Fidelity Special Values PLC

Annual Report

For the year ended 31 August 2008

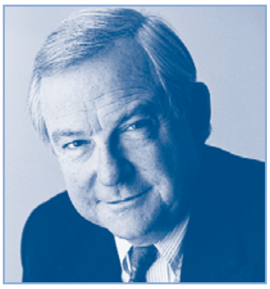
Managed by

Fidelity INTERNATIONAL

The Association of Investment Companies

Contents

Objective and Financial Calendar



Alex Hammond-Chambers,
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 2008

31 August – financial year end

30 October – announcement of results

11 November – publication of this Annual Report

11 December – Annual General Meeting

18 December – dividend payment date

January – Interim Management Statement (as at 30 November 2008)

28 February – half-year end

April – announcement of half-yearly results to 28 February

May – publication of half-yearly financial report

July – Interim Management Statement (as at 31 May 2009)

Highlights

	Year ended 31 August 2008
Net Asset Value ("NAV") (capital only)	-10.9%
Share Price (capital only)	-18.7%
FTSE All-Share Index (capital only)	-12.0%
Equity Shareholders' Funds	£319.3m
Market Capitalisation	£273.5m
Dividend per Share	17.0p

Capital Structure: Ordinary Shares of 25p 56,794,503 in issue

Standardised Performance Total Return %

	01/09/2003 to 31/08/2004	01/09/2004 to 31/08/2005	01/09/2005 to 31/08/2006	01/09/2006 to 31/08/2007	01/09/2007 to 31/08/2008
NAV (debt at par)	+19.9	+35.8	+19.4	+15.9	-9.8
Share price	+16.2	+30.4	+16.0	+14.3	-17.6
FTSE All-Share Index	+10.8	+24.1	+16.8	+11.8	-8.7

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

Financial Summary

	2008	2007
Assets at 31 August		
Total assets employed[1]	£354.26m	£416.59m
Shareholders' funds	£319.26m	£376.59m
Potential gearing	11.0%	10.6%
Actual gearing[2]	3.4%	2.8%
NAV per share	562.13p	630.75p
Dividend for the year to 31 August		
Final dividend per ordinary share	17.00p	7.50p
Share price data at 31 August		
Share price year end	481.50p	592.00p
high	596.00p	619.50p
low	407.00p	506.00p
Discount at year end	(14.3)%	(6.1)%
high	(4.8)%	(2.7)%
low	(14.7)%	(9.2)%
Total returns (includes reinvested income) for the year to 31 August (%)		
NAV	-9.8	+15.9
Share price	-17.6	+14.3
FTSE All-Share Index	-8.7	+11.8
Total expense ratio[3]	1.14%	1.32%

1 Total assets less liabilities, excluding fixed term loan liabilities
2 Includes cash held and investment in cash funds; excludes amounts held at futures clearing houses and brokers and any effect from Contracts for Difference
3 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

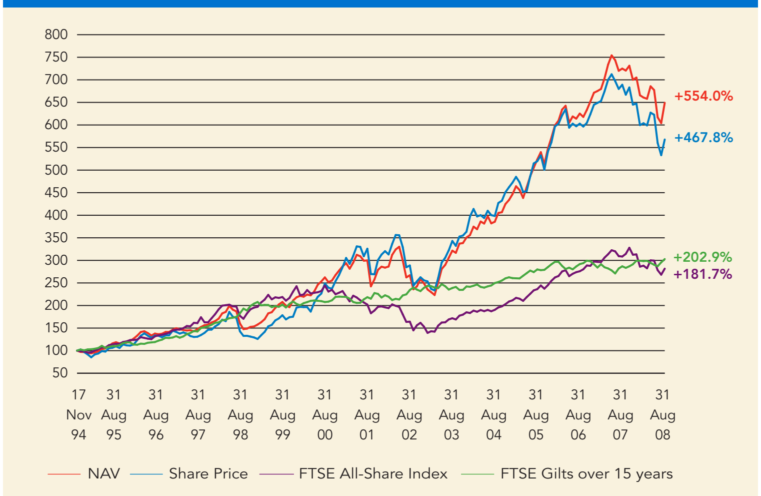
Chairman's Statement

THE FINANCIAL CRISIS:

This year's statement is rather like describing the scene of a hurricane while it is still blowing but before it has blown out; something else seems to get blown over every passing moment. The course of events over the past few weeks has been unfolding with new drama almost on a day to day basis. It has made reporting on last year's results seem almost irrelevant. I will comment on them below but suffice it to say that, at the time of writing, the UK stockmarket has quite literally collapsed; it, as measured by the FTSE All-Share Index, our benchmark, has declined by circa 26% in just under 9 weeks since our year end and represents a stockmarket crash not experienced by many people working in the investment business today.

It would be pointless of me to go into the detail of the events or indeed of the underlying causes of them as more than enough has been written about them in our newspapers and spoken about them on our television sets. The fact that it is ending up with the effective nationalisation of a number of our banks underlines how very serious a state of affairs it is; at times it has been a very frightening one too. Our financial system, which thrives and survives on trust and confidence, has been abused and discredited and has flirted with complete destruction. Hardly anyone involved in it can escape some sort of blame – whether it be large in the case of the Government, the banks, consultants and professional investors – or even the consumers who have increased their debts to unsustainable levels. Meanwhile, the stockmarket is being used by a number of professional investors, including many hedge fund managers, as a casino, forgetting the important concepts of prudence and preservation of capital and gambling with other people's money on short term share price movements for the sake of their performance fees. The consequence of enormous greed and some dishonesty within the financial sector is this horrendous financial hurricane.

Total return performance since launch to 31 August 2008



Sources: Fidelity, Datastream and Morningstar as at 31 August 2008
Basis: bid-bid with net income reinvested

Before commenting on the results for the year below, which, I am afraid, are now of rather academic interest, I think it would be appropriate to bring shareholders up to date with the net asset value at the time of writing this statement on 29 October 2008. As I mentioned above the market, as measured by our benchmark, has declined by 26% since our year end; our own net asset value has fallen by 28.5% to 402.1p per share and our share price by 24% to 367.0p (where it stands on a discount of 8.7%).

I should also make an important observation about very severe bear markets. The share prices of good, well managed, financially sound companies can fall just as far as those of bad companies because those investors needing to raise cash in such circumstances may have little other option but to sell their shareholdings in these companies. So the short term net asset value of a portfolio of good companies may not reflect the underlying performance of the companies invested in. In time however the good companies' share prices will reflect their quality and then outperform the market.

The Results Summary and the Long Term Record contain the bare facts.

THE YEAR'S RESULTS:

NAV:	562.1P	-10.9%;
SHARE PRICE:	481.5P	-18.7%;
BENCHMARK:		-12.0%;
DIVIDENDS:	17.0P	(2007: 7.5P)

The net asset value declined by 68.6p from 630.7p to 562.1p per share, a fall of 10.9%. The causes behind it were, in summary, the fall in the UK stockmarket – it declined 12.0% – and our modest gearing; the combined effect of these were offset by the buying back of our own shares and our own portfolio management.

In that respect shareholders will be aware that we have hedged the portfolio against stockmarket declines in the past. In recent times we have extended our hedging activity to include selling shares short and making other derivative investments. It should be noted that this has and continues to be on a relatively small scale.

These portfolio activities, which added to our net asset value (+11.5p per share), have offset the effect of the bear market on our own net asset value. The selection of individual stocks and shares in the portfolio, however, detracted very slightly from our returns (-7.0p per share); we benefited from our exposure to oil and gas producers but our exposure to holdings in the banking and media more than offset such gains. The numerical details, reflecting all these factors, are contained in this Annual Report.

The share price fared rather worse, declining by 110.5p or 18.7% from 592.0p to 481.5p. The uncertainties concerning the stockmarket meant that the discount of investment trust shares in general (to their underlying net asset value) widened and that of our own proved to be no exception; that normally happens during bear markets. Thus our discount at the end of our financial year had risen from 6.1% to 14.3%. During the last few weeks of ultra turbulent stockmarkets the discount has been very volatile and, as noted earlier, it stood at 8.7% at 29 October. Your Directors are keeping a close watch on it and maintain a policy of trying to keep a low discount during normal and stable times.

The income earned from the portfolio continues to remain at a high level, in large part because we have had a large commitment to the shares of higher yielding, large capitalisation companies. Our net income amounted to £9.9 million (17.2p per share), a very large increase on the £4.4 million (6.9p per share) earned the year before; circa £2 million arose from much higher levels of income earned from the portfolio, while the management fee fell by approximately £1 million; £2.3 million of the increase is accounted for by the accrual for the recovery of VAT. The Directors are recommending to you the payment of a dividend of 17.0p per share payable on 18 December 2008, to shareholders on the share register on 14 November 2008. The ex dividend date is 12 November 2008.

It is important to remember that the portfolio is managed for capital growth, so that the income earned each year will vary according to its make up. There will be years when the dividend rises and others when it falls.

THE LONG TERM RETURNS (OVER FIVE YEARS):

NAV:	+ 97.0%
SHARE PRICE:	+ 60.2%
BENCHMARK:	+ 38.9%

Time and again we have made the point that we are in business to make money for shareholders over the longer term which we regard as being at least five years. Given the state of stockmarkets that hasn't been easy in recent times. However over the last five years to 31 August 2008 the net asset value has increased by 97.0%, the share price by 60.2% and the stockmarket by 38.9%, so at least that goal has been achieved. It is an important assessment that your Directors make each year because it is this record that we use in our annual assessment of our manager, Fidelity International. Both because of the long term record and because of the other aspects of its performance, the Board had no difficulty in concluding that Fidelity should remain as the manager of the Company.

OUTLOOK AND PROSPECTS: UNCERTAIN IN THE SHORTER TERM; OPTIMISTIC IN THE LONGER TERM.

There can be little doubt that we are at an historical watershed and that the future course of the global economy and of its stockmarkets will be quite different from that experienced in the last fifteen or so years. The economic fall-out from years of overindulgence is what we will have to live with; in the first instance it will be one of recession, possibly quite severe and on a world wide basis – most notably in the United States and in Europe, quite probably in Japan and just possibly in China and India. Thereafter there is likely to be an era rather similar to that experienced by Japan in the fifteen or so years following its financial collapse at the beginning of the 1990s – one of low economic growth, of deflation and low interest rates, of reduced company profits and cut dividends. We should be able to solve our own problems rather more quickly than the Japanese did but we do not have the benefit of the huge savings rate that they had and have.

Chairman's Statement

The five year returns are as follows:

Shareholders' Returns	31 Aug 2003	31 Aug 2008	Company's Returns	31 Aug 2003	31 Aug 2008
Share price	300.5p	481.5p	NAV	298.7p	562.1p
Increase		181.0p	Increase		263.5p
Dividends		16.4p	Dividends		16.4p
Total Return		197.0p	Total Return		281.5p
Total Return		10.6% pa	Total Return		14.2% pa
Peer Group (share price total return)		9.3% pa	Benchmark (FTSE All-Share Index total return)		10.4% pa

It will be a brave new world but, having said all of that, I believe there are reasons to be *quite optimistic in the longer term* – two important reasons in particular. Firstly – recessions are unfortunately a necessary evil in that, while they are unpleasant experiences, they clean up the economic system, causing poorly managed companies and businesses either to go out of business or to change their ways. From recessions emerge financially sounder and better managed companies and thence a much more sound economy with good growth potential. Secondly – crises are times of both great risk and great opportunity. The likely longer term consequences of our current financial crisis and its attendant recession include:

- better economic and corporate management,
- sounder banking practices, accompanied by much more regulation,
- greater levels of personal savings and lower levels of consumer debt,
- longer term horizons for business decisions, particularly investment decisions,
- some very good investment opportunities.

Tomorrow's investment world is likely to be very different from the past, focusing on longer term returns. Because economic growth is also likely to be low and slow and because valuations will be suppressed, investors will focus on growth companies (whether large, medium sized or small), investing will be about choosing the right sector by economic assessment (not from index weightings); because times will be tough it will also be about investing in companies with good management and sound finances, not about business models. The UK's economy is likely to be one of the less robust and so investment will have to focus increasingly on companies with significant overseas business, particularly on those exposed to the growth economies of the emerging market countries.

Ultimately our prospects depend on ourselves. In that respect we have one of the leading investment management companies of the world, Fidelity, looking after our affairs; it has huge and talented resources; our portfolio manager Sanjeev Shah has made a good start *relative to our benchmark* and your Board is impressed with his calm and his confidence. Tracey Cousins, who acts as the Company Secretary, and her colleagues do a good job in supporting your Company. If I may be allowed to say so, I believe that you have an excellent Board of Directors with a good blend of experience – experience of your Company, of Fidelity, of sound investing and of stockmarkets, including crashes; experience is certainly the most important attribute of any board of directors at this time. Your Company is in good hands.

Your Directors are of the view that, over the next five years, which is – to repeat – the time scale we use, the net asset value is likely to rise and, in turn, shareholders are likely to make money from this point in time. Share prices generally may not have reached lows in the stockmarket but excellent money making opportunities are being thrown up – once a long term time scale is taken into account. It is difficult to see opportunities during times of crisis but they are always there. I am sure that five years from now we will have identified them and, more importantly, profited from them.

