

## Regulatory Story

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**Fidelity China** - FCSS Annual Financial Report  
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Fidelity China Special Situations PLC

Final Results For the year ended 31 March 2015

Chairman's Statement

I have pleasure in presenting the fifth Annual Report of Fidelity China Special Situations PLC for the year ended 31 March 2015.

The Company celebrated its fifth anniversary on 19 April 2015. Over this time, the Net Asset Value ("NAV") per share had risen to just over 200 pence. An investor who bought £1,000 of shares in the IPO in 2010 and reinvested all dividends would after five years have had a holding worth £1,690, an increase in value of 69.0%.

For the year under review, the Company's NAV increased by 45.3% and the share price by 39.9%. The NAV outperformed our Benchmark Index, the MSCI China Index in sterling terms, by 6.0%.

I am also pleased to report that What Investment Trust has recently named Fidelity China Special Situations PLC as the "Best Emerging Markets Investment Trust".

### PERFORMANCE REVIEW

This reporting period represents Dale Nicholls' first full year as Portfolio Manager. It has been a positive start for Dale building on the solid foundations for the portfolio put in place by Anthony Bolton, the previous portfolio manager, whose major contribution I would like to acknowledge.

The NAV and the share price of the Company are now at an all time high, although the discount of the share price to the NAV has widened. We believe that the discount is largely a reflection of ongoing negative investor sentiment towards China and profit-taking after exceptionally strong returns. Despite the country recording some of the best share price returns in the world in 2014, investors remain cautious. Since the year end we have also increased our buybacks of shares in the market. We have increased our marketing spend and the marketing activities of the Portfolio Manager to focus on some of these concerns - a number of which are addressed in the Portfolio Managers' Report.

One stand-out factor in China over the last year has been reform. We are now in the third year of the current government's tenure and it will likely be characterised by the implementation of further reform. In President Xi Jinping's first year at the helm, he announced a high level vision for China, which included changing the country's hukou system and one child policy. His second year was dominated by an anti-corruption campaign, which, despite acting as a form of austerity, enabled the government to build a general consensus on reform. This year looks set to start the reform implementation in earnest. Fiscal and monetary policy are likely to feature high on the agenda and we are already seeing some very important developments in the stock market, such as the opening up of Shanghai-Hong Kong Stock Connect, explained further in the Portfolio Manager's Review.

As highlighted last year, the Chinese economy is in a new development phase as the government looks to move away from an economic model driven by state-directed investment spending towards one more reliant on the increasingly wealthy Chinese consumer. The ongoing reform programme in China supports this view and should lead to interesting investment opportunities, which are well represented in the portfolio. The government has also reduced its GDP growth target to a 'new normal' of 7% per annum - an attractive growth rate compared to the rest of the world but also a more realistic and sustainable outlook for China's economy.

Many investors point to this slowing growth rate as a reason to stay away from China. However, as the final results of the Company indicate, economic growth and stock market returns can often be uncorrelated as markets are driven by factors other than GDP. That said, we should highlight that valuations play a large part in investment performance.

While the fundamental drivers of the investment case for China remain as valid

now as they were in April 2010 when the Company was launched, valuations in certain parts of the market have risen. This emphasises the need for detailed research and careful stock picking, which the Board believes Dale Nicholls and his team are well able to deliver for our investors.

#### GEARING

The Company renewed its multicurrency revolving credit facility agreement with Scotiabank Europe PLC for US\$150,000,000 on 14 February 2014 to continue for a further three years. The loan has been fully drawn down.

To achieve further gearing, the Company uses Contracts For Difference on a number of holdings in its portfolio. Further details are in Note 19 of the Annual Report.

At 31 March 2015, the Company's gearing, defined as the Gross Asset Exposure in excess of Net Assets, was 25.9% (2014: 22.9%).

#### DIVIDEND

The Board recommends a dividend of 1.30 pence (2014: 1.15 pence) per Ordinary Share for the year ended 31 March 2015 for approval by shareholders at the forthcoming Annual General Meeting. This represents a 13% increase on the 1.15 pence paid in respect of last year.

The dividend will be payable on 24 July 2015 to shareholders on the register on 19 June 2015 (ex-dividend date 18 June 2015).

Shareholders may choose to reinvest their dividends to purchase more shares in the Company. Details of the Dividend Reinvestment Plan are set out in the Annual Report.

#### DISCOUNT AND PREMIUM

The Board recognises that the Company's share price is affected by the interaction of supply and demand in the market, investor sentiment towards China as well as the NAV per share. Recognising these factors, the Board regularly reviews the difference between the market price of the shares and the NAV per share, and reserves the right to manage the difference through repurchasing shares into Treasury or for cancellation. In order to assist in managing the discount, the Board sought and received shareholder approval at last year's Annual General Meeting to hold in Treasury any Ordinary Shares repurchased by the Company, rather than cancelling them. The Treasury Shares carry no voting rights or rights to receive a dividend and have no entitlement in a winding up of the Company. Shares in Treasury do not count in the calculation of NAV per share. No more than 10% of the issued Ordinary Share capital of the Company can be held in Treasury. Any shares held in Treasury would only be re-issued at NAV per share or at a premium to NAV per share. This would ensure that the net effect of repurchasing and then re-issuing the Ordinary Shares would enhance NAV per share. The Board is seeking shareholder authority to renew this authority at the forthcoming Annual General Meeting.

During the reporting year, in furtherance of this policy, the Board authorised the repurchase at a discount of 100,000 Ordinary Shares which are held in Treasury. Since the year end, the Company has repurchased 7,275,000 Ordinary Shares which are also held in Treasury.

#### MANAGEMENT AND PERFORMANCE FEES

With effect from 1 April 2014, the annual management fee payable to the Managers was reduced to 1.0% per annum of the Net Asset Value (2014: 1.2%). Further details are included in the Directors' Report in the Annual Report. For the year ending 31 March 2015, the ongoing charges were 1.29% (2014: 1.45%).

The maximum performance fee that is payable was reduced from 1.5% to 1.0% of the average Net Asset Value with effect from the year ending 31 March 2014. In addition, any out-performance against the Company's Benchmark Index (including the 2% hurdle rate), in excess of that required to reach this 1% maximum fee, is no longer carried forward. Any under-performance against the Company's Benchmark Index (including the 2% hurdle rate), must still be made good before a performance fee is payable. The performance fee paid in respect of the year ended 31 March 2015 was £4,744,000 (2014: £6,416,000). Further details are included in the Directors' Report in the Annual Report.

#### REGULATORY MATTERS

The Board worked with its advisors in order to achieve compliance with the European Alternative Investment Fund Managers Directive ("AIFMD") which came into effect on 22 July 2014. As a result the Board has appointed FIL Investment Services (UK) Limited (a FIL Group company) to act as its Alternative Investment Fund Manager ("AIFM"). FIL Investment Services (UK) Limited has delegated the investment management (other than in unlisted securities) to FIL Investment Management (Hong Kong) Limited and for unlisted securities to FIL Investments International (both acted as the Company's previous Managers). FIL

Investments International continues to act as Company Secretary.

An additional requirement of the AIFMD was to appoint a Depositary on behalf of the Company to oversee the custody and cash arrangements of the Company. The Company has appointed J.P. Morgan Europe Limited to act as the Company's Depositary. J.P. Morgan Europe Limited is part of the same group of companies as JPMorgan Chase Bank who continues to act as the Company's Banker and Custodian.

The Alternative Fund Manager's Disclosure report is in the Annual Report.

#### THE BOARD

In accordance with the UK Corporate Governance Code for Directors of FTSE 350 companies, the entire Board is subject to annual re-election at the forthcoming Annual General Meeting. The Directors' biographies can be found in the Annual Report. The Directors have a wide range of appropriate skills and experience to form a balanced Board for the Company.

#### THE ANNUAL GENERAL MEETING - 22 JULY 2015

The Annual General Meeting of the Company will be held at Merchant Taylors' Hall, 30 Threadneedle Street, London EC2R 8JB on Wednesday 22 July 2015 at 11 am.

The Board is looking forward to having the opportunity to speak to shareholders. Dale Nicholls, the Portfolio Manager, will be making a presentation on the year's results and the prospects for the Company for the year to come. We encourage you to join us on this occasion.

John Owen CMG MBE DL

Chairman

11 June 2015

#### Portfolio Manager's Review

This Annual Report reflects my first year as Portfolio Manager of Fidelity China Special Situations PLC and it has been one of the most interesting years of my career. There have been numerous reforms, stock picking opportunities and some spectacular stock moves. I am pleased to report that the Company's Net Asset Value rose 45.3% and the share price rose 39.9%, while the Benchmark Index, the MSCI China Index, recorded a rise of 39.3%. Taking a three year view, the numbers are very strong, with the Company's Net Asset Value up 101.0% and the share price up 83.6% versus the MSCI China Index returns of 45.4%.

