For more information click here to visit Fidelity online

Welcome to the Fidelity European Values PLC Annual Report 2018.

This interactive PDF allows you to access information easily, search for a specific item or go directly to another page, section or website.

Guide to buttons

- Go to main contents page
- Search this PDF
- Print options
- Go to next page
- Go to previous page
- Enlarge page size
- Reduce page size

Links in this PDF

- Dynamic links – clicking on them will take you to further information within the document
- Web links – clicking on them will take you to further information (opens in a new window).

Tabs

Clicking on one of the tabs at the side of the page takes you to the start of that section.

Fidelity INTERNATIONAL

FIDELITY EUROPEAN VALUES PLC

Annual Report for the year ended 31 December 2018

For more information click here to visit Fidelity online

Investment Objective and Overview

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.

"Fidelity European Values PLC (the "Company") aims to be the cornerstone long term investment of choice for those seeking European exposure across market cycles.

The Portfolio Manager, Sam Morse's, approach in managing the Company's portfolio is to look beyond the economic and political noise and concentrate on the real-life progress of listed businesses across this large and diverse region. In running the portfolio, he focuses on researching and investing in stocks he believes can grow their dividends consistently, irrespective of the prevailing backdrop. Companies with the cushion of a healthy and growing dividend also tend to be resilient during periods of macroeconomic uncertainty. By investing in solid and sustainable dividend-paying companies, Sam believes that the Company provides core defensive exposure to European equities with the potential to outperform indices over the long term."

Vivian Bazalgette, Chairman

CITYWIRE WINNER INVESTMENT TRUST AWARDS 2018 – EUROPEAN EQUITIES – FIDELITY EUROPEAN VALUES PLC

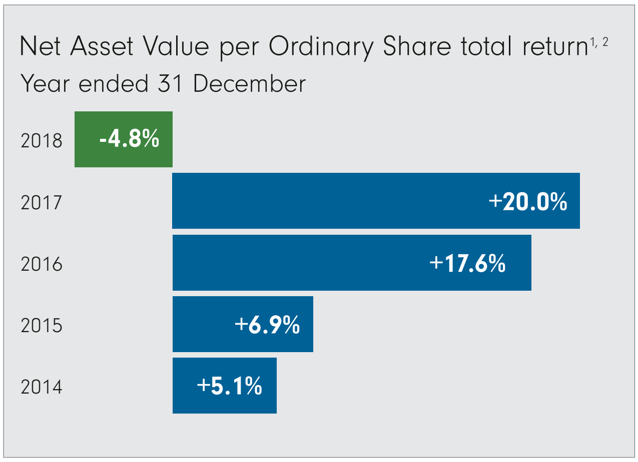
Money Observer Trust Awards 2018 – Highly Commended Premier Group Award – Fidelity International

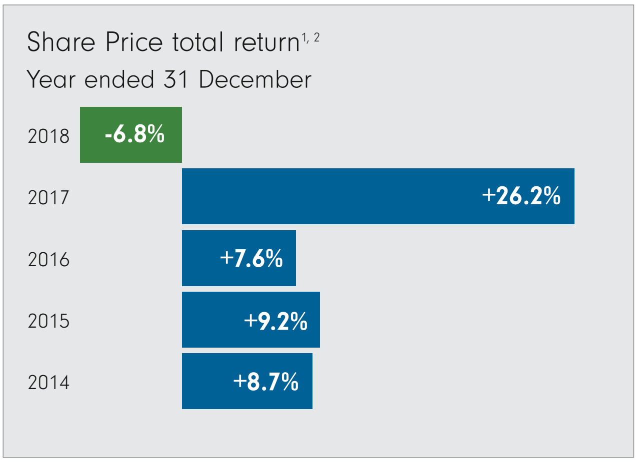
INVESTMENT WEEK – INVESTMENT COMPANY OF THE YEAR AWARDS 2018 – WINNER – EUROPE

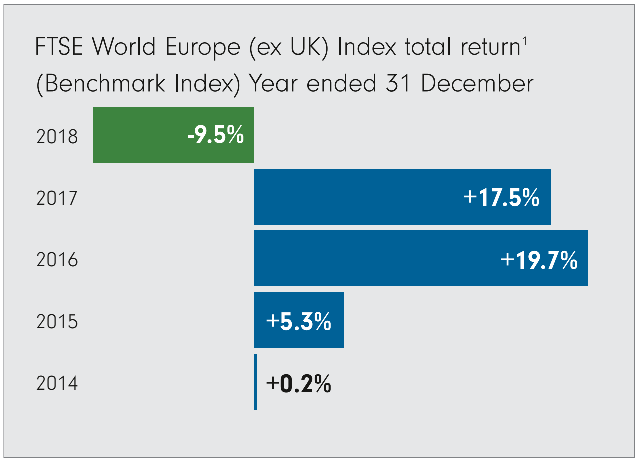
MONEY OBSERVER RATED FUND 2019

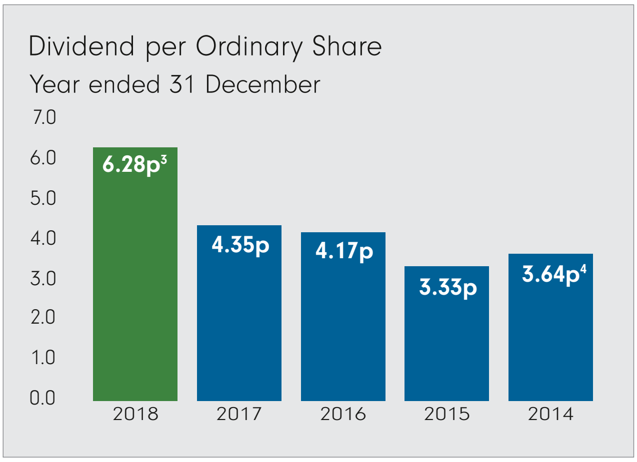
At a Glance

The Company's net asset value ("NAV") per ordinary share returned -4.8% and the share price returned -6.8%, whilst the Benchmark Index returned -9.5%.









[1] Includes reinvested income.
[2] Net Asset Value per Ordinary Share total return and Share Price total return are alternative performance measures. See Note 20 on page 64.
[3] Includes 1.79 pence as a result of the increased revenue from the change in the allocation of the management fees and finance costs. See page 3 for further details.
[4] Includes a special dividend of 0.54 pence per Ordinary Share.

As at 31 December 2018

Shareholders' Funds

£955.3m

Market Capitalisation

£853.2m

Capital Structure
Ordinary Shares of 2.5 pence held outside Treasury

412,172,826

Summary of the key aspects of the Investment Policy

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 predominantly invests in equities but 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.

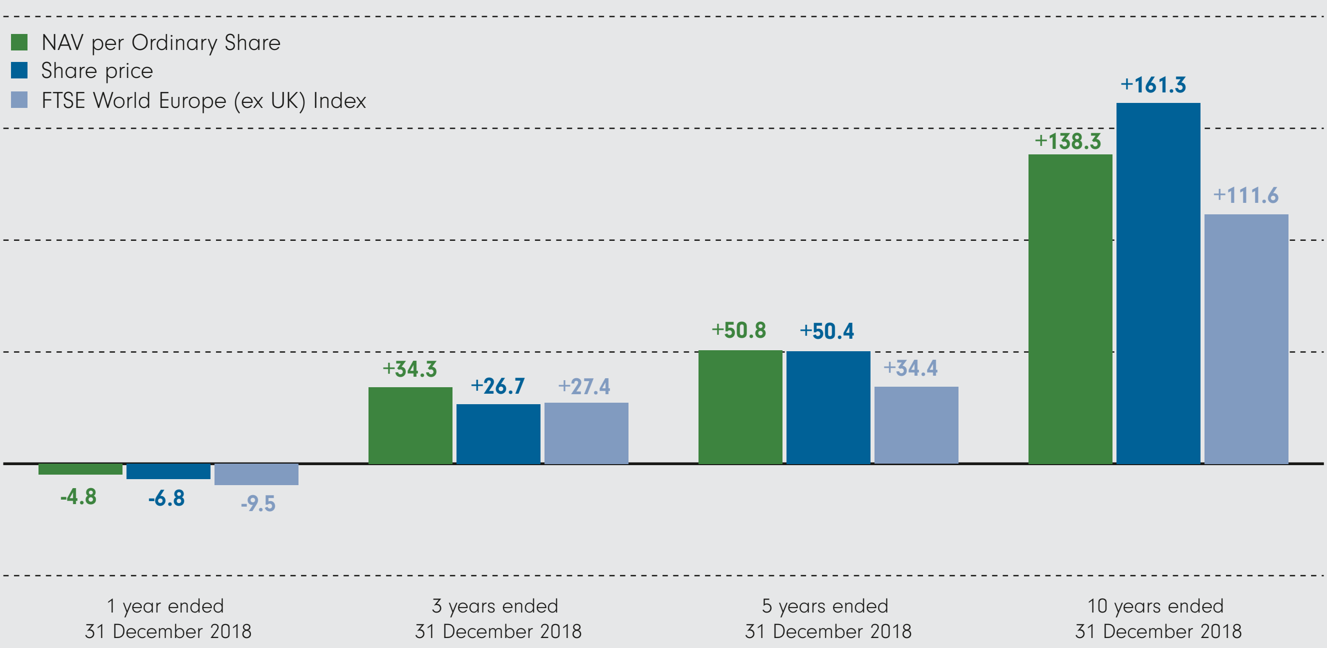
The Investment Manager must work within the guidelines set out in the Investment Policy.

Financial Highlights

	2018	2017
Assets at 31 December		
Gross Asset Exposure[1]	**£1,052.1m**	£1,166.0m
Gross Asset Exposure in excess of Shareholders' Funds (Gross Gearing – see Note 18 on page 63)	**10.1%**	13.2%
Net Asset Exposure	**£1,013.4m**	£1,068.0m
Net Asset Exposure in excess of Shareholders' Funds (Net Gearing – see Note 18 on page 63)	**6.1%**	3.6%
Shareholders' Funds	**£955.3m**	£1,030.0m
NAV per Ordinary Share	**231.77p**	248.08p
Share Price and Discount data at 31 December		
Share Price at year end	**207.00p**	226.70p
Share Price – year high	**239.00p**	230.50p
Share Price – year low	**202.00p**	183.50p
Discount at year end	**10.7%**	8.6%
Discount – year high	**12.1%**	13.6%
Discount – year low	**6.5%**	6.7%
Results for the year ended 31 December – see page 44		
Revenue return per Ordinary Share	**6.94p**	4.37p
Capital (loss)/return per Ordinary Share	**(18.96p)**	37.13p
Total (loss)/return per Ordinary Share	**(12.02p)**	41.50p
Dividend proposed per Ordinary Share[2]	**6.28p**	4.35p
Ongoing Charges for the year ended 31 December[3]	**0.88%**	0.93%

1 The total exposure of the investment portfolio, including exposure to the investments underlying the derivative instruments.
2 Includes 1.79 pence as a result of the increased revenue from the change in the allocation of management fees and finance costs. See page 3 for further details.
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). A definition of Ongoing Charges is in the Glossary of Terms on page 73.

Standardised Performance Total Return* (%)

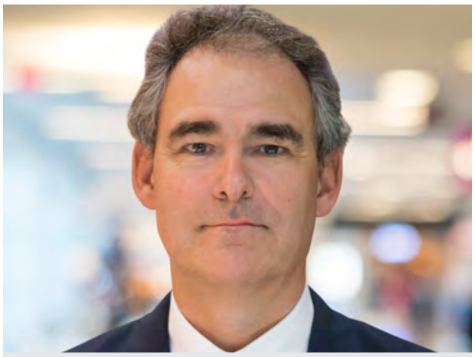


* Includes reinvested income.

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

Contents

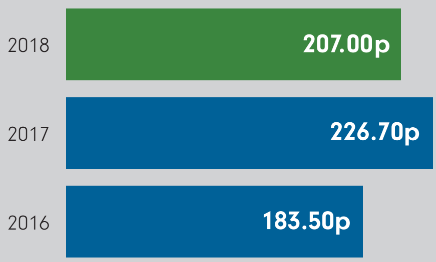
Chairman's Statement
Read more page 02



Portfolio Manager's Review
Read more page 05

Top 10 Holdings
Read more page 09

Share Price as at 31 December



Ten Year Record
Read more page 21

Strategy

Governance

Financial

Information for Shareholders

Chairman's Statement

I have pleasure in presenting the Annual Report of Fidelity European Values PLC for the year ended 31 December 2018.

Vivian Bazalgette, Chairman

£955.3m
(As at 31 December 2018)
Shareholders' Funds

-4.8%
(Year ended 31 December 2018)
Net Asset Value per Ordinary Share (total return)

-9.5%
(Year ended 31 December 2018)
Benchmark Index (total return)

Fidelity European Values PLC (the "Company") aims to be the cornerstone long term investment of choice for those seeking European exposure across market cycles.

The Portfolio Manager, Sam Morse's, approach in managing the Company's portfolio is to look beyond the economic and political noise and concentrate on the real-life progress of listed businesses across this large and diverse region. In running the portfolio, he focuses on researching and investing in stocks he believes can grow their dividends consistently, irrespective of the prevailing backdrop. Companies with the cushion of a healthy and growing dividend also tend to be resilient during periods of macroeconomic uncertainty. By investing in solid and sustainable dividend-paying companies, Sam believes that the Company provides core defensive exposure to European equities with the potential to outperform indices over the long term.

Performance

The Company recorded a net asset value ("NAV") per share total return of -4.8% for the year ended 31 December 2018, while the Benchmark Index, the FTSE World Europe (ex UK) Index, returned -9.5%. The share price total return over this period was -6.8%. In a difficult year for equities, Sam's strong stock selection capabilities were once again the significant drivers of performance with several of our high-conviction holdings contributing positively to returns. In addition, the Company's NAV total return performance over three and five years remains ahead of the Benchmark (see the "Financial Highlights" page in the fold-out at the front of this report).

Investor sentiment took a turn for the worse last year, particularly in the second half, as markets faced twin headwinds of trade tensions and rising interest rates. The market movements in Europe were in line with larger global trends in general, but the environment was further aggravated by the chronic government budget deficit in Italy and political unrest in Spain, while the possibility of a disorderly Brexit and its implication for the European economy remains a concern. As the Company is a UK business with predominantly UK investors and no overseas suppliers, the Board's focus is on the impact of market and investment risk. At the time that this statement was written, it was still not clear whether the Prime Minister's proposed Brexit agreement would eventually be ratified by Parliament, whether there might be an exit without any form of agreement or whether Brexit might be delayed by way of an extension to Article 50, which governs secession by individual states. How markets will react depends largely on what they have already discounted and in the Portfolio Manager's Review, Sam gives a more detailed view on which European sectors and stocks held in the portfolio might prove vulnerable in those circumstances. The outlook in this respect is still finely balanced. This is why Sam looks beyond these shorter term uncertainties and positions the portfolio for the longer term, by which time Brexit will be history, for better or worse.

These factors coupled with rising borrowing costs owing to normalisation of monetary policy by various central banks, most notably in the US, resulted in a sharp sell-off towards the end of the year. It was also a contrast to the relative calm which had prevailed over the last few years. Underlying the market movements was an increased number of earnings downgrades given slowing global growth. Europe has many of the world's biggest exporters and the economy is particularly exposed to global trade. This also resulted in a significant de-rating of equities in Europe.

