Fidelity Special Values PLC

Annual Report

For the year ended 31 August 2010

Managed by

Fidelity INVESTMENT MANAGERS

aic
The Association of Investment Companies

Fidelity Special Values PLC Annual Report

for the year ended 31 August 2010

Contents

Objective and Financial Calendar

Lynn Ruddick,
Chairman

To achieve long term capital growth from an actively managed portfolio of special situation investments, consisting primarily of securities listed or traded on the London Stock Exchange.

Financial Calendar – the key dates in the Company's calendar for the year from 31 August 2010

31 August – financial year end

8 November – announcement of results

12 November – publication of this Annual Report

15 December – Annual General Meeting

21 December – dividend payment date

2011

January – Interim Management Statement (as at 30 November 2010)

28 February – half-year end

April – announcement of half-yearly results (to 28 February 2011)

May – publication of half-yearly financial report

July – Interim Management Statement (as at 31 May 2011)

Highlights

	Year ended 31 August 2010
Net Asset Value ("NAV") per share (total return)	+1.3%
Share Price (total return)	-2.1%
FTSE All-Share Index (total return)	+10.6%
Equity Shareholders' Funds	£333.8m
Market Capitalisation	£301.8m
Dividend per Ordinary Share	10.5p

Capital Structure: Ordinary Shares of 25p 56,938,896 in issue

Standardised Performance Total Return %

	01/09/2005 to 31/08/2006	01/09/2006 to 31/08/2007	01/09/2007 to 31/08/2008	01/09/2008 to 31/08/2009	01/09/2009 to 31/08/2010
NAV (debt at par*)	+19.4	+15.9	-9.8	+9.0	+1.3
Share price	+16.0	+14.3	-17.6	+19.4	-2.1
FTSE All-Share Index	+16.8	+11.8	-8.7	-8.2	+10.6

* NAV with debt at par is only quoted to 31 August 2009 as the last remaining bank loan was repaid during the reporting year

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

Financial Summary

	2010	2009
Assets at 31 August		
Total assets employed[1]	£333.78m	£361.52m
Shareholders' funds	£333.78m	£334.52m
NAV per share	586.21p	587.50p
Dividend for the year to 31 August		
Final dividend per ordinary share	10.50p	9.00p
Share price data at 31 August		
Share price year end	530.00p	550.00p
high	585.00p	553.00p
low	502.50p	325.00p
Discount at year end	(9.6)%	(6.4)%
Premium high	0.4%	4.4%
Discount high	(12.3)%	(12.2)%
Total returns (includes reinvested income) for the year to 31 August (%)		
NAV	+1.3	+9.0
Share price	-2.1	+19.4
FTSE All-Share Index	+10.6	-8.2
Total expense ratio[2]	1.23%	1.32%

1 Total assets less current liabilities. For the prior year this excluded the fixed term loan liability which has been repaid in the current year and has been largely replaced by exposure via Contracts For Difference ("CFDs")
2 Operating expenses (excluding interest) before tax based on average daily shareholders' funds

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

Chairman's Statement

RESULTS FOR THE YEAR ENDED 31 AUGUST 2010

NAV:	+1.3%
SHARE PRICE:	-2.1%
BENCHMARK:	+10.6%
DIVIDEND:	10.5P

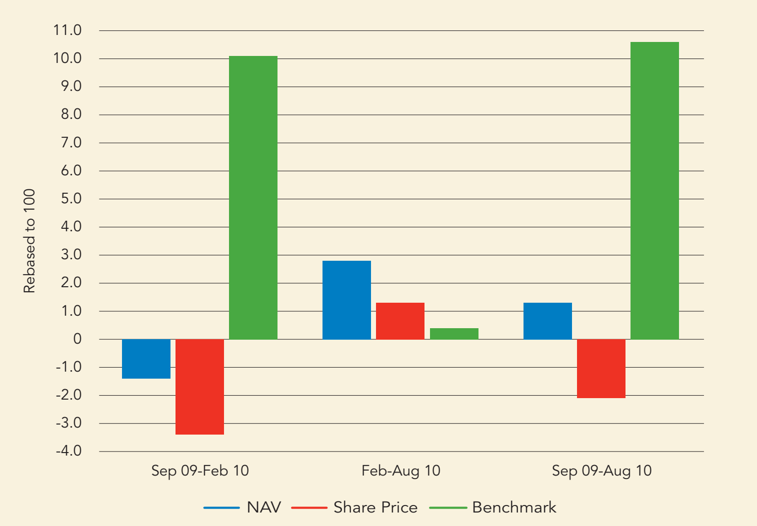
I have pleasure in presenting my first Annual Report as Chairman of Fidelity Special Values PLC.

PERFORMANCE

At the beginning of our accounting year a stock market recovery was well under way as it appeared that action by many world governments had probably averted an economic depression and that parts of the global economy – especially Asia – were still achieving strong GDP growth. A stream of data indicating that the major economies, including the UK, were growing again helped the rally in UK shares to continue until almost the end of 2009. In early 2010, concerns over the level of State indebtedness, particularly in some of the eurozone countries, caused renewed stock market turmoil worldwide and impacted sentiment in many sectors especially banks. Speculation about a potential double dip recession re-emerged, and at the end of our financial year there was a great deal of uncertainty over how the economy would perform in the year ahead.

Against this backdrop, the net asset value per share of Fidelity Special Values PLC rose by 1.3% on a total return basis. Although a positive rise in absolute terms, this was less than the FTSE All-Share Index, which rose by 10.6%. The share price fell by 2.1% during the year. The relative underperformance occurred in the first half of our year, when the NAV fell by 1.4% against the benchmark index return of 10.1%. During this period the portfolio was changing from its earlier successful alignment to cyclical stocks, which did well in the period when investors in general were focussed on economic recovery, towards being positioned in companies which have strong fundamentals and which can produce good earnings growth in the more difficult economic environment which we now anticipate. In addition, the best performing stocks in the market during the first half tended to be those with less strong fundamentals, which we had largely avoided. These included stocks in the mining and chemicals sectors as investors looked to companies supplying developing economies such as China.

Fidelity Special Values PLC Half-Yearly Changes 2009/10



Source: Fidelity

In the second half of our financial year the Company outperformed the market benchmark with the NAV rising by 2.7% on a total return basis against a benchmark return of 0.5%. The flat market reflected evidence that governments in the major economies were intent on tackling their respective deficits, which in turn would create uncertainty over the macro-economic outlook. In the UK, the General Election resulted in a coalition government, whose first Budget in June 2010 and the subsequent Comprehensive Spending Review confirmed significant reductions in public expenditure and the likelihood of a low growth economic environment for at least the next year. As a consequence, the portfolio began to benefit from its earlier repositioning.

DIVIDEND

The Board has decided to recommend a final dividend of 10.50 pence per share for the year ended 31 August 2010 (2009: 9.00 pence). This dividend will be payable on 21 December 2010 to shareholders on the register at close of business on 19 November 2010 (ex-dividend date 17 November 2010).

BOARD OF DIRECTORS

During the past twelve months we have had a number of changes to the Board of Directors. Sir Richard Brooke retired following the 2009 Annual General Meeting and the Chairman, Alex Hammond-Chambers, retired on 8 July 2010. Both had served the Company since its launch in 1994 and their commitment and service to the Company will be greatly missed.

I was appointed Chairman following Alex Hammond-Chambers' retirement and Ben Thomson was appointed Senior Independent Director shortly thereafter.

During the year, after interviewing a strong list of candidates, we were pleased to welcome Sharon Brown and Andy Irvine to the Board. As I was appointed to the role of Chairman in July, it was necessary for me to relinquish my role as Audit Committee Chairman and this was transferred to Sharon Brown on 26 October 2010, after six months' introductory service on the Board.

It is my belief that the Board has the relevant skills and experience to serve the Company well in to the future. In common with our practice since 2004, all Directors are subject to election or re-election on an annual basis and their biographical details are included on pages 16 and 17 to assist shareholders when considering their votes.

GEARING

On 26 January 2010 the Company repaid its fixed rate unsecured loan from Barclays Bank PLC of £27,000,000 which matured on that date. In view of the high level of interest rates that were quoted on replacement loans at the time, the Board concluded that the utilisation of Contracts For Difference for gearing purposes provided more flexibility for the Company's needs at a much lower cost than traditional bank debt. At the time of writing the gross level of gearing is somewhat below the 115% to 120% range we would consider "normal" owing to the uncertain outlook, discussed below.

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 three years was passed at the 2007 Annual General Meeting. A further continuation vote will take place at this year's Annual General Meeting.

The objective of the Company is to achieve long term capital growth from an actively managed portfolio of special situation investments. We have always stated to our shareholders that when assessing this objective, we consider a 5 year time span to be the most appropriate. The net asset value total return performance for the last individual and annualised five years and also the corresponding market benchmark returns are shown on this page, along with Sanjeev Shah's performance since taking on the management of the portfolio on 1 January 2008 and the performance since launch in 1994. Sanjeev's performance is well ahead of the market benchmark during his tenure over what has been a very difficult period for the market. The 5 year record remains well in excess of both the returns on cash and the market for this period.

The Board continues to be confident in the Manager's approach to achieving the Company's objective and we hope that you will agree that the medium and long term performance continues to justify this conclusion. Therefore 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 2013.

CORPORATE GOVERNANCE

As detailed in the Corporate Governance Statement on pages 28 to 32, the Board follows the approach recommended by the Association of Investment Companies in its Code of Corporate Governance. The Board has always taken corporate governance seriously and welcomes feedback from shareholders.

Corporate governance guidelines are changed and updated continually and, although these are reviewed and adopted by the Board as appropriate, the Board aims to ensure its governance is of benefit to the Company and is aimed at enhancing shareholder value rather than being adopted purely to satisfy the requirements of corporate governance "box-tickers".

NAV and share price performance % (total return basis)	NAV	Share Price	Index
Year to 31 August 2006	+19.4	+16.0	+16.8
Year to 31 August 2007	+15.9	+14.3	+11.8
Year to 31 August 2008	-9.8	-17.6	-8.7
Year to 31 August 2009	+9.0	+19.4	-8.2
Year to 31 August 2010	+1.3	-2.1	+10.6
Sanjeev Shah's tenure 1 January 2008 to 31 August 2010	+2.5	+2.6	-8.7
Five years to 31 August 2010	+38.0	+27.7	+21.0
Launch to 31 August 2010	+622.5	+563.9	+186.2

THE ANNUAL GENERAL MEETING: WEDNESDAY 15 DECEMBER 2010 AT 11.30AM

The Annual General Meeting will be held at Fidelity's offices at 25 Cannon Street (St Paul's or Mansion House tube stations) on Wednesday 15 December 2010 at 11.30am.

It is the most important meeting that we, the Directors of your Company, have each year and we do urge as many of you as possible to come and join us for the occasion. Sanjeev Shah will be making his annual presentation to shareholders, highlighting the achievements and challenges of the year past and the prospects for the year to come.

OUTLOOK: STILL UNCERTAIN

The past year was characterised by market optimism during the first half, followed by a return to uncertainty in the second half. The main reasons for that uncertainty will probably remain with us for some while, and include the level of government debt and whether governments will trigger inflation by printing money to reduce the monetary burden of this debt; the impact of cuts in public spending; rises in taxation; and weak economic growth. The market volatility over the past year and the change from investor optimism to uncertainty have produced an environment in which there are many interesting investment opportunities. We expect the uncertain environment to favour stocks with strong balance sheets, good cash generation, fair valuations and prospects of good long term earnings growth even in a tough economy. The portfolio is positioned in line with this outlook, emphasising careful stock selection and continuing to seek opportunities across large, medium and small sized companies.

Lynn Ruddick

Lynn Ruddick
Chairman
5 November 2010

Manager's Review

FIL Investments International
The Company is managed by FIL Investments International (which is authorised and regulated by the Financial Services Authority). FIL Investments International is part of the FIL Limited group which, as at 30 September 2010, had total assets under management exceeding £146 billion.

Sanjeev Shah
joined Fidelity in 1996 as a research analyst. He became a portfolio manager in 2002; between October 2002 and August 2005 he managed the Fidelity UK Aggressive Fund and between September 2005 and May 2007 he managed Fidelity Funds European Aggressive Fund. Since January 2008 he has managed Fidelity Special Situations Fund. Mr Shah took over responsibility for the Company's portfolio on 1 January 2008.

This has been another challenging year for investors. Although the UK stockmarket rose by 10.6% (on a total return basis) over our accounting year, investor sentiment over the period switched from optimism to fear regarding the economic outlook. The level of economic activity remained well below the pre-crisis peak.

UK MARKET REVIEW

- GDP growth accelerated over the year, culminating in an expansion of 1.7% on an annualised basis in the second calendar quarter of 2010.
- Inflation rose above the government's 2% target, elevated by temporary effects stemming from higher oil prices and the restoration of the standard rate of VAT, with August CPI reaching 3.1%
- The Bank of England kept the interest rate unchanged at 0.5% throughout the year.
- The UK stock market rose during the 12 month period as the economic outlook improved, but the European debt crisis capped the gains in the second half.

Investors' appetite for risk improved considerably during the first half of the review period, supported by positive data releases and encouraging earnings reports. However, markets turned more cautious in the second half as concerns rose that the European sovereign debt crisis could curtail a global recovery. Shares of banks suffered from worries about potential knock-on effects from the debt troubles in Europe and tougher regulatory proposals. Following the UK General Election in May and the new coalition government's Budget in June, there was renewed speculation over the possibility of a double dip recession as the market pondered the impact of spending cuts and tax increases. However, many of the companies in the portfolio generate a significant proportion of their revenue from outside the UK, either directly or via exports. There was increased focus on some of the more cyclical sectors and stocks of the UK market, in part due to expectations of continued strong demand from emerging market countries (China in particular) for commodities. Nevertheless, some of the Company's top-weighted sectors, such as technology and media, outperformed the broader market. The energy sector ended in negative territory, mainly due to the problems at oil major BP, whose shares suffered a significant drop following an explosion at its oil well in the Gulf of Mexico in April 2010 and the rising costs of cleaning up the resultant oil spill.

During the period, sterling weakened against the dollar from \$1.63 to \$1.54.

PORTFOLIO MANAGER'S REVIEW

During the 12 months to 31 August 2010, the NAV of the Company rose by 1.3% (total return basis), but underperformed the FTSE All-Share Index, which rose by 10.6%.

Although one of the Company's objectives was achieved, namely a positive absolute return, it is nevertheless disappointing that the Company was so far behind the market return. However, the objective of the Company is to achieve long term capital growth and we are pleased to report that the annualised total return to 31 August 2010 for 2, 3 and 5 years are all ahead of the market's returns for these periods. The Company is also ranked in the first quartile among its peers across different time periods including the 3 and 5 years to the end of August 2010.

Like last year, this 12 month period was a tale of two halves, although in this case with a strong rise in markets in the early months of our financial year as investors globally breathed a collective sigh of relief that economic growth had become positive. This was followed by a set back in the second half as fears of the unsustainability of the economic growth gained precedence. I altered the shape of the portfolio during the year to move away from some of the cyclical exposure towards a greater emphasis on companies which can grow during tougher economic conditions.

The key reason for the underperformance by the portfolio relative to the benchmark, over the 12 month period, was the underweight stance in the mining sector, where an improving outlook for demand for commodities supported stock prices. However, I continue to be cautious about these stocks, which do not seem attractive on valuation grounds.

Holdings in financials also hurt overall performance. While earnings have been improving at key holdings, such as Royal Bank of Scotland and Lloyds Banking Group, the negative sentiment due to the European debt crisis and anticipated tough proposals on capital requirements from the Basel Committee, affected sector returns. Nevertheless, many of these recommendations have been watered down recently, which augurs well for the banking sector.

Certain stocks detracted from performance during the period. For example, the holdings in Yellow Pages publisher Yell and outsourcing group Xchanging proved significant detractors due to the market's worries about their earnings, but I retain conviction in the long term prospects for those companies. Some of the positions within the travel & leisure sector, such as Ladbrokes, held back returns. I still remain confident about these companies' long term growth prospects.

Several of our key overweight positions made positive contributions. These included components distributors Premier Farnell and Electrocomponents, where continued acceleration in their web based sales supported stock prices. Within the media sector, satellite broadcaster British Sky Broadcasting, which has seen the addition of new HD customers and a bid approach from News Corp, was a notable contributor. Shares in the leading education publisher Pearson also rose, supported by growth in its higher education business, the structural shift to digital delivery and an upgrade in its full year outlook. Elsewhere within the sector, business publisher United Business Media was a positive contributor as it benefited from a recovery in corporate spending on events. Food retailer J Sainsbury also made a positive contribution, as did an underweight stance in BP.

The portfolio is overweight in medium to small sized companies as they tend to be a more fertile hunting ground for a special situations investor. I continue to find some very good opportunities in large companies, where overall valuations appear attractive versus history. However, careful stock selection will be essential.

