Fidelity European Values PLC

Annual Report

For the year ended 31 December 2013

Company number 2638812

Contents

Objective and Highlights

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

The full text of the Company's investment policy is on page 8.

Performance (year to 31 December 2013)

Net Asset Value ("NAV") per Share Total Return	+20.0%
Share Price Total Return	+20.8%
FTSE World Europe (ex UK) Index* Total Return	+25.2%

*The Company's Benchmark Index

As at 31 December 2013

Equity Shareholders' Funds	£711.2m
Market Capitalisation	£643.4m
Dividend Proposed per Ordinary Share	29.75p
Capital Structure: Ordinary Shares of 25p each	42,187,693

Standardised Performance – Total Return (%)

	01/01/2013 to 31/12/2013	01/01/2012 to 31/12/2012	01/01/2011 to 31/12/2011	01/01/2010 to 31/12/2010	01/01/2009 to 31/12/2009
NAV Per Share	+20.0	+24.7	-11.5	+7.1	+11.3
Share Price	+20.8	+31.3	-8.6	-1.3	+21.3
FTSE World Europe (ex UK) Index[1]	+25.2	+17.8	-14.7	+5.1	+19.1

[1] 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 is a member of the Association of Investment Companies

Financial Summary

	2013	2012
Assets at 31 December		
Total portfolio exposure[1]	£741.9m	£684.9m
Shareholders' funds	£711.2m	£616.3m
Total portfolio exposure in excess of shareholders' funds (Gearing)	4.3%	11.1%
NAV per share (cum income)	1,685.78p	1,428.97p
NAV per share (ex income)	1,655.76p	1,401.02p
Stockmarket data at 31 December		
FTSE World Europe (ex UK) Index[2]	430.40	355.63
Share price at year end	1,525.00p	1,287.00p
Share price – year high	1,569.00p	1,289.00p
Share price – year low	1,287.00p	987.00p
Discount (ex income) at year end	7.9%	8.1%
Discount (cum income) at year end	9.5%	9.9%
Discount (cum income) – year high	13.7%	15.8%
Discount (cum income) – year low	7.6%	9.9%
Discount (cum income) – year average	10.4%	13.6%
Results for the year to 31 December – see page 39		
Revenue return per ordinary share	29.82p	27.78p
Capital return per ordinary share	252.94p	254.97p
Total return per ordinary share	282.76p	282.75p
Dividend proposed per ordinary share	29.75p	27.75p
Total returns (includes reinvested income) for the year to 31 December (%)		
NAV per share	+20.0	+24.7
Share price	+20.8	+31.3
FTSE World Europe (ex UK) Index[2]	+25.2	+17.8
Ongoing charges for the year to 31 December (%)		
Ongoing charges[3]	0.96	0.98
Performance fee	–	0.40
Ongoing charges plus performance fee	0.96	1.38

1 The total exposure of the investment portfolio, including exposure to the investments underlying the long CFDs
2 Benchmark Index
3 Ongoing charges (excluding finance costs and taxation) based on average net asset values for the reporting year (prepared in accordance with methodology recommended by the Association of Investment Companies)

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 2013.

Shareholders will see that the format of the Report has changed this year with the introduction of a Strategic Report and other changes brought about through new regulations, as referred to later in my Statement. In my view, some refreshment and additional information is a positive and I hope you find this useful.

PERFORMANCE

European equities rose over the year to December 2013 as European economies stabilised and the risk of a Eurozone break-up receded. Markets were supported by improving macroeconomic data from the Eurozone and the US; the accommodative (or easy) monetary policy adopted by global policymakers to reduce the cost of borrowing also boosted sentiment. However, there was intermittent volatility during the year, particularly as the Italian election ended in a deadlock, renewing doubts about the continuation of the much needed structural reforms in the country; and later in the year when investors became worried about the collapse of the banking system in Cyprus.

Against this backdrop, the net asset value ("NAV") per share of the Company returned 20.0%, but underperformed its Benchmark, the FTSE World Europe (ex UK) Index, which returned 25.2%. While absolute performance remained healthy, relative performance reflected a number of stock-specific disappointments but also an environment in which some of the companies and regions that had previously been challenged, often for good reason, became some of the best performers. These included lower-quality companies that did not meet the Manager's investment criteria of solid balance sheets and growing dividends.

A detailed review of the performance of the portfolio is provided in the Manager's Review on pages 6 and 7. Sam Morse has concentrated in his Review on the one year period. I would, however highlight, that the three year numbers continue to be ahead of Benchmark, with a NAV total return of 32.5% versus the Benchmark of 25.8%. (All figures are in UK sterling and are on a total return basis.)

DISCOUNT MANAGEMENT

The Board continues to adopt an active discount management policy and share buybacks have been made during the year. Whilst the primary purpose of our policy is to reduce share price volatility in relation to NAV, buying in shares at a discount also results in an enhancement to NAV per share.

Your Board has sanctioned share buybacks over the course of 2013 amounting to 2.2% of the issued share capital of the Company, a lower figure than the 2.7% repurchased in 2012. The great majority of the repurchases took place in the first half of the year, when continental European equities were still out of favour and lacked the support from investors which became more apparent as the year progressed.

The lower level of share price volatility apparent in the second half of 2013 has continued into 2014. Furthermore, the level of discount has narrowed from 8.1% at the start of 2013 to 7.9% at the year end, based on the NAV excluding income. This small narrowing in the discount has given rise to a share price total return of 20.8% for 2013, ahead of the NAV total return of 20.0%.

Further details of share repurchases may be found in the Directors' Report on page 20.

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.

PERFORMANCE OVER ONE YEAR, THREE YEARS, FIVE YEARS AND SINCE LAUNCH TO 31 DECEMBER 2013 (ON A TOTAL RETURN BASIS) (%)

	NAV	Share price	FTSE World Europe (ex UK) Index[1]
One year	+20.0	+20.8	+25.2
Three years	+32.5	+45.0	+25.8
Five years	+58.0	+73.7	+57.4
Since launch (1991)	+1,950.1	+1,777.1	+618.9

[1] 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

Chairman's Statement

The Board has decided to recommend a final dividend of 29.75 pence per share for the year ended 31 December 2013 (2012: 27.75 pence). This dividend will be payable on 23 May 2014 to shareholders who appear on the register as at close of business on 21 March 2014 (ex-dividend date 19 March 2014).

The proposed dividend increase for 2013 over 2012 is therefore 7.2%. Whilst we emphasise that the increase is a function of stock selection and cannot be extrapolated into the future, Sam Morse continues to focus on companies which are able to grow their dividends as one of the key factors in his stock selection. A further explanation of the investment process can be found on page 9.

I would like to make one further observation for shareholders when comparing the level of dividend yield between companies. This is that we take a conservative approach of charging all management expenses against income and not against capital. Only the performance fee (when applicable) is charged against capital. Some companies, particularly those with an equity income objective, split management expenses between capital and income, which has the effect of increasing the income return (and dividend paying potential) and reducing the capital return. I should stress that this does not alter the total return from both capital and income combined. Moreover there is no 'right' or 'wrong' way and it is a matter for judgement. However, the basis should be taken into account, particularly when comparing the dividend yield between different companies.

GEARING

The Company gears through the use of long Contracts For Difference ("CFDs"). As at 31 December 2013, the level of gearing was 4.3% and the Board is currently working within a range of 0-10%. Our gearing range at the start of the year was 5-15%, with gearing on 1 January 2013 of 11.1%. Gearing was reduced as the year progressed, in line with a more cautious stance as share prices rose, expressed in the Manager's Review on pages 6 and 7. Gearing made a positive contribution to performance during the year, as can be seen from the Attribution Analysis table on page 9.

It is pleasing to note that the move to using CFDs as a means of gearing the portfolio, introduced in 2011 in place of traditional bank loans, continues to be positive. Operationally it works smoothly and it has been significantly cheaper for the Company than if we had used more traditional forms of borrowing.

REVISED ARTICLES OF ASSOCIATION

There have been a number of recent changes to tax, regulation and company law which affect investment trusts and the Company. The Board is therefore seeking approval at the forthcoming Annual General Meeting to adopt new Articles of Association substantially in the form of the existing Articles of Association but updated to reflect these changes. In particular, the new Articles of Association have been amended: (i) to remove the prohibition on the distribution of realised capital profits; this change will help to keep our Articles in line with what is allowable under current legislation. I believe we should move with legislative changes, but stress that the Board has no intention of using this power in the immediate future and would only do so if it felt that it were in the best interest of the Company's shareholders; and (ii) to incorporate provisions to facilitate compliance with the Alternative Investment Fund Managers Directive. Further details can be found below.

REGULATORY CHANGES

There are a number of regulatory changes that have come into force, or are shortly to come into force, and the Company's Annual Report for the year under review reflect these changes. We now include a Strategic Report which is designed to provide better information to the Company's members and potential investors on how the Directors have performed their duty in promoting the success of the Company. The Strategic Report can be found on pages 8 to 11. New regulations have come into force requiring additional information to be included in the Directors' Remuneration Report and you will note that we are now required to adopt a Remuneration Policy which will be put to shareholders at the forthcoming Annual General Meeting and will formally come into force from that date. You will see also that there is a new Report of the Audit Committee on pages 29 and 30.

ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE ("AIFMD")

You may recall I wrote in the Half-Yearly Report to 30 June 2013 that the Board had agreed to appoint FIL Investments International (the current Manager) as its interim Alternative Investment Fund Manager ("AIFM"). Further to that announcement, the Board has agreed in principle to appoint FIL Investment Services (UK) Limited (a FIL Group company) to become the Company's AIFM. FIL Investment Services (UK) Limited will delegate the portfolio management to FIL Investments International.

An additional requirement of the AIFMD is to appoint a depositary on behalf of the Company who will oversee the custody cash arrangements and other AIFM responsibilities of the Company. To this end the Board have agreed in principle to appoint J.P. Morgan Europe Limited to act as the Company's depositary. J.P. Morgan Europe Limited is part of the same group of companies as JPMorgan Chase Bank, who act as the Company's bankers and custodians. JPMorgan Chase Bank will continue to act as bankers and custodians to the Company.

PROPOSED SUB DIVISION OF SHARES

The Board are conscious that the Company's share price has increased substantially from its launch price of £1 per share in 1991 to a price of £15.20 per share as at close of business on 6 March 2014. The higher share price has caused a notable proportion of individuals' monthly savings amounts and dividend reinvestment amounts in Savings and ISA plans to roll over to the following month. To help alleviate this problem, and to enhance the appeal of the Company's shares to investors with smaller amounts, we announced on 17 January 2014 a proposal to sub divide your Company's shares on a 10 for 1 basis. If this had

Chairman's Statement

been in effect on 6 March 2014, the new share price for each of the 10 new ordinary shares arising would, following the sub-division, become approximately £1.52 and the nominal value per share would, following the sub-division, become 2.5 pence per share.

A 10 for 1 basis, rather than some other multiple, has the advantage of making it easier for shareholders to equate their new share price and holding to their original purchase price and holding. The proposed share split will be put to shareholders at the forthcoming Annual General Meeting as an ordinary resolution. If passed, applications will be made for admission of the new Ordinary shares to the Official List and on the London Stock Exchange's market for listed securities. If the applications are accepted, it is proposed that the effective date for dealings to commence in the new Ordinary shares will be 2 June 2014. Further details of the resolution can be found on pages 22 and 23. We hope you will support this resolution.

DIRECTORATE

We are pleased to have welcomed Marion Sears to the Board in 2013 and shareholders voted in favour of her appointment at our 2013 Annual General Meeting. Also at the 2013 Annual General Meeting Simon Duckworth retired from the Board after ten years as a Director and we give thanks to Simon for the valuable contribution he has made over the many years he has served on the Board. We wish him well in his future endeavours. Subsequently, no further changes have been made.

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 18. 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.

In line with good corporate governance the Board carries out an assessment of its own performance every year and every three years an independent, externally facilitated evaluation of its performance takes place as required by the UK Corporate Governance Code for Directors of all FTSE 350 companies. The next such independent evaluation will take place during 2015.

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 2013 Annual General Meeting. A further continuation vote will take place at the Annual General Meeting in 2015.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held at Fidelity's offices at 25 Cannon Street, London EC4M 5TA (St Paul's or Mansion House tube stations) on Thursday 15 May 2014 at midday. Full details of the meeting are given on pages 59 to 62. My fellow Directors and I look forward to talking with as many shareholders as possible on this occasion. We will be holding a presentation by our Portfolio Manager, Sam Morse.

OUTLOOK

The economic backdrop in Europe is improving and the trend is continuing into 2014. Whilst the Eurozone still presents many challenges, the main focus of concern amongst investors has shifted to China, which is experiencing a slowdown in growth, and Emerging Markets which are being impacted by the tapering of Quantitative Easing in the United States. However, we should not ignore the fact that many companies that operate within Europe generate much of their earnings from Emerging Markets, particularly China and this, along with the level of exuberance we saw in markets in 2013, means that a degree of caution should be exercised. As I write this report, there is a dangerous situation developing closer to home in Crimea. The outcome is difficult to predict, but it will certainly impact equity markets. In this respect, our focus remains on investing in strong European companies offering fundamental value with the prospect of making decent returns from current valuation levels. We are, as I said this time last year, fortunate to have a wide choice of investment opportunities across the region.

Humphrey van der Klugt
Chairman
10 March 2014

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 2013, had total assets under management exceeding £165.3 billion.

Sam Morse (Portfolio Manager from 1 January 2011)
Sam is a portfolio manager with FIL Investments International based in London. Sam has more than 25 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 the Company returned 20.0% in the year to 31 December 2013, underperforming the FTSE World Europe (ex UK) Index, which returned 25.2%. (All performance figures are quoted on a total return basis and in UK sterling).

MARKET BACKGROUND

2013 turned out to be a surprisingly strong year for continental European equities.

In a rewarding first quarter, Italian elections, which resulted in dead-lock, and the banking system woes in Cyprus created short term volatility but did little to halt a rise in share values. The market did, however, suffer a brief mid-year correction when US bond yields started to climb in anticipation of the June "tapering" announcement from the Federal Reserve. Shares resumed their long march upwards, in the second half of the year, as optimism grew that European economies were on the mend and that earnings and dividend growth would follow.

Economic news improved as the year progressed with some of the more indebted European countries, such as Spain and Italy, finally emerging from recession in the third quarter. As a consequence of improved growth prospects, the cost of government debt in these countries also started to fall rapidly. Existential threats to the Eurozone receded further as these countries appeared to have fiscal deficits more firmly under control; Greece, for instance, forecast a primary surplus. This positive economic momentum was given a further boost, in November, when the European Central Bank ("ECB"), reduced its core interest rate by a quarter of a percent, to protect the nascent recovery and to ward off the possibility that very low rates of inflation might turn into outright deflation.