While performance of the Company's Net Asset Value has been very strong, there is some disappointment that the share price continues to lag and we have seen the discount widen. However, I believe this reflects the continued uncertainty and negative sentiment from overseas investors when it comes to China, and I will look to address some of these issues in this report. In my regular marketing visits to investors and investment advisers I always set out my reasons why I believe that investors should have a proportion of their portfolios exposed to China; and why this fund could be, in my view, the ideal vehicle for that exposure.

#### PERFORMANCE

In terms of what has driven performance, preference for 'new' China investments in areas like e-commerce, non-bank financials as well as significant holdings in China mainland stocks (stocks listed on the Shanghai and Shenzhen exchanges - commonly referred to as A-Shares) have boosted returns. Conversely, some of the Company's holdings in the consumer discretionary sector proved unfavourable, despite the attractive structural opportunities in this area.

Alibaba was the most significant contributor to performance over the year. It was bought as an unlisted position in 2012, accounting for around 2.5% of the Company's assets, when Alibaba was valued at US\$48 billion. After much speculation, it finally undertook an initial public offering in New York in September 2014. In recognition of the dominant market position Alibaba has in e-commerce in China, the IPO was the largest in history and by November it was valued at around US\$290 billion. This considerably boosted the Net Asset Value of the portfolio and I took this as an opportunity to crystallise sizeable gains. Alibaba remains a significant portfolio holding as I remain a firm believer in the opportunities in e-commerce, but valuation and risk-reward versus other investment ideas means that it is now below 2% of assets. One result of this IPO is that there are no longer any unlisted holdings held by the Company. I continue to search for new unlisted ideas and am working to uncover the Alibabas of tomorrow.

Brokers and insurance stocks were among the best performing areas of China's market over the year. A major pick-up in market volumes and a recovery in the A-Share market have been key factors driving the brokerage stocks. The market's

positive reaction to ongoing reforms, deregulation and the continued development of China's capital markets drove performance and highlighted the long-term growth potential for these businesses. China's largest brokerage firm, CITIC Securities, one of the Company's largest holdings, has been a standout performer, returning 224% over the year. In addition to an overall recovery in market volumes, this stock reacted positively to the lifting of an IPO ban in mainland China and the introduction of Stock Connect. Stock Connect is a programme that enables overseas investors to buy Shanghai listed A-Shares via the Hong Kong Exchange without the need for a Qualified Financial Institutional Investor ("QFII") quota, while allowing mainland investors to buy Hong Kong shares via the Shanghai Exchange without the need for a Qualified Domestic Institutional Investor quota. This programme, which is still in pilot phase, helped contribute to a huge rise in A-Share volumes and benefits brokers like CITIC Securities. We also saw strong moves in other A-Shares the Company holds including SAIC Motor (joint venture with Volkswagen and GM) and Gree Electrical Appliances (the world's largest air conditioner manufacturer).

Insurance was also an area where I felt that valuations did not reflect the reform and structural growth opportunities, and I significantly added holdings here in the portfolio. Life insurance is particularly interesting to me as this is an underpenetrated market in China, particularly in the more protection-type products which tend to be higher margin. These companies are focused on expanding and improving their product lines and developing their sales forces, offering scope for greater revenues and improving margins. Holdings in Ping An Insurance and China Pacific Insurance rallied 109% and 114% respectively.

#### A-SHARES

The Stock Connect programme has raised the profile of A-Shares, but our preference is to own these via a QFII quota. It is cheaper and reduces counterparty risk and gives direct ownership of the stock. The Company already utilises US\$125 million of the Manager's quota and at the time of writing, this is set to increase again following a successful application for more. This represents a significant percentage of the assets of the Company, and the pursuit of an additional quota allowance from the regulator reflects my belief in the abundant opportunities in A-Shares.

A major change I made when I took over this portfolio was to increase A-Share exposure from around 13% to around 25%. Despite being the second largest market in the world, many of the companies are poorly researched and there is a broad range of valuations - a great environment for stock pickers. In particular, I find most value in larger cap names since these are ignored by domestic Chinese investors who prefer to speculate in small-cap stocks with little regard to valuations.

There are a number of potential positive catalysts for the prospects of A-Shares. Chief among these is the extension of Stock Connect to include the Shenzhen Exchange and the possibility that A-Shares will be included in the MSCI indices. The latter could lead to investors with China in their benchmark having to make significant changes to their portfolios and lead to passive funds buying A-Shares. On the negative side, there are signs of overheating in parts of this market, especially amongst some of the small cap stocks - these are areas I continue to avoid.

#### WHY THE NEGATIVE SENTIMENT?

As mentioned at the start of this report, I believe the Company's share price has been held back by general negative macroeconomic sentiment towards China. When looking at China, overseas investors are bombarded by headline grabbing stories about slowing GDP, rising debt and falling property prices. Yet in 2014 the Shanghai Exchange was the world's best performing market. So is this negative sentiment justified and what have investors been missing?

To answer the question, yes, some of the negativity towards China's markets is justified - China clearly has challenges but if you scratch below the surface great opportunities still exist for individual companies in the right areas.

First, GDP is slowing, but China is now a \$10 trillion economy and it is unrealistic to expect consistent high single digit growth rates over the long-term. It is generally accepted that growth will slow to around 7% in 2015, but that still represents around US\$700bn of growth, or roughly 25% of the entire UK economy. In conjunction with this, the economy is shifting towards a consumption-led model, which lends itself to lower, yet more sustainable growth rates. This is still a ripe environment in which the strongest companies can grow.

Second, debt levels have risen significantly, and history teaches us that this should lead to non-performing loan ("NPL") issues down the road. However, I do not think this will lead to a credit crisis of the type witnessed in the West in 2008. A key characteristic of a credit crisis is the drying up of liquidity, but strict government imposed rules mean China's banks have some of the lowest loan-to-deposit ratios in the world, while their largest shareholder is the government, which can direct liquidity to where it is needed. Also, one of the big differences is the level of consumer credit. Debt has risen in China but

mostly at the corporate level (including State Owned Enterprises), not at the consumer level. Mortgage penetration is very low, and the deposit requirements for mortgages are relatively high versus Western standards. However, I do think NPLs will become a greater issue for banks going forward - and this is the key reason why the portfolio does not hold Chinese banks.

Third, after years of gains, falling property prices have been perceived by some as the beginnings of the bursting of a bubble. To me, a key aspect of a bubble is rapidly declining affordability. Property prices have moved up strongly in the past decade, but so have incomes. In fact in many cities we argue that affordability has actually improved in the last decade. We should also note that the largest gains in property prices have been in the first tier cities while gains in the lower tier cities have been much more muted. Ultimately it will come down to supply and demand. Supply has increased significantly, but has already begun to adjust since last year. I believe there is still a reasonable case to be made on the demand side. We must keep in mind that the debt increases have been mostly at the corporate level and the consumer balance sheet remains in very good shape.

Finally, many of the structural drivers of demand, such as urbanisation and general upgrading, remain in place. I think the pick-up in market volumes that we have seen in recent months reflects these underlying demand trends. I am not saying that there are not pockets in China with serious overbuild issues - the country is large and there will always be failed projects - but it is not as bad as often made out. For example, so called "ghost towns" dominate the media. I have visited many of these, and while there are some areas with serious problems, on the whole I can say that the problem is generally overstated.

#### WHERE ARE THE OPPORTUNITIES?

I continue to believe the course is set for an unprecedented reform programme that will open up the Chinese economy and its markets, but we must monitor progress in terms of implementation. There are many ongoing economic and social reforms that address issues such as reducing government intervention, allowing markets to determine prices and improved welfare. These changes tend to take baby steps forward, so can often slip under the radar, but in aggregate they are really changing the investment landscape in China to one where private entrepreneurs and companies can thrive.

In addition to A-Shares and non-bank financials mentioned above, the areas in which I am finding opportunities include:

- E-commerce - China's shift to online represents one of the biggest commercial opportunities most investors will see in their lifetimes. Admittedly this is a global trend, but it is occurring even faster in China, partly because traditional bricks and mortar retail infrastructure has not been built out to levels common in the West. Internet usage in China has only just surpassed 50% of the population so there is still good growth potential for e-commerce. There are also attractive businesses springing up related to internet security and data storage that investors cannot ignore.
- Consumer - Chinese wages continue to see solid increases and the growing middle class want to spend on goods, services and travel. All this is happening against the backdrop of a government looking to shift the economy to a consumption-led model, so we can expect further policy tailwinds to support this consumption trend. One example is the government's drive to increase the urbanisation rate, which will boost consumption - ownership levels for rural consumers of everyday goods like white goods and cars tend to be far lower than their urban cousins. Much has been made of the recent anti-corruption crackdown, and this has had an impact at the luxury-end, but I believe that this should have little impact on the underlying drivers behind mass market consumption.
- Healthcare - As people get wealthier they want to get healthier. China's per capita expenditure on healthcare is well below that of developed nations, but we are seeing this pick up. China's low cost advantage also makes it attractive as an R&D outsourcing centre for the large Western pharmaceutical companies. In addition, the government has pledged to change the social security system (called hukou) so that more than 100 million people can get better healthcare access by 2020.
- Infrastructure - Infrastructure assets are sought globally for the stable cash flows they generate. In China we find that many of these assets tend to be ignored and undervalued as they may not offer the growth potential or thematic appeal of some of the smaller private companies. In addition, reforms focusing on more market based pricing and incentivising management have the potential to drive returns higher. One example of this is the railways where some passenger lines have not seen tariffs rise in almost 20 years. Another area where I have found value is in airports. Shanghai International Airport has become one of the biggest holdings in the portfolio. This airport is one of the few with expansion potential, and the underlying passenger growth outlook is strong with Chinese overseas travellers continuing to grow and Shanghai Disneyland (the biggest globally) opening in 2016. I also see great scope to grow its retail related revenues.

