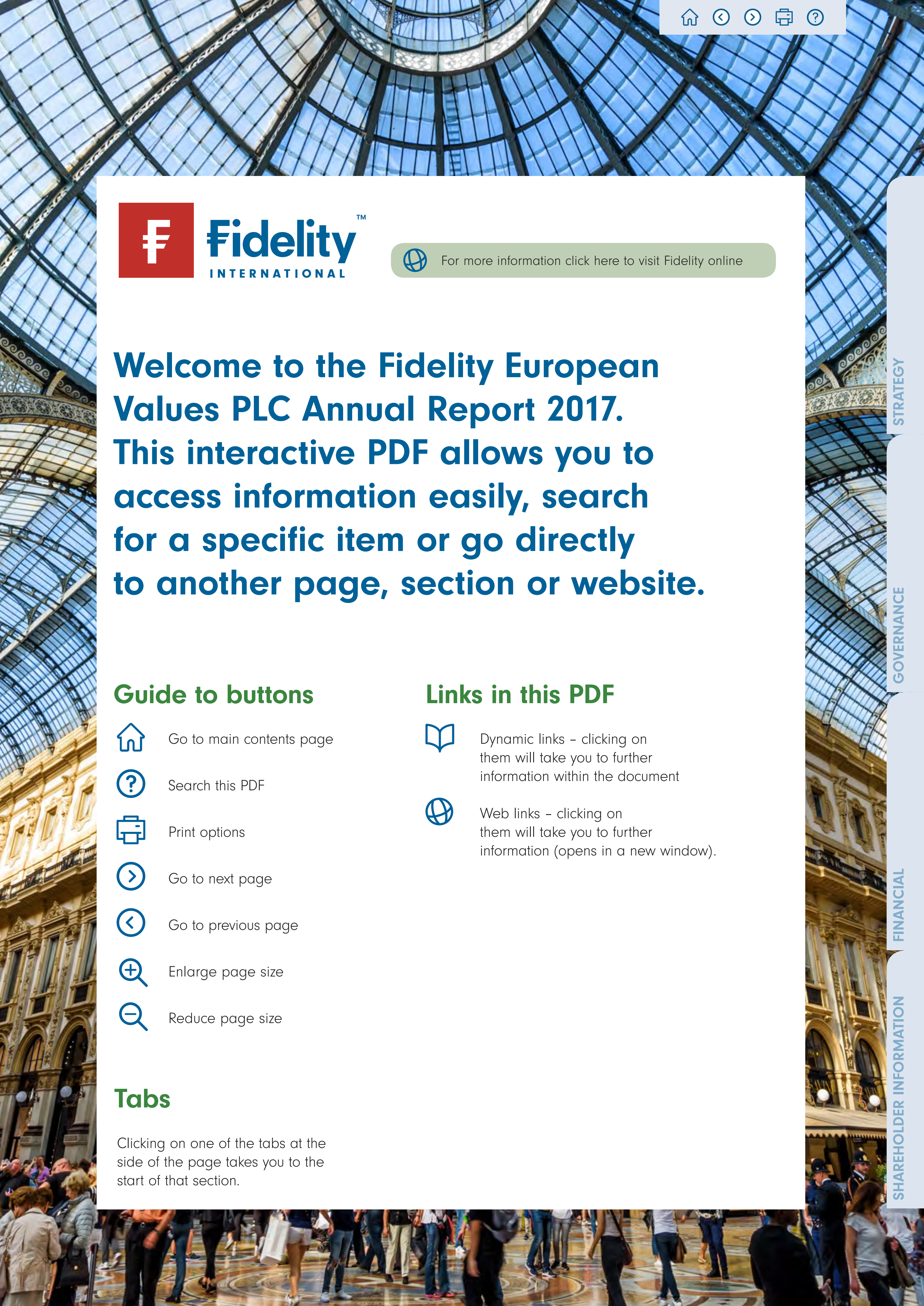

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Fidelity European Values PLC

Annual Report For the year ended 31 December 2017

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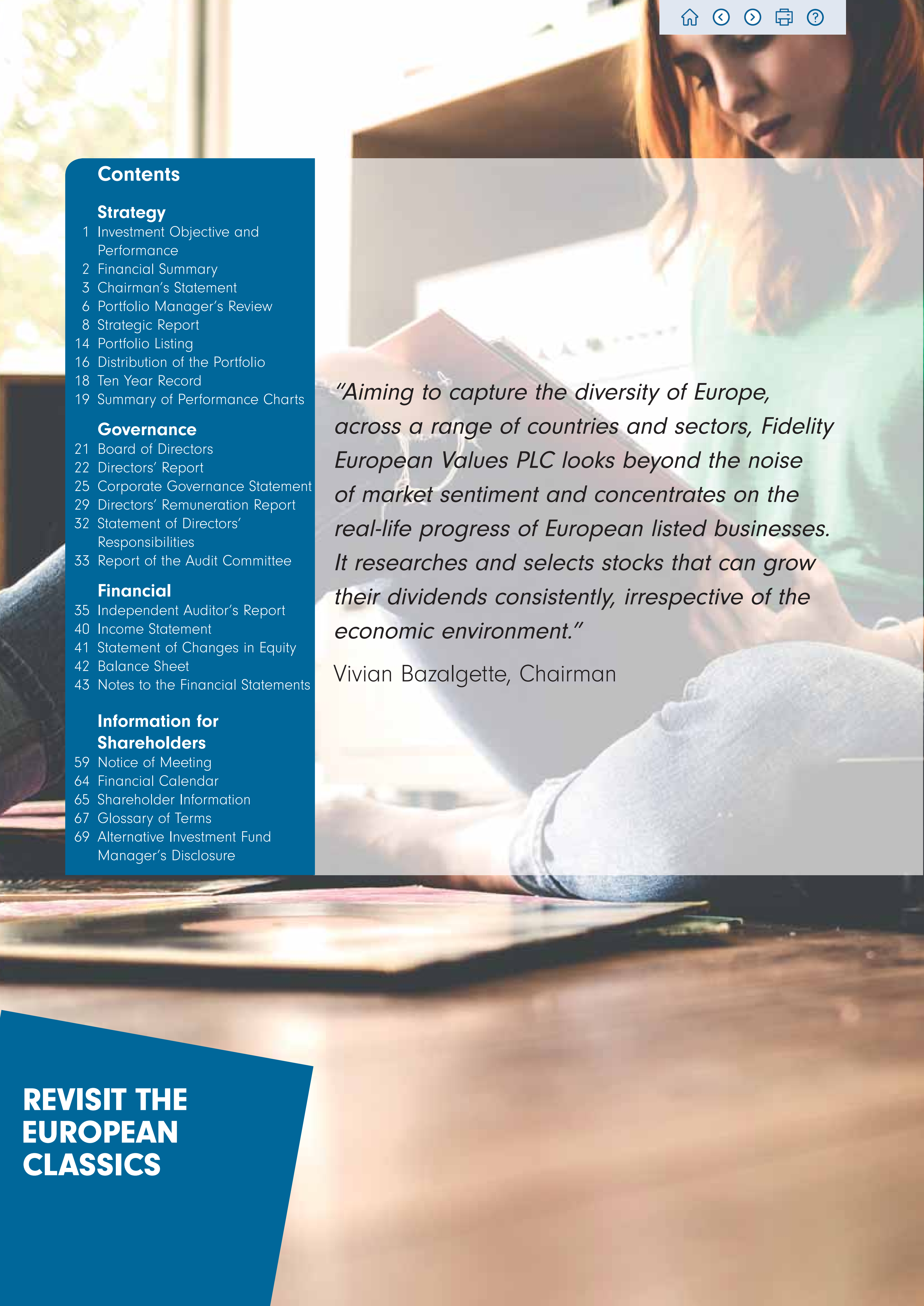
Fidelity INTERNATIONAL



Contents

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

Vivian Bazalgette, Chairman

REVISIT THE EUROPEAN CLASSICS

Investment Objective and Performance

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

Year to 31 December 2017

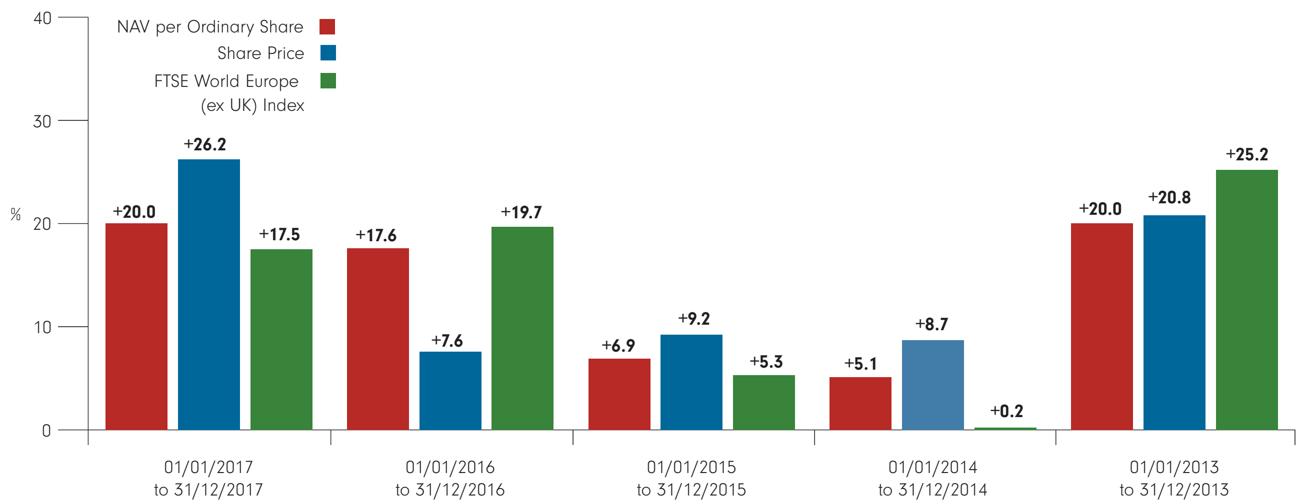
Net Asset Value ("NAV") per Ordinary Share total return*	Share Price total return*	FTSE World Europe (ex UK) Index total return (Benchmark Index)*	Dividend
+20.0% (2016: +17.6%)	+26.2% (2016: +7.6%)	+17.5% (2016: +19.7%)	4.35p (+4.3%) (2016: 4.17p)

* Includes reinvested income

As at 31 December 2017

Shareholders' Funds	£1,030.0m
Market Capitalisation	£941.3m
Capital Structure:	
Ordinary Shares of 2.5 pence each held outside Treasury	415,202,177

Standardised Performance total return (%)



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

Financial Summary

	2017	2016
Assets at 31 December		
Gross Asset Exposure[1]	**£1,166.0m**	£901.5m
Gross Asset Exposure in excess of Shareholders' Funds (Gross Gearing – see Note 18)	**13.2%**	3.0%
Net Asset Exposure	**£1,068.0m**	£901.5m
Net Asset Exposure in excess of Shareholders' Funds (Net Gearing – see Note 18)	**3.6%**	3.0%
Shareholders' Funds	**£1,030.0m**	£875.4m
NAV per Ordinary Share (cum-income)	**248.08p**	210.75p
NAV per Ordinary Share (ex-income)	**243.71p**	206.41p
Share Price and Discount data at 31 December		
Share Price at year end	**226.70p**	183.50p
Share Price – year high	**230.50p**	185.40p
Share Price – year low	**183.50p**	151.20p
Discount (ex-income) at year end	**7.0%**	11.1%
Discount (cum-income) at year end	**8.6%**	12.9%
Discount (ex-income) – year high	**13.1%**	15.5%
Discount (ex-income) – year low	**5.0%**	2.2%
Discount (ex-income) – year average	**8.0%**	9.7%
Results for the year ended 31 December – see page 40		
Revenue return per Ordinary Share	**4.37p**	4.34p
Capital return per Ordinary Share	**37.13p**	27.10p
Total return per Ordinary Share	**41.50p**	31.44p
Dividend proposed per Ordinary Share	**4.35p**	4.17p
Total returns (includes reinvested income) for the year ended 31 December		
NAV per Ordinary Share	**+20.0%**	+17.6%
Share Price	**+26.2%**	+7.6%
FTSE World Europe (ex UK) Index[2]	**+17.5%**	+19.7%
Ongoing Charges for the year ended 31 December[3]	**0.93%**	0.99%

1 The total exposure of the investment portfolio, including exposure to the investments underlying the derivative instruments

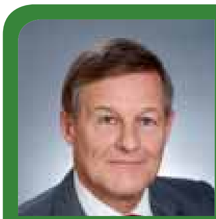
2 The Company's Benchmark Index

3 Ongoing charges (excluding finance costs and taxation) as a percentage of average net asset values for the reporting year (prepared in accordance with methodology recommended by the Association of Investment Companies)

Sources: Fidelity and Datastream

Past performance is not a guide to future returns

Chairman's Statement



Vivian Bazalgette has been the Chairman of Fidelity European Values PLC since 12 May 2016.

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

Performance

I am pleased to report that the Company's net asset value ("NAV") per share total return was 20.0% for the year ended 31 December 2017, outperforming the Benchmark Index, the FTSE World Europe (ex UK) Index, which returned 17.5% on the same basis. With the discount (ex-income) narrowing from 11.1% to 7.0%, the share price total return over the period was 26.2%. Performance over three and five years also remains ahead of the Benchmark Index as shown in the table below.

Markets in 2017 were supported by strong earnings growth as well as expansion in company valuations. Investor sentiment was boosted by fading political worries, with Emmanuel Macron's victory in the French presidential election a pivotal moment in reversing the recent populist surge in Europe. In addition, investors shifted their attention to economic and corporate factors, ignoring some of the unfavourable political developments elsewhere in the world. Overall, the European economic picture has been strengthening with improvements seen in consumer confidence and wage growth, reflected in a rising Purchasing Managers' Index. The continued accommodative monetary policy stance of the European Central Bank also helped markets.

Performance over one, three and five years and since launch to 31 December 2017 (on a total return basis) (%)

Total return (%)	1 year	3 years	5 years	Since launch
NAV per Ordinary Share	+20.0	+50.8	+90.1	+3,148.5
Share Price	+26.2	+48.5	+94.9	+2,930.0
Benchmark Index	+17.5	+48.2	+85.8	+967.1

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

Due Diligence Visit to Zurich

During the reporting year, the Directors visited a selection of companies, some of which are among the Company's portfolio holdings, to hear about their business strategy and prospects. This is a due diligence oriented exercise, which the Board conducts every second year, and typically also includes meetings with a local market economist or other specialist. The due diligence trip, which in 2017 was to Zurich, is important for providing the Board with useful context about continental European markets in which the Company invests. It also gives perspective on the Portfolio Manager's analysis and investment approach.

The Board's visit to Flughafen Zurich.

Outlook

European stocks have benefited from a rise in both earnings and valuations in 2017. While there is scope for companies to deliver more in the way of earnings growth, there is limited room for market earnings multiples to expand further. This may increase vulnerability to any disappointments when company results are announced, while geo-political shocks could have a similar effect. Overall, markets have been aided by liquidity injections from global central banks and may be impacted by liquidity withdrawal as 2018 unfolds, particularly if this happens more quickly than expected. In such an environment your Portfolio Manager's concentration on fundamentally strong businesses should help performance.

Naturally the continuing process of Brexit represents an additional uncertainty at present. While the first stage of negotiations focused on the UK's financial liability has concluded, the more complex discussions about trading relationships in the future are only just getting under way. It is quite possible that the arrangements will vary by sector, and they may yet fail to be agreed in their entirety. Your Portfolio Manager remains alert to the potential implications for individual European companies, particularly those in the portfolio, while the Euro could weaken or strengthen further against UK sterling depending on the outcome. In Note 17 to the accounts on pages 55 and 56 there is an analysis of the sensitivity of the portfolio's value to currency movements.

Chairman's Statement continued

OTHER MATTERS

Investment Objective

I would ask you to note that the Board is proposing to amend the investment objective of the Company from:

"The investment objective of the Company is to achieve long term capital growth principally from the stock markets of continental Europe"

to:

"The Company aims to achieve long term growth in both capital and income by predominantly investing in equities (and their related securities) of continental European companies."

The detailed proposed Investment Policy is set out in the Appendix to the Notice of Meeting on pages 62 and 63, the key aspects of which are summarised as:

The Investment Manager will typically focus on larger companies which show good prospects for sustainable long term dividend growth. The Investment Manager is not restricted in terms of size, industry or geographical split. The Company may also invest into other transferable securities, investment companies, money market instruments, cash and deposits and is also able to use derivatives for efficient portfolio management, to gain additional market exposure (gearing) and for investment purposes. The Investment Manager must work within the guidelines set out in the Investment Policy.

Although the change to the Company's investment objective and the consequential changes to the investment policy are not considered to be material changes, the Board has decided, for good order, to put these to shareholders for approval. The Appendix to the Notice of Meeting on pages 62 and 63 details the changes proposed.

I should emphasise that the change in investment objective does not imply any change to the way in which your Portfolio Manager invests on your behalf. Rather, it is acknowledged that income as well as capital growth are components of the performance which he seeks to achieve.

The key aspects of the Investment Policy summarised above are consistent with the phraseology of the Key Information Document ("KID") which is a new regulatory requirement as of the start of 2018. This is as a result of the introduction of the European Union Packaged Retail and Insurance-based Investment Products ("PRIIPs") Regulation. The format of the KID is largely prescribed and it is available on the Company's website.

Allocation of Fees

Consistent with the changes in objective outlined above, the Board has elected under the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts ("SORP") issued by the Association of Investment Trust Companies, to charge in future 75% of management fees and finance costs to capital, and 25% to revenue, reflecting the balance of the capital and revenue elements of total return experienced historically over the longer term. This will take effect in the 2018 financial year. The current practice, for the years up to and including the 2017 financial year, has been to charge these costs in their entirety to revenue. The change is a matter for judgement and the result of the Board reviewing its policy on the allocation of fees. Total return is not affected whichever route is followed, though relative rates of taxation of income and capital gains may be a consideration for investors.

Management Fees

I am pleased to report that, following a review of the management fees payable to Fidelity, it has been agreed that the existing flat fee rate of 0.85 per cent will only apply to the first £400 million of funds under management and that a new rate of 0.75 per cent will be applied to funds in excess of £400 million. This starts from 1 April 2018 and at the current size of the Trust this is equivalent to an overall rate of approximately 0.79 per cent and will represent a useful saving for shareholders.

The Board also welcomes Fidelity's decision to absorb the cost of external investment research, which under the rules established by the latest Markets in Financial Instruments Directive of the EU (MIFID II) can no longer be recovered from broker dealing commissions. This would otherwise have resulted in an additional expense to your Company.

Dividends

The Board has not sought to influence the Portfolio Manager by imposing any income objective in any particular year, although the investment focus on companies capable of growing their dividend has seen the Company's dividend payments rise over time.

