After initial recognition, the loans are measured at amortised cost using the effective interest method. The amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement.

k) Capital reserve - The following are accounted for in the capital reserve:

- Gains and losses on the disposal of investments and derivative instruments;
- Changes in the fair value of the investments and derivative instruments held at the year end;
- Foreign exchange gains and losses of a capital nature;
- Performance fee chargeable to capital;
- Dividends receivable which are capital in nature; and
- Costs of repurchasing ordinary shares.

As a result of technical guidance by the Institute of Chartered Accountants in England and Wales in TECH 02/10: Distributable profits that arise from changes in fair value of investments which are readily convertible to cash, without accepting adverse terms at the balance sheet date, can be treated as realised. Capital reserves realised and unrealised are shown in aggregate as 'capital reserve' in the Reconciliation of Movements in Shareholders' funds and the Balance Sheet. At the balance sheet date all investments held by the Company were listed on a recognised stock exchange and were considered to be readily convertible to cash.

l) Dividends - In accordance with FRS 21: "Events after the Balance Sheet Date" dividends declared and approved by the Company after the balance sheet date have not been recognised as a liability of the Company at the balance sheet date.

2. INCOME

	2011 £'000	2010 £'000
Income from investments designated at fair value through profit or loss		
Overseas dividends	20,518	18,344
Overseas scrip dividends	1,987	352
UK dividends	244	–
	22,749	18,696
Other income		
Deposit interest	46	55
Income from Fidelity Institutional Liquidity Fund plc	36	132
Total income	22,831	18,883

3. INVESTMENT MANAGEMENT FEE	2011 £'000	2010 £'000
Investment management fee	5,127	5,036

A summary of the terms of the Management Agreement is given in the Directors' Report on page 18.

4. OTHER EXPENSES	2011 £'000	2010 £'000
AIC fees	28	36
Custody fees	149	132
Directors' fees *	116	112
Legal and professional fees	90	70
Marketing expenses **	119	72
Printing and publication expenses	74	109
Registrars' fees	81	86
Other expenses	32	27
Fees payable to the Company's Auditor		
- for the audit of the annual financial statements ***	20	20
- for a review of the Management Agreement	1	–
	710	664

* Details of the breakdown of Directors' fees are provided on page 28 within the Directors' Remuneration Report
** Marketing expenses in 2010 included the release of £56,000 due to an underspend of the 2009 provision
*** VAT on the Auditor's remuneration is included in 'other expenses'

5. FINANCE COSTS	2011 £'000	2010 £'000
Interest on fixed rate unsecured loans	2,480	3,025
Interest paid on long CFDs	137	–
	2,617	3,025

Notes to the Financial Statements

	2011 revenue £'000	2011 capital £'000	2011 total £'000	2010 revenue £'000	2010 capital £'000	2010 total £'000
6. TAXATION ON RETURN/(LOSS) ON ORDINARY ACTIVITIES						
a) Analysis of the taxation charge/(credit) for the year						
UK corporation tax	–	(50)	(50)	(60)	60	-
Overseas taxation suffered	3,799	–	3,799	3,687	–	3,687
Overseas taxation recovered	(2,288)	–	(2,288)	(1,365)	–	(1,365)
Total current taxation for the year (see Note 6b)	1,511	(50)	1,461	2,262	60	2,322

b) Factors affecting the taxation charge/(credit) for the year

The taxation assessed for the year is lower than the standard rate of UK corporation tax for an investment trust company of 26.5% (2010: 28.0%).

The differences are explained below.

	2011 revenue £'000	2011 capital £'000	2011 total £'000	2010 revenue £'000	2010 capital £'000	2010 total £'000
Net return/(loss) on ordinary activities before taxation	14,304	(92,364)	(78,060)	10,223	32,966	43,189
Return/(loss) on ordinary activities multiplied by the standard rate of corporation tax of 26.5% (2010: 28.0%)	3,791	(24,476)	(20,685)	2,862	9,231	12,093
Effects of:						
(Losses)/gains on investments not taxed*	–	24,426	24,426	–	(9,171)	(9,171)
Income not included for taxation purposes	(5,416)	–	(5,416)	(4,066)	–	(4,066)
Movement in excess expenses for the year	1,650	–	1,650	1,144	–	1,144
Overseas taxation	1,511	–	1,511	2,322	–	2,322
Overseas taxation relief	(25)	–	(25)	–	–	–
Current taxation charge/(credit) (Note 6a)	1,511	(50)	1,461	2,262	60	2,322

*Investment trust companies are exempt from taxation on capital gains if they meet the HM Revenue & Customs criteria set out in Section 1159 of the Corporation Tax Act 2010.

c) The Company has unrelieved excess expenses of £5,640,000 (2010: £1,678,000) and unrelieved loan relationship expenses of £5,505,000 (2010: £3,025,000). It is unlikely that the Company will generate sufficient taxable profits in the future to utilise these amounts and therefore no deferred tax asset has been recognised.

7. RETURN/(LOSS) PER ORDINARY SHARE

	2011 revenue	2011 capital	2011 total	2010 revenue	2010 capital	2010 total
Return/(loss) per ordinary share - pence	26.94	(194.42)	(167.48)	15.95	65.91	81.86
Net return/(loss) on ordinary activities after taxation for the year - £'000	12,793	(92,314)	(79,521)	7,961	32,906	40,867

The return/(loss) per ordinary share is based on 47,482,953 ordinary shares (2010: 49,925,614) being the weighted average number of ordinary shares in issue during the year.

8. DIVIDENDS

	2011 £'000	2010 £'000
Dividend paid:		
Interim dividend of 22.50 pence per share paid for the year ended 2009	–	11,292
Final dividend of 15.75 pence per share paid for the year ended 31 December 2010	7,740	–
	7,740	11,292
Dividend proposed:		
Final dividend of 26.50 pence per share proposed for the year ended 31 December 2011 (2010: 15.75 pence) based on the number of shares in issue at the date of this report	11,578	7,740

The Directors have proposed the payment of a final dividend for the year ended 31 December 2011 of 26.50 pence per share to be paid on 25 May 2012, to shareholders on the register at the close of business on 16 March 2012 (ex-dividend date 14 March 2012).

