Fidelity European Values PLC

Annual Report

For the year ended 31 December 2014

Fidelity
WORLDWIDE INVESTMENT

Contents

Investment Objective and Performance

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

The full text of the Company's investment policy is on page 9.

Performance (year to 31 December 2014)

Net Asset Value ("NAV") per Share Total Return	+5.1%
Share Price Total Return	+8.7%
FTSE World Europe (ex UK) Index* Total Return	+0.2%

*The Company's Benchmark Index

As at 31 December 2014

Equity Shareholders' Funds	£725.0m
Market Capitalisation	£676.7m
Final Dividend Proposed per Ordinary Share	3.10p
Special Dividend Declared per Ordinary Share	0.54p
Total Dividends Proposed and Declared per Ordinary Share	3.64p
Capital Structure: Ordinary Shares of 2.5p each	416,447,910

Standardised Performance – Total Return (%)

	01/01/2014 to 31/12/2014	01/01/2013 to 31/12/2013	01/01/2012 to 31/12/2012	01/01/2011 to 31/12/2011	01/01/2010 to 31/12/2010
NAV per Share	+5.1	+20.0	+24.7	-11.5	+7.1
Share Price	+8.7	+20.8	+31.3	-8.6	-1.3
FTSE World Europe (ex UK) Index[1]	+0.2	+25.2	+17.8	-14.7	+5.1

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

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

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The Company is a member of the Association of Investment Companies

Financial Summary

	2014	2013
Assets at 31 December		
Total portfolio exposure[1]	£761.2m	£741.9m
Shareholders' funds	£725.0m	£711.2m
Total portfolio exposure in excess of shareholders' funds (Gearing)	5.0%	4.3%
NAV per share (cum income)[2]	174.09p	168.58p
NAV per share (ex income)[2]	170.40p	165.58p
Share price data at 31 December		
Share price at year end[2]	162.50p	152.50p
Share price – year high[2]	164.80p	156.90p
Share price – year low[2]	140.00p	128.70p
Discount (ex income) at year end	4.6%	7.9%
Discount (cum income) at year end	6.7%	9.5%
Discount (ex income) – year high	11.3%	13.7%
Discount (ex income) – year low	4.0%	5.9%
Discount (ex income) – year average	8.2%	9.1%
Results for the year to 31 December – see page 41		
Revenue return per ordinary share[2]	3.67p	2.98p
Capital return per ordinary share[2]	4.61p	25.29p
Total return per ordinary share[2]	8.28p	28.27p
Final dividend proposed per ordinary share[2]	3.10p	2.98p
Special dividend declared per ordinary share[3]	0.54p	n/a
Total dividends proposed and declared per ordinary share	3.64p	2.98p
Total returns (includes reinvested income) for the year to 31 December (%)		
NAV per share	+5.1	+20.0
Share price	+8.7	+20.8
FTSE World Europe (ex UK) Index[4]	+0.2	+25.2
Ongoing charges for the year to 31 December (%)[5]	0.97	0.96

1 The total exposure of the investment portfolio, including exposure to the investments underlying the long CFDs
2 Prior period figures have been adjusted to reflect the ten for one ordinary share sub-division which took place on 2 June 2014 (see Notes 7, 13 and 15 in the Notes to the Financial Statements on pages 49 to 53)
3 See pages 4 and 5 for further details
4 Benchmark Index
5 Ongoing charges (excluding finance costs and taxation) as a percentage of average net asset values for the reporting year (prepared in accordance with methodology recommended by the Association of Investment Companies)

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

Chairman's Statement

Humphrey van der Klugt
Chairman

I have pleasure in presenting the Annual Report of Fidelity European Values PLC for the year ended 31 December 2014.

PERFORMANCE

I am pleased to report that for the year ended 31 December, the net asset value ("NAV") per share total return of your Company was 5.1%, outperforming its Benchmark Index, the FTSE World Europe (ex UK) Index, which returned 0.2%. The share price total return over this period was 8.7%, ahead of the NAV return as a consequence of the level of discount (ex income) narrowing from 7.9% at the start of the year to 4.6% at the end of the year. I am also pleased to say that three and five year performance are ahead of the Benchmark Index (as shown in the table below). (All figures are in UK sterling terms and are on a total return basis.)

European equities were flat in sterling terms over the twelve month period ending 31 December 2014. However, the stock markets of continental Europe generally gained in local currency terms, boosted by the European Central Bank's ("ECB") announcement of a series of easing measures. In addition, ECB President, Mario Draghi, hinted at the possibility of further quantitative easing in order to boost growth and tackle the threat of deflation, which supported markets. Sentiment was also supported by the increased confidence in the US economic recovery and indications that the Federal Reserve will be "patient" in the timing of interest rate increases. Meanwhile, overall market gains were limited by many worries, including Greece's possible exit from the Eurozone. Political uncertainty in Italy and Spain and ongoing problems in Ukraine also led to periods of volatility. The economic recovery in the Eurozone remained fragile, though leading economic indicators stabilised.

Overall, larger companies, which lagged during the market rally of the last two years, performed well this year. High profile mergers and acquisitions involving larger companies led to a reappraisal of larger company valuations, which were trading at multi-year lows relative to smaller sized companies. Against this backdrop, your Portfolio Manager's focus on companies with solid balance sheets and growing dividends boosted performance with strong stock selection contributing most to performance. This is covered more fully in the Portfolio Manager's Review starting on page 7.

OUTLOOK

The outlook for Europe appears to be mixed. On the one hand, long term structural challenges remain, real growth is hard to come by and Greece's attempts to renegotiate its debt burden continue to cloud the future direction of the Eurozone. On the other hand, there are a number of tailwinds for the Eurozone recovery in 2015. A weaker euro is likely to give European exporters a significant boost. At the same time, with the exception of Greece, narrowing credit spreads for peripheral European government debt indicates improving investor confidence. Finally the impact of falling energy costs and continuing absence of wage inflation in real terms should make Europe more competitive going forward. Recent economic indicators along with survey-based confidence indicators signal that growth is expected to remain moderate in 2015. There are downside risks to the economic outlook: a loss in economic momentum may dampen private investment and heightened geopolitical risks could have a further negative impact on business and consumer confidence. In this respect, we continue to focus on investing in strong European companies that offer fundamental value with the prospect of making positive returns from current valuation levels. We are, as I said this time last year, fortunate to have a wide choice of investment opportunities across the region.

PERFORMANCE OVER ONE YEAR, THREE YEARS, FIVE YEARS AND SINCE LAUNCH TO 31 DECEMBER 2014 (ON A TOTAL RETURN BASIS) (%)

	NAV	Share price	FTSE World Europe (ex UK) Index[1]
One year	+5.1	+8.7	+0.2
Three years	+57.3	+72.4	+47.7
Five years	+49.1	+55.6	+32.4
Since launch (1991)	+2,054.6	+1,941.1	+620.1

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

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

Chairman's Statement

OTHER MATTERS

Sub-division of shares

At last year's Annual General Meeting, shareholders approved the sub-division of the Company's ordinary shares of 25 pence each into ten ordinary shares of 2.5 pence each. Following completion of the sub-division, 41,792,173 ordinary shares of 25 pence each converted into 417,921,730 new ordinary shares of 2.5 pence each. The new ordinary shares commenced trading on the main market of the London Stock Exchange on 2 June 2014.

Change in Investment Policy

The Company sought and received shareholder approval at the General Meeting held on 15 December 2014 to make changes to the Company's investment policy and a change to the wording of the investment objective in order to permit:

- an increase in the maximum amount of the Company's gross assets which can be invested in UK stocks from 5% to 20%; and
- an enhancement in the Company's ability to use derivatives.

The Board and the Investment Manager were of the opinion that the 5% limit was unduly restrictive on the Investment Manager's ability to invest in the UK, which has close and substantial trading and investment relationships with continental Europe. The additional flexibility allows Sam Morse, your Portfolio Manager, to invest in a wider range of stocks which match his investment criteria and give the opportunity to capitalise on investment themes which span both continental Europe and the UK. Sam Morse has extensive investment experience of the UK market.

The Board has also given Fidelity the flexibility to use an additional range of derivative instruments, when appropriate, to allow it potentially to both protect and enhance investment returns. The Board has created a framework of strict policies and exposure limits and sub-limits to manage the expanded use of derivatives. The limits and their impacts are monitored daily by the Manager and reported to the Board on a regular basis.

More information and details concerning the types of derivatives which may be used and indeed limits on their use are set out in the Strategic Report on page 10, along with the full Investment Policy.

Gearing

The Company continues to gear through the use of long Contracts For Difference ("CFDs"). As at 31 December 2014, the level of gearing was 5.0% (2013: 4.3%) and the Board has currently set a gearing range of 0–10%. Gearing made a small positive contribution to performance in the reporting year, as can be seen from the attribution analysis table on page 11.

Discount Management

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

Your Board has sanctioned share buybacks over the course of 2014 amounting to 1.3% of the issued share capital of the Company as at 31 December 2014, a lower figure than the 2.2% repurchased in 2013. The great majority of the repurchases took place in the first half of the reporting year, and I am pleased to say that we were able to reduce this activity in the latter part of the year with an improvement in the way in which the Company's shares have traded against the NAV.

The level of discount has narrowed from 7.9% at the start of the year to 4.6% at the year end, based on the NAV excluding income. This narrowing in the discount has given rise to a share price total return of 8.7% for 2014, ahead of the NAV total return of 5.1%.

Further details of share repurchases may be found in the Directors' Report on page 24.

Treasury shares

The Board has decided to seek shareholder approval to hold in Treasury ordinary shares repurchased by the Company, rather than cancelling them altogether. The Treasury shares would carry no voting rights or rights to receive a dividend and would have no entitlement in a winding up of the Company. No more than 5% of the issued ordinary share capital of the Company would be held in Treasury. Any shares held in Treasury would only be re-issued at a premium to NAV per share. This would ensure that the net effect of repurchasing and then re-issuing ordinary shares would enhance NAV per share.

The Board is seeking shareholder approval to implement this recommendation at the forthcoming Annual General Meeting.

Dividends

The Board intends to continue with its practice of largely paying out earnings in full. The objective is one of long term capital growth and we will not seek to influence the Portfolio Manager to determine the level of income of your Company's portfolio in any particular year.

The Board has decided to recommend a final dividend of 3.10 pence per share and a special dividend of 0.54 pence per share, a total of 3.64 pence per share for the year ended 31 December 2014 (2013: final dividend of 2.98 pence (restated for the ten for one sub-division of shares); special dividend nil). Both the final and special dividends will be payable on 22 May 2015 to shareholders who appear on the register as at close of business on 27 March 2015 (ex-dividend date 26 March 2015).

The increase in the proposed final dividend for 2014 over 2013 is therefore 4.2%. Whilst we emphasise that the increase is a function of stock selection and cannot be extrapolated into the future, Sam Morse continues to focus on companies which are able to grow their dividends and this is one of the underlying factors in his stock selection. A further explanation of the investment process can be found on pages 10 and 11.

Chairman's Statement

I am pleased to say that the proposed special dividend is as a result of the return of £2.3 million of French withholding tax and related late payment interest which has been successfully recovered from the French authorities. I would like to commend Fidelity for the work done to reclaim tax refunds due to the Company and the Board believes it appropriate to pay this out to shareholders.

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

Fee arrangements

On 30 January 2015, the Board announced that the investment management performance fee which has been potentially payable to Fidelity, when performance has exceeded a hurdle rate above the Benchmark Index, has been removed with effect from 1 January 2015. The last performance fee was paid for the year ending 31 December 2012. We are pleased to have agreed this change with Fidelity and the result is a simple and transparent fee arrangement.

The base fee (annual management charge) that the Company pays for investment management services remains unchanged at 0.85% of net assets, payable by way of 0.2125% per quarter as set out in the Directors' Report on page 23.

Regulatory matters

The Board worked with its advisors in order to achieve compliance with the European Alternative Investment Fund Managers Directive ("AIFMD") which came into effect on 22 July 2014. As a result the Board has appointed FIL Investment Services (UK) Limited (a Fidelity group company) to act as the Company's Alternative Investment Fund Manager. FIL Investment Services (UK) Limited has delegated the portfolio management to FIL Investments International who previously acted as the Company's Manager. FIL Investments International continues to act as Company Secretary.

An additional requirement of the AIFMD was to appoint a Depositary on behalf of the Company to oversee the custody and cash arrangements of the Company. The Company has appointed J.P.Morgan Europe Limited to act as the Company's Depositary. J.P.Morgan Europe Limited is part of the same group of companies as JPMorgan Chase Bank which continues to act as the Company's Banker and Custodian.

The Alternative Investment Fund Manager's Disclosure report is on pages 71 and 72.

Board of Directors

In accordance with the UK Corporate Governance Code for Directors of FTSE 350 companies, the entire Board is subject to annual re-election. The Directors' biographies can be found on page 22. The Directors have a wide range of appropriate skills and experience to make up a balanced Board for your Company.

Simon Fraser, due to his previous employment relationship with the Manager, his length of service and his directorship of another Investment Trust managed by Fidelity, namely Fidelity Japanese Values PLC, is deemed non-independent by the UK Corporate Governance Code. The Board is convinced that his experience serves the Company well; and the Directors support unanimously his continued position as a Director of the Company. With the exception of Simon Fraser, in the opinion of the Board, all other Directors are independent.

In line with good corporate governance, the Board carries out an assessment of its own performance every year and every third year an independent, externally facilitated evaluation of its performance takes place as required by the UK Corporate Governance Code for Directors of all FTSE 350 companies. This independent evaluation took place towards the end of 2014 and the evaluation reported that the performance and contribution of the Board was effective and all Directors were committed to their roles.

The Board has considered the proposals for the re-election of all of the Directors and recommends to shareholders that they vote in favour of the proposals.

Continuation vote

In accordance with the Articles of Association of the Company, an ordinary resolution that the Company continue as an investment trust for a further two years was passed at the 2013 Annual General Meeting. A further continuation vote will take place at this year's Annual General Meeting.

The Company's performance record has been excellent since launch in November 1991 with a NAV total return of 2,054.6% compared to the Benchmark Index return of 620.1%. During the year to 31 December 2014, the Company's NAV total return has outperformed the Benchmark Index by 4.9% and is also ahead over 3 and 5 years, as reflected in the table at the bottom of page 3.

Your Board recommends that shareholders vote in favour of the continuation vote. A further continuation vote will take place at the Annual General Meeting in 2017.

Chairman's Statement

Annual General Meeting

The Annual General Meeting of the Company will be held at Fidelity's offices at 25 Cannon Street, London EC4M 5TA (St Paul's or Mansion House tube stations) on Thursday 14 May 2015 at midday. Full details of the meeting are given on pages 61 to 64.

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

Humphrey van der Klugt
Chairman
13 March 2015

Portfolio Manager's Review

FIL Investment Services (UK) Limited
The Company is managed by FIL Investment Services (UK) Limited (which is authorised and regulated by the Financial Conduct Authority). It is part of the FIL Limited group which, as at 31 December 2014, had total assets under management exceeding £175.9 billion. FIL Investment Services (UK) Limited has delegated the portfolio management of the Company to FIL Investments International.

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

PERFORMANCE REVIEW

As shown in the Financial Summary on page 2, the NAV per share of the Company returned 5.1% in the year to 31 December 2014, outperforming the FTSE World Europe (ex UK) Index which returned 0.2%. (All performance figures are quoted on a total return basis and in UK sterling.)

MARKET BACKGROUND

Continental markets were able to make at least some of the progress in local currency that many were anticipating at the start of the year, with the FTSE World Europe (ex UK) Index posting a return of 7.4% in euro terms. However, the weakening of the euro against UK sterling meant that the returns experienced by UK based investors were disappointingly flat. The first three quarters of the year saw a largely directionless market until October, when market volatility picked up sharply.

The first quarter saw rising share prices, led by companies listed in the markets of southern Europe, such as Spain and Italy, as some evidence, and hope, of an improved domestic European economy led to a re-rating of their prospects. The share prices of many larger multi-national companies, however, were pressured by growing concerns about the likely impact of the Federal Reserve's "tapering" on the economies and currencies of the emerging world.

Continental European markets made no progress in UK sterling terms during the second quarter as it became clearer that global growth, with the notable exception of the US, was weak and that this was having a dampening impact on the earnings growth of European companies. Larger companies, which had lagged during the market rally of the last two years, outperformed as some high profile mergers and acquisitions were announced, leading to a reappraisal of larger company valuations which had become attractive relative to their smaller brethren. There was an eerie calm at the half year, with unusually low levels of volatility, which proved to be the "calm before the storm".

Markets were flat in euro terms in the third quarter but the euro depreciated against UK sterling over the quarter and depreciated by much more against the US dollar. The main losers in the third quarter were economy-sensitive cyclical companies (autos, capital goods, industrials) as it became apparent that the economy was, indeed, more mixed, partly due to ongoing geo-political uncertainty around Ukraine and the Middle East. In terms of country performance, the year to date trends continued, with the stock markets of southern Europe holding up surprisingly well, perhaps anticipating further monetary easing, while German companies continued to lag continental European markets, despite the fall in the euro.

There was much for investors to fret about in the final quarter of 2014 and volatility returned to continental European markets with a vengeance. This made for a "V" shaped period – bottoming in late October when fears that Ebola would spread outside Africa caused a moment of panic. The main feature of the quarter, however, was the dramatic fall in the oil price, from around US $95 to under US $60, accelerated by the Organisation of the Petroleum Exporting Countries ("OPEC") decision not to cut production despite supply appearing to exceed short term demand. The impact on oil-exporting nations, such as Russia, which was already suffering from economic sanctions, was immediate, with ensuing currency weakness and predictions of recession.

The year did end on a more optimistic note with markets rising. Investors hoped that the triple boost of lower commodity prices, a lower euro and monetary easing, with quantitative easing increasingly likely, would lead to a strong earnings recovery in continental Europe. The probable success, however, of the radical left (Syriza) in elections in Greece and the surge in opinion polls for the populist Podemos party in Spain put a cloud over the markets of southern Europe which did not rise as far or as fast as others.

PORTFOLIO REVIEW

I am pleased to report that the Company's strategy of investing in attractively valued companies which can deliver consistent dividend growth has returned to form in 2014 (after a difficult 2013). The Company's NAV outperformed the Benchmark Index by almost 5%. Positive stock selection and a more balanced market environment helped while share repurchases and gearing provided a small additional boost.

Portfolio Manager's Review

In terms of stock selection, some of the stronger performers of the first half of the year, for example, Novo-Nordisk, the leading diabetes care company, the two regulated Spanish utilities, and Iliad, a French telecoms company, all enjoyed strong outperformance over the year. Iliad subsequently gave up some of its gains when it announced that it was no longer planning to consolidate a peer group company in France but was considering, later abandoning, the acquisition of a wireless communications service provider, T-Mobile, in the US.

In the second half of the year, Symrise, the German flavours and fragrances business, performed very strongly as investors began to appreciate the benefits of a recent acquisition and as a potential beneficiary of lower oil prices which would reduce their cost of goods sold. Finally, and encouragingly, in light of shareholders' recent approval of the Company's request to have the flexibility to invest more in UK listed companies, 3i Group, one of the UK's leading private equity businesses, also continued to perform very strongly as some of its key investments, such as Action, a Dutch discount retail chain, delivered stronger than expected earnings growth.

The fall in the oil price led to a weak performance from shareholdings in companies operating in the oil industry, such as Total and Statoil, both of which were acquired during the year. Although these purchases were, with hindsight, poorly timed, I believe that these companies and Royal Dutch Shell, which is also held in the portfolio, will continue their efforts to improve cost and capital efficiency, and thereby their returns. The lower oil price will provide even more incentive to negotiate harder with governments and unions to improve the fundamental performance of these businesses. All three companies pay very attractive levels of dividend which are probably sustainable in the shorter term, given strong balance sheets, but I will continue to keep an eye on progress and the likelihood that they will be able to grow dividends on a longer term (three to five year) view.