THE ANNUAL GENERAL MEETING: THURSDAY 11 DECEMBER AT 11.30 AM

The Annual General Meeting will be held at Fidelity's offices at 25 Cannon Street (St Paul's or Mansion House tube stations) 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. With stockmarkets in such a state of chaos, Sanjeev Shah's presentation to shareholders will be of particular interest. He took over the management of the portfolio from Anthony Bolton at the beginning of January and he has so far made a good start – relative to the performance of the market. In the eight months up until our year end the net asset value under his stewardship fell by 7.2% against a fall in the market of 12.7% – an outperformance of 6.3%.

As shareholders know, each Director puts his or her name up for re-election each year. This year shareholders will be asked to approve for the first time the appointment of Ben Thomson who joined the Board earlier in the year. Ben is chairman of Noble Group, an Edinburgh based investment bank and is also a director of a number of other organisations, including other investment trust companies. He has already made a good and thought provoking contribution to the Board’s governance and we are confident that he will make a considerable difference to the Company over the years.

Alex Hammond-Chambers
Chairman
30 October 2008

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 June 2008, had total assets under management exceeding £129.5 billion.

Sanjeev Shah (age 38)
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. Mr Shah took responsibility for the Company's portfolio on 1 January 2008.

UK MARKET REVIEW

- GDP growth decelerated during the second quarter of 2008, and the annual growth of 1.4% was the weakest since 1992.
- Inflation rose to more than double the Bank of England's ("BoE") target, reaching 4.4% in July 2008.
- The BoE reduced the base rate of interest three times by a quarter of a percentage point each to 5.00%.
- The UK market declined over the review period, as the financial crisis deepened.

The outlook for GDP growth deteriorated over the 12-month period; the Office for National Statistics revised downwards its second-quarter economic growth estimates from 0.2% to 0.0%, following a reassessment of activity in the production, construction and services industries. Indeed, the economy declined in the third quarter to the end of September.

The UK stock market returned -8.7% during the year to 31 August 2008, as concerns about the wider impact of the financial market turmoil persisted. The fallout of the credit crisis prompted global central banks, including the BoE, to reduce interest rates and announce several measures to increase banking liquidity. Against a backdrop of tightening lending conditions, there were signs of deceleration in the housing market and consumer-related sectors, which held back returns from financial, property and retail stocks. Rising oil prices led to heightened inflationary pressures. On a positive note, takeover activity continued to support some stocks.

Oil equipment services firms were the best performers, as they benefited from buoyant demand from the energy sector. Mining stocks also advanced due to persistent merger and acquisition speculation, notably BHP Billiton's unsolicited bid for Rio Tinto. During the period, sterling weakened against the dollar from $2.02 to $1.83. This improved the prospects for those companies with significant sales in the US.

Since the year end the market has continued to decline, falling a further 26% at the time of writing. The main contributors to this decline have been the mining and bank shares.

PORTFOLIO MANAGER'S REVIEW

During the 12 months to 31 August 2008, the Company's portfolio returned -9.8% (total return basis), underperforming the FTSE All-Share Index at -8.7%.

Since the start of the calendar year, I have had a relatively cautious view on the prospects for the stock market given the evolving financial crisis and the earnings risk to many global cyclical sectors. In early 2008 we hedged the value of approximately 20% of the Company's portfolio against market declines through investments in appropriate derivatives. This protection was closed during March after the market had declined by approximately 15%. The cautious view has also resulted in having a large exposure to defensive areas such as pharmaceuticals which has contributed positively to performance. The overall exposure to large capitalisation companies, at over 60%, is the highest it has been over a 14 year history, as I have been concerned that smaller companies in general would be less able to weather an economic downturn.

Areas of the market where I saw a significant risk to earnings and valuations have been the global cyclical sectors, such as mining, energy and capital goods. As a result of the past strong economic growth and trend to globalisation, these sectors reached historic high earnings and valuations. Although this position hurt portfolio performance during the early part of the year, mining shares have now declined close to 70% from their peak.

A key exposure since the start of the year has been to structural growth companies which are less impacted by the economic cycle. Companies in the media sector, such as Reed Elsevier and Pearson, have exhibited strong growth and have contributed positively to performance. Reed operates in more defensive areas such as healthcare and legal and has benefited from the shift to digital content. I have also had large exposure to stocks in the support service and leisure area which exhibit solid growth, such as XChanging and Compass. Both of these companies have been top 20 holdings and have added to performance. I have also been increasing my exposure to companies which are benefiting from the shift to online in their business model. Examples include gaming stocks and electrical distributors, such as Premier Farnell.

As the financial crisis has evolved through the year, I have been increasing my exposure to both banks and non-bank financials, as several stocks were trading at less than their book value and they were under-owned by other investors. However, this proved to be too early in the case of banks, such as HBOS and RBOS which have detracted from performance HSBC, which remains the largest bank in the Company's portfolio, continues to fare relatively well. Longer term I believe the combined Lloyds-HBOS franchise will do well given its strengthened market position. Non bank financials such as Provident Financial and commercial property stocks have added to performance.

Over the last 6 months I have started to increase my exposure gradually to some of the domestic cyclical sectors, such as housebuilders and general retail, given their fall in valuation. I have paid close attention to companies with strong balance sheets and sustainable long term franchises.

OUTLOOK

Given my relatively cautious view, the net borrowings have been kept at a low level for a large part of the year. However after the market decline since the Company's year end, I have decided to increase gearing marginally. I continue to have little exposure to global cyclical companies including miners and producers of capital goods. I do want to continue holding HSBC and the potential new Lloyds-HBOS merged company. In this environment of slowing economic growth, I continue to have exposure to structural growth companies. Interest rate sensitive stocks have already discounted much of the downside and some interesting opportunities are now appearing in the domestic cyclicals. The spread of valuations in the market has widened significantly and this should provide a better environment for picking mis-valued stocks. Overall as a contrarian investor I am beginning to find an increasing number of longer term investment opportunities

FIL Investments International
30 October 2008

Forty Largest Investments as at 31 August 2008

Holding	Market Value £'000	%[1]
HSBC Banking and financial services organisation	15,093	4.3
Reed Elsevier International publishing company	14,425	4.1
AstraZeneca Pharmaceutical company	14,013	4.0
Royal Dutch Shell 'A' Oil and gas company	11,834	3.3
HBOS Diversified financial services group	10,608	3.0
Pearson Global publishing company	10,550	3.0
GlaxoSmithKline Pharmaceutical company	10,383	2.9
Premier Farnell Electronic components and equipment distributing company	10,241	2.9
Vodafone Group Mobile telecommunications company	9,315	2.6
Provident Financial International personal finance and insurance company	8,931	2.5
Top 10 Holdings (2007: 33.9%)	**115,393**	**32.6**
British Land Property company	8,586	2.4
Compass Group International food service provider	8,355	2.4
BSkyB Broadcasting company	8,200	2.3
Sainsbury Grocery and related retailing and financial services company	7,102	2.0
Smith & Nephew Develops and markets advanced medical devices	7,036	2.0
LogicaCMG Information technology consultancy services provider	6,744	1.8
Royal Bank of Scotland Global financial services group	6,412	1.8
Xchanging Insurance and financial markets processing services provider	6,406	1.8
Roche Swiss pharmaceutical company	6,268	1.8
Shire Speciality pharmaceutical company	5,857	1.7
Top 20 Holdings (2007: 52.0%)	**186,359**	**52.6**

Forty Largest Investments as at 31 August 2008

Holding	Market Value £'000	%[1]
UBS Global financial services provider	5,491	1.6
BG Oil and gas company	5,381	1.5
ITV Media company	5,322	1.5
Friends Provident Life, pensions and asset management company	4,389	1.3
HMV Music, books and videos retailer	4,358	1.2
Aegis Investment holding company	4,316	1.2
Land Securities Real estate investment trust	4,289	1.2
United Business Media Global business media company	3,995	1.1
MW Tops Guernsey based closed-end investment company	3,928	1.1
Royal Dutch Shell 'B' Oil and gas company	3,774	1.1
Novae Specialist insurance and reinsurance underwriter	3,562	1.0
StatoilHydro Norwegian oil and gas company	3,538	1.0
Alliance & Leicester Financial services company	3,528	1.0
Eurotunnel warrants Channel tunnel operator	3,190	0.9
Sportingbet Online sports and betting company	3,048	0.9
London & Stamford Property Closed-end investment company	2,848	0.8
Misys Industry specific software provider	2,553	0.7
Kingfisher International home improvement retailer	2,255	0.6
Cairn Energy Oil and gas company	1,972	0.6
Barclays Global financial services group	1,895	0.5
Top 40 Holdings (2007: 69.3%)	**259,991**	**73.4**
Other Holdings (110)	**71,321**	**20.1**
	331,312	**93.5**
Cash & other net current assets	22,945	6.5
	354,257	100.0

1 % total assets less current liabilities, excluding fixed term loan liabilities

The portfolio turnover rate for the year was 91% (2007: 98%) (measures the volume of portfolio transactions)

A full list of the Company's portfolio has not been included in the annual report but will be made available on the Company's page on the Manager's website

Distribution of the Portfolio[1] as at 31 August 2008

Investments (including derivatives)	UK	Overseas	Total	2007	Index[2]
Financials					
Banks	11.1	1.6	12.7	1.7	14.4
Real Estate	6.3	–	6.3	3.2	1.7
General Financial	5.0	–	5.0	4.8	2.2
Non-life Insurance	1.5	–	1.5	2.6	0.8
Life Insurance	1.3	–	1.3	0.7	3.0
Equity Investment Trusts	–	–	–	–	2.8
	25.2	1.6	26.8	13.0	24.9
Consumer Services					
Media	15.2	0.7	15.9	16.4	2.5
Travel & Leisure	3.7	1.0	4.7	4.4	2.5
General Retailers	3.1	–	3.1	2.5	1.4
Food & Drug Retailers	2.0	–	2.0	4.2	2.8
	24.0	1.7	25.7	25.7	9.2
Health Care					
Pharmaceuticals & Biotechnology	8.9	2.1	11.0	6.5	7.3
Health Care Equipment & Services	2.1	0.3	2.4	1.7	0.4
	11.0	2.4	13.4	8.2	7.7
Oil & Gas					
Oil & Gas Producers	8.5	1.6	10.1	9.9	17.6
Oil Equipment, Services & Distribution	–	–	–	0.5	0.6
	8.5	1.6	10.1	10.4	18.2
Industrials					
Support Services	6.8	–	6.8	4.9	2.9
Industrial Transportation	1.0	1.0	2.0	0.9	0.2
General Industrials	0.2	–	0.2	0.9	0.7
Aerospace & Defence	–	–	–	1.0	2.1
Electronic & Electrical Equipment	–	–	–	1.0	0.3
Industrial Engineering	–	–	–	0.3	0.7
Construction & Metals	–	–	–	–	0.3
	8.0	1.0	9.0	9.0	7.2
Technology					
Software & Computer Services	3.3	–	3.3	1.8	1.0
Technology Hardware & Equipment	1.1	0.3	1.4	3.1	0.2
	4.4	0.3	4.7	4.9	1.2

Distribution of the Portfolio[1] as at 31 August 2008

Investments (including derivatives)	UK	Overseas	Total	2007	Index[2]
Telecommunications					
Mobile Telecommunications	2.6	–	2.6	5.9	4.8
Fixed Line Telecommunications	–	–	–	0.8	1.2
	2.6	–	2.6	6.7	6.0
Utilities					
Electricity	0.5	–	0.5	2.2	1.8
Gas, Water & Multiutilities	–	0.2	0.2	–	2.6
	0.5	0.2	0.7	2.2	4.4
Consumer Goods					
Household Goods	0.4	–	0.4	–	1.6
Food Producers	–	–	–	4.0	2.3
Personal Goods	–	–	–	0.7	0.2
Automobiles & Parts	–	–	–	0.3	0.1
Beverages	–	–	–	0.1	2.5
Tobacco	–	–	–	–	2.9
	0.4	–	0.4	5.1	9.6
Basic Materials					
Chemicals	–	–	–	3.4	0.4
Mining	–	–	–	0.4	10.8
Industrial Metals	–	–	–	–	0.3
Forestry & Paper	–	–	–	–	0.1
	–	–	–	3.8	11.6
Derivatives					
Derivatives	0.1	–	0.1	1.3	–
	0.1	–	0.1	1.3	–
Total Investments - 2008	84.7	8.8	93.5	92.1	100.0
Cash & Other Net Assets			6.5	7.9	–
Total - 2007			100.0	100.0	100.0
Total Investments - 2007	75.8	16.3	92.1	100.0	

1 Distribution of the Portfolio shown as a percentage of total assets less liabilities, excluding fixed term loan liabilities
2 FTSE All-Share Index