Derivatives

During the last year I have used derivatives in the form of Contracts For Difference ("CFDs") as a cheaper alternative to straight borrowing. Like regular borrowing, CFDs used for this purpose will magnify the direction of underlying share prices, one way or another. In addition, I am able to use other derivatives from time to time, although these form a small component of the portfolio. They provide another way of investing in mis-priced stocks and I use them in two key ways. I can seek to take advantage of periods when the overall market is either overbought or oversold. I can also look to derive performance from individual shares that I believe to be overvalued and likely to fall. The impact of the derivatives overall was negative during this financial year. However, these strategies have contributed 5.3% over the period since I took on the management of the Company's portfolio at the beginning of 2008.

OUTLOOK

The market has become more volatile recently, but these periods of volatility also offer opportunities to pick up stocks at attractive valuations that have been dragged down by the general turmoil. Economic data continues to be uneven, leading to fears about the sustainability of the global economic recovery, but governments have shown their willingness for providing further stimulus measures. Overall, the likely low growth economic environment over the next few quarters has led me to switch to higher quality growth companies. I continue to see good stock specific opportunities in financials, and media continues to be a significant position given its low valuation versus history.

Sanjeev Shah
FIL Investments International
5 November 2010

Forty Largest Investment Exposures as at 31 August 2010

Investments including derivatives	Exposure £'000	Fair Value[2] £'000	%[1]
HSBC Banking and financial services organisation	23,683	18,557	6.7
Vodafone Mobile telecommunications company	20,332	20,332	5.7
Lloyds Banking Group Banking and financial services organisation	19,530	16,793	5.5
GlaxoSmithKline Pharmaceutical company	19,298	19,298	5.4
British Sky Broadcasting Broadcasting company	14,812	12,138	4.2
AstraZeneca Pharmaceutical company	14,631	14,631	4.1
British Land Property company	10,635	9,288	3.0
J Sainsbury Grocery and related retailing and financial services company	10,518	10,518	3.0
Ericsson Global telecommunications equipment and related services provider	10,444	(221)	2.9
London Stock Exchange United Kingdom's primary stock exchange	9,500	9,500	2.7
Ten largest investments including derivatives (2009: 37.6%)	**153,383**	**130,834**	**43.2**
LogicaCMG Information technology consultancy services provider	9,416	9,416	2.7
PartyGaming Online gaming company	8,573	8,573	2.4
Premier Farnell Electronic components and equipment distributing company	8,215	8,215	2.3
BP International oil and gas company	7,934	7,934	2.2
Land Securities Real estate investment trust	7,519	7,519	2.1
Pearson Global publishing company	6,694	6,694	1.9
Wolters Kluwer Global product and services provider	5,549	(325)	1.6
Royal Bank of Scotland Global financial services group	5,230	5,230	1.5
Citigroup Global diversified financial services company	5,031	3,775	1.4
ITV Media company	4,777	4,777	1.3
Twenty largest investments including derivatives (2009: 59.3%)	**222,321**	**192,642**	**62.6**

Forty Largest Investment Exposures as at 31 August 2010

Investments including derivatives	Exposure £'000	Fair Value[2] £'000	%[1]
Electrocomponents Electronic components and equipment distributing company	4,569	4,569	1.3
Yell Advertising company	4,394	4,394	1.2
United Business Media Global business media company	4,202	4,202	1.2
Xchanging Insurance and financial markets processing services provider	4,136	4,136	1.2
Ladbrokes Betting and gaming company	3,779	3,779	1.1
Kingfisher International home improvement retailer	3,595	3,595	1.0
Novae Specialist insurance and reinsurance underwriter	3,502	3,502	1.0
London & Stamford Property Closed-ended investment company	3,498	3,498	1.0
Associated British Foods Food producer and textile retailer	3,494	3,494	1.0
Misys Software provider in the financial services and healthcare industries	3,317	3,317	0.9
Centrica Integrated energy company	3,309	3,309	0.9
TalkTalk Telecom Fixed line voice and broadband telecommunication services	3,061	3,061	0.9
Wolseley Construction materials distributor	3,006	3,006	0.9
QinetiQ International provider of defence and security technology services	2,984	2,667	0.8
BG Oil and gas company	2,626	2,626	0.7
Burberry Luxury clothing and non-apparel accessories	2,619	2,619	0.7
Barclays Global financial services group	2,519	2,519	0.7
Cairn Energy Oil and gas company	2,460	2,460	0.7
Sportingbet Online sports and betting company	2,403	2,403	0.7
Max Property Real estate company	2,315	2,315	0.7
Forty largest investments including derivatives (2009: 80.2%)	**288,109**	**258,113**	**81.2**
Other investments including derivatives (112 holdings) (2009: 18.9%)	**54,481**	**63,365**	**15.3**
Total investments including derivatives	**342,590**	**321,478**	**96.5**
Cash & other net current assets (2009: 0.9%)	**12,305**	**12,305**	**3.5**
	354,895	**333,783**	**100.0**

[1] % based on total exposure which is the fixed asset investments and options at fair value plus the fair value of the underlying securities within the CFDs

[2] Fair value is measured as:

- Listed and AIM quoted investments are valued at bid prices where available otherwise at published price quotations
- Unlisted investments are valued using an appropriate valuation technique in the absence of an active market
- Options are valued at the quoted trade price for the contract
- CFDs - the difference between the settlement price and the value of the underlying shares in the contract (unrealised gains/(losses))

The portfolio turnover rate for the year was 60% (2009: 98%)

A full list of the Company's portfolio has not been included in the Annual Report but will be made available in the Company's page on the Manager's website, following the Annual General Meeting

Distribution of the Portfolio[1] as at 31 August 2010

Investments (including derivatives)	UK	Overseas	Total	2009	Index[2]
Financials					
Banks	14.4	1.4	15.8	15.3	13.8
Real Estate Investments & Services	4.3	0.2	4.5	8.0	0.9
Financial Services	4.2	–	4.2	3.2	1.8
Real Estate Investment Trusts	3.6	–	3.6	0.4	2.9
Non-life Insurance	1.6	1.0	2.6	2.6	1.0
Life Insurance	1.2	–	1.2	0.5	0.7
Equity Investment Trusts	–	–	–	–	2.9
	29.3	2.6	31.9	30.0	24.0
Consumer Services					
Media	12.2	1.6	13.8	16.6	2.7
Travel & Leisure	5.5	–	5.5	8.1	2.6
Food & Drug Retailers	3.4	0.5	3.9	1.7	3.0
General Retailers	1.9	0.4	2.3	2.8	1.6
	23.0	2.5	25.5	29.2	9.9
Health Care					
Pharmaceuticals & Biotechnology	9.6	1.1	10.7	9.4	7.6
Health Care Equipment & Services	–	–	–	0.1	0.4
	9.6	1.1	10.7	9.5	8.0
Industrials					
Support Services	6.6	–	6.6	9.2	3.3
Aerospace & Defence	0.9	0.3	1.2	-	1.8
Industrial Transportation	0.1	–	0.1	0.1	0.2
Industrial Engineering	0.4	(0.4)	–	0.5	0.7
Electronic & Electrical Equipment	0.3	(0.3)	–	0.1	0.3
General Industrials	–	–	–	–	0.7
Construction & Materials	–	–	–	–	0.2
	8.3	(0.4)	7.9	9.9	7.2
Technology					
Software & Computer Services	4.5	–	4.5	5.3	1.2
Technology Hardware & Equipment	0.5	2.9	3.4	0.7	0.5
	5.0	2.9	7.9	6.0	1.7
Telecommunications					
Mobile Telecommunications	5.7	–	5.7	4.5	5.4
Fixed Line Telecommunications	1.2	–	1.2	0.5	0.9
	6.9	–	6.9	5.0	6.3

Distribution of the Portfolio[1] as at 31 August 2010

Investments (including derivatives)	UK	Overseas	Total	2009	Index[2]
Oil & Gas					
Oil & Gas Producers	4.0	–	4.0	7.3	15.2
Oil Equipment, Services & Distribution	–	–	–	–	0.6
	4.0	–	4.0	7.3	15.8
Consumer Goods					
Food Producers	1.1	–	1.1	–	1.9
Personal Goods	0.7	0.2	0.9	0.2	0.5
Household Goods & Home Construction	0.4	–	0.4	0.8	1.9
Beverages	–	(0.5)	(0.5)	–	3.2
Tobacco	–	–	–	–	3.9
Automobiles & Parts	–	–	–	–	0.1
	2.2	(0.3)	1.9	1.0	11.5
Utilities					
Gas, Water & Multiutilities	0.6	–	0.6	0.6	2.9
Electricity	0.4	–	0.4	0.2	1.1
	1.0	–	1.0	0.8	4.0
Basic Materials					
Mining	(0.1)	–	(0.1)	0.2	11.0
Chemicals	(0.8)	(0.3)	(1.1)	0.1	0.4
Forestry & Paper	–	–	–	0.1	0.1
Industrial Metals & Mining	–	–	–	–	0.1
	(0.9)	(0.3)	(1.2)	0.4	11.6
Total Investments (including derivatives) - 2010	88.4	8.1	96.5	99.1	100.0
Cash & Other Net Assets			3.5	0.9	–
Total - 2010			100.0	100.0	100.0
Total Investments (including derivatives) - 2009	96.3	2.8	99.1	100.0	

1 Distribution of the Portfolio shown as a percentage based on total exposure which is the fixed asset investments and options at fair value plus the fair value of the underlying securities within the CFDs
2 FTSE All-Share Index

Summary of Performance

Historical record as at 31 August	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Shareholders' funds (£m)	333.8	334.5	319.3	376.6	357.9	301.4	216.9	136.2	105.4	109.0	91.0
NAV (p) per share	586.21	587.50	562.13	630.75	547.65	461.23	341.94	285.93	238.87	270.76	238.93
Share price (p)	530.00	550.00	481.50	592.00	521.50	452.25	348.00	300.50	254.50	290.00	223.50
(Discount)/premium to NAV (%)	(9.6)	(6.4)	(14.3)	(6.1)	(4.8)	(1.9)	1.8	5.1	6.8	7.1	(6.5)
Revenue return per ordinary share (p)	10.74	8.76	17.13	6.91	3.65	2.76	1.55	0.91	1.39	3.04	2.69
Dividends per ordinary share (p)	10.50	9.00	17.00	7.50	3.75	2.75	1.40	1.00	1.40	2.50	2.30
Costs of running Company (%) (total expense ratio)	1.23	1.32	1.14	1.32	1.49	1.52	1.42	1.75	1.70	1.64	1.84
Gross leverage (%)*	113	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Net exposure (%)**	103	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Actual gearing ratio (%) (bank loans)	n/a	5.7	3.4	2.8	4.8	12.3	14.8	17.1	17.2	9.7	13.6
NAV performance (%) (total return basis)	+1.3	+9.0	-9.8	+15.9	+19.4	+35.8	+19.9	+20.4	-10.9	+14.4	+26.3
Share price performance (%) (total return basis)	-2.1	+19.4	-17.6	+14.3	+16.0	+30.4	+16.2	+18.8	-11.4	+31.0	+39.4
Index performance (%) (total return basis)	+10.6	-8.2	-8.7	+11.8	+16.8	+24.1	+10.8	+4.6	-18.7	-17.3	+11.6

The NAV stated prior to 2004 is diluted to reflect warrants in issue prior to January 2004

* Equities plus derivatives
** Equities plus long derivatives minus short derivatives

Sources: Fidelity and Datastream as at 31 August 2010
Basis: bid-bid with net income reinvested

The Company was launched on 17 November 1994 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 mid-market price of the ordinary shares is published daily in the Financial Times under the heading "Investment Trusts". The ordinary share price is also published in The Times, The Daily Telegraph and The Independent. You can also obtain current price information by phoning FT Cityline on 0905 817 1690 (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 Special Values is FSV.L.

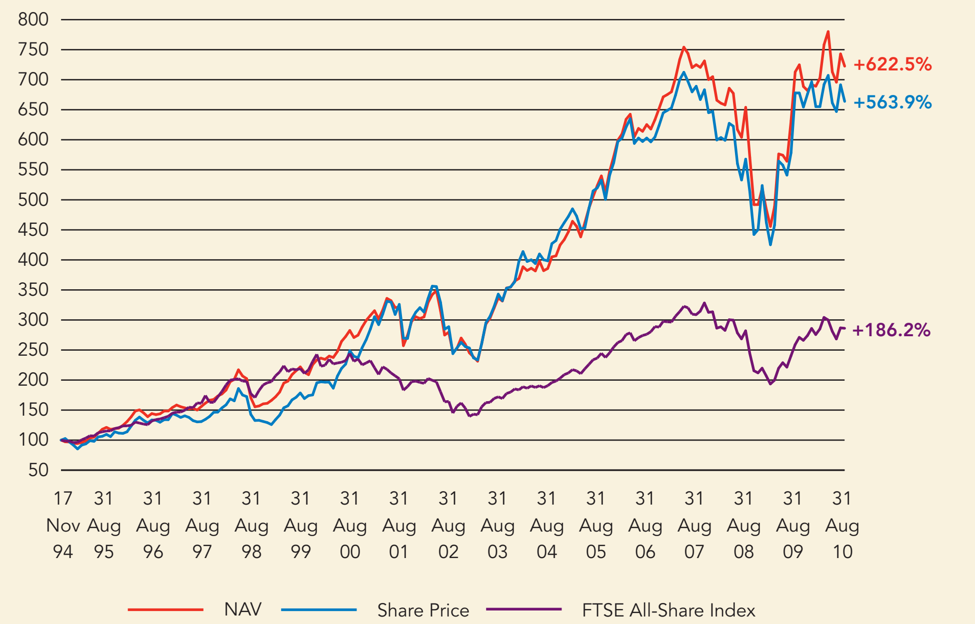
NAV INFORMATION

The net asset value of the Company is calculated on a daily basis and released to the London Stock Exchange.

CAPITAL GAINS TAX

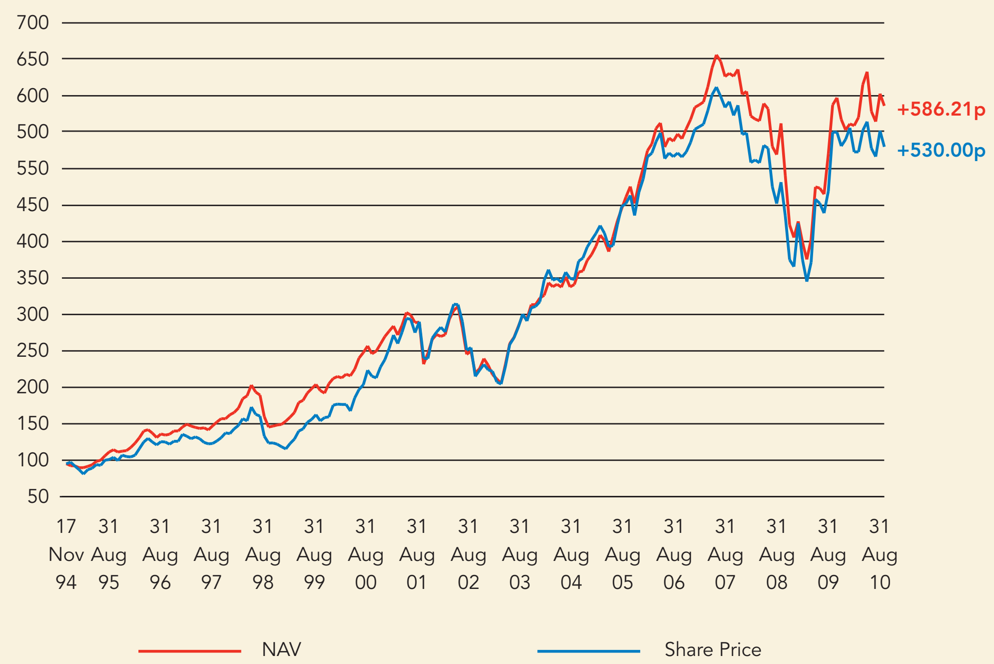
Your Directors have been advised that, for the purposes of calculating an investor's possible liability to capital gains tax, the base cost of ordinary shares and warrants, acquired at the time of the Company's launch, is 94.95p. All UK individuals under present legislation are permitted to have £10,100 of capital gains in the current tax year 2010/2011 (2009/2010: same) before being liable for capital gains tax. CGT is charged at 18% and 28% dependant on the total amount of taxable income.