9. INVESTMENTS

	2011 £'000	2010 £'000
Investments designated at fair value through profit or loss		
Investments listed on a recognised stock exchange	504,409	693,547

	2011 Listed £'000
Opening book cost	594,691
Opening investment holding gains	98,856
Opening fair value of investments	693,547
Movements in the year	
Purchases at cost	277,250
Sales - proceeds	(372,068)
Sales - gains in the year	14,401
Movement in investment holding losses in the year	(108,721)
Closing fair value of investments	504,409
Closing book cost	514,274
Closing investment holding losses	(9,865)
Closing fair value of investments	504,409

Notes to the Financial Statements

9. INVESTMENTS (continued)	2011 £'000	2010 £'000
Net (losses)/gains on investments designated at fair value through profit or loss		
Gains on sales of investments	14,401	8,233
Investment holding (losses)/gains	(108,721)	25,388
	(94,320)	33,621

The portfolio turnover rate for the year was 47.6% (2010: 80.7%).

	2011 £'000	2010 £'000
Net (losses)/gains on investments are shown net of investment transaction costs as summarised below:		
Purchases	440	580
Sales	318	592
	758	1,172

	2011		2010	
	fair value £'000	exposure £'000	fair value £'000	exposure £'000
10. DERIVATIVE INSTRUMENTS				
At the year end the Company held the following long CFDs				
Long CFDs – assets	4,423	41,163	–	–
Long CFDs – liabilities	(1,314)	16,361	–	–
	3,109	57,524	–	–

	2011 £'000	2010 £'000
Net gains on derivative instruments held at fair value through profit or loss in the year		
Gains on long CFD positions closed	92	–
Movement in investment holding gains on long CFDs	3,109	–
	3,201	–

Notes to the Financial Statements

11. DEBTORS	2011 £'000	2010 £'000
Securities sold for future settlement	–	1,076
Taxation recoverable	753	1,023
Other debtors	134	7
	887	2,106

12. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR	2011 £'000	2010 £'000
Securities purchased for future settlement	62	2,870
Amount payable on share repurchases	1,599	289
Currency payable	–	1
Finance costs payable	24	13
Other creditors	1,505	1,635
Fixed rate unsecured loan @ 4.38% per annum	–	55,812
	3,190	60,620

The Company's €65,000,000 credit facility agreement with Barclays Bank plc expired on 15 December 2011 and was not renewed. The Company repaid the €65,000,000 loan at 4.38% and is now using long CFDs for gearing purposes.

The Company's €25,000,000 credit facility agreement with Lloyds TSB Bank plc also expired on 15 December 2011 and was not renewed. During the year the Company drew down €7,500,000 of the facility as an unsecured loan. This was repaid on 18 November 2011.

	2011		2010	
13. SHARE CAPITAL	Shares	£'000	Shares	£'000
Issued, allotted and fully paid:				
Ordinary shares of 25 pence each				
Beginning of the year	49,449,986	12,362	51,116,605	12,779
Repurchase of ordinary shares	(5,155,040)	(1,289)	(1,666,619)	(417)
End of the year	44,294,946	11,073	49,449,986	12,362

14. NET ASSET VALUE PER ORDINARY SHARE

The net asset value per ordinary share is based on net assets of £517,617,000 (2010: £660,542,000) and on 44,294,946 (2010: 49,449,986) ordinary shares, being the number of ordinary shares in issue at the year end.

Notes to the Financial Statements

15. RECONCILIATION OF NET (LOSS)/RETURN BEFORE FINANCE COSTS AND TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES	2011 £'000	2010 £'000
Net (loss)/return before finance costs and taxation	(75,443)	46,214
Capital loss/(return) for the year	92,364	(32,966)
Net revenue return before finance costs and taxation	16,921	13,248
Scrip dividends	(1,987)	(352)
(Increase)/decrease in other debtors	(127)	2,456
Decrease in other creditors	(132)	(2,330)
Overseas taxation suffered	(3,799)	(3,926)
Net cash inflow from operating activities	10,876	9,096

16. RECONCILIATION OF NET CASH MOVEMENTS TO MOVEMENT IN NET FUNDS/(DEBT)	2011 £'000	2010 £'000
Net debt at the beginning of the year	(30,303)	(6,316)
Net cash inflow/(outflow)	10,713	(33,120)
Fidelity Institutional Liquidity Fund plc	(21,502)	(24,290)
Fixed rate unsecured loan repaid	54,418	33,147
Foreign exchange movement on other net assets	(2,318)	(3,877)
Foreign exchange movement on fixed rate unsecured loans	1,394	4,153
Change in net funds/(debt)	42,705	(23,987)
Net funds/(debt) at the end of the year	12,402	(30,303)

Analysis of net funds	2011 £'000	cash flows £'000	exchange movements £'000	2010 £'000
Cash at bank	12,371	10,713	(2,318)	3,976
Fidelity Institutional Liquidity Fund plc	31	(21,502)	–	21,533
Fixed rate unsecured loans	–	54,418	1,394	(55,812)
	12,402	43,629	(924)	(30,303)

Notes to the Financial Statements

17. FINANCIAL INSTRUMENTS

MANAGEMENT OF RISK

The general risk analysis undertaken by the Board and its overall policy approach to risk management are set out in the Business Review on pages 16 and 17. This Note is incorporated in accordance with Financial Reporting Standard 29 ("FRS 29") "Financial Instruments: Disclosures" and refers to the identification, measurement and management of risks potentially affecting the value of financial instruments.

The Company's financial instruments comprise:

- Equity shares held in accordance with the Company's investment objective and policies
- Cash, liquid resources and short term debtors and creditors that arise from its operations
- Derivative instruments which comprise long CFDs

The risks identified by FRS 29 arising from the Company's financial instruments are market price risk (which comprises other price risk, interest rate risk and foreign currency risk), liquidity risk, counterparty risk, credit risk and derivative instruments risk. The Board reviews and agrees policies for managing each of these risks, which are summarised below. These policies have been extended during this accounting period to manage the risks associated with the long CFDs.

