

Fidelity Special Values PLC

Annual Report

Company number 2972628

For the year ended 31 August 2015

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The Investment Objective and Financial Highlights

The investment objective of Fidelity Special Values PLC is to achieve long term capital growth predominantly through investment in UK listed companies.

Lynn Ruddick
Chairman

	2015	2014
Assets at 31 August		
Shareholders' funds	£537.3m	£519.2m
Net Asset Value ("NAV") per share ¹	201.61p	192.29p
Dividends for the year to 31 August		
Final dividend per ordinary share ²	2.35p	3.30p
Interim dividend per ordinary share ³	1.00p	-
Total dividend per ordinary share	3.35p	3.30p
Share price and premium/discount data at 31 August		
Share price at year end ¹	197.50p	180.20p
Share price year high ¹	213.30p	192.80p
Share price year low ¹	161.30p	164.90p
Discount at year end	(2.0%)	(6.3%)
Premium year high/(discount) year low	2.3%	(1.5%)
Discount year high	(10.6%)	(9.5%)
Total returns (includes reinvested income) for the year to 31 August		
NAV per share	+7.3%	+10.7%
Share price	+12.4%	+9.2%
FTSE All-Share Index (Benchmark Index)	-2.3%	+10.3%
Ongoing charges figure for the year to 31 August⁴	1.10%	1.12%

¹ Prior period figures have been restated to reflect the five for one sub-division of ordinary shares which took place on 29 June 2015 (see Notes 13 and 15 in the Notes to the Financial Statements on pages 51 to 53)

² The final dividend for the year ended 31 August 2014 has been restated to reflect the five for one ordinary share sub-division that took place on 29 June 2015. The actual dividend rate paid was 16.50 pence per Existing Ordinary Share.

³ The interim dividend has been restated to reflect the five for one ordinary share sub-division that took place on 29 June 2015. The actual dividend rate paid was 5.00 pence per Existing Ordinary Share.

⁴ Ongoing charges (excluding finance costs and taxation) expressed as a percentage of the average net asset values for the reporting year (prepared in accordance with methodology recommended by the Association of Investment Companies). A definition of ongoing charges can be found on page 71.

Comparison of NAV and Share Price Total Return Performance against the Benchmark Index for the 5 year period to 31 August 2015

Chairman's Statement

RESULTS FOR THE YEAR ENDED 31 AUGUST 2015

NAV PER SHARE	+7.3%
SHARE PRICE	+12.4%
BENCHMARK	-2.3%
DIVIDENDS	3.35p

I have pleasure in presenting the Annual Report of Fidelity Special Values PLC for the year ended 31 August 2015

PERFORMANCE

This financial year marked the third year of Alex Wright's tenure as Portfolio Manager and for the third successive year, the NAV of the Company increased in excess of the Benchmark Index. For the three years, performance on a total return basis of the NAV was +72.1%, the share price was +100.2% against the Benchmark Index of +28.1%.

This financial year saw a positive return while the Index posted a negative return. This is due principally to a commendable selection of stocks for the portfolio, in addition to Alex Wright's ability to avoid some of the more troubled areas. Despite the ongoing uncertainty created by a variety of macroeconomic influences, bottom-up stock selection continued to be the driving force behind the portfolio's Index-beating return, demonstrating the value of fundamental research and a contrarian approach.

The contrarian nature of the Company's investment selection means that the Board does not expect a consistent outperformance of the Index every single year, though we do believe that the portfolio has the potential to outperform significantly over the longer term. As ever, the Board encourages Shareholders to take a similarly long term view of their investment in the Company's shares.

OUTLOOK

The year under review saw some significant volatility in asset prices, particularly towards the end of the reporting period. Earlier challenges came in the shape of the Scottish Independence referendum, the UK general election and continued Eurozone instability. However, it took a deterioration of leading indicators in China to really dent the market's confidence. Valuations at the market level are now closer to their longer term averages, though of course as ever there will be a range of company-specific valuations. The role of the Portfolio Manager is essentially to sift through cheapest and most unloved shares, and identify opportunities for positive and profitable change.

OTHER MATTERS

Sub-Division of shares

The Board was conscious that the Company's share price had increased substantially from its launch price of £1 per share in 1994 to a price of £9.25 per share as at close of business on 22 April 2015. This meant that smaller investors, or investors who participate in monthly saving plans or dividend reinvestment schemes, had sometimes experienced difficulty fulfilling their order because of the high price at which the shares were trading, resulting in a cash surplus that could not be invested until sufficient funds had accumulated in their accounts to buy the next share.

As a result the Board sought and received Shareholder approval at the General Meeting of the Company held on 20 May 2015 to sub-divide the Company's ordinary shares of 25 pence each into five ordinary shares of 5 pence each.

Following completion of the sub-division, 54,128,896 existing ordinary shares in issue were converted into 270,644,480 new ordinary shares. This included 879,000 existing shares held in Treasury at the time which converted into 4,395,000 new ordinary shares. The new ordinary shares commenced trading on the main market of the London Stock Exchange on 29 June 2015.

Investment Objective, Investment Policy and the Use of Derivatives

At the General Meeting held on 20 May 2015, Shareholders also approved the following changes to the Company's investment objective and policy:

- Broadening the wording of the investment objective to make it clear that investments into companies can be made directly through stocks as well as via derivatives,
- Clarifying the use of derivatives within the Company's investment policy. Derivatives are used principally in the following ways:
 - i As an alternative form of gearing to bank loans or bonds. The Company will purchase long Contracts For Difference ("CFDs") that achieve an equivalent effect to bank gearing but currently at lower financing costs,
 - ii To hedge equity market risks where the Portfolio Manager considers that suitable protection can be positioned to limit the downside of a falling market at a reasonable cost, and

Year to 31 August
NAV and Index total
return %

	2015	2014	2013	2012	2011	5 years	Since launch
NAV per share	+7.3	+10.7	+44.8	+15.0	-4.1	+89.8	+1,270.9
FTSE All-Share Index	-2.3	+10.3	+18.9	+10.2	+7.3	+51.4	+330.3
Difference	+9.6	+0.4	+25.9	+4.8	-11.4	+38.4	+940.6
Share price	+12.4	+9.2	+63.1	+9.2	-5.0	+107.7	+1,281.6

Chairman's Statement

- iii To enhance the investment returns by taking short exposures on stocks that the Portfolio Manager considers to be over-valued, and

- Changing the gross gearing limit from 130% to 140%, thus allowing the Portfolio Manager the flexibility to manage the net gearing of the portfolio within a typical range of 100% to 120% while running short positions of up to 10%

CFDs are sterling denominated and have the added benefit of mitigating an element of exchange rate risk when buying overseas-listed companies

The agreed parameters for the use of derivatives are carefully monitored at all times

Further details on the revised investment policy can be found in the Strategic Report on pages 7 and 8

Discount, Share Repurchases and Issues

During the reporting year, the Board reviewed its discount management policy. Previously the Board had no rigid premium management or discount control policy but undertook to issue or repurchase ordinary shares if deemed to be in the best interests of Shareholders at the time. Under the new policy the Board seeks to maintain the discount in single digits in normal market conditions and will, subject to market conditions, consider repurchasing ordinary shares with the objective of stabilising the share price discount based on the cum income NAV within a single digit range.

The level of discount has narrowed from 6.3% at the start of the reporting year to 2.0% at the end of the reporting year (During the year, the Company's shares traded within a range of 10.6% discount to 2.3% premium). This narrowing of discount has given rise to a share price total return of 12.4% for the year, ahead of the NAV total return of 7.3%. The Board will continue to monitor this closely and will consider taking further action where we feel it to be effective.

Details of ordinary share repurchases carried out during the reporting year can be found in Note 13 on pages 51 and 52.

I am pleased to report that the Company's ordinary shares have traded at a premium on certain days in the last quarter of the reporting period, and the Company has therefore issued 350,000 shares from Treasury at an average premium to NAV of 1.6%.

Since the end of the reporting period and as at the date of this report, the Company has not issued or repurchased any shares.

Gearing

The Board has agreed with the Portfolio Manager that if he is able to find attractive opportunities in the market, then the Company's gearing should be allowed to rise, and stay geared, as long as the opportunities remain. Net market exposure (see Glossary of Terms) averaged below 110% over the reporting period. However it had risen back towards 110% by the end of

the period, a reflection of the increased number of valuation opportunities made available by falling prices. I am confident that combined with Alex Wright's contrarian and value-focused investment philosophy, this should continue to add value for Shareholders over the long term.

Overall, the Board is pleased not only with the financial performance of the Company over the last year, but also that it is making good use of its structural advantages over its open-ended counterparts. Over the long term, this extra flexibility should continue to translate into enhanced returns for our Shareholders.

Dividend

The Company's previous dividend policy was to pay a dividend annually at the time of the Annual General Meeting. This policy was reviewed by the Board in the first half of the reporting year and it concluded that in order to smooth the dividend payment, it would be appropriate to pay dividends twice yearly. As a result an interim dividend payment of 1.00 pence* was paid on 20 May 2015.

The Board has decided to recommend a final dividend of 2.35 pence per share for the year ended 31 August 2015. The interim and final dividends represent a total increase of 1.5% over the 3.30 pence* paid for the year ended 31 August 2014. This dividend will be payable on 21 December 2015 to Shareholders on the register at close of business on 20 November 2015 (ex-dividend date 19 November 2015).

* Restated for the five for one sub-division of shares.

Board of Directors

In common with our practice since 2004, all Directors are subject to annual re-election and their biographical details are included on page 21 to assist Shareholders when considering their votes.

After 8 and 21 years respectively, Ben Thomson and Douglas Kinloch Anderson have decided to step down from the Board at the conclusion of the Annual General Meeting on 15 December 2015. I would like to take this opportunity to thank them both on behalf of the Board and the Shareholders for their invaluable contribution. We will miss them. I am delighted to welcome Nigel Foster and Dean Buckley to the Board as their replacements. Nigel was appointed on 1 September 2015 and has over 30 years of financial services experience, and in particular of derivatives. Dean was appointed to the Board on 3 November 2015 and has nearly 30 years of investment management experience having held senior positions in a number of asset management companies. Both appointments are subject to election by the Shareholders at the forthcoming Annual General Meeting.

It is my view that the new Board will continue to have the relevant skills and experience to serve the Company into the future, just as the old Board did.

Chairman's Statement

Annual General Meeting Tuesday 15 December 2015 at 11 30 am

The Annual General Meeting will be held at 11 30 am on Tuesday 15 December 2015 at Fidelity's offices at 25 Cannon Street, London EC4M 5TA (St Paul's or Mansion House tube stations)

It is the most important meeting that we, the Directors of your Company, have with our Shareholders each year. Alex Wright, the Portfolio Manager, will be making a presentation to Shareholders, highlighting the achievements and challenges of the year past and the prospects for the year to come. We hope as many of you as possible are able to come and join us for this occasion.



Lynn Ruddick
Chairman
6 November 2015

Portfolio Manager's Review

FIL Investment Services (UK) Limited

The Company is managed by FIL Investment Services (UK) Limited (which is authorised and regulated by the Financial Conduct Authority). It is part of the FIL Limited group which, as at 30 September 2015, had total assets under management exceeding £171 billion. FIL Investment Services (UK) Limited has delegated the portfolio management of the Company to FIL Investments International.

Alex Wright (Portfolio Manager) joined Fidelity in 2001 as a research analyst and has covered a number of sectors across the market cap spectrum both in the UK as well as developed and emerging Europe. He is Portfolio Manager of Fidelity Special Values PLC and Fidelity Special Situations Fund and the co-Manager of Fidelity UK Smaller Companies Fund. He was appointed Manager of the Company's portfolio on 1 September 2012.

UK MARKET REVIEW

The UK stock market recorded slightly negative returns over the Company's financial year, with a particularly sharp fall over the summer months erasing earlier gains. Above average valuations proved unsustainable in the face of increasing concerns about GDP growth prospects in China and other emerging markets. Commodity stocks suffered particularly poor returns, with an uncertain demand outlook causing prices of oil and industrial metals to fall significantly.

Throughout the year, market commentators expressed concerns around the UK general election, Greek membership of the Eurozone, and continuing instability in the Middle East, though ultimately these issues had limited influence on the overall market or the portfolio. However, some of the sectors that looked vulnerable to political intervention from the Labour party rallied following the surprisingly conclusive general election victory by the Conservative party.

PORTFOLIO REVIEW

The Company's NAV and share price returns were positive despite the market's negative return. This was achieved by a combination of holding shares in companies entering a period of positive change, and in most cases managing to avoid shares in companies whose outlook significantly worsened over the period. As a reminder, I invest Shareholders' funds with an 'unconstrained' approach, which means I am not obliged to hold companies simply because they are large and significant for the Benchmark Index. Having been concerned about the outlook for many commodity-related stocks over the period, the Company had very limited holdings in the area. This enabled us to weather the worst of the stock market falls.

The Company's financial year was another when the average smaller company outperformed its larger counterpart. The Company has continued to invest in companies of all sizes, but with a preference for smaller and medium sized companies, where a lack of research resources at other investment institutions means we have a better chance of identifying change that others have not yet noticed.

Positive performance contributions came from a number of our medium sized holdings. After being the top contributor to fund performance in 2013/2014, fuel distributor DCC again made significant gains over the year. The company's strategy of buying up delivery assets and integrating them into their existing networks has been progressing nicely, with attractive opportunities on the continent available as integrated oil majors exit these markets, where they have struggled to make a return. DCC has been a long-standing position for the portfolio, though the shares have performed very strongly and will now act as a source of funds for new ideas as the company's positive fundamentals are increasingly reflected in a higher valuation.

Regus is an owner of office space in towns and cities worldwide, and is benefitting from the transition to more flexible working arrangements. The company is the global leader in its market and has a huge platform for growth and expansion across the world. This type of company would usually be a prime candidate for holding in growth-orientated funds, but the market has struggled to value the company due to both the effect that opening new offices has on current earnings and its unique business model. This has resulted in the company's shares being significantly undervalued compared to its potential long term earnings growth. The shares have performed well due to the economic sensitivity of the company, although they currently remain undervalued. I will keep a close watch on both the valuation and balance sheet here.

Portfolio Manager's Review

The top performer over the year was Electronic Arts, a US games company. The success of this investment is an example of how Shareholders can be rewarded when they invest in unloved companies with prospects for both internal and external change. It also demonstrates the value of allowing some overseas positions in the fund. When I bought Electronic Arts for Special Values in 2012, the shares met all the criteria I look for in a potential investment and the company has turned in a generous performance for Shareholders since it was bought. Again, considering the higher valuation that the company enjoys now, the portfolio's capital deployed here will gradually be re-allocated to shares at an earlier stage of recovery.

OUTLOOK

The recent volatility in the stock market has led to a sense of caution among investors, and falling prices and valuations in the stock market. This uncertainty has created some attractive contrarian opportunities in various sectors and market capitalisation categories. I have been taking the opportunity to buy shares in companies whose prices have fallen despite attractive prospects for positive change over the medium term.

Key sectors for the Company continue to include financials (and banks in particular), and a recent increase in the holdings in oil and gas, where the excessive negative sentiment seems to have obscured a reduction in supply that should improve industry dynamics in the medium term.

As ever, my focus is on identifying out-of-favour stocks with potential for positive change and limited downside risk. This bottom-up strategy is my preferred approach to meeting the Company's investment objective of providing long term capital growth for investors.

Alex Wright

Portfolio Manager

6 November 2015

Strategic Report

The Directors have pleasure in presenting the Strategic Report of the Company. It provides a review of the Company's business and describes the principal risks and uncertainties it faces. The report includes an analysis of the performance of the Company during the financial year and the position at the year end, its objective, strategy and risks and how these are measured using Key Performance Indicators. The Chairman's Statement and the Portfolio Manager's Review form part of the Strategic Report.

BUSINESS AND STATUS

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

The Company is registered as an investment company under Section 833 of the Companies Act 2006 and its ordinary shares are listed and traded on the London Stock Exchange. It is not a close company and has no employees.

OBJECTIVE

The investment objective of the Company is to achieve long term capital growth predominantly through investment in UK listed companies.

STRATEGY

In order to fulfil this objective, the Company operates as an investment company which has an actively managed portfolio of special situation investments, consisting primarily of UK listed companies. As an investment company, it is able to gear the portfolio and the Board takes the view that long term returns for Shareholders can be enhanced by the use of gearing in a carefully considered and monitored way. The level of gearing is considered by the Board at each quarterly meeting.

As part of the strategy, the Board has delegated the management of the investment portfolio and certain other services. The Portfolio Manager aims to achieve a total return on the Company's assets over the longer term in excess of that achievable by the FTSE All-Share Index. The stock selection approach adopted by the Portfolio Manager is considered to be well-suited to achieving this objective.

INVESTMENT POLICY

The Company seeks to meet its investment objective through investment in a diversified portfolio of securities issued by or related to predominantly UK listed companies.

The Portfolio Manager has a contrarian style which focuses on significant valuation anomalies in stocks which are out of favour with other investors, yet show potential for change. The Portfolio Manager believes these opportunities exist across the market capitalisation spectrum, and the investment approach is flexible, with positions in large, medium and smaller sized companies. The proportions in each size category may vary over time, as investment opportunities are selected on a bottom up basis.

Investments typically have the following characteristics:

- **Unrecognised potential for positive change** The Portfolio Manager also wants to see evidence of the company embarking upon a period of positive change. Once this change begins to be recognised by the market, there is potential for substantial upside.
- **Limited downside risk** The Portfolio Manager invests in companies where market expectations are very low. They will have some asset or characteristic that should prevent significant falls in the share price.

The Benchmark of the Company against which performance is measured is the FTSE All-Share Index.

The Company may invest directly in the shares of companies or indirectly through equity-related instruments (such as derivative contracts, warrants or convertible bonds) and in debt instruments. The Company may also invest in unquoted securities, subject to the investment restrictions set out below and on page 8.

Derivatives

The Company may utilise derivative instruments, including index-linked notes, CFDs, covered options and other equity-related derivative instruments as a tool to meet the investment objectives of the Company.

Details on the use of derivatives can be found in the Chairman's Statement on pages 2 and 3.

Gearing

The Company may use gearing to enhance long term capital growth. The maximum level of gross gearing (defined in the Glossary of Terms) will be 140%. Within this limit the Portfolio Manager has the discretion to use a range of instruments for gearing, such as debt and CFDs, depending on the relative cost and availability of those instruments. It is the current intention of the Board that, in normal market circumstances, the Portfolio Manager will maintain net gearing (also defined in the Glossary) in the range of 100% to 120%.

Currency

The Company does not carry out currency speculation. However, as a sterling based fund, investments can be made in stocks in overseas currencies and the Portfolio Manager can reduce currency exposure through the use of CFDs.

