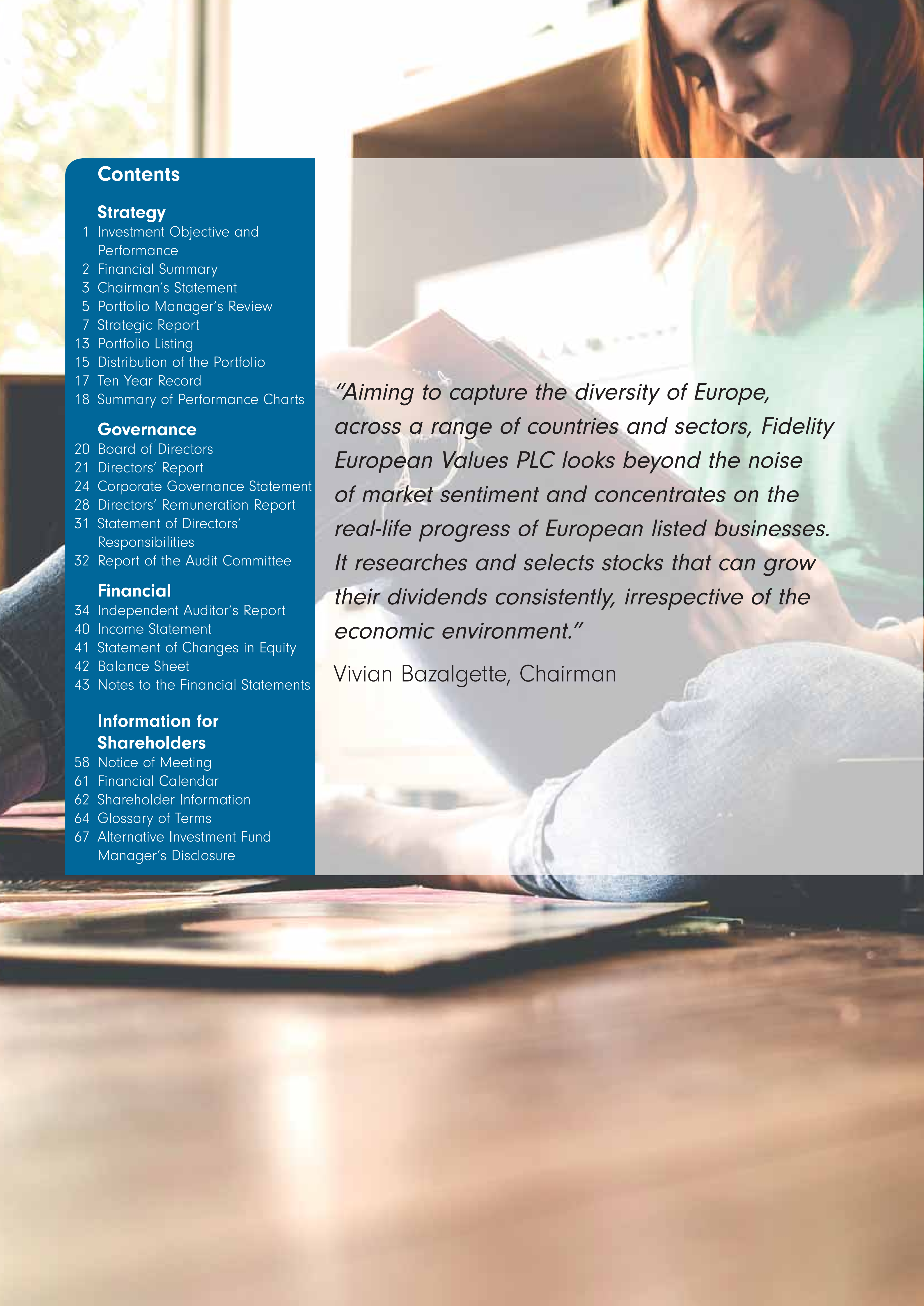
Fidelity European Values PLC

Annual Report For the year ended 31 December 2016

Fidelity INTERNATIONAL



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"Aiming to capture the diversity of Europe, across a range of countries and sectors, Fidelity European Values PLC looks beyond the noise of market sentiment and concentrates on the real-life progress of European listed businesses. It researches and selects stocks that can grow their dividends consistently, irrespective of the economic environment."

Vivian Bazalgette, Chairman

Investment Objective and Performance

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

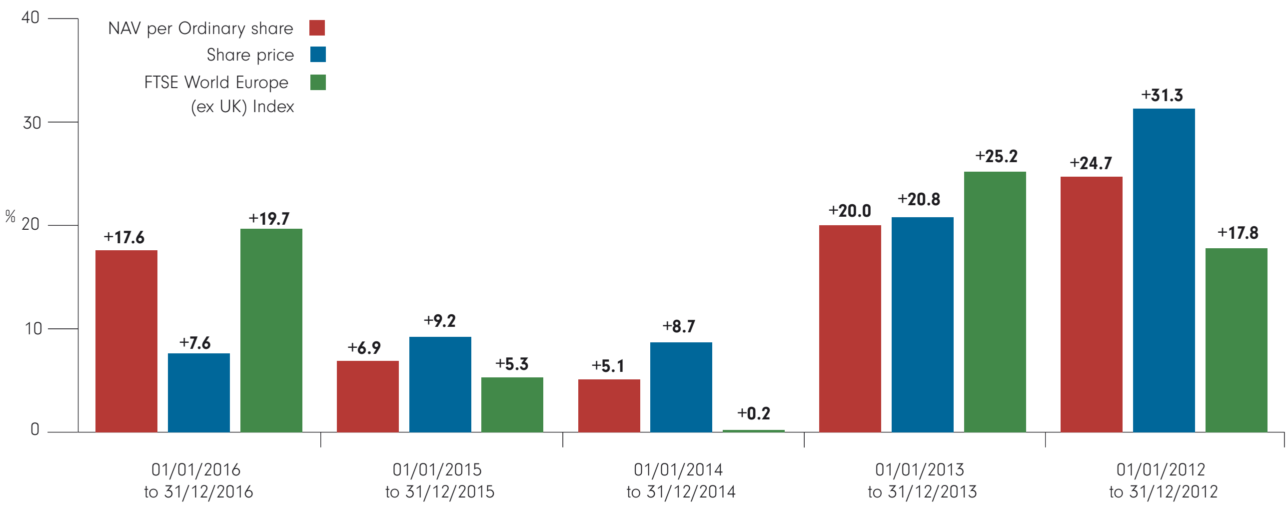
Year to 31 December 2016

Net Asset Value ("NAV") per Ordinary Share total return	Share Price total return	Benchmark Index – FTSE World Europe (ex UK) Index total return	Dividend
+17.6% (2015: +6.9%)	**+7.6%** (2015: +9.2%)	**+19.7%** (2015: +5.3%)	**4.17p** (+25.2%) (2015: 3.33p)

As at 31 December 2016

Shareholders' Funds	**£875.4m**
Market Capitalisation	**£762.2m**
Capital Structure:	
Ordinary Shares of 2.5 pence each held outside Treasury	**415,352,177**

Standardised Performance total return (%)



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

STRATEGY GOVERNANCE FINANCIAL INFORMATION FOR SHAREHOLDERS

Financial Summary

	2016	2015
Assets at 31 December		
Total Portfolio Exposure[1]	**£901.5m**	£781.7m
Shareholders' Funds	**£875.4m**	£760.3m
Total Portfolio Exposure in excess of Shareholders' Funds (Gearing)	**3.0%**	2.8%
NAV per Ordinary Share (cum income)	**210.75p**	182.57p
NAV per Ordinary Share (ex income)	**206.41p**	179.20p
Share Price and Discount data at 31 December		
Share Price at year end	**183.50p**	174.00p
Share Price – year high	**185.40p**	186.70p
Share Price – year low	**151.20p**	158.00p
Discount (ex income) at year end	**11.1%**	2.9%
Discount (cum income) at year end	**12.9%**	4.7%
Discount (ex income) – year high	**15.5%**	8.7%
Discount (ex income) – year low	**2.2%**	1.0%
Discount (ex income) – year average	**9.7%**	4.0%
Results for the year to 31 December – see page 40		
Revenue return per Ordinary Share	**4.34p**	3.37p
Capital return per Ordinary Share	**27.10p**	8.75p
Total return per Ordinary Share	**31.44p**	12.12p
Dividend proposed per Ordinary Share	**4.17p**	3.33p
Total returns (includes reinvested income) for the year to 31 December		
NAV per Ordinary Share	**+17.6%**	+6.9%
Share Price	**+7.6%**	+9.2%
FTSE World Europe (ex UK) Index[2]	**+19.7%**	+5.3%
Ongoing Charges for the year to 31 December[3]	**0.99%**	0.94%

1 The total exposure of the investment portfolio, including exposure to the investments underlying the long contracts for difference

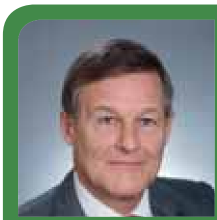
2 The Company's Benchmark Index

3 Ongoing charges (excluding finance costs and taxation) as a percentage of 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



Vivian Bazalgette – This is my first year as Chairman of Fidelity European Values PLC and I am pleased to present your Company's Annual Report as at 31 December 2016.

Aiming to capture the diversity of Europe, across a range of countries and sectors, Fidelity European Values PLC looks beyond the noise of market sentiment and concentrates on the real-life progress of European listed businesses. It researches and selects stocks that can grow their dividends consistently, irrespective of the economic environment.

Performance

For the year ended 31 December the net asset value ("NAV") total return per ordinary share was 17.6%, underperforming the Benchmark Index, the FTSE World Europe (ex UK) Index, which returned 19.7%. The share price total return, however, lagged the NAV return at 7.6%, as a result of the level of discount (ex income) widening from 2.9% at the start of the year to 11.1% at the end. In spite of the year under review proving challenging, it is reassuring to note that the three and five year returns are ahead of the Benchmark Index, as shown in the table below (all figures are in UK sterling terms and are on a total return basis).

The reporting year was marked by a series of largely unexpected political outcomes, including the Brexit vote held in June, and Donald Trump's victory in the US presidential elections in November. Whilst the markets have so far reacted positively to these events, there remains considerable uncertainty. Nevertheless it is worth noting that the NAV return was in absolute terms very healthy, boosted by the post-Brexit weakness of sterling.

European equities rose in sterling terms over the twelve month reporting period. Expectations of fiscal stimulus were latterly encouraged by Mr Trump's election victory and for this reason the markets anticipated an economic boost. This in turn led to a sharp rotation away from defensive stocks in favour of the more cyclical – and mainly lower quality – sectors of the markets. Such cyclical rotations occur periodically, creating challenging conditions for your Portfolio Manager who remains focused on investing in attractively valued companies with sound long term fundamentals. After all, fundamentally strong companies tend to outperform over extended time periods.

Performance over one, three and five years and since launch to 31 December 2016 (on a total return basis) (%)

	NAV	Share price	FTSE World Europe (ex UK) Index
One year	+17.6	+7.6	+19.7
Three years	+32.1	+27.8	+26.3
Five years	+97.7	+102.7	+86.3
Since launch (1991)	+2,607.8	+2,300.2	+808.0

Sources: Fidelity and Datastream

Past performance is not a guide to future returns

Outlook

Eurozone growth gained some momentum towards the end of 2016, with private consumption remaining a significant contributor. In addition credit conditions continue to ease and fiscal policies are becoming more supportive at the margin, with further easing likely in 2017. A friendlier global growth backdrop is also a helpful factor. Nevertheless, there are downside risks to this positive outlook. In politics, Mr Trump's presidency, the repercussions of the Italian referendum and a packed election calendar in 2017 are some of the influences which could inhibit investment decisions. It is also likely that import demand in the UK will suffer as a result of a significantly weaker sterling. This may have an adverse effect on trade in the Eurozone.

The Portfolio Manager seeks to invest in attractively valued companies exhibiting long term structural growth prospects, proven business models, strong balance sheets and disciplined use of their capital. Such an approach seems well suited to the uncertain backdrop outlined above.

OTHER MATTERS

Gearing

The Company continues to gear through the use of long contracts for difference ("CFDs"). As at 31 December 2016, the Company's level of gearing was 3.0% (2015: 2.8%). The Manager has flexibility to gear within parameters set by the Board. Gearing levels are discussed at every Board meeting and between meetings when necessary. Gearing made a very small positive contribution to performance in the reporting year, as can be seen from the attribution analysis table on page 9.

Discount Management and Treasury Shares

The Board continues to adopt an active discount management policy. Whilst the primary purpose of this policy is to reduce share price volatility in relation to NAV, buying in shares at a discount also results in an enhancement to the NAV per share. In order to assist in managing the discount, the Board has shareholder approval to hold in Treasury ordinary shares repurchased by the Company, rather than cancelling them altogether. These shares are then available to re-issue should the share price come to stand at a premium to NAV, facilitating the management of and enhancing liquidity in our shares. The Board is seeking shareholder approval to renew this authority at the forthcoming Annual General Meeting.

As a result of the widening of the discount, the Company has repurchased 1,095,733 ordinary shares into Treasury in the year ended 31 December 2016 which represented 0.3% of the Company's issued share capital. Since the end of the reporting period and as at the date of this report, the Company has not repurchased any further ordinary shares.

Dividends

The Board is continuing with its practice of largely paying out revenue in full. The objective is one of long term capital growth and we have not sought to influence the Portfolio Manager by imposing any income requirement in any particular year.

The Board recommends a final dividend of 4.17 pence per share for the year ended 31 December 2016 for approval by the shareholders at the Annual General Meeting ("AGM") on 15 May 2017. The dividend will be payable on 19 May 2017 to shareholders who appear on the register as at close of business on 24 March 2017 (ex-dividend date 23 March 2017).

The increase in the proposed final dividend for 2016 over the 3.33 pence paid for 2015 is 25.2%. Whilst we emphasise that the increase is a function of stock selection and cannot be extrapolated into the future, Sam Morse, the Portfolio Manager, continues to focus on companies which are able to grow their dividends.

It should be added that the Board has elected under the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts ("SORP") issued by the Association of Investment Companies, not to charge any management fees or finance costs to capital, thereby enhancing the Company's capital return. This is a matter for judgement and the Board periodically reviews its charging policy. Total return is not affected whichever route is followed, though relative rates of taxation of income and capital gains may be a consideration for investors.

Board of Directors

Humphrey van der Klugt stepped down from the Board on 12 May 2016, and I succeeded him as Chairman. After fifteen years serving as a Director, Simon Fraser will be stepping down from the Board at the conclusion of the forthcoming AGM. I would like to take this opportunity to thank them both on behalf of the Board, shareholders and the team at Fidelity for their commitment to the Company, their hard work and their shrewd judgement. We shall miss them.

Turning to Board appointments, I am pleased to say that Paul Yates joined us earlier this month as a non-executive Director and will stand for election at the AGM. Paul has many years of experience in the asset management industry. He held a number of positions at UBS, covering management, portfolio management, pensions, strategy and client service and was CEO of UBS Global Asset Management (UK) Ltd between 2001 and 2005. After undertaking a number of global roles at UBS he retired in 2007. He is currently a non-executive Director of Merchants Trust plc and Aberdeen UK Tracker Trust plc. I am confident that his deep understanding of the investment process, the markets and investment trusts will be an asset to the Board.

I am also pleased to say that, as previously announced, Fleur Meijs will be joining the Board later this year. As well as being a continental European national, she is a Chartered Accountant and a former Financial Services Partner at PricewaterhouseCoopers LLP. She is currently a non-executive Director of Invesco Asia Trust plc, a Director of Bridge to the Future, a member of the Advisory Council for British Museum Friends and a member of the Dutch Parliamentary committee for the structure of banks in the Netherlands. Fleur will join the Board on 1 September 2017 and will I am sure make a valuable contribution.

We continue to review Board composition and Director succession on a regular basis to ensure that we have a Board with a mix of tenures and which provides diversity of perspective together with the range of appropriate skills and experience for your Company. In accordance with the UK Corporate Governance Code and being a FTSE 350 Company, all Directors are subject to annual election and re-election by shareholders and, with the exception of Simon Fraser, put themselves forward for election and re-election at the forthcoming AGM. Biographical details of each director are shown on page 20.

Continuation Vote

In accordance with the Company's Articles of Association, the Company is subject to a continuation vote every two years. The next such vote is at this year's AGM. The Company's performance record has been very strong since launch in November 1991 with a NAV total return of 2,607.8% compared to the Benchmark Index return of 808.0%. The share price total return since launch is 2,300.2%. Although the Company's NAV total return underperformed the Benchmark Index for the year ended 31 December 2016, the return was still healthy in absolute terms. As mentioned previously, both the Company's NAV and share price total returns have outperformed the Benchmark Index over three and five years, as reflected in the table on page 3. In addition, the prospects for the Company over a five year investment horizon can be found in the Viability Statement on page 11. Accordingly, your Board recommends that shareholders vote in favour of the continuation resolution.

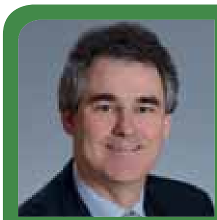
Annual General Meeting

The AGM of the Company will be held on Monday 15 May 2017 at midday at Fidelity's offices at 25 Cannon Street, London EC4M 5TA (St Paul's or Mansion House tube stations). Full details of the meeting are given on pages 58 to 60.

This is our opportunity to meet as many shareholders as possible, and I hope therefore that you are able to join us. In addition to the formal business of the meeting Sam Morse, your Portfolio Manager, will be making a presentation on the year's results and the outlook for 2017.

Vivian Bazalgette
Chairman
14 March 2017

Portfolio Manager's Review



Sam Morse has been the Company's Portfolio Manager since 1 January 2011. He has more than 26 years' investment experience. He also manages the Fidelity European Fund.

Performance Review

As shown in the Financial Summary on page 2, the net asset value ("NAV") total return, in the year to 31 December 2016, was 17.6% compared to a total return of 19.7% for the FTSE World Europe (ex UK) Index which is the Company's Benchmark Index. The share price total return was 7.6%, which is considerably less than the NAV total return as a consequence of a significant widening in the share price discount. The discount widened from 2.9% at the beginning of the year to 11.1% at the end of the reporting period, based on the NAV excluding income (all figures in UK sterling). The widening of the discount is disappointing but reflects a general pattern seen in the European investment trust sector which may reflect a growing anxiety about the future of the European Union and the Eurozone following the Brexit referendum result.

Market Background

2016 will be remembered as a year of political "shocks" with three outcomes which, at the beginning of the year, might have been considered major risks to the progress of continental European stock markets: a yes to Brexit, Trump's election and Renzi's resignation following the rejection of his proposals for constitutional reform. Despite all this, continental European stock markets actually made modest, if bumpy, progress in euro terms but made strong gains in sterling terms, mainly owing to a devaluation in sterling which accelerated post the Brexit vote. Why did the markets rise despite these "shocks"? Well, with apologies to former President Bill Clinton: "It's the economy stupid!" While the year began with investors fretting about the outlook for the Chinese economy and its potential negative impact on global growth, it ended with a tidal wave of optimism that Trump's policies would re-inflate the US economy thereby re-invigorating global growth and the earnings and dividend growth of companies.

