

Fidelity Special Values PLC

For the six months ended 28 February 2017



FidelityTM
INTERNATIONAL

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As mentioned in last year's Annual Report, the Board believe that Shareholders would prefer a more balanced interim and final dividend payment than those paid in the last two years. Following this, I am pleased to say that the Company will pay an interim dividend of 1.80 pence per share which represents an increase of 80% over the 1.00 pence paid last year. The dividend will be paid on 8 June 2017 to Shareholders on the register on 19 May 2017.

Andy Irvine, Chairman

**INVESTING IN
COMPANIES WITH
UNRECOGNISED
POTENTIAL**

LET'S TALK HOW.



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.

Six months ended 28 February 2017

Net Asset Value ("NAV") per Share total return¹

+10.9%

2016: -2.7%

Share Price total return¹

+20.7%

2016: -3.9%

FTSE All-Share Index (Benchmark Index) total return¹

+8.6%

2016: -1.2%

Interim Dividend

1.80p

2016: 1.00p

¹ Includes reinvested income

	28 February 2017	31 August 2016
Assets		
Shareholders' funds	£632.1m	£578.3m
NAV per share	238.92p	217.94p
Share price and discount data		
Share price at period end	234.00p	196.25p
Share price period high ¹	236.00p	203.00p
Share price period low ¹	195.00p	170.00p
Discount at period end	(2.1%)	(10.0%)
Discount period low/Premium period high ¹	(0.4%)	1.3%
Discount period high ¹	(12.7%)	(13.3%)

¹ For the six month period to 28 February 2017 and for the year to 31 August 2016

Sources: Fidelity and Datastream

Past performance is not a guide to future returns

Portfolio Manager's Half-Yearly Review

Performance

The performance of the Company over the six-month period to 28 February 2017 was very positive, resulting in a net asset value ("NAV") total return of 10.9% and a share price total return of 20.7%, compared to a total return of 8.6% for the Benchmark Index (the FTSE All-Share Index). This report seeks to explain the reasons for the performance over the review period.

Total returns (%)	1 year	3 years	5 years	Since launch*
NAV per share	+25.3	+26.3	+117.6	+1,571.9
Share price	+27.1	+28.4	+144.8	+1,586.4
FTSE All-Share Index	+22.8	+20.2	+55.3	+425.6

The figures in the table above are as at 28 February 2017

*The Company launched on 17 November 1994

The attribution analysis table below shows the factors that contributed to the Company's NAV per share total return for the six months to 28 February 2017.

Analysis of the change in NAV total return for the period (%)

Impact of:

Index	+8.6
Stock selection	+2.4
Gearing	+0.5
Share repurchases	+0.1
Operational costs	-0.7
Total return for the six months to 28 February 2017	+10.9

Stock Market and Portfolio Review

The UK stock market performed strongly over the review period with the FTSE All-Share Index recording gains of 8.6%. Contrary to expectations, the UK economy remained relatively resilient, which helped to ease concerns over the economic implications of the Brexit vote. The continued weakness in sterling also supported stock prices, though there were signs of stabilisation in the exchange rate. The strengthening US economy, leading to an increase in interest rates in December further supported investor sentiment, while they also reacted positively to Donald Trump's victory in the US presidential elections.

The very strong performance of cyclical shares in the second half of 2016, and so far this year, has left many investors arguing that their re-rating was unjustified, citing an uncertain political and macro-economic environment as reasons to avoid them, and thus preferring to stick to exclusively 'defensive' investment strategies. Indeed, having seen such a significant re-rating of many lower-quality businesses, one can see the sense in questioning the attractiveness of these businesses today. Although this view may appear intuitively sensible, I think it contains a faulty analysis of today's market.

The outsize returns in cyclical stocks during the review period primarily reflect their historically unloved and under-owned status at the beginning of 2016, rather than rampant optimism at the end. In other words, it was a big bounce off a low base. It is true that earnings expectations have recovered but, in selected areas, they are by no means excessive. So, while the relative performance potential of cyclical shares remains attractive, a more discriminating approach will be required to separate the best opportunities from those that could disappoint.