Summary of Performance

Historical record as at 31 August	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Shareholders' funds (£m)	319.3	376.6	357.9	301.4	216.9	136.2	105.4	109.0	91.0	72.7
NAV (p) per share	562.13	630.75	547.65	461.23	341.94	285.93	238.87	270.76	238.93	191.44
Share price (p)	481.50	592.00	521.50	452.25	348.00	300.50	254.50	290.00	223.50	162.50
(Discount)/premium to NAV (%)	(14.3)	(6.1)	(4.8)	(1.9)	1.8	5.1	6.8	7.1	(6.5)	(15.1)
Revenue return per ordinary share (p)	17.13	6.91	3.65	2.76	1.55	0.91	1.39	3.04	2.69	4.36
Dividends per ordinary share (p)	17.00	7.50	3.75	2.75	1.40	1.00	1.40	2.50	2.30	3.30
Costs of running Company (total expense ratio) (%)	1.14	1.32	1.49	1.52	1.42	1.75	1.70	1.64	1.84	1.89
Actual gearing ratio (%)	3.4	2.8	4.8	12.3	14.8	17.1	17.2	9.7	13.6	22.6
NAV performance (%) (total return basis)	-9.8	+15.9	+19.4	+35.8	+19.9	+20.4	-10.9	+14.4	+26.3	+29.6
Share price performance (%) (total return basis)	-17.6	+14.3	+16.0	+30.4	+16.2	+18.8	-11.4	+31.0	+39.4	+24.9
Index performance (%) (total return basis)	-8.7	+11.8	+16.8	+24.1	+10.8	+4.6	-18.7	-17.3	+11.6	+23.5

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

Sources: Fidelity and Datastream as at 31 August 2008
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 0906 843 0000, selecting option 2 and entering 4782 (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

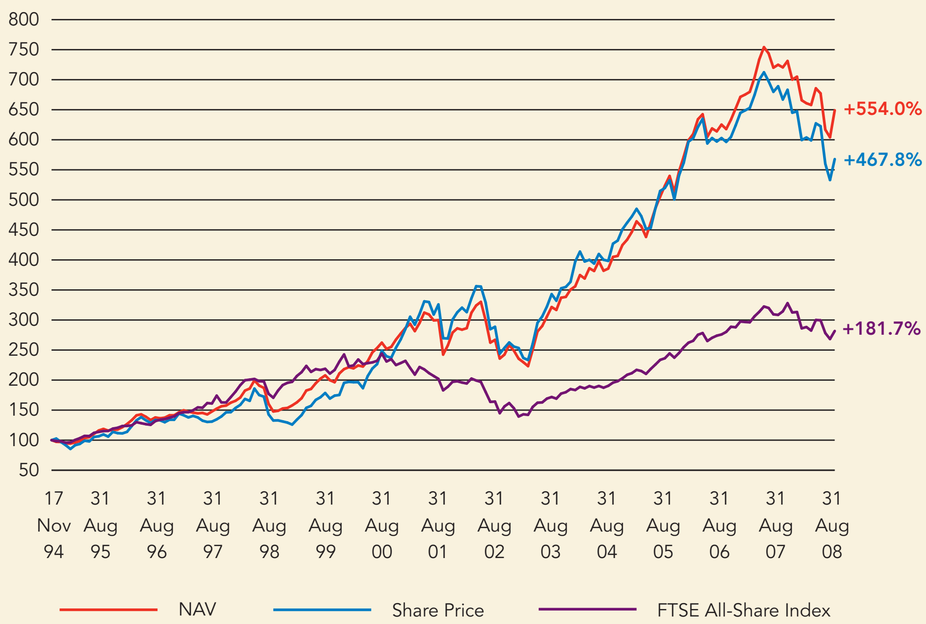
The net asset value of the Company is calculated on a daily basis and released to the London Stock Exchange.

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 £9,600 of capital gains in the current tax year 2008/2009 (2007/2008 tax year: £9,200) before being liable for capital gains tax. Whilst capital gains tax up until 5 April 2008 was charged at an individual's marginal rate, from 6 April 2008 capital gains tax will be charged at a new rate of 18%.

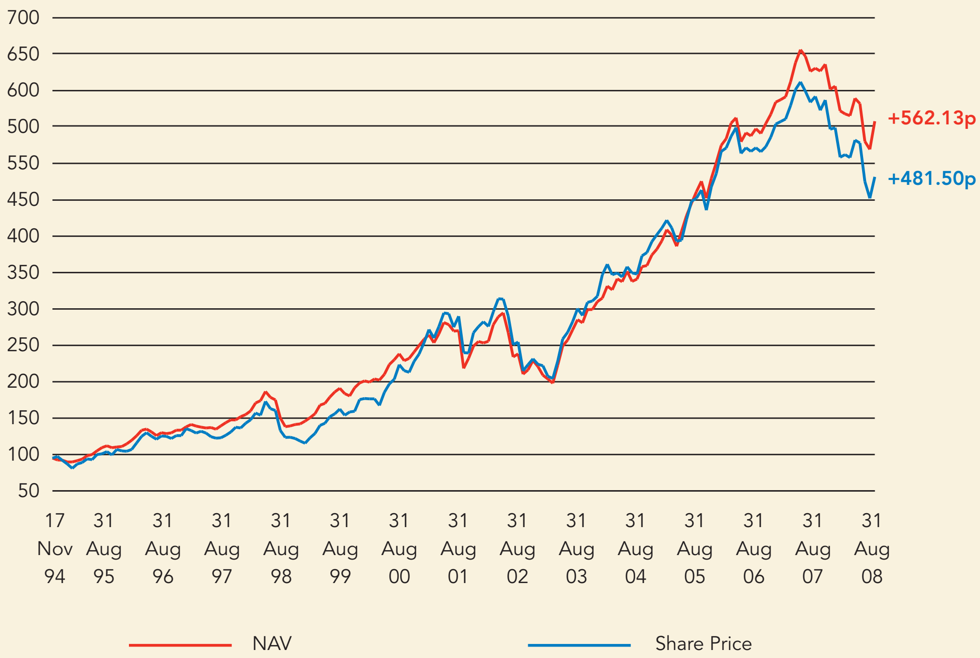
Summary of Performance

Total return performance from launch to 31 August 2008



Prices rebased to 100

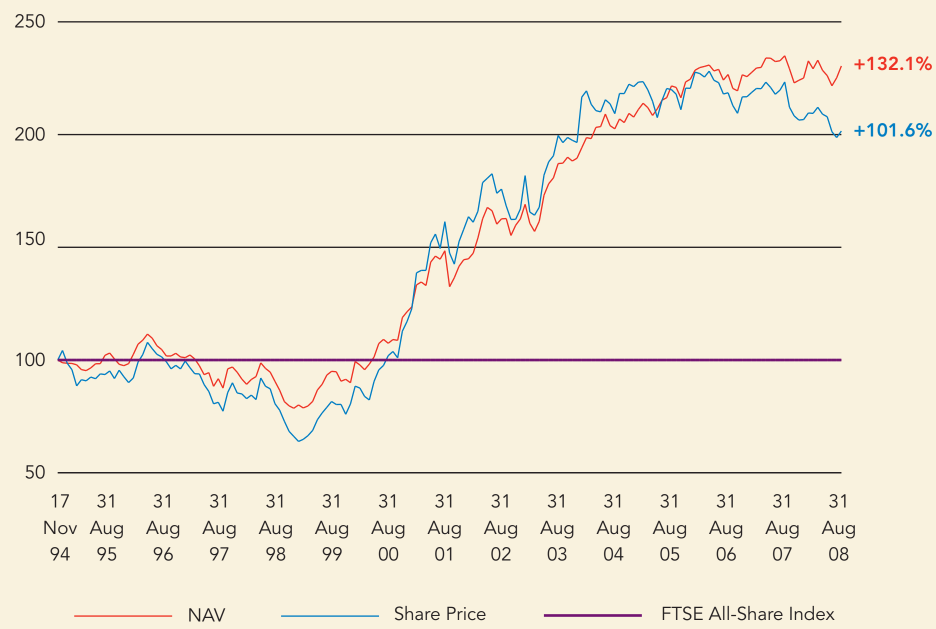
NAV and share price in pence from launch to 31 August 2008



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

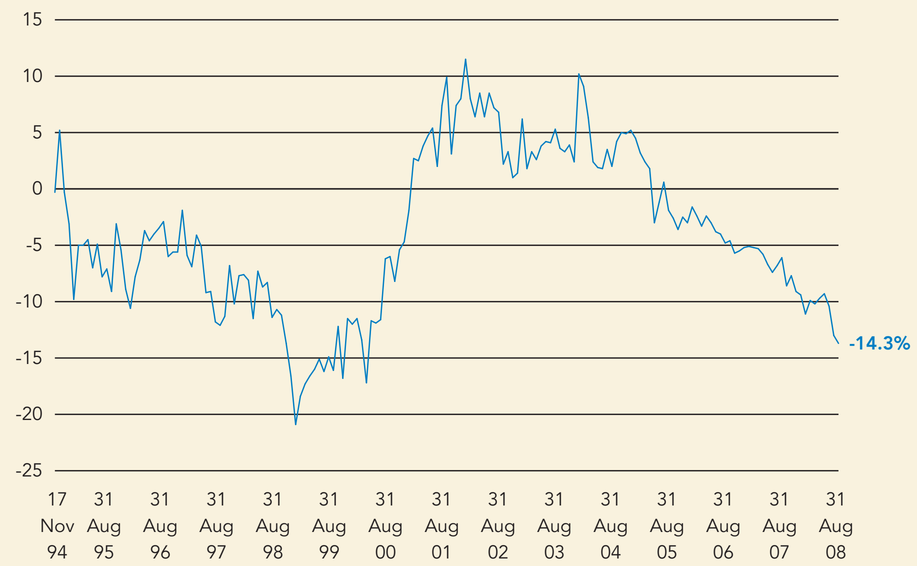
Summary of Performance

Total return performance relative to the benchmark index from launch to 31 August 2008



Prices rebased to 100

Share price premium/discount to NAV from launch to 31 August 2008



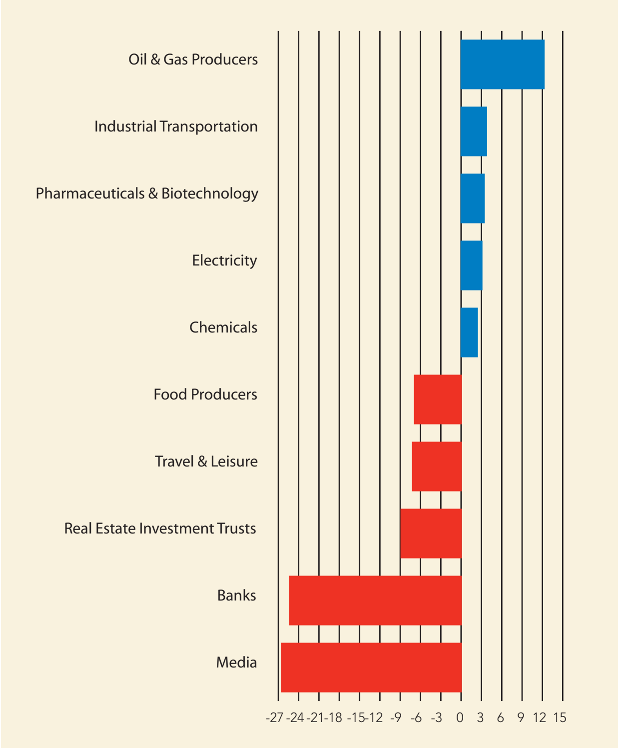
Based on figures at month end only

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

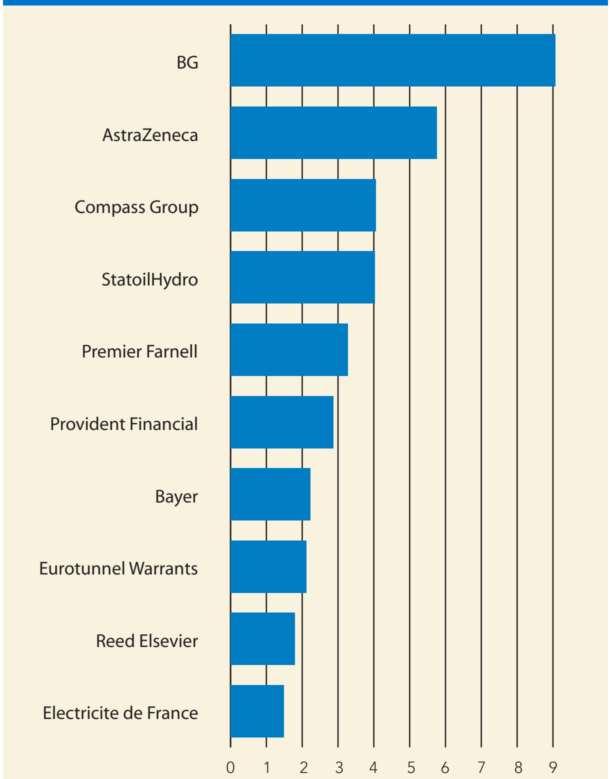
Attribution Analysis

Analysis of change in the year	pence	% of NAV
NAV at 31 August 2007	630.75	
Index (capital return)	-75.69	-12.0
Net Income	17.22	2.7
Dividends Paid	-7.50	-1.2
Gearing	-9.33	-1.5
Share Repurchases	2.42	0.4
Portfolio Management	4.26	0.7
NAV at 31 August 2008	562.13	-10.9

