Fidelity Special Values PLC

Annual Report

For the year ended 31 August 2009

Managed by

Fidelity International

The Association of Investment Companies

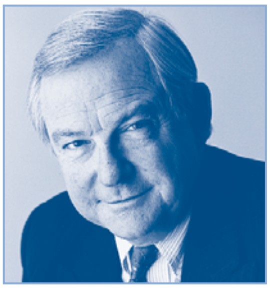
Fidelity Special Values PLC Annual Report

for the year ended 31 August 2009

Contents

Objective and Financial Calendar	1
Highlights	2
Financial Summary	3
Chairman's Statement	4
Manager's Review	8
Forty Largest Investments	10
Distribution of the Portfolio	12
Summary of Performance	14
Attribution Analysis	17
Corporate Information	18
Board of Directors	18
The Board's Policies	20
Directors' Report	22
Business Review	22
General	24
Statement of Directors' Responsibilities	29
Corporate Governance Statement	30
Directors' Remuneration Report	35
Independent Auditor's Report	37
Financial Statements	38
Notice of Meeting	57
Investing in Fidelity Special Values PLC	62

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 2009

31 August – financial year end

4 November – announcement of results

13 November – publication of this Annual Report

16 December – Annual General Meeting

23 December – dividend payment date

2010

January – Interim Management Statement (as at 30 November 2009)

28 February – half-year end

April – announcement of half-yearly results (to 28 February 2010)

May – publication of half-yearly financial report

July – Interim Management Statement (as at 31 May 2010)

Highlights

	Year ended 31 August 2009
Net Asset Value ("NAV") (capital only)	4.5%
Share Price (capital only)	14.2%
FTSE All-Share Index (capital only)	-12.1%
Equity Shareholders' Funds	£334.5m
Market Capitalisation	£313.2m
Dividend per Ordinary Share	9.0p

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

Standardised Performance Total Return %

	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	01/09/2008 to 31/08/2009
NAV (debt at par)	+35.8	+19.4	+15.9	-9.8	+9.0
Share price	+30.4	+16.0	+14.3	-17.6	+19.4
FTSE All-Share Index	+24.1	+16.8	+11.8	-8.7	-8.2

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

Financial Summary

	2009	2008
Assets at 31 August		
Total assets employed[1]	£361.52m	£354.26m
Shareholders' funds	£334.52m	£319.26m
NAV per share	587.50p	562.13p
Dividend for the year to 31 August		
Final dividend per ordinary share	9.00p	17.00p
Share price data at 31 August		
Share price year end	550.00p	481.50p
high	553.00p	596.00p
low	325.00p	407.00p
(Discount)/premium at year end	(6.4)%	(14.3)%
high	4.4%	(4.8)%
low	(12.2)%	(14.7)%
Total returns (includes reinvested income) for the year to 31 August (%)		
NAV	+9.0	-9.8
Share price	+19.4	-17.6
FTSE All-Share Index	-8.2	-8.7
Total expense ratio[2]	1.32%	1.14%

1 Total assets less current liabilities, excluding fixed term loan liabilities
2 Operating expenses (excluding interest) before tax based on average daily shareholders' funds

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

Chairman's Statement

CHANGED TIMES: FIFTEEN YEARS SINCE LAUNCH

On 17 November 1994 Fidelity Special Values was launched in a time of somewhat turbulent stock markets so that investment trust investors would have a vehicle which would invest alongside Fidelity Special Situations, a unit trust (as it was then) managed by Anthony Bolton – already a rising star in the world of portfolio management. The price at the time of the launch was £1 per share but the new shareholders also received a warrant to acquire another share for every five they bought – at the same price. By the time that Anthony bowed out as the portfolio manager – on 31 December 2007 – £100 invested had become worth £549 – a return of circa 13¾% per annum over those 13 plus years. I am happy to report that further progress has been made since then with Sanjeev Shah taking on Anthony's portfolio management role, much like the proverbial duck to water.

Back in 1994 the world's economy was emerging from a financial crisis (not unlike today's but of much less severity); it was enjoying the economic benefits of Thatcherism and Reaganism, including good growth, low inflation and sound national finances, the baby boomers' consumer spending and of the emergence of global capitalism following the fall of the Berlin Wall. The stock market barometer was set "very fair" and indeed it turned out that its reading was entirely accurate. Between our launch and the end of 1999 the FTSE All-Share Index rose by 109% to 3,242. It seems however to be human nature that people get carried away in good times; fuelled with easy money, excessive debt creation, insatiable greed and incompetent government, it all turned into an out-of-control boom followed by the inevitable bust: the financial crisis, with which we are now all too familiar, erupted.

THE INVESTMENT POLICY

The point of reminding ourselves of the economic and financial course of events (above) is that, between the launch of the Company and now, things have changed enormously; no longer can it be said that the stock market barometer is "set fair" – certainly not for Great Britain at least. Your Board of Directors, as is the duty of an investment trust board, has undertaken a thorough review of the investment policy to consider whether, in the light of different circumstances, it should be changed in order to give us a better chance of earning really good returns – if possible to match those that have been earned in the past fifteen years. We know that it is a big ask – to use a modern idiom – but it has always been our goal to strive for excellence, most particularly in the returns that we earn for our shareholders.

At both our annual away day and at another specially convened meeting, working with Cenkos (our investment banker) and with Fidelity, the Board of Directors considered different possible future investment policies. After much thought, discussion and debate we concluded that the option which suit shareholders the best and should be capable of producing the excellent returns we aim to earn because:

- the vast majority of our shareholders have invested in the shares of Fidelity Special Values in part because of its exposure to the UK stock market;
- the UK stock market itself is dominated by companies whose sales and profits are earned largely overseas;
- we have considerable confidence that, in Sanjeev Shah, we have a talented portfolio manager, capable of earning good returns from stocks and shares quoted on the London Stock Exchange; furthermore his style of investment is suited to investment in derivatives (see below);
- and finally we believe that Fidelity's skills in the area of derivatives gives us the chance to put that icing on the cake which will allow us to reproduce those excellent returns that we have earned in the past.

And so it is that our investment policy remains that of investment in mispriced conventional stocks and shares (the main body of the portfolio) with two additional but much smaller components – investment outside the UK where there may be more attractive investments within a particular mispriced sector (for instance our holding in Carnival, the American cruise liner company) and investment in derivatives, both of which form a much smaller commitment, and help to put the icing on the cake to which I referred earlier.

INVESTING IN DERIVATIVES

Although we have written at length in the past about investment in mispriced stocks and shares both here in the UK and, to a much smaller extent, outside the UK, we have not articulated our approach to investing in derivatives before; so I thought it worthwhile to say something about it. It is important to understand that it is but a small component of the portfolio and, more importantly, it is just another way of investing in mispriced stocks.

The investment style that Sanjeev uses in order to achieve the appreciation of capital that is our corporate objective – in other words positive returns – is the identification of mispriced stocks. He has identified those areas in which he looks for such opportunities – undervalued corporate assets, for instance – at the same time as identifying a catalyst which might correct the mispricing. It is a style involving shorter term return objectives, the share price appreciation coming from a revaluation of the shares within a relatively short period of time – typically a year or so; the turnover of the portfolio during the past year, for instance, was 98%. The point of highlighting his approach to investing is that it is one that is very compatible with that of making successful investments in derivatives, themselves investments of a shorter term nature. Investors with much longer time scales often find making successful shorter term derivative investments difficult. To repeat what I said earlier, it is our view that Sanjeev, with his investment style, is well suited to make derivative investments and thereby carry out the investment policy.

It is important to understand why the Board believes that investment in derivatives makes sense for Fidelity Special Values. Such investments give us the chance to add value to our investment returns without changing the investment policy. They allow us:

- to gear the returns that we make, being an alternative to straight borrowing;
- to take advantage of the revaluation of mispriced stocks – both up and down;
- to protect the portfolio if we become concerned about stock market levels generally.

Gearing, investment in mispriced stocks and protecting the portfolio are all things we do in the normal course of managing the portfolio, have done in the past and will continue to do so in the future. *It should be emphasised that investment is not made in any derivatives other than those that are relevant to and directly enhance the Company's investment policy.*

Investment in derivatives is not new to the portfolio but we have been increasing our commitment in recent years, most noticeably in the last two years. We have strict guidelines on what can be invested in and how much – just as we do for investment in conventional stocks and shares. Finally I am happy to report that these investments have been adding value to the returns we make for shareholders – having added circa £11 million to the net asset value over the last year and circa £8½ million in the previous financial year – very worthwhile returns we believe.

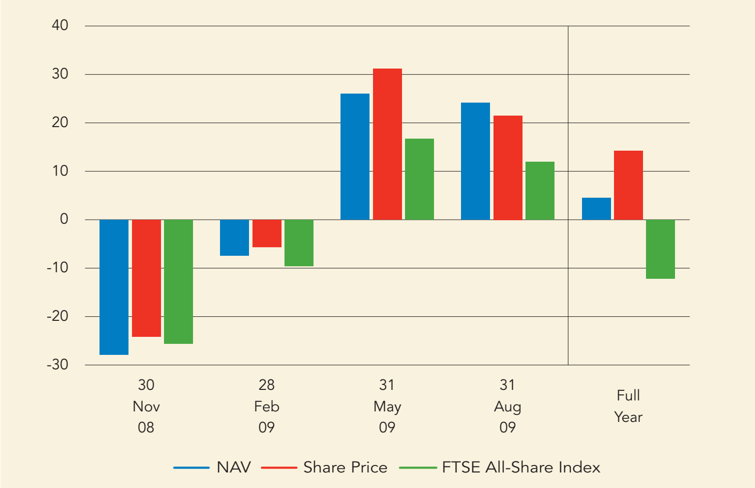
THE YEAR'S RESULTS:

NAV:	587.5P	+4.5%;
SHARE PRICE:	550.0P	+14.2%;
BENCHMARK:		-12.1%;
DIVIDEND:	9.0P	

This past year has proved to be quite extraordinary. It started off with arguably the worst financial crisis in 80 years. Stock markets crashed as sectors all over the world had to be rescued by their respective governments; during the first half of our financial year the British stock market lost approximately one third of its value, as indeed did Fidelity Special Values' net assets. However governments and central bankers worked overtime on plans to rescue their banks and thence their economies by – in effect – getting their tax payers to underwrite the creditworthiness of the banks and by pumping "squillions" of dollars, pounds, euros, yen etc into the global financial system. For now at least economies have been stabilised and global stock markets have rebounded – in huge relief that the worst is over, for the moment at least. The British stock market rose by circa 30% over the course of our second half. The chart above illustrates the tale of two halves.

The real story for shareholders is that our own net asset value recovered quite magnificently – rising by no less than 56½% in the six month period, leaving the net asset value 4½% ahead of where it was a year ago. Given that interest on a bank account earned most depositors next to nothing, the rise in the net asset value is certainly worthwhile; given that our benchmark declined by circa 12% it can be said that Sanjeev Shah did a fabulous job of managing the portfolio in very difficult circumstances and in his first full year at the portfolio management helm. Well done Sanjeev.

Fidelity Special Values PLC Quarterly NAV Changes 2008/09



Better still news is that the share price staged an even better recovery. At the end of last year it stood at 481½p, selling at a discount of circa 14¼% to the underlying net asset value. As the year wore on, as the markets began to recover their poise and importantly as Sanjeev became better known to both shareholders and to investors generally, the market began to recognise the excellence of the returns being earned; investors started to buy, many thereby becoming new shareholders and the discount started to narrow. By the end of the year the share price had risen to 550p and the discount had narrowed to circa 6½%. These results are of the sort that earn the attribute of excellent, being what we aim to earn for shareholders.

It is worth observing that the discount narrowed during the year – despite the fact that we bought back very few shares and indeed we were able to issue some shares at a premium to the underlying net asset value – for a net addition to the number of shares of circa 150,000. The fact is that all the buying back of shares will not protect the discount of poorly performing investment trusts, whereas buybacks are not normally necessary if the returns being earned are good. While we will buy back shares if there is advantage to long term shareholders to do so – the increase in the net asset value – it should not be necessary to do so if we are doing a good job.

Chairman's Statement

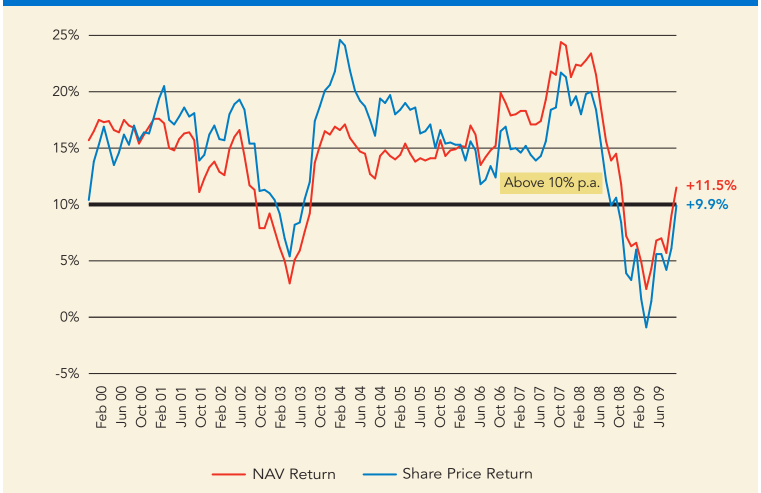
The tables on page 17 illustrate where the year's returns came from. Most particularly they illustrate the tremendous contribution made by Sanjeev's stock picking. Rather strangely two of the three best returns came from holdings in bank shares (the Royal Bank of Scotland +8½p and Standard Chartered +5½p) and likewise two of the worst returns (HBOS -19p and Barclays -6p).