The Board recommends a final dividend of 4.35 pence per share for the year ended 31 December 2017 for approval by the shareholders at the AGM on 14 May 2018. The dividend will be payable on 18 May 2018 to shareholders who appear on the register as at close of business on 23 March 2018 (ex-dividend date 22 March 2018).

The increase in the proposed final dividend for 2017 over the 4.17 pence paid for 2016 is 4.3%.

Discount Management and Treasury Shares

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

As a result of the widening of the discount in the first quarter of 2017, the Company repurchased 150,000 ordinary shares into Treasury. Since then and as at the date of this report, the Company has not repurchased any further ordinary shares.

Gearing

The Company continues to gear through the use of derivative instruments, primarily contracts for difference ("CFDs"), and the Manager has flexibility to gear within parameters set by the Board. As at 31 December 2017, the Company's gross gearing was 13.2% (2016: 3.0%) whilst net gearing was 3.6% (2016: 3.0%). In the reporting year, gearing made a positive contribution to performance, as can be seen from the attribution analysis table on page 10.

The Board monitors the level of gearing and the use of derivative instruments carefully and has set a risk control framework for this purpose and this is reviewed at each Board meeting.

Board of Directors

The Board was pleased to welcome Paul Yates as a non-executive Director on 6 March 2017 and he was subsequently elected by shareholders at the AGM on 15 May 2017. Following this, and after serving fifteen years as a Director, Simon Fraser stepped down from the Board at the conclusion of the AGM on 15 May 2017. The Board thanks him for his invaluable contribution to the Company.

The Board is also pleased to welcome Fleur Meijs who joined the Board as a non-executive Director on 1 September 2017. As previously reported, Fleur is a continental European national, a Chartered Accountant and a former Financial Services Partner at PricewaterhouseCoopers LLP. She is a non-executive Director of Invesco Asia Trust plc and Ruffer LLP and she serves as Audit Committee Chair for both. She is a Director of Bridge to the Future (the endowment fund for United World College Mostar). She was a member of the Dutch Parliamentary committee in 2013 for the structure of banks in the Netherlands.

After serving on the Board for over ten years as a non-executive Director and nearly eight years as Senior Independent Director and Chairman of the Audit Committee, James Robinson will step down from the Board at the forthcoming AGM. I would like to take this opportunity to thank him on behalf of all the Company's stakeholders for everything he has accomplished, for his unfailing dedication and attention to detail, and his wisdom and good humour. He will take with him our very best wishes for the future.

Accordingly, with effect from 14 May 2018, James will be succeeded as Audit Committee Chairman by Fleur Meijs and as Senior Independent Director by Marion Sears.

We continue to review Board composition and Directors' succession on a regular basis to ensure that we have a Board with a mix of tenures and which provides diversity of perspective together with the range of appropriate skills and experience for your Company. In accordance with the UK Corporate Governance Code, and being a FTSE 350 Company, all Directors are subject to annual election and re-election by shareholders and put themselves forward for election and re-election at the forthcoming AGM. Biographical details of each Director are shown on page 21.

Annual General Meeting

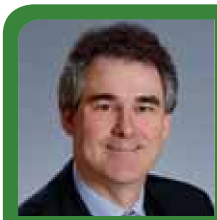
The AGM of the Company will be held at midday on Monday 14 May 2018 at Fidelity's offices at **25 Cannon Street, London EC4M 5TA** (nearest tube stations are St Paul's or Mansion House). Full details of the meeting are given on pages 59 to 63.

This is our opportunity to meet as many shareholders as possible, and I hope therefore that you are able to join us. In addition to the formal business of the meeting, Sam Morse, your Portfolio Manager, will be making a presentation on the year's results and the outlook for 2018.

Vivian Bazalgette

Vivian Bazalgette
Chairman
14 March 2018

Portfolio Manager's Review



Sam Morse has been the Company's Portfolio Manager since 1 January 2011. He has more than 27 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 2017 was 20.0% compared to a total return of 17.5% for the FTSE World Europe (ex UK) Index which is the Company's Benchmark Index. The share price total return was 26.2%, which is ahead of the NAV total return as a consequence of a narrowing of the discount from 11.1% at the beginning of the year to 7.0% at the end of the reporting period, based on the NAV excluding income (all figures in UK sterling).

Market Background

2017 turned out to be a very rewarding year for investors in the stock markets of continental Europe as companies grew their earnings handsomely and as valuations continued to expand. UK investors enjoyed even higher returns thanks to the continuing appreciation of the Euro against UK sterling.

Equity markets entered the year in rude health riding a wave of optimism thanks to President Trump's election promises of more fiscal spending and a reduction in taxes. Shares were further boosted, in the first half of the year, by 'market friendly' election results, particularly in France where Emmanuel Macron's 'En Marche!' party swept to power removing one of the main angsts: the possibility of a Marine LePen presidency. Minor shocks in the latter part of the year, such as the disturbances in Catalonia or the war of words between the Presidents of the USA and North Korea, were quickly brushed aside by the continuing pick-up in earnings, and more importantly dividends, delivered by continental European companies. This is what really drives stock markets and this is what allowed continental European shares to advance strongly even though valuations were already high relative to historical norms. The year was also remarkable for a very low level of volatility – perhaps not to be repeated – such that continental European indices marched up steadily and consistently through the year.

Portfolio Review

The Company's NAV outperformed the Benchmark Index by 2.5% in 2017. Stock selection was the main driver of this outperformance.

Among sectors there was quite a notable dispersion of performance in 2017. The energy sector endured a poor first half of the year as analysts questioned the ability of the large integrated oil companies to generate cash and cover dividend payments against the backdrop of a stalling recovery in the price of the commodity. This negatively impacted both Royal Dutch Shell and Total which are the Company's two holdings in this sector. Both companies, however, demonstrated their ability to improve cash flows, as quarterly results progressed, by cutting operating and capital expenditure and Royal Dutch Shell ended the year on a positive note by detailing plans, at its strategy day, to remove the scrip element from its dividend.

Healthcare stocks struggled for much of the year suffering from a weaker dollar, given that much of their sales and profits are sourced in America, and from continued pricing pressures in all geographies. While Sanofi and Roche performed relatively poorly, with little relief from new drug launches, Novo Nordisk performed strongly, rebounding from a disappointing 2016 with investors re-rating the company as earnings revisions stabilised and on the approval of its new diabetes drug, Ozempic.

The strong performance of technology stocks on Wall Street has been well documented but the continental European sector also had a strong year which helped the Company given its double weighting in the sector with holdings in ASML, Amadeus IT Group, SAP and Dassault Systemes.

The largest contributor to outperformance for the Company was, however, the financial sector with strong returns from many of the bank holdings, such as ABN Amro, Intesa Sanpaolo and KBC, as investors warmed to their high and growing dividends and as the fear of harsh Basel IV regulation subsided towards the end of the year.

There were two other notables during the year from a stock-picking perspective. The star of the year was Société des Bains de Mer de Monaco which almost doubled in value. The company's shares sparked to life in the last quarter, after a few quiet years, when its majority owner, the State of Monaco, added to its stake by buying out a sizeable shareholder. The shares jumped again when the company subsequently confirmed that its two major property redevelopments, the Hotel de Paris and Sporting D'Hiver, were on time, with completion by end 2018, and were on budget. Elior, the catering and concessions business, was by contrast a poor performer in the second half of the year, falling on disappointing guidance for next year which followed hot on the heels of the resignation of the Chief Executive. The holding has subsequently been sold given that the company is no longer growing its dividend and financial leverage is now an increasing concern.

Use of Derivatives

Gearing made a positive contribution to performance in the reporting year, delivering +0.4% to the NAV total return of 20.0%. During the second half of the year your Portfolio Manager started to introduce more single-name short positions, using CFDs, into the Company, as the market continued its relentless climb. Shareholders gave approval in late 2015, to use derivatives more flexibly and this has now developed into a more meaningful part of the Company's investing activity. Short positions are generally taken in larger companies which are less likely to be taken over.

They are selected from a range of mature, cyclical sectors. These stocks typically do not meet your Portfolio Manager's investment criteria, in terms of dividend growth, or other factors, and are often negatively rated by the team of analysts at Fidelity. As such, the short portfolio may magnify the Company's style in terms of performance relative to the Benchmark because it is a mirror image of the investment strategy of the Company. Identification of a specific short term catalyst for underperformance is not required by your Portfolio Manager but mechanisms for capping losses, if the stock outperforms, will be applied. An equivalent weighting in Euro Stoxx 50 futures was purchased during the second half of the year to keep net gearing at its previous level and to provide transparency on the performance of the short portfolio. The performance of the short portfolio and the Euro Stoxx 50 futures largely off-set each other such that for the second half of the year the impact on the performance of the Company of this derivatives strategy was slightly loss-making. The Manager is confident that this strategy will add value to the portfolio over time but this will be subject to periodic review.

Outlook

After a very rewarding 2017, many investors are anticipating 'more of the same' in 2018 given improving global economic growth and a lack of attractive investment alternatives. Some, including our own global CIO of equities, have suggested that we may see a 'healthy correction' soon given lofty multiples and high expectations for continued earnings growth. This is a risk but last year shows that trying to 'time' markets can be costly. The main risks, or catalysts for a correction, are cited as geo-political or related to central banks tightening monetary policy more quickly than expected, perhaps forced to do so by rising inflation. If the latter happened it would simultaneously remove the valuation support of low bond yields and drain the liquidity that has supported share prices for much of the last decade. In any event, your Portfolio Manager will stay fully invested, as always, and will maintain a focus on attractively-valued companies which have the potential to grow their dividends consistently over a three to five year period. The Company may be buffeted in the shorter term by changes in the stock market or economic environment but in the longer run these sorts of companies should deliver outperformance versus the Benchmark.

Sam Morse
Portfolio Manager
14 March 2018

Strategic Report

The Directors have pleasure in presenting the Strategic Report of the Company. The Chairman's Statement and Portfolio Manager's Review on pages 3 to 7 also form part of the Strategic Report.

Business and Status

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

The Company is registered as an investment company under Section 833 of the Companies Act 2006 and its ordinary shares are listed and traded on the London Stock Exchange. It is not a close company and has no employees.

Investment Objective

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

As mentioned in the Chairman's Statement on page 4, the Board is seeking to amend the above investment objective. Details of the revised objective, and the consequential changes to the investment policy, can be found in the Appendix in the Notice of Meeting on pages 62 and 63.

Strategy

In order to achieve this investment 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 the portfolio and the Board takes the view that long term returns for shareholders can be enhanced by the use of gearing in a carefully considered and monitored way.

As part of the strategy, the Board has delegated the management of the portfolio and certain other services. The Portfolio Manager aims to achieve a total return on the Company's net assets over the longer term in excess of the Benchmark Index, the FTSE World Europe (ex UK) Index. The stock selection approach adopted by the Portfolio Manager is considered to be well suited to achieving the objective. Although income is received by way of dividend payments, the emphasis is on capital growth and the Board takes the view that investing in equities is a long term process.

The Company's objective and strategy have remained unchanged throughout the year ended 31 December 2017.

Investment Philosophy, Style and Process

The Portfolio Manager's three principles for investing in equities are:

- **Bottom up** – Stock selection with a focus on dividend growth;
- **Long term** – A long term view improves performance and reduces costs; and
- **Cautious** – A focus on managing downside risk creates a strong foundation for long term outperformance.

The Portfolio Manager's key focus is on identifying attractively valued companies which show good long term structural growth prospects and which he believes can grow their dividends over the next few years, as he believes these are likely to outperform over time.

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

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

The Portfolio Manager draws upon the extensive research generated by Fidelity's team of pan-European analysts when researching companies. This first hand research is fundamental to seeking success stories of the future. A great deal of importance is placed on attending company meetings. Being a bottom-up stock picker, the Portfolio Manager aims to generate outperformance through company selection, on a three to five year investment horizon, rather than through sector or country positions.

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

A minimum of 80 per cent of gross assets will be invested in companies from countries which are included in the Benchmark Index (the FTSE World Europe (ex UK) Index).

A maximum of:

i) 20 per cent of gross assets may be invested in stocks of European countries* which are not included in the Company's Benchmark Index. This will include investing in UK companies, defined as companies in the FTSE All-Share Index; and

ii) 5 per cent of gross assets may be invested in stocks of non-European countries where these stocks have some exposure to, or connection with Europe. Any investments in this category will count towards the 20 per cent maximum limit in paragraph (i) above.

A maximum of 10 per cent 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 per cent or more of the equity capital of any listed company.

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

A maximum of 5 per cent 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 per cent 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 per cent of the Company's total net assets.

The Board also reserves the right to hedge the portfolio by way of currency.

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

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 on a limited basis 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 would enter into long CFDs which would achieve an equivalent effect to buying an asset financed by bank borrowing but often at lower financing costs.

* European country for the purposes of this paragraph means a country included within the FTSE All-World Europe Index and non-European is to be construed accordingly.

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

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

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

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

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

The aggregate exposure of the Company to equities, including as a result of borrowing and the use of derivatives but excluding hedging, will not exceed 130 per cent of total net assets (a gearing level of 30 per cent) at the time at which any derivative contract is entered into or a security acquired.

The aggregate exposure of the Company under short derivatives, excluding hedges and covered call options, will not exceed 10 per cent of total net assets at the time at which 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 per cent of total net assets at the time at which any derivative is entered into. The notional exposure of covered call options is the number of contracts written x the notional contract size x the market value of the underlying share price.

It should be stressed that the majority of the Company's exposure to equities will be through direct investment, not through derivatives. In addition, the limits on exposure to individual companies and groups will be calculated on the basis that the Company has acquired the securities to which any derivative is providing exposure.

Strategic Report continued

Performance

The Company's performance for the year ended 31 December 2017, including a summary of the year's activities, and details on trends and factors that may impact the future performance of the Company are included in the Chairman's Statement and the Portfolio Manager's Review on pages 3 to 7. The Portfolio Listing, the Distribution of the Portfolio, the Ten Year Record and the Summary of Performance Charts can be found on pages 14 to 20.

Results and Dividends

The Company's results for the year ended 31 December 2017 are set out in the Income Statement on page 40. The total return per ordinary share was 41.50 pence of which the revenue return was 4.37 pence.

The Directors recommend that a final dividend of 4.35 pence per share for the year ended 31 December 2017 be paid on 18 May 2018 to shareholders who appear on the register as at the close of business on 23 March 2018 (ex-dividend date 22 March 2018).

Attribution Analysis

The attribution analysis table below shows how the increase in the NAV total return for the year ended 31 December 2017 has been achieved.

Analysis of change in NAV during the year	**(%)**
Impact of:	
Index	+13.0
Exchange Rate	+4.5
Gearing	+0.4
Stock Selection	+3.2
Expenses	-1.1
NAV total return for the year ended 31 December 2017	+20.0

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

Key Performance Indicators

The key performance indicators ("KPIs") used to determine the performance of the Company and which are comparable to those reported by other investment companies are set out below.

	Year ended 31 December 2017 %	Year ended 31 December 2016 %
NAV per Ordinary Share[1]	**+20.0**	+17.6
Share Price[1]	**+26.2**	+7.6
FTSE World Europe (ex UK) Index[1]	**+17.5**	+19.7
Discount to NAV (ex-income)	**7.0**	11.1
Discount to NAV (cum-income)	**8.6**	12.9
Ongoing Charges[2]	**0.93**	0.99

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

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

In addition to the KPIs set out above, the Board regularly reviews the Company's performance against its peer group of investment companies. Long term performance is also monitored and the Ten Year Record and the Summary of Performance Charts on pages 18 to 20 show this information.

Principal Risks and Uncertainties and Risk Management

As required by provision C.2.1 of the 2016 UK Corporate Governance Code, the Board has a robust ongoing process for identifying, evaluating and managing the principal risks and uncertainties faced by the Company. The Board, with the assistance of the Alternative Investment Fund Manager (FIL Investment Services (UK) Limited/the "Manager"), has developed a risk matrix which, as part of the risk management and internal controls process, identifies the key risks that the Company faces. The risks identified are placed on the Company's risk matrix and graded appropriately. This process, together with the policies and procedures for the mitigation of risks, is updated and reviewed regularly in the form of comprehensive reports considered by the Audit Committee. The Board determines the nature and extent of any risks it is willing to take in order to achieve its strategic objectives.

The Manager also has responsibility for risk management for the Company. It works with the Board to identify and manage the principal risks and uncertainties 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. There have been no changes to these since the prior year.

Principal Risks	Description and Risk Mitigation
Market Risk	The Company's assets consist mainly of listed securities and the principal risks are therefore market related such as market downturn, interest rate movements, and exchange rate movements. The Portfolio Manager's success or failure to protect and increase the Company's assets against this background is core to the Company's continued success. Risks to which the Company is exposed in the market risk category are included in Note 17 to the Financial Statements on pages 52 to 57 together with summaries of the policies for managing these risks.
Performance Risk	The achievement of the Company's performance objective relative to the market requires the application of risk such as strategy, asset allocation and stock selection and may lead to underperformance of the Benchmark Index. The Board reviews the performance of the portfolio against the Company's Benchmark and that of its competitors and the outlook for the market with the Portfolio Manager at each Board meeting. The Portfolio Manager is responsible for actively monitoring the portfolio selected in accordance with the asset allocation parameters and seeks to ensure that individual stocks meet an acceptable risk/reward profile. The emphasis is on long term results as the Company may experience volatility of performance in the shorter term.
Economic and Political Risk	The Company may be impacted by economic and political risks, including from the UK's departure from the European Union (Brexit). Further details of the continuing process of Brexit are in the Chairman's Statement on page 3. The Board regularly reviews economic and political risks.
Discount Control Risk	The price of the Company's shares and its discount to NAV are factors which are not within the Company's total control. The Board continues to adopt an active discount management policy. Some short term influence over the discount may be exercised by the use of share repurchases at acceptable prices within the parameters set by the Board. The Company's share price, NAV and discount volatility are monitored daily by the Manager and considered by the Board at each of its meetings.
Gearing Risk	The Company has the option to invest up to the total of any loan facilities or to use CFDs to invest in equities. The principal risk is that the Portfolio Manager may fail to use gearing effectively, resulting in a failure to outperform in a rising market or to underperform in a falling market. Other risks are that the cost of gearing may be too high or that the term of the gearing is inappropriate in relation to market conditions. The Company currently has no bank loans and gears through the use of long CFDs which provide greater flexibility and are significantly cheaper than bank loans. The Board regularly considers the level of gearing and gearing risk and sets limits within which the Manager must operate.
Derivatives Risk	Derivative instruments are used to enable both the protection and enhancement of investment returns. There is a risk that the use of derivatives may lead to a higher volatility in the NAV and the share price than might otherwise be the case. The Board has put in place policies and limits to control the Company's use of derivatives and exposures. These are monitored on a daily basis by the Manager's Compliance team and regular reports are provided to the Board. Further details on derivative instruments risk is included in Note 17 on pages 52 to 57.
Cybercrime Risk	The risk posed by cybercrime is rated as significant and the Board receives regular updates from the Manager in respect of the type and possible scale of cyberattacks. The Manager's technology team has developed a number of initiatives and controls in order to provide enhanced mitigating protection to this ever increasing threat.

