

---

# Fidelity Special Values PLC

Half-Yearly Report

For the 6 months ended 28 February 2010

---



Managed by



## Contents

The Investment Objective	1
Summary of Results	2
Chairman's Statement	3
Half-Yearly Report	5
Responsibility Statement	8
Twenty Largest Investments	9
Financial Statements	10
Investor Information	20
Directory	21
Warning to Shareholders – "Boiler Room" Scams	22

---

# The Investment Objective

The investment objective of the Company is to achieve long term capital growth from an actively managed portfolio of special situation investments, consisting primarily of securities listed or traded on the London Stock Exchange. Up to 20% may be invested outside of the UK.

## Total Returns (%)

	Six months to 28 February 2010	From launch 17 November 1994
<b>Capital Returns</b>		
Net Asset Value (NAV) per share	-2.9	+498.8
Share price	-4.9	+450.8
FTSE All-Share Index	+8.6	+76.2
<b>Total Returns<sup>1</sup></b>		
NAV per share total return	-1.4	+602.8
Share price total return	-3.4	+555.1
FTSE All-Share Index total return	+10.1	+185.0

1 Total return includes reinvested income

## Standardised performance (on a total return basis %)

	01/03/05 to 28/02/06	01/03/06 to 28/02/07	01/03/07 to 29/02/08	01/03/08 to 28/02/09	01/03/09 to 28/02/10
NAV per share	+31.3	+11.5	-2.8	-31.0	+54.2
Share price	+24.3	+8.4	-7.5	-29.6	+54.1
FTSE All-Share Index	+22.3	+11.6	-2.7	-33.0	+47.3

Sources: Fidelity and Datastream

Past performance is not a guide to future returns

# Summary of Results

	28 February 2010	31 August 2009	% change
<b>Assets</b>			
Total assets employed <sup>1</sup>	£324.68m	£361.52m	-10.2
Shareholders' funds	£324.68m	£334.52m	-2.9
NAV per share	570.23p	587.50p	-2.9
Number of shares in issue	56,938,896	56,938,896	

## Stock market data

FTSE All-Share Index		2,736.80	2,520.66	+8.6
Share price	period end	523.00p	550.00p	-4.9
	high	577.00p	553.00p	
	low	478.00p	325.00p	
(Discount)/premium	period end	(8.3)%	(6.4)%	
	high	0.1%	4.4%	
	low	(10.6)%	(12.2)%	

## Returns for the six months to end February

	2010	2009
Capital loss per ordinary share	(10.98p)	(173.41p)
Capital + revenue loss per ordinary share	(8.27p)	(169.55p)

<sup>1</sup> Total assets less current liabilities. For the prior year this excluded the fixed term loan liability of £27m

**NAV: -2.9% TO 570.23P PER SHARE;  
SHARE PRICE: -4.9% TO 523.00P;  
BENCHMARK: +8.6% (FTSE ALL-SHARE INDEX)**

In contrast to the results of last year, we have had a disappointing start to this year with a decline of 2.9% in the net asset value ("NAV") to 570.23p per share. Nobody likes negative numbers and, unfortunately, they compare with a positive return of 8.6% earned by the FTSE All-Share Index, our benchmark.

In the report which follows, Sanjeev Shah explains the various factors within the portfolio which made up the results, but suffice it to say that your Board is not unduly concerned, particularly given the excellent return that he earned last year when the net asset value rose by 4.5% – against a fall of 12.1% in the benchmark. We, the Directors, make our assessments on a five year view, during which there will always be ups and downs. Over the last five years the NAV has risen 39.4%, the benchmark by 9.7%.

The share price fell a little bit more, declining by 4.9% to 523.00p with the result that the discount widened to 8.3%.

## BOARD APPOINTMENTS

In last year's annual report I stated that "we are in the process of appointing at least one more director to the Board". I am pleased to report that Andy Irvine and Sharon Brown have been appointed directors and their election will be the subject of resolutions at this year's Annual General Meeting in December.

Andy is Chairman of Montanaro European Smaller Companies PLC and a Director of Securities Trust of Scotland PLC and Non-Executive Chairman of Robertson Property. He is also Non-Executive Chairman of Jones Lang LaSalle Scotland, Chairman of the Scottish International Education Trust and Chairman of the British and Irish Lions Limited, having previously been President of the Scottish Rugby Union until 2007.