Investment Restrictions

The Company will invest and manage its assets with an objective of spreading risk through the following investment restrictions:

- No single investment (excluding cash and cash equivalents) nor the aggregate investment in any one company shall represent more than 10% of the Company's portfolio, measured as at the time of investment,

Strategic Report

- No more than 20% of the portfolio will be invested in companies listed on overseas exchanges,
- The Company will not invest more than 5% of its gross assets in unquoted securities, and
- The Company will not invest more than 15% of its gross assets at the time of investment in listed investment companies (including listed investment trusts), including no more than 10% at the time of investment, of its gross assets in funds that do not have stated policies to invest no more than 15% of their gross assets in other listed closed-ended investment funds

DIVIDEND POLICY

The portfolio is managed actively in pursuit of capital growth. Hence, in any one year the dividend income received from investments will vary according to which stocks are owned during the period and so will the net income earned and the dividend paid. In order to continue to qualify as an investment company, the Company is required by Section 1159 of the Corporation Tax Act 2010 to distribute sufficient net income so that it retains no more than 15% of its income.

See the Chairman's Statement on page 3 for details of the Company's policy on dividend payments.

INVESTMENT MANAGEMENT PHILOSOPHY, STYLE AND FOCUS

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's analysts evaluate companies, meet their management and workforce and interpret the effects of international and local events. This first hand research is fundamental to Fidelity's ability to seek the success stories of the future. The Portfolio Manager works closely with the Fidelity analyst team and also has access to a wide range of research produced by third parties.

PERFORMANCE

In the year ended 31 August 2015, the Company's NAV total return was 7.3%, outperforming the FTSE All-Share Index which fell by 2.3%. The summary of the year's activities and indications of trends and factors that may impact the future performance of the Company are included in the Chairman's Statement and the Portfolio Manager's Review on pages 2 to 6. The Portfolio Listing, the Distribution of the Portfolio, the Ten Year Record, the Summary of Performance charts and the Attribution Analysis are set out on pages 11 to 20.

RESULTS AND DIVIDENDS

The Company's results are set out in the Income Statement on page 39. The return per share was 13.29 pence of which the revenue return was 3.39 pence.

The Directors recommend that a final dividend of 2.35 pence per share be paid on 21 December 2015 to Shareholders who appear on the register as at the close of business on 20 November 2015 (ex-dividend date 19 November 2015). This is

in addition to the interim dividend of 1.00 pence (restated for the five for one sub-division of shares) paid on 20 May 2015.

KEY PERFORMANCE INDICATORS ("KPIs")

Given the Company's objective and strategy, the Board has identified the following KPIs against which performance can be compared and which are comparable to those reported by other investment trusts.

SHAREHOLDER TOTAL RETURNS

	1 year (%)	5 years (%)
Share price total return		
Fidelity Special Values PLC ¹	+12.4	+107.7
Low risk investment ²	+0.6	+3.3
Benchmark ³	-2.3	+51.4
Peer group ⁴	+4.8	+84.6

COMPANY TOTAL RETURNS

	1 year (%)	5 years (%)
Net asset value total return		
Fidelity Special Values PLC ¹	+7.3	+89.8
Benchmark ³	-2.3	+51.4
Peer group ⁴	+3.9	+71.6

DISCOUNT

	2015 (%)	2010 (%)
Discount as at 31 August		
Fidelity Special Values PLC	2.0	9.6
Peer group ⁴	5.0	9.5

ONGOING CHARGES

	2015 (%)	2010 (%)
Ongoing charges (see glossary for definition)		
Fidelity Special Values PLC	1.10	1.23

¹ Total return including net dividend reinvested

² UK Interbank 3 month Bid rate (banks or building societies)

³ FTSE All Share Index

⁴ AIC UK All Companies sector

Sources: Fidelity and Datastream as at 31 August 2015.

In addition to the KPIs set out above, the Board also monitor the factors contributing to investment results, as set out in the Attribution Analysis on page 20. Long term performance is also monitored and the Ten Year Record and Summary of Performance charts on pages 17 to 19 show this information.

PRINCIPAL RISKS AND UNCERTAINTIES AND RISK MANAGEMENT

The Board has an ongoing process for identifying, evaluating and managing the principal risks faced by the Company. The

Strategic Report

Board, with the assistance of the Manager, has developed a risk matrix which, as part of the risk management and internal control process, identifies the key risks that the Company faces. The matrix has identified strategic, marketing, investment management, company secretarial and other support function risks. The Board reviews and agrees policies for managing these risks. Risks are identified, placed on the Company's risk matrix and graded appropriately. This process, together with the policies and procedures for the mitigation of risks, is updated and reviewed regularly in the form of comprehensive internal controls reports considered by the Audit Committee. The Board also determines the nature and extent of any risks it is willing to take in order to achieve its strategic objectives. The Board's approach to risks is embedded in the Company's investment objective and investment policy on pages 7 and 8.

EXTERNAL RISKS

Market Risk

The Company's assets consist mainly of listed securities and the principal risks are therefore market related such as market downturns, 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 18 to the Financial Statements on pages 54 to 59 together with summaries of the policies for managing these risks. These are market price risk (which comprises interest rate risk, foreign currency risk and other price risk), liquidity risk, counterparty risk, credit risk, and derivative instruments risk.

Long CFDs are currently used for gearing purposes. In addition, a day-to-day overdraft facility can be used if required.

The Company relies on a number of main service providers, principally the Manager, Registrar, Custodian and Depositary, who are subject to regular audits by Fidelity's internal audit team. The counterparties' own internal controls reports are also received by the Board and any concerns investigated.

Share Price Risk

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 believe that volatility should be a significant risk for the long term Shareholder.

Discount Control Risk

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

The Company's share price, NAV and discount volatility are monitored daily by the Manager and considered by the Board regularly.

INTERNAL RISKS

Investment Management Risk

The Board relies on the Portfolio 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 Index and competitors and also considers the outlook for the market with the Portfolio 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 Risks

Whilst 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 systems of risk management and of internal controls and for reviewing its effectiveness. Details of this process are provided in the Corporate Governance Statement on page 29.

BOARD DIVERSITY

The Board carries out any candidate search against a set of objective criteria on the basis of merit, with due regard for the benefits of diversity on the Board, including gender. As at 31 August 2015, there were three female and three male Directors on the Board.

EMPLOYEE, SOCIAL, COMMUNITY AND HUMAN RIGHTS ISSUES

The Company has no employees, all of its Directors are non-executive and it therefore has no disclosures to make in respect of employees and human rights.

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.

Details about Fidelity's own community involvement may be found on its website at www.fidelity.co.uk.

SOCIALLY RESPONSIBLE INVESTMENT

The Manager 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 its view, these have a material impact on either investment risk or return.

GREENHOUSE GAS EMISSIONS

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

Strategic Report

CORPORATE ENGAGEMENT

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

FUTURE DEVELOPMENTS

Some trends likely to affect the Company in the future are common to many investment companies together with the impact of regulatory change. The factors likely to affect the Company's future development, performance and positions are set out in the Chairman's Statement and the Portfolio Manager's Review on pages 2 to 6.

By Order of the Board

FIL Investments International

Secretary

6 November 2015

Portfolio Listing as at 31 August 2015

The Gross Asset Exposures shown below measure exposure to market price movements as a result of owning shares, derivative instruments and fixed-interest securities. The Fair Values shown measure the actual value on the Balance Sheet.

Shares, derivative instruments and fixed-interest securities	Sector	Gross Asset Exposure £'000	% ¹	Fair Value £'000
Long exposures				
HSBC Global bank with a leading competitive position in emerging markets. Its valuation is close to historic lows, as investors have favoured banks with more exposure to recovering developed markets. The bank is making good progress in simplifying its business and improving capital allocation.	Banks	24,248	4.5	24,248
Citigroup One of the cheapest valued US banks. It is in the process of implementing cost saving initiatives and is winding down capital expenditure projects, with a view to returning cash to shareholders instead.	Banks	21,028	3.9	21,028
Sanofi (long CFD) Cheaply valued pharmaceutical company with broad geographic footprint including emerging markets. The company has taken active steps to replenish and diversify its product pipeline, which are starting to pay off.	Pharmaceuticals & Biotechnology	19,630	3.7	3,006
BG Group (long CFD) Oil and gas exploration firm subject to a takeover bid by Royal Dutch Shell. Its shares are trading at a sizeable discount to the implied offer price and stand to benefit should the deal be approved by shareholders and regulators.	Oil & Gas Producers	17,411	3.2	(2,334)
Royal Dutch Shell Integrated oil company whose valuation has been impacted by the oil price collapse and poor investor sentiment. Capital allocation has started to improve under new management and it is expected to lead to increased dividends and share buybacks. The acquisition of BG Group will significantly strengthen its portfolio and make it a leading provider of liquefied natural gas, enhancing trading and development flexibility.	Oil & Gas Producers	16,847	3.2	16,847
Regus Largest provider of flexible workplace solutions, with a unique global network of offices, whose potential cash generation and growth are underestimated by the market.	Support Services	16,707	3.1	16,707
Carnival Leading cruise operator whose share price has been depressed in the wake of high profile cruise ship incidents. The new CEO has ample opportunities to make operational efficiencies. The company is set to benefit from a recovery in the US, where consumer confidence has been improving.	Travel & Leisure	16,334	3.0	16,334
CLS Holdings Property company with a portfolio of secondary London offices with strong rental growth potential and high yielding assets leased to the UK government.	Real Estate Investments & Services	16,322	3.0	16,322
Ultra Electronics Holdings Attractively valued defence company that has chosen to invest in R&D and acquire related businesses despite military budget declines. The company is well positioned to benefit should a potential pick up in defence spending materialise.	Aerospace & Defence	16,112	3.0	16,112
UDG Healthcare (long CFD) Cash generative healthcare logistic company well positioned to benefit from pharmaceutical companies outsourcing non-core activities. The company is looking to increase its market share and cross selling opportunities by buying complimentary businesses.	Food & Drug Retailers	16,036	3.0	6,256
Ten largest long exposures		180,675	33.6	134,526

Portfolio Listing

as at 31 August 2015

Shares, derivative instruments and fixed-interest securities	Sector	Gross Asset Exposure £'000	% ¹	Fair Value £'000
Lloyds Banking Group (long CFD)	Banks	15,962	3.0	4,021
Wolseley	Support Services	15,815	2.9	15,815
CRH (long CFD)	Construction & Materials	14,934	2.8	248
Brewin Dolphin Holdings	Financial Services	13,584	2.5	13,584
Homeserve	Support Services	13,324	2.5	13,324
Electronic Arts	Leisure Goods	12,794	2.4	12,794
Royal Mail (shares and long CFD)	Industrial Transportation	12,725	2.4	1,822
ICAP	Financial Services	11,409	2.1	11,409
Synthomer	Chemicals	11,049	2.1	11,049
Barclays (long CFD)	Banks	10,734	2.0	1,230
Rank Group	Travel & Leisure	10,326	1.9	10,326
Phoenix Group Holdings	Life Insurance	10,316	1.9	10,316
Bank of Ireland (long CFD)	Banks	9,220	1.7	46
Speedy Hire	Support Services	8,626	1.6	8,626
Conygar Investment	Real Estate Investment & Services	8,415	1.6	8,415
BT Group (long CFD)	Fixed Line Telecommunications	8,337	1.6	(328)
DCC (long CFD)	Support Services	8,084	1.5	4,824
Morgan Advanced Materials	Electronic & Electrical Equipment	8,038	1.5	8,038
Hellermannntyton Group	Electronic & Electrical Equipment	8,001	1.5	8,001
Conwert Immobilien Invest	Real Estate Investment & Services	7,925	1.5	7,925
Norcros	Construction & Materials	6,984	1.3	6,984
Rightmove (long CFD)	Media	6,767	1.3	2,872
Esure Group	Non-life Insurance	6,583	1.2	6,583
Development Securities	Real Estate Investment & Services	6,412	1.2	6,412
Google	Software & Computer Services	6,157	1.1	6,157
Cairn Homes	Household Goods & Home Construction	6,040	1.1	6,040
Carpentryright	General Retailers	5,643	1.1	5,643
Staffline Group	Support Services	5,546	1.0	5,546
Aviva (long CFD)	Life Insurance	5,270	1.0	1,173
Countrywide	Real Estate Investment & Services	5,227	1.0	5,227
Sunrise Communications Group	Fixed Line Telecommunications	5,139	1.0	5,139
Sherborne Investors (Guernsey)	Financial Services	4,973	0.9	4,973
Xchanging	Support Services	4,943	0.9	4,943
LXB Retail Properties	Real Estate Investment Trusts	4,903	0.9	4,903
Burford Capital	Financial Services	4,781	0.9	4,781
Dalata Hotel Group (long CFD)	Travel & Leisure	4,775	0.9	1,069
Genel Energy (shares & fixed-interest)	Financial Services	4,714	0.8	4,714
Electra Private Equity	Equity Investment Instruments	4,690	0.9	4,690
Lookers	General Retailers	4,667	0.9	4,667
Alliance Trust	Equity Investment Instruments	4,580	0.9	4,580
Zegona Communications	Financial Services	4,569	0.9	4,569
H & T Group	Financial Services	4,511	0.8	4,511
Next Fifteen Communications Group	Media	4,223	0.8	4,223
UTV Media	Media	4,133	0.8	4,133
Headlam Group	Household Goods & Home Construction	4,119	0.8	4,119

Portfolio Listing

as at 31 August 2015

Shares, derivative instruments and fixed-interest securities	Sector	Gross Asset Exposure £'000	% ¹	Fair Value £'000
Elegant Hotels Group	Travel & Leisure	4,072	0.8	4,072
BP	Oil & Gas Producers	4,064	0.8	4,064
Renault (long CFD)	Automobiles & Parts	4,055	0.8	276
Lavendon Group	Support Services	3,919	0.7	3,919
Mothercare	General Retailers	3,894	0.7	3,894
Sky	Media	3,870	0.7	3,870
Vitec Group	Industrial Engineering	3,849	0.7	3,849
Hargreaves Services	Industrial Transportation	3,807	0.7	3,807
M P Evans Group	Food Producers	3,425	0.6	3,425
Summit Germany	Real Estate Investment & Services	3,309	0.6	3,309
Pendragon	General Retailers	3,242	0.6	3,242
SDL	Software & Computer Services	3,210	0.6	3,210
Shanks Group	Support Services	3,186	0.6	3,186
Renewable Energy Generation	Electricity	3,159	0.6	3,159
Chime Communications	Media	3,106	0.6	3,106
Vertu Motors	Automobiles & Parts	3,077	0.6	3,077
TT Electronics	Electronic & Electrical Equipment	3,053	0.6	3,053
C & C Group (long CFD)	Beverages	3,030	0.6	(220)
Stanley Gibbons Group	Software & Computer Services	2,944	0.5	2,944
Alent	Chemicals	2,938	0.5	2,938
Petra Diamonds	Mining	2,859	0.5	2,859
Porsche Auto Holding	Automobiles & Parts	2,757	0.5	2,757
Dialight	Electronic & Electrical Equipment	2,710	0.5	2,710
Marshall Motor Holdings	Automobiles & Parts	2,691	0.5	2,691
Coats Group	General Industrials	2,603	0.5	2,603
Axway Software (long CFD)	Software & Computer Services	2,424	0.5	372
Central Asia Metals	Mining	2,391	0.4	2,391
Mandalay Resources	Mining	2,349	0.4	2,349
Begbies Traynor Group	General Retailers	2,277	0.4	2,277
Axa Property Trust	Real Estate Investment Trusts	2,238	0.4	2,238
Intertain Group	Travel & Leisure	2,100	0.4	2,100
McColl's Retail Group	Food & Drug Retailers	2,071	0.4	2,071
Nobina	Industrial Transportation	2,015	0.4	2,015
Nostrum Oil & Gas	Oil & Gas Producers	2,014	0.4	2,014
Ladbroke's	Travel & Leisure	1,937	0.4	1,937
Kcom Group	Fixed Line Telecommunications	1,926	0.4	1,926
Rockhopper Exploration	Oil & Gas Producers	1,919	0.4	1,919
Faroe Petroleum	Oil & Gas Producers	1,869	0.3	1,869
Serco Group	Support Services	1,763	0.3	1,763
SOCO International	Oil & Gas Producers	1,710	0.3	1,710
Green Dragon Gas	Oil & Gas Producers	1,517	0.3	1,517
Mitie Group	Support Services	1,502	0.3	1,502
Conviviality Retail	General Retailers	1,463	0.3	1,463
Pan African Resources	Mining	1,448	0.3	1,448
Tyman	Construction & Materials	1,414	0.3	1,414

Portfolio Listing as at 31 August 2015

Shares, derivative instruments and fixed-interest securities	Sector	Gross Asset Exposure £'000	% ¹	Fair Value £'000
Photo-Me International	Leisure Goods	1,407	0.3	1,407
Marwyn Value Investors	Equity Investment Instruments	1,347	0.3	1,347
Wentworth Resource	Oil & Gas Producers	1,281	0.2	1,281
Mattioli Woods	Financial Services	1,256	0.2	1,256
HSS Hire Group	Support Services	1,086	0.2	1,086
UBM	Media	1,050	0.2	1,050
Redrow	Household Goods & Home Construction	942	0.2	942
Infinis Energy	Electricity	885	0.2	885
Hill & Smith Holdings	Industrial Engineering	857	0.2	857
Alpargatas (long CFD)	Personal Goods	830	0.2	(866)
Parkmead Group	Oil & Gas Producers	749	0.1	749
Falkland Islands Holdings	Support Services	738	0.1	738
Snoozebox Holdings	Travel & Leisure	643	0.1	643
Vinaland	Equity Investment Instruments	637	0.1	637
Sorin	Health Care Equipment & Services	575	0.1	575
Hellenic Petroleum (shares & fixed-interest)	Oil & Gas Producers	564	-	564
Lukoil	Oil & Gas Producers	359	-	359
Vietnam Infrastructure Listed Portfolio	Financial Services	325	-	325
Vietnam Infrastructure Private Equity Portfolio	Financial Services	283	-	283
TVC Holdings	Financial Services	231	-	231
Manx Telecom	Fixed Line Telecommunications	226	-	226
Sevan Drilling	Oil & Gas Producers	183	-	183
NMC Health	Health Care Equipment & Services	120	-	120
Motor Oil (Hellas)	Oil & Gas Producers	95	-	95
Petroceltic International	Oil & Gas Producers	62	-	62
European Islamic Investment Bank	Banks	29	-	29
Promethean	Support Services	6	-	6
RM	Software & Computer Services	3	-	3
Total long exposures before hedges		668,587	124.4	531,830
Less Hedging Exposure - FTSE 250 Index Future		(41,933)	(7.8)	2,039
Total long exposure after the netting of hedges		626,654	116.6	533,869
Short Exposures - 14 short CFD holdings		38,455	7.2	(3,321)
Total Gross Asset Exposure after the netting of hedges²	143 holdings (2014 120)	665,109	123.8	
Total Portfolio Fair Value³				530,548
Net current assets				6,788
Shareholders' Funds				537,336

¹ Gross Asset Exposure expressed as a percentage of Shareholders' Funds

² Total Gross Asset Exposure after the netting of hedges comprises £510,256,000 of market exposure to investments (per Note 9, page 48) plus £154,853,000 of market exposure to derivative instruments (per Note 10, page 50)