Other risks facing the Company include:

Tax and Regulatory Risks

A breach of Section 1158 of the Corporation Tax Act 2010 could lead to a loss of investment trust status, resulting in the Company being subject to tax on capital gains.

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

Operational Risks

The Company relies on a number of third party service providers, principally the Manager, Registrar, Custodian and Depositary.

Strategic Report continued

It is dependent on the effective operation of the Manager's control systems and those of its service providers with regard to the security of the Company's assets, dealing procedures, accounting records and the maintenance of regulatory and legal requirements. They are all subject to a risk-based programme of internal audits by the Manager. In addition, service providers' own internal control reports are received by the Board on an annual basis and any concerns are investigated.

Continuation Vote

A continuation vote takes place every two years. There is a risk that shareholders do not vote in favour of the continuation of the Company during periods when performance of the Company's NAV and share price is poor. At the Company's AGM held on 15 May 2017, 99.84% of shareholders voted in favour of the continuation of the Company. The next continuation vote will take place at the AGM in 2019.

Viability Statement

In accordance with provision C.2.2 of the 2016 UK Corporate Governance Code, the Directors have assessed the prospects of the Company over a longer period than the twelve month period required by the "Going Concern" basis. The Company is an investment trust with the objective of achieving long term capital growth*. The Board considers long term to be at least five years and accordingly, the Directors believe that five years is an appropriate investment horizon to assess the viability of the Company, although the life of the Company is not intended to be limited to this or any other period.

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 and their potential impact;
- The future demand for the Company's shares;
- The Company's share price discount to the NAV;
- The liquidity of the Company's portfolio;
- The level of income generated by the Company; and
- Future income and expenditure forecasts.

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

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

In addition, the Directors' assessment of the Company's ability to operate in the foreseeable future is included in the Going Concern Statement in the Directors' Report on page 22. The Company is also subject to a continuation vote at the AGM in 2019. The Board has a reasonable expectation that the Company will continue in operation and meet its liabilities as they occur. It therefore expects that the vote, when due, will be approved.

**See proposed changes to the investment objective and policy in the Appendix to the Notice of Meeting on pages 62 and 63.*

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 2017, there were two female and four male Directors on the Board. This will change to two female and three male Directors when James Robinson steps down at the forthcoming AGM.

Employee, Social, Community and Human Rights Issues

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

The Fidelity group of companies (including the Manager, FIL Investment Services (UK) Limited and FIL Investments International) encourages Environmental, Social and Governance ("ESG") factors in its investment decision making process. It has been a signatory to the United Nations Principles for Responsible Investment (UNPRI) since 2012 and submits an annual report detailing how it incorporates ESG into its investment analysis.

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

The Company's financial reports are printed by a company which has won awards for its environmental awareness and further details of this may be found on the back cover of this report.

Greenhouse Gas Emissions

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

Socially Responsible Investment

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

Corporate Engagement

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

Future Developments

Some trends likely to affect the Company in the future are common to many investment companies together with the impact of regulatory change. The factors likely to affect the Company's future development, performance and position are set out in the Chairman's Statement and the Portfolio Manager's Review on pages 3 to 7.

By Order of the Board
FIL Investments International
Secretary
14 March 2018

Portfolio Listing

as at 31 December 2017

The Gross Asset Exposures shown below measure exposure to market price movements as a result of owning shares and derivative instruments. The Balance Sheet Value is the actual value of the portfolio. Where a contract for difference ("CFD") is held, the Balance Sheet Value reflects the profit or loss on the contract since it was opened and is based on how much the share price of the underlying share has moved.

Long exposures – shares unless otherwise stated	Gross Asset Exposure £'000	%[1]	Balance Sheet Value £'000
Nestlé Packaged food	62,515	6.1	62,515
Roche Pharmaceuticals	47,922	4.6	47,922
Novo Nordisk Healthcare services	40,513	3.9	40,513
Sanofi (shares & long CFD) Pharmaceuticals	34,272	3.3	15,588
SAP Software	33,790	3.3	33,790
Total Oil and gas	33,788	3.3	33,788
L'Oreal Personal goods	32,583	3.2	32,583
Sampo Non-life insurance	30,977	3.0	30,977
Intesa Sanpaolo (preference shares and ordinary shares) Banks	30,658	3.0	30,658
ASML Semiconductors	30,163	2.9	30,163
Ten largest long exposures	**377,181**	**36.6**	**358,497**
Other long exposures			
ABN Amro Group	29,735	2.9	29,735
DNB	28,726	2.8	28,726
Deutsche Boerse	28,351	2.7	28,351
Essilor International	28,227	2.7	28,227
Royal Dutch Shell	28,092	2.7	28,092
Fresenius Medical Care	28,020	2.7	28,020
Symrise	27,509	2.7	27,509
Legrand	26,749	2.6	26,749
3i Group	26,676	2.6	26,676
Linde (shares & long CFD)	25,623	2.5	15,785
Amadeus IT Group	24,674	2.4	24,674
LVMH Moët Hennessy	24,567	2.4	24,567
Iliad Group	24,526	2.4	24,526
Dassault Systemes	22,336	2.2	22,336
KBC Groupe	19,718	1.9	19,718
Anheuser-Busch InBev	19,546	1.9	19,546

Long exposures – shares unless otherwise stated	Gross Asset Exposure £'000	%[1]	Balance Sheet Value £'000
Kone	19,503	1.9	19,503
Schindler Holding	19,432	1.9	19,432
Red Electrica	19,154	1.8	19,154
Edenred	16,433	1.6	16,433
Sika	15,592	1.5	15,592
Hermes International	14,350	1.4	14,350
Andritz	13,656	1.3	13,656
Telenor	13,490	1.3	13,490
Sodexo	12,040	1.2	12,040
DKSH Holding	11,447	1.1	11,447
Société des Bains de Mer de Monaco	11,224	1.1	11,224
Fielmann	11,217	1.1	11,217
Intertek Group	11,162	1.1	11,162
Atlantia	9,847	1.0	9,847
Aena	8,870	0.9	8,870
Umicore	8,516	0.8	8,516
Swedish Match	8,172	0.8	8,172
BIC	7,919	0.8	7,919
Chr. Hansen Holding	7,809	0.7	7,809
Flughafen Zurich	7,546	0.7	7,546
MTU Aero Engines (long CFD)	7,103	0.7	1,181
Elior	2,545	0.2	2,545
Total long exposures before long futures	**1,047,283**	**101.6**	**1,012,839**
Long Futures			
Euro Stoxx 50 Future March 2018	69,693	6.8	(1,580)
Total long exposures after long futures	**1,116,976**	**108.4**	**1,011,259**
Short Exposures			
Short CFDs (8 holdings)	48,990	4.8	(3,068)
Gross Asset Exposure[2]	**1,165,966**	**113.2**	
Portfolio Fair Value[3]			**1,008,191**
Net current assets (excluding derivative assets and liabilities)			21,857
Shareholders' Funds (per Balance Sheet)			**1,030,048**

1 Gross Asset Exposure is expressed as a percentage of Shareholders' Funds

2 Gross Asset Exposure comprises market exposure to investments of £1,011,114,000 (per Note 10: Investments, on page 49) plus market exposure to derivatives instruments of £154,852,000 (per Note 11: Derivative instruments, on page 50)

3 Portfolio Fair Value comprises investments of £1,011,114,000 plus derivative assets of £3,652,000 less derivative liabilities of £6,575,000 (per the Balance Sheet, on page 42)

Distribution of the Portfolio

as at 31 December 2017

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

Shares and derivatives	France	Germany	Switzerland	Netherlands	Spain	Finland	Italy	Belgium	Denmark	Norway	Other	**Total 2017[1]**	**Index 2017[2]**	Total 2016
Financials														
Banks	–	0.7	0.6	3.0	–	–	3.2	2.0	–	2.9	–	12.4	14.1	9.8
Financial Services	–	2.9	–	–	–	–	–	–	–	–	2.7	5.6	1.5	6.5
Non-Life Insurance	–	–	–	–	–	3.2	–	–	–	–	–	3.2	5.2	3.0
Real Estate Investment Trusts	–	–	–	–	–	–	–	–	–	–	–	–	0.8	1.4
Real Estate Investment & Services	–	–	–	–	–	–	–	–	–	–	–	–	0.9	–
Life Insurance	–	–	–	–	–	–	–	–	–	–	–	–	0.8	–
	–	**3.6**	**0.6**	**3.0**	**–**	**3.2**	**3.2**	**2.0**	**–**	**2.9**	**2.7**	**21.2**	**23.3**	20.7
Industrials														
Industrial Engineering	–	–	2.0	–	–	2.0	–	–	–	–	1.4	5.4	3.7	4.5
Support Services	1.7	0.5	1.2	–	–	–	–	–	–	–	1.3	4.7	1.6	2.9
Industrial Transportation	–	–	0.9	–	1.0	–	1.1	–	–	–	–	3.0	2.3	3.7
Electronic & Electrical Equipment	2.7	–	–	–	–	–	–	–	–	–	–	2.7	1.2	2.8
Aerospace & Defence	0.9	0.8	–	–	–	–	–	–	–	–	–	1.7	1.7	0.9
Construction & Materials	–	–	1.6	–	–	–	–	–	–	–	–	1.6	3.4	1.1
General Industrials	–	–	–	–	–	–	–	–	–	–	–	-	1.8	-
	5.3	**1.3**	**5.7**	**–**	**1.0**	**2.0**	**1.1**	**–**	**–**	**–**	**2.7**	**19.1**	**15.7**	15.9
Healthcare														
Pharmaceuticals & Biotechnology	3.4	–	4.8	–	–	–	–	–	4.9	–	–	13.1	11.1	12.6
Health Care Equipment & Services	2.9	2.8	–	–	–	–	–	–	–	–	–	5.7	2.4	4.0
	6.3	**2.8**	**4.8**	**–**	**–**	**–**	**–**	**–**	**4.9**	**–**	**–**	**18.8**	**13.5**	16.6
Consumer Goods														
Personal Goods	7.3	–	–	–	–	–	–	–	–	–	–	7.3	5.7	6.7
Food Producers	–	–	6.2	–	–	–	–	–	–	–	–	6.2	5.3	6.4
Beverages	–	–	–	–	–	–	–	2.0	–	–	–	2.0	2.5	2.9
Automobiles & Parts	0.7	0.7	–	–	–	–	–	–	–	–	–	1.4	4.7	1.3
Household Goods and Home Construction	0.9	–	–	–	–	–	–	–	–	–	–	0.9	0.9	0.8
Tobacco	–	–	–	–	–	–	–	–	–	–	0.9	0.9	0.1	0.7
Leisure Goods	–	–	–	–	–	–	–	–	–	–	–	–	0.2	–
	8.9	**0.7**	**6.2**	**–**	**–**	**–**	**–**	**2.0**	**–**	**–**	**0.9**	**18.7**	**19.4**	18.8

Shares and derivatives	France	Germany	Switzerland	Netherlands	Spain	Finland	Italy	Belgium	Denmark	Norway	Other	**Total 2017[1]**	**Index 2017[2]**	Total 2016
Technology														
Software & Computer Services	4.8	3.4	–	–	–	–	–	–	–	–	–	8.2	2.7	6.3
Technology Hardware & Equipment	–	–	–	3.0	–	–	–	–	–	–	–	3.0	2.3	1.4
	4.8	**3.4**	**–**	**3.0**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**11.2**	**5.0**	7.7
Basic Industries														
Chemicals	–	6.2	–	–	–	–	–	1.0	–	–	–	7.2	5.2	3.9
Industrial Metals & Mining	–	–	–	–	–	–	–	–	–	–	–	–	0.8	–
Forestry & Paper	–	–	–	–	–	–	–	–	–	–	–	–	0.4	–
Mining	–	–	–	–	–	–	–	–	–	–	–	–	0.2	–
	–	**6.2**	**–**	**–**	**–**	**–**	**–**	**1.0**	**–**	**–**	**–**	**7.2**	**6.6**	3.9
Oil & Gas														
Oil & Gas Producers	3.4	–	–	2.8	–	–	0.8	–	–	–	–	7.0	3.8	6.6
Oil Equipment, Services & Distribution	–	–	–	–	–	–	–	–	–	–	–	–	0.2	–
	3.4	**–**	**–**	**2.8**	**–**	**–**	**0.8**	**–**	**–**	**–**	**–**	**7.0**	**4.0**	6.6
Consumer Services														
Travel & Leisure	2.9	–	–	–	2.5	–	–	–	–	–	–	5.4	0.5	5.0
General Retailers	–	1.2	–	–	–	–	–	–	–	–	–	1.2	1.6	2.0
Media	–	–	–	–	–	–	–	–	–	–	–	–	1.7	1.1
Food & Drug Retailers	–	–	–	–	–	–	–	–	–	–	–	–	1.0	–
	2.9	**1.2**	**–**	**–**	**2.5**	**–**	**–**	**–**	**–**	**–**	**–**	**6.6**	**4.8**	8.1
Utilities														
Electricity	–	–	–	–	2.0	–	–	–	–	–	–	2.0	2.1	2.5
Gas, Water & Multiutilities	–	–	–	–	–	–	–	–	–	–	–	–	1.9	1.0
Alternative Energy	–	–	–	–	–	–	–	–	–	–	–	–	0.3	–
	–	**–**	**–**	**–**	**2.0**	**–**	**–**	**–**	**–**	**–**	**–**	**2.0**	**4.3**	3.5
Telecommunications														
Mobile Telecommunications	–	–	–	–	–	–	–	–	–	1.4	–	1.4	1.4	1.2
Fixed Line Telecommunications	–	–	–	–	–	–	–	–	–	–	–	–	2.0	–
	–	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1.4**	**–**	**1.4**	**3.4**	1.2
Gross Asset Exposure – 2017	**31.6**	**19.2**	**17.3**	**8.8**	**5.5**	**5.2**	**5.1**	**5.0**	**4.9**	**4.3**	**6.3**	**113.2**		
Index – 2017	**21.8**	**20.9**	**17.5**	**7.0**	**7.1**	**2.1**	**5.6**	**2.5**	**3.8**	**1.4**	**10.3**		**100.0**	
Gross Asset Exposure – 2016	**29.7**	**13.5**	**18.1**	**6.4**	**6.1**	**5.2**	**2.5**	**6.3**	**4.4**	**3.7**	**7.1**			103.0

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

2 FTSE World Europe (ex UK) Index

Ten Year Record

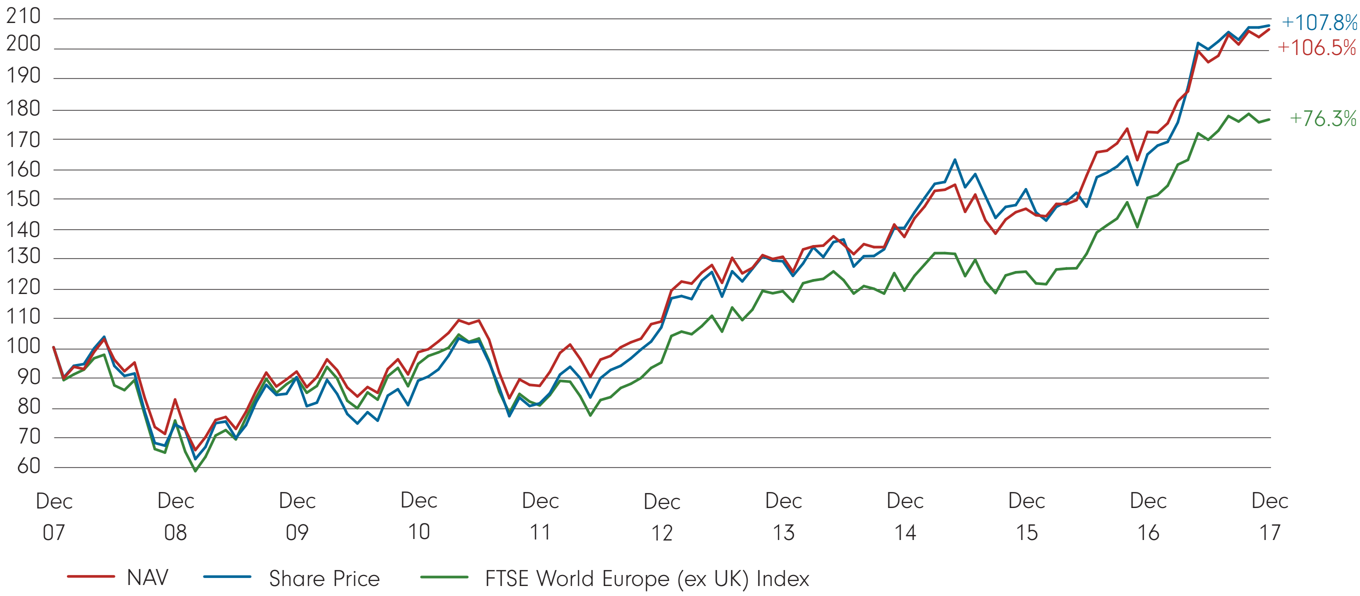
As at 31 December	**2017**	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Gross Asset Exposure (£m)[1]	**1,166**	902	782	761	742	685	562	716	742	750	958
Shareholders' Funds (£m)	**1,030**	875	760	725	711	616	518	661	649	650	855
NAV per Ordinary Share (cum-income) (p)[2]	**248.08**	210.75	182.57	174.09	168.58	142.90	116.86	133.58	126.95	118.36	144.98
Share Price (p)[2]	**226.70**	183.50	174.00	162.50	152.50	128.70	100.30	111.30	115.10	99.00	135.00
Discount to NAV (ex-income) (%)	**7.0**	11.1	2.9	4.6	7.9	8.1	12.0	15.7	7.8	13.6	6.0
Discount to NAV (cum-income) (%)	**8.6**	12.9	4.7	6.7	9.5	9.9	14.2	16.7	9.3	16.4	6.9
Revenue return per Ordinary Share (p)[2]	**4.37**	4.34	3.37	3.67	2.98	2.78	2.69	1.60	2.06	3.68	1.38
Dividend per Ordinary Share (p)[2]	**4.35**	4.17	3.33	3.64[3]	2.98	2.78	2.65	1.58	2.25[4]	2.33[5]	1.38
Cost of running the Company (Ongoing Charges) (%)	**0.93**	0.99	0.94	0.97	0.96	0.98	0.94	0.91	0.92	0.89	1.06
Gross Gearing (%)[6]	**13.2**	3.0	2.8	5.0	4.3	11.1	8.6	4.6	1.0	nil	(1.0)
Net Gearing (%)[7]	**3.6**	3.0	2.8	5.0	4.3	11.1	8.6	4.6	1.0	nil	(1.0)
NAV total return (%)	**+20.0**	+17.6	+6.9	+5.1	+20.0	+24.7	-11.5	+7.1	+11.3	-17.5	+13.4
Share Price total return (%)	**+26.2**	+7.6	+9.2	+8.7	+20.8	+31.3	-8.6	-1.3	+21.3	-25.9	+12.0
Benchmark Index total return (%)[8]	**+17.5**	+19.7	+5.3	+0.2	+25.2	+17.8	-14.7	+5.1	+19.1	-24.6	+15.1