Outlook

Lead indicators for the global economy have slowed, prompting investors to become more cautious. While the region's economic expansion is expected to be supported by favourable domestic demand, the pace of expansion is likely to be moderate. Equity markets are set to face some challenges due to ongoing trade concerns between the US and its trading partners. Concerns around the fiscal challenges in Italy, continuing uncertainty over Brexit and the current slowdown in global economic growth, may negatively impact investors' preference for risk assets. Nonetheless, an uncertain market environment is likely to create buying opportunities for long term investors, and in these circumstances your Portfolio Manager's concentration on fundamentally strong businesses should continue to help performance.

OTHER MATTERS

Management Fees

With a view to reducing costs for our shareholders, the Board agreed a new tiered fee structure which was effective on 1 April 2018. The previous fee of 0.85 per cent per annum only applies to the first £400 million of the Company's net assets and a lower rate of 0.75 per cent per annum applies to net assets in excess of £400 million. Given the value of shareholders' funds of £955.3m as at 31 December 2018, this represents an important saving for shareholders.

Allocation of Fees and Finance Costs

As mentioned in last year's Annual Report, and effective from 1 January 2018, 75% of the Company's management fees and finance costs are now charged to capital and 25% to revenue. This better reflects the balance of the capital and revenue elements of total return experienced historically over the longer term. Previously, these costs were charged in their entirety to revenue. The change does not affect the total return although relative rates of taxation of income and capital gains may be a consideration for some investors. As a result of this change, the revenue return for this reporting year is higher than in prior years and this is reflected in the final dividend proposed.

Dividends

The Board recommends a final dividend of 6.28 pence per share for the year ended 31 December 2018 for approval by shareholders at the AGM on 13 May 2019. The dividend will be payable on 17 May 2019 to those shareholders who appear on the share register at close of business on 29 March 2019 (the ex-dividend date will be 28 March 2019). 1.79 pence per share of the recommended dividend represents the increased revenue generated from the change in the allocation of the management fees and finance costs as mentioned above. If this element is excluded, the underlying 4.49 pence represents an increase of 3.2 per cent year on year.

While the Board has not sought to influence the Portfolio Manager by imposing any income objective in any particular year – and this remains the case – the investment focus on companies capable of growing their dividend has seen the Company's dividend payments rise over time. Because the Board acknowledges that both capital and income growth are components of performance, as reflected in the change of investment objective approved by shareholders at the Annual General Meeting last year, it considers that this is an appropriate time to move to a more clearly defined progressive dividend practice.

The aim therefore will be to increase the dividend each year. The exceptional circumstances in which this might not prove possible include, first, if sterling were to rise substantially against the euro; secondly, if economic trends prove to be unusually adverse; and thirdly, if the Portfolio Manager shifts the emphasis of companies held to ones with a materially lower overall yield than hitherto.

In order to help realise its aim, the Board has decided gradually to augment revenue reserves by retaining a minor proportion of earnings from year to year. By law this proportion is not permitted to exceed 15 per cent. By way of example, for the 2018 financial year the dividend of 6.28 pence is being paid from earnings of 6.94 pence per share, a retention rate of about 9 per cent. The Board expects that as revenue reserves build up, they will assist, if necessary, in smoothing dividend growth year on year, in the event of the sorts of exceptional circumstances outlined above.

Finally, as the Company has a significant retail shareholder base and in order to smooth the dividend payments throughout the year, the Board has decided from the 2019 financial year to pay both an interim and a final dividend, which it is hoped will be welcomed by shareholders. It is expected that in normal circumstances the interim dividend will represent somewhat under half the total dividend for the financial year, and will be paid in November 2019, following the interim results.

Discount Management and Treasury Shares

The Board operates an active discount management policy, the primary purpose of which is to reduce discount volatility. As of this year, the Board is seeking to maintain the discount in single digits in normal market conditions. Buying shares at a discount also results in an enhancement to the NAV per share. The Board has shareholder approval to hold in Treasury shares repurchased by the Company, rather than cancelling them, and these shares are then available to be sold at a premium to NAV, facilitating the management of, and potentially enhancing, liquidity in the Company's shares. The Board is seeking shareholder approval to renew this authority at the forthcoming AGM.

As a result of the widening of the discount during the year, the Company repurchased 3,029,351 ordinary shares into Treasury. Since the beginning of the year 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 the parameters set by the Board. As at 31 December 2018, the Company's gross gearing was 10.1% (2017: 13.2%) whilst net gearing was 6.1% (2017: 3.6%). In the reporting year, gearing made a small negative contribution to performance, as can be seen from the attribution analysis table on page 20.

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

Chairman's Statement continued

Board of Directors
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 stepped down from the Board at the conclusion of the AGM on 14 May 2018. At the same time, James was succeeded as Audit Committee Chair 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 one 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 re-election by shareholders and put themselves forward for re-election at the forthcoming AGM. Biographical details of each Director are shown on page 24.

Annual General Meeting
The AGM of the Company will be held at midday on Monday 13 May 2019 at Fidelity's offices at **25 Cannon Street, London EC4M 5TA** (nearest tube stations are St Paul's and Mansion House). Full details of the meeting are given on pages 65 to 67.

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 2019.

Vivian Bazalgette

Vivian Bazalgette
Chairman
14 March 2019

Portfolio Manager's Review

Sam Morse was appointed as Portfolio Manager of Fidelity European Values PLC on 1 January 2011. He has also managed the Fidelity European Fund since 1 January 2010. He first joined Fidelity as a research analyst and covered a range of sectors before becoming an equity income fund manager. He also worked as Head of Equities at M&G.

Question

How has the Company performed in the year under review?

Answer

The Company had a disappointing year in absolute terms with the NAV total return falling by 4.8% and the share price total return falling by 6.8% as the discount widened. I hope it will be some consolation to shareholders that the Company's NAV and share price both fell less than the Benchmark Index which was down by 9.5%.

Question

And what has the market environment been like in the year under review?

Answer

2018 was a year of growing uncertainty, which is never good for stock market returns. As in a suspense movie, investors spent much of the year fearing what might come next. When the year began, the global economy was humming, earnings estimates were rising and there appeared to be few clouds on the horizon. Within a few weeks, however, and just as the ink dried on endless optimistic projections by strategy teams around the City, the angst began. Investors started to worry: 'is this as good as it gets'? Then as the year progressed, 'events' provided more reasons to fear what might come next. We ended the year almost at the other end of the spectrum: fearing the impact of trade wars, higher interest rates in the US, the unpredictability of populist political agendas, etc., and all this just as the European Central Bank ("ECB") finally ended its programme of quantitative easing! December saw a dramatic sell-off and what was touted, at the outset, to be a banner year for stock market investors, turned into a very disappointing year with only cash providing a positive return.

Question

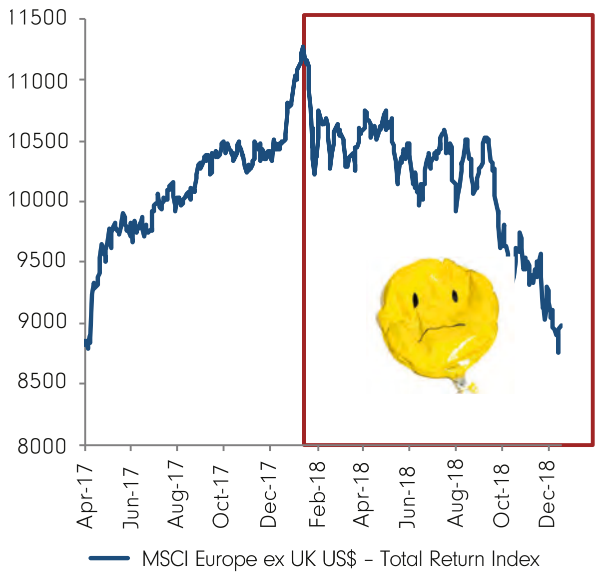
What have been the key contributors to performance? And detractors?

Answer

The focus on reliable dividend growers often means that the Company holds up relatively well when investors grow more nervous and when equity markets struggle and this was the case in 2018. Other factors contributed positively too, such as sector positioning, e.g. being overweight in technology and underweight in automobiles, and the focus on strong balance sheets as investors became increasingly concerned about financial leverage. Stock-picking, however was, as usual, the main determinant of relative performance. The financial sector provided the greatest boost, in aggregate, to relative performance. Deutsche Boerse was a strong individual contributor, as detailed in the interim report, but more generally, avoiding low-return banks, seen early in the year as

Portfolio Manager's Review continued

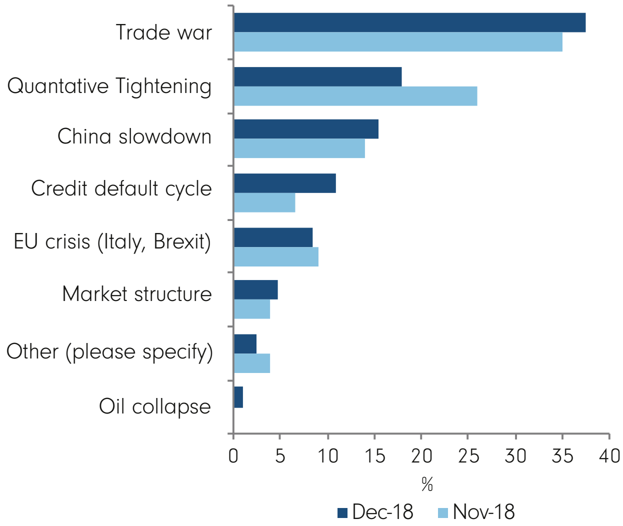
This year: is the party over?



Sources: Fidelity and DataStream, December 2018. Index is MSCI Europe ex UK.

What's been troubling the market in 2018

What do you consider the biggest "tail risk"?



Sources: BofA Merrill Lynch Global Fund Manager Survey, December 2018.

recovery plays on the back of rising interest rates, helped when it turned out that interest rates in Europe were, as the President of the ECB Mario Draghi confirmed, going nowhere until at least after the summer of 2019. The top individual contributor for the year was Edenred – the global leader in managing employee benefit programs for corporates (remember luncheon vouchers?) – which saw an acceleration in organic and inorganic growth under the stewardship of a relatively new management team. Brazil is the single biggest area for Edenred so optimism about the prospects for that country, following the election of Bolsonaro, gave the stock an extra lift too. As always, there were also disappointments in terms of stock picking. The most notable of these was Iliad Group, the French telecoms company, which suffered from poor execution in an increasingly competitive market and Atlantia, the Italian motorways operator, which had a major setback when the Morandi bridge collapsed with tragic consequences.

Question

There have been a number of challenges for European equity managers this year, not least the high sales exposure to emerging markets of many European companies, rising input prices and political uncertainty. How have you navigated these?

Answer

More than a quarter of sales by European companies are now made in emerging markets which demonstrates their considerable success in expanding outside their domestic markets. Emerging markets may be unfashionable today, having had a difficult 2018, but the longer term growth prospects remain good. My investment approach is to try to make sure that we own the best balance of companies with respect to consistent dividend growth and what is discounted in the share's valuation. I tend not to react to events or changes in stock market fashions but try to make sure that there is a balance in the portfolio across sectors and regions, including emerging markets, which will make sure that the Company can perform consistently in different environments. Rising input prices are a function of where we are in the economic cycle. If a company has pricing power, it is often able to pass these rising input prices on to customers and mitigate any hit to margins. Weaker businesses will struggle to do so. I have always favoured companies with strong pricing power which are often strong business franchises that are capable of growing their dividends consistently. Political uncertainty is, I'm afraid, here to stay. Ultimately, strong businesses which can deliver consistent dividend growth will continue to thrive in difficult times even though political uncertainty may cause the markets to be volatile on a shorter term view.

Question

What have been the major changes to the portfolio over the period?

Answer

I seldom make 'major' changes to the portfolio because my investment horizon is quite long term. I am focused on attractively-valued companies, which I think can grow their dividends consistently on a three to five year view. Indeed, many of the Company's investments have been held throughout my tenure as this Company's Portfolio Manager, which is now more than eight years. As a result, the turnover in the portfolio tends to be quite low and 2018 was no exception to this. Holdings in BIC Group, the lighters to pens company, Elior, the contract caterer, Anheuser-Busch InBev, the beer company, and Aena, the Spanish airports owner and operator, were all sold during the year. The first three were sold on concerns regarding their dividend outlook given deteriorating fundamentals while Aena, which has been a very rewarding investment since purchase around three years ago, was sold because the valuation was no longer as attractive. I was concerned that the strategy of the company might change for the worse following the election of a new government in Spain. One new holding was added during the year: Grifols, which is one of the global leaders in plasma-derived treatments, where we expect to see earnings growth accelerate beyond expectations as the number of suitable indications grow and as newly-opened collection centres mature.

Question

How has your derivative strategy performed in the year under review?

Answer

Gearing did not help given falling markets and unfortunately, the short portfolio did not really add much value either. Having said that, there have been some soft benefits in terms of meeting companies and analysts with whom I might not formerly have engaged. Assessing performance over one year is also, probably, too short a period to draw a conclusion as to the merits of this shorting strategy. However, I am mindful that time focused on the derivatives strategy may distract from or dilute the main objectives of the Company. I have committed to the Board that, until there is evidence that this strategy works, I will not make it a larger proportion of the Company. Time will tell.

Question

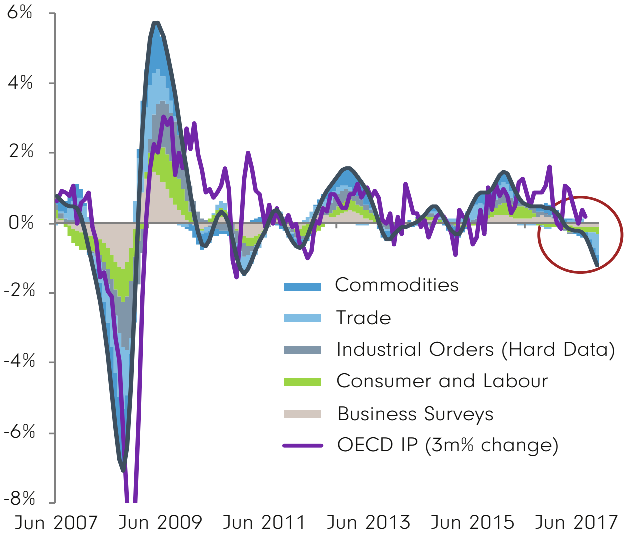
The market seems to be assuming that there will, ultimately, be an agreed withdrawal deal between the UK and the EU. What if there isn't? How would that impact the Trust?

Answer

The UK represents a small proportion of continental European companies' sales and profits: less than 5%. So the direct consequences of a 'no deal' Brexit, and a subsequent devaluation of UK sterling, would be minimal for most companies. Those more affected would be companies with larger businesses in the UK such as the Spanish banks Santander and Sabadell. A number of companies, such as those in the auto sector, might also suffer from short term disruption due to supply chain issues if there is a 'no deal' Brexit. A devaluation of UK sterling in the event of a 'no deal' Brexit would, however, result in exchange rate gains for UK sterling investors in the Company. An appreciation of UK sterling would have an opposite effect. Note 17 on page 61 provides foreign currency risk sensitivity analysis. There may, of course, also be some indirect consequences, or second order effects, such as a general drop in business confidence which may affect equities negatively.