³ Total Portfolio Fair Value comprises the fair value of investments (per Note 9, page 48) of £510,256,000 plus the fair value of derivative instruments of £20,292,000 (per Note 10, page 50)

Distribution of the Portfolio as at 31 August 2015

The table below and on page 16 details the Distribution of the Portfolio based on Gross Asset Exposure which measures exposure to market price movements as a result of owning shares, derivative instruments and fixed-interest securities

	UK	Overseas	Gross Asset Exposure ¹	2014	Index ²
Shares, derivative instruments and fixed-interest securities	%	%	%	%	%
Financials	32.4	6.9	39.3	35.6	26.3
Banks	9.3	5.5	14.8	15.5	10.8
Financial Services	8.9	-	8.9	7.3	2.7
Real Estate Investment & Services	7.4	1.4	8.8	6.6	0.8
Life Insurance	2.8	-	2.8	3.6	4.8
Equity Investment Instruments	1.7	-	1.7	1.1	3.8
Real Estate Investment Trusts	1.2	-	1.2	1.5	2.2
Non-life Insurance	1.1	-	1.1	-	1.2
Industrials	31.2	1.5	32.7	24.4	10.5
Support Services	15.1	0.5	15.6	15.2	5.0
Construction & Materials	4.2	-	4.2	1.9	1.2
Electronic & Electrical Equipment	4.0	-	4.0	1.6	0.5
Industrial Transportation	2.9	0.3	3.2	4.9	0.3
Aerospace & Defence	3.0	-	3.0	-	2.0
Industrial Engineering	1.6	0.7	2.3	0.9	0.8
General Industrials	0.4	-	0.4	(0.1)	0.7
Consumer Services	18.4	1.4	19.8	18.3	12.6
Travel & Leisure	5.9	1.4	7.3	5.1	4.5
General Retailers	4.8	-	4.8	5.2	2.9
Media	4.4	-	4.4	5.2	3.8
Food & Drug Retailers	3.3	-	3.3	2.8	1.4
Consumer Goods	3.5	5.8	9.3	13.3	15.1
Automobiles & Parts	1.0	1.8	2.8	2.8	0.2
Leisure Goods	0.2	2.3	2.5	5.7	-
Household Goods & Home Construction	0.8	1.1	1.9	1.6	3.4
Food Producers	1.5	-	1.5	2.1	0.9
Beverages	-	0.5	0.5	0.9	3.8
Personal Goods	-	0.1	0.1	0.2	2.0
Tobacco	-	-	-	-	4.8
Oil & Gas	8.4	0.1	8.5	10.7	11.0
Oil & Gas Producers	8.4	0.1	8.5	9.6	10.5
Oil Equipment, Services & Distribution	-	-	-	1.1	0.5

Distribution of the Portfolio as at 31 August 2015

	UK	Overseas	Gross Asset Exposure ¹	2014	Index ²
Shares, derivative instruments and fixed-interest securities	%	%	%	%	%
Basic Materials	3.6	0.4	4.0	3.5	5.5
Chemicals	2.5	-	2.5	1.9	0.7
Mining	1.1	0.4	1.5	1.6	4.5
Forestry & Paper	-	-	-	-	0.3
Healthcare	-	3.7	3.7	8.7	8.5
Pharmaceuticals & Biotechnology	-	3.6	3.6	6.5	7.8
Healthcare Equipment & Services	-	0.1	0.1	2.2	0.7
Telecommunications	2.5	0.9	3.4	0.6	5.3
Fixed Line Telecommunications	2.5	0.9	3.4	0.6	2.1
Mobile Telecommunications	-	-	-	-	3.2
Technology	1.0	1.5	2.5	2.1	1.5
Software & Computer Services	1.0	1.5	2.5	2.1	0.7
Technology Hardware & Equipment	-	-	-	-	0.8
Utilities	0.6	-	0.6	3.8	3.7
Electricity	0.6	-	0.6	3.8	0.8
Gas, Water & Multi-utilities	-	-	-	-	2.9
Total Gross Asset Exposure after the netting of hedges³	101.6	22.2	123.8		100.0
Total Gross Asset Exposure after the netting of hedges - 2014³	103.2	17.8		121.0	100.0

¹ Gross Asset Exposure expressed as a percentage of Shareholders' Funds

² The FTSE All Share Index which is the Company's Benchmark Index

³ The composition of the portfolio is 82.1% invested in the UK and 17.9% overseas (2014: UK 85.3% and overseas 14.7%)

Ten Year Record

as at 31 August	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Capital											
Shareholders' funds (£m)	537.3	519.2	478.5	338.6	312.5	333.8	334.5	319.3	376.6	357.9	301.4
NAV per share (p) ¹	201.61	192.29	176.79	124.54	110.57	117.24	117.50	112.43	126.75	109.53	92.25
Share price (p) ¹	197.50	180.20	168.00	105.40	98.80	106.00	110.00	96.30	118.40	104.30	90.45
Discount to NAV (%)	2.0	6.3	5.0	15.4	10.6	9.6	6.4	14.3	6.1	4.8	1.9
Revenue											
Revenue return per ordinary share (p) ¹	3.39	3.10	3.40	2.65	2.29	2.15	1.75	3.43 ²	1.38	0.73	0.55
Dividends per ordinary share (p) ¹	3.35	3.30	3.25	2.60	2.25	2.10	1.80	3.40 ²	1.50	0.75	0.55
Costs of running the Company (ongoing charges) (%)	1.10	1.12	1.21	1.24	1.23	1.23	1.32	1.14	1.32	1.49	1.52
Gearing											
Gross gearing (%) ³	23.8	21.0	24.8	12.6	7.8	12.6	n/a	n/a	n/a	n/a	n/a
Net gearing (%) ⁴	9.4	6.4	14.0	(0.9)	(2.2)	2.6	n/a	n/a	n/a	n/a	n/a
Gearing ratio (bank loans) (%)	n/a	n/a	n/a	n/a	n/a	n/a	5.7	3.4	2.8	4.8	12.3
Performance Total Return											
NAV performance (%)	+7.3	+10.7	+44.8	+15.0	-4.1	+1.3	+9.0	9.8	+15.9	+19.4	+35.8
Share price performance (%)	+12.4	+9.2	+63.1	+9.2	-5.0	-2.1	+19.4	-17.6	+14.3	+16.0	+30.4
Benchmark index performance (%)	-2.3	+10.3	+18.9	+10.2	+7.3	+10.6	-8.2	-8.7	+11.8	+16.8	+24.1

1 Prior period figures have been restated to reflect the five for one sub-division of ordinary shares which took place on 29 June 2015

2 Includes repayment of £2,306,000 VAT on management fees recovered from HM Revenue & Customs

3 Gross gearing is the total of, long exposures, plus short exposures and less exposures hedging the portfolio, expressed as a percentage of Shareholders' funds

4 Net gearing is the total of, long exposures, less short exposures and less exposures hedging the portfolio, expressed as a percentage of Shareholders' funds

Sources: Fidelity and Datastream

Past performance is not a guide to future returns

Summary of Performance Charts

Summary of Performance Charts

Attribution Analysis Charts

Board of Directors

LYNN RUDDICK^{2 3}

(Chairman) (date of appointment 22 July 2005, appointed as Chairman 9 July 2010) is a Fellow of the Chartered Association of Certified Accountants. She is a Non-Executive Director of Standard Life UK Smaller Companies Trust plc, BlackRock

Frontiers Investment Trust plc (where she is also Chairman of the Audit Committee) and BlackRock Income Strategies Trust plc, a member of the Investment Committee of the Pearson Group Pension Plan and Chairman of the Scottish & Newcastle Pension Plan Trustee Board and the Western Provident Association Pension Plan. 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.

BEN THOMSON^{1 2 3}

(Senior Independent Director) (date of appointment 1 January 2008, appointed as Senior Independent Director 12 July 2010) has a background of over 25 years in investment banking. He is Chairman of Urbicus Ltd, Castle Capital Ltd, Inverleith

LLP, Barrington Stoke Limited and the National Galleries of Scotland. He is a Director of The Scotch Malt Whisky (Holdings) Ltd, the parent company of the Scotch Malt Whisky Society. He was Chairman and Chief Executive of the Edinburgh investment banking firm, Noble Group Limited, from 1997 until 2010. Mr Thomson has previously been a Non-Executive Director on a number of publicly quoted and private boards.

SHARON BROWN^{1 2 3}

(Chairman of the Audit Committee) (date of appointment 15 April 2010, appointed as Chairman of the Audit Committee 26 October 2010) is a Non-Executive Director and Chairman of the Audit Committee of F&C Capital and Income Investment Trust

PLC and is currently Interim Chairman of McColl's Retail Group plc. She is a Director of Delight Delicatessen Limited. Mrs Brown was Finance Director of Dobbies Garden Centres Ltd between 1998 and 2013. She previously held a senior financial position at John Menzies plc and is a Fellow of the Chartered Institute of Management Accountants.

DEAN BUCKLEY^{1 2 3}

(Date of appointment 3 November 2015) is a Non-executive Director of JPMorgan Asian Investment Trust plc. He was previously Chief Executive Officer at Scottish Widows Investment Partnership. Prior to this appointment he held several positions at

HSBC Bank plc, including Chief Executive Officer for HSBC Asset Management UK and Middle East and Chief Investment Officer for HSBC Asset Management, European equities, and held a number of senior fund manager positions at Prudential Portfolio Managers. He is a Fellow of the Institute of Actuaries.

All of the Directors are Non-Executive Directors and (with the exception of Ms McCabe) are Independent.

¹ Member of the Audit Committee

² Member of the Management Engagement Committee

³ Member of the Nomination Committee

ANDY IRVINE^{1 2 3}

(Date of appointment 15 April 2010) is Non-Executive Chairman of Jones Lang La Salle Scotland and has over 30 years' experience in the field of commercial property development and investment. He is also Chairman of Montanaro European

Smaller Companies PLC, a Non-Executive Director of BlackRock North American Income Trust plc and a Director of Securities Trust of Scotland PLC. Mr Irvine is a former Chairman of Celtic Rugby and is a past Chairman of the British and Irish Lions Limited and a past President of the Scottish Rugby Union.

DOUGLAS KINLOCH ANDERSON^{2 3}

(Date of appointment 18 October 1994) is Chairman of Kinloch Anderson Limited and a Director of F&C Private Equity Trust PLC. He has been President of the Edinburgh Chamber of Commerce and a member of the Scottish Committee of the Institute of

Directors. He was previously a board member of the Scottish Tourist Board, Master of the Edinburgh Merchant Company and he was national President of the Royal Warrant Holders Association. His career has included wide experience in manufacturing, retailing and exporting, particularly to Europe, North America and the Far East.

NICKY MCCABE³

(Date of appointment 9 December 2004) is Fidelity's Head of Investment Trusts for Fidelity Worldwide Investments. She is a Non-Executive Director of Romax Technology Limited and Delta Healthcare Shanghai, both Eight Roads businesses and

a Director of FIL Investment Services (UK) Limited. Prior to her current role, she was Chief Operating Officer of Eight Roads (previously Moonray Investors), a division of the FIL Ltd Group and Chief Operating Officer for the investment management team, having joined Fidelity in 1999 as head of investment administration. Ms McCabe has wide experience in investments, having been responsible for all aspects of operational, systems and project support for the portfolio managers, analysts and traders. Prior to joining Fidelity, she spent 6 years at HSBC Asset Management where she ran Performance Measurement, Institutional Marketing Support and Operations. Ms McCabe also spent 2 years at McKinsey & Co. as a strategy consultant.

NIGEL FOSTER^{1 2 3}

(Date of appointment 1 September 2015) has over 30 years' experience in the financial services industry. Prior to joining the Board, he was the Head of Trading & Liquidity Strategies Group for the EMEA region and Global Head of Derivatives at BlackRock.

Previously, he was Chief Executive at E-Crossnet and set up and ran the pan-European equity crossing network for major institutions. He was a Managing Director at Merrill Lynch Investment Managers and a fund manager at Robert Fleming (now part of JP Morgan).

Directors' Report

The Directors have pleasure in presenting their report together with the audited Financial Statements of the Company for the year ended 31 August 2015

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

Details on the Company's business and status can be found in the Strategic Report on page 7

MANAGEMENT COMPANY

FIL Investment Services (UK) Limited ("FIL") was appointed as the Company's Alternative Investment Fund Manager (the "Manager") with effect from 8 July 2014. At the same time, FIL, as the new Manager, delegated the portfolio management of assets and the role of company secretary to FIL Investments International ("FIL")

The Alternative Investment Fund Management and Secretarial Services Agreement (the "Management Agreement") will continue unless and until terminated by either party giving to the other, not less than six months' notice in writing. However, it may be terminated without compensation if the Company is liquidated pursuant to the procedures laid down in the Articles of Association of the Company. The Management Agreement may also be terminated forthwith as a result of a material breach of the 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.

FEE ARRANGEMENTS

The Management Agreement provides investment management services for an annual fee of 0.875% of the Company's net assets per annum, excluding the value of any investment in any fund managed by the Manager, and £600,000 for non-portfolio management services. The fee is payable quarterly in arrears and is based on the last business day of March, June, September and December in each year.

The Manager also provides certain services, including marketing and administration, in connection with the Fidelity Investment Trust Share Plan and the Fidelity Individual Savings Plan ("ISA"). The amount payable for these services for the year to 31 August 2015 was £132,000 (2014: £180,000).

The total amount due to the Manager under all the above agreements at 31 August 2015 was £986,000 (2014: £914,000) and is included in 'other creditors' in Note 12 on page 51.

The Manager has an arrangement with certain brokers whereby a portion of commissions from security transactions may be paid to the Company to reduce transaction costs. Amounts received by the Company under this arrangement are credited to capital and included in the 'gains on sales of investments' in Note 9 on page 49. In the year to 31 August 2015, £79,000 was received (2014: £82,000). There is a regulatory requirement on the Manager to obtain best execution and no individual deal is entered into which prevents compliance with this requirement.

Nicky McCabe, a Non-Executive Director of the Company, is employed by FIL Limited group. FIL Limited has no beneficial interest in the shares of the Company (2014: same).

THE BOARD

All the Directors, with the exception of Nigel Foster and Dean Buckley, served throughout the year ended 31 August 2015. Nigel Foster was appointed to the Board on 1 September 2015 and Dean Buckley on 3 November 2015 and both will be subject to election by the Shareholders at the Annual General Meeting on 15 December 2015. They are replacing Ben Thomson and Douglas Kinloch Anderson who are retiring at the conclusion of the Annual General Meeting. All the Directors' biographical details are set out on page 21. Nicky McCabe is also Head of Investment Trusts at Fidelity and has waived her entitlement to Director's fees.

The Board follows a process whereby all Directors are subject to re-election on an annual basis. Information on the process of

	Regular Board Meetings	Nomination Committee Meetings	Audit Committee Meetings	Engagement Committee Meetings
Lynn Ruddick	5/5	1/1	n/a	1/1
Ben Thomson	5/5	1/1	3/3	1/1
Sharon Brown	5/5	1/1	3/3	1/1
Nigel Foster (appointed 1 September 2015)	n/a	n/a	n/a	n/a
Dean Buckley (appointed 3 November 2015)	n/a	n/a	n/a	n/a
Andy Irvine	5/5	1/1	3/3	1/1
Douglas Kinloch Anderson ¹	5/5	1/1	n/a	1/1
Nicky McCabe	5/5	1/1	n/a	n/a

¹ Stepped down as a member of the Audit Committee on 10 December 2014

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.

Directors' Report

appointment, election, re-election and replacement of Directors is included in the Corporate Governance Statement on page 28

No Director has a contract of service with the Company and no contracts existed during or at the end of the financial period in which any Director was materially interested and which were significant in relation to the Company's business, except as disclosed in relation to Nicky McCabe's interests in the Management Agreement

The Board considers that it meets sufficiently regularly to discharge its duties effectively and the table on page 22 gives the attendance record for the meetings held during the reporting year

DIRECTORS AND OFFICERS' LIABILITY INSURANCE

In addition to benefits 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

GOING CONCERN

The Directors have considered the Company's investment objective, risk management policies, liquidity risk, credit risk, capital management policies and procedures, the nature of its portfolio (being mainly securities which are readily realisable) and its expenditure and cash flow projections and have concluded that the Company has adequate resources to continue to adopt the going concern basis in preparing these Financial Statements

DISCLOSURE OF INFORMATION TO THE AUDITOR

As required by Section 418 of the Companies Act 2006, each Director in office as at the date of this report each confirms that

- a) so far as the Director is aware, there is no relevant audit information of which the Company's Auditor is unaware, and
- b) Each Director has taken all the steps that ought to have been taken as a Director to make himself/herself aware of any relevant audit information, and to establish that the Company's Auditor is aware of that information

AUDITOR'S APPOINTMENT

In line with emerging best corporate governance practice and EU regulations on mandatory audit rotation, an audit tender process was carried out by the Company during 2015 and, as a result, it was recommended that Ernst & Young LLP be appointed as the Company's independent Auditor for the year starting from 1 September 2015. As a result, Grant Thornton UK LLP will not be seeking reappointment as the Company's Auditor for the financial year commencing 1 September 2015

A resolution to appoint Ernst & Young LLP as Auditor of the Company will be proposed at the forthcoming Annual General Meeting together with a resolution to authorise the Directors' to determine their remuneration

CONTINUATION VOTE

Continuation votes are held every three years and the next continuation vote will be put to the Shareholders at the 2016 AGM

ARTICLES OF ASSOCIATION

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

CORPORATE GOVERNANCE

Full details are given in the Corporate Governance Statement, which forms part of this report on pages 26 to 29

REGISTRAR, CUSTODIAN AND DEPOSITARY ARRANGEMENTS

The Company employs Capita Asset Services to manage the Company's share register. Fees for their registration services for the year under review amounted to £67,000 (2014 £66,000). The Company employs JPMorgan Chase Bank as its Custodian who is primarily responsible for safeguarding the Company's assets. Fees for its custodial services for the year under review amounted to £16,000 (2014 £18,000). The Company has employed J P Morgan Europe Limited as its Depositary since 17 July 2014. It is primarily responsible for oversight of the custody of investment funds and the protection of investor's interests. Fees for its depositary services for the period under review amounted to £45,000 (2014 £6,000)

SHARE CAPITAL

Following the sub-division of shares on 29 June 2015, the Company's share capital comprises of ordinary shares of 5 pence each. The shares are fully listed on the London Stock Exchange. As at 31 August 2015, the issued share capital of the Company was 270,644,480 shares which includes 4,120,000 shares held in Treasury. Therefore the total number of shares with voting rights was 266,524,480. Deadlines for the exercise of voting rights and details of arrangements by which someone other than the Shareholder can exercise voting rights are detailed in the Notes to the Notice of Meeting on pages 64 and 65

PREMIUM/DISCOUNT MANAGEMENT ENHANCING SHAREHOLDER VALUE

The Board actively manages the level of premium/discount and seeks to maintain the discount in single digits in normal market conditions. It seeks authority from the Shareholders each year to issue shares at a premium or to repurchase shares at a discount to the NAV either for cancellation or for holding in Treasury. The Board will exercise these authorities if deemed to be in the best interests of Shareholders at the time

SHARE ISSUES

350,000 new ordinary shares were issued from Treasury during the year to 31 August 2015 (2014 nil). Since the year end and as at the date of this report, no further ordinary shares have been issued from Treasury

The authorities to issue shares and disapply pre-emption rights expire at the conclusion of this year's Annual General Meeting and therefore resolutions renewing these authorities will be put

Directors' Report

to Shareholders at the Annual General Meeting on 15 December 2015

SHARE REPURCHASES

During the year to 31 August 2015, the Company repurchased 3,850,000 ordinary shares for holding in Treasury (2014: 620,000 (re-stated for the sub-division of shares)). No ordinary shares have been repurchased since the year end and as at the date of this report

The authority to repurchase shares expires at the forthcoming Annual General Meeting and a special resolution to renew the authority to purchase shares for cancellation, including the ability to buy shares into Treasury, will therefore be put to Shareholders for approval at the Annual General Meeting on 15 December 2015

SUBSTANTIAL SHARE INTERESTS

As at 30 September 2015, notification had been received that the Shareholders listed in the table below held more than 3% of the issued share capital of the Company

Shareholders	%
FIL Limited ¹	30.35
Brewin Dolphin ²	6.14
Rathbones ³	5.49
Hargreaves Lansdown ²	4.45
Old Mutual Global Investors ⁴	4.03
Alliance Trust ²	3.95

1 Held in aggregate by investors in the Fidelity ISA and the Fidelity Investment Trust Share Plan

2 Indirect holdings

3 Direct and indirect holdings for clients and on own account

4 Direct holdings on own account

An analysis of ordinary Shareholders as at 31 August 2015 is detailed in the table below

Analysis of ordinary Shareholders as at 31 August 2015	% of issued share capital
Private Shareholders ¹	57.32
Institutions	29.05
Pensions	9.47
Insurance	2.75
Other	1.41
	100.00

1 Includes Share Plan and ISA investors

RESPONSIBILITY AS AN INSTITUTIONAL SHAREHOLDER

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

RELATIONS WITH SHAREHOLDERS

The Chairman is responsible for ensuring that all Directors are made aware of Shareholders' concerns and this is done through a combination of meetings with Shareholders and feedback from the Company's stockbroker and Fidelity Analyst and stockbroker meetings with the Portfolio Manager are held throughout the year. The Shareholder profile of the Company is regularly monitored. It is believed that Shareholders have proper access to the Manager and the Board at any time. Members of the Board may be contacted through the Company Secretary whose details are given on page 67.