In terms of performance, the Company's NAV outperformed the Benchmark Index over the reporting period. Strong stock selection among financials was the biggest contributor to returns during the period, with several of our holdings making significant contributions. At a stock level, US banking major Citigroup was the leading contributor to returns as the increase in US interest rates and expectations that banks could benefit from potentially lower taxes and a friendlier regulatory environment under President Trump supported banking shares. Litigation finance company Burford Capital was another notable contributor; Burford is an early mover and global leader in a new and fragmented industry. As a fully integrated company, with legal expertise and due diligence in house as well as a good brand, Burford is in the best position to benefit from an increase in penetration of litigation financing. Meanwhile, the holding in Coats, a maker of threads and zips, rose after it said it will inject £255 million into its pension schemes to settle a regulatory dispute. The settlement is expected to allow the company to lift a suspension on dividend payments. Merger and acquisition activity remained a key driver of portfolio returns. For example, the holding in Indonesian palm oil plantation owner M.P. Evans rose after Kuala Lumpur Kepong made a takeover offer for the company.

On the downside, the underweight stance in the resources sectors, particularly mining, proved a drag on overall performance. The demand improvement in the mining sector is being driven primarily by Chinese stimulus, the economic value of which is questionable and it is unlikely to last forever. With no meaningful supply-side adjustment taking place in key industrial metal markets, there is a real risk of significant disappointment if a withdrawal of Chinese stimulus packages causes a fall in spot prices. As such, I largely continue to avoid the sector for the time being.

Royal Dutch Shell remains the top holding in the portfolio. Even after rising 50% last year, its shares still trade on around a 6% dividend yield, suggesting that the market does not believe the company will be able to sustainably cover its dividend with free cash flow, and that it will ultimately be forced to cut the dividend. However, I believe that improved capital discipline in the company and rising cash flows following its merger with BG Group's assets will allow the dividend to be covered, and possibly in time, grow once again. Although Royal Dutch Shell's valuation did rise last year, it was primarily driven by the recovery in the oil price rather than the market fundamentally re-appraising its view of the value of the company – meaning there is considerable potential for its share price, in addition to the gains of last year.

One of the consequences of the 2016 rally in cyclical stocks is that more value has begun appearing in selected defensive stocks which have less exposure to the performance of the economy. Although in general, there is still a large gap in valuations between cyclical and defensive stocks, the picture is more nuanced than it was 12 months ago, and stockpicking opportunities have become available in some classically defensive sectors, such as health care, telecommunications and even tobacco. I welcome this opportunity to give the Company's portfolio a more balanced exposure, and I have recently increased positions in pharmaceuticals group Shire and telecommunications company BT Group, which are now both top five holdings for the portfolio. Scandinavian Tobacco is a non-UK stock which the Company bought in the second half of last year. Its leading competitive position gives it good pricing power in the structurally declining cigar market, which should enable it to hold sales flat while growing cash profits over the medium term.

Portfolio Manager's Half-Yearly Review continued

Outlook

The unforeseen political changes in 2016, alongside reasonable global GDP growth, have presented the first serious challenge to the deeply embedded 'lower for longer' interest rates framework. If interest rates have finally stopped falling, this would remove what has been a structural headwind, and create a much more supportive environment for value investing to re-assert itself in the mainstream market, after a long period in the wilderness. While I do not expect value investing to outperform in a straight line from here, nor necessarily to repeat the dramatic short term outperformance of last year, 2016 should serve as a reminder to investors that proper diversification means being prepared for multiple macroeconomic scenarios, including inflation, growth and rising interest rates.

As ever, I will be spending my time researching and meeting companies, looking for those that offer some degree of downside protection but also potential for a positive change to show them in a new light. In my experience, this is the best way to deliver capital growth over the long term.

Alex Wright

Portfolio Manager

26 April 2017

Interim Management Report

Discount and Share Repurchases

Under the Company's discount management policy, the Board seeks to maintain the discount in single digits in normal market conditions and will repurchase 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 10.0% at the start of the reporting period to 2.1% as at 28 February 2017. This narrowing of discount gave rise to a share price total return of 20.7% for the six months, well ahead of the NAV total return of 10.9%. The Board continues to monitor the discount closely and will take action where it feels it to be effective.

In the six months to 28 February 2017, the Company's shares traded within a discount range of 0.4% to 12.7% and the Company repurchased 800,000 ordinary shares into Treasury.