Sharon is Finance Director of Dobbies Garden Centres PLC, a subsidiary of Tesco and Member of Court and Audit Committee Chairman of Queen Margaret University, Edinburgh.

I also stated that during the coming of next year, I would step down as a director of the Company and as Chairman of the Board. I am delighted to tell you that Lynn Ruddick, who joined the Board in 2005, has been appointed Chairman with effect from 9 July 2010, following my last board meeting as a director. She is a most capable person and an able and experienced director of investment trusts and I feel the leadership of the Board will be in good hands.

## ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE

Some shareholders will be aware that the European Union is in the process of enacting a new directive, the Alternative Investment Fund Managers Directive (the "AIFM" Directive). It has come about because of concerns over the lack of regulation of hedge funds and of private equity funds but it, in effect, encompasses all funds not currently covered by its UCITs

# Chairman's Statement

---

directives – including investment trust companies. Its provisions, as originally proposed, were really quite harmful to the well being and modus operandi of investment trusts – in part because of a lack of understanding about them. The Association of Investment Companies (“AIC”) backed by the Treasury and the FSA, as well as our Manager, Fidelity International, have worked hard with legislators in Brussels to effect improvements in the Directive's provisions and, as things stand at the moment, quite a lot of improvements have been achieved. However the scope of the Directive is so far reaching that it maybe some time before we know the final outcome.

## OUTLOOK

Following the severe economic and financial crisis which erupted so violently in the autumn of 2008, the Bank of England engaged in a programme of what is known as quantitative easing – whereby the Bank supplied huge quantities of money to financial markets to alleviate the liquidity crisis and the Government enacted several measures, including the part nationalization of the Royal Bank of Scotland and Lloyds Banking Group, to stabilize the economy. The causes of the crisis were largely centered on overly indebted consumers, overly geared banks and poor banking governance and regulation. As a nation

we have been living beyond our means for many, many years. To date these causes have not been dealt with, rather it is just the symptoms that have been alleviated. The major risk associated with the policies is that they result in material levels of inflation and a further decline in the value of sterling. It will take many years to resolve them; meanwhile we are likely to experience low economic growth as a country.

Its effect on our stockmarkets is difficult to judge because low rates of economic growth are not normally good for corporate profits and share prices but, if low growth results in low interest rates and easy money, markets could perform quite well. In any event there should be lots of opportunities for investment – most particularly because of the significant exposure that so many UK companies have to more soundly financed and faster growing overseas economies.

**Alex Hammond-Chambers**

Chairman

15 April 2010

## HALF YEAR RETURNS:

The results for the first half of the year are contained in the tables on the preceding two pages and can be summarised as follows:

NAV: -1.4% to 570.23p per share;  
 Share Price: -3.4% to 523.00p;  
 Benchmark: +10.1% (FTSE All-Share Index)  
 (All figures on a total return basis)

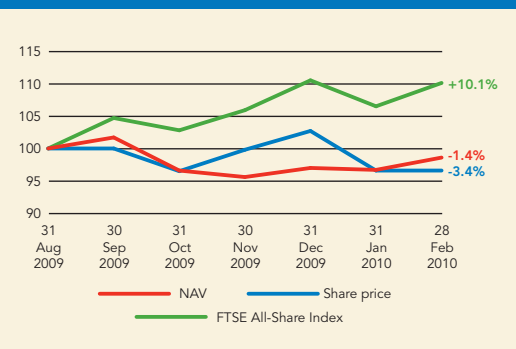
The results over the six months were disappointing as the Company didn't achieve its goal of capital growth for shareholders. While the net asset value declined slightly in the review period, shareholders should note that this was preceded by very strong performance in the previous six months, when the Company generated absolute returns of 56.4% and outperformed the benchmark by more than 22%.

This Half-Yearly report seeks to explain the reasons for the fall in the net asset value and to offer long term optimism as the economic recovery continues to take hold.

## STOCK MARKET & PORTFOLIO REVIEW:

The UK stock market continued its recovery in the first half of our financial year, rising over 8.6%. However, the strength of the rally was tested when concerns grew about

Total Return performance for the six months to 28 February 2010



Sources: Fidelity and Datastream

the sovereign debt problems in several European countries, notably Greece, and fears about a default on debt obligations by Dubai. These problems undermined the performance of the financials sector, one of our key overweight industry positions, and hence had a negative impact on overall returns.