1 The gross asset exposure of the investment portfolio, including exposure to the investments underlying the derivative instruments. 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 Gross asset 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 Net asset exposure in excess of Shareholders' funds
8 Data prior to the year ended 31 December 2011 is on a net of tax basis

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

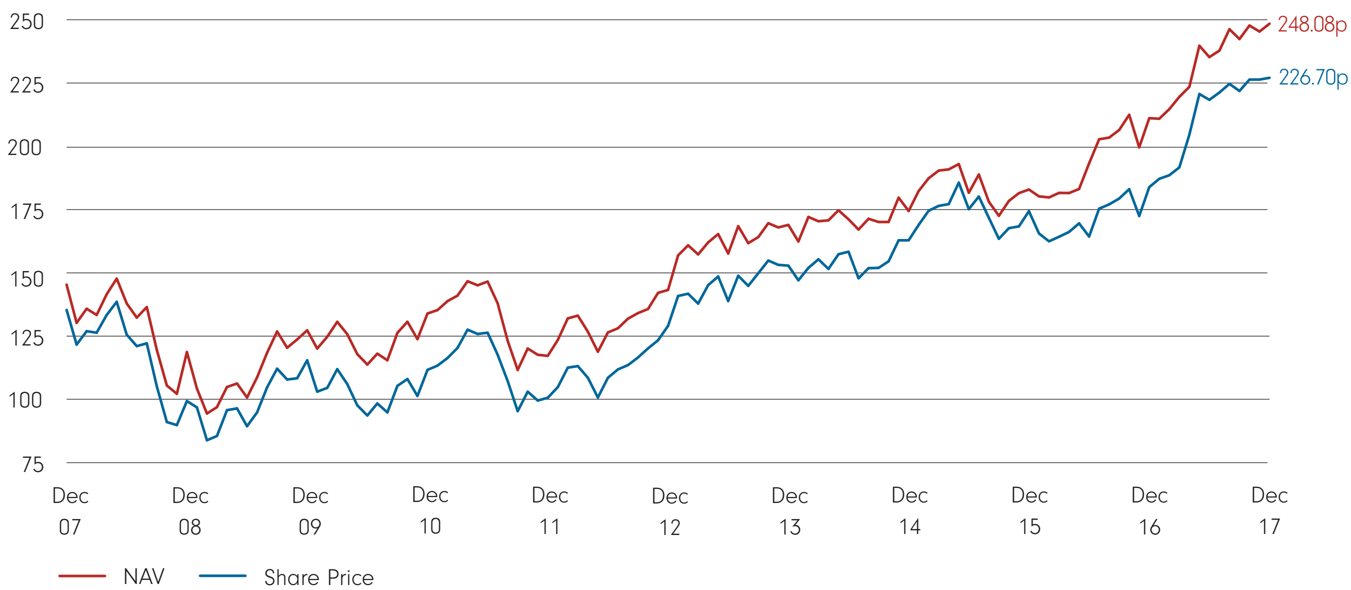
Summary of Performance Charts

Total return performance for ten years to 31 December 2017



Prices rebased to 100
Sources: Fidelity and Datastream

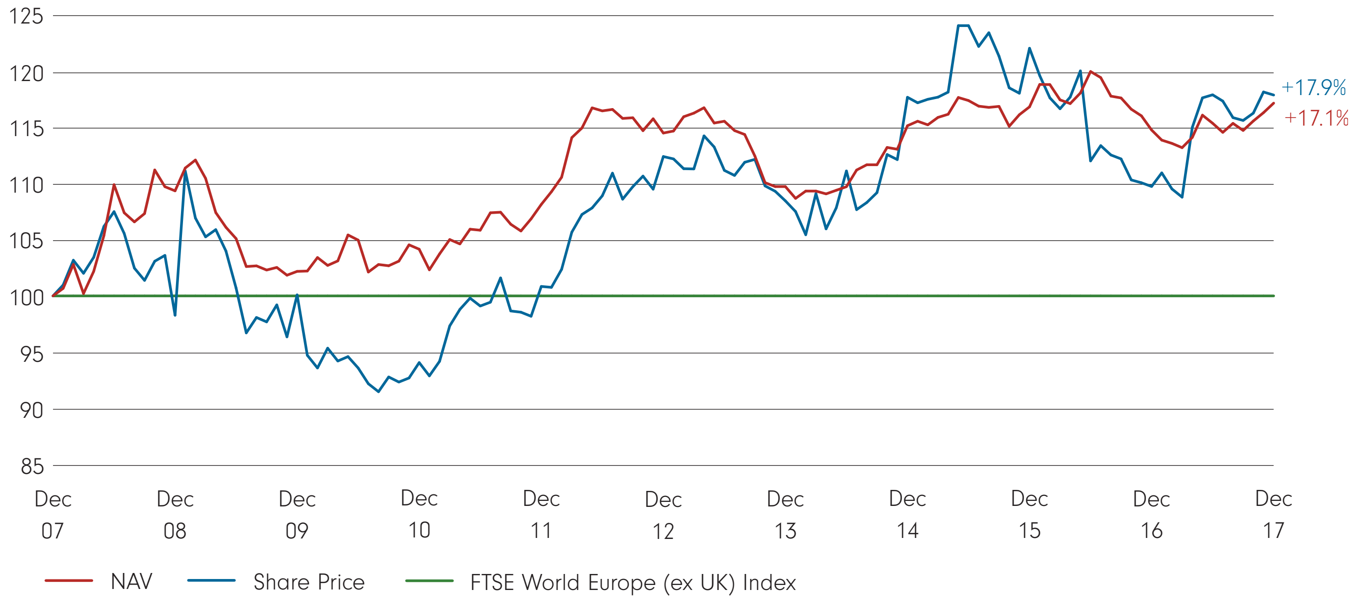
NAV and ordinary share price for ten years to 31 December 2017



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

Summary of Performance Charts continued

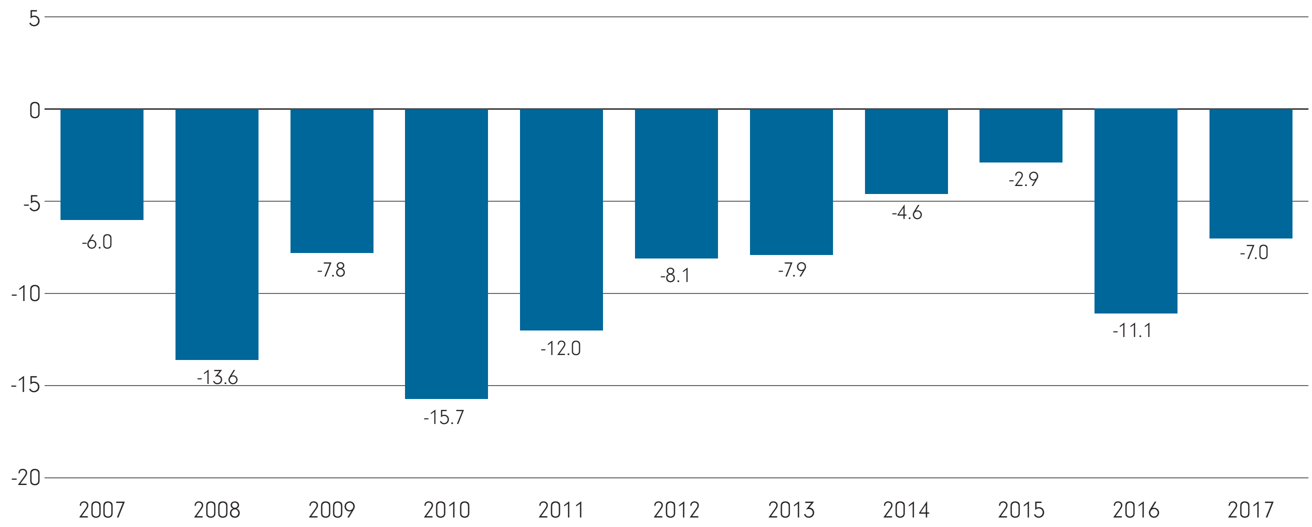
Total return performance relative to the Benchmark Index for ten years to 31 December 2017



Prices rebased to 100

Sources: Fidelity and Datastream

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



Sources: Fidelity and Datastream

Board of Directors

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

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

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

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

Fleur Meijs
Director
Appointed 1 September 2017
Member of the:
Audit Committee
Management Engagement Committee

Fleur Meijs is a Chartered Accountant. She is a non-executive Director of Invesco Asia Trust plc and Ruffer LLP and she serves as Audit Committee Chair for both. She is also a Director of Bridge to the Future, the endowment fund for UWC (United World College) Mostar. She was a Financial Services Partner at PricewaterhouseCoopers LLP until May 2016. She was also a member of the Dutch Parliamentary committee in 2013 for the structure of banks in the Netherlands.

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

Robin Niblett is the Director and Chief Executive of Chatham House (the Royal Institute of International Affairs). He is a member of the World Economic Forum's Global Agenda Council on Europe and served as Chair from 2012 to 2013. He is also a Special Advisor to the House of Commons Foreign Affairs Select Committee. Prior to this, he worked for the Centre 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.

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

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

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

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

All Directors are non-executive and all are independent.

Directors' Report

The Directors have pleasure in presenting their report and the audited Financial Statements of the Company for the year ended 31 December 2017.

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 as an investment trust on 5 November 1991.

Management Company

FIL Investment Services (UK) Limited ("FISL") is the Company's appointed Alternative Investment Fund Manager (the "AIFM"/"Manager"). FISL, as the Manager, has delegated the portfolio management of assets and the role of the company secretary to FIL Investments International.

The Alternative Investment Fund Management and Secretarial Services Agreement (the "Management Agreement") 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. The Management Agreement 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.

FIL Limited has no beneficial interest in the shares of the Company (2016: same).

The Board reviews the Management Agreement at least annually and details are included in the Corporate Governance Statement on page 27.

Fee Arrangements

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

For the period beginning 1 April 2018, fees have been renegotiated as reported in the Chairman's Statement on page 4.

Markets in Financial Instruments Directive ("MiFID II")

With effect from 3 January 2018, the MiFID II regulation changed the way that external investment research, traditionally provided by "sell-side" brokers is paid for. Previously this research was paid for on a commission basis as part of the costs of a transaction, but this is no longer allowed. Fidelity uses external investment research to access specific technical expertise for the benefit of the portfolio, and the Directors are pleased to confirm that Fidelity has agreed to cover these costs under its existing management agreements rather than pass them onto investors - which represents an estimated ongoing saving to the company of between 0.2% and 0.3% per annum which will be directly reflected in the NAV of the Company.

The Board

All Directors served on the Board throughout the year ended 31 December 2017 with the exception of Paul Yates who was appointed on 6 March 2017, Simon Fraser who retired from the Board on 15 May 2017 and Fleur Meijs who was appointed on 1 September 2017. A brief description of all serving Directors as at the date of this report is shown on page 21 and indicates their qualifications for Board membership. The Board will revert back to five Directors when James Robinson steps down on 14 May 2018.

Directors' and Officers' Liability Insurance

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

Going Concern Statement

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

Auditor's Appointment

A resolution to reappoint Ernst & Young LLP as Auditor to the Company will be proposed at the AGM on 14 May 2018.

Disclosure of Information to the Company's 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 each Director is aware, there is no relevant audit information of which the Company's Auditor is unaware; and

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

Corporate Governance

The Corporate Governance Statement forms part of this report, and can be found on pages 25 to 28.

Registrar, Custodian and Depositary Arrangements

The Company employs Link Asset Services (previously Capita Asset Services) as its Registrar to manage the Company's share register, JPMorgan Chase Bank as its Custodian, which is primarily responsible for safeguarding the Company's assets, and J.P. Morgan Europe Limited as its Depositary, which is primarily responsible for oversight of the custody of investment funds and the protection of investors' interests. Fees paid to these service providers are disclosed in Note 5 on page 46.

Share Capital

The Company's share capital comprises ordinary shares of 2.5 pence each which are fully listed on the London Stock Exchange. As at 31 December 2017, the issued share capital of the Company was 416,447,910 ordinary shares (2016: 416,447,910) of which 1,245,733 shares (2016: 1,095,733) are held in Treasury. Shares in Treasury do not have voting rights, therefore, the total number of shares with voting rights was 415,202,177 (2016: 415,352,177).

Premium/Discount Management: Enhancing Shareholder Value

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

Share Issues

No ordinary shares were issued during the year to 31 December 2017 (2016: nil) and none have been issued since the year end and as at the date of this report.

The authorities to issue shares and to disapply pre-emption rights expire at this year's AGM on 14 May 2018, therefore resolutions renewing these authorities will be put to shareholders at this AGM.

Share Repurchases

During the year to 31 December 2017, the Company repurchased 150,000 ordinary shares for holding in Treasury (2016: 1,095,733). No shares have been repurchased since the year end and as at the date of this report.

The authority to repurchase ordinary shares expires at the AGM on 14 May 2018 and a special resolution to renew the authority to purchase ordinary shares for cancellation, including the ability to buy them into Treasury, will be put to shareholders for approval at the forthcoming AGM.

Substantial Share Interests

As at 31 December 2017 and 28 February 2018, notification had been received that the shareholders listed in the table below held more than 3% of the voting share capital of the Company.

Shareholders	**31 December 2017**	28 February 2018
Fidelity Platform Investors	**17.93**	17.70
Wells Capital Management	**7.63**	7.85
1607 Capital Partners	**6.34**	6.14
Rathbones	**4.37**	4.37
Investec Wealth & Investment	**3.69**	3.50
Quilter Cheviot Investment Management	**3.52**	3.64
Hargreaves Lansdown	**3.49**	3.47
Brewin Dolphin	**3.38**	3.38
Investec Wealth & Investment Ireland	**3.03**	3.09

An analysis of shareholders as at 31 December 2017 is detailed in the table below.

Analysis of Shareholders as at 31 December 2017	**% of voting share capital**
Private Investors (including Platform Investors)	**70.53**
Mutual funds	**20.60**
Insurance funds	**3.43**
Pension funds	**3.38**
Fund of funds	**1.27**
Trading	**0.47**
Other	**0.32**
Total	**100.00**

Additional Information required in the Directors' Report

Information on proposed dividends, financial instruments and greenhouse gas emissions is set out in the Strategic Report on pages 8 to 13.

Directors' Report continued

Annual General Meeting

THIS SECTION IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

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

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

At the AGM on 14 May 2018, resolutions will be proposed relating to the items of business set out in the Notice of Meeting on pages 59 to 63, including the items of special business summarised below.

Authority to Allot Shares

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 which represents approximately 5% of the issued ordinary share capital of the Company (including Treasury shares) as at 14 March 2018, and to impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with Treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter. The Directors would not intend to use this power unless they considered that it was in the interests of shareholders to do so. Any shares issued would be at NAV per share or at a premium to NAV per share.

Authority to Disapply 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 up to an aggregate nominal value of £520,560 (including Treasury shares) (approximately 5% of the issued ordinary share capital of the Company as at 14 March 2018 and equivalent to 20,822,395 ordinary shares).

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% (62,238,806) of the ordinary shares in issue (excluding Treasury shares) on 14 March 2018, either for immediate cancellation or for retention as Treasury shares at the determination of the Directors. Once shares are held in Treasury, the Directors may only dispose of them in accordance with the relevant legislation by subsequently selling the shares for cash or by cancelling the shares. Purchases of ordinary shares will be made at the discretion of the Directors and within guidelines set from time to time by them in the light of prevailing market conditions. Purchases will only be made in the market at prices below the prevailing NAV per share.

Changes to the Investment Objective and Investment Policy

Resolution 14 is an ordinary resolution which, if approved, allows changes to the Company's investment objective and policy. Details of the proposed changes can be found in the Chairman's Statement on page 4 as well as in the Appendix to the Notice of Meeting on pages 62 and 63.

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

By Order of the Board
FIL Investments International
Secretary
14 March 2018

Corporate Governance Statement

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

Corporate Governance Codes

The Board follows the principles of the UK Corporate Governance Code (the "UK Code") issued by the Financial Reporting Council (the "FRC") in 2016 and the AIC's Code of Corporate Governance (the "AIC Code") issued by the Association of Investment Companies (the "AIC") in 2016. 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. This Statement, together with the Statement of Directors' Responsibilities on page 32, set out how the principles have been applied.

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

Statement of Compliance

The Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Code for the year under review and up to the date of this report, except in relation to the UK Code provisions relating to the role of the chief executive, executive directors' remuneration, and the need for an internal audit function. For the reasons set out in the AIC Guide, and as explained in the UK Code, the Board considers that these provisions are not relevant to the position of the Company, as it is an externally managed investment company and has no executive directors, employees or internal operations.

THE BOARD

Board Composition

The Board, chaired by Vivian Bazalgette, currently consists of six non-executive Directors and will revert to five members when James Robinson retires from the Board on 14 May 2018. The Directors believe that, between them, they have good knowledge and wide experience of business in Europe and investment companies, and that the Board has an appropriate balance of skills, experience, independence and knowledge of the Company and length of service to discharge its duties and provide effective strategic leadership and proper governance of the Company.

James Robinson is the Senior Independent Director and fulfils the role of sounding board for the Chairman, intermediary for the other Directors as necessary and he acts as a channel of communication for shareholders in the event that contact through the Chairman is inappropriate. Mr Robinson will retire from the Board on 14 May 2018 and Marion Sears will be appointed as the Senior Independent Director.

Biographical details of all the Directors are on page 21.

Board Responsibilities and Board Meetings

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

All Directors are independent of the Manager and considered to be free from any relationship which could materially interfere with the exercise of their independent judgement. The Board follows a procedure of notification of other interests that may arise as part of considering any potential conflicts and is satisfied that none has arisen in the year under review.

All Directors are able to allocate sufficient time to the Company to discharge their responsibilities fully and effectively. Each Director is entitled to take independent professional advice, at the Company's expense, in the furtherance of their duties.

The Board considers that it meets sufficiently regularly to discharge its duties effectively and the table on page 26 gives the attendance record for the meetings held during the reporting year. The Portfolio Manager and key representatives of the Manager are in attendance at these meetings. Between these meetings there is regular contact with the Manager and other meetings are arranged as necessary. Additionally, Board Committees and sub-groups meet to pursue matters referred to them by the Board and the Chairman is in contact with the other Directors regularly without representatives of the Manager being present.

In addition to the formal Board and Committee meetings, the Board undertakes a two day due diligence trip to Europe every other year and a trip was undertaken to Zurich in November 2017. During this trip, the Board met with the management of existing and potential investee companies alongside the Portfolio Manager. The Board members also visited Fidelity International's office in the city and met with some of their analysts and representatives, thereby gaining valuable insight. The next due diligence trip will be in November 2019. The Directors also have meetings with Fidelity's Head of Investment Trusts and attend educational days organised by the Manager.