Interim Dividend

The Board's dividend policy is to pay dividends twice yearly in order to smooth the dividend payment throughout the year. As mentioned in last year's Annual Report, the Board believe that Shareholders would prefer a more balanced interim and final dividend payment than those paid in the last two years. The Company's revenue return for the six months to 28 February 2017 was 1.67 pence per share and the Board has declared an interim dividend of 1.80 pence per share, thereby increasing last year's interim dividend by 80%. This will be paid on 8 June 2017 to Shareholders on the register on 19 May 2017 (ex-dividend date 18 May 2017).

A high percentage of our Shareholders reinvest their dividends for additional shares in the Company. Until 2016, the final dividend payment has been made in December each year and it has sometimes been difficult to find sufficient

shares in the market place to meet the required demand for the dividend reinvestments. This is because the market is not as active in the second half of December leading up to the Christmas period. In order to address this problem, the Board has decided to change the payment date of the final dividend from December to January and as a consequence change the interim payment from May to June so that both payments are approximately six months apart.

Principal Risks and Uncertainties

The Board, with the assistance of the Manager, has developed a risk matrix which, as part of the risk management and internal controls process, identifies the key risks faced by the Company.

The Board believes that the principal risks and uncertainties faced by the Company continue to fall into two broad categories. The first category is external risks which comprises of market risk, share price risk, discount control risk and regulatory risk. The second category is internal risks comprising of investment management risk and governance, operational, financial, compliance, administration etc risks. Information on each of these risks is given in the Strategic Report section of the Annual Report for the year ended 31 August 2016. A copy of the Annual Report can be found on the Company's pages of the Manager's website at www.fidelityinvestmenttrusts.com.

These risks and uncertainties have not materially changed during the six months to 28 February 2017 and are equally applicable to the remaining six months of the Company's financial year.

Interim Management Report continued

Transactions with the Manager and Related Party

FIL Investment Services (UK) Limited is the Company's Alternative Investment Fund Manager (the "Manager") and has delegated the Company's portfolio management to FIL Investments International. The transactions with the Manager and related party transactions with the Directors are disclosed in Note 12 to the Financial Statements on page 22.

Going Concern

The Directors have considered the Company's investment objective, policy, strategy and the Company's projected income and expenditure and that the portfolio of investments is considered to be mainly readily realisable securities. Therefore, the Directors believe that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing these Financial Statements.

Continuation votes are held every three years and the next continuation vote will be put to Shareholders at the Annual General Meeting in 2019.

By order of the Board

FIL Investments International

26 April 2017

Directors' Responsibility Statement

The Disclosure and Transparency Rules ("DTR") of the UK Listing Authority require the Directors to confirm their responsibilities in relation to the preparation and publication of the Interim Management Report and Financial Statements.

The Directors confirm to the best of their knowledge that:

- a) the condensed set of Financial Statements contained within the Half-Yearly Report has been prepared in accordance with the Financial Reporting Council's Standard: FRS 104: Interim Financial Reporting; and
- b) the Interim Management Report, together with the Portfolio Manager's Half-Yearly Review on pages 2 to 4, includes a fair review of the information required by DTR 4.2.7R and 4.2.8R.

The Half-Yearly Report has not been audited by the Company's Independent Auditor.

The Half-Yearly Report was approved by the Board on 26 April 2017 and the above responsibility statement was signed on its behalf by Andy Irvine, Chairman.

Twenty Largest Investments

as at 28 February 2017

The Gross Asset Exposures shown below measure exposure to market price movements as a result of owning shares and derivative instruments. The Balance Sheet Value is the actual value of the portfolio. Where a contract for difference ("CFD") is held, the Balance Sheet Value reflects the profit or loss on the contract since it was opened and is based on how much the share price of the underlying share has moved.

