Fidelity European Values PLC

Annual Report

For the year ended 31 December 2015

Fidelity INTERNATIONAL

Contents

Investment Objective and Performance

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

The full text of the Company's investment policy is on page 7.

Performance (year to 31 December 2015)

Net Asset Value ("NAV") per Share Total Return	+6.9%
Share Price Total Return	+9.2%
FTSE World Europe (ex UK) Index* Total Return	+5.3%

*The Company's Benchmark Index

As at 31 December 2015

Equity Shareholders' Funds	£760.3m
Market Capitalisation	£724.6m
Final Dividend Proposed per Ordinary Share	3.33p
Capital Structure: Ordinary Shares of 2.5p each	416,447,910

Standardised Performance – Total Return (%)

	01/01/2015 to 31/12/2015	01/01/2014 to 31/12/2014	01/01/2013 to 31/12/2013	01/01/2012 to 31/12/2012	01/01/2011 to 31/12/2011
NAV per Share	+6.9	+5.1	+20.0	+24.7	-11.5
Share Price	+9.2	+8.7	+20.8	+31.3	-8.6
FTSE World Europe (ex UK) Index	+5.3	+0.2	+25.2	+17.8	-14.7

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

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The Company is a member of the Association of Investment Companies

Financial Summary

	2015	2014
Assets at 31 December		
Total portfolio exposure[1]	£781.7m	£761.2m
Shareholders' funds	£760.3m	£725.0m
Total portfolio exposure in excess of shareholders' funds (Gearing)	2.8%	5.0%
NAV per share (cum income)	182.57p	174.09p
NAV per share (ex income)	179.20p	170.40p
Share price data at 31 December		
Share price at year end	174.00p	162.50p
Share price – year high	186.70p	164.80p
Share price – year low	158.00p	140.00p
Discount (ex income) at year end	2.9%	4.6%
Discount (cum income) at year end	4.7%	6.7%
Discount (ex income) – year high	8.7%	11.3%
Discount (ex income) – year low	1.0%	4.0%
Discount (ex income) – year average	4.0%	8.2%
Results for the year to 31 December – see page 37		
Revenue return per ordinary share	3.37p	3.67p
Capital return per ordinary share	8.75p	4.61p
Total return per ordinary share	12.12p	8.28p
Final dividend proposed per ordinary share	3.33p	3.10p
Special dividend declared per ordinary share	n/a	0.54p
Total dividends proposed and declared per ordinary share	3.33p	3.64p
Total returns (includes reinvested income) for the year to 31 December (%)		
NAV per share	+6.9	+5.1
Share price	+9.2	+8.7
FTSE World Europe (ex UK) Index[2]	+5.3	+0.2
Ongoing charges for the year to 31 December (%)[3]	0.94	0.97

1 The total exposure of the investment portfolio, including exposure to the investments underlying the long CFDs
2 Benchmark Index
3 Ongoing charges (excluding finance costs and taxation) 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

Humphrey van der Klugt
Chairman

I have pleasure in presenting the Annual Report of Fidelity European Values PLC for the year ended 31 December 2015.

PERFORMANCE

I am pleased to report that for the year ended 31 December 2015, the net asset value ("NAV") per share total return of your Company was 6.9%, outperforming its Benchmark Index, the FTSE World Europe (ex UK) Index, which returned 5.3%. The share price total return over this period was 9.2%, ahead of the NAV return as a consequence of the level of discount (ex-income) narrowing from 4.6% at the start of the year to 2.9% at the year end.

I am pleased to say that the three and five year performance returns are also 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.)

European equities rose in sterling terms over the 12-month period ending 31 December 2015. Gains were primarily driven by increasing evidence of a recovery in European economies, which were supported by the European Central Bank's ("ECB") accommodative monetary policy stance and lower energy prices. In the first quarter, markets rose strongly as the ECB announced a bond buying stimulus programme that exceeded market expectations. However, these gains were partially reversed as markets fell sharply in the third quarter due to concerns about China's slowdown and its potential impact on the global economy. In the fourth quarter, markets rallied again on expectations of additional stimulus measures by the ECB and China. Markets also reacted positively to the US Federal Reserve's small interest rate increase, which was taken as a vote of confidence in the world's largest economy. Not all European companies finished the year in positive territory though. Companies exposed to slowing emerging market economies and/or involved in the extraction or production of commodities proved particularly vulnerable to renewed fears for the global economy and deflation. Against this backdrop, the Portfolio Manager's preference for companies with solid balance sheets and growing dividends proved rewarding over the period.

OUTLOOK

Looking ahead, the recovery in the Eurozone remains intact and is being increasingly supported by improving domestic demand and an uptick in consumer confidence and spending driven by stronger employment trends, rising wages and lower energy prices. The weaker euro is also good for European companies' competitiveness, as is the falling cost of debt and rising availability of finance and liquidity. Having said that, there are also potential risks on the horizon. Markets are becoming increasingly concerned about a global economic slowdown and deflation. In particular, growth in the Eurozone is expected to continue to be hindered by the slowdown in emerging markets and the necessary balance sheet adjustments in a number of sectors. Geopolitical risks also have the potential to weigh on global growth in 2016 and to impact negatively on demand for Eurozone exports.

One other uncertainty we need to factor into the whole equation is of course "Brexit" as we are a UK listed Company investing in continental Europe and have the flexibility to invest up to 20% of the portfolio in UK stocks. Exit from the European Union would have wide consequences for the UK and, less commonly discussed, also for continental European countries. The UK is the second largest European economy and the links are substantial, both trading and otherwise.

The Portfolio Manager's focus on attractively valued companies exhibiting long term structural growth prospects, proven business models, strong balance sheets and disciplined use of capital seems particularly suited to this more uncertain backdrop, which is discussed in more detail in our Portfolio Manager's Review on pages 5 and 6.

PERFORMANCE OVER ONE YEAR, THREE YEARS, FIVE YEARS AND SINCE LAUNCH TO 31 DECEMBER 2015 (ON A TOTAL RETURN BASIS) (%)

	NAV	Share price	FTSE World Europe (ex UK) Index
One year	+6.9	+9.2	+5.3
Three years	+34.8	+43.4	+32.1
Five years	+48.9	+72.2	+32.7
Since launch (1991)*	+2,202.9	+2,129.8	+658.6

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

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

Chairman's Statement

OTHER MATTERS

Gearing

The Company continues to gear through the use of long Contracts For Difference ("CFDs"). As at 31 December 2015, the level of gearing was 2.8% (2014: 5.0%). 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 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 our 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 sought and received shareholder approval at last year's Annual General Meeting 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.

Treasury shares carry no voting rights or rights to receive a dividend and have no entitlement in a winding up of the Company. No more than 5% of the issued ordinary share capital of the Company can be held in Treasury. Any shares held in Treasury will only be re-issued at a premium to NAV per share. The net effect of repurchasing shares at a discount and then re-issuing them at a premium will enhance NAV per share. The Board is seeking shareholder approval to renew this authority at the forthcoming Annual General Meeting.

As a result of an improvement in the way the Company's shares have traded against NAV, we are pleased to say that no share repurchase activity has taken place during the year ended 31 December 2015 and no shares are held as yet in Treasury. No shares have been repurchased since the end of the reporting period and as at the date of this report.

Dividends

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

The Board has decided to recommend a final dividend of 3.33 pence per share for the year ended 31 December 2015 (2014: final dividend of 3.10 pence per share; and special dividend of 0.54 pence per share which related to the successful tax reclaim in France). The dividend will be payable on 20 May 2016 to shareholders who appear on the register as at close of business on 29 March 2016 (ex-dividend date 24 March 2016).

The increase in the proposed final dividend for 2015 over the 3.10 pence paid for 2014 is therefore 7.4%. Whilst we emphasise that the increase is a function of stock selection and cannot be extrapolated into the future, Sam Morse continues to focus on companies which are able to grow their dividends and this is one of the underlying factors in his stock selection.

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

Board of Directors

I became Chairman of your Company in May 2010 and have served as a Director since June 2007. After six years as Chairman and nine years altogether, I will retire at the conclusion of the forthcoming Annual General Meeting. I have thoroughly enjoyed serving on your Board and would like to thank shareholders, my fellow Directors and the team at Fidelity for all the support I have been given.

I am delighted to say that Mr Vivian Bazalgette will succeed me as Chairman. Vivian joined the Board on 1 December 2015. He has over thirty five years of investment management and financial services experience having held senior positions in a number of asset management companies. I look forward to introducing Vivian at the Annual General Meeting on 12 May 2016.

In accordance with the UK Corporate Governance Code and being a FTSE 350 Company, all Directors are subject to annual re-election by shareholders and, with my exception, put themselves forward for re-election at the forthcoming Annual General Meeting. The Directors have a wide range of appropriate skills and experience to make up a balanced Board for your Company. Biographical details are shown on page 19.

Change of Auditor

During the reporting year, an audit tender process was carried out and Ernst & Young LLP were recommended for appointment as the Company's independent Auditor from 1 January 2016 replacing Grant Thornton UK LLP who have been in office since 2006. This appointment is subject to approval by the shareholders at the forthcoming Annual General Meeting. Further details can be found in the Directors' Report on pages 20 and 21. On behalf of all the shareholders, I would like to thank Grant Thornton UK LLP for all their work over the years that they have been in office.

Annual General Meeting

The Annual General Meeting of the Company will be held at Fidelity's offices at 25 Cannon Street, London EC4M 5TA (St Paul's or Mansion House tube stations) on Thursday 12 May 2016 at midday. Full details of the meeting are given on pages 56 to 58.

My fellow Directors and I look forward to talking with as many shareholders as possible on this occasion and it will be our pleasure to hold a presentation by your Portfolio Manager, Sam Morse.

Humphrey van der Klugt
Chairman
11 March 2016

Portfolio Manager's Review

Sam Morse (Portfolio Manager from 1 January 2011)
Sam is a portfolio manager with FIL Investments International based in London. Sam has more than 25 years' investment experience. He also manages the Fidelity European Fund.

PERFORMANCE REVIEW

As shown in the Financial Summary on page 2, the net asset value ("NAV") total return, in the year to 31 December 2015, was 6.9% compared to a total return of 5.3% for the FTSE World Europe (ex UK) Index which is the Company's Benchmark Index. The share price total return was 9.2%, which is ahead of the NAV total return as a consequence of a narrowing in the share price discount. The discount narrowed from 4.6% at the beginning of the year to 2.9% at the end of the reporting period, based on the NAV excluding income. (All figures in UK sterling terms.)

MARKET BACKGROUND

2015 reminded me of the "Duke of York" nursery rhyme. Investors 'marched to the top of the hill' in April, led on by optimism about a European economic recovery, thanks to the European Central Bank's ("ECB") program of quantitative easing ("QE"), and then 'marched back down again', as concerns and nervousness regarding the outlook for global economic growth, and companies' earnings, took over. Thankfully, the market did not quite 'march' back to where it started the year, so the Index registered a modest mid-single-digit gain in 2015, in sterling terms.

The ECB announced QE in January: a commitment to buy sixty billion euros of assets, mainly government bonds, each month, until September 2016. The programme started in March 2015. Continental European markets made huge gains as investors anticipated that the extra liquidity would feed into asset prices. This was compounded by optimism that QE, coupled with lower oil prices and a weaker euro, would accelerate domestic economic growth in continental Europe through stronger consumption and higher exports. On the back of this optimism, the first quarter of the year saw continental European markets rise 16%, and despite a weakening euro, this still translated into a double digit gain in sterling terms. The market peaked shortly afterwards, in April, at valuation levels not seen since before the last global financial crisis.

For markets to make progress from thereon, earnings needed to start to rise to support such elevated levels of valuation. Unfortunately, a litany of events brought down earnings expectations and, thereby, punctured the bubble of optimism that had driven the market to date. There was a mid-year 'wobble' as Greece reminded investors of the on-going issues, and political uncertainties, that many European countries on the periphery of Europe still faced. The third quarter saw markets give up more ground, in particular when China, unexpectedly, allowed a small devaluation of its currency, apparently in response to slowing economic growth. Many investors saw this as a 'shot across the bows' in terms of future exchange rate policy and this led to widespread risk aversion, especially regarding emerging markets and commodities. This was compounded by nervousness about global markets' possible reaction to a well-flagged rise in US interest rates.

The final quarter of 2015 saw a small rebound. Political fragmentation was evident, again, in Iberian elections leading to political uncertainty in both Spain and Portugal. Elsewhere, in continental Europe, markets picked up along with global stock markets. US interest rates were, indeed, raised by a quarter point, as flagged and as expected, but markets seemed reassured that this turning point had been safely negotiated without any major adverse reaction so the year ended on a more positive note.

PORTFOLIO REVIEW

The Company's NAV outperformed the benchmark by 1.6 % in 2015. Positive stock selection was the main contributor through the year. This was particularly true in the first half of the year but in the second half of the year stock-picking detracted from performance. Gearing, achieved through the use of contracts for difference, added just a little to performance during the year given the modest returns in the market and the relatively low level of leverage employed through the year.

The stock market trends established in the first half of 2015 continued for the balance of the year such that most of the stronger performers of the first half, mentioned in detail in the Company's Half-Yearly Report for the six months ended 30 June, remained key positive contributors for the year. These include Novo-Nordisk, the leading diabetes care company, and a number of banks and financial institutions, such as UBS and Intesa Sanpaolo, where results gave more confidence in their internal turnaround programmes and dividend capacity. Elsewhere, the continued fall in the oil price pressured holdings in the energy sector, particularly Royal Dutch Shell, following its acquisition of BG Group. I remain confident that this will prove a sensible deal, given Shell's ability to improve returns of the combined entity through an increased focus on reducing costs and capital spending plans while focusing on the highest return projects in the combined entity. Success in disposing of non-core businesses will be crucial in enabling the company to continue to pay high levels of dividend until the oil price recovers. Holdings in companies that export to or operate in emerging markets, such as Edenred, which has a large part of its business in Brazil, performed poorly in the second half of the year. Many of these companies have strong business models and the financial capacity to continue to pay healthy dividends, invest organically, and acquire businesses, while the external environment is difficult, which will be reflected in superior business and share price performance, as and when the environment improves.