The changing sentiment regarding economic growth resulted in a lot of volatility through the year in terms of sector performance. Economy-sensitive sectors, such as energy, started the year very poorly but recovered from mid-February, led by the oil price, as China introduced measures to boost its economy. This stronger performance of the more 'cyclical' sectors continued when evidence of economic improvement gathered pace and following Trump's election. The financial sector had a roller-coaster ride in 2016. Banks performed very poorly in the first half of the year with investors worrying, in particular, about the capital position of Italian banks, given high levels of non-performing loans. These concerns were compounded by the Brexit vote and the expectation of a concerted response from the European Central Bank in terms of more quantitative easing which would continue to pressure banks' income and, therefore, earnings and dividends. The financial sector saw a big turnaround in the second half, however, as investors saw banks as major potential beneficiaries of an improving global economy and rising bond yields. The healthcare sector, in contrast, was weak throughout the year with mounting evidence of price pressure in the US pharmaceutical market compounded by strong threats of further action on drug pricing.

Portfolio Review

The Company's NAV recorded strong returns of 17.6% for 2016 as some of our high conviction holdings performed strongly. However, on a relative basis, the NAV underperformed the Benchmark Index by 2.1%. It performed strongly relative to the Benchmark in the first half of the year but, frustratingly, gave up all those relative gains, and more, in the second half of the year. This was due to a combination of poor stock selection, particularly in the healthcare sector, and a change in the market environment with a sharp rotation into more risky economy-sensitive stocks, which often do not meet the stock selection criteria of your Portfolio Manager. However, the absolute return in sterling terms appears impressive largely owing to the devaluation of sterling. Gearing, achieved through the use of contracts for difference, added little to performance owing to the low level of leverage employed through the year. Gearing is low because the Portfolio Manager remains cautious about the prospects for continental European stock markets given generally high levels of valuation.

The Company's underperformance against the Benchmark this year was partly due to companies in the pharmaceutical sector. The shares of Novo-Nordisk were hit when management downgraded earnings expectations owing to pricing pressures in the company's diabetes franchise in the US. The announcement that the well-respected CEO was retiring at the end of the year also added to the uncertainty. The company, which has a strong long-term record of dividend growth, is now selling on a healthy dividend yield of over three percent. The insulin market continues to see strong volume growth given the growing incidence of diabetes and the company also has an exciting pipeline of new products. 2017 is, however, likely to be a transition year for Novo-Nordisk as Eli Lilly's biosimilar, called Basaglar, continues to put pressure on pricing in the US market for basal insulin. The Company's other holdings in the pharmaceutical sector, Roche and Sanofi, both also suffered from the more general concerns around pricing pressure in the US and the threat of additional action by both Presidential candidates. Given the Republicans, who control Congress, have typically been supportive of the industry, recognising its record on innovation and its contribution to restraining hospital costs, we expect these companies to be able to continue to grow their dividends from increasingly attractive levels of yield.

Portfolio Manager's Review continued

Holdings in the energy sector, by contrast, contributed very positively to the Company's performance as it became clear that both Shell and Total have begun to address their operating and capital expenditures, in light of the lower oil price, to improve returns. These companies have high dividend yields but are not currently growing their dividends. The prospects for future dividend growth improved as the year progressed and as the oil price doubled from its lows in the early part of the year. This has resulted in higher share prices and your Portfolio Manager still thinks there is the potential for further gains as both companies start to generate enough cash to cover and, indeed, increase those dividends.

Finally, 3i Group, one of the few UK-listed companies in the portfolio, delivered a very strong performance during the year largely due to a revaluation of their largest portfolio company, Action, a Benelux-based discount retailer, which is rapidly and successfully expanding into France and Germany.

Outlook

Earnings and dividend forecasts have been downgraded consistently such that continental European companies have, in aggregate, delivered little in the way of earnings and dividend growth in recent years. The second half of 2016, however, saw an end to this cycle of downgrades and analysts are now confidently predicting (again) double digit earnings growth for 2017 (and 2018). The hope now is that the global economy will be given additional impetus by Trump's reflationary policies (fiscal spending, a reduction in taxes, etc.) and that this will lead to acceleration in European earnings, particularly in sectors that have struggled to grow earnings for many years, such as the banks. Strong earnings and dividend growth is, indeed, needed to support valuations that are high relative to historic ranges, especially given that one of the crutches for high valuations – low bond yields – is slowly being removed. There is the potential for more political shocks to come, especially given the heavy load of elections in Europe in 2017. The main risk, however, would be any hiatus in the current economic improvement. The uglier aspects of Trump's agenda, such as protectionism, may have an impact here or a monetary squeeze, if inflation starts to get out of control, and may also slow any recovery.

Your Portfolio Manager remains focused on attractively-valued companies, with strong balance sheets and a track record in cash generation, which have the potential to grow dividends consistently on a three to five year view. These types of companies should outperform the Benchmark over the long term.

Twenty-five Years

On Guy Fawkes' day, last year, the Company celebrated the 25th anniversary of its launch. Your Portfolio Manager is not sure if that date was chosen intentionally but certainly the performance of the Company, since then, has been quite explosive. Investors at launch, who have reinvested their dividends, will have multiplied their money over twenty-five times. That's turning ten thousand pounds into almost a quarter of a million. Much has changed since November 1991. For instance, few would have expected interest rates, which were so high then, to have fallen over the period to the point that bond investors, last year, were being asked to pay companies for the privilege of lending to them (negative interest rates). Some things, however, have stayed the same: although during its life the Company has had four different portfolio managers, each with their own investment style, all the portfolio managers have stuck to the same Fidelity principle of staying focused on stock-picking while avoiding the macro "noise" and, at times, negative headlines about Europe. Each portfolio manager has, also, been able to draw on the same strong research resource: Fidelity's in-house team of analysts, who are the real heroes of this celebration. So what about the next twenty-five years? Well, your Portfolio Manager will take Peter Lynch's advice and will not try to "predict the future direction of interest rates, the economies or the stock markets but will focus on the companies in which the Company invests". There will always be some great stock-picking opportunities and your Portfolio Manager is confident that, with the invaluable help of Fidelity's research team, the Company will continue to be able to identify those winning investments in the next twenty-five years.

Sam Morse
Portfolio Manager
14 March 2017

Strategic Report

The Directors have pleasure in presenting the Strategic Report of the Company. The Chairman's Statement and Portfolio Manager's Review form part of the Strategic Report.

Business and Status

The Company carries on business as an investment company 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 its ordinary shares are listed and traded on the London Stock Exchange. It is not a close company and has no employees.

Objective

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

Strategy

In order to achieve this objective, the Company operates as an investment company which has an actively managed portfolio of investments, consisting primarily of continental European securities. As an investment company it is able to gear and the Board takes the view that long term returns for shareholders can be enhanced by the use of gearing in a carefully considered and monitored way.

As part of the strategy, the Board has delegated the management of the portfolio and certain other services. The Portfolio Manager aims to achieve a total return on the Company's total assets over the longer term in excess of the Benchmark Index, the FTSE World Europe (ex UK) Index. 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 and the Board takes the view that investing in equities is a long term process.

The Company's objective and strategy have remained unchanged throughout the year ended 31 December 2016.

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 Portfolio Manager on the basis of its assessment of the fundamental value available in individual situations. Whilst the Company's overall exposure to individual countries and industry sectors is monitored, the portfolio is not structured primarily on a country or industrial weightings basis, although certain investment restrictions apply in an attempt to diversify risk.

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

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 dividends over the next few years, as he believes these are likely to grow in value.

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

- **Positive fundamentals** - structural growth, disciplined use of capital, proven business models;
- **Cash generative** – often a good indication of future dividend growth;
- **Strong balance sheet** – ensures ability to grow the dividend is not jeopardised; and
- **Attractive valuation** – good quality at a reasonable price.

The Portfolio Manager draws upon the extensive research generated by Fidelity's team of pan-European analysts when researching companies. This first hand research is fundamental to seeking success stories of the future. 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.

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:
  - a) 20% of gross assets may be invested in companies of European countries which are not included in the Company's Benchmark Index and will include investing in UK companies; and
  - b) 5% of gross assets may be invested in companies of non-European countries which have some exposure to, or connection with Europe. Any investment in this category will count towards the 20% maximum limit in (a) above.

- 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.

- 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 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 derivatives. 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).

Derivative Instruments

The Company may utilise derivative instruments, including index-linked notes, futures, contracts for difference ("CFDs"), covered call options, put options and other equity-related derivative instruments as a tool to meet the investment objective of the Company. They are used principally in the following ways:

- As an alternative form of gearing to bank loans. The Company will enter into long CFDs which achieve an equivalent effect to purchasing an asset bought from bank borrowing but often at lower financing costs.

- To hedge equity market risks where suitable protection can be purchased to limit the downside of a falling market at a reasonable cost.

- To enhance investment returns by taking short exposures on stocks that the Portfolio Manager considers to be over-valued.

- To enhance returns through writing covered call options and writing put options.

The Board has created strict policies and exposure limits and sub-limits to manage derivatives. These limits and their impacts are monitored by the Manager on a daily basis and reported regularly to the Board.

The limits are:

- The aggregate exposure of the Company to equities, including borrowing and the use of derivatives but excluding hedging, will not exceed 130% of total assets at the time at which any derivative contract is entered into or security acquired. This equates to a gearing level of 30%.

- The aggregate exposure of the Company under short derivatives, excluding hedges and covered call options, will not exceed 10% of total net assets at the time any derivative contract is entered into.

- The aggregate exposure of the Company under covered call options, being the notional exposure of the calls, will not exceed 20% of total net assets at the time any derivative contract is entered into. The notional exposure of covered call options is the number of contracts written multiplied by the notional contract size multiplied by the underlying share price.

The majority of the Company's exposure to equities will be through direct investment and not through derivative instruments. In addition, the limits on exposure to individual companies will be calculated on the basis that the Company has acquired the securities to which the derivative instrument is providing exposure.

Gearing

The Company's normal policy is to be geared in the belief that long term investment returns will exceed the costs of gearing. This gearing will be obtained through the use of borrowing and/or through the use of CFDs to obtain exposure to securities selected by the Investment Manager. The effect of gearing is to magnify the consequence of market movements on the portfolio and if the portfolio value rises the NAV will be positively impacted, but if it falls the NAV will be adversely impacted. The Board is responsible for the order of magnitude of gearing in the Company while the Investment Manager decides the day-to-day gearing within a range set by the Board. The level of gearing is reviewed by the Board and the Portfolio Manager at each Board meeting. The Company can gear up to a maximum of 30% of total net assets.

Performance

The Company's performance for the year ended 31 December 2016, including a summary of the year's activities, and details on trends and factors that may impact the future performance of the Company are included in the Chairman's Statement and the Portfolio Manager's Review on pages 3 to 6. The Portfolio Listing, the Distribution of the Portfolio, the Ten Year Record and the Summary of Performance Charts can be found on pages 13 to 19.

Results and Dividends

The Company's results for the year ended 31 December 2016 are set out in the Income Statement on page 40. The total return per ordinary share was 31.44 pence of which the revenue return was 4.34 pence.

The Directors recommend that a final dividend of 4.17 pence per share for the year ended 31 December 2016 (2015: final dividend of 3.33 pence) be paid on 19 May 2017 to shareholders who appear on the register as at the close of business on 24 March 2017 (ex-dividend date 23 March 2017).

Attribution Analysis

The attribution analysis table below shows how the increase in the NAV total return for the year ended 31 December 2016 has been achieved.

Analysis of change in NAV during the year	**(%)**
Impact of:	
Index	+3.3
Exchange Rate	+16.3
Gearing	+0.1
Stock Selection	-1.2
Share Repurchases	+0.1
Expenses	-1.0
NAV total return for the year ended 31 December 2016	+17.6

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 performance of the Company and which are comparable to those reported by other investment companies are set out below.

	Year ended 31 December 2016 %	Year ended 31 December 2015 %
NAV per Ordinary Share[1]	**+17.6**	+6.9
Share Price[1]	**+7.6**	+9.2
FTSE World Europe (ex UK) Index[1]	**+19.7**	+5.3
Discount to NAV (ex income)	**11.1**	2.9
Discount to NAV (cum income)	**12.9**	4.7
Ongoing Charges[2]	**0.99**	0.94

1 Total returns
2 The Board regularly considers the costs of running the Company to ensure they are reasonable and competitive

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

In addition to the KPIs set out above, the Board regularly reviews the Company's performance against its peer group of investment companies. Long term performance is also monitored and the Ten Year Record and the Summary of Performance Charts on pages 17 to 19 show this information.

Principal Risks and Uncertainties

As required by provision C.2.1 of the 2014 UK Corporate Governance Code, the Board has a robust ongoing process for identifying, evaluating and managing the principal risks and uncertainties faced by the Company. The Board, with the assistance of the Manager, has developed a risk matrix which, as part of the risk management and internal controls process, identifies the key risks that the Company faces. The risks identified are placed on the Company's risk matrix and graded appropriately. This process, together with the policies and procedures for the mitigation of risks, is updated and reviewed regularly in the form of comprehensive reports considered by the Audit Committee. The Board determines the nature and extent of any risks it is willing to take in order to achieve its strategic objectives.

The Alternative Investment Fund Manager, FIL Investment Services (UK) Limited, also has responsibility for risk management for the Company. It works with the Board to identify and manage the principal risks and to ensure that the Board can continue to meet its UK corporate governance obligations.

The Board considers the following as the principal risks and uncertainties faced by the Company:

Strategic Report continued

Principal Risks	Description and Risk Mitigation
Market Risk	The Company's assets consist mainly 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 risk category are included in Note 17 to the Financial Statements on pages 52 to 57 together with summaries of the policies for managing these risks.
Performance Risk	The achievement of the Company's performance objective relative to the market requires the application of risk such as strategy, asset allocation and stock selection and may lead to underperformance of the Benchmark Index. The Board reviews the performance of the portfolio against the Company's Benchmark and that of its competitors and the outlook for the market with the Portfolio Manager at each Board meeting. 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. The emphasis is on long term results as the Company risks volatility of performance in the shorter term.
Economic and Political Risk	The Company may be impacted by economic and political risks, such as Brexit and the US presidential election outcome. As outlined in the Chairman's Statement, markets have responded positively to these events but the future outlook is uncertain. The Board regularly reviews such risks and the potential implications for the Company.
Discount Control Risk	The price of the Company's shares and its discount to NAV are factors which are not within the Company's total control. The Board continues to adopt an active discount management policy. Some short term influence over the discount may be exercised by the use of share repurchases at acceptable prices within the parameters set by the Board. 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 CFDs to invest in equities. The principal risk is that the Portfolio Manager may fail to use gearing effectively, resulting in a failure to outperform in a rising market or to underperform in a falling market. 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 gears through the use of long CFDs which provide greater flexibility and are significantly cheaper than bank loans. The Board regularly considers the level of gearing and gearing risk and sets limits within which the Manager must operate.
Derivatives Risk	Derivative instruments are used to enable both the protection and enhancement of investment returns. There is a risk that the use of derivatives may lead to a higher volatility in the NAV and the share price than might otherwise be the case. The Board has put in place policies and limits to control the Company's use of derivatives and exposures. These are monitored on a daily basis by the Manager's Compliance team and regular reports are provided to the Board. Further details on derivative instruments risk is included in Note 17 on pages 52 to 57.
Cybercrime Risk	The risk posed by cybercrime is rated as significant. The Board receives regular updates on measures taken by the Manager to mitigate cyber attacks.

Other risks facing the Company include:

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.

The Company may be impacted by changes in legislation, taxation or regulation. These are monitored at each Board meeting and managed through active lobbying by the Manager.

Operational Risks

The Company relies on a number of third party service providers, principally the Manager, Registrar, Custodian and Depositary. It is dependent on the effective operation of the Manager's control systems and those of its service providers with regard to the security of the Company's assets, dealing procedures, accounting records and compliance with regulatory and legal requirements. They are all 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.

Although the likelihood of poor governance, compliance and operational administration by third party service providers is low, the financial consequences could be serious, including the associated reputational damage to the Company.

Continuation Vote

A continuation vote takes place every two years. There is a risk that shareholders do not vote in favour of the continuation of the Company during periods when performance is poor. The next continuation vote will take place at this year's AGM.

Viability Statement

In accordance with provision C.2.2 of the 2014 UK Corporate Governance Code, the Directors have assessed the prospects of the Company over a longer period than the twelve month period required by the "Going Concern" basis. The Company is an investment trust with the objective of achieving long term capital growth. The Board consider long term to be at least five years and accordingly, they believe that five years is an appropriate investment horizon to assess the viability of the Company, although the life of the Company is not intended to be limited to this or any other period. A risk to the Company's continuation is shareholder dissatisfaction, and therefore in accordance with the Company's Articles of Association, a continuation vote is held every two years, the next one taking place at this year's AGM.

In making an assessment on the viability of the Company, the Board has considered the following:

- The ongoing relevance of the investment objective in prevailing market conditions;
- The principal risks and uncertainties facing the Company as set out above and their potential impact;
- The future demand for the Company's shares;
- The Company's share price discount to the NAV;
- The liquidity of the Company's portfolio;
- The level of income generated by the Company; and
- Future income and expenditure forecasts

The Company's performance has been strong since launch. The Board regularly reviews the investment policy and considers it to be appropriate. The Board has concluded that there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the next five years based on the following considerations:

- The Manager's compliance with the Company's investment objective, its investment strategy and asset allocation;
- The fact that the portfolio mainly comprises readily realisable securities which can be sold to meet funding requirements if necessary;
- The Board's discount management policy; and
- The ongoing processes for monitoring operating costs and income which are considered reasonable in comparison to the Company's total assets.

In addition, the Directors' assessment of the Company's ability to operate in the foreseeable future is included in the Going Concern statement in the Directors' Report on page 21.

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 2016, there were four male Directors and one female Director on the Board.

Employee, Social, Community, Human Rights and Environmental Issues

The Company has no employees and all of its Directors are non-executive and its day-to-day activities are carried out by third parties. There are therefore no disclosures to make in respect of employees.

Fidelity encourages Environmental, Social and Governance ("ESG") considerations in its investment decision making process. It has been a signatory to the United Nations Principles for Responsible Investment (UNPRI) since 2012 and submits an annual return detailing how it incorporates ESG into its investment analysis.

The Company has not adopted a policy on human rights as it has no employees and its operational processes are delegated. As an investment vehicle, the Company does not provide goods and services in the normal course of business and has no customers. Accordingly, the Board consider that the Company is not within the scope of the Modern Slavery Act 2015.

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.

Greenhouse Gas Emissions

The Company has no premises, consumes no electricity, gas or diesel fuel and consequently does not have a measurable

Strategic Report continued

carbon footprint. FIL Investment Services (UK) Limited and FIL Investments International are registered with the Carbon Reduction Commitment Energy Efficiency Scheme administered by the Environment Agency.