		Gross Asset Exposure		Balance Sheet Value
		£'000	% ¹	£'000
Long Exposures – shares unless otherwise stated				
Royal Dutch Shell (shares and long CFD)	Oil & Gas Producers	39,167	6.2	22,729
Citigroup	Banks	36,127	5.7	36,127
CRH (long CFD)	Construction & Materials	28,437	4.5	5,131
Shire	Pharmaceuticals & Biotechnology	26,853	4.2	26,853
BT Group	Telecommunications	26,668	4.2	26,668
Ultra Electronics Holdings	Aerospace & Defence	24,608	3.9	24,608
Ladbrokes	Travel & Leisure	20,602	3.3	20,602
Royal Mail (shares and long CFD)	Industrial Transportation	19,166	3.0	8,263
Phoenix Group Holdings	Life Insurance	18,954	3.0	18,954
Lloyds Banking Group (long CFD)	Banks	18,821	3.0	(11)
Burford Capital	Financial Services	16,691	2.7	16,691
esure Group	Non-life Insurance	16,376	2.6	16,376
Homeserve	Support Services	16,300	2.6	16,300
Hewlett-Packard Enterprises	Information Technology Services	14,621	2.3	14,621
Aviva (long CFD)	Life Insurance	14,494	2.3	2,654
Livanova	Health Care	13,894	2.2	13,894
Electra Private Equity	Equity Investment Instruments	12,691	2.0	12,691
Bank of Ireland (long CFD)	Banks	12,679	2.0	(2,423)
Wolseley	Support Services	12,130	1.9	12,130
Synthomer	Chemicals	12,064	1.9	12,064

	Gross Asset Exposure		Balance Sheet Value
	£'000	% ¹	£'000
Twenty largest long exposures	401,343	63.5	304,922
Other long exposures	304,437	48.1	301,241
Total long exposures before hedges (107 holdings)	705,780	111.6	606,163
Less: hedging exposure			
FTSE 250 Index Future March 2017	(38,104)	(6.0)	(2,158)
Total long exposures after the netting of hedges	667,676	105.6	604,005
Short exposures			
Short CFDs (7 holdings)	13,736	2.2	(769)
Gross Asset Exposure	681,412	107.8	
Portfolio Fair Value²			603,236
Net current assets (excluding derivative instrument assets and liabilities)			28,818
Shareholders' Funds			632,054

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

² Portfolio Fair Value comprises £596,006,000 of Investments plus £14,250,000 of derivative instrument assets and less £7,020,000 of derivative instrument liabilities, as shown on the Balance Sheet on page 14

Income Statement

for the six months ended 28 February 2017

		six months ended 28 February 2017 unaudited		
	Notes	revenue £'000	capital £'000	total £'000
Gains/(losses) on investments		–	53,513	53,513
Gains/(losses) on long CFDs		–	6,790	6,790
(Losses)/gains on short CFDs, futures and options		–	(1,560)	(1,560)
Investment and net derivative income	4	7,808	–	7,808
Other interest	4	142	–	142
Investment management fees	5	(2,907)	–	(2,907)
Other expenses		(321)	–	(321)
Foreign exchange (losses)/gains		–	(636)	(636)
Net return/(loss) before finance costs and taxation		4,722	58,107	62,829
Finance costs		(196)		(196)
Net return/(loss) on ordinary activities before taxation		4,526	58,107	62,633
Taxation	6	(115)	–	(115)
Net return/(loss) on ordinary activities after taxation for the period		4,411	58,107	62,518
Return/(loss) per ordinary share	7	1.67p	21.94p	23.61p

The Company does not have any other comprehensive income. Accordingly the net return on ordinary activities after taxation for the period is also the total comprehensive income for the period and no separate Statement of Comprehensive Income has been presented.

The total column of this statement represents the Income Statement of the Company. The revenue and capital columns are supplementary and presented for information purposes as recommended by the Statement of Recommended Practice issued by the AIC.

No operations were acquired or discontinued in the year and all items in the above statement derive from continuing operations.

year ended 31 August 2016 audited			six months ended 29 February 2016 unaudited		
revenue £'000	capital £'000	total £'000	revenue £'000	capital £'000	total £'000
-	43,853	43,853	-	(16,831)	(16,831)
-	1,328	1,328	-	(3,510)	(3,510)
-	(3,840)	(3,840)	-	3,676	3,676
18,022	-	18,022	5,955	-	5,955
127	-	127	52	-	52
(5,186)	-	(5,186)	(2,561)	-	(2,561)
(694)	-	(694)	(367)	-	(367)
28	(285)	(257)	11	(94)	(83)
12,297	41,056	53,353	3,090	(16,759)	(13,669)
(1,085)	-	(1,085)	(470)	-	(470)
11,212	41,056	52,268	2,620	(16,759)	(14,139)
(175)	-	(175)	(90)	-	(90)
11,037	41,056	52,093	2,530	(16,759)	(14,229)
4.15p	15.42p	19.57p	0.95p	(6.29p)	(5.34p)