MARKET PRICE RISK

Other price risk

Other price risk arises mainly from uncertainty about future prices of financial instruments used in the Company's business. It represents the potential loss the Company might suffer through holding market positions in the face of price movements and changes in exchange rates. The Board meets quarterly to consider the asset allocation of the portfolio and the risk associated with particular industry sectors within the parameters of the investment objective. The Manager is responsible for actively monitoring the existing portfolio selected in accordance with the overall asset allocation parameters described above and seeks to ensure that individual stocks also meet an acceptable risk/reward profile.

Interest rate risk

The Company finances its operations through share capital raised. In addition, the Company has a geared exposure to European equities through the use of long CFDs which incur funding costs and provide collateral in euros. It is, therefore, exposed to financial risk as a result of any increases in euro interest rates. At 31 December 2010, the Company had a €65,000,000 fixed rate, unsecured bank loan which was repaid on 15 December 2011. It also had a €25,000,000 floating rate credit facility which expired on 15 December 2011.

Notes to the Financial Statements

17. FINANCIAL INSTRUMENTS (continued)

Interest rate risk profile of financial assets and liabilities

The extent to which the Company's assets and liabilities are affected by changes in interest rates is shown below.

2011

	cash flow interest rate risk £'000	fair value interest rate risk £'000	total £'000
Fidelity Institutional Liquidity Fund plc	31	–	31
Cash balances	12,371	–	12,371
Total financial assets	12,402	–	12,402
Gearing through long CFDs	(54,415)	–	(54,415)
Total financial liabilities	(54,415)	–	(54,415)
Total financial assets/(liabilities)	(42,013)	–	(42,013)

2010

	cash flow interest rate risk £'000	fair value interest rate risk £'000	total £'000
Fidelity Institutional Liquidity Fund plc	21,533	–	21,533
Cash balances	3,976	–	3,976
Total financial assets	25,509	–	25,509
Fixed rate unsecured loan	–	(55,812)	(55,812)
Total financial liabilities	–	(55,812)	(55,812)
Total financial assets/(liabilities)	25,509	(55,812)	(30,303)

Foreign currency risk

The Company's total return and balance sheet can be affected by foreign exchange movements because the Company has assets and income which are denominated in currencies other than the Company's base currency, which is UK sterling.

Three principal areas have been identified where foreign currency risk could impact the Company:
- Movements in rates affecting the value of investments and long CFDs
- Movements in rates affecting short term timing differences
- Movements in rates affecting the income received

The Company does not hedge the UK sterling value of investments, long CFDs, or other net assets priced in other currencies, by the use of derivative instruments.

The Company might also be subject to short term exposure from exchange rate movements, for example between the date when an investment is bought or sold and the date when settlement of the transaction occurs. Income denominated in foreign currencies is converted to UK sterling on receipt.

17. FINANCIAL INSTRUMENTS (continued)

Currency exposure of financial assets

The Company's financial assets comprise equity investments, long CFDs, short term debtors and cash. The currency cash flow profile of these financial assets is shown below.

2011

	investments designated at fair value through profit or loss £'000	exposure through long CFDs £'000	short term debtors £'000	cash* £'000	total £'000
Czech koruna	4,102	–	–	–	4,102
Danish krone	34,261	–	–	–	34,261
Euro	270,066	57,524	217	12,397	340,204
Norwegian krone	28,258	–	–	–	28,258
Swedish krona	35,057	–	–	–	35,057
Swiss franc	101,110	–	488	–	101,598
Turkish Lira	6,565	–	–	–	6,565
UK sterling	13,597	–	182	5	13,784
US dollar	11,393	–	–	–	11,393
	504,409	57,524	887	12,402	575,222

* Included in the cash balance are amounts held in Fidelity Institutional Liquidity Fund plc and cash at bank.

2010

	investments designated at fair value through profit or loss £'000	exposure through long CFDs £'000	short term debtors £'000	cash* £'000	total £'000
Czech koruna	3,445	–	–	–	3,445
Danish krone	24,391	–	20	–	24,411
Euro	461,830	–	1,318	24,524	487,672
Norwegian krone	15,329	–	–	–	15,329
Swedish krona	51,239	–	–	–	51,239
Swiss franc	130,887	–	760	262	131,909
UK sterling	–	–	8	723	731
US dollar	6,426	–	–	–	6,426
	693,547	–	2,106	25,509	721,162

* Included in the cash balance are amounts held in Fidelity Institutional Liquidity Fund plc and cash at bank.

Notes to the Financial Statements

17. FINANCIAL INSTRUMENTS (continued)

Currency exposure of financial liabilities

The Company finances its investment activities through its ordinary share capital and reserves and it has a geared exposure to European equities through the use of long CFDs. At 31 December 2010, it had loan financing rather than long CFDs.

The Company's financial liabilities comprise long CFDs and other short term creditors. The currency cash flow profile of these financial liabilities is shown below.

2011

	gearing through long CFDs £'000	euro denominated unsecured loans £'000	short term creditors £'000	total £'000
Euro	54,415	–	86	54,501
UK sterling	–	–	3,104	3,104
	54,415	–	3,190	57,605

2010

	gearing through long CFDs £'000	euro denominated unsecured loans £'000	short term creditors £'000	total £'000
Euro	–	55,812	517	56,329
Norwegian krone	–	–	2,366	2,366
UK sterling	–	–	1,925	1,925
	–	55,812	4,808	60,620

LIQUIDITY RISK

The Company's assets mainly comprise readily realisable securities and long CFDs, which can be sold easily to meet funding commitments if necessary. Short term flexibility is achieved by the use of overdraft facilities as required.

COUNTERPARTY RISK

All securities and derivative instruments are transacted with brokers and carry the risk that the counterparty to a transaction may not meet its financial obligations. All counterparties for any type of trading are assessed by an independent Credit Research and Analysis function. Exposures to counterparties are monitored and reported frequently. Margin on exchange-traded derivatives mitigates counterparty risk exposure in accordance with the terms outlined in market standard (ISDA) derivative legal contracts.

CREDIT RISK

Investments may be adversely affected if any of the institutions with which money is deposited suffer insolvency or other financial difficulties. All transactions are carried out with a large number of brokers and are settled on a delivery versus payment basis and limits are set on the amount that may be due from any one broker. All security transactions are through brokers which have been approved as an acceptable counterparty. This is reviewed on an ongoing basis. At the year end, the exposure to credit risk includes cash at bank, outstanding securities transactions and the CFDs at fair value.