Responding to better news in Europe, markets rose steadily through the second half of the year, shrugging off growing evidence that emerging markets, such as China, Brazil and Turkey, were, by contrast, beginning to experience less robust prospects for growth and, in some cases, weakening currencies. This is partly on the premise that rising bond yields in the US would result in the repatriation of liquidity that had supported emerging market growth for many years. There was some concern that weakness in emerging markets might impact the recovery in developed markets more forcefully but a delay in "tapering", which had been expected in the autumn, allayed investors' worries in the short term.

The year ended on a quiet note despite the positive announcement, following the German election, of a "grand coalition" between Merkel's winning Christian Democratic Union and the Social Democrats. The market was held in check by renewed fears of "tapering", after stronger economic data in the US, and by some nervousness ahead of the ECB's review of the asset quality of Eurozone banks and subsequent stress tests.

Against a backdrop of improving domestic economies, cyclical sectors such as financials and consumer discretionary were re-rated strongly. Conversely, more defensive sectors, especially those with emerging market or commodity exposure, such as energy and consumer staples, delivered more modest returns. Disappointingly, although share prices rose handsomely in 2013, the earnings and dividends of continental European companies did not, in aggregate, grow. This makes the scale of the returns enjoyed in the year quite surprising.

PORTFOLIO REVIEW

The Company's investment strategy has not changed: your Manager continues to focus on identifying, and investing in, attractively valued companies, with sound balance sheets, which can deliver consistent dividend growth. This investment strategy has worked well, in terms of superior returns to the Benchmark, over the long term but it does not work every year. Although your Company enjoyed satisfactory absolute returns in 2013, the Company's NAV underperformed the Benchmark, despite the benefits of gearing in a rising market.

This underperformance is largely attributable to poor stock selection. Some of the underperformance is, however, also attributable to a more 'risk-on' environment, particularly in the second half of the year. Companies which performed best in this environment were often the laggards of previous years, such as highly-leveraged companies or companies exposed to the domestic economies of Spain and Italy. In many cases, these

Manager's Review

companies did not meet your Manager's required criteria of growing dividends, cash generation and a strong balance sheet. By contrast, companies whose earnings and dividends had proved more robust in more difficult economic times started the year at more elevated valuation levels and, therefore, did not enjoy the same quantum of re-rating although, in many cases, they delivered continued earnings and dividend growth.

In terms of stock selection, which remains the primary determinant of your Company's performance, there were a number of detractors spread across different sectors. In the energy and materials sectors, in addition to Saipem and Umicore, whose travails were covered in the half-yearly report, Royal Dutch Shell performed poorly, particularly in the second half of the year, with the resignation of the Chief Executive preceding very disappointing quarterly results. Turkiye Garanti Bankasi, also mentioned in the half-yearly report, declined further, particularly towards the end of the year, as the Turkish Lira weakened and as political tensions resurfaced due to a corruption probe involving some cabinet ministers' relations. The technology business, SAP, also performed poorly as it became apparent that the company would not meet medium-term guidance on margins due to the requirement to invest more to address the challenge from "cloud" competitors. Swedish Match, already facing increasing competition in Swedish snus, also saw a sharp slowdown in growth in its other major business, US mass-market cigars, as the competitive environment worsened. Most of these businesses are sound businesses, which meet the investment criteria of your Manager's strategy, so holdings have been retained, although often in reduced amounts. Saipem was a mistake and it was sold entirely early on in the year.

There were some stock-picking successes, most notably in the financial sectors, with 3i Group, KBC, the Belgian bank, and Sampo, the Finnish insurance company, all delivering strong relative performances but, in general, the detractors more than off-set these more encouraging performers. To summarise, it was a poor year for stock selection. Mistakes have been made and lessons learned. As the great investor, Sir John Templeton, famously remarked: "The only way to avoid mistakes is not to invest – which is the biggest mistake of all" which was certainly true in 2013.

OUTLOOK

The market has had two strong years in a row. The Benchmark has, over that time, climbed by almost 50%. Valuations of continental European companies have risen from a low base but are now, in aggregate, beginning to look less attractive, relative to history and relative to bonds. Some argue that equities will remain well supported by global liquidity and a possible rotation out of bonds and cash into equities. Time will tell. In your Manager's opinion, the market will struggle to make much progress from here, unless the improvement in the economic environment feeds through into stronger-than-expected earnings and dividend growth; expectations are high that this will happen, and that is, in itself, a risk.

The improvement in the economies of Europe is encouraging and, going forward, fiscal austerity will be less of a drag on growth as deficits shrink. This recovery is, however, likely to be slow and fragile, because there is little credit growth, given high debt levels and a requirement, particularly in the case of banks, to delever. Slowing growth, currency weakness and political instability in emerging markets may also restrain the pace of economic growth in developed economies. The recent events in the Ukraine are a case in point. It is important to remember that almost a third of continental European companies' revenues and profits are sourced from these emerging economies.

The outlook remains balanced. Caution is warranted, especially given the more positive sentiment towards European equities, and a pull-back is quite probable, hence the reduction in your Company's level of gearing, but many of the major risks that have plagued markets in recent years have, for the time being, receded.

FIL Investments International
10 March 2014

Strategic Report

The Directors have pleasure in presenting the Strategic Report of the Company which replaces and enhances reporting previously included in the 'Business Review' section of the Directors' Report. It provides a review of the Company's business and describes the principal risks and uncertainties it faces. An analysis of the performance of the Company during the financial year and the position at the year end is included taking into account its objective, strategy and risks and how these are measured using Key Performance Indicators. The Chairman's Statement and Manager's Review form part of the Strategic Report.

BUSINESS AND STATUS
The Company carries on business as an investment trust and has been accepted as an approved investment trust by HM Revenue & Customs under Sections 1158 and 1159 of the Corporation Tax Act 2010, subject to the Company continuing to meet eligibility conditions. The Directors are of the opinion that the Company has conducted its affairs in a manner which will satisfy the conditions for continued approval.

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

OBJECTIVE
The Company's objective is to achieve long term capital growth from the stockmarkets of continental Europe. The Benchmark Index for performance measurement purposes is the FTSE World Europe (ex UK) Index.

STRATEGY
In order to achieve this objective, the Company has an actively managed portfolio of investments, consisting primarily of continental European securities. The principal activity is to pursue the objective through operating as an investment trust company. As part of the strategy, the Board has delegated the management of the portfolio and other services. The objective, strategy and principal activity have remained unchanged throughout the year ended 31 December 2013.

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 to 5 and in the Manager's Review on pages 6 and 7.

The stock selection approach adopted by the Portfolio Manager is considered to be well suited to achieving the objective. Although income is being received by way of dividend payments the emphasis is placed on capital growth. The Board takes the view 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, in a carefully considered and monitored way.

The gearing range is considered by the Board and Portfolio Manager at their quarterly board meetings.

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 order to diversify risk.

No material change will be made to the investment policy without shareholder approval.

INVESTMENT RESTRICTIONS

- A minimum of 80% of gross assets will be invested in companies from countries which are included in the Benchmark Index.

- 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 is 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. 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 (a gearing level of 30%) 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.

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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 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).

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 positions.

PERFORMANCE

In the year ended 31 December 2013, the Company's net asset value total return was 20.0%, underperforming the FTSE World Europe (ex UK) Index total return of 25.2%. Details on trends and factors that may impact the future performance of the Company are included in the Chairman's Statement on pages 3 to 5 and Manager's Review on pages 6 and 7. The ten year Summary of Performance is on page 15. The Ten Largest Investments are listed on page 12, the Distribution of the Portfolio is on pages 13 and 14 and the Full Portfolio Listing is set out on pages 57 and 58.

RESULTS AND DIVIDENDS

The Company's results are set out in the Income Statement on page 39. The total return after taxation for the year ended 31 December 2013 was £120.06 million, of which the revenue return amounted to £12.66 million.

The Directors recommend that a final dividend of 29.75 pence (2012: 27.75 pence) per share be paid on 23 May 2014 to shareholders who appear on the register as at the close of business on 21 March 2014 (ex-dividend date 19 March 2014).

ATTRIBUTION ANALYSIS

The attribution analysis table below shows how the increase in NAV has been achieved.

Analysis of change in NAV during the year (pence per share)

Starting NAV 1 January 2013	**1,428.97**
Impact of:	
Index	+314.97
Exchange Rate	+44.94
Gearing	+24.72
Stock Selection	-87.40
Share Repurchases	+4.86
Charges	-14.83
Cash/Residual	-2.70
NAV excluding the dividend paid	**1,713.53**
Dividend paid	-27.75
Closing NAV 31 December 2013	**1,685.78**

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

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 on page 10.

Strategic Report

	Year ended 31 December 2013 %	2012 %	Three years ended 31 December 2013 %
NAV per share[1,2]	+20.0	+24.7	+32.5
Share Price[2]	+20.8	+31.3	+45.0
FTSE World Europe (ex UK) Index[2]	+25.2	+17.8	+25.8
Discount to NAV (based on ex income NAV)	7.9	8.1	n/a
Discount to NAV (based on cum income NAV)	9.5	9.9	n/a
Ongoing Charges[1]	0.96	0.98	n/a

1 Calculated in accordance with AIC guidelines
2 Calculated on a total return basis

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

The Summary of Performance graphs on pages 16 and 17 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 ongoing charges. Expenses are considered regularly at Board meetings and this enables the Board 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 stated below and on page 11 includes descriptions of other performance indicators, their monitoring and management which are important to the business of the Company. Long term performance is also monitored and the Summary of Performance graphs on pages 16 and 17 show this information.

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 process is regularly reviewed by the Board in accordance with the Financial Reporting Council's "Internal Control: Revised Guidance for Directors".

The Board is responsible for the Company's system of internal control and for reviewing its effectiveness. An internal controls report providing an assessment of risks, together with controls to mitigate these risks, is prepared by the Manager and considered by the Audit Committee.

The Board also determines the nature and extent of any risks it is willing to take in order to achieve its strategic objectives.

Market Risk
The Company's assets consist of listed securities and the principal risks are therefore market related such as market downturn, interest rate movements, and exchange rate movements. The Portfolio Manager's success or failure to protect and increase the Company's assets against this background is core to the Company's continued success.

Risks to which the Company is exposed and which form part of the market risks category are included in Note 18 to the financial statements on pages 51 to 56 together with summaries of the policies for managing these risks. These comprise: market price risk (which comprises interest rate risk, foreign currency risk and other price risk); derivative instruments risk; liquidity risk; counterparty risk; and credit risk.

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. The Board reviews risk 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.

Income/Dividend Risk
The Company's revenue may decline which would impact on the Company's ability to maintain its dividend. 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.

Discount Control Risk
The price of the Company's shares as well as its discount to NAV, 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 20. 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.

Gearing Risk
The Company has the option to invest up to the total of any loan facilities or to use Contracts for Difference ("CFDs") to invest in equities. The principal risk is that gearing magnifies investment returns. Therefore, if the Company is geared in strongly performing stocks, it will benefit from gearing. If the Company is geared in poorly performing stocks, the impact would be detrimental. Other risks are that the cost of gearing may be too high or that the term of the gearing is inappropriate in relation to market conditions. The Company currently has no bank loans and

Strategic Report

geared exposure is being achieved solely through the use of long CFDs. This has reduced the cost of gearing as outlined in the Chairman's Statement on page 4 and provides greater flexibility. The Board regularly considers gearing and gearing risk and sets limits accordingly.

Tax and Regulatory Risks
A breach of Section 1158 of the Corporation Tax Act 2010 could lead to a loss of investment trust status, resulting in the Company being subject to tax on capital gains. A breach of other legal and regulatory rules may lead to suspension from listing on the London Stock Exchange or a qualified audit report. The Board receives regular reports from the Manager confirming regulatory compliance during the year.

There are a number of prospective regulations which could impact the Company. Of greatest significance is the Alternative Investment Fund Managers Directive ("AIFMD"). The implementation date for the Directive was July 2013 but with a transitional period whereby investment trusts will not be required to apply for AIFMD authorisation until July 2014. The Board has reviewed the impact of the directive on the Company's operations and decided in principle to appoint FIL Investment Services (UK) Limited (for no additional fee) as its Authorised Investment Fund Manager ("AIFM") before the end of the transitional period on 22 July 2014. FIL Investment Services (UK) Limited is in the process of seeking to become a registered AIFM during the transitional period so that your Company will become fully compliant by July 2014.

An additional requirement of the AIFMD is to appoint a depositary on behalf of the Company which will oversee custody and cash arrangements of the Company. To this end the Board have agreed in principle to appoint J. P. Morgan Europe Limited to act as the Company's depositary. JPMorgan Chase Bank will continue to act as bankers and custodians to the Company. There will be an additional operating cost associated with this new role but it is not possible at this stage to be precise about the level of additional cost.

Operational Risks
The Company has no employees and relies on a number of third party service providers, principally the Manager, Registrar and Custodian. 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, accounting records and the maintenance of regulatory and legal requirements, among other things, rely on the effective operation of such systems.

The Manager, Registrar and Custodian are subject to a risk-based programme of internal audits by the Manager. In addition, service providers' own internal controls reports are received by the Board and any concerns investigated.

Certain of the Company's relationships with its service providers will change as the Company implements AIFMD and in particular the Company is required to appoint a depositary.

While it is believed that the likelihood of poor governance, compliance and operational administration by third party service providers is low, the financial consequences, for example, of cyber crime, could be serious, including the associated reputational damage to the Company.

Other Risks
A continuation vote takes place every two years. This takes the form of an ordinary resolution to shareholders and requires a simple majority of votes cast in favour to ensure that the Company continues in existence for a further two years until the next continuation vote is put to shareholders. There is a risk that shareholders do not vote in favour of the continuation vote during periods when performance is poor. Further details are provided in the Chairman's Statement on page 5, in relation to the next continuation vote and a review of the Company's performance.

BOARD DIVERSITY
The Board carries out any 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. As at 31 December 2013, there were four male Directors and one female Director on the Board.

EMPLOYEE, SOCIAL, COMMUNITY AND HUMAN RIGHTS ISSUES
The Company has no employees and all of its Directors are non-executive, the Company's day-to-day activities being carried out by third parties. The Company has not adopted a policy on human rights as it has no employees and its operational processes are delegated.

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.

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 engagement and shareholder voting to Fidelity. These activities are reviewed annually.

FUTURE DEVELOPMENTS
The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement on pages 3 to 5 and the Manager's Review on pages 6 and 7.