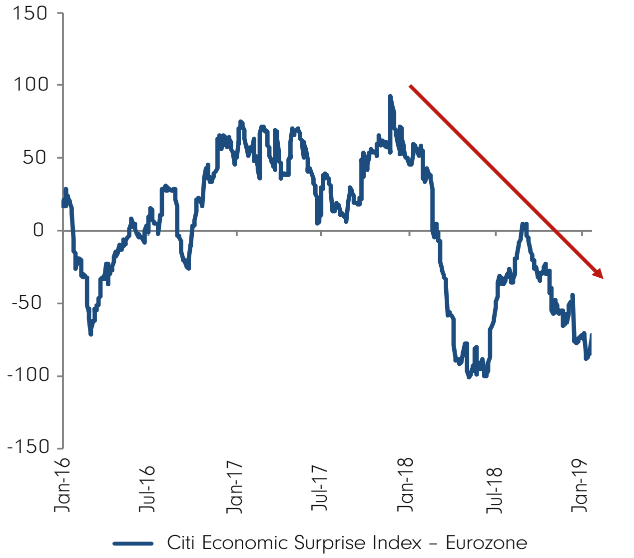
Macro outlook

Fidelity Leading Indicators (FLI): signs of a slowdown



Source: Fidelity, 28 December 2018.

Macroeconomic surprises: growth slowdown still poses risk to 2019 earnings



Source: Citibank, Bloomberg, 22 January 2019.

Portfolio Manager's Review continued

Question

What should investors remain focused on in the months ahead?

Answer

Focus on the long term. The Russians, I am told, have a proverb that says: 'if your shoes are dirty, point to the horizon'. Well the shoes may be a little dirty as we enter 2019 which could be a tricky year for European stock markets given on-going earnings downgrades, Brexit machinations, continued uncertainty about the impact of US Federal Reserve tightening and the end of quantitative easing in Europe. In the long term it pays to stay invested in equities and, in particular, in those companies that are able to grow their dividends consistently. Valuation is improving but we are far from trough levels. The current dividend yield of the European markets is only about 70% of the highest level seen during my tenure as Portfolio Manager of the Company. Often, in a fundamental downturn, valuations become very cheap in historical terms. Fidelity has pointed out many times, however, that it is extremely difficult to try and time markets, so my policy is to stay fully invested and ride through the cyclical ups and downs of the market. In the long term, investors are rewarded for taking that risk. For my part, I will continue to focus on attractively valued cash-generative companies, with strong balance sheets, which have the potential to grow their dividends consistently over the next three to five years.

Sam Morse
Portfolio Manager
14 March 2019

Top 10 Holdings

as at 31 December 2018
(based on Gross Asset Exposure expressed as a percentage of Shareholders' Funds)

Industry Consumer Goods

Nestlé
(Switzerland)

Gross Asset Exposure **6.9%**

Nestlé is the largest food company in the world based on revenues since 2014. The company has more than 2,000 brands and has a presence in 191 countries across the globe. Nestlé was founded over 152 years ago in the merger of the Anglo-Swiss Milk Company established in 1866 by Charles and George Page, with Farine Nestlé. It expanded significantly during both World Wars - broadening its product set beyond its milk and infant formula ranges. Today the company remains committed to expanding its product suite to reflect new consumer tastes and lifestyles. Nestlé saw significant earnings growth in 2018, in part boosted by cost-cutting activity including the sale of its US confectionery business to Ferrero International. Its fastest growing product channel is its nutrition and health science range.

Industry Healthcare

Roche
(Switzerland)

Gross Asset Exposure **5.4%**

Swiss multinational healthcare giant Roche is the world's largest biotechnology company, it aims to improve the standard of care across oncology, immunology, infectious diseases, ophthalmology and neuroscience. There are 30 research and development sites in pharmaceuticals and diagnostics worldwide. In 1990 the group acquired a 60% stake in Genentech (US Biotech), before taking the outstanding portion in 2009, making the unit a wholly-owned subsidiary. Genentech has been one of the most productive biotech names in the last twenty years - with the discovery of Herceptin, Rituxan and Avastin, among others.

Industry Oil & Gas

Total
(France)

Gross Asset Exposure **4.4%**

Total is one of seven supermajor oil companies and has produced oil and gas for almost one hundred years. It has a presence in more than 130 countries and produces almost 2.7m barrel of oil equivalent per day of hydrocarbons. The Courbevoie-headquartered company was founded after the First World War, when French president Raymond Poincaré encouraged the creation of a French oil company. Today Total has more than 98,000 employees across the globe focused on the exploration and production of oil and gas, refining, petrochemicals and the distribution of energy in various forms to the end consumer.

Industry Healthcare

Sanofi
(France)

Gross Asset Exposure **4.3%**

French biopharmaceuticals giant Sanofi has 79 manufacturing sites in 36 countries. There are five key healthcare areas of focus - diabetes and cardiovascular, speciality care, vaccines, consumer healthcare and general medicines, and emerging markets. The management team highlights a growing and aging global population as a supportive secular factor and points out that medical needs remain high. Sanofi is currently implementing its 2020 strategic roadmap, first announced in November 2015 with the aim of reshaping its portfolio, delivering outstanding launches, and sustaining innovation in research and development.

Industry Technology

SAP
(Germany)

Gross Asset Exposure **3.9%**

SAP is a multinational software operation which manufactures enterprise software and provides cloud services to assist in the running of business operations and customer services. The company has a high recurring revenue ratio and a notably flexible cost base. In 2017 SAP was rated the most sustainable software company in the Dow Jones Sustainability Index for the eleventh consecutive year. The company has in excess of 370,000 customers in more than 180 countries.

Top 10 Holdings continued

Industry Consumer Goods

L'Oréal
(France)

Gross Asset Exposure 3.4%

The leading beauty manufacturer worldwide, L'Oréal has 34 brands and a presence in 150 countries. Demographic trends, particularly in emerging markets with their expanding middle class, are supportive. Research and development remain a priority for the management team which stresses the need for innovation and superior quality in a world of ratings and reviews.

Industry Financials

Sampo
(Finland)

Gross Asset Exposure 3.2%

Finland-based Sampo operates as a holding company. Through its subsidiaries the company provides commercial and private property and casualty insurance products in the Nordics and the Baltics, as well as life insurance products in Finland and the Baltics. The company also owns 21% of Nordea, the region's largest bank.

Industry Healthcare

Novo Nordisk
(Denmark)

Gross Asset Exposure 3.1%

Novo Nordisk is a global pharmaceuticals company with 16 production sites on five continents and research and development facilities in Demark, China and the US. Its products are marketed in more than 170 countries and 27.7m people use Novo Nordisk's diabetes care products. The company's mission is to drive change and defeat diabetes and other serious chronic diseases by discovering and developing innovative biological medicines and distributing these around the world.

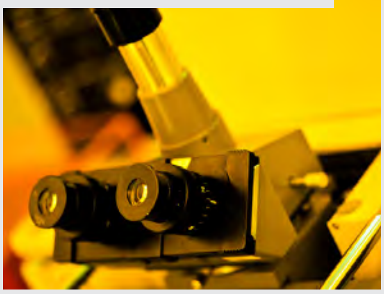
Industry Consumer Goods

LVMH Moët Hennessy
(France)

Gross Asset Exposure 3.1%

French multinational luxury goods conglomerate LVMH Moët Hennessy prides itself on being a 'world leader in luxury.' LVMH owns 70 brands, across wine and spirits, fashion and leather goods, perfume and cosmetics, watches and jewellery and selective retailing. It has a retail network of over 4,000 shops worldwide. Among the most renowned names in its stable are Dom Perignon, Moët & Chandon, Christian Dior, Marc Jacobs, Acqua di Parma and Chaumet. In the last few years there has been renewed focus on improvement of production methods and the development of digital activities.

Industry Technology



ASML
(Netherlands)

Gross Asset Exposure 3.1%

Dutch company ASML is the largest supplier globally of photolithographic systems for the semiconductor industry. Its clients include most of the world's leading chip makers such as Intel and Samsung. ASML's products work with light sources, which generate ultraviolet light which is projected through a blueprint of a geometric chip pattern. Optics reduce and focus the pattern onto a thin slice of silicon, coated in a light-sensitive substance. The light interacts with the chemical, working to 'print' the pattern on to the wafer. Later in the process a three-dimensional structure is revealed, and the procedure is repeated multiple times.

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 2 to 8 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.

Objective
Shareholders approved the change to the Company's objective at the AGM on 14 May 2018 from that of achieving long term capital growth principally from the stockmarkets 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.

Strategy
In order to achieve this objective, the Company operates as an investment company and has an actively managed portfolio of investments, consisting primarily of continental European equities. 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 to Fidelity. The Portfolio Manager aims to achieve a total return on the Company's net assets over the longer term in excess of the equivalent return on the FTSE World Europe (ex UK) Index, the Company's Benchmark Index. The stock selection approach adopted by the Portfolio Manager is considered to be well suited to achieving this objective. The Board takes the view that investing in equities is a long term process.

The change in the Company's objective on 14 May 2018 did not affect the strategy and principal activity of the Company and these have remained unchanged throughout the year ended 31 December 2018.

Investment Management 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 predominantly in continental European companies with a view to achieving long term 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 restricted in terms of size, industry, or geographical split, although certain investment restrictions apply in an attempt to diversify risk.

Investment Restrictions

- 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:

a) 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

* 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.

STRATEGY GOVERNANCE FINANCIAL INFORMATION FOR SHAREHOLDERS

Strategic Report continued

b) 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 limit in paragraph (a) 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 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).

Derivative Instruments

The Company may utilise derivative instruments, including index-linked notes, futures, contracts for difference ("CFDs"), covered call options, put options and other equity-related derivative instruments 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.
- To enhance returns through writing covered call options and writing put options.

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

- The aggregate exposure of the Company to equities, including 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.

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.

Gearing

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

Performance

The Company's performance for the year ended 31 December 2018, including a summary of the year's activities and indications of 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 2 to 8. The Portfolio Listing, the Distribution of the Portfolio, the Attribution Analysis, the Ten Year Record and the Summary of Performance Charts are set out on pages 16 to 23.

Results and Dividends

The Company's results for the year ended 31 December 2018 are set out in the Income Statement on page 44. The revenue return was 6.94 pence and the capital loss was 18.96 pence, giving a total loss of 12.02 pence per ordinary share.

The Directors recommend a final dividend of 6.28 pence per share for the year ended 31 December 2018 to be paid on 17 May 2019 to shareholders who appear on the register as at the close of business on 29 March 2019 (ex-dividend date 28 March 2019). This includes 1.79 pence per share as a result of the additional revenue from the change in the allocation of management fees and finance costs (see details in the Chairman's Statement on page 3).

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 2018 %	Year ended 31 December 2017 %
NAV per Ordinary Share total return[1]	**-4.8**	+20.0
Share Price total return[1]	**-6.8**	+26.2
FTSE World Europe (ex UK) Index total return	**-9.5**	+17.5
Discount to NAV	**10.7**	8.6
Ongoing Charges[2]	**0.88**	0.93

1 Alternative performance measures. See Note 20 on page 64.
2 The Board regularly considers the costs of running the Company to ensure they are reasonable and competitive.

Sources: Fidelity and Datastream.

In addition to these KPIs, 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 21 to 23 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, including those that would threaten its business model, future performance, solvency or liquidity. 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 except for the addition of the "Key Person Risk".

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 57 to 62 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 performance as the Company may experience volatility of performance in the shorter term.
Key person risk	There is a risk that the Manager has an inadequate succession plan for key individuals, particularly with investment trust expertise. The loss of the Portfolio Manager or key individuals could lead to potential performance, operational or regulatory issues. The Manager identifies key dependencies which are then addressed through succession plans. Fidelity has succession plans in place for portfolio managers and these are discussed regularly with the Board.

Strategic Report continued

Principal Risks	Description and Risk Mitigation
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). The Chairman's Statement on page 2 and the Portfolio Manager's Review on pages 7 and 8 provides more detail. 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 provide both 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 derivatives risk is included in Note 17 on pages 57 to 62.
Cybercrime risk	The risk from cybercrime is significant as it continues to be subject to emerging threats. Cybercrime threats evolve rapidly and consequently the risk is regularly re-assessed 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
There is a risk to the Company of not complying with tax and regulatory requirements.

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 Board monitors tax and regulatory changes at each Board meeting and 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. 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. The Registrar, Custodian and Depositary 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 this year's AGM on 13 May 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 growth in both capital and income. 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 Company's NAV and share price performance;
- 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 for the five year reporting period to 31 December 2018, with a NAV total return of 50.8%, a share price total return of 50.4% and a Benchmark Index total return of 34.4%. The Board regularly reviews the Company's 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 and policy, its investment strategy and asset allocation;
- 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 25. The Company is also subject to a continuation vote at the AGM on 13 May 2019 and based on the factors mentioned above, the Going Concern Statement on page 25 and the Company's performance, the Board has a reasonable expectation that this vote will be approved.

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 2018, there were two female and three male Directors on the Board.

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. It delegates the responsibility for corporate engagement and shareholder voting to the Manager who updates the Board on any issues and activities. These activities are reviewed regularly by the Manager's corporate governance team. Further details of the Manager's policy on corporate engagement can be found at **www.fidelity.co.uk**.

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 2 to 8.

By Order of the Board
FIL Investments International
Secretary
14 March 2019

Portfolio Listing
as at 31 December 2018

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	66,186	6.9	66,186
Roche Pharmaceuticals	51,604	5.4	51,604
Total Oil & Gas	41,469	4.4	41,469
Sanofi (shares and long CFD) Pharmaceuticals	40,663	4.3	5,011
SAP Software	36,711	3.9	36,711
L'Oréal Personal goods	32,637	3.4	32,637
Sampo Non-life insurance	30,431	3.2	30,431
Novo Nordisk Healthcare services	29,996	3.1	29,996
LVMH Moët Hennessy Personal goods	29,974	3.1	29,974
ASML Semiconductors	29,283	3.1	29,283
Ten largest long exposures	**388,954**	**40.8**	**353,302**
Other long exposures			
Deutsche Boerse	29,024	3.0	29,024
Intesa Sanpaolo	28,072	2.9	28,072
Red Electrica	27,275	2.9	27,275
Essilor International	26,615	2.8	26,615
Linde (shares and long CFD)	26,410	2.8	4,467
DNB	26,227	2.7	26,227
Royal Dutch Shell	25,488	2.7	25,488
Legrand	25,245	2.6	25,245
ABN Amro Group	24,600	2.6	24,600
Kone	22,288	2.3	22,288
Telenor	21,987	2.3	21,987
3i Group	20,336	2.1	20,336
Fresenius Medical Care	19,414	2.0	19,414

Long Exposures - shares unless otherwise stated	Gross Asset Exposure £'000	%[1]	Balance Sheet Value £'000
Andritz	19,176	2.0	19,176
Sika	18,780	2.0	18,780
Schindler Holding	18,671	2.0	18,671
Symrise	18,109	1.9	18,109
Amadeus IT Group	17,575	1.8	17,575
Swedish Match	17,445	1.8	17,445
Edenred	16,577	1.7	16,577
KBC Groupe	16,061	1.7	16,061
Dassault Systemes	15,703	1.6	15,703
Hermes International	14,160	1.5	14,160
Iliad Group	12,708	1.3	12,708
Atlantia	11,265	1.2	11,265
MTU Aero Engines	11,094	1.2	11,094
Intertek Group	10,356	1.1	10,356
Umicore	10,106	1.1	10,106
Grifols	9,572	1.0	9,572
DKSH Holding	9,560	1.0	9,560
Societe des Bains de Mer de Monaco	9,346	1.0	9,346
Fielmann	9,067	0.9	9,067
Sodexo	8,731	0.9	8,731
Chr. Hansen Holding	8,693	0.9	8,693
Flughafen Zurich	2,979	0.3	2,979
Total long exposures before long futures	**997,669**	**104.4**	**940,074**
Long Futures			
Euro Stoxx 50 Future March 2019	35,125	3.7	(662)
Total long exposures after long futures	**1,032,794**	**108.1**	**939,412**
Short Exposures			
Short CFDs (4 holdings)	19,348	2.0	(219)
Gross Asset Exposure[2]	**1,052,142**	**110.1**	
Portfolio Fair Value[3]			**939,193**
Net current assets (excluding derivative assets and liabilities)			16,118
Shareholders' Funds (per Balance Sheet)			**955,311**

1 Gross Asset Exposure is expressed as a percentage of Shareholders' Funds.
2 Gross Asset Exposure comprises market exposure to investments of £938,826,000 (per Note 10: Investments on page 54) plus market exposure to derivative instruments of £113,316,000 (per Note 11: Derivative instruments on page 55).
3 Portfolio Fair Value comprises Investments of £938,826,000 plus derivative assets of £2,391,000 less derivative liabilities of £2,024,000 (per the Balance Sheet on page 46).