DERIVATIVE INSTRUMENTS RISK

The risks and risk management processes which result from the use of derivative instruments are included within the risk categories disclosed on pages 43 to 46.

Derivative instruments are used by the Manager to gain unfunded long exposure to equity markets, sectors or single stocks. "Unfunded" exposure is exposure gained without an initial outflow of capital.

The risk and performance contribution of these instruments to the Company's portfolio is overseen by a specialist derivative instruments team which draws on over forty years of specialist experience in derivative risk management. This team uses sophisticated portfolio risk assessment tools to advise the Manager on portfolio construction.

17. FINANCIAL INSTRUMENTS (continued)

RISK SENSITIVITY ANALYSIS

Other price risk sensitivity analysis

Changes in market prices other than those arising from interest rate risk or foreign currency risk may also affect the value of the Company's net assets. Details of how the Board sets risk parameters and performance objectives can be found on pages 14 and 17 of the Directors' Report.

An increase of 10% in the fair value of investments at 31 December 2011 would have increased total net assets and total return on ordinary activities by £50,441,000 (2010: £69,355,000). A decrease of 10% would have had an equal but opposite effect.

Derivative instruments exposure sensitivity analysis

The Company invests in long CFDs to gain exposure to the equity markets. An increase of 10% in the price of shares underlying the CFDs at 31 December 2011 would have increased total net assets and total return on ordinary activities by £5,752,000 (2010: nil). A decrease of 10% would have had an equal but opposite effect.

Interest rate risk sensitivity analysis

At 31 December 2011, if interest rates had increased by 0.5% the total return on ordinary activities would have decreased by £210,000 (2010: increase £128,000). A decrease in the interest rates by 0.5% would have had an equal but opposite effect. The sensitivity is based on the Company's cash balances held at 31 December 2011, including amounts held in Fidelity Institutional Liquidity Fund plc, and its exposure to long CFDs, with all other variables held constant.

Foreign currency risk sensitivity analysis

At 31 December 2011, if UK sterling had strengthened or weakened by 10% in relation to the larger currency exposures then, with all other variables held constant, total net assets and the total return on ordinary activities would have (decreased)/increased by the amounts shown below.

If UK sterling had strengthened the impact would have been:

	2011 £'000	2010 £'000
Danish krone	(3,115)	(2,219)
Euro	(30,920)	(39,213)
Swedish krona	(3,187)	(4,658)
Swiss franc	(9,236)	(11,992)

If UK sterling had weakened the impact would have been:

	2011 £'000	2010 £'000
Danish krone	3,807	2,712
Euro	37,791	47,927
Swedish krona	3,895	5,693
Swiss franc	11,289	14,657

Notes to the Financial Statements

17. FINANCIAL INSTRUMENTS (continued)

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

As explained in Note 1(g) and (h) on pages 35 and 36 investments are stated at fair value, which is bid or last market price, and long CFDs are stated at fair value, which is the difference between the settlement price and the value of the underlying shares in the contract. Other financial assets and liabilities are stated in the Balance Sheet at values which are not materially different to their fair values. In the case of cash, book value approximates to fair value due to the short maturity of the instruments. The exception is the euro fixed rate unsecured loan that was held at 31 December 2010, whose fair value, given below, is calculated by discounting its future cash flows at the then current euro interest rate.

	2011		2010	
	fair value £'000	book value £'000	fair value £'000	book value £'000
Fixed rate unsecured loan @ 4.38% per annum	-	-	57,506	55,812

FAIR VALUE HIERARCHY

Under FRS 29, financial companies are required to disclose the fair value hierarchy that classifies financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair values.

Classification	Input
Level 1	Valued using quoted prices in active markets for identical assets
Level 2	Valued by reference to valuation techniques using observable inputs other than quoted prices included within Level 1
Level 3	Valued by reference to valuation techniques using inputs that are not based on observable market data

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset.

The valuation techniques used by the Company are explained in the Accounting Policies Note 1(g) and (h) on pages 35 and 36. All investments and derivative instruments held by the Company at 31 December 2011 are considered to fall within Level 1, with the exception of £3,109,000 (2010: nil) of long CFDs which fall within Level 2.

CAPITAL MANAGEMENT

The Company does not have any externally imposed capital requirements. The capital of the Company comprises its gearing, which is managed by the use of long CFDs, and its capital and reserves as disclosed in the Balance Sheet on page 33 and is managed in accordance with the Company's investment policy in pursuit of its investment objective, both of which are detailed on pages 14 and 15 of the Directors' Report. The principal risks and their management are disclosed on pages 16 and 17.

18. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

There were no contingent liabilities or capital commitments as at 31 December 2011 (2010: none).

19. RELATED PARTY TRANSACTIONS

The Directors have complied with the provisions of Financial Reporting Standard 8 "Related Party Disclosures", which require disclosure of related party transactions and balances. FIL Investments International is the Manager and Secretary of the Company and details of the services provided and fees paid are given on page 18. Fees paid to the Directors are disclosed in the Directors' Remuneration Report on page 28.