OUTLOOK

2015 has already been an interesting period. January has seen some major events; some were anticipated, others not. Three, in particular, come to mind. The first, the removal of the peg between the Swiss franc and the euro, was dramatic but will probably prove less significant, in time, than the other two events.

The second major event was positive for the stockmarkets and economies of Europe. President of the European Central Bank ("ECB"), Mario Draghi, announced a massive monetary expansion or quantitative easing, through the purchase of sovereign bonds of Eurozone countries. This will start in March this year, with the purchase of euro 60 billion of bonds each month by the ECB, and will continue, at least, until September 2016 and maybe beyond. The impact of this initiative is much debated, especially given that the US (and UK) central banks may be tightening monetary policy at the same time. I believe it is likely to support asset prices in Europe but I am sceptical of the benefits to the real economy. In any case, the link between stock price performance and the domestic economy is, as proved in many academic studies, tenuous. This is because the direction of share prices is driven by many other factors such as industry structures, corporate governance and valuation, which in the case of European companies is already high, at least relative to history.

The third major event was the result of the national election in Greece. The victory of Syriza has reminded investors that, often, politics trumps economics. Politics will have a big influence in 2015 with six more general elections in Europe including the UK. The fragmentation of voting and the rise of populist parties such as Syriza in Greece and Podemos in Spain will keep investors on their toes. Geo-political risks, such as ongoing tensions in Ukraine and the Middle East and elsewhere, may continue to unnerve investors this year, as they did in 2014.

In theory, 2015 should be a better year for earnings and dividend growth in continental Europe, given monetary easing, euro weakness and softening commodity prices. Current equity valuations probably require good news (earnings and dividend growth) for the market to make further progress. Likewise, these valuation levels may well prove vulnerable to disappointing news.

I would like to thank you, as shareholders, for supporting our plan to increase our ability to invest in companies listed in the UK and an enhancement in the Company's ability to use derivatives. With more arrows in the quiver, I feel well equipped to face the risks and opportunities in the year ahead. The basic objective of the Company, to achieve long term capital growth principally from the stockmarkets of continental Europe, will, despite these changes, continue to be respected. I remain focused on attractively-valued companies, with strong balance sheets and a track record in cash generation, which have the potential to grow dividends consistently on a three to five year view. With this focus, and more investment flexibility, your Company should be well-placed to deliver continued outperformance in what may well be a volatile environment.

Sam Morse
Portfolio Manager
13 March 2015

Strategic Report

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

BUSINESS AND STATUS

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

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

OBJECTIVE

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

STRATEGY

In order to achieve this objective, the Company operates as an investment company which has an actively managed portfolio of investments, consisting primarily of continental European securities.

As part of the strategy, the Board has delegated the management of the portfolio and other services. The Portfolio Manager aims to achieve a total return on the Company's total assets over the longer term in excess of the Benchmark Index. The stock selection approach adopted by the Portfolio Manager is considered to be well suited to achieving the objective. Although income is being received by way of dividend payments the emphasis is placed on capital growth. The Board takes the view that investing in equities is a long term process, and that the Company's returns to shareholders will vary from year to year. Unlike equivalent open-ended investment vehicles, the investment company structure enables the portfolio to be geared. The Board takes the view that long term returns for shareholders can be enhanced by the use of gearing in a carefully considered and monitored way. The level of gearing is reviewed by the Board and the Portfolio Manager on a regular basis.

The Company received shareholder approval at the General Meeting held on 15 December 2014 to revise the Company's investment policy and wording of its investment objective. The changes allow the Portfolio Manager to:

- increase the maximum amount of the Company's gross assets which can be invested in UK stocks from 5% to 20%; and
- use an additional range of derivative instruments, where appropriate, to both protect and enhance investment returns (see "Use of derivative instruments" on page 10).

The strategy and principal activity have remained unchanged throughout the year ended 31 December 2014 despite the change in the investment policy.

The Board has reviewed the summary of the year's activities and is in agreement with the indications of likely future developments and the factors likely to affect these which are given in the Chairman's Statement on pages 3 to 6 and in the Portfolio Manager's Review on pages 7 and 8.

INVESTMENT POLICY

The Company invests principally in continental European securities with a view to achieving long term capital growth for shareholders. The portfolio is selected by the Portfolio Manager on the basis of its assessment of the fundamental value available in individual situations. Whilst the Company's overall exposure to individual countries and industry sectors is monitored, the portfolio is not structured primarily on a country or industrial weightings basis, although certain investment restrictions apply in order to diversify risk.

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

INVESTMENT RESTRICTIONS

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

  a) 20% of gross assets may be invested in companies of European countries which are not included in the Company's Benchmark Index and will include investing in UK companies; and

  b) 5% of gross assets may be invested in companies of non-European countries which have some exposure to, or connection with Europe. Any investment in this category will count towards the 20% maximum limit in (a) above.
- A maximum of 10% of the Company's gross assets may be invested in the aggregate of:

  a) securities not listed on a recognised stock exchange; and

  b) holdings in which the interest of the Company amounts to 20% or more of the equity capital of any listed company.
- The Company will not invest more than 10% of gross assets in any one quoted company at the time of acquisition.
- A maximum of 5% of the Company's gross assets may be held in unquoted securities in aggregate at any one time.

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- The maximum amount of cash or cash equivalents held by the Company will be 25% of the Company's total net assets, but this limit will not include any cash or cash equivalent paid as collateral for unrealised losses on derivatives. In practice the cash position will normally be much lower.

- The Board reserves the right to lend stock and/or assets of up to 10% of the Company's total net assets.

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

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

USE OF DERIVATIVE INSTRUMENTS

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

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

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

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

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

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

The limits are:

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

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

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

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

GEARING

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

Under AIFMD, new rules have been introduced that change the way in which borrowing and market exposure of investment companies is reported. These leverage rules are in addition to the existing gearing limits and, rather than applying to the Company, apply to FIL Investment Services (UK) Limited as the AIFM. Details of the leverage limits and associated controls are contained in the AIFM's Disclosure on pages 71 and 72.

INVESTMENT MANAGEMENT PHILOSOPHY, STYLE AND PROCESS

The Portfolio Manager's key focus is on identifying attractively valued companies which exhibit good long term structural growth prospects. The Portfolio Manager prefers companies that he believes can grow their dividend over the next three to five years, as evidence suggests that such companies outperform over the long term.

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

- positive fundamentals (structural growth prospects, a proven business model);

- the ability to generate cash;

- a strong balance sheet; and

- an attractive valuation.

Strategic Report

The Portfolio Manager draws upon the substantial intelligence uncovered by Fidelity's team of pan-European analysts when researching companies. A great deal of importance is placed on attending company meetings.

Being a bottom-up stock picker, the Portfolio Manager aims to generate outperformance through company selection, on a three to five year investment horizon, rather than through sector or country positions.

PERFORMANCE

In the year ended 31 December 2014, the Company's net asset value total return was 5.1%, outperforming the FTSE World Europe (ex UK) Index total return of 0.2%. Details on trends and factors that may impact the future performance of the Company are included in the Chairman's Statement on pages 3 to 6 and Portfolio Manager's Review on pages 7 and 8. The ten year Summary of Performance is on page 19. The Ten Largest Investments are listed on page 14, the Full Portfolio Listing is on pages 15 and 16 and the Distribution of the Portfolio is on pages 17 and 18.

RESULTS AND DIVIDENDS

The Company's results are set out in the Income Statement on page 41. The total return after taxation for the year ended 31 December 2014 was £34.7 million, of which the revenue return amounted to £15.4 million.

The Directors recommend that a final dividend of 3.10 pence (2013: 2.98 pence (restated for the ten for one sub-division of shares)) per ordinary share be paid on 22 May 2015 to shareholders who appear on the register as at the close of business on 27 March 2015 (ex-dividend date 26 March 2015). In addition, the Directors declare a special dividend of 0.54 pence (2013: nil) per ordinary share. The payment, record and ex-dividend dates will be the same as for the proposed final dividend.

ATTRIBUTION ANALYSIS

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

Analysis of change in NAV during the year (pence per share)	
Starting NAV 1 January 2014	**168.58**
Impact of:	
Index	+12.44
Exchange Rate	-12.17
Gearing	+1.30
Stock Selection	+7.91
Share Repurchases	+0.20
Charges	-1.10
NAV excluding the dividend paid	**177.16**
Dividend paid*	-2.98
Reinvestment of impact of the dividend paid	-0.09
Closing NAV 31 December 2014	**174.09**

*Adjusted to reflect the ten for one ordinary share sub-division on 2 June 2014

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

KEY PERFORMANCE INDICATORS

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

	Year ended 31 December		Three years ended 31 December
	2014 %	2013 %	2014 %
NAV per share[1,2]	+5.1	+20.0	+57.3
Share Price[2]	+8.7	+20.8	+72.4
FTSE World Europe (ex UK) Index[2]	+0.2	+25.2	+47.7
Discount to NAV (ex income)	4.6	7.9	n/a
Discount to NAV (cum income)	6.7	9.5	n/a
Ongoing Charges[1]	0.97	0.96	n/a

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

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

Strategic Report

The Summary of Performance graphs on pages 20 and 21 indicate the relative historical performance of the Company against its Benchmark Index since launch and the discount or premium to NAV over that period. Some of the Company's KPIs are considered to be beyond the Board's control. However, they are measures of the Company's absolute and relative performance and the Board monitors them regularly. Indices and ratios which assist in managing performance and compliance are also reviewed, including the ongoing charges. Expenses are considered regularly at Board meetings and this enables the Board to review costs and consider any expenditure outside that of its normal operations.

In addition to the KPIs set out on page 11, the Board regularly reviews the Company's performance against its peer group of investment trusts. The principal risks and uncertainties stated below and on page 13 include descriptions of other performance indicators, their monitoring and management which are important to the business of the Company. Long term performance is also monitored and the Summary of Performance graphs on pages 20 and 21 show this information.

PRINCIPAL RISKS AND UNCERTAINTIES

The Board confirms that there is an ongoing process for identifying, evaluating and managing the principal risks faced by the Company. The process is regularly reviewed by the Board in accordance with the Financial Reporting Council's "Internal Control: Revised Guidance for Directors".

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

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

The Alternative Investment Fund Managers Directive ("AIFMD") came into effect on 22 July 2014. The Board has appointed FIL Investment Services (UK) Limited (a Fidelity group company) to act as the Company's Alternative Investment Fund Manager ("AIFM"). In its capacity as AIFM, FIL Investment Services (UK) Limited has responsibility for risk management for the Company. It works with the Board to identify and manage the principal risks and to ensure that the Board can continue to meet its UK corporate governance obligations.

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

Market Risk

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

Risks to which the Company is exposed and which form part of the market risks category are included in Note 18 to the Financial Statements on pages 54 to 58 together with summaries of the policies for managing these risks. These comprise: market price risk (which comprises interest rate risk, foreign currency risk and other price risk); derivative instruments risk; liquidity risk; counterparty risk; and credit risk.

Performance Risk

The achievement of the Company's performance objective relative to the market requires the application of risk. Strategy, asset allocation and stock selection might lead to underperformance of the Benchmark Index. The Board reviews risk at each Board meeting, considers the asset allocation of the portfolio and the risk associated with particular countries and industry sectors within the parameters of the investment objective. The Portfolio Manager is responsible for actively monitoring the portfolio selected in accordance with the asset allocation parameters and seeks to ensure that individual stocks meet an acceptable risk/reward profile.

Income/Dividend Risk

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

Discount Control Risk

The price of the Company's shares as well as its discount to NAV, are factors which are not within the Company's total control. Some short term influence over the discount may be exercised by the use of share repurchases at acceptable prices. Details of repurchases during the year are given on page 24. The Company's share price, NAV and discount volatility are monitored daily by the Manager and considered by the Board at each of its meetings.

Gearing Risk

The Company has the option to invest up to the total of any loan facilities or to use Contracts For Difference ("CFDs") to invest in equities. The principal risk is that gearing magnifies investment returns. Therefore, if the Company is geared in strongly performing stocks, it will benefit from gearing. If the Company is geared in poorly performing stocks, the impact would be detrimental. Other risks are that the cost of gearing may be too high or that the term of the gearing is inappropriate in relation to market conditions. The Company currently has no bank loans and geared exposure is being achieved through the use of long CFDs. This has reduced the cost of gearing and provides greater flexibility. The Board regularly considers gearing and gearing risk and sets limits accordingly.

Derivatives Risk

Shareholders approved the Board's proposal to give the Investment Manager the flexibility to use an additional range of derivative instruments, to enable both the protection and enhancement of investment returns. There is a risk that the use of derivatives may lead to a higher volatility in the NAV and the

Strategic Report

share price than might otherwise be the case. The Board has received derivatives training and has put in place policies and limits to control the Company's use of derivatives and exposures. These are monitored on a daily basis by the Manager's Compliance team and regular reports are provided to the Board.

Further details on derivative instruments risk is included in Note 18 on pages 56 to 58.

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

The regulation which was of greatest significance in this reporting year was the Alternative Investment Fund Managers Directive. Details can be found in the Chairman's Statement on page 5.

Operational Risks
The Company has no employees and relies on a number of third party service providers, principally the Manager, Registrar, Custodian and Depositary. The Company is dependent on the Manager's control systems and those of its Registrar, Custodian and Depositary both of which are monitored and managed by the Manager in the context of the Company's assets and interests on behalf of the Board.

The security of the Company's assets, dealing procedures, accounting records and the maintenance of regulatory and legal requirements, among other things, rely on the effective operation of such systems.

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

While it is believed that the likelihood of poor governance, compliance and operational administration by third party service providers is low, the Board recognises the financial consequences, for example, of cyber crime, could be serious, including the associated reputational damage to the Company. The Board receives regular updates from the Manager in relation to cyber crime.

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

BOARD DIVERSITY
The Board carries out any candidate search against a set of objective criteria on the basis of merit, with due regard for the benefits of diversity on the Board, including gender. As at 31 December 2014, there were four male Directors and one female Director on the Board.

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

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

Financial reports and other publicly available documentation are also available on the Company's website www.fidelity.co.uk/its. Details about Fidelity's own community involvement may be found on its website www.fidelity.co.uk.

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, social, environmental and ethical issues form part of the criteria taken into account in the investment decision process.

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

FUTURE DEVELOPMENTS
The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement on pages 3 to 6 and the Portfolio Manager's Review on pages 7 and 8.

By Order of the Board
FIL Investments International
Secretary
13 March 2015

Ten Largest Investments as at 31 December 2014

Ten Largest Investments, including long CFDs The Full Portfolio Listing is shown on pages 15 and 16	Exposure £'000	Fair value[1] £'000	Exposure[2] %
Nestlé Packaged food	40,542	40,542	5.3
Roche Pharmaceuticals	37,588	37,588	4.9
UBS Financial services	25,305	25,305	3.3
Novo-Nordisk Healthcare services	24,008	24,008	3.2
Anheuser-Busch InBev Brewing	23,936	23,936	3.1
Sanofi (CFD) Pharmaceuticals	23,471	(2,293)	3.1
Intesa Sanpaolo (preference shares and CFD) Banks	20,897	7,584	2.7
Volkswagen (preference shares) Automobiles	20,740	20,740	2.7
Total Oil & gas	20,479	20,479	2.7
Zurich Insurance Group Insurance	19,913	19,913	2.6
Ten Largest Investments (2013: 40.3%)	256,879	217,802	33.6
Other Investments – 58 holdings (2013: 59.7%)	504,306	497,796	66.4
Total Portfolio (including long CFDs)	761,185	715,598	100.0

1 Fair value represents the carrying value in the Balance Sheet on page 43
2 % of the total exposure of the investment portfolio, including exposure to the investments underlying the long CFDs

Full Portfolio Listing as at 31 December 2014

Portfolio, including long CFDs	Exposure £'000	Fair value[1] £'000	Exposure[2] %
Nestlé	40,542	40,542	5.3
Roche	37,588	37,588	4.9
UBS	25,305	25,305	3.3
Novo-Nordisk	24,008	24,008	3.2
Anheuser-Busch Inbev	23,936	23,936	3.1
Sanofi (CFD)	23,471	(2,293)	3.1
Intesa Sanpaolo (preference shares and CFD)	20,897	7,584	2.7
Volkswagen (preference shares)	20,740	20,740	2.7
Total	20,479	20,479	2.7
Zurich Insurance Group	19,913	19,913	2.6
BNP Paribas	19,837	19,837	2.6
SAP	19,439	19,439	2.6
Sampo	19,015	19,015	2.5
Christian Dior	18,430	18,430	2.4
3i Group	17,939	17,939	2.4
Hennes & Mauritz	17,412	17,412	2.3
GAM Holding	17,331	17,331	2.3
Linde (ordinary shares and CFD)	17,069	10,559	2.2
KBC Groupe	15,670	15,670	2.1
ASML Holding	15,370	15,370	2.0
SES	14,057	14,057	1.8
Red Electrica	13,966	13,966	1.8
Kone	13,930	13,930	1.8
Legrand	13,512	13,512	1.8
Enagas	13,467	13,467	1.8
Deutsche Boerse	13,019	13,019	1.7
Essilor International	12,674	12,674	1.7
Schindler Holding	12,037	12,037	1.6
Schneider Electric	12,017	12,017	1.6
Intertek Group	11,344	11,344	1.5
Telenor	11,253	11,253	1.5
Symrise	11,117	11,117	1.5
Edenred	11,030	11,030	1.4
Sodexo	10,759	10,759	1.4
L'Oreal	10,738	10,738	1.4
Statoil	10,250	10,250	1.3
Royal Dutch Shell	10,135	10,135	1.3
Fresenius Medical Care	9,738	9,738	1.3
Iliad Group	9,225	9,225	1.2

Full Portfolio Listing as at 31 December 2014

Portfolio, including long CFDs	Exposure £'000	Fair value[1] £'000	Exposure[2] %
Fortum	9,009	9,009	1.2
bpost	8,854	8,854	1.2
Hugo Boss	8,788	8,788	1.2
DNB	8,289	8,289	1.1
BIC	7,711	7,711	1.0
Chr. Hansen Holding	6,476	6,476	0.9
Carlsberg	6,255	6,255	0.8
MTU Aero Engines	5,793	5,793	0.8
Fielmann	5,621	5,621	0.7
Swedish Match	4,873	4,873	0.6
Schibsted	4,713	4,713	0.6
Turkiye Garanti Bankasi	4,653	4,653	0.6
Umicore	4,569	4,569	0.6
Coca-Cola Icecek Sanayi	4,092	4,092	0.6
DKSH Holding	3,853	3,853	0.5
GFK	3,609	3,609	0.5
Bains de Mer Monaco	2,249	2,249	0.3
Hermes International	2,143	2,143	0.3
Remy Cointreau	976	976	0.1
Total Portfolio (including long CFDs)	761,185	715,598	100.0

1 Fair value represents the carrying value in the Balance Sheet on page 43
2 % of the total exposure of the investment portfolio, including exposure to the investments underlying the long CFDs

Gearing as at 31 December 2014

Portfolio, including long CFDs	2014 Exposure £'000	2013 Exposure £'000
Investments	716,562	669,216
Long CFDs	44,623	72,686
Total portfolio exposure	761,185	741,902
Shareholders' funds (per the Balance Sheet on page 43)	724,977	711,191
Total portfolio exposure in excess of shareholders' funds (Gearing)	5.0%	4.3%