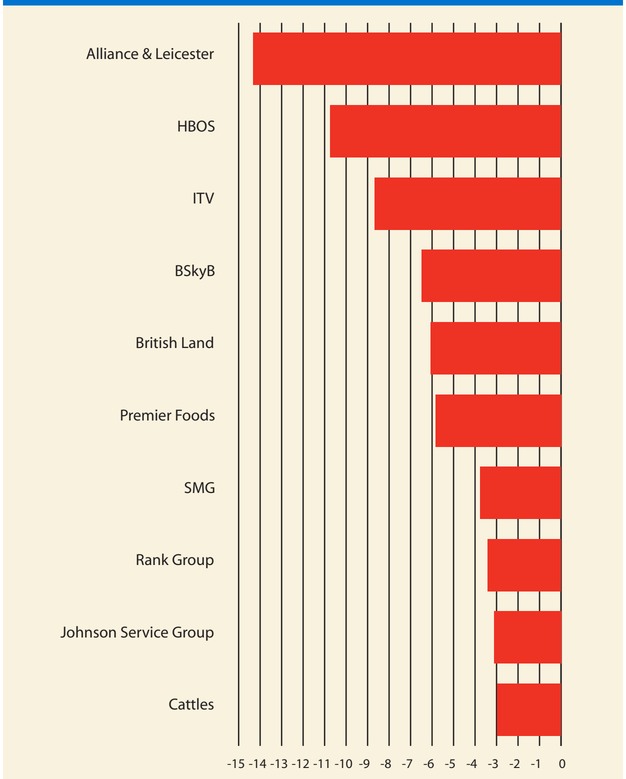
Top 5 and bottom 5 sector contributions (pence per share)



10 Highest contributors (pence per share)



10 Highest detractors (pence per share)



This does not include contribution from derivatives, see Note 9
Source: Fidelity

Corporate Information

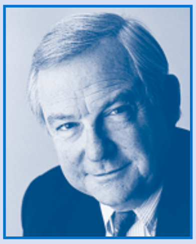
Manager, Secretary and Registered Office
FIL Investments International
Beech Gate
Millfield Lane
Lower Kingswood
Tadworth
Surrey KT20 6RP

Independent Auditor
Grant Thornton UK LLP
30 Finsbury Square
London EC2P 2YU

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

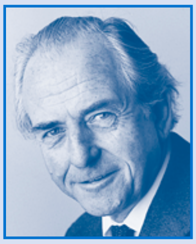
Registrars
Capita Registrars
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
HD8 OGA

Lawyers
Slaughter and May
One Bunhill Row
London EC1Y 8YY



Alex Hammond-Chambers[1,2]
(Chairman of the Board, the Management Engagement Committee and the Nomination and Remuneration Committee) (date of appointment: 18 October 1994). Former chairman of Ivory & Sime plc, he is chairman of Hansa Trust PLC and Aurora Investment Trust plc, and a director of International Biotechnology Trust Plc, Montanaro European Smaller Companies Investment Trust plc and a number of other investment companies. He worked at Ivory & Sime for 27 years, being responsible for the management of a number of its investment trusts, before becoming its chairman in 1985. He retired from Ivory & Sime at the end of 1991 and has become a professional non-executive director, specialising in investment trusts and investment companies and is a former chairman of the Association of Investment Companies (AIC) and Governor of the National Association of Securities Dealers (NASD).

Lynn Ruddick[1,2]
(Chairman of the Audit Committee) (date of appointment: 22 July 2005) is a Fellow of the Chartered Association of Certified Accountants and a member of the Securities Institute. She is a non-executive director of British Assets Trust plc, of Gartmore Smaller Companies 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.



Sir Richard Brooke, Bt[1,2]

(date of appointment: 18 October 1994) is a former partner of Rowe & Pitman, a member of the International Capital Markets Advisory Committee to the board of directors of the New York Stock Exchange, a vice-chairman of the Board of Governors of the National Association of Securities Dealers, a member of the board of directors of SG Warburg Group and J O Hambro & Company Limited and of a number of investment trust companies. He is currently chairman of certain investment entities associated with J O Hambro Investment Management Ltd and a director of Avocet Mining plc and other private companies. His career has included all aspects of securities work including stockbroking, investment banking, investment management and the management and administration of businesses in the UK and worldwide.

Douglas Kinloch Anderson[1,2]

(date of appointment: 18 October 1994) is chairman of Kinloch Anderson Limited and a director of Martin Currie Portfolio Investment Trust PLC and 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, Nicky was Chief Operating Officer for the investment management team, having joined Fidelity in 1999 as head of investment administration. Nicky 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, Nicky spent 6 years at HSBC Asset Management where she ran Performance Measurement, Institutional Marketing Support and Operations. Nicky also spent 2 years at McKinsey & Co. as a strategy consultant.

Ben Thomson[1, 2]

(date of appointment: 1 January 2008) is chairman of the Edinburgh investment banking firm, Noble Group Limited, through which he has a strong background in investment management and corporate finance. The Noble Group has two FSA-regulated subsidiaries including Noble and Company, which is both a sponsor and a broker on the London Stock Exchange. Before that, he worked at Kleinwort Benson Limited, London. He was previously a non-executive director of Wellington Underwriting plc, a quoted insurance company. He is also chairman of Reform Scotland Limited, of Barrington Stoke Limited and a director of Martin Currie Portfolio Investment Trust PLC, and of the Governors of the Patrons of the National Galleries of Scotland.

All of the Directors are non-executive and, with the exception of Ms McCabe, 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 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

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, and often is, 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 842 of the Income and Corporation Taxes Act 1988.

The current investment approach is detailed in the Manager's Review on pages 8 and 9.

A breakdown of the current distribution of the Company's portfolio is detailed on pages 12 and 13.

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: BORROWINGS OF 15-20% OF SHAREHOLDERS' FUNDS IN NORMAL CIRCUMSTANCES

The Board takes the view that long term capital gains can be enhanced by the judicious use of long term borrowings – commonly referred to as gearing. In times when it does not regard stockmarket values generally as being either very over or undervalued, its policy is to maintain borrowings of between 15 and 20% of shareholders' funds.

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 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 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. None of the Company's total assets were held in this way as at 31 August 2008.

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.

PREMIUM/DISCOUNT MANAGEMENT: ENHANCING SHAREHOLDER VALUE

The Board seeks authority from shareholders each year to issue new shares at a premium or buy in 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.

The Directors have pleasure in presenting their report which also incorporates the Business Review together with the audited financial statements of the Company for the year ended 31 August 2008.

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

A review of the year's activities and an indication of likely future developments are given in the Chairman's Statement on pages 4 to 7 and in the Manager's Review on pages 8 and 9.

The Company carries on business as an investment trust and was approved as such by the Inland Revenue under Section 842 of the Income and Corporation Taxes Act 1988 ("ICTA") for the accounting period ended 31 August 2006. The HMRC has granted provisional approval for the accounting period ended 31 August 2007, 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 EU Modernisation Directive requires a fair review of the Company and a description of the principal risks and uncertainties faced together with 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 is the most important objective, the Board is aware that shareholders invest in the shares of Fidelity Special Values because FIL Investments International is the Manager and it therefore 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.

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 International 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 International has over 90 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 2008

As outlined and explained in the Chairman's Statement, in the Manager's Review and in the financial statements, the shareholders' net assets fell by 10.9% to £319.3 million, having a net asset value per share of 562.1p. 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 17.13p per share. The Board is recommending to shareholders a dividend of 17.0p per share.

Reflecting the Board's and the Portfolio Manager's relatively cautious view on the market, actual gearing was at the year end similar to last year at 3.4% (2007: 2.8%).

BUSINESS REVIEW continued

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[1]	-17.6	65.6
Low risk investment[2]	5.9	27.5
Benchmark[3]	-8.7	63.9
Peer group[4]	-20.0	56.2

COMPANY TOTAL RETURNS

Net asset value total return	1 year return (%)	5 years return (%)
Fidelity Special Values	-9.8	103.4
Benchmark[3]	-8.7	63.9
Peer Group[4]	-14.6	62.0

ADDITIONAL KPIs

Premium/(Discount) (as at 31 August 2008)	2008 (%)	2003 (%)
Fidelity Special Values	-14.3	5.3
Peer group[4]	-12.4	-6.7
Total Expense Ratio	**2008 (%)**	**2003 (%)**
Fidelity Special Values	1.14	1.75

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

ATTRIBUTION ANALYSIS

Analysis of change in NAV in the year (pence per share)		% of NAV
NAV at 31 August 2007	630.75	
Index (capital return)	-75.69	-12.0
Net Income	17.22	2.7
Dividends Paid	-7.50	-1.2
Gearing	-9.33	-1.5
Share Repurchases	2.42	0.4
Portfolio Management	4.26	0.7
NAV at 31 August 2008	562.13	-10.9

Sources: Fidelity and Datastream as at 31 August 2008
Past performance is not a guide to future returns

PRINCIPAL RISKS AND UNCERTAINTIES AND RISK MANAGEMENT

When considering the risks and uncertainties faced by shareholders it is important to remember that the Board regards the timescale to achieve the overriding objective as the long term. The longer the timescale the greater the influence of the underlying profits and dividends and the less the influence of valuations on share prices. It is why equities generally are likely to provide positive returns for investors over the longer term but not necessarily over the short term and why therefore the Board assumes a long term perspective in determining the objective, strategy, risks and KPIs.

Subsidiary to the primary risk that shareholder value will not be enhanced, the Board has identified secondary risks, external and internal, that could impact this primary objective, as follows:

External risks

1 Stockmarket

Stockmarket risks include (i) the risk to profits when the economy performs poorly, corporate profits do not prosper and so share prices suffer for economic reasons and (ii) valuation risks, particularly during periods of excessive stockmarket speculation and gains. Markets may go down – even over extended periods of time.

2 Share price

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 risk for the long term shareholder.

3 Discount

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 an active investor relations programme.

Internal risks

The internal risks that a shareholder assumes are the risks of mismanagement, whether in the form of poor portfolio management, poor governance, poor operations, poor financial management, poor compliance, poor administration etc.

1 Portfolio

The risks of poor asset management are those of mismanaging the portfolio. The risks include poor stock selection, speculation in the shares of companies, speculation in derivatives, excessive concentration in any individual stockmarket, individual sector of the stockmarket or individual stock; investment in companies operating, wholly or in part, in a country whose currency declines severely; mismatching the currencies behind the assets and liabilities and/or borrowing at rates of interest higher than are likely to be earned by the underlying portfolio of assets.

The Board of Directors does not believe that it is in shareholders' interests to manage the portfolio through formulaic volatility risk control constraints as it does not regard volatility as a risk for long term shareholders. The Board believes that most of the risks that might result in long term shareholder value not being enhanced are unquantifiable. The reduction of risk is best achieved by having appropriate diversification within the portfolio and to that end your Board reviews the portfolio with the Portfolio Manager on a regular basis.

2 Governance, operational, financial, compliance, administration etc

While we believe that the likelihood of poor governance, operations, financial management, compliance, administration etc by other third party service providers is low, the financial consequences could be serious, including the loss of Section 842 status which allows the portfolio to be managed without incurring capital gains tax and any associated reputational damage to the Company and thence to the discount/premium at which its shares sell. 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.

The financial instruments risks faced by the Company are shown in Note 18 to the financial statements on pages 49 to 53.

GENERAL

SHARE CAPITAL

The Company's share capital comprises ordinary shares of 25 pence each. As at 31 August 2008 the total number of shares in issue was 56,794,503 (2007: 59,704,660). Each share carries one vote. Deadlines for the exercise of voting rights are detailed in the Notes to the Notice of Meeting.

SHARE ISSUES

There were no issues of shares during the year to 31 August 2008 and no shares have been issued since the year end.

SHARE REPURCHASES

The authority to issue shares and disapply pre-emption rights, granted by shareholders at the Annual General Meeting held on 13 December 2007, 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 11 December 2008. At the Annual General Meeting held on 13 December 2007 the Company's shareholders passed a special resolution which granted the Directors authority to purchase up to 8,831,594 ordinary shares in the market for cancellation. 2,910,157 shares were repurchased for cancellation during the year (2007: 5,651,393). Since the year end, no shares have been repurchased for cancellation.

POLITICAL AND CHARITABLE DONATIONS

The Company has not made any political or charitable donations during the year (2007: 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 on page 24).

The Company's policy for the years to 31 August 2008 and 31 August 2009, 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 (2007: nil). Other suppliers are paid in accordance with the individual payment terms agreed with each supplier.

Directors' Report

GENERAL continued

MANAGEMENT COMPANY

The Manager, FIL Investments International, formerly Fidelity 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 2009, 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.

During the year the Management Engagement Committee met and reviewed the performance of the Manager over one and five years – taking into consideration these items in the Corporate Governance Statement on page 30 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 2008 is £94,522 (2007: £57,281). 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 £589,951 (2007: £1,011,859) was due to the Manager under the above agreements at 31 August 2008 and is included in other creditors in Note 11 on page 46.

Fidelity has adopted a broker segmentation policy, which has reduced the number of brokers used and 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. In the year to 31 August 2008 £71,000 was received (2007: £151,000).

The Company participates in the Manager's interfund programme whereby Fidelity's traders, on occasion, identify situations where one fund managed by Fidelity is buying the same security that another fund is selling. If a trader can confirm that it would be in the interests of both accounts to execute a transaction between them rather than in the market then an interfund transaction is executed.

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.

SOCIALLY RESPONSIBLE INVESTMENT

The Manager's primary objective is to produce superior financial returns to investors. 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.

DIRECTORS

Details of the Directors who served in the year to 31 August 2008 are set out on pages 18 and 19.