Total return performance from launch to 31 August 2010



Prices rebased to 100

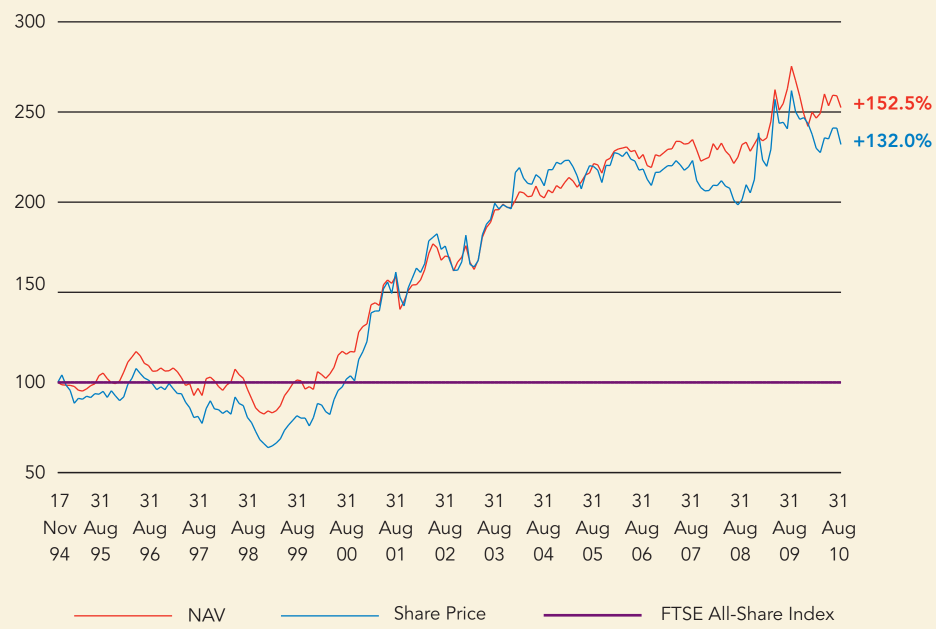
NAV and share price in pence from launch to 31 August 2010



Sources: Fidelity and Datastream
Basis: bid-bid with net income reinvested

Summary of Performance

Total return performance relative to the benchmark index from launch to 31 August 2010



Prices rebased to 100

Share price premium/(discount) to NAV from launch to 31 August 2010

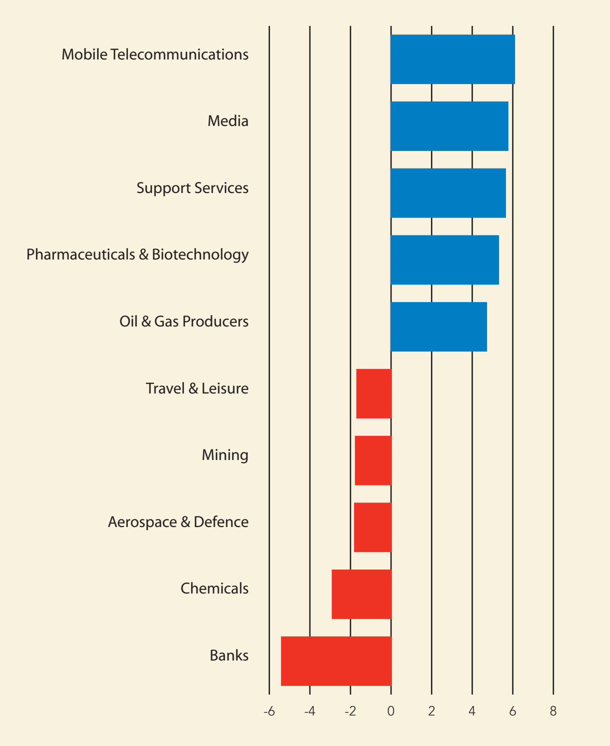
Based on figures at month end only

Sources: Fidelity and Datastream
Basis: bid-bid with net income reinvested

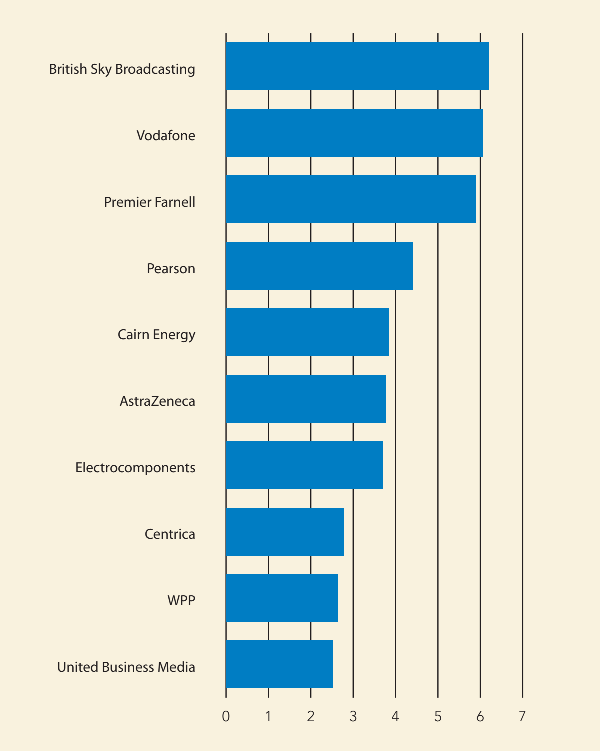
Attribution Analysis

Analysis of change in NAV in the year (capital only)	pence
NAV @ 31 August 09	587.50
Impact of Index (Ungeared)	62.07
Impact of Loan Gearing	2.30
Impact of Portfolio Management (Equities)	-43.92
Impact of Portfolio Management (Derivatives)	-5.33
Operational Costs	-7.17
Dividend Paid	-9.00
Currency	0.13
Residual	-0.37
NAV @ 31 August 10	586.21

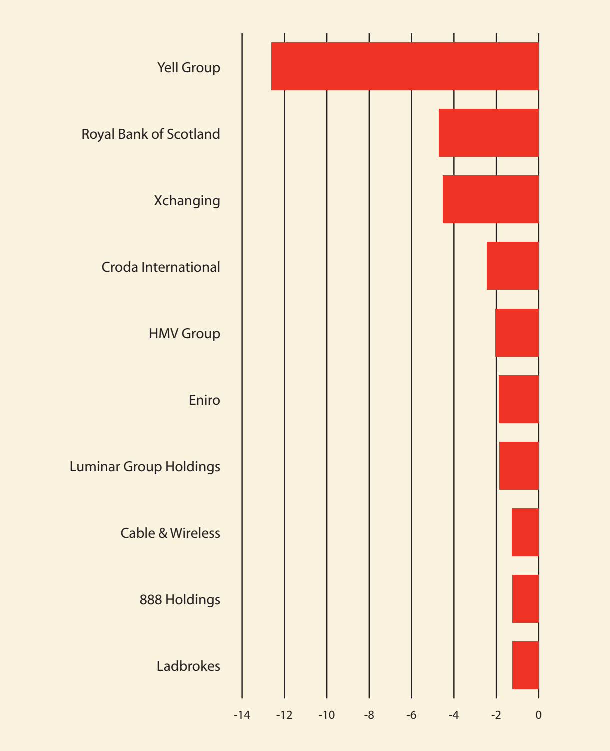
Top 5 and bottom 5 sector contributions (pence per share)



10 Highest contributors (pence per share)



10 Highest detractors (pence per share)



Source: Fidelity

Corporate Information

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

Financial Advisers and Stockbrokers
Cenkos Securities plc
6,7,8 Tokenhouse Yard
London EC2R 7AS

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

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

Registrars
Capita Registrars
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
West Yorkshire HD8 OGA

Lawyers
Slaughter and May
One Bunhill Row
London EC1Y 8YY

Lynn Ruddick[1,2]
(Chairman) (date of appointment: 22 July 2005; appointed as Chairman: 9 July 2010) is a Fellow of the Chartered Association of Certified Accountants and a member of the Securities Institute. She is Chairman of British Assets Trust plc, a non-executive director of Standard Life UK Smaller Companies Trust plc, a member of the Investment Committee of the Pearson Group Pension Plan and a trustee of the Scottish & Newcastle Pension Plan. She is also a member of the Investment Committee of Western Provident Association and chairman of their Pension Fund Trustee Board. She worked for many years as an investment manager in both Edinburgh and London and is a former chairman of the Investment Committee of the National Association of Pension Funds. Before retiring from Merrill Lynch Investment Managers in 2004 she headed their investment trust business unit.

Sharon Brown[1,2]
(Chairman of the Audit Committee) (date of appointment: 15 April 2010; appointed as Chairman of the Audit Committee: 26 October 2010) is Finance Director of Dobbies Garden Centres PLC and Member of Court and Audit Committee Chairman of Queen Margaret University, Edinburgh as well as a member of the Group of Scottish Finance Directors. Mrs Brown previously held a senior financial position at John Menzies plc and is a Fellow of the Chartered Institute of Management Accountants.

Board of Directors

Andy Irvine[1,2]

(date of appointment: 15 April 2010) is Chairman of Montanaro European Smaller Companies PLC, a Director of Securities Trust of Scotland PLC and Non-Executive Chairman of Robertson Property. Mr Irvine is also Non-Executive Chairman of Jones Lang LaSalle Scotland, Chairman of the Scottish International Education Trust and is a past Chairman of the British and Irish Lions Limited and a past President of the Scottish Rugby Union.

Douglas Kinloch Anderson[1,2]

(date of appointment: 18 October 1994) is chairman of Kinloch Anderson Limited and a director of F&C Private Equity Trust PLC. He has been president of the Edinburgh Chamber of Commerce and a member of the Scottish Committee of the Institute of Directors. He was previously a board member of the Scottish Tourist Board, Master of the Edinburgh Merchant Company and he was national president of the Royal Warrant Holders Association. His career has included wide experience in manufacturing, retailing and exporting, particularly to Europe, North America and the Far East.

Nicky McCabe[2]

(date of appointment: 9 December 2004) is an Executive Director of Moonray Investors, a division of FIL Investments International, responsible for the non-financial services businesses within Fidelity. Prior to that, she was Chief Operating Officer for the investment management team, having joined Fidelity in 1999 as head of investment administration. Ms McCabe has wide experience in investments, having been responsible for all aspects of operational, systems and project support for the portfolio managers, analysts and traders. Prior to joining Fidelity, she spent 6 years at HSBC Asset Management where she ran Performance Measurement, Institutional Marketing Support and Operations. Ms McCabe also spent 2 years at McKinsey & Co. as a strategy consultant.

Ben Thomson[1, 2]

(Senior Independent Director)
(date of appointment: 1 January 2008; appointed as Senior Independent Director: 12 July 2010) has a background of over 25 years in investment banking and was chairman and chief executive of the Edinburgh investment banking firm, Noble Group Limited, from 1997 until 2010. He is also chairman of Reform Scotland Limited, of Barrington Stoke Limited and of the National Galleries of Scotland. He is a director of Martin Currie Portfolio Investment Trust PLC and the Edinburgh Science Festival. He is a partner on Antonine LLP and Inverleith Capital LLP. In the past he has been a non-executive director on a number of publicly quoted and private boards.

All of the Directors are non-executive directors and (with the exception of Ms McCabe) are independent.

1 Member of the Audit Committee and Management Engagement Committee
2 Member of the Nomination and Remuneration Committee

The Board's Policies

INTRODUCTION

The role of the Board of Directors of your Company includes determining the policies which govern how it is managed, which are:

INVESTMENT GOAL: CAPITAL GROWTH

The Board of Directors recognises that investing in equities is a long term process and that there will be good and bad years in the Company's returns to shareholders. However, our primary objective is to make money for you, the shareholders, over the long term. In our assessment of the progress towards that end, we consider a five year time span to be the most appropriate.

DIVIDEND POLICY: SHORT TERM VARIABLE, LONG TERM GROWTH

The portfolio is managed actively in the pursuit of capital gains. In any one year therefore the dividend income received from investments will vary according to which stocks are owned during the period and so therefore will the net income earned and the dividend paid.

INVESTMENT POLICY: SPECIAL SITUATIONS

The objective of the Company is predominantly pursued by investing in the stocks and shares of companies with certain characteristics which, in the Portfolio Manager's judgement, offer unusual opportunities to make capital gains. These characteristics are usually found in one of the following investment themes:

- Turnaround or recovery situations;
- Unrecognised growth opportunities;
- Hidden jewels – an under-appreciated product or division;
- Franchises which may be subject to corporate activity;
- Investment (long or short) in misvalued stocks.

The Portfolio Manager is looking for valuation anomalies and for companies that are under-owned and disliked by other investors, and shares which may have a high level of short interest. Although the portfolio consists predominantly of holdings in UK companies, up to 20% can be invested in the shares of overseas companies. The Company invests mainly in shares but may also invest in equity-related instruments (such as convertible bonds, warrants or derivative contracts) and in debt instruments. The Company may also invest up to 5% of its assets in unquoted securities, but it is unlikely that the Portfolio Manager will make such investments except where it is expected that the securities will shortly be listed. The Board has not set a policy limiting the amount that can be invested in any one security or sector other than that limited by Section 1159 of the Corporation Tax Act 2010.

The current investment approach is detailed in the Manager's Review on pages 6 and 7.

A breakdown of the current distribution of the Company's portfolio is detailed on pages 10 and 11.

USE OF DERIVATIVES

The primary motive for using derivatives is to create a wider opportunity set to deliver returns from stock picking such that overall portfolio performance will primarily be explained by stock selection and market returns.

The policies, application, exposure limits and other risk management requirements which the Board applies to the use of derivatives is set out in three documents:

(i) The Use of Derivatives Policy sets out the principles, responsibilities, requirements and restrictions pertaining to usage;

(ii) The Derivative Instrument Charter sets out the applications for usage, the risks which arise from usage and the manner in which those risks are mitigated. This supporting document also sets out the derivative exposure limits which are reviewed and altered from time to time by the Board;

(iii) The Derivative Risk Measurement and Management document sets out how FIL Investments International measures and manages other risks arising from the Company's positions in financial derivative instruments.

Note 19 to the financial statements on pages 49 to 53 sets out the purpose of the derivatives.

CURRENCIES: NO HEDGING

It is not the policy of the Board to hedge the underlying currencies of the holdings in the shares of overseas companies in the portfolio but rather to take the currency risk into consideration when making the investment.

GEARING POLICY: EXPOSURE OF 115-120% OF SHAREHOLDERS' FUNDS IN NORMAL CIRCUMSTANCES

The Board takes the view that long term capital gains can be enhanced by the judicious use of gearing. Contracts For Difference are a more flexible method of attaining a geared exposure for the portfolio and, in current markets, cost a lot less than traditional bank loans. Consequently, Contracts For Difference have increasingly been used for this purpose, especially since the repayment of traditional loans in 2010.

The Board's Policies

LIQUIDITY POLICY: FULLY INVESTED IN NORMAL CIRCUMSTANCES

In normal times it is the Board's policy to be fully invested – by which it means at least 95% of the Company's assets are invested in stocks and shares. However, it is aware of its duty to be concerned about the preservation of our shareholders' capital as well as that of making capital gains; if the stocks and shares generally are deemed to be very overvalued or if the Portfolio Manager finds it difficult to identify many attractively priced opportunities for investment such that the chances of losing money in the medium term (three to five years) are considerable, liquidity (uninvested cash) would rise to a level which at least matches the amount of any borrowings or futures. It is not our policy to own shares for the sake of it.

INVESTMENT IN OTHER INVESTMENT TRUSTS: LIMIT OF 15%

The Board has set a limit of 15% on the proportion of the Company's total assets that can be invested in the securities of other listed investment companies (including listed investment trusts) which themselves do not have stated investment policies. As at 31 August 2010 there were five such holdings totalling 5.62% of the Company's total assets.

CORPORATE ACTIVISM

The Board believes that the Company should, where necessary, 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 controversial issues (which are then referred to the Board), it delegates the responsibility for corporate activism and shareholder voting to Fidelity. These activities are reviewed annually. Further details may be found in the Directors' Report on page 25.

PREMIUM/DISCOUNT MANAGEMENT: ENHANCING SHAREHOLDER VALUE

The Board seeks authority from shareholders each year to issue new shares at a premium or buy back shares at a discount to the net asset value. It uses these authorities to enhance the net asset value and to protect or improve the premium/discount rating of the shares.

Directors' Report

The Directors have pleasure in presenting their report which incorporates the Business Review together with the audited financial statements of the Company for the year ended 31 August 2010. The Company was incorporated in England and Wales as a public limited company on 27 September 1994 under the name of Fidelity Special Values PLC with the registered number 2972628.

ACTIVITIES AND STATUS

The Company carries on business as an investment trust and was provisionally approved as such by HM Revenue & Customs under Section 842 of the Income and Corporation Taxes Act 1988 (now Section 1159 of the Corporation Tax Act 2010) for the accounting period ended 31 August 2009, although this approval may be subject to review should there be any subsequent enquiry under Corporation Tax Self Assessment. The Directors are of the opinion that, since that date, the Company has conducted its affairs in a manner which will satisfy the conditions for continued approval as an investment trust under that Section. The Company is registered as an investment company as defined in Section 833 of the Companies Act 2006 and operates as such. It is not a close company and has no employees.