Corporate Governance Statement continued

	Regular Board Meetings	Audit Committee Meetings	Management Engagement Committee Meetings
Vivian Bazalgette	5/5	3/3	1/1
Simon Fraser (retired 15 May 2017)	3/3	n/a	n/a
Fleur Meijs (appointed 1 September 2017)	1/1	1/1	n/a
Robin Niblett	5/5	3/3	1/1
James Robinson	5/5	3/3	1/1
Marion Sears	5/5	3/3	1/1
Paul Yates (appointed 6 March 2017)	3/3	2/2	n/a

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

Company Secretary

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

Changes to the Board

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

Director Training

Upon appointment, each Director is provided with all relevant information regarding the Company and receives an induction on the investment operation 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 Independent Auditor and the Company Secretary regarding any proposed developments or changes in law or regulations that could affect the Company and/or the Directors.

Election and Re-election of Directors

All newly appointed Directors stand for election by the shareholders at the AGM following their appointment by the Board. All other Directors are subject to annual re-election as the Company is a constituent member of the FTSE 350 Index. Directors standing for election and re-election at this year's AGM are accompanied by sufficient biographical details on page 21 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 AGM.

Board Evaluation

An annual evaluation of the Board, its Directors and its Committees is in place. As a FTSE 350 Company and in accordance with Code B.6.2 of the 2016 UK Corporate Governance Code, the Board is required to carry out an externally facilitated evaluation of the Board every three years. Accordingly for the year ended 31 December 2017, the performance and contribution of the Chairman and each Director was considered using an external evaluation agency, Stephenson & Co., which had no connection with the Company or the Manager. It was concluded that each Director had been effective and continued to demonstrate commitment to their role. The performance of the Chairman was evaluated by the other Directors in the Chairman's absence. The Company Secretary and Portfolio Manager were also included in the evaluation process to provide all-round feedback. The tenure of Directors is also considered in the evaluation process and a Director may serve for more than nine years, provided that Director is considered by the Board to continue to be independent. The process is considered to be constructive in terms of identifying areas for improving the functioning and performance of the Board and its Committees and action is taken on the basis of the results.

Other than every third year when an external evaluation is undertaken, the Board evaluation process takes the form of written questionnaires and discussions.

Directors' Remuneration and Share Interests

Details of the Directors' remuneration and share interests are disclosed in the Directors' Remuneration Report on pages 29 to 31.

BOARD COMMITTEES

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

Audit Committee

The Audit Committee is chaired by James Robinson and consists of all of the Directors. Full details are disclosed in the Report of the Audit Committee on pages 33 and 34.

Management Engagement Committee

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

Ahead of each AGM, the Committee reviews the performance of the Manager and the fee basis and also that of its peers. Since the end of the reporting year, the Directors have had a Management Engagement Committee meeting and reviewed the performance of the Manager and the terms of the Management Agreement. The Committee noted the Company's good long term performance record and the commitment, quality and continuity 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.

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 35 to 39.

The Board has a responsibility to present a fair, balanced and understandable assessment of annual, half-yearly and other price sensitive public reports and reports to regulators, and to provide information required to be presented by statutory requirements. All such reports are reviewed by the Audit Committee and approved by the Board prior to their issue to ensure that this responsibility is fulfilled.

Risk Management and Internal Controls

The Board is responsible for the Company's systems of risk management and of internal controls and for reviewing their effectiveness. The review takes place at least once a year. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, but not absolute, assurance against material misstatement or loss.

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

The Board, assisted by the Manager, has undertaken a rigorous risk and controls assessment. It confirms that there is an effective ongoing process in place to identify, evaluate and manage the Company's principal business and operational risks, and that it has been in place throughout the year ended 31 December 2017 and up to the date of this report. This process is in accordance with the FRC's "Risk Management, Internal Control and Related Financial Business Reporting" guidance.

The Board has reviewed the need for an internal audit function and has determined that the systems and procedures employed by the Manager, which are subject to inspection by the Manager's internal and external audit processes, 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 once a year. It receives a summary of the Manager's externally audited internal controls report on an annual basis.

Whistle-Blowing Procedure

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

Bribery Act 2010

The Company is committed to carrying out business fairly, honestly and openly. The Board recognises the benefits this has for reputation and business confidence. The Board, the Manager, the Manager's employees and others acting on the Company's behalf, are expected to demonstrate high standards of behaviour when conducting business.

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

Criminal Finances Act 2017

The Board has considered the recent changes made by the Criminal Finances Act 2017 which introduced a new corporate criminal offence of failing to take reasonable steps to prevent the facilitation of tax evasion. The Company maintains a zero tolerance policy towards the provision of illegal services, including the facilitation of tax evasion.

Responsibility as Institutional Shareholder

The Board has adopted the Manager's Principles of Ownership in relation to investments. These Principles include the pursuit of an active investment policy through portfolio management decisions, voting on resolutions at general meetings and maintaining a continuing dialogue with the management of investee companies. Fidelity is a signatory to the UK Stewardship Code setting out the responsibilities of institutional shareholders and agents. Further details of the Manager's Principles of Ownership and voting may be found at **www.fidelity.co.uk**.

Relations with Shareholders

Communication with shareholders is given a high priority by the Board and it liaises with the Manager and the Company's broker who are in regular contact with the Company's major institutional investors to canvass shareholder opinion and to communicate its views to shareholders. All Directors are made aware of shareholders' concerns and the Chairman, the Senior Independent Director and, where appropriate, other Directors are available to meet with shareholders to discuss strategy and governance. The Board regularly monitors the shareholder profile of the Company and receives regular reports from the Manager on meetings attended with shareholders and any concerns raised in such meetings. The Board aims to provide the maximum opportunity for dialogue between the Company and shareholders. If any shareholder wishes to contact a member of the Board directly, they should either email the Company Secretary at **investmenttrusts@fil.com** or write to the address provided on page 66. The Company Secretary will attend to enquiries promptly and ensure that they are directed to the Chairman, the Senior Independent Director or the Board as a whole, as appropriate.

The Board encourages all shareholders to attend the AGM on 14 May 2018 at which they will have the opportunity to meet and address questions to the Chairman and other members of the Board, the Portfolio Manager and representatives of the Manager.

The Notice of Meeting on pages 59 to 63 sets out the business of the AGM and the special business resolutions are explained more fully on page 24 of the Directors' Report. A separate resolution is proposed on each substantially separate issue including the Annual Report and Financial Statements. The Notice of the AGM and related papers are sent to shareholders at least 20 working days before the Meeting.

Voting rights in the Company's shares

Every person entitled to vote 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 held. 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.fidelityinvestmenttrusts.com**.

Articles of Association

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

On behalf of the Board

Vivian Bazalgette

Vivian Bazalgette
Chairman
14 March 2018

Directors' Remuneration Report

Chairman's Statement

The Directors' Remuneration Report for the year ended 31 December 2017 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 chief executive and 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 (excluding the Remuneration Policy) will be put to shareholders at the AGM on 14 May 2018. 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 35 to 39.

Directors' Remuneration

The fee structure with effect from 1 January 2018 is: Chairman – £40,000 (2017: £37,500); Chairman of the Audit Committee – £30,000 (2017: £28,000); and Director – £26,000 (2017: £24,000). With effect from 14 May 2018, the Senior Independent Director will receive a supplementary fee of £2,500. Increases in Directors' remuneration are made to ensure that they remain competitive and sufficient to attract and retain the quality of Directors needed to manage the Company successfully.

The Remuneration Policy

The Remuneration Policy is subject to a binding vote, in the form of an ordinary resolution at every third AGM. A binding vote means that if it is not successful the Board will be obliged to revise the policy and seek further shareholder approval at a General Meeting specially convened for that purpose. The current policy, which was approved at last year's AGM, 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; the requirement to attract and retain individuals with suitable knowledge and experience; and the role that individual Directors fulfil. Other than fees and reasonable travel expenses incurred in attending to the affairs of the Company, the Directors are not eligible for any performance related pay or benefits, pension related benefits, share options, long term incentive schemes, or other taxable benefits. The Directors are not entitled to exit payments and are not provided with any compensation for loss of office.

The level of Directors' fees is determined by the whole Board. Directors do not vote on their own fees. The Board reviews the Company's Remuneration Policy and implementation on an annual basis. Reviews are based on information provided by the Company's Manager and research from third parties and it includes information on the fees of other similar investment trusts.

As a FTSE 350 Company, and in accordance with Code B.6.2 of the UK Corporate Governance Code, the Board is required to carry out an externally facilitated evaluation every third year of its performance which includes input into the appropriate level of Directors' fees from an independent source.

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

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

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

Report on the Implementation of the Remuneration Policy

The Remuneration Policy (the "Policy"), as set out above, was approved at the AGM on 15 May 2017 with 99.31% of votes cast in favour, 0.46% of votes cast against and 0.23% of votes withheld. The next vote will be put to shareholders at the AGM in 2020. The Policy has been followed throughout the year ended 31 December 2017 and up to the date of this report.

Voting on the Directors' Remuneration Report

At the AGM held on 15 May 2017, 99.42% of votes were cast in favour of the Directors' Remuneration Report for the year ended 31 December 2016, 0.35% of votes were cast against and 0.23% of votes were withheld.

The Directors' Remuneration Report for the year ended 31 December 2017 will be put to shareholders at the AGM on 14 May 2018, and the votes cast will be disclosed on the Company's pages of the Manager's website at: **www.fidelityinvestmenttrusts.com**.

Single Total Figure of Directors' Remuneration

The single total aggregate Directors' remuneration for the year under review was £152,568 (2016: £147,810). This includes expenses incurred by Directors in attending to the affairs of the Company which are considered by HMRC to be a taxable benefit. Information on individual Directors' fees and taxable benefits is shown in the table on page 30.

Directors' Remuneration Report continued

Remuneration of Directors	2018 Projected Fees (£)	2017 Fees (Audited) (£)	2017 Taxable Benefits* (Audited) (£)	2017 Total (Audited) (£)	2016 Fees (Audited) (£)	2016 Taxable Benefits* (Audited) (£)	2016 Total (Audited) (£)
Vivian Bazalgette[1]	40,000	**37,500**	**–**	**37,500**	32,600	–	32,600
Simon Fraser[2]	n/a	**10,000**	**–**	**10,000**	24,000	–	24,000
Humphrey van der Klugt[3]	n/a	**n/a**	**n/a**	**n/a**	13,700	903	14,603
Fleur Meijs[4]	28,542	**8,000**	**–**	**8,000**	n/a	n/a	n/a
Robin Niblett	26,000	**24,000**	**–**	**24,000**	24,000	–	24,000
James Robinson[5]	11,014	**28,000**	**909**	**28,909**	28,000	413	28,413
Marion Sears[6]	27,589	**24,000**	**313**	**24,313**	24,000	194	24,194
Paul Yates[7]	26,000	**19,846**	**–**	**19,846**	n/a	n/a	n/a
Total	159,145	**151,346**	**1,222**	**152,568**	146,300	1,510	147,810

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

1 Appointed as Chairman on 12 May 2016
2 Retired on 15 May 2017
3 Retired on 12 May 2016
4 Appointed 1 September 2017. To be appointed as Audit Committee Chairman on 14 May 2018
5 Retiring on 14 May 2018
6 To be appointed Senior Independent Director on 14 May 2018
7 Appointed 6 March 2017

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

Expenditure on Directors' Remuneration and Distributions to Shareholders

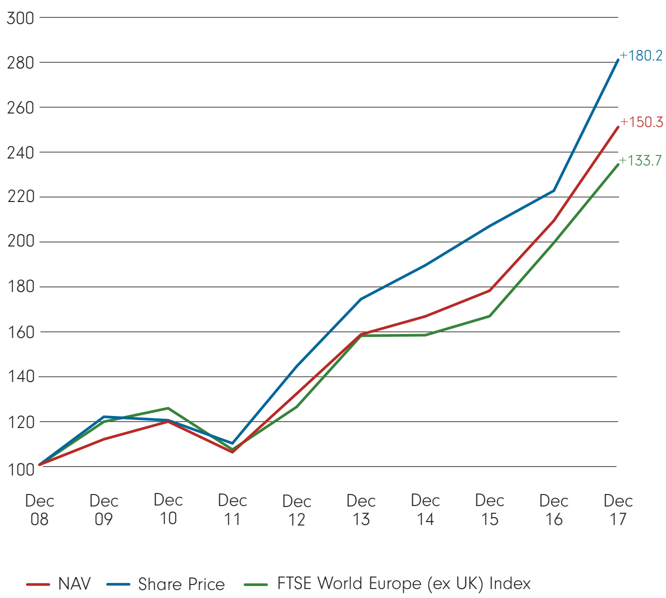
The table below shows the total amount paid out in Directors' remuneration and distributions to shareholders. The projected Directors' remuneration for the year ending 31 December 2018 is disclosed in the table above.

	31 December 2017 £	31 December 2016 £
Expenditure on Directors' Remuneration:		
Fees and taxable benefits	**152,568**	147,810
Distributions to Shareholders:		
Dividend payments	**17,320,000**	13,868,000
Shares repurchased	**293,000**	1,862,000

Performance

The Company's investment objective is to achieve long term capital growth principally from the stockmarkets of continental Europe. The graph opposite shows the performance of the Company's NAV, share price and the FTSE World Europe (ex UK) Index for nine years to 31 December 2017.

Total return performance for nine years to 31 December 2017



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

Directors' Interest in the Company's Shares

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

Directors' Shareholdings (Audited)

	31 December 2017	31 December 2016	Change during year
Vivian Bazalgette	**30,000**	30,000	–
Simon Fraser[1]	**n/a**	70,990	n/a
Fleur Meijs[2]	**6,681**	n/a	See note 2
Robin Niblett[3]	**15,000**	10,000	5,000
James Robinson	**30,000**	30,000	–
Marion Sears[4]	**21,020**	12,000	9,020
Paul Yates[5]	**32,000**	n/a	See note 5

1 Retired on 15 May 2017
2 Beneficial owner of 6,681 shares as at date of appointment
3 Purchase of shares
4 Purchase of shares of which 2,020 are held by a connected person
5 Beneficial owner of 21,280 shares as at date of appointment and purchase of 10,720 shares since date of appointment

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

On behalf of the Board

Vivian Bazalgette
Chairman
14 March 2018

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial period. Under that law they have elected to prepare the Financial Statements in accordance with UK Generally Accepted Accounting Practice, including FRS 102: The Financial Reporting Standard applicable in the UK and Republic of Ireland. The Financial Statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss for the reporting period.

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

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

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

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

The Directors have delegated responsibility for the maintenance and integrity of the corporate and financial information included on the Company's pages of the Manager's website at: **www.fidelityinvestmenttrusts.com** to the Manager. Visitors to the website need to be aware that legislation in the UK governing the preparation and dissemination of the Financial Statements may differ from legislation in their own jurisdictions.

The Directors confirm that to the best of their knowledge:

- The Financial Statements, prepared in accordance with FRS 102, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- The Annual Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties it faces.

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

Approved by the Board on 14 March 2018 and signed on its behalf by:

Vivian Bazalgette

Vivian Bazalgette
Chairman

Report of the Audit Committee

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

The primary responsibilities of the Committee are to ensure the integrity of the Company's financial reporting, the appropriateness of the risk management and internal controls processes and the effectiveness of the independent audit process and how this has been assessed for the year ended 31 December 2017.

Composition

The members of the Committee are myself as Chairman and all the other Directors. Vivian Bazalgette is a member of the Committee because the Board believes it to be appropriate for all Directors to have such responsibility. The Committee considers that collectively its members have sufficient recent and relevant financial experience to discharge their responsibilities fully.

The Committee's performance is evaluated as part of the overall Board evaluation process on an annual basis.

Role and Responsibilities

The Committee's authority and duties are clearly defined in its terms of reference which are available on the Company's pages of the Manager's website at **www.fidelityinvestmenttrusts.com**. These duties include:

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

* *The Committee, on behalf of the Board, has reviewed the work undertaken by the Manager's internal audit team and has sufficient reassurance that a sound system of internal controls is maintained to safeguard shareholders' investments and the Company's assets.*

Meetings and Business Considered

Since the date of the last Annual Report (14 March 2017), the Committee has met three times and the Independent Auditor has attended two of these meetings.

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

- The Company's risk management and internal controls framework;
- The Company's compliance with its investment policy limits;
- The Depositary's oversight report;
- The Registrar's oversight and assurance report;
- The Company's revenue and expenses forecasts and its Balance Sheet; and
- The Committee's terms of reference

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

July 2017	• Allocation of charges between revenue and capital • The Half-Yearly Report and Financial Statements and recommendation of its approval to the Board • The Going Concern Statement • The Independent Auditor's engagement letter and audit plan for the Company's year ending 31 December 2017
November 2017	• The allocation of management fees and finance costs
March 2018	• The Independent Auditor's findings from the audit of the Company • The Independent Auditor's performance, independence and reappointment • Compliance with Corporate Governance and regulatory requirements • The Annual Report and Financial Statements and recommendation of its approval to the Board • The Viability and Going Concern Statements • Recommendation of the final dividend payment to be recommended to the Board • Allocation of expenses

Report of the Audit Committee continued

Annual Report and Financial Statements

The Annual Report and Financial Statements are the responsibility of the Board and the Statement of Directors' Responsibilities is on page 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 on any specific areas which require judgement. The Committee members apply their expertise and knowledge in reviewing disclosures made in order to ensure that the Financial Statements are fair, balanced and understandable.

Significant issues considered by the Committee

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

Recognition of Investment Income	Investment income is recognised in accordance with accounting policy Note 2(e) on page 43. The Manager provided detailed revenue forecasts which the Committee reviewed whilst seeking explanations for any significant variances to these forecasts. The Committee reviewed the internal audit and compliance monitoring reports received from the Manager to satisfy itself that adequate systems were in place for properly recording the Company's investment income. Investment income was also tested and reported on by the Independent Auditor.
Valuation, existence and ownership of investments (including derivatives)	The valuation of investments (including derivatives) is in accordance with accounting policy Notes 2(k) and 2(l) on page 44. The Committee took comfort from the Depositary's regular oversight reports that investment related activities were conducted in accordance with the Company's investment policy. The Committee received reports from the Manager and the Depositary that the valuation, existence and ownership of investments had been verified. In addition the Committee received confirmation from the Auditor that it had tested the valuation of the Company's 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 counterparties.

The Company confirms that it has complied with the September 2014 Competition and Markets Authority Order as set out below in relation to the performance and appointment of the Auditor.

Independence and Effectiveness of the Audit Process

Ernst & Young LLP acted as the Company's Independent Auditor for the year ended 31 December 2017. Fees paid to the Independent Auditor for the audit of the Company's Financial Statements are disclosed in Note 5 on page 46.

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

- The audit plan for the year, including the audit team and approach to significant risks;
- The Auditor's arrangements for any conflicts of interest;
- The extent of any non-audit services*; and
- The statement by the Auditor that it remains independent within the meaning of the regulations and its professional standards.

* There were no non-audit services provided to the Company during the reporting year and as at the date of this report

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

- The fulfilment by the Auditor of the agreed audit plan;
- The audit findings report issued by the Auditor on the audit of the Annual Report and Financial Statements for the year ended 31 December 2017; and
- Feedback from the Manager on the audit of the Company.