By Order of the Board
FIL Investments International
Secretary
10 March 2014

Ten Largest Investments as at 31 December 2013

Ten Largest Investments, including long CFDs The Full Portfolio Listing is shown on pages 57 and 58	Exposure £'000	Fair value[1] £'000	Exposure[2] %
Nestlé Packaged food	51,994	51,994	7.0
Sanofi (CFD) Pharmaceuticals	36,870	9,855	5.0
Novo-Nordisk Healthcare services	31,138	31,138	4.2
SAP Software solutions and consultancy	30,000	30,000	4.0
UBS Financial services	29,785	29,785	4.0
Anheuser-Busch InBev (CFD and equity) Brewing	25,137	17,033	3.4
BNP Paribas (CFD) Financial services	25,037	7,450	3.4
Schneider Electric Electricity distribution and automation management	23,951	23,951	3.2
Sampo Property and casualty insurance	22,920	22,920	3.1
Volkswagen (preference shares) Automobiles	21,812	21,812	3.0
Ten Largest Investments (2012: 37.9%)	298,644	245,938	40.3
Other Investments – 44 holdings (2012: 62.1%)	443,258	443,258	59.7
Total Portfolio (including long CFDs)	741,902	689,196	100.0

[1] Fair value represents the carrying value in the Balance Sheet on page 41
[2] % of the total exposure of the investment portfolio, including exposure to the investments underlying the long CFDs

Distribution of the Portfolio as at 31 December 2013

Portfolio, including long CFDs	France	Germany	Switzerland	Belgium	Finland	Denmark	Norway	UK	Netherlands	Sweden	Other	Total 2013[1]	Index 2013[2]	Total 2012
Financials														
Banks	3.4	–	4.0	2.5	–	–	1.5	–	–	–	2.0	13.4	14.0	11.7
Financial Services	–	2.4	2.3	–	–	–	–	2.0	–	–	–	6.7	1.3	5.3
Non-Life Insurance	–	–	1.6	–	3.1	–	–	–	–	–	–	4.7	5.6	5.5
Life Insurance	–	–	–	–	–	–	–	–	–	–	–	–	1.5	–
Real Estate Investment Trusts	–	–	–	–	–	–	–	–	–	–	–	–	0.7	–
Real Estate Investment & Services	–	–	–	–	–	–	–	–	–	–	–	–	0.2	–
	3.4	2.4	7.9	2.5	3.1	–	1.5	2.0	–	–	2.0	24.8	23.3	22.5
Consumer Goods														
Food Producers	–	–	7.0	–	–	–	–	–	–	–	–	7.0	6.2	6.4
Beverages	0.3	–	–	3.4	–	0.9	–	–	–	–	–	4.6	2.5	4.5
Personal Goods	2.4	1.3	–	–	–	–	–	–	–	–	–	3.7	4.0	3.8
Automobiles & Parts	–	2.9	–	–	–	–	–	–	–	–	–	2.9	4.5	–
Tobacco	–	–	–	–	–	–	–	–	–	1.1	0.4	1.5	0.1	2.9
Household Goods & Home Construction	1.2	–	–	–	–	–	–	–	–	–	–	1.2	0.9	1.1
	3.9	4.2	7.0	3.4	–	0.9	–	–	–	1.1	0.4	20.9	18.2	18.7
Industrials														
Electronic & Electrical Equipment	4.3	–	–	–	0.5	–	–	–	–	–	–	4.8	1.3	3.7
Support Services	1.5	–	0.5	–	–	–	–	1.8	–	–	–	3.8	1.1	2.9
Industrial Engineering	–	–	1.7	–	1.9	–	–	–	–	–	–	3.6	3.9	2.5
Aerospace & Defence	–	0.8	–	–	–	–	–	–	–	–	–	0.8	1.3	1.5
Industrial Transportation	–	–	0.7	–	–	–	–	–	–	–	–	0.7	1.8	1.8
Construction & Materials	–	–	–	–	–	–	–	–	–	–	–	–	2.9	–
General Industrials	–	–	–	–	–	–	–	–	–	–	–	–	2.6	–
	5.8	0.8	2.9	–	2.4	–	–	1.8	–	–	–	13.7	14.9	12.4
Healthcare														
Pharmaceuticals & Biotechnology	5.0	–	–	–	–	4.6	–	–	–	–	–	9.6	10.6	9.1
Healthcare Equipment & Services	1.6	1.1	–	–	–	–	–	–	–	–	–	2.7	1.4	3.5
	6.6	1.1	–	–	–	4.6	–	–	–	–	–	12.3	12.0	12.6
Consumer Services														
Media	1.9	0.8	–	–	–	–	1.1	–	–	–	–	3.8	1.9	6.6
General Retailers	–	0.9	–	–	–	–	–	–	–	2.1	–	3.0	1.6	2.6
Travel & Leisure	1.1	–	–	–	–	–	–	–	–	–	–	1.1	0.6	0.3
Food & Drug Retailers	–	–	–	–	–	–	–	–	–	–	0.7	0.7	1.3	0.7
	3.0	1.7	–	–	–	–	1.1	–	–	2.1	0.7	8.6	5.4	10.2

Distribution of the Portfolio as at 31 December 2013

Portfolio, including long CFDs	France	Germany	Switzerland	Belgium	Finland	Denmark	Norway	UK	Netherlands	Sweden	Other	Total 2013[1]	Index 2013[2]	Total 2012
Technology														
Software & Computer Services	1.3	4.0	–	–	–	–	–	–	–	–	–	5.3	2.0	5.8
Technology Hardware & Equipment	–	–	–	–	–	–	–	–	1.9	–	–	1.9	2.1	1.9
	1.3	4.0	–	–	–	–	–	–	1.9	–	–	7.2	4.1	7.7
Basic Industries														
Chemicals	–	4.4	–	1.3	–	–	–	–	–	–	–	5.7	7.4	6.0
Industrial Metals & Mining	–	–	–	–	–	–	–	–	–	–	–	–	0.9	0.7
Forestry & Paper	–	–	–	–	–	–	–	–	–	–	–	–	0.3	–
	–	4.4	–	1.3	–	–	–	–	–	–	–	5.7	8.6	6.7
Utilities														
Electricity	–	–	–	–	–	–	–	–	–	–	1.7	1.7	1.9	1.3
Gas, Water & Multi-utilities	–	–	–	–	–	–	–	–	–	–	1.4	1.4	2.0	2.5
	–	–	–	–	–	–	–	–	–	–	3.1	3.1	3.9	3.8
Telecommunications														
Mobile Telecommunications	–	–	–	–	–	–	1.9	–	–	–	–	1.9	1.6	1.1
Fixed Line Telecommunications	–	–	–	–	–	–	–	–	–	–	–	–	2.6	–
	–	–	–	–	–	–	1.9	–	–	–	–	1.9	4.2	1.1
Oil & Gas														
Oil & Gas Producers	–	–	–	–	–	–	–	–	1.8	–	–	1.8	4.3	2.9
Oil Equipment, Services & Distribution	–	–	–	–	–	–	–	–	–	–	–	–	1.1	1.4
	–	–	–	–	–	–	–	–	1.8	–	–	1.8	5.4	4.3
Total portfolio exposure, including long CFDs – 2013	24.0	18.6	17.8	7.2	5.5	5.5	4.5	3.8	3.7	3.2	6.2	100.0		
Index – 2013[2]	21.7	20.5	19.7	2.6	2.0	2.7	1.8	–	5.8	7.1	16.1		100.0	
Total portfolio exposure, including long CFDs – 2012	21.8	15.0	18.1	6.9	1.5	6.2	5.2	3.4	4.8	4.6	12.5			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

2 FTSE World Europe (ex UK) Index

Summary of Performance

Historical Record as at 31 December	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Total portfolio exposure (£m)[1]	742	685	562	716	742	750	958	906	802	576	471
Shareholders' funds (£m)	711	616	518	661	649	650	855	802	689	513	407
NAV per share (p)	1,685.78	1,428.97	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
Share price (p)	1,525.00	1,287.00	1,003.00	1,113.00	1,151.00	990.00	1,350.00	1,211.00	1,118.00	766.50	589.00
(Discount)/premium to NAV (cum income) (%)	(9.5)	(9.9)	(14.2)	(16.7)	(9.3)	(16.4)	(6.9)	(5.7)	2.1	(6.0)	(9.0)
Revenue return per ordinary share (p)	29.82	27.78	26.94	15.95	20.59	36.77	13.79	5.34	2.82	1.98	1.93
Dividend per ordinary share (p)	29.75	27.75	26.50	15.75	22.50[2]	23.26[3]	13.75	5.25	2.50	1.75	1.50[2]
Cost of running the Company (ongoing charges) (%)[4]	0.96	0.98	0.94	0.91	0.92	0.89	1.06	1.47	1.55	1.58	1.63
Gearing (%)[5]	4.3	11.1	8.6	4.6	1.0	nil	(1.0)	12.4	16.0	11.5	15.3
NAV performance (%)[6]	+20.0	+24.7	-11.5	+7.1	+11.3	-17.5	+13.4	+17.5	+34.7	+26.2	+38.2
Share price performance (%)[6]	+20.8	+31.3	-8.6	-1.3	+21.3	-25.9	+12.0	+8.6	+46.2	+30.4	+43.3
Index performance (%)[6,7]	+25.2	+17.8	-14.7	+5.1	+19.1	-24.6	+15.1	+19.5	+23.4	+13.2	+29.0

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 The percentages prior to 2012 are total expense ratios
5 Total portfolio exposure in excess of shareholders' funds. The amounts prior to 2011 represent total net assets, less loans plus cash at bank and cash funds, in excess of shareholders' funds
6 Total return basis
7 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

Summary of Performance

Total return performance from launch to 31 December 2013

NAV and share price in pence from launch to 31 December 2013

Summary of Performance

Total return performance relative to the Benchmark Index from launch to 31 December 2013

Share price (discount)/premium to NAV cum income from launch to 31 December 2013

Board of Directors

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 and JPMorgan Claverhouse Investment Trust plc and a past Director of Murray Income Trust plc.

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 34 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, Invesco Asia Trust plc, Montanaro UK Smaller Companies Investment Trust PLC and J P Morgan Elect plc. He is also a Council Member and Chairman of the Investment Committee of the British Heart Foundation.

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. He was recently appointed an Honorary Vice President of the National Trust of Scotland.

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 a member of the World Economic Forum's Global Agenda Council on Europe.

MARION SEARS[2]
(date of appointment: 17 January 2013) is a Senior Independent non-executive Director of Dunelm Group plc and is also a non-executive Director of Octopus AIM VCT plc and Persimmon plc. Previously she was a Managing Director of Investment Banking at JPMorgan and she has served on the boards of Boehringer Ingleheim Ltd, LGC (Holdings) Ltd and Prelude Trust PLC. She has also held executive positions at Glaxo, UBS and Baring Brothers.

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

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 2013. 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. Details of the status of the Company can be found in the Strategic Report on page 8.

MANAGEMENT COMPANY AND FEES

During the year to 31 December 2013, 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 October 2012.

For the year ended 31 December 2013, the Management Agreement provided for a quarterly base fee of 0.2125% of net assets (2012: same). 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 (2012: same).

In addition the Management Agreement provides for an annual performance related fee of 15% (2012: same) 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 the Benchmark Index are calculated on a total return basis, and 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 is subject to an upper limit of 1.0% of net assets (2012: same). 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 2013 no performance fee was payable (2012: £2,243,000).

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 2014, 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 15 January 2014 and reviewed the performance of the Manager for the year to 31 December 2013. Further details of this review are included in the Company's Corporate Governance Statement on pages 26 and 27. 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. The amount payable for these services for the year to 31 December 2013 was £155,000 (2012: £60,000).

At 31 December 2013, £1,579,000 (2012: £3,616,000) was due to the Manager under the above agreements and is disclosed in Note 12 to the financial statements on page 49.

Fidelity operates a broker segmentation policy which 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 the Financial Conduct Authority ("FCA") 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 2013 £47,000 was received (2012: £19,000).

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.

Directors' Report

Mr Fraser, a non-executive Director of the Company, was employed by the FIL Limited group until the end of December 2008.

FIL Limited has no beneficial interest in shares of the Company (2012: same).

DIRECTORS

Details of the Directors who served during the year to 31 December 2013 are set out on page 18 with a brief description of their careers, each of which indicates their qualifications for Board membership. All of the Directors served throughout the year to 31 December 2013 with the exception of Marion Sears who was appointed as a non-executive Director of the Company on 17 January 2013. Ms Sears was recruited with the aid of an external agency which has no other connection to the Company. Mr Duckworth resigned as a Director of the Company on 16 May 2013.

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.

REGISTRAR AND CUSTODIAN ARRANGEMENTS

The Company employs Capita Asset Services to manage the Company's share register. Fees for their custodial services for the year under review amounted to £68,000 (2012: £76,000).

The Company employs JPMorgan Chase Bank as its custodians who are primarily responsible for safeguarding the Company's assets. Fees for their custodial services for the year under review amounted to £132,000 (2012: £118,000).

SHARE CAPITAL

The Company's issued share capital comprises ordinary shares of 25 pence each. As at 31 December 2013, the total number of ordinary shares in issue was 42,187,693 (2012: 43,127,073). 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 are detailed in the Notes to the Notice of Meeting on pages 61 and 62. The Company's ordinary shares have a premium listing on the London Stock Exchange.

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 NAV. It will only use these authorities to enhance the net asset value and to protect or improve the premium/discount rating of the shares.

SHARE ISSUES

No shares were issued during the year (2012: nil) and none have been issued since the year end. The authority to issue shares and dis-apply pre-emption rights, granted by shareholders at the Annual General Meeting held on 16 May 2013, expires at the conclusion of this year's Annual General Meeting and therefore resolutions to renew the authority will be put to shareholders for approval at the Annual General Meeting to be held on 15 May 2014.

SHARE REPURCHASES

At the Annual General Meeting held on 16 May 2013 the Company's shareholders passed a special resolution which granted the Directors authority to purchase up to 6,443,306 ordinary shares in the market for cancellation. 939,380 ordinary 25 pence shares were repurchased for cancellation during the year (2012: 1,167,873) representing 2.2% of the issued share capital as at 31 December 2013 (2012: 2.7%) for a total consideration of £13,239,000 (2012: £12,457,000).

The authority to repurchase shares expires on 15 May 2014 and a special resolution to renew the authority in respect of up to 14.99% of the issued share capital as at 6 March 2014 will be put to shareholders for approval at the forthcoming Annual General Meeting.

Since the year end, a further 24,859 ordinary shares of 25 pence each were repurchased for cancellation at a price of 1,465.90 pence per share. The issued share capital as at 6 March 2014 was 42,162,834 ordinary shares.

SUBSTANTIAL SHARE INTERESTS

As at 6 March 2014 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	22.98
1607 Capital Partners	7.80
Rathbone Brothers PLC[1]	5.35
Brewin Dolphin	4.76
Investec Wealth & Investment Limited	3.00

[1] Indirect holding for Rathbone Group companies

Directors' Report

Analysis of Ordinary Shareholders as at 31 December 2013	% of issued share capital
Retail	55.12
Mutual funds	35.83
Pension funds	4.18
Insurance companies	4.11
Trading	0.47
Hedge funds	0.29
Total	**100.00**

SOCIALLY RESPONSIBLE INVESTMENT

The Manager's primary objective is to produce superior financial returns for 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. 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.