Statement of Changes in Equity

for the six months ended 28 February 2017

	Notes	share capital £'000
Six months ended 28 February 2017 (unaudited)		
Total Shareholders' funds at 31 August 2016		13,532
Ordinary shares repurchased and held in Treasury		–
Net return on ordinary activities after taxation for the period		–
Dividend paid to Shareholders	8	–
Total Shareholders' funds at 28 February 2017		13,532
Year ended 31 August 2016 (audited)		
Total Shareholders' funds at 31 August 2015		13,532
Ordinary shares repurchased and held in Treasury		–
Net return on ordinary activities after taxation for the year		–
Dividend paid to Shareholders	8	–
Total Shareholders' funds at 31 August 2016		13,532
Six months ended 29 February 2016 (unaudited)		
Total Shareholders' funds at 31 August 2015		13,532
Ordinary shares repurchased and held in Treasury		–
Net (loss)/return on ordinary activities after taxation for the period		–
Dividend paid to Shareholders	8	–
Total Shareholders' funds at 29 February 2016		13,532

share premium account £'000	capital redemption reserve £'000	other non- distributable reserve £'000	capital reserve £'000	revenue reserve £'000	total equity £'000
95,896	3,256	5,152	450,196	10,259	578,291
-	-	-	(1,612)	-	(1,612)
-	-	-	58,107	4,411	62,518
-	-	-	-	(7,143)	(7,143)
95,896	3,256	5,152	506,691	7,527	632,054
95,896	3,256	5,152	411,356	8,144	537,336
-	-	-	(2,216)	-	(2,216)
-	-	-	41,056	11,037	52,093
-	-	-	-	(8,922)	(8,922)
95,896	3,256	5,152	450,196	10,259	578,291
95,896	3,256	5,152	411,356	8,144	537,336
-	-	-	(468)	-	(468)
-	-	-	(16,759)	2,530	(14,229)
-	-	-	-	(6,262)	(6,262)
95,896	3,256	5,152	394,129	4,412	516,377

Balance Sheet

at 28 February 2017

Company number 2972628

	Notes	28.02.17 unaudited £'000	31.08.16 audited £'000	29.02.16 unaudited £'000
Fixed assets				
Investments	9	596,006	539,096	489,821
Current assets				
Derivative instruments	9	14,250	16,169	16,940
Debtors		4,070	4,995	3,336
Amounts held at futures clearing houses and brokers		4,081	7,365	1,088
Fidelity Institutional Liquidity Fund		23,417	24,359	14,253
Cash at bank		2,673	2,469	1,689
		48,491	55,357	37,306
Creditors				
Derivative instruments	9	(7,020)	(13,783)	(8,981)
Other creditors		(5,423)	(2,379)	(1,769)
		(12,443)	(16,162)	(10,750)
Net current assets		36,048	39,195	26,556
Net assets		632,054	578,291	516,377
Capital and reserves				
Share capital	10	13,532	13,532	13,532
Share premium account		95,896	95,896	95,896
Capital redemption reserve		3,256	3,256	3,256
Other non-distributable reserve		5,152	5,152	5,152
Capital reserve		506,691	450,196	394,129
Revenue reserve		7,527	10,259	4,412
Total Shareholders' funds		632,054	578,291	516,377
Net asset value per ordinary share	11	238.92p	217.94p	193.93p

Notes to the Financial Statements

1 Principal activity

Fidelity Special Values PLC is an Investment Company incorporated in England and Wales with a premium listing on the London Stock Exchange. The Company's registration number is 2972628, and its registered office is Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, Surrey, KT20 6RP. The Company has been approved by HM Revenue & Customs as an Investment Trust under Section 1158 of the Corporation Tax Act 2010 and intends to conduct its affairs so as to continue to be approved.