Distribution of the Portfolio as at 31 December 2014

Portfolio, including long CFDs	France	Switzerland	Germany	Belgium	Finland	Denmark	Norway	UK	Spain	Netherlands	Other	Total 2014[1]	Index 2014[2]	Total 2013
Financials														
Banks	2.6	3.3	–	2.1	–	–	1.1	–	–	–	3.3	12.4	15.0	13.4
Financial Services	–	2.3	1.7	–	–	–	–	2.4	–	–	–	6.4	1.3	6.7
Non-Life Insurance	–	2.6	–	–	2.5	–	–	–	–	–	–	5.1	5.4	4.7
Life Insurance	–	–	–	–	–	–	–	–	–	–	–	–	0.6	–
Real Estate Investment Trusts	–	–	–	–	–	–	–	–	–	–	–	–	0.8	–
Real Estate Investment & Services	–	–	–	–	–	–	–	–	–	–	–	–	0.3	–
	2.6	8.2	1.7	2.1	2.5	–	1.1	2.4	–	–	3.3	23.9	23.4	24.8
Consumer Goods														
Food Producers	–	5.4	–	–	–	–	–	–	–	–	–	5.4	5.4	7.0
Personal Goods	4.1	–	1.2	–	–	–	–	–	–	–	–	5.3	5.0	3.7
Beverages	0.1	–	–	3.1	–	0.8	–	–	–	–	0.5	4.5	2.6	4.6
Automobiles & Parts	–	–	2.7	–	–	–	–	–	–	–	–	2.7	4.4	2.9
Household Goods & Home Construction	1.0	–	–	–	–	–	–	–	–	–	–	1.0	0.9	1.2
Tobacco	–	–	–	–	–	–	–	–	–	–	0.6	0.6	0.1	1.5
	5.2	5.4	3.9	3.1	–	0.8	–	–	–	–	1.1	19.5	18.4	20.9
Healthcare														
Pharmaceuticals & Biotechnology	3.1	4.9	–	–	–	4.0	–	–	–	–	–	12.0	11.7	9.6
Healthcare Equipment & Services	1.7	–	1.3	–	–	–	–	–	–	–	–	3.0	1.5	2.7
	4.8	4.9	1.3	–	–	4.0	–	–	–	–	–	15.0	13.2	12.3
Industrials														
Electronic & Electrical Equipment	3.5	–	–	–	–	–	–	–	–	–	–	3.5	1.2	4.8
Industrial Engineering	–	1.6	–	–	1.8	–	–	–	–	–	–	3.4	3.4	3.6
Support Services	1.4	0.5	–	–	–	–	–	1.5	–	–	–	3.4	1.2	3.8
Industrial Transportation	–	–	–	1.2	–	–	–	–	–	–	–	1.2	1.8	0.7
Aerospace & Defence	–	–	0.8	–	–	–	–	–	–	–	–	0.8	1.1	0.8
Construction & Materials	–	–	–	–	–	–	–	–	–	–	–	–	2.9	–
General Industrials	–	–	–	–	–	–	–	–	–	–	–	–	2.4	–
	4.9	2.1	0.8	1.2	1.8	–	–	1.5	–	–	–	12.3	14.0	13.7
Consumer Services														
General Retailers	–	–	0.7	–	–	–	–	–	–	–	2.3	3.0	1.6	3.0
Media	1.8	–	0.5	–	–	–	0.6	–	–	–	–	2.9	2.3	3.8
Travel & Leisure	1.7	–	–	–	–	–	–	–	–	–	–	1.7	0.6	1.1
Food & Drug Retailers	–	–	–	–	–	–	–	–	–	–	–	–	1.3	0.7
	3.5	–	1.2	–	–	–	0.6	–	–	–	2.3	7.6	5.8	8.6

Distribution of the Portfolio as at 31 December 2014

Portfolio, including long CFDs	France	Switzerland	Germany	Belgium	Finland	Denmark	Norway	UK	Spain	Netherlands	Other	Total 2014[1]	Index 2014[2]	Total 2013
Technology														
Software & Computer Services	1.2	–	2.6	–	–	–	–	–	–	–	–	3.8	1.9	5.3
Technology Hardware & Equipment	–	–	–	–	–	–	–	–	–	2.0	–	2.0	2.2	1.9
	1.2	–	2.6	–	–	–	–	–	–	2.0	–	5.8	4.1	7.2
Oil & Gas														
Oil & Gas Producers	2.7	–	–	–	–	–	1.3	–	–	1.3	–	5.3	3.7	1.8
Oil Equipment, Services & Distribution	–	–	–	–	–	–	–	–	–	–	–	–	0.5	–
	2.7	–	–	–	–	–	1.3	–	–	1.3	–	5.3	4.2	1.8
Utilities														
Electricity	–	–	–	–	1.2	–	–	–	1.8	–	–	3.0	2.3	1.7
Gas, Water & Multi-utilities	–	–	–	–	–	–	–	–	1.8	–	–	1.8	2.1	1.4
	–	–	–	–	1.2	–	–	–	3.6	–	–	4.8	4.4	3.1
Basic Industries														
Chemicals	–	–	3.7	0.6	–	–	–	–	–	–	–	4.3	7.1	5.7
Industrial Metals & Mining	–	–	–	–	–	–	–	–	–	–	–	–	0.8	–
Forestry & Paper	–	–	–	–	–	–	–	–	–	–	–	–	0.3	–
	–	–	3.7	0.6	–	–	–	–	–	–	–	4.3	8.2	5.7
Telecommunications														
Mobile Telecommunications	–	–	–	–	–	–	1.5	–	–	–	–	1.5	1.6	1.9
Fixed Line Telecommunications	–	–	–	–	–	–	–	–	–	–	–	–	2.7	–
	–	–	–	–	–	–	1.5	–	–	–	–	1.5	4.3	1.9
Total Portfolio Exposure, including long CFDs – 2014	24.9	20.6	15.2	7.0	5.5	4.8	4.5	3.9	3.6	3.3	6.7	100.0		
Index – 2014	20.7	20.5	19.7	2.8	2.0	3.5	1.5	–	7.6	5.7	16.0		100.0	
Total Portfolio Exposure, including long CFDs – 2013	24.0	17.8	18.6	7.2	5.5	5.5	4.5	3.8	3.1	3.7	6.3			100.0

[1] Distribution of the Portfolio is shown as a percentage of the total exposure of the investment portfolio, including exposure to the investments underlying the long CFDs

[2] FTSE World Europe (ex UK) Index

Summary of Performance

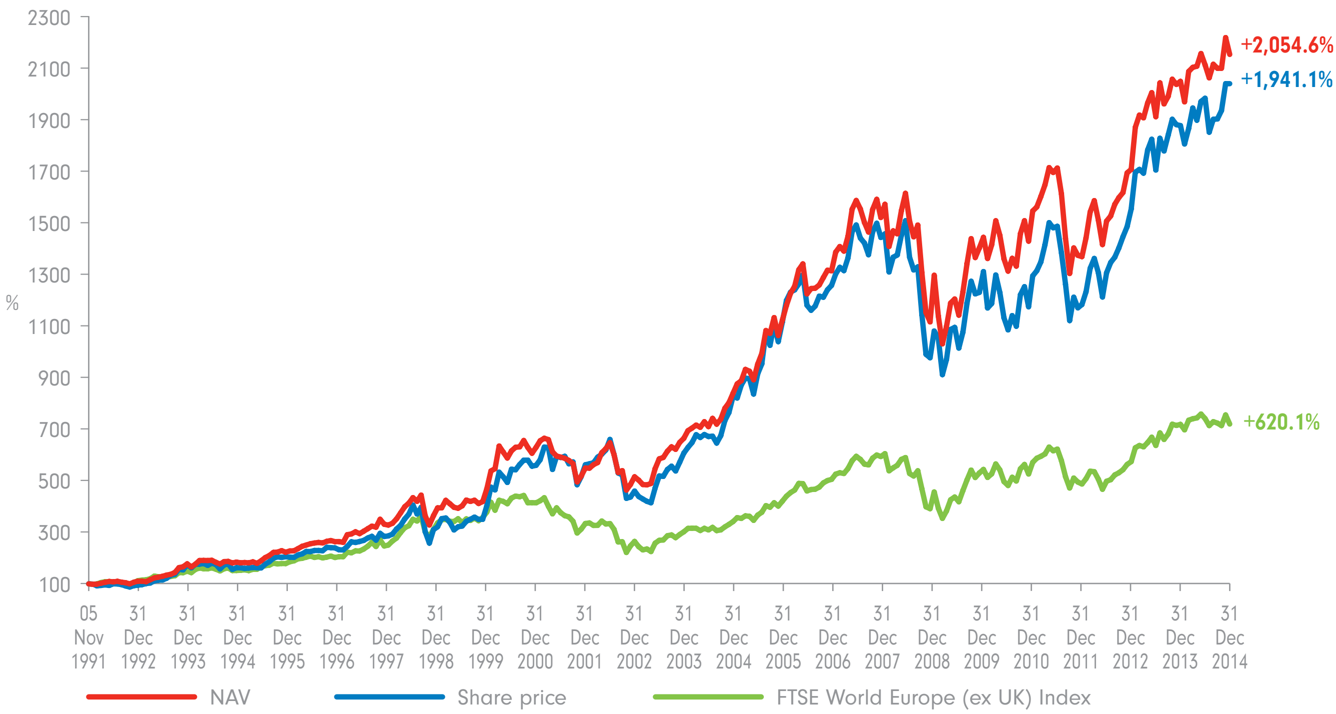
Historical Record as at 31 December	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Total portfolio exposure (£m)[1]	761	742	685	562	716	742	750	958	906	802	576
Shareholders' funds (£m)	725	711	616	518	661	649	650	855	802	689	513
NAV per share (p)[2]	174.09	168.58	142.90	116.86	133.58	126.95	118.36	144.98	128.38	109.47	81.50
Share price (p)[2]	162.50	152.50	128.70	100.30	111.30	115.10	99.00	135.00	121.10	111.80	76.65
(Discount)/premium to NAV (ex income) (%)	(4.6)	(7.9)	(8.1)	(12.0)	(15.7)	(7.8)	(13.6)	(6.0)	(5.3)	2.4	(5.7)
(Discount)/premium to NAV (cum income) (%)	(6.7)	(9.5)	(9.9)	(14.2)	(16.7)	(9.3)	(16.4)	(6.9)	(5.7)	2.1	(6.0)
Revenue return per ordinary share (p)[2]	3.67	2.98	2.78	2.69	1.60	2.06	3.68	1.38	0.53	0.28	0.20
Dividends per ordinary share (p)[2]	3.64[3]	2.98	2.78	2.65	1.58	2.25[4]	2.33[5]	1.38	0.53	0.25	0.18
Cost of running the Company (ongoing charges) (%)[6]	0.97	0.96	0.98	0.94	0.91	0.92	0.89	1.06	1.47	1.55	1.58
Gearing (%)[7]	5.0	4.3	11.1	8.6	4.6	1.0	nil	(1.0)	12.4	16.0	11.5
NAV total return (%)	+5.1	+20.0	+24.7	-11.5	+7.1	+11.3	-17.5	+13.4	+17.5	+34.7	+26.2
Share price total return (%)	+8.7	+20.8	+31.3	-8.6	-1.3	+21.3	-25.9	+12.0	+8.6	+46.2	+30.4
Benchmark Index total return (%)[8]	+0.2	+25.2	+17.8	-14.7	+5.1	+19.1	-24.6	+15.1	+19.5	+23.4	+13.2

1 The total exposure of the investment portfolio, including exposure to the investments underlying the long CFDs. The amounts prior to 2011 represent total assets less current liabilities, excluding fixed term loan liabilities
2 Prior period figures have been adjusted to reflect the ten for one ordinary share sub-division which took place on 2 June 2014
3 Includes a special dividend of 0.54 pence
4 Interim dividend in respect of the year ended 31 December 2009
5 Includes a special dividend of 1.32 pence
6 The percentages prior to 2012 are total expense ratios
7 Total portfolio exposure in excess of shareholders' funds. The amounts prior to 2011 represent total net assets, less bank loans plus cash at bank and cash funds, in excess of shareholders' funds
8 Data prior to the year ended 31 December 2011 is on a net of tax basis

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

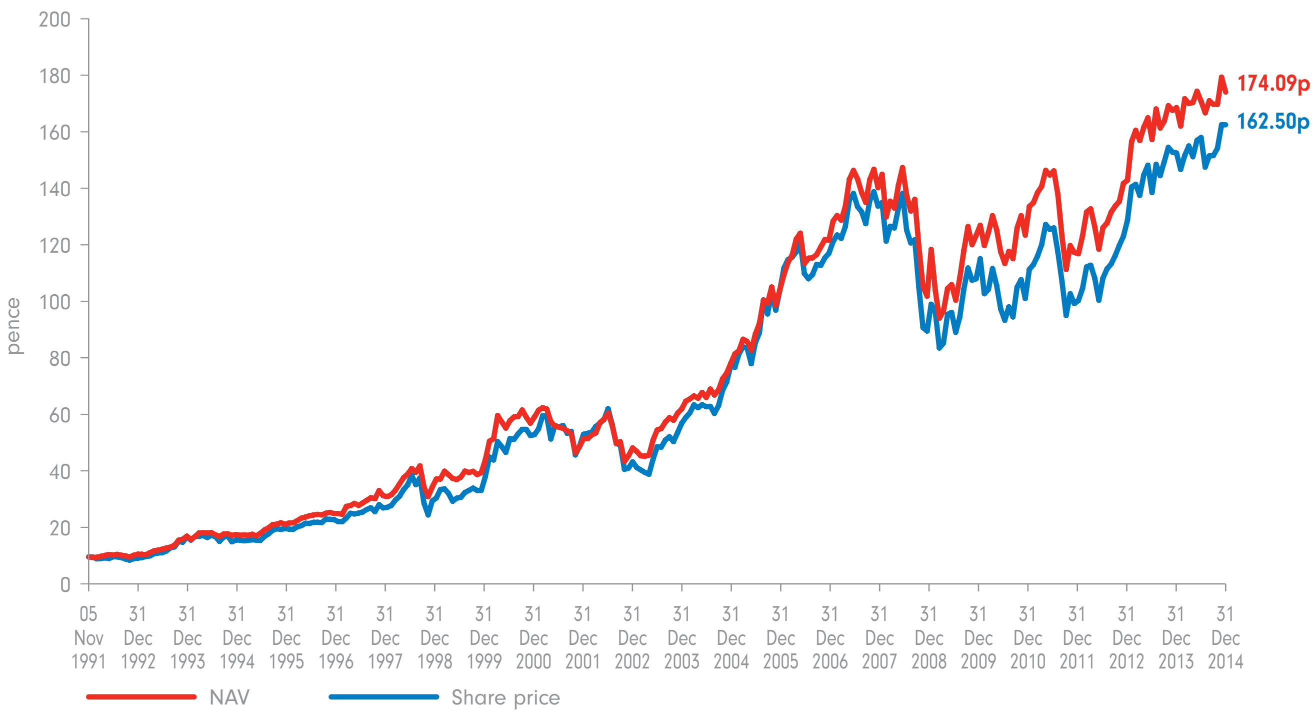
Summary of Performance

Total return performance from launch to 31 December 2014



Prices rebased to 100
Sources: Fidelity and Datastream

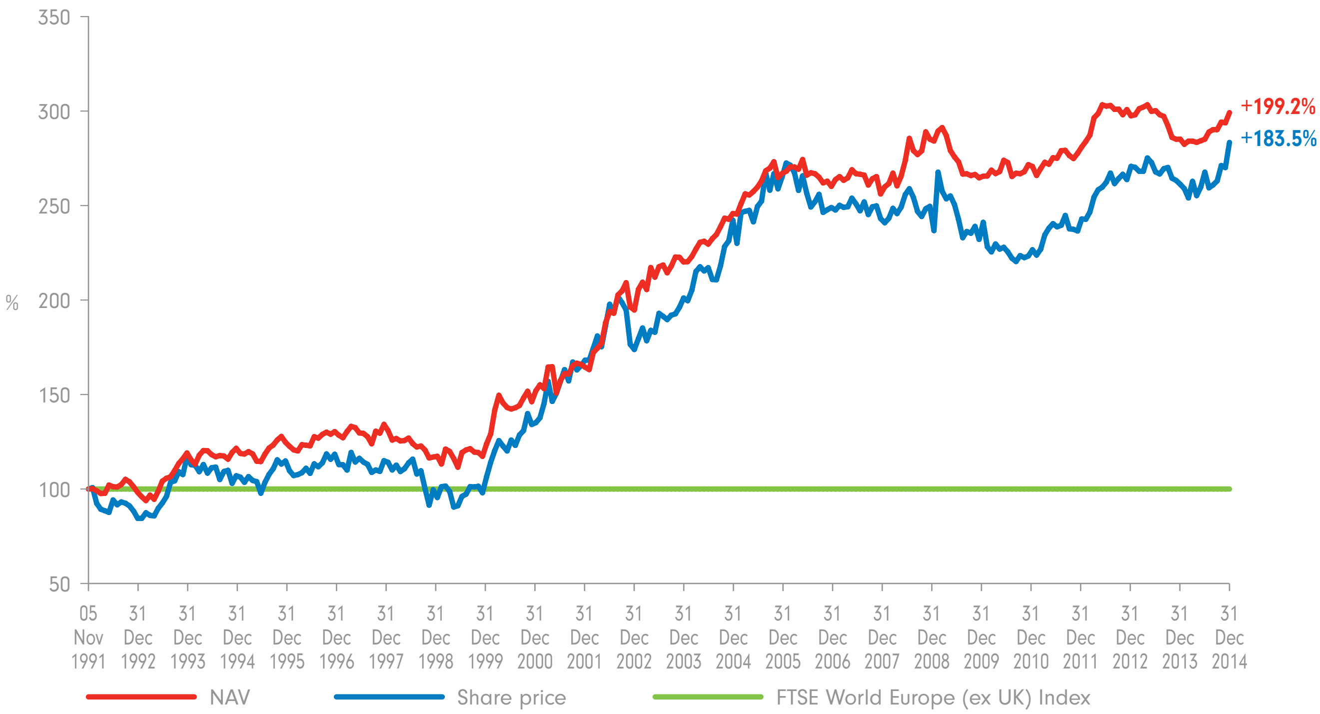
NAV and share price in pence from launch to 31 December 2014



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

Summary of Performance

Total return performance relative to the Benchmark Index from launch to 31 December 2014



Prices rebased to 100
Sources: Fidelity and Datastream

Share price (discount)/premium to NAV cum income from launch to 31 December 2014

Based on figures at month end only
Sources: Fidelity and Datastream

Board of Directors

HUMPHREY VAN DER KLUGT[1,2]

(date of appointment as Director: 1 June 2007; date of appointment as Chairman: 19 May 2010) is a Chartered Accountant and was previously a Director of Schroder Investment Management Limited. In a 22 year career at Schroders, he was a member of the Group Investment and Asset Allocation Committees. He is a Director of JPMorgan Claverhouse Investment Trust plc. He is also an Associate Trustee of Great Ormond Street Hospital Children's Charity.

ROBIN NIBLETT[2]

(date of appointment: 14 January 2010) has been Director and Chief Executive of Chatham House (the Royal Institute of International Affairs) since 2007. Prior to this he worked for the Center for Strategic and International Studies in Washington, DC, becoming Executive Vice President in 2001 and also serving as Director of its Europe Programme from 2004 to 2006. He is currently a member of the World Economic Forum's Global Agenda Council on Europe.

JAMES ROBINSON[2,3]

(date of appointment: 1 June 2007) was Chief Investment Officer, Investment Trusts and Director of Hedge Funds at Henderson Global Investors prior to his retirement in 2005. A Chartered Accountant, he has 34 years' investment experience and is currently Chairman of Polar Capital Global Healthcare Growth and Income Trust plc, a director of Aberdeen New Thai Investment Trust PLC, Invesco Asia Trust plc, Montanaro UK Smaller Companies Investment Trust PLC and J P Morgan Elect plc. He is also a Council Member and Chairman of the Investment Committee of the British Heart Foundation.

MARION SEARS[2]

(date of appointment: 17 January 2013) is a non-executive Director of Dunelm Group plc (where she was the Senior Independent Director from 2006 to 2014) and is also a non-executive Director of Octopus AIM VCT plc and Persimmon plc. Previously she was a Managing Director of Investment Banking at JPMorgan and she has served on the boards of Boehringer Ingleheim Ltd, LGC (Holdings) Ltd and Prelude Trust PLC. She has also held executive positions at Glaxo, UBS and Baring Brothers.

