



SVM UK Active Fund plc

Annual Report 31 March 2008

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SVM UK Active Fund plc, a UK active fund managed by SVM, aims to achieve superior returns by actively managing a portfolio of principally UK listed companies that offer attractively priced growth.

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Highlights

- Continuing focus on Resources and Business Services
- Low portfolio exposure to Banks and Consumer Businesses
- Negative impact of small companies exposure

Financial Highlights	31 March 2008	31 March 2007	% Change
Net asset value	204.06p	239.93p	-15.0
Share price	183.75p	226.75p	-19.0
FTSE All-Share Index	2,927.05	3,283.21	-10.8
Dividend	3.00p	3.00p	
Discount	10.0%	5.5%	
Total expense ratio:			
Investment management fees	0.79%	0.75%	
Other operating expenses	0.26%	0.19%	

Historical record Year to 31 March	NAV per share (p)	Share price (p)	Earnings per share (p)	Dividend per share (p)
2003	103.93	89.00	3.32	2.75
2004	140.91	125.75	2.48	2.75
2005	158.62	144.50	2.81	2.75
2006	215.15	194.50	2.45	2.75
2007	239.93	226.75	1.76	3.00
2008	204.06	183.75	1.68	3.00

Performance to 31 March, % change	1 Year	3 Years	5 Years	10 Years
Net Asset Value	-15.0	+28.6	+96.3	+13.5
FTSE All-Share Index	-10.8	+19.1	+68.6	+5.2

Chairman's Statement



Over the twelve months under review, SVM UK Active Fund's net asset value per share decreased by 15.0%. Over the same period, the Company's benchmark index, the FTSE All-Share Index, fell by 10.8%. All of the relative underperformance took place in the first half of the year, with the net asset value per share recovering almost 2% relative to the benchmark in the second six months. This recovery has continued, with the net asset value per share gaining 7.9% since the year end to stand at 220.12 pence as at 31 May 2008. The benchmark rose by 6.1%. On a total return basis, over the five years to 31 March 2008, the Company's share price rose 106.5%, net asset value per share gained 108.9% and the benchmark index increased by 98.7%.

Portfolio

Stockmarkets were weak during the year under review, against a background of growing concern about the impact of banking problems. As 2007 progressed, the Managers reduced exposure to banks, general financials and consumer businesses that appeared exposed to an economic slowdown. Additional investment was made in utilities and tobacco, and the Managers made greater use of the ability to hedge some portfolio exposure. Investment in large and medium sized mining and oil & gas businesses was increased, but some smaller mining holdings were sold

in the summer after disappointment. Overall, smaller company exposure was cut to reduce portfolio risk. The Managers focused on reducing portfolio risks relating to credit problems and dividend cuts.

Over the year, good contributions to performance came from a range of sectors; resources: telecoms and utilities. The Company's largest investment, in oil & gas business BG Group, rose strongly following successful drilling in Brazil and also reflecting higher energy prices. Randgold Resources also gained, helped by strength in the gold price. Hedging helped to reduce some portfolio risks. Disappointments during the period included BP, BT Group and smaller companies.

Initiatives

Since 1999, the Board has implemented a vigorous re-purchase programme. During the year under review, 4,000,000 shares that were bought back in the previous year were cancelled. In addition, 908,000 shares were bought back and placed into treasury at an average price of 200 pence per share which represented an 11% discount to the prevailing net asset value.

Share re-purchases, together with investment performance and marketing, has helped to stabilise the discount. However, discounts across the investment trust industry have widened from an average of 7% at the beginning of 2007 to around 11% currently. Over the twelve months under review, the discount at which the Company's shares traded increased from 5.5% to 10.0%. We believe that this narrower range of discount fluctuation, compared with previous years, has been assisted by vigorous marketing and the provision of regularly updated information to shareholders. The Board believes that discount stability is assisted by attracting a greater proportion of private investors to the share register.

Your Board is committed to maintaining the discount relative to the investment trust sector at the lower levels achieved over the past two years and we believe that the measures taken, including a continuation of an active share re-purchase programme, should achieve this.

Recent changes to the Listing Rules require companies to provide more detailed information on the Company's investment policy, key performance indicators and risk management. The additional information should help investors gain a better understanding of the Company's policies and controls, but is not a material change to the investment policy.