Portfolio Manager's Review

The main detractor in the second half of the year was Volkswagen, due to the 'emissions scandal' that many of you will be aware of. The company fell more than half, from its peak, before recovering somewhat in the fourth quarter when it appeared that the cost of fixing the European models which had 'defeat devices' would be less than originally expected and when it also became apparent that the negative impact on sales, due to brand damage, was largely focused on the Volkswagen brand, rather than the very important Audi or Porsche brands. I believe that, although there is obviously a lot of uncertainty regarding the ultimate penalties the company will face, in terms of fines, 'fix' costs and reputational damage, the share price still discounts an overly pessimistic scenario, especially given the strength of the company's balance sheet. Although Volkswagen is unlikely, in the short term, to increase its dividend from the current level, it would not be in the interest of our shareholders to sell at too low a level. I maintain a close watching brief and have had a number of contacts with the company, at different levels, to determine if this crisis encourages the management to 'turn a new leaf' in terms of strategy, with more focus on governance and shareholder returns than in the past. Hopes for such change were the main reason your Company was invested in Volkswagen in the first place, although this crisis may accelerate that change.

BREXIT

Although direct exposure to the UK economy is relatively small for continental European companies in aggregate – it only represents about 6% of the revenues of the underlying companies in the portfolio – the indirect consequences of "Brexit", if it happens, are likely to be more significant. If the UK electorate votes to leave the European Union in the referendum to be held on 23 June 2016, uncertainty will rise and investors may question, again, the sustainability of the European Union. Markets do not like uncertainty so share prices may fall, in the event of a 'leave' vote. Having said that, if the UK were to leave the European Union, it is also likely that UK sterling would depreciate further which would, of course, make overseas earnings and dividends more valuable to UK based investors. The likely outcome of the vote is, at this stage, unclear so it is hard to say to what extent "Brexit" is already discounted in currencies and share prices.

OUTLOOK

The market has been volatile to date in 2016 with the main trends, established in 2015, of weaker emerging markets and weaker commodities leading to concern about the outlook for the earnings of many European companies. Initially, the weakness in commodity prices was considered, on balance, to be positive for the European economy and European companies' earnings. The logic was that although companies directly exposed to commodity prices, such as the energy sector, would suffer in the short term, the majority of other companies would benefit from stronger consumer spending and cheaper input prices. It seems, however, that the weakness in commodities is now permeating a number of areas leading to lower earnings expectations overall. Related areas that have been affected include financials, especially banks pressured by continuing low interest rate levels, and industrials, especially those that supply process industry customers and emerging market customers.

Sentiment – with talk of deflationary pressures and global recession – has become quite cautious which is sometimes good news for investors prepared to take a contrarian bias knowing that uncertainty about risks can often create opportunities for reward. Valuation levels, however, still remain elevated. The median twelve month forward price to earnings ratio for Europe ex-UK is still above long term averages, partly because smaller and medium sized companies are, often, highly priced. Although shares, overall, look pricey, some companies and sectors appear to be attractively valued compared to longer term averages. Energy, some industrials, and parts of the financial sector all appear to be attractively valued unless one believes we are heading for a Japan-style deflationary era with sustainably low commodity prices. European consumers seem to be in better health, for the time being, thanks to low interest rates and low oil prices but the concern is that their confidence will be eroded if companies start to cut jobs to maintain earnings and if political uncertainty rises, as seen in Spain following their recent elections.

I remain 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. I believe that this successful investment approach will prove particularly effective in what is likely to continue to be a low growth era for continental Europe.

Sam Morse
Portfolio Manager
11 March 2016

Strategic Report

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

BUSINESS AND STATUS

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

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

OBJECTIVE

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

STRATEGY

In order to achieve this objective, the Company 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. The level of gearing is reviewed by the Board and the Portfolio Manager at each of its meetings.

As part of the strategy, the Board has delegated the management of the portfolio and 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 stock selection approach adopted by the Portfolio Manager is considered to be well suited to achieving the objective. Although income is being received by way of dividend payments the emphasis is placed on capital growth. The Board takes the view that investing in equities is a long term process, and that the Company's returns to shareholders will vary from year to year.

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

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 order 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 dividend over the next three to five years, as evidence suggests that such companies outperform over the long term.

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

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

The Portfolio Manager draws upon the substantial intelligence uncovered by Fidelity's team of pan-European analysts when researching companies. 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

Strategic Report

   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 of any listed company.

- The Company will not invest more than 10% of gross assets in any one quoted company at the time of acquisition.

- A maximum of 5% of the Company's gross assets may be held in unquoted securities in aggregate at any one time.

- The 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).

USE OF 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 the Investment Manager considers that 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 Investment Manager considers to be over-valued.

- To enhance investment 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 is 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. 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 Board and the Portfolio Manager review the level of gearing at each Board meeting. The Company can gear up to a maximum of 30% in excess of total net assets.

PERFORMANCE
The Company's performance for the year ended 31 December 2015 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 are on pages 12 to 18.

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RESULTS AND DIVIDENDS

The Company's results for the year ended 31 December 2015 are set out in the Income Statement on page 37. The return per ordinary share was 12.12 pence of which the revenue return was 3.37 pence.

The Directors recommend that a final dividend of 3.33 pence per share for the year ended 31 December 2015 (2014: final dividend of 3.10 pence; special dividend of 0.54 pence) be paid on 20 May 2016 to shareholders who appear on the register as at the close of business on 29 March 2016 (ex-dividend date 24 March 2016).

ATTRIBUTION ANALYSIS

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

Analysis of change in NAV during the year (%)	
Impact of:	
Index	+10.9
Exchange Rate	-5.5
Gearing	+0.6
Stock Selection	+1.9
Expenses	-1.0
Total return for the year ended 31 December 2015	**+6.9**

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 trusts are set out below.

	Year ended 31 December 2015 %	Year ended 31 December 2014 %
NAV per share[1]	+6.9	+5.1
Share Price[1]	+9.2	+8.7
FTSE World Europe (ex UK) Index[1]	+5.3	+0.2
Discount to NAV (ex income)	2.9	4.6
Discount to NAV (cum income)	4.7	6.7
Ongoing Charges[2]	0.94	0.97

1 Total returns (includes reinvested income)
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 trusts. Long term performance is also monitored and the Ten Year Record and the Summary of Performance Charts on pages 16 to 18 show this information.

PRINCIPAL RISKS AND UNCERTAINTIES

As required by provision C.2.1 of the 2014 UK Corporate Governance Code, the Board makes a robust assessment of the principal risks facing the Company.

The Board confirms that there is an ongoing process for identifying, evaluating and managing the principal risks faced by the Company. The Board, with the assistance of the Manager, has developed a risk matrix which, as part of the internal controls process, identifies the key risks that the Company faces. The process is regularly reviewed by the Board in accordance with the Financial Reporting Council's ("FRC's") 'Risk Management, Internal Control and Related Financial and Business Reporting'. Risks are identified and graded. 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 also determines the nature and extent of any risks it is willing to take in order to achieve its strategic objectives. The Board's approach to risks is embedded in the Company's investment objective and investment policy on pages 7 and 8.

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:

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 49 to 54 together with summaries of the policies for managing these risks. These comprise: market price risk (which comprises interest rate risk, foreign currency risk and other price risk); derivative instruments risk; liquidity risk; counterparty risk and credit risk.

Brexit

Risks associated with the UK 'in-out' referendum on EU membership ("Brexit") are outlined in the Chairman's Statement and the Portfolio Manager's Review. Although direct exposure to the UK economy is relatively small for continental European

Strategic Report

companies in aggregate, indirect risks include the fact that markets could react adversely to any uncertainties created.

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 risk at each Board meeting, considers the asset allocation of the portfolio and the risk associated with particular countries and industry sectors within the parameters of the investment objective and strategy. 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.

Income/Dividend Risk
The Company's revenue may decline which would impact on the Company's ability to maintain its dividend. The Company's objective is capital growth and, as explained in the Chairman's Statement on page 4, the Portfolio Manager is not constrained in any way to determine the level of income. The Board monitors this risk through the receipt of detailed income reports and forecasts which are considered at each meeting.

Discount Control Risk
The price of the Company's shares and its discount to NAV are factors which are not within the Company's total control. Some short term influence over the discount may be exercised by the use of share repurchases at acceptable prices 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 while in a rising market the Company will benefit from gearing, in a falling market the impact would be detrimental. Other risks are that the cost of gearing may be too high or that the term of the gearing is inappropriate in relation to market conditions. The Company currently has no bank loans and geared exposure is through the use of long CFDs. This has reduced the cost of gearing and provides greater flexibility. The Board regularly considers 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 49 to 54.

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

Operational Risks
The Company has no employees and relies on a number of third party service providers, principally the Manager, Registrar, Custodian and Depositary. The Company is dependent on the Manager's control systems and those of its Registrar and Custodian both of whom are monitored and managed by the Manager in the context of the Company's assets and interests on behalf of the Board. The Depositary, under a tri-partite agreement, oversees the custody of investments and cash. The security of the Company's assets, dealing procedures, accounting records and the maintenance of regulatory and legal requirements, among other things, rely on the effective operation of such systems.

The Manager, Registrar and Custodian are subject to a risk-based programme which is monitored 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, for example, of cyber crime, could be serious, including the associated reputational damage to the Company. The Board receives regular updates from the Manager in relation to cyber crime.

Other Risks
A continuation vote takes place every two years. There is a risk that shareholders do not vote in favour of the continuation vote during periods when performance is poor. The next continuation vote will take place at the Annual General Meeting in 2017.

VIABILITY STATEMENT

In accordance with provision C.2.2 of the UK Corporate Governance Code, issued by the Financial Reporting Council in September 2014, the Directors have assessed the prospects of the Company over a longer period than the twelve month period required by the "Going Concern" provision. The Company is an investment trust with the objective of achieving long term capital growth. The Directors consider 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

Strategic Report

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 the 2017 Annual General Meeting.

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 demand for the Company's shares;
- The Company's 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 and the investment policy is kept under review and the Board considers it to be appropriate. Based on the Manager's compliance with the Company's investment objective, its investment strategy and asset allocation and 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 forecasts, the Board have 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.

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 2015, there were five 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 it therefore has no disclosures to make in respect of employees and human rights.

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.

Details about Fidelity's own community involvement may be found on its website at www.fidelity.co.uk.

SOCIALLY RESPONSIBLE INVESTMENT

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

GREENHOUSE GAS EMISSIONS

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

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 annually.

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 its 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
11 March 2016

Portfolio Listing as at 31 December 2015

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

Shares and long CFDs	Portfolio Exposure £'000	Exposure[1] %	Fair Value £'000
Nestlé Packaged food	47,394	6.2	47,394
Roche Pharmaceuticals	46,124	6.1	46,124
Novo-Nordisk Healthcare services	35,155	4.6	35,155
Sanofi (CFD) Pharmaceuticals	29,478	3.9	(83)
UBS Financial services	27,824	3.7	27,824
Sampo Non-life insurance	23,705	3.1	23,705
Anheuser-Busch InBev Brewing	21,147	2.8	21,147
Intesa Sanpaolo (preference shares and ordinary shares) Banks	20,911	2.8	20,911
3i Group Financial services	20,687	2.7	20,687
Christian Dior Personal goods	18,500	2.4	18,500
Ten largest exposures	**290,925**	**38.3**	**261,364**
L'Oréal	17,924	2.4	17,924
Total	17,768	2.3	17,768
KBC Groupe	17,130	2.3	17,130
Royal Dutch Shell	16,439	2.2	16,439
Zurich Insurance Group	15,516	2.0	15,516
Symrise	14,610	1.9	14,610
SES	14,074	1.9	14,074
GAM Holding	13,981	1.8	13,981
Fresenius Medical Care	13,807	1.8	13,807
Kone	13,806	1.8	13,806
Deutsche Boerse	13,725	1.8	13,725
Essilor International	13,290	1.7	13,290
Schindler Holding	13,278	1.7	13,278
Hennes & Mauritz	12,821	1.7	12,821
Red Electrica	12,646	1.7	12,646
Intertek Group	12,447	1.6	12,447
Linde (ordinary shares and CFD)	12,307	1.6	6,761
Schneider Electric	12,279	1.6	12,279
Iliad Group	12,170	1.6	12,170

Portfolio Listing as at 31 December 2015

Shares and long CFDs	Portfolio Exposure £'000	Exposure[1] %	Fair Value £'000
ASML Holding	11,978	1.6	11,978
DNB	11,567	1.5	11,567
Telenor	11,167	1.5	11,167
Flughafen Zurich Airport	9,635	1.3	9,635
Amadeus IT Holding	9,539	1.3	9,539
Volkswagen (preference shares)	9,530	1.3	9,530
Dassault Systemes	9,266	1.2	9,266
Edenred	9,266	1.2	9,266
Enagas	9,189	1.2	9,189
ABN Amro Group	9,183	1.2	9,183
Legrand	8,669	1.1	8,669
Aena	8,394	1.1	8,394
BIC	8,226	1.1	8,226
MTU Aero Engines	8,127	1.1	8,127
Unibail-Rodamco	7,857	1.0	7,857
Bpost	7,474	1.0	7,474
Elior	7,163	0.9	7,163
Sodexo	6,088	0.8	6,088
Societe Des Bains de Mer Monaco	5,877	0.8	5,877
Swedish Match	5,859	0.8	5,859
Carlsberg	5,856	0.8	5,856
Hermes International	5,660	0.7	5,660
Fielmann	5,521	0.7	5,521
Umicore	5,029	0.7	5,029
Fortum	4,942	0.6	4,942
Chr. Hansen Holding	4,777	0.6	4,777
DKSH Holding	4,384	0.6	4,384
Schibsted	4,358	0.6	4,358
Hugo Boss	4,036	0.5	4,036
GFK	1,373	0.2	1,373
Andritz	800	0.1	800
Total Portfolio Exposure[2] – 60 holdings	**781,733**	**102.8**	
Total Portfolio Fair Value[3]			**746,626**
Net current assets excluding long CFDs			13,678
Shareholders' Funds (per Balance Sheet on page 39)			**760,304**

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

2 Total Portfolio Exposure comprises £746,648,000 of market exposure to Investments (per Note 10, page 46) plus £35,085,000 of market exposure to long CFDs (per Note 11, page 47)