2 Publication of non-statutory accounts

The Financial Statements in this Half-Yearly Financial Report have not been audited by the Company's Independent Auditor and do not constitute statutory accounts as defined in section 434 of the Companies Act 2006 (the "Act"). The financial information for the year ended 31 August 2016 is extracted from the latest published Financial Statements of the Company. Those Financial Statements were delivered to the Registrar of Companies and included the Independent Auditor's Report which was unqualified and did not contain a statement under either section 498(2) or 498(3) of the Act.

3 Basis of preparation

The Company prepares its Financial Statements on a going concern basis and in accordance with UK Generally Accepted Accounting Practice ("UK GAAP") and FRS 102: The Financial Reporting Standard applicable in the UK and Republic of Ireland, issued by the Financial Reporting Council. The Financial Statements are also prepared in accordance 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 November 2014. FRS 104: Interim Financial Reporting has also been applied in preparing this condensed set of Financial Statements. The accounting policies followed are consistent with those disclosed in the Company's Annual Report and Financial Statements for the year ended 31 August 2016.

Notes to the Financial Statements continued

4 Income

	six months ended 28.02.17 unaudited £'000	year ended 31.08.16 audited £'000	six months ended 29.02.16 unaudited £'000
Investment income			
UK dividends	4,107	9,327	3,442
UK scrip dividends	–	95	–
Overseas dividends	1,603	3,546	1,184
Overseas scrip dividends	575	862	292
Debt security interest	269	384	131
	6,554	14,214	5,049
Derivative income/(expenses)			
Dividends received on long CFDs	1,440	4,937	1,291
Dividends and interest paid on short CFDs	(186)	(1,129)	(385)
	1,254	3,808	906
Investment and net derivative income	7,808	18,022	5,955
Other interest			
Interest received on short CFDs	97	56	27
Interest received on bank deposits and money market funds	45	71	25
	142	127	52
Total investment and net derivative income and other interest	7,950	18,149	6,007

5 Investment management fees

	six months ended 28.02.17 unaudited £'000	year ended 31.08.16 audited £'000	six months ended 29.02.16 unaudited £'000
Portfolio management services	2,607	4,586	2,261
Non-portfolio management services ¹	300	600	300
Investment management fees	2,907	5,186	2,561

¹ Includes company secretarial, fund accounting, taxation, promotional and corporate advisory services.

FIL Investment Services (UK) Limited is the Company's Alternative Investment Fund Manager and has delegated portfolio management to FIL Investments International ("FIL"). Both companies are Fidelity group companies. FIL charges portfolio management services fees at an annual rate of 0.875% of net assets. Fees are payable quarterly in arrears and are calculated on the last business day of March, June, September and December.

6 Taxation

	six months ended 28.02.17 unaudited £'000	year ended 31.08.16 audited £'000	six months ended 29.02.16 unaudited £'000
Overseas taxation recovered	–	(18)	(17)
Overseas taxation suffered	115	193	107
Total taxation charge for the period	115	175	90

Notes to the Financial Statements continued

7 Return/(loss) per ordinary share

	six months ended 28.02.17 unaudited	year ended 31.08.16 audited	six months ended 29.02.16 unaudited
Revenue return per ordinary share	1.67p	4.15p	0.95p
Capital return/(loss) per ordinary share	21.94p	15.42p	(6.29p)
Total return/(loss) per ordinary share	23.61p	19.57p	(5.34p)

The return/(loss) per ordinary share is based on the net return/(loss) on ordinary activities after taxation for the period divided by the weighted average number of ordinary shares in issue held outside Treasury during the period, as shown below:

	£'000	£'000	£'000
Net revenue return on ordinary activities after taxation	4,411	11,037	2,530
Net capital return/(loss) on ordinary activities after taxation	58,107	41,056	(16,759)
Net return/(loss) on ordinary activities after taxation	62,518	52,093	(14,229)

	number	number	number
Weighted average number of ordinary shares in issue held outside Treasury	264,773,651	266,183,770	266,463,491

8 Dividends paid to Shareholders

	six months ended 28.02.17 unaudited £'000	year ended 31.08.16 audited £'000	six months ended 29.02.16 unaudited £'000
Final dividend of 2.70 pence per ordinary share paid for the year ended 31 August 2016	7,143	-	-
Interim dividend of 1.00 pence per ordinary share paid for the year ended 31 August 2016	-	2,660	-
Final dividend of 2.35 pence per ordinary share paid for the year ended 31 August 2015	-	6,262	6,262
Total dividends paid	7,143	8,922	6,262