The Notice of Meeting on pages 62 to 65 sets out the business of the Annual General Meeting and the special business resolutions are explained more fully on the next page. A separate resolution is proposed on each substantially separate issue including the Annual Report and Financial Statements. The Notice of the Annual General Meeting and related papers are sent to Shareholders at least 20 working days before the Meeting.

The Chairman of the Board, the Chairman of the Audit Committee and other Directors will be available to answer questions at the forthcoming Annual General Meeting.

Voting rights in the Company's shares

Every shareholder on a show of hands has one vote. On a poll every shareholder who is present in person or by proxy or representative has one vote for every ordinary share.

At general meetings all proxy votes are counted and, except where a poll is called, proxy voting is reported for each resolution after it has been dealt with on a show of hands. The proxy voting results are disclosed on the Company's page of the Manager's website at www.fidelity.co.uk/its

Directors' Report

ANNUAL GENERAL MEETING

THIS SECTION IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all of your ordinary shares in the Company, you should pass this document, together with any other accompanying documents (but not the personalised Form of Proxy or Form of Direction) as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee

At the Annual General Meeting on 15 December 2015, resolutions will be proposed relating to the items of business set out in the Notice of Meeting on pages 62 and 63, including the items of special business summarised below

Authority to allot shares

Resolution 12 is an ordinary resolution and provides the Directors with a general authority to allot securities in the Company up to an aggregate nominal value of £1,332,622. If passed, this resolution will enable the Directors to allot a maximum of 26,652,448 ordinary shares which represents approximately 10% of the issued ordinary share capital (excluding Treasury shares) of the Company as at 6 November 2015 and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with Treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter. The Directors would not intend to use this power unless they considered that it was in the interests of Shareholders to do so. Any shares issued would be at net asset value per share, or at a premium to net asset value per share. As at 6 November 2015, 4,120,000 ordinary shares were held by the Company in Treasury representing 1.5% of the total ordinary share capital of the Company as at 6 November 2015.

Authority to disapply pre-emption rights

Resolution 13 is a special resolution disapplying pre-emption rights and granting authority to the Directors, without further specific Shareholder approval, to make allotments of equity securities or sale of Treasury shares for cash by way of (a) rights issues, normally on a proportionate basis but where necessary taking into account practical considerations, such as fractions and foreign security laws, and (b) other issues up to an aggregate nominal value of £1,332,622 (approximately 10% of the issued ordinary share capital of the Company as at 6 November 2015). Any shares issued or re-issued would be at net asset value per share, or at a premium to the net asset value per share.

Authority to re-purchase the Company's shares

Resolution 14 is a special resolution which, if approved, will renew the Company's authority to purchase up to 14.99% of the number of ordinary shares in issue (excluding Treasury shares) on 6 November 2015 either for immediate cancellation or for retention as Treasury shares at the determination of the Board. Once shares are held in Treasury, the Directors may only dispose of them in accordance with the relevant legislation by subsequently selling the shares for cash or cancelling the shares. Purchases of ordinary shares will be 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.

The full text of the resolutions is set out in the Notice of Meeting contained on pages 62 and 63.

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

By Order of the Board
FIL Investments International
 Secretary
 6 November 2015

Corporate Governance Statement

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

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

CORPORATE GOVERNANCE CODES

The Board follows the principles of the UK Corporate Governance Code (the "UK Code") issued by the Financial Reporting Council (the "FRC") in September 2014 and the AIC's Code of Corporate Governance (the "AIC Code") issued by the Association of Investment Companies ("AIC") in February 2015. The FRC has confirmed that investment companies which report against the AIC Code and which follow the AIC Guide on Corporate Governance will meet their obligations in relation to the UK Code and paragraph 9.8.6 of the Listing Rules.

The AIC Code and the AIC Guide can be found on the AIC's website at www.theaic.co.uk and the UK Code at www.frc.org.uk.

STATEMENT OF COMPLIANCE

The Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Code for the year under review and up to the date of this report, except in relation to the UK Code provisions relating to the role of the chief executive, executive directors' remuneration, and the need for an internal audit function.

For the reasons set out in the AIC Guide, and as explained in the UK Code, the Board considers that these provisions are not relevant to the position of Fidelity Special Values PLC, as it is an externally managed investment company and has no executive directors, employees or internal operations.

THE CORPORATE GOVERNANCE OF AN INVESTMENT TRUST COMPANY

The corporate governance of most investment 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 instead the services of a fund management company. This affects the way investment companies are governed but not the purpose of their governance. Given that the Manager's business is not dedicated solely to the interests of investment companies and their Shareholders, investment company boards must be largely independent of management. However, it must have knowledge and experience of both fund management and investment company management. Fidelity Special Values PLC was established and is managed and promoted by its Manager, which is therefore one of the main reasons some Shareholders choose to invest in the Company's shares. It follows that it is an important aspect of the corporate governance of Fidelity Special Values PLC that its Manager should be party to the responsibility, authority and accountability to those investing in their management.

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

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

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

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

The Directors recognise that any individual employed by or materially associated with the Manager cannot be regarded as independent. Consequently at any given time there has only ever been one Fidelity member 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 details of the Directors' current business associations are set out on page 21. All of the independent Directors are considered to be free from any business or other relationship which could materially interfere with the exercise of their independent judgement and all of the Directors are able to allocate sufficient time to the Company to discharge their responsibilities fully and effectively. The Board follows a procedure of notification of any interests that may arise as part of considering any potential conflicts.

All of the Directors are Non-Executive and, other than Nicky McCabe, have no relationship with the Manager.

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

- integrity, commitment, intelligent challenge,
- 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.

Corporate Governance Statement

Based on the above considerations all non-Fidelity Directors, including the Chairman, are considered to be independent

Tenure, the term served by a director, is a controversial issue. It is the Board's belief that it can best do its job if it works as a team composed of individuals who work well together, and if each contributes to its performance. It believes that Board membership benefits from the inclusion of 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 newer members who bring additional/further attributes to the Company's governance.

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

The Board meets regularly to discharge its duties efficiently and the attendance record for the meetings held in the year is in the Directors' Report on page 22.

RESPONSIBILITY

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

- 1 The stewardship and monitoring of the affairs of the Company, which includes the management of risk and the monitoring of the controls at work in the Company,
- 2 The promotion of the Company's prosperity so as to endeavour to maximise Shareholder value in the long term, which includes the responsibility for the appropriateness of the Company's investment objective, investment strategy and investment performance and for the Company's efforts in seeking to minimise the level and the volatility of the discount or premium at which the shares may sell in relation to the net asset value, and
- 3 Making recommendations to Shareholders (for their consideration at annual general meetings) on matters not delegated to the Board, which include the approval of the annual financial statements, the election and re-election of Directors and the appointment of the independent Auditor.

AUTHORITY

The Board is furnished by the Shareholders with the authority to manage the Company on their behalf, in order to discharge the responsibilities outlined above. The Board, being independent of management (by majority), carries out its duties through Board meetings and Board appointed 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 the Manager, there are certain decisions retained and made by the Directors, including the payment of dividends, the share issue and share repurchase guidelines and the derivatives and gearing policies.

In structuring Board meetings, the Directors try to concentrate as much as possible of their regular Board meetings on (i) investment matters (including strategy, investment policy, gearing and derivatives policies, portfolio and stock reviews, portfolio turnover, monitoring performance etc), and (ii) shareholder value matters (including monitoring the discount, share issues and share repurchases and the marketing of Fidelity's Investment Trust Share Plan and ISA). The Chairman is responsible for the promotion of a culture of openness and debate, for ensuring that the Directors receive accurate, timely and clear information and for ensuring that there is adequate time available for the discussion of agenda items, particularly strategic issues.

The Board meets regularly with the Company's Financial Adviser and Stock Broker 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. 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 discharges certain of its corporate governance responsibilities through three Committees as set out below. Written terms of reference of each Committee are available on the Company's pages of the Manager's website at www.fidelity.co.uk/its.

THE AUDIT COMMITTEE

The Audit Committee is chaired by Sharon Brown and consists of all of the independent Directors, except for Lynn Ruddick and Douglas Kinloch Anderson. Full details of the Audit Committee are disclosed in the Report of the Audit Committee on pages 30 and 31.

THE MANAGEMENT ENGAGEMENT COMMITTEE

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

This Committee meets at least once a year and reports to the Board, 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 absolute performance) and a set fee for the administrative function.

The Board 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 able to devote sufficient time to the Company's business.

The criteria which the Board takes into consideration in reviewing the performance of the Manager is the quality of the team,

Corporate Governance Statement

commitment of the Manager to the Company and investment trust business, administration, accounting and the secretaryship of the Company, investment management skills, experience and track record, shareholder relations and discount management, and the Management Agreement, including fees, notice periods and duties

The Management Engagement Committee has reviewed the performance of the Manager and Committee concluded that it was in the long term interests of Shareholders that the Management Agreement should continue reflecting the depth and breadth of skills and experience within Fidelity

THE NOMINATION COMMITTEE

The Nomination Committee is chaired by Lynn Ruddick and consists of all the Directors. The Committee is charged with nominating new Directors for consideration by the Board, and in turn for approval by Shareholders, and also consideration of the reappointment of Directors

All appointments to the Board, elections, re-elections and replacements of Directors take place in accordance with the Companies Act 2006 and the Company's Articles of Association

In respect of new Directors, the Board believes that it is important in the search for and recommendation of a candidate to the Board that it is controlled by the independent Directors who form the majority of this Committee. The Board carries out its candidate search from the widest possible pool of talent against a set of objective criteria on the basis of merit, with due regard for the benefits of diversity on the Board

When a new Director is appointed to the Board, he or she is provided with all relevant information regarding the Company and his or her duties and responsibilities as a Director. A new Director will receive an induction, spending some time with representatives of the Manager in order to become familiar with various processes which the Manager considers necessary for the performance of their duties and responsibilities to the Company. Directors are encouraged to keep up to date and attend training courses on matters which are directly relevant to their involvement with the Company. The Directors also receive regular briefings from, among others, the AIC, the independent Auditor and the Company Secretary, regarding any proposed developments or changes in law or regulations that could affect the Company and/or the Directors

It is the Board's policy that all Directors retire and seek re-election at each Annual General Meeting ("AGM") of the Company. Biographical details for each Director are set out on page 21 to provide sufficient information to enable Shareholders to make an informed decision. The terms and conditions of appointment of Directors are available for inspection at the registered office of the Company and will be available prior to the forthcoming AGM

A formal annual process for the evaluation of the Board and its Committees is in place and takes the form of a questionnaire and one to one discussions. The performance of the Chairman is

evaluated by the other Directors. The Company Secretary and Manager also participate in the evaluation process to provide all round feedback to the Board. The results of these evaluations are considered and discussed by the Board. The process is considered to be constructive in terms of identifying areas for improving the functioning and performance of the Board and action is taken on the basis of the results. As a consequence of this process, the Board has decided not to undertake an externally facilitated evaluation

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, the presentation of the Company's results and future prospects at the AGM and accessibility to the Board at any time via the Company Secretary

The AGM is the occasion when the Board accounts for itself in a public meeting. It regards any bona fide issue that any Shareholder raises as one that should be put to all Shareholders at the AGM so that all those attending can hear any concerns expressed in an open forum and make their own judgement accordingly. The AGM provides Shareholders with an opportunity to vote on certain issues that are not ultimately delegated to the Board of Directors. This includes the election and re-election of Directors every year in addition to the normal matters of approving the financial statements, the appointment of the independent Auditor, the issue of new shares and the repurchase of shares for cancellation. Your Board has an established policy that enables Shareholders to decide whether they wish to continue the Company's existence by putting a "continuation vote" before the Shareholders at every third AGM. The next such vote will be at the AGM in 2016

DIRECTORS' REMUNERATION

The level of Directors' fees is determined by the whole Board. Full details of the Company's Remuneration Policy and Directors' fees are disclosed in the Directors' Remuneration report on pages 32 and 33

SENIOR INDEPENDENT DIRECTOR

The Board has appointed Ben Thomson as Senior Independent Director and he fulfils the role as a sounding board for the Chairman and as intermediary for other Non-Executive Directors as necessary. Andy Irvine will replace Mr Thomson as the Senior Independent Director when he steps down from the Board on 15 December 2015

Corporate Governance Statement

THE COMPANY SECRETARY

The Company Secretary is a corporate secretary. The appointment of the Company Secretary is a matter for the Board as a whole. The Directors have access to the advice and services of the Company Secretary who is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. The Directors also have the ability to take independent professional advice, if necessary, at the Company's expense.

SUPPLY OF INFORMATION

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

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is responsible for the Company's systems of risk management and of internal controls and for reviewing their effectiveness. The review takes place at least once a year. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, but not absolute, assurance against material misstatement or loss.

The Board determines the nature and extent of any risks it is willing to take in order to achieve its strategic objectives. It is responsible for the design, implementation and maintenance of controls and procedures to safeguard the assets of the Company although these tasks have been delegated on a day-to-day basis to the Manager. The system extends to operational and compliance controls and risk management. Clear lines of accountability have been established between the Board and the Manager. The Manager provides regular reports on controls and compliance issues to the Audit Committee and the Board. In carrying out its review, the Audit Committee has regard to the activities of the Manager, the Manager's compliance and risk functions and the independent Auditor and also includes consideration of internal controls of similar reports issued by the other service providers.

The Board confirms that there is an ongoing process for identifying, evaluating and managing the Company's principal business and operational risks, that it has been in place throughout the year ended 31 August 2015 and up to the date of approval of this Annual Report. This process is in accordance with the FRC's "Risk Management, Internal Control and Related Financial and Business Reporting" guidance.

The Board has reviewed the need for an internal audit and has determined that the systems and procedures employed by the Manager provide sufficient assurance that a sound system of internal control, which safeguards Shareholders' investments and the Company's assets, is maintained. An internal audit function, specific to the Company, is therefore considered unnecessary. The Audit Committee meets the Manager's internal audit representative at least three times a year. The Chairman of the Audit Committee has direct access to the Manager's Head of Internal Audit and vice versa.

WHISTLE-BLOWING PROCEDURE

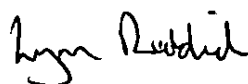
Part of the Managers' role in ensuring the provision of a good service pursuant to the Management Agreements includes the ability for employees of FIL to raise concerns through a workplace concerns escalation policy (or "whistle-blowing procedure"). FIL has advised the Board that it is committed to providing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

BRIBERY ACT 2010

The Company is committed to carrying out business fairly, honestly and openly. The Board recognises the benefits this has to reputation and business confidence. The Board, the Manager, the Manager's employees and others acting on the Company's behalf, are expected to demonstrate high standards of behaviour when conducting business.

The Board acknowledges its responsibility for the implementation and oversight of the Company's procedures for preventing bribery, and the governance framework for training, communication, monitoring, reporting and escalation of compliance together with enforcing action as appropriate. The Board has adopted a zero tolerance policy in this regard.

On behalf of the Board



Lynn Ruddick
Chairman
6 November 2015

Report of the Audit Committee

I am pleased to present the formal report of the Audit Committee to Shareholders

The primary responsibilities of the Committee are to ensure the integrity of the Company's financial reporting and the appropriateness of the risk management processes and internal controls. This report details how we carry out this role

COMPOSITION AND MEETINGS

The members of the Committee are myself as Chairman, Ben Thomson, Andy Irvine, Nigel Foster and Dean Buckley. All Committee members are independent Non-Executive Directors, and their skills and experience are set out on page 21. The Committee considers that collectively the members have sufficient recent and relevant financial experience to fully discharge their responsibilities.

The Committee met three times during this reporting year and included a meeting dedicated to risk management. The Committee invites the independent Auditor and personnel from the Manager's financial and internal audit functions to attend and report to the Committee on relevant matters. During the year I also met privately with the independent Auditor and a representative from the Manager's internal audit function to give them an opportunity to raise any issues without management present. After each Committee meeting I report to the Board on the main items discussed at the meeting.

ROLE AND RESPONSIBILITIES OF THE AUDIT COMMITTEE

The Committee's authority and duties are defined in its terms of reference, which were reviewed during the year and are available on the Company's pages of the Manager's website (www.fidelity.co.uk/its). The principal activities carried out during the year were:

- **Financial reporting** we considered the Company's financial reports, including the implications of new accounting standards and regulatory changes, significant accounting issues and the appropriateness of the accounting policies adopted. We considered and are satisfied that, taken as a whole, the 2015 Annual Report is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Company's performance, business model and strategy,
- **Internal and external audits** we considered the scope of the internal and independent audit plans and the subsequent findings from this work, receiving regular reports from the internal and independent Auditor. The Committee also monitored progress in the implementation of internal audit recommendations,
- **Risk and internal control** we dedicated a full Committee meeting to the consideration of the key risks facing the Company and the adequacy and effectiveness of the internal controls and risk management processes, and
- **External Auditor** we considered the independence, effectiveness and fees of the independent Auditor, as detailed later in this report.