Mr Ben Thomson was appointed as a Director on 1 January 2008. Mr Thomson will seek election as a Director at the forthcoming Annual General Meeting. All other Directors served throughout the year to 31 August 2008. All Directors are subject to re-election on an annual basis.

Ms Nicky McCabe is an Executive Director of Moonray Investors, a division of FIL Investments International, a member of the FIL Limited Group of Companies. FIL Limited is the ultimate holding company of FIL Investments International. Ms 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 above in relation to Ms 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 2008 and 31 August 2007 are shown below. FIL Limited holds 201,250 shares direct at the date of this report.

	Held at 31 August 2008	Held at 31 August 2007
Alex Hammond-Chambers[1]	16,000	16,000
Sir Richard Brooke	12,000	12,000
Douglas Kinloch Anderson	17,637	17,551
Nicky McCabe	1,000	1,000
Lynn Ruddick	7,251	6,037
Ben Thomson	–	–
FIL Limited	201,250	201,250

1 of which 11,000 shares (2007: 11,000) are non-beneficially owned

An analysis of ordinary share holders as at 31 August 2008 is detailed in the table below.

Analysis of ordinary shareholders as at 31 Aigust 2008	% of issued share capital
Private shareholders[1]	81.08
Institutions	8.66
Insurance	7.29
Pensions	2.52
Other	0.45
	100.00

1 Includes Share Plan and ISA investors

SUBSTANTIAL SHARE INTERESTS

At the date of this report notification had been received that the shareholders listed in the table below held more than 3% of the voting rights and/or issued share capital of the Company.

Shareholders	Number of ordinary shares	%
FIL Limited[1]	20,290,444	35.7
Legal & General Group Plc[2]	2,413,172	4.2

1 35.4% of the issued share capital was held in aggregate by investors in the Fidelity ISA and the Fidelity Investment Trust Share Plan. 0.3% of the issued share capital was held direct.
2 Direct and indirect holdings for clients and on own account.

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.

Directors' Report

GENERAL continued

ANNUAL GENERAL MEETING

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

The Board is recommending to shareholders the approval of a dividend of 17.0 pence per share for the year ended 31 August 2008. If approved, this dividend will be paid on 18 December 2008 to shareholders on the register on 14 November 2008. The ex-dividend date will be 12 November 2008. 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 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 £1,419,862. If passed, this resolution will enable the Directors to allot a maximum of 5,679,448 ordinary shares which represents approximately 10% of the issued ordinary share capital of the Company as at 30 October 2008. 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 the need for 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 £1,419,862 (approximately 10% of the issued ordinary share capital of the Company as at 30 October 2008).

Resolution 14 is a special resolution which renews the Directors' authority to repurchase the Company's shares for cancellation. It is proposed that the Board be authorised to make arrangements to purchase through the London Stock Exchange up to 8,513,495 ordinary shares of 25 pence each (equivalent to 14.99% of the shares in issue at 30 October 2008). By utilising this power to repurchase shares when they are trading at a discount to net asset value, the Company will increase the resulting net asset value per share for remaining shareholders. Purchases of shares will be made at the discretion of the Board and within guidelines set from time to time by the Board in the light of prevailing market conditions. Purchases will only be made in the market at prices below the prevailing net asset value per share.

An Extraordinary General Meeting was held in July to make various changes, in light of the Companies Act 2006, to the Company's Articles of Association. One of those changes, provided a procedure for dispute resolution and limited any arbitration to the UK. It had come to the Board's attention that some shareholders regarded this provision as a dilution of shareholders' rights and therefore the Board had decided to remove this particular provision at the next shareholder meeting.

Resolution 15 is a special resolution amending the Company's Articles of Association to remove the articles relating to dispute resolution, articles 142 to 144 inclusive.

The full text of the resolutions is set out in the Notice of Meeting contained on pages 54 to 56.

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

CORPORATE GOVERNANCE

Full details are given in the Corporate Governance Statement on pages 28 to 32.

AUDITOR'S RIGHT TO INFORMATION

As required by section 234ZA of the Companies Act 2005 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.

By Order of the Board

FIL Investments International
Secretary
30 October 2008

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 proper 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 1985. 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 Corporation 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 30 October 2008 and signed on its behalf.

Alex Hammond-Chambers
Chairman
30 October 2008

Corporate Governance Statement

WHAT IS CORPORATE GOVERNANCE?

"Corporate governance", as the phrase implies, is the process by which a board of directors of a company looks after the shareholders' interests and by which it enhances 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 explains how the Directors of Fidelity Special Values deal with that responsibility, authority and accountability.

CORPORATE GOVERNANCE REQUIREMENTS

There have been extensive reviews of corporate governance in the UK which resulted in the FRC publishing a Combined Code – a set of governance principles which companies are expected to consider and either comply with or explain their own different approach. However, the Association of Investment Companies ("AIC"), of which Fidelity Special Values is a member, has established a Code of Corporate Governance© especially for investment trust companies which your Board believes to be the appropriate template for the structure of its own corporate governance.

The Board has drawn up a detailed 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, which 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. Extracts from that schedule are included in this corporate governance report.

THE CORPORATE GOVERNANCE OF AN INVESTMENT TRUST COMPANY

The corporate governance of most investment trust companies, including Fidelity Special Values, 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. This is vitally important if an investment trust company board is to do its job properly. Most investment trust companies, including Fidelity Special Values, are established, managed and promoted by their managers, who are therefore one of the main reasons shareholders choose to invest in the investment trust company's shares. It follows that it is an important aspect of the corporate governance of an investment trust company that its manager should be party to the responsibility, authority and accountability to those investing in their management. And finally, because a board of directors has the responsibility for maximising shareholder value in the long term, it is important that the directors (and the manager) are long term shareholders, thereby aligning their interests with those of the rest of the shareholders. The Board of Directors of Fidelity Special Values believes that these three matters are important aspects of the corporate governance policy of your Company.

FIDELITY SPECIAL VALUES PLC'S CORPORATE GOVERNANCE

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 has considered its own circumstances and determined its own corporate governance policies and modus operandi. Because it is important that shareholders should be aware of them, and indeed approve of them, the Board has chosen to outline them in this report.

The composition and the conduct of the Board of Directors are a material consideration for shareholders. Having laid out the Board's corporate governance policies and modus operandi, the Directors ask shareholders to communicate with them should they have concerns, criticisms or suggestions to make. The Directors lay particular emphasis on shareholders with such concerns attending the Company's Annual General Meeting so that all those attending can hear those concerns expressed in open forum and make their own judgements accordingly. Communication between shareholders and the Board is an important part of good governance; the AGM is an important part of "shareholder democracy".

THE CORPORATE GOVERNANCE POLICIES AND MODUS OPERANDI OF FIDELITY SPECIAL VALUES

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 makeup 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, as already explained, the Board regards it as important that there should be 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 18 and 19 for shareholders' perusal.

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 (referred to earlier). This report contains a summary of how the Board has adopted these principles.

All of the Directors are non-executive and five of the six have no relationship with the Manager. Their 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 should include 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. The Board believes that if a person is naturally of an independent nature, then that independence is strengthened as length of service progresses. The annual Board assessment, led by the Chairman, includes consideration of independence. These policies of tenure also apply to Committee membership.

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

The Board has designed and implemented a formal self-assessment process. This focuses on the composition and performance of the Board as a whole, on its Committees and on individual contributions. In particular it undertakes an assessment of each Director's "independent" performance.

The Board considers that it meets sufficiently regularly to discharge its duties efficiently and the table on page 31 gives the attendance record for the meetings held in the year.

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 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;

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 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

Corporate Governance Statement

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 gearing policy.

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, gearing policy, investment policy, 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. The Board meets at least once a year with the Company's investment bankers 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. Because the Board of Directors is concerned that the bureaucratic burden of corporate governance procedure tends to crowd out investment and shareholder value matters at Board meetings, it has decided to discharge as much as possible of its corporate governance responsibilities through three committees:

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 842 status), the relationship with and performance of other third party service providers (such as the registrars or the custodian) and finally the relationship with the independent auditor (and their ongoing reappointment and level of fees). 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.

Given the nature of investment trust companies and their small boards, it is important that the Chairman of the Board should be a member of the Audit Committee but not its Chairman. This is both so that the skills and experience of the Chairman of the Board are brought into the Audit Committee and also to avoid duplication, in particular of the review of the half-yearly and annual reports and financial statements. 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.

The Management Engagement Committee consists of all of the independent Directors and 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 shareholder funds under management is paid (thereby relating this part of its remuneration to performance) and a set fee to 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 non-executive independent Directors, constituted as the Management Engagement Committee, meet alone to consider any issues that they consider to be relevant.

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, 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, chaired by the Chairman of the Board, consists of all of the Directors and is charged with nominating new directors for consideration by the Board of Directors, in turn for approval by the shareholders. It believes that the best way of ensuring that the Board as a whole and each independent Director individually carry out their duties in an independent manner, irrespective of the interests of the Manager, is to ensure that the search for, the interview of and recommendation to the Board of a candidate is controlled by the independent Directors, who in turn form the majority of this Committee. The Nomination and Remuneration Committee also considers the reappointment of Directors. The

Committee concerns itself with the remuneration of the Directors, considering as it does the remit of the job and the responsibility and time involved. It also makes itself aware of the directors' fees of other investment trust companies and other comparable entities.

When the Board looks for a new Director it looks for those criteria outlined above. Because personal attributes are difficult to assess, the Board relies heavily on third party experience and endorsement of the individual concerned. 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, a consultant would be used. Each candidate is considered by the Committee and a shortlist is drawn up for interview.

The Committee meets on an annual basis and as and when required, making recommendations where appropriate. As indicated in last year's annual report the process had commenced to identify and appoint a new Director. Mr Ben Thomson was duly appointed with effect from 1 January 2008.

The level of remuneration of the non-executive Directors is set by the Nomination and Remuneration Committee. The non-executive Directors' remuneration is fixed as a rate for the role and/or the roles undertaken. The Director from FIL Investments International waives his or her fee.

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 Annual General Meeting. The Annual General Meeting 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 Annual General Meeting. The Annual General Meeting 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 election and re-election of Directors, the reappointment of the independent auditor, the issue of new shares and the buy back of shares for cancellation. Your Board has an established policy that it should enable shareholders to decide on 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 annual general meeting to be held in 2010, the last being at the annual general meeting held on 13 December 2007.

	Regular Board Meetings	Away Day	Nomination Committee Meetings	Audit Committee Meetings	Management Engagement Committee Meetings
Alex Hammond-Chambers	5/5	1/1	1/1	2/2	2/2
Sir Richard Brooke Bt	5/5	1/1	1/1	2/2	2/2
Douglas Kinloch Anderson	5/5	1/1	1/1	2/2	2/2
Nicky McCabe	4/5	1/1	1/1	n/a	n/a
Lynn Ruddick	5/5	1/1	1/1	2/2	2/2
Ben Thomson*	2/3	1/1	–	2/2	0/1

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

* Ben Thomson was appointed a Director on 1 January 2008

Corporate Governance Statement

COMPLIANCE WITH THE COMBINED CODE

The Board has considered the principles and recommendations of the AIC Code of Corporate Governance ("the AIC Code") by reference to the AIC Corporate Governance Guide for Investment Companies ("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 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 Board is accountable to the Company's shareholders for good governance and considers that the Company has complied with the provisions of the AIC Code and the relevant provisions of Section 1 of the Combined Code throughout the year to 31 August 2008 with the following exceptions:

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 provisions are not relevant to the Company, being an externally managed investment company. The Company has therefore not reported further in respect of these provisions. Furthermore, the Chairman is and has to be an independent Director. The Board has not appointed a senior independent director. Being independent, the Chairman also acts as Chairman to the Nomination and Remuneration Committee; he excludes himself from any discussions relating to his own remuneration.

INTERNAL CONTROL

The Board is responsible for the Company's system of internal control and reviewing its effectiveness. The Board has contractually delegated to external agencies, including the Manager (FIL Investments International), the management of the investment portfolio, the custodial services (which include the safeguarding of the assets), the registration services and the day to day accounting and company secretarial requirements. Each of these contracts was entered into after full and proper consideration by the Board of the quality and cost of services offered including the control systems in operation in so far as they relate to the affairs of the Company.

The Board has established a continuing process for the identification, control and evaluation of risk through a series of quarterly investment performance reports, a semi-annual internal controls report and quarterly compliance reports which are provided by the Manager. This process, which is in accordance with the Financial Reporting Council's "Internal Control: Revised Guidance for Directors on the Combined Code", has been in place for the year ended 31 August 2008 and up to the date of the approval of the annual report and financial statements.

The systems of internal control are designed to reduce rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, but not absolute, assurance against material misstatement or loss.

The Company's Audit Committee meets representatives of the Manager and receives reports on the quality and effectiveness of the accounting records and management information maintained on behalf of the Company.

It reviews the annual and half-yearly financial reports and the nature, scope and findings of the statutory audit. The Board carries out a risk and control assessment including a review of the corporate strategy and the Manager's and other third party suppliers' risk management processes. The key element of this assessment is the semi-annual internal controls report prepared by the Manager for its investment trust clients. The internal controls report sets out the Manager's control policies and procedures with respect to the management of its clients' investments. Whilst the Company, in common with most investment trusts, has no internal audit department, the effectiveness of these controls is monitored by the Manager's internal audit function. The Audit Committee has received and reviewed the internal controls report on the effectiveness of the internal controls maintained on behalf of the Company and an annual compliance report from the Manager's Global Oversight Director.