Distribution of the Portfolio

as at 31 December 2018

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.

	France	Switzerland	Germany	Netherlands	Spain	Finland	Norway	Italy	Denmark	UK	Other	**Total 2018**[1]	**Index 2018**[2]	Total 2017
Healthcare														
Pharmaceuticals & Biotechnology	4.5	5.5	–	–	1.1	–	–	–	4.2	–	–	15.3	12.3	13.1
Health Care Equipment & Services	2.9	–	2.1	–	–	–	–	–	–	–	–	5.0	2.9	5.7
	7.4	**5.5**	**2.1**	**–**	**1.1**	**–**	**–**	**–**	**4.2**	**–**	**–**	**20.3**	**15.2**	18.8
Industrials														
Industrial Engineering	–	2.0	–	–	–	2.4	–	–	–	–	2.1	6.5	3.5	5.4
Support Services	1.8	1.1	–	–	–	–	–	–	–	1.2	–	4.1	1.4	4.7
Electronic & Electrical Equipment	2.7	–	–	–	–	–	–	–	–	–	–	2.7	1.1	2.7
Construction & Materials	–	2.0	–	–	–	–	–	–	–	–	–	2.0	3.3	1.6
Aerospace & Defence	0.5	–	1.2	–	–	–	–	–	–	–	–	1.7	2.2	1.7
Industrial Transportation	–	0.4	–	–	–	–	–	1.2	–	–	–	1.6	1.8	3.0
General Industrials	–	–	0.5	–	–	–	–	–	–	–	–	0.5	1.7	–
	5.0	**5.5**	**1.7**	**–**	**–**	**2.4**	**–**	**1.2**	**–**	**1.2**	**2.1**	**19.1**	**15.0**	19.1
Financials														
Banks	–	–	–	2.6	–	–	2.8	3.0	–	–	1.8	10.2	11.1	12.4
Financial Services	–	–	3.1	–	–	–	–	–	–	2.2	–	5.3	1.9	5.6
Non-Life Insurance	–	–	–	–	–	3.3	–	–	–	–	–	3.3	5.5	3.2
Real Estate Investment Trusts	–	–	–	–	–	–	–	–	–	–	–	–	0.8	–
Real Estate Investment & Services	–	–	–	–	–	–	–	–	–	–	–	–	1.2	–
Life Insurance	–	–	–	–	–	–	–	–	–	–	–	–	0.9	–
	–	**–**	**3.1**	**2.6**	**–**	**3.3**	**2.8**	**3.0**	**–**	**2.2**	**1.8**	**18.8**	**21.4**	21.2
Consumer Goods														
Personal Goods	8.2	–	–	–	–	–	–	–	–	–	–	8.2	6.1	7.3
Food Producers	–	7.0	–	–	–	–	–	–	–	–	–	7.0	5.7	6.2
Tobacco	–	–	–	–	–	–	–	–	–	–	1.9	1.9	0.1	0.9
Beverages	–	–	–	–	–	–	–	–	–	–	–	–	2.3	2.0
Automobiles & Parts	–	–	–	–	–	–	–	–	–	–	–	–	3.9	1.4
Household Goods and Home Construction	–	–	–	–	–	–	–	–	–	–	–	–	0.7	0.9
Leisure Goods	–	–	–	–	–	–	–	–	–	–	–	–	0.2	–
	8.2	**7.0**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1.9**	**17.1**	**19.0**	18.7
Technology														
Software & Computer Services	3.1	–	3.9	–	–	–	–	–	–	–	–	7.0	3.4	8.2
Technology Hardware & Equipment	–	–	–	3.1	–	–	–	–	–	–	–	3.1	2.8	3.0
	3.1	**–**	**3.9**	**3.1**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**10.1**	**6.2**	11.2

	France	Switzerland	Germany	Netherlands	Spain	Finland	Norway	Italy	Denmark	UK	Other	**Total 2018[1]**	**Index 2018[2]**	Total 2017
Oil & Gas														
Oil & Gas Producers	4.4	–	–	2.9	–	–	–	0.7	–	–	–	8.0	4.2	7.0
Oil Equipment, Services & Distribution	–	–	–	–	–	–	–	–	–	–	–	–	0.4	–
	4.4	**–**	**–**	**2.9**	**–**	**–**	**–**	**0.7**	**–**	**–**	**–**	**8.0**	**4.6**	7.0
Basic Industries														
Chemicals	–	–	2.0	–	–	–	–	–	–	–	4.0	6.0	4.3	7.2
Industrial Metals & Mining	–	–	–	–	–	–	–	–	–	–	–	–	0.6	–
Forestry & Paper	–	–	–	–	–	–	–	–	–	–	–	–	0.4	–
Mining	–	–	–	–	–	–	–	–	–	–	–	–	0.1	–
	–	**–**	**2.0**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**4.0**	**6.0**	**5.4**	7.2
Consumer Services														
Travel & Leisure	2.0	–	–	–	1.9	–	–	–	–	–	–	3.9	0.5	5.4
General Retailers	–	–	0.9	–	–	–	–	–	–	–	–	0.9	1.5	1.2
Media	–	–	–	–	–	–	–	–	–	–	–	–	1.5	–
Food & Drug Retailers	–	–	–	–	–	–	–	–	–	–	–	–	1.0	–
	2.0	**–**	**0.9**	**–**	**1.9**	**–**	**–**	**–**	**–**	**–**	**–**	**4.8**	**4.5**	6.6
Telecommunications														
Mobile Telecommunications	–	–	–	–	–	–	2.4	–	–	–	–	2.4	1.7	1.4
Fixed Line Telecommunications	–	–	–	–	0.6	–	–	–	–	–	–	0.6	2.0	–
	–	**–**	**–**	**–**	**0.6**	**–**	**2.4**	**–**	**–**	**–**	**–**	**3.0**	**3.7**	1.4
Utilities														
Electricity	–	–	–	–	2.9	–	–	–	–	–	–	2.9	2.7	2.0
Gas, Water & Multiutilities	–	–	–	–	–	–	–	–	–	–	–	–	2.0	–
Alternative Energy	–	–	–	–	–	–	–	–	–	–	–	–	0.3	–
	–	**–**	**–**	**–**	**2.9**	**–**	**–**	**–**	**–**	**–**	**–**	**2.9**	**5.0**	2.0
Gross Asset Exposure – 2018	**30.1**	**18.0**	**13.7**	**8.6**	**6.5**	**5.7**	**5.2**	**4.9**	**4.2**	**3.4**	**9.8**	**110.1**		
Index – 2018	**23.3**	**18.7**	**19.3**	**6.9**	**6.8**	**2.4**	**1.6**	**5.3**	**3.8**	**–**	**11.9**		**100.0**	
Gross Asset Exposure – 2017	**31.6**	**17.3**	**19.2**	**8.8**	**5.5**	**5.2**	**4.3**	**5.1**	**4.9**	**3.9**	**7.4**			113.2

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

Attribution Analysis

Analysis of change in NAV total return for the year ended 31 December 2018	%
Impact of:	
Index	-10.4
Exchange Rate	+1.0
Gearing	-0.6
Stock Selection	+6.0
Expenses	-0.9
Share Repurchases	+0.1
NAV total return for the year ended 31 December 2018	**-4.8**

Ten Highest Contributors to NAV total return (on a relative basis)	%
Edenred	+0.7
Dassault Systemes	+0.6
Deutsche Boerse	+0.5
L'Oréal	+0.5
Bayer	+0.5
Red Electrica	+0.4
Sanofi	+0.4
Linde	+0.4
Amadeus IT Group	+0.3
Nestlé	+0.3

Ten Highest Detractors to NAV total return (on a relative basis)	%
Iliad Group	-0.7
Fresenius Medical Care	-0.6
Novartis	-0.5
Legrand	-0.3
ABN Amro Group	-0.3
Intesa Sanpaolo	-0.3
Atlantia	-0.2
Unilever	-0.2
Nokia	-0.2
Safran	-0.2

Source: Fidelity.

Ten Year Record

For the year ended 31 December	**2018**	2017	2016	2015	2014	2013	2012	2011	2010	2009
Assets										
Gross Asset Exposure (£m)[1]	**1,052**	1,166	902	782	761	742	685	562	716	742
Shareholders' Funds (£m)	**955**	1,030	875	760	725	711	616	518	661	649
NAV per Ordinary Share (p)[2]	**231.77**	248.08	210.75	182.57	174.09	168.58	142.90	116.86	133.58	126.95
Share price data										
Share Price (p)[2]	**207.00**	226.70	183.50	174.00	162.50	152.50	128.70	100.30	111.30	115.10
Discount to NAV (%)	**10.7**	8.6	12.9	4.7	6.7	9.5	9.9	14.2	16.7	9.3
Revenue and Costs										
Revenue return per Ordinary Share (p)[2]	**6.94**	4.37	4.34	3.37	3.67	2.98	2.78	2.69	1.60	2.06
Dividend per Ordinary Share (p)[2]	**6.28[3]**	4.35	4.17	3.33	3.64[4]	2.98	2.78	2.65	1.58	2.25[5]
Cost of running the Company (Ongoing Charges) (%)	**0.88**	0.93	0.99	0.94	0.97	0.96	0.98	0.94	0.91	0.92
Gearing										
Gross Gearing (%)[6]	**10.1**	13.2	3.0	2.8	5.0	4.3	11.1	8.6	4.6	1.0
Net Gearing (%)[7]	**6.1**	3.6	3.0	2.8	5.0	4.3	11.1	8.6	4.6	1.0
Performance Total Returns										
NAV per Ordinary Share (%)	**-4.8**	+20.0	+17.6	+6.9	+5.1	+20.0	+24.7	-11.5	+7.1	+11.3
Share Price (%)	**-6.8**	+26.2	+7.6	+9.2	+8.7	+20.8	+31.3	-8.6	-1.3	+21.3
Benchmark Index (%)	**-9.5**	+17.5	+19.7	+5.3	+0.2	+25.2	+17.8	-14.7	+5.1	+19.1

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 1.79 pence from the additional revenue generated as a result of the change in the allocation of management fees and finance costs.
4 Includes a special dividend of 0.54 pence.
5 Interim dividend in respect of the year ended 31 December 2009.
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.

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

Summary of Performance Charts

Total return performance for ten years to 31 December 2018

Prices rebased to 100.
Sources: Fidelity and Datastream.

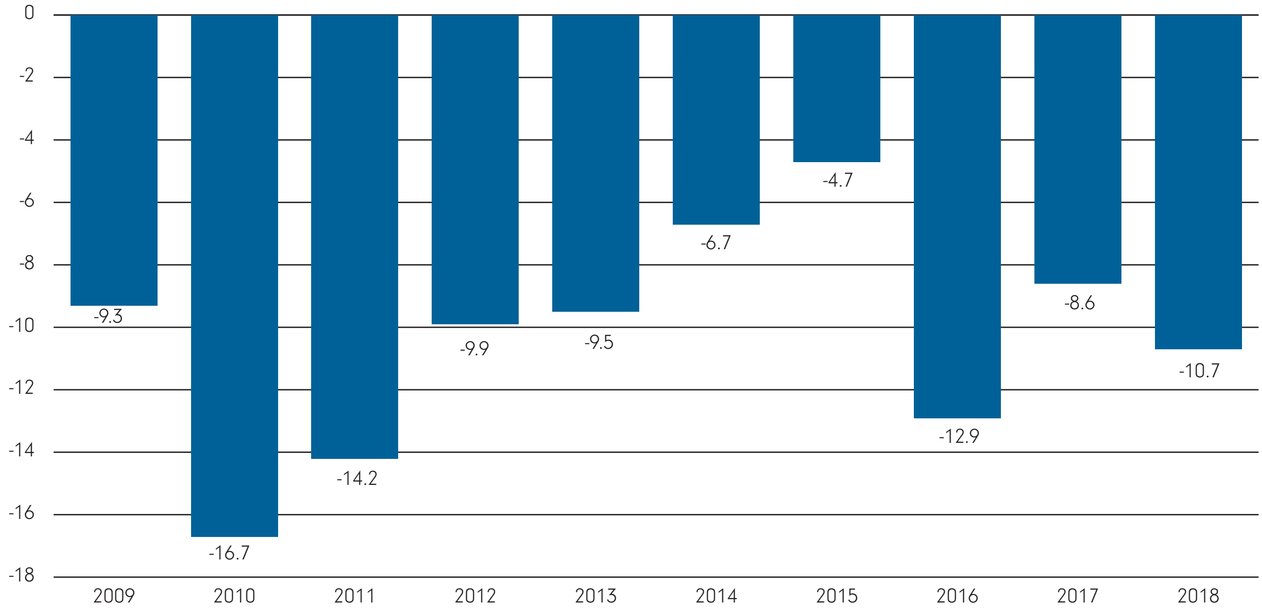
NAV and ordinary share price for ten years to 31 December 2018

Sources: Fidelity and Datastream.

Total return performance relative to the Benchmark Index for ten years to 31 December 2018

Prices rebased to 100.
Sources: Fidelity and Datastream.

Discount to NAV for the ten years to 31 December 2018 (%)



Sources: Fidelity.

Board of Directors

Vivian Bazalgette
Chairman (since 12 May 2016)
Appointed 1 December 2015

A* M

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

Fleur Meijs
Chair of the Audit Committee (since 14 May 2018)
Appointed 1 September 2017

A M

Fleur Meijs 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 is a Chartered Accountant and 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.

Marion Sears
Senior Independent Director (since 14 May 2018)
Appointed 17 January 2013

A M

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 mergers and acquisitions, broking and the pharmaceutical industry.