SIMON FRASER

(date of appointment: 26 July 2002) spent 27 years at Fidelity but retired from his executive responsibilities at the end of 2008. He started his career at Fidelity as an analyst and spent a number of years in Japan, most recently as Chief Investment Officer for the Asia/Pacific region. He returned to the UK in 1999 to take up the position of Chief Investment Officer for Fidelity International, a position he held until 2005. He is Chairman of Foreign and Colonial Investment Trust plc and Merchants Trust plc. He is also a Director of Fidelity Japanese Values PLC and Ashmore Group plc and an Honorary Vice President of the National Trust of Scotland. He was recently appointed as the Chairman of The Investor Forum and as Advisor to Scope Ratings.

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

Directors' Report

The Directors have pleasure in presenting their report together with the audited Financial Statements of the Company for the year ended 31 December 2014.

The Company was incorporated in England and Wales as a public limited company on 16 August 1991 under the name of Legistshelfco No. 112 PLC with the registered number 2638812. The name was changed to Fidelity European Values PLC in September 1991.

Details of the status of the Company can be found in the Strategic Report on page 9.

MANAGEMENT COMPANY AND FEES

With effect from 17 July 2014, and as a result of the Alternative Investment Fund Directive, FIL Investments International ("FII") retired as investment manager, manager and secretary to the Company and was replaced by FIL Investment Services (UK) Limited ("FISL") to act as the Company's Alternative Investment Fund Manager (the "Manager"). At the same time, FISL, as the new Manager, delegated the portfolio management of assets and the role of the company secretary to FII. The Alternative Investment Fund Management and Secretarial Services Agreement (the "Management Agreement") dated 17 July 2014 replaced that dated 18 October 2012 and continues to provide for an annual fee of an amount equal to 0.85% of net assets for investment management services to the Company. The fee is payable quarterly in arrears at a rate of 0.2125% per quarter and calculated as at the last business day of March, June, September and December in each year. In computing the net asset value, the value of any investment in any fund which is managed by the Manager or an associate of the Manager is excluded. There is no additional company secretarial fee. The investment management fees for the year ended 31 December 2014 were £6,011,000 (2013: £5,821,000).

In addition the Management Agreement provided for an annual performance related fee of 15% of any change in net asset value in excess of the returns on the FTSE World Europe (ex UK) Index plus 0.5%. This has been removed with effect from 1 January 2015. For the year ended 31 December 2014 no performance fee was payable (2013: nil).

The new 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 60 days' notice if the Manager ceases to be a subsidiary of FIL Limited.

The Manager also provides certain services, including marketing and administration, in connection with the Fidelity Investment Trust Share Plan and the Fidelity Individual Savings Account.

The amount payable for these services for the year to 31 December 2014 was £165,000 (2013: £155,000).

At 31 December 2014, £1,576,000 (2013: £1,579,000) was due to the Manager under all the above agreements and is disclosed in Note 12 to the Financial Statements on page 51.

Fidelity operates a broker segmentation policy which allows it to concentrate on those brokers who, in its opinion, offer the best service in terms of overall execution. These brokers are Fidelity's "core" brokers. At the same time, the Manager evaluates the research provided by other brokers and uses some of them for their research. These brokers are called Secondary State Research firms ("SSRs"). As a consequence of the policy, the "core" brokers earn a larger percentage of the commission paid. These "core" brokers pay away some of the increased commission earned to the SSRs to compensate them for the research provided to Fidelity. Under the Financial Conduct Authority ("FCA") regulations this type of payment from one broker to another is currently treated as "softing". The Manager's soft commission policy complies with UK regulations. Fidelity adopts a best execution policy that applies to all transactions in all instruments, regardless of the fund or account or location of the trading desk.

The Manager has an arrangement with certain brokers whereby a portion of commissions from security transactions may be paid to the Company to reduce transaction costs. Amounts received by the Company under this arrangement are credited to capital. An amount of £97,000 was received in the year to 31 December 2014 (2013: £47,000).

There is a regulatory requirement on the Manager to obtain best execution and no individual deal is entered into which prevents compliance with this requirement.

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

FIL Limited has no beneficial interest in shares of the Company (2013: same).

DIRECTORS

Details of the Directors who served during the year to 31 December 2014 are set out on page 22 with a brief description of their careers, each of which indicates their qualifications for Board membership. All of the Directors served throughout the year to 31 December 2014.

DIRECTORS AND OFFICERS' LIABILITY INSURANCE

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

REGISTRAR, CUSTODIAN AND DEPOSITARY ARRANGEMENTS

The Company employs Capita Asset Services to manage the Company's share register. Fees for their registration services for the year under review amounted to £78,000 (2013: £68,000).

Directors' Report

The Company employs JP Morgan Chase Bank as its Custodian who are primarily responsible for safeguarding the Company's assets. Fees for their custodial services for the year under review amounted to £123,000 (2013: £132,000).

With effect from 17 July 2014, the Company employs J.P.Morgan Europe Limited (part of the same group of companies as JP Morgan Chase Bank) as its Depositary and it is primarily responsible for oversight of the custody of investment funds and the protection of investor's interests. Fees for its Depositary services for the period under review amounted to £21,000 (2013: not applicable).

SHARE CAPITAL

Following the sub-division of the Company's ordinary share of 25 pence each into ten ordinary shares of 2.5 pence each on 2 June 2014, the Company's issued share capital as at 31 December 2014 comprises 416,447,910 ordinary shares of 2.5 pence each (2013: 42,187,693 ordinary shares of 25 pence each). Each share in issue carries one vote. Deadlines for the exercise of voting rights and details of arrangements by which someone other than the shareholder can exercise voting rights are detailed in the Notes to the Notice of Meeting on page 63. The Company's ordinary shares have a premium listing on the London Stock Exchange.

PREMIUM/DISCOUNT MANAGEMENT: ENHANCING SHAREHOLDER VALUE

The Board seeks authority from shareholders each year to issue new shares at a premium or repurchase shares for cancellation or holding in Treasury at a discount to the NAV. It will only use these authorities to enhance the net asset value and to protect or improve the premium/discount rating of the shares.

SHARE ISSUES

As a result of the sub-division of shares on 2 June 2014, 41,792,173 ordinary shares of 25 pence each were cancelled and issued as 417,921,730 ordinary shares of 2.5 pence each. No shares have been issued since the year end. The authority to issue shares and dis-apply pre-emption rights, granted by shareholders at the Annual General Meeting held on 15 May 2014, expires at the conclusion of this year's Annual General Meeting and therefore resolutions to renew the authority will be put to shareholders for approval at the Annual General Meeting to be held on 14 May 2015.

SHARE REPURCHASES

The Company repurchased 395,520 ordinary shares of 25 pence each up to 1 June 2014 and 1,473,820 ordinary shares of 2.5 pence each in the period 2 June to 31 December 2014 (2013: 939,380 ordinary shares of 25 pence each). The total number of ordinary shares of 2.5 pence each in issue at the date of this report is 416,447,910. As at the date of this report, the Company did not hold any shares in Treasury.

At the Annual General Meeting held on 15 May 2014, the Company's shareholders passed a special resolution which granted the Directors authority to purchase up to 6,320,208 ordinary shares of 25 pence each (63,202,080 ordinary shares of 2.5 pence each) in the market for cancellation. The authority to repurchase shares expires on 14 May 2015 and a special resolution to renew the authority, including the ability to buy ordinary shares into Treasury, in respect of up to 14.99% of the issued share capital as at the date of this report will be put to shareholders for approval at the forthcoming Annual General Meeting.

SUBSTANTIAL SHARE INTERESTS

As at 28 February 2015, notification had been received of the following interests in 3% or more of the voting rights of the Company:

Shareholders	%
Fidelity ISA and Share Plan	21.39
1607 Capital Partners	8.52
Wells Capital Management	6.00
Rathbones[1]	4.81
Brewin Dolphin[1]	4.57
Investec Wealth & Investment[1]	3.59
Quilter Cheviot Investment Management[1]	3.37

[1] Includes private clients

Analysis of Ordinary Shareholders as at 31 December 2014	% of issued share capital
Retail	54.69
Mutual funds	37.95
Insurance companies	3.96
Pension funds	2.54
Hedge funds	0.44
Trading	0.32
Other	0.10
Total	**100.00**

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.

Directors' Report

ANNUAL GENERAL MEETING

THIS SECTION IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

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

If you have sold, transferred or otherwise disposed of all your shares in the Company, please pass this document and the accompanying form of proxy to the stockbroker, bank or other agent through whom you made the sale, transfer or disposal for transmission to the purchaser or transferee, except that such documents should not be sent to any jurisdiction under any circumstances where to do so might constitute a violation of local securities laws and regulations. If you have sold or transferred or otherwise disposed of only part of your holding of shares in the Company, you should retain this document and the accompanying form of proxy and consult the stockbroker, bank or other agent through whom you made the sale, transfer or disposal.

At the Annual General Meeting on 14 May 2015, resolutions will be proposed relating to the items of business set out in the Notice of Meeting contained on pages 61 and 62, including those items of business summarised below.

These include renewing the Directors' authority to allot securities in the Company, disapply pre-emption rights and repurchase the Company's shares, as explained further below, to replace the existing powers of the Directors which expire at the conclusion of the Annual General Meeting.

Authority to allot shares

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

Resolution 11 is an ordinary resolution and provides the Directors with a general authority to allot securities in the Company up to an aggregate nominal value of £520,560. If passed, this resolution will enable the Directors to allot a maximum of 20,822,395 ordinary shares of 2.5 pence each which represents approximately 5% of the issued ordinary share capital of the Company as at 13 March 2015 and so that the Directors may impose any limits or restrictions and make any arrangements which it considers necessary or appropriate to deal with Treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter. The Directors would not intend to use this power unless they considered that it was in the interests of shareholders to do so. Any shares issued would be at net asset value per share, or in the case of issuing Treasury shares, at a premium to net asset value per share.

Authority to disapply pre-emption rights

In certain circumstances it is beneficial for the Directors to allot shares for cash otherwise than pro rata to existing shareholders and the Companies Act 2006 provides for shareholders to give such power to the Directors by waiving their pre-emption rights.

Resolution 12 is a special resolution disapplying pre-emption rights and granting authority to the Directors, without the need for further specific shareholder approval, to make allotments of equity securities or sale of Treasury shares for cash by way of (a) rights issues, normally on a proportionate basis but where necessary taking into account practical considerations, such as fractions and foreign securities laws, and (b) other issues up to an aggregate nominal value of £520,560 (approximately 5% of the issued share capital of the Company as at 13 March 2015 and equivalent to 20,822,395 ordinary shares of 2.5 pence).

Authority to repurchase the Company's shares

Resolution 13 is a special resolution which renews the Company's authority to purchase up to 14.99% (62,425,541) of the number of ordinary shares of 2.5 pence each in issue (excluding Treasury shares) on 13 March 2015 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 made at the discretion of the Board and within guidelines set from time to time by the Board in the light of prevailing market conditions. Purchases will only be made in the market at prices below the prevailing net asset value per share.

Continuation Vote

Resolution 14 is an ordinary resolution regarding the continuation of the Company as an investment trust. The Board undertook to give shareholders the opportunity to vote on the continuation of the Company in 2001 and every two years thereafter. Accordingly a resolution for the continuation of the Company as an investment trust will be put to shareholders at the forthcoming Annual General Meeting.

The Board recommends the continuation of the Company.

The full text of the resolutions are set out in the Notice of Meeting contained on pages 61 to 64.

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

CORPORATE GOVERNANCE

Full details are given in the Corporate Governance Statement which forms part of this Directors' Report and can be found on pages 27 to 31.

Directors' Report

AUDITOR'S RIGHT TO INFORMATION

As required by Section 418 of the Companies Act 2006, the Directors in office as at the date of this report each confirm that, so far as they are aware, there is no relevant audit information of which the Auditor is unaware and each Director has taken all the steps that ought to have been taken as a Director to make themselves aware of any relevant audit information, and to establish that the Auditor is aware of that information.

AUDITOR'S APPOINTMENT

A resolution to reappoint Grant Thornton UK LLP as Auditor to the Company will be proposed at the forthcoming Annual General Meeting together with a resolution to authorise the Directors to determine the Auditor's remuneration.

GOING CONCERN

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 9 to 13. The financial position of the Company, its cash flows, liquidity position and gearing facilities are described in the Financial Statements and Notes thereto on pages 41 to 59.

The Company's objectives, policies and processes for managing its capital, financial risk objectives, details of financial instruments and its exposures to credit and liquidity risk are also set out in the Strategic Report on pages 9 to 13 and in the Notes to the Financial Statements on pages 45 to 59.

The Company's assets consist mainly of securities which are readily realisable. Where outsourcing arrangements are in place, including Registrar, Custodian and Depositary services, alternative providers are readily available. As a consequence, the Directors believe that the Company is well placed to manage its business risks successfully.

The Board receives regular reports from the Manager and the Directors believe that the Company has adequate resources to continue in operational existence for the foreseeable future. As such a going concern basis is appropriate in preparing these Financial Statements.

The Directors anticipate a majority vote in favour of the upcoming continuation vote and see no reason to present this report other than on a going concern basis.

CONTINUATION VOTE

In accordance with the Articles of Association of the Company, a continuation vote is required every two years. The next continuation vote will take place at this year's Annual General Meeting to be held on 14 May 2015.

By Order of the Board
FIL Investments International
Secretary
13 March 2015

Corporate Governance Statement

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

AIC CODE

The Board has considered the principles and recommendations of the AIC Code of Corporate Governance ("AIC Code") by reference to the AIC Corporate Governance Guide for Investment Companies ("AIC Guide"). The AIC Code, as explained by the AIC Guide, addresses governance issues relevant to investment companies and enables boards to satisfy any requirements they may have under the UK Code of Corporate Governance ("UK Code"), as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company. The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the UK Code), will provide better information to shareholders. The AIC Code and the AIC Guide may be found at www.theaic.co.uk

The Board is accountable to the Company's shareholders for good governance and considers that the Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Code and associated disclosure requirements of the Listing Rules except for the provisions below:

- 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, being an externally managed investment company. The Company has therefore not reported further in respect of these provisions.

The Company has no separate Nomination & Remuneration Committee, and in this respect it does not comply with the UK Code principle B.2.1 and D.2.1 and the equivalent AIC Code principle. The reasons for non-compliance are detailed on page 29.

THE BOARD AND ITS COMMITTEES

THE BOARD

The Board of Directors has overall responsibility for the Company's affairs and for promoting the long term success of the Company. All matters which are not delegated to the Company's Manager under the Alternative Investment Fund Management and Secretarial Services Agreement (the "Management Agreement") are reserved for the Board's decision. Matters reserved for the Board include, amongst other things, decisions on strategy, management, structure, capital, share issues, share repurchases, gearing, financial reporting, risk management, investment performance, share price discount, corporate governance, Board appointments and the appointment of the Manager and the Company Secretary.

The Board currently consists of five non-executive Directors, four of whom are independent of the Company's Manager and are considered to be free from any business or other relationship which could materially interfere with the exercise of their independent judgement. The Board follows a procedure of notification of other interests that may arise as part of considering any potential conflicts. James Robinson, the Senior Independent Director, fulfils the role as a "sounding board" for the Chairman and as intermediary for the other non-executive Directors where necessary.

Simon Fraser is a Director of another investment trust managed by Fidelity, namely Fidelity Japanese Values PLC and is therefore not independent. The Board believes it to be an important aspect of the corporate governance of an investment trust company that there should be links with the Manager to ensure that the Manager is party to the responsibility, authority and accountability of the Board to the shareholders. The Directors are able to allocate sufficient time to the Company to discharge their responsibilities fully and effectively.

In common with most investment trusts there is no chief executive as the management function has been delegated as set out above and is supervised by the Chairman and the Board. The independent Directors form the membership of the Audit Committee and the Management Engagement Committee.

BOARD BALANCE

The Directors believe that the Board has an appropriate balance of skills, experience, independence, knowledge of the Company and length of service to discharge its duties and provide effective strategic leadership and proper governance of the Company. In particular the Directors have a wide knowledge and experience of fund management, investment trust management and business in Europe. Biographical details of all the Directors are given on page 22.

The Board aims to have a balance of skills, expertise, length of service and knowledge of the Company represented on the Board. The Board carries out its candidate searches with full regard to the benefits of diversity, including gender, drawing from the widest possible pool of talent against a set of objective criteria, and makes its appointments on the basis of merit.

Corporate Governance Statement

	Regular Board Meetings	Audit Committee Meetings	Management Engagement Committee Meetings
Humphrey van der Klugt	5/5	3/3	2/2
Simon Fraser	5/5	n/a	n/a
Robin Niblett	5/5	3/3	2/2
James Robinson	5/5	3/3	2/2
Marion Sears	5/5	3/3	2/2

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

BOARD MEETINGS

The Board meets formally at least fives times a year and between these meetings there is regular contact with the Manager. Other meetings are arranged as necessary. Additionally, Board Committees and sub-groups meet to pursue matters referred from the Board and the Chairman is in contact with the other Directors regularly without representatives of the Manager being present. The Board ensures that it conducts its business at all times with only the interests of the shareholders in mind and quite independently of any other associations. It endeavours to provide leadership in terms of the direction of the Company.

The Board considers that it meets sufficiently regularly to discharge its duties effectively and the table above gives the attendance record for the formal meetings held in the reporting year to 31 December 2014.

COMPANY SECRETARY

The Company Secretary is a corporate secretary. The appointment of the Company Secretary is a matter for the Board as a whole. The Directors have access to the advice and services of the Company Secretary through its appointed representative who is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. Each Director of the Company is entitled to take independent professional advice, at the Company's expense, in the furtherance of their duties.

SUPPLY OF INFORMATION TO DIRECTORS

The Chairman is responsible for the promotion of a culture of openness and debate, for ensuring that the Directors receive accurate, timely and clear information and for ensuring that there is adequate time available for the discussion of agenda items, particularly strategic issues.

The Board receives in due time information in a form and of a quality appropriate to enable it to discharge its duties. The Board meeting papers are the key source of regular information for the Board, the contents of which are determined by the Board and contain sufficient information on the financial condition of the Company.

Key representatives of the Manager attend each Board meeting, enabling the Board to probe further on matters of concern or seek clarification on certain issues.

The Board has delegated certain of its corporate governance responsibilities to the Audit and Management Engagement Committees, each composed of all the independent Directors.

CHANGES TO THE BOARD

All appointments to the Board and replacements of Directors take place in accordance with the Companies Act, the Company's Articles of Association and the AIC Code. Whilst the independent Directors take the lead in the appointment of new Directors, any proposal for a new Director will be discussed and approved by the whole Board. As a consequence, there is no Nomination Committee. External consultants are used to identify potential candidates.

The Board carries out its candidate search against a set of objective criteria on the basis of merit, with due regard for the benefits of diversity on the Board, including gender.

The terms and conditions of appointment of Directors are available for inspection at the registered office of the Company and will be made available prior to the forthcoming Annual General Meeting.

Corporate Governance Statement

TRAINING

When a new Director is appointed to the Board, he or she is provided with all the relevant information regarding the Company and on his or her duties and responsibilities as a Director. In addition, a new Director will receive an induction, spending time with representatives of the Manager whereby he or she will become familiar with the various processes which the Manager considers necessary for the performance of its duties and responsibilities to the Company.

The Company's policy is to encourage Directors to keep up to date and attend training courses on matters which are directly relevant to their involvement with the Company and the Chairman reviews and agrees development and training needs with each Director.

The Directors also receive regular briefings from, among others, the AIC, the independent and external Auditor and the Company Secretary regarding any proposed developments or changes in law or regulations that could affect the Company and/or the Directors.