Overall, I acknowledge there are macro challenges, but find these are often overstated for the sake of a headline. The economic model in China is changing and slower growth is the "new norm", providing a good environment for innovative companies to operate. Reform is a broad concept, but it is a key driver of progress in China and it will create investment opportunities across an array of industries. From a stock picking perspective, the opening up of the A-Share market is really exciting and I look forward to continuing the search in this market for the many opportunities it offers. At the heart of it all, I still believe stock prices follow earnings and cash flows - and I see strong opportunities for growth in both.

#### A NOTE OF CAUTION

At the time of writing this report it would be remiss of me not to comment on the recent rally we have seen. In April and May alone the Company's Net Asset Value was up nearly 19%. This rally has been driven by increased liquidity and improved sentiment after the authorities granted greater access for mainland investors to buy Hong Kong listed stocks via Stock Connect. As a result, I have reeled in gearing to around 19% and added to the short positions (these can help generate positive returns should these stocks fall).

I still believe that China offers some of the most attractive long-term structural growth opportunities in the Asia region, but I can foresee some consolidation and continued volatility given the speed and size of this rally. The fact that the portfolio is leveraged in the mid to high teens reflects my long-term view and conviction in the Company's holdings.

Dale Nicholls

Portfolio Manager

11 June 2015

Strategic Report

#### PRINCIPAL RISKS AND UNCERTAINTIES AND RISK MANAGEMENT

The Board confirms that there is an ongoing process for identifying, evaluating and managing the principal risks and uncertainties faced by the Company.

The process is regularly reviewed by the Board in accordance with the Financial Reporting Council's ("FRC's") "Internal Control: Revised Guidance for Directors".

The Board is responsible for the Company's system of internal controls and for reviewing its effectiveness. An internal controls report providing an assessment of risks, together with controls to mitigate these risks, is prepared by the Managers and considered by the Audit Committee at each of its meetings.

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 considers the following as the principal risks and uncertainties facing the Company:

##### Market risk

Investing in an emerging market such as the PRC subjects the Company to a higher level of market risk than investment in a more developed market. This is due, among other things, to the existence of greater market volatility, lower trading volumes, the risk of political and economic instability, legal and regulatory risks, risks relating to accounting practices, disclosure and settlement, a greater risk of market shut down, standards of corporate governance and more governmental limitations on foreign investment than are typically found in developed markets. The Board reviews material economic, market and legislative changes at each Board meeting.

The Company has exposure to a number of companies with all or part of their business in Variable Interest Entity ("VIE") structures. These are entities where there is a controlling interest that is not based on the majority of voting rights and may result in a risk to investors being unable to enforce their ownership rights in certain circumstances.

##### Performance risk

The achievement of the Company's performance objective relative to the market requires the taking of risk, such as strategy, asset allocation and stock selection, and may lead to underperformance of the Benchmark Index.

The Company has a clearly defined strategy and investment remit. There is a clearly defined Management Agreement, and

borrowing/derivative limits are also set by the Board.

The portfolio is managed by a highly experienced Portfolio Manager. 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 portfolio against the Company's Benchmark Index and that of its competitors and 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. Unlisted investments are managed by FIL Investments International.

Performance improved and was again well ahead of its Benchmark Index in the 2014/15 financial year as outlined in the Portfolio Manager's Review above. The Company has also out-performed its Benchmark Index since launch.

#### Discount control risk

Due to the nature of investment companies, the Board cannot control the discount at which the Company's share price trades to Net Asset Value. However, it can influence this through its share 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 Managers and regularly reported to the Board.

#### Gearing risk

The Company has the option to invest up to the total of any loan facilities and to use Contracts For Difference ("CFDs") to invest in equities. The principal risk is that while in a rising market the Company should benefit from gearing, in a falling market the impact would be detrimental. Other risks are that the cost of gearing may be too high or that the term of the gearing inappropriate in

relation to market conditions. On 14 February 2014, the Company renewed its US\$150,000,000 revolving credit facility agreement with Scotiabank Europe PLC for a further three years to 14 February 2017, as amended on 17 July 2014. The facility has been fully drawn down. Additional geared exposure is being achieved through the use of long CFDs. The Board regularly considers gearing and gearing risk.

#### Currency risk

The functional currency and presentational currency of the Company in which it reports its results, is UK sterling. Most of its assets and its income are denominated in other currencies, mainly Hong Kong dollars and US dollars. Consequently, it is subject to

currency risk on exchange rate movements between UK sterling and these other currencies. It is the Company's current policy not to hedge against currency risks. Borrowings are denominated in US dollars and, therefore, the effect of US dollar exchange rate movements on assets denominated in US dollars will be offset by the effect on these loans. Further details can be found in the

#### Annual Report.

Other risks facing the Company include:

#### Tax and Regulatory risks

A breach of Section 1158 of the Corporation Tax Act 2010 could lead to a loss of investment trust status, resulting in the Company being subject to tax on capital gains. A breach of other legal and regulatory rules may lead to suspension from listing on the Stock Exchange or a qualified audit report. The Board receives regular reports from the Managers confirming regulatory compliance during the year.

The regulation that was of greatest significance in this reporting year was the Alternative Investment Fund Managers Directive. Details can be found in the Chairman's Statement above.

The Board monitors tax and regulatory changes at each Board meeting and is provided with regular briefings from the Association of Investment Companies ("AIC") as well as details of industry and the Managers lobbying activities.

#### Operational risks - Service Providers

The Company has no employees and relies on a number of third party service providers, principally the Managers, Registrar, Custodian and Depositary. The Company is dependent on the Managers' control systems and those of its Registrar, Custodian and Depositary, all of which are monitored and managed by the Managers in the context of the Company's assets and interests on behalf of

the Board.

The security of the Company's assets, dealing procedures, accounting records and the maintenance of regulatory and legal requirements, among other things, rely on the effective operation of such systems.

The Managers, Registrar, Custodian and Depositary are subject to a risk-based programme of internal audits by the Managers. In addition, service providers' own internal controls reports are received by the Board and any concerns investigated.

#### Directors' Report

#### RELATED PARTY TRANSACTIONS

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. Therefore, there have been no related party transactions requiring disclosure under Financial Reporting Standard 8.

#### GOING CONCERN

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report in the Annual report. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are described in the Financial Statements and Notes thereto in the Annual Report.

The Company's objectives, policies and processes for managing its capital, financial risk objectives, details of financial instruments and its exposures to credit and liquidity risk are also set out in the Strategic Report in the Annual report and in Note 18 to the Financial Statements in the Annual Report.

The Company's assets consist mainly of securities which are readily realisable. Where outsourcing arrangements are in place, including registrar and custodian services, alternative service providers are readily available. As a consequence, the Directors believe that the Company is well placed to manage its business risks successfully.

The Board receives regular reports from the Investment Managers and the Directors have a reasonable expectation 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.

#### Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial period. Under that law they have elected to prepare the Financial Statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

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 IFRS 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 assume that the Company will continue in business; and
- confirm 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 that 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 [www.fidelity.co.uk/its](http://www.fidelity.co.uk/its) to the Managers. 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 International Financial Reporting Standards as adopted by the European Union, 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 11 June 2015 and signed on its behalf.