Full Portfolio Listing as at 31 December 2011

Portfolio, including long CFDs	Exposure £'000	Fair Value[1] £'000	%[2]
Nestle	42,307	42,307	7.4
Sanofi	25,766	25,766	4.5
Novo-Nordisk	24,022	24,022	4.2
SAP	19,568	19,568	3.4
Royal Dutch Shell	16,511	16,511	2.9
Schneider Electric (CFD)	16,361	(1,314)	2.9
Saipem (CFD)	16,274	2,474	2.8
Zurich Financial Services	16,013	16,013	2.8
UBS	15,056	15,056	2.6
Swedish Match	14,842	14,842	2.6
BNP Paribas	14,094	14,094	2.5
Umicore	13,809	13,809	2.4
Anheuser-Bush InBev (CFD)	13,704	1,421	2.4
Schindler Holding	13,446	13,446	2.4
Linde	12,081	12,081	2.1
Hennes & Mauritz	11,705	11,705	2.0
Iliad Group	11,604	11,604	2.0
Schibsted	11,269	11,269	2.0
Fresenius Medical (CFD)	11,186	529	2.0
KPN Koninklijke	11,106	11,106	1.9
Essilor International	9,829	9,829	1.7
Deutsche Boerse	9,655	9,655	1.7
Storebrand	9,463	9,463	1.7
Hugo Boss[3]	9,182	9,182	1.6
ING Group	8,628	8,628	1.5
Symrise	8,522	8,522	1.5
Modern Times Group	8,510	8,510	1.5
Christian Dior	8,376	8,376	1.5
Vale	7,590	7,590	1.3
Kuehne & Nagel International	7,572	7,572	1.3
DNB	7,526	7,526	1.3
3i Group	7,133	7,133	1.2
GAM Holding	6,715	6,715	1.2
Turkiye Garanti Bankasi	6,565	6,565	1.1
Intertek Group	6,463	6,463	1.1
Sampo	6,300	6,300	1.1
Red Electrica	6,180	6,180	1.1
Remy Cointreau	5,999	5,999	1.0
Carlsberg	5,955	5,955	1.0
Jeronimo Martins & Filho	5,893	5,893	1.0
Intesa Sanpaolo[4]	5,789	5,789	1.0
Ipsos	5,718	5,718	1.0
Atlantia	5,230	5,230	0.9
SES	4,973	4,973	0.9
Enagas	4,684	4,684	0.8
Fielmann	4,427	4,427	0.8
Telenet Holdings	4,322	4,322	0.8
ASML Holding	4,309	4,309	0.8
William Demant Holding	4,284	4,284	0.8
Philip Morris	4,102	4,102	0.7

Full Portfolio Listing as at 31 December 2011

Portfolio, including long CFDs	Exposure £'000	Fair Value[1] £'000	%[2]
GFK	4,027	4,027	0.7
Edenred	3,948	3,948	0.7
Snam Rete Gas	3,936	3,936	0.7
MTU Aero Engines	3,863	3,863	0.7
Teva Pharmaceutical Industries	3,803	3,803	0.7
Faiveley Transport	3,762	3,762	0.7
KBC Group	3,627	3,627	0.6
Bains de Mer Monaco	2,417	2,417	0.4
Vacon	1,932	1,932	0.3
Total Portfolio (including long CFDs)	561,933	507,518	98.2
Cash and other net current assets	10,099	10,099	1.8
	572,032	517,617	100.0

[1] Fair value represents the carrying value in the Balance Sheet on page 33
[2] % of the total exposure of the investment portfolio, including exposure to the investments underlying the long CFDs, plus cash and other net current assets
[3] Includes ordinary and preference shares
[4] Includes ordinary and non-convertible savings shares

GEARING	2011 £'000
Investments at fair value	504,409
Exposure to long CFDs	57,524
Total Portfolio Exposure	561,933
Shareholders' Funds	517,617
Total Portfolio Exposure to Shareholders' Funds	108.6%

Notice of Meeting

Notice is hereby given that the Annual General Meeting of Fidelity European Values PLC will be held at 25 Cannon Street, London EC4M 5TA on 16 May 2012 at 12 noon for the following purposes:

ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and Financial Statements for the year ended 31 December 2011.

2. To approve a final dividend.

3. To re-elect Mr Humphrey van der Klugt as a Director.

4. To re-elect Mr James Robinson as a Director.

5. To re-elect Mr Simon Duckworth as a Director.

6. To re-elect Mr Simon Fraser as a Director.

7. To re-elect Dr Robin Niblett as a Director.

8. To approve the Directors' Remuneration Report for the year ended 31 December 2011.

9. To reappoint Grant Thornton UK LLP as Auditor of the Company to hold office until the conclusion of the next general meeting at which financial statements are laid before the Company.

10. To authorise the Directors to determine the Auditor's remuneration.

SPECIAL BUSINESS

Resolutions 11 and 12 will, if approved, authorise the Directors to allot a limited number of the currently unissued ordinary shares for cash without first offering such shares to existing ordinary shareholders pro rata to their existing holdings. The limit set by the Board is 5% of the number of ordinary shares of the Company in issue on 6 March 2012. The Directors will only issue new shares under this authority to take advantage of opportunities in the market as they arise and only if they believe it is advantageous to the Company's shareholders to do so.

To consider and, if thought fit, to pass the following resolutions which will be proposed, Resolution 11 as an ordinary resolution and Resolution 12 as a special resolution:

11. THAT the Directors be and they are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot relevant securities (as defined in that section) up to an aggregate nominal amount of £546,141 (approximately 5% of the aggregate nominal amount of the issued share capital of the Company as at 6 March 2012) such authority to expire at the conclusion of the next Annual General Meeting of the Company or the date 15 months after the passing of this resolution, whichever is the earlier, but so that this authority shall allow the Company to make offers or agreements before the expiry of this authority which would or might require relevant securities to be allotted after such expiry as if the authority conferred by this resolution had not expired.

12. THAT, subject to the passing of Resolution 11 set out above, the Directors be and they are hereby authorised, pursuant to Sections 570 and 573 of the Act to allot equity securities (as defined in Section 560 of the Act) for cash pursuant to the authority given by the said Resolution 11 as if Section 561 of the Act did not apply to any such allotment, provided that this power shall be limited:

    a) to the allotment of equity securities in connection with a rights issue in favour of all holders of a class of relevant equity securities where the equity securities attributable respectively to the interests of all holders of securities of such class are either proportionate (as nearly as may be) to the respective numbers of relevant equity securities held by them or are otherwise allotted in accordance with the rights attaching to such equity securities (subject in either case to such exclusions or other arrangements as the Board may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of, or the requirements of, any regulatory body or any stock exchange in any territory or otherwise);

    b) to the allotment (otherwise than pursuant to a rights issue) of equity securities up to an aggregate nominal amount of £546,141 (approximately 5% of the aggregate nominal amount of the issued share capital of the Company as at 6 March 2012); and
    c) to the allotment of equity securities at a price of not less than the net asset value per share

    and this power shall expire at the conclusion of the next Annual General Meeting of the Company or the date 15 months after the passing of this resolution, whichever is the earlier, save that this authority shall allow the Company to make offers or agreements before the expiry of this authority, and the Directors may allot equity securities in relation to such an offer or agreement as if the authority conferred by this resolution had not expired.