3 Total Portfolio Fair Value comprises the fair value of Investments (per Note 10, page 46) of £746,648,000 plus the fair value of long CFDs of (£22,000) (per Note 11, page 47)

Distribution of the Portfolio as at 31 December 2015

(Exposure expressed as a percentage of Shareholders' Funds)

Shares and long CFDs	France	Switzerland	Germany	Belgium	Denmark	Finland	Spain	Netherlands	UK	Norway	Other	Total 2015[1]	Index 2015[2]	Total 2014
Financials														
Banks	–	3.7	–	2.3	–	–	–	1.2	–	1.5	2.8	11.5	14.0	13.1
Financial Services	–	1.8	1.8	–	–	–	–	–	2.7	–	–	6.3	1.3	6.6
Non-Life Insurance	–	2.0	–	–	–	3.1	–	–	–	–	–	5.1	5.7	5.4
Real Estate Investment Trusts	1.0	–	–	–	–	–	–	–	–	–	–	1.0	0.8	–
Life Insurance	–	–	–	–	–	–	–	–	–	–	–	–	0.8	–
Real Estate Investment & Services	–	–	–	–	–	–	–	–	–	–	–	–	0.6	–
	1.0	7.5	1.8	2.3	–	3.1	–	1.2	2.7	1.5	2.8	23.9	23.2	25.1
Consumer Goods														
Food Producers	–	6.2	–	–	–	–	–	–	–	–	–	6.2	5.7	5.6
Personal Goods	5.5	–	0.5	–	–	–	–	–	–	–	–	6.0	5.2	5.5
Beverages	–	–	–	2.8	0.8	–	–	–	–	–	–	3.6	2.9	4.8
Automobiles & Parts	–	–	1.3	–	–	–	–	–	–	–	–	1.3	4.6	2.9
Household Goods and Home Construction	1.1	–	–	–	–	–	–	–	–	–	–	1.1	0.9	1.1
Tobacco	–	–	–	–	–	–	–	–	–	–	0.8	0.8	0.1	0.7
	6.6	6.2	1.8	2.8	0.8	–	–	–	–	–	0.8	19.0	19.4	20.6
Healthcare														
Pharmaceuticals & Biotechnology	3.9	6.1	–	–	5.3	–	–	–	–	–	–	15.3	12.2	12.6
Health Care Equipment & Services	1.7	–	1.8	–	–	–	–	–	–	–	–	3.5	1.7	3.1
	5.6	6.1	1.8	–	5.3	–	–	–	–	–	–	18.8	13.9	15.7
Industrials														
Support Services	1.2	0.6	–	–	–	–	1.3	–	1.6	–	–	4.7	1.3	3.6
Industrial Engineering	–	1.7	–	–	–	1.8	–	–	–	–	0.1	3.6	3.0	3.6
Industrial Transportation	–	1.2	–	1.0	–	–	1.1	–	–	–	–	3.3	1.9	1.2
Electronic & Electrical Equipment	2.8	–	–	–	–	–	–	–	–	–	–	2.8	1.0	3.5
Aerospace & Defence	–	–	1.1	–	–	–	–	–	–	–	–	1.1	1.4	0.8
Construction & Materials	–	–	–	–	–	–	–	–	–	–	–	–	2.9	–
General Industrials	–	–	–	–	–	–	–	–	–	–	–	–	2.1	–
	4.0	3.5	1.1	1.0	–	1.8	2.4	–	1.6	–	0.1	15.5	13.6	12.7
Consumer Services														
Media	1.8	–	0.2	–	–	–	–	–	–	0.6	–	2.6	2.1	3.1
Travel & Leisure	2.5	–	–	–	–	–	–	–	–	–	–	2.5	0.6	1.8
General Retailers	–	–	0.7	–	–	–	–	–	–	–	1.7	2.4	1.7	3.2
Food & Drug Retailers	–	–	–	–	–	–	–	–	–	–	–	–	1.4	–
	4.3	–	0.9	–	–	–	–	–	–	0.6	1.7	7.5	5.8	8.1

Distribution of the Portfolio as at 31 December 2015

(Exposure expressed as a percentage of Shareholders' Funds)

Shares and long CFDs	France	Switzerland	Germany	Belgium	Denmark	Finland	Spain	Netherlands	UK	Norway	Other	Total 2015[1]	Index 2015[2]	Total 2014
Oil & Gas														
Oil & Gas Producers	2.3	–	–	–	–	–	–	2.2	–	–	–	4.5	3.3	5.6
Oil Equipment, Services & Distribution	–	–	–	–	–	–	–	–	–	–	–	–	0.3	–
	2.3	–	–	–	–	–	–	2.2	–	–	–	4.5	3.6	5.6
Technology														
Software & Computer Services	2.8	–	–	–	–	–	–	–	–	–	–	2.8	2.3	4.0
Technology Hardware & Equipment	–	–	–	–	–	–	–	1.6	–	–	–	1.6	2.2	2.1
	2.8	–	–	–	–	–	–	1.6	–	–	–	4.4	4.5	6.1
Basic Industries														
Chemicals	–	–	3.5	0.7	–	–	–	–	–	–	–	4.2	6.9	4.5
Industrial Metals & Mining	–	–	–	–	–	–	–	–	–	–	–	–	0.4	–
Forestry & Paper	–	–	–	–	–	–	–	–	–	–	–	–	0.3	–
Mining	–	–	–	–	–	–	–	–	–	–	–	–	0.1	–
	–	–	3.5	0.7	–	–	–	–	–	–	–	4.2	7.7	4.5
Utilities														
Electricity	–	–	–	–	–	0.6	1.7	–	–	–	–	2.3	2.2	3.2
Gas, Water & Multiutilities	–	–	–	–	–	–	1.2	–	–	–	–	1.2	1.6	1.8
Alternative Energy	–	–	–	–	–	–	–	–	–	–	–	–	0.3	–
	–	–	–	–	–	0.6	2.9	–	–	–	–	3.5	4.1	5.0
Telecommunications														
Mobile Telecommunications	–	–	–	–	–	–	–	–	–	1.5	–	1.5	1.6	1.6
Fixed Line Telecommunications	–	–	–	–	–	–	–	–	–	–	–	–	2.6	–
	–	–	–	–	–	–	–	–	–	1.5	–	1.5	4.2	1.6
Total Portfolio Exposure – 2015	26.6	23.3	10.9	6.8	6.1	5.5	5.3	5.0	4.3	3.6	5.4	102.8		
Index – 2015	20.8	20.5	19.9	3.2	4.3	2.1	6.9	6.0	–	1.3	15.0		100.0	
Total Portfolio Exposure – 2014	26.1	21.6	15.9	7.3	5.1	5.8	3.8	3.5	4.0	4.8	7.1			105.0

1 The Distribution of the Portfolio shows Portfolio Exposure expressed as a percentage of Shareholders' Funds
2 FTSE World Europe (ex UK) Index

Ten Year Record

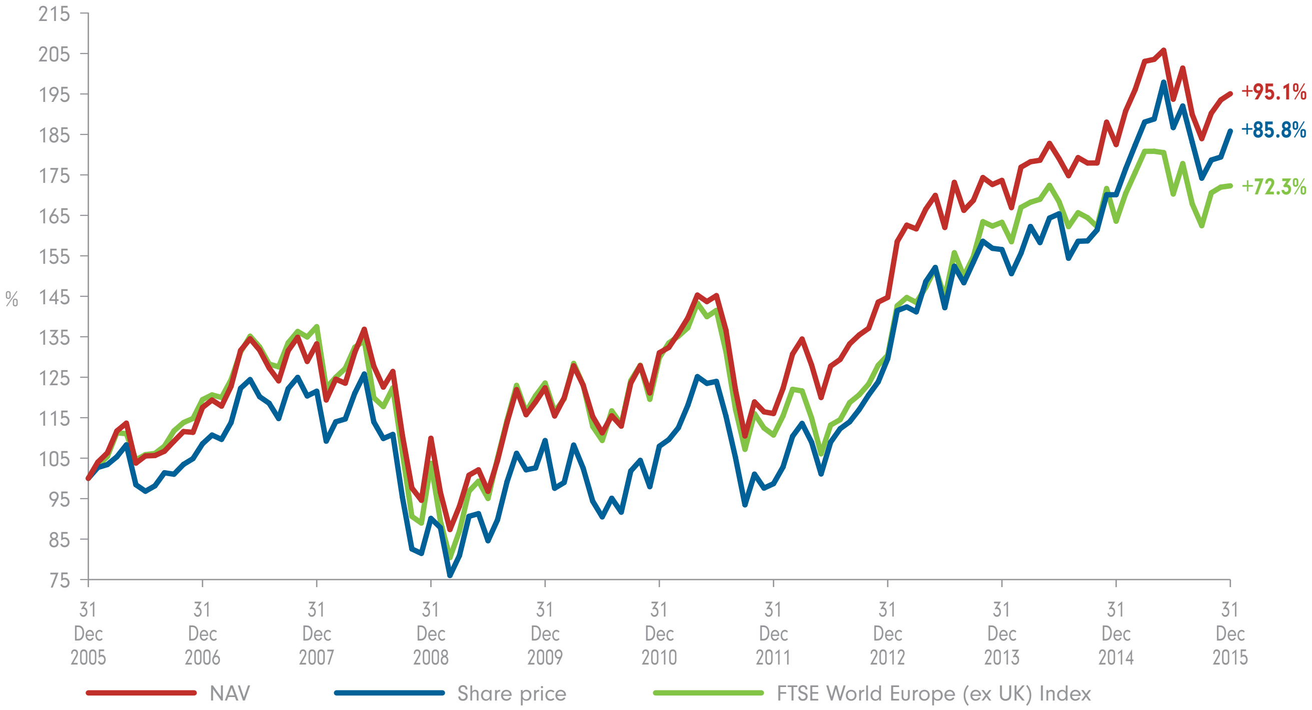
As at 31 December	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Total portfolio exposure (£m)[1]	782	761	742	685	562	716	742	750	958	906	802
Shareholders' funds (£m)	760	725	711	616	518	661	649	650	855	802	689
NAV per share (cum income) (p)[2]	182.57	174.09	168.58	142.90	116.86	133.58	126.95	118.36	144.98	128.38	109.47
Share price (p)[2]	174.00	162.50	152.50	128.70	100.30	111.30	115.10	99.00	135.00	121.10	111.80
(Discount)/premium to NAV (ex income) (%)	(2.9)	(4.6)	(7.9)	(8.1)	(12.0)	(15.7)	(7.8)	(13.6)	(6.0)	(5.3)	2.4
(Discount)/premium to NAV (cum income) (%)	(4.7)	(6.7)	(9.5)	(9.9)	(14.2)	(16.7)	(9.3)	(16.4)	(6.9)	(5.7)	2.1
Revenue return per ordinary share (p)[2]	3.37	3.67	2.98	2.78	2.69	1.60	2.06	3.68	1.38	0.53	0.28
Dividends per ordinary share (p)[2]	3.33	3.64[3]	2.98	2.78	2.65	1.58	2.25[4]	2.33[5]	1.38	0.53	0.25
Cost of running the Company (ongoing charges) (%)	0.94	0.97	0.96	0.98	0.94	0.91	0.92	0.89	1.06	1.47	1.55
Gearing (%)[6]	2.8	5.0	4.3	11.1	8.6	4.6	1.0	nil	(1.0)	12.4	16.0
NAV total return (%)	+6.9	+5.1	+20.0	+24.7	-11.5	+7.1	+11.3	-17.5	+13.4	+17.5	+34.7
Share price total return (%)	+9.2	+8.7	+20.8	+31.3	-8.6	-1.3	+21.3	-25.9	+12.0	+8.6	+46.2
Benchmark Index total return (%)[7]	+5.3	+0.2	+25.2	+17.8	-14.7	+5.1	+19.1	-24.6	+15.1	+19.5	+23.4

1 The total exposure of the investment portfolio, including exposure to the investments underlying the long CFDs. The amounts prior to 2011 represent total assets less current liabilities, excluding 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