John Owen

Chairman

Income Statement for the year ended 31 March 2015

			Year ended 31 March 2015		Year ended 31 March 2014 (as restated)*		
		revenue	capital	total	revenue	capital	total
	Notes	£'000	£'000	£'000	£'000	£'000	£'000
Revenue							
Investment income	3	14,613	-	14,613	13,938	-	13,938
Derivative income	3	796	-	796	745	-	745
Other income	3	29	-	29	5	-	5
		-----	-----	-----	-----	-----	-----
Total income		15,438	-	15,438	14,688	-	14,688
Gains on investments designated at fair value through profit or loss	10	-	273,943	273,943	-	99,249	99,249
Gains on derivative instruments held at fair value through profit or loss	11	-	32,136	32,136	-	2,619	2,619
Foreign exchange gains/(losses) on other net assets	14		2,102	2,116	(111)	(696)	(807)
Foreign exchange (losses)/gains on bank loans		-	(11,051)	(11,051)	-	8,776	8,776
		-----	-----	-----	-----	-----	-----
Total income and gains		15,452	297,130	312,582	14,577	109,948	124,525
Expenses							
Investment management and performance fees	4	(4,047)	(8,791)	(12,838)	(3,846)	(10,262)	(14,108)
Other expenses	5	(1,763)	-	(1,763)	(1,635)	-	(1,635)
		-----	-----	-----	-----	-----	-----
Profit before finance costs and taxation		9,642	288,339	297,981	9,096	99,686	108,782
Finance costs	6	(1,064)	(1,064)	(2,128)	(1,564)	(794)	(2,358)
		-----	-----	-----	-----	-----	-----

Profit before taxation		8,578	287,275	295,853	7,532	98,892	106,424
Taxation	7	(515)	(663)	(1,178)	(358)	409	51
		-----	-----	-----	-----	-----	-----
Net profit after taxation for the year		8,063	286,612	294,675	7,174	99,301	106,475
		=====	=====	=====	=====	=====	=====
Earnings per Ordinary Share	8	1.41p	50.17p	51.58p	1.18p	16.39p	17.57p
		=====	=====	=====	=====	=====	=====

\* Restated following a change of accounting policy as disclosed in Note 2(b) below.

The Company does not have any income or expense that is not included in the net profit for the year. Accordingly the "Net profit after taxation for the year" is also the "Total comprehensive income for the year" and no separate Statement of Comprehensive Income has been presented.

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

All of the profit and total comprehensive income is attributable to the equity shareholders of the Company. There are no minority interests.

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

The Notes form an integral part of these Financial Statements.

#### Statement of Changes in Equity for the year ended 31 March 2015

		share	capital					
		share	premium	redemption	other	capital	revenue	total
		capital	account	reserve	reserve	reserve	reserve	equity
	Notes	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Equity shareholders' funds at 31 March 2013		6,532	211,569	95	444,693	(39,170)	10,514	634,233
Repurchase of Ordinary Shares	15	(819)	-	819	(78,323)	-	-	(78,323)
Net profit after taxation for the year		-	-	-	-	99,301	7,174	106,475
Dividend paid	9	-	-	-	-	-	(6,233)	(6,233)
		-----	-----	-----	-----	-----	-----	-----
Equity shareholders' funds at 31 March 2014		5,713	211,569	914	366,370	60,131	11,455	656,152
Repurchase of Ordinary Shares	15	-	-	-	(121)	-	-	(121)
Net profit after taxation for the year		-	-	-	-	286,612	8,063	294,675
Dividend paid	9	-	-	-	-	-	(6,571)	(6,571)
		-----	-----	-----	-----	-----	-----	-----
Equity shareholders' funds at 31 March 2015		5,713	211,569	914	366,249	346,743	12,947	944,135

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The Notes form an integral part of these Financial Statements.

Balance Sheet as at 31 March 2015

Company number 7133583

		2015	2014
	Notes	£'000	£'000
Non current assets			
Investments designated at fair value through profit or loss	10	1,001,043	735,319
		-----	-----
Current assets			
Derivative assets held at fair value through profit or loss	11	43,907	11,810
Amounts held at futures clearing houses and brokers		1,383	-
Other receivables	12	3,388	183
Cash and cash equivalents		14,932	16,662
		-----	-----
		63,610	28,655
		-----	-----
Current liabilities			
Derivative liabilities held at fair value through profit or loss	11	(2,134)	(7,064)
Bank loans	13	(101,014)	(89,963)
Overseas capital gains tax payable		(1,300)	(637)
Other payables	14	(16,070)	(10,158)
		-----	-----
		(120,518)	(107,822)
		-----	-----
Net current liabilities		(56,908)	(79,167)
		-----	-----
Net assets		944,135	656,152
		=====	=====
Equity attributable to equity shareholders			
Share capital	15	5,713	5,713
Share premium account	16	211,569	211,569
Capital redemption reserve	16	914	914
Other reserve	16	366,249	366,370
Capital reserve	16	346,743	60,131
Revenue reserve	16	12,947	11,455
		-----	-----
Total equity shareholders' funds		944,135	656,152
		=====	=====
Net asset value per Ordinary Share	17	165.27p	114.84p

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The Financial Statements were approved by the Board of Directors and authorised for issue on 11 June 2015 and were signed on its behalf by:

John Owen Chairman

The Notes form an integral part of these Financial Statements.

Cash Flow Statement for the year ended 31 March 2015

	2015	2014
		(as restated)*
	£'000	£'000
Operating activities		
Cash inflow from investment income	13,466	12,902
Cash inflow from derivative income	796	841
Cash inflow from other income	29	5
Cash outflow from Directors' fees	(155)	(158)
Cash outflow from other payments	(15,620)	(9,552)
Cash outflow from the purchase of investments	(565,796)	(390,418)
Cash outflow from the purchase of derivatives	(3,261)	(8,226)
Cash inflow from the sale of investments	579,499	465,349
Cash (outflow)/inflow from the sale of derivatives	(1,630)	11,581
Cash (outflow)/inflow from amounts held at futures clearing houses and brokers	(1,383)	4,306
	-----	-----
Net cash inflow from operating activities before servicing of finance	5,945	86,630
	-----	-----
Servicing of finance		
Cash outflow from loan interest paid	(1,376)	(1,600)
Cash outflow from CFD interest paid	(546)	(325)
Cash outflow from short CFD dividends paid	(178)	(442)
	-----	-----
Cash outflow from servicing of finance	(2,100)	(2,367)
	-----	-----
Net cash inflow from operating activities and servicing of finance	3,845	84,263
	-----	-----
Financing activities		
Cash outflow from the repurchase of Ordinary Shares	(1,106)	(79,183)
Cash outflow from dividends paid to shareholders	(6,571)	(6,233)
	-----	-----
Cash outflow from financing activities	(7,677)	(85,416)
	-----	-----
Decrease in cash and cash equivalents	(3,832)	(1,153)
Cash and cash equivalents at the start of the year	16,662	18,511

Effect of foreign exchange movements	2,102	(696)
	-----	-----
Cash and cash equivalents at the end of the year	14,932	16,662
	=====	=====

\* Restated following a change of accounting policy as disclosed in Note 2(b) below.

The Notes form an integral part of these Financial Statements.

## Notes to the Financial Statements

### 1 PRINCIPAL ACTIVITY

The principal activity of the Company is that of an investment trust company within the meaning of Section 1159 of the Corporation Tax Act 2010.

### 2 ACCOUNTING POLICIES

The Company's Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), to the extent that they have been adopted by the European Union, the Companies Act 2006 applicable to companies reporting under IFRS, IFRIC interpretations and with the AIC's Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts ("SORP"), issued January 2009. The accounting policies adopted in the preparation of these Financial Statements are summarised below.

All of the Company's activities are inter-related and each activity is dependent on the others. Accordingly, all significant operating decisions are based upon analysis of the Company as one segment and therefore segmental information is not required.

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 investments and derivative assets and liabilities, and on the assumption that approval as an investment trust will continue to be granted.

b) Change of accounting policy for disclosure of CFD costs - There has been a change of accounting policy to improve the disclosure of the commercial substance of the following costs. Interest paid on CFDs of £564,000 and dividends paid on short CFDs of £178,000 are categorised as 'Finance costs' in the Income Statement rather than as a deduction from 'Derivative income', as was the case last year. These costs were incurred on CFDs which are a component of gearing and the substance of these costs is that of an interest expense. The effect of this change of accounting policy on the corresponding figures for the year ended 31 March 2014 is to increase finance costs by £770,000 and to increase derivative income by the same amount. There is no effect on the net profit after taxation, the net assets of the Company or the decrease in cash and cash equivalents in either year. There is no effect on the Balance Sheet at 31 March 2013 and the Company is not required to present a third Balance Sheet at that date.

At the date of authorisation of these Financial Statements, the following Standards were in issue but not yet effective:

- IFRS 9 Financial Instruments (revised)
- IFRS 14 Regulatory Deferral Accounts
- IFRS 15 Revenue from Contracts with Customers

It is anticipated that the adoption of these Standards in future periods will have no material financial effect on the financial statements of the Company.

c) Presentation of the Income Statement - In order to better reflect the activities of an investment company and in accordance with guidance issued by the AIC, supplementary information which analyses the Income Statement between items of a revenue and capital nature has been prepared alongside the Income Statement. The net profit after taxation is the measure the Directors believe appropriate in assessing the Company's compliance with certain requirements set out in Section 1159 of the Corporation Tax Act 2010.

d) Income - Income from equity investments is credited to the revenue column of the Income Statement on the date on which the right to receive the payment is established, normally the ex dividend date. 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 foregone is recognised as a gain in the capital column of the Income Statement.