AGM

The Company's Annual General Meeting will be held in London on 9 July 2008, and the resolutions to be proposed will be given in the Notice of Meeting. The meeting will convene at 12 Noon and will include a presentation from the Managers, who will review the portfolio and investment policy and answer any questions from shareholders. The AGM will start at 12.30 pm. We plan to repeat the practice of making a presentation to shareholders in Scotland in September.

Holding shares in treasury

Companies, including investment trusts, are permitted to buy back shares and hold them in treasury for re-issue at a later date. This has the benefit of improving liquidity as well as retaining the opportunity to enhance net asset value through buybacks. The regulations allow up to 10% of the issued share capital to be held in treasury at any one time. I am pleased that at the 2007 AGM, shareholders voted to take advantage of this facility.

We believe that shareholders can continue to benefit from this treasury facility. Although this could involve

re-issue of shares at a discount to net asset value, the Directors would apply controls to this. It is the Directors' intention that any shares placed into treasury during the year ended 31 March 2009 will only be issued at an absolute profit and that any shares held in treasury for a period in excess of 12 months will be cancelled. Any decisions regarding placing shares into treasury, or issuing shares from treasury, are taken by the Directors.

Dividend

Over the past five years, the Company has delivered a good total return to investors, both in absolute terms and relative to benchmark. Most of this return has been in the form of capital growth and your Board believes that performance has been assisted by the absence of specific income objectives. Over the year under review, many of the companies held by the Company increased their dividends. We expect this pattern to continue, and the portfolio has low exposure to sectors that are currently cutting dividends, such as banks and consumer businesses. Over the year under review, sales were made of some higher yielding shares in these areas, where the Managers believed prospects for dividends and capital growth had deteriorated. However, prospects for dividend growth in the portfolio, combined with the level of the Company's revenue reserves, has encouraged your Board to propose a maintained dividend, following its 10% increase in 2007.

It is proposed that a final dividend per share of 3.0 pence per share be paid on 25 July 2008 to shareholders on the register on 20 June 2008 (ex dividend 18 June 2008).

Mark Powell

Chairman

5 June 2008

The Managers

SVM UK Active Fund Managers



Colin McLean

Primary Fund Manager &
Managing Director of SVM Asset
Management

Colin has over 30 years investment experience and is widely regarded as one of the UK's top stockpicking analysts. Prior to establishing SVM Asset Management in 1990, he held senior positions with three major financial institutions. He was Head of Investment of two UK life assurers, FS Assurance and Scottish Provident, before being Managing Director of Templeton International's European operations. His sector responsibilities include UK banks, insurance and mining. He has an AAA rating by Citywire for his 3 year risk adjusted performance.



Hector Kilpatrick

Deputy Fund Manager

Hector joined SVM Asset Management having worked as a senior member of the European equities team at Standard Life Investments. He is an Associate of the Society of Investment Professionals. Hector holds a MBA in Strategic Management and a MSc in Aquatic Resource Management. He manages the SVM UK Alpha Fund and is responsible for researching European pharmaceuticals, basic industrials and UK support services.

SVM Asset Management

At SVM, we aim to achieve superior investment performance through careful stockpicking and analysis. Whether we are researching for our long or long/short funds we undertake proprietary, in-depth analysis in order to identify the true value of a company or fund. This strategy has ensured that we have achieved superior investment returns for a broad range of clients – both institutional and private investors. As pure equity specialists, we focus our expertise on investing in UK and European companies as well as global investment funds.

Investing in SVM UK Active Fund

There are a variety of ways to invest in the Company. Shares can be easily traded on the stock market. However, regular savings and tax free wrappers are also available:

- SVM Investment Trust Savings Scheme accepts minimum lump sum investment from £200 and monthly savings from £50. Investments can be made as gifts for children or other adults. Dividends can be reinvested at no cost.
- SVM ISA allows investors to save tax free up to £7,200 per annum. The minimum lump sum investment is £1,000 or regular savings from £50 per month.
- Investors may also transfer the value of all or any number of existing ISA/PEP holdings into SVM UK Active Fund shares. There is no charge for the transfer.
- SVM Savings Scheme for Children is a low cost option available to any adult who wants to invest for children. The minimum lump sum accepted is £200 and monthly savings start from as little as £25.