Socially Responsible Investment

The Manager's primary objective is to produce superior financial returns for the Company's shareholders. 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 the Manager's view, these have a material impact on either investment risk or return.

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 the Manager. These activities are reviewed regularly by the Manager's corporate governance team.

Future Developments

Some trends likely to affect the Company in the future are common to many investment companies together with the impact of regulatory change. The factors likely to affect the Company's future development, performance and position are set out in the Chairman's Statement and the Portfolio Manager's Review on pages 3 to 6.

By Order of the Board
FIL Investments International
Secretary
14 March 2017

Portfolio Listing

as at 31 December 2016

The Portfolio Exposures shown below measure exposure to market price movements as a result of owning shares and long CFDs. The Fair Values measure the actual value on the Balance Sheet.

Shares and long CFDs	Portfolio Exposure £'000	Exposure %[1]	Fair Value £'000
Nestlé Packaged food	56,421	6.4	56,421
Roche Pharmaceuticals	45,716	5.2	45,716
Sanofi (CFD) Pharmaceuticals	33,533	3.8	(548)
Total Oil and gas	31,790	3.6	31,790
3i Group Financial services	28,615	3.3	28,615
L'Oreal Personal goods	27,583	3.2	27,583
Novo-Nordisk Healthcare services	26,871	3.1	26,871
Royal Dutch Shell Oil and gas	26,492	3.0	26,492
Sampo Non-life insurance	26,021	3.0	26,021
Sap Software	24,520	2.8	24,520
Ten largest exposures	**327,562**	**37.4**	**293,481**
KBC Groupe	24,217	2.7	24,217
DNB	21,590	2.5	21,590
Intesa Sanpaolo (preference shares and ordinary shares)	21,545	2.5	21,545
Christian Dior	21,534	2.5	21,534
Deutsche Boerse	19,328	2.2	19,328
Anheuser-Busch InBev	18,457	2.1	18,457
Fresenius Medical Care	18,320	2.1	18,320
ABN Amro Group	17,625	2.0	17,625
Schindler Holding	17,367	2.0	17,367
Iliad Group	16,560	1.9	16,560
Essilor International	16,211	1.9	16,211
Amadeus IT Group	15,364	1.8	15,364
Red Electrica	15,266	1.7	15,266
Symrise	14,385	1.6	14,385
Dassault Systemes	14,080	1.6	14,080
Aena	13,600	1.6	13,600
Linde	13,586	1.6	13,586

Portfolio Listing continued

at 31 December 2016

Shares and long CFDs	Portfolio Exposure £'000	Exposure %[1]	Fair Value £'000
Elior	13,143	1.5	13,143
Kone	12,393	1.4	12,393
Legrand	12,154	1.4	12,154
Schneider Electric	12,094	1.4	12,094
ASML Holding	11,990	1.4	11,990
Unibail-Rodamco (ordinary shares and CFD)	11,862	1.4	6,581
Flughafen Zurich Airport	11,761	1.3	11,761
Volkswagen (preference shares)	10,977	1.3	10,977
Telenor	10,308	1.2	10,308
Enagas	9,904	1.1	9,904
SES	9,608	1.1	9,608
Sika	9,514	1.1	9,514
Andritz	9,402	1.1	9,402
Hermes International	9,171	1.0	9,171
GAM Holding	9,170	1.0	9,170
Fielmann	9,147	1.0	9,147
Intertek Group	9,109	1.0	9,109
Hennes & Mauritz	9,032	1.0	9,032
DKSH Holding	8,948	1.0	8,948
Sodexo	8,558	1.0	8,558
MTU Aero Engines	8,212	0.9	8,212
Edenred	8,152	0.9	8,152
Fortum	6,999	0.8	6,999
Carlsberg	6,796	0.8	6,796
BIC	6,588	0.8	6,588
Umicore	6,361	0.7	6,361
Swedish Match	6,298	0.7	6,298
Bpost	6,130	0.7	6,130
Societe Des Bains de Mer Monaco	6,112	0.7	6,112
Chr. Hansen Holding	5,042	0.6	5,042
Total Portfolio Exposure[2]	**901,532**	**103.0**	
Total Portfolio Fair Value[3]			**862,170**
Net current assets excluding long CFDs			13,181
Shareholders' Funds (per Balance Sheet)			875,351

1 Portfolio Exposure is expressed as a percentage of Shareholders' Funds

2 Total Portfolio Exposure comprises £862,747,000 of market exposure to Investments (per Note 10, page 49) plus £38,785,000 of market exposure to long CFDs (per Note 11, page 50)

3 Total Portfolio Fair Value comprises the fair value of Investments (per Note 10, page 49) of £862,747,000 plus the fair value of long CFDs of (£577,000) (per Note 11, page 50)

Distribution of the Portfolio

as at 31 December 2016

The table below and on the next page details the Distribution of the Portfolio based on Gross Asset Exposure which measures the exposure of the Portfolio to market price movements as a result of owning shares and long CFDs.

Shares and long CFDs	France	Switzerland	Germany	Netherlands	Belgium	Spain	Finland	Denmark	UK	Norway	Other	**Total 2016**[1]	**Index 2016**[2]	Total 2015
Financials														
Banks	–	–	–	2.0	2.8	–	–	–	–	2.5	2.5	9.8	13.2	11.5
Financial Services	–	1.0	2.2	–	–	–	–	–	3.3	–	–	6.5	1.5	6.3
Non-Life Insurance	–	–	–	–	–	–	3.0	–	–	–	–	3.0	5.4	5.1
Real Estate Investment Trusts	1.4	–	–	–	–	–	–	–	–	–	–	1.4	0.8	1.0
Life Insurance	–	–	–	–	–	–	–	–	–	–	–	–	0.8	–
Real Estate Investment & Services	–	–	–	–	–	–	–	–	–	–	–	–	0.8	–
	1.4	**1.0**	**2.2**	**2.0**	**2.8**	**–**	**3.0**	**–**	**3.3**	**2.5**	**2.5**	**20.7**	**22.5**	23.9
Consumer Goods														
Personal Goods	6.7	–	–	–	–	–	–	–	–	–	–	6.7	5.5	6.0
Food Producers	–	6.4	–	–	–	–	–	–	–	–	–	6.4	5.5	6.2
Beverages	–	–	–	–	2.1	–	–	0.8	–	–	–	2.9	2.6	3.6
Automobiles & Parts	–	–	1.3	–	–	–	–	–	–	–	–	1.3	4.6	1.3
Household Goods and Home Construction	0.8	–	–	–	–	–	–	–	–	–	–	0.8	1.0	1.1
Tobacco	–	–	–	–	–	–	–	–	–	–	0.7	0.7	0.1	0.8
	7.5	**6.4**	**1.3**	**–**	**2.1**	**–**	**–**	**0.8**	**–**	**–**	**0.7**	**18.8**	**19.3**	19.0
Healthcare														
Pharmaceuticals & Biotechnology	3.8	5.2	–	–	–	–	–	3.6	–	–	–	12.6	10.8	15.3
Health Care Equipment & Services	1.9	–	2.1	–	–	–	–	–	–	–	–	4.0	2.4	3.5
	5.7	**5.2**	**2.1**	**–**	**–**	**–**	**–**	**3.6**	**–**	**–**	**–**	**16.6**	**13.2**	18.8
Industrials														
Industrial Engineering	–	2.0	–	–	–	–	1.4	–	–	–	1.1	4.5	3.5	3.6
Industrial Transportation	–	1.4	–	–	0.7	1.6	–	–	–	–	–	3.7	2.1	3.3
Support Services	0.9	1.0	–	–	–	–	–	–	1.0	–	–	2.9	1.4	4.7
Electronic & Electrical Equipment	2.8	–	–	–	–	–	–	–	–	–	–	2.8	1.1	2.8
Construction & Materials	–	1.1	–	–	–	–	–	–	–	–	–	1.1	3.2	–
Aerospace & Defence	–	–	0.9	–	–	–	–	–	–	–	–	0.9	1.5	1.1
General Industrials	–	–	–	–	–	–	–	–	–	–	–	–	2.0	–
	3.7	**5.5**	**0.9**	**–**	**0.7**	**1.6**	**1.4**	**–**	**1.0**	**–**	**1.1**	**15.9**	**14.8**	15.5

Distribution of the Portfolio continued

as at 31 December 2016

Shares and long CFDs	France	Switzerland	Germany	Netherlands	Belgium	Spain	Finland	Denmark	UK	Norway	Other	**Total 2016[1]**	**Index 2016[2]**	Total 2015
Consumer Services														
Travel & Leisure	3.2	–	–	–	–	1.8	–	–	–	–	–	5.0	0.5	2.5
General Retailers	–	–	1.0	–	–	–	–	–	–	–	1.0	2.0	1.7	2.4
Media	1.1	–	–	–	–	–	–	–	–	–	–	1.1	1.8	2.6
Food & Drug Retailers	–	–	–	–	–	–	–	–	–	–	–	–	1.3	–
	4.3	**–**	**1.0**	**–**	**–**	**1.8**	**–**	**–**	**–**	**–**	**1.0**	**8.1**	**5.3**	7.5
Technology														
Software & Computer Services	3.5	–	2.8	–	–	–	–	–	–	–	–	6.3	2.4	2.8
Technology Hardware & Equipment	–	–	–	1.4	–	–	–	–	–	–	–	1.4	2.0	1.6
	3.5	**–**	**2.8**	**1.4**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**7.7**	**4.4**	4.4
Oil & Gas														
Oil & Gas Producers	3.6	–	–	3.0	–	–	–	–	–	–	–	6.6	4.0	4.5
Oil Equipment, Services & Distribution	–	–	–	–	–	–	–	–	–	–	–	–	0.2	–
	3.6	**–**	**–**	**3.0**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**6.6**	**4.2**	4.5
Basic Industries														
Chemicals	–	–	3.2	–	0.7	–	–	–	–	–	–	3.9	7.3	4.2
Industrial Metals & Mining	–	–	–	–	–	–	–	–	–	–	–	–	0.7	–
Forestry & Paper	–	–	–	–	–	–	–	–	–	–	–	–	0.3	–
Mining	–	–	–	–	–	–	–	–	–	–	–	–	0.2	–
	–	**–**	**3.2**	**–**	**0.7**	**–**	**–**	**–**	**–**	**–**	**–**	**3.9**	**8.5**	4.2
Utilities														
Electricity	–	–	–	–	–	1.7	0.8	–	–	–	–	2.5	2.1	2.3
Gas, Water & Multiutilities	–	–	–	–	–	1.0	–	–	–	–	–	1.0	1.5	1.2
Alternative Energy	–	–	–	–	–	–	–	–	–	–	–	–	0.3	–
	–	**–**	**–**	**–**	**–**	**2.7**	**0.8**	**–**	**–**	**–**	**–**	**3.5**	**3.9**	3.5
Telecommunications														
Mobile Telecommunications	–	–	–	–	–	–	–	–	–	1.2	–	1.2	1.6	1.5
Fixed Line Telecommunications	–	–	–	–	–	–	–	–	–	–	–	–	2.3	–
	–	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1.2**	**–**	**1.2**	**3.9**	1.5
Total Portfolio Exposure – 2016	**29.7**	**18.1**	**13.5**	**6.4**	**6.3**	**6.1**	**5.2**	**4.4**	**4.3**	**3.7**	**5.3**	**103.0**		
Index – 2016	**21.9**	**19.5**	**20.7**	**6.3**	**2.8**	**6.9**	**2.3**	**3.6**	**–**	**1.4**	**14.6**		**100.0**	
Total Portfolio Exposure – 2015	**26.6**	**23.3**	**10.9**	**5.0**	**6.8**	**5.3**	**5.5**	**6.1**	**4.3**	**3.6**	**5.4**			102.8

1 The Distribution of the Portfolio shows Gross Asset Exposure expressed as a percentage of Shareholders' Funds

2 FTSE World Europe (ex UK) Index

Ten Year Record

As at 31 December	**2016**	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Total Portfolio Exposure (£m)[1]	**902**	782	761	742	685	562	716	742	750	958	906
Shareholders' Funds (£m)	**875**	760	725	711	616	518	661	649	650	855	802
NAV per Ordinary Share (cum income) (p)[2]	**210.75**	182.57	174.09	168.58	142.90	116.86	133.58	126.95	118.36	144.98	128.38
Share Price (p)[2]	**183.50**	174.00	162.50	152.50	128.70	100.30	111.30	115.10	99.00	135.00	121.10
Discount to NAV (ex income) (%)	**11.1**	2.9	4.6	7.9	8.1	12.0	15.7	7.8	13.6	6.0	5.3
Discount to NAV (cum income) (%)	**12.9**	4.7	6.7	9.5	9.9	14.2	16.7	9.3	16.4	6.9	5.7
Revenue return per Ordinary Share (p)[2]	**4.34**	3.37	3.67	2.98	2.78	2.69	1.60	2.06	3.68	1.38	0.53
Dividends per Ordinary Share (p)[2]	**4.17**	3.33	3.64[3]	2.98	2.78	2.65	1.58	2.25[4]	2.33[5]	1.38	0.53
Cost of running the Company (Ongoing Charges) (%)	**0.99**	0.94	0.97	0.96	0.98	0.94	0.91	0.92	0.89	1.06	1.47
Gearing (%)[6]	**3.0**	2.8	5.0	4.3	11.1	8.6	4.6	1.0	nil	(1.0)	12.4
NAV total return (%)	**+17.6**	+6.9	+5.1	+20.0	+24.7	-11.5	+7.1	+11.3	-17.5	+13.4	+17.5
Share Price total return (%)	**+7.6**	+9.2	+8.7	+20.8	+31.3	-8.6	-1.3	+21.3	-25.9	+12.0	+8.6
Benchmark Index total return (%)[7]	**+19.7**	+5.3	+0.2	+25.2	+17.8	-14.7	+5.1	+19.1	-24.6	+15.1	+19.5

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 fixed term loan liabilities

2 Figures prior to 2014 have been adjusted to reflect the ten for one ordinary share sub-division which took place on 2 June 2014

3 Includes a special dividend of 0.54 pence

4 Interim dividend in respect of the year ended 31 December 2009

5 Includes a special dividend of 1.32 pence

6 Total portfolio exposure in excess of shareholders' funds. The amounts prior to 2011 represent total net assets, less bank loans plus cash at bank and cash funds, in excess of shareholders' funds

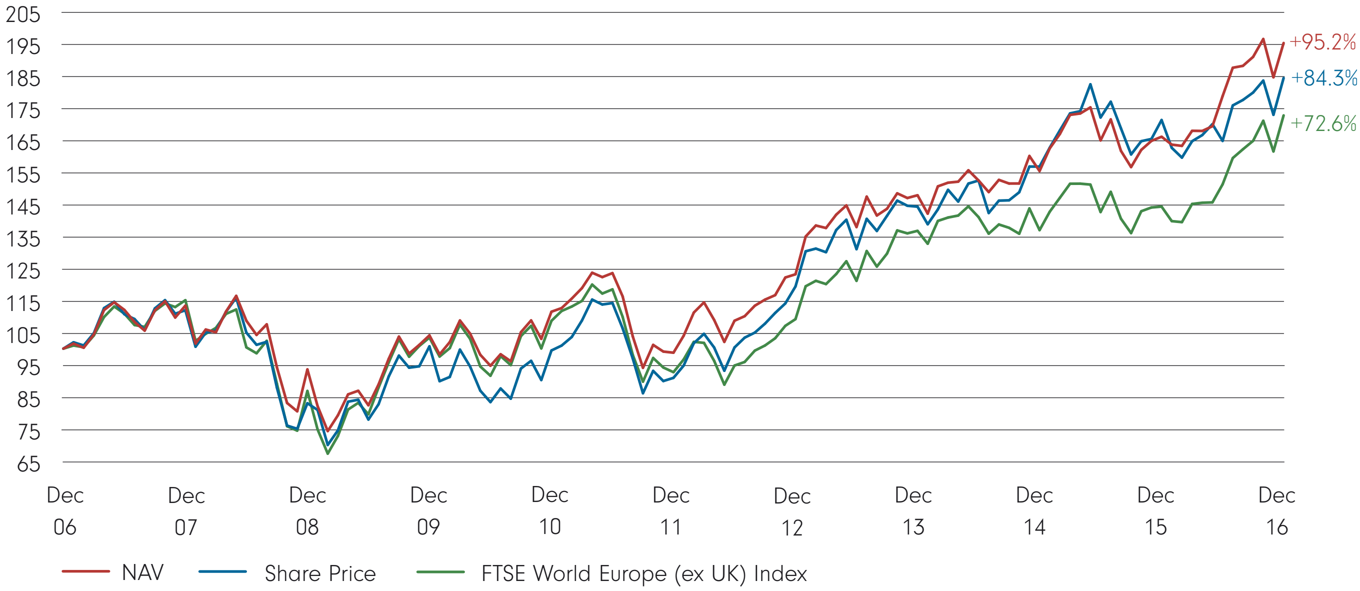
7 Data prior to the year ended 31 December 2011 is on a net of tax basis

Source: Fidelity and Datastream

Past performance is not a guide to future returns

Summary of Performance Charts

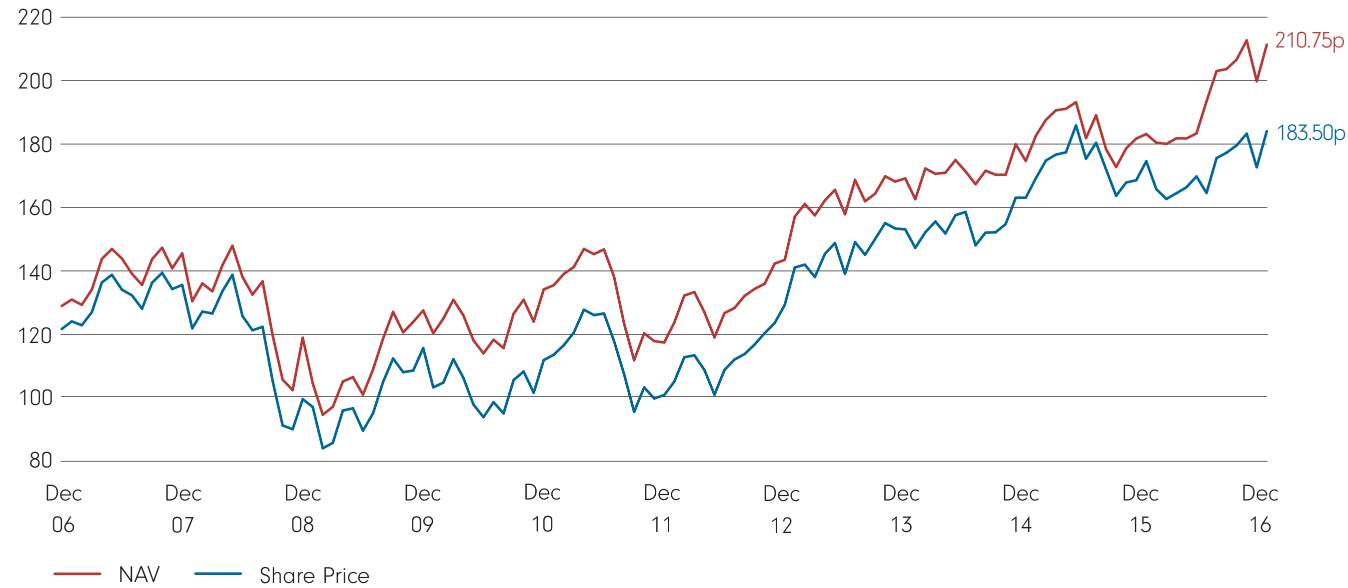
Total return performance for ten years to 31 December 2016