ELECTION AND RE-ELECTION

As required by company law, all newly appointed Directors stand for election by the shareholders at the Annual General Meeting following their appointment by the Board. In accordance with the AIC Code all Directors are subject to annual re-election due to the Company's status as a FTSE 350 company. Biographical details can be found on page 22. A procedure has been put in place whereby formal letters of appointment, which specify the terms of appointment, are issued to new Directors on appointment and to existing Directors following re-election at the Annual General Meeting. The Board will consider the length of tenure as one of the matters under review during Director evaluations.

PERFORMANCE EVALUATION

A formal and rigorous process for the annual evaluation of the Board, its Committees and its Directors has been put in place. The process includes regular discussion and written questionnaires and if appropriate interviews, although the format may change from time to time to ensure that the Board does not become complacent in fulfilling a "box-ticking" exercise.

In accordance with Code B.6.2 of the UK Corporate Governance Code, as a FTSE 350 company, the Company is required to carry out an externally facilitated evaluation of the Board every third year. The performance and contribution to the Company of the Chairman and each Director holding office during the year to 31 December 2014 was considered using an external evaluation agency, Stephenson and Co., with no connection with the Company or the Manager. It was concluded that all the Directors have been effective and that they continue to demonstrate commitment to their roles. The performance of the Chairman is evaluated by the other Directors in the Chairman's absence on an annual basis. The Company Secretary and Portfolio Manager also participate in these processes to provide all-round feedback to the Board. The results of these evaluations are discussed by the Board and the process is considered to be constructive in terms of identifying areas for improving the functioning and performance of the Board and action is taken on the basis of the results.

DIRECTORS' REMUNERATION

The level of Directors' fees is determined by the whole Board and therefore a separate Remuneration Committee has not been appointed. Full details of the Company's Remuneration Policy and Directors' fees are disclosed in the Directors' Remuneration Report on pages 34 and 35.

BOARD COMMITTEES

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

AUDIT COMMITTEE

The Audit Committee is chaired by James Robinson and consists of all of the independent Directors. Full details of the Audit Committee are disclosed in the Report of the Audit Committee on pages 32 and 33.

MANAGEMENT ENGAGEMENT COMMITTEE

The Management Engagement Committee is chaired by Humphrey van der Klugt and consists of all of the independent Directors. The Committee is charged with reviewing and monitoring the performance of the Manager and ensuring that the terms of the Company's Management Agreement are competitive and reasonable for shareholders. The Committee meets at least annually and reports to the Board of Directors, making recommendations where appropriate.

Details of the Management Agreement are set out in the Directors' Report on page 23.

The criteria which are taken into consideration in reviewing the performance of the Manager are set out below:

- Quality of team – the skills and particularly the experience of the team involved in managing all aspects of the Company's business;
- Commitment of the Manager to the investment trust business generally and to the Company in particular;
- Managing the Company – in running and controlling the administration, the accounting and the secretaryship of the Company;
- Investment management – portfolio management skills, experience and track record and other investment related considerations including gearing, currencies, use of derivatives, hedging, share repurchases etc;
- Shareholders – shareholder consciousness and relations, discount management and commitment to the Company's goals; and
- Management Agreement – consideration of fees, notice periods and duties.

Corporate Governance Statement

The Committee met on 29 January 2015 and reviewed the performance of the Manager for the year to 31 December 2014. The Committee noted the Company's good long term performance record and the commitment, quality and experience of the team which was responsible for the Company. The Committee concluded that it was in the interests of shareholders that the appointment of the Manager should continue.

ACCOUNTABILITY AND AUDIT

FINANCIAL REPORTING

Set out on page 37 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 38 to 40.

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

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for the Company's systems of risk management and of internal controls and for reviewing their effectiveness. The identification, control and evaluation of risk is assessed quarterly and a regular internal controls report is provided by the Manager. The systems of risk management and internal controls are designed to manage rather than eliminate risk of failure to achieve business objectives and can only provide reasonable, but not absolute, assurance against material misstatement or loss.

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

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

The Audit Committee has received and reviewed the report on the effectiveness of the internal controls maintained on behalf of the Company and meets a representative of the Manager's internal audit team at least three times a year. The Chairman of the Audit Committee has direct access to the Manager's internal audit team and vice versa. The Board also receives each year from the Manager a report on its internal controls which includes a report from the Manager's reporting accountants on the control procedures in operation around the investment management and administration processes.

By means of the procedures set out above and in accordance with the Financial Reporting Council's "Internal Control: Revised Guidance for Directors", the Directors have established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company and have reviewed the effectiveness of the risk management and internal control systems throughout the year ended 31 December 2014. This process continued to be in place up to the date of the approval of these Financial Statements and is expected to remain in place for the coming year.

WHISTLE-BLOWING PROCEDURE

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

BRIBERY ACT 2010

The Company is committed to carrying out business fairly, honestly and openly. The Board recognises the benefits this has to reputation and business confidence. The Board, the Investment Manager, the 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.

Corporate Governance Statement

RESPONSIBILITY AS INSTITUTIONAL SHAREHOLDER

The Board has adopted the Manager's Principles of Ownership in relation to investments. These principles include the pursuit of an active investment policy through portfolio management decisions, voting on resolutions at general meetings and maintaining a continuing dialogue with the management of investee companies. The Manager, in its Principles of Ownership, expressly declares that it supports the Financial Reporting Council's Stewardship Code setting out the responsibilities of institutional shareholders and agents. Further details of the Manager's Principles of Ownership and voting may be found at www.fidelity.co.uk.

RELATIONS WITH SHAREHOLDERS

The Chairman is responsible for ensuring that all Directors are made aware of shareholders' concerns and this is done through a combination of meetings with shareholders and feedback from the Company's stockbroker and Fidelity. Analyst and stockbroker meetings with the Portfolio Manager are held throughout the year. The shareholder profile of the Company is regularly monitored. The Company is committed to providing the maximum opportunity for dialogue between the Company and shareholders. It believes that institutional shareholders have proper access to the Manager at any time and to the Board if they so wish. If any shareholder wishes to contact a member of the Board directly they should contact the Company Secretary whose details are provided on page 68.

All shareholders, particularly individual shareholders, are encouraged to attend the Annual General Meeting at which there is a presentation by the Portfolio Manager of the past year's results and the forthcoming year's prospects, followed by the opportunity to meet the Board and representatives of the Manager.

At general meetings all proxy votes are counted and, except where a poll is called, proxy voting is reported for each resolution after it has been dealt with on a show of hands. Proxy votes are disclosed on the Company's pages of the Manager's website.

The Notice of the Annual General Meeting on pages 61 to 64 sets out the business of the meeting and the resolutions dealing with special business are explained more fully in the Directors' Report on page 25. A separate resolution is proposed on each substantially separate issue including the Annual Report and Financial Statements. The Chairman of the Board, the Chairman of the Audit Committee and other Directors will be available to answer questions at the Annual General Meeting. The Notice of the Annual General Meeting and related papers are sent to shareholders at least 20 working days before the meeting.

THE COMPANY'S ARTICLES OF ASSOCIATION

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

On behalf of the Board

Humphrey van der Klugt
Chairman
13 March 2015

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 processes and internal controls and the effectiveness of the external audit process. This report details how this has been assessed for the year ended 31 December 2014.

COMPOSITION

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

ROLE AND RESPONSIBILITIES

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

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

MEETINGS AND BUSINESS

The Committee met three times during the reporting year and twice with the Independent Auditor. Attendance by each independent Director is shown in the table on page 28.

The following matters were dealt with at these meetings:

March 2014	• Review of the Company's risk management and internal controls framework • Review of new regulatory changes and new reporting requirements • Review of withholding tax reclaims, in particular from the French authority • Recommendation of the final dividend payment • Review of the Going Concern statement • Review of compliance with Corporate Governance and regulatory requirements • Consideration of the Independent Auditor's report • Review of the Independent Auditor's performance and independence • Review of the Annual Report and Financial Statements and recommendation of its approval to the Board
July 2014	• Review of the European Markets Infrastructure Regulations (EMIR) • Review of the recommendation of the EU Directive on Statutory Audits of Annual and Consolidated Accounts, in particular the mandatory rotation of auditors/audit firms and prohibition of certain non-audit services • Review of the Independent Auditor's engagement letter and audit plan for the Company's year ending 31 December 2014 • Review of the Company's risk management and internal controls framework • Review of the Half-Yearly Report and recommendation of its approval to the Board
November 2014	• Review of the Company's risk management and internal controls framework • Review of the Depositary's Oversight report • Review of French withholding tax reclaims

Report of the Audit Committee

ANNUAL REPORT AND FINANCIAL STATEMENTS

The Annual Report and Financial Statements are the responsibility of the Board and the Statement of Directors' Responsibilities is on page 37. The Committee advises the Board on the form and content of the Annual Report and Financial Statements, any issues which may arise in relation to these and any specific areas which require judgement.

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

Recognition of Investment Income	Investment income is recognised in accordance with accounting policy Note 1(b) on page 45. 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 Company's Independent Auditor.
Valuation, existence and ownership of investments (including derivatives)	The valuation of investments (including derivatives) is in accordance with accounting policy Notes 1(g) and 1(h) on pages 45 and 46. The Committee satisfied itself that the Independent Auditor has verified the valuation of investments and derivatives by reference to independent sources and has also confirmed the existence and ownership of the investments with the Company's Custodian and that of the derivatives with the Company's counterparty.
Compliance with Sections 1158 and 1159 of the Corporation Tax Act 2010	Approval for the Company to carry on business as an investment trust has been obtained, subject to the Company continuing to meet eligibility criteria. The ongoing compliance with the eligibility criteria is monitored on a regular basis with the help and guidance of the Company's service providers or advisers.
Performance fee calculation	The Manager reports to the Board on any performance fee accruals that have been included in the Company's NAV on a regular basis. The Committee sought confirmation that the Company's performance fee has been calculated in accordance with the Management Agreement and ensured that the independent audit included a review of this calculation. No performance fee is payable in respect of the year ending 31 December 2014. With effect from 1 January 2015, the performance fee has been removed.
Principal Risks and Uncertainties	The Committee reviewed the principal risks and uncertainties facing the Company and evaluates them according to the likelihood of the risk occurring and the impact the risk may have on the Company. Further details can be found on pages 12 and 13.

APPOINTMENT OF THE INDEPENDENT AUDITOR

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

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

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

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

- the fulfilment by the Independent Auditor of the agreed audit plan;
- the audit findings report issued by the Independent Auditor on the audit of the Annual Report and Financial Statements for the year ending 31 December 2014; and
- feedback from the Manager.

The last review of alternative audit service providers took place in 2006 resulting in a change of audit firm. The Independent Auditor's continued appointment is reviewed each year. The Company's audit partner cannot act for more than 5 years. Julian Bartlett became the Company's audit partner for the year ended 31 December 2011. There are no contractual obligations that restrict the Committee's choice of Independent Auditor.

James Robinson
Chairman of the Audit Committee
13 March 2015

Directors' Remuneration Report

CHAIRMAN'S STATEMENT

The Directors' Remuneration Report for the year ended 31 December 2014 has been prepared in accordance with Section 421 of the Companies Act 2006, the Large & Medium-sized Companies & Groups (Accounts & Reports) (Amendment) Regulations 2013 and the Enterprise & Regulatory Reform Act 2013. An ordinary resolution to approve the Directors' Remuneration Report will be put to shareholders for their consideration at the Annual General Meeting to be held on 14 May 2015. The Company's Independent Auditor is required to audit certain sections of this report and where such disclosures have been audited, the specific section has been indicated as such. The Independent Auditor's opinion is included in its report on pages 38 to 40.

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

DIRECTORS' REMUNERATION

The fee structure with effect from 1 January 2015 is as follows: Chairman – £37,500 (2014: £36,500); Chairman of the Audit Committee – £28,000 (2014: £27,000); and Director – £23,500 (2014: £23,000). Levels of remuneration are competitive and sufficient to attract and retain the quality of Directors needed to manage the Company successfully. The review of the Board's fees was based on information provided by the Company's Manager, Fidelity, and research from third parties which includes reference to the fees of other similar investment trusts.

THE REMUNERATION POLICY

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

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

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

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

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

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

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

This policy has been followed throughout the year under review and was formalised for the first time at the Company's Annual General Meeting held on 15 May 2014 and was effective from that date. The next vote will be put to shareholders in 2017.

REPORT ON THE IMPLEMENTATION OF THE REMUNERATION POLICY

This refers to the way in which the Remuneration Policy has been implemented during the year ended 31 December 2014. The Directors' Remuneration Report will be put to shareholders by way of an ordinary resolution at each Annual General Meeting. This is a non-binding 'advisory' resolution. In the event that shareholders vote against the resolution, the Board will be required to put its Remuneration Policy for shareholder approval at the next Annual General Meeting, regardless of whether the Remuneration Policy was approved by shareholders within the last three years.

Directors' Remuneration Report

Voting at the Company's last Annual General Meeting

At the Annual General Meeting held on 15 May 2014, 98.92% of votes were cast in favour (or granted discretion to the Chairman of the meeting who cast them in favour) of the Directors' Remuneration Report for the year ended 31 December 2013, 0.71% of votes were cast against and 0.37% of votes were withheld. At the same time, the Company's Remuneration Policy was approved by shareholders, with 98.73% of the votes cast in favour, 0.86% votes against and 0.41% votes withheld. At the Annual General Meeting to be held on 14 May 2015, the Directors' Remuneration Report will be put to shareholders and the votes cast at that meeting with regard to the resolution will be released to the market via a regulatory news service provider and disclosed in the Directors' Remuneration Report for the year to 31 December 2015 and on the Company's website.

Single Total Figure of Remuneration

The single total aggregate Directors' remuneration for the year under review was £132,500 (2013: £136,000). Information on individual Directors' fees is shown below.

REMUNERATION OF DIRECTORS	2015 Projected Fees (£)	2014 Audited Fees (£)	2013 Audited Fees (£)
Humphrey van der Klugt	37,500	36,500	35,000
James Robinson	28,000	27,000	26,000
Simon Fraser	23,500	23,000	22,500
Robin Niblett	23,500	23,000	22,500
Marion Sears (appointed 17 January 2013)	23,500	23,000	21,500
Simon Duckworth, DL (resigned 16 May 2013)	–	–	8,500
Total	**136,000**	**132,500**	**136,000**

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

Expenditure on Remuneration and Distributions to Shareholders

The table below shows the total amount paid out in remuneration and distribution to shareholders for the financial years 31 December 2013 and 31 December 2014.

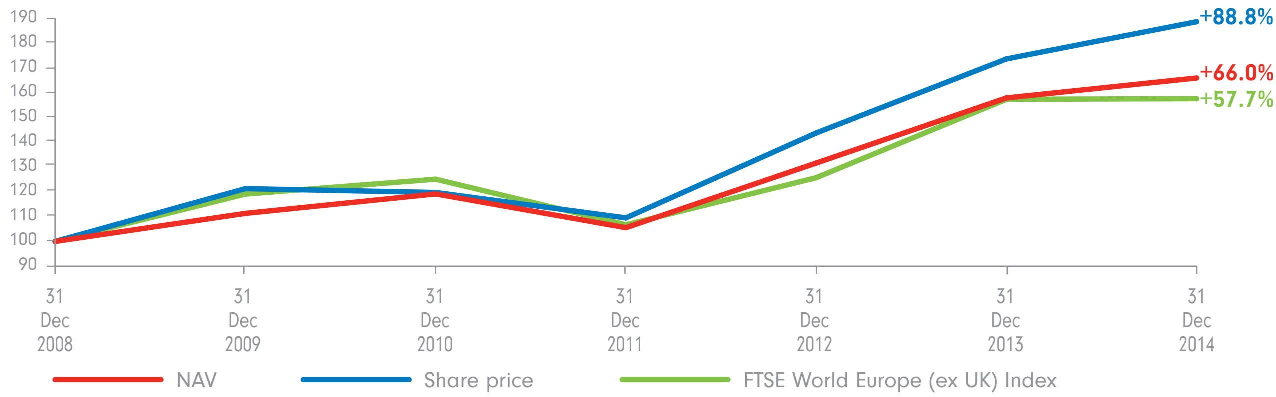
	31 December 2014 £	31 December 2013 £
Expenditure on Remuneration:		
– Aggregate of Directors' Fees	132,500	136,000
Distribution to Shareholders:		
– Dividend Payments	12,518,000	11,901,000
– Shares Repurchased	8,348,000	13,239,000

Directors' Remuneration Report

Performance

The Company's investment objective is to achieve long term capital growth principally from the stockmarkets of continental Europe. The Company's performance is measured against the return of the FTSE World Europe (ex UK) Index as this is the most appropriate in respect of its asset allocation. The following graph shows performance over six years to 31 December 2014.

Performance from 1 January 2009 to 31 December 2014 (on a total return basis)



Basis: Prices rebased to 100
Sources: Fidelity and Datastream
Past performance is not a guide to future returns

Directors' Interest in Ordinary Shares

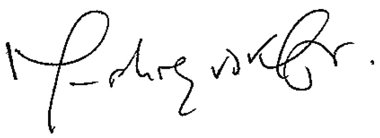
Whilst there is no requirement for the Directors to hold shares in the Company, shareholdings by Directors is encouraged. The Directors holdings in the shares of the Company are shown below. All of the Directors' shareholdings are beneficial.

Directors' Shareholdings (Audited)	31 December 2014	31 December 2013[1]	Change during year
Humphrey van der Klugt	40,000	40,000	–
James Robinson	30,000	30,000	–
Simon Fraser	70,990	70,590	400[2]
Robin Niblett	5,000	5,000	–
Marion Sears (appointed 17 January 2013)	12,000	12,000	–

1 Prior year shareholdings have been restated for the sub-division of shares that took place on 2 June 2014
2 Dividend reinvestment resulted in a purchase of 400 ordinary shares

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

On behalf of the Board



Humphrey van der Klugt
Chairman
13 March 2015

Statement of Directors' Responsibilities

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

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

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

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

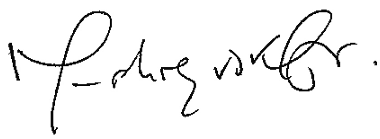
The Directors are responsible for ensuring that adequate accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that its Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding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

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

The Directors have delegated responsibility for the maintenance and integrity of the corporate and financial information included on the Company's pages of the Manager's website www.fidelity.co.uk/its. Visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in their own jurisdictions.

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

Approved by the Board on 13 March 2015 and signed on its behalf.



Humphrey van der Klugt
Chairman

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

OUR OPINION ON THE FINANCIAL STATEMENTS IS UNMODIFIED

In our opinion the Financial Statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2014 and of its net return for the year then ended;
- have been properly prepared in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

WHAT WE HAVE AUDITED

Fidelity European Values PLC's Financial Statements comprise the Income Statement, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement and the related Notes.

The financial reporting framework that has been applied in their preparation is United Kingdom Generally Accepted Accounting Practice.

OUR ASSESSMENT OF RISK

Without modifying our opinion, we highlight the following matters that are, in our judgement, likely to be most important to users' understanding of our audit.

Ownership and valuation of investments and long Contracts For Differences ("CFDs")

The risk: The Company's business is investing principally in continental European securities with a view to achieving long term capital growth. As a consequence of this, the Company has significant exposure to investments and long CFDs, which are the main drivers of returns, with the investment portfolio valued at £716m and the CFDs having a market exposure of £45m. There is a risk that investments and CFDs shown in the Balance Sheet may not be owned by the Company or are incorrectly valued. We identified ownership and valuation of investments and CFDs as risks that required particular audit attention.

Our response on ownership: In order to confirm that the balances referred to above were owned by the Company our audit work included, but was not restricted to, understanding management's process to safeguard assets; obtaining and reading a report prepared on the design and operation of controls at the Custodian; obtaining a confirmation from the Custodian of the investments they were holding at the year end and for the CFDs obtaining a confirmation from the counterparty of open CFD contracts at the year end; and testing the reconciliation of both the Custodian and counterparty statements to the records maintained by the Company.