DIVIDEND

The level of income earned during the year fell from £13.8 million to £10.4 million. This was because the portfolio did not generate as much income – in part because it was a different portfolio, in part as we did not receive a VAT repayment this year and in part because stocks suffered from dividend cuts. As I have mentioned many times in the past, the objective of Fidelity Special Values is to generate positive returns for shareholders, so that the income generated will be a function of the portfolio and its yield during the course of the year. Nevertheless enough was earned to be able to recommend a dividend of 9p per share to shareholders, in itself the second highest ever paid.

While I have used statistics which refer to the change in the net asset value only, the dividend paid to shareholders makes a contribution to the overall returns that shareholders receive. Over the longer term it probably won't be that significant when compared with that of the capital return but in any given year it can make a meaningful difference. It certainly did last year when we paid a dividend of 17p per share while losing money on our capital account. This year the 9p dividend is in addition to an increase in the share price of 68½p – so it is still very welcome.

Fidelity Special Values PLC NAV 5 Year Trailing NAV & Share Price Returns (%pa; February 2000 to June 2009)



Sources: Fidelity, Datastream and Morningstar as at 31 August 2009
Basis: bid-bid with net income reinvested

Year	Share Price Gain/Loss	Dividend	Total Return
2008	-18.7%	+2.9%	-15.8%
2009	+14.2%	+1.9%	+16.1%

NB. Simple return (dividends not reinvested)

Statistics elsewhere refer to the "total return", which assume that shareholders reinvest their dividends back into the Company's shares at the time that they are received. Some shareholders do, others do not.

THE LONG TERM RETURNS (OVER FIVE YEARS):

NAV: + 71.8%
SHARE PRICE: + 58.0%
BENCHMARK: + 13.8%

I have tried to emphasise in my statement each year that Fidelity Special Values is in business to make money for shareholders over the longer term. That means making positive returns – money that can be spent. But because the nature of stock markets is volatile and because the reinvestment of corporate profits takes time to bear fruit, I have stressed that we regard "long term" as being at least five years. So I thought I would look at the five year record that the Company has produced since its inception – both the net asset value and the share price (plus the dividends received). The chart on the left illustrates that record and I think it is fair to say that – given that in most cases the five year returns are over 10% per annum (above the horizontal bold line) for most of the Company's life – the long term objectives have been achieved and that we can pat our Manager, Fidelity, on the back and say "well done". These long term returns are indeed excellent and on behalf of shareholders – thank you, Fidelity.

I would like also to commend those at Fidelity for their hard work and excellent administration, not least of all compiling this Annual Report. Again thank you.

THE ANNUAL GENERAL MEETING: WEDNESDAY 16 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) on Wednesday 16 December 2009 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 come and join us for the occasion. Sanjeev Shah will be making his annual presentation to shareholders, highlighting the achievements of the year past and the prospects for the year to come. The meeting provides shareholders with the opportunity to ask questions, make comments and recommendations; most importantly it gives the Board of Directors the chance to meet you and get to know your own views and concerns.

At the launch of the Company in 1994 five Directors were appointed to the Board. Three of those Directors still serve the Company and – without speaking for myself – I can say that their length of service, as well as their own performance as Directors, has made an important contribution to the successful governance of the Company over the fifteen years. We have been addressing the task of renewing and refreshing the Board over the last few years – with the appointments of Nicky McCabe, Lynn Ruddick and Ben Thomson in recent times. Very sadly Sir Richard Brooke feels that it is time for him to step down and he will not be seeking re-election at the forthcoming AGM. He is a wonderfully wise person and, with his great knowledge and experience of the financial world generally and of investment trusts particularly, he has made an important contribution to the success of the Company during his tenure as a Director. A huge thank you is also due to him.

We are in the process of appointing at least one more Director to the Board. During the course of the next year, I will step down as a Director of the Company and indeed as Chairman of the Board of Directors; the Directors – other than myself – will decide on who it is that will succeed me. I have been greatly honoured to serve as both a Director and as Chairman and indeed most fortunate to have been associated with some wonderful people – my fellow Directors and many people at Fidelity, including the talented and successful Anthony Bolton. Part of working with great people is that the work is fun and the last fifteen years – despite one or two downs to go with the many ups – it has been; successful governance is team work and should be fun; if not, it is unlikely to be successful. While I can claim little individual credit for the great long term success of Fidelity Special Values, being part of the team that made it has made it wonderfully worthwhile.

CORPORATE GOVERNANCE

There seems to be a never-ending stream of new corporate governance guidelines and rules and regulations that boards have to deal with each year. This year there are additional requirements emanating from the European Union's Disclosure and Transparency Rules Requirements ("the DTR"). Much of it is not about the principles and practice of good governance but rather information about facts and statistics pertaining to the year in question which have always formed part of the Directors' Report. We have continued to provide that information in the Directors' Report but, at the end of the Corporate Governance Statement, we have cross referenced that information which the DTR requires.

I would like to make an important point about corporate governance and the statements that are traditionally made about compliance – namely concerning a board's determination to apply the highest of governance standards. Compliance with guidelines and rules and regulations does not of itself result in high standards of governance; it merely sets a minimum base. It is the success or otherwise of the leadership of a board in directing and guiding management in the pursuit of the goals of the business that ultimately sets the standards of the best governance. An old quote, attributed to anonymous, says it all:

Management is about doing things right.
Leadership is about doing the right things.

As a board of directors, we have always tried to do the right things and I would like to think that the success of Fidelity Special Values over the years is in a small part due to that.

OUTLOOK AND PROSPECTS: DIFFICULT TO TELL

I am not going to dwell at length on the prospects for the British stock market or for that of Fidelity Special Values because – in all truth – it is very difficult to make any sort of forecast with a great deal of certainty. While in the past there has always been some sense of unanimity about what lies ahead, I detect that opinions are quite divided. It is difficult to believe that the most severe financial crisis in almost 80 years is suddenly over in a matter of months and that there are not going to be some longer term consequences of the mess we found ourselves in. The history of banking crises does not suggest that it will.

However the banking system has now been put under the care of tax payers – whether he or she likes it or not. Huge quantities of money have been thrown into the financial system and into the economy in an effort to avert a depression. The cost of avoiding the necessary changes that a crisis usually brings about means the major causes of the catastrophe – regulatory incompetence, insatiable greed and living beyond our means appear to me to be alive and well. Still the likelihood is that in time we will adopt better ways – perhaps a change of government will see to that – and that a healthier financial system will emerge, that we will start to save more as a nation and that our individual ambitions will be satisfied a little less avariciously. We do eventually learn from our mistakes.

The reason for buying shares in an investment trust company is that the professional management brought to bear on the management of the portfolio and the guidance and governance of a board of directors will earn shareholders a proper return that they might not otherwise be able to do for themselves. It seems to me that between the Board of Directors and Fidelity there is an excellent team which should be capable of earning those excellent returns I have been referring to in this statement. The much longer term prospects would therefore seem bright.

Alex Hammond-Chambers
Chairman
3 November 2009

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 2009, had total assets under management exceeding £109 billion.

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

UK MARKET REVIEW

- GDP growth deteriorated over the year, culminating in negative growth of 5.5% annualised in the 2nd quarter of 2009.
- Inflation subsided in conjunction with the economic slowdown, with August CPI reaching 1.6%.
- The Bank of England cut the base rate several times to reach 0.5% in March 2009, the lowest ever rate.
- The UK market fell very sharply in the first half of the financial year before recovering strongly from early March 2009.

The UK stock market declined 8.2% over the year as the full impact of the financial crisis spread to all parts of the world economy. However it was very much a year of two halves. The first half of our accounting year to 31 August 2009 was characterised by poor news flow and high uncertainty, which led to enormous volatility. The market fell by 31.3% during this period, more than any similar period in several decades. During the second half however, the first tentative signs of improvement appeared, as the actions of governments and Central Banks started to gain traction. The market rose 34.0% in the latter half.

Over the year, the best performing sectors were technology stocks and general retailers, which rebounded from very low valuations. Basic materials, where the Company had little exposure, was the worst performing sector overall, as commodity prices tumbled from inflated levels. Financial services were also among the worst performing stocks, however there was a very wide dispersion, as the winners such as London Stock Exchange and Standard Chartered performed strongly, while others collapsed. Careful stock selection was essential.

During the period, sterling weakened against the dollar from $1.83 to $1.38 in March before rallying to end the year at $1.63.

PORTFOLIO MANAGER'S REVIEW

During the 12 months to 31 August 2009, the Company's portfolio returned +9.0% (total return basis), outperforming the FTSE All-Share Index at -8.2%.

Following a disappointing year to 31 August 2008 when the Company NAV fell by 9.8% (total return basis), it is very pleasing to report that most of that has been recouped, despite a volatile year during which the benchmark fell further.

Strong stock selection in the travel and leisure sector was the biggest contributor to performance. Online gaming companies such as Sportingbet and PartyGaming prospered as a result of solid revenue growth and an improving regulatory environment. Compass Group, the outsourced catering company, rallied as new management delivered on the business plan.

Despite the volatile environment, holdings in financials also added to performance. While exposure to HBOS detracted prior to their takeover by Lloyds, holdings in Credit Suisse, Standard Chartered and SEB (Sweden) rose strongly as policy action averted the crisis deepening even further. A wide selection of positions in other financial services also supported returns, such as London & Stamford Property, London Stock Exchange and Novae, the insurance company.

Given the widespread concerns over the consumer, it was interesting to note that some of the best performers in the market were in retailing. Kingfisher, the DIY specialist, was up 64% as it recovered from very low valuations. Inchcape, the international auto distributor, also recovered strongly.

Media stocks have been a mainstay in the Company for some time and Pearson, a leader in educational programs and testing, and British Sky Broadcasting both contributed to the rise in NAV. Technology stocks were also a strong contributor to performance, with smaller companies such as Computacenter and Intec Telecom doubling during the year. CSR, a producer of mobile telephone components also rose sharply.

Among stocks that performed poorly were Eurotunnel, where a reduction in traffic and financing concerns impacted, and HBOS, where the reliance on wholesale funding led to severe liquidity problems for the bank and its eventual rescue takeover by Lloyds.

While I increased exposure to large companies ahead of the crisis, I have been steadily rotating into mid sized companies as the year progressed, and was overweight this segment at the year end. While there are always opportunities in large companies, the mid sized companies tend to be a more fertile hunting ground for special situations.

THE USE OF DERIVATIVES

The Company is able to selectively use derivatives to generate returns and these activities, which form only a small part of the portfolio, have once again delivered a positive result.

The primary motive for using derivatives is to create a wider opportunity set to deliver returns from stock picking. Thus overall portfolio performance continued to be primarily explained by stock selection and market returns. I continued to use derivatives to meet specific objectives with respect to risk exposure management, return enhancement and shorting companies which I assess to be overvalued.

Derivative exposures continued to be restricted to modest levels, for example at no time during the year did short or hedge exposures exceed 5% of the Company's net assets and total gross long exposures never exceeded 122%.

The use of derivatives contributed a positive return.

OUTLOOK

While the economic news remains mixed, there are signs of improvement in the housing market and the financial system has recovered from the paralysis of 2008. The rally since March has been led by the cyclical parts of the market and not necessarily the highest quality companies. Recently, I have recently started to reduce exposure to interest rate sensitive stocks such as retailers and housebuilders and increase exposure to areas of defensive growth such as GlaxoSmithKline and British Sky Broadcasting. I continue to believe that, although the economic environment is stabilising, the medium term growth outlook is modest.

Sanjeev Shah
FIL Investments International
3 November 2009

Forty Largest Investments as at 31 August 2009

Holding	Fair Value £'000	%[1]
HSBC Banking and financial services organisation	16,687	4.6
Vodafone Mobile telecommunications company	16,212	4.5
Royal Bank of Scotland Global financial services group	15,843	4.4
GlaxoSmithKline Pharmaceutical company	15,814	4.4
Lloyds Banking and financial services organisation	13,948	3.8
AstraZeneca Pharmaceutical company	13,265	3.7
LogicaCMG Information technology consultancy services provider	12,861	3.5
Royal Dutch Shell 'A' Oil and gas company	10,780	3.0
Pearson Global publishing company	10,494	2.9
British Sky Broadcasting Broadcasting company	10,130	2.8
Top 10 Holdings (2008: 32.6%)	**136,034**	**37.6**
British Land Property company	9,712	2.7
Premier Farnell Electronic components and equipment distributing company	8,928	2.5
Wolseley Construction materials distributor	8,744	2.4
Land Securities Real estate investment trust	8,716	2.4
PartyGaming Online gaming company	8,402	2.3
Aegis Investment holding company	7,709	2.1
ITV Media company	6,854	1.9
Electrocomponents Electronic components and equipment distributing company	6,511	1.8
London Stock Exchange United Kingdom's primary stock exchange	6,453	1.8
United Business Media Global business media company	6,323	1.8
Top 20 Holdings (2008: 52.6%)	**214,386**	**59.3**