Resolution 13 is a special resolution which, if approved, will renew the Company's authority to purchase its shares for cancellation. The limit set by the Board is 14.99% of the number of ordinary shares in issue on 6 March 2012. Purchases of shares will be made at the discretion of the Board and within guidelines set from time to time by the Board and in the light of prevailing market conditions.

Purchases will only be made in the market at prices below the prevailing net asset value per share, thereby resulting in an increase in net asset value per share.

13. THAT the Company be and is hereby generally and unconditionally authorised in accordance with Section 701 of the Companies Act 2006 (the "Act") to make market purchases (within the meaning of Section 693 of the Act) of shares of 25p each in the capital of the Company (the "shares") provided that:

    a) the maximum number of shares hereby authorised to be purchased shall be 6,549,332;

Notice of Meeting

b) the minimum price which may be paid for a share is 25p;

c) the maximum price which may be paid for a share is an amount equal to 105% of the average of the middle market quotations for a share taken from the London Stock Exchange Official List for the five business days immediately preceding the day on which the share is purchased;

d) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company unless such authority is renewed prior to such time; and

e) the Company may make a contract to purchase shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of shares pursuant to any such contract.

By Order of the Board
FIL Investments International
Secretary
15 March 2012

NOTES:

1 A member of the Company entitled to attend and vote at the Annual General Meeting may appoint a proxy or proxies to attend and to speak and vote instead of him. A member may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy need not be a member of the Company.

2 A Form of Proxy is enclosed and must be returned to the Registrars at the address on the form to arrive not later than 12 noon on 14 May 2012. Completion and return of the form of proxy will not prevent a shareholder from subsequently attending the meeting and voting in person if they so wish.

3 To be effective, the instrument appointing a proxy, and any power of attorney or other authority under which it is signed (or a copy of any such authority certified notarially or in some other way approved by the Directors), must be deposited with the Company's Registrars, Capita Registrars, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4BR not less than 48 hours before the time for holding the meeting or adjourned meeting or, in the case of a poll taken more than 48 hours after it is demanded, not less than 24 hours before the time appointed for the taking of the poll at which it is to be used.

4 In the case of joint holders, the vote of the senior who tenders the vote shall be accepted to the exclusion of the votes of the other joint holders and for this purpose, seniority shall be determined by the order in which the names stand in the Register of Members.

5 To appoint a proxy or to give or amend an instruction to a previously appointed proxy via the CREST system, the CREST message must be received by the issuer's agent RA10 by 12 noon on 14 May 2012. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message. After this time any change of instructions to a proxy appointed through CREST should be communicated to the proxy by other means. CREST Personal Members or other CREST sponsored members and those CREST Members who have appointed voting service provider(s) should contact their CREST sponsor or voting service provider(s) for assistance with appointing proxies via CREST. For further information on CREST procedures, limitations and systems timings please refer to the CREST Manual. We may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001. In any case your proxy form must be received by the Company's Registrars no later than 12 noon on 14 May 2012.

6 All members are entitled to attend and vote at the Annual General Meeting and ask questions. The right to vote at the meeting will be determined by reference to the Register of Members as at 12 noon on 14 May 2012.

7 Any person to whom this notice is sent who is a person nominated under Section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him and the member by whom he was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights. The statement of the rights of members in relation to the appointment of proxies in note 2 above does not apply to Nominated Persons. The right described in that paragraph can only be exercised by members of the Company.

8 If the Chairman, as a result of any proxy appointments, is given discretion as to how the votes which are the subject of those proxies are cast and the voting rights in respect of those discretionary proxies, when added to the interests in the Company's securities already held by the Chairman, result in the Chairman holding such number of voting rights that he has a notifiable obligation under the Disclosure and Transparency Rules, the Chairman will make the necessary notifications to the Company and the Financial Services Authority. As a result, any member holding three per cent or more of the voting rights in the Company who grants the Chairman a discretionary proxy in respect of some or all of those voting rights and so would otherwise have a notification obligation under the Disclosure and Transparency Rules, need not make separate notification to the Company and the Financial Services Authority.

9 Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that to be entitled to attend and vote at the Annual General Meeting (and for the purpose of determining the number of votes they may cast), members must be entered on the register of members by 6.00pm on 14 May 2012. If the meeting is adjourned then, to be so entitled, members must be entered

Notice of Meeting

on the register of members at 6.00pm on the day two days before the time fixed for the adjourned meeting, or, if the Company gives notice of the adjourned meeting, at any other time specified in that notice.

10 As at 6 March 2012 (the latest practicable date prior to the publication of this document) the Company's issued share capital consisted of 43,691,341 ordinary shares carrying one vote each. Therefore, the total number of voting rights in the Company as at 6 March 2012 was 43,691,341.

11 Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

12 Shareholders and any proxies or representatives they appoint understand that by attending the meeting they are expressly agreeing that they are willing to receive any communications, including communications relating to the Company's securities, made at the meeting.

13 It is possible that, pursuant to requests made by members of the Company under Section 527 of the Companies Act 2006, the Company may be required to publish on its website a statement setting out any matter relating to the audit of the Company's accounts (including the Auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting or any circumstance connected with an Auditor of the Company ceasing to hold office since the previous meeting at which the annual report and financial statements were laid. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under Section 527 of the Companies Act 2006 to publish on its website.

14 Under Section 338 and Section 338A of the Companies Act 2006, members meeting the threshold requirements in those sections have the right to require the Company (i) to give, to members of the Company entitled to receive notice of the meeting, notice of a resolution which may properly be moved and is intended to be moved at the meeting; and/or (ii) to include in the business to be dealt with at the meeting any matter (other than a proposed resolution) which may be properly included in such business. A resolution may properly be moved or a matter may properly be included in the business of the meeting unless (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise), (b) it is defamatory of any person, or (c) it is frivolous or vexatious. Such a request may be in hard copy form or in electronic form, must identify the resolution of which notice is to be given or the matter to be included in the business of the meeting, must be authorised by the person or persons making it, must be received by the Company not later than 23 March 2011, being the date six clear weeks before the meeting, and (in the case of a matter to be included in the business of the meeting only) must be accompanied by a statement setting out the grounds for the request.