Our response on valuation: Our audit work on valuation included, but was not restricted to, understanding management's process to value quoted investments and CFDs; obtaining a confirmation from the counterparty to the CFDs of the terms of the contracts entered into; agreeing the valuation of 100% of the quoted investments to an independent source of market prices; testing the valuation of CFDs by agreeing the contract price to the confirmation from the counterparty and the year end market price of the underlying quoted investments to an independent source of market prices; and in order to confirm investments are actively traded we obtained trading volumes of listed investments held at the year end.

The Company's accounting policy on the valuation of quoted investments is shown in Note 1, its disclosures about investment movements are included in Note 9 and its disclosures on CFDs are included in Note 10.

Completeness and occurrence of investment income

The risk: The Company measures performance on a total return basis that includes revenue and investment income is one of the largest numbers in the Income Statement. We identified the recognition of investment income as a risk that required particular audit attention.

Our response: Our audit work included, but was not restricted to, assessing whether the Company's accounting policy for revenue recognition was in accordance with United Kingdom Generally Accepted Accounting Practice; obtaining an understanding of the Company's process for recognising revenue in accordance with the stated accounting policy; testing whether a sample of income transactions was recognised in accordance with the policy; for a sample of investments held in the year, obtaining the ex-dividend dates and rates for dividends declared during the year from an independent source and agreeing the expected dividend entitlements to those recognised in the general ledger; performing cut-off testing of dividend income around the year end; and checking the categorisation of special dividends as either revenue or capital receipts.

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

Calculation of the investment management and performance fees

The risk: The Company receives from the Manager, management, accounting, administrative and secretarial services pursuant to a revised management agreement dated 17 July 2014. The agreement provides for the payment of an investment management fee and a performance fee provided certain specified conditions have been met. We identified a risk of calculation error in the investment management fee and performance fee and that this required particular audit attention.

Our response: In order to assess the accuracy of the investment management fee and performance fee, we recalculated the expected management and performance fees based on the terms of the management agreement and compared this to the amounts recognised in the Income Statement.

The Company's disclosure of the investment management and performance fees is shown in Note 3.

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

ALLOCATION OF AUDIT TESTING TIME

The chart below identifies the allocation of time in our audit testing of the main parts of the Financial Statements.

OUR APPLICATION OF MATERIALITY

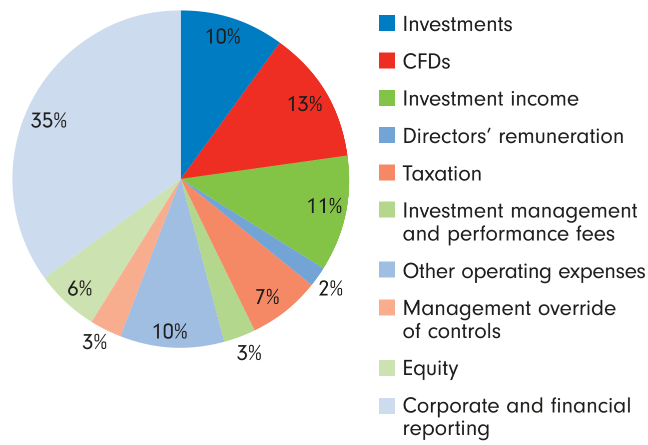
We define materiality as the magnitude of misstatement in the Financial Statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We determined materiality for the audit of the Financial Statements as a whole to be £7.25m, which is 1% of the Company's net assets. This benchmark is considered most appropriate because net assets, which is primarily composed of the Company's investment portfolio, is considered to be the key driver of the Company's total return performance. We use a different level of materiality, performance materiality, to drive the extent of our testing and this was set at 75% of Financial Statement materiality. We also determine a lower level of specific materiality for certain items such as Directors' remuneration and related party transactions.

We determined a threshold at which we communicate misstatements to the Audit Committee of £0.36m, while also communicating misstatements below that threshold that warrant reporting on qualitative grounds.

OVERVIEW OF THE SCOPE OF OUR AUDIT

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

Where we focused our audit effort



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

Our audit approach was based on a thorough understanding of the Company's business and is risk-based.

The day-to-day management of the Company's investment portfolio, the maintenance of accounting records, custody of investments and administrative and company secretarial services are outsourced to third-party service providers. Accordingly, our audit work included obtaining an understanding of, and evaluating, relevant internal controls at both the Company and third-party service providers. This included obtaining and reading internal controls reports from the Manager and Custodian. We undertook substantive testing on significant transactions, balances and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment and the design and implementation of controls and the management of specific risks.

OTHER REPORTING REQUIRED BY REGULATIONS

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

In our opinion:

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following:

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

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

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

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

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

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

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

Under the Listing Rules, we are required to review:

- the Directors' Statement, set out on page 26, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the ten provisions of the UK Corporate Governance Code specified for our review.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

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

What the Directors are responsible for:
As explained more fully in the Statement of Directors' Responsibilities set out on page 37, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view.

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

Who we are reporting to:
This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Julian Bartlett
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
13 March 2015

Income Statement for the year ended 31 December 2014

	Notes	2014 revenue £'000	2014 capital £'000	2014 total £'000	2013 revenue £'000	2013 capital £'000	2013 total £'000
Gains on investments designated at fair value through profit or loss	9	–	17,549	17,549	–	95,243	95,243
Gains on derivative instruments held at fair value through profit or loss	10	–	1,818	1,818	–	12,044	12,044
Income and interest received	2	22,107	–	22,107	21,066	–	21,066
Investment management fees	3	(6,011)	–	(6,011)	(5,821)	–	(5,821)
Other expenses	4	(921)	–	(921)	(803)	–	(803)
Exchange (losses)/gains on other net assets		(23)	(76)	(99)	4	108	112
Net return before finance costs and taxation		15,152	19,291	34,443	14,446	107,395	121,841
Finance costs	5	(162)	–	(162)	(279)	–	(279)
Net return on ordinary activities before taxation		14,990	19,291	34,281	14,167	107,395	121,562
Taxation on return on ordinary activities	6	371	–	371	(1,505)	–	(1,505)
Net return on ordinary activities after taxation for the year		15,361	19,291	34,652	12,662	107,395	120,057
Return per ordinary share[1]	7	3.67p	4.61p	8.28p	2.98p	25.29p	28.27p

[1] The 2013 figures have been adjusted to reflect the ten for one ordinary share sub-division that took place on 2 June 2014

A Statement of Total Recognised Gains and Losses has not been prepared as there are no gains and losses other than those reported in this Income Statement.
The total column of the Income Statement is the profit and loss account of the Company.
All revenue and capital items in the above statement derive from continuing operations.
No operations were acquired or discontinued in the year.

The Notes on pages 45 to 59 form an integral part of these Financial Statements.

Reconciliation of Movements in Shareholders' Funds

for the year ended 31 December 2014

	Note	share capital £'000	share premium account £'000	capital redemption reserve £'000	capital reserve £'000	revenue reserve £'000	total equity £'000
Opening shareholders' funds as at 1 January 2013		10,781	58,615	5,044	523,187	18,647	616,274
Net return on ordinary activities after taxation for the year		–	–	–	107,395	12,662	120,057
Repurchase of ordinary shares		(234)	–	234	(13,239)	–	(13,239)
Dividend paid to shareholders	8	–	–	–	–	(11,901)	(11,901)
Closing shareholders' funds as at 31 December 2013		10,547	58,615	5,278	617,343	19,408	711,191
Net return on ordinary activities after taxation for the year		–	–	–	19,291	15,361	34,652
Repurchase of ordinary shares		(136)	–	136	(8,348)	–	(8,348)
Dividend paid to shareholders	8	–	–	–	–	(12,518)	(12,518)
Closing shareholders' funds as at 31 December 2014		10,411	58,615	5,414	628,286	22,251	724,977

The Notes on pages 45 to 59 form an integral part of these Financial Statements.

Balance Sheet as at 31 December 2014

Company number 2638812

	Notes	2014 £'000	2013 £'000
Fixed assets			
Investments designated at fair value through profit or loss	9	716,562	669,216
Current assets			
Derivative instrument assets held at fair value through profit or loss	10	1,329	19,980
Debtors	11	2,128	2,463
Amounts held in margin accounts		607	–
Fidelity Institutional Liquidity Fund plc		4,038	31
Cash at bank		4,402	21,326
		12,504	43,800
Creditors			
Derivative instrument liabilities held at fair value through profit or loss	10	(2,293)	–
Creditors	12	(1,796)	(1,825)
		(4,089)	(1,825)
Net current assets		8,415	41,975
Total net assets		724,977	711,191
Capital and reserves			
Share capital	13	10,411	10,547
Share premium account	14	58,615	58,615
Capital redemption reserve	14	5,414	5,278
Capital reserve	14	628,286	617,343
Revenue reserve	14	22,251	19,408
Total equity shareholders' funds		724,977	711,191
Net asset value per ordinary share[1]	15	174.09p	168.58p

[1] The 2013 figure has been adjusted to reflect the ten for one ordinary share sub-division that took place on 2 June 2014

The Financial Statements on pages 41 to 59 were approved by the Board of Directors on 13 March 2015 and were signed on its behalf by:

Humphrey van der Klugt
Chairman

The Notes on pages 45 to 59 form an integral part of these Financial Statements.

Cash Flow Statement for the year ended 31 December 2014

	Notes	2014 £'000	2013 £'000
Operating activities			
Investment income received		17,366	14,631
Income received on long CFDs		1,287	3,009
Deposit interest received		513	44
Investment management fee paid		(6,003)	(5,619)
Performance fee paid		–	(2,243)
Directors' fees paid		(131)	(104)
Other cash payments		(773)	(660)
Net cash inflow from operating activities	16	12,259	9,058
Finance costs			
Interest paid on long CFDs		(168)	(281)
Net cash outflow from finance costs		(168)	(281)
Overseas taxation recovered		3,243	651
Financial investments			
Purchase of investments		(258,483)	(156,750)
Disposal of investments		229,027	167,459
Net cash (outflow)/inflow from financial investments		(29,456)	10,709
Derivative activities			
Proceeds of long CFD positions closed		22,762	5,765
Movement on amounts held in margin accounts		(607)	–
Net cash inflow from derivative activities		22,155	5,765
Dividends paid to shareholders		(12,518)	(11,901)
Net cash (outflow)/inflow before use of liquid resources and financing		(4,485)	14,001
Cash flow from management of liquid resources			
Fidelity Institutional Liquidity Fund plc		(4,007)	(1)
Net cash outflow from management of liquid resources		(4,007)	(1)
Net cash (outflow)/inflow before financing		(8,492)	14,000
Financing			
Repurchase of ordinary shares		(8,356)	(13,232)
Net cash outflow from financing		(8,356)	(13,232)
(Decrease)/increase in cash	17	(16,848)	768

The Notes on pages 45 to 59 form an integral part of these Financial Statements.

Notes to the Financial Statements

1 ACCOUNTING POLICIES

The Company has prepared its Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice ("UK GAAP") and with the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts ("SORP") issued by the Association of Investment Companies ("AIC"), in January 2009.

a) Basis of accounting – The Financial Statements have been prepared on a going concern basis and under the historical cost convention, except for the measurement at fair value of fixed asset investments and derivative assets and liabilities, and on the assumption that approval as an investment trust continues to be granted by HM Revenue and Customs.

A resolution proposing the continuation of the Company as an investment trust will be put to shareholders at the Annual General Meeting on 14 May 2015. The Directors are recommending that shareholders vote in favour of this resolution. In light of their recommendation and in accordance with Financial Reporting Standard ("FRS") 18 'Accounting Policies', the Directors believe that it is appropriate to prepare the Financial Statements on a going concern basis. Accordingly the Financial Statements do not include any adjustments that may arise from a reconstruction or liquidation of the Company. Such adjustments would include expenses of reconstruction or liquidation along with any costs associated with realising the portfolio.

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

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

d) Expenses – All expenses are accounted for on an accruals basis and are charged in full to the revenue column of the Income Statement, with the exception of any performance fee which is charged wholly to the capital column, as it arises mainly from capital returns on the portfolio.

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

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

g) Valuation of investments – 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 internally on that basis to the Company's Board of Directors. Accordingly, upon initial recognition the investments are designated by the Company as "at fair value through profit or loss". They are included initially at fair value, which is taken to be their cost, and subsequently the investments are valued at fair value, which is measured as follows:

- Listed investments are valued at bid prices, or last market prices, depending on the convention of the exchange on which they are listed, or otherwise at fair value based on published price quotations; and
- Unlisted investments, where there is not an active market, are valued using an appropriate valuation technique so as to establish what the transaction price would have been at the Balance Sheet date.

In accordance with the AIC SORP the Company includes transaction costs, incidental to the purchase or sale of investments, within gains on investments and has disclosed them in Note 9 on page 50.

Notes to the Financial Statements

1 ACCOUNTING POLICIES (continued)

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

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

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

i) Fidelity Institutional Liquidity Fund plc – The Company holds an investment in the Fidelity Liquidity Fund plc, a short term money market fund investing in a diversified range of short term instruments. It is a distributing fund and accordingly the interest earned is credited to the revenue column of the Income Statement.

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

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

As a result of technical guidance by the Institute of Chartered Accountants in England and Wales in TECH 02/10: Distributable Profits, changes in the fair value of investments which are readily convertible to cash at the Balance Sheet date, without accepting adverse terms, can be treated as realised. Capital reserves realised and unrealised are shown in aggregate as 'capital reserve' in the Reconciliation of Movements in Shareholders' Funds and the Balance Sheet. At the Balance Sheet date all investments held by the Company were listed on a recognised stock exchange and were considered to be readily convertible to cash.

k) Dividends – In accordance with Financial Reporting Standard 21: Events after the Balance Sheet Date, dividends declared and approved by the Company after the Balance Sheet date have not been recognised as a liability of the Company at the Balance Sheet date.

2 INCOME

	2014 £'000	2013 £'000
Income from investments designated at fair value through profit or loss		
Overseas dividends	19,095	16,599
Overseas scrip dividends	338	728
UK dividends	873	686
	20,306	18,013
Income from derivative instruments held at fair value through profit or loss		
Dividends on long CFDs	1,287	3,009
Income from investments and derivative instruments	21,593	21,022
Interest received		
Interest received on deposits and money market funds	33	44
Interest received on tax reclaims	481	–
	514	44
Total income and interest received	22,107	21,066

Notes to the Financial Statements

	2014 £'000	2013 £'000
3 INVESTMENT MANAGEMENT FEES		
Investment management fees	6,011	5,821

FIL Investment Services (UK) Limited (a Fidelity group company) is the Company's Alternative Investment Fund Manager and has delegated the portfolio management to FIL Investments International, who previously acted as the Company's Manager. Details of the services provided and fees paid are given in the Directors' Report on page 23.

	2014 £'000	2013 £'000
4 OTHER EXPENSES		
AIC fees	21	23
Custody fees	123	132
Depositary fees	21	–
Directors' fees[1]	133	136
Legal and professional fees	182	158
Marketing expenses	165	155
Printing and publication expenses	115	78
Registrars' fees	78	68
Costs associated with the sub-division of the ordinary shares	38	–
Fees payable to the Company's Independent Auditor for the audit of the annual financial statements[2]	23	23
Other expenses	22	30
	921	803

1 Details of the breakdown of Directors' fees are provided in the Directors' Remuneration Report on page 35
2 The VAT on fees payable to the Company's Independent Auditor is included in "other expenses"

	2014 £'000	2013 £'000
5 FINANCE COSTS		
Interest paid on long CFDs	162	279

Notes to the Financial Statements

	2014 revenue £'000	2014 capital £'000	2014 total £'000	2013 revenue £'000	2013 capital £'000	2013 total £'000
6 TAXATION ON RETURN ON ORDINARY ACTIVITIES						
a) Analysis of the tax (credit)/charge in the year						
Overseas taxation suffered	2,603	–	2,603	2,558	–	2,558
Overseas taxation recovered[1]	(2,974)	–	(2,974)	(1,053)	–	(1,053)
Total current taxation (credit)/charge for the year (see Note 6b)	(371)	–	(371)	1,505	–	1,505

[1] Includes French tax recovered from prior years, following European Court of Justice rulings, of £1,781,000 (2013: nil)

b) Factors affecting the taxation (credit)/charge for the year
The taxation assessed for the year is lower than the time apportioned standard rate of UK corporation tax for an investment trust company of 21.49% (2013: 23.25%).

The differences are explained below.

	2014 revenue £'000	2014 capital £'000	2014 total £'000	2013 revenue £'000	2013 capital £'000	2013 total £'000
Net return on ordinary activities before taxation	14,990	19,291	34,281	14,167	107,395	121,562
Net return on ordinary activities before taxation multiplied by the time apportioned standard rate of UK corporation tax of 21.49% (2013: 23.25%)	3,221	4,146	7,367	3,294	24,969	28,263
Effects of:						
Gains on investments not taxed[1]	–	(4,146)	(4,146)	–	(24,969)	(24,969)
Income not included for taxation purposes	(3,747)	–	(3,747)	(3,430)	–	(3,430)
Movement in excess expenses for the year	608	–	608	231	–	231
Overseas taxation (recovered)/suffered	(371)	–	(371)	1,505	–	1,505
Overseas taxation relief	(82)	–	(82)	(95)	–	(95)
Current taxation (credit)/charge for the year (Note 6a)	(371)	–	(371)	1,505	–	1,505

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

c) The Company has unrelieved excess expenses of £14,900,000 (2013: £12,071,000) and unrelieved loan relationship expenses of £5,505,000 (2013: £5,505,000). It is unlikely that the Company will generate sufficient taxable profits in the future to utilise these amounts and, therefore, no deferred tax asset has been recognised.

Notes to the Financial Statements

7 RETURN PER ORDINARY SHARE

	2014 revenue	2014 capital	2014 total	2013 revenue	2013 capital	2013 total
Return per ordinary share – pence	3.67	4.61	8.28	2.98	25.29	28.27
Net return on ordinary activities after taxation for the year – £000s	15,361	19,291	34,652	12,662	107,395	120,057

The return per ordinary share is based on 418,048,312 ordinary shares (2013: 424,578,870) being the weighted average number of ordinary shares in issue during the year. The weighted average number of Existing Ordinary Shares in issue at 31 December 2013 has been restated to reflect the ten for one ordinary share sub-division that took place on 2 June 2014, as disclosed in Note 13 on page 52. On the original basis, as stated in the financial statements for the year ended 31 December 2013, the net returns per ordinary share were, revenue return 29.82 pence, capital return 252.94 pence and total return 282.76 pence, based on the weighted average number of Existing Ordinary Shares in issue of 42,457,887.

8 DIVIDENDS

	2014 £'000	2013 £'000
Dividend paid		
Dividend of 29.75 pence per ordinary share paid for the year ended 31 December 2013[1]	12,518	–
Dividend of 27.75 pence per ordinary share paid for the year ended 31 December 2012[1]	–	11,901
	12,518	11,901
Dividends proposed and declared		
Final dividend of 3.10 pence per ordinary share proposed for the year ended 31 December 2014[2]	12,910	–
Special dividend of 0.54 pence per ordinary share declared for the year ended 31 December 2014[2]	2,249	–
Dividend of 29.75 pence per ordinary share proposed for the year ended 31 December 2013[1]	–	12,518
	15,159	12,518

[1] If the pence per ordinary share dividend rates actually paid and proposed, as shown above, are restated to reflect the ten for one ordinary share sub-division that took place on 2 June 2014, as disclosed in Note 13 on page 52, the adjusted dividend rates per share are 2.975 pence, for the year ended 31 December 2013 and 2.775 pence for the year ended 31 December 2012

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

The Directors have, for the year ended 31 December 2014, proposed a final dividend of 3.10 pence per ordinary share and declared a special dividend of 0.54 pence per ordinary share, both to be paid on 22 May 2015, to shareholders on the register at 27 March 2015 (ex-dividend date 26 March 2015). All dividends are paid out of revenue reserve.