GREENHOUSE GAS EMISSIONS

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.

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 2014 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 13 is an ordinary resolution and provides the Directors with a general authority to allot securities in the Company up to an aggregate nominal value of £527,035. If passed, this resolution will enable the Directors to allot a maximum of 2,108,141 ordinary shares of 25 pence each (or 21,081,410 ordinary shares of 2.5 pence each following the proposed share sub-division of shares (see below)). This represents approximately 5% of the issued ordinary share capital of the Company as at 6 March 2014.

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 14 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 £527,035 (approximately 5% of the issued share capital of the Company as at 6 March 2014 and equivalent to 2,108,141 ordinary shares of 25 pence each (or 21,081,410 ordinary shares of 2.5 pence each following the proposed sub-division of shares (see page 22)). The authority to issue ordinary shares for cash under Resolution 13 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 they considered that it was in the interests of shareholders to do so.

Resolution 15 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 6,320,208 ordinary shares of 25 pence each (or 63,202,080 ordinary shares of 2.5 pence each following the proposed sub-division of shares (see page 22)) equivalent to 14.99% of the shares in issue at 6 March 2014. By utilising this power to repurchase shares when they are trading at a discount to net asset value, the Company

Directors' Report

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.

Sub-Division of Ordinary Shares
Resolution 12 is being proposed as an ordinary resolution and concerns the sub-division of the Company's Ordinary shares on a 10 for 1 basis (the **Sub-Division**).

The Company's Ordinary shares (the **Existing Ordinary Shares**) currently have a nominal value of 25 pence each.

The closing price of the Existing Ordinary Shares as at 6 March 2014 (being the last practical date prior to the publication of this Annual Report) was £15.20.

As announced by the Company on 17 January 2014, the Board are aware that smaller investors, or investors who participate in monthly saving plans or dividend reinvestment schemes have experienced difficulty fulfilling their order because of the high price at which the Existing Ordinary Shares trade, resulting in a cash surplus that cannot be invested until sufficient funds have built up in their accounts.

If the Existing Ordinary Shares were to have been sub-divided on 6 March 2014, the shares would have been valued at £1.52 per share reflecting the fact that Ordinary shareholders would have then held ten times as many new Ordinary shares. Shareholders should note therefore that, subject to market movements, the aggregate value of their shareholdings should remain the same.

The Board are of the opinion that the lower share price will enhance the appeal of the Existing Ordinary Shares to smaller investors.

It is therefore proposed that, on 2 June 2014 (or such other time and date as the Directors may determine), each of the Existing Ordinary Shares that appear on the share register at the Record Date of 6.00 pm on 30 May 2014 will be sub-divided into 10 Ordinary shares of 2.5 pence each (the **New Ordinary Shares**). The resolution is conditional upon, and takes effect on, the admission of the New Ordinary Shares to the Official List of the UK Listing Authority and to trading on the London Stock Exchange's market for listed securities.

The New Ordinary Shares will carry the same rights in all respects as the Existing Ordinary Shares, including voting rights. The only change will be the aggregate number of shares held and the nominal value per share. The Company's net assets will remain unchanged following the Sub-Division and the Company's daily released net asset value per share will equate to one tenth of its original net asset value per share.

The number of shares in issue on 6 March 2014 (being the last practical date prior to the publication of this Annual Report) was 42,162,834 Existing Ordinary Shares. If resolution 12 is passed and becomes effective, the number of shares in issue following the Sub-Division will be 421,628,340 New Ordinary Shares.

The Company's final dividend is due to be paid on 23 May 2014 to existing shareholders who appear on the Company's register on 21 March 2014. The Sub-Division will not affect the payment of the Company's final dividend.

If the Sub-Division is approved and based on the timetable set out above, applications will be made for admission of the New Ordinary Shares to the Official List and to trading on the London Stock Exchange's market for listed securities. If the applications are accepted, it is proposed that the last day of trading on the London Stock Exchange of the Existing Ordinary Shares will be 30 May 2014 and the New Ordinary Shares will commence trading on 2 June 2014, with the following identifiers:

ISIN: GB00BK1PKQ95
Sedol: BK1PKQ9
Ticker: FEV/LON.

No fractional entitlements will arise as a result of the Sub-Division, as each shareholder's holding of Existing Ordinary Shares will be capable of division into New Ordinary Shares on a whole number basis.

By way of an example, a shareholder who held 1,000 Existing Ordinary Shares prior to the Sub-Division, would, immediately following the Sub-Division, hold 10,000 New Ordinary Shares. Based on this example, the net asset value of the Existing Ordinary Shares as at 6 March 2014 (being the latest practical date prior to the publication of this Annual Report) of £15.20 per share would, following the Sub-Division, become £1.52 per share.

If resolution 12 becomes effective, new share certificates representing the New Ordinary Shares will be sent to shareholders who currently hold shares in certificated form, on or about 16 June 2014. Once received, all old share certificates which relate to the Existing Ordinary Shares must be destroyed as they will no longer be valid. If you do not receive a new share certificate but believe you are entitled to one please call 0871 664 0300 (calls cost 10 pence per minute plus network extras. Lines are open 8.30 am – 5.30 pm Monday to Friday) or email: shareholderenquiries@capita.co.uk. No temporary documents to title will be issued. Transfers between 2 June 2014 and 16 June 2014 will be certified against the register of members of the Company. CREST accounts are expected to be credited on 2 June 2014.

Based on current UK tax legislation and the practice of HMRC, for those shareholders who (i) are beneficial owners of their Existing Ordinary Shares, (ii) hold their Existing Ordinary Shares as an investment (and not via an individual savings account (ISA)) and (iii) are ordinarily resident in the UK for taxation purposes, the Sub-Division will not be treated as a disposal for the purposes of UK capital gains tax, nor as a distribution of income for the purposes of UK income tax. If you are in any doubt as to your taxation position or if you are subject to tax in any jurisdiction other than the UK then you should consult your

Directors' Report

own professional adviser. No UK stamp duty or stamp duty reserve tax will be payable by shareholders as a result of the Sub-Division.

Adoption of New Articles of Association
Resolution 16 is being proposed as a special resolution and relates to the adoption of new Articles of Association (the **New Articles**) which update the Company's existing Articles of Association.

There have been a number of recent changes to tax, regulation and company law which affect investment trusts and the Company. The Board is therefore seeking approval to adopt the New Articles, substantially in the form of the existing Articles, but updated to reflect these changes.

In particular:

1. As a result of changes in tax law, the Companies Act 2006 has been amended to remove the requirement that an investment company's articles of association must prohibit a distribution of realised capital profits and so it is now possible for such companies to pay dividends out of capital profits. It is therefore proposed that the Company's Articles should be updated to give the Company this greater flexibility in line with tax and company laws. The Board has no current intention to pay dividends out of capital profits but believes that it is in shareholders' best interests for the Board to have this power should circumstances warrant its use in the future.

2. The Company is an alternative investment fund for the purposes of the Alternative Investment Fund Managers Directive ("AIFMD"). The proposed New Articles have therefore also been updated in order to incorporate the powers that may be granted to the Board as a result of the implementation of AIFMD. In particular, it is proposed to include a new Article 131, expressly granting the Board the authority to allow a depositary to discharge liability for loss of financial instruments held in custody in accordance with the limited circumstances permitted by Article 21 of AIFMD.

A copy of the existing Articles of Association and the proposed New Articles (showing all changes to the existing Articles), are available for inspection at the registered office of the Company and at 25 Cannon Street, London EC4M 5TA and will be made available for inspection at the Company's forthcoming Annual General Meeting at least 15 minutes prior to the start of the meeting and up until the close of the meeting.

The full text of the resolutions are set out in the Notice of Meeting contained on pages 59 to 60.

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 which forms part of this Directors' Report and can be found on pages 24 to 28.

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.

GOING CONCERN
The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 8 to 11. 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 39 to 56. The Company's objectives, policies and processes for managing its capital, financial risk objectives, details of financial instruments and its exposures to credit and liquidity risk are also set out in the Strategic Report on pages 8 to 11 and in the notes to the financial statements on pages 43 to 56.

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.

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.

CONTINUATION VOTE
In accordance with the Articles of Association of the Company, a continuation vote is required every two years. The next continuation vote will take place at the Annual General Meeting to be held in 2015.

By Order of the Board
FIL Investments International
Secretary
10 March 2014

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 governance issues relevant to investment companies and enables boards to satisfy any requirements they may have under 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 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; and
- the need for an internal audit function.

For the reasons set out in the AIC Guide, and as explained in 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 it does not comply with the UK Code principle B.2.1 and D.2.1 and the equivalent AIC Code principle. The reasons for non-compliance are detailed on page 26.

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 page 8.

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. Marion Sears was appointed as a non-executive Director on 17 January 2013 and Simon Duckworth stepped down from the Board on 16 May 2013. The Board follows a procedure of notification of other interests that may arise as part of considering any potential conflicts. James 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.

Simon Fraser is a Director of another investment trust managed by Fidelity, namely Fidelity Japanese Values PLC 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 18.

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.

Corporate Governance Statement

	Regular Board Meetings	Audit Committee Meetings	Management Engagement Committee Meetings
Humphrey van der Klugt	5/5	3/3	1/1
Simon Duckworth, DL (resigned 16 May 2013)	3/3	1/1	1/1
Simon Fraser	5/5	n/a	n/a
Robin Niblett	5/5	3/3	1/1
James Robinson	5/5	3/3	1/1
Marion Sears (appointed 17 January 2013)	5/5	3/3	1/1

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 in the reporting year to 31 December 2013.

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.

Marion Sears was appointed as a new director of the Company on 17 January 2013 via Trust Associates, an external agency with no connection to the Company. Simon Duckworth resigned as a director of the Company on 16 May 2013.

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.

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. During the year Marion Sears participated in an induction program. During Ms Sears' induction program she met with various representatives of the Manager and the Board.

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 independent and external 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 18. 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 the Chairman and each Director holding office during the year to 31 December 2013 was considered using written questionnaires and interviews with the Chairman. 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 and recommends 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.

The Board undertakes annual evaluations of itself and its Committees. In accordance with Code B.6.2 of the UK Corporate Governance Code, as a FTSE 350 company, the Company is required to carry out an externally facilitated evaluation of the Board every third year. The last external agency to carry out an evaluation of the Board, its Committees and each of its Directors was Stevenson and Co., an external agency with no connection with the Company or the Manager. Stevenson and Co. carried out their evaluation for the year to 31 December 2012. The next externally facilitated appraisal will be carried out for the year to 31 December 2015.

DIRECTORS' REMUNERATION

The level of Directors' fees is determined by the whole Board and therefore a separate Remuneration Committee has not been appointed. Full details of the Company's Remuneration Policy and Directors' fees are disclosed in the Directors' Remuneration Report on pages 31 to 33.

BOARD COMMITTEES

The Board has established the Audit Committee and Management Engagement Committee as set out below. Terms of reference of each Committee may be found on the Company's pages of the Manager's website (www. fidelity.co.uk/its).

AUDIT COMMITTEE

The Audit Committee consists of all of the independent Directors and is chaired by Mr Robinson. Full details of the Company's Audit Committee have been disclosed in the Report of the Audit Committee on pages 29 and 30.

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 at least annually and reports to the Board of Directors, making recommendations where appropriate.

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;

Corporate Governance Statement

- 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 15 January 2014 and reviewed the performance of the Manager for the year to 31 December 2013. The Committee noted the Company's good long term performance record and the commitment, quality and experience 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 page 19.

ACCOUNTABILITY AND AUDIT

FINANCIAL REPORTING

Set out on page 35 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 pages 37 and 38.

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.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for the Company's systems of risk management and internal control and for reviewing their effectiveness. The identification, control and evaluation of risk is assessed quarterly and a regular internal controls report is provided by the Manager. The systems of risk management and internal control are designed to manage 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 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 Board, assisted by the Manager, has undertaken a regular risk and controls assessment. The business risks have been analysed and recorded in a risk and internal controls report which is regularly reviewed. The Board has reviewed the need for an internal audit function. The Board has decided that the systems and procedures employed by the Manager, including its internal audit function and the work carried out by the Company's external Auditor, provide sufficient assurance that a sound system of internal control which safeguards shareholders' investments and the Company's assets, is maintained. An internal audit function, specific to the Company, is therefore considered unnecessary.

The Audit Committee has received and reviewed the report on the effectiveness of the internal controls maintained on behalf of the Company and meets a representative of the Manager's internal audit team at least three times a year. The Chairman of the Audit Committee has direct access to the Manager's internal audit team and vice versa. The Board also receives each year from the Manager a report on its 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 Financial Reporting Council's "Internal Control: Revised Guidance for Directors", the Directors have established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company and have reviewed the effectiveness of the risk management and internal control systems throughout the year ended 31 December 2013. This process 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.

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 by the Board.

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. The Board has adopted a zero tolerance policy in this regard.

Corporate Governance Statement

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 committed to providing the maximum opportunity for dialogue between the Company and shareholders. It believes 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 provided on page 66.

All shareholders, particularly individual shareholders, are encouraged to attend the Annual General Meeting at which there is a presentation by the Portfolio Manager 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 59 to 62 sets out the business of the meeting and the resolutions dealing with special business are explained more fully in the Directors' Report on pages 21 to 23. 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.

THE COMPANY'S ARTICLES OF ASSOCIATION
At the forthcoming Annual General Meeting a special resolution shall be proposed to alter the Company's Articles of Association. Further details of the proposal can be found on page 23.

On behalf of the Board

Humphrey van der Klugt
Chairman
10 March 2014

Report of the Audit Committee

As Chairman of the Audit Committee ("Committee") I am pleased to present the first formal report of the Committee to shareholders on the role and responsibilities and the effectiveness of the external audit process and how this has been assessed for the year ended 31 December 2013.

COMPOSITION

The Committee is chaired by me and consists of all of the independent Directors. Mr van der Klugt is a member of the Committee because the Board believes it to be appropriate for all independent Directors to have such responsibility. The Committee considers that collectively its members have sufficient recent and relevant financial experience to discharge their responsibilities fully.

ROLE AND RESPONSIBILITIES

The Committee's authority and duties are clearly defined in its terms of reference which are available on the Company's pages of the Manager's website (www.fidelity.co.uk/its). These duties include:

- Discussing with the external Auditor the nature and scope of the audit and reviewing the external Auditor's quality control procedures, reviewing and monitoring the effectiveness of the audit process and 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 by seeking appropriate disclosures and comfort from the Auditor;
- The provision of non-audit services which is subject to prior Board approval. No work other than audit was carried out by the Company's Auditor during the year;
- Responsibility for making recommendations on the appointment, reappointment and removal of the external Auditor;
- Considering the scope of work undertaken by the Manager's internal audit department; reviewing the Company's procedures for detecting fraud; and reviewing the effectiveness of the internal control system (including financial, operational and compliance controls and risk management);
- Monitoring the integrity of the financial statements of the Company and reviewing the half-yearly and annual financial statements of the Company prior to their submission to the Board for approval to ensure they are fair, balanced and understandable;
- Reviewing corporate governance issues, the existence and performance of all controls operating in the Company (including the adherence to Sections 1158 and 1159 Corporation Tax Act 2010 status); and
- Reviewing the relationship with and the performance of third party service providers (such as the registrars and custodians) and the risks associated with audit firms withdrawing from the market which is considered in the Committee's risk evaluation and planning.