Where appropriate certain derivatives, such as contracts for difference ("CFDs"), are used. Income derived from these is included in "Derivative income" in the revenue column of the Income Statement.

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

f) Expenses - Expenses are accounted for on an accruals basis and are charged as follows:

- Any performance fee, if due, is allocated entirely to capital, as the Board believe it reflects the capital performance of the Company's investments;
- The investment management fee is allocated equally between revenue and capital; and
- All other expenses are allocated in full to revenue with the exception of those directly attributable to share issues or other capital events.

g) Finance costs - Finance costs comprise interest and fees on bank loans and interest paid on CFDs, which are accounted for on an accruals basis using the effective interest method, and dividends paid on short CFDs, which are accounted for on the date on which the obligation to incur the cost is established, normally the ex-dividend date. Finance costs are allocated equally between revenue and capital.

h) Taxation - The taxation expense represents the sum of taxation currently payable and deferred taxation.

Taxation currently payable is based on the taxable profit for the year. Taxable profit differs from profit before taxation, as reported in the Income Statement, because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current taxation is calculated using taxation rates that have been enacted or substantively enacted by the Balance Sheet date.

Deferred taxation is the taxation expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the Financial Statements and the corresponding taxation bases used in the computation of taxable profit based on tax rates that have been enacted or substantively enacted when the taxation is expected to be payable or recoverable, and is accounted for using the balance sheet liability method. Deferred taxation liabilities are recognised for all taxable temporary differences and deferred taxation assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Taxation is charged or credited to the revenue column of the Income Statement, except where it relates to items of a capital nature, in which case it is charged or credited to the capital column of the Income Statement. Companies which are approved as Investment Trusts under Section 1158 of the Corporation Tax Act 2010 are not liable for UK taxation on capital gains.

i) Foreign currency - The Directors, having regard to 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 calculated in UK sterling at the rate of exchange ruling as at the date of the transactions. Assets and liabilities in foreign currencies are translated at the rates 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 capital reserve.

j) Valuation of investments - The portfolio of financial assets is managed and its performance evaluated on a fair value basis, in accordance with a documented investment strategy, and information about the portfolio is provided on that basis to the Company's Board of Directors. Investments are designated by the Company as "at fair value through profit or loss", which is initially taken to be their cost, and is subsequently measured as bid or last prices, depending upon the convention of the exchange on which they are listed, where available, or otherwise at fair value based on published price quotations. Investments which are not quoted, or are not frequently traded, are stated at the Directors' best estimate of fair value, based on recognised valuation techniques which may take account of the most recent arm's length transactions in the investment. Valuation reports are provided to the Board by the Fair Value Committee of the Managers, which is independent of the Portfolio Management Team.

In accordance with the AIC SORP, the Company includes transaction costs, incidental to the purchase or sale of investments within "Gains on investments designated at fair value through profit or loss" in the capital column of the

Income Statement and has disclosed them in note 10 below.

k) Derivative instruments - When appropriate, permitted transactions in derivative instruments are used. Derivative transactions into which the Company may enter include CFDs, futures, options, warrants and forward currency contracts. They are held at fair value through profit or loss and are valued at "fair value", which is measured as follows:

- CFDs - the difference between the strike price and the value of the underlying shares in the contract, calculated in accordance with accounting policy 2(j) above; and
- Futures and options - the quoted trade price for the contract.

Where such transactions are used to protect or enhance income, if the circumstances support this, then the income derived from them is included in "Derivative 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 gains and losses derived from them are included in "Gains on derivative instruments held at fair value through profit or loss" in the capital column of the Income Statement. Any positions on such transactions open at the year end are reflected in the Balance Sheet at their fair value within "Current assets" and "Current liabilities".

Premiums received on written options are taken to capital and are included in "Gains on derivative instruments held at fair value through profit or loss" in the capital column of the Income Statement.

During the year the Company has obtained equivalent exposure to Chinese and Hong Kong equities through the use of CFDs. The gearing level is monitored and reviewed by the Board on an ongoing basis. All gains and losses in the fair value of the CFDs are included in "Gains on derivative instruments held at fair value through profit or loss" in the capital column of the Income Statement. Dividends received on the long CFDs are included in "Derivative income" in the revenue column of the Income Statement. Interest paid on CFDs and dividends paid on short CFDs are included in "Finance costs" and are allocated equally between revenue and capital.

l) Bank loans - Loans are initially included in the Financial Statements at cost, being the fair value of the consideration received net of any issue costs relating to the borrowing. After initial recognition, the loans are measured at amortised cost using the effective interest rate method. The amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement.

m) Capital reserve - The following are transferred to capital reserve:

- Gains and losses on the disposal of investments, including derivatives;
- Changes in the fair value of investments, including derivatives, held at the year end;
- Foreign exchange gains and losses of a capital nature;
- Performance fee;
- 50% of the investment management fee;
- 50% of finance costs;
- Dividends receivable which are capital in nature; and
- Taxation charged or credited relating to items which are capital in nature.

As a result of technical guidance by the Institute of Chartered Accountants in England and Wales in TECH 02/10: "Distributable Profits", changes in the 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 Statement of Changes in Equity 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 level 3 investments with a fair value of £160,000 (2014: £ 33,245,000).

n) Dividends - Dividends payable to equity shareholders are recognised when the Company's obligation to make payment is established.

Year	Year
ended	ended
31.03.15	31.03.14

		(as restated)*
	£'000	£'000
3 INCOME		
Investment income		
Overseas dividends	14,548	12,946
Overseas scrip dividends	65	686
UK dividends	-	127
UK scrip dividends	-	179
	-----	-----
	14,613	13,938
	-----	-----
Derivative income		
Dividends received on long CFDs	796	745
	-----	-----
Other income		
Deposit interest	29	5
	-----	-----
Total income	15,438	14,688
	=====	=====

\* Restated following a change of accounting policy as disclosed in Note 2(b) above.

	Year ended 31 March 2015			Year ended 31 March 2014		
	revenue	capital	total	revenue	capital	total
	£'000	£'000	£'000	£'000	£'000	£'000
4 INVESTMENT MANAGEMENT FEE						
Investment management fee	4,047	4,047	8,094	3,846	3,846	7,692
Performance fee	-	4,744	4,744	-	6,416	6,416
	-----	-----	-----	-----	-----	-----
	4,047	8,791	12,838	3,846	10,262	14,108
	=====	=====	=====	=====	=====	=====

FIL Investment Services (UK) Limited (a Fidelity group company) is the Company's Alternative Investment Fund Manager and has delegated investment management to FIL Investment Management (Hong Kong) Limited and FIL Investments International ("The Managers"). The Managers provided investment management services for an annual fee of 1.0% (2014: 1.2%) of the NAV. Fees are payable quarterly in arrears and are calculated on the last business day of March, June, September and December.

In addition, the Managers are entitled to an annual performance fee of 15.0% of any change in the NAV per Ordinary Share attributable to performance which is more than 2% above the return on the MSCI China Index, subject to a maximum performance fee payable in any year equal to 1.0% of the arithmetic mean of the NAV calculated at the end of each month during the year. Any out-performance above this cap is lost. If the Company's performance is less than 2% above the return on the MSCI China Index in any year, the under-performance must be made good before any further performance fee becomes payable. Both the NAV per Ordinary Share and the MSCI China Index are calculated on a total return basis.



	Year ended 31.03.15 £'000	Year ended 31.03.14 £'000
5 OTHER EXPENSES		
AIC fees	21	24
Custody fees	351	285
Depositary fees	51	-
Directors' expenses	54	62
Directors' fees <sup>1</sup>	156	157
Legal and professional fees	92	78
Marketing expenses	174	180
Printing and publication expenses	114	126
Registrars' fees	73	57
Secretarial and administration fees	600	600
Other expenses	47	39
Fees payable to the independent Auditor for the audit of the Financial Statements <sup>2</sup>	30	27
	-----	-----
	1,763	1,635
	=====	=====

1 Details of the breakdown of Directors' fees are provided within the Directors' Remuneration Report in the Annual Report. The 2014 amount is higher than was reported last year as £2,487 of taxable expenses have been transferred to Directors' fees from Directors' expenses.

2 The 2015 amount includes £3,000 of fees relating to the audit of the 2014 Financial Statements.

	Year ended 31 March 2015			Year ended 31 March 2014 (as restated)*		
	revenue £'000	capital £'000	total £'000	revenue £'000	capital £'000	total £'000
6 FINANCE COSTS						
Interest and fees on bank loans	693	693	1,386	794	794	1,588
Interest paid on CFDs	282	282	564	328	-	328
Dividends paid on short CFDs	89	89	178	442	-	442
	-----	-----	-----	-----	-----	-----
	1,064	1,064	2,128	1,564	794	2,358
	=====	=====	=====	=====	=====	=====

\* Restated following a change of accounting policy as disclosed in Note 2(b) above.