The economic outlook has gradually improved over the past year, with UK GDP coming out of recession in the last quarter of 2009, after contracting for six consecutive quarters. However, the inconclusive nature of recent data releases suggests that the revival is likely to be relatively drawn out. In

# Half-Yearly Report

---

view of the uncertain environment, the Bank of England kept interest rates unchanged.

In terms of performance, the Company's net asset value fell slightly in the period. Key positive contributors included educational publisher Pearson, which continued to gain market share in the US. PartyGaming, the leisure company, performed well as the regulatory environment improved, and electronic components distributor Premier Farnell, rose as industrial production bottomed and the company's internet strategy became more widely appreciated. Gains from some of the smaller holdings, such as Kofax, Cairn Energy and Unibet, also helped returns.

The key area of underperformance was the overweight position in the broader financial sector and in particular banks. Some of the top holdings, such as Royal Bank of Scotland and Lloyds Banking Group, could not sustain the sharp recovery seen in their share prices earlier in 2009 and fell quite significantly as they undertook further capital raising. Nevertheless, concerns about the financial sector have eased recently, following recapitalisations, and I believe these shares still offer attractive value at their current levels. Several of the other holdings suffered falls from the higher levels achieved in the rally of the previous months, including positions in Yell in the

media sector, London Stock Exchange, and real estate company British Land. I believe these to be instances of short term weakness, rather than a reflection of any underlying problems and these shares remain good value propositions.

Following the sharp rally in cyclical stocks in 2009, which was largely beneficial to the Company's returns, I am gradually switching exposure from cyclical shares to those offering more defensive growth. The portfolio remains overweight in small and mid sized companies but I am now finding further opportunities in large companies. While earnings growth has been strong thanks to aggressive cost cutting by companies, I am also looking for companies that will see a resumption of top line revenue growth to drive earnings higher.

Investments in derivatives were made during the period, including selling short selected stocks in order to benefit from any share price fall. These transactions accounted for only a small part of the Company but had a negative effect on overall returns.

During the period we repaid £27 million of the debt of the Company. However I am still able to achieve gearing through the use of derivatives, which is a cheaper option than conventional gearing in the current environment.



## OUTLOOK

The economic environment is showing further signs of improvement and I remain confident about the outlook for equities, but the underlying problems are yet to be fully resolved and it is likely that stock markets will see some set back in the year ahead.

The longer term prospects are much better, underpinned by a potential expansion in the global economy and the considerable stimulus from the easing in monetary policy.

**Sanjeev Shah**  
Portfolio Manager

## PRINCIPAL RISKS AND UNCERTAINTIES

The Board believes that the principal risks and uncertainties faced by the Company continue to fall into two broad categories. The first, external risks, being stock market, share price and discount and the second, internal risks, being portfolio and governance, operational, financial, compliance, administration etc. Information on each of these is given in the Business Review section of the Annual Report for the year ended 31 August 2009.

**By order of the Board**  
FIL Investments International  
15 April 2010

# Responsibility Statement

---

The Directors confirm to the best of their knowledge that:

- a) the condensed set of financial statements contained within the Half-Yearly financial report has been prepared in accordance with the UK Accounting Standards Board's Statement 'Half-Yearly Financial Reports';
- b) the Half-Yearly report narrative on pages 5, 6 and 7 (constituting the interim management report) includes a fair review of the information required by Rule 4.2.7R of the FSA's Disclosure and Transparency Rules and their impact on the condensed set of financial statements and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- c) in accordance with Disclosure and Transparency Rule 4.2.8R there have been no related parties transactions during the six months to 28 February 2010 and therefore nothing to report on any material effect by such a transaction on the financial position or the performance of the Company during that period; and there have been no changes in this position since the last annual report that could have a material effect on the financial position or performance of the Company in the first six months of the current financial year.

The Half-Yearly financial report has not been audited or reviewed by the Company's Auditor.

The Half-Yearly financial report was approved by the Board on 15 April 2010 and the above responsibility statement was signed on its behalf by Alex Hammond-Chambers, Chairman.