15 No Director has a service contract with the Company.

16 A copy of this notice and other information required by Section 311A of the Companies Act 2006 is published on the Company's website at www.fidelity.co.uk/its

Registered Office:
Beech Gate,
Millfield Lane,
Lower Kingswood,
Tadworth,
Surrey KT20 6RP

Investing in Fidelity European Values PLC

The Manager of the Company – FIL Investments International – offers a range of options, so that you can invest in the way that is best for you. As Fidelity European Values PLC is a company listed on the London Stock Exchange you can also buy its shares through a stockbroker, share shop or bank.

INVESTING INSIDE AN ISA

You may invest in the Company's shares through the Fidelity ISA ("Individual Savings Account"). A Fidelity ISA can be an excellent way to get more from your investment, because you will not have to pay income or capital gains tax on your returns.

The maximum investment in a stocks and shares ISA is £10,680 for the 2011/2012 tax year and for 2012/2013 the new allowance is £11,280. The full amount may be invested in a Stocks and Shares ISA, or you can invest up to half the ISA allowance in a Cash ISA and the balance in a Stocks and Shares ISA. The minimum investment per fund in the Fidelity ISA is £1,000 as a lump sum, £250 as a top-up, or £50 a month per company in a regular savings plan.

Charges – The standard initial charge for the Fidelity ISA is 3.5% but if you use the online application form you will pay just the 1.25% initial charge. Fidelity pays stamp duty from the initial charge. There may be an additional annual charge of 0.5% when you invest through a Financial Adviser. There are no other charges for the Fidelity ISA, but the Company pays an annual management charge to Fidelity of 0.85% plus a performance related fee where applicable, as set out in the annual report.

MOVING MONEY FROM A PREVIOUS ISA

If you have opened ISAs with other investment companies, you can move them into the Fidelity ISA and invest in Fidelity European Values PLC without losing any tax benefits. Please note that during the transfer your money will not be invested in the stock market so you may miss out on any growth during this time.

Charges – Fidelity does not apply an initial charge for a transfer into Fidelity European Values PLC. You will also not have to pay any additional transfer costs. However, please bear in mind that your current ISA manager may ask you to pay an exit fee. If your old fund provider charges you a fee for leaving them, you can claim it back from us. Please note this offer does not apply to our share dealing service.

INVESTING OUTSIDE AN ISA

If you prefer to invest outside an ISA, or have already used your full ISA allowance, the Fidelity Investment Trust Share Plan offers you a low cost and convenient way to put money into Fidelity European Values PLC. The minimum investment is £1,000 as a lump sum, £250 as a top-up or £50 a month through a regular savings plan. Holding shares within the Share Plan allows you to reinvest your dividends and make further investments without having to pay brokerage fees. You will also be able to set up a monthly savings plan and receive statements and valuations twice a year.

Investing for children – the Share Plan is a flexible and inexpensive way to invest on behalf of children. All you have to do is enter the initials or name of the child in the Designation Box on the Share Plan application form.

Charges – There are no charges for buying, selling or holding shares through the Fidelity Investment Trust Share Plan other than stamp duty of 0.5%, which is currently payable on all share purchases. However, if you invest through a Financial Adviser, there may be an initial charge of up to 3%.

BENEFICIAL OWNERS OF SHARES – INFORMATION RIGHTS

Registered shareholders of fully listed companies are able to nominate the underlying beneficial owners of their shares to receive information rights. You should contact your registered shareholder direct to request to receive your information rights. Please note that beneficial owners of shares who have been nominated by the registered holder of those shares to receive information rights under Section 146 of the Companies Act 2006 are required to direct all communications to the registered holder of their shares rather than to the Company's Registrars, Capita Registrars, or to the Company direct.

The Manager of the Company – FIL Investments International – offers a range of options, so that you can invest in the way that is best for you.

INVESTING ONLINE

Whilst you cannot use a Debit Card online to buy an ISA or Share Plan the application forms you need are all available via www.fidelity.co.uk/its. You can also invest online in Fidelity European Values PLC shares via the share trading facility available via our website www.fidelity.co.uk/sharenetwork. The Share Dealing service, ShareNetwork, is provided by Xest which is the online trading division of Charles Stanley & Co Limited, a leading London stockbroker. ShareNetwork enables you to buy or sell shares in any listed company during normal London Stock Exchange trading hours – between 8am and 4.30pm any working day. Shares in ShareNetwork can either be held direct or in an ISA, subject to the normal ISA limits and restrictions. You will be shown a live price and be able to buy or sell immediately. If an order is placed when the market is closed, it will be processed as soon as the market reopens. Unlike many online share dealing services, Fidelity ShareNetwork gives you CREST personal membership for shares held direct. This means that shares are registered on the CREST system in your own name and everything relating to your shares – dividends, annual reports and so on – will be sent direct to you and you will be able to attend and vote at shareholder meetings in your own name.

Personal CREST membership does not apply to ISA holdings which must be held in the name of the ISA manager's nominee under ISA regulations.
There is no extra charge for opening a ShareNetwork ISA and share purchases or sales are executed on line for only £9 per trade (Stamp duty is also payable on purchases at the rate of 0.5%). There is an account administration fee of £5.10 per month, however many different shares you own and whatever their value. Of course, you need to remember that the value of tax savings and eligibility to invest in an ISA will depend on your individual circumstances, and all tax rules may change in the future.

Investing in Fidelity European Values PLC

CONTACT INFORMATION

Private investors: call free to 0800 41 41 10, 9am to 6pm, Monday to Saturday.

Financial advisers: call free to 0800 41 41 81, 8am to 6pm, Monday to Friday.
www.fidelity.co.uk/its

Existing shareholders who have a specific query regarding their holding or need to provide updated information, for example a change of address, should contact the appropriate administrator:

Holders of ordinary shares

Capita Registrars, Registrars to Fidelity European Values PLC, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4BR. Telephone: 0871 664 0300 (calls cost 10p per minute plus network extras. Lines are open 8.30am – 5.30pm Monday to Friday) email: ssd@capitaregistrars.com

Details of individual shareholdings and other information can also be obtained from the Registrars' website: www.capitaregistrars.com

Fidelity Share Plan investors

Fidelity Investment Trust Share Plan, Block C, Western House, Lynchwood Business Park, Peterborough, PE2 6BP. Telephone: 0845 358 1107 (calls to this number are charged at 3.95p per minute from a BT landline dependent on the tariff. Other telephone service providers' costs may vary.)