By means of the procedures set out above, the Directors have reviewed the effectiveness of the Manager's internal control systems throughout the year.

GOING CONCERN

Details of the Board's recommendation to shareholders that they vote in favour of the forthcoming continuation vote are given in the Chairman's Statement. In light of this the Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the financial statements since the assets of the Company consist mainly of securities which are readily realisable and accordingly the Company has adequate financial resources to continue in operational existence for the foreseeable future.

For fuller understanding, the entire detail is contained in the Company's Corporate Governance schedule which may be found on the Fidelity website: www.fidelity.co.uk or obtained from Fidelity's Investor Centre or the Company's registered office.

On behalf of the Board

A Hammond Chambers

Alex Hammond-Chambers
30 October 2008

This report has been prepared in accordance with the requirements of the Companies Act 1985 in respect of the year end 31 August 2008. 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 in 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 page 30.

REMUNERATION

The Company's Articles of Association limit the aggregate fees payable to the Board of Directors to a total of £150,000 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 2008 or the year ended 31 August 2007. 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 2009 and for subsequent years.

The fee structure with effect from 1 January 2008 is as set out in the second 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 over the page measures this against the FTSE All-Share Index.

REMUNERATION OF DIRECTORS

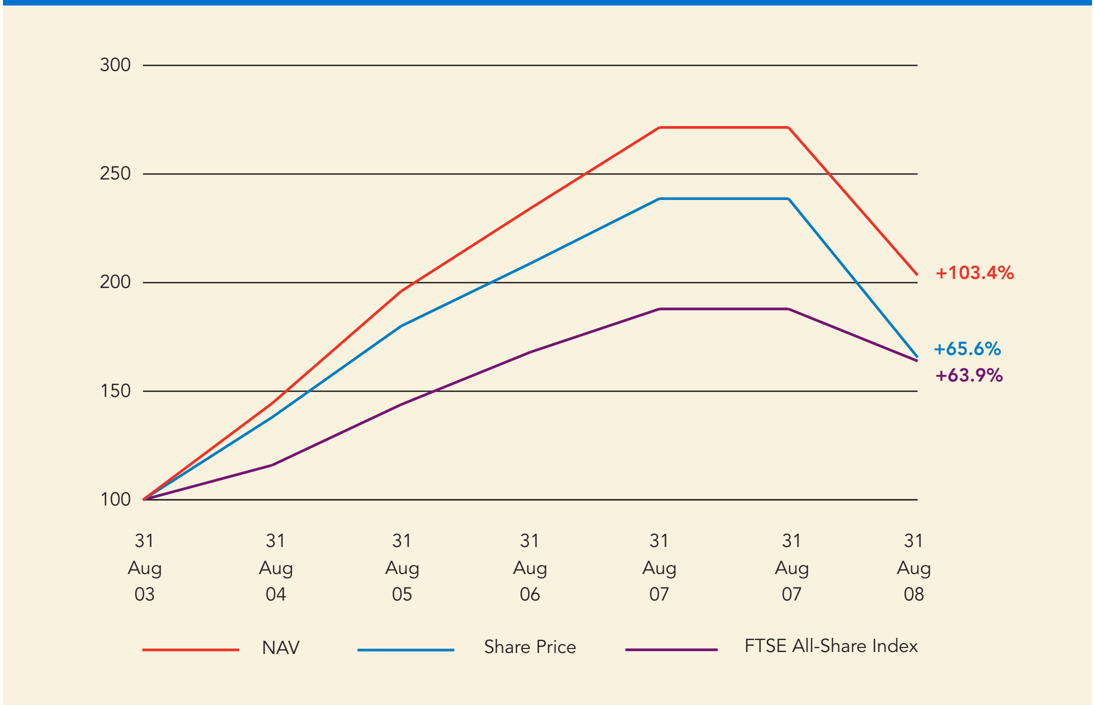
	2008 £	2007 £
Alex Hammond-Chambers	32,667	30,333
Sir Richard Brooke	20,667	19,333
Douglas Kinloch Anderson	20,667	19,333
Nicky McCabe[1]	–	–
Lynn Ruddick	23,667	21,833
Ben Thomson[2]	14,000	–
Total	**111,668**	**90,832**

1 Nicky McCabe continues to waive her Director's fees
2 Appointed 1 January 2008

	Board Fee	Audit Committee Fee	Management Engagement Committee Fee	Total
Chairman	£28,750	£2,375	£1,875	£33,000
Chairman of the Audit Committee	£17,250	£5,375	£1,375	£24,000
Director	£17,250	£2,375	£1,375	£21,000

Director's Remuneration Report

Comparison of NAV and Share Price Total Return Performance Against the Benchmark Index
from 31 August 2003 to 31 August 2008



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

Alex Hammond-Chambers
30 October 2008

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

We have audited the financial statements (the "financial statements") of Fidelity Special Values PLC for the year ended 31 August 2008 which comprise the income statement, the balance sheet, the reconciliation of movements in shareholders' funds, the cash flow statement, and Notes 1 to 20. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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

The Directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's Statement and Manager's Review that is cross-referenced from the Activities and Status section of the Directors' Report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Objective and Financial Calendar, Financial Summary, Chairman's Statement, Manager's Review, Forty Largest Investments, Distribution of the Portfolio, Summary of Performance, Attribution Analysis, Directors' Report, Corporate Governance Statement, and the unaudited part of the Directors' Remuneration Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Company's financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the Company's financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Company's financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Company's financial statements and the part of the Directors' Remuneration Report to be audited.

OPINION

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 August 2008 and of its loss for the year then ended;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Grant Thornton UK LLP
Registered Auditor
Chartered Accountants
London
30 October 2008

Income Statement for the year ended 31 August 2008

	Notes	2008 revenue £'000	2008 capital £'000	2008 total £'000	2007 revenue £'000	2007 capital £'000	2007 total £'000
(Losses)/gains on investments	9	–	(46,807)	(46,807)	–	49,999	49,999
Income	2	13,758	–	13,758	11,763	–	11,763
Investment management fee	3	(3,507)	–	(3,507)	(4,577)	–	(4,577)
VAT on investment management fee recoverable	3	2,300	–	2,300	–	–	–
Other expenses	4	(490)	–	(490)	(461)	–	(461)
Exchange (losses)/gains		–	(46)	(46)	3	–	3
Net return/(loss) before finance costs and taxation		12,061	(46,853)	(34,792)	6,728	49,999	56,727
Interest payable	5	(2,033)	–	(2,033)	(2,165)	–	(2,165)
Net return/(loss) on ordinary activities before taxation		10,028	(46,853)	(36,825)	4,563	49,999	54,562
Taxation on (loss)/return on ordinary activities	6	(121)	–	(121)	(188)	–	(188)
Net return/(loss) on ordinary activities after taxation for the year		9,907	(46,853)	(36,946)	4,375	49,999	54,374
Return/(loss) per ordinary share							
Basic	8	17.13p	(81.03p)	(63.90p)	6.91p	78.94p	85.85p

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 2008

	Notes	2008 £'000	2007 £'000
Fixed assets			
Investments at fair value through profit or loss	9	331,312	383,826
Current assets			
Debtors	10	6,994	4,303
Amounts held at futures clearing houses and brokers		1,573	2,018
Fidelity Institutional Cash Fund plc		9,091	10,342
Cash at bank		14,994	19,269
		32,652	35,932
Creditors – amounts falling due within one year			
Fixed rate unsecured loan	11	(8,000)	(5,000)
Other creditors	11	(9,707)	(3,168)
		(17,707)	(8,168)
Net current assets		14,945	27,764
Total assets less current liabilities		346,257	411,590
Creditors – amounts falling due after more than one year			
Fixed rate unsecured loans	12	(27,000)	(35,000)
Total net assets		319,257	376,590
Capital and reserves			
Called up share capital	13	14,198	14,926
Share premium account	14	95,058	95,058
Capital redemption reserve	14	2,545	1,817
Other non-distributable reserve	14	5,152	5,152
Capital reserve - realised	14	225,470	232,390
Capital reserve - unrealised	14	(34,161)	21,733
Revenue reserve	14	10,995	5,514
Total equity shareholders' funds		319,257	376,590
Net asset value per ordinary share			
Basic	15	562.13p	630.75p

The financial statements on pages 36 to 53 were approved by the Board of Directors on 30 October 2008 and were signed on its behalf by:

Alex Hammond-Chambers
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 2008

	Notes	called up share capital £'000	share premium account £'000	capital redemption reserve £'000	other non-distributable reserve £'000	capital reserve realised £'000	capital reserve unrealised £'000	revenue reserve £'000	total equity £'000
Opening shareholders' funds: 1 September 2006		16,339	95,058	404	5,152	193,393	44,001	3,576	357,923
Net recognised capital gains/(losses) for the year		–	–	–	–	72,267	(22,268)	–	49,999
Repurchase of ordinary shares		(1,413)	–	1,413	–	(33,270)	–	–	(33,270)
Revenue after taxation		–	–	–	–	–	–	4,375	4,375
Dividend paid	7	–	–	–	–	–	–	(2,437)	(2,437)
Closing shareholders' funds: 31 August 2007		14,926	95,058	1,817	5,152	232,390	21,733	5,514	376,590
Net recognised capital gains/(losses) for the year	14	–	–	–	–	9,041	(55,894)	–	(46,853)
Repurchase of ordinary shares	14	(728)	–	728	–	(15,961)	–	–	(15,961)
Revenue after taxation	14	–	–	–	–	–	–	9,907	9,907
Dividend paid	7	–	–	–	–	–	–	(4,426)	(4,426)
Closing shareholders' funds: 31 August 2008		14,198	95,058	2,545	5,152	225,470	(34,161)	10,995	319,257

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

Cash Flow Statement for the year ended 31 August 2008

	Notes	2008 £'000	2007 £'000
Operating activities			
Investment income received		5,639	5,355
Deposit interest received		947	1,630
Investment management fee paid		(3,704)	(4,594)
Directors' fees paid		(108)	(88)
Other cash payments		(620)	(321)
Net cash inflow from operating activities	16	2,154	1,982
Returns on investments and servicing of finance			
Interest paid		(2,057)	(2,165)
Net cash outflow from returns on investments and servicing of finance		(2,057)	(2,165)
Taxation			
Overseas taxation recovered		13	71
Taxation recovered		13	71
Financial investment			
Purchase of investments		(318,920)	(384,743)
Disposal of investments		338,703	428,928
Net cash inflow from financial investment		19,783	44,185
Equity dividend paid		(4,426)	(2,437)
Net cash inflow before use of liquid resources and financing		15,467	41,636
Net cash inflow/(outflow) from management of liquid resources		1,251	(10,342)
Net cash inflow before financing		16,718	31,294
Financing			
Repurchase of ordinary shares		(16,442)	(32,788)
4.91% fixed rate unsecured loan repaid		(5,000)	–
Net cash outflow from financing		(21,442)	(32,788)
Decrease in cash	17	(4,724)	(1,494)

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 dated January 2003 and revised in December 2005.

a) Basis of accounting – The financial statements have been prepared on a going concern basis and under the historical cost convention, modified to include the revaluation of fixed asset investments at fair value and on the assumption that approval as an investment trust will be granted.

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 loans and 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 income. 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 are used. Income derived from these are included in 'Income' in 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: 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 tax 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. Realised and unrealised capital gains and losses, including exchange differences on the translation of foreign currency assets and liabilities, are dealt with in capital reserves - realised and unrealised.

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 personnel. Accordingly, upon initial recognition the investments are designated by the Company as "at fair value through profit or loss". They are included initially at fair value, which is taken to be their cost and subsequently, the investments are valued at "fair value", which is measured as follows:

- Listed investments and AIM quoted investments are valued at bid prices, where the bid price is available, or 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 – FRS26: "Financial Instruments: Measurement" requires that the cost of purchasing investments be recognised and accounted for as a separate item from investment gains. However in accordance with the AIC SORP the Company includes these costs in the cost of investments purchased and has disclosed them in Note 9 on page 44.

h) Derivatives
Where appropriate, certain permitted transactions such as derivatives are used. Derivative transactions into which the Company may enter comprise futures, equity forwards, contracts for difference and options and are measured at fair value. Where such transactions are used to protect or enhance income, the income and expenses derived from them are included in 'Income' or 'Expenses' via the revenue column of the Income Statement. Where such transactions are used to protect or enhance capital, the gains and losses derived from them are included in 'Gains/(losses) on investments' 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 fixed assets. Changes in fair value of derivative contracts are included in 'Gains/(losses) on investments' via the capital column of the Income Statement.

The Company does not use derivatives for speculative purposes.

i) **Loans** – Loans are 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 loans are measured at amortised cost using the effective interest method. The amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement.

j) **Capital reserve – realised** – Gains and losses on the realisation of investments, including listed derivatives, and realised exchange differences of a capital nature are accounted for in the capital reserve - realised, via the capital column of the Income Statement.

Capital reserve – unrealised – Changes in the fair value of investments, including listed derivatives, held at the year end and unrealised exchange differences of a capital nature are accounted for in the capital reserve - unrealised, via the capital column of the Income Statement.