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

Auditor's Appointment and Audit Tenure

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

James Robinson
Chairman of the Audit Committee
14 March 2018

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

Opinion

We have audited the Financial Statements of Fidelity European Values PLC for the year ended 31 December 2017, which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 19, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the Financial Statements:

- give a true and fair view of the Company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Use of our report

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.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the Annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the Annual report set out on pages 10 and 11 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation set out on page 27 in the Annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the Directors' statement set out on page 22 in the Annual report about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the Directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation set out on page 12 in the Annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Overview of our audit approach

Key audit matters	• Incomplete or inaccurate investments and derivatives income recognition and specifically the recognition of special dividends, including incorrect allocation between revenue and capital • Valuation and existence of listed investments and derivatives
Materiality	• Overall materiality of £10.30m (2016: £8.70m) which represents 1% of the Company's Net Asset Value as at 31 December 2017.

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Incomplete or inaccurate investments and derivatives income recognition and specifically the recognition of special dividends, including incorrect allocation between revenue and capital *Refer to the Report of the Audit Committee (page 34); Accounting policies (page 43); and Note 3 of the Financial Statements (page 45).* The Company has reported revenue of £29.38m (2016: £27.00m). We identified the incomplete or inaccurate recognition of special dividends to be a fraud risk due to the requirement to exercise judgement and manual processing. Special dividends by their nature require the exercise of judgement as to whether the income receivable should be classified as "revenue" or "capital" for S1158 Corporation Tax Act 2010 ("CTA") purposes. The revenue column of the income statement is the main driver of the minimum dividend calculation. There is therefore a risk that an incorrect classification could potentially result in an under distribution of income and put the Company's investment trust status at risk. The largest three special dividends received by the Company during the year were from: • Swedish Match (£1.82m); • DKSH Holding (£0.72m); • CHR Hansen Holdings (£0.63m). Given the degree of judgement involved, we considered there to be a potential fraud risk in relation to special dividends, in accordance with Auditing Standards, in this area of our audit.	We have performed the following procedures: • Walked through the revenue recognition process, including recognition of special dividends, to obtain an understanding of the design effectiveness of the controls; • Agreed a sample of dividends to the corresponding announcements made by the investee company and agreed cash received to bank statements; • Agreed, for a sample of investee companies, the dividend announcements made by the investee company from an external third party source to the income entitlements recorded by the Company; • Agreed material accrued investment and derivative dividends to an independent source and to post year end bank statement to assess the recoverability of these amounts; • For the sample selected, we compared the exchange rate used to translate the investment and derivative dividend income received in foreign currency to an independent source; • Considered the recognition criteria applied to the special dividends received during the year and their classification as revenue or capital.	The results of our procedures identified no issues with the accuracy, classification or completeness of income receipts, including special dividends. We noted no exceptions in agreeing the sample of dividend income from investments and derivatives to and from the independent source and to the bank statements. We noted no issues in agreeing the accrued dividend to an independent source and post year end bank statement. We confirmed the appropriate accounting classification adopted for material special dividends as revenue or capital, including the classification of the £1.82m dividend from Swedish Match as capital, as well as £0.72m from DKSH Holding and £0.63m from CHR Hansen Holdings as revenue.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Valuation and existence of listed investments and derivatives *Refer to the Report of the Audit Committee (page 34); Accounting policies (page 44); and Notes 10, 11 of the Financial Statements (pages 49 and 50).* The valuation of investments and derivatives as at 31 December 2017 was £1,008.19m (2016: £862.20m), comprising £1,011.11m (2016: £862.75m) of investments and £(2.92)m (2016: £(0.60)m) of net derivatives. The existence and valuation of the assets held in the investment portfolio and derivatives is the key driver of the Company's net asset value and total return. Incorrect asset pricing or a failure to maintain proper legal title of the assets held by the Company could have a significant impact on portfolio valuation and, therefore, the return generated for shareholders.	We have performed the following procedures: • Independently valued 100% of the listed investments and derivatives prices in the portfolio using independent data provider, and compared to those values of the Company; • For those investments priced in currencies other than UK sterling we compared the exchange rates to an independent source and recalculated value of those investments; and • Agreed 100% of the holdings in the investment portfolio and derivatives to third party confirmations received from the Custodian or Brokers.	For all listed investments and derivatives, we noted no material differences in market value or exchange rates. We noted no exceptions or discrepancies between the Custodian and Brokers confirmations and the Company's underlying financial records.

The risks of material misstatement are the same as in the prior year, unless indicated otherwise.

An overview of the scope of our audit

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Company. This enables us to form an opinion on the Financial Statements. We take into account size, risk profile, the organisation of the Company and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion. The Company is a single company and all audit work was performed directly by the audit engagement team.

Materiality

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

We determined materiality for the Company to be £10.30 million (2016: £8.70 million), which is 1% (2016: 1%) of the Net Asset Value of the Company. We have used the Net Asset Value of the Company as the basis for setting materiality as it provides the most important financial metric on which shareholders judge the performance of the Company and it is a generally accepted auditing practice for investment trust audits.

Performance materiality

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

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 75% (2016: 50%) of our planning materiality, namely £7.72m (2016: £4.40m). We have increased performance materiality to this percentage based on our experience of the first year audit that indicated a lower risk of misstatements, both corrected and uncorrected.

Given the importance of the distinction between revenue and capital for the Company, we also applied a separate testing threshold of £1.00m (2016: £1.00m) for the revenue column of the Income Statement, being 5% of the net revenue return on ordinary activities before taxation (2016: 5%).

Reporting threshold

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

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.51m (2016: £0.40m), which is set at 5% (2016: 5%) of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

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

Other information

The other information comprises the information included in the Annual report set out on page 23, including the Strategic Report set out on pages 8 to 13 and Directors' Report set out on pages 22 to 24, other than the Financial Statements and our Auditor's report thereon. The Directors are responsible for the other information.

Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Financial Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable set out on page 32** – the statement given by the Directors that they 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 performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or

- **Audit Committee reporting set out on pages 33 and 34** – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or

- **Directors' statement of compliance with the UK Corporate Governance Code set out on page 25** – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the Financial Statements; and

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us 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 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.

Responsibilities of Directors

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, and for such internal control as the Directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit, in respect to fraud, are: to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are the Companies Act 2006, the Listing Rules, the UK Corporate Governance Code and Section 1158 of the Corporation Tax Act 2010.
- We understood how Fidelity European Values PLC is complying with those frameworks through discussions with the Audit Committee and Company Secretary and review of the Company's documented policies and procedures.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of the reporting to the Directors with respect to the application of the documented policies and procedures and review of the financial statements to ensure compliance with the reporting requirements of the Company.
- We assessed the susceptibility of the Company's Financial Statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements. We identified a fraud risk with respect to incomplete or inaccurate investments and derivatives income recognition and specifically the recognition of special dividends, including incorrect allocation between revenue and capital. Further discussion of our approach is set out in the section on key audit matters above.

A further description of our responsibilities for the audit of the Financial Statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's report.

Other matters we are required to address

- We were appointed by the Company on 12 May 2016 and reappointed on 15 May 2017 to audit the Financial Statements for the year ending 31 December 2017.

  The period of total uninterrupted engagement including previous renewals and reappointments is 2 years, covering the years ending 31 December 2016 to 31 December 2017.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting the audit.
- The audit opinion is consistent with the additional report to the Audit Committee.

Matthew Price
(Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP
Statutory Auditor
London
14 March 2018

Notes:

1. The maintenance and integrity of the Fidelity International web site is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Income Statement

for the year ended 31 December 2017

		Year ended 31 December 2017			Year ended 31 December 2016		
	Notes	revenue £'000	capital £'000	total £'000	revenue £'000	capital £'000	total £'000
Gains on investments	10	–	152,924	152,924	–	114,211	114,211
Gains/(losses) on derivative instruments	11	–	1,211	1,211	–	(1,502)	(1,502)
Income	3	29,384	–	29,384	27,006	–	27,006
Investment management fees	4	(8,281)	–	(8,281)	(6,972)	–	(6,972)
Other expenses	5	(802)	–	(802)	(919)	–	(919)
Foreign exchange gains		–	22	22	–	6	6
Net return on ordinary activities before finance costs and taxation		**20,301**	**154,157**	**174,458**	19,115	112,715	131,830
Finance costs	6	(308)	–	(308)	–	–	–
Net return on ordinary activities before taxation		**19,993**	**154,157**	**174,150**	19,115	112,715	131,830
Taxation on return on ordinary activities	7	(1,840)	–	(1,840)	(1,053)	–	(1,053)
Net return on ordinary activities after taxation for the year		**18,153**	**154,157**	**172,310**	18,062	112,715	130,777
Return per ordinary share	8	**4.37p**	**37.13p**	**41.50p**	4.34p	27.10p	31.44p

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

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

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

The Notes on pages 43 to 58 form an integral part of these Financial Statements.

Statement of Changes in Equity

for the year ended 31 December 2017

	Notes	share capital £'000	share premium account £'000	capital redemption reserve £'000	capital reserve £'000	revenue reserve £'000	total share-holders' funds £'000
Total shareholders' funds at 31 December 2016		**10,411**	**58,615**	**5,414**	**775,588**	**25,323**	**875,351**
Net return on ordinary activities after taxation for the year		**–**	**–**	**–**	**154,157**	**18,153**	**172,310**
Repurchase of ordinary shares	14	**–**	**–**	**–**	**(293)**	**–**	**(293)**
Dividends paid to shareholders	9	**–**	**–**	**–**	**–**	**(17,320)**	**(17,320)**
Total shareholders' funds at 31 December 2017		**10,411**	**58,615**	**5,414**	**929,452**	**26,156**	**1,030,048**
Total shareholders' funds at 31 December 2015		10,411	58,615	5,414	664,735	21,129	760,304
Net return on ordinary activities after taxation for the year		–	–	–	112,715	18,062	130,777
Repurchase of ordinary shares	14	–	–	–	(1,862)	–	(1,862)
Dividends paid to shareholders	9	–	–	–	–	(13,868)	(13,868)
Total shareholders' funds at 31 December 2016		10,411	58,615	5,414	775,588	25,323	875,351

The Notes on pages 43 to 58 form an integral part of these Financial Statements.

Balance Sheet

as at 31 December 2017
Company number 2638812

	Notes	2017 £'000	2016 £'000
Fixed assets			
Investments	10	**1,011,114**	862,747
Current assets			
Derivative instruments	11	**3,652**	–
Debtors	12	**5,929**	3,557
Amounts held at futures clearing houses and brokers		**11,127**	1,382
Fidelity Institutional Liquidity Fund		**3,030**	6,283
Cash at bank		**4,128**	4,003
		27,866	15,225
Creditors			
Derivative instruments	11	**(6,575)**	(577)
Other creditors	13	**(2,357)**	(2,044)
		(8,932)	(2,621)
Net current assets		**18,934**	12,604
Net assets		**1,030,048**	875,351
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	**929,452**	775,588
Revenue reserve	15	**26,156**	25,323
Total shareholders' funds		**1,030,048**	875,351
Net asset value per ordinary share	16	**248.08p**	210.75p

The Financial Statements on pages 40 to 58 were approved by the Board of Directors on 14 March 2018 and were signed on its behalf by:

Vivian Bazalgette

Vivian Bazalgette
Chairman

The Notes on pages 43 to 58 form an integral part of these Financial Statements.

Notes to the Financial Statements

1 Principal Activity

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

2 Accounting Policies

The Company has prepared its Financial Statements in accordance with UK Generally Accepted Accounting Practice ("UK GAAP"), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", issued by the Financial Reporting Council ("FRC"). The Financial Statements have also been prepared in accordance with the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts ("SORP") issued by the Association of Investment Companies ("AIC"), in November 2014 and updated in January 2017 with consequential amendments. The Company is exempt from presenting a Cash Flow Statement as a Statement of Changes in Equity is presented and substantially all of the Company's investments are highly liquid and are carried at market value.

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

b) Significant accounting estimates and judgements – The Directors make judgements and estimates concerning the future. Estimates and judgements are continually evaluated and are based on historical experience and other factors, such as expectations of future events, and are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

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

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

e) Income – Income from equity investments is accounted for on the date on which the right to receive the payment is established, normally the ex-dividend date. UK dividends are accounted for net of any tax credit. Overseas dividends are accounted for gross of any tax deducted at source. Amounts are credited to the revenue column of the Income Statement. Where the Company has elected to receive its dividends in the form of additional shares rather than cash, the amount of the cash dividend foregone is recognised in the revenue column of the Income Statement. Any excess in the value of the shares received over the amount of the cash dividend is recognised in the capital column of the Income Statement. Special dividends are treated as a revenue receipt or a capital receipt depending on the facts and circumstances of each particular case.

Derivative instrument income received from dividends on long contracts for difference ("CFDs") are accounted for on the date on which the right to receive or make the payment is established, normally the ex-dividend date. The net amount is credited to the revenue column of the Income Statement.

Interest received on CFDs, bank deposits and money market funds is accounted for on an accruals basis and is credited to the revenue column of the Income Statement.

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

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

h) Finance costs – Finance costs comprise interest paid on contracts for difference ("CFDs"), which is accounted for on an accruals basis using the effective interest method, and dividends paid on short CFDs, which are accounted for on the date on which the obligation to incur the cost is established, normally the ex-dividend date. Finance costs are charged in full to the revenue column of the Income Statement.

Notes to the Financial Statements continued

2 Accounting Policies continued

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

Current taxation is taxation suffered at source on overseas income less amounts recoverable under taxation treaties. Taxation is charged or credited to the revenue column of the Income Statement, except where it relates to items of a capital nature, in which case it is charged or credited to the capital column of the Income Statement. Where expenses are allocated between revenue and capital any tax relief in respect of the expenses is allocated between revenue and capital returns on the marginal basis using the Company's effective rate of corporation tax for the accounting period. The Company is an approved Investment Trust under Section 1158 of the Corporation Tax Act 2010 and is not liable for UK taxation on capital gains.

Deferred taxation is the taxation expected to be payable or recoverable on timing differences between the treatment of certain items for accounting purposes and their treatment for the purposes of computing taxable profits. Deferred taxation is based on tax rates that have been enacted or substantially enacted when the taxation is expected to be payable or recoverable. Deferred taxation assets are only recognised if it is considered more likely than not that there will be sufficient future taxable profits to utilise them.

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

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

- Listed investments are valued at bid prices, or last market prices, depending on the convention of the exchange on which they are listed, or otherwise, at fair value based on published price quotations.

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

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

- Long and short CFDs – the difference between the strike price and the value of the underlying shares in the contract;
- Futures – the difference between contract price and the quoted trade price.

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

m) Debtors – Debtors include securities sold for future settlement, accrued income, taxation recoverable and other debtors incurred in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business, if longer) they are classified as current assets. If not, they are presented as non-current assets. They are recognised initially at fair value and, where applicable, subsequently measured at amortised cost using the effective interest rate method.

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

o) Fidelity Institutional Liquidity Fund – The Company holds an investment in the Fidelity Institutional Liquidity Fund plc, a short term money market fund investing in a diversified range of short term instruments. The Fund is readily convertible to cash and is considered a cash equivalent.

p) Other creditors – Other creditors include investment management fees and other creditors and expenses accrued in the ordinary course of business. If payment is due within one year or less (or in the normal operating cycle of the business, if longer) they are classified as current liabilities. If not, they are presented as non-current liabilities. They are recognised initially at fair value and, where applicable, subsequently measured at amortised cost using the effective interest rate method.

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

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

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

As a result of technical guidance issued by the Institute of Chartered Accountants in England and Wales in TECH 02/10: Guidance on the determination of realised profits and losses in the context of distributions under the Companies Act 2006, changes in the fair value of investments which are readily convertible to cash, without accepting adverse terms at the Balance Sheet date, can be treated as realised. Capital reserves realised and unrealised are shown in aggregate as capital reserve in the Statement of Changes in Equity and the Balance Sheet. At the Balance Sheet date the portfolio of the Company consisted of; investments listed on a recognised stock exchange and derivative instruments, contracted with counterparties having an adequate credit rating, and the portfolio was considered to be readily convertible to cash.

3 Income

	Year ended 31.12.17 £'000	Year ended 31.12.16 £'000
Investment income		
Overseas dividends	**22,271**	20,708
Overseas scrip dividends	**3,094**	3,114
UK dividends	**1,394**	1,379
UK scrip dividends	**611**	458
	27,370	25,659
Derivative income		
Income recognised from futures contracts	**434**	–
Dividends received on long CFDs	**1,525**	1,284
Interest received on long CFDs*	**43**	26
	2,002	1,310
Investment and derivative income	**29,372**	26,969
Other interest		
Interest received on bank deposits and money market funds	**12**	35
Interest received on tax reclaims	**–**	2
	12	37
Total income	**29,384**	27,006

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

Notes to the Financial Statements continued

4 Investment Management Fees

	Year ended 31.12.17 £'000	Year ended 31.12.16 £'000
Investment management fees	**8,281**	6,972

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

5 Other Expenses

	Year ended 31.12.17 £'000	Year ended 31.12.16 £'000
AIC fees	**21**	21
Custody fees	**105**	90
Depositary fees	**66**	62
Directors' fees[1]	**151**	146
Legal and professional fees	**96**	158
Marketing expenses[2]	**144**	229
Printing and publication expenses	**91**	91
Registrars' fees	**65**	70
Fees payable to the Independent Auditor for the audit of the Financial Statements[3]	**25**	25
Other expenses	**38**	27
	802	919

1 Details of the breakdown of Directors' fees are disclosed in the Directors' Remuneration Report on page 30
2 The marketing expenses are lower for 2017 due to there no longer being any share plan expenses
3 The VAT payable on audit fees is included in other expenses

6 Finance Costs

	Year ended 31.12.17 £'000	Year ended 31.12.16 £'000
Interest paid on short CFDs*	**128**	–
Dividends paid on short CFDs	**180**	–
	308	–

* Due to negative interest rates during the year, the Company has paid interest on its short CFDs

7 Taxation on Return on Ordinary Activities

	Year ended 31 December 2017			Year ended 31 December 2016		
	revenue £'000	**capital £'000**	**total £'000**	revenue £'000	capital £'000	total £'000
a) Analysis of the taxation charge for the year						
Overseas taxation	**1,857**	**–**	**1,857**	1,053	–	1,053
Prior year adjustment	**(17)**	**–**	**(17)**	–	–	–
Total taxation charge for the year (see Note 7b)	**1,840**	**–**	**1,840**	1,053	–	1,053

b) Factors affecting the taxation charge for the year

The taxation charge for the year is lower than the standard rate of UK corporation tax for an investment trust company of 19.25% (2016: 20%). A reconciliation of the standard rate of UK corporation tax to the taxation charge for the year is shown below:

	Year ended 31 December 2017			Year ended 31 December 2016		
	revenue £'000	**capital £'000**	**total £'000**	revenue £'000	capital £'000	total £'000
Return on ordinary activities before taxation	**19,993**	**154,157**	**174,150**	19,115	112,715	131,830
Return on ordinary activities before taxation multiplied by the standard rate of UK corporation tax of 19.25% (2016: 20%)	**3,848**	**29,675**	**33,523**	3,823	22,543	26,366
Effects of:						
Gains on investments not taxable[1]	**–**	**(29,675)**	**(29,675)**	–	(22,543)	(22,543)
Income not taxable	**(4,888)**	**–**	**(4,888)**	(4,924)	–	(4,924)
Excess management expenses	**1,040**	**–**	**1,040**	1,101	–	1,101
Overseas taxation	**1,857**	**–**	**1,857**	1,053	–	1,053
Prior year adjustment	**(17)**	**–**	**(17)**	–	–	–
Total taxation charge for the year (see Note 7a)	**1,840**	**–**	**1,840**	1,053	–	1,053

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

c) Deferred taxation

A deferred tax asset of £6,361,000 (2016: £5,443,000), in respect of excess management expenses of £31,914,000 (2016: £26,511,000) and excess loan interest of £5,505,000 (2016: £5,505,000), has not been recognised as it is unlikely that there will be sufficient future taxable profits to utilise these expenses.