For more information or brochures call 0131 226 7660. Alternatively, application packs can be downloaded from www.svmonline.co.uk

Shareholder Information

The SVM website remains the best source of information about the Company. Over the last year there have been a number of initiatives which have been added to improve shareholder access and the quality of reporting and marketing. These initiatives attract new investors and keep existing shareholders informed.

The Company webpage is easy to access within the Manager's website www.svmonline.co.uk and provides detailed information on the Company.

The Company's latest share price is updated daily and new functionality gives access to historical share price data since launch in 1994.

A new Interactive charting tool allows investors to view the performance record over fixed time periods or dates of their choice.

As there is no longer any requirement to post the Company's Interim Report to shareholders, it is proposed that in future it will be made available for inspection on the website together with all other information we publish for the Company.

Comprehensive monthly factsheets are available with the Managers' commentary, portfolio analysis, featured stock, fund performance, sector breakdowns, current hedging and gearing status.

In order to improve access to the Managers' thinking, quarterly video interviews are conducted and posted online together with written transcripts.

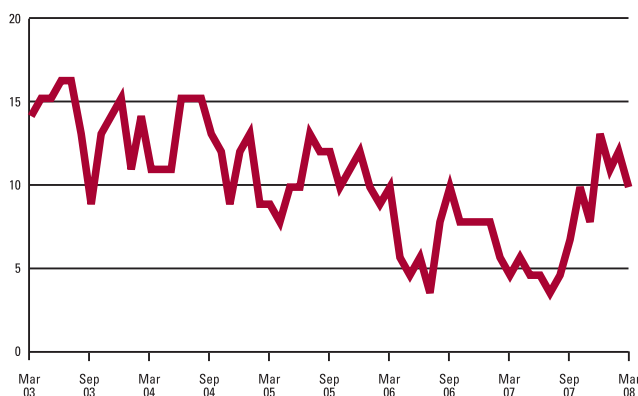
In the last year SVM has launched a Savings Scheme for Children which is specifically designed to add new long term investors to the shareholder base.

The Company distributes monthly updates by email to a number of intermediaries. It is also possible for shareholders and other interested parties to subscribe to this. To do so, please email your request to info@svmonline.co.uk



Managers' Review

Discount to Net Asset Value



— UK Active Share Price, Discount to Net Asset Value

After four years of growth, stockmarkets were weak in the year under review. Some of the largest companies performed poorly, as did most smaller companies. Low ratings and high dividend yields offered little support. In mid 2007, the portfolio was positioned more defensively to reflect the deteriorating economic and credit outlook, and this helped the portfolio to resist some of the subsequent stockmarket weakness and volatility. We believe that the current year will offer more attractive opportunities to reinvest the Company's liquidity. The investment style continues to be active and flexible, with a focused portfolio reflecting high conviction fundamental analysis.

Fundamental Research

In-depth company research – looking beyond the superficial attractions of dividend yield and low price/earnings ratios – is particularly important in a slowdown. Earnings per share is widely used by analysts to value companies, but we believe this measure often fails to give a true picture of underlying business value and growth prospects. Acquisitions and accounting treatment can flatter companies with poor underlying growth. As a result, some value opportunities are not what they seem. Indeed, this has been shown recently by most banks. For some companies, the long record of growing dividends has come to an abrupt stop, with rights issues now seeking to claw back from shareholders the equivalent of several years of dividend payouts.

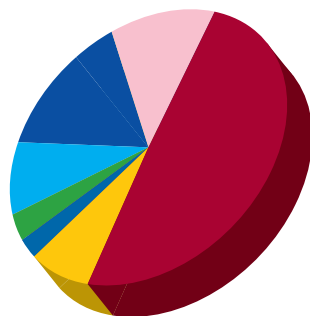
We believe in looking beyond the superficial stockmarket ratios, and looking more closely at measures of real organic business progress. We are sceptical of the apparent cheapness of banks, retailers, housebuilders and some pharmaceuticals. Instead, we have identified opportunities in businesses that we believe are unlikely to require further finance or cut dividends. Some, such as asset manager Man Group

Normal range of exposures (% of net assets)