MEETINGS AND BUSINESS

The Committee, which consists of all the independent Directors, met three times during the reporting year and once with the external Auditor. Attendance by each independent Director is shown in the table on page 25.

The following matters were dealt with at these meetings:

February 2013	• Review of the risk associated with cybercrime • Review of the Company's risk management and internal controls framework • Review of performance fee calculations • Review of withholding tax reclaims • Recommendation of the final dividend payment • Review of the Going Concern statement • Review of compliance with Corporate Governance and regulatory requirements • Consideration of the Auditor's report • Review of the Auditor's performance and independence • Review of the Annual Report and financial statements and recommendation of its approval to the Board
July 2013	• Review of the Financial Conduct Authority's guidance on managing Conflicts of Interest • Review of the Financial Reporting Council's Audit Quality Inspection report • Review of the Company's risk management and internal controls framework • Review of the half-yearly report and recommendation of its approval to the Board
October 2013	• Review of the Auditor's engagement letter and audit plan for the Company's year ending 31 December 2013 • Review of the Company's risk management and internal controls framework • Review of the Company's claims to recover withholding tax paid in certain EU countries • Review of the Company's UK tax claims • Review of the Committee's Terms of Reference

Report of the Audit Committee

ANNUAL REPORT AND FINANCIAL STATEMENTS

The Annual Report and financial statements are the responsibility of the Board and the Statement of Directors' Responsibilities is on page 35. The Audit Committee advises the Board on the form and content of the Annual Report and financial statements and any issues which may arise and on any specific areas which require judgement.

In respect of these financial statements, the Committee considered certain significant issues and how they were addressed.

Recognition of Investment Income	The recognition of investment income is undertaken in accordance with accounting policy Note 1(b) on page 43. The Audit Committee satisfied itself that adequate systems are in place for properly recording all of the Company's investment income and that this area was appropriately tested by the Company's Auditor.
Valuation, existence and ownership of investments (including derivatives)	The valuation of investments (including derivatives) is in accordance with accounting policy Notes 1(g) and 1(h) on pages 43 and 44. The Audit Committee satisfied itself that the Company's Auditor has verified the valuation of investments and derivatives by reference to independent sources and has also confirmed the existence and ownership of the investments with the Company's independent Custodian and that of the derivatives with the Company's Counterparties.
Compliance with Sections 1158 and 1159 of the Corporation Tax Act 2010	Approval for the Company to carry on business as an investment trust has been obtained, subject to the Company continuing to meet eligibility criteria. The ongoing compliance with the eligibility criteria is monitored on a regular basis with the help and guidance of the Company's service providers or advisers.
Performance fee calculation	The audit includes a review of the Company's performance fee to ensure that this is calculated in accordance with the Management Agreement. The Manager reports to the Board on any performance fee accruals that have been included in the Company's NAV on a regular basis. The Audit Committee seeks confirmation that the Company's performance fee has been calculated as per the management agreement and confirmed with the Company's Auditor.
Principal Risks and Uncertainties	The Audit Committee reviews the principal risks and uncertainties facing the Company and evaluates them according to the likelihood of the risk occurring and the impact the risk may have on the Company. Further details can be found on pages 10 and 11.

APPOINTMENT OF THE EXTERNAL AUDITOR

Grant Thornton UK LLP acts as the Company's Auditor.
The Committee reviewed the independence of the Auditor and the effectiveness of the audit process prior to recommending their reappointment to the Board and prior to the Board's proposal to reappoint Grant Thornton at the forthcoming Annual General Meeting.

With regard to the independence of the Auditor, the Committee reviewed:

- the personnel in the audit plan for the year;
- the Auditor's arrangements for any conflicts of interest;
- the extent of any non-audit services; and
- the statement by the Auditor that they remain independent within the meaning of the regulations and their professional standards.

With regard to the effectiveness of the audit process, the Committee reviewed:

- the fulfilment by the Auditor of the agreed audit plan;
- the audit report issued by the Auditor on the audit of the Annual Report and financial statements for the year ending 31 December 2013; and
- feedback from the Manager.

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. The Company's audit partner cannot act for more than 5 years. Julian Bartlett became the Company's audit partner for the year ended 31 December 2011. There are no contractual obligations that restrict the Committee's choice of Auditor.

James Robinson
Chairman of the Audit Committee
10 March 2014

Directors' Remuneration Report

CHAIRMAN'S STATEMENT
The Directors' Remuneration Report for the year ended 31 December 2013 has been prepared in accordance with Section 421 of the Companies Act 2006, the Large & Medium-sized Companies & Groups (Accounts & Reports) (Amendment) Regulations 2013 and the Enterprise & Regulatory Reform Act 2013. Ordinary resolutions to approve both the Remuneration Policy and the Directors' Remuneration Report will be put to shareholders for their consideration at the Annual General Meeting to be held on 15 May 2014. The Company's Auditor is required to audit certain sections of this report and where such disclosures have been audited, the specific section has been indicated as such. The Independent Auditor's opinion is included in its report on pages 37 and 38.

The Board, due to its size and the Company being an investment trust with no employees, does not consider it necessary to have a separate Remuneration Committee. Instead the entire Board carry out the function of a Remuneration Committee under my Chairmanship. As the Board is comprised entirely of non-executive Directors and has no employees, many parts of the Large & Medium-sized Companies & Groups (Accounts & Reports) (Amendment) Regulations 2013, in particular those relating to Chief Executive Officer pay and employee pay, do not apply and are therefore not disclosed in this report.

Directors' Fee Review
On 15 January 2014 it was agreed to increase the Board's fees with effect from 1 January 2014. The revised fee structure is: Chairman – £36,500; Chairman of the Audit Committee – £27,000; and Directors – £23,000. The Board had previously reviewed their fees on 1 July 2012 at which point the Chairman's fee was increased to £35,000 from £33,000; the Chairman of the Audit Committee's fee was increased to £26,000 from £25,000 and the Directors' fees remained unchanged at £22,500. The review of the Board's fees was based on information provided by the Company's Manager, Fidelity, and research from third parties which included reference to the fees of other similar investment trusts.

THE REMUNERATION POLICY
The Remuneration Policy is subject to a binding vote, in the form of an ordinary resolution at every third Annual General Meeting. A binding vote means that if it is not successful the Board will be obliged to revise the policy and seek further shareholder approval at a General Meeting specially convened for that purpose. The current policy is set out below.

The Company's Articles of Association limit the aggregate fees payable to each Director to £50,000 per annum. Subject to this overall limit, it is the Board's policy to determine the level of Directors' fees having regard to the time spent by them on the Company's affairs; the level of fees payable to non-executive directors in the industry generally; our requirement to attract and retain individuals with suitable knowledge and experience; and the role that individual Directors fulfil. There are no specific performance related conditions attached to the remuneration of the Board and the Board are not eligible for bonuses, pension benefits, share options, long term incentive schemes or other non-cash benefits or taxable expenses. No other payments are made to Directors other than reasonable out of pocket expenses which have been incurred as a result of attending to the affairs of the Company.

The level of Directors' fees are determined by the whole Board. Directors do not vote on their own fees. The Board reviews the Company's Remuneration Policy and implementation on an annual basis. Reviews are based on information provided by the Company's Manager, Fidelity and research from third parties, which also includes information on the fees of other similar investment trusts. Every third year, in accordance with Code B.6.2 of the UK Corporate Governance Code, as a FTSE 350 company, the Board is required to carry out an externally facilitated evaluation of its performance. This evaluation process also provides input into the appropriate level of Directors' fees from an independent source.

No Director has a service contract with the Company. New Directors are provided with a letter of appointment which, amongst other things, provides that their appointment is subject to the Companies Act 2006 and the Company's Articles of Association. Copies of the Directors letter of appointment are available at each of the Company's Annual General Meetings and can be obtained from the Company's registered office.

The Directors are not entitled to exit payments and are not provided with any compensation for loss of office.

In common with most investment trusts there is no Chief Executive Officer and no employees.

The opinion of shareholders has not been sought in preparing the Remuneration Policy and no communication has been received from shareholders with regard to the Company's Remuneration Policy or Directors' fees.

The Company's remuneration policy will apply to new Board members, who will be paid the equivalent amount of fees as current Board members.

This policy has been followed throughout the year under review but will be formalised for the first time at the Company's forthcoming Annual General Meeting to be held on 15 May 2014 and it will take effect from that date.

Directors' Remuneration Report

Position	Salary or fee	Other taxable benefits	Performance Related Pay or Benefits	Additional Fees Payable for Extra Duties	Pension Related Benefits	Loss of Office
Chairman	Fees	n/a	n/a	n/a	n/a	n/a
Audit Committee Chairman & Senior Independent Director	Fees	n/a	n/a	n/a	n/a	n/a
All other Board Members	Fees	n/a	n/a	n/a	n/a	n/a

IMPLEMENTATION OF THE REMUNERATION POLICY
This refers to the way in which the Remuneration Policy has been implemented during the year ended 31 December 2013. The Directors' Remuneration Report will be put to shareholders by way of an ordinary resolution at each Annual General Meeting. This is a non-binding 'advisory' resolution. In the event that shareholders vote against the resolution, the Board will be required to put its Remuneration Policy for shareholder approval at the next Annual General Meeting, regardless of whether the Remuneration Policy was approved by shareholders within the last three years.

Voting at the Company's last Annual General Meeting
At the Annual General Meeting held on 16 May 2013, 98.53% of votes were cast in favour (or granted discretion to the Chairman of the meeting who cast them in favour) of the Directors' Remuneration Report for the year ended 31 December 2012, 0.95% of votes were cast against and 0.52% of votes were withheld. At the Annual General Meeting to be held on 15 May 2014, for the first time, the Company's Remuneration Policy and the Directors' Remuneration Report will be put to shareholders and the votes cast at that meeting with regard to the two new resolutions will be released to the market via a regulatory news service provider and disclosed in the Remuneration Report for the year to 31 December 2014 and on the Company's website.

Single Total Figure of Remuneration
The single total aggregate Directors' remuneration for the year under review was £136,000 (2012: £127,000). Information on individual Directors' fees is shown below.

REMUNERATION OF DIRECTORS (AUDITED)	2014 Projected Fees (£)	2013 Fees (£)	2012 Fees (£)
Humphrey van der Klugt	36,500	35,000	34,000
James Robinson	27,000	26,000	25,500
Simon Fraser	23,000	22,500	22,500
Robin Niblett	23,000	22,500	22,500
Marion Sears (appointed 17 January 2013)	23,000	21,500	–
Simon Duckworth, DL (resigned 16 May 2013)	–	8,500	22,500
Total	**132,500**	**136,000**	**127,000**

Directors' fees are paid monthly in arrears. Directors do not serve a notice period if their appointment were to be terminated.

Directors' Remuneration Report

Expenditure on Remuneration and Distributions to Shareholders
The table below shows the total amount paid out in remuneration and distribution to shareholders for the financial years 31 December 2012 and 31 December 2013.

	31 December 2013 £	31 December 2012 £
Expenditure on Remuneration:		
– Aggregate of Directors' Fees	136,000	127,000
Distribution to Shareholders:		
– Dividend Payments	11,901,000	11,578,000
– Shares Repurchased	13,239,000	12,457,000

Performance
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 return of the FTSE World Europe (ex UK) Index as this is the most appropriate in respect of its asset allocation. The following graph shows performance over five years to 31 December 2013.

Performance from 1 January 2009 to 31 December 2013 (on a total return basis)

Directors' Remuneration Report

Directors' Interest in Ordinary Shares

Whilst there is no requirement for the Directors to hold shares in the Company, shareholdings by Directors is encouraged. The Directors holdings in the shares of the Company are shown below. All of the Directors' shareholdings are beneficial.

Directors' Shareholdings (Audited)	31 December 2013	31 December 2012	Change during year
Humphrey van der Klugt	4,000	4,000	–
James Robinson	3,000	3,000	–
Simon Fraser	7,059	27,022	19,963[1]
Robin Niblett	500	500	–
Marion Sears (appointed 17 January 2013)	1,200	–	1,200[2]
Simon Duckworth, DL (resigned 16 May 2013)	n/a	2,000	n/a

1 Dividend reinvestment resulted in a purchase of 37 ordinary shares. In addition there was a disposal of 20,000 ordinary shares as a shareholder in Triptych SA
2 Purchase of 1,200 ordinary shares

No Director has purchased shares in the Company since the year end.

On behalf of the Board

Humphrey van der Klugt
Chairman
10 March 2014

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 Strategic Report, a Directors' Report, a Corporate Governance Statement and a Directors' Remuneration Report that comply with that law and those regulations.

The Directors have delegated responsibility 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 Strategic Report and Directors' Report include 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.
We confirm that we consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's performance, business and strategy.

Approved by the Board on 10 March 2014 and signed on its behalf.

Humphrey van der Klugt
Chairman

Financial Calendar

The key dates in the Company's calendar are:

31 December 2013 – financial year end

10 March 2014 – announcement of results

March 2014 – publication of this report

Mid May 2014 – Interim Management Statement (as at 31 March 2014)

15 May 2014 – Annual General Meeting

23 May 2014 – payment of dividend

30 June 2014 – Half-Year end

July/August 2014 – announcement of Half-Yearly results to 30 June 2014

August 2014 – publication of Half-Yearly report

Mid November 2014 – Interim Management Statement (as at 30 September 2014)

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 2013 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 Directors' Responsibilities Statement set out on page 35, 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 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 Financial Reporting Council's website at www.frc.org.uk/apb/scope/private.cfm.

AUDITOR COMMENTARY

An overview of the scope of our audit

Our audit approach was based on a thorough understanding of the Company's business and is risk-based. The day-to-day management of the Company's investment portfolio, the custody of its investments and the maintenance of the Company's accounting records is outsourced to third-party service providers. Accordingly, our audit work is focused on obtaining an understanding of, and evaluating, internal controls at the Company and relevant third-party service providers. This included a review of reports on the description, design and operating effectiveness of internal controls at the relevant third-party service providers. We undertook substantive testing on significant transactions, balances and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment, the effectiveness of controls over individual systems and the management of specific risks.