Robin Niblett
Director
Appointed 14 January 2010

A M

Robin Niblett is the Director and Chief Executive of Chatham House (the Royal Institute of International Affairs) since 2007. He is a member of the World Economic Forum's Regional Future Council on Europe. He was also a Special Advisor to the House of Commons Foreign Affairs Select Committee from 2015 to 2017. 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.

Paul Yates
Director
Appointed 6 March 2017

A M

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

All the Directors are non-executive Directors and considered independent.

* Member of the Audit Committee until 31 December 2018.

Committee membership key

A Audit M Management Engagement A Audit Committee Chair M Management Engagement Committee Chairman

Directors' Report

The Directors have pleasure in presenting their report and the audited Financial Statements of the Company for the year ended 31 December 2018.

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 "Investment Manager").

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 (2017: same).

The Board reviews the Management Agreement at least annually and details are included in the Corporate Governance Statement on page 30.

Fee Arrangements for the quarter to 31 March 2018
For the three months to 31 March 2018, the fee for investment management services to the Company was a quarter of the annual fee rate of 0.85 per cent of the Company's net assets excluding the value of any investment in any fund which is managed by the Manager. There was no additional company secretarial fee.

Revised Fee Arrangement from 1 April 2018
For the period beginning 1 April 2018, fees were renegotiated with the Manager and the Board agreed a new tiered fee structure. The previous annual fee rate of 0.85 per cent will apply to the first £400 million of the Company's net assets and a lower rate of 0.75 per cent will apply to net assets in excess of £400 million. There continues to be no additional company secretarial fee.

The Board
All Directors served on the Board throughout the year ended 31 December 2018 and up to the date of this report. A brief description of all serving Directors is shown on page 24 and indicates their qualifications for Board membership.

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 pages 14 and 15. The Company is also subject to a continuation vote at this year's AGM on 13 May 2019 and based on the factors mentioned above and in the Viability Statement on pages 14 and 15, as well as the Company's performance, the Board has a reasonable expectation that this vote will be approved.

Auditor's Appointment
A resolution to reappoint Ernst & Young LLP as Auditor to the Company will be proposed at the AGM on 13 May 2019.

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 28 to 31.

Registrar, Custodian and Depositary Arrangements
The Company has appointed Link 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 51.

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 2018, the issued share capital of the Company was 416,447,910 ordinary shares (2017: 416,447,910) of which 4,275,084 shares (2017: 1,245,733) are held in Treasury. Shares in Treasury do not have voting rights, therefore, the total number of shares with voting rights was 412,172,826 (2017: 415,202,177).

Directors' Report continued

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. Details of the Board's new discount management policy as of this year can be found in the Chairman's Statement on page 3.

Share Issues
No ordinary shares were issued during the year to 31 December 2018 (2017: 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 the AGM on 13 May 2019 and therefore resolutions to renew these authorities will be put to shareholders at this AGM.

Share Repurchases
During the year to 31 December 2018, the Company repurchased 3,029,351 ordinary shares for holding in Treasury (2017: 150,000). 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 13 May 2019 and a resolution to renew the authority to purchase shares, either for cancellation or to buy into Treasury, will be put to shareholders at the forthcoming AGM.

Substantial Share Interests
As at 31 December 2018 and 28 February 2019, 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 2018	28 February 2019
Fidelity Platform Investors	17.08	16.97
Wells Capital Management	8.39	8.60
1607 Capital Partners	7.89	7.94
Rathbones	4.50	4.42
Quilter Cheviot Investment Management	3.88	3.86
Hargreaves Lansdown	3.55	3.55
Brewin Dolphin	3.22	3.15

An analysis of shareholders as at 31 December 2018 is detailed in the table below.

Shareholders as at 31 December 2018	% of voting share capital
Private Investors*	69.15
Mutual Funds	24.10
Insurance Funds	3.24
Pension Funds	3.07
Trading	0.44
Total	**100.00**

* Includes Fidelity Platform Investors (17.08%).

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 11 to 15.

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.

Fidelity Platform Investors
If you hold your shares in the Company through the Fidelity platform, you have the right to attend the Company's AGM and vote on the proposed resolutions. For the forthcoming AGM and future AGMs, the voting process will take place online. Historically, you would have received a Form of Direction and an Attendance Card with instructions on how to vote in the post. Fidelity will no longer be providing paper forms of direction. All Fidelity Platform Investors will receive a letter setting out the voting process.

Paperless Proxy Voting
Link Asset Services, the Registrar, will also be providing an online process for voting on the resolutions to be proposed at the Company's AGM. Details of how this will work are included in the Notes to the Notice of Meeting on pages 66 and 67. There is an option to contact the Registrar to receive a paper proxy form should this be preferred or required.

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, 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 13 May 2019, resolutions will be proposed relating to the items of business set out in the Notice of Meeting on pages 65 and 66, 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 2019, 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 2019 and equivalent to 20,822,395 ordinary shares).

Authority to Repurchase Shares
Resolution 13 is a special resolution which renews the Company's authority to purchase up to 14.99% (61,784,706) of the ordinary shares in issue (excluding Treasury shares) on 14 March 2019, 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.

Continuation Vote
Resolution 14 is an ordinary resolution regarding the continuation of the Company as an investment trust for a further two years. The Directors expect this continuation vote to be passed.

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 2019

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 under the UK Code and paragraph 9.8.6 of the Listing Rules. This Statement, together with the Statement of Directors' Responsibilities on page 35, 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 can be found on the FRC's website at **www.frc.org.uk**.

Statement of Compliance

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

THE BOARD

Board Composition

The Board, chaired by Vivian Bazalgette, consists of five non-executive Directors. The Directors believe that, between them, they have good knowledge and wide experience of business in Europe and of 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.

Marion Sears is the Senior Independent Director and fulfils the role of sounding board for the Chairman, intermediary for the other Directors as necessary and she acts as a channel of communication for shareholders in the event that contact through the Chairman is inappropriate.

As at the date of this report, Robin Niblett had completed nine years on the Board. The Board considers that he remains independent in judgement and character and free from conflict. In the current European political and economic climate, Robin makes a unique contribution to the Board and Company from his position with Chatham House (the Royal Institute of International Affairs) and as a member of the World Economic Forum's Regional Future Council on Europe. This knowledge is an invaluable asset which contributes to the collective skills of the Board and the Board has asked Robin to extend his tenure until the AGM in May 2020.

Biographical details of all the Directors are on page 24.

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 considered to be 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 29 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 the next trip will be in 2019. On due diligence trips, the Board meets with the management of existing and potential investee companies alongside the Portfolio Manager. If the trip is in a city where Fidelity International has an office, then the Board will also meet some of their analysts and representatives, thereby gaining valuable insight. The Directors also have meetings with Fidelity's Head of Investment Trusts and attend educational days organised by the Manager.

	Regular Board Meetings	Audit Committee Meetings	Management Engagement Committee Meetings
Vivian Bazalgette	5/5	3/3	1/1
Fleur Meijs	5/5	3/3	1/1
Robin Niblett*	4/5	3/3	0/1
James Robinson (retired on 14 May 2018)	3/3	1/1	1/1
Marion Sears	5/5	3/3	1/1
Paul Yates	5/5	3/3	1/1

* Robin Niblett missed one Board meeting which was unavoidable. In his role as Director of the Royal Institute of International Affairs, he had to host and moderate a high-level discussion at short notice with a VIP speaker.

Regular Board Meetings exclude ad hoc meetings for formal approvals. Figures in the table above indicate those meetings for which each Director was eligible to attend and attended in the year.

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
Changes to the Board take place in accordance with the Companies Act 2006, the Company's Articles of Association and the AIC Code. Any proposal for the appointment of new Directors is discussed and approved by the whole Board. As a consequence, there is no Nomination Committee. External consultants who have no connection with the Company are used to identify potential candidates.

Director Training
Upon appointment, each Director is provided with all relevant information regarding the Company and receives 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, amongst others, the AIC, the Company's Auditor and the Company Secretary, regarding any proposed developments or changes in law or regulations that could affect the Company and/or the Directors.

Election and Re-election of Directors
All newly appointed Directors stand for election by the shareholders at the AGM following their appointment by the Board. As the Company is a constituent member of the FTSE 350 Index, all other Directors are subject to annual re-election. Directors standing for re-election at this year's AGM are listed with their details on page 24. 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 undertaken ahead of each AGM. The evaluation process takes the form of written questionnaires and discussions. For the year under review, the performance and contribution to the Company of each Director was considered using written questionnaires. The performance of the Chairman was evaluated by the other Directors in the Chairman's absence. In all cases, it was concluded that all the Directors have been effective and that they continue to demonstrate commitment to their roles. The process is considered to be constructive in terms of identifying areas for improving the functioning and performance of the Board and action is taken on the basis of these results. The tenure of each individual Director is also considered during the evaluation process.

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 third year. The next external evaluation will be for the year ending 31 December 2020.

Directors' Remuneration and Share Interests
Details of the Directors' remuneration and share interests are disclosed in the Directors' Remuneration Report on pages 33 and 34.

BOARD COMMITTEES

The Board discharges certain of its corporate governance responsibilities through two Committees as set out below and on page 30. Written terms of reference of each Committee are available on the Company's pages of the Manager's website at **www.fidelityinvestmenttrusts.com**.

The Audit Committee
The Audit Committee is chaired by Fleur Meijs and for the reporting year consisted of all of the Directors. Vivian Bazalgette stepped down as a member of the Audit Committee at the end of the reporting year following recommendation in the revised 2018 UK Corporate Governance Code that a chairman of a board should not be a member of an audit committee. Mr Bazalgette will generally be invited to attend future Audit Committee meetings.

Corporate Governance Statement continued

Full details of the Audit Committee are disclosed in the Report of the Audit Committee on pages 36 to 38.

The 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 remains competitive and reasonable for shareholders.

Ahead of the AGM, the Committee has reviewed the performance of the Manager and the fee basis and also that of its peers. 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 35 is a statement by the Directors of their responsibilities in respect of the preparation of the Annual Report and Financial Statements. The Auditor has set out its reporting responsibilities within the Independent Auditor's Report on pages 39 to 43.

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 provides 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 and also includes consideration of internal controls of similar reports issued by the other service providers.

The Board, assisted by the Manager, has undertaken a rigorous risk and controls assessment. It confirms that 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 2018 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 Company is subject to the Criminal Finances Act 2017 and follows a zero tolerance policy to tax evasion and its facilitation. The Directors are fully committed to complying with all legislation and appropriate guidelines designed to prevent tax evasion and the facilitation of tax evasion in the jurisdictions in which the Company, its service providers, counterparties and business partners operate.

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 its 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 71. The Company Secretary will attend to any enquiries promptly and ensure that they are directed to the Chairman, the Senior Independent Director or the Board as a whole, as appropriate.

The Board encourages all shareholders to attend the AGM on 13 May 2019 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 65 to 67 sets out the business of the AGM and the special business resolutions are explained more fully on page 27 of the Directors' Report. A separate resolution is proposed on each substantially separate issue including the Annual Report and Financial Statements. The Notice of Meeting and related papers are sent to shareholders at least 20 working days before the AGM.

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 2019

Directors' Remuneration Report

Chairman's Statement
The Directors' Remuneration Report for the year ended 31 December 2018 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 13 May 2019. The Company's Auditor is required to audit certain sections of this report and where such disclosures have been audited, the specific section has been indicated as such. The Auditor's opinion is included in its report on pages 39 to 43.

Directors' Remuneration
The annual fee structure since 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). In addition, since 14 May 2018, the Senior Independent Director receives a supplementary fee of £2,500. Directors' remuneration is reviewed on an annual basis to ensure that it remains competitive and sufficient to attract and retain the quality of Directors needed to manage the Company successfully.

The Remuneration Policy
The Remuneration Policy is subject to a binding vote, in the form of an ordinary resolution at every third Annual General Meeting ("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 the AGM on 15 May 2017, 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 and also includes input into the appropriate level of Directors' fees from an independent source.

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

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

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

Voting on 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 2018 and up to the date of this report.

Voting on the Directors' Remuneration Report
At the AGM held on 14 May 2018, 99.21% of votes were cast in favour of the Directors' Remuneration Report for the year ended 31 December 2017, 0.53% of votes were cast against and 0.26% of votes were withheld.

The Directors' Remuneration Report for the year ended 31 December 2018 will be put to shareholders at the AGM on 13 May 2019, 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 £161,166 (2017: £152,568). 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 (Directors' expenses) are disclosed in the table on the next page.

STRATEGY GOVERNANCE FINANCIAL INFORMATION FOR SHAREHOLDERS

	2019 Projected Total (£)	**2018 Fees (Audited) (£)**	**2018 Taxable Benefits* (Audited) (£)**	**2018 Total (Audited) (£)**	2017 Fees (Audited) (£)	2017 Taxable Benefits* (Audited) (£)	2017 Total (Audited) (£)
Remuneration of Directors							
Vivian Bazalgette	40,000	**40,000**	**–**	**40,000**	37,500	–	37,500
Simon Fraser[1]	n/a	**n/a**	**n/a**	**n/a**	10,000	–	10,000
Fleur Meijs[2]	30,000	**28,549**	**–**	**28,549**	8,000	–	8,000
Robin Niblett	26,000	**26,000**	**–**	**26,000**	24,000	–	24,000
James Robinson[3]	n/a	**12,500**	**437**	**12,937**	28,000	909	28,909
Marion Sears[4]	28,500	**27,593**	**87**	**27,680**	24,000	313	24,313
Paul Yates[5]	26,000	**26,000**	**–**	**26,000**	19,846	–	19,846
Total	150,500	**160,642**	**524**	**161,166**	151,346	1,222	152,568

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

1 Retired on 15 May 2017.
2 Appointed as a Director on 1 September 2017 and as Audit Committee Chair on 14 May 2018.
3 Retired on 14 May 2018.
4 Appointed as Senior Independent Director on 14 May 2018.
5 Appointed on 6 March 2017.

Expenditure on Directors' Remuneration and Distributions to Shareholders

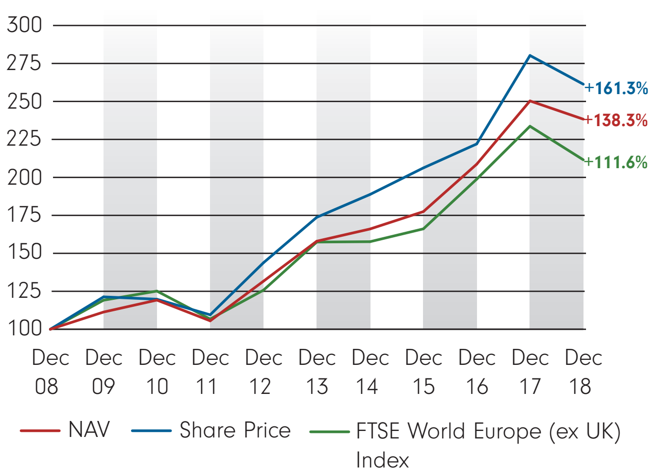
The table below shows the total amount paid out in Directors' remuneration and distributions to shareholders. The projected Directors' remuneration for the year ending 31 December 2019 is disclosed in the table above.