	Minimum	Maximum	Year end
CDFs Long	0	30	22
CFDs Short (hedging)	0	20	14
Borrowings/net debt	0	25	0
Total effective portfolio exposure	75	125	85
Total unquoted	0	10	4
Individual long stock	0	12	10
Individual short stock (hedging)	0	3	2

Themes

Resources: 49.3%
Business Services: 12.2%
Financials: 8.2%
Industrials: 2.8%
Consumer: 3.6%
Others: 8.7%
Liquidity: 15.2%



and catering business Compass Group, have significantly outperformed in challenging conditions. We believe that a number of the portfolio investments have the potential to return capital to investors or to release value by restructuring.

Resources

Resources – oil and gas, metals and mining and basic industries – are now a major component of the stockmarket by value. Oil and gas represents 17% of the FTSE All-Share Index, with mining and other resources totalling 12%. These sectors include some of the stockmarket's most strongly performing shares of recent years, and many of the businesses are cash generative with good growth prospects. The Company's portfolio exposure to oil and gas includes investments in the two oil majors; BP and Royal Dutch Shell, but also with significant investments in BG Group and Tullow Oil & Gas, both of which have strong exploration programmes. The oil majors are cash generative businesses, with good dividends, but do not offer the same potential to grow reserves as exploration and production businesses. Major drilling programmes at BG and Tullow have the potential, over the next year, to add significantly to value.

Exposure to the mining sector emphasises precious metals: gold and platinum. During the year, the investment in Uranium One was sold after a strong price rise. Precious metal prices are rising in Dollar terms, reflecting a weaker Dollar and scarcity of supply. We prefer miners that are producing or soundly financed and have the ability to add value by drilling or by commercialising more reserves through increased production.

Managers' Review

Defensive Sectors

The economic cycle impacts most businesses, but a few sectors have a history of greater resilience and more consistent growth even during an economic slowdown. Utilities, in particular, benefit from relatively stable customer demand. Additionally, in recent years consolidation amongst utilities has seen a number of mergers and takeovers. The portfolio has investments in International Power and British Energy, and in April 2008 British Energy announced an approach that may lead to an offer. The portfolio's two tobacco holdings, Imperial Tobacco and British American Tobacco, both have potential for cost-cutting and, like the utilities, should be able to grow dividends in real terms. Over the year, the performance of telecoms was a little disappointing as competition increased. However, we believe these businesses offer attractive dividends and strong cash flow.

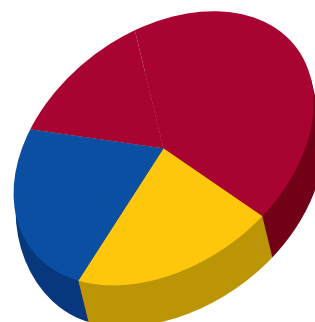
Gearing and Hedging

As stated in the Directors Report, the Company has the ability to borrow money to enhance returns.

As the year progressed, more use was made by the Managers of the ability to hedge. This enabled effective portfolio exposure to financials and consumer sectors to be reduced to very low levels, and also usefully mitigated the poor smaller company performance that is often a feature of weaker stockmarkets. Over the year, hedging assisted risk management and contributed to performance.

Resources analysis

- Oil & Gas: 56%
- Gold: 23%
- Other Metals & Mining: 21%



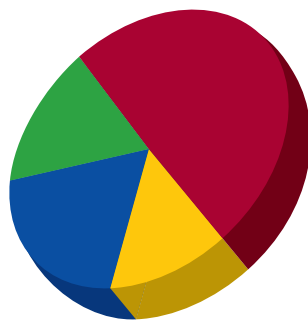
Summary

The UK economic outlook is very uncertain, with evidence of weaker house prices and consumer demand. The portfolio emphasises businesses that are less dependent on economic growth, and which should be able to maintain or grow dividends. With poorer prospects for bank lending, it is important that businesses are cash generative, rather than being reliant on external finance. We believe that portfolio companies have the potential for growth, and that prospects are not fairly reflected in current stockmarket ratings. With the injection of new capital into banks, combined with a lower interest rate environment, some of the risks to the economy are now being addressed. This may be too late to avert a slowdown. Should the economic outlook improve, the Company has the ability to adapt its portfolio, and to move from hedging to gearing.