Forty Largest Investments as at 31 August 2009

Holding	Fair Value £'000	%[1]
Xchanging Insurance and financial markets processing services provider	5,937	1.6
Kingfisher International home improvement retailer	5,388	1.5
BG Oil and gas company	5,319	1.5
WPP Advertising, information and consultancy services	5,319	1.5
Cairn Energy Oil and gas company	4,949	1.4
Carrefour Retail distribution company	4,610	1.3
Sportingbet Online sports and betting company	4,233	1.2
London & Stamford Property Closed-ended investment company	4,136	1.1
Barclays Global financial services group	3,884	1.1
Novae Specialist insurance and reinsurance underwriter	3,744	1.0
William Hill Online sports and betting company	3,344	0.9
Carnival Travel company offering cruise vacations	3,183	0.9
HMV Music, books and videos retailer	3,082	0.9
Max Property Real estate company	2,952	0.8
Reed Elsevier International publishing company	2,794	0.8
CSR Designer and supplier of integrated circuits for wireless devices	2,693	0.7
Standard Chartered Banking and financial services organisation	2,645	0.7
Yell Advertising company	2,596	0.7
Moneysupermarket.com Internet software, finance and travel services company	2,482	0.7
F&C Asset Management International investment management company	2,248	0.6
Top 40 Holdings (2008: 73.4%)	**289,924**	**80.2**
Other Holdings (75)	**65,455**	**18.1**
	355,379	**98.3**
Derivatives (43 holdings)	**2,948**	**0.8**
Cash & other net current assets	**3,191**	**0.9**
	361,518	**100.0**

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

The portfolio turnover rate for the year was 98% (2008: 91%)

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

Distribution of the Portfolio[1] as at 31 August 2009

Investments (including derivatives)	UK	Overseas	Total	2008	Index[2]
Financials					
Banks	14.7	0.3	15.0	12.7	14.5
Real Estate Investments & Services	7.7	–	7.7	6.3	1.7
Financial Services	3.2	–	3.2	5.0	2.0
Non-life Insurance	2.6	–	2.6	1.5	1.0
Life Insurance	0.5	–	0.5	1.3	2.8
Real Estate Investment Trusts	0.4	–	0.4	–	0.1
Equity Investment Trusts	–	–	–	–	2.6
	29.1	0.3	29.4	26.8	24.7
Consumer Services					
Media	16.5	0.1	16.6	15.9	2.6
Travel & Leisure	8.1	–	8.1	4.7	2.4
General Retailers	2.8	–	2.8	3.1	1.8
Food & Drug Retailers	0.4	1.3	1.7	2.0	2.9
	27.8	1.4	29.2	25.7	9.7
Industrials					
Support Services	9.2	–	9.2	6.8	3.2
Industrial Engineering	0.5	–	0.5	–	0.5
Electronic & Electrical Equipment	0.1	–	0.1	–	0.2
Industrial Transportation	0.1	–	0.1	2.0	0.2
General Industrials	–	–	–	0.2	0.6
Aerospace & Defence	–	–	–	–	1.9
Construction & Materials	–	–	–	–	0.2
	9.9	–	9.9	9.0	6.8
Health Care					
Pharmaceuticals & Biotechnology	8.6	0.8	9.4	11.0	7.7
Health Care Equipment & Services	0.1	–	0.1	2.4	0.4
	8.7	0.8	9.5	13.4	8.1
Oil & Gas					
Oil & Gas Producers	7.0	0.3	7.3	10.1	17.8
Oil Equipment, Services & Distribution	–	–	–	–	0.5
	7.0	0.3	7.3	10.1	18.3
Technology					
Software & Computer Services	5.3	–	5.3	3.3	1.1
Technology Hardware & Equipment	0.7	–	0.7	1.4	0.3
	6.0	–	6.0	4.7	1.4

Distribution of the Portfolio[1] as at 31 August 2009

Investments (including derivatives)	UK	Overseas	Total	2008	Index[2]
Telecommunications					
Mobile Telecommunications	4.5	–	4.5	2.6	4.9
Fixed Line Telecommunications	0.5	–	0.5	–	1.1
	5.0	–	5.0	2.6	6.0
Consumer Goods					
Household Goods & Home Construction	0.8	–	0.8	0.4	1.9
Personal Goods	0.2	–	0.2	–	0.3
Tobacco	–	–	–	–	3.8
Beverages	–	–	–	–	2.9
Food Producers	–	–	–	–	2.5
Automobiles & Parts	–	–	–	–	0.1
	1.0	–	1.0	0.4	11.5
Utilities					
Gas, Water & Multiutilities	0.6	–	0.6	0.2	2.4
Electricity	0.2	–	0.2	0.5	1.1
	0.8	–	0.8	0.7	3.5
Basic Materials					
Mining	0.2	–	0.2	–	9.5
Chemicals	–	–	–	–	0.3
Forestry & Paper	–	–	–	–	0.1
Industrial Metals & Mining	–	–	–	–	0.1
	0.2	–	0.2	–	10.0
Total Investments - 2009	95.5	2.8	98.3	93.5	100.0
Derivatives	0.8	–	0.8	0.1	–
Cash & Other Net Assets			0.9	6.5	–
Total - 2009			100.0	100.0	100.0
Total Investments - 2008	84.7	8.8	93.5	100.0	

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

Summary of Performance

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

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

Sources: Fidelity and Datastream as at 31 August 2009
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.

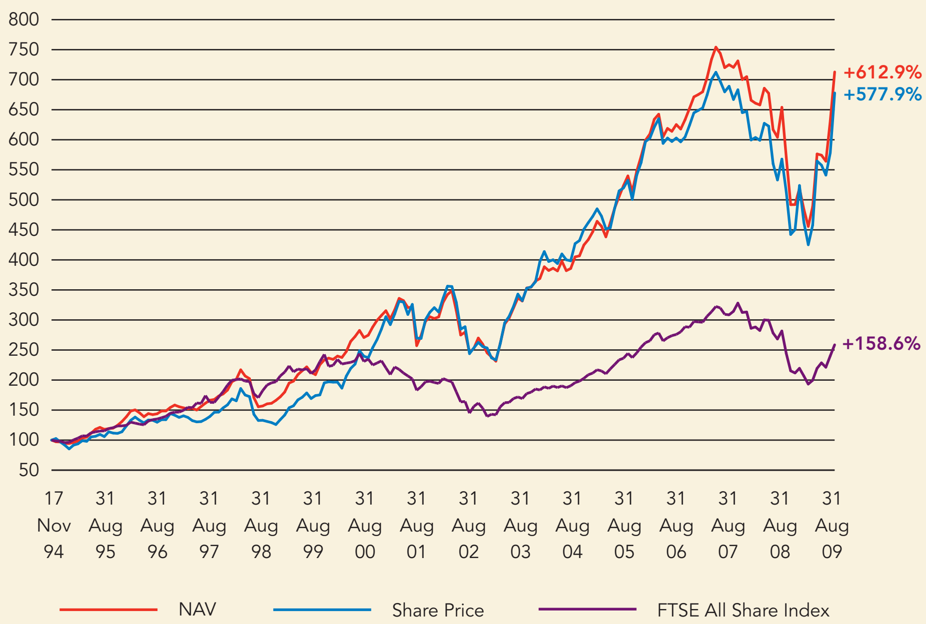
NAV INFORMATION

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

CAPITAL GAINS TAX

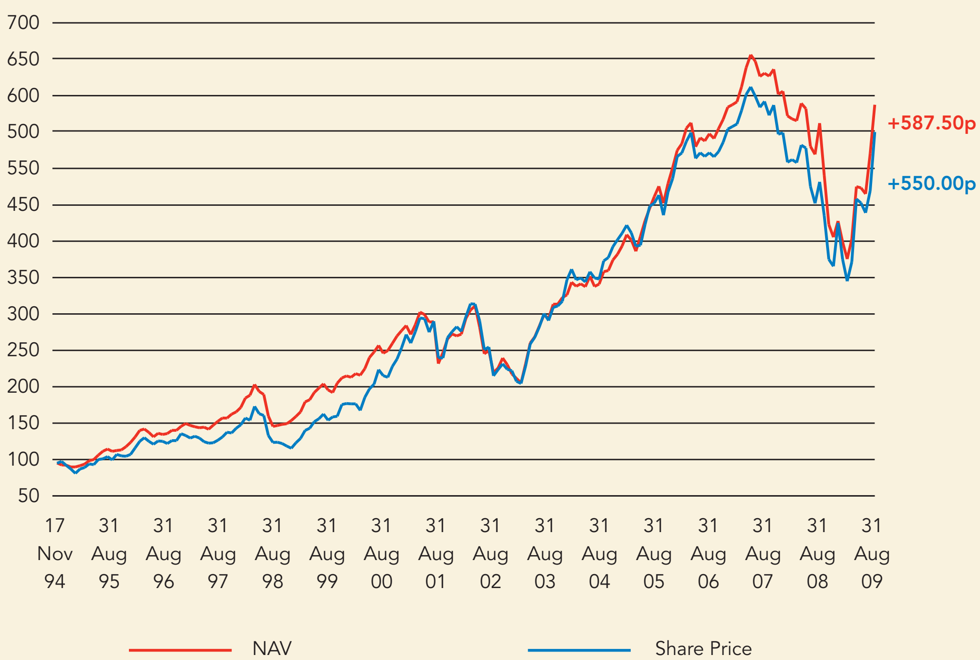
Your Directors have been advised that, for the purposes of calculating an investor's possible liability to capital gains tax, the base cost of ordinary shares and warrants, acquired at the time of the Company's launch, is 94.95p. All UK individuals under present legislation are permitted to have £10,100 of capital gains in the current tax year 2009/2010 (2008/2009 tax year: £9,600) before being liable for capital gains tax. Whilst capital gains tax up until 5 April 2009 was charged at an individual's marginal rate, from 6 April 2009 capital gains tax is charged at a flat rate of 18%.

Total return performance from launch to 31 August 2009



Prices rebased to 100

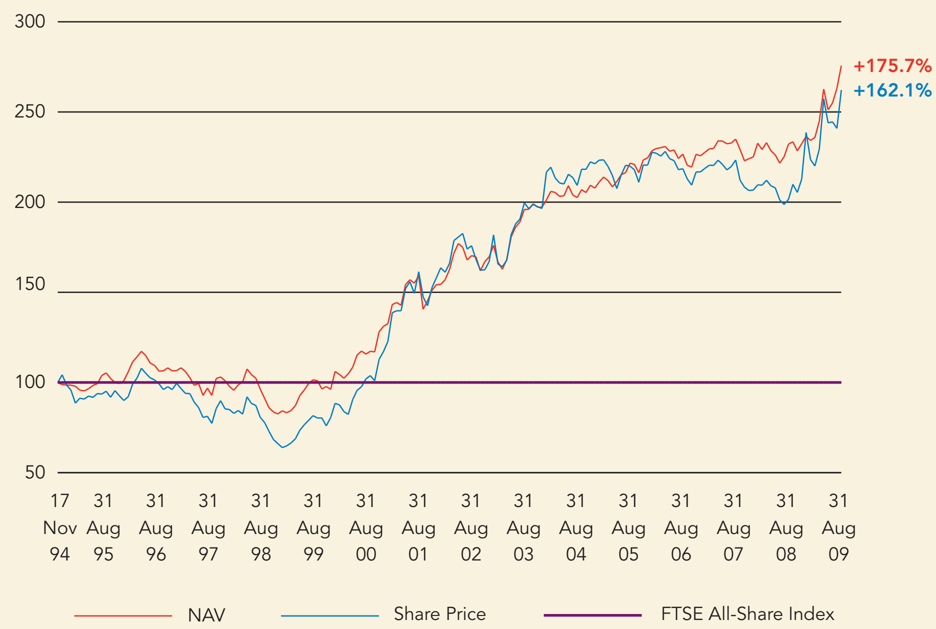
NAV and share price in pence from launch to 31 August 2009



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 2009



Prices rebased to 100

Share price premium/(discount) to NAV from launch to 31 August 2009

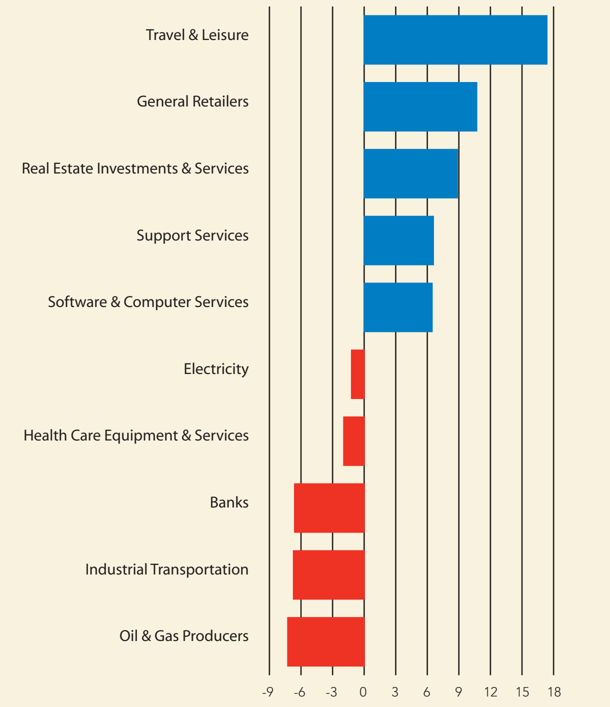
Based on figures at month end only

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

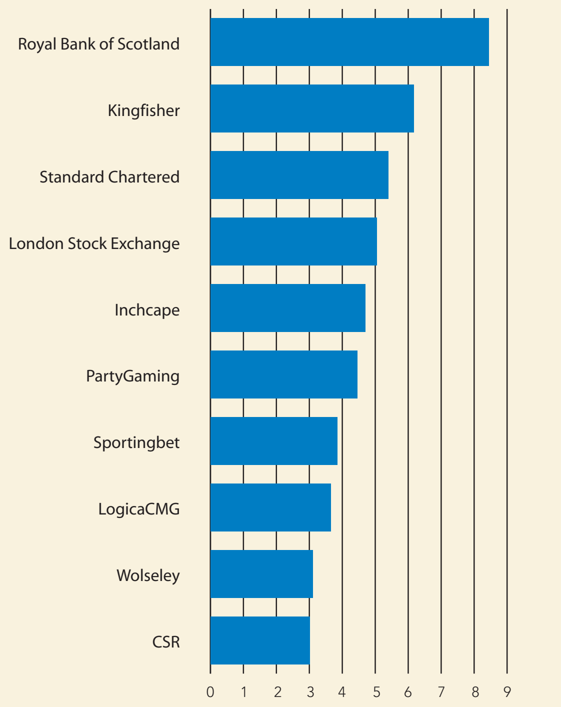
Attribution Analysis

Analysis of change in NAV in the year	pence	% of NAV
NAV at 31 August 2008	562.13	
Index (Total Return)	-46.11	-8.2
Portfolio Management (Equities)	77.98	13.9
Portfolio Management (Derivatives)	15.00	2.7
Gearing	-10.69	-1.9
Other Operational Costs	-11.51	-2.1
Share Repurchases	0.07	0.0
Cash/Residual	0.63	0.1
NAV at 31 August 2009	587.50	4.5