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

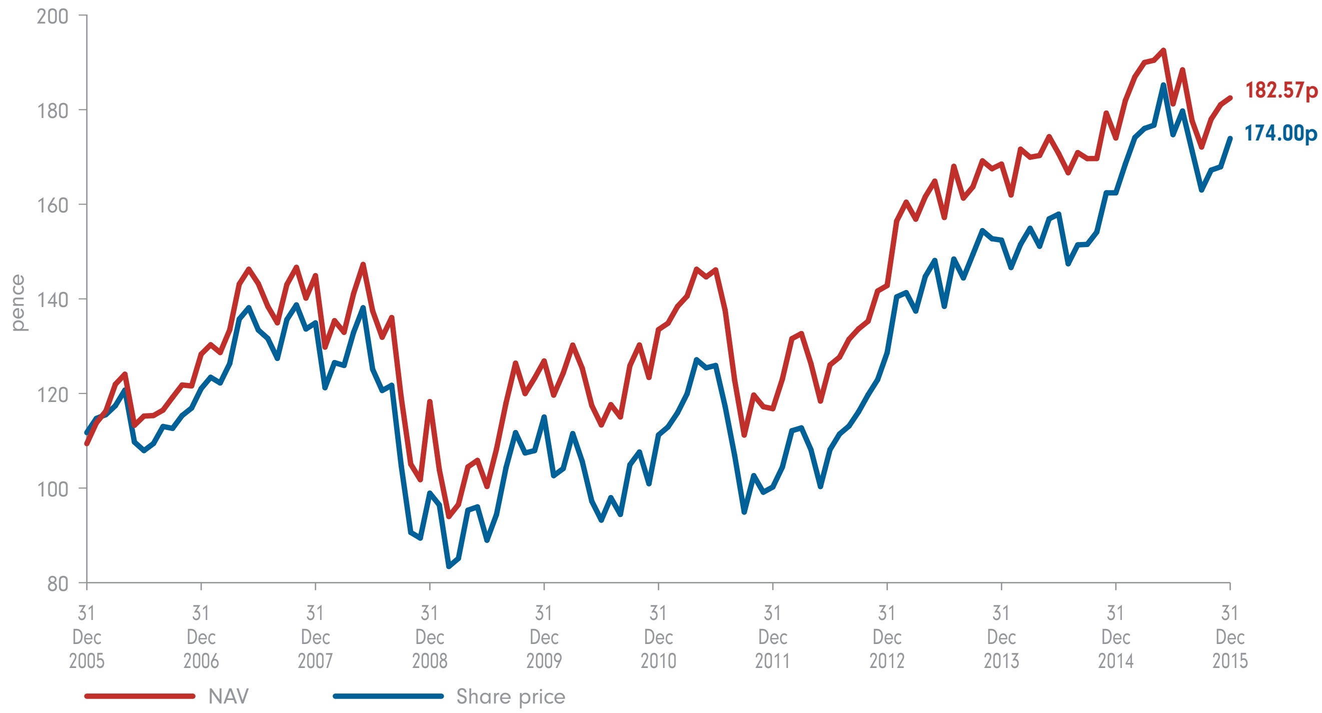
Summary of Performance Charts

Total return performance for ten years to 31 December 2015



Prices rebased to 100
Sources: Fidelity and Datastream

NAV and ordinary share price for ten years to 31 December 2015



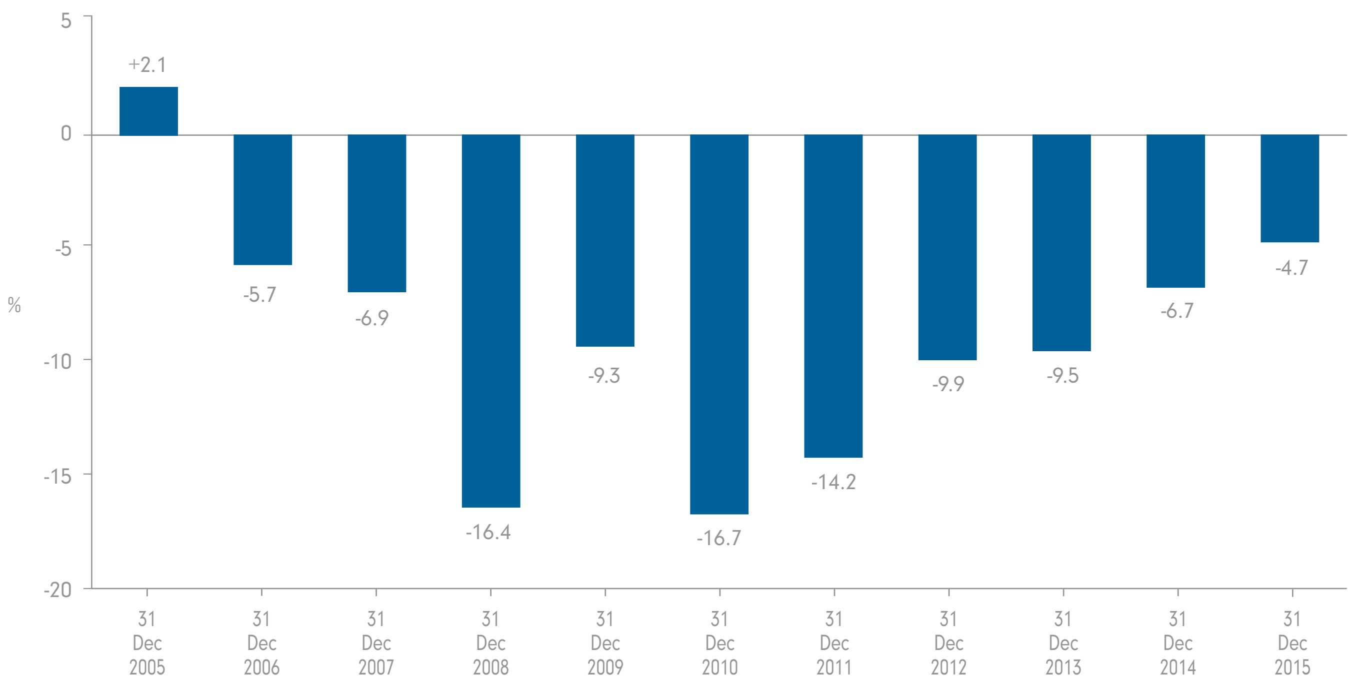
Rescaled for the ten for one sub-division of ordinary shares on 2 June 2014
Sources: Fidelity and Datastream

Summary of Performance Charts

Total return performance relative to the Benchmark Index for ten years to 31 December 2015

Prices rebased to 100
Sources: Fidelity and Datastream

Premium/(discount) (cum income) to NAV for ten years to 31 December 2015 (%)



Rescaled for the ten for one sub-division of ordinary shares on 2 June 2014
Sources: Fidelity and Datastream

Board of Directors

HUMPHREY VAN DER KLUGT[1,2]
(date of appointment as Director: 1 June 2007; date of appointment as Chairman: 19 May 2010) is a Chartered Accountant, having qualified with KPMG, and is currently a non-executive Director of JPMorgan Claverhouse Investment Trust plc, Worldwide Healthcare Trust PLC and Allianz Technology Trust PLC. He is also a Trustee of Great Ormond Street Hospital Children's Charity. He was previously a Director of Schroder Investment Management Limited. In a 22 year career at Schroders, he was a member of the Group Investment and Asset Allocation Committees.

ROBIN NIBLETT[2]
(date of appointment: 14 January 2010) 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 2012 to 2013. He was appointed in 2015 as Special Advisor to the House of Commons Foreign Affairs Select Committee.

JAMES ROBINSON[2,3]
(date of appointment: 1 June 2007) is a Chartered Accountant. He has 34 years' investment experience and is currently Chairman of Polar Capital Global Healthcare Growth and Income Trust plc, a non-executive Director of Aberdeen New Thai Investment Trust PLC, Invesco Asia Trust plc, Montanaro UK Smaller Companies Investment Trust PLC and JPMorgan Elect plc. He is also Chairman of the Investment Committee of the British Heart Foundation. He was Chief Investment Officer, Investment Trusts and Director of Hedge Funds at Henderson Global Investors prior to his retirement in 2005.

MARION SEARS[2]
(date of appointment: 17 January 2013) is a non-executive Director of Dunelm Group plc, Persimmon PLC and Octopus AIM VCT plc. Her executive career was in investment banking and mergers and acquisitions.

SIMON FRASER
(date of appointment: 26 July 2002) is Chairman of Foreign and Colonial Investment Trust plc and Merchants Trust plc and a non-executive Director of Ashmore Group plc. He is also Chairman of The Investor Forum and a Director of the Fidelity SICAV Funds. 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.

VIVIAN BAZALGETTE[2]
(date of appointment: 1 December 2015) is a non-executive Director of Brunner Investment Trust PLC, Henderson High Income Trust PLC and Perpetual Income and Growth Investment Trust PLC. Vivian also acts as an advisor to BAE Systems Pension Fund. 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 Wealth Management.

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

Directors' Report

The Directors have pleasure in presenting their report and the audited Financial Statements of the Company for the year ended 31 December 2015.

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.

Details of the Company's business and status can be found in the Strategic Report on page 7.

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 net assets. The fee is payable quarterly in arrears at a rate of 0.2125% per quarter and based on the net asset value, excluding the value of any investment in any fund which is managed by the Manager or an associate of the Manager, on the last business day of March, June, September and December. There is no additional company secretarial fee. The investment management fees for the year ended 31 December 2015 were £6,344,000 (2014: £6,011,000). The annual performance related fee was removed with effect from 1 January 2015.

The Manager also provides marketing and administration in connection with the Fidelity Investment Trust Share Plan and the Fidelity Individual Savings Account ("ISA"). The amount payable for these services for the year to 31 December 2015 was £153,000 (2014: £165,000).

The total amount outstanding at the year ended 31 December 2015 to the Manager for investment management, marketing and administration services was £1,675,000 (2014: £1,576,000). This is included within 'the amount payable to the Manager' in Note 13 on page 47.

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 46. In the year to 31 December 2015, £55,000 was received (2014: £97,000). 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 throughout the year ended 31 December 2015 with the exception of Vivian Bazalgette who was appointed on 1 December 2015. A brief description of their careers, each of which indicates their qualifications for Board membership, can be found on page 19.

Simon Fraser, a non-executive Director of the Company, is a Director of the Fidelity SICAV funds and until May 2015, was a Director of Fidelity Japanese Values PLC. He therefore is not a member of the Audit and Management Engagement Committees.

FIL Limited has no beneficial interest in the shares of the Company (2014: 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 a going concern basis in preparing these Financial Statements.

DISCLOSURE OF INFORMATION TO THE AUDITOR

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 they are aware, there is no relevant audit information of which the 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.

AUDITOR'S APPOINTMENT

In line with emerging best corporate governance practice and EU regulations on mandatory audit rotation, an audit tender process was carried out by the Company during 2015 and, as a result, it was recommended that Ernst & Young LLP be appointed as the Company's independent Auditor for the period starting from 1 January 2016. As a result, Grant Thornton UK LLP will not be seeking reappointment as the Company's auditor for the financial year commencing 1 January 2016.

Directors' Report

A resolution to appoint Ernst & Young LLP as Auditor of the Company will be proposed at the forthcoming Annual General Meeting together with a resolution to authorise the Directors to determine their remuneration.

CONTINUATION VOTE

A continuation vote is held every two years and the next continuation vote will take place at the 2017 Annual General Meeting.

CORPORATE GOVERNANCE

Full details are given in the Corporate Governance Statement, which forms part of this Directors' Report, on pages 23 to 26.

REGISTRAR, CUSTODIAN AND DEPOSITARY ARRANGEMENTS

The Company employs Capita Asset Services to manage the Company's share register. Fees for their registration services for the year under review amounted to £104,000 (2014: £78,000). The Company employs JPMorgan Chase Bank as its Custodian who is primarily responsible for safeguarding the Company's assets. Fees for its custodial services for the year under review amounted to £123,000 (2014: £123,000). The Company employs 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. Fees for its depositary services for the year under review amounted to £66,000 (Date of appointment 17.07.14 to 31.12.14: £21,000).

SHARE CAPITAL

The Company's share capital comprises ordinary shares of 2.5 pence each and are fully listed on the London Stock Exchange. As at 31 December 2015, the share capital of the Company was 416,447,910 ordinary shares (2014: 416,447,910). Each ordinary share in issue carries one vote. Deadlines for the exercise of voting rights and details of arrangements by which someone other than the shareholder can exercise voting rights are detailed in the Notes to the Notice of Meeting on pages 57 and 58.

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 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 as a whole.

SHARE ISSUES

No ordinary shares were issued during the year to 31 December 2015 (2014: nil) and none have been issued since the year end and as at the date of this report.

The authorities to issue shares and dis-apply pre-emption rights expire at the conclusion of this year's Annual General Meeting and therefore, resolutions renewing these authorities will be put to shareholders for approval at the Annual General Meeting on 12 May 2016.

SHARE REPURCHASES

No ordinary shares were repurchased during the year to 31 December 2015 (2014: 395,520 ordinary shares of 25 pence each up to 1 June 2014 and, following the share split, 1,473,820 ordinary shares of 2.5 pence each in the period 2 June to 31 December 2014). No shares have been repurchased since the year end and as at the date of this report. The Company does not hold any shares in Treasury.

The authority to repurchase ordinary shares expires at the forthcoming Annual General Meeting 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 for approval at the Annual General Meeting on 12 May 2016.

SUBSTANTIAL SHARE INTERESTS

As at 29 February 2016 and 31 December 2015, notification had been received that the shareholders listed below held more than 3% of the voting rights of the Company.

Shareholders	29 February 2016 %	31 December 2015 %
Fidelity ISA and Share Plan	20.11	20.47
Wells Capital Management	7.40	7.20
Investec Wealth & Investment	5.07	5.04
Rathbones	4.93	4.93
Brewin Dolphin	4.32	4.39
Quilter Cheviot Investment Management	3.77	3.84
1607 Capital Partners	3.66	3.80
Hargreaves Lansdown	3.19	3.15

An analysis of ordinary shareholders as at 31 December 2015 is detailed in the table below

Analysis of Ordinary Shareholders as at 31 December 2015	% of voting share capital
Retail	74.59
Mutual funds	18.64
Insurance companies	3.94
Pension funds	2.50
Trading	0.19
Other	0.14
Total	**100.00**

Directors' Report

ANNUAL GENERAL MEETING
THIS SECTION IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

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

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 Annual General Meeting on 12 May 2016, resolutions will be proposed relating to the items of business set out in the Notice of Meeting on pages 56 and 57, including the items of special business summarised below.

Authority to allot shares
By law, directors are not permitted to allot new shares (or to grant rights over shares) unless authorised to do so by shareholders.

Resolution 11 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 of 2.5 pence each which represents approximately 5% of the issued ordinary share capital of the Company as at 11 March 2016 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. 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
In certain circumstances it is beneficial for the Directors to allot shares for cash otherwise than pro rata to existing shareholders and the Companies Act 2006 provides for shareholders to give such power to the Directors by waiving their pre-emption rights.

Resolution 12 is a special resolution disapplying pre-emption rights and granting authority to the Directors, without the need for further specific shareholder approval, to make allotments of equity securities 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 (approximately 5% of the issued share capital of the Company as at 11 March 2016).

Authority to repurchase the Company's shares
Resolution 13 is a special resolution which renews the Company's authority to purchase up to 14.99% (62,425,541) of the number of ordinary shares of 2.5 pence each in issue (excluding Treasury shares) on 11 March 2016 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 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.

The full text of the resolutions are set out in the Notice of Meeting contained on pages 56 and 57.

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 so in respect of their own beneficial holdings.

By Order of the Board
FIL Investments International
Secretary
11 March 2016

Corporate Governance Statement

The Corporate Governance Statement forms part of the Directors' Report. The Company is committed to maintaining high standards of corporate governance and 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 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

The Board, chaired by Humphrey van der Klugt, currently consists of six non-executive Directors and will revert to five non-executive Directors when Mr van der Klugt steps down at the conclusion of the Annual General Meeting on 12 May 2016. It consists of Directors who, between them, have wide knowledge and experience of fund management, investment trust management and business in Europe. The Directors believe that the Board has an appropriate balance of skills, experience, independence, knowledge of the Company and length of service to discharge their 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 and as intermediary for the other non-executive Directors where necessary.