SVM Asset Management Limited

Size analysis

- FTSE 100: 49.5%
- FTSE 250: 13.3%
- Small Cap: 22.0%
- Liquidity: 15.2%



Investment Portfolio *as at 31 March 2008*

Company	Cost £000	Valuation 2008 £000	% of Net Assets	Valuation 2007 £000
1 BG Group	4,898	7,755	10.4	4,374
2 Randgold Resources*	3,832	4,503	6.0	2,020
3 BP	4,382	3,760	5.0	–
4 International Power	2,641	3,573	4.8	3,965
5 Vodafone Group	3,535	3,559	4.8	2,979
6 British Energy	2,675	2,936	3.9	–
7 BT Group	3,674	2,921	3.9	4,055
8 Altair Financial Services (unlisted)	2,235	2,785	3.7	2,785
9 Tullow Oil*	2,333	2,780	3.7	–
10 Novae Group	2,302	2,666	3.6	4,101
Ten largest investments	32,507	37,238	49.8	
11 Royal Dutch Shell*	3,078	2,461	3.3	–
12 Griffin Mining	1,026	2,129	2.9	3,664
13 Jubilee Platinum*	2,113	2,119	2.8	1,634
14 Venture Production	2,133	1,906	2.6	–
15 Premier Oil	1,159	1,880	2.5	955
16 Man Group	1,528	1,870	2.5	2,331
17 Compass Group	1,438	1,816	2.4	3,513
18 Mercator Gold	2,023	1,742	2.3	1,157
19 Babcock International	544	1,713	2.3	2,263
20 HSBC Holdings	1,606	1,660	2.2	–
Twenty largest investments	49,155	56,534	75.6	
21 Pace Micro Systems	1,460	1,629	2.2	–
22 Innovation Group	1,792	1,537	2.1	–
23 Imperial Tobacco	1,562	1,506	2.0	–
24 Royal Bank of Scotland*	1,508	1,450	1.9	3,290
25 Antofagasta*	1,525	1,375	1.8	–
26 Central Randgold	1,773	1,297	1.7	–
27 Invensys*	1,196	1,183	1.6	3,412
28 Kirkland Lake Gold	618	1,167	1.6	2,628
29 Morrison (WM) Supermarkets	1,050	1,097	1.5	3,100
30 Marstons	641	1,024	1.4	2,970
Thirty largest investments	62,280	69,799	93.4	
Other investments (inc CFD margin)	(3,514)	(3,699)	(4.7)	
Total investments	58,766	66,100	88.7	
Net current assets		8,422	11.3	
		74,522	100.0	

All portfolio investments are equity investments. Contracts for Differences are asterisked. Numbers shown represent economic interest. A full portfolio listing as at 31 March 2008 is detailed on the website.

Mark Powell (Chairman)



Mark Powell (62 years) is the Chairman of Rathbones and has been involved in investment management for private clients throughout his career. From 1968 to 1989 he worked in what became CL Alexanders Laing & Cruickshank Holdings becoming Chief Executive. In 1989 he joined Laurence Keen and, when Laurence Keen was acquired by Rathbones in 1995, he was appointed Managing Director of the Group. He was Chairman of the Association of Private Client Investment Managers & Stockbrokers and a member of the Takeover Panel until 2007. He was appointed in May 2004 and is due for re-election in 2009.

John Lloyd



John Lloyd (64 years) was, until 1995, Group Managing Director of Portals Group plc. A physicist and an MBA, he joined Portals in 1971 and became Managing Director of a number of Portals' subsidiaries. He is a director of TH White Holdings Limited. He brings considerable industrial management experience to the Board. He was appointed in 1994 and is due for re-election this year.

Fred Carr



Fred Carr (63 years) was Chief Executive of Carr Sheppards Crosthwaite from 1993 until 2004. He has extensive experience of investment management and stockbroking businesses as well as having had a long involvement with investment trust companies in the positions of director and chairman. He is also a consultant to Investec Bank (UK) Limited. He is currently the Chairman of M&G High Income Investment Trust plc, a Director of Investec Capital Accumulator Trust and other private companies. He was appointed this year and is due for re-election in 2010.