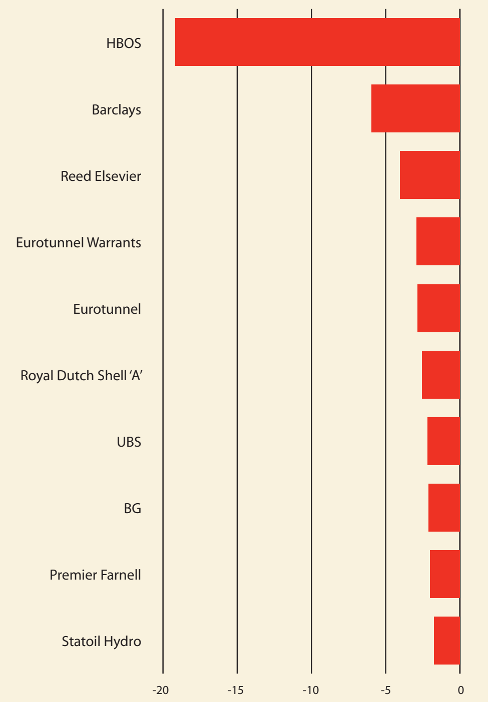
Top 5 and bottom 5 sector contributions (pence per share)



10 Highest contributors (pence per share)



10 Highest detractors (pence per share)



Source: Fidelity

Corporate Information

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

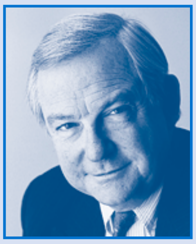
Financial Advisers and Stockbrokers
Cenkos Securities plc
6,7,8 Tokenhouse Yard
London EC2R 7AS

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

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

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

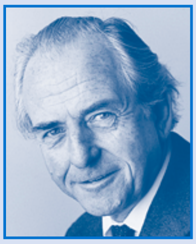
Lawyers
Slaughter and May
One Bunhill Row
London EC1Y 8YY



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, a non-executive director of Standard Life UK Smaller Companies Trust plc, a member of the Investment Committee of the Pearson Group Pension Plan and a trustee of the Scottish & Newcastle Pension Plan. She is also a member of the Investment Committee of Western Provident Association and chairman of their Pension Fund Trustee Board. She worked for many years as an investment manager in both Edinburgh and London and is a former chairman of the Investment Committee of the National Association of Pension Funds. Before retiring from Merrill Lynch Investment Managers in 2004 she headed their investment trust business unit.

Board of Directors



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. Sir Richard Brooke will retire following the 2009 Annual General Meeting.

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 principal subsidiary of Noble Group is 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 of the National Galleries of Scotland and a director of Martin Currie Portfolio Investment Trust PLC and the Edinburgh Science Festival.

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

- Turnaround or recovery situations;
- Unrecognised growth opportunities;
- Hidden jewels – an under-appreciated product or division;
- Franchises which may be subject to corporate activity.

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.

USE OF DERIVATIVES

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

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

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

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

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

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.

The Board's Policies

INVESTMENT IN OTHER INVESTMENT TRUSTS: LIMIT OF 15%

The Board has set a limit of 15% on the proportion of the Company's total assets that can be invested in the securities of other listed investment companies (including listed investment trusts) which themselves do not have stated investment policies. As at 31 August 2009 there were six such holdings totalling 6.13% of the Company's total assets.

CORPORATE ACTIVISM

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

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.

Directors' Report

The Directors have pleasure in presenting their report which incorporates the Business Review together with the audited financial statements of the Company for the year ended 31 August 2009.

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 2007. HMRC has granted provisional approval for the accounting period ended 31 August 2008, 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 closed company and has no employees.

BUSINESS REVIEW

INTRODUCTION

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

OBJECTIVE & STRATEGY

The primary objective of your Company is to enhance shareholder value, achieved through long term capital growth. The Company aims to achieve this with an actively managed portfolio of special situation investments, consisting primarily of securities listed or traded on the London Stock Exchange.

As is stated in the Board's Policies, which precede the Directors' Report, the Board considers five years to be the most appropriate time span over which to make assessments. However, the Business Review requires an annual assessment of the Company's progress and so both sets of KPIs have been provided.

While making money is the most important objective, the Board is aware that shareholders invest in the shares of Fidelity Special Values PLC because FIL Investments International is the Manager and it therefore monitors returns against those of competing investment trust companies. Finally, it is aware that shareholders invest in the Company's shares because of the belief that they will earn better returns than those of the stock market as a whole. So returns are also monitored against an index which reflects the performance of the stock market, the FTSE All-Share Index.

ACTIVITY

The Company's activity is to pursue the objective through operating as an investment trust company. A review of the year's activities and an indication of likely future developments and the factors likely to affect this are given in the Chairman's Statement on pages 4 to 7 and in the Manager's Review on pages 8 and 9. The Board supports these views.

FIDELITY'S INVESTMENT MANAGEMENT PHILOSOPHY, STYLE AND PROCESS

Fidelity's distinctive investment approach is "bottom up" stock picking – investing in companies on the basis of their underlying strengths, facilitated by extensive research capabilities. Fidelity has over 140 analysts and research associates with a hands-on approach to knowledge accumulation. Fidelity's analysts evaluate companies, meet their management and workforce and interpret the effects of international and local events. They contact hundreds of companies every week. This first hand research is fundamental to Fidelity's ability to seek the success stories of the future. Fidelity has over 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 2009

As outlined and explained in the Chairman's Statement, in the Manager's Review and in the financial statements, the shareholders' net assets increased by 4.5% to £334.5 million, having a net asset value per share of 587.5p. 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 8.76p per share. The Board is recommending to shareholders a dividend of 9.00p per share. Actual gearing was at the year end at 5.7% (2008: 3.4%).

KEY PERFORMANCE INDICATORS ("KPIs")

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

KPIs

The primary objective of enhancing shareholder value is measured by the total returns of the share price; the KPI against which it is compared is the return on a deposit account at a bank or building society (regarded as a low risk investment alternative).

The KPIs for the secondary objectives of higher returns than the competition and the market are the comparisons with their returns.

There are three components to the returns involved in the primary objective of enhancing shareholder value: the net asset value, dividends and the change in the discount/premium at which your shares trade to net asset value.

The components of the change in the net asset value include the movements in the level of the stock market, the contribution of stock selection, gearing, currencies, share buybacks/share issues, income and costs. These are analysed by the Board and the relevant KPIs involve comparisons of the net asset value against competing investment trusts and the FTSE All-Share Index (the Company's benchmark), shown below.

A further component part of the net asset value that the Directors monitor is that of the expenses of managing the Company. Those expenses, expressed as a proportion of the net asset value (known as the total expense ratio or "TER") are compared with the net asset value returns. The increase/decrease in the discount/premium is a component of the enhancement of shareholder value and the KPI compares it with that of investment trusts generally and of competing ones specifically.

SHAREHOLDER TOTAL RETURNS

Share price total return	1 year return (%)	5 years return (%)
Fidelity Special Values PLC[1]	19.4	70.1
Low risk investment[2]	2.4	25.3
Benchmark[3]	-8.2	35.8
Peer group[4]	-8.7	39.9

COMPANY TOTAL RETURNS

Net asset value total return	1 year return (%)	5 years return (%)
Fidelity Special Values PLC	9.0	84.9
Benchmark[3]	-8.2	35.8
Peer Group[4]	-12.1	37.2

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

ADDITIONAL KPIs

(Discount)/premium as at 31 August	2009 (%)	2004 (%)
Fidelity Special Values PLC	-6.4	1.8
Peer group[4]	-9.6	n/a

Total Expense Ratio	2009 (%)	2004 (%)
Fidelity Special Values PLC	1.32	1.42

1 Total return including net dividend 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 2008	**562.13**	
Index (Total Return)	-46.11	-8.2
Portfolio Management (Equities)	77.98	13.9
Portfolio Management (Derivatives)	15.00	2.7
Gearing	-10.69	-1.9
Other Operational Costs	-11.51	-2.1
Share Repurchases	0.07	0.0
Cash/Residual	0.63	0.1
NAV at 31 August 2009	**587.50**	**4.5**

Sources: Fidelity and Datastream as at 31 August 2009

PRINCIPAL RISKS AND UNCERTAINTIES AND RISK MANAGEMENT

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

Directors' Report

BUSINESS REVIEW continued

External risks

Market risk

The Company's assets consist mainly of listed securities and the principal risks are therefore market related such as market recessions, interest rate movements, deflation/inflation, terrorism and protectionism. Risks to which the Company is exposed and which form part of the market risks category are included in Note 20 to the financial statements on pages 51 to 56 together with summaries of the policies for managing these risks. These comprise: market price risk; foreign currency risk; interest rate risk; liquidity risk; counterparty risk and credit risk. The Company has a fixed term, fixed rate loan facility in place which is due for repayment at the beginning of next year. The extent to which any loan facilities will be retained or renewed will be kept under the most careful scrutiny. At the present time, cash is being held against the loan to reduce the level of net gearing. In addition a day to day overdraft facility can be used if required. The impact of limited finance from counterparties including suppliers has not impacted the Company to date, however there are alternative suppliers available in the market place should the need arise. The Company relies on a number of main counterparties, namely the Manager, Registrar, Custodian and Auditor. The Manager is the member of a privately owned group of companies on which a regular report is provided to the Board. The Manager, Registrar and Custodian are subject to regular audits by Fidelity's internal controls team and the counterparties' own internal controls reports are received by the Board and any concerns investigated.

Share price risk

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

Discount risk

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

Internal risks

Investment management

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

Governance, operational, financial, compliance, administration etc

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

Financial and financial instrument risks

The financial instrument risks faced by the Company are shown in Note 20 to the financial statements on pages 51 to 56.

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

Environmental, employee, social and community matters

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

The Company's financial reports are printed by a company which has won awards for its environmental awareness and further details of this may be found on the back cover of this report. Financial reports and other publicly available documentation are also available on the Company's website www.fidelity.co.uk/its. Details about Fidelity's own community involvement may be found on its website www.fidelity.co.uk

DIRECTORS' REPORT – GENERAL

Details of the Directors who served in the year to 31 August 2009 are set out on pages 18 and 19.

All the Directors served throughout the year to 31 August 2009. All Directors are subject to re-election on an annual basis.

Information on the process of appointment, re-election and replacement of Directors is included in the Corporate Governance Statement. All appointments to the Board and replacements of Directors take place in accordance with the Companies Act and the Company's Articles of Association. Any amendments to the Company's Articles of Association must be made by special resolution.

Sir Richard Brooke will not be seeking re-election to the Board and will retire at the end of the Annual General Meeting of the Company to be held on 16 December

	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	1/1
Sir Richard Brooke Bt	5/5	1/1	1/1	2/2	1/1
Douglas Kinloch Anderson	4/5	1/1	1/1	1/2	1/1
Nicky McCabe	5/5	1/1	1/1	n/a	n/a
Lynn Ruddick	5/5	0/1	1/1	2/2	1/1
Ben Thomson	5/5	1/1	1/1	2/2	1/1

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

2009. The selection process for a new member of the Board is currently underway.

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. 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 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.

	Held at 31 August 2009	Held at 31 August 2008
Alex Hammond-Chambers[1 2]	16,000	16,000
Sir Richard Brooke[2]	12,000	12,000
Douglas Kinloch Anderson[3]	17,898	17,637
Nicky McCabe[2]	1,000	1,000
Lynn Ruddick[3]	7,541	7,251
Ben Thomson[2]	–	–
FIL Limited[4]	75,790	201,250

1 of which 11,000 shares (2008: 11,000) are non-beneficially owned
2 no change during the year
3 dividend reinvestment
4 sale of 125,460 shares

The interests of the Directors and FIL Limited in the ordinary shares of the Company as at 31 August 2009 and 31 August 2008 are shown above.

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.

SUBSTANTIAL SHARE INTERESTS

During the year, FIL Limited sold 125,460 of its own shares. Since the year end, the remaining 75,790 shares have been sold. 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]	21,326,269	37.5
Legal & General Group plc[2]	2,511,507	4.4
Alliance Trust[2]	2,190,480	3.9

1 26% of the issued share capital was held in aggregate by investors in the Fidelity ISA and the Fidelity Investment Trust Share Plan 11.5% of the issued share capital was held direct
2 Direct and indirect holdings for clients and on own account

An analysis of ordinary shareholders as at 31 August 2009 is detailed in the table below.

Analysis of ordinary shareholders as at 31 August 2009	% of issued share capital
Private shareholders[1]	82.45
Institutions	7.64
Insurance	6.60
Pensions	2.86
Other	0.45
	100.00

1 Includes Share Plan and ISA investors

SHARE CAPITAL

The Company's share capital comprises ordinary shares of 25 pence each. As at 31 August 2009 the total number of shares in issue was 56,938,896 (2008: 56,794,503). Each share carries one vote. Deadlines for the exercise of voting rights are detailed in the Notes to the Notice of Meeting on pages 59 to 61.