Simon Fraser is a Director of the Fidelity SICAV funds and until May 2015 was a Director of Fidelity Japanese Values PLC and is therefore not independent.

Biographical details of all the Directors are given on page 19.

BOARD MEETINGS

The Board considers that it meets sufficiently regularly to discharge its duties effectively and the table below 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 and in addition the Board have private sessions. Between these meetings there is regular contact with the Manager and other meetings are arranged as necessary.

	Regular Board Meetings	Audit Committee Meetings	Management Engagement Committee Meetings
Humphrey van der Klugt	5/5	3/3	1/1
James Robinson	5/5	3/3	1/1
Vivian Bazalgette (appointed 1 December 2015)	n/a	n/a	n/a
Simon Fraser	5/5	n/a	n/a
Robin Niblett	5/5	3/3	1/1
Marion Sears	5/5	3/3	1/1

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

Corporate Governance Statement

BOARD RESPONSIBILITIES

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. These 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 and the appointment of the Manager and the Company Secretary.

All Directors are able to allocate sufficient time to the Company to discharge their responsibilities fully and effectively.

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

CHANGES TO THE BOARD

Changes to the Board take place in accordance with the Companies Act 2006, the Company's Articles of Association and the AIC Code. 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.

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

As required by company law, all newly appointed Directors stand for election by the shareholders at the Annual General Meeting following their appointment by the Board. All Directors are subject to annual re-election due to the Company's status as a FTSE 350 company. The names of Directors submitted for election and re-election are accompanied by sufficient biographical details on page 19 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 Annual General Meeting.

BOARD EVALUATION

An annual process for the evaluation of the Board, its Committees and its Directors is in place. The process includes regular discussion and written questionnaires and if appropriate interviews.

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

DIRECTORS' REMUNERATION

Full details of the Company's Remuneration Policy and Directors' fees are disclosed in the Directors' Remuneration Report on pages 29 and 30. Directors' share interests are disclosed on page 31.

BOARD COMMITTEES

The Board discharges certain of its corporate governance responsibilities to the Audit Committee and Management Engagement Committee as set out below.

Terms of reference of both Committees may be found on the Company's pages of the Manager's website at www.fidelity.co.uk/its.

AUDIT COMMITTEE

The Audit Committee is chaired by James Robinson and consists of all of the Directors except for Simon Fraser for reasons stated on page 20. Full details of the Audit Committee are disclosed in the Report of the Audit Committee on pages 27 and 28.

MANAGEMENT ENGAGEMENT COMMITTEE

The Management Engagement Committee is chaired by Humphrey van der Klugt and consists of all of the Directors except for Simon Fraser for reasons stated on page 20. It is charged with reviewing and monitoring the performance of the Manager and 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

Corporate Governance Statement

of the Company; investment management skills; experience and track record; shareholder relations and discount management; and the Management Agreement, including fees, notice periods and duties.

The Committee met on 1 February 2016 and reviewed the performance of the Manager for the year to 31 December 2015. The Committee noted the Company's good long term performance record and the commitment, quality and experience of the team responsible for the Company and concluded that it was in the interests of shareholders that the appointment of the Manager should continue on the same terms.

Details of the Management Agreement are set out in the Directors' Report on page 20.

ACCOUNTABILITY AND AUDIT

FINANCIAL REPORTING

Set out on page 32 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 33 to 36.

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. 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 has contractually delegated to external agencies, including the Manager, the management of the investment portfolio, the custodial services (which include the safeguarding of the assets), the depositary services, the registration services and the day-to-day accounting and company secretarial requirements. Each of these contracts was entered into after full and proper consideration by the Board of the quality and cost of services offered including the control systems in operation in so far as they relate to the affairs of the Company.

The Board, assisted by the Manager, has undertaken a rigorous risk and controls assessment. The business risks have been analysed and recorded in a risk and internal controls report which is regularly reviewed. The Audit Committee has reviewed the report on the effectiveness of the internal controls maintained on behalf of the Company. The Board also receives each year from the Manager a report on its internal controls which includes a report from the Manager's reporting accountants on the control procedures in operation around the investment management and administration processes.

The Board confirms that there is an ongoing process for identifying, evaluating and managing the principal risks faced by the Company, and that it has been in place throughout the year ended 31 December 2015 and up to the date of this Annual Report. This process is in accordance with the Financial Reporting Council'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 (or "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 to 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. The Manager, in its Principles of Ownership, expressly declares that it supports the Financial Reporting

Corporate Governance Statement

Council's 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 both the Board and the Manager. All Directors are made aware of shareholders' concerns and the Chairman, Senior Independent Director and other Directors are available to meet with major shareholders to discuss strategy and governance. The Board regularly monitors the shareholder profile of the Company and liaises with the Manager and the Company's broker who are in regular contact with the Company's major institutional investors. 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 contact the Company Secretary whose details are given on page 61.

All shareholders are encouraged to attend the Annual General Meeting at which there will be a presentation by the Portfolio Manager of the past year's results and the forthcoming year's prospects. There will be an opportunity to meet the Board, the Portfolio Manager and representatives of the Manager. The Board is looking forward to the opportunity to speak to shareholders.

The Notice of the Annual General Meeting on pages 56 and 57 sets out the business of the Annual General Meeting and the special business resolutions are explained more fully on page 22 of the Directors' Report. A separate resolution is proposed on each substantially separate issue including the Annual Report and Financial Statements. The Chairman and other members of the Board will be available to answer questions at the Annual General Meeting and related papers are sent to shareholders at least 20 working days before the Meeting.

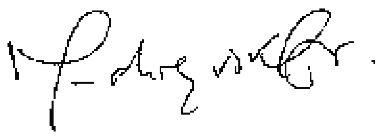
Voting rights in the Company's shares

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 pages of the Manager's website at www.fidelity.co.uk/its.

ARTICLES OF ASSOCIATION

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

On behalf of the Board



Humphrey van der Klugt
Chairman
11 March 2016

Report of the Audit Committee

I am pleased to present the report of the Audit Committee (the "Committee") to shareholders on the roles and responsibilities of the Committee and the effectiveness of the independent audit process and how this has been assessed for the year ended 31 December 2015.

COMPOSITION

The members of the Committee during the reporting year were myself as Chairman, Humphrey van der Klugt, Robin Niblett and Marion Sears. Humphrey van der Klugt is a member of the Committee because the Board believes it to be appropriate for all independent Directors to have such responsibility. The Committee considers that its members have sufficient recent and relevant financial experience to discharge their responsibilities fully.

ROLE AND RESPONSIBILITIES OF THE AUDIT COMMITTEE

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

- Discussing with the independent Auditor the nature and scope of the audit and reviewing the independent Auditor's quality control procedures, reviewing and monitoring the effectiveness of the audit process and the Auditor's independence and objectivity with particular regard to the provision of non-audit services, taking into consideration relevant UK professional and regulatory requirements and by seeking appropriate disclosures and comfort from the independent Auditor;
- Responsibility for making recommendations on the appointment, reappointment and removal of the independent Auditor;
- Considering the scope of work undertaken by the Manager's internal audit department; reviewing the Company's procedures for detecting fraud; and reviewing the effectiveness of the internal controls system (including financial, operational and compliance controls and risk management);
- Monitoring the integrity of the half-yearly and annual financial statements of the Company and reviewing these to ensure they are fair, balanced and understandable;
- Reviewing the existence and performance of all controls operating in the Company (including the adherence to Sections 1158 and 1159 Corporation Tax Act 2010 status); and
- Reviewing the relationship with and the performance of third party service providers (such as the registrar, custodian and depositary) and the risks associated with audit firms withdrawing from the market.

MEETINGS AND BUSINESS CONSIDERED BY THE AUDIT COMMITTEE DURING THE YEAR

The Committee met three times during the reporting year and twice with the independent Auditor. Attendance by each independent Director is shown in the table on page 23.

The following matters were dealt with at these meetings:

March 2015	• Review of the Company's risk management and internal controls framework • Consideration of the independent Auditor's report • Review of the independent Auditor's performance and independence • Review of compliance with Corporate Governance and regulatory requirements • Review of the Annual Report and Financial Statements and recommendation of its approval to the Board • Review of the Going Concern statement • Recommendation of the final and special dividend payments to the Board • Review of the Depositary's Oversight report • Review of the Committee's terms of reference
July 2015	• Review of the Company's risk management and internal controls framework • Review of the independent Auditor's engagement letter and audit plan for the Company's year ending 31 December 2015 • Review of the Half-Yearly Report and Financial Statements and recommendation of its approval to the Board • Confirmation of the Going Concern Statement • Review of the Committee's terms of reference
November 2015	• Review of the Company's risk management and internal controls framework • Review of the Depositary's Oversight report

Report of the Audit Committee

SIGNIFICANT ISSUES CONSIDERED BY THE AUDIT COMMITTEE DURING THE YEAR

The Annual Report and Financial Statements are the responsibility of the Board and the Statement of Directors' Responsibilities is on page 32. 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 any specific areas which require judgement.

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	Investment income is recognised in accordance with accounting policy Note 2(c) on page 40. The Manager provided detailed revenue forecasts and variances to these forecasts were reviewed. 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 Company's independent Auditor.
Valuation, existence and ownership of investments (including derivatives)	The valuation of investments (including derivatives) is in accordance with accounting policy Notes 2(h) and 2(i) on page 41. 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.
Compliance with Sections 1158 and 1159 of the Corporation Tax Act 2010	Approval for the Company to carry on business as an investment trust has been obtained, subject to the Company continuing to meet eligibility criteria. Ongoing compliance with the eligibility criteria is monitored on a regular basis with the help and guidance of the Company's service providers or advisers.
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 and 10.

INDEPENDENCE AND EFFECTIVENESS OF THE AUDIT PROCESS

Grant Thornton UK LLP acted as the Company's Independent Auditor for the year ended 31 December 2015. The Committee reviewed the independence of the Auditor and the effectiveness of the audit process.

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

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

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

- the fulfilment by the independent Auditor of the agreed audit plan;
- the audit report issued by the independent Auditor on the audit of the Annual Report and Financial Statements for the year ending 31 December 2015; and
- feedback from the Manager.

AUDITOR AND AUDIT TENURE

The Committee is mindful of the new EU regulations on mandatory audit rotation which requires the appointment of new auditors or an audit tender every ten years. As a result, the Company carried out a formal tender process during the year at which a number of audit firms were considered and Ernst & Young LLP has been selected as the Company's new independent Auditor for the forthcoming year. Grant Thornton UK LLP, who has been in office since 2006, will not seek re-election at the forthcoming Annual General Meeting and a resolution to appoint Ernst & Young LLP will be proposed. 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
11 March 2016

Directors' Remuneration Report

CHAIRMAN'S STATEMENT

The Directors' Remuneration Report for the year ended 31 December 2015 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.

An ordinary resolution to approve the Directors' Remuneration Report will be put to shareholders at the Annual General Meeting on 12 May 2016. 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 33 to 36.

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 Annual General Meeting. A binding vote means that if it is not successful the Board will be obliged to revise the policy and seek further shareholder approval at a General Meeting specially convened for that purpose. The current policy is set out below.

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

The level of Directors' fees 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, Fidelity and research from third parties and includes information on the fees of other similar investment trusts. Every third year, and in accordance with Code B.6.2 of the UK Corporate Governance Code, as a FTSE 350 company, the Board is required to carry out an externally facilitated evaluation of its performance. This evaluation process also provides input into the appropriate level of Directors' fees from an independent source.

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

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

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

The 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 was formalised for the first time at the Annual General Meeting held on 15 May 2014 and the next vote will be put to shareholders in 2017. The Policy has been followed throughout the year ended 31 December 2015.

The Directors' Remuneration Report is subject to approval by shareholders by way of a non-binding 'advisory' resolution at each Annual General Meeting. In the event that shareholders vote against the resolution, the Board will be required to put its Remuneration Policy for shareholder approval at the next Annual General Meeting, regardless of whether the Remuneration Policy was approved by shareholders within the last three years.

Voting at the Company's last Annual General Meeting

At the Annual General Meeting held on 14 May 2015, 99.26% of votes were cast in favour (or granted discretion to the Chairman of the meeting who cast them in favour) of the Directors' Remuneration Report for the year ended 31 December 2014, 0.43% of votes were cast against and 0.31% of votes were withheld. At the Annual General Meeting to be held on 12 May 2016, the Directors' Remuneration Report will be put to shareholders, and the votes cast will be disclosed on the Company's pages of the Manager's website at www.fidelity.co.uk/its.

Directors' Remuneration Report

Single Total Figure of Remuneration

The single total aggregate Directors' remuneration for the year under review was £138,000 (2014: £132,500). Information on individual Directors' fees is shown below. In addition, following HMRC regulations, the Company is now 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 disclosed in the table below for the current and prior year.

Remuneration of Directors	2016	2015			2014		
	Projected Fees (£)	Fees (Audited) (£)	Taxable Benefits* (Audited) (£)	Total (Audited) (£)	Fees (Audited) (£)	Taxable Benefits* (Audited) (£)	Total (Audited) (£)
Humphrey van der Klugt[1]	13,710	37,500	277	37,777	36,500	401	36,901
James Robinson	28,000	28,000	172	28,172	27,000	210	27,210
Vivian Bazalgette[2,3]	32,565	2,000	–	2,000	–	–	–
Simon Fraser	24,000	23,500	–	23,500	23,000	–	23,000
Robin Niblett	24,000	23,500	–	23,500	23,000	–	23,000
Marion Sears	24,000	23,500	74	23,574	23,000	73	23,073
Total	**146,275**	**138,000**	**523**	**138,523**	**132,500**	**684**	**133,184**

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

1 Retires 12 May 2016
2 Appointed 1 December 2015
3 To be appointed as Chairman 12 May 2016

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

Expenditure on Remuneration and Distributions to Shareholders

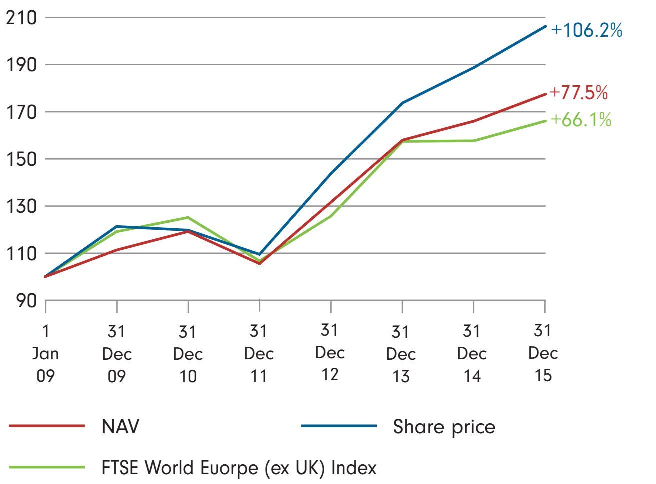
The table below shows the total amount paid out in remuneration and distribution to shareholders for the financial years 31 December 2014 and 31 December 2015.