Colin McLean



Colin McLean (55 years) is Managing Director of SVM Asset Management Limited and a Director of SVM Global Fund plc. He was previously Managing Director of Templeton International's European operations. He is a Director of CFA UK, which represents 6,000 investment professionals in the UK. He was appointed in 1994 and is due for re-election this year.

Report of the Directors

The Directors submit their Report and Accounts for the year to 31 March 2008.

Principal activity and status

The Company is an Investment Company as defined in Section 266 of the Companies Act 1985. The Company is not a close company for taxation purposes. The Company has been approved by HM Revenue and Customs as an investment trust under Section 842 of the Income and Corporation Taxes Act 1988 for the year to 31 March 2007. In the opinion of the Directors, the Company has subsequently conducted its affairs so as to enable it to seek such approval and the Company will continue to seek approval each year.

Results

The total loss for the year to 31 March 2008 of £12,341,000 (2007 return of £9,228,000) has been transferred to reserves. A final dividend of 3.0 pence per share (2007 3.0 pence) has been proposed.

Investment Objective

The objective of the Company is to achieve superior returns by actively managing a portfolio of principally UK listed companies that offer attractively priced growth. It aims to outperform the FTSE All Share Index on a total return basis.

Investment Policy

The Company aims to achieve its objective and to diversify risk by investing in shares and related instruments, controlled by a number of limits on exposures. Appropriate guidelines for the management of the investments, gearing and financial instruments have been established by the Board of Directors. Limits are expressed as percentages of the Company's net asset value measured at market value, excluding any treasury stock.

Although the Company's benchmark is a broad UK market index, pursuit of the investment objective may involve significant exposure to medium sized and smaller companies and also to unlisted investments and companies with principal listings overseas. A high conviction investment approach is employed, which can involve strong sector or thematic positions. No individual investment should normally exceed 12% of the portfolio total and exposure to unlisted shares will not normally exceed 10% of the portfolio. A number of portfolio limits address the need for diversification in pursuing the Company's investment objective, including holding a minimum number of 30 investments.

The Company has the ability to borrow money to enhance returns. This gearing can enhance benefits to shareholders but, if the market falls, losses may be greater. The level of gearing is closely monitored and the Board intends that this should not normally exceed 25%. Borrowing is normally on a short term basis to ensure maximum flexibility but the Company may also commit to longer term borrowing. The Company may also sell part of the share portfolio and hold cash or other securities when there may be a greater risk of falling stockmarkets.

The Board has granted the Managers a limited authority to invest in Contracts for Differences (long positions) and similar instruments as an alternative to holding actual stocks. This means that the gross cost of investment is not incurred. The total effect of such gearing (bank borrowings plus the gross exposure of long positions less any hedging) must not normally exceed 30% of the Company's net asset value.

The Company may also make use of hedging as an additional investment tool. To help reduce the potential for stockmarket weakness to impact the portfolio adversely, the Board has granted the Managers limited authority to hedge risks, within specified limits. Such hedging (short positions) may

be conducted through Contracts for Differences or other index instruments and will not normally exceed 20%. Hedging can be used to facilitate adjustment of the portfolio. It aids flexibility and can allow exposure to a sector to be reduced with less disruption to the underlying long term portfolio. However, in a rising stockmarket, this may impact performance. Additional limits have also been set on individual hedging to assist risk control. The use of Contracts for Differences can involve counterparty risk exposure.

The normal range of exposures and limits described above are expressed in terms of the value of individual holdings and the total portfolio at market value and, accordingly, can move outside the ranges set out above for reasons outwith the control of the Board and Managers. Maximum exposures within each of the categories set out above, and in the table of exposures in the Managers Review, can potentially be 100%. It is the aim of the risk management process to mitigate the potential risk arising from such extreme events.

The Company does not normally invest in fixed rate securities.

Business review

A review of the business during the year is set out on pages 6 to 9.

The Company is an investment trust quoted on the London Stock Exchange and is required to comply with the Companies Act, the UK Listing Rules and applicable accounting standards. In addition to the formal annual accounts, interim accounts and interim management statements, the Company publishes monthly asset values and factsheets. Although the objective is for long term growth, the Managers believe that outperformance in the short term is also important for the control of the Company's discount. The performance, the relative level of discount and the total expense ratio are the three primary key performance

indicators for the Company and the Board assesses these on a regular basis. The factsheets and the website carry further information on these indicators.