8 Return per Ordinary Share

	Year ended 31 December 2017			Year ended 31 December 2016		
	revenue	**capital**	**total**	revenue	capital	total
Return per ordinary share – basic and diluted	**4.37p**	**37.13p**	**41.50p**	4.34p	27.10p	31.44p

The returns per ordinary share are based on, respectively; the net revenue return on ordinary activities after taxation for the year of £18,153,000 (2016: £18,062,000), the net capital return on ordinary activities after taxation for the year of £154,157,000 (2016: £112,715,000) and the net total return on ordinary activities after taxation for the year of £172,310,000 (2016: £130,777,000), and on 415,237,930 ordinary shares (2016: 415,946,054), being the weighted average number of ordinary shares held outside Treasury in issue during the year.

9 Dividends Paid to Shareholders

	Year ended 31.12.17 £'000	Year ended 31.12.16 £'000
Dividends paid		
Final dividend of 4.17 pence per Ordinary Share paid for the year ended 31 December 2016	**17,320**	–
Final dividend of 3.33 pence per Ordinary Share paid for the year ended 31 December 2015	**–**	13,868
	17,320	13,868
Dividend proposed		
Final dividend proposed of 4.35 pence per Ordinary Share for the year ended 31 December 2017	**18,061**	–
Final dividend of 4.17 pence per Ordinary Share paid for the year ended 31 December 2016	**–**	17,320
	18,061	17,320

The Directors have proposed the payment of a final dividend for the year ended 31 December 2017 of 4.35 pence per ordinary share which is subject to approval by Shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The dividend will be paid on 18 May 2018 to shareholders on the register at the close of business on 23 March 2018 (ex-dividend date 22 March 2018).

10 Investments

	2017 £'000	2016 £'000
Investments held at fair value through profit or loss	**1,011,114**	862,747
Opening book cost	**624,412**	605,272
Opening investment holding gains	**238,335**	141,376
Opening fair value	**862,747**	746,648
Movements in the year		
Purchases at cost	**220,890**	158,302
Sales – proceeds	**(225,447)**	(156,414)
Sales – gains	**59,341**	17,252
Movement in investment holding gains	**93,583**	96,959
Closing fair value	**1,011,114**	862,747
Closing book cost	**679,196**	624,412
Closing investment holding gains	**331,918**	238,335
Closing fair value	**1,011,114**	862,747

	Year ended 31.12.17 £'000	Year ended 31.12.16 £'000
Gains on investments		
Gains on sales of investments	**59,341**	17,252
Investment holding gains	**93,583**	96,959
	152,924	114,211

Investment transaction costs

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

	Year ended 31.12.17 £'000	Year ended 31.12.16 £'000
Purchases transaction costs	**499**	341
Sales transaction costs	**176**	185
	675	526

The portfolio turnover rate for the year was 23.3% (2016: 19.7%). The portfolio turnover rate measures the Company's trading activity. It is calculated by taking the average of the total amount of securities purchased and the total amount of the securities sold in the reporting year divided by the average investment portfolio value of the Company.

Notes to the Financial Statements continued

11 Derivative Instruments

Net gains/(losses) on derivative instruments	Year ended 31.12.17 £'000	Year ended 31.12.16 £'000
Gains/(losses) on long CFD positions closed	**683**	(947)
Gains on short CFD positions closed	**654**	–
Gains on futures contracts closed	**2,220**	–
Movement in investment holding gains/(losses) on long CFDs	**2,302**	(555)
Movement in investment holding losses on short CFDs	**(3,068)**	–
Movement in investment holding losses on futures	**(1,580)**	–
	1,211	(1,502)

Derivative instruments recognised on the Balance Sheet	2017 fair value £'000	2016 fair value £'000
Derivative assets at fair value through the profit & loss	**3,652**	–
Derivative liabilities at fair value through the profit & loss	**(6,575)**	(577)
	(2,923)	(577)

At the year end the Company held the following derivative instruments	2017 fair value £'000	2017 gross asset exposure £'000	2016 fair value £'000	2016 gross asset exposure £'000
Long CFDs	**1,725**	**36,169**	(577)	38,785
Short CFDs	**(3,068)**	**48,990**	–	–
Long futures	**(1,580)**	**69,693**	–	–
	(2,923)	**154,852**	(577)	38,785

12 Debtors

	2017 £'000	2016 £'000
Securities sold for future settlement	**939**	–
Taxation recoverable	**4,261**	2,770
Accrued income	**702**	725
Other debtors	**27**	62
	5,929	3,557

The Directors consider that the carrying amount of debtors approximate to their fair value.

13 Other Creditors

	2017 £'000	2016 £'000
Creditors and accruals	**2,357**	2,044

14 Share Capital

	2017 number of shares	2017 £'000	2016 number of shares	2016 £'000
Issued, allotted and fully paid				
Ordinary shares of 2.5 pence each held outside Treasury				
Beginning of the year	**415,352,177**	**10,384**	416,447,910	10,411
Ordinary Shares repurchased into Treasury	**(150,000)**	**(4)**	(1,095,733)	(27)
End of the year	**415,202,177**	**10,380**	415,352,177	10,384
Ordinary shares of 2.5 pence each held in Treasury*				
Beginning of the year	**1,095,733**	**27**	–	–
Ordinary Shares repurchased into Treasury	**150,000**	**4**	1,095,733	27
End of the year	**1,245,733**	**31**	1,095,733	27
Total share capital		**10,411**		10,411

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

The cost of ordinary shares repurchased into Treasury during the year was £293,000 (2016: £1,862,000).

15 Reserves

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

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

The capital reserve represents realised gains or losses on investments and derivatives sold, unrealised increases and decreases in the fair value of investments and derivatives held and other income and costs as recognised in the capital column of the Income Statement. Refer to Notes 10 and 11 for information on investment holdings gains/(losses) included in this reserve. 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 retained revenue surpluses recognised through the revenue column of the Income Statement. It is distributable by way of dividend.

16 Net Asset Value per Ordinary Share

The net asset value per ordinary share is based on net assets of £1,030,048,000 (2016: £875,351,000) and on 415,202,177 (2016: 415,352,177) ordinary shares, being the number of New Ordinary Shares of 2.5 pence each held outside Treasury in issue at the year end. It is the Company's policy that shares held in Treasury will only be reissued at a premium to net asset value per share and, therefore, shares held in Treasury have no dilutive effect.

Notes to the Financial Statements continued

17 Financial Instruments

Management of risk

The Company's investing activities in pursuit of its investment objective involve certain inherent risks. The Board confirms that there is an ongoing process for identifying, evaluating and managing the risks faced by the Company. The Board with the assistance of the Manager, has developed a risk matrix which, as part of the internal control process, identifies the risks that the Company faces. Principal risks identified are market, performance, discount control, gearing and currency risks. Other risks identified are tax and regulatory and operational risks, including those relating to third party service providers covering investment management, marketing and business development, company secretarial, fund administration and operations and support functions. Risks are identified and graded in this process, together with steps taken in mitigation, and are updated and reviewed on an ongoing basis. Risks identified are shown in the Strategic Report on pages 11 and 12.

This note refers to the identification, measurement and management of risks potentially affecting the value of financial instruments. The Company's financial instruments may comprise:

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

The risks identified arising from the Company's financial instruments are market price risk (which comprises interest rate risk, foreign currency risk and other price risk), liquidity risk, counterparty risk, credit risk and derivative instrument risk. The Board reviews and agrees policies for managing each of these risks, which are summarised below. These policies are consistent with those followed last year.

Market price risk

Interest rate risk

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

Interest rate risk exposure

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

	2017 £'000	2016 £'000
Exposure to financial instruments that earn interest		
Short CFDs – exposure plus fair value	**45,922**	–
Amounts held at futures clearing houses and brokers	**11,127**	1,382
Fidelity Institutional Liquidity Fund	**3,030**	6,283
Cash at bank	**4,128**	4,003
	64,207	11,668
Exposure to financial instruments that bear interest		
Long CFDs – exposure less fair value	**34,444**	39,362
Net exposure to financial instruments that earn/(bear) interest	**29,763**	(27,694)

Due to negative interest rates during the year, the Company has received interest on its long CFDs and paid interest on its short CFDs.

17 Financial Instruments continued

Foreign currency risk

The Company's net return on ordinary activities after taxation and its net assets can be affected by foreign exchange rate movements because the Company has income, assets and liabilities which are denominated in currencies other than the Company's functional currency which is UK sterling. The Company can also be subject to short term exposure from exchange rate movements, for example, between the date when an investment is purchased 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 exchange rates affecting the value of investments and derivative instruments;
- Movements in exchange rates affecting short term timing differences; and
- Movements in exchange rates affecting income received.

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

Currency exposure of financial assets

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

	2017				
currency	**investments at fair value £'000**	**long exposure to derivative instruments £'000**	**debtors[1] £'000**	**cash at bank £'000**	**total £'000**
Danish krone	**48,322**	**–**	**308**	**–**	**48,630**
Euro	**690,319**	**105,862**	**3,696**	**9**	**799,886**
Norwegian krone	**42,216**	**–**	**–**	**–**	**42,216**
Swedish krona	**8,172**	**–**	**–**	**–**	**8,172**
Swiss franc	**164,455**	**–**	**1,664**	**–**	**166,119**
UK sterling	**57,630**	**–**	**14,418**	**4,119**	**76,167**
	1,011,114	**105,862**	**20,086**	**4,128**	**1,141,190**

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

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

17 Financial Instruments continued

Currency exposure of financial liabilities

The Company finances its investment activities through its ordinary share capital and reserves. The Company's financial liabilities comprise short positions on derivative instruments and other creditors. The currency profile of these financial liabilities is shown below:

currency	2017 short exposure to derivative instruments £'000	other creditors £'000	total £'000
Euro	**43,991**	**–**	**43,991**
Swiss franc	**4,999**	**–**	**4,999**
UK sterling	**–**	**2,357**	**2,357**
	48,990	**2,357**	**51,347**

currency	2016 short exposure to derivative instruments £'000	other creditors £'000	total £'000
UK sterling	–	2,044	2,044

Other price risk

Other price risk arises mainly from uncertainty about future prices of financial instruments used in the Company's business. It represents the potential loss the Company might suffer through holding market positions in the face of price movements. The Board meets quarterly to consider the asset allocation of the portfolio and the risk associated with particular industry sectors within the parameters of the investment objective. The Portfolio Manager is responsible for actively monitoring the existing portfolio selected in accordance with the overall asset allocation parameters described above and seeks to ensure that individual stocks also meet an acceptable risk/reward profile. Other price risks arising from derivative positions, mainly due to the underlying exposures, are estimated using Value at Risk and Stress Tests as set out in the Company's internal Derivative Risk Measurement and Management Document.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations associated with financial liabilities. The Company's assets mainly comprise readily realisable securities and derivative instruments which can be sold easily to meet funding commitments if necessary. Short-term flexibility is achieved by the use of bank overdraft, if required.

Liquidity risk exposure

At 31 December 2017 the undiscounted gross cash outflows of the financial liabilities were all repayable within one year and consisted of derivative instrument liabilities of £6,575,000 (2016: £577,000) and other creditors of £2,357,000 (2016: £2,044,000).

Counterparty risk

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

17 Financial Instruments continued

For Over The Counter ("OTC") derivative transactions, collateral is used to reduce the risk of both parties to the contract. Collateral is managed on a daily basis for all relevant transactions. At 31 December 2017, £3,825,000 (2016: nil) was held in cash, in a segregated collateral account on behalf of the Company, to reduce the credit risk exposure of the Company and £11,127,000 (2016: £1,382,000) was held by the Company in cash, shown as amounts held at futures clearing houses and brokers on the Balance Sheet, in a segregated collateral account on behalf of the broker, to reduce the credit risk exposure of the broker.

Credit risk

Financial instruments may be adversely affected if any of the institutions with which money is deposited suffer insolvency or other financial difficulties. All transactions are carried out with brokers that have been approved by the Manager and are settled on a delivery versus payment basis. Limits are set on the amount that may be due from any one broker and are kept under review by the Manager. Exposure to credit risk arises on unsettled security transactions, derivative instrument contracts and cash at bank.

Derivative instruments risk

The risks and risk management processes which result from the use of derivative instruments are set out in a documented Derivative Risk Measurement and Management Document. Derivative instruments are used by the Manager for the following purposes:

- To gain unfunded long exposure to equity markets, sectors or single stocks. Unfunded exposure is exposure gained without an initial flow of capital;
- To hedge equity market risk using derivatives with the intention of at least partially mitigating losses in the exposures of the Company's portfolio as a result of falls in the equity market;
- 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.

RISK SENSITIVITY ANALYSIS

Interest rate risk sensitivity analysis

Based on the financial instruments held and interest rates at 31 December 2017, an increase of 0.25% in interest rates throughout the year, with all other variables held constant, would have decreased the return on ordinary activities after taxation for the year and decreased the net assets of the Company by £74,000 (2016: £69,000). A decrease of 0.25% in interest rates throughout the year would have had an equal but opposite effect.

Foreign currency risk sensitivity analysis

Based on the financial instruments held and currency exchange rates at 31 December 2017, a 10% strengthening or weakening of the UK sterling exchange rate against foreign currencies, with all other variables held constant, would have (decreased)/increased the Company's net return on ordinary activities after taxation for the year and the Company's net assets by the following amounts:

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

currency	**2017 £'000**	2016 £'000
Danish krone	**(4,421)**	(3,534)
Euro	**(68,263)**	(55,042)
Norwegian krone	**(3,838)**	(2,900)
Swedish krona	**(743)**	(1,394)
Swiss franc	**(15,102)**	(14,515)
	(92,367)	(77,385)

Notes to the Financial Statements continued

17 Financial Instruments continued

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

currency	2017 £'000	2016 £'000
Danish krone	**5,403**	4,319
Euro	**83,433**	67,273
Norwegian krone	**4,691**	3,544
Swedish krona	**908**	1,703
Swiss franc	**18,458**	17,741
	112,893	94,580

Other price risk – exposure to investments sensitivity analysis

Based on the investments held and share prices at 31 December 2017, an increase of 10% in share prices, with all other variables held constant, would have increased the Company's net return on ordinary activities after taxation for the year and increased the net assets of the Company by £101,111,000 (2016: £86,275,000). A decrease of 10% in share price would have had an equal and opposite effect.

Other price risk – net exposure to derivative instruments sensitivity analysis

Based on the derivative instruments held and share prices at 31 December 2017, an increase of 10% in the share prices underlying the derivative instruments; with all other variables held constant would have increased the Company's net return on ordinary activities after taxation for the year and increased the net assets of the Company by £5,687,000 (2016: £3,879,000). A decrease of 10% in the share prices would have had an equal and opposite effect.

Fair Value of Financial Assets and Liabilities

Financial assets and liabilities are stated in the Balance Sheet at values which are not materially different to their fair values. As explained in Notes 2 (k) and (l) on page 44, investments and derivative instruments are shown at fair value. In the case of cash and cash equivalents, book value approximates to fair value due to the short maturity of the instruments.

Fair Value Hierarchy

The Company is required to disclose the fair value hierarchy that classifies its financial instruments measured at fair value at one of three levels, according to the relative reliability of the inputs used to estimate the fair values.

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

17 Financial Instruments continued

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset. The valuation techniques used by the Company are explained in Note 2 (k) and (l) on page 44. The table below sets out the Company's fair value hierarchy:

	2017			2016		
Financial assets at fair value through profit or loss	**level 1 £'000**	**level 2 £'000**	**total £'000**	level 1 £'000	level 2 £'000	total £'000
Investments	**1,011,114**	**–**	**1,011,114**	862,747	–	862,747
Derivative instrument assets	**–**	**3,652**	**3,652**	–	–	–
	1,011,114	**3,652**	**1,014,766**	862,747	–	862,747
Financial liabilities at fair value through profit or loss						
Derivative instrument liabilities	**(1,580)**	**(4,995)**	**(6,575)**	–	(577)	(577)

18 Capital Resources and Gearing

The Company does not have any externally imposed capital requirements. The capital of the Company comprises its share capital and reserves, as disclosed in the Balance Sheet above, and its gearing which is managed through the use of derivative instruments. Financial resources are managed in accordance with the Company's investment policy and in pursuit of its investment objective, both of which are detailed in the Strategic Report on page 8. The principal risks and their management are disclosed in the Strategic Report on page 11 and in Note 17.

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

	2017			
	gross asset exposure		**net asset exposure**	
	£'000	**%[1]**	**£'000**	**%[1]**
Investments	**1,011,114**	**98.1**	**1,011,114**	**98.1**
Long CFDs	**36,169**	**3.5**	**36,169**	**3.5**
Long futures	**69,693**	**6.8**	**69,693**	**6.8**
Total long exposures	**1,116,976**	**108.4**	**1,116,976**	**108.4**
Short CFDs	**48,990**	**4.8**	**(48,990)**	**(4.8)**
Gross/net asset exposure	**1,165,966**	**113.2**	**1,067,986**	**103.6**
Shareholders' funds	**1,030,048**		**1,030,048**	
Gearing[2]		**13.2**		**3.6**

1 Exposure to the market expressed as a percentage of Shareholders' funds

2 Gearing is the amount by which gross/net asset exposure exceeds Shareholders' funds expressed as a percentage of Shareholders' funds

18 Capital Resources and Gearing continued

	2016			
	gross asset exposure		net asset exposure	
	£'000	%[1]	£'000	%[1]
Investments	862,747	98.6	862,747	98.6
Long CFDs	38,785	4.4	38,785	4.4
Gross/net asset exposure	901,532	103.0	901,532	103.0
Shareholders' funds	875,351		875,351	
Gearing[2]		3.0		3.0

1 Exposure to the market expressed as a percentage of Shareholders' funds
2 Gearing is the amount by which gross/net asset exposure exceeds Shareholders' funds expressed as a percentage of Shareholders' funds

19 Transactions with the Manager and Related Parties

FIL Investment Services (UK) Limited is the Company's Alternative Investment Fund Manager and has delegated portfolio management and the role of company secretary to FIL Investments International ("FII"). Both companies are Fidelity group companies. Details of the fee arrangements are given in the Directors' Report, on page 22, and Note 4 on page 46. During the year fees for portfolio management services amounted to £8,281,000 (2016: £6,972,000). At the Balance Sheet date, fees for portfolio management services of £2,185,000 (2016: £1,848,000) were accrued and included in creditors and accruals. FII also provides the Company with marketing services. The total amount payable for these services during the year was £144,000 (2016: £229,000). At the Balance Sheet date £1,000 (2016: £21,000) for marketing services was accrued and included in creditors and accruals.