	31 December 2015 £	31 December 2014 £
Expenditure on Remuneration:		
– Aggregate of Directors' Fees	138,000	132,500
Distribution to Shareholders:		
– Dividend Payments	15,159,000	12,518,000
– Shares Repurchased	–	8,348,000

Performance

The Company's investment objective is to achieve long term capital growth principally from the stockmarkets of continental Europe. The Company's performance is measured against the return of the FTSE World Europe (ex UK) Index as this is the most appropriate in respect of its asset allocation. The graph opposite shows performance over seven years to 31 December 2015.

Performance from 1 January 2009 to 31 December 2015 (on a total return basis)



Basis: Prices rebased to 100

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

Directors' Remuneration Report

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 table below shows the shares held by Directors in the Company. All of the Directors' shareholdings are beneficial.

Directors' Shareholdings (Audited)	31 December 2015	31 December 2014	Change during year
Humphrey van der Klugt	40,000	40,000	–
James Robinson	30,000	30,000	–
Vivian Bazalgette[1,2]	20,000	n/a	20,000
Simon Fraser	70,990	70,990	–
Robin Niblett[2]	10,000	5,000	5,000
Marion Sears	12,000	12,000	–

1 Appointed 1 December 2015
2 Purchase of shares

The Directors' shareholdings remain unchanged as at the date of this report.

On behalf of the Board

Humphrey van der Klugt
Chairman
11 March 2016

Statement of Directors' Responsibilities

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

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

In preparing these Financial Statements, the Directors are required to:

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

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

Under applicable law and regulations the Directors are also responsible for preparing a Strategic Report, a Directors' Report, a Corporate Governance Statement and a Directors' Remuneration Report that comply with that law and those regulations.

The Directors have delegated responsibility for the maintenance and integrity of the corporate and financial information included on the Company's pages of the Manager's website at www.fidelity.co.uk/its. 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.

We confirm that to the best of our knowledge the Financial Statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and the Strategic Report and Directors' Report include a fair review of the development and performance of the business and the position of the Company together with a description of the principal risks and uncertainties it faces. We confirm that we consider the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Approved by the Board on 11 March 2016 and signed on its behalf.

Humphrey van der Klugt
Chairman

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

Our opinion on the Financial Statements is unmodified

In our opinion the Financial Statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2015 and of its net return for the year then ended;
- have been properly prepared in accordance with 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'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Who we are reporting to

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.

What we have audited

Fidelity European Values PLC's Financial Statements for the year ended 31 December 2015 comprise the Income Statement, the Statement of Changes in Equity, the Balance Sheet and the related Notes.

The financial reporting framework that has been applied in their preparation is 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

- Overall materiality: £7.6m which represents 1% of the Company's net assets; and
- Key audit risks were identified as existence and valuation of investments; existence, completeness and valuation of long contracts for differences (CFDs) and related disclosures; and completeness and occurrence of investment income.

Our assessment of risk

In arriving at our opinions set out in this report, we highlight the following risks that, in our judgement, had the greatest effect on our audit:

Audit risk	How we responded to the risk
Existence and valuation of investments	
The Company's business is investing primarily in securities of continental Europe with a view to achieving long term capital growth. As a consequence of this, the Company has significant exposure to movement in the valuation of investments, which are the main drivers of returns, with the investment portfolio valued at £747m. There is a risk that investments shown in the Balance Sheet do not exist or are incorrectly valued. We identified existence and valuation of investments as risks that required particular audit attention.	Our audit work included, but was not restricted to: • understanding management's process to safeguard assets; • obtaining a confirmation from the custodian of the investments they were holding at the year-end; • testing the reconciliation of the custodian position to the records maintained by the Company; • understanding management's process to value quoted investments; • agreeing the valuation of 100% of the quoted investments to an independent source of market prices; and • confirming investments are actively traded by obtaining monthly trading volumes of the listed investments held at the year-end. The Company's accounting policy on the valuation of investments is shown in Note 2 and its disclosures about investment movements are included in Note 10. The Audit Committee identified valuation, existence and ownership of investments (including derivatives) as a significant issue in its report on page 28 where the Committee also described the action that it has taken to address this issue.

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

Audit risk	How we responded to the risk
Existence, completeness and valuation of long contracts for differences (CFDs) and related disclosures	
As a consequence of the Company's investment strategy the Company has a significant exposure to long CFDs, having a market exposure of £35m. There is a risk that CFDs held by the Company may not be recorded, that they may not exist or may not be correctly valued. We therefore identified existence, completeness and valuation of long CFDs as risks that required particular audit attention.	Our audit work included, but was not restricted to: • understanding management's process for approving counterparties to enter into derivative contracts; • obtaining confirmations from approved counterparties of all CFDs entered into and closed during the year and open at the year-end; • testing the valuation of 100% of the CFDs by agreeing the contract price to the counterparty's confirmation and the year-end market price to an independent source of market prices; and • checking that the market exposures had been correctly calculated. The Company's accounting policy on the valuation of CFDs is shown in Note 2 and its disclosures about derivative movements are included in Note 11. The Audit Committee also identified the valuation, existence and ownership of investments (including derivatives) as a significant issue in its report on page 28, where the Committee also described the action that it has taken to address this issue.

Audit risk	How we responded to the risk
Completeness and occurrence of investment income	
The Company measures performance on a total return basis that includes revenue and investment income is one of the most significant and material balances in the Income Statement. We identified the completeness and occurrence of investment income as a risk that required particular audit attention.	Our audit work included, but was not restricted to: • assessing whether the Company's accounting policy for revenue recognition was in accordance with United Kingdom Generally Accepted Accounting Practice; • obtaining an understanding of the Company's process for recognising revenue in accordance with the stated accounting policy; • testing whether a sample of income transactions had been recognised in accordance with the policy; • for a sample of investments held in the year, obtaining the ex-dividend dates and rates for dividends declared during the year from an independent source and agreeing the expected dividend entitlements to those recognised in the Financial Statements; • performing cut-off testing of dividend income around the year-end; and • checking the categorisation of special dividends as either revenue or capital receipts. The Company's accounting policy on the recognition of investment income is shown in Note 2 and the components of that income are included in Note 3. The Audit Committee identified recognition of investment income as a significant issue in its report on page 28, where the Committee also described the action that it has taken to address this issue.

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

Our application of materiality and an overview of the scope of our audit

Materiality

We define materiality as the magnitude of misstatement in the Financial Statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our work and in evaluating the results of that work.

We determined materiality for the audit of the Financial Statements as a whole to be £7.6m, which is 1% of net assets. This benchmark is considered the most appropriate because net assets, which is primarily composed of the Company's investment portfolio, is considered to be the key driver of the Company's total return performance.

Materiality for the current year is higher than the level that we determined for the year ended 31 December 2014 to reflect the increase in the net assets of the Company.

We use a different level of materiality, performance materiality, to drive the extent of our testing and this was set at 75% of Financial Statement materiality. We also determine a lower level of specific materiality for certain areas such as Directors' remuneration and related party transactions.

We determined the threshold at which we will communicate misstatements to the audit committee to be £380,000. In addition we will communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

Overview of the scope of our audit

A description of the generic scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

We conducted our audit in accordance with International Standards on Auditing (ISAs) (UK and Ireland). Our responsibilities under those standards are further described in the 'Responsibilities for the Financial Statements and the audit' section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Company in accordance with the Auditing Practices Board's Ethical Standards for Auditors, and we have fulfilled our other ethical responsibilities in accordance with those Ethical Standards.

Our audit approach was based on a thorough understanding of the Company's business and is risk-based. The day-to-day management of the Company's investment portfolio, the maintenance of accounting records, custody of investments and administrative and Company secretarial services are outsourced to third-party service providers. Accordingly, our audit work included:

- obtaining an understanding of, and evaluating, relevant internal controls at both the Company and third-party service providers by obtaining and evaluating internal controls reports on the description, design and operating effectiveness of controls at both the Company and third party service providers;
- substantive testing on significant transactions, balances and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment and our evaluation of the design and implementation of controls and the management of specific risks.

Other reporting required by regulations

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion:

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

Matters on which we are required to report by exception

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

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

Under the Listing Rules, we are required to review:

- the Directors' statements in relation to going concern on page 20 and longer-term viability, set out on pages 10 and 11 respectively; 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.

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

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

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

In particular, we are required to report to you if:

- we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the Annual Report is fair, balanced and understandable; or
- the Annual Report does not appropriately disclose those matters that were communicated to the Audit Committee which we consider should have been disclosed; or

We have nothing to report in respect of the above.

We also confirm that we do not 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 or Company 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 have considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Company'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 Company, 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 Company 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.

Responsibilities for the Financial Statements and the audit

What the Directors are responsible for:

As explained more fully in the Statement of Directors' Responsibilities set out on page 32, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view.

What we are responsible for:

Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and ISAs (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Julian Bartlett
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
11 March 2016

Income Statement for the year ended 31 December 2015

	Notes	2015 revenue £'000	2015 capital £'000	2015 total £'000	2014 revenue £'000	2014 capital £'000	2014 total £'000
Gains on investments at fair value through profit or loss	10	–	33,342	33,342	–	17,549	17,549
Gains on derivative instruments at fair value through profit or loss	11	–	3,420	3,420	–	1,818	1,818
Income	3	22,988	–	22,988	22,107	–	22,107
Investment management fees	4	(6,344)	–	(6,344)	(6,011)	–	(6,011)
Other expenses	5	(885)	–	(885)	(921)	–	(921)
Exchange losses on other net assets		(12)	(313)	(325)	(23)	(76)	(99)
Net return before finance costs and taxation		15,747	36,449	52,196	15,152	19,291	34,443
Finance costs	6	(339)	–	(339)	(162)	–	(162)
Net return on ordinary activities before taxation		15,408	36,449	51,857	14,990	19,291	34,281
Taxation (charge)/credit on return on ordinary activities	7	(1,371)	–	(1,371)	371	–	371
Net return on ordinary activities after taxation for the year		14,037	36,449	50,486	15,361	19,291	34,652
Return per ordinary share	8	3.37p	8.75p	12.12p	3.67p	4.61p	8.28p

As there are no gains and losses other than those reported in this Income Statement, the net return after taxation is also the total comprehensive income for the year.
The total column of the Income Statement is the profit and loss account of the Company.
All revenue and capital items in the above statement derive from continuing operations.
No operations were acquired or discontinued in the year.

The Notes on pages 40 to 55 form an integral part of these Financial Statements.

Statement of Changes in Equity

for the year ended 31 December 2015

	Note	share capital £'000	share premium account £'000	capital redemption reserve £'000	capital reserve £'000	revenue reserve £'000	total equity £'000
As at 1 January 2014		10,547	58,615	5,278	617,343	19,408	711,191
Net return on ordinary activities after taxation for the year		–	–	–	19,291	15,361	34,652
Repurchase of ordinary shares		(136)	–	136	(8,348)	–	(8,348)
Dividend paid to shareholders	9	–	–	–	–	(12,518)	(12,518)
As 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)
As at 31 December 2015		10,411	58,615	5,414	664,735	21,129	760,304

The Notes on pages 40 to 55 form an integral part of these Financial Statements.

Balance Sheet as at 31 December 2015

Company number 2638812

	Notes	2015 £'000	2014 £'000
Fixed assets			
Investments at fair value through profit or loss	10	746,648	716,562
Current assets			
Derivative assets at fair value through profit or loss	11	61	1,329
Debtors	12	2,670	2,128
Amounts held in margin accounts		3	607
Fidelity Institutional Liquidity Fund plc		8,800	4,038
Cash at bank		4,080	4,402
		15,614	12,504
Creditors			
Derivative liabilities at fair value through profit or loss	11	(83)	(2,293)
Creditors	13	(1,875)	(1,796)
		(1,958)	(4,089)
Net current assets		13,656	8,415
Total net assets		760,304	724,977
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	664,735	628,286
Revenue reserve	15	21,129	22,251
Total equity shareholders' funds		760,304	724,977
Net asset value per ordinary share	16	182.57p	174.09p

The Financial Statements on pages 37 to 55 were approved by the Board of Directors on 11 March 2016 and were signed on its behalf by:

Humphrey van der Klugt
Chairman

The Notes on pages 40 to 55 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 for the first time applied the revised 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, effective for accounting periods beginning on or after 1 January 2015. The Company has adopted the amendments to FRS 102: Fair value hierarchy disclosures issued by the FRC in March 2016 early. The Financial Statements have also been prepared in accordance with the revised 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.

As a result of the adoption of the revised UK GAAP and SORP, presentation formats have been amended where appropriate. The Reconciliation of Movements in Shareholders' Funds has been renamed the Statement of Changes in Equity. The Company is exempt from preparing 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. The net return on ordinary activities after taxation for the year and total shareholders' funds remain unchanged from what was reported under the former UK GAAP basis applied in the 2014 Annual Report and the 2014 figures have not required restatement.

a) Basis of accounting – The Financial Statements have been prepared on a going concern basis and under the historical cost convention, except for the measurement at fair value of fixed asset investments and derivative assets and liabilities.

b) Segmental reporting – The Directors are of the opinion that the Company is engaged in a single segment of business being investment business.

c) Income – Income from equity investments is credited to the revenue column of the Income Statement on the date on which the right to receive the payment is established. Overseas dividends are stated gross of withholding tax. UK dividends are stated at the amount actually receivable, which is net of the attaching tax credit. Interest receivable on short term deposits is credited to the revenue column of the Income Statement on an accruals basis. Where the Company has elected to receive a dividend as scrip dividend, that is in the form of additional shares rather than cash, the amount of the dividend foregone is credited to the revenue column of the Income Statement. Any excess in the value of the shares received over the amount of the dividend foregone is credited to the capital column of the Income Statement. Derivative income from dividends on long Contracts For Difference ("CFDs") is credited to the revenue column of the Income Statement on the date on which the right to receive the payment is established.