SIGNIFICANT ISSUES CONSIDERED BY THE COMMITTEE DURING THE YEAR

The Annual Report and Financial Statements are the responsibility of the Board and the Statement of Directors' Responsibilities is on page 35. The Audit Committee advises the Board on the form and content of the Annual Report and Financial Statements, any issues which may arise in relation to these and any specific areas which require judgement.

Summarised below are the most significant issues considered by the Committee in respect of these Financial Statements, and how these issues were addressed:

Recognition of Investment Income	Investment income is recognised in accordance with accounting policy Note 1(b) on page 43. The Manager provided detailed revenue forecasts for the Board, and variances to this forecast were reviewed. The Audit Committee reviewed internal audit and compliance monitoring reports received from the Manager, to satisfy itself that adequate systems were in place for properly recording the Company's income. Investment income was also tested and reported on by the independent Auditor.
Valuation, existence and ownership of investments (including derivatives)	The Audit Committee received reports from the Manager and the Company's independent Auditor who had verified the valuation of the Company's investments and derivatives by reference to independent sources. The Committee also considered the valuation of unlisted investments, having received a report from the Manager's Fair Value Committee.

Report of the Audit Committee

INDEPENDENCE AND EFFECTIVENESS OF THE AUDIT PROCESS

Grant Thornton UK LLP acted as the Company's independent Auditor for the year ended 31 August 2015. The Committee reviewed the independence of the Auditor and the effectiveness of the audit process.

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

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

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

- the fulfilment by the Auditor of the agreed audit plan,
- the audit report issued by the Auditor on the audit of the Annual Report and Financial Statements for the year ending 31 August 2015, and
- feedback from the Manager.

AUDITOR AND AUDIT TENURE

The Committee is mindful of the new EU regulations on mandatory audit rotation which requires the appointment of new auditors or an audit tender every ten years. As a result, the Company carried out a formal tender process at which a number of audit firms were considered and Ernst & Young LLP was selected as the Company's new independent Auditor for the forthcoming year. Grant Thornton UK LLP, who has been in office since 2006, will not seek re-election at the forthcoming Annual General Meeting. The Committee will continue to review the Auditor's appointment each year to ensure that the Company is receiving an optimal level of service. There are no contractual obligations that restrict the Company's choice of auditor.

Sharon Brown

Chairman of the Audit Committee
6 November 2015

Directors' Remuneration Report

CHAIRMAN'S STATEMENT

The Directors' Remuneration Report for the year ended 31 August 2015 has been prepared in accordance with the Large & Medium-sized Companies & Groups (Accounts & Reports) (Amendment) Regulations 2013 (the "Regulations"). As the Board is comprised entirely of Non-Executive Directors and has no employees, many parts of the Regulations, in particular those relating to chief executive officer pay and employee pay, do not apply and are therefore not disclosed in this report.

An ordinary resolution to approve the Directors' Remuneration Report will be put to Shareholders at the Annual General Meeting on 15 December 2015. The Company's independent Auditor is required to audit certain sections of this report and where such disclosures have been audited, the specific section has been indicated as such. The Auditor's opinion is included in its report on pages 36 to 38.

DIRECTORS' REMUNERATION

The fee structure with effect from 1 January 2015 is as follows: Chairman – £38,750, Chairman of the Audit Committee – £30,000, Senior Independent Director – £27,500, and Director – £25,500. Levels of remuneration are competitive and sufficient to attract and retain the quality of Directors needed to manage the Company successfully.

THE REMUNERATION POLICY

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

The Company's Articles of Association limit the aggregate fees payable to the Board of Directors to a total of £200,000 per annum. Subject to this overall limit, it is the Board's policy to determine the level of Directors' fees having regard to the time spent by them on the Company's affairs, the level of fees payable to non-executive directors in the industry generally, the requirement to attract and retain individuals with suitable knowledge and experience, and the role that individual Directors fulfil. Other than fees and reasonable travel expenses incurred in attending the affairs of the Company, the Directors are not eligible for any performance related pay or benefits, pension related benefits, share options, long term incentive schemes, or other taxable benefits. The Directors are not entitled to exit payments and are not provided with any compensation for loss of office.

The level of Directors' fees is determined by the whole Board. Directors do not vote on their own fees. The Board reviews the Company's Remuneration Policy and implementation on an annual basis. Reviews are based on information provided by the Company's Manager, and research from third parties and it includes information on the fees of other similar investment trusts.

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

In common with most investment trusts there is no chief executive officer and there are no employees.

The Company's remuneration policy will apply to new Board members, who will be paid at the same level as current Directors.

REPORT ON THE IMPLEMENTATION OF THE REMUNERATION POLICY

The Remuneration Policy was formalised for the first time at the Annual General Meeting held on 10 December 2014 and the next vote will be put to Shareholders in 2017. The Policy has been followed throughout the year ended 31 August 2015.

The Directors' Remuneration Report which is subject to approval by Shareholders by way of an ordinary resolution at each Annual General Meeting, is a non-binding 'advisory' resolution. In the event that Shareholders vote against the resolution, the Board will be required to put its Remuneration Policy for Shareholder approval at the next Annual General Meeting, regardless of whether the Remuneration Policy was approved by Shareholders within the last three years.

Voting at the Company's last Annual General Meeting

At the Annual General Meeting held on 10 December 2014, 97.59% of votes were cast in favour of the Directors' Remuneration Report for the year ended 31 August 2014, 1.44% of votes were cast against and 0.97% of votes were withheld. At the same time, the Company's Remuneration Policy was approved by Shareholders, with 97.57% of the votes cast in favour, 1.35% votes against and 1.08% votes withheld. At the Annual General Meeting to be held on 15 December 2015, the Directors' Remuneration Report will be put to Shareholders and the votes cast at that meeting with regard to the resolution will be released to the market via a regulatory news service provider and disclosed on the Company's website.

Directors' Remuneration Report

Single Total Figure of Remuneration

The single total aggregate Directors' remuneration for the year under review was £155,135 (2014 £152,483). Information on individual Directors' fees and taxable benefits is shown below. Taxable benefits relate to travel and other expenses wholly incurred in their role as Directors.

Remuneration of Directors	2016	2015			2014		
	Projected Fees (£)	Fees (Audited) (£)	Taxable Benefits (Audited) (£)	Total (Audited) (£)	Fees (Audited) (£)	Taxable Benefits (Audited) (£)	Total (Audited) (£)
Lynn Ruddick	38,750	38,500	1,498	39,998	37,666	1,237	38,903
Ben Thomson ¹	7,964	27,333	1,585	28,918	26,667	2,501	29,168
Sharon Brown	30,000	29,667	1,757	31,424	28,666	2,035	30,701
Dean Buckley ²	21,111	-	-	-	-	-	-
Nigel Foster ³	25,500	-	-	-	-	-	-
Andy Irvine	26,996	25,333	2,119	27,452	24,667	2,807	27,474
Douglas Kinloch Anderson ¹	7,385	25,333	2,010	27,343	24,667	1,570	26,237
Nicky McCabe ⁴	-	-	-	-	-	-	-
Total	157,706	146,166	8,969	155,135	142,333	10,150	152,483

1 Retires 15 December 2015

2 Appointed 3 November 2015

3 Appointed 1 September 2015

4 Waives her Directors' fees

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

Total return six year performance to end August 2015

Expenditure on Directors' Remuneration and Distributions to Shareholders

The table below shows the total amount paid out in remuneration and distribution to Shareholders.

	31 August 2015 £	31 August 2014 £
Expenditure on Remuneration		
Aggregate of Directors' Fees	155,135	152,483
Distribution to Shareholders		
Dividend payments	11,551,000	8,796,000
Shares repurchased	6,599,000	1,124,000

Performance

The Company's investment objective is to achieve long term capital growth predominantly through investment in UK listed companies. The graph opposite shows performance over six years to 31 August 2015.

Directors' Remuneration Report

Directors' Interest in Ordinary Shares

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

Directors' Shareholdings (Audited)

	31 August 2015	31 August 2014 ¹	Change during year
Lynn Ruddick ²	42,230	41,215	1,015
Ben Thomson ²	104,025	101,560	2,465
Sharon Brown ^{1,3}	15,600	10,000	5,600
Dean Buckley ⁴	n/a	n/a	-
Nigel Foster ⁵	n/a	n/a	-
Andy Irvine	75,000	75,000	-
Douglas Kinloch Anderson	92,075	92,075	-
Nicky McCabe ^{2,3}	12,775	8,490	4,285

1 Prior year figures have been restated to reflect the fiver for one sub-division of ordinary shares which took place on 29 June 2015

2 Dividend reinvestment

3 Purchase of shares

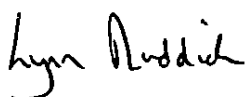
4 Appointed 3 November 2015

5 Appointed 1 September 2015

The Portfolio Manager also holds ordinary shares in the Company

Nigel Foster purchased 10,000 shares on 28 September 2015 and Dean Buckley purchased 12,500 shares prior to his appointment as a Director. All other Directors' shareholdings remain unchanged at the date of this report.

On behalf of the Board



Lynn Ruddick

Chairman

6 November 2015

Statement of Directors' Responsibilities

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

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

In preparing these Financial Statements the Directors are required to

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

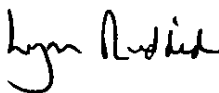
The Directors are responsible for ensuring that adequate accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding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

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

The Directors have delegated responsibility for the maintenance and integrity of the corporate and financial information included on the Company's pages of the Manager's website at www.fidelity.co.uk/its. Visitors to the website need to be aware that legislation in the UK governing the preparation and dissemination of the Financial Statements may differ from legislation in their 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 Strategic Report and Directors' Report include a fair review of the development and performance of the business and the position of the Company together with a description of the principal risks and uncertainties it faces. We confirm that we consider the Annual Report and Financial Statements taken as a whole, is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Company's performance, business model and strategy.

Approved by the Board on 6 November 2015 and signed on its behalf



Lynn Ruddick
Chairman

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

Our opinion on the Financial Statements is unmodified
In our opinion the Financial Statements

- give a true and fair view of the state of the Company's affairs as at 31 August 2015 and of its net return for the year then ended,
- have been properly prepared in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), and
- have been prepared in accordance with the requirements of the Companies Act 2006

Who we are reporting to

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

What we have audited

Fidelity Special Values PLC's Financial Statements 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 United Kingdom Generally Accepted Accounting Practice.

Our assessment of risk

In arriving at our opinions set out in this report, we highlight the following risks that are, in our judgement, likely to be most important to users' understanding of our audit.

Ownership and valuation of investments

The risk The Company's business is investing primarily in securities of UK-listed companies with a view to achieving long term capital growth. As a consequence of this, the Company has significant exposure to investments, which are the main drivers of returns, with the investment portfolio valued at £510m. There is a risk that investments shown in the Balance Sheet may not be owned by the Company or are incorrectly valued. We identified ownership and valuation of investments as risks that required particular audit attention.

Our response on ownership In order to confirm that the balances referred to above were owned by the Company our audit work included, but was not restricted to, understanding management's process to safeguard assets, obtaining a confirmation from the custodian of the investments they were holding at the year-end, and testing the reconciliation of the custodian statement to the records maintained by the Company.

Our response on valuation Our audit work on valuation included, but was not restricted to, understanding management's process to value quoted investments, agreeing the valuation of 100% of the quoted investments to an independent source of market prices, and in order to confirm investments are actively traded we obtained trading volumes of listed investments held at the year-end.

The Company's accounting policy on the valuation of investments is shown in Note 1 and its disclosures about investment movements are included in Note 9. The Audit Committee identified valuation, existence and ownership of investments (including derivatives) as a significant issue in its report on page 30, where the Committee also described the action that it has taken to address this issue.

Existence, completeness and valuation of long and short contracts for differences (CFDs or derivatives) and related disclosures

The risk As a consequence of the Company's investment strategy the Company has a significant exposure to both long and short CFDs, having a market exposure of £155m. There is a risk that CFDs owned by the Company may not be recorded, those that are may not exist or may not be correctly valued and the exposure may not be properly disclosed. We therefore identified existence, completeness and valuation of long and short CFDs as risks that required particular audit attention.

Our response Our audit work included, but was not restricted to, understanding management's process for approving counterparties to enter into derivative contracts, obtaining confirmations from approved counterparties of all CFDs entered into during the year and open at the year-end, testing the valuation of 100% of the CFDs by agreeing the contract price to the counterparty's confirmation and the year-end market price to an independent source of market prices, checking that the market exposures had been correctly calculated and checking that the required disclosures relating to the CFDs had been given in the Financial Statements.

The Company's accounting policy on the valuation of CFDs is shown in Note 1 and its disclosures about derivative movements are included in Note 10. The Audit Committee also identified the valuation, existence and ownership of investments (including derivatives) as a significant issue in its report on page 30, where the Committee also describes how it addressed this issue.

Completeness and occurrence of investment income

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

Our response Our audit work included, but was not restricted to, assessing whether the Company's accounting policy for revenue recognition was in accordance with United Kingdom Generally Accepted Accounting Practice, obtaining an understanding of the Company's process for recognising revenue in accordance with

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

the stated accounting policy, testing whether a sample of income transactions had been recognised in accordance with the policy, for a sample of investments held in the year, obtaining the ex-dividend dates and rates for dividends declared during the year from an independent source and agreeing the expected dividend entitlements to those recognised in the general ledger, performing cut-off testing of dividend income around the year-end, and checking the categorisation of special dividends as either revenue or capital receipts

The Company's accounting policy on the recognition of investment income is shown in Note 1 and the components of that income are included in Note 2. The Audit Committee identified recognition of investment income as a significant issue in its report on page 30, where the Committee also described the action that it has taken to address this issue.

Our application of materiality and an overview of the scope of our audit

Materiality

We define materiality as the magnitude of misstatement in the Financial Statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We determined materiality for the audit of the Financial Statements as a whole to be £5.37m, which is 1% of the Company's net assets. This benchmark is considered most appropriate because net assets, which is primarily composed of the Company's investment portfolio, is considered to be the key driver of the Company's total return performance. We use a different level of materiality, performance materiality, to drive the extent of our testing and this was set at 75% of Financial Statement materiality. We also determine a lower level of specific materiality for certain areas such as the revenue column of the Income Statement, Directors' remuneration and related party transactions.

We determined the threshold at which we communicate misstatements to the Audit Committee to be £269,000. In addition, we will communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

Overview of the scope of our audit

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

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

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

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

Other reporting required by regulations

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

In our opinion:

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

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

In particular, we are required to report to you if

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

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

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

- 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 23, in relation to going concern, and
- the part of the Corporate Governance Statement relating to the Company's compliance with the ten provisions of the UK Corporate Governance Code specified for our review

Responsibilities for the Financial Statements and the audit
What an audit of Financial Statements involves

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

What the Directors are responsible for

As explained more fully in the Statement of Directors' Responsibilities set out on page 35, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view

What we are responsible for

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

Julian Bartlett

(Senior Statutory Auditor)
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
6 November 2015

Income Statement for the year ended 31 August 2015

Notes	2015			2014		
	revenue £'000	capital £'000	total £'000	revenue £'000	capital £'000	total £'000
9 Gains on investments	-	18,355	18,355	-	32,699	32,699
10 Gains on long CFDs	-	21,843	21,843	-	14,597	14,597
10 Losses on short CFDs, futures and warrants	-	(13,239)	(13,239)	-	(4,624)	(4,624)
2 Net income	16,044	-	16,044	15,305	-	15,305
2 Other interest	155	-	155	93	-	93
3 Investment management fee	(5,128)	-	(5,128)	(5,087)	-	(5,087)
4 Other expenses	(788)	-	(788)	(633)	-	(633)
Exchange losses on other net assets	(5)	(490)	(495)	(3)	(389)	(392)
Net return on ordinary activities before finance costs and taxation	10,278	26,469	36,747	9,675	42,283	51,958
5 Finance costs	(1,063)	-	(1,063)	(1,281)	-	(1,281)
Net return on ordinary activities before taxation	9,215	26,469	35,684	8,394	42,283	50,677
6 Taxation on return on ordinary activities	(149)	-	(149)	2	-	2
Net return on ordinary activities after taxation for the year	9,066	26,469	35,535	8,396	42,283	50,679
7 Return per ordinary share¹	3 39p	9 90p	13 29p	3 10p	15 63p	18 73p

¹ The 2014 figures have been restated to reflect the five for one ordinary share sub-division that took place on 29 June 2015

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 43 to 60 form an integral part of these financial statements

Balance Sheet

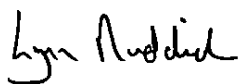
as at 31 August 2015

Company number 2972628

Notes	2015 £'000	2014 £'000
Fixed assets		
9 Investments	510,256	458,879
Current assets		
10 Derivative assets	28,496	26,742
11 Debtors	3,172	7,582
Amounts held at futures clearing houses and brokers	47	3,421
Fidelity Institutional Liquidity Fund	500	27,584
Cash at bank	4,682	2,743
	<u>36,897</u>	<u>68,072</u>
Creditors		
10 Derivative liabilities	(8,204)	(5,803)
12 Creditors	(1,613)	(1,929)
	<u>(9,817)</u>	<u>(7,732)</u>
Net current assets	<u>27,080</u>	<u>60,340</u>
Total net assets	<u>537,336</u>	<u>519,219</u>
Capital and reserves		
13 Share capital	13,532	13,532
14 Share premium account	95,896	95,767
14 Capital redemption reserve	3,256	3,256
14 Other non-distributable reserve	5,152	5,152
14 Capital reserve	411,356	390,883
14 Revenue reserve	8,144	10,629
Total equity Shareholders' funds	<u>537,336</u>	<u>519,219</u>
15 Net asset value per ordinary share¹	<u>201.61p</u>	<u>192.29p</u>

¹ The 2014 column has been restated to reflect the five for one ordinary share sub-division that took place on 29 June 2015

The financial statements on pages 39 to 60 were approved by the Board of Directors on 6 November 2015 and were signed on its behalf by