	December 2018 £	December 2017 £
Expenditure on Directors' Remuneration:		
Fees and taxable benefits	**161,166**	152,568
Distributions to Shareholders:		
Dividend payments	**18,061,000**	17,320,000
Shares repurchased	**6,943,000**	293,000

Performance

The Company's investment objective is to achieve long term growth in both capital and income by predominantly investing in equities (and their related securities) of continental European companies. The graph opposite shows the performance of the Company's NAV, share price and the FTSE World Europe (ex UK) Index for ten years to 31 December 2018.

Total return performance for ten years to 31 December 2018



Directors' Remuneration Report continued

Directors' Interest in the Ordinary Shares

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

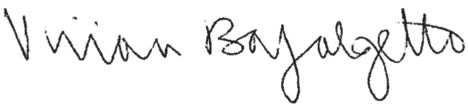
Directors' Shareholdings (Audited)

	31 December 2018	31 December 2017	Change during year
Vivian Bazalgette	**30,000**	30,000	–
Fleur Meijs[1]	**16,970**	6,681	10,289
Robin Niblett[1]	**18,625**	15,000	3,625
James Robinson[2]	**n/a**	30,000	n/a
Marion Sears[3]	**25,475**	21,020	4,455
Paul Yates	**32,000**	32,000	–

1 Purchase of shares.
2 Retired on 14 May 2018.
3 Purchase of shares by connected persons.

Since the year ended 31 December 2018, Fleur Meijs has purchased 12,000 ordinary shares. All other Directors' shareholdings remain unchanged at the date of this report.

On behalf of the Board



Vivian Bazalgette
Chairman
14 March 2019

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

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

Approved by the Board on 14 March 2019 and signed on its behalf by:

Vivian Bazalgette
Chairman

Report of the Audit Committee

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

The primary responsibilities of the Committee are to ensure the integrity of the Company's financial reporting, 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 2018.

Composition
The members of the Committee are myself as Chair and all the other Directors, except for Vivian Bazalgette who stepped down as a member of the Committee at the end of the reporting year. This is in line with the recommendation in the 2018 UK Corporate Governance Code. He will generally be invited to attend future Committee meetings. All Committee members are considered independent non-executive Directors and collectively have sufficient recent and relevant financial experience to discharge their responsibilities fully.

The Committee's performance is evaluated annually as part of the overall Board evaluation process.

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 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 that 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 2018), the Committee has met three times and the Auditor 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 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 2018	• The Half-Yearly Report and Financial Statements and recommendation of its approval to the Board • The Going Concern Statement • Cybercrime and cloud and data centre strategy
November 2018	• The Auditor's engagement letter and audit plan for the Company's year ending 31 December 2018 • Internal Audit reporting, including review of the Internal Audit plan • Review of outsourced third party service providers control reports • The potential payment of an interim dividend
March 2019	• Cybersecurity • The Auditor's findings from the audit of the Company • The Auditor's performance, independence and reappointment • Compliance with Corporate Governance and regulatory requirements • The Annual Report and Financial Statements and recommendation of its approval to the Board • The Viability and Going Concern Statements • The final dividend payment to be recommended to the Board

Annual Report and Financial Statements
The Annual Report and Financial Statements are the responsibility of the Board and the Statement of Directors' Responsibilities is on page 35. The 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 during the year
Summarised below are the most significant issues considered by the Committee in respect of these Financial Statements and how these issues were addressed.

Recognition of Investment Income	Investment Income is recognised in accordance with accounting policy Note 2(e) on page 47. The Manager provided detailed revenue forecasts which the Committee reviewed and sought explanations for any significant variances to these forecasts. The Committee also considered the allocation of special dividends between revenue and capital. 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 Auditor.
Valuation, existence and ownership of investments (including derivative investments)	The valuation of investments (including derivatives) is in accordance with accounting policy Notes 2(k) and 2(l) on page 48. 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 in relation to the performance and appointment of the Auditor, as set out on the next page.

Report of the Audit Committee continued

Independence and Effectiveness of the Audit Process
Ernst & Young LLP acted as the Company's Independent Auditor for the year ended 31 December 2018. Fees paid to the Auditor for the audit of the Company's Financial Statements are disclosed in Note 5 on page 51.

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 managing 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 2018; 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 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 its reappointment for a further year. The Auditor is required to rotate audit partners every five years and this is the third 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.

Fleur Meijs
Chair of the Audit Committee
14 March 2019

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 2018, which comprise the Income Statement, the Statement of Changes in Equity, the Balance Sheet, and the related Notes 1 to 20, 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 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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.

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 13 and 14 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation set out on page 13 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 25 in the Financial Statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the Financial Statements;
- 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 pages 14 and 15 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 revenue recognition, including classification of special dividends as revenue or capital items in the income statement • Incorrect valuation and defective title to the investment portfolio and derivatives
Materiality	• Overall materiality of £9.55m which represents 1% of the Company's Net Asset Value as at 31 December 2018

Key audit matters

Key audit matters are those matters that, in our professional judgment, 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.

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

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Incomplete or inaccurate revenue recognition, including classification of special dividends as revenue or capital items in the income statement *Refer to the Report of the Audit Committee (page 37); Accounting policies (page 47); and Note 3 of the Financial Statements (page 50)* The Company has reported revenue of £33.76m (2017: £29.38m). The investment income receivable by the Company during the year directly affects the Company's ability to pay a dividend to shareholders. There is a risk that income is recognised incorrectly through failure to recognise proper income entitlements or applying appropriate accounting treatment. We identified the allocation of special dividends between revenue and capital to be a fraud risk due to the level of judgement involved in this allocation. Special dividends can be included within either the capital or revenue columns of the Income Statement, depending on the commercial circumstances behind the payments. During the year the Company received 4 special dividends, out of which 2 special dividends amounting to £0.67m (2017: £0.36m) were allocated to capital.	We performed the following procedures: • Walked through the revenue recognition process and obtained an understanding of the design and implementation of the controls; • Agreed a sample of dividends to the corresponding announcement made by the investee company and agreed cash received to bank statements; • Agreed, for a sample of investee companies, the dividend announcements made by the investee company from an external third party source to the income entitlements recorded by the Company; • Performed a review of the income and capital reports to identify special dividends, above our testing threshold, that have been received and accrued during the period; • For special dividends above our testing threshold, reviewed the underlying circumstances and motives for the payments to verify the classification as revenue or capital; • Agreed all accrued dividends to an independent source and to post year end bank statement to assess the recoverability of these amounts; and • For a sample selected, we compared the exchange rate used to translate the dividend income received in foreign currency to an independent source.	We have no matters to report to the Audit Committee with respect to our procedures performed over incomplete or inaccurate revenue recognition, including classification of special dividends as revenue or capital items in the income statement.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Incorrect valuation and defective title to the investment portfolio and derivatives *Refer to the Report of the Audit Committee (page 37); Accounting policies (page 48); and Notes 10 and 11 of the Financial Statements (pages 54 and 55)* The valuation of investments and derivatives as at the year-end was £939.20m (2017: £1,008.19m) comprising £938.83m (2017: £1,011.11m) of listed investments and £0.37m of net derivatives (2017: £(2.92)m). The valuation of the instruments held in the investment portfolio is the key driver of the Company's net asset value and total return. The fair value of investments and derivatives is determined by reference to stock exchange quoted market bid prices at the close of business on the year-end date. The incorrect valuation of the investment portfolio, including incorrect application of exchange rates, could have a significant impact on the Financial Statements. In addition, there is a risk of defective title of the entire investment portfolio.	We performed the following procedures: • Walked through the investment valuation process and obtained an understanding of the design of the controls; • Independently valued 100% of the investments and derivatives prices in the portfolio using independent pricing sources; • For those investments priced in currencies other than sterling we compared the exchange rates to an independent source; and • Agreed 100% of the holdings in the investment portfolio and derivatives to third party confirmations received from the Custodian or Brokers and the Depositary.	We have no matters to report to the Audit Committee with respect to our procedures performed over incorrect valuation and defective title to the investment portfolio and derivatives.

Key audit matters remain unchanged from the prior year.

An overview of the scope of our audit

Tailoring the scope
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.

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 £9.55m (2017: £10.30m), which is 1% (2017: 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% (2017: 75%) of our planning materiality, namely £7.16m (2017: £7.72m). We have set performance materiality at this percentage due to past experience of the audit that indicates a lower risk of misstatements, both corrected and uncorrected.

STRATEGY
GOVERNANCE
FINANCIAL
INFORMATION FOR SHAREHOLDERS

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

Given the importance of the distinction between revenue and capital for the Company, we have also applied a separate testing threshold for the revenue column of the Income Statement of £1.52m (2017: £1.00m) being 5% (2017: 5%) of the Net revenue return on ordinary activities before taxation.

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 £0.48m (2017: £0.51m), which is set at 5% (2017: 5%) of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

Other information
The other information comprises the information included in the Annual Report set out on page 26, 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 35** – 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 page 36** – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee is materially inconsistent with our knowledge obtained in the audit; or
- **Directors' statement of compliance with the UK Corporate Governance Code set out on page 28** – 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 from branches not visited by us; or
- the Financial Statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors
As explained more fully in the Statement of Directors' responsibilities set out on page 35, the Directors are responsible for the preparation of the Financial Statements and for being

satisfied that they give a true and fair view, 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.

- 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.

- 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.

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 to audit the Financial Statements for the year ending 31 December 2016 and subsequent financial periods.

The period of total uninterrupted engagement including previous renewals and reappointments is 3 years, covering the years ending 31 December 2016 to 31 December 2018.

- 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.

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.

Matthew Price
(Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP
Statutory Auditor
London
14 March 2019

Notes:

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

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 2018

		Year ended 31 December 2018			Year ended 31 December 2017		
	Notes	**revenue £'000**	**capital £'000**	**total £'000**	revenue £'000	capital £'000	total £'000
(Losses)/gains on investments	10	**–**	**(64,871)**	**(64,871)**	–	152,924	152,924
(Losses)/gains on derivative instruments	11	**–**	**(6,143)**	**(6,143)**	–	1,211	1,211
Income	3	**33,763**	**–**	**33,763**	29,384	–	29,384
Investment management fees	4	**(2,030)**	**(6,090)**	**(8,120)**	(8,281)	–	(8,281)
Other expenses	5	**(846)**	**–**	**(846)**	(802)	–	(802)
Foreign exchange (losses)/gains		**–**	**(17)**	**(17)**	–	22	22
Net return/(loss) on ordinary activities before finance costs and taxation		**30,887**	**(77,121)**	**(46,234)**	20,301	154,157	174,458
Finance costs	6	**(448)**	**(1,345)**	**(1,793)**	(308)	–	(308)
Net return/(loss) on ordinary activities before taxation		**30,439**	**(78,466)**	**(48,027)**	19,993	154,157	174,150
Taxation on return/(loss) on ordinary activities	7	**(1,706)**	**–**	**(1,706)**	(1,840)	–	(1,840)
Net return/(loss) on ordinary activities after taxation for the year		**28,733**	**(78,466)**	**(49,733)**	18,153	154,157	172,310
Return/(loss) per ordinary share	8	**6.94p**	**(18.96p)**	**(12.02p)**	4.37p	37.13p	41.50p

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

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

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

The Notes on pages 47 to 64 form an integral part of these Financial Statements.

Statement of Changes in Equity
for the year ended 31 December 2018

	Notes	share capital £'000	share premium account £'000	capital redemption reserve £'000	capital reserve £'000	revenue reserve £'000	total shareholders' funds £'000
Total shareholders' funds at 31 December 2017		**10,411**	**58,615**	**5,414**	**929,452**	**26,156**	**1,030,048**
Net (loss)/return on ordinary activities after taxation for the year		**–**	**–**	**–**	**(78,466)**	**28,733**	**(49,733)**
Repurchase of ordinary shares	14	**–**	**–**	**–**	**(6,943)**	**–**	**(6,943)**
Dividend paid to shareholders	9	**–**	**–**	**–**	**–**	**(18,061)**	**(18,061)**
Total shareholders' funds at 31 December 2018		**10,411**	**58,615**	**5,414**	**844,043**	**36,828**	**955,311**
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)
Dividend 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

The Notes on pages 47 to 64 form an integral part of these Financial Statements.

Balance Sheet

as at 31 December 2018
Company number 2638812

	Notes	2018 £'000	2017 £'000
Fixed assets			
Investments	10	**938,826**	1,011,114
Current assets			
Derivative instruments	11	**2,391**	3,652
Debtors	12	**6,405**	5,929
Amounts held at futures clearing houses and brokers		**4,279**	11,127
Fidelity Institutional Liquidity Fund		**1,847**	3,030
Cash at bank		**4,427**	4,128
		19,349	27,866
Creditors			
Derivative instruments	11	**(2,024)**	(6,575)
Other creditors	13	**(840)**	(2,357)
		(2,864)	(8,932)
Net current assets		**16,485**	18,934
Net assets		**955,311**	1,030,048
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	**844,043**	929,452
Revenue reserve	15	**36,828**	26,156
Total shareholders' funds		**955,311**	1,030,048
Net asset value per ordinary share	16	**231.77p**	248.08p

The Financial Statements on pages 44 to 64 were approved by the Board of Directors on 14 March 2019 and were signed on its behalf by:

Vivian Bazalgette
Chairman

The Notes on pages 47 to 64 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 February 2018 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. 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 amount net of tax 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) Investment management fees and other expenses – Investment management fees and other expenses are accounted for on an accruals basis and are charged as follows:

- With effect from 1 January 2018, the investment management fee is allocated 25% to revenue and 75% to capital. Prior to 1 January 2018, the investment management fee was allocated in full to revenue; and
- All other expenses are allocated in full to revenue with the exception of those directly attributable to share issues or other capital events.

g) Functional currency and foreign exchange – The Directors, having regard to the Company's share capital, the predominant currency in which its investors operate and the currency in which expenses are paid, 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.

Notes to the Financial Statements continued

2 Accounting Policies continued

h) Finance costs – Finance costs comprise interest on bank overdrafts and interest paid on contracts for difference ("CFDs"), which are accounted for on an accruals basis, 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. With effect from 1 January 2018, finance costs are allocated 25% to revenue and 75% to capital. Prior to 1 January 2018, finance costs were charged in full to revenue.

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.

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

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; and

- 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 (losses)/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 and prepayments 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.

2 Accounting Policies continued

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) 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.

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

q) 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.

Notes to the Financial Statements continued

3 Income

	Year ended 31.12.18 £'000	Year ended 31.12.17 £'000
Investment income		
Overseas dividends	**26,394**	22,271
Overseas scrip dividends	**1,685**	3,094
UK dividends	**2,005**	1,394
UK scrip dividends	**–**	611
	30,084	27,370
Derivative income		
Income recognised from futures contracts	**2,591**	434
Dividends received on long CFDs	**985**	1,525
Interest received on long CFDs*	**11**	43
	3,587	2,002
Investment and derivative income	**33,671**	29,372
Other interest		
Interest received on deposits and money market funds	**92**	12
Total income	**33,763**	29,384

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

Special dividends of £671,000 (2017: £358,000) have been recognised in capital.

4 Investment Management Fees

	Year ended 31 December 2018			Year ended 31 December 2017		
	revenue* £'000	**capital* £'000**	**total £'000**	revenue* £'000	capital* £'000	total £'000
Investment management fees	**2,030**	**6,090**	**8,120**	8,281	–	8,281

* As disclosed in Note 2 above, investment management fees for the year ended 31 December 2018 were charged 25% to revenue and 75% to capital. For the year ended 31 December 2017 investment management fees were charged 100% to revenue.