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

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

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

Notes to the Financial Statements

2 ACCOUNTING POLICIES (continued)

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

h) Valuation of investments – The portfolio of investments is managed and its performance is evaluated on a fair value basis in accordance with a documented investment strategy. Information about the portfolio is provided on this 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 SORP the Company includes transaction costs, incidental to the purchase or sale of investments, within gains or losses on investments and has disclosed them in Note 10 on page 46.

i) Derivative instruments – When appropriate the Company may utilise derivative instruments, including long and short CFDs. Derivative instruments are carried "at fair value through profit or loss" and are valued at fair value, which is measured as follows:

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

Gains and losses in the fair value of derivative instruments are recognised in the capital column of the Income Statement. Income received or paid on derivative instruments is recognised in the revenue column of the Income Statement. Interest paid on long CFDs and dividends paid on short CFDs are charged to 'finance costs', in the revenue column of the Income Statement. Any positions on derivative instruments open at the year end are reflected in the Balance Sheet at their fair value either within 'current assets' or 'creditors', as appropriate.

j) Fidelity Institutional Liquidity Fund plc – 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. It is a distributing fund and accordingly the interest earned is credited to the revenue column of the Income Statement.

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

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

As a result of technical guidance by the Institute of Chartered Accountants in England and Wales in TECH 02/10: Distributable Profits, changes in the fair value of investments which are readily convertible to cash at the Balance Sheet date, without accepting adverse terms, 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 all investments held by the Company were listed on a recognised stock exchange and were considered to be readily convertible to cash.

l) Dividends – Dividends declared and approved by the Company after the Balance Sheet date have not been recognised as a liability of the Company at the Balance Sheet date. Dividends are included in the financial statements in the year in which they are paid.

Notes to the Financial Statements

3 INCOME

	2015 £'000	2014 £'000
Income from investments at fair value through profit or loss		
Overseas dividends	19,228	19,095
Overseas scrip dividends	1,462	338
UK dividends	1,051	873
	21,741	20,306
Income from derivative instruments at fair value through profit or loss		
Dividends on long CFDs	1,178	1,287
Income from investments and derivative instruments	22,919	21,593
Interest received		
Interest received on deposits and money market funds	55	33
Interest received on tax reclaims	14	481
	69	514
Total income and interest received	22,988	22,107

4 INVESTMENT MANAGEMENT FEES

	2015 £'000	2014 £'000
Investment management fees	6,344	6,011

A summary of the terms of the Management Agreement is given in the Directors' Report on page 20.

Notes to the Financial Statements

5 OTHER EXPENSES

	2015 £'000	2014 £'000
AIC fees	21	21
Custody fees	123	123
Depositary fees[1]	66	21
Directors' fees[2]	138	133
Legal and professional fees	128	182
Marketing expenses	153	165
Printing and publication expenses	101	115
Registrars' fees	104	78
Costs associated with the sub-division of the ordinary shares	–	38
Fees payable to the Company's Independent Auditor for the audit of the annual financial statements[3]	25	23
Other expenses	26	22
	885	921

1 Date of appointment 17 July 2014
2 Details of the breakdown of Directors' fees are provided in the Directors' Remuneration Report on page 30
3 The VAT on fees payable to the Company's Independent Auditor is included in "other expenses"

6 FINANCE COSTS

	2015 £'000	2014 £'000
Interest paid on long CFDs	76	162
Dividends paid on short CFDs	263	–
	339	162

Notes to the Financial Statements

	2015 revenue £'000	2015 capital £'000	2015 total £'000	2014 revenue £'000	2014 capital £'000	2014 total £'000
7 TAXATION ON RETURN ON ORDINARY ACTIVITIES						
a) Analysis of the tax charge/(credit) in the year						
Overseas taxation suffered	2,629	–	2,629	2,603	–	2,603
Overseas taxation recovered[1]	(1,258)	–	(1,258)	(2,974)	–	(2,974)
Total taxation charge/(credit) for the year (see Note 7b)	1,371	–	1,371	(371)	–	(371)

[1] Includes French tax recovered from prior years, following European Court of Justice rulings, of £171,000 (2014: £1,781,000)

b) Factors affecting the taxation charge/(credit) for the year
The taxation assessed for the year is lower than the standard rate of UK corporation tax for an investment trust company of 20.25% (2014: 21.49%). The differences are explained below:

	2015 revenue £'000	2015 capital £'000	2015 total £'000	2014 revenue £'000	2014 capital £'000	2014 total £'000
Net return on ordinary activities before taxation	15,408	36,449	51,857	14,990	19,291	34,281
Net return on ordinary activities before taxation multiplied by the standard rate of UK corporation tax of 20.25% (2014: 21.49%)	3,120	7,381	10,501	3,221	4,146	7,367
Effects of:						
Gains on investments not taxed[1]	–	(7,381)	(7,381)	–	(4,146)	(4,146)
Income not included for taxation purposes	(4,355)	–	(4,355)	(3,747)	–	(3,747)
Movement in excess expenses for the year	1,235	–	1,235	608	–	608
Overseas taxation suffered/(recovered)	1,371	–	1,371	(371)	–	(371)
Overseas taxation relief	–	–	–	(82)	–	(82)
Total taxation charge/(credit) for the year (Note 7a)	1,371	–	1,371	(371)	–	(371)

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

c) The Company has unrelieved excess expenses of £21,003,000 (2014: £14,900,000) and unrelieved loan relationship expenses of £5,505,000 (2014: £5,505,000). It is unlikely that the Company will generate sufficient taxable profits in the future to utilise these amounts and, therefore, no deferred tax asset has been recognised.

Notes to the Financial Statements

	2015 revenue	2015 capital	2015 total	2014 revenue	2014 capital	2014 total
8 RETURN PER ORDINARY SHARE						
Return per ordinary share – pence	3.37	8.75	12.12	3.67	4.61	8.28
Net return on ordinary activities after taxation for the year – £000s	14,037	36,449	50,486	15,361	19,291	34,652

The return per ordinary share is based on 416,447,910 ordinary shares (2014: 418,048,312) being the weighted average number of ordinary shares in issue during the year.

	2015 £'000	2014 £'000
9 DIVIDENDS		
Dividend paid		
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	–
Dividend of 29.75 pence per ordinary share paid for the year ended 31 December 2013[1]	–	12,518
	15,159	12,518
Dividends proposed		
Dividend of 3.33 pence per ordinary share proposed for the year ended 31 December 2015[2]	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

1 If the pence per ordinary share dividend rate actually paid, as shown above, was restated to reflect the ten for one ordinary share sub-division that took place on 2 June 2014, as disclosed in Note 14 on page 48, the adjusted dividend rate per share would be 2.975 pence, for the year ended 31 December 2013

2 Based on the number of ordinary shares in issue at the date of this report

The Directors have, for the year ended 31 December 2015, proposed a final dividend of 3.33 pence per ordinary share to be paid on 20 May 2016, to shareholders on the register at the close of business on 29 March 2016 (ex-dividend date 24 March 2016). All dividends are paid out of revenue reserve.

Notes to the Financial Statements

10 INVESTMENTS

	2015 £'000	2014 £'000
Investments at fair value through profit or loss		
Investments listed on a recognised stock exchange	746,648	716,562
Opening book cost	588,704	512,029
Opening investment holding gains	127,858	157,187
Opening fair value of investments	716,562	669,216
Movements in the year		
Purchases at cost	189,552	258,782
Sales – proceeds	(192,808)	(228,985)
Sales – gains	19,824	46,878
Investment holding gains/(losses)	13,518	(29,329)
Closing fair value of investments	746,648	716,562
Closing book cost	605,272	588,704
Closing investment holding gains	141,376	127,858
Closing fair value of investments	746,648	716,562
Gains on investments at fair value through profit or loss for the year		
Gains on sales of investments	19,824	46,878
Investment holding gains/(losses)	13,518	(29,329)
	33,342	17,549
Gains on investments for the year are shown net of investment transaction costs incurred		
Purchases expenses	291	418
Sales expenses	202	227
	493	645

The portfolio turnover rate for the year was 25.0% (2014: 34.7%). It represents the average of, the cost of investments purchased and the proceeds of investments sold during the year, expressed as a percentage of the average value of the investments held during the year.

Notes to the Financial Statements

11 DERIVATIVE INSTRUMENTS

	2015 fair value £'000	2015 portfolio exposure £'000	2014 fair value £'000	2014 portfolio exposure £'000
Derivative instruments at fair value through profit or loss				
Long CFDs – assets	61	5,607	1,329	21,152
Long CFDs – liabilities	(83)	29,478	(2,293)	23,471
	(22)	35,085	(964)	44,623

	2015 £'000	2014 £'000
Net gains on derivative instruments at fair value through profit or loss for the year		
Gains on long CFD positions closed	2,478	22,762
Holding gains/(losses) on long CFDs	942	(20,944)
	3,420	1,818

12 DEBTORS

	2015 £'000	2014 £'000
Taxation recoverable	2,106	1,861
Other debtors	564	267
	2,670	2,128

13 CREDITORS

	2015 £'000	2014 £'000
Securities purchased for future settlement	–	4
Finance costs payable	3	7
Amount payable to the Manager	1,675	1,576
Other creditors	197	209
	1,875	1,796

Notes to the Financial Statements

	2015 Number of shares	2015 £'000	2014 Number of shares	2014 £'000
14 SHARE CAPITAL				
Existing Ordinary Shares of 25 pence each – issued, allotted and fully paid				
Beginning of the year	–	–	42,187,693	10,547
Repurchase of Existing Ordinary Shares	–	–	(395,520)	(99)
	–	–	41,792,173	10,448
Existing Ordinary Shares cancelled on the sub-division	–	–	(41,792,173)	(10,448)
End of the year	–	–	–	–
New Ordinary Shares of 2.5 pence each – issued, allotted and fully paid				
Beginning of the year	416,447,910	10,411	–	–
New Ordinary Shares issued on the sub-division	–	–	417,921,730	10,448
	416,447,910	10,411	417,921,730	10,448
Repurchase of New Ordinary Shares	–	–	(1,473,820)	(37)
End of the year	416,447,910	10,411	416,447,910	10,411

On 2 June 2014 the Existing Ordinary Shares of 25 pence each were sub-divided. Ten New Ordinary Shares of 2.5 pence each were issued for each Existing Ordinary Share of 25 pence each. The New Ordinary Shares rank pari passu with each other and are subject to the same rights and restrictions as the shares they replaced. A holding of New Ordinary Shares following the sub-division represents the same proportion of the issued share capital of the Company as the corresponding holding in the Existing Ordinary Shares.

15 RESERVES

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

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

The "capital reserve" reflects realised gains or losses on investments and derivative instruments sold, unrealised increases and decreases in the fair value of investments and derivative instruments 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 has stated that it has no current intention to pay dividends out of capital.

The "revenue reserve" represents the net revenue surpluses recognised in the revenue column of the Income Statement that have been retained and have not been distributed to shareholders as dividend. 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 £760,304,000 (2014: £724,977,000) and on 416,447,910 (2014: 416,447,910) shares, being the number of ordinary shares in issue at the year end.

Notes to the Financial Statements

17 FINANCIAL INSTRUMENTS

MANAGEMENT OF RISK

The general risk analysis undertaken by the Board and its overall policy approach to risk management are set out in the Strategic Report on pages 7 to 11. This Note is incorporated in accordance with FRS 102 and 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 could include long and short CFDs; and
- Cash, liquid resources and short term debtors and creditors that arise from its operations.

The risks identified by FRS 102 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 sensitivity analysis in this Note is used by management to measure the Company's exposure to these risks. The Board reviews and agrees policies for managing each of these risks, which are summarised below. These policies have remained unchanged since the beginning of the accounting period.

MARKET PRICE RISK

Interest rate risk

The Company finances its operations through share capital raised. In addition, the Company has a geared exposure to European equities through the use of long CFDs which incur funding costs and provide collateral. It is, therefore, exposed to a financial risk as a result of increases in interest rates.

Interest rate risk profile

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

	2015 £'000	2014 £'000
Exposure to financial instruments that bear interest		
Gearing effect of exposure through long CFDs	35,107	45,587
Exposure to financial instruments that earn interest		
Amounts held in margin accounts	3	607
Fidelity Institutional Liquidity Fund plc	8,800	4,038
Cash at bank	4,080	4,402
	12,883	9,047
Net exposure to financial instruments that bear interest	22,224	36,540

Foreign currency risk

The Company's total net assets and its total return on ordinary activities can be affected by foreign exchange movements because the Company has assets and income which are denominated in currencies other than the Company's base currency, which is UK sterling. The Company is also subject to short term exposure from exchange rate movements, for example, between the date when an investment is bought or sold and the date when settlement of the transaction occurs.

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

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

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

Notes to the Financial Statements

17 FINANCIAL INSTRUMENTS (continued)

Currency exposure of financial assets

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

2015

	investments at fair value through profit or loss £'000	exposure to long CFDs £'000	short term debtors[1] £'000	cash[2] £'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	–	304	12,847	46,285
	746,648	35,085	2,673	12,880	797,286

2014

	investments at fair value through profit or loss £'000	exposure to long CFDs £'000	short term debtors[1] £'000	cash[2] £'000	total £'000
Danish krone	36,739	–	11	–	36,750
Euro	428,436	44,623	1,375	158	474,592
Norwegian krone	34,504	–	–	–	34,504
Swedish krona	22,285	–	–	–	22,285
Swiss franc	156,570	–	475	–	157,045
Turkish lira	8,745	–	–	–	8,745
UK sterling	29,283	–	874	8,282	38,439
	716,562	44,623	2,735	8,440	772,360

[1] Short term debtors include amounts held in margin accounts
[2] Cash includes amounts held in the Fidelity Institutional Liquidity Fund plc

Notes to the Financial Statements

17 FINANCIAL INSTRUMENTS (continued)

Currency exposure of financial liabilities

The Company finances its investment activities through its ordinary share capital and reserves and it has a geared exposure to European equities through the use of long CFDs. The Company's financial liabilities comprise the gearing effect of long CFDs, which have no fixed expiry date, and other short term creditors, that are repayable within one year. The currency profile of these financial liabilities is shown below:

	2015		
	gearing effect of exposure to long CFDs £'000	short term creditors £'000	total £'000
Euro	35,107	3	35,110
UK sterling	–	1,872	1,872
	35,107	1,875	36,982

	2014		
	gearing effect of exposure to long CFDs £'000	short term creditors £'000	total £'000
Euro	45,587	7	45,594
UK sterling	–	1,789	1,789
	45,587	1,796	47,383

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 Investment Manager is responsible for actively monitoring the existing portfolio selected in accordance with the overall asset allocation parameters described above and seeks to ensure that individual stocks also meet an acceptable risk/reward profile.