Year  
ended  
31

Year  
ended  
31

	March 2015			March 2014		
	revenue	capital	total	revenue	capital	total
	£'000	£'000	£'000	£'000	£'000	£'000
7 TAXATION						
a) Analysis of the taxation charge/(credit) for the year						
Overseas taxation charge	515	-	515	358	-	358
Overseas capital gains tax charge/(credit)	-	663	663	-	(409)	(409)
	-----	-----	-----	-----	-----	-----
Total current taxation charge/(credit) for the year (see Note 7b)	515	663	1,178	358	(409)	(51)
	=====	=====	=====	=====	=====	=====

## b) Factors affecting the taxation charge/(credit) in the year

The taxation charge/(credit) for the year is lower than the standard rate of UK corporation tax for an investment trust company of 21% (2014: 23%). A reconciliation of the standard rate of UK corporation tax to the taxation charge/(credit) for the year is shown below:

	Year ended 31 March 2015			Year ended 31 March 2014		
	revenue	capital	total	revenue	capital	total
	£'000	£'000	£'000	£'000	£'000	£'000
Profit before taxation	8,578	287,275	295,853	7,532	98,892	106,424
	=====	=====	=====	=====	=====	=====
Profit before taxation multiplied by the standard rate of UK corporation tax of 21% (2014: 23%)	1,801	60,328	62,129	1,732	22,745	24,477
Effects of:						
Gains on investments not taxable <sup>1</sup>	-	(62,397)	(62,397)	-	(25,288)	(25,288)
Income not taxable	(2,999)	-	(2,999)	(3,071)	-	(3,071)
Excess expenses	1,204	2,069	3,273	1,352	2,543	3,895
Overseas taxation expensed	(6)	-	(6)	(13)	-	(13)
Overseas taxation	515	-	515	358	-	358
Overseas capital gains tax	-	663	663	-	(409)	(409)
	-----	-----	-----	-----	-----	-----
Current taxation charge/(credit) (Note 7a)	515	663	1,178	358	(409)	(51)
	=====	=====	=====	=====	=====	=====

1 The Company is exempt from UK taxation on capital gains as it meets the HM Revenue & Customs criteria for an investment company set out in Section 1159 of the Corporation Tax Act 2010.

## c) Deferred taxation

A deferred tax asset of £12,475,000 (2014: £9,826,000), in respect of excess management expenses of £59,328,000 (2014: £44,747,000) and excess loan interest of £3,049,000 (2014: £2,044,000) at 31 March 2015, has not been recognised as it is unlikely that there will be sufficient future taxable profits to utilise these expenses.

Year ended	Year ended
------------	------------

	31 March 2015			31 March 2014		
	revenue	capital	total	revenue	capital	total
8 EARNINGS PER ORDINARY SHARE						
Earnings per Ordinary Share	1.41p	50.17p	51.58p	1.18p	16.39p	17.57p
- basic and diluted						
	=====	=====	=====	=====	=====	=====
	===	===	===	==	==	===

Earnings per Ordinary Share are based on the revenue net profit after taxation for the year of £8,063,000 (2014: £7,174,000), the capital net profit after taxation for the year of £286,612,000 (2014: £99,301,000) and the total net profit after taxation for the year of £294,675,000 (2014: £106,475,000) and on 571,313,658 (2014: 605,705,576) Ordinary Shares being the weighted average number of Ordinary Shares held outside Treasury in issue during the year. Basic and diluted earnings per share are the same as the Company has no dilutive financial instruments.

	Year	Year
	ended	ended
	31.03.15	31.03.14
	£'000	£'000
9 DIVIDENDS		
Dividend paid		
Dividend paid of 1.15 pence per Ordinary Share for the year ended 31 March 2014	6,571	-
Dividend paid of 1.00 pence per Ordinary Share for the year ended 31 March 2013	-	6,233
	-----	-----
	6,571	6,233
	=====	=====
Dividend proposed		
Dividend proposed of 1.30 pence per Ordinary Share for the year ended 31 March 2015	[7,346]	-
Dividend proposed of 1.15 pence per Ordinary Share for the year ended 31 March 2014	-	6,571
	-----	-----
	[7,346]	6,571
	=====	=====

The Directors have proposed the payment of a dividend for the year ended 31 March 2015 of 1.30 pence per 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 24 July 2015 to shareholders on the register at the close of business on 19 July 2015 (ex dividend date 18 July 2015).

	2015	2014
	£'000	£'000
10 INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS		
Total investments*	1,001,043	735,319
	=====	=====
Opening fair value of investments		
Opening book cost	656,421	680,845

Opening investment holding gains	78,898	32,053
	-----	-----
	735,319	712,898
Movements in the year		
Purchases at cost	573,916	386,239
Sales - proceeds	(582,135)	(463,067)
Sales - gains in the year	169,297	52,404
Movement in investment holding gains in the year	104,646	46,845
	-----	-----
Closing fair value of investments	1,001,043	735,319
	=====	=====
Closing book cost	817,499	656,421
Closing investment holding gains	183,544	78,898
	-----	-----
Closing fair value of investments	1,001,043	735,319
	=====	=====

\* The fair value hierarchy of the investments is shown in Note 18 below.

	Year	Year
	ended	ended
	31.03.15	31.03.14
	£'000	£'000
Gains on investments		
Gains on sales of investments	169,297	52,404
Investment holding gains	104,646	46,845
	-----	-----
	273,943	99,249
	=====	=====

#### Cost of investment transactions

Transaction costs are incurred in the acquisition and disposal of investments. These are included in the gains on investments designated at fair value through profit or loss in the capital column of the Income Statement. The total transaction costs were as follows:

	Year	Year
	ended	ended
	31.03.15	31.03.14
	£'000	£'000
Purchases transaction costs	1,375	1,120
Sales transaction costs	1,169	972
	-----	-----
	2,544	2,092
	=====	=====

The portfolio turnover rate for the year was 68.3% (2014: 59.0%).

#### Substantial interest

As at 31 March 2015 the Company held 8,435,776 ordinary shares of 10 pence each

in DJI Holdings PLC, a company listed on AIM and incorporated in the UK. This holding represented 6.5% of the issued share capital of DJI Holdings PLC which, in the opinion of the Directors, did not represent a participating interest.

	Year	Year
	ended	ended
	31.03.15	31.03.14
	£'000	£'000
11 DERIVATIVE INSTRUMENTS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS		
Gains on derivative instruments held at fair value through profit or loss in the year		
Realised (losses)/gains on CFDs	(3,155)	3,942
Realised (losses)/gains on options	(2,005)	950
Movement on investment holding gains/(losses) on CFDs	36,703	(2,173)
Movement on investment holding gains/(losses) on options	874	(519)
Movement on investment holding (losses)/gains on warrants	(281)	419
	-----	-----
	32,136	2,619
	=====	=====
	2015	2014
	fair value	fair value
	£'000	£'000
Fair value of derivative instruments recognised in the Balance Sheet		
Derivative assets recognised at fair value through profit or loss	43,907	11,810
Derivative liabilities recognised at fair value through profit or loss	(2,134)	(7,064)
	-----	-----
	41,773	4,746
	=====	=====

	2015		2014	
		gross asset		gross asset
	fair value	exposure	fair value	exposure
	£'000	£'000	£'000	£'000
At the year end the Company held the following derivative instruments				
Long CFDs	40,691	137,324	5,834	43,465
Short CFDs	(679)	22,757	(2,525)	13,074
Call Options	1,623	27,854	1,018	14,108
Warrants	138	140	419	598
	-----	-----	-----	-----
	41,773	188,075	4,746	71,245

	2015	2014
	£'000	£'000
12 OTHER RECEIVABLES		
Securities sold for future settlement	2,771	135
Accrued income	581	-
Other receivables	36	48
	-----	-----
	3,388	183
	=====	=====

	2015	2014
	£'000	£'000
13 BANK LOANS		
Variable rate unsecured US dollar loans		
US dollar 150,000,000 @ 1.46% (2014: 1.44%), repayable on 18 May 2015	101,014	89,963
	=====	=====
	===	===

On 14 February 2014, the Company renewed its existing revolving facility agreement for US\$150,000,000 with Scotiabank Europe PLC for a further three years to 14 February 2017.

	2015	2014
	£'000	£'000
14 OTHER PAYABLES		
Securities purchased for future settlement	8,180	125
Amount payable on share repurchases	-	985
Performance fee payable	4,744	6,416
Investment management and secretarial fees	2,509	2,119
Accrued expenses	637	513
	-----	-----
	16,070	10,158
	=====	=====

Other payables are due for settlement within three months.