Prices rebased to 100

Sources: Fidelity and Datastream

NAV and ordinary share price for ten years to 31 December 2016



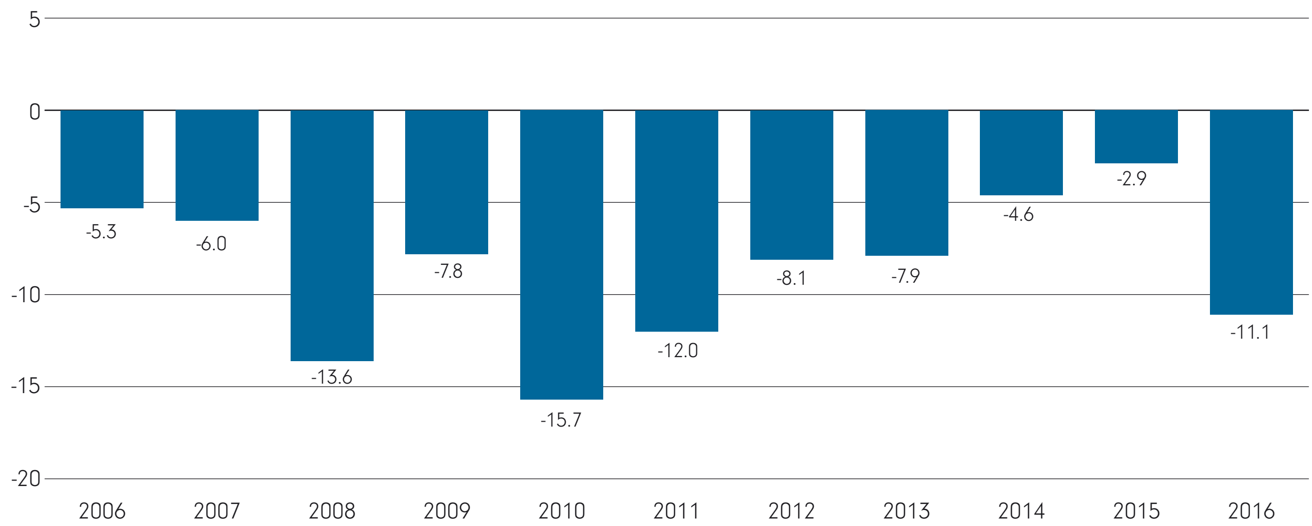
Sources: Fidelity and Datastream

Total return performance relative to the Benchmark Index for ten years to 31 December 2016

Prices rebased to 100

Sources: Fidelity and Datastream

Discount (ex income) to NAV at calendar year ends (%)



Sources: Fidelity and Datastream

Board of Directors

Vivian Bazalgette
Chairman (since 12 May 2016)
Appointed 1 December 2015
Member of the:
Audit Committee
Management Engagement Committee (Chairman)

Vivian Bazalgette is a non-executive Director of Brunner Investment Trust PLC and Perpetual Income and Growth Investment Trust PLC. He also acts as an advisor to BAE Systems Pension Fund. He is a Trustee of St. Christopher's Hospice. He was previously Chief Investment Officer at M&G PLC and a non-executive Director of St James's Place PLC as well as the Chairman of the Investment Committee of St James's Place.

James Robinson
Senior Independent Director
(since 18 May 2010)
Chairman of the Audit Committee
(since 18 May 2010)
Appointed 1 June 2007
Member of the:
Audit Committee (Chairman)
Management Engagement Committee

James Robinson is a Chartered Accountant and has 34 years' investment experience. He is currently Chairman of Polar Capital Global Healthcare Growth and Income Trust plc and a non-executive Director of Invesco Asia Trust plc, Montanaro UK Smaller Companies Investment Trust PLC and JPMorgan Elect plc. He was Chief Investment Officer (Investment Trusts) and Director of hedge funds at Henderson Global Investors prior to his retirement in 2005.

Simon Fraser
Director
Appointed 26 July 2002

Simon Fraser is Chairman of Foreign and Colonial Investment Trust plc and Merchants Trust plc and a non-executive Director of Ashmore Group plc, McInroy and Wood and Fidelity funds S.I.C.A.V. He is also Chairman of The Investor Forum. He spent 27 years at Fidelity where he started as an analyst and spent a number of years in Japan, latterly 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.

Robin Niblett
Director
Appointed 14 January 2010
Member of the:
Audit Committee
Management Engagement Committee

Robin Niblett is the Director and Chief Executive of Chatham House (the Royal Institute of International Affairs). 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 and served as Chair from 2012 to 2013. He is also a Special Advisor to the House of Commons Foreign Affairs Select Committee.

Marion Sears
Director
Appointed 17 January 2013
Member of the:
Audit Committee
Management Engagement Committee

Marion Sears is a non-executive Director of Dunelm Group plc, Persimmon PLC and Aberdeen New Dawn Investment Trust PLC. She is a Director of WA Capital. Her executive career was in investment banking and mergers and acquisitions.

Paul Yates
Director
Appointed 6 March 2017
Member of the:
Audit Committee
Management Engagement Committee

Paul Yates has 37 years' investment management experience. He is Chairman of the Advisory Board of 33 St James's and is a non-executive Director of Aberdeen UK Tracker Trust plc and The Merchants Trust plc. He was CEO of UBS Global Asset Management (UK) Limited and held a number of global roles at UBS prior to his retirement in 2007.

Directors' Report

The Directors have pleasure in presenting their report and the audited Financial Statements of the Company for the year ended 31 December 2016.

The Company was incorporated in England and Wales as a public limited company on 16 August 1991 under the registered number 2638812 and was launched on 5 November 1991.

Management Company

FIL Investment Services (UK) Limited ("FISL") was appointed as the Company's Alternative Investment Fund Manager (the "Manager") from 17 July 2014. At the same time, FISL, as the new Manager, delegated the portfolio management of assets and the role of the company secretary to FIL Investments International ("FII").

The Alternative Investment Fund Management and Secretarial Services Agreement (the "Management Agreement") was updated on 14 May 2015 to reflect the changes in the investment policy and will continue unless and until terminated by either party giving to the other not less than six months' notice in writing. However, it may be terminated without compensation if the Company is liquidated, pursuant to the procedures laid down in the Articles of Association of the Company. It may also be terminated forthwith as a result of a material breach of the Management Agreement or on the insolvency of the Manager or the Company. In addition, the Company may terminate the Management Agreement by sixty days' notice if the Manager ceases to be a subsidiary of FIL Limited.

Fee Arrangements

The Management Agreement provides investment management services to the Company for an annual fee of 0.85% of the Company's net assets excluding the value of any investment in any fund which is managed by the Manager. The fees are calculated and paid quarterly. There is no additional company secretarial fee. The annual performance related fee was removed with effect from 1 January 2015.

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 and included in the 'gains on sales of investments for the year' in Note 10 on page 49. In the year to 31 December 2016, £46,000 was received (2015: £55,000). There is a regulatory requirement for the Manager to obtain best execution and no individual deal is entered into which prevents compliance with this requirement.

The Board

All the Directors served on the Board throughout the year ended 31 December 2016 with the exception of Humphrey van der Klugt who retired from the Board on 12 May 2016 and Paul Yates who was appointed on 6 March 2017. A brief description of all serving Directors as at the date of this report is shown on page 20 and indicates their qualifications for Board membership.

Simon Fraser, a non-executive Director of the Company, is a Director of the Fidelity SICAV funds and is therefore not a member of the Audit and Management Engagement Committees. FIL Limited has no beneficial interest in shares of the Company (2015: same).

Directors and Officers' Liability Insurance

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

Going Concern

The Directors have considered the Company's investment objective, risk management policies, liquidity risk, credit risk, capital management policies and procedures, the nature of its portfolio (being mainly securities which are readily realisable) and its expenditure and cash flow projections and have concluded that the Company has adequate resources to continue to adopt the going concern basis for at least 12 months from the date of this Annual Report. The prospects of the Company over a period longer than 12 months can be found in the Viability Statement on page 11.

Auditor's Appointment

As mentioned in last year's Annual Report, Ernst & Young LLP was appointed as the Company's Auditor at the AGM on 12 May 2016.

Auditor's Right to Information

As required by Section 418 of the Companies Act 2006, each Director in office as at the date of this report confirms that:

a) so far as the Director is aware, there is no relevant audit information of which the Company's Auditor is unaware; and

b) each Director has taken all the steps that ought to have been taken as a Director to make himself/herself aware of any relevant audit information, and to establish that the Company's Auditor is aware of that information.

Corporate Governance

Full details are given in the Corporate Governance Statement, which forms part of this report on pages 24 to 27.

Registrar, Custodian and Depositary Arrangements

The Company employs Capita Asset Services to manage the Company's share register, JPMorgan Chase Bank as its Custodian, which is primarily responsible for safeguarding the Company's assets and J.P. Morgan Europe Limited as its Depositary, which is primarily responsible for oversight of the custody of investment funds and the protection of investors' interests.

Directors' Report continued

Share Capital

The Company's share capital comprises ordinary shares of 2.5 pence each which are fully listed on the London Stock Exchange. As at 31 December 2016, the issued share capital of the Company was 416,447,910 ordinary shares (2015: 416,447,910) of which 1,095,733 shares (2015: nil) are held in Treasury. Therefore, the total number of shares with voting rights was 415,352,177. 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 59 and 60.

Premium/Discount Management: Enhancing Shareholder Value

The Board recognises the importance of the relationship between the Company's share price and the net asset value per share and monitors this closely. It seeks authority from shareholders each year to issue shares at a premium or to repurchase shares at a discount to NAV either for cancellation or holding in Treasury. The Board will exercise these authorities if deemed to be in the best interests of shareholders at the time.

Share Issues

No ordinary shares were issued during the year to 31 December 2016 (2015: nil) and none have been issued since the year end and as at the date of this report.

The authorities to issue shares and disapply pre-emption rights expire at the conclusion of this year's AGM and therefore resolutions renewing these authorities will be put to shareholders at the AGM on 15 May 2017.

Share Repurchases

During the year to 31 December 2016, the Company repurchased 1,095,733 ordinary shares for holding in Treasury (2015: nil). Since the year end and as at the date of this report, no further ordinary shares have been repurchased.

The authority to repurchase ordinary shares expires at the forthcoming AGM and a special resolution to renew the authority to purchase ordinary shares for cancellation, including the ability to buy them into Treasury, will therefore be put to shareholders at the AGM on 15 May 2017.

Substantial Share Interests

As at 31 December 2016 and 28 February 2017, notification had been received that the shareholders listed below held more than 3% of the voting share capital of the Company.

Shareholders	**31 December 2016**	28 February 2017
Fidelity Platform Investors	**18.93**	18.56
Wells Capital Management	**9.28**	8.34
1607 Capital Partners	**7.03**	7.18
Rathbones	**4.55**	4.41
Investec Wealth & Investment	**4.21**	4.03
Brewin Dolphin	**3.70**	3.62
Quilter Cheviot Investment Management	**3.45**	3.36
Hargreaves Lansdown	**3.09**	3.06

An analysis of shareholders as at 31 December 2016 is detailed in the table below.

Analysis of Shareholders as at 31 December 2016	**% of voting share capital**
Retail	**69.98**
Mutual funds	**22.33**
Insurance companies	**3.92**
Pension funds	**1.85**
Hedge funds	**1.16**
Trading	**0.72**
Other	**0.04**
Total	**100.00**

Additional Information required in the Directors' Report

Information on proposed dividends, financial instruments and greenhouse emissions is set out in the Strategic Report on pages 8 to 12.

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.

If you have sold, transferred or otherwise disposed of all your shares in the Company, you should pass this document, together with any accompanying documents (but not the personalised Form of Proxy or Form of Direction) as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee.

At the AGM on 15 May 2017, resolutions will be proposed relating to the items of business set out in the Notice of Meeting on pages 58 and 59, including the items of special business summarised below.

Authority to Allot Shares

Resolution 12 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 £520,560. If passed, this resolution will enable the Directors to allot a maximum of 20,822,395 ordinary shares which represents approximately 5% of the issued ordinary share capital of the Company (including Treasury shares) as at 14 March 2017, and to impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with Treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter. The Directors would not intend to use this power unless they considered that it was in the interests of shareholders to do so. Any shares issued would be at net asset value per share, or at a premium to net asset value per share.

Authority to Disapply Pre-emption Rights

Resolution 13 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 or sale of Treasury shares for cash by way of (a) rights issues, normally on a proportionate basis but where necessary taking into account practical considerations, such as fractions and foreign securities laws; and (b) other issues up to an aggregate nominal value of £520,560 (including Treasury shares) (approximately 5% of the issued ordinary share capital of the Company as at 14 March 2017 and equivalent to 20,822,395 ordinary shares).

Authority to Repurchase the Company's Shares

Resolution 14 is a special resolution which renews the Company's authority to purchase up to 14.99% (62,425,541) of the ordinary shares in issue (excluding Treasury shares) on 14 March 2017 either for immediate cancellation or for retention as Treasury shares at the determination of the Directors. Once shares are held in Treasury, the Directors may only dispose of them in accordance with the relevant legislation by subsequently selling the shares for cash or by cancelling the shares. Purchases of ordinary shares will be made at the discretion of the Directors and within guidelines set from time to time by them 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.

Continuation Vote

Resolution 15 is an ordinary resolution regarding the continuation of the Company as an investment trust for a further two years. The Directors expect the continuation vote to be passed.

The full text of the resolutions are set out in the Notice of Meeting contained on pages 58 and 59.

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.

By Order of the Board
FIL Investments International
Secretary
14 March 2017

Corporate Governance Statement

The Corporate Governance Statement forms part of the Directors' Report. The Company is committed to maintaining 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 company.

Corporate Governance Codes

The Board follows the principles of the UK Corporate Governance Code ("UK Code") issued by the Financial Reporting Council (the "FRC") in September 2014 and the AIC's Code of Corporate Governance (the "AIC Code") issued by the Association of Investment Companies ("AIC") in February 2015. The FRC has confirmed that investment companies which report against the AIC Code and which follow the AIC Guide on Corporate Governance will meet their obligations in relation to the UK Code and paragraph 9.8.6 of the Listing Rules.

The AIC Code and the AIC Guide can be found on the AIC's website at www.theaic.co.uk and the UK Code can be found on the FRC's website at www.frc.org.uk.

Statement of Compliance

The Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Code for the year under review and up to the date of this report, except in relation to the UK Code 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 the Company, as it is an externally managed investment company and has no executive directors, employees or internal operations.

THE BOARD

Board Composition

As at the date of this report, the Board, chaired by Vivian Bazalgette, consists of six non-executive Directors. The Directors believe that, between them, they have good knowledge and wide experience of fund management, investment trust management and business in Europe, and 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.

James Robinson is the Senior Independent Director and fulfils the role as a sounding board for the Chairman, an intermediary for the other non-executive Directors as necessary and to act as a channel of communication for shareholders in the event that contact through the Chairman is inappropriate. He has served on the Board for more than nine years and the Board considers that he continues to be an independent and effective Director.

Biographical details of all the Directors are on page 20.

Board Responsibilities and Board Meetings

The Board has overall responsibility for the Company's affairs and for promoting the long term success of the Company. All matters which are not delegated to the Company's Manager under the Management Agreement are reserved for the Board's decision. Matters considered at Board meetings include decisions on strategy, management, structure, capital, share issues, share repurchases, gearing, financial reporting, risk management, investment performance, share price discount, corporate governance, Board appointments, appointment of the Manager and the Company Secretary. The Board also considers Shareholder issues including communication and investor relations.

Other than as previously disclosed in relation to Simon Fraser, all Directors are considered to be free from any relationship which could materially interfere with the exercise of their independent judgement. The Board follows a procedure of notification of other interests that may arise as part of considering any potential conflict. All Directors are able to allocate sufficient time to the Company to discharge their responsibilities fully and effectively.

The Board considers that it meets sufficiently regularly to discharge its duties effectively and the table on page 25 gives the attendance record for the meetings held during the reporting year. The Portfolio Manager and key representatives of the Manager are in attendance at these meetings. Between these meetings there is regular contact with the Manager and other meetings are arranged as necessary. Additionally, Board Committees and sub-groups meet to pursue matters referred to them by the Board and the Chairman is in contact with the other Directors regularly without representatives of the Manager being present.

In addition to the formal Board and Committee meetings, the Board undertakes a two day due diligence trip to Europe every other year. During this trip, the Board meets with the management of existing and potential investee companies alongside the Portfolio Manager. The Board members also visit Fidelity International's office in the city being visited and meet with some of their analysts and representatives, thereby gaining valuable insight. The next due diligence trip will be in November 2017. They also have meetings with Fidelity's Head of Investment Trusts and also attend educational days organised by the Manager.

Each Director is entitled to take independent professional advice, at the Company's expense, in the furtherance of their duties.

	Regular Board Meetings	Audit Committee Meetings	Management Engagement Committee Meetings
Vivian Bazalgette	5/5	3/3	1/1
James Robinson	5/5	3/3	1/1
Simon Fraser	5/5	n/a	n/a
Robin Niblett	5/5	3/3	1/1
Marion Sears	5/5	3/3	1/1
Humphrey van der Klugt (retired 12 May 2016)	2/3	1/1	0/1

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.

Company Secretary

The Board has access to the advice and services of the Company Secretary. The Company Secretary is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

Changes to the Board

Any proposal for the appointment of new Directors is discussed and approved by the whole Board. As a consequence, there is no Nomination Committee. External consultants who have no connection with the Company are used to identify potential candidates. This was the case for the recruitment of Paul Yates and Fleur Meijs, for which the Company used Trust Associates Limited.

Director Training

Upon appointment, each Director is provided with all relevant information regarding the Company and receives training on the investment operations and administration functions of the Company, together with a summary of their duties and responsibilities to the Company. Directors also receive regular briefings from, among others, the AIC, the Company's 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 Of Directors

All newly appointed Directors stand for election by the shareholders at the AGM following their appointment by the Board. All other Directors are subject to annual re-election as the Company is a constituent member of the FTSE 350 Index. Directors submitted for election and re-election are accompanied by sufficient biographical details on page 20 to enable Shareholders to make an informed decision. The terms and letters of appointment of Directors are available for inspection at the registered office of the Company and will be available prior to the forthcoming AGM.