DERIVATIVE INSTRUMENTS RISK

The risks and risk management processes which result from the use of derivative instruments are included within the other risk categories disclosed in this Note. Derivative instruments are used by the 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 outflow 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. This team uses portfolio risk assessment tools to advise the Investment Manager on portfolio construction.

Notes to the Financial Statements

17 FINANCIAL INSTRUMENTS (continued)

LIQUIDITY RISK

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

COUNTERPARTY RISK

All securities and derivative instruments are transacted with brokers and carry the risk that the counterparty to a transaction may not meet its financial obligations. In accordance with the risk management process which the Investment Manager employs, the Portfolio Manager will seek to minimise such risk by only entering into transactions with counterparties which it believes to have an adequate credit rating at the time the transaction is entered into. The Manager ensures that formal legal agreements covering the terms of the contract are entered into in advance and also adopts a counterparty risk framework which measures, monitors and manages counterparty risk through the use of internal and external credit agency ratings and evaluates derivative instrument credit risk exposure.

For Over The Counter ("OTC") derivative transactions, in accordance with the terms of International Swap Dealers Association ("ISDA") market standard derivative contracts, 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 2015, £3,000 (2014: £607,000) was held in cash in a segregated collateral account.

CREDIT RISK

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

RISK SENSITIVITY ANALYSIS

Interest rate risk sensitivity analysis

If interest rates at 31 December 2015, had increased by 0.25%, with all other variables held constant, total net assets and total return on ordinary activities would have decreased by £56,000 (2014: £91,000). A decrease in interest rates by 0.25% would have had an equal but opposite effect.

Foreign currency risk sensitivity analysis

If the UK sterling exchange rate at 31 December 2015, had strengthened or weakened by 10% in relation to the larger currency exposures held by the Company, with all other variables held constant, total net assets and the total return on ordinary activities would have (decreased)/increased by the following amounts.

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

	2015 £'000	2014 £'000
Danish krone	(4,165)	(3,341)
Euro	(40,507)	(39,000)
Norwegian krone	(2,463)	(3,137)
Swedish krona	(1,698)	(2,026)
Swiss franc	(16,248)	(14,277)
	(65,081)	(61,781)

Notes to the Financial Statements

17 FINANCIAL INSTRUMENTS (continued)

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

	2015 £'000	2014 £'000
Danish krone	5,091	4,083
Euro	49,509	47,666
Norwegian krone	3,010	3,834
Swedish krona	2,076	2,476
Swiss franc	19,858	17,449
	79,544	75,508

Other price risk sensitivity analysis

Changes in market prices, other than those arising from interest rate risk or foreign currency risk, also affect the value of the Company's net assets and its total return on ordinary activities. Details of how the Board sets risk parameters and performance objectives can be found in the Strategic Report on pages 7 to 11.

Investments exposure sensitivity analysis

An increase of 10% in the fair value of investments at 31 December 2015 would have increased total net assets and total return on ordinary activities by £74,665,000 (2014: £71,656,000). A decrease of 10% would have had an equal but opposite effect.

Derivative instruments exposure sensitivity analysis

The Company invests in long CFDs to gain exposure to the equity markets. An increase of 10% in the price of shares underlying the CFDs at 31 December 2015 would have increased total net assets and total return on ordinary activities by £3,509,000 (2014: £4,462,000). A decrease of 10% would have had an equal but opposite effect.

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

As explained in Notes 2(h) and 2(i) on page 41, investments are stated at fair value, which is bid or last market price, and long CFDs are stated at fair value, which is the difference between the settlement price and the value of the underlying shares in the contract. Other financial assets and liabilities are stated in the Balance Sheet at values which are not materially different to their fair values. In the case of cash, book value approximates to fair value due to the short maturity of the instruments.

Notes to the Financial Statements

17 FINANCIAL INSTRUMENTS (continued)

FAIR VALUE HIERARCHY

The Financial Reporting Council defines a fair value hierarchy that classifies financial instruments measured at fair value at one of three levels, according to the relative reliability of the inputs used to measure their fair value.

Classification	Valued by reference to
Level 1	The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
Level 2	Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.
Level 3	Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

The table below sets out the fair value hierarchy of the Company's financial instruments held at fair value on the Balance Sheet:

	2015 Level 1 £'000	2015 Level 2 £'000	2015 Total £'000	2014 Level 1 £'000	2014 Level 2 £'000	2014 Total £'000
Financial instruments held at fair value						
Fixed assets – investments in listed equities	746,648	–	746,648	716,562	–	716,562
Derivative assets – long CFDs	–	61	61	–	1,329	1,329
Derivative liabilities – long CFDs	–	(83)	(83)	–	(2,293)	(2,293)
	746,648	(22)	746,626	716,562	(964)	715,598

The valuation techniques used by the Company are explained in Accounting Policies Notes 2(h) and 2(i) on page 41.

18 CAPITAL RESOURCES AND GEARING

The Company does not have any externally imposed capital requirements. The capital of the Company comprises its gearing, which is managed via the use of long CFDs, and its issued share capital and reserves which are disclosed in the Balance Sheet on page 39. It is managed in accordance with the Company's investment policy in pursuit of its investment objective, as disclosed in the Strategic Report on pages 7 and 8. The principal risks and their management are disclosed in the Strategic Report on pages 9 and 10.

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

	2015 Portfolio Exposure £'000	2014 Portfolio Exposure £'000
Investments	746,648	716,562
Derivative instruments – long CFDs	35,085	44,623
Total Portfolio Exposure	781,733	761,185
Shareholders' Funds	760,304	724,977
Gearing – Total Portfolio Exposure in excess of Shareholders' Funds	2.8%	5.0%

Notes to the Financial Statements

19 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

There were no contingent liabilities or capital commitments as at 31 December 2015 (2014: none).

20 RELATED PARTY TRANSACTIONS

The Company has identified the Directors as its only related parties. The Directors have complied with the provisions of FRS 102, which require disclosure of related party transactions and balances. Key management compensation paid was £152,000 (2014: £146,000). This included fees and travel expenses paid to the Directors, as disclosed in the Directors' Remuneration Report on page 30, and £14,000 (2014: £13,000) of Employer's National Insurance contributions.

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 12 May 2016 at 12 noon for the following purposes:

1. To receive and adopt the Annual Report and Financial Statements for the year ended 31 December 2015.

2. To declare that a final dividend for the year ended 31 December 2015 of 3.33 pence per ordinary share be paid to shareholders on the register as at close of business on 29 March 2016.

3. To elect Mr Vivian Bazalgette as a Director.

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

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

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

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

8. To approve the Directors' Remuneration Report (excluding the section headed The Remuneration Policy set out on page 29) for the year ended 31 December 2015.

9. To appoint 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.

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

To consider and, if thought fit, to pass the following resolutions of which Resolution 11 will be proposed as an ordinary resolution and Resolutions 12 and 13 as special resolutions.

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

Resolutions 11 and 12 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 11 March 2016. 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 a premium to net asset value per share.

11. THAT the Directors be and they are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot relevant securities (as defined in that section) up to an aggregate nominal amount of £520,560 (approximately 5% of the aggregate nominal amount of the issued share capital of the Company as at 11 March 2016) 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.

12. THAT, subject to the passing of Resolution 11, 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 11 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 as at 11 March 2016); and

    b) 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 13 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 11 March 2016 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.

Notice of Meeting

13. THAT the Company be and is hereby generally and unconditionally authorised in accordance with Section 701 of the Companies Act 2006 (the "Act") to make market purchases (within the meaning of Section 693 of the Act) of 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 higher of the price quoted for the last independent trade and the highest current independent bid as stipulated by Article 5(1) of Commission Regulation (EC) 22 December 2003 implementing the Market Abuse Directive as regards exemptions for buyback programmes and stabilisation of financial instruments (no. 2233/2003);

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

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

By Order of the Board
FIL Investments International
Secretary
11 March 2016

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 10 May 2016. 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 10 May 2016. 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 10 May 2016.

6. All members are entitled to attend and vote at the Annual General Meeting and ask questions. The right to vote at the meeting will be determined by reference to the Register of Members as at 5.30pm on 10 May 2016.

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

Notice of Meeting

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 5.30pm on 10 May 2015. 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 11 March 2016 (the latest practicable date prior to the publication of this document) the Company's issued share capital consisted of 416,447,910 ordinary shares carrying one vote each. Therefore, the total number of voting rights in the Company as at 11 March 2016 was 416,447,910. As at 11 March 2016, there were no shares held in Treasury by the Company.

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.fidelity.co.uk/its

Note: Please see the Shareholder Information section on pages 60 and 61 for contact details if you have any queries. Please note that shareholders may not use any electronic address provided in either this notice or any related documents (including the Proxy Form) to communicate with the Company for any purposes other than those expressly stated. Shareholders may not use any telephone number set out in this document for the purpose of lodging instructions for the Annual General Meeting. Similarly the Company's pages on the Manager's website at www.fidelity.co.uk/its may not be used to send documents or instructions for the Annual General Meeting.

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 2015 – Financial Year End

March 2016 – Announcement of results for the year ending 31 December 2015

March 2016 – Publication of this Report

24 March 2016 – Ex-dividend date

29 March 2016 – Record date

12 May 2016 – Annual General Meeting

20 May 2016 – Payment of the Dividend

30 June 2016 – Half-Year End

July/August 2016 – Announcement of the Half-Yearly results to 30 June 2016

August 2016 – Publication of the Half-Yearly Report

Shareholder Information

INVESTING IN FIDELITY EUROPEAN VALUES PLC

Fidelity 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.fidelity.co.uk/its.

As Fidelity European Values PLC is a company listed on the London Stock Exchange you can also buy its shares through a stockbroker, share shop or bank.

CONTACT INFORMATION

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

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

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

Holders of ordinary shares

Capita Asset Services, 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 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 9.00am – 5.30pm, Monday to Friday excluding public holidays in England and Wales).

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

Fidelity Share Plan investors

Fidelity Investment Trust Share Plan, PO Box 12062, Mellon House, Ingrave Road, Brentwood, Essex CM14 9LX. Telephone: 0845 358 1107 (calls to this number are charged at 3.95p per minute from a BT landline dependent on the tariff. Other telephone service providers' costs may vary.)

Fidelity ISA investors

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

General enquiries

FIL Investments International, Investment Trusts, Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, Surrey KT20 6RP Telephone: 01732 361144.

Website: www.fidelity.co.uk/its

Online Shareholder Services – Share Portal

Through the Registrar's website at www.capitashareportal.com, shareholders are able to manage their shareholding online by registering for the Share Portal, a free, secure, online access to your shareholding.

Facilities include:

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

Amendment of Standing Data: Allows shareholders to change their registered postal address and add, change or delete dividend mandate instructions. Shareholders can also download 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 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 9.00am – 5.30pm, 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 0445 (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. We are open between 8.00am – 4.30pm, 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 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

Capita's Dividend Reinvestment Plan offers a convenient way for shareholders to build up their shareholding by using dividend money to purchase additional shares. The Plan is offered 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 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 a Fidelity ISA, you will receive a yearly report detailing all of your transactions and the value of your shares. Investors with the Fidelity Investment Trust Share Plan will receive statements and valuations twice a year.

Shareholder Information

MANAGER AND ADVISORS

Alternative Investment Fund 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

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

Lawyer
Charles Russell Speechlys LLP
6 New Street Square
London
EC4A 3LX

Banker and Custodian
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 ordinary shares is published daily in the Financial Times under the heading "Investment Companies" and 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 2015/2016 (2014/2015: £11,000) before being liable for capital gains tax. Capital gains tax is charged at 18% and 28% dependant on the total amount of taxable income.

Glossary of Terms

AIF
Alternative Investment Fund. The Company is an AIF.

AIFM
Alternative Investment Fund Manager. The Board 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's shares are said to be trading at a discount. The discount is shown as a percentage of the net asset value. The opposite of a discount is a premium. It is more common for an investment trust to trade at a discount than a premium.

FAIR VALUE
The fair value is the best estimate of the realisable 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.

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.

Glossary of Terms

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

LEVERAGE
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
Total expenses (excluding finance costs and taxation) incurred by the Company as a percentage of average net asset values.

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 a specific date. Options (call or put) 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 EXPOSURE
Portfolio Exposure measures the value of the portfolio exposed to market price movements as a result of owning shares and Contracts For Difference.

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%.

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.

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 (another Fidelity group company). Details of the Management Agreement can be found in the Directors' Report on page 20.

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. 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	The AIFM 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 and 10 and in Note 17 to the Financial Statements on pages 49 to 54.
Valuation of illiquid assets	The AIFMD requires the disclosure of the percentage of the Company'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 63.	The maximum leverage limits are 1.80 for the Gross Method and 1.50 for the Commitment Method. There has been no change to the maximum level of leverage that the Company may employ during the year. At 31 December 2015, actual leverage was 1.03 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 reviewed and updated, if required, 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 52.
Remuneration of the AIFM	The AIFM operates under the terms of Fidelity's Global Remuneration Policy Statement. 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).	The FCA's "General Guidance on the AIFM Remuneration Code" has established that the first reporting year will not commence until after the AIFM's first full performance year which is 30 June 2016. Accordingly, there is no data to disclose in respect of remuneration of the AIFM for this year.

The AIFM's Annual Report is available to shareholders on request. Please contact the Company Secretary whose address can be found on page 61.

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