	2015		2014	
	Number of shares	£'000	Number of shares	£'000
15 SHARE CAPITAL				
Issued, allotted and fully paid				
Ordinary Shares of 1 penny - held outside Treasury				
Beginning of the year	571,354,480	5,713	653,229,480	6,532
Ordinary Shares repurchased into Treasury	(100,000)	(1)	-	-

Ordinary Shares repurchased and cancelled	-	-	(81,875,000)	(819)
	-----	-----	-----	-----
End of the year	571,254,480	5,712	571,354,480	5,713
	=====	=====	=====	=====
Ordinary Shares of 1 penny - held in Treasury				
Beginning of the year	-	-	-	-
Ordinary Shares repurchased into Treasury	100,000	1	-	-
	-----	-----	-----	-----
End of the year	100,000	1	-	-
	-----	-----	-----	-----
Total share capital		5,713		5,713
		=====		=====

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

#### 16 RESERVES

The share premium account represents the amount by which the proceeds from share issues, less the associated costs, exceed the nominal value of the Ordinary Shares issued. High Court approval was given on 21 April 2010 to cancel the account and as a result £452,232,000 was transferred to the Other Reserve. Subsequently, the Company issued 157,654,480 Ordinary Shares resulting from its "C" share issue and 45,000,000 Ordinary Shares in separate issues pursuant to the authorities granted by shareholders. The share premium account is not distributable by way of dividend and it cannot be used to fund share repurchases.

The capital redemption reserve represents the nominal value of Ordinary Shares repurchased and cancelled. It is not distributable by way of dividend and it cannot be used to fund share repurchases.

The other reserve is a distributable premium reserve created on 21 April 2010 when High Court approval was given for the share premium account at that date to be cancelled. As a result £452,232,000 was transferred from the share premium account to the other reserve. It can be used to fund share repurchases and it is distributable by way of dividend.

The capital reserve represents realised gains or losses on investments and derivatives sold, 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 has stated that it has no current intention to pay dividends out of capital.

The revenue reserve represents the net revenue surpluses recognised in the revenue column of the Income Statement that have not been distributed as dividends to shareholders. It is distributable by way of dividend.

#### 17 NET ASSET VALUE PER ORDINARY SHARE

The net asset value per Ordinary Share is based on net assets of £944,135,000 (2014: £656,152,000) and on 571,254,480 (2014: 571,354,480) Ordinary Shares, being the number of Ordinary Shares held outside Treasury in issue at the year end. It is the Company's policy that Ordinary Shares held in Treasury will only be issued at a premium to net asset value per share and, therefore, the shares held in Treasury have no dilutive effect.

#### 18 FINANCIAL INSTRUMENTS

##### MANAGEMENT OF RISK

The Company's investing activities in pursuit of its investment objective involve certain inherent risks. The Board confirms that there is an ongoing process for identifying, evaluating and managing the principal risks faced by the Company. The Board with the assistance of the Managers, has developed a risk matrix which, as part of the internal control process, identifies the operational risks that the Company faces. Risks identified are strategic, marketing and business development, investment management, company secretarial,

fund administration and operations and support function risks. Risks are identified and graded in this process, together with steps taken in mitigation of risks, and are updated and reviewed on an ongoing basis. Principal risks identified are shown in the Strategic Report in Annual Report.

This Note is incorporated in accordance with IFRS 7 "Financial Instruments: Disclosures" 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 and equity linked notes;
- Derivative instruments which comprise forward currency contracts, CFDs and warrants, and futures and options written or purchased on stocks and equity indices;
- Cash, liquid resources and short-term debtors and creditors that arise from its operations; and
- Bank borrowings.

The risks identified by IFRS 7 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 and credit risk. The Board reviews and agrees policies for managing each of these risks, which are summarised below. These policies have remained unchanged since the beginning of the accounting period.

#### Market price risk

#### Interest rate risk

The Company finances its operations through share capital raised. In addition, the Company has long and short CFDs and a multicurrency revolving credit facility for US\$150,000,000 expiring on 14 February 2017. The Company has drawn down the whole of this facility as disclosed in Note 13 above.

#### Interest rate risk exposure

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

	2015	2014
	£'000	£'000
Exposure to financial instruments that bear interest		
Long CFDs - exposure less fair value	96,633	37,631
Short CFDs - exposure plus fair value	22,078	10,549
Bank loans	101,014	89,963
	-----	-----
	219,725	138,143
	-----	-----
Exposure to financial instruments that earn interest		
Cash and cash equivalents	14,932	16,662
Amounts held at futures clearing houses and brokers	1,383	-
	-----	-----
	16,315	16,662
	-----	-----
Net exposure to financial instruments that bear interest	203,410	121,481
	=====	=====

#### Foreign currency risk

The Company's net profit after taxation and its net assets can be affected by foreign exchange rate movements because the Company has income, assets and liabilities which are denominated in currencies other than the Company's functional currency which is UK sterling.



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

- movements in currency exchange rates affecting the value of investments and bank loans;
- movements in currency exchange rates affecting short-term timing differences; and
- movements in currency exchange rates affecting income received.

The Company will 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.

#### Currency exposure of financial assets

The Company's financial assets comprise equity investments, long positions on derivative instruments, short-term debtors and cash and cash equivalents. The currency profile of these financial assets is shown below:

	2015				
	investments designated at fair value through profit or loss	exposure to long derivative instruments	other receivables *	cash and cash equivalents	total
	£'000	£'000	£'000	£'000	£'000
Australian dollar	4,962	-	-	-	4,962
Canadian dollar	2,534	140	-	-	2,674
Chinese renminbi	164,024	-	-	6,605	170,629
Hong Kong dollar	538,576	115,950	4,403	5,090	664,019
Singapore dollar	5,926	2,301	-	-	8,227
Taiwan dollar	14,147	-	-	-	14,147
UK sterling	36,968	-	368	3,212	40,548
US dollar	233,906	46,927	-	25	280,858
	-----	-----	-----	-----	-----
	1,001,043	165,318	4,771	14,932	1,186,064
	=====	=====	=====	=====	=====

\* Other receivables include amounts held at futures clearing houses and brokers.

	2014				
	investments designated at fair value through profit or loss	exposure to long derivative instruments	other receivables	cash and cash equivalents	total
	£'000	£'000	£'000	£'000	£'000
Australian dollar	4,527	-	-	-	4,527
Canadian dollar	3,030	598	-	-	3,628
Chinese renminbi	64,353	-	-	156	64,509
Hong Kong dollar	429,740	55,347	135	16,024	501,246
Singapore dollar	14,074	2,226	-	-	16,300
Taiwan dollar	8,679	-	-	322	9,001

UK sterling	37,348	-	48	160	37,556
US dollar	173,568	-	-	-	173,568
	-----	-----	-----	-----	-----
	735,319	58,171	183	16,662	810,335
	=====	=====	=====	=====	=====

#### Currency exposure of financial liabilities

The Company finances its investment activities through its Ordinary Share capital, reserves and borrowings.

The Company's financial liabilities comprise short positions on derivative instruments, US dollar denominated bank loans and other payables. The currency profile of these financial liabilities is shown below:

	2015			
	exposure to short derivative instruments	US dollar bank loans	other payables*	total
	£'000	£'000	£'000	£'000
Chinese renminbi	-	-	720	720
Hong Kong dollar	22,757	-	7,072	29,829
Singapore dollar	-	-	1	1
Taiwan dollar	-	-	52	52
UK sterling	-	-	7,703	7,703
US dollar	-	101,014	1,822	102,836
	-----	-----	-----	-----
	22,757	101,014	17,370	141,141
	=====	=====	=====	=====

\* Other payables include overseas capital gains tax payable.

	2014			
	exposure to short derivative instruments	US dollar bank loans	other payables*	total
	£'000	£'000	£'000	£'000
Chinese renminbi	-	-	638	638
Hong Kong dollar	13,074	-	124	13,198
UK sterling	-	-	9,871	9,871
US dollar	-	89,963	162	90,125
	-----	-----	-----	-----
	13,074	89,963	10,795	113,832
	=====	=====	=====	=====

\* Other payables include overseas capital gains tax payable.

#### Other price risk

Other price risk arises mainly from uncertainty about future prices of financial instruments. It represents the potential loss the Company might suffer through price movements in its investment positions.

The Portfolio Manager is responsible for actively monitoring the portfolio selected in accordance with the overall asset allocation parameters described above and seeks to ensure that individual stocks meet an acceptable risk/reward profile. Other price risks arising from derivative positions, mainly to do with

underlying exposures, are assessed by the Portfolio Manager's specialist derivative instruments team.

The Board meets quarterly to review the asset allocation of the portfolio and the risk associated with particular industry sectors within the parameters of the investment objective.

#### Liquidity

The Company's assets mainly comprise readily realisable securities which can be sold easily to meet funding commitments if necessary. Short-term flexibility is achieved by the use of overdraft facilities if required. Details of the Company's borrowing commitments are shown in Note 13 above.

#### 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 Managers employ, the Managers 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 March 2015, £39,032,000 (2014: £4,300,000) 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 £1,383,000 (2014: £nil), 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 Managers. Exposure to credit risk arises on outstanding securities transactions, derivative instruments and cash at bank.