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. From 1 April 2018, FII charges investment management fees at an annual rate of 0.85% of net assets up to £400 million and 0.75% of net assets in excess of £400 million. Prior to this date the investment management fees were charged at a rate of 0.85% of net assets. From 1 April 2018, fees are payable monthly in arrears and are calculated on a daily basis. Prior to this date investment management fees were paid quarterly in arrears and calculated on the last business day of March, June, September and December.

5 Other Expenses

	Year ended 31.12.18 £'000	Year ended 31.12.17 £'000
AIC fees	**21**	21
Custody fees	**113**	105
Depositary fees	**77**	66
Directors' fees[1]	**161**	151
Legal and professional fees	**101**	96
Marketing expenses	**146**	144
Printing and publication expenses	**112**	91
Registrars' fees	**67**	65
Fees payable to the Independent Auditor for the audit of the Financial Statements[2]	**25**	25
Other expenses	**23**	38
	846	802

1 Details of the breakdown of Directors' fees are disclosed in the Directors' Remuneration Report on page 33.
2 The VAT payable on audit fees is included in other expenses.

6 Finance Costs

	Year ended 31 December 2018			Year ended 31 December 2017		
	revenue[1] £'000	**capital[1] £'000**	**total £'000**	revenue[1] £'000	capital[1] £'000	total £'000
Interest on bank overdrafts	**1**	**3**	**4**	–	–	–
Interest paid on short CFDs[2]	**64**	**193**	**257**	128	–	128
Dividends paid on short CFDs	**383**	**1,149**	**1,532**	180	–	180
	448	**1,345**	**1,793**	308	–	308

1 As disclosed in Note 2 above, finance costs for the year ended 31 December 2018 were charged 25% to revenue and 75% to capital. For the year ended 31 December 2017, finance costs were charged 100% to revenue.
2 Due to negative interest rates during the year, the Company has paid interest on its short CFDs.

Notes to the Financial Statements continued

7 Taxation on Return/(Loss) on Ordinary Activities

	Year ended 31 December 2018			Year ended 31 December 2017		
	revenue £'000	capital £'000	total £'000	revenue £'000	capital £'000	total £'000
a) Analysis of the taxation charge for the year						
Overseas taxation	**1,706**	**–**	**1,706**	1,857	–	1,857
Prior year adjustment	**–**	**–**	**–**	(17)	–	(17)
Total taxation charge for the year (see Note 7b)	**1,706**	**–**	**1,706**	1,840	–	1,840

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 19.00% (2017: 19.25%). A reconciliation of the standard rate of UK corporation tax to the taxation charge for the year is shown below:

	Year ended 31 December 2018			Year ended 31 December 2017		
	revenue £'000	capital £'000	total £'000	revenue £'000	capital £'000	total £'000
Return/(loss) on ordinary activities before taxation	**30,439**	**(78,466)**	**(48,027)**	19,993	154,157	174,150
Return/(loss) on ordinary activities before taxation multiplied by the standard rate of UK corporation tax of 19.00% (2017: 19.25%)	**5,783**	**(14,909)**	**(9,126)**	3,848	29,675	33,523
Effects of:						
Losses/(gains) on investments not taxable[1]	**–**	**13,495**	**13,495**	–	(29,675)	(29,675)
Income not taxable	**(5,238)**	**–**	**(5,238)**	(4,888)	–	(4,888)
Expenses not deductible	**–**	**256**	**256**	–	–	–
Expense relief for overseas taxation	**(5)**	**–**	**(5)**	–	–	–
Excess management expenses	**(540)**	**1,158**	**618**	1,040	–	1,040
Overseas taxation	**1,706**	**–**	**1,706**	1,857	–	1,857
Prior year adjustment	**–**	**–**	**–**	(17)	–	(17)
Total taxation charge for the year (see Note 7a)	**1,706**	**–**	**1,706**	1,840	–	1,840

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 taxation asset of £6,914,000 (2017: £6,361,000), in respect of excess management expenses of £35,165,000 (2017: £31,914,000) and excess loan interest of £5,505,000 (2017: £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/(loss) per Ordinary Share

	Year ended 31 December 2018			Year ended 31 December 2017		
	revenue	**capital**	**total**	revenue	capital	total
Return/(loss) per ordinary share	**6.94p**	**(18.96p)**	**(12.02p)**	4.37p	37.13p	41.50p

The returns/(losses) per ordinary share are based on, respectively the net revenue return on ordinary activities after taxation for the year of £28,733,000 (2017: £18,153,000), the net capital loss on ordinary activities after taxation for the year of £78,466,000 (2017: net capital return £154,157,000) and the net total loss on ordinary activities after taxation for the year of £49,733,000 (2017: net total return £172,310,000), and on 413,917,816 ordinary shares (2017: 415,237,930), being the weighted average number of ordinary shares held outside of Treasury during the year.

9 Dividends Paid to Shareholders

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Dividends paid		
Final dividend of 4.35 pence per Ordinary Share paid 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
Dividend proposed		
Final dividend proposed of 6.28 pence per Ordinary Share for the year ended 31 December 2018	**25,884**	–
Final dividend of 4.35 pence per Ordinary Share paid for the year ended 31 December 2017	**–**	18,061
	25,884	18,061

The Directors have proposed the payment of a final dividend for the year ended 31 December 2018 of 6.28 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 17 May 2019 to shareholders on the register at the close of business on 29 March 2019 (ex-dividend date 28 March 2019). The proposed dividend of 6.28 pence per ordinary share includes 1.79 pence per ordinary share which is a result of the increased revenue generated from the change in the allocation of the management fees and finance costs.

Notes to the Financial Statements continued

10 Investments

	2018 £'000	2017 £'000
Investments held at fair value	**938,826**	1,011,114
Opening book cost	**679,196**	624,412
Opening investment holding gains	**331,918**	238,335
Opening fair value	**1,011,114**	862,747
Movements in the year		
Purchases at cost	**169,608**	220,890
Sales – proceeds	**(177,025)**	(225,447)
Sales – gains	**51,947**	59,341
Movement in investment holding (losses)/gains	**(116,818)**	93,583
Closing fair value	**938,826**	1,011,114
Closing book cost	**723,726**	679,196
Closing investment holding gains	**215,100**	331,918
Closing fair value	**938,826**	1,011,114

	Year ended 31.12.18 £'000	Year ended 31.12.17 £'000
(Losses)/gains on investments		
Gains on sales of investments	**51,947**	59,341
Investment holding (losses)/gains	**(116,818)**	93,583
	(64,871)	152,924

Investment transaction costs

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

	Year ended 31.12.18 £'000	Year ended 31.12.17 £'000
Purchase transaction costs	**212**	499
Sales transaction costs	**70**	176
	282	675

The portfolio turnover rate for the year was 17.3% (2017: 23.3%). 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.

11 Derivative Instruments

	Year ended 31.12.18 £'000	Year ended 31.12.17 £'000
(Losses)/gains on derivative instruments		
Gains on long CFDs positions closed	**1,715**	683
Gains on short CFD positions closed	**1,577**	654
(Losses)/gains on futures contracts closed	**(12,725)**	2,220
Movement in investment holding (losses)/gains on long CFDs	**(477)**	2,302
Movement in investment holding gains/(losses) on short CFDs	**2,849**	(3,068)
Movement in investment holding gains/(losses) on futures	**918**	(1,580)
	(6,143)	1,211

	2018 fair value £'000	2017 fair value £'000
Derivative instruments recognised on the Balance Sheet		
Derivative instrument assets	**2,391**	3,652
Derivative instrument liabilities	**(2,024)**	(6,575)
	367	(2,923)

	fair value £'000	**2018 gross asset exposure £'000**	fair value £'000	2017 gross asset exposure £'000
At the year end the Company held the following derivative instruments				
Long CFDs	**1,248**	**58,843**	1,725	36,169
Short CFDs	**(219)**	**19,348**	(3,068)	48,990
Long futures	**(662)**	**35,125**	(1,580)	69,693
	367	**113,316**	(2,923)	154,852

Notes to the Financial Statements continued

12 Debtors

	2018 £'000	2017 £'000
Securities sold for future settlement	–	939
Taxation recoverable	5,179	4,261
Accrued income	1,199	702
Other debtors and prepayments	27	27
	6,405	5,929

13 Other Creditors

	2018 £'000	2017 £'000
Creditors and accruals	840	2,357

14 Share Capital

	2018 number of shares	2018 £'000	2017 number of shares	2017 £'000
Issued, allotted and fully paid				
Ordinary shares of 2.5 pence each held outside Treasury				
Beginning of the year	415,202,177	10,380	415,352,177	10,384
Ordinary shares repurchased into Treasury	(3,029,351)	(76)	(150,000)	(4)
End of the year	412,172,826	10,304	415,202,177	10,380
Ordinary shares of 2.5 pence held in Treasury*				
Beginning of the year	1,245,733	31	1,095,733	27
Ordinary shares repurchased into Treasury	3,029,351	76	150,000	4
End of the year	4,275,084	107	1,245,733	31
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 £6,943,000 (2017: £293,000).

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 recognised in the capital column of the Income Statement. Refer to Notes 10 and 11 above for information on investment holdings gains/(losses) included in the reserve. It can be used to fund share repurchases and it is distributable by way of dividend. The Board have stated that it has no current intention to pay dividends out of capital.

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

16 Net Asset Value per Ordinary Share

The net asset value per ordinary share is based on net assets of £955,311,000 (2017: £1,030,048,000) and on 412,172,826 (2017: 415,202,177) ordinary shares, being the number of ordinary shares of 2.5 pence each held outside of Treasury at the year end. It is the Company's policy that shares held in Treasury will only be reissued at a premium to net asset value per share and, therefore, shares held in Treasury have no dilutive effect.

17 Financial Instruments

Management of risk

The Company's investing activities in pursuit of its investment objective involve certain inherent risks. The Board confirms that there is an ongoing process for identifying, evaluating and managing the risks faced by the Company. The Board with the assistance of the Manager, has developed a risk matrix which, as part of the internal control process, identifies the risks that the Company faces. Principal risks identified are market, performance, key person, economic and political, discount control, gearing, derivatives and cybercrime 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 13 and 14.

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 financial risk arising as a result of any increases in interest rates associated with the funding of the derivative instruments.

Notes to the Financial Statements continued

17 Financial Instruments continued

Interest rate risk exposure

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

	2018 £'000	2017 £'000
Exposure to financial instruments that earn interest		
Short CFDs – exposure plus fair value	**19,129**	45,922
Amounts held at futures clearing houses and brokers	**4,279**	11,127
Fidelity Institutional Liquidity Fund	**1,847**	3,030
Cash at bank	**4,427**	4,128
	29,682	64,207
Exposure to financial instruments that bear interest		
Long CFDs – exposure less fair value	**57,595**	34,444
Net exposure to financial instruments that (bear)/earn interest	**(27,913)**	29,763

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

Foreign currency risk

The Company's net return/(loss) 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:

currency	investments at fair value £'000	long exposure to derivative instruments £'000	debtors[1] £'000	cash at bank £'000	2018 total £'000
Danish krone	38,688	–	438	–	39,126
Euro	617,503	93,968	2,901	4	714,376
Norwegian krone	48,214	–	–	–	48,214
Swedish krona	17,445	–	–	–	17,445
Swiss franc	167,780	–	2,642	–	170,422
UK sterling	49,196	–	6,550	4,423	60,169
	938,826	93,968	12,531	4,427	1,049,752

17 Financial Instruments continued

currency	investments at fair value £'000	long exposure to derivative instruments £'000	debtors[1] £'000	cash at bank £'000	2017 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

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

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	**short exposure to derivative instruments £'000**	**other creditors £'000**	**2018 total £'000**
Euro	**19,348**	**–**	**19,348**
UK sterling	**–**	**840**	**840**
	19,348	**840**	**20,188**

currency	short exposure to derivative instruments £'000	other creditors £'000	2017 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

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.

Notes to the Financial Statements continued

17 Financial Instruments continued

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 a bank overdraft, if required.

Liquidity risk exposure

At 31 December 2018, the undiscounted gross cash outflows of the financial liabilities were all repayable within one year and consisted of derivative instrument liabilities of £2,024,000 (2017: £6,575,000) and other creditors of £840,000 (2017: £2,357,000).

Counterparty risk

Some 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 and Derivatives Association's ("ISDA") market standard derivative legal documentation. As a result the Company is subject to the risk that a counterparty may not perform its obligations under the related contract. In accordance with the risk management process which the Manager employs, 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.

For 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 2018, £1,125,000 (2017: £3,825,000) was held by the brokers in cash in a segregated collateral account on behalf of the Company, to reduce the credit risk exposure of the Company. This collateral comprised of: HSBC Bank Plc £1,125,000 (2017: £3,825,000) held in cash denominated in UK sterling. At 31st December 2018, £4,279,000 (2017: £11,127,000) 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 brokers, to reduce the credit risk exposure of the brokers. This collateral comprised of: Deutsche Bank AG £590,000 (2017: £1,260,000) in cash denominated in UK sterling, Goldman Sachs International Ltd £520,000 (2017: £3,460,000) in cash denominated in UK sterling, UBS AG £3,169,000 (2017: £6,292,000) in cash denominated in UK sterling and HSBC Bank plc nil (2017: £115,000).

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 and derivative instrument contracts and cash at bank.

Derivative instruments risk

The risk management process and ongoing oversight of derivatives activity is covered by the Derivatives & Counterparty Risk Committee.

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; and

- To position short exposures in the Company's portfolio. These uncovered exposures benefit from falls in the prices of shares with the Portfolio Manager believes to be over values. 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 the 31 December 2018, an increase of 0.25% in interest rates throughout the year, with all other variables held constant, would have increased the net loss on ordinary activities after taxation for the year and decreased the net assets of the Company by £70,000 (2017: decreased the net return and net assets by £74,000). A decrease of 0.25% in interest rates throughout the year would have had an equal but opposite effect.

17 Financial Instruments continued

Foreign currency risk sensitivity analysis

Based on the financial instruments held and currency exchange rates at the 31st December 2018, 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 (loss)/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	2018 £'000	2017 £'000
Danish krone	**(3,557)**	(4,421)
Euro	**(63,184)**	(68,263)
Norwegian krone	**(4,383)**	(3,838)
Swedish krona	**(1,586)**	(743)
Swiss franc	**(15,493)**	(15,102)
	(88,203)	(92,367)

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

currency	2018 £'000	2017 £'000
Danish krone	**4,347**	5,403
Euro	**77,225**	83,433
Norwegian krone	**5,357**	4,691
Swedish krona	**1,938**	908
Swiss franc	**18,936**	18,458
	107,803	112,893

Other price risk – exposure to investments sensitivity analysis

Based on the investments held and share prices at 31 December 2018, an increase of 10% in share prices, with all other variables held constant, would have decreased the Company's net loss on ordinary activities after taxation for the year and increased the net assets of the Company by £93,883,000 (2017: increased the net return and net assets by £101,111,000). A decrease of 10% in share price would have had an equal and opposite effect.