## Twenty Largest Investments as at 28 February 2010

Investments (including derivatives)	Exposure £'000	Fair Value <sup>2</sup> £'000	% <sup>1</sup>
<b>HSBC</b> Banking and financial services organisation	22,452	17,290	6.5
<b>GlaxoSmithKline</b> Pharmaceutical company	18,022	18,022	5.2
<b>Lloyds Banking Group</b> Banking and financial services organisation	15,665	12,789	4.5
<b>Vodafone</b> Mobile telecommunications company	13,692	13,692	3.9
<b>Royal Bank of Scotland</b> Global financial services group	11,715	10,865	3.4
<b>AstraZeneca</b> Pharmaceutical company	11,639	10,580	3.4
<b>British Sky Broadcasting</b> Broadcasting company	11,551	8,864	3.3
<b>LogicaCMG</b> Information technology consultancy services provider	10,562	10,562	3.0
<b>PartyGaming</b> Online gaming company	10,447	10,447	3.0
<b>Ericsson</b> Global telecommunications equipment and related services provider	9,890	(210)	2.9
<b>Premier Farnell</b> Electronic components and equipment distributing company	9,575	9,575	2.8
<b>Yell</b> Advertising company	9,171	9,171	2.7
<b>British Land</b> Property company	9,021	7,759	2.6
<b>Land Securities</b> Real estate investment trust	8,673	7,296	2.5
<b>Pearson</b> Global publishing company	7,540	7,540	2.2
<b>Electrocomponents</b> Electronic components and equipment distributing company	7,500	7,500	2.2
<b>Royal Dutch Shell 'A'</b> Oil and gas company	6,731	6,731	1.9
<b>WPP</b> Advertising, information and consultancy services	6,356	6,356	1.8
<b>Centrica</b> Integrated energy company	6,069	6,069	1.7
<b>Xchanging</b> Insurance and financial markets processing services provider	5,800	5,800	1.7
<b>Top 20 holdings</b>	<b>212,071</b>	<b>186,698</b>	<b>61.2</b>

1 % based on total exposure which is the fixed asset investments plus the fair value of the underlying securities within the derivative instruments

2 Fair value is measured as: Listed and AIM quoted investments are valued at bid prices where available otherwise at published price quotations; Unlisted investments are valued using an appropriate valuation technique in the absence of an active market; Options are valued at the quoted trade price for the contract; Contracts for difference and equity forwards – the difference between the settlement price and the value of the underlying shares in the contract (unrealised gains/(losses))

# Income Statement

		for the six months ended 28.02.10		
		unaudited		
	Notes	revenue £'000	capital £'000	total £'000
(Losses)/gains on investments designated at fair value through profit or loss		–	(922)	(922)
(Losses)/gains on derivative instruments held at fair value through profit or loss		–	(5,189)	(5,189)
Income	2	4,151	–	4,151
Net derivative income/(expenses)	3	54	–	54
Investment management fee		(1,730)	–	(1,730)
VAT recovered on investment management fee		–	–	–
Other expenses		(315)	–	(315)
Exchange (losses)/gains on other net assets		(5)	(141)	(146)
<b>Net return/(loss) before finance costs and taxation</b>		<b>2,155</b>	<b>(6,252)</b>	<b>(4,097)</b>
Interest payable		(591)	–	(591)
<b>Net return/(loss) on ordinary activities before taxation</b>		<b>1,564</b>	<b>(6,252)</b>	<b>(4,688)</b>
Taxation on return/(loss) on ordinary activities	4	(22)	–	(22)
<b>Net return/(loss) on ordinary activities after taxation for the period</b>		<b>1,542</b>	<b>(6,252)</b>	<b>(4,710)</b>
<b>Return/(loss) per ordinary share</b>	5	<b>2.71p</b>	<b>(10.98p)</b>	<b>(8.27p)</b>

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 this Income Statement is the profit and loss account of the Company.

These financial statements have been prepared in accordance with the AIC Statement of Recommended Practice ("SORP") issued in January 2009.

for the year ended 31.08.09			for the six months ended 28.02.09		
audited			unaudited		
revenue £'000	capital £'000	total £'000	revenue £'000	capital £'000	total £'000
–	8,423	8,423	–	(98,737)	(98,737)
–	10,756	10,756	–	–	–
10,421	–	10,421	4,698	–	4,698
(375)	–	(375)	–	–	–
(2,862)	–	(2,862)	(1,317)	–	(1,317)
6	–	6	6	–	6
(513)	–	(513)	(277)	–	(277)
–	123	123	–	138	138
6,677	19,302	25,979	3,110	(98,599)	(95,489)
(1,637)	–	(1,637)	(899)	–	(899)
5,040	19,302	24,342	2,211	(98,599)	(96,388)
(57)	–	(57)	(15)	–	(15)
4,983	19,302	24,285	2,196	(98,599)	(96,403)
8.76p	33.92p	42.68p	3.86p	(173.41p)	(169.55p)