The Board reviews the tenure of each Director annually and a Director may serve for more than nine years, provided that the Director is considered by the Board to continue to be independent.

Board Evaluation

An annual evaluation of the Board, its Committees and the individual Directors is undertaken ahead of each AGM. The process includes regular discussion and written questionnaires and, if appropriate, interviews. For the year under review, the performance and contribution to the Company of each Director was considered using written questionnaires. The performance of the Chairman was evaluated by the other Directors in the Chairman's absence. In all cases, it was concluded that all the Directors have been effective and that they continue to demonstrate commitment to their roles. 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 considers tenure as one of the matters under review during Director evaluations.

As a FTSE 350 Company and in accordance with Code B.6.2 of the 2014 UK Corporate Governance Code, the Board is required to carry out an externally facilitated evaluation of the Board every third year. The next external evaluation will be for the year ending 31 December 2017.

Directors' Remuneration and Share Interests

Details of the Directors' fees and share interests are disclosed in the Directors' Remuneration Report on pages 29 and 30.

Corporate Governance Statement continued

Board Committees

The Board has two Committees, the Audit Committee and the Management Engagement Committee, through which it discharges certain of its corporate governance responsibilities. Terms of reference of both Committees may be found on the Company's pages of the Manager's website at www.fidelityinvestmenttrusts.com.

Audit Committee

The Audit Committee is chaired by James Robinson as the Board believe it is appropriate for him to do so given his financial background and experience. Full details are disclosed in the Report of the Audit Committee on pages 32 and 33.

Management Engagement Committee

The Management Engagement Committee is chaired by Vivian Bazalgette and consists of all the Directors, except Simon Fraser for the reason stated on page 21. It meets at least once a year and reports to the Board making recommendations where appropriate. It is charged with reviewing and monitoring the performance of the Manager and for ensuring that the terms of the Company's Management Agreement remain competitive and reasonable for shareholders.

The criteria taken into consideration in reviewing the performance of the Manager are the quality of the team; commitment of the Manager to the Company and investment trust business; administration, accounting and the secretaryship of the Company; investment management skills; experience and track record; shareholder relations and discount management; the Management Agreement, including fees, notice periods and duties; and marketing to secure potential long term investors.

The Committee has reviewed the performance of the Manager and concluded that it is in the interests of shareholders that the Management Agreement should continue. Details of the Management Agreement and the current fee are on page 21.

ACCOUNTABILITY AND AUDIT

Financial Reporting

Set out on page 31 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 34 to 39.

The Board has a responsibility to present a fair, 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 Controls

The Board is responsible for the Company's systems of risk management and of internal controls and for reviewing their effectiveness. The review takes place at least once a year. Such systems 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 misstatement or loss.

The Board determines the nature and extent of any risks it is willing to take in order to achieve its strategic objectives. It is responsible for the design, implementation and maintenance of controls and procedures to safeguard the assets of the Company although these tasks have been delegated on a day-to-day basis to the Manager. The system extends to operational and compliance controls and risk management. Clear lines of accountability have been established between the Board and the Manager. The Manager provides regular reports on controls and compliance issues to the Audit Committee and the Board. In carrying out its review, the Audit Committee has regard to the activities of the Manager, the Manager's compliance and risk functions and the work carried out by the independent Auditor and also includes consideration of internal controls of similar reports issued by the other service providers.

The Board, assisted by the Manager, has undertaken a rigorous risk and controls assessment. It confirms that this is an effective ongoing process in order to identify, evaluate and manage the Company's principal business and operational risks, and that it has been in place throughout the year ended 31 December 2016 and up to the date of this Annual Report. This process is in accordance with the FRC's "Risk Management, Internal Control and Related Financial Business Reporting" guidance.

The Board has reviewed the need for an internal audit function and has determined that the systems and procedures employed by the Manager provide sufficient assurance that a sound system of internal controls is maintained to safeguard shareholders' investments and the Company's assets. An internal audit function, specific to the Company, is therefore considered unnecessary. The Audit Committee meets the Manager's internal audit representative at least three times a 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 ("whistle-blowing procedure"). Fidelity has advised the Board that it 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 has been 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 for reputation and business confidence. The Board, the Manager, the Manager's employees and others acting on the Company's behalf, are expected to demonstrate high standards of behaviour when conducting business.

The Board acknowledges its responsibility for the implementation and oversight of the Company's procedures for preventing bribery, and the governance framework for training, communication, monitoring, reporting and escalation of compliance together with enforcing actions as appropriate. The Board has adopted a zero tolerance policy in this regard.

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. Fidelity is a signatory to the UK 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

Communication with shareholders is given a high priority by the Board and it liaises with the Manager and the Company's broker who are in regular contact with the Company's major institutional investors to canvass shareholder opinion and to communicate its views to shareholders. All Directors are made aware of shareholders' concerns and the Chairman, the Senior Independent Director and, where appropriate, other Directors are available to meet with shareholders to discuss strategy and governance. The Board regularly monitors the shareholder profile of the Company and receives regular reports from the Manager on meetings attended with shareholders and any concerns raised in such meetings. The Board aims to provide the maximum opportunity for dialogue between the Company and shareholders. If any shareholder wishes to contact a member of the Board directly they should either email the Company Secretary at **investmenttrusts@fil.com** or write to the address provided on page 63. The Company Secretary will attend to any enquiries promptly and ensure that they are directed to the Chairman, the Senior Independent Director or the Board as a whole as appropriate.

The Board encourages all shareholders to attend the AGM at which there will be a presentation by Sam Morse, the Portfolio Manager, of the past year's results and the prospects for the forthcoming year. Shareholders have the opportunity to meet and address questions to the Chairman and other members of the Board, the Portfolio Manager and representatives of the Manager. The Board is looking forward to having the opportunity to speak to shareholders.

The Notice of Meeting on pages 58 to 60 sets out the business of the AGM and the special business resolutions are explained more fully on page 23 of the Directors' Report. A separate resolution is proposed on each substantially separate issue including the Annual Report and Financial Statements. The Notice of the AGM and related papers are sent to shareholders at least 20 working days before the Meeting.

Voting rights in the Company's shares

Every shareholder on a show of hands has one vote. On a poll every shareholder who is present in person or by proxy or representative has one vote for every ordinary share. 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. The proxy voting results are disclosed on the Company's page of the Manager's website at www.fidelityinvestmenttrusts.com.

Articles of Association

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

On behalf of the Board

Vivian Bazalgette
Chairman
14 March 2017

Directors' Remuneration Report

Chairman's Statement

The Directors' Remuneration Report for the year ended 31 December 2016 has been prepared in accordance with the Large & Medium-sized Companies & Groups (Accounts & Reports) (Amendment) Regulations 2013 (the "Regulations"). As the Board is comprised entirely of non-executive Directors and has no employees, many parts of the Regulations, in particular those relating to chief executive officer pay and employee pay, do not apply and are therefore not disclosed in this report.

Ordinary resolutions to approve both the Directors' Remuneration Report and the Remuneration Policy will be put to shareholders at the AGM on 15 May 2017. The Company's independent 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 Auditor's opinion is included in its report on pages 34 to 39.

Directors' Remuneration

The fee structure with effect from 1 January 2016 is as follows: Chairman – £37,500 (2015: £37,500); Chairman of the Audit Committee – £28,000 (2015: £28,000); and Director – £24,000 (2015: £23,500). Levels of remuneration are competitive and sufficient to attract and retain the quality of Directors needed to manage the Company successfully.

The Remuneration Policy

The Remuneration Policy is subject to a binding vote, in the form of an ordinary resolution at every third AGM. 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 policy that has been in place over the last three years has been updated to reflect HMRC regulations in relation to expenses incurred by Directors in attending to the affairs of the Company. These are treated as a taxable benefit.

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; the requirement to attract and retain individuals with suitable knowledge and experience; and the role that individual Directors fulfil. Other than fees and reasonable travel expenses incurred in attending to the affairs of the Company, the Directors are not eligible for any performance related pay or benefits, pension related benefits, share options, long term incentive schemes, or other taxable benefits. The Directors are not entitled to exit payments and are not provided with any compensation for loss of office.

The level of Directors' fees is 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 and research from third parties and it includes information on the fees of other similar investment trusts.

As a FTSE 350 Company, and in accordance with Code B.6.2 of the UK Corporate Governance Code, the Board is required to carry out an externally facilitated evaluation every third year of its performance and also includes 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' letters of appointment are available at each of the Company's AGMs and can be obtained from the Company's registered office.

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

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

Report on the Implementation of the Remuneration Policy

The Remuneration Policy as set out above is subject to approval by shareholders by way of a binding resolution at this year's AGM on 15 May 2017. The Policy has been followed throughout the year ended 31 December 2016 and up to the date of this report.

The Directors' Remuneration Report is subject to approval by shareholders by way of a non-binding 'advisory' resolution at each AGM. 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 AGM, 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 AGM held on 12 May 2016, 99.30% of votes were cast in favour of the Directors' Remuneration Report for the year ended 31 December 2015, 0.49% of votes were cast against and 0.21% of votes were withheld.

The Company's Remuneration Policy was approved at the AGM held on 15 May 2014, with 98.73% of votes cast in favour, 0.86% of votes cast against and 0.41% of votes withheld.

Both the Directors' Remuneration Report and the Remuneration Policy will be put to shareholders at the AGM on 15 May 2017, and the votes cast on both resolutions will be disclosed on the Company's pages of the Manager's website at www.fidelityinvestmenttrusts.com.

Single Total Figure of Remuneration

The single total aggregate Directors' remuneration for the year under review was £146,300 (2015: £138,000). Information on individual Directors' fees is shown in the table overleaf. In addition, following HMRC regulations, the Company is required to disclose expenses incurred by Directors in attending to the affairs of the Company. These are considered to be a taxable benefit and are also disclosed in the table overleaf.

Remuneration of Directors	2017 Projected Fees (£)	**2016 Fees (Audited) (£)**	**2016 Taxable Benefits* (Audited) (£)**	**2016 Total (Audited) (£)**	2015 Fees (Audited) (£)	2015 Taxable Benefits* (Audited) (£)	2015 Total (Audited) (£)
Vivian Bazalgette[1]	37,500	**32,600**	**–**	**32,600**	2,000	–	2,000
James Robinson	28,000	**28,000**	**413**	**28,413**	28,000	172	28,172
Simon Fraser[2]	9,000	**24,000**	**–**	**24,000**	23,500	–	23,500
Robin Niblett	24,000	**24,000**	**–**	**24,000**	23,500	–	23,500
Marion Sears	24,000	**24,000**	**194**	**24,194**	23,500	74	23,574
Humphrey van der Klugt[3]	n/a	**13,700**	**903**	**14,603**	37,500	277	37,777
Paul Yates[4]	20,000	**n/a**	**n/a**	**n/a**	n/a	n/a	n/a
Fleur Meijs[5]	8,000	**n/a**	**n/a**	**n/a**	n/a	n/a	n/a
Total	150,500	**146,300**	**1,510**	**147,810**	138,000	523	138,523

* Travel expenses incurred in attending to the affairs of the Company

1 Appointed to the Board on 1 December 2015 and as Chairman on 12 May 2016
2 Retiring on 15 May 2017
3 Retired on 12 May 2016
4 Appointed on 6 March 2017
5 Will join the Board on 1 September 2017

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

Expenditure on Remuneration and Distributions to Shareholders

The table below shows the total amount paid out in remuneration and distributions to shareholders for the financial years 31 December 2016 and 31 December 2015.

	31 December 2016 £	31 December 2015 £
Expenditure on Remuneration:		
Aggregate of Directors' Remuneration	**147,810**	138,523
Distributions to Shareholders:		
Dividend payments	**13,868,000**	15,159,000
Shares repurchased	**1,862,000**	–

Performance

The Company's investment objective is to achieve long term capital growth principally from the stockmarkets of continental Europe. The graph opposite shows the performance of the Company's NAV, share price and the FTSE World Europe (ex UK) Index over eight years to 31 December 2016.

Total return performance from 1 January 2009 to 31 December 2016

Rebased to 100
Sources: Fidelity and Datastream
Past performance is not a guide to future returns

STRATEGY
GOVERNANCE
FINANCIAL
INFORMATION FOR SHAREHOLDERS

Directors' Remuneration Report continued

Directors' Interest in Ordinary Shares

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

Directors' Shareholdings (Audited)

	31 December 2016	31 December 2015	Change during year
Vivian Bazalgette	**30,000**	20,000	10,000[1]
James Robinson	**30,000**	30,000	–
Simon Fraser	**70,990**	70,990	–
Robin Niblett	**10,000**	10,000	–
Marion Sears	**12,000**	12,000	–
Humphrey van der Klugt[2]	**n/a**	40,000	n/a

1 Purchase of shares
2 Retired 12 May 2016

Paul Yates was the beneficial owner of 21,280 ordinary shares as at the date of his appointment. All other Directors' shareholdings remain unchanged at the date of this report.

On behalf of the Board

Vivian Bazalgette
Chairman
14 March 2017

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, including FRS 102: The Financial Reporting Standard applicable in the UK and Republic of Ireland. 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 the 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 at www.fidelityinvestmenttrusts.com to the Manager. Visitors to the website need to be aware that legislation in the UK governing the preparation and dissemination of the Financial Statements may differ from legislation in their own jurisdictions.

The Directors 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 Annual Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties it faces.

The Directors consider that the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

Approved by the Board on 14 March 2017 and signed on its behalf by:

Vivian Bazalgette
Chairman

Report of the Audit Committee

I am pleased to present the formal report of the Audit Committee (the "Committee") to shareholders.

The primary responsibilities of the Committee are to ensure the integrity of the Company's financial reporting and the appropriateness of the risk management and internal controls processes and the effectiveness of the independent audit process and how this has been assessed for the year ended 31 December 2016.

Composition

The members of the Committee during the reporting year were myself as Chairman, Vivian Bazalgette, Robin Niblett and Marion Sears. Vivian Bazalgette 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 and are available on the Company's pages of the Manager's website at www.fidelityinvestmenttrusts.com. These duties include:

- Establishing with the independent Auditor the nature and scope of the audit; reviewing the independent Auditor's quality control procedures; the effectiveness of the audit process; and the Auditor's independence and objectivity with particular regard to the provision of non-audit services;
- Responsibility for making recommendations on the appointment, reappointment and removal of the independent Auditor;
- Reviewing the effectiveness of the Company's risk management and internal controls systems (including financial, operational and compliance controls); considering the scope of work undertaken by the Manager's internal audit department; reviewing the Company's procedures for detecting fraud;
- Monitoring the integrity of the Company's half-yearly and annual financial statements to ensure they are fair, balanced and understandable;
- Reviewing the existence and performance of all controls operating in the Company, including the control reporting of its service providers; and
- Reviewing the relationship with and the performance of third party service providers (such as the registrar, custodian and depositary).

Meetings and Business Considered

Since the date of the last Annual Report (11 March 2016), the Committee has met three times and the independent Auditor attended two of these meetings.

The following matters were dealt with and reviewed at each Committee meeting:

- Review of the Company's risk management and internal controls framework;
- Review of the Depositary's Oversight report;
- The Company's revenue and expenses forecasts and its Balance Sheet; and
- Review of the Committee's terms of reference.

In addition, the following matters were also considered at these meetings:

July 2016	• Cybersecurity • The Half-Yearly Report and Financial Statements and recommendation of its approval to the Board • The Going Concern Statement
November 2016	• The Auditor's engagement letter and audit plan for the Company's year ending 31 December 2016
March 2017	• The independent Auditor's findings from the audit of the Company • The Auditor's performance, independence and reappointment • Compliance with Corporate Governance and regulatory requirements • The Annual Report and Financial Statements and recommendation of its approval to the Board • The Viability and Going Concern Statements • The final dividend payment to be recommended to the Board • The charging of expenses

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 31. The Committee advises the Board on the form and content of the Annual Report and Financial Statements, any issues which may arise in relation to these and on any specific areas which require judgement. The Committee members apply their expertise and knowledge in reviewing disclosures made in order to ensure that the Financial Statements are fair, balanced and understandable.

SIGNIFICANT ISSUES CONSIDERED BY THE AUDIT COMMITTEE DURING THE YEAR

Summarised below are the most significant issues considered by the Committee in respect of these Financial Statements, and how they were addressed.

Recognition of Investment Income	Recognition of investment income is undertaken in accordance with accounting policy Note 2(d) on page 43. The Manager provided detailed revenue forecasts which the Committee reviewed and sought explanations for any significant variances to these forecasts. The Committee reviewed the internal audit and compliance monitoring reports received from the Manager, to satisfy itself that adequate systems were in place for properly recording the Company's income. Investment income was also tested and reported on by the independent Auditor.
Valuation, existence and ownership of investments (including derivatives)	The valuation of investments (including derivatives) is in accordance with accounting policy Notes 2(j) and 2(k) on page 44. The Committee took comfort from the Depositary's regular oversight reports that investment related activities were conducted in accordance with the Company's investment policy. The Committee received reports from the Manager and the independent Auditor who had verified the valuation of investments and derivatives by reference to independent sources and had also confirmed the existence and ownership of the investments with the Company's Custodian and that of the derivatives with the Company's counterparty.
Principal Risks and Uncertainties	The Committee reviewed the principal risks and uncertainties facing the Company and evaluated 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 9 to 11.

Independence and Effectiveness of the Audit Process

Ernst & Young LLP acted as the Company's independent Auditor for the year ended 31 December 2016. The Committee reviewed the independence of the Auditor and the effectiveness of the audit process prior to recommending their reappointment to the Board at the forthcoming AGM.

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

- The audit plan for the year, including the audit team and approach to significant risks;
- 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.

* There were no non-audit services provided to the Company during the reporting period. Any indirect services provided to Fidelity which the Company utilised, were terminated before the start of the audit engagement.

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

- the fulfilment by the Auditor of the agreed audit plan;
- The audit findings report issued by the Auditor on the audit of the Annual Report and Financial Statements for the year ending 31 December 2016; and
- Feedback from the Manager.

The Committee concluded that the Auditor continues to remain independent and audit process remains effective.

Auditor's Appointment and Audit Tenure

In line with EU regulations on mandatory audit rotation, a formal audit tender process was carried out in October 2015 and Ernst & Young LLP was appointed as the Company's independent Auditor on 12 May 2016. The Committee reviewed the Auditor's independence and the effectiveness of the audit process prior to recommending their reappointment for a further year. The Auditor is required to rotate audit partners every five years and this is the first year that the audit partner, Matthew Price, has been in place. The Committee will continue to review the Auditor's appointment each year to ensure that the Company is receiving an optimal level of service. There are no contractual obligations that restrict the Company's choice of auditor.

James Robinson
Chairman of the Audit Committee
14 March 2017

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

Our opinion on the 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 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

We have audited the Financial Statements of Fidelity European Values PLC for the year ended 31 December 2016 which comprise:

- The Income Statement for the year ended 31 December 2016;
- The Statement of Changes in Equity for the year ended 31 December 2016;
- The Balance Sheet as at 31 December 2016; and
- The related notes 1 to 19 to the Financial Statements.