Lynn Ruddick
Chairman

The Notes on pages 43 to 60 form an integral part of these financial statements

Reconciliation of Movements in Shareholders' Funds

for the year ended 31 August 2015

Notes	share capital £'000	share premium account £'000	capital redemption reserve £'000	other non- distributable reserve £'000	capital reserve £'000	revenue reserve £'000	total equity £'000
Opening Shareholders' funds at 1 September 2014	13,532	95,767	3,256	5,152	390,883	10,629	519,219
Issue of ordinary shares	-	129	-	-	603	-	732
Repurchase of ordinary shares	-	-	-	-	(6,599)	-	(6,599)
Net return on ordinary activities after taxation for the year	-	-	-	-	26,469	9,066	35,535
8 Dividend paid to Shareholders	-	-	-	-	-	(11,551)	(11,551)
Closing Shareholders' funds at 31 August 2015	<u>13,532</u>	<u>95,896</u>	<u>3,256</u>	<u>5,152</u>	<u>411,356</u>	<u>8,144</u>	<u>537,336</u>
Opening Shareholders' funds at 1 September 2013	13,532	95,767	3,256	5,152	349,724	11,029	478,460
Repurchase of ordinary shares	-	-	-	-	(1,124)	-	(1,124)
Net return on ordinary activities after taxation for the year	-	-	-	-	42,283	8,396	50,679
8 Dividend paid to Shareholders	-	-	-	-	-	(8,796)	(8,796)
Closing Shareholders' funds at 31 August 2014	<u>13,532</u>	<u>95,767</u>	<u>3,256</u>	<u>5,152</u>	<u>390,883</u>	<u>10,629</u>	<u>519,219</u>

The Notes on pages 43 to 60 form an integral part of these financial statements

Cash Flow Statement

for the year ended 31 August 2015

Notes	year ended 2015 £'000	year ended 2014 £'000
Operating activities		
Investment income received	12,056	8,907
Net derivative income	3,204	3,726
Interest received	79	20
Investment management fee paid	(5,088)	(5,040)
Directors' fees paid	(147)	(139)
Other cash payments	(107)	(901)
16 Net cash inflow from operating activities	9,997	6,573
Servicing of finance		
Cash outflow from CFD interest paid	(1,024)	(1,305)
Cash outflow from servicing of finance	(1,024)	(1,305)
Taxation		
Overseas taxation recovered	-	14
Taxation recovered	-	14
Financial investments		
Purchase of investments	(243,238)	(291,210)
Disposal of investments	214,351	285,767
Net cash outflow from financial investments	(28,887)	(5,443)
Derivative activities		
Receipts on long CFDs	22,578	22,564
Payments on short CFDs, futures and warrants	(13,275)	(4,061)
Movement on amounts held at futures clearing houses and brokers	3,374	(3,421)
Net cash inflow from derivative activities	12,677	15,082
8 Dividend paid to Shareholders	(11,551)	(8,796)
Net cash (outflow)/inflow before use of liquid resources and financing	(18,788)	6,125
Cash flow from management of liquid resources		
Fidelity Institutional Liquidity Fund	27,084	(27,584)
Net cash inflow/(outflow) from management of liquid resources	27,084	(27,584)
Net cash inflow/(outflow) before financing	8,296	(21,459)
Financing		
Issue of ordinary shares	732	-
Repurchase of ordinary shares	(6,599)	(1,124)
Net cash outflow from financing	(5,867)	(1,124)
17 Increase/(decrease) in cash	2,429	(22,583)

The Notes on pages 43 to 60 form an integral part of these financial statements

Notes to the Financial Statements

1 ACCOUNTING POLICIES

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

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

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. UK dividends are accounted for net of any tax credit. Unfranked investment income includes tax deducted at source. Where the Company has elected to receive its dividends in the form of additional shares rather than cash, the amount of the cash dividend foregone is recognised 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.

Derivative instrument income received from dividends on long contracts for difference ("CFDs") and derivative expenses paid as dividends on short CFDs are included in 'Net income' in the revenue column of the Income Statement.

Interest received on short CFDs, deposits and money market funds is included in "Other interest" 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 – Expenses, including investment management fees, are accounted for on an accruals basis and are charged to the revenue column of the Income Statement.

e) Finance costs – Finance costs represent interest paid on long CFDs and are accounted for on an accruals basis using the effective interest method. They are charged to 'finance costs' in the revenue column of the Income Statement.

f) 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 have occurred that result in an obligation to pay more, or a right to pay less, tax in the future. A deferred tax asset is recognised when it is more likely than not that the asset will be recoverable.

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

h) Valuation of investments – The Company's business is investing in financial instruments with a view to profiting from their total return in the form of income and capital growth. This portfolio of investments is managed and its performance evaluated on a fair value basis, in accordance with a documented investment strategy, and information about the portfolio is provided on that basis to the Company's Board of Directors. 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, or last market prices, depending on the convention of the exchange on which they are listed, or otherwise, at fair value based on published price quotations, and
- Unlisted investments, where there is not an active market, are valued using an appropriate valuation technique so as to establish what the transaction price would have been at the Balance Sheet date.

In accordance with the AIC SORP, the Company charges transaction costs incidental to the purchase or sale of investments, to 'Gains on investments' in the capital column of the Income Statement and has disclosed these costs in Note 9 on page 49.

Notes to the Financial Statements

1 ACCOUNTING POLICIES continued

i) Derivative instruments - When appropriate, permitted transactions involving derivative instruments are used. The Company may enter into futures, equity forwards, long and short CFDs, options and warrants. Derivative instruments are held at fair value through profit or loss and are valued at "fair value", which is measured as follows:

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

Where transactions are used to protect or enhance income, if the circumstances support this, the income and expenses derived are included in "Net income" in the revenue column of the Income Statement. Where such transactions are used to protect or enhance capital, if the circumstances support this, the income and expenses derived are included, for long CFDs, as Gains/(losses) on long CFDs, and for short CFDs, futures, options and warrants as Gains/(losses) on short CFDs, futures, options and warrants in the capital column of the Income Statement. Any positions on such transactions open at the year end are reflected on the Balance Sheet at their fair value within "Current assets" and "Creditors".

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

- Gains and losses on the disposal of investments and derivative instruments, if in accordance with Notes 1(h) and 1(i) above,
- Changes in the fair value of investments and derivative instruments held at the year end, if in accordance with Notes 1(h) and 1(i) above,
- Foreign exchange gains and losses of a capital nature,
- Dividends receivable of a capital in nature, and
- Costs of repurchasing ordinary shares

As a result of technical guidance issued by the Institute of Chartered Accountants in England and Wales in TECH 02/10 "Guidance on the determination of realised profits and losses in the context of distributions under the Companies Act 2006", changes in fair value of investments which are readily convertible to cash, without accepting adverse terms at the balance sheet date, can be treated as realised. Capital reserves realised and unrealised are shown in aggregate as "capital reserve" in the Balance Sheet and the Reconciliation of Movements in Shareholders' Funds. 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 unquoted investments with a fair value of £1,706,000 (2014: £303,000).

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

Notes to the Financial Statements

	Year ended 31 08 15 £'000	Year ended 31 08 14 £'000
2 INCOME		
Income from investments		
UK dividends	9,146	7,565
UK scrip dividends	716	848
Overseas dividends	3,331	787
Overseas scrip dividends	281	1,320
Bond interest	133	-
	<u>13,607</u>	<u>10,520</u>
Income/(expenses) from derivative instruments		
Dividends received on long CFDs	3,366	5,945
Dividends paid on short CFDs	(929)	(1,160)
	<u>2,437</u>	<u>4,785</u>
Net income	<u>16,044</u>	<u>15,305</u>
Other interest		
Interest received on short CFDs	98	75
Interest received on deposits and money market funds	57	18
	<u>155</u>	<u>93</u>
Total net income and other interest	<u>16,199</u>	<u>15,398</u>
	Year ended 31 08 15 £'000	Year ended 31 08 14 £'000
3 INVESTMENT MANAGEMENT FEE		
Investment management fee	<u>5,128</u>	<u>5,087</u>

A summary of the terms of the Management Agreement is given in the Directors' Report on page 22

Notes to the Financial Statements

	Year ended 31 08 15 £'000	Year ended 31 08 14 £'000
4 OTHER EXPENSES		
AIC fees	21	24
Custody fees	16	18
Depository fees ¹	45	6
Directors' expenses	11	16
Directors' fees ²	146	142
Legal and professional fees	85	73
Marketing expenses	132	180
Printing and publication expenses	93	68
Registrars' fees	67	66
Fees payable to the Independent Auditor for the audit of the annual financial statements ³	24	24
Costs in relation to the ordinary share sub-division	127	-
Sundry other expenses	21	16
	788	633

1 A Depository was appointed on 17 July 2014 as required under the AIFMD

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

3 The VAT on fees payable to the Company's Auditor is included in other expenses

	Year ended 31 08 15 £'000	Year ended 31 08 14 £'000
5 FINANCE COSTS		
Interest paid on long CFDs	1,063	1,281
	Year ended 31 08 15 £'000	Year ended 31 08 14 £'000
6 TAXATION ON RETURN ON ORDINARY ACTIVITIES		
a) Analysis of the taxation (credit)/charge for the year		
Overseas taxation recovered	(62)	(14)
Overseas taxation suffered	211	12
Total current taxation charge/(credit) for the year (see Note 6b)	149	(2)

Notes to the Financial Statements

6 TAXATION ON RETURN ON ORDINARY ACTIVITIES continued

b) Factors affecting the taxation charge/(credit) for the year

The taxation charge/(credit) for the year is lower than the standard rate of UK corporation tax of 20.58% (2014: 22.16%). A reconciliation of the taxation charge based on the standard rate of UK corporation tax to the actual taxation charge is shown below:

	Year ended 31 08 15 £'000	Year ended 31 08 14 £'000
Net return on ordinary activities before taxation	35,684	50,677
Net return on ordinary activities before taxation multiplied by the standard rate of UK corporation tax of 20.58% (2014: 22.16%)	7,344	11,230
Effects of:		
Gains on investments not taxable	(5,447)	(9,370)
Income not taxable	(2,766)	(2,331)
Excess management expenses not utilised in the year	869	471
Overseas taxation recovered	(62)	(14)
Overseas taxation suffered	211	12
Current taxation charge/(credit) (Note 6a)	149	(2)

Investment trust companies are exempt from UK corporation tax on capital gains if they meet the HM Revenue & Customs criteria set out in s1159 of the Corporation Taxes Act 2010.

c) Deferred taxation

A deferred tax asset of £10,914,000 (2014: £10,573,000), in respect of excess expenses of £54,569,000 (2014: £50,346,000), has not been recognised as it is unlikely that there will be sufficient future taxable profits to utilise these expenses.

	Year ended 31 August 2015			Year ended 31 August 2014		
	revenue	capital	total	revenue	capital	total
				(as restated) ¹		

7 RETURN PER ORDINARY SHARE

Return per Ordinary Share - basic and diluted	3.39p	9.90p	13.29p	3.10p	15.63p	18.73p
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¹ The weighted average number of Existing Ordinary Shares of 25 pence held outside Treasury in issue for the year ended 31 August 2014 has been restated to reflect the five for one ordinary share sub-division that took place on 29 June 2015, as disclosed in Note 13 below. On the original basis, as stated in the financial statements for the year ended 31 August 2014, the net returns per ordinary share were, revenue return 15.52 pence, capital return 78.15 pence and total return 93.67 pence, based on the weighted average number of Existing Ordinary Shares of 25 pence each held outside Treasury in issue of 54,107,586.

Returns per Ordinary Share are based on the revenue net return on ordinary activities after taxation for the year of £9,066,000 (2014: £8,396,000), the capital net return on ordinary activities after taxation for the year of £26,469,000 (2014: £42,283,000) and the total net return on ordinary activities after taxation for the year of £35,535,000 (2014: £50,679,000) and on 267,389,412 (2014: 270,537,930) New Ordinary Shares being the weighted average number of New Ordinary Shares of 5 pence each held outside Treasury in issue during the year. Basic and diluted returns per share are the same as the Company has no dilutive financial instruments.

Notes to the Financial Statements

	Year ended 31 08 15 £'000	Year ended 31 08 14 £'000
8 DIVIDENDS		
Dividend paid		
Interim dividend of 1 00 pence per New Ordinary Share paid for the year ended 31 August 2015 ¹	2,665	-
Dividend of 3 30 pence per New Ordinary Share paid for the year ended 31 August 2014 ¹	8,886	-
Dividend of 3 25 pence per New Ordinary Share paid for the year ended 31 August 2013 ¹	-	8,796
	<u>11,551</u>	<u>8,796</u>
Dividend proposed		
Final dividend of 2 35 pence per New Ordinary Share for the year ended 31 August 2015	6,263	-
Dividend of 3 30 pence per New Ordinary Share for the year ended 31 August 2014 ¹	-	8,886
	<u>6,263</u>	<u>8,886</u>

¹ These dividend rates have been restated to reflect the five for one ordinary share sub-division that took place on 29 June 2015, as disclosed in Note 13 below. The actual dividend rates paid per Existing Ordinary Share were interim dividend for the year ended 31 August 2015 5 00 pence, dividend for the year ended 31 August 2014 16 50 pence, and dividend for the year ended 31 August 2013 16 25 pence.

The Directors have proposed a final dividend of 2 35 pence per New Ordinary Share which is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The dividend will be paid on 21 December 2015 to shareholders on the register at 20 November 2015 (ex dividend date 19 November 2015).

	2015 £'000	2014 £'000
9 INVESTMENTS		
Investments		
Listed investments	422,310	404,796
AIM quoted investments	79,920	51,130
Specialist Fund Market investments	6,320	2,650
Unlisted investments	<u>1,706</u>	<u>303</u>
Total investments – fair value and portfolio exposure	<u>510,256</u>	<u>458,879</u>

Notes to the Financial Statements

	listed investments £'000	2015 other investments £'000	total investments £'000
9 INVESTMENTS continued			
Opening book cost	346,006	55,140	401,146
Opening investment holding gains/(losses)	58,969	(1,236)	57,733
Opening fair value and gross asset exposure of investments	404,975	53,904	458,879
Movements in the year			
Purchases at cost	191,875	51,858	243,733
Sales – proceeds	(198,670)	(12,041)	(210,711)
Sales – realised gains/(losses) on sales	40,125	(1,237)	38,888
Losses on investments held	(15,995)	(4,538)	(20,533)
Closing fair value and gross asset exposure of investments	422,310	87,946	510,256
Closing book cost	379,336	93,720	473,056
Closing investment holding gains/(losses)	42,974	(5,774)	37,200
Closing fair value and gross asset exposure of investments	422,310	87,946	510,256
		Year ended 31 08 15 £'000	Year ended 31 08 14 £'000
Gains on investments			
Gains on sales of investments in the year		38,888	58,850
Investment holding losses in the year		(20,533)	(26,151)
		18,355	32,699
Costs of investment transactions			
Transaction costs incurred on the acquisition and disposal of investments, which are included within gains on investments above, were as follows			
Purchase transaction costs		720	1,209
Sales transaction costs		144	212
		864	1,421

The portfolio turnover rate for the year ended 31 August 2015 was 46.2% (2014 62.6%)

Notes to the Financial Statements

	Year ended 31 08 15 £'000	Year ended 31 08 14 £'000
10 DERIVATIVE INSTRUMENTS		
Gains on long CFDs		
Realised gains on long CFD positions closed	22,578	22,564
Unrealised losses on long CFDs held	(735)	(7,967)
	<u>21,843</u>	<u>14,597</u>
Losses on short CFDs, futures and warrants		
Realised losses on short CFD positions closed	(5,648)	(2,307)
Unrealised (losses)/gains on short CFDs held	(2,883)	369
Realised losses on futures closed	(7,679)	(1,754)
Unrealised gains/(losses) on futures held	2,984	(945)
Realised losses on warrants closed	(13)	-
Unrealised gains on warrants held	-	13
	<u>(13,239)</u>	<u>(4,624)</u>
	2015 fair value £'000	2014 fair value £'000
Derivative assets/(liabilities) as recognised on the Balance Sheet		
Derivative assets	28,496	26,742
Derivative liabilities	(8,204)	(5,803)
	<u>20,292</u>	<u>20,939</u>
	2015	2014
	fair value £'000	gross asset exposure £'000
At the year end the Company held the following derivative instruments		
Long CFDs	21,574	158,331
Short CFDs	(3,321)	38,455
Futures (hedges)	2,039	(41,933)
Warrants	-	-
	<u>20,292</u>	<u>154,853</u>
	2015	2014
	fair value £'000	gross asset exposure £'000
Long CFDs	21,574	158,331
Short CFDs	(3,321)	38,455
Futures (hedges)	2,039	(41,933)
Warrants	-	-
	<u>20,292</u>	<u>154,853</u>
	2015	2014
	fair value £'000	gross asset exposure £'000
Long CFDs	21,574	158,331
Short CFDs	(3,321)	38,455
Futures (hedges)	2,039	(41,933)
Warrants	-	-
	<u>20,292</u>	<u>154,853</u>

Notes to the Financial Statements

	2015 £'000	2014 £'000
11 DEBTORS		
Securities sold for future settlement	1,223	4,862
Accrued income	1,851	2,204
Taxation recoverable	76	14
Other debtors	22	502
	<u>3,172</u>	<u>7,582</u>
	2015 £'000	2014 £'000

12 CREDITORS		
Securities purchased for future settlement	360	862
Other creditors	1,253	1,067
	<u>1,613</u>	<u>1,929</u>

	number of shares	2015 £'000	number of shares	2014 £'000
13 SHARE CAPITAL				
Issued, allotted and fully paid				
Existing Ordinary Shares of 25 pence each – held outside of Treasury				
Beginning of the year	54,004,896	13,501	54,128,896	13,532
Existing Ordinary Shares repurchased into Treasury	(755,000)	(189)	(124,000)	(31)
Existing Ordinary Shares cancelled on the sub-division	(53,249,896)	(13,312)	-	-
End of the year	<u>-</u>	<u>-</u>	<u>54,004,896</u>	<u>13,501</u>
Existing Ordinary Shares of 25 pence each held in Treasury				
Beginning of the year	124,000	31	-	-
Existing Ordinary Shares repurchased into Treasury	755,000	189	124,000	31
Existing Ordinary Shares cancelled on the sub-division	(879,000)	(220)	-	-
End of the year	<u>-</u>	<u>-</u>	<u>124,000</u>	<u>31</u>
Total share capital		<u>-</u>		<u>13,532</u>

Notes to the Financial Statements

	2015		2014	
	number of shares	£'000	number of shares	£'000
13 SHARE CAPITAL continued				
New Ordinary Shares of 5 pence each held outside Treasury				
Beginning of the year	-	-	-	-
New Ordinary Shares issued on the sub-division	266,249,480	13,312	-	-
New Ordinary Shares Issued from Treasury	350,000	18	-	-
New Ordinary Shares repurchased into Treasury	(75,000)	(4)	-	-
End of the year	<u>266,524,480</u>	<u>13,326</u>	<u>-</u>	<u>-</u>
New Ordinary Shares of 5 pence each held in Treasury				
Beginning of the year	-	-	-	-
New Ordinary Shares issued on the sub-division	4,395,000	220	-	-
New Ordinary Shares Issued from Treasury	(350,000)	(18)	-	-
New Ordinary Shares repurchased into Treasury	75,000	4	-	-
End of the year	<u>4,120,000</u>	<u>206</u>	<u>-</u>	<u>-</u>
Total share capital		<u>13,532</u>		<u>-</u>

On 29 June 2015 the Existing Ordinary Shares of 25 pence each were sub-divided Five New Ordinary Shares of 5 pence each were issued for each Existing Ordinary Share of 25 pence each The New Ordinary Shares rank pari passu with each other and are subject to the same rights and restrictions as the shares they replaced A holding of New Ordinary Shares following the sub-division represents the same proportion of the issued share capital of the Company as the corresponding holding in the Existing Ordinary Shares

Shares held in Treasury carry no rights to vote, to receive a dividend or to participate in a winding up of the Company

14 RESERVES

The share premium account represents the amount by which the proceeds from the issue of ordinary shares has exceeded the cost of those ordinary shares It is not distributable by way of dividend It cannot be used to fund share repurchases

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

The other non-distributable reserve represents an amount transferred in prior years from the warrant reserve It is not distributable by way of dividend It cannot be used to fund share repurchases

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

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

Notes to the Financial Statements

15 NET ASSET VALUE PER ORDINARY SHARE

The net asset value per ordinary share is based on net assets of £537,336,000 (2014 £519,219,000) and on 266,524,480 (2014 270,024,480) ordinary shares, being the number of New Ordinary Shares of 5 pence each held outside Treasury in issue at the year end. It is the Company's policy that shares held in Treasury will only be reissued at a premium to net asset value per share and, therefore, shares held in Treasury have no dilutive effect.