## Reconciliation of Movements in Shareholders' Funds

	Notes	share capital £'000	share premium account £'000
<b>Opening shareholders' funds: 1 September 2008</b>		14,198	95,058
Net recognised capital losses for the period		–	–
Issue of ordinary shares		45	709
Repurchase of ordinary shares		(9)	–
Net revenue return after taxation for the period		–	–
Dividend paid to shareholders		–	–
		<hr/>	<hr/>
<b>Closing shareholders' funds: 28 February 2009</b>		14,234	95,767
		<hr/>	<hr/>
<b>Opening shareholders' funds: 1 September 2008</b>		14,198	95,058
Net recognised capital gains for the year		–	–
Issue of ordinary shares		45	709
Repurchase of ordinary shares		(9)	–
Net revenue return after taxation for the year		–	–
Dividend paid to shareholders		–	–
		<hr/>	<hr/>
<b>Closing shareholders' funds: 31 August 2009</b>		14,234	95,767
Net recognised capital losses for the period		–	–
Net revenue return after taxation for the period		–	–
Dividend paid to shareholders	8	–	–
		<hr/>	<hr/>
<b>Closing shareholders' funds: 28 February 2010</b>		14,234	95,767
		<hr/>	<hr/>

capital redemption reserve £'000	other non-distributable reserve £'000	capital reserve £'000	revenue reserve £'000	total equity £'000
2,545	5,152	191,309	10,995	319,257
-	-	(98,599)	-	(98,599)
-	-	-	-	754
9	-	(123)	-	(123)
-	-	-	2,196	2,196
-	-	-	(9,655)	(9,655)
<u>2,554</u>	<u>5,152</u>	<u>92,587</u>	<u>3,536</u>	<u>213,830</u>
2,545	5,152	191,309	10,995	319,257
-	-	19,302	-	19,302
-	-	-	-	754
9	-	(123)	-	(123)
-	-	-	4,983	4,983
-	-	-	(9,655)	(9,655)
<u>2,554</u>	<u>5,152</u>	<u>210,488</u>	<u>6,323</u>	<u>334,518</u>
-	-	(6,252)	-	(6,252)
-	-	-	1,542	1,542
-	-	-	(5,125)	(5,125)
<u>2,554</u>	<u>5,152</u>	<u>204,236</u>	<u>2,740</u>	<u>324,683</u>

# Balance Sheet

	Notes	28.02.10 unaudited £'000	31.08.09 audited £'000	28.02.09 unaudited £'000
<b>Fixed assets</b>				
Investments designated at fair value through profit or loss		318,651	355,379	233,281
<b>Current assets</b>				
Derivative assets held at fair value through profit or loss		1,934	4,186	–
Debtors		3,659	9,135	3,789
Amounts held at futures clearing houses and brokers		2,395	843	1,985
Cash at bank		3,460	8,087	3,846
		<u>11,448</u>	<u>22,251</u>	<u>9,620</u>
<b>Creditors – amounts falling due within one year</b>				
Derivative liabilities held at fair value through profit or loss		(3,568)	(1,238)	–
Fixed rate unsecured loan	9	–	(27,000)	(27,000)
Other creditors		(1,848)	(14,874)	(2,071)
		<u>(5,416)</u>	<u>(43,112)</u>	<u>(29,071)</u>
<b>Net current assets/(liabilities)</b>		<u>6,032</u>	<u>(20,861)</u>	<u>(19,451)</u>
<b>Total net assets</b>		<u>324,683</u>	<u>334,518</u>	<u>213,830</u>
<b>Capital and reserves</b>				
Share capital		14,234	14,234	14,234
Share premium account		95,767	95,767	95,767
Capital redemption reserve		2,554	2,554	2,554
Other non-distributable reserve		5,152	5,152	5,152
Capital reserve		204,236	210,488	92,587
Revenue reserve		2,740	6,323	3,536
<b>Total equity shareholders' funds</b>		<u>324,683</u>	<u>334,518</u>	<u>213,830</u>
<b>Net asset value per ordinary share</b>	6	<u>570.23p</u>	<u>587.50p</u>	<u>375.54p</u>