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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

Overview of our audit approach

Materiality	**Overall materiality is £8.7m which represents 1% of Net Asset.**
Audit scope	• We performed the audit of the financial statements at Fidelity Investments Limited to which the Board has delegated the provision of company secretarial and administration services; • Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Company; and • All audit work was performed directly by the audit engagement team.
Risks of material misstatement	• Incomplete or inaccurate income recognition • Valuation and existence of listed investments and derivatives

Our assessment of risk of material misstatement

We identified the risks of material misstatement described below as those that had the greatest effect on our overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the audit team. In addressing these risks, we have performed the procedures below which were designed in the context of the Financial Statements as a whole and, consequently, we do not express any opinion on these individual areas.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Incomplete or inaccurate income recognition *Refer to the Report of the Audit Committee (page 33); Accounting policies (page 43); and Note 3 of the Financial Statements (page 45).* The Company has reported income of £27.0m (2015: £23.0m). Overstatement of revenue often results from fraudulent financial reporting and management override of controls. The investment income receivable by the Company during the period directly affects the Company's ability to pay a dividend to shareholders. There is also a manual and judgemental element in allocating special dividends between revenue and capital. Given this, we considered there to be a potential fraud risk, in accordance with Auditing Standards, in this area of our audit.	We performed the following procedures: • Walked through the revenue recognition process to obtain an understanding of the design of the controls; • Agreed a sample of dividends to the corresponding announcement made by the investee company and agreed cash received to bank statements; • Agreed, for a sample of investee companies, the dividend announcements made by the investee company from an external third party source to the income entitlements recorded by the Company; • Agreed material accrued dividends to an external pricing source and to post year end bank statement to assess the recoverability of these amounts; • Considered the recognition criteria applied to the special dividends received during the year and assessed the allocation between revenue and capital as documented by the Manager; • For all samples selected, we tested the exchange rate used to translate the dividend income received in foreign currency to an independent source; and • Performed a review of revenue related journal entries, focusing in particular on journals posted around the year end date and raised in the processing and recording of special dividends.	The results of our procedures identified no issues with the accuracy or completeness of income receipts. We concur with the accounting classification adopted for material special dividends as revenue or capital. Based on our work performed, we have no matters to report to the Audit Committee.

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

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Valuation and existence of listed investments and derivatives *Refer to the Report of the Audit Committee (page 33); Accounting policies (page 44); and Notes 10 and 11 of the Financial Statements (pages 49 and 50).* The valuation of the investments held at fair value through profit and loss and derivative instruments at 31 December 2016 was £862.2m (2015: £746.6m) comprising £862.7m (2015: £746.6m) of investments and £(0.6)m (2015: £(0.02)m) of derivatives. The investment portfolio is focused on listed investments and derivatives. The valuation of the assets held in the investment portfolio is the key driver of the Company's net asset and total return. Incorrect asset pricing or a failure to maintain proper legal title of the assets held by the Company could have a significant impact on portfolio valuation and, therefore, the return generated for shareholders.	We performed the following procedures: • Walked through the investments valuation process to obtain an understanding of the design of the controls; • Independently valued 100% of the listed investments and derivatives prices in the portfolio using our bespoke asset pricing tool; • For those investments priced in currencies other than sterling we have tested the exchange rates to an independent source; and • Agreed 100% of the holdings in the investment portfolio and derivatives to third party confirmations received from the Custodian and Brokers.	The results of our procedures identified no material error in the value, existence and ownership of listed investments and derivatives Based on our work performed, we have no matters to report to the Audit Committee.

Materiality	£8.7m
Basis	1% of Net Asset
Rationale	We applied this basis as it is a generally accepted auditing practice for investment trust audits.
Performance materiality for the Financial Statements as a whole	£4.4m
Specific performance materiality for the income statement column	£1.0m
Reporting Threshold	£0.4m

Our application of materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the Financial Statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Company to be £8.7m, which is 1% of the Company's Net Asset. We believe that Net Asset provides the most important financial metric on which shareholders would judge the performance of the Company and it is a generally accepted auditing practice for investment trust audits.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 50% of materiality, namely £4.4m. We have opted for 50% of materiality as it is a first year audit.

Given the importance of the revenue/capital distinction for the Company, we also applied a lesser testing threshold of £1.0m for the revenue column of the Income Statement, being 5% of profit before taxation.

Reporting threshold

An amount below which identified misstatements is considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.4m, which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

The scope of our audit

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited Financial Statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. All audit work was performed directly by the audit engagement team.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 31, 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.

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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and

- based on the work undertaken in the course of the audit:

  - 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; and

  - The Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

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

Matters on which we are required to report by exception

International Standards on Auditing (UK and Ireland) reporting	We are required to report to you if, in our opinion, financial and non-financial 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 report whether we have identified any inconsistencies between our knowledge acquired in the course of performing the audit and the Directors' Statement that they 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 entity's performance, business model and strategy; and whether the Annual Report appropriately addresses those matters that we communicated to the Audit Committee that we consider should have been disclosed.	We have no exceptions to report.
Companies Act 2006 reporting	In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report. We are required to report to you if, in our opinion: • Adequate accounting records have not been kept by the Company, 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; or • a Corporate Governance Statement has not been prepared by the company.	We have no exceptions to report.

Listing Rules review requirements	We are required to review: • The Directors' Statement in relation to going concern, set out on page 21, and longer-term viability, set out on page 11; and • The part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.	We have no exceptions to report.

Statement on the Directors' Assessment of the Principal Risks that Would Threaten the Solvency or Liquidity of the Entity

International Standards on Auditing (UK and Ireland) reporting	We are required to give a statement as to whether we have anything material to add or to draw attention to in relation to: • The Directors' confirmation in the Annual Report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity; • The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated; • The Directors' statement in the Financial Statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the Financial Statements; and • The Directors' explanation in the Annual Report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.	We have nothing material to add or to draw attention to.

Matthew Price
(Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP
Statutory Auditor
London
14 March 2017

Notes:
The maintenance and integrity of the Fidelity International website is the responsibility of Fidelity International; the work carried out by the Auditor does not involve consideration of these matters and, accordingly, the Auditor accepts no responsibility for any changes that may have occurred to the Financial Statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Income Statement

for the year ended 31 December 2016

		Year ended 31 December 2016			Year ended 31 December 2015		
	Notes	**revenue £'000**	**capital £'000**	**total £'000**	revenue £'000	capital £'000	total £'000
Gains on investments	10	**–**	**114,211**	**114,211**	–	33,342	33,342
(Losses)/gains on derivative instruments	11	**–**	**(1,502)**	**(1,502)**	–	3,420	3,420
Income	3	**27,006**	**–**	**27,006**	22,988	–	22,988
Investment management fees	4	**(6,972)**	**–**	**(6,972)**	(6,344)	–	(6,344)
Other expenses	5	**(919)**	**–**	**(919)**	(885)	–	(885)
Foreign exchange gains/(losses)		**–**	**6**	**6**	(12)	(313)	(325)
Net return on ordinary activities before finance costs and taxation		**19,115**	**112,715**	**131,830**	15,747	36,449	52,196
Finance costs	6	**–**	**–**	**–**	(339)	–	(339)
Net return on ordinary activities before taxation		**19,115**	**112,715**	**131,830**	15,408	36,449	51,857
Taxation on return on ordinary activities	7	**(1,053)**	**–**	**(1,053)**	(1,371)	–	(1,371)
Net return on ordinary activities after taxation for the year		**18,062**	**112,715**	**130,777**	14,037	36,449	50,486
Return per ordinary share	8	**4.34p**	**27.10p**	**31.44p**	3.37p	8.75p	12.12p

The Company does not have any other comprehensive income. Accordingly the net return on ordinary activities after taxation for the year is also the total comprehensive income for the year and no separate Statement of Comprehensive Income has been presented.

The total column of this statement represents the Income Statement of the Company. The revenue and capital columns are supplementary and presented for information purposes as recommended by the Statement of Recommended Practice issued by the AIC.

No operations were acquired or discontinued in the year and all items in the above statement derive from continuing operations.

The Notes on pages 43 to 57 form an integral part of these Financial Statements.

Statement of Changes in Equity

for the year ended 31 December 2016

	Note	share capital £'000	share premium account £'000	capital redemption reserve £'000	capital reserve £'000	revenue reserve £'000	total share-holders' funds £'000
Total shareholders' funds at 31 December 2015		**10,411**	**58,615**	**5,414**	**664,735**	**21,129**	**760,304**
Net return on ordinary activities after taxation for the year		**–**	**–**	**–**	**112,715**	**18,062**	**130,777**
Repurchase of ordinary shares		**–**	**–**	**–**	**(1,862)**	**–**	**(1,862)**
Dividend paid to shareholders	9	**–**	**–**	**–**	**–**	**(13,868)**	**(13,868)**
Total shareholders' funds at 31 December 2016		**10,411**	**58,615**	**5,414**	**775,588**	**25,323**	**875,351**
Total shareholders' funds at 31 December 2014		**10,411**	**58,615**	**5,414**	**628,286**	**22,251**	**724,977**
Net return on ordinary activities after taxation for the year		**–**	**–**	**–**	**36,449**	**14,037**	**50,486**
Dividends paid to shareholders	9	**–**	**–**	**–**	**–**	**(15,159)**	**(15,159)**
Total shareholders' funds at 31 December 2015		**10,411**	**58,615**	**5,414**	**664,735**	**21,129**	**760,304**

The Notes on pages 43 to 57 form an integral part of these Financial Statements.

Balance Sheet

as at 31 December 2016
Company number 2638812

	Notes	**2016 £'000**	2015 £'000
Fixed assets			
Investments held at fair value through profit or loss	10	**862,747**	746,648
Current assets			
Derivative instruments	11	**–**	61
Debtors	12	**3,557**	2,670
Amounts held at futures clearing houses and brokers		**1,382**	3
Fidelity Institutional Liquidity Fund		**6,283**	8,800
Cash at bank		**4,003**	4,080
		15,225	15,614
Creditors			
Derivative instruments	11	**(577)**	(83)
Other creditors	13	**(2,044)**	(1,875)
		(2,621)	(1,958)
Net current assets		**12,604**	13,656
Net assets		**875,351**	760,304
Capital and reserves			
Share capital	14	**10,411**	10,411
Share premium account	15	**58,615**	58,615
Capital redemption reserve	15	**5,414**	5,414
Capital reserve	15	**775,588**	664,735
Revenue reserve	15	**25,323**	21,129
Total shareholders' funds		**875,351**	760,304
Net asset value per ordinary share	16	**210.75p**	182.57p

The Financial Statements on pages 40 to 57 were approved by the Board of Directors on 14 March 2017 and were signed on its behalfby:

Vivian Bazalgette
Chairman

The Notes on pages 43 to 57 form an integral part of these Financial Statements.

Notes to the Financial Statements

1 Principal Activity

Fidelity European Values PLC is an Investment Company incorporated in England and Wales with a premium listing on the London Stock Exchange. The Company's registration number is 2638812, and its registered office is Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, Surrey, KT20 6RP. The Company has been approved by HM Revenue & Customs as an Investment Trust under Section 1158 of the Corporation Tax Act 2010 and intends to conduct its affairs so as to continue to be approved.

2 Accounting Policies

The Company has prepared its Financial Statements in accordance with UK Generally Accepted Accounting Practice ("UK GAAP"), issued by the Financial Reporting Council ("FRC") and these Financial Statements have been prepared in accordance with FRS 102: The Financial Reporting Standard applicable in the UK and Republic of Ireland. The Company has early adopted the amendments to FRS 102: Fair value hierarchy disclosures, issued by the FRC and applicable for accounting periods beginning on or after 1 January 2017. The Financial Statements have also been prepared in accordance 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 November 2014. The Company is exempt from presenting a Cash Flow Statement as a Statement of Changes in Equity is presented and substantially all of the Company's investments are highly liquid and are carried at market value.

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 investments and derivative instruments.

A resolution proposing the continuation of the Company as an investment trust will be put to shareholders at the Annual General Meeting on 15 May 2017. The Directors are recommending that shareholders vote in favour of this resolution. In accordance with this recommendation and given that the Company's assets consist mainly of securities which are readily realisable and that the Directors have a reasonable expectation that the Company has adequate resources to continue for the foreseeable future, the Directors believe that it is appropriate to prepare the Financial Statements on a going concern basis. Accordingly the Financial Statements do not include any adjustments that may arise from a reconstruction or liquidation of the Company.

b) Segmental reporting – The Company is engaged in a single segment business and, therefore, no segmental reporting is provided.

c) Presentation of the Income Statement – In order to reflect better the activities of an investment company and in accordance with guidance issued by the AIC, supplementary information which analyses the Income Statement between items of a revenue and capital nature has been prepared alongside the Income Statement. The net revenue return after taxation for the year is the measure the Directors believe appropriate in assessing the Company's compliance with certain requirements set out in Section 1159 of the Corporation Tax Act 2010.

d) Income – Income from equity investments is accounted for on the date on which the right to receive the payment is established, normally the ex dividend date. UK dividends are accounted for net of any tax credit. Overseas dividends are accounted for gross of any tax deducted at source. Amounts are credited to the revenue column of the Income Statement. Where the Company has elected to receive its dividends in the form of additional shares rather than cash, the amount of the cash 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 cash dividend is recognised in the capital column of the Income Statement. Special dividends are treated as a revenue receipt or a capital receipt depending on the facts and circumstances of each particular case. Derivative instrument income received from dividends on long contracts for difference ("CFDs") are accounted for on the date on which the right to receive or make the payment is established, normally the ex dividend date. The net amount is credited to the revenue column of the Income Statement. Interest received on CFDs, bank deposits and money market funds is accounted for on an accruals basis and is credited to the revenue column of the Income Statement.

e) Management fees and other expenses – Management fees and other expenses are accounted for on an accruals basis and are charged in full to the revenue column of the Income Statement.

Notes to the Financial Statements continued

2 Accounting Policies continued

f) Functional currency and foreign exchange – The Directors, having regard to the Company's share capital, expenses and the predominant currency in which its investors operate, have determined its functional currency to be UK sterling. Transactions denominated in foreign currencies are reported in UK sterling at the rate of exchange ruling at the date of the transaction. Assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the Balance Sheet date. Foreign exchange gains and losses arising on translation are recognised in the Income Statement as a revenue or a capital item depending on the nature of the underlying item to which they relate.

g) Finance costs – Finance costs represent interest paid on long CFDs which are accounted for on an accruals basis using the effective interest method and dividends paid on short CFDs, which are accounted for on the date on which the obligation to incur the cost is established, normally the ex dividend date. They are charged in full to the revenue column of the Income Statement.

h) Taxation – The taxation charge represents the sum of current taxation and deferred taxation.

Current taxation is taxation suffered at source on overseas income less amounts recoverable under taxation treaties. Taxation is charged or credited to the revenue column of the Income Statement, except where it relates to items of a capital nature, in which case it is charged or credited to the capital column of the Income Statement.

Deferred taxation is the taxation expected to be payable or recoverable on timing differences between taxable profit and the accounting profit and is based on tax rates that have been enacted or substantively enacted when the taxation is expected to be payable or recoverable. It is accounted for using the balance sheet liability method. Deferred taxation liabilities are recognised for all taxable timing differences and deferred taxation assets are recognised to the extent that it is probable that taxable profits will be available against which deductible timing differences can be utilised.

i) Dividend paid – Dividends payable to equity Shareholders are recognised when the Company's obligation to make payment is established.

j) Investments – The Company's business is investing in financial instruments with a view to profiting from their total return in the form of income and capital growth. This portfolio of investments 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 on that basis to the Company's Board of Directors. Investments are measured at fair value with changes in fair value recognised in profit or loss, in accordance with the provisions of both Section 11 and Section 12 of FRS 102. The fair value of investments is initially taken to be their cost and is subsequently 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.

In accordance with the AIC SORP, the Company includes transaction costs, incidental to the purchase or sale of investments, within gains on investments in the capital column of the Income Statement and has disclosed these costs in note 10 below.

k) Derivative instruments – When appropriate, permitted transactions in derivative instruments are used. Derivative transactions into which the Company may enter include long and short CFDs. Derivatives are classified as other financial instruments and are initially accounted and measured at fair value on the date the derivative contract is entered into and subsequently measured at fair value as follows:

- CFDs are valued at the difference between the strike price and the value of the underlying shares in the contract.

Where such transactions are used to protect or enhance income, if the circumstances support this, income and expenses derived are included in net income in the revenue column of the Income Statement. Where such transactions are used to protect or enhance capital, if the circumstances support this, gains and losses derived are included in gains on derivative instruments in the capital column of the Income Statement. Any positions on such transactions open at the year end are reflected in the Balance Sheet at their fair value within current assets or creditors.

l) Amounts held at futures clearing houses and brokers – These are amounts held in segregated accounts as collateral on behalf of brokers and are subject to an insignificant risk of changes in value.

m) Fidelity Institutional Liquidity Fund – The Company holds an investment in the Fidelity Liquidity Fund plc, a short term money market fund investing in a diversified range of short term instruments.

n) Cash at bank – Cash at bank is subject to an insignificant risk of changes in value.

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

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

As a result of technical guidance issued by the Institute of Chartered Accountants in England and Wales in TECH 02/10: Guidance on the determination of realised profits and losses in the context of distributions under the Companies Act 2006, 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 Statement of Changes in Equity and the Balance Sheet. At the Balance Sheet date the portfolio of the Company consisted of investments listed on a recognised stock exchange and derivative instruments, contracted with counterparties having an adequate credit rating, and the portfolio was considered to be readily convertible to cash.

3 Income

	Year ended 31.12.16 £'000	Year ended 31.12.15 £'000
Investment income		
Overseas dividends	**20,708**	19,228
Overseas scrip dividends	**3,114**	1,462
UK dividends	**1,379**	1,051
UK scrip dividends	**458**	–
	25,659	21,741
Derivative income		
Dividends received on long CFDs	**1,284**	1,178
Interest received on long CFDs*	**26**	–
	1,310	1,178
Investment and derivative income	**26,969**	22,919
Other interest		
Interest received on bank deposits and money market funds	**35**	55
Interest received on tax reclaims	**2**	14
	37	69
Total income	**27,006**	22,988

* Due to negative interest rates during the reporting year, the Company received interest on its long CFDs.

Notes to the Financial Statements continued

4 Investment Management Fees

	Year ended 31.12.16 £'000	Year ended 31.12.15 £'000
Investment management fees	**6,972**	6,344

FIL Investment Services (UK) Limited is the Company's Alternative Investment Fund Manager and has delegated portfolio management to FIL Investments International ("FII"). Both companies are Fidelity group companies. FII charges investment management fees at an annual rate of 0.85% of net assets. Fees are payable quarterly in arrears and are calculated on the last business day of March, June, September and December.