The number of ordinary shares in issue at 31 August 2014 is restated to reflect the five for one ordinary share sub-division that took place on 29 June 2015, as disclosed in Note 13 above. On the original basis, as stated in the 2014 financial statements, the net asset value per ordinary share was 961.43 pence, based on 54,004,896 Existing Ordinary Shares of 25 pence each held outside Treasury in issue at 31 August 2014.

	Year ended 31 08 15 £'000	Year ended 31 08 14 £'000
16 RECONCILIATION OF NET RETURN ON ORDINARY ACTIVITIES BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES		
Net total return before finance costs and taxation	36,747	51,958
Less: net capital before finance costs and taxation	(26,469)	(42,283)
Net revenue return before finance costs and taxation	10,278	9,675
Scrip dividends	(997)	(2,168)
Decrease/(increase) in debtors	833	(1,003)
Increase in other creditors	94	81
Overseas taxation suffered	(211)	(12)
Net cash inflow from operating activities	9,997	6,573

	Year ended 31 08 15 £'000	Year ended 31 08 14 £'000
17 RECONCILIATION OF NET CASH MOVEMENTS TO MOVEMENT IN NET FUNDS		
Net funds at the beginning of the year	30,327	25,715
Net cash inflow/(outflow)	2,429	(22,583)
Fidelity Institutional Liquidity Fund	(27,084)	27,584
Foreign exchange movement on other net assets	(490)	(389)
Change in net funds	(25,145)	4,612
Net funds at the end of the year	5,182	30,327

Notes to the Financial Statements

17 RECONCILIATION OF NET CASH MOVEMENTS TO MOVEMENT IN NET FUNDS continued

	2015 £'000	cash flows £'000	exchange movements £'000	2014 £'000
Analysis of net funds				
Fidelity Institutional Liquidity Fund plc	500	(27,084)	-	27,584
Cash at bank	4,682	2,429	(490)	2,743
	<u>5,182</u>	<u>(24,655)</u>	<u>(490)</u>	<u>30,327</u>

18 FINANCIAL INSTRUMENTS

MANAGEMENT OF RISK

The general risk analysis undertaken by the Board and its overall policy approach to risk management are set out in the Strategic Report on pages 8 and 9. This Note is incorporated in accordance with Financial Reporting Standard 29 "Financial Instruments Disclosures" ("FRS 29") and refers to the identification, measurement and management of risks potentially affecting the value of financial instruments.

The Company's financial instruments comprise:

- Equity shares held in accordance with the Company's investment objective and policies,
- Derivative instruments which comprise CFDs, futures, options and warrants on listed stocks and equity indices, and
- Cash, liquid resources and short term debtors and creditors that arise from its operations.

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

MARKET PRICE RISK

Interest rate risk

The Company finances its operations through share capital raised. In addition, the Company has gearing through the use of derivative instruments. The Board imposes limits to ensure gearing levels are appropriate. The Company is exposed to a financial risk arising as a result of any increases in interest rates associated with the funding of the derivative instruments.

Interest rate risk exposure

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

	31 08 15 £'000	31 08 14 £'000
Exposure to financial instruments that bear interest		
Long CFD exposure less fair value	<u>136,757</u>	<u>161,825</u>
Exposure to financial instruments that earn interest		
Short CFD exposure	38,455	37,978
Amounts held at futures clearing houses and brokers	47	3,421
Fidelity Institutional Liquidity Fund	500	27,584
Cash at bank	<u>4,682</u>	<u>2,743</u>
	<u>43,684</u>	<u>71,726</u>
Net exposure to financial instruments that bear interest	<u>93,073</u>	<u>90,099</u>

Notes to the Financial Statements

18 FINANCIAL INSTRUMENTS continued

Foreign currency risk

The Company does not carry out currency speculation. The Company's net return on ordinary activities after taxation for the year and total net assets can be affected by foreign exchange movements because the Company has income and assets which are denominated in currencies other than the Company's base currency which is UK sterling. The Company can also be subject to short term exposure from exchange rate movements, for example, between the date when an investment is bought or sold and the date when settlement of the transaction occurs.

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

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

Currency exposure of financial assets

The currency exposure profile of the Company's financial assets is shown below

currency	fair value of investments £'000	exposure to long derivative instruments ¹ £'000	2015		
			short term debtors ² £'000	cash and cash equivalents ³ £'000	total currency exposure £'000
Euro	20,938	59,170	114	-	80,222
UK sterling	436,302	56,398	2,995	5,085	500,780
US dollar	41,229	830	110	74	42,243
Other currencies	11,787	-	-	23	11,810
	<u>510,256</u>	<u>116,398</u>	<u>3,219</u>	<u>5,182</u>	<u>635,055</u>

1 The exposure to the market of long CFDs after the netting of hedges

2 Short term debtors comprise debtors and amounts held at futures clearing houses and brokers

3 Cash and cash equivalents comprise the Fidelity Institutional Liquidity Fund and cash at bank

currency	fair value of investments £'000	exposure to long derivative instruments ¹ £'000	2014		
			short term debtors ² £'000	cash and cash equivalents ³ £'000	total currency exposure £'000
Euro	9,402	55,085	414	11	64,912
UK sterling	412,343	66,829	10,418	30,253	519,843
US dollar	34,671	6,338	83	10	41,102
Other currencies	2,463	3,359	88	53	5,963
	<u>458,879</u>	<u>131,611</u>	<u>11,003</u>	<u>30,327</u>	<u>631,820</u>

1 The exposure to the market of long CFDs after the netting of hedges

2 Short term debtors comprise debtors and amounts held at futures clearing houses and brokers

3 Cash and cash equivalents comprise the Fidelity Institutional Liquidity Fund and cash at bank

Notes to the Financial Statements

18 FINANCIAL INSTRUMENTS continued

Currency exposure of financial liabilities

The currency exposure profile of the Company's financial liabilities is shown below

	2015		
	exposure to short derivative instruments ¹ £'000	short term creditors £'000	total £'000
Euro	3,014	1	3,015
UK sterling	26,260	1,612	27,872
US dollar	4,896	–	4,896
Other currencies	4,285	–	4,285
	<u>38,455</u>	<u>1,613</u>	<u>40,068</u>

1 The exposure to the market of long CFDs after the netting of hedges

	2014		
	exposure to short derivative instruments ¹ £'000	short term creditors £'000	total £'000
Euro	14,969	4	14,973
Norwegian Krone	10,102	–	10,102
UK sterling	6,639	1,925	8,564
US Dollar	4,487	–	4,487
Other currencies	1,781	–	1,781
	<u>37,978</u>	<u>1,929</u>	<u>39,907</u>

1 The exposure to the market of short CFDs

Other price risk

Other price risk arises mainly from uncertainty about future prices of financial instruments used in the Company's business. It represents the potential loss the Company might suffer through holding market positions in the face of price movements. The Board meets quarterly to consider the asset allocation of the portfolio and the risk associated with particular industry sectors within the parameters of the investment objective. The 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 due to the underlying exposures, are estimated using Value at Risk and Stress Tests as set out in the Company's Derivative Risk Measurement and Management Document.

LIQUIDITY RISK

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

Notes to the Financial Statements

18 FINANCIAL INSTRUMENTS continued

COUNTERPARTY RISK

Certain of the derivative instruments in which the Company may invest are not traded on an exchange but instead will be traded between counterparties based on contractual relationships, under the terms outlined in the International Swaps Dealers Association's ("ISDA") market standard derivative legal documentation. As a result the Company is subject to the risk that a counterparty may not perform its obligations under the related contract. In accordance with the risk management process which the Manager employs, the Manager will seek to minimise such risk by only entering into transactions with counterparties which it believes to have an adequate credit rating at the time the transaction is entered into, by ensuring that formal legal agreements covering the terms of the contract are entered into in advance, and through adopting a counterparty risk framework which measures, monitors and manages counterparty risk, by the use of internal and external credit agency ratings, and evaluates derivative instrument credit risk exposure.

For Over The Counter ("OTC") derivative transactions, collateral is used to reduce the risk of both parties to the contract. Collateral is managed on a daily basis for all relevant transactions. At 31 August 2015, £19,171,000 (2014 £23,857,000) was held by the broker, in government bonds in a segregated collateral account on behalf of the Company, to reduce the credit risk exposure of the Company and £47,000 (2014 £3,421,000), was held by the Company in cash, shown as 'Amounts held at futures clearing houses and brokers' in the Balance Sheet, in a segregated collateral account on behalf of the broker, to reduce the credit risk exposure of the broker.

CREDIT RISK

Financial instruments may be adversely affected if any of the institutions with which money is deposited suffer insolvency or other financial difficulties. All transactions are carried out with brokers that have been approved by the Managers and are settled on a delivery versus payment basis. Limits are set on the amount that may be due from any one broker and are kept under review by the Manager. Exposure to credit risk arises on outstanding securities transactions, derivative instruments and cash at bank.

DERIVATIVE INSTRUMENTS RISK

The risks and risk management processes which result from the use of derivative instruments, are set out in a documented "Derivative Risk Measurement and Management Document". Derivative instruments are used by the Manager for the following purposes:

- To gain unfunded long exposure to equity markets, sectors or single stocks. "Unfunded" exposure is exposure gained without an initial flow of capital,
- To hedge equity market risk using derivatives with the intention of at least partially mitigating losses in the exposures of the Company's portfolio as a result of falls in the equity market,
- To enhance portfolio total return by writing short call options ("covered call writing") and the selected use of other option strategies, and
- 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. This team uses sophisticated portfolio risk assessment tools to advise the Portfolio Manager on portfolio construction. Derivative positions are subject to daily monitoring.

RISK SENSITIVITY ANALYSIS

Interest rate risk sensitivity analysis

If interest rates had increased by 0.25% and the Company's net exposure to financial instruments that bear interest at 31 August 2015 had been held throughout the year, with all other variables remaining constant, net return on ordinary activities after taxation for the year and total net assets would have decreased by £233,000 (2014 £225,000). A decrease in interest rates of 0.25% would have had an equal and opposite effect.

Foreign currency risk sensitivity analysis

If UK sterling had strengthened by 10% against the foreign currency exposures held at 31 August 2015, with all other variables held constant, the Company's net return on ordinary activities after taxation for the year and total net assets would have decreased by £11,098,000 (2014 £7,330,000). If UK sterling has weakened by 10% against the foreign currency exposures, with all other variables held constant, the Company's net return on ordinary activities after taxation for the year and total net assets would have increased by £13,564,000 (2014 £8,959,000).

Notes to the Financial Statements

18 FINANCIAL INSTRUMENTS continued

Other price risk sensitivity analysis

Changes in market prices, other than those arising from interest rate risk or foreign currency risk, may also affect the Company's net return on ordinary activities after taxation for the year and total net assets. Details of how the Board sets risk parameters and performance objectives can be found on pages 8 and 9 of the Strategic Report.

Investment exposure sensitivity analysis

If the market prices of the investments held at 31 August 2015 had increased by 10%, with all other variables held constant, the Company's net return on ordinary activities after taxation for the year and total net assets would have increased by £51,026,000 (2014: £45,888,000). A decrease of 10% in the market prices of investments, with all other variables held constant, would have had an equal and opposite effect.

Derivative instrument exposure sensitivity analysis

If the market prices of the securities underlying the derivative instruments held at 31 August 2015 had increased by 10%, with all other variables held constant, the Company's net return on ordinary activities after taxation for the year and total net assets would have increased by £7,794,000 (2014: £9,363,000). A decrease of 10% in the market prices of the securities underlying the derivative instruments, with all other variables held constant, would have had an equal and opposite effect. Details of the Company's exposure to derivative instruments are shown in Note 10 above.

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

As explained in Notes 1(h) and 1(i) above, investments are valued at fair value which is bid or last market price, futures and options at quoted trade prices for the contract and CFDs and equity forwards at the difference between the strike price and the bid or last price of the shares in the security that underlies the contract. Financial assets and liabilities are stated in the Balance Sheet at values which are not materially different to their fair values. In the case of cash, book value approximates to fair value due to the short maturity of the instruments.

FAIR VALUE HIERARCHY

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

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

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset. The valuation techniques used by the Company are explained in Notes 1 (h) and (i) above. The table below sets out the fair value hierarchy of the Company's financial instruments.

	level 1 £'000	level 2 £'000	level 3 £'000	2015 total £'000
Financial instruments at fair value through profit or loss				
Investments – shares and fixed-interest securities	508,550	-	1,706	510,256
Derivative instruments	-	20,292	-	20,292
	<u>508,550</u>	<u>20,292</u>	<u>1,706</u>	<u>530,548</u>

Notes to the Financial Statements

18 FINANCIAL INSTRUMENTS continued

	level 1 £'000	level 2 £'000	level 3 £'000	2014 total £'000
Financial instruments at fair value through profit or loss				
Investments – shares	458,576	-	303	458,879
Derivative instruments	-	20,939	-	20,939
	<u>458,576</u>	<u>20,939</u>	<u>303</u>	<u>479,818</u>

The table below sets out the movements in level 3 financial instruments during the year

	2015 level 3 £'000	2014 level 3 £'000
Beginning of the year	303	865
Purchases at cost	-	1,459
Sales – proceeds	-	(2,580)
Sales – realised gains	-	1,225
Investments suspended transferred from level 1 to level 3 at fair value	1,463	-
Movement in investment holding losses in the year	(60)	(666)
Level 3 financial instruments at the end of the year	<u>1,706</u>	<u>303</u>

Notes to the Financial Statements

19 CAPITAL RESOURCES AND GEARING

The Company does not have any externally imposed capital requirements. The capital of the Company comprises its gearing, which is managed by the use of derivative instruments, and its issued share capital and reserves as disclosed in the Balance Sheet on page 40. It is managed in accordance with the Company's investment policy in pursuit of its investment objective, both of which are detailed in the Strategic Report on pages 7 and 8. The principal risks and their management are disclosed in the Strategic Report on pages 8 and 9 and in Note 18 above.

The Company's gross gearing and net gearing at the end of the year are shown below.

	2015			
	Gross Gearing		Net Gearing	
	£'000	% ¹	£'000	% ¹
Total long exposures before hedges	668,587	124.4	668,587	124.4
Less: hedging exposures ²	(41,933)	(7.8)	(41,933)	(7.8)
Total long exposures after the netting of hedges	626,654	116.6	626,654	116.6
Total short exposures	38,455	7.2	(38,455)	(7.2)
Total Gross Asset Exposure after the netting of hedges	665,109	123.8	588,199	109.4
Shareholders' Funds	537,336		537,336	
Gearing		23.8%		9.4%

	2014			
	Gross Gearing		Net Gearing	
	£'000	% ¹	£'000	% ¹
Total long exposures before hedges	643,026	123.8	643,026	123.8
Less: hedging exposures ²	(52,536)	(10.1)	(52,536)	(10.1)
Total long exposures after the netting of hedges	590,490	113.7	590,490	113.7
Total short exposures	37,978	7.3	(37,978)	(7.3)
Total Gross Asset Exposure after the netting of hedges	628,468	121.0	552,512	106.4
Shareholders' Funds	519,219		519,219	
Gearing		21.0%		6.4%

1 Gross Asset Exposure expressed as a percentage of Shareholders' Funds

2 Hedging positions reduce market exposure and gearing

20 RELATED PARTY TRANSACTIONS

The Company has identified the Directors as its only related parties. The Directors have complied with the provisions of Financial Reporting Standard 8 "Related Party Disclosures", which require disclosure of related party transactions and balances. Key management compensation paid was £170,000 (2014: £166,000). This included fees and travel expenses paid to the Directors, as disclosed in the Directors' Remuneration Report on page 33, and £15,000 (2014: £14,000) of Employer's National Insurance contributions.

Financial Calendar

The key dates in the Company's calendar are:

31 August 2015 – Financial Year End

November 2015 – Announcement of results for the year ending 31 August 2015

15 December 2015 – Annual General Meeting

21 December 2015 – Payment of Final Dividend

29 February 2016 – Half-Year end

April 2016 – Announcement of results for the Half-Year ending 29 February 2016

May 2016 – Payment of Interim Dividend

Notice of Meeting

Notice is hereby given that the Annual General Meeting of Fidelity Special Values PLC will be held at 25 Cannon Street, London EC4M 5TA on 15 December 2015 at 11 30 am for the following purposes

- 1 To receive and adopt the Annual Report and Financial Statements for the year ended 31 August 2015
- 2 To declare that a final dividend for the year ended 31 August 2015 of 2 35 pence per ordinary share be paid to Shareholders on the register as at close of business on 20 November 2015
- 3 To re-elect Ms Lynn Ruddick as a Director
- 4 To re-elect Mr Andy Irvine as a Director
- 5 To re-elect Mrs Sharon Brown as a Director
- 6 To elect Mr Dean Buckley as a Director
- 7 To elect Mr Nigel Foster as a Director
- 8 To re-elect Ms Nicky McCabe as a Director
- 9 To approve the Directors' Remuneration Report (excluding the section headed The Remuneration Policy set out on page 32) for the year ended 31 August 2015
- 10 To appoint Ernst & Young LLP as Auditor of the Company to hold office until the conclusion of the next general meeting at which Financial Statements are laid before the Company
- 11 To authorise the Directors to determine the Auditor's remuneration

To consider and, if thought fit, to pass the following resolutions of which Resolution 12 will be proposed as an ordinary resolution and Resolutions 13 and 14 as special resolutions

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

Resolutions 12 and 13 will, if approved, authorise the Directors to allot a limited number of new ordinary shares (or sell any ordinary shares which the Company elects to hold in Treasury) for cash without first offering such shares to existing ordinary Shareholders pro rata to their existing holdings. The limit set by the Board is 10% of the number of ordinary shares of the Company in issue on 6 November 2015. The Directors will only issue new ordinary shares, or dispose of ordinary shares held in Treasury, under this authority in order to take advantage of opportunities in the market as they arise and only if they believe it is advantageous to the Company's Shareholders to do so. Any ordinary shares held in Treasury would only be re-issued at net asset value per share. This would ensure that the net effect of repurchasing and then re-issuing the ordinary shares would enhance net asset value per share.