Disclosures of the Directors' interests in the ordinary shares of the Company and Directors' fees and taxable benefits relating to reasonable travel expenses payable to the Directors are given in the Directors' Remuneration Report on pages 30 and 31. The Directors received compensation of £168,000 (2016: £162,000). In addition to the fees and taxable benefits disclosed in the Directors' Remuneration Report, this amount includes £15,000 (2016: £14,000) of employers' National Insurance Contributions paid by the Company.

Notice of Meeting

Notice is hereby given that the Annual General Meeting of Fidelity European Values PLC will be held at **25 Cannon Street, London EC4M 5TA** on 14 May 2018 at 12 noon for the following purposes:

1. To receive and adopt the Annual Report and Financial Statements for the year ended 31 December 2017.

2. To declare that a final dividend for the year ended 31 December 2017 of 4.35 pence per ordinary share be paid to shareholders on the register as at close of business on 23 March 2018.

3. To re-elect Mr Vivian Bazalgette as a Director.

4. To elect Ms Fleur Meijs as a Director.

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

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

7. To re-elect Mr Paul Yates as a Director.

8. To approve the Directors' Remuneration Report (excluding the section headed The Remuneration Policy set out on page 29) for the year ended 31 December 2017.

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

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

To consider and, if thought fit, to pass the following special business resolutions of which Resolutions 11 and 14 will be proposed as ordinary resolutions and Resolutions 12 and 13 as special resolutions.

Authority to allot shares and disapply pre-emption rights

Resolutions 11 and 12 will, if approved, authorise the Directors to allot a limited number of the 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 (including Treasury shares) in issue on 14 March 2018. The Directors will only issue new ordinary shares, or dispose of ordinary shares held in Treasury, under this authority to take advantage of opportunities in the market as they arise and only if they believe it is advantageous to the Company's shareholders to do so. Any ordinary shares held in Treasury would only be re-issued at net asset value ("NAV") per share or at a premium to NAV per share. This would ensure that the net effect of repurchasing and then re-issuing the ordinary shares would enhance NAV 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 shares in the Company or to grant rights to subscribe for or to convert any security into shares in the Company ("relevant securities") up to an aggregate nominal amount of £520,560 (approximately 5% of the aggregate nominal amount of the issued share capital of the Company (including Treasury shares) as at 14 March 2018) 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 ("AGM") of the Company or the date 15 months after the passing of this resolution, whichever is the earlier, but so that this authority shall allow the Company to make offers or agreements before the expiry of this authority which would or might require relevant securities to be allotted after such expiry as if the authority conferred by this resolution had not expired. All previous unexpired authorities are revoked, but without prejudice to any allotment of shares or grant of rights already made, offered or agreed to be made pursuant to such authorities.

12. THAT, subject to the passing of Resolution 11, set out above, the Directors be and they are hereby authorised, pursuant to Sections 570-573 of the Act to allot equity securities (as defined in Section 560 of the Act) for cash pursuant to the authority given by the said Resolution 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 (including Treasury shares) as at 14 March 2018); 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 NAV per share,

    and this power shall expire at the conclusion of the next AGM 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 14 March 2018 either 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 at the

Notice of Meeting continued

discretion of the Board and within guidelines set from time to time by the Board in the light of prevailing market conditions. Purchases will only be made in the market at prices below the prevailing NAV per share, thereby resulting in an increased NAV per share.

13. THAT the Company be and is hereby generally and unconditionally authorised in accordance with Section 701 of the Companies Act 2006 (the "Act") to make market purchases (within the meaning of Section 693 of the Act) of 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 62,238,806;

    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 each share is the higher of:

        (i) an amount equal to 105% of the average of the middle market quotations for a share taken from the London Stock Exchange Official List for the five business days immediately preceding the day on which the share is purchased; and

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

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

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

Changes to the Investment Objective and Investment Policy

Resolution 14 is an ordinary resolution which, if approved, will amend the Company's Investment Objective and Investment Policy. The full text of the Investment Objective and Investment Policy and the marked-up changes are in the Appendix to this Notice of Meeting on pages 62 and 63.

14. THAT the changes to the Investment Objective and Investment Policy, as set out in the Appendix to this Notice of Meeting on pages 62 and 63, be and are hereby approved and adopted with immediate effect.

By Order of the Board

FIL Investments International

Secretary

14 March 2018

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 noon on 10 May 2018. 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, Link 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 2018. 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 2018.

6. All members are entitled to attend and vote at the AGM and ask questions. The right to vote at the meeting will be determined by reference to the Register of Members as at close of business on 10 May 2018.

7. Any person to whom this notice is sent who is a person nominated under Section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him and the member by whom he was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights. The statement of the rights of members in relation to the appointment of proxies in Note 1 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 AGM (and for the purpose of determining the number of votes they may cast), members must be entered on the Register of Members by close of business on 10 May 2018. If the meeting is adjourned then, to be so entitled, members must be entered on the Register of Members by the close of business on the day two days before the time fixed for the adjourned meeting, or, if the Company gives notice of the adjourned meeting, at any other time specified in that notice.

10. As at 14 March 2018 (the latest practicable date prior to the publication of this document) the Company's issued share capital consisted of 416,447,910 ordinary shares. The number of shares held in Treasury by the Company was 1,245,733. Therefore, the total number of shares with voting rights in the Company as at 14 March 2018 was 415,202,177.

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

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

13. It is possible that, pursuant to requests made by members of the Company under Section 527 of the Companies Act 2006, the Company may be required to publish on its website a statement setting out any matter relating to the audit of the Company's accounts (including the Auditor's report and the conduct of the audit) that are to be laid before the AGM 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 AGM includes any statement that the Company has been required under Section 527 of the Companies Act 2006 to publish on its website.

14. No Director has a service contract with the Company.

15. A copy of this notice and other information required by Section 311A of the Companies Act 2006 is published on the Company's website at **www.fidelityinvestmenttrusts.com**.

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

Appendix

Changes to the Investment Objective and Investment Policy

The proposed new Investment Objective and Investment Policy for the Company, as proposed in resolution 14 on page 60 of the Notice of Meeting is set out below and on page 63. Changes to the existing Investment Objective and Investment Policy are marked in black-line.

Proposed Investment Objective

The ~~Company's objective is~~ Company aims to achieve long term ~~capital~~ growth ~~principally from the stockmarkets of continental Europe.~~in both capital and income by predominantly investing in equities (and their related securities) of continental European companies.

Summary of the key aspects of the Investment Policy

The detailed proposed Investment Policy is set out below, the key aspects of which are summarised as:

The Investment Manager will typically focus on larger companies which show good prospects for sustainable long term dividend growth. The Investment Manager is not restricted in terms of size, industry or geographical split. The Company may also invest into other transferable securities, investment companies, money market instruments, cash and deposits and is also able to use derivatives for efficient portfolio management, to gain additional market exposure (gearing) and for investment purposes. The Investment Manager must work within the guidelines set out in the Investment Policy.

Proposed Investment Policy

The Company invests ~~principally~~ predominantly in continental European ~~securities~~ companies with a view to achieving long term ~~capital~~ growth in both capital and income for Shareholders. The portfolio is selected by the Investment Manager on the basis of its assessment of the fundamental value available in individual situations and with a typical focus on larger companies which show prospects for sustainable long term dividend growth. 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,~~ restricted in terms of size, industry, or geographical split, although certain investment restrictions apply in an attempt to diversify risk.

A minimum of 80 per cent of gross assets will be invested in companies from countries which are included in the Benchmark Index (the FTSE World Europe (ex UK) Index).

A maximum of:

i) 20 per cent of gross assets may be invested in stocks of European countries* which are not included in the Company's Benchmark Index. This will include investing in UK companies, defined as companies in the FTSE All-Share Index; and

ii) 5 per cent of gross assets may be invested in stocks of non-European countries where those stocks have some exposure to, or connection with Europe. Any investments in this category will count towards the 20 per cent maximum in paragraph (i) above.

A maximum of 10 per cent 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 per cent or more of the equity capital of any listed company.

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

A maximum of 5 per cent 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 per cent 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 per cent of the Company's total net assets.

The Board also reserves the right to hedge the portfolio by way of currency.

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

The Company may utilise derivative instruments, including index-linked notes, futures, contracts for differences ("CFDs"), covered call options, put options and other equity-related derivative instruments on a limited basis 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 would enter into long CFDs which would achieve an equivalent effect to buying an asset financed by bank borrowing but often at lower financing costs.
- To hedge equity market risks where suitable protection can be purchased to limit the downside of a falling market at a reasonable cost.
- To enhance the investment returns by taking short exposures on stocks that the Investment Manager considers to be over-valued.

* European country for the purposes of this paragraph means a country included within the FTSE All-World Europe Index and non-European is to be construed accordingly.

Appendix continued

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

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

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

The aggregate exposure of the Company to equities, including as a result of borrowing and the use of derivatives, but excluding hedging, will not exceed 130 per cent of total net assets (a gearing level of 30 per cent) at the time at which any derivative contract is entered into or a security acquired.

The aggregate exposure of the Company under short derivatives, excluding hedges and covered call options, will not exceed 10 per cent of total net assets at the time at which 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 per cent of total net assets at the time at which any derivative is entered into. The notional exposure of covered call options is the number of contracts written x the notional contract size x the market value of the underlying share.

It should be stressed that the majority of the Company's exposure to equities will be through direct investment, not through derivatives. In addition, the limits on exposure to individual companies and groups will be calculated on the basis that the Company has acquired the securities to which any derivative is providing exposure.

Financial Calendar

The key dates in the Company's calendar are:

31 December 2017 – Financial Year End
March 2018 – Announcement of the annual results for the year ending 31 December 2017
March 2018 – Publication of this Report
22 March 2018 – Ex-dividend date
23 March 2018 – Record date
26 April 2018 – Last day to elect for Dividend Re-Investment Plan
14 May 2018 – Annual General Meeting
18 May 2018 – Payment of the Dividend
30 June 2018 – Half-Year End
July/August 2018 – Announcement of the Half-Yearly results to 30 June 2018
August 2018 – Publication of the Half-Yearly Report

Shareholder Information

Investing in Fidelity European Values PLC

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

Contact Information

Shareholders and Fidelity's Platform Investors should contact the appropriate administrator using the contact details given below and in the next column. Links to the websites of major platforms can be found online at **www.fidelityinvestmenttrusts.com**

Shareholders on the main share register

Shareholders should note that Capita Asset Services was acquired by Link Group and the new brand name is Link Asset Services. There is no change in the services offered to shareholders.

Contact Link Asset Services, Registrar to Fidelity European Values PLC, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. Telephone: **0871 664 0300** (calls cost 12p per minute plus network extras. If you are outside the United Kingdom, call **+44 371 664 0300**. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open 9.00 am to 5.30 pm Monday to Friday, excluding public holidays in England and Wales).

Email: **enquiries@linkgroup.co.uk**

Details of individual shareholdings and other information can also be obtained online from the Registrar's Share Portal at **www.signalshares.com**. Shareholders are able to manage their shareholding online by registering for the Share Portal, a free and secure online access service. Facilities include:

Account Enquiry – Shareholders can access their personal shareholding, including share transaction history, dividend payment history and obtain an up-to-date shareholding valuation.

Amendment of Standing Data – Shareholders can 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 mandates as well as buy and sell shares in the Company.

Should you have any queries in respect of the Link Share Portal, contact the helpline on **0871 664 0300** (calls cost 12p per minute plus your phone company's access charge. If you are outside the United Kingdom, please call **+44 371 664 0300**. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open 9.00 am to 5.30 pm, Monday to Friday excluding public holidays in England and Wales).

Link Share Dealing Service

Link Asset Services offer a low cost share dealing service to buy or sell shares. Further information is available at **www.linksharedeal.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. Lines are open 8.00 am to 4.30 pm, Monday to Friday excluding public holidays in England and Wales). The Link Share Dealing Service allows you to deal in the shares of other companies for which Link Asset Services acts as Registrar, provided you are already a shareholder in the relevant company, and that company offers the Share Deal facility to its shareholders.

Dividend Reinvestment Plan

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

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

Fidelity Platform Investors

Contact Fidelity, using the freephone numbers given below, or by writing to: UK Customer Service, Fidelity International, Oakhill House, 130 Tonbridge Road, Hildenborough, Tonbridge, Kent TN11 9DZ. Website: **www.fidelity.co.uk/its**.

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

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

General enquiries

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

Telephone: **01732 361144**

Email: **investmenttrusts@fil.com**

Website: **www.fidelityinvestmenttrusts.com**

If you hold Fidelity European Values PLC shares in an account provided by Fidelity International, you will receive a report every six months detailing all of your transactions and the value of your shares.

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**.

Shareholder Information continued

Managers and Advisors

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

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

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

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

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
Link 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 now comprises ordinary shares of 2.5 pence each and the restated original subscription price is 10 pence for each ordinary share.

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

Price Information

The share price of the Company is published daily in the Financial Times under the heading "Investment Companies". It is also published in The Times and The Daily Telegraph. Price and performance information is also available at **www.fidelityinvestmenttrusts.com**

Investors can also obtain current price information by telephoning Fidelity on **0800 41 41 10** (freephone) or FT Cityline on **0905 817 1690** (voice activated service – calls are charged at 60p per minute on a per second basis from a BT landline. Charges for other telephone networks may vary). The Reuters code for Fidelity European Values PLC is FEV.L, the sedol is BK1PKQ9 and the ISIN is GB00BK1PKQ95.

NAV Information

The Company's NAV is calculated and released to the London Stock Exchange on a daily basis.

Capital Gains Tax

All UK individuals under present legislation are permitted to have £11,300 of capital gains in the current tax year 2017/2018 (2016/2017: £11,100) before being liable for capital gains tax. Capital gains tax is charged at 10% and 20% dependent on the total amount of taxable income.

Glossary of Terms

AIF
Alternative Investment Fund ("AIF"). The Company is an AIF.

AIFM
Alternative Investment Fund Manager ("AIFM"). 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 ("AIFMD") is a European Union Directive implemented on 22 July 2014.

Alternative Performance Measures
The Company uses the following Alternative Performance Measures which are all defined in this Glossary of Terms:

- Discount/Premium;
- Net Asset Value (NAV) per Share;
- Ongoing Charges;
- Return (Revenue, Capital and Total Returns); and
- Total Return Performance.

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. If the Company trades short, dividends are paid.

Corporation Tax
The tax the Company may have to pay on its profits for a year. Investment trusts 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 for the Company.

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 acts as the Company's Depositary.

Derivatives
Financial instruments (such as futures, options and contracts for difference) whose value is derived from the value of an underlying asset.

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

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

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

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

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

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

Glossary of Terms continued

- **Net gearing** is the net asset exposure expressed as a percentage of shareholders' funds.

Gross Asset Exposure

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

Hedging

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

Investment Manager

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

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 Exposure

Net Asset Exposure is calculated as the total of all long exposures less short exposures and less exposures hedging the portfolio.

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 operating expenses (excluding finance costs and taxation) incurred by the Company as a percentage of the average daily net asset values for the reporting year.

Options

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

Portfolio Manager

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

Pre-Emption Rights

Section 561 of the Companies Act 2006 provides that a company offering a new issue of shares must first make an offer of these shares, on the same or more favourable terms, in proportion to the nominal value held, to existing shareholders. At each Annual General Meeting, the Board seeks shareholder approval to disapply pre-emption right provisions, up to 5% of the issued share capital of the Company.

Premium

If the share price of the Company is higher than the net asset value per share, the Company is 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 Link 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 Manager's 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 22.

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

Function	AIFM Role and Responsibility	AIFMD Disclosure
Investment management	The AIFM provides portfolio management of assets and investment advice in relation to the assets of the Company. It has delegated this function to FIL Investments International. 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 8 and 9.
Risk management	The AIFM has a 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 demonstrates 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, remains 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 and this is regularly reviewed by the Board. The Board remains responsible for the Company's system of risk management and internal control and for reviewing its effectiveness. Further details can be found in the Strategic Report on pages 10 and 11 and in Note 17 to the Financial Statements on pages 52 to 57.
Valuation of illiquid assets	The Directive requires the disclosure of the percentage of the Alternative Investment Fund's assets which are subject to special arrangements arising from their illiquid nature and any new arrangements for managing the liquidity of the Company.	Not Applicable.
Leverage	The Company uses leverage to increase its exposure primarily to the stockmarkets of continental Europe and currently holds derivatives to achieve this. The AIFM has set maximum levels of leverage that are reasonable. It has implemented systems to calculate and monitor compliance against these limits and has ensured that the limits have been complied with at all times. There are two methods of calculating leverage – the Gross Method which does not reduce exposure for hedging; and the Commitment Method which does reduce exposure for hedging.	The maximum leverage limits are 1.80 for the Gross Method of calculating leverage and 1.50 for the Commitment Method. At 31 December 2017, actual leverage was 1.13 for both the Gross Method and Commitment Method.
Liquidity management	The AIFM, in consultation with the Board, maintains a liquidity management policy which is considered at least annually.	No new arrangements for managing the liquidity of the Company have been made. Further details can be found in Note 17 on page 54.
Remuneration of the AIFM	The AIFM operates under the terms of Fidelity International's Global Remuneration Policy. This ensures that the AIFM complies with the requirements of the FCA's Remuneration Code (SYSC19A); the AIFM Remuneration Code (SYSC19B) and the BIPRU Remuneration Code (SYSC19C).	Details of Fidelity International's Global Remuneration Policy can be found at www.fidelityinternational.com/global/ remuneration/default.page

EU Securities Financing Transactions Regulation ("SFTR")

The following disclosures relate to contracts for difference ("CFDs") held by the Company which may be considered Total Return Swaps under the SFTR, which came into force on 12 January 2016.

As at 31 December 2017 all CFDs were contracted bilaterally with open maturities:

Broker	Fair Value £000	Percentage of Net Assets	Collateral Granted £000	Collateral Received £000
Deutsche Bank AG (UK)	(1,515)	0.15%	1,260	
Goldman Sachs International (UK)	(3,068)	0.30%	3,460	
HSBC Bank plc (UK)	3,240	0.31%		3,825

Collateral granted was denominated in UK sterling and held in a segregated account on behalf of the Company with a maturity of one day. The total return for the year ended 31 December 2017 from CFDs was a profit of £1,831,000.

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