5 Other Expenses

	Year ended 31.12.16 £'000	Year ended 31.12.15 £'000
AIC fees	**21**	21
Custody fees	**90**	123
Depositary fees	**62**	66
Directors' fees[1]	**146**	138
Legal and professional fees	**158**	128
Marketing and share plan expenses[2]	**229**	153
Printing and publication expenses	**91**	101
Registrars' fees	**70**	104
Fees payable to the Independent Auditor for the audit of the Financial Statements[3]	**25**	25
Other expenses	**27**	26
	919	885

1 Details of the breakdown of Directors' fees are disclosed in the Directors' Remuneration Report on page 29.

2 The marketing and share plan expenses are lower for 2015 due to an underspend of the marketing budget.

3 The VAT payable on audit fees is included in other expenses.

6 Finance Costs

	Year ended 31.12.16 £'000	Year ended 31.12.15 £'000
Interest paid on long CFDs*	**–**	76
Dividends paid on short CFDs	**–**	263
	–	339

* Due to negative interest rates during the reporting year, the Company did not pay any interest on its long CFDs.

7 Taxation on Return on Ordinary Activities

	Year ended 31 December 2016 revenue £'000	capital £'000	total £'000	Year ended 31 December 2015 revenue £'000	capital £'000	total £'000
a) Analysis of the taxation charge for the year						
Overseas taxation suffered	**2,903**	**–**	**2,903**	2,629	–	2,629
Overseas taxation recovered	**(1,850)**	**–**	**(1,850)**	(1,258)	–	(1,258)
Total taxation charge for the year (see Note 7b)	**1,053**	**–**	**1,053**	1,371	–	1,371

b) Factors affecting the taxation charge for the year

The taxation charge for the year is lower than the standard rate of UK corporation tax for an investment trust company of 20% (2015: 20.25%). A reconciliation of tax at the standard rate of UK corporation tax to the taxation charge for the year is shown below:

	Year ended 31 December 2016 revenue £'000	capital £'000	total £'000	Year ended 31 December 2015 revenue £'000	capital £'000	total £'000
Return on ordinary activities before taxation	**19,115**	**112,715**	**131,830**	15,408	36,449	51,857
Return on ordinary activities before taxation multiplied by the standard rate of UK corporation tax of 20% (2015: 20.25%)	**3,823**	**22,543**	**26,366**	3,120	7,381	10,501
Effects of:						
Gains on investments not taxable[1]	**–**	**(22,543)**	**(22,543)**	–	(7,381)	(7,381)
Income not taxable	**(4,924)**	**–**	**(4,924)**	(4,355)	–	(4,355)
Excess management expenses	**1,101**	**–**	**1,101**	1,235	–	1,235
Overseas taxation suffered	**1,053**	**–**	**1,053**	1,371	–	1,371
Total taxation charge for the year (see Note 7a)	**1,053**	**–**	**1,053**	1,371	–	1,371

1 The Company is exempt from UK taxation on capital gains as it meets the HM Revenue & Customs criteria for an investment company set out in Section 1159 of the Corporation Tax Act 2010.

c) Deferred taxation

A deferred tax asset of £5,443,000 (2015: £5,302,000), in respect of excess management expenses of £26,511,000 (2015: £21,003,000) and excess loan interest of £5,505,000 (2015: £5,505,000), has not been recognised as it is unlikely that there will be sufficient future taxable profits to utilise these expenses.

8 Return per Ordinary Share

	Year ended 31 December 2016			Year ended 31 December 2015		
	revenue	**capital**	**total**	revenue	capital	total
Return per ordinary share - basic and diluted	**4.34p**	**27.10p**	**31.44p**	3.37p	8.75p	12.12p

The returns per ordinary share are based on, respectively; the net revenue return on ordinary activities after taxation for the year of £18,062,000 (2015: £14,037,000), the net capital return on ordinary activities after taxation for the year of £112,715,000 (2015: £36,449,000) and the net total return on ordinary activities after taxation for the year of £130,777,000 (2015: £50,486,000), and on 415,946,054 ordinary shares (2015: 416,447,910), being the weighted average number of ordinary shares held outside Treasury in issue during the year.

9 Dividends Paid to Shareholders

	Year ended 31.12.16 £'000	Year ended 31.12.15 £'000
Dividends paid		
Final dividend of 3.33 pence per Ordinary Share paid for the year ended 31 December 2015	**13,868**	–
Final dividend of 3.10 pence per Ordinary Share paid for the year ended 31 December 2014	**–**	12,910
Special dividend of 0.54 pence per Ordinary Share paid for the year ended 31 December 2014	**–**	2,249
	13,868	15,159
Dividend proposed		
Final dividend proposed of 4.17 pence per Ordinary Share for the year ended 31 December 2016	**17,320**	–
Final dividend of 3.33 pence per Ordinary Share paid for the year ended 31 December 2015	**–**	13,868
	17,320	13,868

The Directors have proposed the payment of a final dividend for the year ended 31 December 2016 of 4.17 pence per ordinary share which is subject to approval by Shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The dividend will be paid on 19 May 2017 to shareholders on the register at the close of business on 24 March 2017 (ex-dividend date 23 March 2017).

10 Investments

	2016 £'000	2015 £'000
Investments held at fair value through profit or loss	**862,747**	746,648
Opening book cost	**605,272**	588,704
Opening investment holding gains	**141,376**	127,858
Opening fair value	**746,648**	716,562
Movements in the year		
Purchases at cost	**158,302**	189,552
Sales – proceeds	**(156,414)**	(192,808)
Sales – gains	**17,252**	19,824
Movement in investment holding gains	**96,959**	13,518
Closing fair value	**862,747**	746,648
Closing book cost	**624,412**	605,272
Closing investment holding gains	**238,335**	141,376
Closing fair value	**862,747**	746,648

	Year ended 31.12.16 £'000	Year ended 31.12.15 £'000
Gains on investments		
Gains on sales of investments	**17,252**	19,824
Investment holding gains	**96,959**	13,518
	114,211	33,342

Investment transaction costs

Transaction costs incurred in the acquisition and disposal of investments, which are included in the gains on investments above, were as follows:

	Year ended 31.12.16 £'000	Year ended 31.12.15 £'000
Purchases transaction costs	**341**	291
Sales transaction costs	**185**	202
	526	493

The portfolio turnover rate for the year was 19.7% (2015: 25.0%). The portfolio turnover rate measures the Company's trading activity. It is calculated by taking the average of the total amount of securities purchased and the total amount of securities sold in the reporting year divided by the average investment portfolio value of the Company.

Notes to the Financial Statements continued

11 Derivative Instruments

	Year ended 31.12.16 £'000	Year ended 31.12.15 £'000
(Losses)/gains on long CFDs		
(Losses)/gains on long CFD positions closed	**(947)**	2,478
Movement on investment holding (losses)/gains	**(555)**	942
	(1,502)	3,420

	2016		2015	
Derivative instruments	**fair value £'000**	**portfolio exposure £'000**	fair value £'000	portfolio exposure £'000
Long CFDs – assets	**–**	**–**	61	5,607
Long CFDs – liabilities	**(577)**	**38,785**	(83)	29,478
	(577)	**38,785**	(22)	35,085

12 Debtors

	2016 £'000	2015 £'000
Taxation recoverable	**2,770**	2,106
Accrued income	**725**	520
Other debtors	**62**	44
	3,557	2,670

13 Other Creditors

	2016 £'000	2015 £'000
Finance costs payable	**–**	3
Amounts payable to the Manager	**1,869**	1,675
Other creditors and accruals	**175**	197
	2,044	1,875

14 Share Capital

	2016 number of shares	2016 £'000	2015 number of shares	2015 £'000
Issued, allotted and fully paid				
Ordinary shares of 2.5 pence each held outside Treasury				
Beginning of the year	**416,447,910**	**10,411**	416,447,910	10,411
Ordinary Shares repurchased into Treasury	**(1,095,733)**	**(27)**	–	–
End of the year	**415,352,177**	**10,384**	416,447,910	10,411
Ordinary shares of 2.5 pence each held in Treasury*				
Beginning of the year	**–**	**–**	–	–
Ordinary Shares repurchased into Treasury	**1,095,733**	**27**	–	–
End of the year	**1,095,733**	**27**	–	–
Total share capital		**10,411**		10,411

* Shares held in Treasury carry no rights to vote, to receive a dividend or to participate in a winding up of the Company.

15 Reserves

The share premium account represents the amount by which the proceeds from the issue of ordinary shares has exceeded the cost of those ordinary shares. It is not distributable by way of dividend. 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. It cannot be used to fund share repurchases.

The capital reserve represents 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 can be used to fund share repurchases and it is distributable by way of dividend. The Board have stated that it has no current intention to pay dividends out of capital.

The revenue reserve represents retained revenue surpluses recognised through the revenue column of the Income Statement. It is distributable by way of dividend.

16 Net Asset Value per Ordinary Share

The net asset value per ordinary share is based on net assets of £875,351,000 (2015: £760,304,000) and on 415,352,177 (2015: 416,447,910) ordinary shares, being the number of New Ordinary Shares of 2.5 pence each held outside Treasury in issue at the year end. It is the Company's policy that shares held in Treasury will only be reissued at a premium to net asset value per share and, therefore, shares held in Treasury have no dilutive effect.

17 Financial Instruments

Management of risk

The Company's investing activities in pursuit of its investment objective involve certain inherent risks. The Board confirms that there is an ongoing process for identifying, evaluating and managing the risks faced by the Company. The Board with the assistance of the Manager, has developed a risk matrix which, as part of the internal control process, identifies the risks that the Company faces. Principal risks identified are market, performance, discount control, gearing and currency risks. Other risks identified are tax and regulatory and operational risks, including those relating to third party service providers covering investment management, marketing and business development, company secretarial, fund administration and operations and support functions. Risks are identified and graded in this process, together with steps taken in mitigation, and are updated and reviewed on an ongoing basis. Risks identified are shown in the Strategic Report on pages 10 and 11.

This note refers to the identification, measurement and management of risks potentially affecting the value of financial instruments. The Company's financial instruments may 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 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 below. These policies are consistent with those followed last year.

Market price risk

Interest rate risk

The Company finances its operations through its share capital and reserves. In addition, the Company has gearing through the use of long CFDs. The level of gearing is reviewed by the Board and the Portfolio Manager. The Company is exposed to a financial risk arising as a result of any increases in interest rates associated with the funding of the long CFDs.

Interest rate risk exposure

The values of the Company's financial instruments that are exposed to movements in interest rates are shown below:

	2016 £'000	2015 £'000
Exposure to financial instruments that bear interest		
Long CFDs – exposure less fair value	**39,362**	35,107
Exposure to financial instruments that earn interest		
Amounts held at futures clearing houses and brokers	**1,382**	3
Fidelity Institutional Liquidity Fund	**6,283**	8,800
Cash at bank	**4,003**	4,080
	11,668	12,883
Net exposure to financial instruments that bear interest	**27,694**	22,224

Foreign currency risk

The Company's net return on ordinary activities after taxation and its net assets can be affected by foreign exchange rate movements because the Company has income, assets and liabilities which are denominated in currencies other than the Company's functional currency which is UK sterling.

Three principal areas have been identified where foreign currency risk could impact the Company:

- Movements in exchange rates affecting the value of investments and derivative instruments;
- Movements in exchange rates affecting short term timing differences; and
- Movements in exchange rates affecting income received.

The portfolio management team monitor foreign currency risk but it is not the Company's current policy to hedge against currency risk.

Currency exposure of financial assets

The currency exposure profile of the Company's financial assets is shown below:

currency	2016 investments at fair value £'000	exposure to long CFDs £'000	debtors[1] £'000	cash £'000	total £'000
Danish krone	**38,709**	**–**	**162**	**–**	**38,871**
Euro	**564,407**	**38,785**	**2,235**	**32**	**605,459**
Norwegian krone	**31,898**	**–**	**–**	**–**	**31,898**
Swedish krona	**15,330**	**–**	**–**	**–**	**15,330**
Swiss franc	**158,897**	**–**	**772**	**–**	**159,669**
UK sterling	**53,506**	**–**	**8,053**	**3,971**	**65,530**
	862,747	**38,785**	**11,222**	**4,003**	**916,757**

currency	2015 investments at fair value £'000	exposure to long CFDs £'000	debtors[1] £'000	cash £'000	total £'000
Danish krone	45,788	–	29	–	45,817
Euro	443,817	35,085	1,752	33	480,687
Norwegian krone	27,093	–	–	–	27,093
Swedish krona	18,680	–	–	–	18,680
Swiss franc	178,136	–	588	–	178,724
UK sterling	33,134	–	9,104	4,047	46,285
	746,648	35,085	11,473	4,080	797,286

1 Debtors include amounts held at futures clearing houses and brokers and in the Fidelity Institutional Liquidity Fund.

17 Financial Instruments continued

Currency exposure of financial liabilities

The Company finances its investment activities through its ordinary share capital and reserves. The Company's financial liabilities comprise the gearing effect of long CFDs and other payables. The currency profile of these financial liabilities is shown below:

	2016	
	other creditors	total
currency	£'000	£'000
UK sterling	2,044	2,044
	2,044	2,044

	2015	
	other creditors	total
currency	£'000	£'000
Euro	3	3
UK sterling	1,872	1,872
	1,875	1,875

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 Portfolio 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.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations associated with financial liabilities. 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.

Liquidity risk exposure

At 31 December 2016 the undiscounted gross cash outflows of the financial liabilities were all repayable within one year and consisted of derivative instrument liabilities of £577,000 (2015: £83,000) and other creditors of £2,044,000 (2015: £1,875,000).

Counterparty risk

The long CFDs in which the Company invests are not traded on an exchange but instead will be traded between counterparties based on contractual relationships, under the terms outlined in the International Swaps and Derivatives Association's ("ISDA") market standard derivative legal documentation. As a result the Company is subject to the risk that a counterparty may not perform its obligations under the related contract. In accordance with the risk management process which the Manager employs, this risk is minimised by only entering into transactions with counterparties which it believes to have an adequate credit rating at the time the transaction is entered into, by ensuring that formal legal agreements covering the terms of the contract are entered into in advance, and through adopting a counterparty risk framework which measures, monitors and manages counterparty risk by the use of internal and external credit agency ratings and evaluates derivative instrument credit risk exposure.

For Over The Counter ("OTC") derivative transactions, collateral is used to reduce the risk of both parties to the contract. Collateral is managed on a daily basis for all relevant transactions. At 31 December 2016, £1,382,000 (2015: £3,000) was held by the Company in cash, shown as amounts held at futures clearing houses and brokers on the Balance Sheet, in a segregated collateral account on behalf of the broker, to reduce the credit risk exposure of the broker.

Credit risk

Financial instruments 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 brokers that have been approved by the Manager and are settled on a delivery versus payment basis. Limits are set on the amount that may be due from any one broker and are kept under review by the Manager. Exposure to credit risk arises on unsettled security transactions, derivative instrument contracts and cash at bank.

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 Portfolio Manager for the following purposes:

- To gain unfunded long exposure to equity markets, sectors or single stocks. Unfunded exposure is exposure gained without an initial flow of capital;
- To position "short" exposures in the Company's portfolio. These uncovered exposures benefit from falls in the prices of shares which the Portfolio Manager believes to be over valued. These positions, therefore, distinguish themselves from other short exposures held for hedging purposes since they are expected to add risk to the portfolio.

The risk and performance contribution of the derivative 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. The team uses portfolio risk assessment tools to advise the Investment Manager on portfolio construction.

RISK SENSITIVITY ANALYSIS

Interest rate risk sensitivity analysis

Based on the financial instruments held and interest rates at 31 December 2016, an increase of 0.25% in interest rates throughout the year, with all other variables held constant, would have decreased the return on ordinary activities after taxation for the year and decreased the net assets of the Company by £69,000 (2015: £56,000). A decrease of 0.25% in interest rates throughout the year would have had an equal but opposite effect.

Foreign currency risk sensitivity analysis

Based on the financial instruments held and currency exchange rates at 31 December 2016, a 10% strengthening or weakening of the UK sterling exchange rate against foreign currencies, with all other variables held constant, would have (decreased)/increased the Company's net return on ordinary activities after taxation for the year and the Company's net assets by the following amounts:

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

currency	**2016 £'000**	2015 £'000
Danish krone	**(3,534)**	(4,165)
Euro	**(51,463)**	(40,507)
Norwegian krone	**(2,900)**	(2,463)
Swedish krona	**(1,394)**	(1,698)
Swiss franc	**(14,515)**	(16,248)
	(73,806)	(65,081)

Notes to the Financial Statements continued

17 Financial Instruments continued

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

currency	2016 £'000	2015 £'000
Danish krone	**4,319**	5,091
Euro	**62,900**	49,509
Norwegian krone	**3,544**	3,010
Swedish krona	**1,703**	2,076
Swiss franc	**17,741**	19,858
	90,207	79,544

Other price risk – exposure to investments sensitivity analysis

Based on the investments held and share prices at 31 December 2016, an increase of 10% in share prices, with all other variables held constant, would have increased the Company's net return on ordinary activities after taxation for the year and increased the net assets of the Company by £86,275,000 (2015: £74,665,000). A decrease of 10% in share prices would have had an equal and opposite effect.

Other price risk – net exposure to derivative instruments sensitivity analysis

Based on the derivative instruments held and share prices at 31 December 2016, an increase of 10% in the share prices underlying the derivative instruments, with all other variables held constant, would have increased the Company's net return on ordinary activities after taxation for the year and increased the net assets of the Company by £3,879,000 (2015: £3,509,000). A decrease of 10% in share prices would have had an equal and opposite effect.

Fair Value of Financial Assets and Liabilities

Financial assets and liabilities are stated in the Balance Sheet at values which are not materially different to their fair values. As explained in Notes 2(j) and 2(k) on page 44, investments and long CFDs are shown at fair value. In the case of amounts held at futures clearing houses and brokers, Fidelity Institutional Liquidity Fund and cash at bank, book value approximates to fair value due to the short maturity of the instruments.

Fair Value Hierarchy

The Company is required to disclose the fair value hierarchy that classifies its 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 Note 2 (j) and (k) on page 44. The table below sets out the Company's fair value hierarchy:

	2016			2015		
Financial assets at fair value through profit or loss	**level 1 £'000**	**level 2 £'000**	**total £'000**	level 1 £'000	level 2 £'000	total £'000
Investments	**862,747**	**–**	**862,747**	746,648	–	746,648
Derivative assets – long CFDs	**–**	**–**	**–**	–	61	61
Derivative liabilities – long CFDs	**–**	**(577)**	**(577)**	–	(83)	(83)
	862,747	**(577)**	**862,170**	746,648	(22)	746,626

18 Capital Resources and Gearing

The Company does not have any externally imposed capital requirements. The capital of the Company comprises its issued share capital and reserves as disclosed in the Balance Sheet above, and its gearing, which is managed by the use of long CFDs. Financial resources are managed in accordance with the Company's investment policy and in pursuit of its investment objective, both of which are detailed inthe Strategic Report on pages 7 and 8. The principal risks and their management are disclosed in the Strategic Report on pag es 9 to11.