#### Derivative instruments risk

A Derivative Instrument Charter, including an appendix entitled 'Derivative Risk Measurement and Management', details the risks and risk management processes used by the Managers. This Charter was approved by the Board and allows the use of derivative instruments for the following purposes:

- to gain exposure to equity markets, sectors or individual investments;
- to hedge equity market risk in the Company's investments with the intention of mitigating losses in the event of market falls;
- to enhance portfolio returns by writing call and put options; and
- to take short positions in equity markets, which would benefit from a fall in the relevant market price, where the Manager believes the investment is overvalued. 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 investment performance of these instruments are managed by an experienced, specialist derivative team of the Managers using portfolio risk assessment tools for portfolio construction.

#### RISK SENSITIVITY ANALYSIS

##### Interest rate risk sensitivity analysis

Based on the financial instruments held and interest rates at the balance sheet date, an increase of 0.25% in interest rates throughout the year would have decreased both the net profit after taxation for the year and the net assets of the Company by £509,000 (2014: £304,000). A decrease of 0.25% in interest rates throughout the year would have had an equal but opposite effect.

## Foreign currency risk sensitivity analysis

Based on the financial assets and liabilities held and the exchange rates ruling at the Balance Sheet date, if the UK sterling exchange rate had strengthened by 10% against other currencies, both the profit after taxation for the year and the net assets of the Company would have decreased by the following amounts:

	2015	2014
	£'000	£'000
Australian dollar	451	412
Canadian dollar	243	314
Chinese renminbi	15,446	5,806
Hong Kong dollar	51,296	40,930
Singapore dollar	550	1,267
Taiwan dollar	1,281	818
US dollar	13,577	7,586
	-----	-----
	82,844	57,133
	=====	=====

Based on the financial assets and liabilities held and the exchange rates ruling at the Balance Sheet date, if the UK sterling exchange rate had weakened by 10% against other currencies, both the profit after taxation for the year and the net assets of the Company would have increased by the following amounts:

	2015	2014
	£'000	£'000
Australian dollar	551	503
Canadian dollar	297	383
Chinese renminbi	18,879	7,097
Hong Kong dollar	62,695	50,026
Singapore dollar	672	1,549
Taiwan dollar	1,566	1,000
US dollar	16,594	9,271
	-----	-----
	101,254	69,829
	=====	=====

## Other price risk sensitivity analysis

Changes in market prices, other than those arising from interest rate risk, may also affect the net profit after taxation for the year and the net assets of the Company. Details of how the Board sets risk parameters and performance objectives are disclosed in the Strategic Report, in the Annual Report.

An increase of 10% in the share prices of the investments designated at fair value through profit or loss at 31 March 2015 would have increased both the profit after taxation for the year and the net assets of the Company by £ 100,104,000 (2014: £73,532,000). A decrease of 10% in the share prices of the investments designated at fair value through profit or loss would have had an equal but opposite effect.

## Derivative instruments exposure sensitivity analysis

The Company invests in derivative instruments to gain exposure to the equity market. An increase of 10% in the share prices of the investments underlying the derivative instruments at 31 March 2015 would have increased both the profit after taxation for the year and the net assets of the Company by £ 14,256,000 (2014: £4,510,000). A decrease of 10% in the share prices of the

investments underlying the derivative instruments would have had an equal but opposite effect.

#### FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities are stated in the Balance Sheet at values which are not materially different to their fair values. As explained in Notes 2(j) and (k) above, investments are shown at fair value which is bid or last market price. In the case of cash and cash equivalents, book value approximates to fair value due to the short maturity of the instruments. The exception is the US dollar denominated bank loan, its fair value having been calculated by discounting future cash flows at current US dollar interest rates.

	2015		2014	
	fair value	book value	fair value	book value
	£'000	£'000	£'000	£'000
Variable rate unsecured loan of US dollar 150,000,000	101,382	101,014	90,283	89,963
	=====	=====	=====	=====
	===	===	===	===

#### FAIR VALUE HIERARCHY

Under IFRS 13 "Fair Value Measurement", the International Accounting Standards Board requires investment companies 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 prices in active markets for identical assets	Valued using quoted
Level 2 valuation techniques using observable inputs other than quoted prices included within level 1	Valued by reference to
Level 3 valuation techniques using inputs that are not based on observable market data	Valued by reference to

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 the Accounting Policies Notes 2(j) and (k) above. The table below sets out the Company's fair value hierarchy:

	2015			
	level 1	level 2	level 3	total
	£'000	£'000	£'000	£'000
Financial assets at fair value through profit or loss				
Investments - shares and rights	946,209	-	160	946,369
Investments - equity linked notes	-	54,674	-	54,674
Derivative instruments	138	43,769	-	43,907
	-----	-----	-----	-----
	946,347	98,443	160	1,044,950
	=====	=====	=====	=====
Financial liabilities at fair value through profit or loss				
Derivative instruments	-	(2,134)	-	(2,134)
	=====	=====	=====	=====
Financial liabilities at amortised cost				

Bank loan	-	(101,382)	-	(101,382)
	=====	=====	=====	=====
2014				
	level 1	level 2	level 3	total
	£'000	£'000	£'000	£'000
Financial assets at fair value through profit or loss				
Investments - shares	681,149	-	33,245	714,394
Investments - equity linked notes	-	20,925	-	20,925
Derivative instruments	-	11,810	-	11,810
	-----	-----	-----	-----
	681,149	32,735	33,245	747,129
	=====	=====	=====	=====
Financial liabilities at fair value through profit or loss				
Derivative instruments	-	(7,064)	-	(7,064)
	=====	=====	=====	=====
Financial liabilities at amortised cost				
Bank loan	-	(90,283)	-	(90,283)
	=====	=====	=====	=====

The table below sets out the movements in level 3 investments during the year:

	2015	2014
	level 3	level 3
	£'000	£'000
Financial assets at fair value through profit or loss		
Level 3 investments at the beginning of the year	33,245	19,366
Investments becoming listed transferred to level 1 at fair value	(33,245)	-
Rights acquired	160	-
Investments suspended transferred from level 1 at fair value	-	723
Movement in investment holding gains in the year	-	13,156
	-----	-----
Level 3 investments at the end of the year	160	33,245
	=====	=====

At 31 March 2014, level 3 investments included 25,000 convertible preference shares in Alibaba Group Holdings Limited ("Alibaba") valued at £31,232,000. On 19 September 2014, following a successful initial public offering, Alibaba listed on the New York Stock Exchange and the Company's holding was transferred from level 3 to level 1.

## 19 CAPITAL RESOURCES AND GEARING

The Company does not have any externally imposed capital requirements. The financial resources of the Company comprise its share capital, reserves and gearing, which are disclosed in the Balance Sheet above. It is managed in accordance with its investment policy and in pursuit of its investment objective, both of which are detailed in the Strategic Report in the Annual Report. The principal risks and their management are disclosed in the Strategic Report in the Annual Report and in Note 18 above.

The Company's gearing at the year end is set out below:

	2015	2014
	£'000	£'000
Gross asset exposure		
Investments	1,001,043	735,319
Long derivatives	165,318	58,171
Short derivatives	22,757	13,074
	-----	-----
	1,189,118	806,564
	=====	=====
Net assets	944,135	656,152
	=====	=====
Gearing (Gross asset exposure in excess of net assets)	25.9%	22.9%
	=====	=====

## 20 RELATED PARTY TRANSACTIONS

The Company has identified the Directors as its only related parties. Key management compensation paid was £167,000 (2014: £169,000). This included fees paid to the Directors, which are disclosed in the Directors' Remuneration Report in the Annual Report, and £11,000 (2014: £12,000) of Employer's National Insurance contributions.

## 2014 FINANCIAL INFORMATION

The figures and financial information for 2014 are extracted from the published Annual Report and Accounts for the year ended 31 March 2014 and do not constitute the statutory accounts for that year. The Annual Report and Accounts has been delivered to the Registrar of Companies and included the Report of the Independent Auditors which was unqualified and did not contain a statement under either section 498(2) or section 498(3) of the Companies Act 2006.

## 2015 FINANCIAL INFORMATION

The figures and financial information for 2015 are extracted from the published Annual Report and Accounts for the year ended 31 March 2015 and do not constitute the statutory accounts for that year. The Annual Report and Accounts include the Report of the Independent Auditors which is unqualified and does not contain a statement under either section 498(2) or section 498(3) of the Companies Act 2006. The Annual Report and Accounts will be delivered to the Registrar of Companies in due course.

A copy of the Annual Report will shortly be submitted to the National Storage Mechanism and will be available for inspection at [www.morningstar.co.uk/uk/NSM](http://www.morningstar.co.uk/uk/NSM).

The Annual Report and Financial Statements will be posted to shareholders on/ around 18 June 2015 and will be available on the Company's website at [www.fidelity.co.uk/its](http://www.fidelity.co.uk/its)

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FIL Investments International

Company Secretary

12 June 2015

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