# Cash Flow Statement

	28.02.10 unaudited £'000	31.08.09 audited £'000	28.02.09 unaudited £'000
<b>Operating activities</b>			
Investment income received	2,741	4,232	2,162
Net derivative expenses paid	(67)	(377)	–
Underwriting commission received	28	97	–
Deposit interest received	8	216	616
Investment management fee paid	(1,746)	(2,803)	(1,447)
VAT recovered on investment management fee	–	2,306	2,306
Directors' fees paid	(68)	(112)	(49)
Other cash receipts/(payments)	274	(684)	(220)
<b>Net cash inflow from operating activities</b>	<b>1,170</b>	<b>2,875</b>	<b>3,368</b>
<b>Returns on investments and servicing of finance</b>			
Interest paid	(736)	(1,692)	(960)
<b>Net cash outflow from returns on investments and servicing of finance</b>	<b>(736)</b>	<b>(1,692)</b>	<b>(960)</b>
<b>Overseas taxation recovered</b>	<b>5</b>	<b>38</b>	<b>38</b>
<b>Financial investment</b>			
Purchase of investments	(91,611)	(263,308)	(144,546)
Disposal of investments	120,610	254,390	139,301
<b>Net cash inflow/(outflow) from financial investment</b>	<b>28,999</b>	<b>(8,918)</b>	<b>(5,245)</b>
<b>Derivative activities</b>			
Premium received on options	172	3,441	–
Premium paid on options	(182)	(1,365)	–
Proceeds of derivative instruments	(384)	5,923	–
<b>Net cash (outflow)/inflow from derivative activities</b>	<b>(394)</b>	<b>7,999</b>	<b>–</b>
<b>Dividend paid to shareholders</b>	<b>(5,125)</b>	<b>(9,655)</b>	<b>(9,655)</b>
<b>Net cash inflow/(outflow) before use of liquid resources and financing</b>	<b>23,919</b>	<b>(9,353)</b>	<b>(12,454)</b>
<b>Net cash inflow from management of liquid resources</b>	<b>–</b>	<b>9,091</b>	<b>9,091</b>
<b>Net cash inflow/(outflow) before financing</b>	<b>23,919</b>	<b>(262)</b>	<b>(3,363)</b>
<b>Financing</b>			
Issue of ordinary shares	–	754	754
Repurchase of ordinary shares	–	(124)	(123)
5.435% fixed rate unsecured loan repaid	(27,000)	–	–
5.655% fixed rate unsecured loan repaid	–	(8,000)	(8,000)
<b>Net cash outflow before financing</b>	<b>(27,000)</b>	<b>(7,370)</b>	<b>(7,369)</b>
<b>Decrease in cash</b>	<b>(3,081)</b>	<b>(7,632)</b>	<b>(10,732)</b>

# Notes to the Financial Statements

## 1 ACCOUNTING POLICIES

The Half-Yearly financial statements have been prepared on the basis of the accounting policies set out in the Company's annual report and financial statements dated 31 August 2009.

As a result of technical guidance issued by the Institute of Chartered Accountants in England and Wales in TECH 01/08: "Distributable Profits", changes in fair value of investments which are readily convertible to cash, without accepting adverse terms at the balance sheet date, can be treated as realised. As a result of the new SORP, capital reserves realised and unrealised are now shown in aggregate as capital reserve in the Reconciliation of Movements in Shareholders' Funds and the Balance Sheet. At the balance sheet date all investments held by the Company were listed on a recognised stock exchange and were considered to be readily convertible to cash with the exception of unlisted investments with a fair value of £827,000.

## 2 INCOME

	28.02.10 unaudited £'000	31.08.09 audited £'000	28.02.09 unaudited £'000
Franked investment income	1,898	2,477	1,295
UK scrip dividends	1,534	5,340	2,181
Overseas dividends	367	628	167
Overseas scrip dividends	47	736	228
Income from REIT Investments	269	574	244
Other income	–	–	17
Deposit interest	8	134	131
Income from Fidelity Institutional Cash Fund plc	–	28	28
Interest on VAT recovered on investment management fees*	–	407	407
Underwriting commission	28	97	–
	<u>4,151</u>	<u>10,421</u>	<u>4,698</u>

\* This is interest received in prior year on VAT recovered on investment management fees following the decision of the European Court of Justice in the JPMorgan Claverhouse Invstment Trust case (C-365/05).