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

	2008 £'000	2007 £'000
Income from financial assets at fair value through profit or loss		
Franked investment income	5,051	3,403
UK unfranked investment income	60	8
UK scrip dividends	6,009	4,922
Overseas scrip dividends	275	–
Overseas dividends	1,144	1,787
Property income distribution	197	–
Other income	38	–
	12,774	10,120
Other income from financial assets not at fair value through profit or loss		
Deposit interest	632	1,301
Income from Fidelity Institutional Cash Fund plc	352	342
Total income	13,758	11,763

3 INVESTMENT MANAGEMENT FEE

	2008 £'000	2007 £'000
Investment management fee	3,507	3,895
Irrecoverable VAT thereon	–	682
Recoverable VAT*	(2,300)	–
	1,207	4,577

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

* Following the decision of the European Court of Justice in the JPMorgan Claverhouse Investment Trust/AIC case (C-363/05) which confirmed that the VAT exemption applicable to the management of special investment funds should also extend to investment trust companies, investment trust companies are entitled to recover VAT previously charged on such management fees and HM Revenue and Customs has withdrawn its appeal to the VAT tribunal. In view of this the Company is recognising £2,300,000 as receivable and this has been reflected in the NAV. However, it is not certain to what extent the full recovery of VAT beyond this amount will be possible and discussions are on-going. The Company is no longer paying VAT on its management fees.

Notes to the Financial Statements

4 OTHER EXPENSES

	2008 £'000	2007 £'000
AIC and other fees and subscriptions	34	31
Custody fees	29	37
Directors' fees	112	91
Legal and professional fees	(1)*	36
Marketing expenses	95	57
Printing and publication expenses	111	91
Registrars' fees	38	36
Other expenses	53	63
Fees payable to the Company's Auditor for the audit of the annual financial statements	19	19
	490	461

* The legal and professional fees are a credit balance due to the release of accruals for UBS broking services for the periods 1 December 2005 to 30 November 2007.

Details of the breakdown of Directors' fees are provided on page 33 within the Directors' Remuneration Report.

5 INTEREST PAYABLE

	2008 £'000	2007 £'000
Financial liabilities not at fair value through profit or loss		
Repayable within five years		
Fixed rate unsecured loans	2,033	2,165

	2008 £'000	2007 £'000
6 TAXATION ON ORDINARY ACTIVITIES		
a) Analysis of charge in the year		
Overseas taxation suffered	121	188

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 29.17% (2007: 30%).

The differences are explained below.

	2008 £'000	2007 £'000
Revenue return on ordinary activities before taxation	10,028	4,563
Revenue return on ordinary activities multiplied by the standard rate of corporation tax of 29.17% (2007: 30%)	2,925	1,369
Effects of:		
Income not included for taxation purposes	(3,226)	(2,498)
Excess management expenses not utilised in the year	301	1,129
Overseas taxation	121	188
Current taxation charge (Note 6a)	121	188

Investment trust companies are exempt from taxation on capital gains if they meet the HM Revenue & Customs criteria set out in s842 Income and Corporation Taxes Act 1988 for a given period. Therefore, any capital return is not included in the above reconciliation.

c) The deferred tax assets of £8,446,000 in respect of unutilised expenses at 31 August 2008 (2007: £8,740,000) and £793,000 (2007: £674,000) in respect of eligible unrelieved foreign taxation have not been recognised as it is unlikely that these assets will be utilised.

Notes to the Financial Statements

7 DIVIDENDS

	2008 £'000	2007 £'000
Final dividend of 7.50 pence per share paid for the year ended 31 August 2007 (2006: 3.75 pence)	4,426	2,437

The Directors have proposed a final dividend of 17.00 pence per share which is subject to approval by the shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The total dividend payable in respect of the year ended 31 August 2008, which is the basis on which the requirements of s842 Income and Corporation Taxes Act 1988 are considered, is stated below:

	2008 £'000	2007 £'000
Proposed final dividend of 17.00 pence per share for the year ended 31 August 2008 (2007: 7.50 pence) based on number of shares in issue as at date of the Annual Report	9,655	4,426

8 RETURN/(LOSS) PER ORDINARY SHARE

	2008 revenue	2008 capital	2008 total	2007 revenue	2007 capital	2007 total
Basic	17.13p	(81.03p)	(63.90p)	6.91p	78.94p	85.85p

Return/(loss) per ordinary share are based on the net revenue return on ordinary activities after taxation of £9,907,000 (2007: £4,375,000), the capital loss in the year of £46,853,000 (2007: return £49,999,000) and the total loss in the year of £36,946,000 (2007: return £54,374,000) and on 57,823,165 ordinary shares (2007: 63,335,764) being the weighted average number of ordinary shares in issue during the year.

9 INVESTMENTS

	2008 £'000	2007 £'000
Listed in the UK	283,110	303,807
Listed overseas	36,371	66,332
Total listed investments	319,481	370,139
AIM quoted investments	11,264	12,300
Derivatives - at fair value	518	1,055
Unlisted equity investments - at fair value	49	332
Total other investments	11,831	13,687
	331,312	383,826

	listed UK £'000	2008 listed overseas £'000	other £'000	total £'000
Opening book cost	290,713	51,635	19,677	362,025
Opening fair value adjustment	14,149	14,697	(7,045)	21,801
Opening fair value of investments	304,862	66,332	12,632	383,826
Movements in the year				
Purchases at cost	295,023	31,385	6,600	333,008
Sales - proceeds	(267,289)	(67,712)	(3,714)	(338,715)
Sales - realised (losses)/gains on sales	(8,311)	18,854	(1,452)	9,091
Transfer from listed to other - cost	(3,044)	–	3,044	–
Transfer from listed to other - fair value adjustment	1,755	–	(1,755)	–
Changes in fair value	(39,368)	(12,488)	(4,042)	(55,898)
Closing fair value of investments	283,628	36,371	11,313	331,312
Closing book cost	307,092	34,162	24,155	365,409
Closing fair value adjustment	(23,464)	2,209	(12,842)	(34,097)
Closing fair value of investments	283,628	36,371	11,313	331,312

	2008 £'000	2007 £'000
Net (losses)/gains on investments		
Gains on sales of non-derivative investments	721	68,261
Gains on sales of derivative contracts	8,370	3,935
Changes in fair value of non-derivative investments	(56,014)	(25,270)
Changes in fair value of derivative contracts	116	3,073
	(46,807)	49,999

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

	2008 £'000	2007 £'000
Purchases expenses	1,634	1,788
Sales expenses	313	464
	1,947	2,252

Notes to the Financial Statements

Derivatives

As at 31 August 2008 the Company had exposure to the following derivatives:

	Unrealised gain/(loss) £'000	Exposure £'000
Futures	(398)	(6,843)
Equity forwards	(122)	(1,248)
Contracts for difference	1,100	(8,047)
Options	(62)	(11,692)
	518	(27,830)

10 DEBTORS

	2008 £'000	2007 £'000
Securities sold for future settlement	3,099	3,112
Overseas taxation recoverable	34	32
Property income distribution taxation recoverable	36	–
Currency receivable	85	434
Accrued income	1,117	–
Recoverable VAT on management fee	2,300	–
Other debtors	323	725
	6,994	4,303

11 CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	2008 £'000	2007 £'000
Fixed rate unsecured loan @ 4.91% per annum	–	5,000
Fixed rate unsecured loan @ 5.655% per annum	8,000	–
Securities purchased for future settlement	8,714	886
Amount payable on share repurchases	1	482
Currency payable	84	434
Loan interest payable	200	223
Other creditors	708	1,143
	17,707	8,168

The Company has entered into a £20,000,000 revolving facility agreement with Abbey National Treasury Services Plc which expires on 23 April 2009. As at 31 August 2008 no amount was drawn down.

The fixed rate loan from The Royal Bank of Scotland PLC of £8,000,000 was drawn down on 16 January 2004 with a maturity date of 16 January 2009, at an interest rate of 5.655% per annum.

The fixed rate loan from The Royal Bank of Scotland PLC of £5,000,000 drawn down on 7 February 2003 at an interest rate of 4.91% per annum was repaid on 7 February 2008.

12 CREDITORS – AMOUNTS FALLING DUE AFTER ONE YEAR

	2008 £'000	2007 £'000
Fixed rate unsecured loan @ 5.655% per annum	–	8,000
Fixed rate unsecured loan @ 5.435% per annum	27,000	27,000
	27,000	35,000

The fixed rate loan from Barclays Bank PLC of £7,000,000 (Tranche A) was drawn down on 25 October 2004 and a further £20,000,000 (Tranche B) was drawn on 26 January 2005 each with a maturity date of 26 January 2010 at an interest rate of 5.435% per annum.

Redemption costs may be payable in the event of the Directors electing to prepay the unsecured loans.

13 CALLED-UP SHARE CAPITAL

	2008 £'000	2007 £'000
Authorised:		
160,000,000 (2007: 160,000,000) ordinary shares of 25 pence each	40,000	40,000
Issued, allotted and fully paid:		
Beginning of year		
59,704,660 (2006: 65,356,053) ordinary shares of 25 pence each	14,926	16,339
1 September 2007 to 31 August 2008: repurchase of 2,910,157 shares (2007: 5,651,393)	(728)	(1,413)
End of year		
56,794,503 (2007: 59,704,660) ordinary shares of 25 pence each	14,198	14,926

14 RESERVES

	share premium account £'000	capital redemption reserve £'000	other non-distributable reserve £'000	capital reserve realised £'000	capital reserve unrealised £'000	revenue reserve £'000
Beginning of year	95,058	1,817	5,152	232,390	21,733	5,514
Exchange (losses)/gains on other net assets	–	–	–	(50)	4	–
Net gain on realisation of investments	–	–	–	9,091	–	–
Changes in fair value	–	–	–	–	(55,898)	–
Repurchase of ordinary shares	–	728	–	(15,961)	–	–
Net revenue for the year	–	–	–	–	–	9,907
Dividends paid to shareholders	–	–	–	–	–	(4,426)
End of year	95,058	2,545	5,152	225,470	(34,161)	10,995

15 NET ASSET VALUE PER SHARE

The basic net asset value per ordinary share is based on net assets of £319,257,000 (2007: £376,590,000) and on 56,794,503 (2007: 59,704,660) ordinary shares, being the number of ordinary shares in issue at the year end.

Notes to the Financial Statements

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

	2008 £'000	2007 £'000
Net (loss)/return before finance costs and taxation	(34,792)	56,727
Capital (loss)/return for the year	46,853	(49,999)
Net revenue return before finance costs and taxation	12,061	6,728
Scrip dividends	(6,284)	(4,922)
(Decrease)/increase in other creditors	(785)	285
(Increase)/decrease in other debtors	(2,704)	150
Overseas taxation suffered	(134)	(259)
Net cash inflow from operating activities	2,154	1,982

17 RECONCILIATION OF NET CASH MOVEMENTS TO MOVEMENT IN NET DEBT

	2008 £'000	2007 £'000
Net debt at the beginning of the year	(8,371)	(17,148)
Net cash outflow	(4,724)	(1,494)
Fidelity Institutional Cash Fund plc	(1,251)	10,342
4.91% fixed rate unsecured loan repaid	5,000	–
Unrealised foreign exchange movement on other net assets	4	(71)
Change in net debt	(971)	8,777
Net debt at the end of the year	(9,342)	(8,371)

	2008 £'000	Change in the year £'000	2007 £'000
Analysis of balances			
Amounts held at futures and clearing houses	1,573	(445)	2,018
Cash at bank	14,994	(4,275)	19,269
Fidelity Institutional Cash Fund plc	9,091	(1,251)	10,342
Fixed rate unsecured loans	(35,000)	5,000	(40,000)
End of year	(9,342)	(971)	(8,371)

18 FINANCIAL INSTRUMENTS

Management of risk

The general risk analysis undertaken by the Board and its overall policy approach to risk management are set out in the Business Review on pages 22 and 23. 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
- UK sterling borrowings to finance operations
- Derivative instruments which comprise futures, equity forwards, contracts for difference and options

Generally, the purpose of using derivatives is to manage the market and foreign currency risks arising from the Company's investment activities.

The risks identified by FRS29 arising from the Company's financial instruments are other price risk (which comprises equity 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.

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

Derivatives have been used during the year as a quick and effective means to either increase or decrease the Company's exposure to the equity market. See Note 9 on page 44 for details of the Company's exposure to derivatives contracts and page 52 for the sensitivity of the derivatives to market movement.

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 (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 derivatives.

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.

Interest rate risk

The Company finances its operations through share capital raised. In addition, financing has been obtained through UK sterling denominated fixed rate unsecured bank loans, which fall due for repayment on 16 January 2009 and 26 January 2010. The Company is therefore not exposed to a financial risk arising as a result of any increase in UK sterling interest rates on these loans. In addition the Company has the facility to draw on a revolving facility agreement which expires on 23 April 2009. The Board imposes borrowing limits to ensure gearing levels are appropriate to market conditions.

Liquidity risk

The Company's assets mainly comprise readily realisable securities, which can be easily sold to meet funding commitments if necessary. Short term flexibility is achieved by the use of overdraft facilities as required. Details of the Company's borrowing commitments are explained in Notes 11 and 12 to the financial statements.

Notes to the Financial Statements

Counterparty risk

Derivatives carry the risk that the counterparty to a transaction may not meet their financial obligations. Exposures to counterparties are monitored closely, and where appropriate, collateral will be transferred to reduce the Company's exposure to a counterparty.