12 THAT the Directors be and they are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot relevant securities (as defined in that section) up to an aggregate nominal amount of £1,332,622 (approximately 10% of the aggregate nominal amount of the issued share capital of the Company as at 6 November 2015) and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with Treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter, such authority to expire at the conclusion of the next Annual General Meeting of the Company or the date 15 months after the passing of this resolution, whichever is the earlier, but so that this authority shall allow the Company to make offers or agreements before the expiry of this authority which would or might require relevant securities to be allotted after such expiry as if the authority conferred by this resolution had not expired.

13 THAT, subject to the passing of Resolution 12 the Directors be and they are hereby authorised, pursuant to Sections 570-573 of the Act to allot equity securities (as defined in Section 560 of the Act) for cash pursuant to the authority given by the said Resolution 12 and/or to sell ordinary shares held by the Company as Treasury shares for cash, as if Section 561 of the Act did not apply to any such allotment, or sale, provided that this power shall be limited

a) to the allotment of equity securities or sale of Treasury shares up to an aggregate nominal amount of £1,332,622 (approximately 10% of the aggregate nominal amount of the issued share capital of the Company as at 6 November 2015), and

b) by the condition that allotments of equity securities or sales of Treasury shares may only be made pursuant to this authority at a price of not less than the 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.

(b) Authority to repurchase shares

Resolution 14 is a special resolution which, if approved, will renew the Company's authority to purchase up to 14.99% of the number of ordinary shares in issue (excluding Treasury Shares) on 6 November 2015 for immediate cancellation or for retention as Treasury Shares, at the determination of the Board. Once shares are held in Treasury, the Directors may only dispose of them in accordance with the relevant legislation by subsequently selling the shares for cash or cancelling the shares. Purchases of ordinary

Notice of Meeting

shares will be at the discretion of the Board and within guidelines set from time to time by the Board in the light of prevailing market conditions. Purchases will only be made in the market at prices below the prevailing net asset value per share, thereby resulting in an increased net asset value per share.

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

- a) the maximum number of shares hereby authorised to be purchased shall be 39,952,019,
- b) the minimum price which may be paid for a share is 2.5 pence,
- c) the maximum price (excluding expenses) which may be paid for each share is the higher of
 - i) an amount equal to 105% of the average of the middle market quotations for a share taken from the London Stock Exchange Official List for the five business days immediately preceding the day on which the share is purchased, and
 - ii) the higher of the price quoted for the last independent trade and the highest current independent bid as stipulated by Article 5(1) of Commission Regulation (EC) 22 December 2003 implementing the Market Abuse Directive as regards exemptions for buyback programmes and stabilisation of financial instruments (no. 2233/2003),

- 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

By order of the Board
FIL Investments International
 Secretary
 6 November 2015

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

Notice of Meeting

Notes

- 1 A member of the Company entitled to attend and vote at the Annual General Meeting may appoint a proxy or proxies to attend and to speak and vote instead of him. A member may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy need not be a member of the Company.
- 2 A Form of Proxy is enclosed and must be returned to the Registrars at the address on the form to arrive not later than 11 30 am on 11 December 2015. Completion and return of the form of proxy will not prevent a Shareholder from subsequently attending the meeting and voting in person if they so wish.
- 3 To be effective, the instrument appointing a proxy, and any power of attorney or other authority under which it is signed (or a copy of any such authority certified notari ally or in some other way approved by the Directors), must be deposited with the Company's Registrars, Capita Asset Services, PXS1, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4ZF not less than 48 hours before the time for holding the meeting or adjourned meeting or, in the case of a poll taken more than 48 hours after it is demanded, not less than 24 hours before the time appointed for the taking of the poll at which it is to be used.
- 4 In the case of joint holders, the vote of the senior who tenders the vote shall be accepted to the exclusion of the votes of the other joint holders and for this purpose, seniority shall be determined by the order in which the names stand in the Register of Members.
- 5 To appoint a proxy or to give or amend an instruction to a previously appointed proxy via the CREST system, the CREST message must be received by the issuer's agent RA10 by 11 30 am on 11 December 2015. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message. After this time any change of instructions to a proxy appointed through CREST should be communicated to the proxy by other means. CREST Personal Members or other CREST sponsored members and those CREST Members who have appointed voting service provider(s) should contact their CREST sponsor or voting service provider(s) for assistance with appointing proxies via CREST. For further information on CREST procedures, limitations and systems timings please refer to the CREST Manual. We may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001. In any case your proxy form must be received by the Company's Registrars no later than 11 30 am on 11 December 2015.
- 6 All members are entitled to attend and vote at the Annual General Meeting and ask questions. The right to vote at the meeting will be determined by reference to the Register of Members as at 5 30 pm on 11 December 2015.
- 7 Any person to whom this notice is sent who is a person nominated under Section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him and the member by whom he was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights. The statement of the rights of members in relation to the appointment of proxies in note 2 above does not apply to Nominated Persons. The right described in that paragraph can only be exercised by members of the Company.
- 8 If the Chairman, as a result of any proxy appointments, is given discretion as to how the votes which are the subject of those proxies are cast and the voting rights in respect of those discretionary proxies, when added to the interests in the Company's securities already held by the Chairman, result in the Chairman holding such number of voting rights that he has a notifiable obligation under the Disclosure and Transparency Rules, the Chairman will make the necessary notifications to the Company and the Financial Conduct Authority. As a result, any member holding 3% or more of the voting rights in the Company who grants the Chairman a discretionary proxy in respect of some or all of those voting rights and so would otherwise have a notification obligation under the Disclosure and Transparency Rules, need not make separate notification to the Company and the Financial Conduct Authority.
- 9 Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that to be entitled to attend and vote at the Annual General Meeting (and for the purpose of determining the number of votes they may cast), members must be entered on the Register of Members by 5 30 pm on 11 December 2015. If the meeting is adjourned then, to be so entitled, members must be entered on the Register of Members at 5 30 pm on the day two days before the time fixed for the adjourned meeting, or, if the Company gives notice of the adjourned meeting, at any other time specified in that notice.
- 10 As at 6 November 2015 (the latest practicable date prior to the publication of this document) the Company's issued share capital consisted of 266,524,480 ordinary shares (excluding Treasury Shares) carrying one vote each. Therefore, the total number of voting rights in the Company as at 6 November 2015 was 266,524,480. As at 6 November 2015, there were 4,120,000 shares held in Treasury by the Company.
- 11 Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
- 12 Shareholders and any proxies or representatives they appoint understand that by attending the meeting they are expressly agreeing that they are willing to receive any communications, including communications relating to the Company's securities, made at the meeting.

Notice of Meeting

- 13 It is possible that, pursuant to requests made by members of the Company under Section 527 of the Companies Act 2006, the Company may be required to publish on its website a statement setting out any matter relating to the audit of the Company's accounts (including the Auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting or any circumstance connected with an Auditor of the Company ceasing to hold office since the previous meeting at which the Annual Report and Financial Statements were laid. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with such requests. Where the Company is required to place a statement on a website under Section 527 of the Companies Act 2006, it must forward the statement to the Company's Auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under Section 527 of the Companies Act 2006 to publish on its website.
- 14 No Director has a service contract with the Company.
- 15 A copy of this notice and other information required by Section 311A of the Companies Act 2006 is published on the Company's website at www.fidelity.co.uk/its.

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

Shareholder Information

INVESTING IN FIDELITY SPECIAL VALUES PLC

Fidelity offers a range of options, so that you can invest in the way that is best for you. Details of how to invest can be found on Fidelity's website at www.fidelity.co.uk/investor/investment-trusts/apply-now-page

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

CONTACT INFORMATION

Private investors call free to 0800 41 41 10, 9 00 am to 6 00 pm, Monday to Saturday

Financial advisers call free to 0800 41 41 81, 8 00 am to 6 00 pm, Monday to Friday
Website www.fidelity.co.uk/its

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

Holders of ordinary shares

Capita Asset Services, Registrars to Fidelity Special Values PLC, 34 Beckenham Road, Beckenham, Kent BR3 4TU Telephone 0871 664 0300 (calls cost 10p per minute plus network extras Lines are open 8 30 am - 5 30 pm Monday to Friday) email shareholderenquiries@capita.co.uk

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

Fidelity Share Plan investors

Fidelity Investment Trust Share Plan, PO Box 12062, Mellon House, Ingrave Road, Brentwood, Essex CM14 9LX Telephone 0345 358 1107 (calls to this number are charged at your standard geographic rate from a BT landline dependent on the tariff. Other telephone service providers' costs may vary)

Fidelity ISA investors

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

General enquiries

General enquiries should be made to Fidelity, FIL Investments International, the Secretary, at the Company's registered office FIL Investments International Investment Trusts, Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, Surrey KT20 6RP Telephone 01732 361144 Fax 01737 836 892
Website www.fidelity.co.uk/its

Online Shareholder Services – Share Portal

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

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

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

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

Should you have any queries in respect of the above facilities, please do not hesitate to contact the Capita Share Portal helpline on 0871 664 0300 (calls cost 10p plus network extras), overseas +44 20 8639 3399, or by email at shareportal@capita.co.uk

Capita Share Dealing Services

You can make use of a low cost share dealing service provided by Capita Asset Services to buy or sell shares. Further information is available at www.capitadeal.com, or by telephoning 0871 664 0454 (calls cost 10p per minute plus network extras Lines are open 8 30 am - 5 30 pm 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

Capita's Dividend Reinvestment Plan offers a convenient way for shareholders to build up their shareholding by using dividend money to purchase additional shares. The plan is provided by Capita Asset Services, a trading name of Capita IRG Trustees Limited which is authorised and regulated by the Financial Conduct Authority

For more information and an application pack call 0371 664 0381 between 9 00 am and 5 30 pm Monday to Friday. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the UK will be charged at the applicable international rate

Alternatively you can email shares@capita.co.uk or log on to www.capitashareportal.com

ShareGift

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

KEEPING YOU UPDATED

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

Shareholder Information

MANAGER AND ADVISORS

Alternative Investment Fund Manager (AIFM/the Manager)

FIL Investment Services (UK) Limited
Oakhill House
130 Tonbridge Road
Hildenborough
Tonbridge
Kent
TN11 9DZ

Portfolio Manager, Secretary and Registered Office

FIL Investments International
Beech Gate
Millfield Lane
Lower Kingswood
Tadworth
Surrey
KT20 6RP

Independent Auditor

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

Lawyer

Dickson Minto WS
Broadgate Tower
20 Primrose Street
London
EC2A 2EW

Banker and Custodian

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

Depository

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

Financial Adviser and Stockbroker

Cenkos Securities plc
6,7,8 Tokenhouse Yard
London
EC2R 7AS

Registrar

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

COMPANY INFORMATION

The Company was launched on 17 November 1994. The original subscription price was £1 for each ordinary share of 25 pence each. Following the sub-division of ordinary shares on a five for one basis on 29 June 2015, the Company's share capital now comprises ordinary shares of 5 pence each and the restated original subscription price is 20 pence for each ordinary share.

The Company is a member of The Association of Investment Companies ("AIC") from whom general information on investment trusts can be obtained by telephoning 020 7282 5555 (email 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 Companies". The ordinary share price is also published in the Times, The Daily Telegraph and The Independent. You can also obtain current price information by telephoning Fidelity on 0800 41 41 10 (freephone) or FT Cityline on 0905 817 1690 (voice activated service) (calls charged at 60p per minute on a per second basis from a BT landline. Charges from other telephone networks may vary). The Reuters code for Fidelity Special Values PLC is FSVL, the SEDOL is 0332510 and the ISIN is GB0003325106.

NAV INFORMATION

The Net Asset Value of the Company is calculated on a daily basis and released to the London Stock Exchange.

UK 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, acquired at the time of the Company's launch, is £1 per ordinary share. The restated launch price is 20 pence per ordinary share following the sub-division of shares on 29 June 2015. All UK individuals under present legislation are permitted to have £11,100 of capital gains in the current tax year 2015/2016 (2014/2015: £11,000) before being liable for capital gains tax. Capital gains tax is charged at 18% and 28% dependant on the total amount of taxable income.

Alternative Investment Fund Manager's Disclosure

In compliance with the Alternative Investment Fund Managers Directive ("AIFMD"), the Board have appointed FIL Investment Services (UK) Limited ("FISL") (a Fidelity group company) as the Company's Alternative Investment Fund Manager ("AIFM"). FISL has delegated the portfolio management and company secretarial function to FIL Investments International (another Fidelity group company). Details of the Management Agreement can be found in the Directors' Report on page 22.

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

Function	AIFM Role and Responsibility	AIFMD Disclosure
Investment Management	The AIFM provides portfolio management of assets and investment advice in relation to the assets of the Company. It has delegated this function to FIL Investments International. The Board remains responsible for setting the investment strategy, investment policy and investment guidelines and the AIFM operates within these guidelines.	Details of the Company's investment objective, strategy and investment policy, including limits, are on pages 7 and 8.
Risk management	In its capacity as AIFM, FIL Investment Services (UK) Limited has a responsibility for risk management for the Company which is in addition to the Board's corporate governance responsibility for risk management. The Company has a Risk Management Process Document which is agreed with the Board and demonstrates that risk management is separated functionally and hierarchically from operating units and demonstrates independence safeguards. The Manager maintains adequate risk management systems in order to identify, measure and monitor all risks at least annually under AIFMD. The Manager is responsible for the implementation of various risk activities such as risk systems, risk profile, risk limits and testing. The Board, as part of UK corporate governance, remain responsible for the identification of significant risks and for the ongoing review of the Company's risk management and internal control processes.	The AIFM has an ongoing process for identifying, evaluating and managing the principal risks faced by the Company and this is regularly reviewed by the Board. The Board remains responsible for the Company's system of internal control and for reviewing its effectiveness. Further details can be found in the Strategic Report on pages 8 and 9 and in Note 18 to the Financial Statements on pages 54 to 59.
Valuation of illiquid assets	The Directive requires the disclosure of the percentage of the AIF's assets which are subject to special arrangements arising from their illiquid nature. Further, any new arrangements for managing the liquidity of the Company must be disclosed.	Not Applicable
Leverage	The Company uses leverage to increase its exposure primarily to UK-listed companies and currently holds derivative instruments. The AIFM has set maximum levels of leverage that are reasonable. It has implemented systems to calculate and monitor compliance against these limits and has ensured that the limits have been complied with at all times. A definition of leverage is included in the Glossary of Terms on page 71.	The maximum leverage limits are 1.80 for the Gross Method of calculating leverage and 1.50 for the Commitment Method. There have been no changes to the maximum level of leverage that the Company may employ during the year. At 31 August 2015, actual leverage was 1.39 for the Gross Method and 1.24 for the Commitment Method.
Liquidity management	The AIFM, in consultation with the Board, maintains a liquidity management policy which is considered at least annually.	No new arrangements for managing the liquidity of the Company have been made. Further details can be found in Note 18 on page 56.
Remuneration of the AIFM	The AIFM operates under the terms of Fidelity's Global Remuneration Policy Statement. This ensures that the AIFM complies with the requirements of the FCA's Remuneration Code (SYSC19A), the AIFM Remuneration Code (SYSC19B) and the BIPRU Remuneration Code (SYSC19C).	The FCA's <i>General Guidance on the AIFM Remuneration Code</i> has established that the first reporting year will not commence until after the AIFM's first full performance year post authorisation. Accordingly, there is no data to disclose in respect of remuneration of the AIFM for this year.

The AIFM's Annual Report is available to Shareholders on request. Please contact the Company Secretary whose address can be found on page 67.

Warning to Shareholders

SHARE FRAUD WARNING

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

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

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

PROTECT YOURSELF

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

- 1 Get the name of the person and organisation contacting you
- 2 Check the FCA Register at www.fca.org.uk/register to ensure they are authorised
- 3 Use the details on the FCA Register to contact the firm
- 4 Call the FCA Consumer Helpline on **0800 111 6768** if there are no contact details on the Register or you are told they are out of date
- 5 Search the FCA's website list of unauthorised firms and individuals to avoid doing business with
- 6 **REMEMBER** if it sounds too good to be true, it probably is!

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

REPORT A SCAM

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

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

0300 123 2040

Glossary of Terms

AIF

Alternative Investment Fund The Company is an AIF

AIFM

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

AIFMD

The Alternative Investment Fund Managers Directive is a European Union Directive implemented on 22 July 2014

BENCHMARK INDEX

FTSE All-Share Index against which the performance of the Company is measured

CAPITAL GAINS TAX (CGT)

The tax which you may have to pay if you sell your shares at a profit

COLLATERAL

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

CONTRACT FOR DIFFERENCE (CFD)

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

CORPORATION TAX

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

DERIVATIVES

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

DISCOUNT

If the share price of the Company is lower than the net asset value per share, the Company is said to be trading at a discount. The discount is shown as a percentage of the net asset value. The opposite of a discount is a premium.

FAIR VALUE

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

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

FUTURE OR FUTURE CONTRACT

An agreement to buy or sell a fixed amount of an asset at a fixed future date and a fixed price.

GEARING

Gearing describes the level of the Company's exposure and is expressed as a percentage of Shareholders' funds. It reflects the amount of exposure the Company uses to invest in the market. It can be obtained through the use of bank loans, bank overdrafts and derivatives, in order to increase the Company's exposure to market price movements. The Company uses two key measures of gearing.

- **Gross gearing** is the total of, long exposures, plus short exposures and less exposures hedging the portfolio, expressed as a percentage of Shareholders' funds
- **Net gearing** is the total of, long exposures, less short exposures and less exposures hedging the portfolio, expressed as a percentage of Shareholders' funds

GROSS ASSET EXPOSURE

Gross Asset Exposure measures the exposure to market price movements as a result of owning shares, derivative instruments and fixed-interest securities.

HEDGING

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

Glossary of Terms

LEVERAGE

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

- The Gross Method which does not reduce exposure for hedging,
- The Commitment Method which reduces exposure for hedging

NET ASSET VALUE (NAV)

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

ONGOING CHARGES

Ongoing charges are the regular, recurring operational expenses of the Company. Finance costs, taxation and the costs of buying and selling investments are excluded. The ongoing charges figure is calculated annually and expresses ongoing charges as a percentage of the average daily net asset values for the reporting year.

OPTIONS

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

PRE-EMPTION RIGHTS

Section 561 of the Companies Act 2006 provides that a company offering a new issue of shares must first make an offer of these shares, on the same or more favourable terms, in proportion to the nominal value held by existing Shareholders. At each annual general meeting, the Board seeks Shareholder approval to disapply pre-emption right provisions, up to 10% of issued share capital.

PREMIUM

If the share price of the Company is higher than the net asset value per share, the Company is said to be trading at a premium.

The premium is shown as a percentage of the net asset value. The opposite of a premium is a discount.

RETURN

The return generated in a given period from the investments.

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

SHAREHOLDERS' FUNDS

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

TOTAL RETURN PERFORMANCE

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

TREASURY SHARES

Ordinary shares of the Company that have been repurchased by the Company and not cancelled but held in Treasury. These shares do not pay dividends, have no voting rights and are excluded from the net asset value per share calculation.

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