Our application of materiality

We apply the concept of materiality in planning and performing our audit, in evaluating the effect of any identified misstatements and in forming our opinion. For the purpose of determining whether the financial statements are free from material misstatement we define materiality as the magnitude of a misstatement or an omission from the financial statements or related disclosures that would make it probable that the judgement of a reasonable person, relying on the information, would have been changed or influenced by the misstatement or omission. We also determine a level of performance materiality which we use to determine the extent of testing needed to reduce to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

We established materiality for the financial statements as a whole to be £7.13m, which is 1% of the Company's total assets. For the Income Statement we determined that misstatements for a lesser amount than materiality for the financial statements as a whole would make it probable that the judgement of a reasonable person, relying on the information, would have been changed or influenced by the misstatement or omission. Accordingly, we established materiality for the revenue column of the income statement to be £1.78m.

We have determined the threshold at which we communicate misstatement to the Audit Committee to be £0.36m. In addition, we communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

Our assessment of risk

Without modifying our opinion, we highlight the following matters that are, in our judgement, likely to be most important to users' understanding of our audit. Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual transactions, balances or disclosures.

Investments

The Company's business is investing in financial assets with a view to profit from the total return in the form of revenue and capital gains. Accordingly, the investment portfolio totalling £689m which includes long Contracts For Difference (CFDs), is a significant and material item in the Balance Sheet. The recognition and measurement of the investment portfolio is therefore a risk that requires particular audit attention.

Our audit work included, but was not restricted to, understanding management's process to recognise and measure the investment portfolio including ownership of those securities. We obtained confirmation of investments and CFDs held at the year end directly from the independent custodian, tested the reconciliation of the custodian records to the records maintained by the Company's administrator, and tested a selection of investment and CFD additions and disposals shown in the Company's records to supporting documentation. We agreed the valuation of quoted investments to an independent source of market prices and we tested the determination of the valuation of CFDs by agreement of the contract price to the report from the independent custodian and the settlement price to an independent source of market prices.

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

The Company's accounting policies on the valuation of investments and derivative instruments are included in Note 1 and the disclosures about investments and derivatives held at year end are included in Notes 9 and 10 respectively.

Recognition of income from Investments
Investment income is the Company's major source of revenue. According to the Statement of Recommended Practice, 'Financial Statements of Investment Trust Companies and Venture Capital Trusts', revenue should be recognised when the Company's right to the income is established, in line with the Company's stated accounting policy. We therefore identified the recognition of revenue from the investment portfolio as a significant risk requiring particular audit attention.

Our audit work included, but was not restricted to, assessing whether the Company's accounting policy conforms with United Kingdom Generally Accepted Accounting Practice, testing the income recognised in accordance with that policy, and selecting a sample of investments and CFDs held in the period to determine whether the income that should have been recognised had been received and recorded. We also assessed whether any of the dividends should have been treated as capital receipts.

The Company's accounting policy on the recognition of income from investments is included in Note 1 and the components of that revenue are included in Note 2.

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 2013 and of its net return 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.

OTHER REPORTING RESPONSIBILITIES
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;
- the information given in the Strategic Report and 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 ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the Annual Report is fair, balanced and understandable, and whether the Annual Report appropriately discloses those matters that were communicated to the audit committee which we consider should have been disclosed.

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 23, in relation to going concern; and
- 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.

Julian Bartlett
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
10 March 2014

Income Statement for the year ended 31 December 2013

	Notes	2013 revenue £'000	2013 capital £'000	2013 total £'000	2012 revenue £'000	2012 capital £'000	2012 total £'000
Gains on investments designated at fair value through profit or loss	9	–	95,243	95,243	–	93,403	93,403
Gains on derivative instruments held at fair value through profit or loss	10	–	12,044	12,044	–	19,630	19,630
Income	2	21,066	–	21,066	18,518	–	18,518
Investment management and performance fees	3	(5,821)	–	(5,821)	(4,929)	(2,243)	(7,172)
Other expenses	4	(803)	–	(803)	(629)	–	(629)
Exchange gains/(losses) on other net assets		4	108	112	(76)	(153)	(229)
Net return before finance costs and taxation		14,446	107,395	121,841	12,884	110,637	123,521
Finance costs	5	(279)	–	(279)	(326)	–	(326)
Net return on ordinary activities before taxation		14,167	107,395	121,562	12,558	110,637	123,195
Taxation on return on ordinary activities	6	(1,505)	–	(1,505)	(503)	–	(503)
Net return on ordinary activities after taxation for the year		12,662	107,395	120,057	12,055	110,637	122,692
Return per ordinary share	7	29.82p	252.94p	282.76p	27.78p	254.97p	282.75p

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 43 to 56 form an integral part of these financial statements.

Reconciliation of Movements in Shareholders' Funds

for the year ended 31 December 2013

	Note	share capital £'000	share premium account £'000	capital redemption reserve £'000	capital reserve £'000	revenue reserve £'000	total equity £'000
Opening shareholders' funds as at 1 January 2012		11,073	58,615	4,752	425,007	18,170	517,617
Net return on ordinary activities after taxation for the year		–	–	–	110,637	12,055	122,692
Repurchase of ordinary shares		(292)	–	292	(12,457)	–	(12,457)
Dividend paid to shareholders	8	–	–	–	–	(11,578)	(11,578)
Closing shareholders' funds as at 31 December 2012		10,781	58,615	5,044	523,187	18,647	616,274
Net return on ordinary activities after taxation for the year		–	–	–	107,395	12,662	120,057
Repurchase of ordinary shares		(234)	–	234	(13,239)	–	(13,239)
Dividend paid to shareholders	8	–	–	–	–	(11,901)	(11,901)
Closing shareholders' funds as at 31 December 2013		10,547	58,615	5,278	617,343	19,408	711,191

The Notes on pages 43 to 56 form an integral part of these financial statements.

Balance Sheet as at 31 December 2013

Company number 2638812

	Notes	2013 £'000	2012 £'000
Fixed assets			
Investments designated at fair value through profit or loss	9	669,216	583,938
Current assets			
Derivative assets held at fair value through profit or loss	10	19,980	16,448
Debtors	11	2,463	1,940
Fidelity Institutional Liquidity Fund plc		31	30
Cash at bank		21,326	20,450
		43,800	38,868
Creditors			
Derivative liabilities held at fair value through profit or loss	10	–	(2,747)
Other creditors	12	(1,825)	(3,785)
		(1,825)	(6,532)
Net current assets		41,975	32,336
Total net assets		711,191	616,274
Capital and reserves			
Share capital	13	10,547	10,781
Share premium account	14	58,615	58,615
Capital redemption reserve	14	5,278	5,044
Capital reserve	14	617,343	523,187
Revenue reserve	14	19,408	18,647
Total equity shareholders' funds		711,191	616,274
Net asset value per ordinary share	15	1,685.78p	1,428.97p

The financial statements on pages 39 to 56 were approved and authorised for issue by the Board of Directors on 10 March 2014 and were signed on its behalf by:

Humphrey Van der Klugt
Chairman

The Notes on pages 43 to 56 form an integral part of these financial statements.

Cash Flow Statement for the year ended 31 December 2013

	Notes	2013 £'000	2012 £'000
Operating activities			
Investment income received		14,631	13,165
Income received on long CFDs		3,009	1,162
Deposit interest received		44	53
Investment management fee paid		(5,619)	(4,721)
Performance fee paid		(2,243)	–
Directors' fees paid		(104)	(161)
Other cash payments		(660)	(675)
Net cash inflow from operating activities	16	9,058	8,823
Finance costs			
Interest paid on long CFDs		(281)	(335)
Net cash outflow from finance costs		(281)	(335)
Overseas taxation recovered		651	1,106
Financial investments			
Purchase of investments		(156,750)	(129,219)
Disposal of investments		167,459	144,451
Net cash inflow from financial investment		10,709	15,232
Derivative activities			
Proceeds of long CFD positions closed		5,765	9,038
Net cash inflow from derivative activities		5,765	9,038
Dividends paid to shareholders		(11,901)	(11,578)
Net cash inflow before use of liquid resources and financing		14,001	22,286
Cash flow from management of liquid resources			
Fidelity Institutional Liquidity Fund plc		(1)	1
Net cash (outflow)/inflow from management of liquid resources		(1)	1
Net cash inflow before financing		14,000	22,287
Financing			
Repurchase of ordinary shares		(13,232)	(14,055)
Net cash outflow from financing		(13,232)	(14,055)
Increase in cash	17	768	8,232

The Notes on pages 43 to 56 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 continues to be granted by HM Revenue & 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 revenue receipt or a capital receipt depending on the facts and circumstances of each particular case.

d) Expenses – 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.

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 translated to UK sterling at the rate of exchange ruling as at the date of those 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 the capital column of the Income Statement.

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. Accordingly, upon initial recognition the investments are designated by the Company as "at fair value through profit or loss". They are included initially at fair value, which is taken to be their cost, and subsequently the investments are valued at fair value, which is measured as follows:

- Listed investments are valued at bid prices, or last market prices, depending on the convention of the exchange on which they are listed, or 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, incidental to the purchase or sale of investments, within gains on investments and has disclosed them in Note 9 on page 48.

Notes to the Financial Statements

1 ACCOUNTING POLICIES (continued)

h) Derivative instruments – Some of the Company's exposure to European equities is through the use of long CFDs. The gearing level is monitored and reviewed by the Board on a regular basis. 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, which is calculated in accordance with policy 1(g). Gains and losses in the fair value of the CFDs are included in 'Gains on derivatives instruments held at fair value through profit or loss' in the capital column of the Income Statement. Income received from dividends on long CFDs is included in 'Income' and interest paid on long CFDs is included in 'Finance costs', in the revenue column of the Income Statement.

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

j) Capital reserve – The following are accounted for in capital reserve:

- Gains and losses on the disposal of investments and derivative instruments;
- Changes in the fair value of investments and derivative instruments held at the year end;
- Foreign exchange gains and losses of a capital nature;
- Performance fees;
- 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, changes in the 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.

k) Dividends – In accordance with Financial Reporting Standard 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

	2013 £'000	2012 £'000
Income from investments designated at fair value through profit or loss		
Overseas dividends	16,599	15,301
Overseas scrip dividends	728	1,435
UK dividends	686	570
	18,013	17,306
Income from derivative instruments held at fair value through profit or loss		
Dividends on long CFDs	3,009	1,162
	21,022	18,468
Other income		
Deposit interest	44	50
Total income	21,066	18,518

Notes to the Financial Statements

	2013 £'000	2012 £'000
3 INVESTMENT MANAGEMENT AND PERFORMANCE FEES		
Investment management fee – charged to revenue	5,821	4,929
Performance fee – charged to capital	–	2,243
Total investment management and performance fees	5,821	7,172

A summary of the terms of the Management Agreement is given in the Directors' Report on page 19.

	2013 £'000	2012 £'000
4 OTHER EXPENSES		
AIC fees	23	26
Custody fees	132	118
Directors' fees[1]	136	127
Legal and professional fees	158	88
Marketing expenses[2]	155	60
Printing and publication expenses	78	87
Registrars' fees	68	76
Other expenses	30	26
Fees payable to the Company's Auditor – for the audit of the annual financial statements[3]	23	21
	803	629

1 Details of the breakdown of Directors' fees are provided on page 32 in the Directors' Remuneration Report
2 Marketing expenses in 2012 include the release of £82,000 due to an underspend of the 2011 accrual
3 The VAT on fees payable to the Company's Auditor is included in "other expenses"

	2013 £'000	2012 £'000
5 FINANCE COSTS		
Interest paid on long CFDs	279	326

Notes to the Financial Statements

	2013 revenue £'000	2013 capital £'000	2013 total £'000	2012 revenue £'000	2012 capital £'000	2012 total £'000
6 TAXATION ON RETURN ON ORDINARY ACTIVITIES						
a) Analysis of the taxation charge in the year						
Overseas taxation suffered	2,558	–	2,558	2,584	–	2,584
Overseas taxation recovered	(1,053)	–	(1,053)	(2,081)	–	(2,081)
Total current taxation charge for the year (see Note 6b)	1,505	–	1,505	503	–	503

b) Factors affecting the taxation charge 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 23.25% (2012: 24.50%).

The differences are explained below.

	2013 revenue £'000	2013 capital £'000	2013 total £'000	2012 revenue £'000	2012 capital £'000	2012 total £'000
Net return on ordinary activities before taxation	14,167	107,395	121,562	12,558	110,637	123,195
Net return on ordinary activities before taxation multiplied by the standard rate of UK corporation tax of 23.25% (2012: 24.50%)	3,294	24,969	28,263	3,077	27,106	30,183
Effects of:						
Gains on investments not taxed[1]	–	(24,969)	(24,969)	–	(27,656)	(27,656)
Income not included for taxation purposes	(3,430)	–	(3,430)	(3,838)	–	(3,838)
Movement in excess expenses for the year	231	–	231	782	550	1,332
Overseas taxation	1,505	–	1,505	503	–	503
Overseas taxation relief	(95)	–	(95)	(21)	–	(21)
Current taxation charge (Note 6a)	1,505	–	1,505	503	–	503

1 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 £12,070,000 (2012: £11,076,000) and unrelieved loan relationship expenses of £5,505,000 (2012: same). It is unlikely that the Company will generate sufficient taxable profits in the future to utilise these amounts and therefore no deferred taxation asset has been recognised.

Notes to the Financial Statements

	2013 revenue	2013 capital	2013 total	2012 revenue	2012 capital	2012 total
7 RETURN PER ORDINARY SHARE						
Return per ordinary share – pence	29.82	252.94	282.76	27.78	254.97	282.75
Net return on ordinary activities after taxation for the year – £000s	12,662	107,395	120,057	12,055	110,637	122,692

The return per ordinary share is based on 42,457,887 ordinary shares (2012: 43,391,355) being the weighted average number of ordinary shares in issue during the year.

	2013 £'000	2012 £'000
8 DIVIDENDS		
Dividend paid:		
Dividend of 27.75 pence per ordinary share paid for the year ended 31 December 2012	11,901	–
Dividend of 26.50 pence per ordinary share paid for the year ended 31 December 2011	–	11,578
	11,901	11,578
Dividend proposed:		
Dividend of 29.75 pence per ordinary share proposed for the year ended 31 December 2013 and based on the number of ordinary shares in issue at the date of this report	12,543	–
Dividend of 27.75 pence per ordinary share proposed for the year ended 31 December 2012	–	11,901
	12,543	11,901

The Directors have proposed the payment of a final dividend for the year ended 31 December 2013 of 29.75 pence per ordinary share to be paid on 23 May 2014, to shareholders on the register at the close of business on 21 March 2014 (ex-dividend date 19 March 2014).