Notes to the Financial Statements

	2014 £'000	2013 £'000
9 INVESTMENTS		
Investments designated at fair value through profit or loss		
Investments listed on a recognised stock exchange	716,562	669,216
Opening fair value of investments		
Opening book cost	512,029	492,869
Opening investment holding gains	157,187	91,069
	669,216	583,938
Movements in the year		
Purchases at cost	258,782	157,518
Sales – proceeds	(228,985)	(167,483)
Sales – gains	46,878	29,125
Investment holding (losses)/gains	(29,329)	66,118
Closing fair value of investments	716,562	669,216
Closing book cost	588,704	512,029
Closing investment holding gains	127,858	157,187
Closing fair value of investments	716,562	669,216
Gains on investments designated at fair value through profit or loss – for the year		
Gains on sales of investments	46,878	29,125
Investment holding (losses)/gains	(29,329)	66,118
	17,549	95,243
Gains on investments in the year are shown net of investment transaction costs incurred		
Purchases expenses	418	247
Sales expenses	227	188
	645	435

The portfolio turnover rate for the year was 34.7% (2013: 25.1%). It represents the average of, the cost of investments purchased and the proceeds of investments sold during the year, expressed as a percentage of the average value of the investments held during the year.

Notes to the Financial Statements

10 DERIVATIVE INSTRUMENTS

	2014 fair value £'000	2014 portfolio exposure £'000	2013 fair value £'000	2013 portfolio exposure £'000
Derivative instruments held at fair value through profit or loss				
Long CFDs – assets	1,329	21,152	19,980	72,686
Long CFDs – liabilities	(2,293)	23,471	–	–
	(964)	44,623	19,980	72,686

	2014 £'000	2013 £'000
Net gains on derivative instruments held at fair value through profit or loss – for the year		
Gains on long CFD positions closed	22,762	5,765
Holding (losses)/gains on long CFDs	(20,944)	6,279
	1,818	12,044

11 DEBTORS

	2014 £'000	2013 £'000
Securities sold for future settlement	–	42
Taxation recoverable	1,861	2,130
Other debtors	267	291
	2,128	2,463

12 CREDITORS

	2014 £'000	2013 £'000
Securities purchased for future settlement	4	43
Amount payable on share repurchases	–	8
Finance costs payable	7	13
Amount payable to the Manager	1,576	1,579
Other creditors	209	182
	1,796	1,825

Notes to the Financial Statements

13 SHARE CAPITAL

	2014 Number of shares	2014 £'000	2013 Number of shares	2013 £'000
Existing Ordinary Shares of 25 pence each – issued, allotted and fully paid				
Beginning of the year	42,187,693	10,547	43,127,073	10,781
Repurchase of Existing Ordinary Shares	(395,520)	(99)	(939,380)	(234)
	41,792,173	10,448	42,187,693	10,547
Existing Ordinary Shares cancelled on the sub-division	(41,792,173)	(10,448)	–	–
End of the year	–	–	42,187,693	10,547
New Ordinary Shares of 2.5 pence each – issued, allotted and fully paid				
Beginning of the year	–	–	–	–
New Ordinary Shares issued on the sub-division	417,921,730	10,448	–	–
Repurchase of New Ordinary Shares	(1,473,820)	(37)	–	–
End of the year	416,447,910	10,411	–	–

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

14 RESERVES

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

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

The "capital reserve" reflects realised gains or losses on investments and derivative instruments sold, unrealised increases and decreases in the fair value of investments and derivative instruments held and other income and costs recognised in the capital column of the Income Statement. It can be used to fund share repurchases and it is distributable by way of dividend. The Board has stated that it has no current intention to pay dividends out of capital.

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

Notes to the Financial Statements

15 NET ASSET VALUE PER ORDINARY SHARE

The net asset value per ordinary share is based on net assets of £724,977,000 (2013: £711,191,000) and on 416,447,910 (2013: 421,876,930) shares, being the number of ordinary shares in issue at the year end.

The number of ordinary shares in issue at 31 December 2013 is restated to reflect the ten for one ordinary share sub-division that took place on 2 June 2014, as disclosed in Note 13 on page 52. On the original basis, as stated in the 2013 Financial Statements, the net asset value per ordinary share was 1,685.78 pence, based on 42,187,693 Existing Ordinary Shares in issue at 31 December 2013.

16 RECONCILIATION OF NET RETURN BEFORE FINANCE COSTS AND TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2014 £'000	2013 £'000
Net return before finance costs and taxation	34,443	121,841
Less: capital return for the year	(19,291)	(107,395)
Net revenue return before finance costs and taxation	15,152	14,446
Scrip dividends	(338)	(728)
Decrease/(increase) in other debtors	24	(97)
Decrease in performance fee creditor	–	(2,243)
Increase in other creditors	24	238
Overseas taxation suffered	(2,603)	(2,558)
Net cash inflow from operating activities	12,259	9,058

17 RECONCILIATION OF NET CASH MOVEMENTS TO MOVEMENT IN NET FUNDS

	2014 £'000	2013 £'000
Net funds at the beginning of the year	21,357	20,480
Net cash (outflow)/inflow	(16,848)	768
Fidelity Institutional Liquidity Fund plc	4,007	1
Foreign exchange movement on other net assets	(76)	108
Change in net funds	(12,917)	877
Net funds at the end of the year	8,440	21,357

Analysis of net funds	2014 £'000	cash flows £'000	foreign exchange movements £'000	2013 £'000
Fidelity Institutional Liquidity Fund plc	4,038	4,007	–	31
Cash at bank	4,402	(16,848)	(76)	21,326
	8,440	(12,841)	(76)	21,357

Notes to the Financial Statements

18 FINANCIAL INSTRUMENTS

MANAGEMENT OF RISK

The general risk analysis undertaken by the Board and its overall policy approach to risk management are set out in the Strategic Report on pages 9 to 13. This Note is incorporated in accordance with Financial Reporting Standard 29: Financial Instruments: Disclosures ("FRS 29") and refers to the identification, measurement and management of risks potentially affecting the value of financial instruments.

The Company's financial instruments comprise:

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

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

MARKET PRICE RISK

Interest rate risk

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

Interest rate risk profile

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

	2014 £'000	2013 £'000
Exposure to financial instruments that bear interest		
Gearing effect of exposure through long CFDs	45,587	52,706
Exposure to financial instruments that earn interest		
Amounts held in margin accounts	607	–
Fidelity Institutional Liquidity Fund plc	4,038	31
Cash at bank	4,402	21,326
	9,047	21,357
Net exposure to financial instruments that bear interest	36,540	31,349

Foreign currency risk

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

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

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

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

Notes to the Financial Statements

18 FINANCIAL INSTRUMENTS (continued)

Currency exposure of financial assets

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

	2014				
	investments designated at fair value through profit or loss £'000	exposure to long CFDs £'000	short term debtors[1] £'000	cash[2] £'000	total £'000
Danish krone	36,739	–	11	–	36,750
Euro	428,436	44,623	1,375	158	474,592
Norwegian krone	34,504	–	–	–	34,504
Swedish krona	22,285	–	–	–	22,285
Swiss franc	156,570	–	475	–	157,045
Turkish lira	8,745	–	–	–	8,745
UK sterling	29,283	–	874	8,282	38,439
	716,562	44,623	2,735	8,440	772,360

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

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

1 Cash includes amounts held in the Fidelity Institutional Liquidity Fund plc

Notes to the Financial Statements

18 FINANCIAL INSTRUMENTS (continued)

Currency exposure of financial liabilities

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

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

	2013		
	gearing effect of exposure to long CFDs £'000	short term creditors £'000	total £'000
Euro	52,706	16	52,722
UK sterling	–	1,809	1,809
	52,706	1,825	54,531

Other price risk

Other price risk arises mainly from uncertainty about future prices of financial instruments used in the Company's business. It represents the potential loss the Company might suffer through holding market positions in the face of price movements. The Board meets quarterly to consider the asset allocation of the portfolio and the risk associated with particular industry sectors within the parameters of the investment objective. The Investment Manager is responsible for actively monitoring the existing portfolio selected in accordance with the overall asset allocation parameters described above and seeks to ensure that individual stocks also meet an acceptable risk/reward profile.

DERIVATIVE INSTRUMENTS RISK

The risks and risk management processes which result from the use of derivative instruments are included within the other risk categories disclosed in this Note. Derivative instruments are used by the Portfolio Manager to gain "unfunded" long exposure to equity markets, sectors or single stocks. "Unfunded" exposure is exposure gained without an initial outflow of capital. The risk and performance contribution of the derivative instruments to the Company's portfolio is overseen by a specialist Derivative Instruments Team which draws on over forty years of experience in derivative risk management. This team uses portfolio risk assessment tools to advise the Investment Manager on portfolio construction.

LIQUIDITY RISK

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

Notes to the Financial Statements

18 FINANCIAL INSTRUMENTS (continued)

COUNTERPARTY RISK

All securities and derivative instruments are transacted with brokers and carry the risk that the counterparty to a transaction may not meet its financial obligations. 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 it believes to have an adequate credit rating at the time the transaction is entered into, by ensuring that formal legal agreements covering the terms of the contract are entered into in advance and through adopting a counterparty risk framework which measures, monitors and manages counterparty risk through the use of internal and external credit agency ratings and evaluates derivative instrument credit risk exposure.

For Over The Counter ("OTC") derivative transactions, in accordance with the terms of International Swap Dealers Association ("ISDA") market standard derivative contracts, collateral is used to reduce the risk of both parties to the contract. Collateral is managed on a daily basis for all relevant transactions. At 31 December 2014, £607,000 (2013: nil) was held in cash in a segregated collateral account, on behalf of the broker, to reduce the exposure to counterparty risk of the broker. At 31 December 2013, £19,703,000 was held in government bonds in a segregated collateral account, on behalf of the Company, to reduce the exposure to counterparty risk of the Company.

CREDIT RISK

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

RISK SENSITIVITY ANALYSIS

Interest rate risk sensitivity analysis

If interest rates at 31 December 2014, had increased by 0.25%, with all other variables held constant, total net assets and total return on ordinary activities would have decreased by £91,000 (2013: £78,000). A decrease in interest rates by 0.25% would have had an equal but opposite effect.

Foreign currency risk sensitivity analysis

If the UK sterling exchange rate at 31 December 2014, had strengthened or weakened by 10% in relation to the larger currency exposures held by the Company, with all other variables held constant, total net assets and the total return on ordinary activities would have (decreased)/increased by the following amounts.

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

	2014 £'000	2013 £'000
Danish krone	(3,341)	(3,744)
Euro	(39,000)	(43,668)
Norwegian krone	(3,137)	(3,008)
Swedish krona	(2,026)	(2,178)
Swiss franc	(14,277)	(11,595)
	(61,781)	(64,193)

Notes to the Financial Statements

18 FINANCIAL INSTRUMENTS (continued)

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

	2014 £'000	2013 £'000
Danish krone	4,083	4,576
Euro	47,666	53,372
Norwegian krone	3,834	3,677
Swedish krona	2,476	2,662
Swiss franc	17,449	14,172
	75,508	78,459

Other price risk sensitivity analysis

Changes in market prices, other than those arising from interest rate risk or foreign currency risk, also affect the value of the Company's net assets and its total return on ordinary activities. Details of how the Board sets risk parameters and performance objectives can be found in the Strategic Report on pages 9 to 13.

Investments exposure sensitivity analysis

An increase of 10% in the fair value of investments at 31 December 2014 would have increased total net assets and total return on ordinary activities by £71,656,000 (2013: £66,922,000). A decrease of 10% would have had an equal but opposite effect.

Derivative instruments exposure sensitivity analysis

The Company invests in long CFDs to gain exposure to the equity markets. An increase of 10% in the price of shares underlying the CFDs at 31 December 2014 would have increased total net assets and total return on ordinary activities by £4,462,000 (2013: £7,269,000). A decrease of 10% would have had an equal but opposite effect.

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

As explained in Notes 1(g) and 1(h) on pages 45 and 46, investments are stated at fair value, which is bid or last market price, and long CFDs are stated at fair value, which is the difference between the settlement price and the value of the underlying shares in the contract. Other financial assets and liabilities are stated in the Balance Sheet at values which are not materially different to their fair values. In the case of cash, book value approximates to fair value due to the short maturity of the instruments.

FAIR VALUE HIERARCHY

Under FRS 29 financial companies are required to disclose the fair value hierarchy that classifies financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair values.

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

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset.

The valuation techniques used by the Company are explained in Accounting Policies Notes 1(g) and 1(h) on pages 45 and 46. All the financial instruments held at fair value by the Company at 31 December 2014 are considered to fall within Level 1, with the exception of net derivative instrument liabilities of £964,000 (2013: derivative instrument assets of £19,980,000) which fall within Level 2.

Notes to the Financial Statements

19 CAPITAL MANAGEMENT

The Company does not have any externally imposed capital requirements. The capital of the Company comprises its gearing, which is managed via the use of long CFDs, and its issued share capital and reserves which are disclosed in the Balance Sheet on page 43. It is managed in accordance with the Company's investment policy and in pursuit of its investment objective, as disclosed in the Strategic Report on pages 9 and 10. The principal risks and their management are disclosed in the Strategic Report on pages 12 and 13.

20 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

There were no contingent liabilities or capital commitments as at 31 December 2014 (2013: none).

21 RELATED PARTY TRANSACTIONS

The Company has identified the Directors as its only related parties. The Directors have complied with the provisions of Financial Reporting Standard 8 "Related Party Disclosures", which require disclosure of related party transactions and balances. The Directors' remuneration and their interests in the shares of the Company are disclosed in the Directors' Remuneration Report on pages 34 to 36.

Financial Calendar

The key dates in the Company's calendar are:

31 December 2014 – Financial Year End

16 March 2015 – Announcement of Annual Financial Results

March 2015 – Publication of this Report

14 May 2015 – Annual General Meeting

22 May 2015 – Payment of Final and Special Dividends

30 June 2015 – Half-Year End

July/August 2015 – Announcement of Half-Yearly Results to 30 June 2015

August 2015 – Publication of Half-Yearly Report

Notice of Meeting

Notice is hereby given that the Annual General Meeting of Fidelity European Values PLC will be held at 25 Cannon Street, London EC4M 5TA on 14 May 2015 at 12 noon for the following purposes:

1. To receive and adopt the Annual Report and Financial Statements for the year ended 31 December 2014.

2. To declare a final dividend of 3.10 pence per ordinary share for the year ended 31 December 2014.

3. To re-elect Mr Humphrey van der Klugt as a Director.

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

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

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

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

8. To approve the Directors' Remuneration Report (excluding the section headed The Remuneration Policy set out on page 34) for the year ended 31 December 2014.

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

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

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

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

Resolutions 11 and 12 will, if approved, authorise the Directors to allot a limited number of the new ordinary shares (or sell any ordinary shares which the Company elects to hold in Treasury) for cash without first offering such shares to existing ordinary shareholders pro rata to their existing holdings. The limit set by the Board is 5% of the number of ordinary shares of the Company in issue on 13 March 2015. The Directors will only issue new ordinary shares, or dispose of ordinary shares held in Treasury, under this authority to take advantage of opportunities in the market as they arise and only if they believe it is advantageous to the Company's shareholders to do so. Any ordinary shares held in Treasury would only be re-issued at a premium to net asset value per share. This would ensure that the net effect of repurchasing and then re-issuing the ordinary shares would enhance net asset value per share.

11. THAT the Directors be and they are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot shares in the Company or grant rights to subscribe for or to convert any security into shares in the Company ("relevant securities") up to an aggregate nominal amount of £520,560 (approximately 5% of the aggregate nominal amount of the issued share capital of the Company as at 13 March 2015) and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with Treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter, such authority to expire at the conclusion of the next Annual General Meeting of the Company or the date 15 months after the passing of this resolution, whichever is the earlier, but so that this authority shall allow the Company to make offers or agreements before the expiry of this authority which would or might require relevant securities to be allotted after such expiry as if the authority conferred by this resolution had not expired. All previous unexercised 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, provided that this power shall be limited:

    a) to the allotment of equity securities in connection with a rights issue in favour of all holders of a class of relevant equity securities where the equity securities attributable respectively to the interests of all holders of securities of such class are either proportionate (as nearly as may be) to the respective numbers of relevant equity securities held by them or are otherwise allotted in accordance with the rights attaching to such equity securities (subject in either case to such exclusions or other arrangements as the Board may deem necessary or expedient in relation to fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, or the requirements of, any regulatory body or any stock exchange in any territory or otherwise);

    b) to the allotment (otherwise than pursuant to a rights issue) of equity securities or sale of Treasury shares up to an aggregate nominal amount of £520,560 (approximately 5% of the aggregate nominal amount of the issued share capital of the Company as at 13 March 2015); and

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

    and this power shall expire at the conclusion of the next Annual General Meeting of the Company or the date 15 months after the passing of this resolution, whichever is the

Notice of Meeting

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 13 March 2015 for immediate cancellation or for retention as Treasury shares, at the determination of the Board. Once shares are held in Treasury, the Directors may only dispose of them in accordance with the relevant legislation by subsequently selling the shares for cash or cancelling the shares. Purchases of ordinary shares will be made at the discretion of the Board and within guidelines set from time to time by the Board and in the light of prevailing market conditions. Purchases will only be made in the market at prices below the prevailing net asset value per share, thereby resulting in an increase in net asset value per share.

13. THAT the Company be and is hereby generally and unconditionally authorised in accordance with Section 701 of the Companies Act 2006 (the "Act") to make market purchases (within the meaning of Section 693 of the Act) of ordinary shares of 2.5 pence each in the capital of the Company (the "shares") provided that:

    a) the maximum number of shares hereby authorised to be purchased shall be 62,425,541 ordinary shares of 2.5 pence each;

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

    c) the maximum price which may be paid for a share is an amount equal to 105% of the average of the middle market quotations for a share taken from the London Stock Exchange Official List for the five business days immediately preceding the day on which the share is purchased;

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

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

Continuation of the Company

Resolution 14 is an ordinary resolution which relates to the continuation of the Company as an investment trust.

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

By Order of the Board
FIL Investments International
Secretary
13 March 2015

Notice of Meeting

Notes:

1. A member of the Company entitled to attend and vote at the Annual General Meeting may appoint a proxy or proxies to attend and to speak and vote instead of him. A member may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy need not be a member of the Company.

2. A Form of Proxy is enclosed and must be returned to the Registrars at the address on the form to arrive not later than 12 noon on 12 May 2015. Completion and return of the form of proxy will not prevent a shareholder from subsequently attending the meeting and voting in person if they so wish.

3. To be effective, the instrument appointing a proxy, and any power of attorney or other authority under which it is signed (or a copy of any such authority certified notarially or in some other way approved by the Directors), must be deposited with the Company's Registrars, Capita Asset Services, PXS1, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4ZF not less than 48 hours before the time for holding the meeting or adjourned meeting or, in the case of a poll taken more than 48 hours after it is demanded, not less than 24 hours before the time appointed for the taking of the poll at which it is to be used.

4. In the case of joint holders, the vote of the senior who tenders the vote shall be accepted to the exclusion of the votes of the other joint holders and for this purpose, seniority shall be determined by the order in which the names stand in the Register of Members.

5. To appoint a proxy or to give or amend an instruction to a previously appointed proxy via the CREST system, the CREST message must be received by the issuer's agent RA10 by 12 noon on 12 May 2015. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message. After this time any change of instructions to a proxy appointed through CREST should be communicated to the proxy by other means. CREST Personal Members or other CREST sponsored members and those CREST Members who have appointed voting service provider(s) should contact their CREST sponsor or voting service provider(s) for assistance with appointing proxies via CREST. For further information on CREST procedures, limitations and systems timings please refer to the CREST Manual. We may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001. In any case your proxy form must be received by the Company's Registrars no later than 12 noon on 12 May 2015.