Directors' Report

SHARE ISSUES

On 23 December 2008, the Company allotted 178,393 ordinary shares in the Company for Fidelity ISA purposes to Cenkos Securities PLC, on behalf of ISA clients, at a price of 422.5 pence per share. No shares have been issued since the year end.

The authority to issue shares and disapply pre-emption rights, granted by shareholders at the Annual General Meeting held on 11 December 2008, 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 16 December 2009.

SHARE REPURCHASES

At the Annual General Meeting held on 11 December 2008 the Company's shareholders passed a special resolution which granted the Directors authority to purchase up to 8,513,495 ordinary shares in the market for cancellation. 34,000 shares were repurchased for cancellation during the year (2008: 2,910,157). 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 (2008: nil).

PAYMENT OF CREDITORS

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

The Company's policy for the years to 31 August 2009 and 31 August 2010, 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 (2008: nil). Other suppliers are paid in accordance with the individual payment terms agreed with each supplier.

MANAGEMENT COMPANY

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

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

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

The Management Engagement Committee has reviewed the performance of the Manager over one and five years – taking into consideration those items in the Corporate Governance Statement on pages 32 and 33 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 2009 is £78,222 (2008: £94,522). 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 £665,260 (2008: £589,951) was due to the Manager under the above agreements at 31 August 2009 and is included in other creditors in Note 13 on page 49.

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 2009 £27,000 was received (2008: £71,000).

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

ANNUAL GENERAL MEETING

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

The Board is recommending to shareholders the approval of a dividend of 9 pence per share for the year ended 31 August 2009. If approved, this dividend will be paid on 23 December 2009 to shareholders on the register on 13 November 2009. The ex-dividend date will be 11 November 2009. 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 11 provides the Directors with a general authority to allot securities in the Company up to an aggregate nominal value of £1,423,472. If passed, this resolution will enable the Directors to allot a maximum of 5,693,888 ordinary shares which represents approximately 10% of the issued ordinary share capital of the Company as at 3 November 2009. 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 12 is a special resolution disapplying pre-emption rights and granting authority to the Directors, without further specific shareholder approval, to make allotments of equity securities for cash by way of (a) rights issues and (b) other issues up to an aggregate nominal value of £1,423,472 (approximately 10% of the issued ordinary share capital of the Company as at 3 November 2009).

Resolution 13 is a special resolution which, if approved, will renew the Company's authority to purchase up to 14.99% of the number of ordinary shares in issue on 3 November 2009 for cancellation. Purchases of ordinary shares will be at the discretion of the Board and within guidelines set from time to time by the Board in the light of prevailing market conditions. Purchases will only be made in the market at prices below the prevailing net asset value per share, thereby resulting in an increased net asset value per share.

Resolution 14 is a special resolution amending the Company's Articles of Association to include a number of changes required by the further and final implementation of the Companies Act 2006 and to increase the maximum aggregate fees payable to the Directors.

The full text of the resolutions is set out in the Notice of Meeting contained on pages 57 to 61.

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

CORPORATE GOVERNANCE

Full details are given in the Corporate Governance Statement which forms part of the Directors' Report, which can be found on pages 30 to 34.

AUDITOR'S RIGHT TO INFORMATION

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

AUDITOR'S APPOINTMENT

A resolution to reappoint Grant Thornton UK LLP as Auditor to the Company will be proposed at the

Directors' Report

forthcoming AGM together with a resolution to authorise the Directors to determine the Auditor's remuneration.

GOING CONCERN

The Company's business activities and the factors likely to affect its future performance and position are set out in the Business Review on pages 22 to 24. Further details on the management of financial risk may be found in Note 20 to the Financial Statements on pages 51 to 56.

The Board receives regular reports from the Manager and the Directors believe that, as no material uncertainties leading to significant doubt about going concern have been identified, it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

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. The next continuation vote will be put to shareholders at the Annual General Meeting to be held in 2010.

By Order of the Board

FIL Investments International
Secretary
3 November 2009

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 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations the Directors are also responsible for preparing a Directors' Report, including a Business Review, a Directors' Remuneration Report and a 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 3 November 2009 and signed on its behalf.

Alex Hammond-Chambers
Chairman
3 November 2009

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 PLC deal with that responsibility, authority and accountability.

CORPORATE GOVERNANCE REQUIREMENTS

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

To add to that the Disclosure and Transparency Rules (DTR), require certain extra information be reported in the corporate governance statement. Because some of it is not relevant to a charter of the general principles and practice of the Board's governance of the Company (the purpose of a corporate governance statement), that information has been set out in detail in the Director's Report on pages 22 to 28. A section of this statement at the end, entitled "Disclosure and Transparency Rules", provides a list of the information that is required and where it can be found in the Annual Report.

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 PLC, is different from most other commercial companies in one important respect: they do not employ their own people as management but rather the services of a fund management company. This affects the way investment trusts are governed but not the purpose of their governance. Given that the manager's business is not dedicated solely to the interests of investment trust companies and their shareholders, the composition of investment trust boards of directors must be largely independent of management. However, it must have the knowledge and experience of both fund management and investment trust management, which the presence of executive management on other commercial boards brings to their corporate governance. This is vitally important if an investment trust company board is to do its job properly. Most investment trust companies, including Fidelity Special Values PLC, 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 are long term shareholders, thereby aligning their interests with those of the rest of the shareholders. The Board of Directors of Fidelity Special Values PLC 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 PLC 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 PLC

In this section we have outlined the corporate governance policies and modus operandi through the following three aspects of corporate governance:

Responsibility, Authority and Accountability

It is first of all important that shareholders have confidence in the Board of Directors, whom they hold responsible and accountable for the Company's affairs. In determining the guidelines for the composition of the Board, the Directors believe that there should be a clear majority of the Board members (including the Chairman), who are independent of management, and that the make up of the Board should bring understanding and experience of investment management, investment trust management, the investment objective of the Company, marketing, general business experience and finally of Fidelity's investment philosophy and its operations. While the key determinant of independent behaviour stems from personal character, the Directors recognise that any individual who is employed by or otherwise materially financially associated with the Manager, FIL Investments International, cannot be regarded as independent. However, 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 25 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.

Corporate Governance Statement

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 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

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), considering the risks associated with audit firms withdrawing from the market and the relationship with the independent Auditor (and their ongoing appointment and level of fees). Finally they also have responsibility for reviewing and monitoring the external Auditor's independence and objectivity with particular regard to the provision of non-audit services, taking in consideration relevant UK professional and regulatory requirements.

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

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 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

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.

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 appointment of the independent Auditor, the issue of new shares and the buyback 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 AGM held on 13 December 2007.

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

Corporate Governance Statement

for Directors on the Combined Code", has been in place for the year ended 31 August 2009 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 Section 842 status, the quality and effectiveness of the accounting records and management information maintained on behalf of the Company.

The Audit Committee receives and reviews the internal controls report, 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 Head of European Risk and UK Compliance.

DISCLOSURE AND TRANSPARENCY RULES

As already stated in the second section of this Corporate Government Statement entitled CORPORATE GOVERNANCE REQUIREMENTS, certain extra information is required to be given. Because some of it is information which refers to events that have taken place during the course of the year, it has been placed in the DIRECTORS' REPORT along with other information that also relates to information concerning events that have taken place during the course of the year. The following is a list of that information:

Information concerning the service of the Directors on the Board and changes to the Company's Articles of Association
Attendance at Board and Committee meetings
Directors' shareholdings
Directors and Officers' liability insurance
Substantial share interests
Share capital
Share issues
Share repurchases

It can be found on pages 24 to 26.

On behalf of the Board

Alex Hammond-Chambers
3 November 2009

Directors' Remuneration Report

This report has been prepared in accordance with the requirements of Section 420 – 422 of the Companies Act 2006 in respect of the year ended 31 August 2009. 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 37.

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 33.

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 2009 or the year ended 31 August 2008. 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 2010 and for subsequent years.

The fee structure with effect from 1 January 2009 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 (audited)

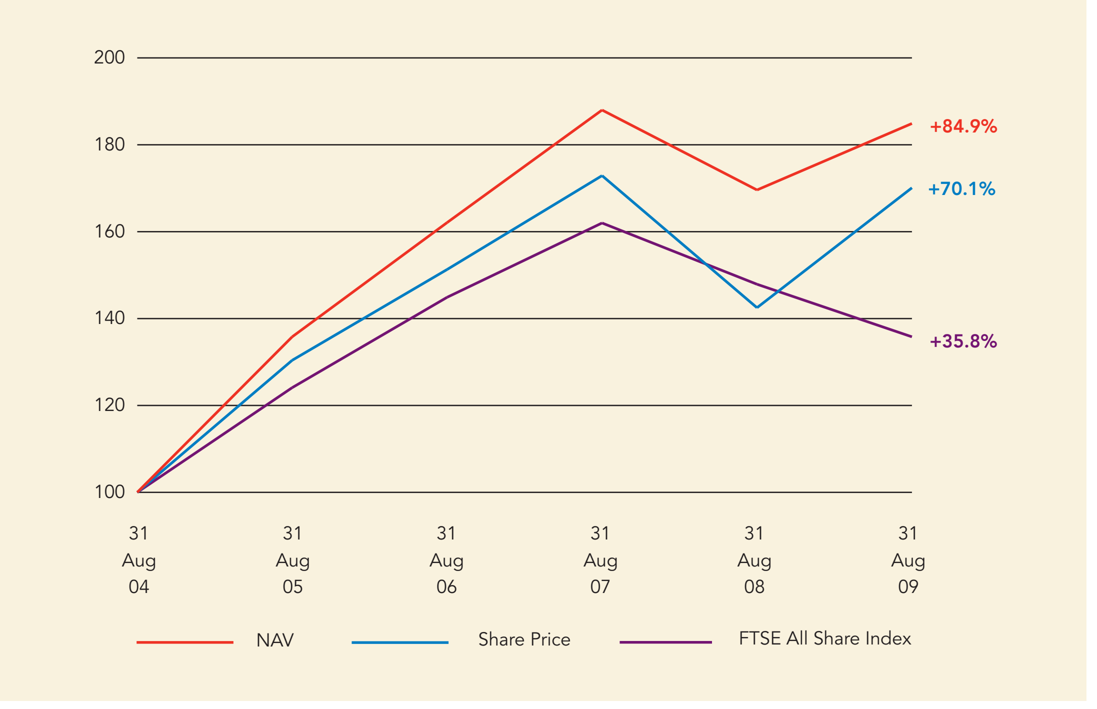
	2009 £	2008 £
Alex Hammond-Chambers	33,000	32,667
Sir Richard Brooke Bt	21,000	20,667
Douglas Kinloch Anderson	21,000	20,667
Nicky McCabe[1]	–	–
Lynn Ruddick	24,000	23,667
Ben Thomson[2]	21,000	14,000
Total	**120,000**	**111,668**

[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

Directors' Remuneration Report

Comparison of NAV and Share Price Total Return Performance Against the Benchmark Index
from 31 August 2004 to 31 August 2009



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

Alex Hammond-Chambers
3 November 2009

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

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

We have audited the financial statements of Fidelity Special Values PLC for the year ended 31 August 2009 which comprise the income statement, the balance sheet, the reconciliation of movements in shareholders' funds, the cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Sections 495, 496 and 497 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Statement of Directors' Responsibilities set out on page 29, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 August 2009 and of its return for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following:

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

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

Under the Listing Rules, we are required to review:

- the Directors' statement, set out on page 28 in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Marcus Swales
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
3 November 2009

Income Statement for the year ended 31 August 2009

	Notes	2009 revenue £'000	2009 capital £'000	2009 total £'000	2008 revenue £'000	2008 capital £'000	2008 total £'000
Gains/(losses) on investments designated at fair value through profit or loss	10	–	8,423	8,423	–	(55,293)	(55,293)
Gains on derivative instruments held at fair value through profit or loss	11	–	10,756	10,756	–	8,486	8,486
Income	2	10,421	–	10,421	13,758	–	13,758
Net derivative expenses	3	(375)	–	(375)	–	–	–
Investment management fee	4	(2,862)	–	(2,862)	(3,507)	–	(3,507)
VAT on investment management fee recovered	4	6	–	6	2,300	–	2,300
Other expenses	5	(513)	–	(513)	(490)	–	(490)
Exchange gains/(losses) on other net assets	16	–	123	123	–	(46)	(46)
Net return/(loss) before finance costs and taxation		6,677	19,302	25,979	12,061	(46,853)	(34,792)
Interest payable	6	(1,637)	–	(1,637)	(2,033)	–	(2,033)
Net return/(loss) on ordinary activities before taxation		5,040	19,302	24,342	10,028	(46,853)	(36,825)
Taxation on return/(loss) on ordinary activities	7	(57)	–	(57)	(121)	–	(121)
Net return/(loss) on ordinary activities after taxation for the year		4,983	19,302	24,285	9,907	(46,853)	(36,946)
Return/(loss) per ordinary share	9	8.76p	33.92p	42.68p	17.13p	(81.03p)	(63.90p)

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 42 to 56 form an integral part of these financial statements.