BUSINESS REVIEW

INTRODUCTION

The Company is required to present a "Business Review", which provides a fair review of the Company and a description of the principal risks and uncertainties faced. It includes an analysis of the performance of the Company, both during the financial year and the position at the year end, taking into account its objective, strategy and risks and how these are measured using Key Performance Indicators ("KPIs").

OBJECTIVE & STRATEGY

The primary objective of your Company is to enhance shareholder value, achieved through long term capital growth. The Company aims to achieve this with an actively managed portfolio of special situation investments, consisting primarily of securities listed or traded on the London Stock Exchange. As is stated in the Board's Policies, which precede the Directors' Report, the Board considers five years to be the most appropriate time span over which to make assessments. However, the Business Review requires an annual assessment of the Company's progress and so both sets of KPIs have been provided. While making money over the long term is the most important objective, the Board is aware that shareholders invest in the shares of Fidelity Special Values PLC because FIL Investments International is the Manager and it therefore also monitors returns against those of competing investment trust companies. Finally, it is aware that shareholders invest in the Company's shares because of the belief that they will earn better returns than those of the stock market as a whole, so returns are also monitored against an index which reflects the performance of the stock market, the FTSE All-Share Index.

ACTIVITY

The Company's activity is to pursue the objective through operating as an investment trust company. A review of the year's activities and an indication of likely future developments and the factors likely to affect this are given in the Chairman's Statement on pages 4 and 5 and in the Manager's Review on pages 6 and 7. The Board supports these views.

FIDELITY'S INVESTMENT MANAGEMENT PHILOSOPHY, STYLE AND PROCESS

Fidelity's distinctive investment approach is "bottom up" stock picking – investing in companies on the basis of their underlying strengths, facilitated by extensive research capabilities. Fidelity has over 140 analysts and research associates with a hands-on approach to knowledge accumulation. Fidelity's analysts evaluate companies, meet their management and workforce and interpret the effects of international and local events. They contact hundreds of companies every week. This first hand research is fundamental to Fidelity's ability to seek the success stories of the future. Fidelity has over 100 portfolio managers. Portfolio managers work closely with the Fidelity analyst team and also have access to a wide range of research produced by third parties.

SUMMARY REVIEW OF RESULTS FOR 2010

As outlined and explained in the Chairman's Statement, in the Manager's Review and in the financial statements, the shareholders' net assets increased by 1.3% on a total return basis to £333.8 million having a net asset value per share of 586.21p. As a consequence of the income generated in the portfolio and of the expenses incurred during the year the income available for paying a dividend amounted to 10.74p per share. The Board is recommending to shareholders a dividend of 10.50p per share. Gross gearing exposure via derivatives at the year end was 113% (2009: 106%).

KEY PERFORMANCE INDICATORS ("KPIs")

Given the identification of the Company's objective and strategy, the Board has identified KPIs against which returns can be compared.

KPIs

The primary objective of enhancing shareholder value is measured by the total returns of the share price; the KPI against which it is compared is the return on a deposit account at a bank or building society (regarded as a low risk investment alternative). The KPIs for the secondary objectives of higher returns than the competition and the market are the comparisons with their returns. There are three components to the returns involved in the primary objective of enhancing shareholder value: the net asset value, dividends and the change in the discount/premium at which your shares trade to net asset value.

The components of the change in the net asset value include the movements in the level of the stock market, the contribution of stock selection, gearing, currencies, share buybacks/share issues, income and costs. These are analysed by the Board and the relevant KPIs involve comparisons of the net asset value against competing investment trusts and the FTSE All-Share Index (the Company's benchmark), shown below. A further component part of the net asset value that the Directors monitor is that of the expenses of managing the Company. Those expenses, expressed as a proportion of the net asset value (known as the total expense ratio or "TER") are compared with the net asset value returns. The increase/decrease in the discount/premium is a component of the enhancement of shareholder value and the KPI compares it with that of investment trusts generally and of competing ones specifically.

SHAREHOLDER TOTAL RETURNS

Share price total return	1 year return (%)	5 years return (%)
Fidelity Special Values PLC[1]	-2.1	+27.7
Low risk investment[2]	+0.6	+20.4
Benchmark[3]	+10.6	+21.0
Peer group[4]	+8.0	+9.5

COMPANY TOTAL RETURNS

Net asset value total return	1 year return (%)	5 years return (%)
Fidelity Special Values PLC[1]	+1.3	+38.0
Benchmark[3]	+10.6	+21.0
Peer Group[4]	+15.0	+17.3

ADDITIONAL KPIs

Discount as at 31 August	2010 (%)	2005 (%)
Fidelity Special Values PLC	9.6	1.9
Peer group[4]	12.1	n/a
Total Expense Ratio	**2010 (%)**	**2005 (%)**
Fidelity Special Values PLC	1.23	1.52

[1] Total return including net dividend reinvested
[2] UK Interbank 3m Bid rate
[3] FTSE All-Share Index
[4] AIC UK Growth sector

Sources: Fidelity and Datastream as at 31 August 2010

PRINCIPAL RISKS AND UNCERTAINTIES AND RISK MANAGEMENT

Due to the current economic climate, shareholders will have concerns about the direction of some markets. The Board confirms that there is an ongoing process for identifying, evaluating and managing the principal risks faced by the Company. The Board, with the assistance of the Manager, has developed a risk matrix which, as part of the internal control process, identifies the operational risks that the Company faces. The matrix has identified strategic, marketing and business development, investment management, company secretarial, fund administration and operations and support function risks. The Board reviews and agrees policies, which have remained broadly unchanged since the beginning of the accounting period, for managing these risks. The process is regularly reviewed by the Board in accordance with the FRC's "Internal Control: Revised Guidance for Directors on the Combined Code". Risks are identified and graded in this process, together with the policies and procedures for the mitigation of risks, and are updated and reviewed twice a year in the form of a comprehensive internal controls report considered by the Audit Committee. The key risks identified within this matrix are:

External risks

Market risk

The Company's assets consist mainly of listed securities and the principal risks are therefore market related such as market recessions, interest rate movements, deflation/inflation, terrorism and protectionism. Risks to which the Company is exposed and which form part of the market risks category are included in Note 19 to the financial statements on pages 49 to 53 together with summaries of the policies for managing these risks. These comprise: market price risk; foreign currency risk; interest rate risk; liquidity risk; counterparty risk and credit risk. The Company's fixed term, fixed rate loan facility was repaid at the beginning of the year. The extent to which any loan facilities will be renewed will be kept under the most careful scrutiny. Contracts For Difference are currently used for gearing purposes. In addition a day to day overdraft facility can be used if required. The impact of limited finance from counterparties including suppliers has not impacted the Company to date, however there are alternative suppliers available in the market place should the need arise. The Company relies on a number of main service providers, namely the Manager, Registrar and Custodian. The Manager is the member of a privately owned group of companies on which a regular report is provided to the Board. The Manager, Registrar and Custodian are subject to regular audits by Fidelity's internal audit team and the counterparties' own internal controls reports are received by the Board and any concerns investigated.

BUSINESS REVIEW continued

Share price risk

Although it is usually the case that the longer a share is owned the less the risk of losing money, share prices are volatile and for the short term shareholder, likely to want to sell in the near future, volatility is a risk. The Board does not regard volatility as a significant risk for the long term shareholder.

Discount risk

The Board cannot control the discount at which the Company's share price trades to net asset value. However, it can influence this through its share buyback policy and through creating demand for shares through good performance and an active investor relations programme.

Internal risks

Investment management

The Board relies on the Manager's skills and judgement to make investment decisions based on research and analysis of individual stocks and sectors. The Board reviews the performance of the asset value of the portfolio against the Company's benchmark and competitors and the outlook for the market with the Manager at each Board meeting. The emphasis is on long term investment performance and the Board accepts that by targeting long term results the Company risks volatility in the shorter term.

Governance, operational, financial, compliance, administration etc

While it is believed that the likelihood of poor governance, compliance and operational administration by other third party service providers is low, the financial consequences could be serious, including the associated reputational damage to the Company. Your Board is responsible for the Company's system of internal control and for reviewing its effectiveness. Details of this process are provided in the Corporate Governance Statement within this Annual Report.

Financial and financial instrument risks

The financial instrument risks faced by the Company are shown in Note 19 to the financial statements on pages 49 to 53.

Other risks monitored on a regular basis include derivative positions, which are subject to daily monitoring, together with the Company's cash position, and the continuation vote (at a time of poor performance).

Environmental, employee, social and community matters

The Company is managed by FIL Investments International, has no employees and all of its Directors are non-executive. The Company's day to day activities being carried out by third parties. There are therefore no disclosures to be made in respect of employees. The Board fully endorses Fidelity's strong procedures which are involved in the making of its investments.

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

The Company's financial reports are printed by a company which has received the relevant accreditations 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.

DIRECTORS' REPORT – GENERAL

THE BOARD

All appointments to the Board, re-elections and replacements of Directors take place in accordance with the Companies Act and the Company's Articles of Association. Details of the Directors who served in the year to 31 August 2010 are set out on pages 16 and 17. During the year, Alex Hammond-Chambers and Sir Richard Brooke retired and Sharon Brown and Andy Irvine were appointed. All other Directors served throughout the year to 31 August 2010. Since 2004, the Board has followed a process whereby all Directors are subject to re-election on an annual basis. Information on the process of appointment, re-election and replacement of Directors is included in the Corporate Governance Statement.

Nicky McCabe is an Executive Director of Moonray Investors, a division of FIL Investments International, a member of the FIL Limited Group of Companies. Nicky McCabe has waived her entitlement to Director's fees. No Director has a contract of service with the Company and no contracts existed during or at the end of the financial period in which any Director was materially interested and which were significant in relation to the Company's business, except as disclosed in relation to Nicky McCabe's interests in the Management Agreement. There have been no other related party transactions requiring disclosure under Financial Reporting Standard ("FRS") 8.

The interests of the Directors and FIL Limited in the ordinary shares of the Company as at 31 August 2010 and 31 August 2009 are shown on page 23.

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.

	Regular Board Meetings	Nomination Committee Meetings	Audit Committee Meetings	Management Engagement Committee Meetings
Lynn Ruddick	4/4	2/2	2/2	1/1
Sir Richard Brooke [1]	1/2	1/1	0/1	0/1
Sharon Brown [2]	1/1	n/a	n/a	n/a
Alex Hammond-Chambers [3]	4/4	2/2	2/2	1/1
Andy Irvine [2]	1/1	n/a	n/a	n/a
Douglas Kinloch Anderson	4/4	2/2	2/2	1/1
Nicky McCabe	4/4	2/2	n/a	n/a
Ben Thomson	4/4	2/2	2/2	1/1

[1] Retired 16 December 2009 [2] Appointed 15 April 2010 [3] Retired 8 July 2010

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.

ARTICLES OF ASSOCIATION

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

SUBSTANTIAL SHARE INTERESTS

During the year, FIL Limited sold its remaining 75,790 shares. At the date of this report notification had been received that the shareholders listed in the table on page 24 held more than 3% of the voting rights and/or issued share capital of the Company.

SHARE CAPITAL

The Company's share capital comprises ordinary shares of 25 pence each. As at 31 August 2010 the total number of shares in issue was 56,938,896 (2009: same). Each share carries one vote. Deadlines for the exercise of voting rights and details of arrangements by which someone other than the shareholder can exercise voting rights are detailed in the Notes to the Notice of Meeting on pages 56 and 57. The Company's ordinary shares have a premium listing on the London Stock Exchange.

SHARE ISSUES

No shares were issued during the year and none have been issued since the year end. The authority to issue shares and disapply pre-emption rights, granted by shareholders at the Annual General Meeting held on 16 December 2009, expires at the conclusion of the next 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 15 December 2010.

	Held at 31 August 2010	Held at 31 August 2009	Changes
Lynn Ruddick	7,665	7,541	46 shares acquired due to automatic dividend reinvestment
Sir Richard Brooke	n/a	12,000	Retired 16 December 2009
Sharon Brown	nil	n/a	No change
Alex Hammond-Chambers	n/a	16,000	Disposal of 11,000 shares by the trust of which Mr Hammond-Chambers is a non-beneficial trustee prior to year end. Retired 8 July 2010
Andy Irvine	10,000	n/a	No change – historical holding
Douglas Kinloch Anderson	18,011	17,898	113 shares acquired due to automatic dividend reinvestment
Nicky McCabe	1,000	1,000	No change
Ben Thomson	nil	nil	No change
FIL Limited	nil	75,790	Sale of holding during the year

Shareholders	Number of ordinary shares	%
FIL Limited[1]	19,924,046	34.99
Legal & General Group plc[2]	2,220,745	3.90
Alliance Trust[2]	2,198,837	3.86

[1] Held in aggregate by investors in the Fidelity ISA and the Fidelity Investment Trust Share Plan
[2] Direct and indirect holdings for clients and on own account

An analysis of ordinary shareholders as at 31 August 2010 is detailed in the table below.

Analysis of ordinary shareholders as at 31 August 2010	% of issued share capital
Private shareholders[1]	81.11
Institutions	8.03
Insurance	5.82
Pensions	3.87
Other	1.17
	100.00

[1] Includes Share Plan and ISA investors

SHARE REPURCHASES

At the Annual General Meeting held on 16 December 2009 the Company's shareholders passed a special resolution which granted the Directors authority to purchase up to 8,535,140 ordinary shares in the market for cancellation. No shares were repurchased for cancellation during the year (2009: 34,000 shares repurchased) and no shares have been repurchased for cancellation since the year end.

POLITICAL AND CHARITABLE DONATIONS

The Company has not made any political or charitable donations during the year (2009: nil).

PAYMENT OF CREDITORS

The Company's principal supplier is the Manager which is paid in the month following the end of each calendar quarter, in accordance with the terms of the Management Agreement (detailed below).

The Company's policy for the years to 31 August 2010 and 31 August 2011, for all suppliers, is to fix terms of payment when agreeing the terms of each business transaction to ensure that the supplier is aware of these terms and to abide by the agreed terms of payment. The Company did not have any trade creditors in the year under review and to date (2009: nil). Other suppliers are paid in accordance with the individual payment terms agreed with each supplier.

MANAGEMENT COMPANY

The Manager, FIL Investments International, a subsidiary of FIL Limited, provides management, accounting, administrative and secretarial services to the Company under an agreement (the "Management Agreement") entered into on 6 February 2006.

The Management Agreement replaced that between the same parties dated 19 October 1994 and provides for an annual fee of an amount equal to 0.875 per cent of net assets per annum for investment management and £600,000 for non-portfolio management services payable quarterly in arrears and calculated as of the last business day of March, June, September and December in each year. In computing the asset value, the value of any investment in any fund which is managed by the Manager or an associate of the Manager is excluded.

The Management Agreement will continue unless and until terminated by either party giving to the other not less than six months' notice in writing. The Management Agreement may, however, be terminated without compensation if the Company is liquidated in 2010, or in any subsequent year thereafter, 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 Agreement or on the insolvency of the Manager or the Company. In addition, the Company may terminate the Agreement by sixty days' notice if the Manager ceases to be a subsidiary of FIL Limited.

The Management Engagement Committee has reviewed the performance of the Manager over one and five years – taking into consideration those items in the Corporate Governance Statement on pages 28 to 32 of this Annual Report. The Committee concluded that it was in the interests of shareholders that the Management Agreement should continue.

The Manager also provides certain services, including marketing and administration, in connection with the Fidelity Investment Trust Share Plan and the Fidelity ISA under an agreement dated 17 April 1996. The amount payable for these services for the year to 31 August 2010 is £169,700 (2009: £78,222). If the expenses incurred by the Manager for the provision of these services is less than this amount, the balance is carried forward to cover the cost of the provision of these services in future years.

An amount of £700,300 (2009: £665,260) was due to the Manager under the above agreements at 31 August 2010 and is included in other creditors in Note 13 on page 47.

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 FSA regulations this type of payment from one broker to another is currently treated as 'softing'. The Manager's soft commission policy complies with the 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 and included in the gains/(losses) on sales of investments in Note 10 on page 45. In the year to 31 August 2010 £114,000 was received (2009: £27,000).

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.

RESPONSIBILITY AS AN 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

SOCIALLY RESPONSIBLE INVESTMENT

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

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.

The Board is recommending to shareholders the approval of a dividend of 10.50 pence per share for the year ended 31 August 2010. If approved, this dividend will be paid on 21 December 2010 to shareholders on the register on 19 November 2010. The ex-dividend date will be 17 November 2010. In addition, resolutions will be imposed to renew the Directors' authority to allot securities in the Company. The authorities sought by these resolutions are to replace the existing powers of the Directors which expire on the date of the Annual General Meeting ("AGM") and to provide the Directors with the flexibility to issue further ordinary shares if they deem it appropriate to do so. By law, directors are not permitted to allot new shares (or to grant rights over shares) unless authorised to do so by shareholders.