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 and Fidelity Institutional Cash Fund Plc, outstanding securities transactions and the derivatives exposure.

Financial Assets

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

2008	investments at fair value through profit or loss £'000	short term debtors book value £'000	cash* £'000	total £'000
Euro	12,190	47	181	12,418
Hong Kong dollar	1,557	1	–	1,558
Israeli shekel	34	–	1	35
Norwegian krone	3,815	–	4	3,819
Swedish krona	2,088	–	–	2,088
Swiss franc	12,808	527	348	13,683
US dollar	693	38	9	740
UK sterling	298,127	6,381	25,115	329,623
	331,312	6,994	25,658	363,964

2007	investments at fair value through profit or loss £'000	short term debtors book value £'000	cash* £'000	total £'000
Euro	36,061	286	–	36,347
Hong Kong dollar	3,794	–	–	3,794
Norwegian krone	16,170	–	–	16,170
Singapore dollar	1,115	7	–	1,122
Swiss franc	4,049	–	–	4,049
US dollar	661	289	1	951
UK sterling	321,976	3,689	31,628	357,293
	383,826	4,271	31,629	419,726

* Included in the cash balance are amounts held in Fidelity Institutional Cash Fund plc, amounts held at futures clearing houses and brokers and cash at bank.

Financial Liabilities

The Company finances its investment activities through its ordinary share capital, reserves and borrowings.

The Company's financial liabilities comprise its UK sterling denominated loans and other short term creditors.

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

	2008 UK sterling denominated unsecured loans £'000	2008 short term creditors £'000	2008 total £'000	2007 UK sterling denominated unsecured loans £'000	2007 short term creditors £'000	2007 total £'000
Euro	–	227	227	–	143	143
Singapore dollar	–	–	–	–	2	2
Swiss franc	–	842	842	–	–	–
US dollar	–	–	–	–	288	288
UK sterling	35,000	8,638	43,638	40,000	2,735	42,735
	35,000	9,707	44,707	40,000	3,168	43,168

Foreign currency risk sensitivity analysis

At 31 August 2008, if sterling had strengthened by 5% in relation to the Euro, the largest currency exposure, with all other variables held constant, total net assets and total return on ordinary activities would have decreased by the amounts shown below. A 5% weakening of sterling against the Euro exposure, with all other variables held constant, would have had an equal but opposite effect on the financial statement amounts. The analysis is performed on the same basis for 2007.

	2008 £'000	2007 £'000
Euro	610	1,810

Interest rate risk profile of financial assets and liabilities

The analysis below summarises the extent to which the Company's assets and liabilities are affected by changes in interest rates.

2008	cash flow interest rate risk £'000	fair value interest rate risk £'000	no interest rate risk £'000	total £'000
Investments at fair value through profit or loss	–	–	331,312	331,312
Other debtors	–	–	6,994	6,994
Fidelity Institutional Cash Fund plc	9,091	–	–	9,091
Cash balances	16,567	–	–	16,567
Total financial assets	25,658	–	338,306	363,964
Creditors	–	–	(9,707)	(9,707)
Fixed rate unsecured loans	–	(35,000)	–	(35,000)
Total financial liabilities	–	(35,000)	(9,707)	(44,707)
Total financial assets/(liabilities)	25,658	(35,000)	328,599	319,257

Notes to the Financial Statements

	2007 cash flow interest rate risk £'000	fair value interest rate risk £'000	no interest rate risk £'000	total £'000
Investments at fair value through profit or loss	–	–	383,826	383,826
Other debtors	–	–	4,271	4,271
Fidelity Institutional Cash Fund plc	10,342	–	–	10,342
Cash balances	21,287	–	–	21,287
Total financial assets	31,629	–	388,097	419,726
Creditors	–	–	(3,168)	(3,168)
Fixed rate unsecured loans	–	(40,000)	–	(40,000)
Total financial liabilities	–	(40,000)	(3,168)	(43,168)
Total financial assets/(liabilities)	31,629	(40,000)	384,929	376,558

Interest rate risk sensitivity analysis

At 31 August 2008, if interest rates would have increased by 0.5% the total return on ordinary activities would have increased by £127,000 (2007: £158,000). A decrease in the interest rates by 0.5% would have an equal but opposite effect.

Other price risk

Changes in market prices other than those arising from interest rate 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.

Other price risk sensitivity analysis

An increase of 3% in the fair value of the investments, including derivative instruments, at 31 August 2008 would have increased total return on ordinary activities and total assets by £9,939,000 (2007: £11,515,000). A decrease of 3% would have had an equal but opposite effect.

Derivatives exposure sensitivity analysis

Equity derivatives

The Company invests into futures to gain exposure to the equity markets. A 10% fall in the price of the futures and forwards would have resulted in an increase of £684,000 (2007: £4,152,000) in the Company's market value. A rise of 10% would have had an equal but opposite effect.

The Company invests into equity forwards to gain exposure to the equity markets. A 10% fall in the price of the equity forwards would have resulted in an increase of £125,000 (2007: nil) in the Company's market value. A rise of 10% would have had an equal but opposite effect.

The Company invests into contracts for difference to gain exposure to the equity markets. A 10% fall in the price of the contracts for difference would have resulted in an increase of £805,000 (2007: nil) in the Company's market value. A rise of 10% would have had an equal but opposite effect.

For details of the Company's derivative exposure see Note 9 on page 44.

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. A 10% rise in the price of the equities would result in a decrease of £447,000 (2007: £518,000) in the Company's market value. A 10% fall would have a similar but opposite effect.

Fair value of financial assets and liabilities

Financial assets and liabilities are stated in the balance sheet at values which are not materially different to their fair values. As explained in note 1 investments are shown at fair value which is bid market price. In the case of cash, book value approximates to fair value due to the short maturity of the instruments. The exceptions are the unsecured term fixed rate loans, whose fair value as at 31 August 2008, given below, has been calculated by discounting future cash flows at current UK sterling interest rates.

	2008 fair value £'000	2008 book value £'000	2007 fair value £'000	2007 book value £'000
Fixed rate unsecured loan @ 4.91% per annum	–	–	4,948	5,000
Fixed rate unsecured loan@ 5.655% per annum	7,963	8,000	7,877	8,000
Fixed rate unsecured loan@ 5.435% per annum	26,924	27,000	26,425	27,000
	34,887	35,000	39,250	40,000

Loans and borrowings

	effective interest rate %	maturity	2008 £'000	2007 £'000
Within one year:				
Fixed rate unsecured loan: UK sterling 5,000,000	4.91	07.02.08	–	5,000
After more than one year:				
Fixed rate unsecured loan: UK sterling 8,000,000	5.655	16.01.09	8,000	8,000
Fixed rate unsecured loan: UK sterling 27,000,000	5.435	26.01.10	27,000	27,000
			35,000	40,000

Capital Management

The Company does not have any externally imposed capital requirements. The capital of the Company is managed in accordance with its investment policy in pursuit of its investment objective, both of which are detailed on page 21. The principal risks and their management are disclosed above.

19 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

There were no contingent liabilities or capital commitments as at 31 August 2008 (2007: nil).

20 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 23 and 24.

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 11 December 2008 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 2008.

2. To approve a final dividend.

3. To elect Mr Ben Thomson as a Director

4. To re-elect Mr Alex Hammond-Chambers as a Director.

5. To re-elect Sir Richard Brooke 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 2008.

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 30 October 2008. 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 80 of the Companies Act 1985 (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 £1,419,862 (approximately 10% of the aggregate nominal amount of the issued share capital of the Company as at 30 October 2008) 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 Section 95 of the Act to allot equity securities (as defined in Section 94 of the Act) pursuant to the authority given by the said Resolution 12 as if Section 89(1) 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 £1,419,862 (approximately 10% of the aggregate nominal amount of the issued share capital of the Company as at 30 October 2008); 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

30 October 2008 for cancellation. Purchases of ordinary shares will be made at the discretion of the Board and within guidelines set from time to time by the Board in the light of prevailing market conditions. Purchases will only be made in the market at prices below the prevailing net asset value per share, 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 166 of the Companies Act 1985 (the "Act") to make market purchases (within the meaning of Section 163 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 8,513,495;

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 a special resolution which relates to the amendments to the Articles of Association and to consider and, if thought fit, to pass the following resolution as a special resolution.

15. THAT Articles 142 to 144, inclusive, of the Company's Articles of Association be and are hereby removed and the subsequent revised Articles of Association of the Company, produced to the meeting and initialled by the Chairman of the meeting for the purposes of identification, be adopted in substitution for, and to the exclusion of, the existing Articles of Association.

By order of the Board

FIL Investments International
Secretary
11 November 2008

Notes:

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

2 A Form of Proxy is enclosed and must be returned to the Registrars at the address on the form to arrive not later than 11.30am on 9 December 2008. 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 All members are entitled to attend and vote at the Annual General Meeting.

6 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.

Notes to Notice of Meeting

7 If the Chairman, as a result of any proxy appointments, is given discretion as to how the votes 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.

8 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 9 December 2008. 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.

9 As at 3 November 2008 (the latest practicable date prior to the publication of this document) the Company's issued share capital consisted of 56,794,503 ordinary shares carrying one vote each. Therefore, the total number of voting rights in the Company as at 3 November 2008 was 56,794,503.

10 In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the Chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (www.icsa.org.uk) for further details of this procedure. The guidance includes a sample form of representation letter if the Chairman is being appointed as described in (i) above.

11 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.

12 No Director has a service contract with the Company.

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.

With effect from 6 April 2008 the distinction between Mini and Maxi ISA was removed and the maximum investment in a stocks and shares ISA is £7,200.

The minimum investment in the Fidelity ISA is £1,000 as a lump sum, £250 as a top-up or £50 a month in a regular savings plan.

Charges – The standard initial charge for the Fidelity ISA is 3.5%. 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. There is an additional annual charge of 0.5% + VAT when you invest through a Financial Adviser.

MOVING MONEY FROM PREVIOUS 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 a 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 stockmarket so you may miss out on any growth during this time.

Charges – The standard initial charge for a transfer is 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. The annual management charge is as described above in the "Investing inside an ISA" section.

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 a top-up or £50 a month in a 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 special leaflet on investing for children through investment trusts is available 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 a 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 shop, 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

With effect from 1 October 2007 registered shareholders of fully listed companies are able to nominate the underlying beneficial owners of their shares to receive information rights from 1 January 2008. You should contact your registered shareholder direct to request to receive your information rights. Please note that beneficial owners of shares who have been nominated by the registered holder of those shares to receive information rights under Section 146 of the Companies Act 2006 are required to direct all communications to the registered holder of their shares rather than to the Company's Registrars, Capita 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, 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 other share dealing services, Fidelity ShareNetwork gives you CREST personal membership for shares held direct. This means that shares are registered on the CREST system in your own name and everything relating to you – 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. Share purchases or sales are executed online for only £9 per trade. (Stamp

Investing in Fidelity Special Values PLC

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, seven days a week.

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). If calling from overseas, telephone +44 208 639 3399. Email ssd@capitaregistras.com

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). 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 664 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.

Share Plan investors
Fidelity Investment Trust Share Plan, Equiniti Limited*, PO Box 4605, Aspect House, Spencer Road, Lancing, West Sussex BN99 6QY Telephone: 0871 384 2415 (calls to this number are charged at 8p per minute from a BT land line. Other telephone providers' costs may vary).
*formerly Lloyds TSB Registrars

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

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

ONLINE SHAREHOLDER SERVICES – SHARE PORTAL

Through the website of our Registrar, 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 shareholder to access their personal shareholding, including share transaction history, dividend payment history and to obtain an up-to-date shareholding valuation;

- Amendment of Standing Data - Allows 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 forms as well as buy and sell shares in the Company.

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

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

CB35019/NA

Investing in Fidelity Special Values PLC

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 regulated by the Financial Services Authority. The Fidelity Investment Trust Share Plan is administered by Equiniti Limited (formerly Lloyds TSB Registrars) and shares will be held in the name of Lloyds TSB Registrars Savings Nominees Limited. The value of savings and eligibility to invest in an ISA will depend on individual circumstances and all tax rules may change in the future. Fidelity investment trusts are managed by FIL Investments International. Fidelity only gives information about its own products and services and does not provide investment advice based on individual circumstances. Should you wish to seek advice, please contact a Financial Adviser.

Please note that the value of investments and the income from them may fall as well as rise and the investor may not get back the amount originally invested. Past performance is not a guide to future returns.

For funds that invest in overseas markets, changes in currency exchange rates may affect the value of your investment. Investing in small and emerging markets can be more volatile than older developed markets.

Reference in this document to specific securities should not be construed as a recommendation to buy or sell these securities, but is included for the purposes of illustration only. Investors should also note that the views expressed may no longer be current and may have already been acted upon by Fidelity.

KEEPING YOU UPDATED

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

The share price of Fidelity Special Values PLC appears daily in The Financial Times Share Price and performance information is also available at **www.fidelity.co.uk/its**

Investors can obtain the real-time share price by phoning FT Cityline on 0906 843 0000, selecting option 2 and entering 4782 (calls charged at 60p per minute on a per second basis from a BT landline. Charges from other telephone networks may vary).

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).

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

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

Fidelity INTERNATIONAL

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