The Company's gearing at the end of the year is shown below:

	2016 portfolio exposure £'000	2015 portfolio exposure £'000
Investments	**862,747**	746,648
Derivative instruments – long CFDs	**38,785**	35,085
Total Portfolio Exposure	**901,532**	781,733
Shareholders' Funds	**875,351**	760,304
Gearing	**3.0%**	2.8%

19 Transactions with the Manager and Related Parties

FIL Investment Services (UK) Limited is the Company's Alternative Investment Fund Manager and has delegated portfolio management and the role of company secretary to FIL Investments International ("FII"). Both companies are Fidelity group companies. Details of the fee arrangements are given in the Directors' Report, on page 21, and Note 4 on page 46. During the year fees for portfolio management services amounted to £6,972,000 (2015: £6,344,000). At the Balance Sheet date, fees for portfolio management services of £1,848,000 (2015: £1,597,000) were accrued and included in other creditors. FII also provides the Company with marketing services. The total amount payable for these services during the year was £229,000 (2015: £153,000). At the Balance Sheet date £21,000 (2015: £78,000) for marketing services was accrued and included in other creditors.

Disclosures of the Directors' interests in the ordinary shares of the Company and Directors' fees and taxable benefits relating to reasonable travel expenses payable to the Directors are given in the Directors' Remuneration Report on pages 29 and 30. The Directors received compensation of £148,000 (2015: £139,000). In addition to the fees and taxable benefits disclosed in the Directors' Remuneration Report, this amount includes £14,000 (2015: £14,000) of employers' National Insurance Contributions paid by the Company.

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 2017 at 12 noon for the following purposes:

1. To receive and adopt the Annual Report and Financial Statements for the year ended 31 December 2016.
2. To declare that a final dividend for the year ended 31December 2016 of 4.17 pence per ordinary share be paid to shareholders on the register as at close of business on 24March 2017.
3. To re-elect Mr Vivian Bazalgette as a Director.
4. To re-elect Mr James Robinson as a Director.
5. To re-elect Dr Robin Niblett as a Director.
6. To re-elect Ms Marion Sears as a Director.
7. To elect Mr Paul Yates as a Director.
8. To approve the Directors' Remuneration Report (excluding the section headed The Remuneration Policy set out on page 28) for the year ended 31 December 2016.
9. To approve the Remuneration Policy as stated in the Directors' Remuneration Report on page 28.
10. To reappoint Ernst & Young 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 of which Resolutions 12 and 15 will be proposed as ordinary resolutions and Resolutions 13 and 14 as special resolutions.

Authority to allot shares and dis-application of pre-emption rights

Resolutions 12 and 13 will, if approved, authorise the Directors to allot a limited number of the new ordinary shares (or sell any ordinary shares which the Company elects to hold in Treasury) 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 14 March 2017. The Directors will only issue new ordinary shares, or dispose of ordinary shares held in Treasury, 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. Any ordinary shares held in Treasury would only be re-issued at net asset value per share, or at a premium to net asset value per share. This would ensure that the net effect of repurchasing and then re-issuing the ordinary shares would enhance net asset value per share.

12. 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 £520,560 (approximately 5% of the aggregate nominal amount of the issued share capital of the Company (including Treasury shares) as at 14 March 2017) and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with Treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter, 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. All previous unexpired authorities are revoked, but without prejudice to any allotment of shares or grant of rights already made, offered or agreed to be made pursuant to such authorities.

13. THAT, subject to the passing of Resolution 12 as set out above, the Directors be and they are hereby authorised, pursuant to Sections 570 – 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 12 and/or to sell ordinary shares held by the Company as Treasury shares for cash, as if Section 561 of the Act did not apply to any such allotment or sale, provided that this power shall be limited:

    a) to the allotment of equity securities or sale of Treasury shares up to an aggregate nominal amount of £520,560 (approximately 5% of the aggregate nominal amount of the issued share capital of the Company (including Treasury shares) as at 14 March 2017); and

    b) in either case, by the condition that allotments of equity securities or sales of Treasury shares may only be made pursuant to this authority at a price of not less than the net asset value per share,

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

Authority to repurchase shares

Resolution 14 is a special resolution which, if approved, will renew the Company's authority to purchase up to 14.99% of the number of ordinary shares in issue (excluding Treasury shares) on 14 March 2017 for immediate cancellation or for retention as Treasury shares, at the determination of the Board. Once shares are held in Treasury, the Directors may only dispose of them in accordance with the relevant legislation by subsequently selling the shares for cash or cancelling the shares. Purchases of ordinary 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.

14. 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 ordinary shares of 2.5 pence each in the capital of the Company (the "shares") provided that:

   a) the maximum number of shares hereby authorised to be purchased shall be 62,425,541;

   b) the minimum price which may be paid for an ordinary share is 2.5 pence;

   c) the maximum price (excluding expenses) which may be paid for a share is the higher of:

      (i) 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; and

      (ii) the amount stipulated by the European Commission pursuant to Article 5(6) of the Market Abuse Regulation (EU) No. 596/2014;

   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.

Continuation of the Company

Resolution 15 is an ordinary resolution which relates to the continuation of the Company.

15. THAT the Company continues to carry on business as an investment trust.

By Order of the Board
FIL Investments International
Secretary
14 March 2017

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 Registrar at the address on the form to arrive not later than 12 noon on 11 May 2017. 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 Registrar, Capita Asset Services, PXS1, The Registry, 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 11 May 2017. 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 Registrar no later than 12 noon on 11 May 2017.

Notice of Meeting continued

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 close of business on 11 May 2017.

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 Conduct Authority. As a result, any member holding 3% 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 Conduct 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 close of business on 11 May 2017. 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 14 March 2017 (the latest practicable date prior to the publication of this document) the Company's issued share capital consisted of 416,447,910 ordinary shares. The number of Treasury shares held by the Company were 1,095,733. Therefore, the total number of voting rights in the Company as at 14 March 2017 was 415,352,177.

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 Company may not require the shareholders requesting any such website publication to pay its expenses in complying with such requests. Where the Company is required to place a statement on a website under section 527 of the Companies Act 2006, it must forward the statement to the Company's Auditor not later than the time when it makes the statement available on the website. 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. No Director has a service contract with the Company.

15. 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.fidelityinvestmenttrusts.com.

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

Financial Calendar

The key dates in the Company's calendar are:

31 December 2016 – Financial Year End
March 2017 – Announcement of results for the year ending 31 December 2016
March 2017 – Publication of this Report
23 March 2017 – Ex-dividend date
24 March 2017 – Record date
15 May 2017 – Annual General Meeting
19 May 2017 – Payment of the Dividend
30 June 2017 – Half-Year End
July/August 2017 – Announcement of the Half-Yearly results to 30 June 2017
August 2017 – Publication of the Half-Yearly Report

Shareholder Information

Investing in Fidelity European Values PLC

As Fidelity European Values PLC is a company listed on the London Stock Exchange, you can buy its shares through a stockbroker, share shop or bank. Fidelity also offers a range of options, so that you can invest in a way that is best for you. Details of how to invest can be found on Fidelity's website at **www.fidelityinvestmenttrusts.com**

Contact Information

Existing shareholders should contact the appropriate administrator using the contact details given below. This may be Capita Asset Services, the Company's Registrar, or Fidelity or it may be another platform or administrator of your choice. Links to the websites of major platforms can be found online at **www.fidelityinvestmenttrusts.com**

Holders of ordinary shares on the main share register

Capita Asset Services, Registrar to Fidelity European Values PLC, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

Telephone: **0871 664 0300** (calls cost 12p per minute plus network extras. If you are outside the United Kingdom, call **+44 371 664 0300**. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open 9.00 am to 5.30 pm Monday to Friday, excluding public holidays in England and Wales).

Email: shareholderenquiries@capita.co.uk

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

Fidelity Platform investors

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

Website: **www.fidelity.co.uk/fidelityits**

Private investors: call free to **0800 41 41 10**, 9.00 am to 6.00 pm, Monday to Saturday.

Financial advisers: call free to **0800 41 41 81**, 8.00 am to 6.00 pm, Monday to Friday.

General enquiries

General enquiries should be made to the Secretary, at the Company's registered office: FIL Investments International, Investment Trusts, Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, Surrey KT20 6RP. Telephone: **01732 361 144**.

Email: **investmenttrusts@fil.com**

Website: **www.fidelityinvestmenttrusts.com**

Online Shareholder Services – Share Portal

Through the website of the Registrar at **www.capitashareportal.com**, shareholders are able to manage their shareholding online by registering for the Share Portal, a free and 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 to add, change or delete dividend mandate instructions. Shareholders can also download forms such as change of address, stock transfer and dividend mandate forms as well as buy and sell shares in the Company.

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 0300** (calls cost 12p per minute plus your phone company's access charge. If you are outside the United Kingdom, please call **+44 371 664 0300**. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open 9.00 am to 5.30 pm, Monday to Friday excluding public holidays in England and Wales.

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 **0371 664 0454** (calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open 8.00 am to 4.30 pm, Monday to Friday excluding public holidays in England and Wales). The Capita Share Dealing Services allows you to deal in the shares of other companies for which Capita Asset Services 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

The Dividend Re-investment Plan offers a convenient way for shareholders to build up their shareholding by using the dividend money to purchase additional shares in the Company. The plan is provided by Capita Asset Services, a trading name of Capita IRG Trustees Limited which is authorised and regulated by the Financial Conduct Authority.

For more information and an application pack call **0371 664 0381** between 9.00 am and 5.30 pm Monday to Friday. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the UK will be charged at the applicable international rate. Alternatively you can email: shares@capita.co.uk or log on to **www.capitashareportal.com**

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 account provided by Fidelity International, you will receive a report every six months detailing all of your transactions and the value of your shares.

Managers and Advisors

Alternative Investment Manager (AIFM/the Manager)
FIL Investment Services (UK) Limited
Oakhill House
130 Tonbridge Road
Hildenborough
Tonbridge
Kent
TN11 9DZ

Portfolio Manager, Secretary and Registered Office
FIL Investments International
Beech Gate
Millfield Lane
Lower Kingswood
Tadworth
Surrey
KT20 6RP
Email: investmenttrusts@fil.com

Independent Auditor
Ernst & Young LLP
25 Churchill Place
London
E14 5EY

Lawyer
Charles Russell Speechly LLP
5 Fleet Place
London
EC4M 7RD

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

Depositary
J.P.Morgan Europe Limited
25 Bank Street
London
E14 5JP

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

Registrar
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 was £1 for each ordinary share of 25 pence each. Following the sub-division of the ordinary shares on a ten for one basis on 2 June 2014, the Company's share capital comprises ordinary shares of 2.5 pence each and the restated original subscription price is 10 pence for each ordinary share.

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 share price of the Company is published daily in the Financial Times under the heading "Investment Companies". The share price is also published in The Times and The Daily Telegraph and is also available at www.fidelity.co.uk/its.

The current price information can also be obtained by telephoning Fidelity on 0800 41 41 10 (freephone) or FT Cityline on 0905 817 1690 (voice activated service – all calls charged at 60 pence 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, the SEDOL is BK1PKQ9 and the ISIN number is GB00BK1PKQ95.

NAV Information

The Company's NAVs excluding and including income 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 9.59 pence (restated for the ten for one sub-division of ordinary shares on 2 June 2014). All UK individuals under present legislation are permitted to have £11,100 of capital gains in the current tax year 2016/2017 (2015/2016: £11,100) before being liable for capital gains tax. Capital gains tax is charged at 10% and 20% 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 has appointed FIL Investment Services (UK) Limited to act as the Company's AIFM (the Manager).

AIFMD
The Alternative Investment Fund Managers Directive is a European Union Directive implemented on 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 that may be payable if shares are sold 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.

Corporation Tax
The tax the Company may have to pay on its profits for a year. 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 oversees the custody, cash arrangements and other AIFM responsibilities of the Company. J.P. Morgan Europe Limited 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 is 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;
- Futures and options – valued at the quoted trade price for the contract; and
- Contracts for difference – 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).

Futures
An agreement to buy or sell a fixed amount of an asset at a fixed future date and a fixed price.

Gearing
Gearing describes the level of the Company's exposure and is expressed as a percentage of shareholders' funds. It reflects the amount of exposure the Company uses to invest in the market. It can be obtained through the use of bank loans, bank overdrafts and derivatives, in order to increase the Company's exposure to market price movements. The Company uses two key measures of gearing:

- **Gross gearing** is the total of: long exposures, plus short exposures and less exposures hedging the portfolio, expressed as a percentage of shareholders' funds.
- **Net gearing** is the total of: long exposures, less short exposures and less exposures hedging the portfolio, expressed as a percentage of shareholders' funds.

Gross Asset Exposure

Gross Asset Exposure measures the exposure to market price movements as a result of owning shares, derivatives and fixed-interest securities.

Hedging

A strategy aimed at minimising or eliminating the risk or loss through adverse movements, normally involving taking a position in a derivative such as a future or an option.

Investment Manager

Fil Investments International acts as the Company's Investment Manager under delegation from FIL Investment Services (UK) Limited (the AIFM).

Leverage

Leverage as defined in the AIFMD is any method by which an AIFM increases the exposure of an AIF it manages whether through borrowing cash or securities, or leverage embedded in derivative positions or by any other means. Leverage is measured in terms of exposure and is expressed as a ratio of net asset value. There are two measures of calculating leverage:

- The Gross Method which does not reduce exposure for hedging; and
- The Commitment Method which reduces exposure for hedging.

Manager

FIL Investments Services (UK) Limited, was appointed as the Manager in accordance with the Alternative Investment Fund Managers Directive (AIFMD), and has delegated, inter alia, the investment management of the Company to the Investment Manager.

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

Ongoing charges are the regular, recurring operational expenses of the Company. Finance costs, taxation and the costs of buying and selling investments are excluded. The ongoing charges figure is calculated annually and expresses ongoing charges as a percentage of the average daily net asset values for the reporting year.

Options

An option is a contract which gives the right but not the obligation to buy or sell an underlying asset at a specific price on or before an agreed date. Options may be calls (buy) or puts (sell) and are used to gain or reduce exposure to the underlying asset on a conditional basis, for example, the purchase of a call option provides exposure to the upside potential of an underlying stock, with the downside risk being limited to the premium paid.

Portfolio Manager

Sam Morse is the appointed Portfolio Manager of the Company and is responsible for managing the Company's assets.

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, to existing shareholders. At each Annual General Meeting, the Board seeks shareholder approval to disapply pre-emption right provisions, up to 5% of the issued share capital of the Company.

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 shareholder register. The Company's Registrar is Capita Asset Services.

Return

The return generated in a given 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; and
- **Total Return** reflects the aggregate of revenue and capital returns.

Glossary of Terms continued

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 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).

Treasury Shares

Ordinary shares of the Company that have been repurchased by the Company and not cancelled but held in Treasury. These shares do not pay dividends, have no voting rights and are excluded from the net asset value per share calculation.

Alternative Investment Fund Manager's Disclosure

In compliance with the Alternative Investment Fund Managers Directive ("AIFMD"), the Board has appointed FIL Investment Services (UK) Limited ("FISL") (a Fidelity group company) as the Company's Alternative Investment Fund Manager ("AIFM"). FISL has delegated the portfolio management and company secretarial function to FIL Investments International ("FII") (another Fidelity group company). Details of the Management Agreement can be found in the Directors' Report on page 21. The AIFM's Annual Report is available to shareholders on request. Please contact the Company Secretary whose address can be found on page 63.

The table below discloses information required by the Alternative Investment Fund Managers Regulations 2013.

Function	AIFM Role and Responsibility	AIFMD Disclosure
Investment management	The AIFM provides portfolio management of assets and investment advice in relation to the assets of the Company. It has delegated this function to FII. The Board remains responsible for setting the investment strategy, investment policy and investment guidelines and the AIFM operates within these guidelines.	Details of the Company's investment objective, strategy and investment policy, including limits, are on pages 7 and 8.
Risk management	In its capacity as AIFM, FISL has responsibility for risk management for the Company which is in addition to the Board's corporate governance responsibility for risk management. The Company has a Risk Management Process Document which is agreed with the Board and demonstrates that risk management is separated functionally and hierarchically from operating units and is subject to independent safeguards. The Manager maintains adequate risk management systems in order to identify, measure and monitor all risks at least annually under the AIFMD. The Manager is responsible for the implementation of various risk activities such as risk systems, risk profile, risk limits and testing. The Board, as part of UK corporate governance, remain responsible for the identification of significant risks and for the ongoing review of the Company's risk management and internal control processes.	The AIFM has an ongoing process for identifying, evaluating and managing the principal risks faced by the Company which is regularly reviewed by the Board. The Board remains responsible for the Company's system of internal control and for reviewing its effectiveness. Further details can be found in the Strategic Report on pages 9 to 11 and in Note 17 to the Financial Statements on pages 52 to 57.
Valuation of illiquid assets	The Directive requires the disclosure of the percentage of the AIF's assets which are subject to special arrangements arising from their illiquid nature. Further, any new arrangements for managing the liquidity of the Company must be disclosed.	Not Applicable.
Leverage	The Company uses leverage to increase its exposure primarily to the stockmarkets of continental Europe and holds derivatives to achieve this. The AIFM has set maximum levels of leverage that are reasonable and has implemented systems to calculate and monitor compliance against these limits at all times. A definition of leverage is included in the Glossary of Terms on page 65.	The maximum leverage limits are 1.80 for the Gross Method of calculating leverage and 1.50 for the Commitment Method. There have been no change to the maximum level of leverage that the Company may employ during the year. At 31 December 2016, actual leverage was1.03 for the Gross Method and 1.03 for the Commitment Method.
Liquidity management	The AIFM, in consultation with the Board, maintains a liquidity management policy which is considered at least annually.	No new arrangements for managing the liquidity of the Company have been made. Further details can be found in Note 17 on page 54.
Remuneration of the AIFM	The AIFM operates under the terms of Fidelity International's Global Remuneration Policy. This ensures that the AIFM complies with the requirements of the FCA's Remuneration Code (SYSC19A); the AIFM Remuneration Code (SYSC19B) and the BIPRU Remuneration Code (SYSC19C).	Details of Fidelity International's Global Remuneration Policy can be found at www.fidelityinternational.com/global/remuneration/default.page.

EU Securities Financing Transactions Regulation ("SFTR")

The following disclosures relate to the long contracts for difference ("CFDs") held by the Company which may be considered Total Return Swaps under the SFTR, which came into force on 12 January 2016. CFDs were contracted bilaterally with Deutsche Bank AG, London Branch ("Deutsche Bank") and had an open maturity. At 31 December 2016 the fair value of CFDs was a loss of £577,000 which represented 0.07% of net assets. Collateral of £1,382,000 was held by Deutsche Bank in a segregated account on behalf of the Company. Collateral was held in cash denominated in Sterling and maturing in one day. The total return for the year ended 31 December 2016 from CFDs was a loss of £192,000, largely as a result of the poor performance of Sanofi.

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