Resolution 12 provides the Directors with a general authority to allot securities in the Company up to an aggregate nominal value of £1,423,472. If passed, this resolution will enable the Directors to allot a maximum of 5,693,888 ordinary shares which represents approximately 10% of the issued ordinary share capital of the Company as at 5 November 2010. The Directors would not intend to use this power unless the premium was in excess of 2% and unless they considered that it was in the interests of shareholders to do so.

Resolution 13 is a special resolution disapplying pre-emption rights and granting authority to the Directors, without further specific shareholder approval, to make allotments of equity securities for cash by way of (a) rights issues and (b) other issues up to an aggregate nominal value of £1,423,472 (approximately 10% of the issued ordinary share capital of the Company as at 5 November 2010).

Resolution 14 is a special resolution which, if approved, will renew the Company's authority to purchase up to 14.99% of the number of ordinary shares in issue on 5 November 2010 for cancellation. Purchases of ordinary shares will be at the discretion of the Board and within guidelines set from time to time by the Board in the light 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 increased net asset value per share.

Resolution 15 is an ordinary resolution seeking approval for the Company to continue as an investment trust for a further three years. The last continuation vote was passed in 2007.

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.

Directors' Report

CORPORATE GOVERNANCE

Full details are given in the Corporate Governance Statement which forms part of the Directors' Report, which can be found on pages 28 to 32.

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 AGM 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 Business Review on pages 20 to 22. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are described in the Financial Statements and Notes thereto on pages 36 to 53. The Company's objectives, policies and processes for managing its capital, financial risk management objectives, details of financial instruments and its exposures to credit and liquidity risk are also set out on pages 20 to 22 and in the Notes to the Financial Statements on pages 40 to 53.

The Company's assets consist mainly of securities which are readily realisable and, where outsourcing arrangements are in place, alternative service providers are readily available. As a consequence, the Directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The Board receives regular reports from the Manager and the Directors have a reasonable expectation that the Company has the adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Continuation votes are held every three years and the next continuation vote will be put to shareholders at this year's AGM. Ongoing discussions are held with shareholders – not just at the time of continuation votes – and the Board believes that the continuation vote will be passed at this year's AGM.

By Order of the Board

FIL Investments International
Secretary
5 November 2010

Statement of Directors' Responsibilities

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial period. Under the 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:

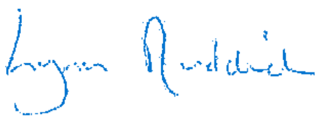
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
-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

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

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

We confirm that to the best of our knowledge the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and the Directors' Report includes a fair review of the development and performance of the business and the position of the Company together with a description of the principal risks and uncertainties it faces.

Approved by the Board on 5 November 2010 and signed on its behalf.



Lynn Ruddick
Chairman
5 November 2010

Corporate Governance Statement

"Corporate governance" is the process by which a board of directors of a company looks after the shareholders' interests and by which it endeavours to enhance those interests (often referred to as "shareholder value"). Shareholders hold the directors responsible for the stewardship of a company's affairs, delegating authority to the directors to manage the company on their behalf and holding them accountable for its performance.

This report, which forms part of the Directors' Report, explains how the Directors of Fidelity Special Values PLC deal with that responsibility, authority and accountability.

CORPORATE GOVERNANCE REQUIREMENTS

Part of the London Stock Exchange's Listing Rules is the requirement for all listed companies to set out a statement in their annual reports on how they comply – or if not explain why not – with the provisions of the Combined Code. Because investment trust companies differ in many ways from conventional operating companies, the Association of Investment Companies has drawn up its own set of guidelines ("the AIC Code of Corporate Governance") which meet with the approval of the Financial Reporting Council and which form the basis of Fidelity Special Values' own compliance.

To add to that the Disclosure and Transparency Rules (DTR), require that certain extra information be reported in the corporate governance statement. Because some of it is not relevant to a charter of the general principles and practice of the Board's governance of the Company (the purpose of a corporate governance statement), that information has been set out in detail in the Director's Report on pages 20 to 26. A section of this statement at the end, entitled "Disclosure and Transparency Rules", provides a list of the information that is required and where it can be found in the Directors' Report.

There are 21 principles which form the substance of the AIC's Code of Corporate Governance. The complete details of how your Company has adopted them are provided in its corporate governance schedule which is available for inspection by shareholders and investors at the Company's registered office, Fidelity's Investor Centre and on the website. This takes each of the detailed points in the AIC's Code of Corporate Governance and sets out exactly how the Board has chosen to respond to those points. This report contains a summary of how the Board has adopted these principles.

THE CORPORATE GOVERNANCE OF AN INVESTMENT TRUST COMPANY

The corporate governance of most investment trust companies, including Fidelity Special Values PLC, is different from most other commercial companies in one important respect: they do not employ their own people as management but rather the services of a fund management company. This affects the way investment trusts are governed but not the purpose of their governance. Given that the Manager's business is not dedicated solely to the interests of investment trust companies and their shareholders, the composition of investment trust boards of directors must be largely independent of management. However, it must have the knowledge and experience of both fund management and investment trust management, which the presence of executive management on other commercial boards brings to their corporate governance. Fidelity Special Values PLC was established and is managed and promoted by its Manager, which is therefore one of the main reasons shareholders choose to invest in the Company's shares.

It follows that it is an important aspect of the corporate governance of Fidelity Special Values PLC that its Manager should be party to the responsibility, authority and accountability to those investing in their management.

THE CORPORATE GOVERNANCE POLICIES AND MODUS OPERANDI OF FIDELITY SPECIAL VALUES PLC

The corporate governance of any investment trust company, while following the guidelines of the AIC Code of Corporate Governance, will vary in certain respects depending on its own circumstances. The Board of Fidelity Special Values PLC has considered its own circumstances and determined its own corporate governance policies and modus operandi.

In this section we have outlined the corporate governance policies and modus operandi through the following three aspects of corporate governance: Responsibility, Authority and Accountability. It is first of all important that shareholders have confidence in the Board of Directors, whom they hold responsible and accountable for the Company's affairs.

In determining the guidelines for the composition of the Board, the Directors believe that there should be a clear majority of the Board members (including the Chairman), who are independent of management, and that the make up of the Board should bring understanding and experience of investment management, investment trust management, the investment objective of the Company, marketing, general business experience and finally of Fidelity's investment philosophy and its operations.

While the key determinant of independent behaviour stems from personal character, the Directors recognise that any individual who is employed by or otherwise materially financially associated with the Manager, FIL Investments International, cannot be regarded as independent. However, the Board regards it as helpful to have one senior executive from FIL Investments International serving as a Director. Other relationships or time served as a Director are not regarded prima facie as compromising independent behaviour but may nevertheless be of interest to shareholders and consequently the details and the Directors' current business associations are set out on pages 16 and 17 for shareholders' perusal. All of the independent Directors are considered to be free from any business or other relationship which could materially interfere with the exercise of their independent judgement and all of the Directors are able to allocate sufficient time to the Company to discharge their responsibilities fully and effectively. The Board follows a procedure of notification of other interests that may arise as part of considering any potential conflicts.

All of the Directors are non-executive and five of the six have no relationship with the Manager. In addition the Board appointed Ben Thomson as Senior Independent Director on 12 July 2010. The Senior Independent Director fulfils the role as a "sounding board" for the Chairman and as intermediary for other non-executive Directors where necessary.

Each Director's individual independence, including that of the Chairman, has been considered, taking into consideration:

- integrity, selflessness, intelligent scepticism (but not cynicism), positiveness, courageousness and decisiveness;
- independence of mind and character;
- experience and knowledge of investment trusts, of the investment business generally and of Fidelity;
- financial literacy;
- conflicts of interest; and
- performance as a Director.

Based on the above considerations all five non-Fidelity Directors, including the Chairman, have been assessed and are considered to be independent.

Tenure, the term served by a director of a company, is a controversial issue. It is the belief of the Board that it can best do its job if it works as a team composed of individuals who work well together, if each contributes to its performance. In order to do so it believes that its membership benefits from the inclusion of both Directors who have served a long time and bring both experience and past knowledge of the Company (and its business) to its governance and also include newer members who bring additional/further attributes to the Company's governance.

Recognising that different shareholders have different views on tenure, the Board decided in 2004 that each Director would be subject to annual re-election by shareholders.

The Board considers that it meets sufficiently regularly to discharge its duties efficiently. The attendance record for the meetings held in the year can be found in the Directors' Report on page 23.

Responsibility

The responsibilities delegated by shareholders to the Board of Directors include:

1. The stewardship of the affairs of the Company, which includes the management of risk and the monitoring of the controls at work in the Company;

2. The promotion of the Company's prosperity so as to endeavour to maximise shareholder value in the long term, which includes the responsibility for the appropriateness of the Company's investment objective, investment strategy and investment performance and for the Company's efforts in seeking to minimise the level and the volatility of the discount or premium at which the shares may sell in relation to the net asset value. The Company's investment policy is detailed on pages 18 and 20;

3. Making recommendations to shareholders (for their consideration at annual general meetings) on matters not delegated to the Board of Directors, which include the approval of the annual financial statements, the election and re-election of Directors and the appointment of the Auditor.

The Board believes that a good working relationship comes from the Board and management working harmoniously together: in particular the Board should support the Manager in difficult times but challenge it when necessary; it is a sine qua non to good performance.

Authority

The Board of Directors is furnished by the shareholders with the authority to manage the Company on their behalf, being required to discharge the responsibilities outlined above. The Board, being wholly non-executive and (by majority) independent of management, carries out its duties through the mechanism of Board meetings and Board Committee meetings. The most important aspect of the Directors' duties concerns the management of the Company's portfolio of assets and of the risk profile of its balance sheet. While the day to day investment management is delegated to FIL Investments International, there are certain decisions which are retained and made by the Directors, including the payment of dividends, the share buyback guidelines and the derivatives and gearing policies.

In structuring the Board meetings, the Directors try to concentrate as much as possible of their regular Board meetings on (i) investment matters (including strategy, investment policy, gearing and derivatives policies, portfolio and stock reviews, portfolio turnover, monitoring performance etc) and (ii) shareholder value matters (including monitoring the discount, share buybacks and Fidelity's Investment Trust Share Plan and ISA marketing). The contents of the Board meeting papers are determined by the Board itself 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.

Corporate Governance Statement

The Board meets at least once a year with the Company's financial advisers and stockbrokers to discuss shareholder value and investor relation issues while the Manager meets with the larger shareholders at least once a year and reports back to the Board on those meetings.

The Board of Directors discharges certain of its corporate governance responsibilities through three Committees:

– The Audit Committee

The Audit Committee consists of all of the independent Directors and is charged with reviewing and monitoring the production of the annual and half-yearly financial statements, the audit process, corporate governance issues, the existence and performance of all controls operating in the Company (including the adherence to Section 1159 (formerly Section 842) status), the relationship with and performance of other third party service providers (such as the Registrars or the Custodian), considering the risks associated with audit firms withdrawing from the market and the relationship with the independent Auditor (and its ongoing appointment and level of fees). Finally it also has responsibility for reviewing and monitoring the external Auditor's independence and objectivity with particular regard to the provision of non-audit services, taking in consideration relevant UK professional and regulatory requirements, including the appointment, reappointment or removal of the Auditor as appropriate.

The Auditor's continued appointment is reviewed each year and the audit partners change at least once every five years. The last review of alternative audit service providers took place in 2006 resulting in a change in audit firm. There are no contractual obligations that restrict the Committee's choice of Auditor. The Committee meets with the independent Auditor at least once a year to review all these matters. The Committee itself meets at least twice a year and reports to the Board of Directors, making recommendations where appropriate.

The continued increase in the scope and in the technical nature of the work of the Committee means that its Chairman must have – and does have – recent and relevant financial experience. Lynn Ruddick chaired this Committee until 26 October 2010 when Sharon Brown took on the chairmanship.

– The Management Engagement Committee

The Management Engagement Committee is chaired by Lynn Ruddick and consists of all of the independent Directors. It is charged with reviewing and monitoring the performance of the Manager in respect of its contract and the fees it is paid.

This Committee meets at least once a year and reports to the Board of Directors, making recommendations where appropriate.

The level of remuneration of the Manager is determined by the Management Engagement Committee; the fee relates to the investment management function, on which a percentage of funds under management is paid (thereby relating this part of its remuneration to performance) and a set fee for the administrative function.

The Board of Directors is mindful that the amounts paid to the Manager should be sufficient to ensure that both the Portfolio Manager and the administrators within the management house appointed to the job of looking after its affairs are highly skilled and that those individuals should be largely focused on the Company's business.

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 buybacks 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.

– The Nomination and Remuneration Committee

The Nomination and Remuneration Committee, chaired by Lynn Ruddick, consists of all the Directors and is charged with:

1. nominating new Directors for consideration by the Board of Directors, in turn for approval by shareholders;
2. consideration of the re-appointment of Directors; and
3. the level of remuneration of the non-executive Directors.

In respect of new Directors the Board believes that it is important in the search for, the interview of and recommendation to the Board of a candidate to be controlled by the independent Directors who in turn form the majority of this Committee. After consideration of the attributes considered necessary for the appointment of a new Director, members of the Committee recommend a number of candidates for consideration as a Director of the Company. In the event that insufficient suitable candidates are identified, an external consultant would be used.

During the last year this approach led to a very high quality list of seven candidates being interviewed. The reason for this review was the retirement at the last AGM of Sir Richard Brooke and the retirement during this year of our past Chairman, Alex Hammond-Chambers. As a consequence two new Board members were appointed: Andy Irvine and Sharon Brown, whose credentials are set out on pages 16 and 17 and who offer themselves for election by the shareholders at this year's AGM.

When a new Director is appointed to the Board, he or she is provided with all relevant information regarding the Company and his or her duties and responsibilities as a Director. In addition, a new Director will receive an induction, spending some 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 Auditor and the Company Secretary regarding any proposed developments or changes in law or regulations that could affect the Company and/or the Directors.

It is the policy of the Board for all Directors to retire and seek re-election at each annual general meeting of the Company. Biographical details for each Director are set out on pages 16 and 17 to provide sufficient information to enable shareholders to make an informed decision regarding their election or re-election. In addition, the terms and conditions of appointment of Directors are available for inspection at the registered office of the Company and will be available prior to the forthcoming AGM.

Regarding remuneration, the Committee considers the remit of the job and the responsibility and time involved. It also makes itself aware of the director's fees of other investment trust companies. The non-executive Directors' remuneration is fixed as a rate for the role and/or the roles undertaken. The level of Directors' fees is considered and recommended by the Board within the limit governed by the Articles of Association. The Directors do not receive performance related remuneration. The Director from FIL Investments International waives her fee.

A formal and rigorous annual process for the evaluation of the Board and its Committees is in place. This takes the form of written questionnaires and, if appropriate, interviews. The performance of the Chairman is evaluated by the other Directors on an annual basis. The Company Secretary and Manager also participate in these processes to provide all round feedback to the Board. The results of these evaluations are issued to and discussed by the Board. 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.

Each Committee has written terms of reference which are available for inspection at the Company's registered office and on the Company's pages of the Manager's website.

Accountability

Given that the shareholders entrust the Board of Directors with the management of the Company's affairs, it is necessary that the Board accounts for itself to shareholders. The process of accountability involves providing all the necessary information for shareholders to make judgements about the Board's stewardship and performance through a full and informative annual financial report, a half-yearly financial report, interim management statements, accessibility to the Board at any time through the office of the Chairman and finally the presentation of the results (the financial statements) and future prospects at the AGM.

The AGM is the pivotal point in the relationship between the Board of Directors and shareholders and is the occasion when the Board accounts for itself in public meeting. It regards any bona fide issue that any shareholder raises as one that should be put to all shareholders at the AGM so that all those attending can hear any concerns expressed in open forum and make their own judgement accordingly. The AGM provides shareholders with an opportunity to vote on certain issues that are not ultimately delegated to the Board of Directors. This includes the re-election of Directors every year in addition to the normal matters of approving the financial statements, the appointment of the independent Auditor, the issue of new shares and the buyback of shares for cancellation. Your Board has an established policy that should enable shareholders to decide whether they wish to continue the Company's existence by putting a "continuation vote" before the shareholders at every third AGM. The next such vote will be at the AGM to be held in 2010, the last being at the AGM held on 13 December 2007.

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

AIC CODE

The Board of Fidelity Special Values PLC has considered the principles and recommendations of the Association of Investment Companies ("AIC") Code of Corporate

Corporate Governance Statement

Governance ("the AIC Code") by reference to the AIC Corporate Governance Guide ("the AIC Guide"). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in Section 1 of the Combined Code as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company. The AIC Code and the AIC Guide may be found at www.theaic.co.uk.