8 Dividends paid to Shareholders continued

The Company has declared an interim dividend for the six month period to 28 February 2017 of 1.80 pence per ordinary share (2016: 1.00 pence). The interim dividend will be paid on 8 June 2017 to Shareholders on the register at 19 May 2017 (ex-dividend date 18 May 2017). The total cost of this interim dividend, which has not been included as a liability in these Financial Statements, is £4,761,000 (2016: £2,660,000). This amount is based on the number of ordinary shares in issue held outside Treasury at the date of this Report.

9 Fair value hierarchy

The Company is required to disclose the fair value hierarchy that classifies its 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	Valued by reference to
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 table below sets out the Company's fair value hierarchy:

	28 February 2017 unaudited			
	level 1 £'000	level 2 £'000	level 3 £'000	total £'000
Financial assets at fair value				
Investments	589,570	117	6,319	596,006
Derivative instruments	–	14,250	–	14,250
	589,570	14,367	6,319	610,256
Financial liabilities at fair value				
Derivative instruments	(2,158)	(4,862)	–	(7,020)

Notes to the Financial Statements continued

9 Fair value hierarchy continued

	31 August 2016 audited			
	level 1 £'000	level 2 £'000	level 3 £'000	total £'000
Financial assets at fair value				
Investments	527,418	5,818	5,860	539,096
Derivative instruments	-	16,169	-	16,169
	527,418	21,987	5,860	555,265

Financial liabilities at fair value

Derivative instruments	(2,342)	(11,441)	-	(13,783)
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	29 February 2016 unaudited			
	level 1 £'000	level 2 £'000	level 3 £'000	total £'000
Financial assets at fair value				
Investments	489,561	-	260	489,821
Derivative instruments	-	16,940	-	16,940
	489,561	16,940	260	506,761

Financial liabilities at fair value

Derivative instruments	-	(8,981)	-	(8,981)
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10 Share capital

	28 February 2017 unaudited		31 August 2016 audited		29 February 2016 unaudited	
	number of shares	£'000	number of shares	£'000	number of shares	£'000
Ordinary shares of 5 pence each – issued, allotted and fully paid						
Held outside Treasury						
Beginning of the period	265,349,480	13,267	266,524,480	13,326	266,524,480	13,326
Ordinary shares repurchased and transferred into Treasury	(800,000)	(40)	(1,175,000)	(59)	(250,000)	(13)
End of the period	264,549,480	13,227	265,349,480	13,267	266,274,480	13,313
Held in Treasury						
Beginning of the period	5,295,000	265	4,120,000	206	4,120,000	206
Ordinary shares repurchased and held in Treasury	800,000	40	1,175,000	59	250,000	13
End of the period	6,095,000	305	5,295,000	265	4,370,000	219
Total share capital		13,532		13,532		13,532

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

Notes to the Financial Statements continued

11 Net asset value per ordinary share

The net asset value per ordinary share is based on net assets of £632,054,000 (31 August 2016: £578,291,000 and 29 February 2016: £516,377,000) and on 264,549,480 (31 August 2016: 265,349,480 and 29 February 2016: 266,274,480) ordinary shares, being the number of ordinary shares in issue held outside Treasury at the period end. It is the Company's policy that shares held in Treasury will only be reissued at a premium to net asset value per ordinary share and, therefore, shares held in Treasury have no dilutive effect.

12 Transactions with the Manager and related parties

FIL Investment Services (UK) Limited is the Company's Alternative Investment Fund Manager and has delegated portfolio management and the role of company secretary to FIL Investments International ("FIL"). Both companies are Fidelity group companies. Details of the fee arrangements are given in Note 5.