Notes to the Financial Statements

	2013 £'000	2012 £'000
9 INVESTMENTS		
Investments designated at fair value through profit or loss		
Investments listed on a recognised stock exchange	669,216	583,938
Opening fair value of investments		
Opening book cost	492,869	514,274
Opening investment holding gains/(losses)	91,069	(9,865)
	583,938	504,409
Movements in the year		
Purchases at cost	157,518	130,595
Sales – proceeds	(167,483)	(144,469)
Sales – gains/(losses) in the year	29,125	(7,531)
Movement in investment holding gains in the year	66,118	100,934
Closing fair value of investments	669,216	583,938
Closing book cost	512,029	492,869
Closing investment holding gains	157,187	91,069
Closing fair value of investments	669,216	583,938
Gains on investments designated at fair value through profit or loss		
Gains/(losses) on sales of investments	29,125	(7,531)
Investment holding gains	66,118	100,934
	95,243	93,403

The portfolio turnover rate for the year was 25.1% (2012: 25.7%).

Gains on investments are shown net of investment transaction costs which are summarised below:

	2013 £'000	2012 £'000
Purchases expenses	247	173
Sales expenses	188	121
	435	294

Notes to the Financial Statements

	2013 fair value £'000	2013 exposure £'000	2012 fair value £'000	2012 exposure £'000
10 DERIVATIVE INSTRUMENTS				
Derivative assets/(liabilities) held at fair value through profit or loss				
Long CFDs – assets	19,980	72,686	16,448	91,305
Long CFDs – liabilities	–	–	(2,747)	9,631
	19,980	72,686	13,701	100,936

	2013 £'000	2012 £'000
Net gains on derivative instruments held at fair value through profit or loss in the year		
Gains on long CFD positions closed	5,765	9,038
Movement in investment holding gains on long CFDs	6,279	10,592
	12,044	19,630

	2013 £'000	2012 £'000
11 DEBTORS		
Securities sold for future settlement	42	18
Taxation recoverable	2,130	1,728
Other debtors	291	194
	2,463	1,940

	2013 £'000	2012 £'000
12 CREDITORS		
Securities purchased for future settlement	43	3
Amount payable on share repurchases	8	1
Finance costs payable	13	15
Amount payable to the Manager	1,579	3,616
Other creditors	182	150
	1,825	3,785

Notes to the Financial Statements

	2013 Number of shares	2013 £'000	2012 Number of shares	2012 £'000
13 SHARE CAPITAL				
Issued, allotted and fully paid Ordinary shares of 25 pence each				
Beginning of the year	43,127,073	10,781	44,294,946	11,073
Repurchase of ordinary shares	(939,380)	(234)	(1,167,873)	(292)
End of the year	42,187,693	10,547	43,127,073	10,781

14 RESERVES

The "share premium account" arose on the issue of ordinary shares. It is not distributable by way of dividend and it cannot be used to fund share repurchases.

The "capital redemption reserve" maintains the equity share capital of the Company and represents the nominal value of shares repurchased and cancelled. It is not distributable by way of dividend and it cannot be used to fund share repurchases.

The "capital reserve" reflects realised gains or losses on investments and derivatives sold, unrealised increases and decreases in the fair value of investments and derivatives held and other income and costs recognised in the capital column of the Income Statement. It is not currently distributable by way of dividend. It can be used to fund share repurchases.

The "revenue reserve" represents the net revenue surpluses recognised in the revenue column of the Income Statement that have been retained and have not been distributed to shareholders as dividends. It is distributable by way of dividend.

15 NET ASSET VALUE PER ORDINARY SHARE

The net asset value per ordinary share is based on net assets of £711,191,000 (2012: £616,274,000) and on 42,187,693 (2012: 43,127,073) shares, being the number of ordinary shares in issue at the year end.

	2013 £'000	2012 £'000
16 RECONCILIATION OF NET RETURN BEFORE FINANCE COSTS AND TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES		
Net return before finance costs and taxation	121,841	123,521
Capital return for the year	(107,395)	(110,637)
Net revenue return before finance costs and taxation	14,446	12,884
Scrip dividends	(728)	(1,435)
Increase in other debtors	(97)	(60)
Decrease in performance fee creditor	(2,243)	–
Increase in other creditors	238	18
Overseas taxation suffered	(2,558)	(2,584)
Net cash inflow from operating activities	9,058	8,823

Notes to the Financial Statements

	2013 £'000	2012 £'000
17 RECONCILIATION OF NET CASH MOVEMENTS TO MOVEMENT IN NET FUNDS		
Net funds at the beginning of the year	20,480	12,402
Net cash inflow	768	8,232
Fidelity Institutional Liquidity Fund Plc	1	(1)
Foreign exchange movement	108	(153)
Change in net funds	877	8,078
Net funds at the end of the year	21,357	20,480

	2013 £'000	cash flows £'000	foreign exchange movements £'000	2012 £'000
Analysis of net funds				
Fidelity Institutional Liquidity Fund plc	31	1	–	30
Cash at bank	21,326	768	108	20,450
	21,357	769	108	20,480

18 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 Strategic Report on pages 8 to 11. This Note is incorporated in accordance with Financial Reporting Standard 29: Financial Instruments: Disclosures ("FRS 29") 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;
- Derivative instruments which comprise long CFDs; and
- Cash, liquid resources and short term debtors and creditors that arise from its operations.

The risks identified by FRS 29 arising from the Company's financial instruments are market price risk (which comprises interest rate risk, foreign currency risk and other price risk), liquidity risk, counterparty risk, credit risk and derivative instrument risk. The Board reviews and agrees policies for managing each of these risks, which are summarised in this Note. These policies have remained unchanged throughout the reporting period.

MARKET PRICE RISK

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 a financial risk as a result of increases in Euro interest rates.

Notes to the Financial Statements

18 FINANCIAL INSTRUMENTS (continued)

Interest rate risk profile
The extent to which the Company's assets and liabilities are affected by changes in interest rates is shown below:

	2013 variable interest rate risk £'000	2012 variable interest rate risk £'000
Exposure to financial instruments that earn interest		
Fidelity Institutional Liquidity Fund plc	31	30
Cash at bank	21,326	20,450
	21,357	20,480
Exposure to financial instruments that bear interest		
Gearing through long CFDs	(52,706)	(87,235)
Net exposure to financial instruments that bear interest	(31,349)	(66,755)

Foreign currency risk
The Company's total return and total net assets 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; and
- Movements in rates affecting the income received.

The Company does not currently hedge, by the use of derivative instruments, the value of investments, long CFDs and other net assets which are priced in other currencies.

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.

Notes to the Financial Statements

18 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 profile of these financial assets is shown below:

2013	investments designated at fair value through profit or loss £'000	exposure to long CFDs £'000	short term debtors £'000	cash[1] £'000	total £'000
Czech koruna	2,713	–	42	–	2,755
Danish krone	41,170	–	12	–	41,182
Euro	405,919	72,686	1,760	40	480,405
Norwegian krone	33,090	–	–	–	33,090
Swedish krona	23,961	–	–	–	23,961
Swiss franc	127,188	–	358	–	127,546
Turkish lira	7,539	–	–	–	7,539
UK sterling	27,636	–	291	21,317	49,244
	669,216	72,686	2,463	21,357	765,722

[1] Included in the cash balance are amounts held in the Fidelity Institutional Liquidity Fund plc and cash at bank

2012	investments designated at fair value through profit or loss £'000	exposure to long CFDs £'000	short term debtors £'000	cash[1] £'000	total £'000
Czech koruna	3,982	–	–	–	3,982
Danish krone	42,034	–	–	–	42,034
Euro	305,610	100,936	1,607	30	408,183
Norwegian krone	36,431	–	101	–	36,532
Swedish krona	31,579	–	–	–	31,579
Swiss franc	128,098	–	–	–	128,098
Turkish lira	8,160	–	–	–	8,160
UK sterling	23,129	–	214	20,450	43,793
US dollar	4,915	–	18	–	4,933
	583,938	100,936	1,940	20,480	707,294

[1] Included in the cash balance are amounts held in the Fidelity Institutional Liquidity Fund plc and cash at bank

Notes to the Financial Statements

18 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.

The Company's financial liabilities comprise long CFDs, which have no fixed expiry date, and short term creditors, that are repayable within one year. The currency profile of these financial liabilities is shown below:

	2013		
	long CFD exposure in excess of fair value £'000	short term creditors £'000	total £'000
Euro	52,706	16	52,722
UK sterling	–	1,809	1,809
	52,706	1,825	54,531

	2012		
	long CFD exposure in excess of fair value £'000	short term creditors £'000	total £'000
Euro	87,235	16	87,251
UK sterling	–	3,769	3,769
	87,235	3,785	91,020

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. 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.

DERIVATIVE INSTRUMENTS RISK
The risks and risk management processes which result from the use of derivative instruments are included within the other risk categories disclosed in this Note. 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 experience in derivative risk management. This team uses portfolio risk assessment tools to advise the Manager on portfolio construction.

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.

Notes to the Financial Statements

18 FINANCIAL INSTRUMENTS (continued)

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. For the long CFDs, in accordance with terms outlined in the International Swap Dealers Association's (ISDA) market standard derivative legal contracts, collateral is used to reduce the credit risk exposure for both parties to the transaction. Collateral is managed and monitored on a daily basis for all relevant transactions. At 31 December 2013, £19,703,000 (2012: £14,706,000) of the derivative counterparty's funds were held in an account designated in the name of the Company as collateral to reduce the Company's credit risk exposure.

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. Limits are set on the amount that can 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 fair value of the long CFDs.

RISK SENSITIVITY ANALYSIS

Interest rate risk sensitivity analysis

If the Company's exposures as at 31 December 2013 to bank balances, amounts held in the Fidelity Institutional Liquidity Fund plc, and the long CFDs were held throughout the year, with all other variables remaining constant, then if interest rates had increased by 0.25%, total net assets and total return on ordinary activities would have decreased by £78,000 (2012: £167,000). A decrease in the interest rates by 0.25% would have had an equal but opposite effect.

Foreign currency risk sensitivity analysis

If the UK sterling exchange rate at 31 December 2013, had strengthened or weakened by 10% in relation to the larger currency exposures held by the Company, with all other variables held constant, then total net assets and the total return on ordinary activities would have (decreased)/increased by the amounts shown below.

If the UK sterling exchange rate had strengthened by 10% the impact would have been:

	2013 £'000	2012 £'000
Danish krone	(3,744)	(3,821)
Euro	(43,668)	(37,106)
Norwegian krone	(3,008)	(3,321)
Swedish krona	(2,178)	(2,871)
Swiss franc	(11,595)	(11,645)
Total	(64,193)	(58,764)

If the UK sterling exchange rate had weakened by 10% the impact would have been:

	2013 £'000	2012 £'000
Danish krone	4,576	4,670
Euro	53,372	43,352
Norwegian krone	3,677	4,059
Swedish krona	2,662	3,509
Swiss franc	14,172	14,233
Total	78,459	69,823

Notes to the Financial Statements

18 FINANCIAL INSTRUMENTS (continued)

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 and its total return on ordinary activities. Details of how the Board set risk parameters and performance objectives can be found on pages 8 to 11 of the Strategic Report.

Investments exposure sensitivity analysis
An increase of 10% in the fair value of investments at 31 December 2013 would have increased total net assets and total return on ordinary activities by £66,922,000 (2012: £58,394,000). A decrease of 10% would have had an equal but opposite effect.

Derivative instruments exposure sensitivity analysis
The Company invests in long CFDs to gear its exposure to the equity markets. An increase of 10% in the price of shares underlying the CFDs at 31 December 2013 would have increased total net assets and total return on ordinary activities by £7,269,000 (2012: £10,094,000). A decrease of 10% would have had an equal but opposite effect.

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES
As explained in Notes 1(g) and 1(h) on pages 43 and 44, 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.

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 Accounting Policies Notes 1(g) and (h) on pages 43 and 44. All investments and derivative instruments held by the Company at 31 December 2013 are considered to fall within Level 1, with the exception of £19,980,000 (2012: £13,701,000) of long CFDs which fall within Level 2.

19 CAPITAL MANAGEMENT

The Company does not have any externally imposed capital requirements. The capital of the Company comprises its gearing, which is managed via the use of long CFDs, and its issued share capital and reserves which are disclosed in the Balance Sheet on page 41. It is managed in accordance with the Company's investment policy in pursuit of its investment objective, both of which are detailed on page 8 of the Strategic Report. The principal risks and their management are disclosed in the Strategic Report on pages 10 and 11.

20 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

There were no contingent liabilities or capital commitments as at 31 December 2013 (2012: none).

21 RELATED PARTY TRANSACTIONS AND TRANSACTIONS WITH THE MANAGER

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 19. Fees paid to the Directors are disclosed in the Directors' Remuneration Report on page 32.

Full Portfolio Listing as at 31 December 2013

Portfolio, including long CFDs	Exposure £'000	Fair Value[1] £'000	Exposure[2] %
Nestlé	51,994	51,994	7.0
Sanofi (CFD)	36,870	9,855	5.0
Novo-Nordisk	31,138	31,138	4.2
SAP	30,000	30,000	4.0
UBS	29,785	29,785	4.0
Anheuser-Busch InBev (CFD and equity)	25,137	17,033	3.4
BNP Paribas (CFD)	25,037	7,450	3.4
Schneider Electric	23,951	23,951	3.2
Sampo	22,920	22,920	3.1
Volkswagen (preference shares)	21,812	21,812	3.0
Linde	19,541	19,541	2.6
KBC Groep	18,387	18,387	2.5
Christian Dior	18,139	18,139	2.4
GAM Holding	17,374	17,374	2.3
Deutsche Boerse	17,367	17,367	2.3
Hennes & Mauritz	15,766	15,766	2.1
3i Group	14,564	14,564	2.0
Kone	14,456	14,456	1.9
SES	13,857	13,857	1.9
ASML Holding	13,824	13,824	1.9
Telenor	13,810	13,810	1.9
Royal Dutch Shell	13,175	13,175	1.8
Intertek Group	13,073	13,073	1.8
Symrise	12,948	12,948	1.7
Schindler Holding	12,372	12,372	1.7
Red Electrica	12,229	12,229	1.6
Zurich Insurance Group	12,018	12,018	1.6
Essilor International	11,854	11,854	1.6
DNB	11,385	11,385	1.5
Edenred	11,378	11,378	1.5
Enagas	10,586	10,586	1.4
Umicore	9,978	9,978	1.3
Iliad Group	9,695	9,695	1.3
Hugo Boss	9,299	9,299	1.3
BIC	9,152	9,152	1.2
Swedish Match	8,195	8,195	1.1
Fresenius Medical Care	8,045	8,045	1.1
Schibsted	7,895	7,895	1.1
Legrand	7,729	7,729	1.0
Turkiye Garanti Bankasi	7,539	7,539	1.0
Intesa Sanpaolo (ordinary and non-convertible savings shares)	7,444	7,444	1.0
Carlsberg	6,701	6,701	0.9
Fielmann	6,453	6,453	0.9

Full Portfolio Listing as at 31 December 2013

Portfolio, including long CFDs	Exposure £'000	Fair Value[1] £'000	Exposure[2] %
MTU Aero Engines	6,107	6,107	0.8
GFK	6,061	6,061	0.8
Sodexo	6,030	6,030	0.8
Jeronimo Martins & Filho	5,540	5,540	0.8
bpost	4,692	4,692	0.6
Vacon	3,991	3,991	0.6
DKSH Holding	3,645	3,645	0.5
Chr. Hansen Holding	3,331	3,331	0.5
Philip Morris	2,713	2,713	0.4
Remy Cointreau	2,500	2,500	0.4
Bains Mer Monaco	2,420	2,420	0.3
Total portfolio (including long CFDs)	741,902	689,196	100.0

1 Fair value represents the carrying value in the Balance Sheet on page 41
2 % of the total exposure of the investment portfolio, including exposure to the investments underlying the long CFDs

Gearing as at 31 December 2013

	2013 £'000	2012 £'000
Investments at fair value	669,216	583,938
Exposure to long CFDs	72,686	100,936
Total portfolio exposure	741,902	684,874
Shareholders' funds	711,191	616,274
Total portfolio exposure in excess of shareholders' funds	4.3%	11.1%

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 15 May 2014 at 12 noon for the following purposes:

1. To receive and adopt the Directors' Report and Financial Statements for the year ended 31 December 2013.

2. To declare that a final dividend of 29.75 pence per ordinary share be paid to shareholders who appear on the register as at close of business on 21 March 2014 for the year ended 31 December 2013.