Balance Sheet as at 31 August 2009

	Notes	2009 £'000	2008 £'000
Fixed assets			
Investments designated at fair value through profit or loss	10	355,379	331,312
Current assets			
Derivative assets held at fair value through profit or loss	11	4,186	–
Debtors	12	9,135	6,994
Amounts held at futures clearing houses and brokers		843	1,573
Fidelity Institutional Cash Fund plc		–	9,091
Cash at bank		8,087	14,994
		22,251	32,652
Creditors - amounts falling due within one year			
Derivative liabilities held at fair value through profit or loss	11	(1,238)	–
Fixed rate unsecured loans	13	(27,000)	(8,000)
Other creditors	13	(14,874)	(9,707)
		(43,112)	(17,707)
Net current (liabilities)/assets		(20,861)	14,945
Total assets less current liabilities		334,518	346,257
Creditors - amounts falling due after more than one year			
Fixed rate unsecured loans	14	–	(27,000)
Total net assets		334,518	319,257
Capital and reserves			
Called up share capital	15	14,234	14,198
Share premium account	16	95,767	95,058
Capital redemption reserve	16	2,554	2,545
Other non-distributable reserve	16	5,152	5,152
Capital reserve	16	210,488	191,309
Revenue reserve	16	6,323	10,995
Total equity shareholders' funds		334,518	319,257
Net asset value per ordinary share	17	587.50p	562.13p

The financial statements on pages 38 to 56 were approved by the Board of Directors on 3 November 2009 and were signed on its behalf by:

Alex Hammond-Chambers
Chairman

The Notes on pages 42 to 56 form an integral part of these financial statements.

Reconciliation of Movements in Shareholders' Funds

for the year ended 31 August 2009

	Notes	called up share capital £'000	share premium account £'000	capital redemption reserve £'000	other non-distributable reserve £'000	capital reserve £'000	revenue reserve £'000	total equity £'000
Opening shareholders' funds: 1 September 2007		14,926	95,058	1,817	5,152	254,123	5,514	376,590
Net recognised capital losses for the year		–	–	–	–	(46,853)	–	(46,853)
Repurchase of ordinary shares		(728)	–	728	–	(15,961)	–	(15,961)
Net revenue return after taxation for the year		–	–	–	–	–	9,907	9,907
Dividend paid to shareholders	8	–	–	–	–	–	(4,426)	(4,426)
Closing shareholders' funds: 31 August 2008		14,198	95,058	2,545	5,152	191,309	10,995	319,257
Net recognised capital gains for the year	16	–	–	–	–	19,302	–	19,302
Issue of ordinary shares	16	45	709	–	–	–	–	754
Repurchase of ordinary shares	16	(9)	–	9	–	(123)	–	(123)
Net revenue return after taxation for the year	16	–	–	–	–	–	4,983	4,983
Dividend paid to shareholders	8	–	–	–	–	–	(9,655)	(9,655)
Closing shareholders' funds: 31 August 2009		14,234	95,767	2,554	5,152	210,488	6,323	334,518

The Notes on pages 42 to 56 form an integral part of these financial statements.

Cash Flow Statement for the year ended 31 August 2009

	Notes	2009 £'000	2008 £'000
Operating activities			
Investment income received		4,232	5,639
Net derivative expenses paid		(377)	–
Underwriting commission received		97	–
Deposit interest received		216	947
Investment management fee paid		(497)	(3,704)
Directors' fees paid		(112)	(108)
Other cash payments		(684)	(620)
Net cash inflow from operating activities	18	2,875	2,154
Returns on investments and servicing of finance			
Interest paid		(1,692)	(2,057)
Net cash outflow from returns on investments and servicing of finance		(1,692)	(2,057)
Taxation			
Overseas taxation recovered		38	13
Taxation recovered		38	13
Financial investment			
Purchase of investments		(263,308)	(318,920)
Disposal of investments		254,390	338,703
Net cash (outflow)/inflow from financial investment		(8,918)	19,783
Derivative activities			
Premium received on options		3,441	–
Premium paid on options		(1,365)	–
Proceeds of derivative instruments		5,923	–
Net cash inflow from derivative activities		7,999	–
Dividend paid to shareholders		(9,655)	(4,426)
Net cash (outflow)/inflow before use of liquid resources and financing		(9,353)	15,467
Net cash inflow from management of liquid resources		9,091	1,251
Net cash (outflow)/inflow before financing		(262)	16,718
Financing			
Issue of ordinary shares		754	–
Repurchase of ordinary shares		(124)	(16,442)
5.655% fixed rate unsecured loan repaid		(8,000)	–
4.91% fixed rate unsecured loan repaid		–	(5,000)
Net cash outflow from financing		(7,370)	(21,442)
Decrease in cash	19	(7,632)	(4,724)

The Notes on pages 42 to 56 form an integral part of these financial statements.

Notes to the Financial Statements

1 ACCOUNTING POLICIES

The Company has prepared its financial statements in accordance with United Kingdom Generally Accepted Accounting Practice ("UK GAAP") and the AIC Statement of Recommended Practice ("SORP") for Investment Trusts issued in January 2009.

As a result of technical guidance by the Institute of Chartered Accountants in England and Wales in TECH 01/08: Distributable Profits, changes in fair value of investments which are readily convertible to cash, without accepting adverse terms at the balance sheet date, can be treated as realised. As a result of the new SORP, capital reserves realised and unrealised are now shown in aggregate as capital reserve in the Reconciliation of Movements in Shareholders' Funds and the Balance Sheet. At the balance sheet date all investments held by the Company were listed on a recognised stock exchange and were considered to be readily convertible to cash with the exception of unlisted investments with a fair value of £347,000.

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. Interest receivable on fixed interest securities is accounted for on an accruals basis so as to reflect the effective interest rate on the security. 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 received from dividends on long contracts for difference and interest on short contracts for difference and expenses paid out as dividends on short contracts for difference and interest on long contracts for difference are included in 'Net derivative expenses' in the revenue column of the Income Statement.

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

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

g) Valuation of investments – The Company's business is investing in financial assets with a view to profiting from their total return in the form of income and capital growth. This portfolio of financial assets is managed and its performance evaluated on a fair value basis, in accordance with a documented investment strategy, and information about the portfolio is provided internally on that basis to the Company's Board of Directors and other key management personnel. Accordingly, upon initial recognition the investments are designated by the Company as "at fair value through profit or loss". They are included initially 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 – In accordance with the AIC SORP the Company includes these costs in the cost of investments purchased and has disclosed them in Note 10 on page 47.

h) Derivatives – Where appropriate, certain permitted transactions involving 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. The fair value is as follows:

- futures and options – the quoted trade price for the contract
- contracts for difference and equity forwards – the difference between the settlement price and the value of the underlying shares in the contract (unrealised gains/(loss)).

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

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

On the basis of immateriality, the fair value of the derivative positions was included in 'Fixed assets' in the previous year's financial statements.

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 – Gains and losses on the realisation of investments, including derivatives, and changes in the fair value of investments, including derivatives, are accounted for in the capital reserve, 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

	2009 £'000	2008 £'000
Income from investments		
Franked investment income	2,477	5,051
UK unfranked investment income	–	60
UK scrip dividends	5,340	6,009
Overseas dividends	628	1,144
Overseas scrip dividends	736	275
Property income distribution	574	197
Other income	–	38
	9,755	12,774
Other income		
Deposit interest	134	632
Income from Fidelity Institutional Cash Fund plc	28	352
Interest on VAT recovered on investment management fees*	407	–
Underwriting commission	97	–
Total income	10,421	13,758

* This is interest received on VAT on investment management fees reclaimed following the decision of the European Court of Justice in the JPMorgan Claverhouse Investment Trust case (C-365/05) (see Note 4 on page 44).

Notes to the Financial Statements

3 DERIVATIVE EXPENSES

	2009 £'000	2008 £'000
Interest received on short contracts for difference	162	–
Dividends received on long contracts for difference	6	–
Interest paid on long contracts for difference	(94)	–
Dividends paid on short contracts for difference	(449)	–
Net derivative expenses	(375)	–

4 INVESTMENT MANAGEMENT FEE

	2009 £'000	2008 £'000
Investment management fee	2,862	3,507
VAT recovered*	(6)	(2,300)
	2,856	1,207

A summary of the terms of the Management Agreement is given in the Directors' Report on pages 26 and 27.

* As a result of the decision of the European Court of Justice in the JPMorgan Claverhouse Investment Trust/AIC case (C-365/05) which confirmed that the VAT exemption applicable to the management of special investment funds will also extend to investment trust companies, the Company has recovered a total of £2,306,000 VAT previously charged on such management fees from HM Revenue & Customs.

5 OTHER EXPENSES

	2009 £'000	2008 £'000
AIC and other fees and subscriptions	33	34
Custody fees	12	29
Directors' fees	120	112
Legal and professional fees	36	(1)*
Marketing expenses	78	95
Printing and publication expenses	105	111
Registrars' fees	56	38
Other expenses	53	53
Fees payable to the Company's Auditor for the audit of the annual financial statements	20	19
	513	490

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

Details of the breakdown of Directors' fees are provided on page 35 within the Directors' Remuneration Report.

	2009 £'000	2008 £'000
6 INTEREST PAYABLE		
Repayable within five years		
Fixed rate unsecured loans	1,637	2,033

	2009 revenue £'000	2009 capital £'000	2009 total £'000	2008 revenue £'000	2008 capital £'000	2008 total £'000
7 TAXATION ON RETURN/(LOSS) ON ORDINARY ACTIVITIES						
a) Analysis of charge in the year						
Overseas taxation suffered	57	–	57	121	–	121

b) Factors affecting the taxation charge for the year

The taxation assessed for the year is lower than the standard rate of corporation tax in the UK for an investment trust company of 28% (2008: 29.17%).

The differences are explained below.	2009 £'000	2008 £'000
Return/(loss) on ordinary activities before taxation	24,342	(36,825)
Return/(loss) on ordinary activities multiplied by the standard rate of corporation tax of 28% (2008: 29.17%)	6,816	(10,742)
Effects of:		
Gains/(losses) on investments not taxed	(5,407)	13,682
Income not included for taxation purposes	(2,201)	(3,247)
Expenses not deductible for taxation purposes	10	6
Excess management expenses not utilised in the year	782	301
Overseas taxation	57	121
Current taxation charge (Note 7a)	57	121

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.

c) The deferred tax assets of £9,928,000 in respect of unutilised expenses at 31 August 2009 (2008: £8,446,000) and £841,000 (2008: £793,000) 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

8 DIVIDENDS	2009 £'000	2008 £'000
Final dividend of 17.00 pence per share paid for the year ended 31 August 2008 (2007: 7.50 pence)	9,655	4,426

The Directors have proposed a final dividend of 9.00 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 2009, which is the basis on which the requirements of s842 Income and Corporation Taxes Act 1988 are considered, is stated below:

	2009 £'000	2008 £'000
Proposed final dividend of 9.00 pence per share for the year ended 31 August 2009 (2008: 17.00 pence) based on number of shares in issue as at date of the Annual Report	5,125	9,655

9 RETURN/(LOSS) PER ORDINARY SHARE	2009 revenue	2009 capital	2009 total	2008 revenue	2008 capital	2008 total
Basic	8.76p	33.92p	42.68p	17.13p	(81.03p)	(63.90p)

Returns/(losses) per ordinary share are based on the net revenue return on ordinary activities after taxation of £4,983,000 (2008: £9,907,000), the capital return in the year of £19,302,000 (2008: capital loss £46,853,000) and the total return in the year of £24,285,000 (2008: total loss £36,946,000) and on 56,899,410 ordinary shares (2008: 57,823,165) being the weighted average number of ordinary shares in issue during the year.

10 INVESTMENTS	2009 £'000	2008 £'000
Listed investments	340,438	319,481
AIM quoted investments	14,594	11,264
Unlisted investments - at fair value	347	49
Derivatives*	–	518
Total investments	355,379	331,312

* Derivatives are now included in 'Current assets' and 'Creditors – amounts falling due within one year' in accordance with Note 1h on page 43.

	listed investments £'000	2009 other investments £'000	total £'000
Opening book cost	341,254	24,155	365,409
Opening investment holding losses	(21,255)	(12,842)	(34,097)
Opening fair value of investments	319,999	11,313	331,312
Movements in the year			
Purchases at cost	267,264	4,881	272,145
Sales - proceeds	(253,226)	(2,757)	(255,983)
Sales - realised losses on sales	(30,296)	(3,292)	(33,588)
Transfer of opening fair value on derivatives*	–	(518)	(518)
Movement in investment holding gains in the year	36,813	5,198	42,011
Closing fair value of investments	340,554	14,825	355,379
Closing book cost	324,996	22,987	347,983
Closing investment holding gains/(losses)	15,558	(8,162)	7,396
Closing fair value of investments	340,554	14,825	355,379

	2009 £'000	2008 £'000
Net gains/(losses) on investments		
(Losses)/gains on sales of investments	(33,588)	721
Closing investment holding gains/(losses) on investments	42,011	(56,014)
	8,423	(55,293)

* As stated in Note 1h on page 43, derivatives are now included in 'Current assets' and 'Creditors – amounts falling due within one year'. The prior year balance is now stated in Note 11 on page 48.