6. All members are entitled to attend and vote at the Annual General Meeting and ask questions. The right to vote at the meeting will be determined by reference to the Register of Members as at 5.30pm on 12 May 2015.

7. Any person to whom this notice is sent who is a person nominated under Section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him and the member by whom he was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights. The statement of the rights of members in relation to the appointment of proxies in Note 2 above does not apply to Nominated Persons. The right described in that paragraph can only be exercised by members of the Company.

8. If the Chairman, as a result of any proxy appointments, is given discretion as to how the votes which are the subject of those proxies are cast and the voting rights in respect of those discretionary proxies, when added to the interests in the Company's securities already held by the Chairman, result in the Chairman holding such number of voting rights that he has a notifiable obligation under the Disclosure and Transparency Rules, the Chairman will make the necessary notifications to the Company and the Financial Conduct Authority. As a result, any member holding three per cent or more of the voting rights in the Company who grants the Chairman a discretionary proxy in respect of some or all of those voting rights and so would otherwise have a notification obligation under the Disclosure and Transparency Rules, need not make separate notification to the Company and the Financial Conduct Authority.

9. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that to be entitled to attend and vote at the Annual General Meeting (and for the purpose of determining the number of votes they may cast), members must be entered on the register of members by 5.30pm on 12 May 2015. If the meeting is adjourned then, to be so entitled, members must be entered on the register of members at 5.30pm on the day two days before the time fixed for the adjourned meeting, or, if the Company gives notice of the adjourned meeting, at any other time specified in that notice.

10. As at 13 March 2015 (the latest practicable date prior to the publication of this document) the Company's issued share capital consisted of 416,447,910 ordinary shares carrying one vote each. Therefore, the total number of voting rights in the Company as at 13 March 2015 was 416,447,910. As at 13 March 2015, there were no shares held in Treasury by the Company.

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

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

13. It is possible that, pursuant to requests made by members of the Company under Section 527 of the Companies Act 2006, the Company may be required to publish on its website a statement setting out any matter relating to the audit of the Company's accounts (including the Auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting or any circumstance connected with an Auditor of the Company ceasing to hold office since the previous meeting at which the annual report and financial statements were laid. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with such requests. Where the Company is required to

Notice of Meeting

place a statement on a website under section 527 of the Companies Act 2006, it must forward the statement to the Company's Auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under Section 527 of the Companies Act 2006 to publish on its website.

14. Under Section 338 and Section 338A of the Companies Act 2006, members meeting the threshold requirements in those sections have the right to require the Company (i) to give, to members of the Company entitled to receive notice of the meeting, notice of a resolution which may properly be moved and is intended to be moved at the meeting; and/or (ii) to include in the business to be dealt with at the meeting any matter (other than a proposed resolution) which may be properly included in such business.

    A resolution may properly be moved or a matter may properly be included in the business of the meeting unless (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise), (b) it is defamatory of any person, or (c) it is frivolous or vexatious. Such a request may be in hard copy form or in electronic form, must identify the resolution of which notice is to be given or the matter to be included in the business of the meeting, must be authorised by the person or persons making it, must be received by the Company not later than 2 April 2015, being the date six clear weeks before the meeting, and (in the case of a matter to be included in the business of the meeting only) must be accompanied by a statement setting out the grounds for the request.

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

16. A copy of this notice and other information required by Section 311A of the Companies Act 2006 is published on the Company's website at www.fidelity.co.uk/its

Note: Please see the Shareholder Information section on pages 67 and 68 for contact details if you have any queries. Please note that shareholders may not use any electronic address provided in either this notice or any related documents (including the Proxy Form) to communicate with the Company for any purposes other than those expressly stated. Shareholders may not use any telephone number set out in this document for the purpose of lodging instructions for the Annual General Meeting. Similarly the Company's website www.fidelity.co.uk/its may not be used to send documents or instructions for the Annual General Meeting.

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

Investing in Fidelity European Values PLC

The information on the following pages is provided by Fidelity and should not be seen as a recommendation by the Board of Fidelity European Values PLC.

Fidelity offers a range of options, so that you can invest in a way that is best for you. As Fidelity European Values PLC is a company listed on the London Stock Exchange you can also buy its shares through a stockbroker, share shop or bank.

INVESTING INSIDE AN ISA

You may invest in the Company's shares through the Fidelity ISA ("Individual Savings Account"). A Fidelity ISA can be an excellent way to get more from your investment, because you will not have to pay income or capital gains tax on your returns.

With effect from 1 July 2014, ISAs were reformed into a simpler product, the 'New ISA' ("NISA"), with equal limits for cash, and stocks and shares. The overall subscription limit is £15,000. The minimum investment per fund in the Fidelity ISA is £1,000 as a lump sum, £250 as a top-up, or £50 a month per company in a regular savings plan.

Charges – Initial Charges for investments in the Fidelity ISA may vary. For those investing personally (directly with Fidelity), there will be no initial charge. Those investing through an intermediary will pay a basic initial charge of 0.5% plus any initial fee or commission (where applicable) agreed with their intermediary. Fidelity pays stamp duty from the initial charge. There are no other charges for the Fidelity ISA, but the Company pays an annual management charge to Fidelity of 0.85% plus a performance related fee where applicable, as set out in the Annual Report. With effect from 1 January 2015, the performance fee is no longer payable to Fidelity.

Investing for children – Junior ISAs ("JISA") are similar to "adult" ISAs but with a few important differences.

Junior ISAs are available to UK residents under the age of 18 who do not have a child trust fund, if opened by a parent or guardian who is older than 18.

Money cannot be withdrawn from the product until the child turns 18, when the policy will automatically become an "adult" ISA and the child will be able to access the funds – subject to proof of identity.

MOVING MONEY FROM A PREVIOUS ISA

If you have opened ISAs with other investment companies, you can move them into the Fidelity ISA and invest in Fidelity European Values PLC without losing any tax benefits. This is known as an ISA transfer and it can be a great way to give your portfolio a new focus, or to realign it with your current investment goals. Please note that during the transfer your money will not be invested in the stock market so you may miss out on any growth during this time.

Charges – Fidelity does not apply an initial charge for a transfer into Fidelity European Values PLC. You will also not have to pay any additional transfer costs. However, please bear in mind that your current ISA manager may ask you to pay an exit fee. If your old fund provider charges you a fee for leaving them, you can claim it back from us. Please note this offer does not apply to our share dealing service.

INVESTING OUTSIDE AN ISA

If you prefer to invest outside an ISA, or have already used your full ISA allowance, the Fidelity Investment Trust Share Plan offers you a low cost and convenient way to put money into Fidelity European Values PLC. The minimum investment is £1,000 as a lump sum, £250 as a top-up or £50 a month through a regular savings plan. Holding shares within the Share Plan allows you to reinvest your dividends and make further investments without having to pay brokerage fees. You will also be able to set up a monthly savings plan and receive statements and valuations twice a year.

Investing for children – the Share Plan is a flexible and inexpensive way to invest on behalf of children. All you have to do is enter the initials or name of the child in the Designation Box on the Share Plan application form.

Charges – There are no charges for buying, selling or holding shares through the Fidelity Investment Trust Share Plan other than stamp duty of 0.5%, which is currently payable on all share purchases. However, if you invest through a Financial Adviser, there may be additional fees of up to 3% agreed with your adviser.

BENEFICIAL OWNERS OF SHARES – INFORMATION RIGHTS

Registered shareholders of fully listed companies are able to nominate the underlying beneficial owners of their shares to receive information rights. You should contact your registered shareholder direct to request to receive your information rights. Please note that beneficial owners of shares who have been nominated by the registered holder of those shares to receive information rights under Section 146 of the Companies Act 2006 are required to direct all communications to the registered holder of their shares rather than to the Company's Registrars, Capita Asset Services, or to the Company direct.

INVESTING ONLINE

Whilst you cannot use a Debit Card online to buy an ISA, JISA or Share Plan the application forms you need are all available via www.fidelity.co.uk/its. You can also invest online in Fidelity European Values PLC shares via the share trading facility available via our website www.fidelity.co.uk/sharenetwork. The Share Dealing service, ShareNetwork, is provided by Xest which is the online trading division of Charles Stanley & Co Limited, a leading London stockbroker. ShareNetwork enables you to buy or sell shares in any listed company during normal London Stock Exchange trading hours – between 8am and 4.30pm any working day. Shares in ShareNetwork can either be held direct or in an ISA, subject to the normal ISA limits and restrictions. You will be shown a live price and be able to buy or sell immediately. If an order is placed when the market is closed, it will be processed as soon as the market reopens. Unlike many online share dealing services, Fidelity ShareNetwork gives you CREST personal

Investing in Fidelity European Values PLC

membership for shares held direct. This means that shares are registered on the CREST system in your own name and everything relating to your shares – dividends, annual reports and so on – will be sent direct to you and you will be able to attend and vote at shareholder meetings in your own name.

Personal CREST membership does not apply to ISA holdings which must be held in the name of the ISA manager's nominee under ISA regulations. There is no extra charge for opening a ShareNetwork ISA and share purchases or sales are executed on line for only £9 per trade (Stamp duty is also payable on purchases at the rate of 0.5%). There is an account administration fee of £5.10 per month, however many different shares you own and whatever their value. Of course, you need to remember that the value of tax savings and eligibility to invest in an ISA will depend on your individual circumstances, and all tax rules may change in the future.

FURTHER INFORMATION

For application forms or more information about any of the investment options described here, please call the Fidelity Investment Trust Line on 0800 41 41 10 and talk to a Fidelity customer representative (9am to 6pm Monday to Saturday).

Alternatively, you may like to visit the Fidelity London Investor Centre at 25 Cannon Street, next to St Paul's Cathedral.

You can also find out more by visiting fidelity.co.uk/its or contacting your Financial Adviser.

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

The Fidelity Investment Trust Share Plan is administered by Bank of New York Mellon and shares will be held in the name of Bank of New York Nominees Limited.

The value of savings and eligibility to invest in an ISA will depend on individual circumstances and all tax rules may change in the future. Fidelity investment trusts are managed by FIL Investments International. Fidelity only gives information about its own products and services and does not provide investment advice based on individual circumstances. Should you wish to seek advice, please contact a Financial Adviser.

Please note that the value of investments and the income from them may fall as well as rise and the investor may not get back the amount originally invested. Past performance is not a guide to future returns. For funds that invest in overseas markets, changes in currency exchange rates may affect the value of your investment. Investing in small and emerging markets can be more volatile than older developed markets. Reference in this document to specific securities should not be construed as a recommendation to buy or sell these securities, but is included for the purposes of illustration only. Investors should also note that the views expressed may no longer be current and may have already been acted upon by Fidelity.

Fidelity, Fidelity Worldwide Investment, the Fidelity Worldwide Investment logo and the ₣ symbol are trademarks of FIL Limited.

The content of websites referenced in this document does not form part of this document.

Shareholder Information

CONTACT INFORMATION

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

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

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

Holders of ordinary shares

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

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

Fidelity Share Plan investors

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

Fidelity ISA investors

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

General enquiries should be made to Fidelity, the Investment Manager and Secretary, at the Company's registered office: FIL Investments International Investment Trusts, Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, Surrey KT20 6RP
Telephone: 01732 361144. Fax: 01737 836892
www.fidelity.co.uk/its

ONLINE SHAREHOLDER SERVICES – SHARE PORTAL

Through the website of our Registrars, Capita Asset Services, shareholders are able to manage their shareholding online by registering for the Share Portal, a free, secure, online access to your shareholding.

Facilities include:

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

Amendment of Standing Data – Allows shareholders to change their registered postal address and add, change or delete dividend mandate instructions. Shareholders can also download from this site forms such as change of address, stock transfer and dividend mandate forms as well as buy and sell shares in the Company.

To make use of any of these facilities, please log on to the Capita Asset Services website at: www.capitashareportal.com

Should you have any queries in respect of the above facilities, please contact the Capita Share Portal helpline on 0871 664 0300 (calls cost 10p plus network extras), overseas +44 20 8639 3367, or by email at shareportal@capita.co.uk

Capita Share Dealing Services

You can make use of a low cost share dealing service provided by Capita Asset Services to buy or sell shares. Further information is available at www.capitadeal.com, or by telephoning 0871 664 0454 (calls cost 10p per minute plus network extras. Lines are open 8.30am – 5.30pm Monday to Friday). Using Capita Share Dealing Services you will also be able to deal in the shares of other companies for which Capita acts as Registrar, provided you are already a shareholder in the relevant company, and that company offers the Share Deal facility to its shareholders.

Dividend Reinvestment Plan

This is a convenient way to build up your shareholding by using your cash dividends to buy more shares in the Company. If you prefer to receive shares for your next dividend instead of cash, please complete an application form online at www.capitashareportal.com or call Capita IRG Trustees on 0871 644 0381 (calls cost 10p per minute plus network extras) from the UK or +44 20 8639 3402 from overseas.

ShareGift

You may donate your shares to charity free of charge through ShareGift. Further details are available at www.sharegift.org.uk or by telephoning 020 7930 3737.

KEEPING YOU UPDATED

If you hold Fidelity European Values PLC shares in a Fidelity ISA, you will receive a yearly report detailing all of your transactions and the value of your shares. Investors with the Fidelity Investment Trust Share Plan will receive statements and valuations twice a year.

The share price of Fidelity European Values PLC appears daily in The Financial Times. Price and performance information is also available at www.fidelity.co.uk/its. You can also obtain current price information by telephoning Fidelity on 0800 41 41 10 (freephone) or FT Cityline on 0905 817 1690 (voice activated service) (calls charged at 60p per minute on a per second basis from a BT landline. Charges from other telephone networks may vary).

Shareholder Information

MANAGER AND ADVISORS

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

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

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

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

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

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

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

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

COMPANY INFORMATION
The Company was launched on 5 November 1991 with one warrant attached to every five shares. The original subscription price for each share was £1.

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

PRICE INFORMATION
The price of the ordinary shares is published daily in the Financial Times under the heading "Investment Companies" and also in The Times, The Daily Telegraph and The Independent. You can also obtain current price information by telephoning Fidelity on 0800 41 41 10 (freephone) or FT Cityline on 0905 817 1690 (voice activated service) (calls charged at 60p per minute on a per second basis from a BT landline. Charges from other telephone networks may vary). The Reuters code for Fidelity European Values PLC is FEV.L, the SEDOL is BK1PKQ9 and the ISIN is GB00BK1PKQ95.

NAV INFORMATION
The excluding income and cum income NAVs of the Company are calculated and released to the London Stock Exchange on a daily basis.

CAPITAL GAINS TAX
Your Directors have been advised that, for the purposes of calculating an investor's possible liability to capital gains tax, the base cost of ordinary shares and warrants, acquired at the time of the Company's launch, is 95.90p. All UK individuals under present legislation are permitted to have £11,000 of capital gains in the current tax year 2014/2015 (2013/2014: £10,900) before being liable for capital gains tax. Capital gains tax is charged at 18% and 28% dependant on the total amount of taxable income.

Glossary of Terms

AIF
Alternative Investment Fund. The Company is an AIF.

AIFM
Alternative Investment Fund Manager. The Board has appointed FIL Investment Services (UK) Limited to act as the Company's AIFM.

AIFMD
The Alternative Investment Fund Managers Directive is a European Union Directive that came into force on 22 July 2013. The implementation date was 22 July 2014.

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

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

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

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

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

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

DEPOSITARY
An entity that oversees the custody, cash arrangements and other AIFM responsibilities of the Company. The Board has appointed J.P.Morgan Europe Limited to act as the Company's Depositary.

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

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

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

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

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

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

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

Glossary of Terms

INVESTMENT MANAGER
FIL Investments International acts as the Company's Investment Manager.

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

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

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

PORTFOLIO MANAGER
The Portfolio Manager of the Company is Sam Morse.

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

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

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

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

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

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

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

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

RETURN
The return generated in the period from the investments:

- **Revenue Return** reflects the dividends and interest from investments and other income, net of expenses, finance costs and taxation;
- **Capital Return** reflects the return on capital, excluding any revenue return; and
- **Total Return** reflects the aggregate of revenue and capital returns in the period.

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

TOTAL PORTFOLIO EXPOSURE
The value of the portfolio of investments exposed to market price movements. It is made up of the fixed asset investments at fair value plus the fair value of the underlying securities within the long Contracts For Difference.

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

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 calculation.

Alternative Investment Fund Manager's Disclosure

As explained in the Chairman's Statement, in compliance with the Alternative Investment Fund Managers Directive ("AIFMD"), the Board have appointed FIL Investment Services (UK) Limited ("FISL") (a Fidelity group company) as the Company's Alternative Investment Fund Manager ("AIFM"). Details of the Alternative Investment Fund Management and Secretarial and Management Services Agreement dated 17 July 2014 are included in the Directors' Report on page 23. FISL has delegated the portfolio management and company secretarial function to FIL Investments International (another Fidelity group company).

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

Function	AIFM Role and Responsibility	AIFMD Disclosure
Investment Management	The AIFM provides portfolio management of assets and investment advice in relation to the assets of the Company. It has delegated this function to FIL Investments International. The Board remains responsible for setting the investment strategy, investment policy and investment guidelines and the AIFM operates within these guidelines.	Details of the Company's investment objective, strategy and investment policy, including limits, are on pages 9 and 10.
Risk management	In its capacity as AIFM, FIL Investment Services (UK) Limited 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 independence safeguards. The Manager maintains adequate risk management systems in order to identify, measure and monitor all risks at least annually under AIFMD. The Manager is responsible for the implementation of various risk activities such as risk systems, risk profile, risk limits and testing. The Board, as part of UK corporate governance, remain responsible for the identification of significant risks and for the ongoing review of the Company's risk management and internal control processes.	The AIFM has an ongoing process for identifying, evaluating and managing the principal risks faced by the Company and this is regularly reviewed by the Board. The Board remains responsible for the Company's system of internal control and for reviewing its effectiveness. Further details can be found in the Strategic Report on pages 12 and 13 and in Note 18 to the Financial Statements on pages 54 to 58.
Valuation of illiquid assets	The Directive requires the disclosure of the percentage of the AIF's assets which are subject to special arrangements arising from their illiquid nature. Further, any new arrangements for managing the liquidity of the Company must be disclosed.	Not Applicable.
Leverage	The Company uses leverage to increase its exposure primarily to the stockmarkets of continental Europe and currently holds long Contracts For Difference 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. A definition of leverage is included in the Glossary of Terms on page 70.	The maximum leverage limits are 1.80 for the Gross Method of calculating leverage and 1.50 for the Commitment Method. There have been no changes to the maximum level of leverage that the Company may employ during the year. At 31 December 2014, actual leverage was 1.05 for the Gross Method and 1.06 for the Commitment Method.

Alternative Investment Fund Manager's Disclosure

Function	AIFM Role and Responsibility	AIFMD Disclosure
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 18 on page 56.
Remuneration of the AIFM	The AIFM operates under the terms of Fidelity's Global Remuneration Policy Statement. This ensures that the AIFM complies with the requirements of the FCA's Remuneration Code (SYSC19A); the AIFM Remuneration Code (SYSC19B) and the BIPRU Remuneration Code (SYSC19C).	The FCA's General Guidance on the AIFM Remuneration Code has established that the first full performance year will not commence until 1 January 2015. Accordingly, there is no data to disclose in respect of remuneration of the AIFM for this year.

The AIFM's Annual Report is available to shareholders on request. Please contact the Company Secretary whose address can be found on page 68.

Warning to Shareholders

SHARE FRAUD WARNING

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

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

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

PROTECT YOURSELF

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

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

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

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

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

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

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

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

REPORT A SCAM

If you are approached about a share scam you should tell the FCA using the share fraud reporting form at **www.fca.org.uk/scams**, where you can find out about the latest investment scams. You can also call the Consumer Helpline on **0800 111 6768**.

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

0300 123 2040

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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.

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