During the period management fees of £2,607,000 (year ended 31 August 2016: £4,586,000 and six months ended 29 February 2016: £2,261,000) and secretarial and administration fees of £300,000 (year ended 31 August 2016: £600,000 and six months ended 29 February 2016: £300,000) were payable to FIL. At the Balance Sheet date, management fees of £891,000 (31 August 2016: £810,000 and 29 February 2016: £738,000) and secretarial and administration fees of £100,000 (31 August 2016: £100,000 and 29 February 2016: £250,000) were accrued and included in other payables. FIL also provides the Company with marketing services. The total amount payable for these services during the period was £52,000 (year ended 31 August 2016: £155,000 and six months ended 29 February 2016: £80,000). At the Balance Sheet date, marketing services of £36,000 (31 August 2016: £63,000 and 29 February 2016: £98,000) were accrued and included in other payables.

As at 28 February 2017, the Board consisted of five non-executive Directors (as shown in the Directory on page 24), all of whom are considered to be independent by the Board apart from Nicky McCabe, who is employed by FIL Limited as Head of Investment Trusts. FIL Limited has no beneficial interest in the shares of the Company. None of the Directors have a service contract with the Company. The Chairman receives an annual fee of £38,750, the Audit Committee Chairman an annual fee of £30,000 and each other Director an annual fee of £25,500, apart from Nicky McCabe who waives her Director's fees. The following members of the Board hold ordinary shares in the Company: Andy Irvine 75,000 shares, Sharon Brown 15,600 shares, Dean Buckley 12,500 shares, Nigel Foster 30,000 shares and Nicky McCabe 13,183 shares.

Shareholder Information

Investing in Fidelity Special Values PLC

As Fidelity Special Values PLC is a company listed on the London Stock Exchange you can buy its shares through a stockbroker, share shop or bank. Fidelity also 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.fidelityinvestmenttrusts.com**

Contact information

Existing Shareholders should contact the appropriate administrator using the contact details given below. This may be Capita Asset Services, the Company's Registrar or Fidelity, or it may be another platform or administrator of your choice. Links to the websites of major platforms can be found online at **www.fidelityinvestmenttrusts.com**

Holders of ordinary shares on the main share register

Capita Asset Services, Registrar to Fidelity Special Values PLC, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

Telephone: **0871 664 0300** (calls cost 12p per minute plus network extras. If you are outside the United Kingdom, please call **+44 371 664 0300**. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open from 9.00am to 5.30pm, Monday to Friday excluding public holidays in England and Wales).

Email: **shareholderenquiries@capita.co.uk**

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

Fidelity Platform Investors

Fidelity, using the freephone numbers given below, or by writing to: UK Customer Service,

Fidelity International, Oakhill House, 130 Tonbridge Road, Hildenborough, Tonbridge, Kent TN11 9DZ.

Website: **www.fidelity.co.uk/fidelityits**

Private investors: call free on **0800 41 41 10**, 9.00am to 6.00pm, Monday to Saturday.

Financial advisers: call free on **0800 41 41 81**, 8.00am to 6.00pm, Monday to Friday.

General enquiries

General enquiries should be made to 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 36 11 44**.

Email: **investmenttrusts@fil.com**

Website: **www.fidelityinvestmenttrusts.com**

Financial Calendar 2017/8

28 February 2017	- Half-Yearly period end
April 2017	- Announcement of Half-Yearly results
May 2017	- Publication of Half-Yearly Report
8 June 2017	- Interim dividend payment
31 August 2017	- Financial year end
November 2017	- Publication of Annual Report
December 2017	- Annual General Meeting
January 2018	- Final dividend payment

Directory

Board of Directors

Andy Irvine (Chairman)
Sharon Brown (Senior Independent Director and
Chairman of the Audit Committee)
Dean Buckley
Nigel Foster
Nicky McCabe

Alternative Investment Fund Manager (AIFM/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
Email: investmenttrusts.com

Independent Auditor

Ernst & Young LLP
25 Churchill Place
London
E14 5RB

Lawyer

Dickson Minto W.S.
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

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

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

CONTRACT FOR DIFFERENCE (CFD)

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

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 of the contract and the value of the underlying shares in the contract (unrealised gains or losses).

FUTURES

An agreement to buy or sell a fixed amount of an asset at a fixed future date and at 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](#):

Glossary of Terms continued

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

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.

OPTIONS

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

PREMIUM

If the share price of the Company is higher than the **net asset value** per share, the Company 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 return; and
- **Total Return** reflects the aggregate of revenue and capital returns.

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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