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

	2009 £'000	2008 £'000
Purchases expenses	2,383	1,634
Sales expenses	458	313
	2,841	1,947

Notes to the Financial Statements

11 DERIVATIVE INSTRUMENTS	2009 £'000	2008 £'000
Net gains on derivative instruments in the year		
Realised gains on derivative instruments	7,054	8,370
Closing investment holding gains on derivatives instruments	3,702	116
	10,756	8,486

	2009		2008	
	fair value £'000	exposure £'000	fair value £'000	exposure £'000
At the year end the Company had exposure to the following derivative instruments:				
Contracts for difference - assets	4,186	8,224	1,307	(4,467)
Contracts for difference - liabilities	(643)	(6,168)	(207)	(3,580)
Equity forwards - liabilities	(75)	(240)	(122)	(1,248)
Options - liabilities	(520)	(21,349)	(62)	(11,692)
Futures - liabilities	–	–	(398)	(6,843)
	2,948	(19,533)	518	(27,830)

12 DEBTORS	2009 £'000	2008 £'000
Securities sold for future settlement	4,680	3,099
Overseas taxation recoverable	51	34
Property income distribution taxation recoverable	2	36
Currency receivable	2,897	85
Accrued income	1,164	1,117
Recoverable VAT on management fee	–	2,300
Other debtors	341	323
	9,135	6,994

13 CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR	2009 £'000	2008 £'000
Fixed rate unsecured loan @ 5.435% per annum	27,000	–
Fixed rate unsecured loan @ 5.655% per annum	–	8,000
Securities purchased for future settlement	11,008	8,714
Amount payable on share repurchases	–	1
Currency payable	2,901	84
Loan interest payable	145	200
Other creditors	820	708
	41,874	17,707

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, both tranches with a maturity date of 26 January 2010 at an interest rate of 5.435% per annum.

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

14 CREDITORS – AMOUNTS FALLING DUE AFTER ONE YEAR	2009 £'000	2008 £'000
Fixed rate unsecured loan @ 5.435% per annum	–	27,000

15 CALLED UP SHARE CAPITAL	2009 £'000	2008 £'000
Authorised:		
160,000,000 (2008: 160,000,000) ordinary shares of 25 pence each	40,000	40,000
Issued, allotted and fully paid:		
Beginning of year		
56,794,503 (2007: 59,704,660) ordinary shares of 25 pence each	14,198	14,926
1 September 2008 to 31 August 2009: issue of 178,393 shares (2008: nil)	45	–
1 September 2008 to 31 August 2009: repurchase of 34,000 shares (2008: 2,910,157)	(9)	(728)
End of year		
56,938,896 (2008: 56,794,503) ordinary shares of 25 pence each	14,234	14,198

Notes to the Financial Statements

16 RESERVES

	share premium account £'000	capital redemption reserve £'000	other non-distributable reserve £'000	capital reserve £'000	revenue reserve £'000
Beginning of year	95,058	2,545	5,152	191,309	10,995
Exchange gains on other net assets	–	–	–	123	–
Net gains on investments for the year	–	–	–	8,423	–
Net gains on derivative instruments for the year	–	–	–	10,756	–
Issue of ordinary shares	709	–	–	–	–
Repurchase of ordinary shares	–	9	–	(123)	–
Net revenue return after taxation for the year	–	–	–	–	4,983
Dividend paid to shareholders	–	–	–	–	(9,655)
End of year	95,767	2,554	5,152	210,488	6,323

17 NET ASSET VALUE PER SHARE

The net asset value per ordinary share is based on net assets of £334,518,000 (2008: £319,257,000) and on 56,938,896 (2008: 56,794,503) ordinary shares, being the number of ordinary shares in issue at the year end.

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

	2009 £'000	2008 £'000
Net return/(loss) before finance costs and taxation	25,979	(34,792)
Capital return/(loss) for the year	(19,302)	46,853
Net revenue return before finance costs and taxation	6,677	12,061
Scrip dividends	(6,076)	(6,284)
Increase/(decrease) in other creditors	2,929	(785)
Increase in other debtors	(560)	(2,704)
Overseas taxation suffered	(95)	(134)
Net cash inflow from operating activities	2,875	2,154

19 RECONCILIATION OF NET CASH MOVEMENTS TO MOVEMENT IN NET DEBT

	2009 £'000	2008 £'000
Net debt at the beginning of the year	(9,342)	(8,371)
Net cash outflow	(7,632)	(4,724)
Fidelity Institutional Cash Fund plc	(9,091)	(1,251)
5.655% fixed rate unsecured loan repaid	8,000	–
4.91% fixed rate unsecured loan repaid	–	5,000
Unrealised foreign exchange movement on other net assets	(5)	4
Change in net debt	(8,728)	(971)
Net debt at the end of the year	(18,070)	(9,342)

	2009 £'000	Change in the year £'000	2008 £'000
Analysis of balances			
Amounts held at futures and clearing houses	843	(730)	1,573
Cash at bank	8,087	(6,907)	14,994
Fidelity Institutional Cash Fund plc	–	(9,091)	9,091
Fixed rate unsecured loans	(27,000)	8,000	(35,000)
End of year	(18,070)	(8,728)	(9,342)

20 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 23 and 24. 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 include equity forwards, contracts for difference and listed options on stocks and equity indices

The risks identified by FRS29 arising from the Company's financial instruments are market price risk (which comprises other price risk, interest rate risk and foreign currency exposure), liquidity risk, counterparty risk and credit risk. The Board reviews and agrees policies for managing each of these risks, which are summarised below. These policies have remained unchanged since the beginning of the accounting period.

Market price risk

Other price risk

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

Notes to the Financial Statements

Interest rate risk
The Company finances its operations through share capital raised. In addition, financing has been obtained through a UK sterling denominated fixed rate unsecured bank loan, which falls due for repayment on 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 this loan. The Board imposes borrowing limits to ensure gearing levels are appropriate to market conditions.

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.

		2009	
	cash flow interest rate risk £'000	fair value interest rate risk £'000	total £'000
Derivative assets exposure	16,276	–	16,276
Cash balances	8,930	–	8,930
Total financial assets	25,206	–	25,206
Derivative liabilities exposure	(14,623)	–	(14,623)
Fixed rate unsecured loan	–	(27,000)	(27,000)
Total financial liabilities	(14,623)	(27,000)	(41,623)
Total financial assets/(liabilities)	10,583	(27,000)	(16,417)

		2008	
	cash flow interest rate risk £'000	fair value interest rate risk £'000	total £'000
Fidelity Institutional Cash Fund plc	9,091	–	9,091
Cash balances	16,567	–	16,567
Total financial assets	25,658	–	25,658
Fixed rate unsecured loans	–	(35,000)	(35,000)
Total financial liabilities	–	(35,000)	(35,000)
Total financial assets/(liabilities)	25,658	(35,000)	(9,342)

Foreign currency risk
The Company's total return and balance sheet can be affected by foreign exchange movements because the Company has assets and income which are denominated in currencies other than the Company's base currency which is sterling.

Three principal areas have been identified where foreign currency risk could impact the Company:
- Movements in rates affecting the value of investments
- Movements in rates affecting short term timing differences
- Movements in rates affecting the income received

The Company does not hedge the sterling value of investments or other net assets priced in other currencies by the use of derivatives. However, it has increased finance available to the Company for its investment activities with UK sterling currency borrowings, thereby potentially hedging part of the movements which are a result of exchange rate movements.

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.

Financial assets

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

	investments designated at fair value through profit or loss £'000	derivative assets held at fair value through profit or loss £'000	2009 short term debtors book value £'000	cash* £'000	total £'000
Canadian dollar	357	–	–	–	357
Chinese yuan renminbi	184	–	–	–	184
Euro	7,285	932	21	–	8,238
Hong Kong dollar	122	–	1	63	186
Israeli shekel	–	180	–	–	180
Swedish krona	3,789	–	–	–	3,789
Swiss franc	1,712	–	104	530	2,346
US dollar	678	–	14	1	693
UK sterling	341,252	3,074	8,995	8,336	361,657
	355,379	4,186	9,135	8,930	377,630

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

	investments designated at fair value through profit or loss £'000	derivative assets held at fair value through profit or loss £'000	2008 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

* 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.

Notes to the Financial Statements

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.

	2009				2008			
	derivative liabilities held at fair value through profit or loss £'000	UK sterling denominated unsecured loan £'000	short term creditors £'000	total £'000	derivative liabilities held at fair value through profit or loss £'000	UK sterling denominated unsecured loans £'000	short term creditors £'000	total £'000
Danish kroner	144	–	–	144	–	–	–	–
Euro	131	–	–	131	–	–	227	227
Swedish krona	36	–	356	392	–	–	–	–
Swiss franc	94	–	–	94	–	–	842	842
UK sterling	833	27,000	14,518	42,351	–	35,000	8,638	43,638
	1,238	27,000	14,874	43,112	–	35,000	9,707	44,707

Liquidity risk

The Company's assets mainly comprise readily realisable securities, which can be sold easily to meet funding commitments if necessary. Short term flexibility is achieved by the use of overdraft facilities as required. Details of the Company's borrowing commitments are explained in Notes 13 and 14 on page 49 to the financial statements.

Counterparty risk

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

Credit risk

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

Derivatives

The risks and risk management processes which result from the use of derivatives, are set out in a documented "Derivative Risk Measurement and Management Document", details of which can be seen in the other risk categories disclosed above.

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

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

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

RISK SENSITIVITY ANALYSIS

Other price risk sensitivity analysis

Changes in market prices other than those arising from interest rate risk 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 23 and 24 of the Directors' Report.

An increase of 10% in the fair value of the investments at 31 August 2009 would have increased total return on ordinary activities and total assets by £35,538,000 (2008: £33,131,200). A decrease of 10% would have had an equal but opposite effect. The analysis for 2008 is performed on the same basis.

Interest rate risk sensitivity analysis

At 31 August 2009, if interest rates had increased by 0.5% the total return on ordinary activities would have increased by £53,000 (2008: £128,000). A decrease in the interest rates by 0.5% would have had an equal but opposite effect. The analysis for 2008 is performed on the same basis.

Foreign currency risk sensitivity analysis

At 31 August 2009, if sterling had strengthened by 10% in relation to the larger currency exposures, then with all other variables held constant, total net assets and total return on ordinary activities would have decreased by the amounts shown below. The derivative element of the analysis is based on the underlying exposure of the derivative assets and liabilities. A 10% weakening of sterling against the larger currency exposures, with all other variables held constant, would have had an equal but opposite effect on the financial statement amounts. The analysis for 2008 is performed on the same basis.

	2009 £'000	2008 £'000
Euro	595	642
Swedish krona	301	209
Swiss franc	149	1,368

Derivatives exposure sensitivity analysis

Equity derivatives

The Company invests in contracts for difference to gain exposure to equity markets. A 10% fall in the price of the net contracts for difference would have resulted in a decrease of £206,000 (2008: increase of £805,000) in the Company's net asset value. A rise of 10% would have had an equal but opposite effect. The analysis for 2008 is performed on the same basis.

The Company invests in 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 £24,000 (2008: £125,000) in the Company's net asset value. A rise of 10% would have had an equal but opposite effect. The analysis for 2008 is performed on the same basis.

At the year end the Company had no futures exposure to the equity markets.

Options

The Company writes call options on selected underlying equity positions, receiving a premium, but obligating it to sell the physical stock at a fixed price. Using the deltas of the options at the year end date, where an option's delta is a ratio that compares the change in the price of the underlying equity to the corresponding change in the price of the option, a 10% rise in the price of the underlying equities would have resulted in a decrease of £323,000 (2008: £447,000) in the Company's net asset value. A fall of 10% would have had a similar but opposite effect. The analysis for 2008 is performed on the same basis.

The Company also writes put options on selected underlying equity positions, receiving a premium, but obligating it to purchase the physical stock at a fixed price. Using the deltas of the options at the year end date, where an option's delta is a ratio that compares the change in the price of the underlying equity to the corresponding change in the price of the option, a 10% rise in the price of the underlying equities would have resulted in an increase of £62,000 (2008: nil) in the Company's net asset value. A fall of 10% would have had a similar but opposite effect. The analysis for 2008 is performed on the same basis.

For details of the Company's derivatives exposure see Note 11 on page 48.

Notes to the Financial Statements

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 on page 42 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 UK sterling denominated fixed rate unsecured loans, whose fair value as at 31 August 2009, given below, have been calculated by discounting future cash flows at UK sterling interest rates.

	2009		2008	
	fair value £'000	book value £'000	fair value £'000	book value £'000
Fixed rate unsecured loan@ 5.655% per annum	–	–	7,963	8,000
Fixed rate unsecured loan@ 5.435% per annum	27,416	27,000	26,924	27,000
	27,416	27,000	34,887	35,000

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 22 of the Directors' Report. The principal risks and their management are disclosed on pages 51 to 55.

21 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

There were no contingent liabilities or capital commitments as at 31 August 2009 (2008: nil).

22 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 26 and 27.

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 16 December 2009 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 2009.

2. To approve a final dividend.

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

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

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

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

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

8. To approve the Directors' Remuneration Report for the year ended 31 August 2009.

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

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

SPECIAL BUSINESS

Resolutions 11 and 12 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 3 November 2009. 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 11 as an ordinary resolution and resolution 12 as a special resolution:

11. THAT the Directors be and they are hereby generally and unconditionally authorised in accordance with Section 549/551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot relevant securities (as defined in that section) up to an aggregate nominal amount of £1,423,472 (approximately 10% of the aggregate nominal amount of the issued share capital of the Company as at 3 November 2009) 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.

12. THAT, subject to the passing of Resolution 11 set out above, the Directors be and they are hereby authorised, pursuant to Section 570-573 of the Act to allot equity securities (as defined in Section 570-573 of the Act) pursuant to the authority given by the said Resolution 11 as if Section 568(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 £1,423,472 (approximately 10% of the aggregate nominal amount of the issued share capital of the Company as at 3 November 2009); 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 13 is a special resolution which, if approved, will renew the Company's authority to purchase up to 14.99% of the number of ordinary shares in issue on 3 November 2009 for cancellation. Purchases of ordinary shares will be at the discretion of the Board and within guidelines set from time to time by the Board in the light of prevailing market conditions. Purchases will only be made in the market at prices below the prevailing net asset value per share, thereby resulting in an increased net asset value per share.