Fidelity ISA investors

Fidelity, using the freephone numbers given above, or by writing to: UK Customer Service, Fidelity Worldwide Investment, Oakhill House, 130 Tonbridge Road, Hildenborough, Tonbridge, Kent TN11 9DZ

General enquiries should be made to the Secretary, at the Company's registered office: FIL Investments International Investment Trusts, Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, Surrey KT20 6RP Telephone: 01732 361144. Fax: 01737 836 892 www.fidelity.co.uk/its

ONLINE SHAREHOLDER SERVICES – SHARE PORTAL

Through the website of our Registrars, Capita Registrars, shareholders are able to manage their shareholding online by registering for the Share Portal, a free, secure, online access to your shareholding. Facilities include:

Account Enquiry – Allows shareholders to access their personal shareholding, including share transaction history, dividend payment history and to obtain an up-to-date shareholding valuation;

Amendment of Standing Data – Allows shareholders to change their registered postal address and add, change or delete dividend mandate instructions. Shareholders can also download from this site forms such as change of address, stock transfer and dividend mandate forms as well as buy and sell shares in the Company.

To make use of any of these facilities, please log on to the Capita Registrars website at: www.capitashareportal.com

Should you have any queries in respect of the above facilities, please do not hesitate to contact the Capita Share Portal helpline on 0871 664 0391 (calls cost 10p plus network extras), overseas +44 20 8639 3367, or by e-mail at shareportal@capita.co.uk

Capita Share Dealing Services

You can make use of a low cost share dealing service provided by Capita Registrars to buy or sell shares. Further information is available at www.capitadeal.com, or by telephoning 0871 664 0454 (calls cost 10p per minute plus network extras. Lines are open 8.30am – 5.30pm Monday to Friday). Using Capita Share Dealing Services you will also be able to deal in the shares of other companies for which Capita acts as Registrar, provided you are already a shareholder in the relevant company, and that company offers the Share Deal facility to its shareholders.

Dividend Reinvestment Plan

This is a convenient way to build up your shareholding by using your cash dividends to buy more shares in the Company. If you prefer to receive shares for your next dividend instead of cash, please complete an application form online at www.capitashareportal.com or call Capita IRG Trustees on 0871 644 0381 (calls cost 10p per minute plus network extras) from the UK or +44 20 8639 3402 from overseas.

ShareGift

You may donate your shares to charity free of charge through ShareGift. Further details are available at www.sharegift.org.uk or by telephoning 020 7930 3737.

KEEPING YOU UPDATED

If you hold Fidelity European Values PLC shares in an ISA, you will receive a yearly report detailing all of your transactions and the value of your shares. Investors with the Fidelity Investment Trust Share Plan will receive statements and valuations twice a year.

The share price of Fidelity European Values PLC appears daily in The Financial Times. Price and performance information is also available at fidelity.co.uk/its

You can also obtain current price information by telephoning Fidelity on 0800 41 41 10 (freephone) or FT Cityline on 0905 817 1690 (voice activated service) (calls charged at 60p per minute on a per second basis from a BT landline. Charges from other telephone networks may vary).

Investing in Fidelity European Values PLC

FURTHER INFORMATION

For application forms or more information about any of the investment options described here, please call the Fidelity Investment Trust Line on 0800 41 41 10 and talk to a Fidelity customer representative (9am to 6pm Monday to Saturday).

Alternatively, you may like to visit the Fidelity London Investor Centre at 25 Cannon Street, next to St Paul's Cathedral.

You can also find out more by visiting fidelity.co.uk/its or contacting your Financial Adviser.

The Fidelity Individual Savings Account ("ISA") is offered and managed by Financial Administration Services Limited. The Fidelity Investment Trust Share Plan is managed by FIL Investments International. Both companies are regulated by the Financial Services Authority. The Fidelity Investment Trust Share Plan is administered by BNP Paribas Securities Services and shares will be held in the name of Puddle Dock Nominees Limited.

The value of savings and eligibility to invest in an ISA will depend on individual circumstances and all tax rules may change in the future. Fidelity investment trusts are managed by FIL Investments International. Fidelity only gives information about its own products and services and does not provide investment advice based on individual circumstances. Should you wish to seek advice, please contact a Financial Adviser.

Please note that the value of investments and the income from them may fall as well as rise and the investor may not get back the amount originally invested. Past performance is not a guide to future returns. For funds that invest in overseas markets, changes in currency exchange rates may affect the value of your investment. Investing in small and emerging markets can be more volatile than older developed markets.

Reference in this document to specific securities should not be construed as a recommendation to buy or sell these securities, but is included for the purposes of illustration only. Investors should also note that the views expressed may no longer be current and may have already been acted upon by Fidelity.

Issued by Fidelity European Values PLC

The contents of websites referred to in this document do not form part of the Annual Report.

Warning to Shareholders

BOILER ROOM SCAMS

Many companies have become aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based 'brokers' who target UK shareholders, offering to sell them what often turn out to be worthless or high risk shares in US or UK investments. These operations are commonly known as 'boiler rooms'. These 'brokers' can be very persistent and extremely persuasive and a 2006 survey by the Financial Services Authority (FSA) reported that the average amount lost by investors is around £20,000. It is not just the novice investor that has been duped in this way; many of the victims had been successfully investing for several years. Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports.

If you receive any unsolicited investment advice:

- Make sure you get the correct name of the person and organisation
- Check that they are properly authorised by the FSA before getting involved by visiting **www.fsa.gov.uk/register**
- Report the matter to the FSA either by calling 0845 606 1234 or visiting **www.moneymadeclear.fsa.gov.uk**
- If the calls persist, hang up.

If you deal with an unauthorised firm, you will not be eligible to receive payment under the Financial Services Compensation Scheme. The FSA can be contacted by completing an online form at

www.fsa.gov.uk/pages/doing/regulated/law/alerts/overseas.html

Details of any share dealing facilities that the Company endorses will be included in Company mailings.

More detailed information on this or similar activity can be found on the FSA website

www.moneymadeclear.fsa.gov.uk

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