Some of the Company's investments are in small and medium sized companies and may be seen as carrying higher degree of risk. We believe that these risks are mitigated through portfolio diversification, in-depth analysis, the experience of the Managers and a rigorous internal control culture. Further information on the internal controls operated for the Company is detailed on page 18.

Principal risks

The principal risks facing the Company are market related and include market price, interest, liquidity and credit risk. An explanation of these risks and how they are mitigated is explained in Note 11 to the Accounts. Additional risks faced by the Company are summarised below:

Investment strategy – The performance of the portfolio may not match the performance of the benchmark through inappropriate sector or stock selection. In addition, the Company may be affected by economic conditions. The Managers have a clearly defined investment philosophy and manage a broadly diversified portfolio to mitigate this risk.

Discount – The level of the discount varies depending upon performance, market sentiment and investor appetite. In addition, the Company operates a vigorous share re-purchase programme.

Regulatory / Operational – Failure to comply with applicable legal and regulatory requirements could lead to a suspension of the Company's shares, fines or a qualified audit report. A breach of Section 842 could lead to the Company being subject to capital gains tax. Failure of the Managers' or third party service providers could prevent accurate reporting and monitoring of the

Report of the Directors

Company's financial position. The Managers have many years of experience in managing investment trusts and comprehensive systems in place to ensure that the Company is not at risk.

The Board regularly considers the risks associated with the Company and receives both formal and informal reports from the Managers and third part service providers addressing these risks.

The Board believes the Company has a relatively low risk profile as it has a simple capital structure; invests principally in UK quoted companies; does not use derivatives other than CFDs and uses well established counterparties.

Directors

The Directors who held office during the year and their interests in the ordinary shares of the Company were:

	31 March 2008	1 April 2007
G M Powell	30,000	30,000
F C Carr – beneficial	23,400	23,400
– non beneficial	4,200	4,200
J E F Lloyd	38,135	38,135
C W McLean – beneficial	160,207	153,067
– non beneficial	300,000	300,000
J D H Ross	70,000*	70,000

*As at date of retirement (12 July 2007).

There have been no changes in the Directors' interests between 31 March 2008 and 7 June 2008.

Messrs J E F Lloyd and C W McLean retire in accordance with the Combined Code and, being eligible, offer themselves for re-election at the Annual General Meeting. The Board considers that Mr Lloyd is independent, despite having served on the Board for more than nine years and has demonstrated his independence through integrity and a robust contribution. The Board is of the view that length of

service does not necessarily compromise the independence or contribution of directors of an investment trust, where continuity and experience can add significantly to the strength of the Board. The Board considers the long service of Mr Lloyd as an asset and recommends his re-election to shareholders.

Mr C W McLean, as a director and shareholder of SVM Asset Management Limited, has an interest in the investment management agreement between SVM Asset Management Limited and the Company and is not regarded as independent. Mr McLean brings considerable experience of investment and financial markets. The Board believes that he makes a strong contribution to the Board and a number of aspects of the Company's operations, such as hedging, merit his full involvement in those activities as a Director. Each has demonstrated his independence through integrity and a robust contribution. The Board recommends his re-election to shareholders.

Each Director has a letter of appointment, details of which are shown on page 20.

Disclosure of information to the Auditors

Each Director of the Company confirms that:

- so far as each Director is aware, there is no information needed by the Auditors in connection with preparing their audit of which the Auditors are unaware; and
- the Director has taken all the steps that he ought to have taken to make himself aware of any such information and to establish that the Auditors are aware of that information.

Management

SVM Asset Management Limited provides investment management and secretarial services to the Company.

These services can be terminated by either party, without compensation, at any time by giving one year's notice of termination or an immediate payment of a year's fee in lieu of notice. They were paid a management fee, payable quarterly in arrears, equivalent to 0.75 per cent (plus VAT) per annum of the Company's total assets less current liabilities up to 30 September 2007. The management fee was subsequently increased to an annual equivalent of 0.825 per cent per annum, to offset the negative impact on the managers of the removal of VAT and to compensate for the valuation move from mid to bid prices. In addition, SVM Asset Management Limited is entitled to an incentive fee of 10 per cent of achieved outperformance of the Company's benchmark index, FTSE All Share Index, on a six monthly in arrears basis subject to a high water mark. No incentive fee was paid or is due in respect of the years to 31 March 2008 or 31 March 2007.