13. THAT the Company be and is hereby generally and unconditionally authorised in accordance with Section 693/701 of the Companies Act 2006 (the "Act") to make market purchases (within the meaning of Section 693 of the Act) of shares of 25p each in the capital of the Company (the "shares") provided that:

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

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

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

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

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

Resolution 14 is a special resolution which, if approved, will amend the Company's Articles of Association to reflect changes required by the implementation of the Companies Act 2006 and changes to the maximum aggregate fees payable to the Directors. Explanatory notes detailing the proposed amendments to the Articles of Association are included in the Notes to the Notice of Meeting contained in pages 59 to 61.

14. THAT the Articles of Association be amended 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
13 November 2009

Notes:

1. **Explanatory notes of the principal changes to the Company's Articles of Association (Articles)**

The Company's objects

The provisions regulating the operations of the Company are currently set out in the Company's Memorandum and Articles of Association. The Company's memorandum contains, among other things, the objects clause which sets out the scope of the activities the Company is authorised to undertake. This is drafted to give a wide scope.

The Companies Act 2006 significantly reduces the constitutional significance of a company's memorandum. The Companies Act 2006 provides that a memorandum will record only the names of subscribers and the number of shares each subscriber has agreed to take in the company. Under the Companies Act 2006 the objects clause and all other provisions which are contained in a company's memorandum, for existing companies at 1 October 2009, are deemed to be contained in a company's articles of association but the company can remove these provisions by special resolution.

Further the Companies Act 2006 states that unless a company's articles provide otherwise, a company's objects are unrestricted. This abolishes the need for companies to have objects clauses. For this reason the Company is proposing to remove its objects clause together with all other provisions of its Memorandum which, by virtue of the Companies Act 2006, are treated as forming part of the Company's Articles of Association as of 1 October 2009. Resolution 14 confirms the removal of these provisions for the Company. As the effect of this resolution will be to remove the statement currently in the Company's Memorandum of Association regarding limited liability, the new Articles also contain an express statement regarding the limited liability of shareholders.

Articles which duplicate statutory provisions

Provisions in the current Articles which replicate provisions contained in the Companies Act 2006 are in the main to be removed in the new Articles. This is in line with the approach advocated by the Government that statutory provisions should not be duplicated in a company's constitution.

Change of name

Under Companies Act 1985, a company could only change its name by special resolution. Under the Companies Act 2006 a company will be able to change its name by other means provided for by its articles. To take advantage of this provision, the new Articles enable the Directors to pass a resolution to change the Company's name.

Authorised share capital and unissued shares

The Companies Act 2006 abolishes the requirement for a company to have an authorised share capital and the new Articles reflect this. Directors will still be limited as to the number of shares they can at any time allot because allotment authority continues to be required under the Companies Act 2006, save in respect of employee share schemes.

Redeemable shares

Under the Companies Act 1985, if a company wished to issue redeemable shares, it had to include in its articles the terms and manner of redemption. The Companies Act 2006 enables directors to determine such matters instead provided they are so authorised by the articles. The new Articles contain such an authorisation. The Company has no plans to issue redeemable shares but if it did so the Directors would need shareholders' authority to issue new shares in the usual way.

Authority to purchase own shares, consolidate and sub-divide shares, and reduce share capital

Under the Companies Act 1985, a company required specific enabling provisions in its articles to purchase its own shares, to consolidate or sub-divide its shares and to reduce its share capital or other undistributable reserves as well as shareholder authority to undertake the relevant action. The current Articles include these enabling provisions. Under the Companies Act 2006 a company will only require shareholder authority to do any of these things and it will no longer be necessary for articles to contain enabling provisions. Accordingly the relevant enabling provisions have been removed in the new Articles.

Use of seals

Under the Companies Act 1985, a company required authority in its articles to have an official seal for use abroad. Under the Companies Act 2006, such authority will no longer be required. Accordingly, the relevant authorisation has been removed in the new Articles. The new Articles provide an alternative option for execution of documents (other than share certificates). Under the new Articles, when the seal is affixed to a document it may be signed by one Director in the presence of a witness, whereas previously the requirement was for signature by either a Director and the Secretary or two Directors or such other person or persons as the Directors may approve.

Vacation of office by Directors

The current Articles specify the circumstances in which a Director must vacate office. The new Articles update these provisions to treat physical illness in the same manner as mental illness.

Notes to Notice of Meeting

Voting by proxies on a show of hands

The Shareholders' Rights Regulations have amended the Companies Act 2006 so that it now provides that each proxy appointed by a member has one vote on a show of hands unless the proxy is appointed by more than one member in which case the proxy has one vote for and one vote against if the proxy has been instructed by one or more members to vote for the resolution and by one or more members to vote against the resolution. The new Articles remove provisions in the current Articles dealing with proxy voting on the basis that these are dealt with in the Companies Act 2006 and contain a provision clarifying how the provision of the Companies Act 2006 giving a proxy a second vote on a show of hands should apply to discretionary authorities.

Chairman's casting vote

The new Articles remove the provision giving the Chairman a casting vote in the event of an equality of votes as this is no longer permitted under the Companies Act 2006.

Adjournments for lack of quorum

Under the Companies Act 2006 as amended by the Shareholders' Rights Regulations, general meetings adjourned for lack of quorum must be held at least ten clear days after the original meeting. The current Articles have been changed to reflect this requirement.

Directors' Fees

The Directors' Fee provision in the new Articles will provide for an aggregate fee of £200,000 for Directors' Fees. This amendment is required in order to provide additional headroom on fees in the event that additional members of the Board are appointed.

General

Generally the opportunity has been taken to bring clearer language into the new Articles and in some areas to conform the language of the new Articles with that used in the model articles for public companies produced by the Department for Business, Innovations and Skills.

2. 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.

3. 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 14 December 2009. 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.

4. 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 notarially certified or in some other way approved by the Directors), must be deposited with the Company's Registrars, Capita Registrars, Registrars to Fidelity Special Values PLC, PXS, 34 Beckenham Road, Kent BR3 4TH not less than 48 business hours before the time for holding the meeting or adjourned meeting or, in the case of a poll taken more than 48 business hours after it is demanded, not less than 24 business hours before the time appointed for the taking of the poll at which it is to be used.

5. 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.

6. To appoint a proxy or to give or amend an instruction to a previously appointed proxy via the CREST system, the CREST message must be received by the issuer's agent RA10 by 11.30 am on 14 December 2009. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message. After this time any change of instructions to a proxy appointed through CREST should be communicated to the proxy by other means. CREST Personal Members or other CREST sponsored members and those CREST Members who have appointed voting service provider(s) should contact their CREST sponsor or voting service provider(s) for assistance with appointing proxies via CREST. For further information on CREST procedures, limitations and systems timings please refer to the CREST Manual. We may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001. In any case your proxy form must be received by the Company's Registrars no later than 11.30 am on 14 December 2009.

7. All members are entitled to attend and vote at the Annual General Meeting and ask questions. The right to vote at the meeting will be determined by reference to the Register of Members as at 11.30 am on the 14 December 2009.

8 In accordance with Section 325 of the Companies Act 2006 ("2006 Act") the right to appoint proxies does not apply to persons nominated to receive information rights under Section 146 of the 2006 Act. Persons nominated to receive information rights under Section 146 of the 2006 Act who have been sent a copy of this notice of meeting are hereby informed, in accordance with Section 149(2) of the 2006 Act, that they may have the right under an agreement with the registered member by whom they were nominated to be appointed, or to have someone else appointed, as a proxy for this meeting. If they have no such right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the member as to the exercise of voting rights. Nominated persons should contact the registered member by whom they were nominated in respect of these arrangements.

9. 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.

10 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 6.00 pm on 14 December 2009 or 48 hours before the time of any adjourned meeting. Changes to the entries in the register of members after 6.00 pm on 14 December 2009 or, in the event that the meeting is adjourned, to the register 48 hours before the time of the adjourned meeting shall be disregarded in determining the rights of any person to attend or vote at the meeting notwithstanding any provisions to the contrary in any enactment, the Company's Articles of Association or any other instrument.

11. As at 3 November 2009 (the latest practicable date prior to the publication of this document) the Company's issued share capital consisted of 56,938,896 ordinary shares carrying one vote each. Therefore, the total number of voting rights in the Company as at 3 November 2009 was 56,938,896.

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

13. 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.

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

15. Information about this meeting is published on www.fidelity.co.uk/its

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

Investing in Fidelity Special Values PLC

The Manager of the Company – FIL Investments International – offers a range of options, so you can invest in the way that is best for you. As Fidelity Special Values PLC is a listed company you can also buy its shares through a stockbroker, share shop or bank.

INVESTING INSIDE AN ISA

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

The maximum investment in a stocks and shares ISA is £7,200 for the 2009/10 tax year.

From the 6 October 2009, investors aged 50 and over on 5 April 2010 may invest up to £10,200 in ISA accounts overall. The full amount may be invested in a Stocks and Shares ISA, or £5,100 (£3,600 prior to the 6 October 2009) in a Cash ISA and the balance in a Stocks and Shares ISA.

From the 6 April 2010, investors aged 49 and under on the 5 April 2010 may invest up to £10,200 in ISA accounts overall regardless of age (minimum 18 years old) of which up to £5,100 can be held in a cash ISA and the balance in a Stocks and Shares ISA.

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

Charges – The standard initial charge for the Fidelity ISA is 3.5%. 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 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 stock market 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.

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.

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

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

Holding shares directly – If you have shares in Fidelity Special Values PLC that you bought through a broker or share 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

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

INVESTING ONLINE

You can invest online in Fidelity Special Values PLC shares via www.fidelity.co.uk/sharenetwork. Fidelity ShareNetwork enables you to buy or sell shares in any listed company during normal London Stock Exchange trading hours – between 8am and 4.30pm any working day. Shares in ShareNetwork can either be held direct or in an ISA, subject to the normal ISA limits and restrictions. You will be shown a live price and be able to buy or sell immediately. If an order is placed when the market is closed, it will be processed as soon as the market reopens. Unlike many online share dealing services, Fidelity ShareNetwork gives you personal CREST membership for shares held direct. This means that shares are registered on the CREST system in your own name and everything relating to your shares – dividends, annual reports and so on – will be sent direct to you and you will be able to attend and vote at shareholder meetings in your own name. Personal CREST membership does not apply to ISA holdings which must be held in the name of the ISA Manager's nominee under ISA regulations. Fidelity ShareNetwork has a very competitive cost structure.

Share purchases or sales are executed online for only £9 per trade. (Stamp duty is also payable on purchases at the rate of 0.5%). There is an account administration fee of £5 per month, however many different shares you own and whatever their value.

CONTACT INFORMATION

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

Financial advisers: call free to 0800 41 41 81, 8am to 6pm, Monday to Friday.

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

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

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

Fidelity Share Plan investors
BNP Paribas Securities Services, Block C, Western House, Lynchwood Business Park, Peterborough, PE2 6BP.
Telephone: 0845 358 1107 (calls to this number are charged at 3.95p per minute from a BT landline dependent on the tariff. Other telephone service providers' costs may vary.)

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

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

General enquiries should be made to FIL Investments International, the Investment Manager and Secretary, at the Company's registered office, FIL Investments International, Investment Trusts, Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, Surrey KT20 6RP.
Telephone: 01732 36 11 44
Fax: 01737 83 68 92
www.fidelity.co.uk/its

ONLINE SHAREHOLDER SERVICES – SHARE PORTAL

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

- **Account enquiry** – Allows shareholders to access their personal shareholding, including share transaction history, dividend payment history and to obtain an up-to-date shareholding valuation.
- **Amendment of standing data** – This allows you to change your registered postal address and add, change or delete dividend mandate instructions. You can also download from this site forms such as change of address, stock transfer and dividend mandate as well as buy and sell shares in the Company.

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

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

Capita Share Dealing Services
You can make use of a low cost share dealing service provided by Capita Registrars to buy or sell shares. Further information is available at www.capitadeal.com, or by telephoning 0871 664 0454 (calls cost 10p per minute plus network extras. Lines are open 8:30am - 5:30pm Monday to Friday). Using Capita Share Dealing Services you will also be able to deal in the shares of other companies for which Capita acts as Registrar, provided you are already a shareholder in the relevant company, and that company offers the Share Deal facility to its shareholders.

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

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

FURTHER INFORMATION

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

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

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

The Fidelity Individual Savings Account ("ISA") is offered and managed by Financial Administration Services Limited. The Fidelity Investment Trust Share Plan is managed by FIL Investments International. Both companies are authorised and regulated by the Financial Services Authority. The Fidelity Investment Trust Share Plan is administered by BNP Paribas Securities Services and shares will be held in the name of Puddle Dock Nominees Limited. The value of savings and eligibility to invest in an ISA will depend on individual circumstances and all tax rules may change in the future. Fidelity investment trusts are managed by FIL Investments International. Fidelity only gives information about its own products and services and does not provide investment advice based on individual circumstances. Should you wish to seek advice, please contact a Financial Adviser. Issued by Fidelity Special Values PLC.

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

WARNING TO SHAREHOLDERS – BOILER ROOM SCAMS

Over the year, many companies have become aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based 'brokers' who target UK shareholders, offering to sell them what often turn out to be worthless or high risk shares in US or UK investments. These operations are commonly known as 'boiler rooms'. These 'brokers' can be very persistent and extremely persuasive, and a 2006 survey by the Financial Services Authority ("FSA") has reported that the average amount lost by investors is around £20,000.

It is not just the novice investor that has been duped in this way; many of the victims had been successfully investing for several years. Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports.

If you receive any unsolicited investment advice:

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

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

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

More detailed information on this or similar activity can be found on the FSA website

www.moneymadeclear.fsa.gov.uk

Fidelity™ INTERNATIONAL

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