The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the Combined Code), will provide better information to shareholders.

The Company has complied with the recommendations of the AIC Code and the relevant provisions of Section 1 of the Combined Code, except as set out below.

- The Nomination Committee and Management Engagement Committee are chaired by the Chairman of the Board.
- The Combined Code includes provisions relating to the role of the chief executive, executive directors' remuneration and the need for an internal audit function.

For the reasons set out in the AIC Guide, and the preamble to the Combined Code, the Board considers that these issues are not relevant to the position of Fidelity Special Values PLC, being an externally managed investment company. The Company has therefore not reported further in respect of these provisions.

INTERNAL CONTROL

The Board is responsible for the Company's system of internal control and for reviewing its effectiveness. Its review takes place at least once a year. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board also determines the nature and extent of any risks it is willing to take in order to achieve its strategic objectives.

The Board confirms that there is an ongoing process for identifying, evaluating and managing the Company's principal business and operational risks, that it has been in place for the year ended 31 August 2010 and up to the date of approval of the Annual Report and financial statements, that it is regularly reviewed by the Board and accords with the FRC's Internal Control: Revised Guidance. Further details are included at pages 20 to 22 of the Directors' Report.

The Board is responsible for the design, implementation and maintenance of controls and procedures to safeguard the assets of the Company although these tasks have been delegated on a day to day basis to the Manager. The system extends to operational and compliance controls and risk management. Clear lines of accountability have been established between the Board and the Manager and regular reports on controls and compliance issues are provided to the Audit Committee and the Board. In carrying out its review, the Audit Committee has had regard to the activities of the Manager, the Manager's compliance and risk functions and the external Auditor. The Audit Committee's and Board's review also includes consideration of internal controls and similar reports issued by the Manager and other service providers.

The Board has reviewed the need for an internal audit function. In keeping with most other investment trust companies the Board has decided that the systems and procedures employed by the Manager, including its internal audit function, 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 meets the Manager's Head of Internal Audit at least twice a year. The Chairman of the Audit Committee has direct access to the Manager's Head of Internal Audit and vice versa.

DISCLOSURE AND TRANSPARENCY RULES

As already stated in the second section of this Corporate Government Statement entitled Corporate Governance Requirements, certain extra information is required to be given. Because some of it is information which refers to events that have taken place during the course of the year, it has been placed in the Directors' Report on pages 22 to 25 along with other information that also relates to events that have taken place during the course of the year.

The following is a list of that information:

Information concerning the service of the Directors on the Board and changes to the Company's Articles of Association
Attendance at Board and Committee meetings
Directors' shareholdings
Directors and Officers' liability insurance
Going concern
Substantial share interests
Share capital
Share issues
Share repurchases
Responsibility as an Institutional Shareholder
Relations with Shareholders
Environmental, Employee, Social and Community matters

On behalf of the Board

Lynn Ruddick

Lynn Ruddick
5 November 2010

This report has been prepared in accordance with the requirements of Section 420 – 422 of the Companies Act 2006 in respect of the year ended 31 August 2010. An ordinary resolution for the approval of this report will be put to the members at the forthcoming Annual General Meeting. The law requires the Company's Auditor to audit certain parts of the disclosures provided. Where disclosures have been audited they are indicated as such. The Auditor's opinion is included in its report on page 35.

REMUNERATION COMMITTEE

The Company has a Nomination and Remuneration Committee and the determination of the Directors' fees is a matter dealt with by this Committee. Further details may be found on pages 30 and 31.

REMUNERATION

The Company's Articles of Association limit the aggregate fees payable to the Board of Directors to a total of £200,000 per annum. Subject to this overall limit, it is the Company's policy to determine the level of Directors' fees having regard to the level of fees payable to non-executive directors in the industry generally, the role that individual Directors fulfil, the time committed to the Company's affairs and the responsibilities and potential liabilities, both financial and reputational. No Director received any bonus, taxable expenses, compensation for loss of office or non-cash benefits for the year ended 31 August 2010 or the year ended 31 August 2009. Non-executive Directors are not eligible for participation in any performance related fees bonuses, pension benefits, share options, long term incentive schemes or other benefits. It is intended that this policy will continue for the year ended 31 August 2011 and for subsequent years. The fee structure with effect from 1 January 2010 is as set out in the first table below.

DIRECTORS' SERVICE CONTRACTS

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 and the Articles of Association of the Company. The Company does not make payments to Directors on termination or compensation upon early termination of appointment.

COMPANY PERFORMANCE

The Company's investment objective is capital growth. The graph on page 34 measures this against the FTSE All-Share Index.

DIRECTORS' REMUNERATION PER ANNUM

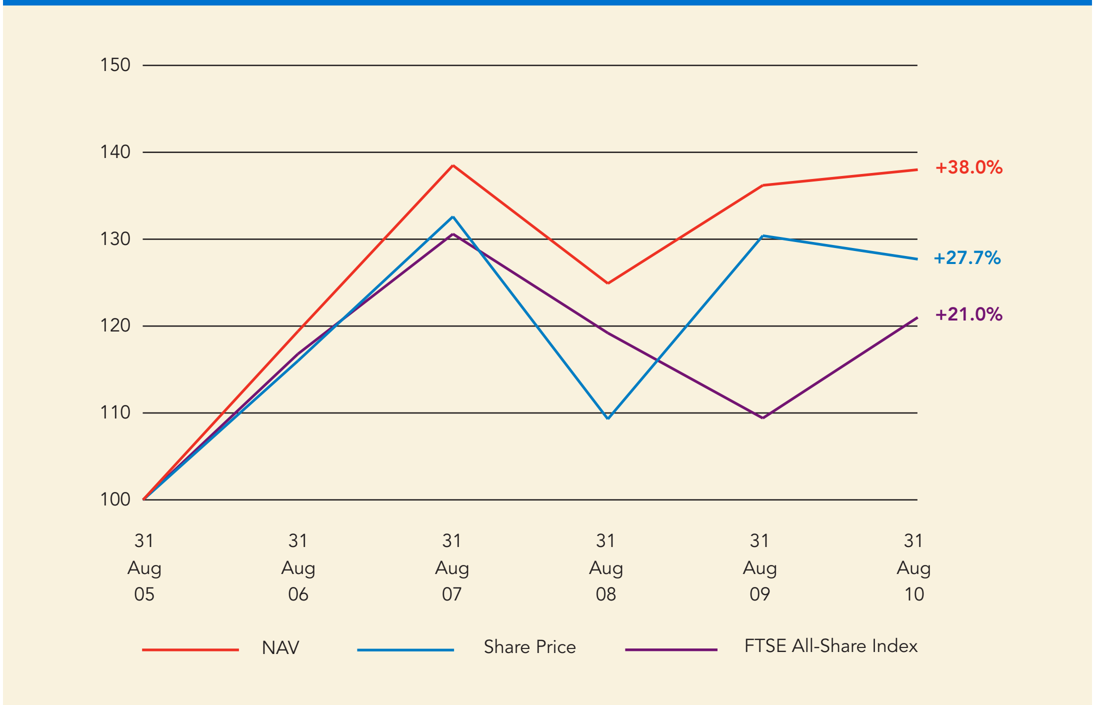
	Board Fee
Chairman	£35,000
Chairman of the Audit Committee	£25,000
Director	£22,000

REMUNERATION OF DIRECTORS (audited)

	2010 £	2009 £	Notes
Lynn Ruddick	26,000	24,000	Appointed Chairman 9 July 2010
Sir Richard Brooke	6,000	21,000	Retired 16 December 2009
Sharon Brown	8,000	n/a	Appointed 15 April 2010
Alex Hammond-Chambers	29,000	33,000	Retired 8 July 2010
Andy Irvine	8,000	n/a	Appointed 15 April 2010
Douglas Kinloch Anderson	22,000	21,000	
Nicky McCabe	–	–	Continues to waive her Director's fees
Ben Thomson	22,000	21,000	
Total	**121,000**	**120,000**	

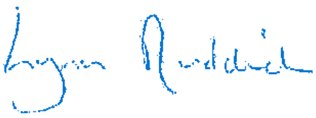
Directors' Remuneration Report

Comparison of NAV and Share Price Total Return Performance Against the Benchmark Index
from 31 August 2005 to 31 August 2010



Sources: Fidelity and Datastream

The Company's investment objective is capital growth. The graph above measures this against the FTSE All-Share Index.



Lynn Ruddick
5 November 2010

Independent Auditor's Report to the Shareholders of Fidelity Special Values PLC

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF FIDELITY SPECIAL VALUES PLC

We have audited the financial statements of Fidelity Special Values PLC for the year ended 31 August 2010 which comprise the Income Statement, the Balance Sheet, the Reconciliation of Movements in Shareholders' Funds, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Statement of Directors' Responsibilities on page 27, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit 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 (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKP.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 August 2010 and of its return for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the 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 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, on page 26 in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Marcus Swales
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
5 November 2010

Income Statement for the year ended 31 August 2010

	Notes	2010 revenue £'000	2010 capital £'000	2010 total £'000	2009 revenue £'000	2009 capital £'000	2009 total £'000
Gains on investments designated at fair value through profit or loss	10	–	3,613	3,613	–	8,423	8,423
(Losses)/gains on derivative instruments held at fair value through profit or loss	11	–	(5,219)	(5,219)	–	10,756	10,756
Income	2	10,605	–	10,605	10,421	–	10,421
Net derivative income/(expenses)	3	261	–	261	(375)	–	(375)
Investment management fee	4	(3,515)	–	(3,515)	(2,862)	–	(2,862)
VAT recovered on investment management fees	4	–	–	–	6	–	6
Other expenses	5	(587)	–	(587)	(513)	–	(513)
Exchange (losses)/gains on other net assets	15	(4)	(117)	(121)	–	123	123
Net return/(loss) before finance costs and taxation		6,760	(1,723)	5,037	6,677	19,302	25,979
Interest paid on loans	6	(591)	–	(591)	(1,637)	–	(1,637)
Net return/(loss) on ordinary activities before taxation		6,169	(1,723)	4,446	5,040	19,302	24,342
Taxation on return/(loss) on ordinary activities	7	(56)	–	(56)	(57)	–	(57)
Net return/(loss) on ordinary activities after taxation for the year		6,113	(1,723)	4,390	4,983	19,302	24,285
Return/(loss) per ordinary share	9	10.74p	(3.03p)	7.71p	8.76p	33.92p	42.68p

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 40 to 53 form an integral part of these financial statements.

Balance Sheet as at 31 August 2010

	Notes	2010 £'000	2009 £'000
Fixed assets			
Investments designated at fair value through profit or loss	10	323,663	355,379
Current assets			
Derivative assets held at fair value through profit or loss	11	1,995	4,186
Debtors	12	2,451	9,135
Amounts held at futures clearing houses and brokers		2,470	843
Cash at bank		11,165	8,087
		18,081	22,251
Creditors - amounts falling due within one year			
Derivative liabilities held at fair value through profit or loss	11	(4,180)	(1,238)
Fixed rate unsecured loan	13	–	(27,000)
Other creditors	13	(3,781)	(14,874)
		(7,961)	(43,112)
Net current assets/(liabilities)		10,120	(20,861)
Total net assets		333,783	334,518
Capital and reserves			
Share capital	14	14,234	14,234
Share premium account	15	95,767	95,767
Capital redemption reserve	15	2,554	2,554
Other non-distributable reserve	15	5,152	5,152
Capital reserve	15	208,765	210,488
Revenue reserve	15	7,311	6,323
Total equity shareholders' funds		333,783	334,518
Net asset value per ordinary share	16	586.21p	587.50p

The financial statements on pages 36 to 53 were approved by the Board of Directors on 5 November 2010 and were signed on its behalf by:

Lynn Ruddick
Chairman

The Notes on pages 40 to 53 form an integral part of these financial statements.

Reconciliation of Movements in Shareholders' Funds

for the year ended 31 August 2010

	Notes	share capital £'000	share premium account £'000	capital redemption reserve £'000	other non-distributable reserve £'000	capital reserve £'000	revenue reserve £'000	total equity £'000
Opening shareholders' funds: 1 September 2008		14,198	95,058	2,545	5,152	191,309	10,995	319,257
Net recognised capital gains for the year		–	–	–	–	19,302	–	19,302
Issue of ordinary shares		45	709	–	–	–	–	754
Repurchase of ordinary shares		(9)	–	9	–	(123)	–	(123)
Net revenue return after taxation for the year		–	–	–	–	–	4,983	4,983
Dividend paid to shareholders	8	–	–	–	–	–	(9,655)	(9,655)
Closing shareholders' funds: 31 August 2009		14,234	95,767	2,554	5,152	210,488	6,323	334,518
Net recognised losses for the year	15	–	–	–	–	(1,723)	–	(1,723)
Net revenue return after taxation for the year	15	–	–	–	–	–	6,113	6,113
Dividend paid to shareholders	8	–	–	–	–	–	(5,125)	(5,125)
Closing shareholders' funds: 31 August 2010		14,234	95,767	2,554	5,152	208,765	7,311	333,783

The Notes on pages 40 to 53 form an integral part of these financial statements.

Cash Flow Statement for the year ended 31 August 2010

	Notes	2010 £'000	2009 £'000
Operating activities			
Investment income received		4,823	4,232
Net derivative income/(expenses)		236	(377)
Underwriting commission received		28	97
Deposit interest received		17	216
Investment management fee paid		(3,518)	(2,797)
VAT recovered on investment management fees paid		–	2,300
Directors' fees paid		(122)	(112)
Other cash receipts/(payments)		52	(684)
Net cash inflow from operating activities	17	1,516	2,875
Returns on investments and servicing of finance			
Interest paid		(736)	(1,692)
Net cash outflow from returns on investments and servicing of finance		(736)	(1,692)
Taxation			
Overseas taxation recovered		25	38
Taxation recovered		25	38
Financial investment			
Purchase of investments		(187,551)	(263,308)
Disposal of investments		223,444	254,390
Net cash inflow/(outflow) from financial investment		35,893	(8,918)
Derivative activities			
Premium received on options		1,111	3,441
Premium paid on options		(1,390)	(1,365)
Proceeds of derivative instruments		406	5,923
Movements on amounts held at futures clearing houses and brokers		(1,627)	(843)
Net cash (outflow)/inflow from derivative activities		(1,500)	7,156
Dividend paid to shareholders	8	(5,125)	(9,655)
Net cash inflow/(outflow) before use of liquid resources and financing		30,073	(10,196)
Net cash inflow from management of liquid resources		–	9,091
Net cash inflow/(outflow) before financing		30,073	(1,105)
Financing			
Issue of ordinary shares		–	754
Repurchase of ordinary shares		–	(124)
5.435% fixed rate unsecured loan repaid		(27,000)	–
5.655% fixed rate unsecured loan repaid		–	(8,000)
Net cash outflow from financing		(27,000)	(7,370)
Increase/(decrease) in cash	18	3,073	(8,475)

The Notes on pages 40 to 53 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 the AIC Statement of Recommended Practice ("SORP") for Investment Trusts issued 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 investments and derivative assets and liabilities, and on the assumption that approval as an investment trust will be granted.

A resolution proposing the continuation of the Company as an investment trust will be put to shareholders at the Annual General Meeting on 15 December 2010. 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 Income Statement on the date on which the right to receive the payment is established. Franked dividends are accounted for net of any tax credit. Unfranked investment income includes tax deducted at source. Interest receivable on short term deposits is dealt with on an accruals basis. Where the Company has elected to receive its dividends in the form of additional shares rather than cash foregone, the amount of the cash dividend foregone is recognised as revenue. Any excess in the value of the shares received over the amount of the cash dividend is recognised in the capital column of the Income Statement.

Where appropriate, certain derivatives such as Contracts For Difference ("CFDs") are used. Income received from dividends on long CFDs and interest received on short CFDs and expenses paid out as dividends on short CFDs and interest paid on long CFDs are included in 'Net derivative income/(expenses)' in the revenue column of the Income Statement.

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

d) Expenses and finance costs – All expenses are accounted for on an accruals basis and are charged in full to the revenue column of the Income Statement. Finance costs are accounted for using the effective interest method and in accordance with the provisions of Financial Reporting Standard ("FRS") 26 "Financial Instruments: Recognition and Measurement".

e) Taxation – 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 that result in an obligation to pay more, or a right to pay less tax in the future have occurred. 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 sterling. Transactions denominated in foreign currencies are calculated in sterling at the rate of exchange ruling as at the date of transactions. Assets and liabilities 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 capital reserve.

g) Valuation of investments – The Company's business is investing in financial assets with a view to profiting from their total return in the form of income and capital growth. This portfolio of financial assets 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 and other key management personnel. Accordingly, upon initial recognition the investments are designated by the Company as "at fair value through profit or loss". They are included initially, and subsequently measured, at fair value, which is measured as follows:

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

Transaction costs – In accordance with the AIC SORP the Company includes these costs in the cost of investments purchased or sold and has disclosed them in Note 10 on page 45.

h) Derivative instruments – Where appropriate, certain permitted transactions involving derivative instruments are used. Derivative transactions into which the Company may enter comprise futures, equity forwards, CFDs and options and are measured at fair value. The fair value is as follows:

- Futures and options – the quoted trade price for the contract;
- CFDs and equity forwards - the difference between the strike price and the bid or last price of the underlying shares in the contract.