# Notes to the Financial Statements

## 3 DERIVATIVE INCOME/(EXPENSES)

	28.02.10 unaudited £'000	31.08.09 audited £'000	28.02.09 unaudited £'000
Interest received on short contracts for difference	6	162	–
Dividends received on long contracts for difference	215	6	–
Interest paid on long contracts for difference	(150)	(94)	–
Dividends paid on short contracts for difference	(17)	(449)	–
	<u>54</u>	<u>(375)</u>	<u>–</u>

## 4 TAXATION ON RETURN/(LOSS) ON ORDINARY ACTIVITIES

	28.02.10 unaudited £'000	31.08.09 audited £'000	28.02.09 unaudited £'000
Overseas taxation suffered	<u>22</u>	<u>57</u>	<u>15</u>

## 5 RETURN/(LOSS) PER ORDINARY SHARE

	28.02.10 unaudited	31.08.09 audited	28.02.09 unaudited
Revenue	2.71p	8.76p	3.86p
Capital	<u>(10.98p)</u>	<u>33.92p</u>	<u>(173.41p)</u>
<b>Total</b>	<b><u>(8.27p)</u></b>	<b><u>42.68p</u></b>	<b><u>(169.55p)</u></b>

Return/(loss) per ordinary share is based on the net revenue return on ordinary activities after taxation in the period, the capital (loss)/gain in the period and the weighted average number of ordinary shares in issue during the period:

	28.02.10 unaudited £'000	31.08.09 audited £'000	28.02.09 unaudited £'000
Revenue	1,542	4,983	2,196
Capital	<u>(6,252)</u>	<u>19,302</u>	<u>(98,599)</u>
<b>Total</b>	<b><u>(4,710)</u></b>	<b><u>24,285</u></b>	<b><u>(96,403)</u></b>
Weighted average number of ordinary shares	56,938,896	56,899,410	56,859,269

# Notes to the Financial Statements

---

## 6 NET ASSET VALUE PER ORDINARY SHARE

---

The net asset value per ordinary share is based on net assets of £324,683,000 (31.08.09: £334,518,000; 28.02.09: £213,830,000) and on 56,938,896 ordinary shares (31.08.09: 56,938,896; 28.02.09: 56,938,896), being the number of ordinary shares in issue at the period end.

## 7 COSTS OF INVESTMENT TRANSACTIONS

---

Included in the (losses)/gains on investments are the following costs of investment transactions:

	28.02.10 unaudited £'000	31.08.09 audited £'000	28.02.09 unaudited £'000
Purchases expenses	298	2,383	704
Sales expenses	90	458	107
Total	<u>388</u>	<u>2,841</u>	<u>811</u>

## 8 DIVIDEND

---

No dividend has been declared in respect of the current period. The dividend shown in the Reconciliation of Movements in Shareholders' Funds for the six months ended 28 February 2010 relates to the year ended 31 August 2009.

## 9 LOAN FACILITY

---

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

## 10 SHARE ISSUES

---

The following ordinary share issues were made in the period:

	28.02.10 unaudited	31.08.09 audited	28.02.09 unaudited
Number of ordinary shares issued	–	178,393	178,393
Average price in pence per ordinary share	–	422.66p	422.66p
Total cost including commission	–	£754,000	£754,000

# Notes to the Financial Statements

---

## 11 SHARE REPURCHASES

---

The following ordinary share repurchases were made in the period:

	28.02.10 unaudited	31.08.09 audited	28.02.09 unaudited
Number of ordinary shares repurchased	–	34,000	34,000
Average price in pence per ordinary share	–	361.76p	361.76p
Total cost including stamp duty and commission	–	£123,000	£123,000

## 12 UNAUDITED FINANCIAL STATEMENTS

---

The results for the six months to 28 February 2010 and 28 February 2009, which are unaudited, constitute non-statutory accounts within the meaning of s435 of the Companies Act 2006. The figures and financial information for the year ended 31 August 2009 are extracted from the latest published financial statements. These financial statements, on which the Auditor gave an unqualified report, have been delivered to the Registrar of Companies.

# Investor Information

---

## CONTACT INFORMATION

Private investors can call free on:

0800 41 41 10

9am to 6pm, Monday to Saturday.

Financial advisers can call free on:

0800 41 41 81

8am to 6pm, Monday to Friday.