Other price risk – net exposure to derivative investments sensitivity analysis

Based on the derivative instruments held and share prices at 31 December 2018, an increase of 10% in the share prices underlying the derivative instruments, with all other variables held constant, would have decreased the Company's net loss on ordinary activities after taxation for the year and increased the net assets of the Company by £7,462,000 (2017: increased the net return and net assets by £5,687,000). A decrease of 10% in the share prices of the investments underlying the derivative instruments would have had an equal but 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 Note 2 (k) and (l) above, 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.

Notes to the Financial Statements continued

17 Financial Instruments continued

Fair Value Hierarchy

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

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

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

Financial assets at fair value through profit or loss	**level 1 £'000**	**level 2 £'000**	**2018 total £'000**
Investments	**938,826**	**–**	**938,826**
Derivative instrument assets	**–**	**2,391**	**2,391**
	938,826	**2,391**	**941,217**
Financial liabilities at fair value through profit or loss			
Derivative instrument liabilities	**(662)**	**(1,362)**	**(2,024)**

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

18 Capital Resources and Gearing

The Company does not have any externally imposed capital requirements. The financial resources of the Company comprise its share capital and reserves, as disclosed in the Balance Sheet on page 46, and any gearing, which may be achieved 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 11. The principal risks and their management are disclosed in the Strategic Report on pages 13 and 14 and in Note 17 above.

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

	2018			
	gross asset exposure		**net asset exposure**	
	£'000	**%[1]**	**£'000**	**%[1]**
Investments	**938,826**	**98.3**	**938,826**	**98.3**
Long CFDs	**58,843**	**6.1**	**58,843**	**6.1**
Long futures	**35,125**	**3.7**	**35,125**	**3.7**
Total long exposures	**1,032,794**	**108.1**	**1,032,794**	**108.1**
Short CFDs	**19,348**	**2.0**	**(19,348)**	**(2.0)**
Gross/net asset exposure	**1,052,142**	**110.1**	**1,013,446**	**106.1**
Shareholders' funds	**955,311**		**955,311**	
Gearing[2]		**10.1**		**6.1**

	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.

Notes to the Financial Statements continued

19 Transactions with the Managers 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 current fee arrangements are given in the Directors' Report, on page 25 and in Note 4 above. During the year, fees for portfolio management services amounted to £8,120,000 (2017: £8,281,000). At the Balance Sheet date, management fees of £654,000 (2017: £2,185,000) were accrued and included in other creditors. FII also provides the Company with marketing services. The total amount payable for these services during the year was £146,000 (2017: £144,000). At the Balance Sheet date, £1,000 (2017: £1,000) for marketing services was accrued and included in other creditors.

Disclosures of the Directors' interests in the ordinary shares of the Company and Directors' fees and taxable benefits relating to reasonable travel expenses paid to the Directors are given in the Directors' Remuneration Report on pages 33 and 34. In addition to the fees and taxable benefits disclosed in the Directors' Remuneration Report, £16,000 (2017: £15,000) of Employers' National Insurance Contributions was also paid by the Company.

20 Alternative Performance Measures

Total return is considered to be an alternative performance measure (as defined in the Glossary of Terms on page 72). NAV total return includes reinvestment of the dividend in the NAV of the Company on the ex-dividend date. Share price total return includes the reinvestment of the net dividend in the month that the share price goes ex-dividend.

The tables below provide information relating to the NAVs and share prices of the Company, the impact of the dividend reinvestments and the total returns for the years ended 31 December 2018 and 31 December 2017.

2018	**Net asset value per ordinary share**	**Share price**
NAV and share price at 31 December 2017	**248.08p**	**226.70p**
NAV and share price at 31 December 2018	**231.77p**	**207.00p**
Change in year	**-6.6%**	**-8.7%**
Impact of dividend reinvestment	**+1.8%**	**+1.9%**
Total return for the year	**-4.8%**	**-6.8%**

2017	Net asset value per ordinary share	Share price
NAV and share price at 31 December 2016	210.75p	183.50p
NAV and share price at 31 December 2017	248.08p	226.70p
Change in year	+17.7%	+23.5%
Impact of dividend reinvestment	+2.3%	+2.7%
Total return for the year	+20.0%	+26.2%

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 13 May 2019 at 12 noon for the following purposes:

1. To receive and adopt the Annual Report and Financial Statements for the year ended 31 December 2018.
2. To declare that a final dividend for the year ended 31 December 2018 of 6.28 pence per ordinary share be paid to shareholders on the register as at close of business on 29 March 2019.
3. To re-elect Mr Vivian Bazalgette as a Director.
4. To re-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 32) for the year ended 31 December 2018.
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 dis-apply pre-emption rights

Resolutions 11 and 12 will, if approved, authorise the Directors to allot a limited number of ordinary shares (or to 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 2019. 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 securities 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 2019) 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 2019); 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 2019, 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 discretion of the Board and within guidelines set from time to time by the Board in the light

STRATEGY GOVERNANCE FINANCIAL INFORMATION FOR SHAREHOLDERS

Notice of Meeting continued

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 (the "shares") in the capital of the Company provided that:

    a) the maximum number of shares hereby authorised to be purchased shall be 61,784,706;

    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 AGM of the Company unless such authority is renewed prior to such time; and

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

Continuation of the Company

Resolution 14 is an ordinary resolution that relates to the continuation of the Company.

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

By Order of the Board
FIL Investments International
Secretary
14 March 2019

Notes:

1. Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A shareholder may appoint more than one proxy in relation to the AGM provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company, but must attend the AGM to represent you. To appoint a proxy go to **www.signalshares.com**. If you need help with appointing a proxy online or require a paper proxy form, please contact our Registrar, Link Asset Services, on +44 (0) 371 664 0391, calls are charged at the standard geographic rate and will vary by provider. Calls from outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales.

2. To appoint a proxy via the share portal at **www.signalshares.com**, you will need to log in to your share portal account or register if you have not previously done so. To register you will need your Investor Code which can be found on your share certificate or dividend confirmation or by contacting our Registrar, Link Asset Services (details above). In the case of CREST members, you can vote by utilising the CREST electronic proxy appointment service in accordance with the procedures set out in Note 5 below.

3. To be valid, an online proxy appointment or other instrument appointing a proxy must be received by our Registrar, Link Asset Services, no later than 12 noon on Thursday 9 May 2019 or no later than 48 hours before any adjourned meeting, excluding non-business days. The appointment of a proxy will not prevent a shareholder attending the AGM and voting in person if he/she wishes to do so.

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 9 May 2019. 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 9 May 2019.

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 9 May 2019.

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 on the previous page 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 9 May 2019. 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 2019 (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 4,275,084. Therefore, the total number of shares with voting rights in the Company as at 14 March 2019 was 412,172,826.

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.

Financial Calendar

The key dates in the Company's calendar are:

31 December 2018 – Financial Year End
March 2019 – Announcement of the annual results for the year to 31 December 2018
March 2019 – Publication of this Report
28 March 2019 – Ex-dividend date
29 March 2019 – Dividend Record date
13 May 2019 – Annual General Meeting
17 May 2019 – Payment of the Final Dividend
30 June 2019 – Half-Year End
July/August 2019 – Announcement of the Half-Yearly results for the six months to 30 June 2019
August 2019 – Publication of the Half-Yearly Report
November 2019 – Payment of Interim Dividend

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 platform, 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 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

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

Telephone: **0371 664 0300** (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 9:00 – 17:30, 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 **0371 664 0391** (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 9:00 – 17:30, 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 – 16:30, 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 09:00 – 17:30 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@linkgroup.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 – 18:00, Monday to Saturday.

Financial advisers: call free on **0800 41 41 81**, 8:00 – 18:00, 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** or by telephoning **020 7930 3737**.

Shareholder Information continued

General Data Protection Regulation ("GDPR")

What personal data is collected and how it is used

The Company is an investment trust which is a public limited company and has certain regulatory obligations such as the requirement to send documents to its shareholders, for example, the Annual Report, proxy forms and other documents that relate to meetings of the Company. The Company will therefore collect shareholders' personal data such as names, addresses and identification numbers or investor codes and will use this personal data to fulfil its statutory obligations.

Any personal data collected will be kept securely on computer systems and in some circumstances on paper. Personal information is kept secure in line with Fidelity's Information Security policies and standards. If you are unhappy with how we have used your personal data, you can complain by contacting the UK Data Protection Officer at Fidelity International, Beech Gate, Millfield Lane, Surrey KT20 6RP.

Sharing personal data

In order to assist the Company in meeting its statutory requirements, the Company delegates certain duties around the processing of this data to its third party service providers, such as the Company's Registrar and Printers. The Company has appointed Fidelity to undertake marketing activities for the Company and their privacy statement can be found on the Company website at **https://investment-trusts.fidelity.co.uk/privacy-policy/**

The Company's agreements with the third party service providers have been updated to be compliant with GDPR requirements. The Company confirms to its shareholders that their data will not be shared with any third party for any other purpose, such as for marketing purposes. In some circumstances, it may be necessary to transfer shareholders' personal data across national borders to Fidelity Group entities operating in the European Economic Area ("EEA"). Where this does occur, the European standard of protections will be applied to the personal data that is processed. Where personal data is transferred within the Fidelity Group, but outside of the EEA, that data will subsequently receive the same degree of protection as it would in the EEA.

How long will personal data be kept for?

We will keep the personal data for as long as is necessary for these purposes and no longer than we are legally permitted to do so.

Requesting access, making changes to your personal data and other important information

Shareholders can access the information that the Company holds about them or ask for it to be corrected or deleted by contacting Fidelity's UK Data Protection Officer, Fidelity International, Beech Gate, Millfield Lane, Surrey KT20 6RP.

Managers and Advisors

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

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

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

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

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

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: **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.

Net Asset Value ("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 £11,700 of capital gains in the current tax year 2018/2019 (2017/2018: £11,300) 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.
- **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.

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/(loss)
The return/(loss) generated in a given period from the investments:

- **Revenue Return/(loss)** reflects the dividends and interest from investments and other income, net of expenses, finance costs and taxation;
- **Capital Return/(loss)** reflects the return on capital, excluding any revenue return; and
- **Total Return/(loss)** 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 25.

The table below and on the next page 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 11 and 12.
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 13 and 14 and in Note 17 to the Financial Statements on pages 57 to 62.
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.

Function	AIFM Role and Responsibility	AIFMD Disclosure
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 2018, actual leverage was 1.11 for the Gross Method and 1.10 for the Commitment Method.
Liquidity management	The AIFM, in consultation with the Board, maintains a liquidity management policy which is considered at least annually.	No new arrangements for managing the liquidity of the Company have been made. Further details can be found in Note 17 on page 60.
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**

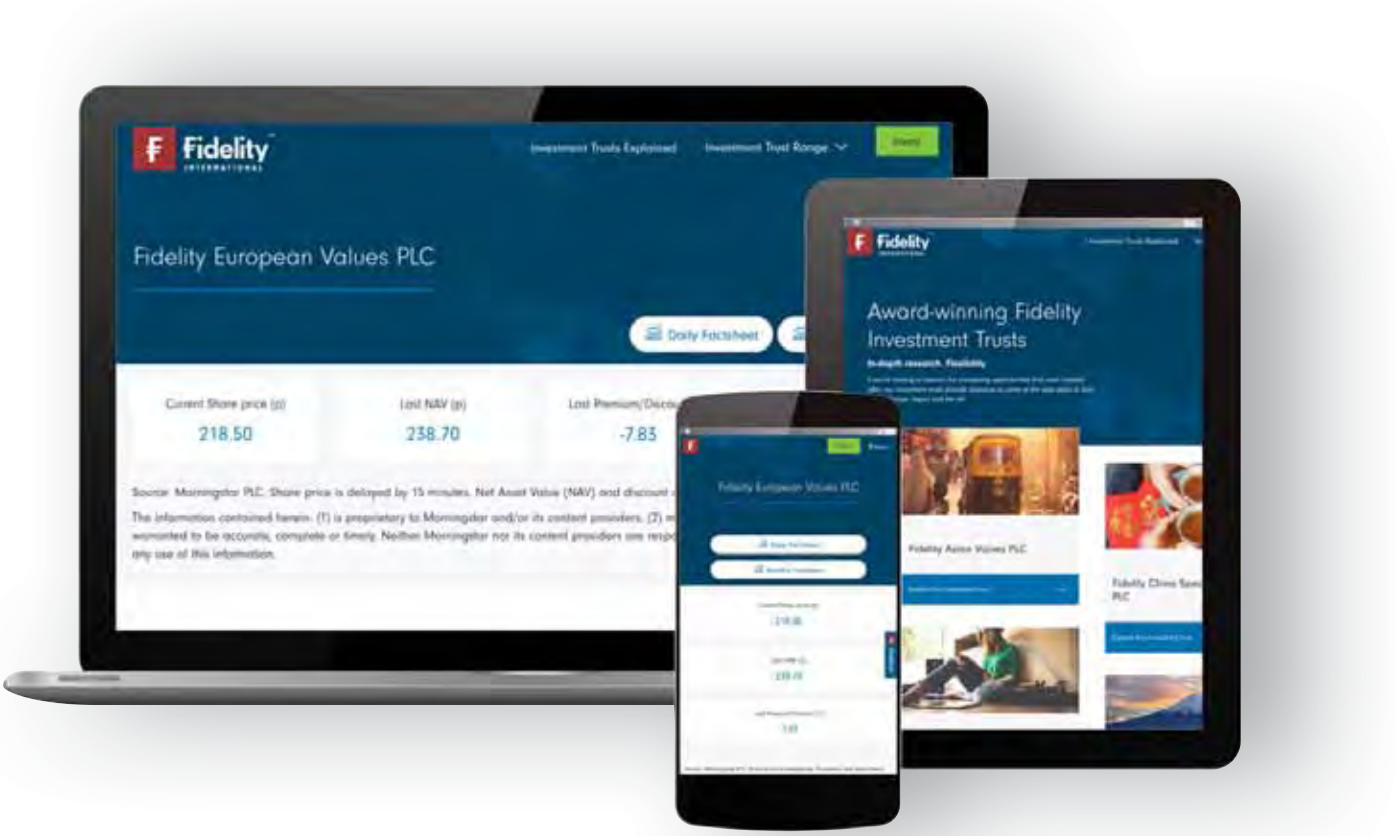
EU Securities Financing Transactions Regulation ("SFTR")

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 2018, 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)	(391)	-0.04%	590	
Goldman Sachs International (UK)	(411)	-0.04%	520	
HSBC Bank plc (UK)	1,831	0.19%		1,125

Collateral granted was denominated in 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 2018 from CFDs was a gain of £4,871,000.



To find out more about Fidelity European Values Plc, visit out new website www.fidelityinvestmenttrusts.com where you can read articles and watch videos on the Company.

www.fidelityinvestmenttrusts.com

Fidelity INTERNATIONAL

Printed on FSC® certified paper.

100% of the inks used are vegetable oil based 95% of press chemicals are recycled for further use and on average 99% of any waste associated with this production will be recycled.

The FSC® logo identifies products which contain wood from well-managed forests certified in accordance with the rules of the Forest Stewardship Council®.

This document is printed on Cocoon Silk; a paper made using 50% recycled fibre from genuine waste paper and 50% virgin fibre.

The unavoidable carbon emissions generated during the manufacture and delivery of this document, have been reduced to net zero through a verified, carbon offsetting project.

FSC www.fsc.org MIX Paper from responsible sources FSC® C001785

CERTIFIED CARBON NEUTRAL® publication CarbonNeutral.com