1 ACCOUNTING POLICIES (continued)

h) Derivative instruments (continued)
Where such transactions are used to protect or enhance income, if the circumstances support this, then the income and expenses derived from them are included in 'Net derivative expenses'' via the revenue column of the Income Statement. Where such transactions are used to protect or enhance capital, if the circumstances support this, the gains and losses derived from them are included in 'Gains/(losses) on derivative instruments held at fair value through profit or loss' via the capital column of the Income Statement. Any positions on such transactions open at the year end are reflected in the Balance Sheet at their fair value within 'Current assets' and 'Creditors - amounts falling due within one year'.

As part of an established policy, premiums received on written options are taken to capital and are recognised within the gains/(losses) on derivative instruments via the capital column of the Income Statement.

i) Loans – Following the repayment of the last remaining loan, the Company has no financial gearing via bank loans. However, the Company still maintains a geared position through the use of derivatives. For the prior year, the loan was initially included in the financial statements at cost, being the fair value of the consideration received, net of any issue costs relating to the borrowing. After initial recognition, the loan was measured at amortised cost using the effective interest method. The amortised cost was calculated by taking into account any issue costs and any discount or premium on settlement.

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

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

As a result of technical guidance issued by the Institute of Chartered Accountants in England and Wales in TECH 01/08: "Distributable Profits", changes in fair value of investments which are readily convertible to cash, without accepting adverse terms at the balance sheet date, can be treated as realised. 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 with the exception of unlisted investments with a fair value of £86,000.

k) Dividends – In accordance with FRS21: "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

	2010 £'000	2009 £'000
Income from investments designated at fair value through profit or loss		
Franked investment income	3,671	2,477
UK scrip dividends	5,531	5,340
Overseas dividends	764	628
Overseas scrip dividends	320	736
Income from REIT investments	273	574
	10,559	9,755
Other income		
Deposit interest	18	134
Income from Fidelity Institutional Liquidity Fund plc*	–	28
Interest on VAT recovered on investment management fees**	–	407
Underwriting commission	28	97
Total income	10,605	10,421

* Fidelity Institutional Cash Fund plc was renamed Fidelity Institutional Liquidity Fund plc on 5 July 2010.
** This is interest received in the prior year on VAT on investment management fees reclaimed following the decision of the European Court of Justice in the JPMorgan Claverhouse Investment Trust/AIC case (C-363/05).

Notes to the Financial Statements

3 DERIVATIVE INCOME/(EXPENSES)

	2010 £'000	2009 £'000
Income from derivative instruments held at fair value through profit or loss		
Interest received on short CFDs	11	162
Dividends received on long CFDs	680	6
	691	168
Expenses from derivative instruments held at fair value through profit or loss		
Interest paid on long CFDs	(329)	(94)
Dividends paid on short CFDs	(92)	(449)
Derivative expenses on futures and equity forwards	(9)	–
Net derivative income/(expenses)	261	(375)

4 INVESTMENT MANAGEMENT FEE

	2010 £'000	2009 £'000
Investment management fee	3,515	2,862
VAT recovered	–	(6)
	3,515	2,856

A summary of the terms of the Management Agreement is given in the Directors' Report on page 24.

5 OTHER EXPENSES

	2010 £'000	2009 £'000
AIC fees and subscriptions	30	33
Custody fees	14	12
Directors' expenses	27	34
Directors' fees*	121	120
Legal and professional fees	43	36
Marketing expenses**	170	78
Printing and publication expenses	71	105
Registrars' fees	72	56
Other expenses	19	19
Fees payable to the Company's Auditor for the audit of the annual financial statements***	20	20
	587	513

* Details of the breakdown of Directors' fees are provided on page 33 within the Directors' Remuneration Report.
** Marketing expenses for the prior year are lower than the current year due to the release of accruals from 2008.
*** The VAT on the Auditor's remuneration is included in other expenses.

	2010 £'000	2009 £'000
6 INTEREST PAID		
Repayable within five years		
Fixed rate unsecured loans	591	1,637

The fixed rate loan from Barclays Bank PLC totalling £27,000,000 was repaid on 26 January 2010.

	2010			2009		
	revenue £'000	capital £'000	total £'000	revenue £'000	capital £'000	total £'000
7 TAXATION ON RETURN/(LOSS) ON ORDINARY ACTIVITIES						
a) Analysis of charge in the year						
Overseas taxation suffered	56	–	56	57	–	57

b) Factors affecting the taxation charge for the year
The taxation assessed for the year is lower than the standard rate of corporation tax in the UK for an investment trust company of 28% (2009: 28%).

The differences are explained below.

	2010 £'000	2009 £'000
Return on ordinary activities before taxation	4,446	24,342
Return on ordinary activities multiplied by the standard rate of corporation tax of 28% (2009: 28%)	1,245	6,816
Effects of:		
Gains/(losses) on investments not taxed	508	(5,407)
Income not included for taxation purposes	(2,910)	(2,201)
Expenses not deductible for taxation purposes	6	10
Excess management expenses not utilised in the year	1,151	782
Overseas taxation	56	57
Current taxation charge (Note 7a)	56	57

Investment trust companies are exempt from taxation on capital gains if they meet the HM Revenue & Customs criteria set out in Section 1159 of the Corporation Tax Act 2010 for a given period.

c) The deferred taxation asset of £10,379,000 in respect of unutilised expenses at 31 August 2010 (2009: £9,228,000) has not been recognised as it is unlikely that this asset will be utilised.

Notes to the Financial Statements

8 DIVIDENDS

	2010 £'000	2009 £'000
Final dividend of 9.00 pence per share paid for the year ended 31 August 2009 (2008: 17.00 pence)	5,125	9,655

The Directors have proposed a final dividend of 10.50 pence per share which is subject to approval by the shareholders at the Annual General Meeting on 15 December 2010 and, in accordance with FRS21, has not been included as a liability in these financial statements. The total dividend payable in respect of the year ended 31 August 2010, which is the basis on which the requirements of Section 1159 of the Corporation Tax Act 2010 are considered, is stated below:

	2010 £'000	2009 £'000
Proposed final dividend of 10.50 pence per share for the year ended 31 August 2010 (2009: 9.00 pence) based on number of shares in issue as at the date of the Annual Report	5,979	5,125

9 RETURN/(LOSS) PER ORDINARY SHARE

	2010 revenue	2010 capital	2010 total	2009 revenue	2009 capital	2009 total
Basic	10.74p	(3.03p)	7.71p	8.76p	33.92p	42.68p

Returns/(losses) per ordinary share are based on the net revenue return on ordinary activities after taxation of £6,113,000 (2009: £4,983,000), the capital loss in the year of £1,723,000 (2009: return £19,302,000) and the total return in the year of £4,390,000 (2009: £24,285,000) and on 56,938,896 ordinary shares (2009: 56,899,410) being the weighted average number of ordinary shares in issue during the year.

10 INVESTMENTS

	2010 £'000	2009 £'000
Investments designated at fair value through profit or loss		
Listed investments	314,009	340,438
AIM quoted investments	9,568	14,594
Unlisted investments - at fair value	86	347
Total investments	323,663	355,379

10 INVESTMENTS (continued)

	listed investments £'000	2010 other investments £'000	total £'000
Opening book cost	324,996	22,987	347,983
Opening investment holding gains/(losses)	15,558	(8,162)	7,396
Opening fair value of investments	340,554	14,825	355,379
Movements in the year			
Purchases at cost	183,480	1,601	185,081
Sales - proceeds	(219,203)	(1,207)	(220,410)
Sales - gains/(losses) in the year	23,676	(481)	23,195
Transfer to/from listed to other - cost	7,572	(7,572)	–
Transfer to/from listed to other - fair value adjustment	(3,456)	3,456	–
Movement in investment holding losses in the year	(18,614)	(968)	(19,582)
Closing fair value of investments	314,009	9,654	323,663
Closing book cost	320,521	15,328	335,849
Closing investment holding losses	(6,512)	(5,674)	(12,186)
Closing fair value of investments	314,009	9,654	323,663

	2010 £'000	2009 £'000
Net gains/(losses) on investments designated at fair value through profit or loss in the year		
Gains/(losses) on sales of investments	23,195	(33,588)
Investment holding (losses)/gains	(19,582)	42,011
	3,613	8,423

Gains/(losses) on investments are shown net of costs of investment transactions as summarised below:

	2010 £'000	2009 £'000
Purchases expenses	821	2,383
Sales expenses	204	458
	1,025	2,841

Notes to the Financial Statements

	2010 £'000	2009 £'000
11 DERIVATIVE INSTRUMENTS		
Net (losses)/gains on derivative instruments held at fair value through profit or loss in the year		
Premiums on options written	1,934	1,647
Losses on options exercised	(256)	(376)
Realised (losses)/gains on CFD positions closed	(1,132)	5,783
Movement in investment holding (losses)/gains on CFDs	(5,375)	2,889
Movement in investment holding (losses)/gains on options	(390)	813
	(5,219)	10,756

	2010		2009	
	fair value £'000	exposure £'000	fair value £'000	exposure £'000
At the year end the Company had exposure to the following derivative instruments:				
Long CFDs	685	35,815	3,307	17,930
Short CFDs	(2,592)	(16,610)	236	(15,874)
Options - liabilities	(278)	(28,278)	(520)	(21,349)
Equity forwards - liabilities	–	–	(75)	(240)
	(2,185)	(9,073)	2,948	(19,533)

In the case of options, only the fair value has been recognised in the exposure column in the "Forty Largest Investment Exposures" on pages 8 and 9.

Fair value of derivatives recognised in the Balance Sheet:

	2010 fair value £'000	2009 fair value £'000
Derivative assets held at fair value through profit or loss	1,995	4,186
Derivative liabilities held at fair value through profit or loss	(4,180)	(1,238)
	(2,185)	2,948

	2010 £'000	2009 £'000
12 DEBTORS		
Securities sold for future settlement	1,366	4,680
Overseas taxation recoverable	41	51
REIT investment income taxation recoverable	–	2
Currency receivable	–	2,897
Accrued income	985	1,164
Other debtors	59	341
	2,451	9,135

13 CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	2010 £'000	2009 £'000
Fixed rate unsecured loan @ 5.435% per annum	–	27,000
Securities purchased for future settlement	2,743	11,008
Currency payable	–	2,901
Loan interest payable	–	145
Other creditors	1,038	820
	3,781	41,874

The fixed rate loan from Barclays Bank PLC of £7,000,000 (Tranche A) drawn down on 25 October 2004 and £20,000,000 (Tranche B) drawn on 26 January 2005 at an interest rate of 5.435% per annum were both repaid on 26 January 2010.

14 SHARE CAPITAL

	2010 £'000	2009 £'000
Issued, allotted and fully paid:		
Beginning of year		
56,938,896 (2008: 56,794,503) ordinary shares of 25 pence each	14,234	14,198
1 September 2009 to 31 August 2010: no ordinary shares of 25 pence each were issued (2009: 178,393)	–	45
1 September 2009 to 31 August 2010: no ordinary shares of 25 pence each were repurchased (2009: 34,000)	–	(9)
End of year		
56,938,896 (2009: 56,938,896) ordinary shares of 25 pence each	14,234	14,234

15 RESERVES

	share premium account £'000	capital redemption reserve £'000	other non-distributable reserve £'000	capital reserve £'000	revenue reserve £'000
Beginning of year	95,767	2,554	5,152	210,488	6,323
Exchange losses on other net assets	–	–	–	(117)	–
Net gains on investments for the year	–	–	–	3,613	–
Net losses on derivative instruments for the year	–	–	–	(5,219)	–
Net revenue return after taxation for the year	–	–	–	–	6,113
Dividend paid to shareholders	–	–	–	–	(5,125)
End of year	95,767	2,554	5,152	208,765	7,311

Notes to the Financial Statements

16 NET ASSET VALUE PER ORDINARY SHARE

The net asset value per ordinary share is based on net assets of £333,783,000 (2009: £334,518,000) and on 56,938,896 (2009: 56,938,896) ordinary shares, being the number of ordinary shares in issue at the year end.

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

	2010 £'000	2009 £'000
Net return before finance costs and taxation	5,037	25,979
Capital (loss)/return for the year	1,723	(19,302)
Net revenue return before finance costs and taxation	6,760	6,677
Scrip dividends	(5,851)	(6,076)
(Decrease)/increase in other creditors	(2,683)	2,929
Decrease/(increase) in other debtors	3,370	(560)
Overseas taxation suffered	(80)	(95)
Net cash inflow from operating activities	1,516	2,875

18 RECONCILIATION OF NET CASH MOVEMENTS TO MOVEMENT IN NET FUNDS/(DEBT)

	2010 £'000	2009 £'000
Net debt at beginning of the year	(18,913)	(9,342)
Net cash inflow/(outflow)	3,073	(8,475)
Fidelity Institutional Liquidity Fund plc*	–	(9,091)
5.435% fixed rate unsecured loan repaid	27,000	–
5.655% fixed rate unsecured loan repaid	–	8,000
Unrealised foreign exchange movement on other net assets	5	(5)
Change in net funds/(debt)	30,078	(9,571)
Net funds/(debt) at end of the year	11,165	(18,913)

*Fidelity Institutional Cash Fund plc changed its name to Fidelity Institutional Liquidity Fund plc on 5 July 2010.

	2010 £'000	Change in the year £'000	2009 £'000
Analysis of balances			
Cash at bank	11,165	3,078	8,087
Fixed rate unsecured loan	–	27,000	(27,000)
End of year	11,165	30,078	(18,913)

19 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 Business Review on pages 20 to 22. This Note is incorporated in accordance with FRS29 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
- Cash, liquid resources and short term debtors and creditors that arise from its operations
- Derivative instruments which comprise futures, equity forwards, CFDs and options listed on stocks and equity indices

The risks identified by FRS29 arising from the Company's financial instruments are market price risk (which comprises other price risk, interest rate risk and foreign currency exposure), liquidity risk, counterparty risk and credit 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

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 and changes in exchange rates. 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 Manager is responsible for actively monitoring the existing portfolio selected in accordance with the overall asset allocation parameters described above and seeks to ensure that individual stocks also meet an acceptable risk/reward profile. Other price risks arising from derivative positions, mainly to do with the underlying exposures, are estimated using Value at Risk and Stress Tests as set out in accordance with the Company's Derivative Risk Measurement and Management Document.

Interest rate risk

The Company finances its operations through share capital raised. In addition, financing had previously been obtained through a UK sterling denominated fixed rate unsecured bank loan, which was repaid on 26 January 2010. The Company still has gearing through the use of derivative instruments. The Board imposes limits to ensure gearing levels are appropriate to market conditions. The Company is exposed to a financial risk arising as a result of any increases in interest rates associated with the funding of the derivative instruments.

Interest rate risk profile of financial assets and liabilities

The Company is exposed to cash flow interest risk on the long and short CFDs, cash at bank and amounts held at futures clearing houses and brokers. The Company was exposed to a fair value interest rate risk on the fixed rate unsecured loan repaid during the year. The total exposure via long and short CFDs is shown in Note 11 on page 46 and cash at bank and amounts held at futures clearing houses and brokers are shown in the Balance Sheet on page 37.

Foreign currency risk

The Company's total return and balance sheet 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 sterling.

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

- Movements in rates affecting the value of investments
- Movements in rates affecting short term timing differences
- Movements in rates affecting the income received

The Company does not hedge the sterling value of investments or other net assets priced in other currencies by the use of derivative instruments. Derivative instruments have been used for gearing and investment rather than hedging purposes.

The Company might also be 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. Income denominated in foreign currencies is converted to sterling on receipt.

19 FINANCIAL INSTRUMENTS (continued)

– Currency exposure of financial assets

The Company's financial assets comprise equity investments, the fair value of the underlying securities within long CFDs, short term debtors and cash. The currency cash flow profile including the derivative exposures of these financial assets is shown below.

2010	investments designated at fair value through profit or loss £'000	long derivatives exposure held at fair value through profit or loss £'000	short term debtors book value £'000	cash* £'000	total £'000
UK sterling	316,209	12,786	2,149	13,630	344,774
Other currencies	7,454	23,029	302	5	30,790
	323,663	35,815	2,451	13,635	375,564

* Included in the cash balance are amounts held at futures clearing houses and brokers and cash at bank.