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 Fraser as a Director.

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

7. To re-elect Ms Marion Sears as a Director.

8. To approve the Directors' Remuneration Report (excluding the Company's Remuneration Policy set out on pages 31 and 32) for the year ended 31 December 2013.

9. To approve the Company's Remuneration Policy, the full text of which is contained in the Directors' Remuneration Report for the year ended 31 December 2013 as set out on pages 31 and 32.

10. 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.

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

To consider and, if thought fit, to pass the following resolutions which will be proposed, in the case of Resolutions 12 and 13 as ordinary resolutions and in the case of Resolutions 14, 15 and 16 as special resolutions.

Resolution 12 will, if approved, authorise the sub-division of the share capital of the Company on a 10 for 1 basis. Each of the Company's ordinary shares of 25 pence will be sub-divided into 10 ordinary shares of 2.5 pence. Further details can be found on pages 22 and 23.

12. THAT each ordinary share of 25 pence in the capital of the Company be sub-divided into ten ordinary shares of 2.5 pence each, such shares having the same rights and being subject to the same restrictions (save as to nominal value) as set out in the Company's Articles of Association for the time being provided that this resolution is conditional upon, and shall take effect on, admission to the Official List of the UK Listing Authority and to trading on the London Stock Exchange's market for listed securities of the new Ordinary Shares arising from such sub-division by 8:00 a.m. on 2 June 2014 (or such other time and/or date as the Directors of the Company may in their absolute discretion determine).

Resolutions 13 and 14 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 2014. 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.

13. 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 £527,035 (approximately 5% of the aggregate nominal amount of the issued share capital of the Company as at 6 March 2014) 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.

14. THAT, subject to the passing of Resolution 13 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 13 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 £527,035 (approximately 5% of the aggregate nominal amount of the issued share capital of the Company as at 6 March 2014); and

    c) to the allotment of equity securities at a price of not less than the net asset value per share

Notice of Meeting

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 15 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 2014. 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.

15. 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 6,320,208 ordinary shares of 25 pence each (or 63,202,080 ordinary shares of 2.5 pence each if resolution 12 is passed and becomes effective);

    b) the minimum price which may be paid for a share is 25p (or 2.5p if resolution 12 is passed and becomes effective);

    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.

Resolution 16 is a special resolution which, if approved, will adopt new Articles of Association of the Company which update the Company's existing Articles of Association. The new Articles of Association reflect recent changes to tax, regulation and company law which affect investment trusts and the Company, in particular (1) removing the prohibition on a distribution of realised capital profits and (2) incorporating provisions to ensure compliance with the Alternative Investment Fund Managers Directive, including conferring certain powers on the Board expressly. Further details can be found on page 23.

16. THAT with effect from the passing of this resolution, the draft regulations produced to the meeting and, for the purpose of identification, initialled by the Chairman, be adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association of the Company.

By Order of the Board
FIL Investments International
Secretary
10 March 2014

Notice of Meeting

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 13 May 2014. 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 Asset Services, PXS1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF 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 13 May 2014. 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 13 May 2014.

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 5.30pm on 13 May 2014.

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 5.30pm on 13 May 2014. If the meeting is adjourned then, to be so entitled, members must be entered on the register of members at 5.30pm 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 2014 (the latest practicable date prior to the publication of this document) the Company's issued share capital consisted of 42,162,834 ordinary shares carrying one vote each. Therefore, the total number of voting rights in the Company as at 6 March 2014 was 42,162,834.

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.

Notice of Meeting

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 3 April 2014, 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 £11,520 for the 2013/2014 tax year and for 2014/2015 the new allowance is £11,880. 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 – Initial Charges for investments in the Fidelity ISA may vary. For those investing personally (directly with Fidelity), there will be no initial charge. Those investing through an intermediary will pay a basic initial charge of 0.5% plus any initial fee or commission (where applicable) agreed with their intermediary. Fidelity pays stamp duty from the initial charge. 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 additional fees of up to 3% agreed with your adviser.

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 Asset Services, or to the Company direct.

INVESTING ONLINE

Whilst you cannot use a Debit Card online to buy an ISA, Junior 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

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") and Junior ISA are offered and managed by Financial Administration Services Limited. The Fidelity Investment Trust Share Plan is managed by FIL Investments International. Both companies are authorised and regulated by the Financial Conduct Authority.

The Fidelity Investment Trust Share Plan is administered by Bank of New York Mellon and shares will be held in the name of Bank of New York 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 content of websites referenced in this document does not form part of the Annual Report.

Shareholder Information

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 Asset Services, Registrars to Fidelity European Values PLC, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.
Telephone: 0871 664 0300 (calls cost 10p per minute plus network extras. Lines are open 8.30am – 5.30pm Monday to Friday)
email: shareholderenquiries@capita.co.uk

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

Fidelity Share Plan investors
Fidelity Investment Trust Share Plan, PO Box 24035, 12 Blenheim Place, Edinburgh EH7 9DD. 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 Fidelity, the Investment Manager and 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 Asset Services, 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 Asset Services 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 Asset Services 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 www.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).

Shareholder Information

MANAGER AND ADVISORS

Manager, Secretary and Registered Office
FIL Investments International
Beech Gate
Millfield Lane
Lower Kingswood
Tadworth
Surrey
KT20 6RP

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

Lawyers
Slaughter and May
One Bunhill Row
London
EC1Y 8YY

Speechly Bircham LLP
6 New Street Square
London
EC4A 3LX

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

Financial Advisers and Stockbrokers
Winterflood Investment Trusts
The Atrium Building
Cannon Bridge
25 Dowgate Hill
London
EC4R 2GA

Registrars
Capita Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

COMPANY INFORMATION

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 2015 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 price of the ordinary shares is published daily in the Financial Times under the heading "Investment Companies" and also 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 excluding income and cum income NAVs of the Company are calculated and released to the London Stock Exchange on a daily basis.

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 £10,900 of capital gains in the current tax year 2013/2014 (2012/2013: £10,600) before being liable for capital gains tax. Capital gains tax is charged at 18% and 28% dependant on the total amount of taxable income.

Glossary of Terms

AIF
Alternative Investment Fund. The Company is an AIF.

AIFM
Alternative Investment Fund Manager. The Board have agreed, in principle, that FIL Investment Services (UK) Limited will act as the Company's AIFM.

AIFMD
The Alternative Investment Fund Managers Directive 2011/61/EU which is a European Union Directive that came into force on 22 July 2013 and has a transitional implementation date of 22 July 2014.

BENCHMARK INDEX
FTSE World Europe (ex UK) Index against which the performance of the Company is measured.

CAPITAL GAINS TAX (CGT)
The tax which you may have to pay if you sell your shares at a profit.

COLLATERAL
Asset provided as security for the unrealised gain or loss under a Contract For Difference.

CONTRACT FOR DIFFERENCE (CFD)
A Contract For Difference is a derivative. It is a contract between the Company and an investment house at the end of which the parties exchange the difference between the opening price and the closing price of the underlying asset of the specified financial instrument. It does not involve the Company buying or selling the underlying asset, only agreeing to receive or pay the movement in its share price. A Contract For Difference allows the Company to gain access to the movement in the share price by depositing a small amount of cash known as margin. The Company may reason that the asset price will rise, by buying ("long" position) or fall, by selling ("short" position). If the Company trades long, dividends are received and interest is paid. If the Company trades short, dividends are paid and interest is received. The Company only uses long Contracts for Difference.

CORPORATION TAX
The tax the Company may have to pay on its profits. Investment trust companies are exempt from corporation tax on their capital gains and do not pay tax on any UK dividends. As they can offset expenses against any taxable income, most investment trusts do not pay corporation tax and are therefore tax efficient.

CUSTODIAN
An entity that holds (as intermediary) the Company's assets, arranges the settlement of transactions and administers income, proxy voting and corporate actions. The Company's custodian is JPMorgan Chase Bank.

DEPOSITARY
An entity that will oversee the custody, cash arrangements and other AIFM responsibilities of the Company. The Board have agreed, in principle, that J.P. Morgan Europe Limited will act as the Company's depositary.

DERIVATIVES
Financial instruments (such as futures, options and Contracts For Difference) whose value is derived from the value of an underlying asset.

DISCOUNT
If the share price of the Company is lower than the net asset value per share, the Company's shares are said to be trading at a discount. The discount is shown as a percentage of the net asset value. The opposite of a discount is a premium. It is more common for an investment trust to trade at a discount than a premium.

FAIR VALUE
The fair value is the best estimate of the value of the investments, including derivatives, at a point in time and this is measured as:

- Listed investments valued at bid prices, or last market prices, where available, otherwise at published price quotations;
- Unlisted investments valued using an appropriate valuation technique in the absence of an active market; and
- Contracts For Difference are valued as the difference between the settlement price of the contract and the value of the underlying shares in the contract (unrealised gains or losses).

FIDELITY
FIL Investments International.

GEARING
Gearing describes the level of a company's borrowing and is expressed as a percentage of Shareholders funds. It can be through the use of bank loans, bank overdrafts or Contracts For Difference in order to increase a company's exposure to stocks. Gearing is permitted in order to buy or gain exposure to further investments. If assets rise in value, gearing magnifies the return to ordinary shareholders. Correspondingly, if the assets fall in value, gearing magnifies the fall. Contracts For Difference are used as a way of gaining exposure to the price movements of shares without buying the underlying shares directly.

GEARING PERCENTAGE
In a simple example, if the company has £100 million of net assets and a total portfolio of £108 million, with £8 million of borrowings (either via bank loans or long Contracts For Difference) then the Shareholders' funds are 8% geared. Normally, the higher the gearing percentage, the more sensitive the Company's shares will be to the movements up and down in the value of the investment portfolio.

Glossary of Terms

HEDGING
A strategy aimed at minimising or eliminating the risk or loss through adverse movements, normally involving positions in two different markets, with one offsetting the other. The Company uses derivative instruments for gearing and investment rather than hedging purposes.

MANAGER
An entity that manages the Company's assets. The Company's Manager is FIL Investments International.

NET ASSET VALUE (NAV)
Net asset value is sometimes also described as "shareholders' funds", and represents the total value of the Company's assets less the total value of its liabilities. For valuation purposes it is common to express the net asset value on a per share basis.

NAV PER SHARE (CUM INCOME)
The net asset value per share including the net revenue on ordinary activities after taxation for the period, as shown in the revenue column of the Income Statement.

NAV PER SHARE (EX INCOME)
The net asset value per share excluding the net revenue on ordinary activities after taxation for the period.

ONGOING CHARGES
Total expenses (excluding finance costs and taxation) incurred by the Company as a percentage of average net asset values (previously known as the total expense ratio).

PRE-EMPTION RIGHTS
Section 561 of the Companies Act 2006 provides that a company offering a new issue of shares must first make an offer of these shares, on the same or more favourable terms, in proportion to the nominal value held by existing shareholders. At each annual general meeting, the Board seeks shareholder approval to disapply pre-emption right provisions, up to 5%.

PREMIUM
If the share price of the Company is higher than the net asset value per share, the Company's shares are said to be trading at a premium. The premium is shown as a percentage of the net asset value. The opposite of a premium is a discount.

REGISTRAR
An entity that manages the Company's shareholders register. The Company's registrar is Capita Asset Services.

RETURN
The return generated in the period from the investments:

- **Revenue Return** reflects the dividends and interest from investments and other income, net of expenses, finance costs and taxation;

- **Capital Return** reflects the return on capital, excluding any revenue return;

- **Total Return** reflects the aggregate of revenue and capital returns in the period.

SHAREHOLDERS' FUNDS
Shareholders' funds are also described as "net asset value" and represent the total value of the Company's assets less the total value of its liabilities.

TOTAL PORTFOLIO EXPOSURE
The total of fixed asset investments at fair value plus the fair value of the underlying securities within the Contracts For Difference.

TOTAL RETURN PERFORMANCE
The return on the share price or net asset value per share taking into account the rise and fall of share prices and the dividends paid to shareholders. Any dividends received by the shareholder are assumed to have been reinvested in additional shares (for share price total return) or the Company's assets (for net asset value total return).

Warning to Shareholders

SHARE FRAUD WARNING

Share fraud includes scams where investors are called out of the blue and offered shares that often turn out to be worthless or non-existent, or an inflated price for shares they own. These calls come from fraudsters operating in 'boiler rooms' that are mostly based abroad.

While high profits are promised, those who buy or sell shares in this way usually lose their money.

The Financial Conduct Authority (FCA) has found most share fraud victims are experienced investors who lose an average of £20,000, with around £200m lost in the UK each year.

PROTECT YOURSELF

If you are offered unsolicited investment advice, discounted shares, a premium price for shares you own, or free company or research reports, you should take these steps before handing over any money:

1. Get the name of the person and organisation contacting you.

2. Check the FCA Register at **www.fca.org.uk/register** to ensure they are authorised.

3. Use the details on the FCA Register to contact the firm.

4. Call the FCA Consumer Helpline on **0800 111 6768** if there are no contact details on the Register or you are told they are out of date.

5. Search the FCA's website of unauthorised firms and individuals to avoid doing business with.

6. **REMEMBER: if it sounds too good to be true, it probably is!**

If you use an unauthorised firm to buy or sell shares or other investments, you will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme (FSCS) if things go wrong.

REPORT A SCAM

If you are approached about a share scam you should tell the FCA using the share fraud reporting form at **www.fca.org.uk/scams**, where you can find out about the latest investment scams. You can also call the Consumer Helpline on **0800 111 676**8.

If you have already paid money to share fraudsters you should contact Action Fraud on

0300 123 2040

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