[www.fidelity.co.uk/its](http://www.fidelity.co.uk/its)

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

### Holders of ordinary shares:

Capita Registrars, Registrars to Fidelity Special Values PLC, Northern House, Woodsome Park, Fenay Bridge, Huddersfield, West Yorkshire, HD8 0GA.  
Telephone: 0871 664 0300 (calls cost 10p per minute plus network extras) Lines are open from 8.30am to 5.30pm, Monday to Friday. If calling from overseas, telephone +44 208 639 3399  
Email: [ssd@capitaregistrars.com](mailto:ssd@capitaregistrars.com)

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

[www.capitaregistrars.com](http://www.capitaregistrars.com)

### Fidelity Share Plan investors:

Fidelity Investment Trust Share Plan, BNP Paribas Securities Services, Block C, Western House, Lynchwood Business Park, Peterborough PE2 6BP.

Telephone: 0845 358 1107 (calls to this number are charged at 4p per minute from a BT landline. Other telephone providers' costs may vary).

### Fidelity ISA investors:

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

[www.fidelity.co.uk/its](http://www.fidelity.co.uk/its)

### Fidelity ShareNetwork:

[www.fidelity.co.uk/sharenetwork](http://www.fidelity.co.uk/sharenetwork)

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

Telephone: 01732 36 11 44

Fax: 01737 83 68 92

[www.fidelity.co.uk/its](http://www.fidelity.co.uk/its)

## FINANCIAL CALENDAR 2010

28 February – Half-Yearly period end

28 April – Announcement of Half-Yearly results

Beginning of May – Publication of Half-Yearly report

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

31 August – Financial year end

November – Publication of Annual Report

December – Annual General Meeting

## BOARD OF DIRECTORS

Alex Hammond-Chambers (Chairman)  
Douglas Kinloch Anderson  
Sharon Brown  
Andy Irvine  
Nicky McCabe  
Lynn Ruddick (Chairman of  
the Audit Committee)  
Ben Thomson

## MANAGER, SECRETARY AND REGISTERED OFFICE

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

## FINANCIAL ADVISERS AND STOCKBROKERS

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

## INDEPENDENT AUDITOR

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

## BANKERS AND CUSTODIAN

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

## REGISTRARS

Capita Registrars,  
Northern House, Woodsome Park,  
Fenay Bridge, Huddersfield,  
West Yorkshire, HD8 0GA.

## LAWYERS

Slaughter and May,  
One Bunhill Row,  
London, EC1Y 8YY.

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

Please note that the value of investments and the income from them may fall as well as rise and the investor may not get back the amount originally invested. Past performance is not a guide to future returns. For funds that invest in overseas markets, changes in currency exchange rates may affect the value of your investment. Investing in small and emerging markets can be more volatile than other more developed markets.

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

Fidelity, Fidelity International and the Pyramid Logo are trademarks of FIL Limited.

Issued by Fidelity Special Values PLC.

---

## WARNING TO SHAREHOLDERS – “BOILER ROOM” SCAMS

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

If you receive any unsolicited investment advice:

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

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

Details of any share dealing facilities that the Company endorses will be included in Company mailings. More detailed information on this or similar activity can be found on the FSA website [www.moneymadeclear.fsa.gov.uk](http://www.moneymadeclear.fsa.gov.uk)











The printing inks used for this report are made from vegetable based oils and 95% of cleaning solvents are recycled for further use. The electricity was all generated from renewable sources and on average 98% of any dry waste associated with this production will be recycled. Printed using *pureprint*® environmental print technology by a CarbonNeutral® company, registered to the Environmental Management System, ISO 14001 and EMAS, the Eco Management and Audit Scheme.

The FSC logo identifies products which contain wood from well managed forests certified in accordance with the rules of the Forest Stewardship Council.

This document is printed on Revive 50:50, a paper containing 50% recovered fibre & 50% virgin fibre. Pulps used are elemental chlorine free, manufactured at a mill with the ISO 14001 Environmental Management System.



**Mixed Sources**

Product group from well-managed forests, controlled sources and recycled wood or fiber

Cert no. SGS-COC-0620  
[www.fsc.org](http://www.fsc.org)

© 1996 Forest Stewardship Council



publication

A handwritten signature in black ink, appearing to read "John Morris".

**CarbonNeutral.com**

CO<sub>2</sub> emissions reduced to net zero in accordance with The CarbonNeutral Protocol