2009	investments designated at fair value through profit or loss £'000	long derivatives exposure held at fair value through profit or loss £'000	short term debtors book value £'000	cash* £'000	total £'000
UK sterling	341,252	14,853	8,995	8,336	373,436
Other currencies	14,127	3,077	140	594	17,938
	355,379	17,930	9,135	8,930	391,374

* Included in the cash balance are amounts held at futures clearing houses and brokers and cash at bank.

19 FINANCIAL INSTRUMENTS (continued)

– Currency exposure of financial liabilities

The Company finances its investment activities through its ordinary share capital, reserves and gearing via the use of derivative instruments.

The Company's financial liabilities comprise the fair value of underlying securities within short CFDs and written options and its short term creditors.

The currency cash flow profile of these financial liabilities is shown below.

2010	short derivatives exposure held at fair value through profit or loss £'000	UK sterling denominated unsecured loan £'000	short term creditors £'000	total £'000
UK sterling	38,002	–	3,779	41,781
Other currencies	6,886	–	2	6,888
	44,888	–	3,781	48,669

2009	short derivatives exposure held at fair value through profit or loss £'000	UK sterling denominated unsecured loan £'000	short term creditors £'000	total £'000
UK sterling	30,405	27,000	14,518	71,923
Other currencies	7,058	–	356	7,414
	37,463	27,000	14,874	79,337

Liquidity risk

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

Counterparty risk

All securities and derivative instruments are transacted with brokers and carry the risk that the counterparty to a transaction may not meet its financial obligations. All counterparties for any type of trading are assessed by an independent Credit Research and Analysis function and approved for use by any Fidelity managed company. Exposures to counterparties are monitored and reported frequently. Margin on exchange-traded derivatives mitigates counterparty risk exposure in accordance with the terms outlined in market standard (ISDA) derivative legal contracts.

Credit risk

Investments may be adversely affected if any of the institutions with which money is deposited suffers 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 and limits are set on the amount that may 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 the derivative instruments at fair value.

Notes to the Financial Statements

19 FINANCIAL INSTRUMENTS (continued)

DERIVATIVE INSTRUMENTS

The risks and risk management processes which result from the use of derivative instruments, are set out in a documented "Derivative Risk Measurement and Management Document", details of which can be seen in the other risk categories disclosed on pages 49 to 51.

As set out in a documented Derivative Instrument Charter, the derivative instruments are used by the Manager for the following purposes:

- To gain unfunded long exposure to equity markets, sectors or single stocks. "Unfunded" exposure is exposure gained without an initial flow of capital.
- To hedge equity market risk via derivatives with the intention of at least partially mitigating losses in the exposures in the Company's portfolio as a result of falls in the equity market.
- To enhance portfolio returns by writing call and put options.
- To position "short" exposures in the Company's portfolio. These uncovered exposures benefit from falls in the prices of shares which the Portfolio Manager believes to be over valued. These positions therefore distinguish themselves from other short exposures held for hedging purposes since they are expected to add risk to the portfolio.

The risk and performance contribution of these instruments to the Company's portfolio is overseen by a specialist derivatives team which draws on over forty years of specialist experience in derivative risk management. This team draws upon sophisticated portfolio risk assessment tools to advise the Manager on portfolio construction.

RISK SENSITIVITY ANALYSIS

Other price risk sensitivity analysis

Changes in market prices other than those arising from interest rate risk or foreign currency risk may also affect the value of the Company's net assets. Details of how the Board sets risk parameters and performance objectives can be found on pages 21 and 22 of the Directors' Report.

An increase of 10% in the fair value of the investments (excluding derivatives) at 31 August 2010 would have increased total net assets and total return on ordinary activities by £32,366,000 (2009: £35,538,000). A decrease of 10% would have had an equal but opposite effect. The analysis for 2009 is performed on the same basis.

Interest rate risk sensitivity analysis

At 31 August 2010, if interest rates had increased by 0.5% the total return on ordinary activities would have increased by £37,000 (2009: £53,000). A decrease in the interest rates by 0.5% would have had an equal but opposite effect. The analysis for 2009 is performed on the same basis.

Foreign currency risk sensitivity analysis

At 31 August 2010, if sterling had strengthened by 10% against the foreign currency exposures, with all other variables held constant, total net assets and total return on ordinary activities would have decreased by £577,000 (2009: £1,383,000). A 10% weakening of sterling against the foreign currency exposures, with all other variables held constant, would have increased total net assets and total return on ordinary activities by £705,000 (2009: £1,690,000). The analysis for 2009 is performed on the same basis.

Derivative instruments exposure sensitivity analysis

Equity derivatives

The Company invests in CFDs to gain exposure to the equity markets. A 10% fall in the price of shares underlying the CFDs at 31 August 2010 would have resulted in a decrease of £1,921,000 (2009: £206,000) in the Company's total net asset value. A rise of 10% would have had an equal but opposite effect. The analysis for 2009 is performed on the same basis.

At the year end the Company had no equity forwards exposure to the equity markets (2009: £24,000).

At the year end the Company had no futures exposure to the equity markets (2009: nil).

Options

The Company writes call options on selected underlying equity positions, receiving a premium, but obligating it to sell the physical stock at a fixed price. Using the deltas of the options at 31 August 2010, where an option's delta is a ratio that compares the change in the price of the underlying equity to the corresponding change in the price of the option, a 10% change in the price of the underlying equities would have resulted in a decrease of £88,000 (2009: £323,000) in the Company's total net asset value. The analysis for 2009 is performed on the same basis.

19 FINANCIAL INSTRUMENTS (continued)

Options (continued)
The Company also writes put options on selected underlying equity positions, receiving a premium, but obligating it to purchase the physical stock at a fixed price. Using the deltas of the options at 31 August 2010, where an option's delta is a ratio that compares the change in the price of the underlying equity to the corresponding change in the price of the option, a 10% change in the price of the underlying equities would have resulted in an increase of £287,000 (2009: £62,000) in the Company's total net asset value. The analysis for 2009 is performed on the same basis.

For details of the Company's derivative instruments exposure see Note 11 on page 46.

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES
As explained in Note 1(g) on page 40 investments are shown at fair value which is the bid or last market price. 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. The exception was the UK sterling denominated fixed rate unsecured loan, which was repaid on 26 January 2010.

	2010		2009	
	fair value £'000	book value £'000	fair value £'000	book value £'000
Fixed rate unsecured loan @ 5.435% per annum	–	–	27,416	27,000

FAIR VALUE HIERARCHY
In 2009 the Accounting Standards Board amended FRS29 and requires financial companies 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 the Accounting Policies Note 1(g) on page 40. All investments held by the Company as at 31 August 2010 are considered to fall within Level 1 with the exception of £2,185,000 of derivatives which fall within Level 2 and £86,000 of unlisted investments which fall within Level 3.

CAPITAL MANAGEMENT
The Company does not have any externally imposed capital requirements. The capital of the Company is disclosed in the Balance Sheet on page 37 and is managed in accordance with its investment policy in pursuit of its investment objective, both of which are detailed on pages 18 to 20 of the Directors' Report. The principal risks and their management are disclosed on pages 21 and 22.

20 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

There were no contingent liabilities or capital commitments as at 31 August 2010 (2009: nil).

21 TRANSACTIONS WITH THE MANAGER

The Directors have complied with the provisions of FRS8 which require disclosure of related party transactions and balances. FIL Investments International is the Manager and Secretary of the Company and details of the services provided and fees paid are given on pages 24 and 25.

Notice of Meeting

Notice is hereby given that the Annual General Meeting of Fidelity Special Values PLC will be held at 25 Cannon Street, London EC4M 5TA on 15 December 2010 at 11.30am for the following purposes:

ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and financial statements for the year ended 31 August 2010.

2. To approve a final dividend.

3. To elect Mrs Sharon Brown as a Director.

4. To elect Mr Andrew Irvine as a Director.

5. To re-elect Mr Ben Thomson as a Director

6. To re-elect Mr Douglas Kinloch Anderson as a Director.

7. To re-elect Ms Nicky McCabe as a Director.

8. To re-elect Ms Lynn Ruddick as a Director.

9. To approve the Directors' Remuneration Report for the year ended 31 August 2010.

10. 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.

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

SPECIAL BUSINESS

Resolutions 12 and 13 will, if approved, authorise the Directors to allot a limited number of the currently unissued ordinary shares for cash without first offering such shares to existing ordinary shareholders pro rata to their existing holdings. The limit set by the Board is 10% of the number of ordinary shares of the Company in issue on 5 November 2010. The Directors will only issue new shares 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.

To consider and, if thought fit, to pass the following resolutions which will be proposed, resolution 12 as an ordinary resolution and resolution 13 as a special resolution:

12. THAT the Directors be and they are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot relevant securities (as defined in that section) up to an aggregate nominal amount of £1,423,472 (approximately 10% of the aggregate nominal amount of the issued share capital of the Company as at 5 November 2010) 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.

13. THAT, subject to the passing of Resolution 12 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) pursuant to the authority given by the said Resolution 12 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 or legal or practical problems under the laws of, or the requirements of, any regulatory body or any stock exchange in any territory or otherwise); and

b) to the allotment (otherwise than pursuant to a rights issue) of equity securities up to an aggregate nominal amount of £1,423,472 (approximately 10% of the aggregate nominal amount of the issued share capital of the Company as at 5 November 2010); and

c) to the allotment of equity securities at a price of not less than the net asset value per share

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

Resolution 14 is a special resolution which, if approved, will renew the Company's authority to purchase up to 14.99% of the number of ordinary shares in issue on

5 November 2010 for cancellation. Purchases of ordinary shares will be at the discretion of the Board and within guidelines set from time to time by the Board in the light 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 increased net asset value per share.

14. THAT the Company be and is hereby generally and unconditionally authorised in accordance with Section 693 of the Companies Act 2006 (the "Act") to make market purchases (within the meaning of Section 693 of the Act) of shares of 25p each in the capital of the Company (the "shares") provided that:

a) the maximum number of shares hereby authorised to be purchased shall be 8,535,140;

b) the minimum price which may be paid for a share is 25p;

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.

Resolution 15 is an ordinary resolution, which relates to the continuation of the Company as an investment trust.

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

By order of the Board

FIL Investments International
Secretary
12 November 2010

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

Notes to Notice of Meeting

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 11.30am on 13 December 2010. 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 Registrars, P O Box 25, Beckenham, Kent BR3 4BR 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 11.30am on 13 December 2010. 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 11.30am on 13 December 2010.

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 11.30am on 13 December 2010.

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 paragraph 1 above does not apply to Nominated Persons. The right described in that paragraph can only be exercised by members of the Company.

8. If the Chairman, as a result of any proxy appointments, is given discretion as to how the votes which are the subject of those proxies are cast and the voting rights in respect of those discretionary proxies, when added to the interests in the Company's securities already held by the Chairman, result in the Chairman holding such number of voting rights that he has a notifiable obligation under the Disclosure and Transparency Rules, the Chairman will make the necessary notifications to the Company and the Financial Services Authority. As a result, any member holding 3 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 Services 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 6.00pm on 13 December 2010. If the meeting is adjourned then, to be so entitled, members must be entered on the Register of Members at 6.00pm 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 5 November 2010 (the latest practicable date prior to the publication of this document) the Company's issued ordinary share capital consisted of 56,938,896 ordinary shares carrying one vote each. Therefore, the total number of voting rights in the Company as at 5 November 2010 was 56,938,896.

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 that 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 annual reports and financial statements were laid. 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 Sections 338 and 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 1 November 2010, 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

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

Investing in Fidelity Special Values PLC

The Manager of the Company – FIL Investments International – offers a range of options, so you can invest in the way that is best for you. As Fidelity Special Values PLC is a listed company 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.

The maximum investment in a stocks and shares ISA is £10,200 for the 2010/11 tax year.

The full amount may be invested in a Stocks and Shares ISA, or £5,100 in a Cash ISA and the balance in a Stocks and Shares ISA. The minimum investment 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 – The standard initial charge for the Fidelity ISA is 3.5%. If you download the application via our website the initial charge is jut 1.25%. There is an additional annual charge of 0.5% + VAT when you invest through a Financial Adviser. There are no other charges for the Fidelity ISA but the Company pays an annual management charge to Fidelity of 0.875% of net assets for investment management and £600,000 for non-portfolio management services as set out in the Annual Report.

MOVING MONEY FROM ISAS

If you have opened ISAs with other investment companies, you can move them into the Fidelity ISA and invest in Fidelity Special 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 – a standard initial charge applies if you transfer of 3.5%. You will 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.

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 Special Values PLC. The minimum investment is £1,000 as a lump sum, £250 as an additional top-up or as little as £50 a month through the regular savings plan.

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. A Guide on investing for children through investment trusts is available for free from Fidelity.

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 an Independent Financial Adviser, there may be an initial charge of up to 3%.

Holding shares directly – If you have shares in Fidelity Special Values PLC that you bought through a broker or share dealing site you can transfer them into the Fidelity Investment Trust Share Plan. Doing this 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.

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, or to the Company direct.

INVESTING ONLINE

You can invest online in Fidelity Special Values PLC shares via www.fidelity.co.uk/sharenetwork. Fidelity 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 (there is no extra charge for holding shares 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 personal CREST 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. Fidelity ShareNetwork has a very competitive cost structure.

Investing in Fidelity Special Values PLC

The Share Dealing Service, ShareNetwork, is provided by Xest which is the online trading division of Charles Stanley & Co Limited, a leading London stockbroker.

Share purchases or sales are executed online 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 per month, however many different shares you own and whatever their value.

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.

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 Registrars, Registrars to Fidelity Special Values PLC, Northern House, Woodsome Park, Fenay Bridge, Huddersfield, West Yorkshire HD8 0GA.
Telephone: 0871 664 0300
(calls cost 10p per minute plus network extras.
Lines are open 8:30am - 5:30pm Monday to Friday)
Email: ssd@capitaregistrars.com

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

Fidelity Share Plan investors

BNP Paribas Securities Services, Block C, Western House, Lynchwood Business Park, Peterborough, PE2 6BP.
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 Investment Managers, Oakhill House, 130 Tonbridge Road, Hildenborough, Tonbridge, Kent TN11 9DZ
www.fidelity.co.uk/its

Fidelity ShareNetwork

http://www.fidelity.co.uk/sharenetwork

General enquiries should be made to FIL Investments International, 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 36 11 44
Fax: 01737 83 68 92
www.fidelity.co.uk/its

ONLINE SHAREHOLDER SERVICES – SHARE PORTAL

Through the website of our Registrars, Capita Registrars, 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** – This allows you to change your registered postal address and add, change or delete dividend mandate instructions. You can also download from this site forms such as change of address, stock transfer and dividend mandate as well as buy and sell shares in the Company.

To make use of any of these facilities, please log on to the Capita Registrars website at www.capitashareportal.com and follow the links to the Share Portal.

Should you have any queries in respect of the above facilities, please do not hesitate to contact the Capita Share Portal helpline on 0871 664 0391 (calls cost 10p plus network extras), overseas +44 20 8639 3367, or by e-mail at shareportal@capita.co.uk

Capita Share Dealing Services

You can make use of a low cost share dealing service provided by Capita Registrars 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 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.

Investing in Fidelity Special Values PLC

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 - Saturday.

Alternatively, you may like to visit the Fidelity London Investor Centre at 25 Cannon Street, near 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") is 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 Services Authority. The Fidelity Investment Trust Share Plan is administered by BNP Paribas Securities Services and shares will be held in the name of Puddle Dock 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. Issued by Fidelity Special Values PLC.

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 other more 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 already have been acted upon by Fidelity.

WARNING TO SHAREHOLDERS – BOILER ROOM SCAMS

Many companies are aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based 'brokers' who target UK shareholders, offering to sell them what often turn out to be worthless or high risk shares in US or UK investments. These operations are commonly known as 'boiler rooms'. These 'brokers' can be very persistent and extremely persuasive, and a 2006 survey by the Financial Services Authority ("FSA") reported that the average amount lost by investors is around £20,000. It is not just the novice investor that has been duped in this way; many of the victims had been successfully investing for several years. Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports.

If you receive any unsolicited investment advice:

- Make sure you get the correct name of the person and organisation
- Check that they are properly authorised by the FSA before getting involved by visiting www.fsa.gov.uk/register
- Report the matter to the FSA either by calling 0845 606 1234 or visiting www.moneymadeclear.fsa.gov.uk
- If the calls persist, hang up.

If you deal with an unauthorised firm, you will not be eligible to receive payment under the Financial Services Compensation Scheme. The FSA can be contacted by completing an online form at www.fsa.gov.uk/pages/doing/regulated/law/alerts/overseas.html

Details of any share dealing facilities that the Company endorses will be included in Company mailings.

More detailed information on this or similar activity can be found on the FSA website www.moneymadeclear.fsa.gov.uk

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