The Management and Nomination Committee assesses the Managers' performance on an ongoing basis and each year meets to conduct a formal evaluation of the Managers. It assesses the resources made available by the Managers, the results and investment performance in relation to objectives and also the additional services provided by the Managers to the Company.

The Committee has reviewed the Managers' contract. In carrying out its review, it considered the past investment performance and the Managers' capability and resources to deliver superior future performance. It also considered the length of the notice period of the investment management contract and the fees payable, together with the standard of other services provided which include secretarial, accounting, marketing and risk monitoring.

Following this review, it is the Board's opinion that the continuing appointment of the Managers on the terms agreed is in the best interests of the shareholders.

Financial instruments

The Company's financial instruments comprise the investment portfolio (including the use of Contracts for Difference), cash at bank and on deposit, bank overdrafts and debtors and creditors that arise directly from operations. The main risks that the Company faces from its financial instruments are disclosed in Note 11 to the financial statements.

Creditors payment policy

The Company's policy is to agree and make suppliers aware of payment terms prior to the transacting of business. The Company has and will continue to operate this policy. The Company does not have any trade creditors outstanding at the year end.

Substantial shareholdings

At 5 June 2008, the following interests in excess of 3 per cent of the issued Ordinary Shares of the Company had been reported:

Name	Number of Shares	Percentage of Issued Shares
East Riding of Yorkshire Council	5,250,000	14.4%
Jupiter Asset Management	3,473,898	9.5%
J P Morgan Chase	2,300,000	6.3%
Legal & General Group	1,897,115	5.2%
Advance UK Trust	1,200,000	3.3%

Auditors

Ernst & Young LLP have expressed their willingness to continue in office as the Company's Auditors and a resolution proposing their reappointment will be put to the forthcoming Annual General Meeting.

Amendment to the Articles of Association

Over the past year, and since articles of association (the 'Articles') of the Company were last updated in 2006, the company law in the United Kingdom has undergone major reform through the coming into force of parts of the Companies Act 2006 (the '2006 Act').

Report of the Directors

Accordingly, the Board considers it prudent to replace the Company's existing Articles of Association with new articles which take account of these developments (the 'New Articles').

The 2006 Act is being brought into force in stages, beginning in January 2007, with full implementation scheduled by October 2009. At this year's AGM, the Company proposes to adopt provisions which reflect changes in the law brought about by the 2006 Act in respect of, amongst other things, electronic communications, notice periods for meetings, proxy voting and directors' conflicts of interest.

A copy of the New Articles will be available for inspection at the offices of Dickson Minto, 22-25 Finsbury Square, London EC2A 1DX during normal business hours on any business day from the date of the notice of the AGM (the 'Notice') until the conclusion of the Annual General Meeting and on the date of the Annual General Meeting at the AGM venue from 11.00 am until the conclusion of the meeting.

A summary of the material changes proposed is set out in the Appendix to the Notice. References to Article numbers are references to a particular Article in the New Articles.

Directors' authority to allot shares and disapply pre-emption rights

Approval is sought to renew the Directors' authority to allot shares on other than a *pro rata* basis to existing shareholders up to a maximum amount of £935,683, which represents up to 10 per cent of the current issued share capital. The Directors do not intend to allot shares or reissue treasury shares pursuant to this power other than to take advantage of opportunities in the market as they arise and only if they believe it to be advantageous to the Company's existing shareholders to do so.

Directors' authority to buy back shares

During the year, 4,000,000 ordinary 25p shares which had been held in treasury were cancelled. In addition, 908,000 shares were bought into treasury for a cash consideration of £1,826,000.

The current authority of the Company to make market purchases of up to 15 per cent of the issued ordinary shares expires at the end of this year's Annual General Meeting. Special Resolution 9, as set out in the Notice of the Annual General Meeting, seeks renewal of such authority until the Annual General Meeting in 2009. The price paid for shares will not be less than the nominal value of 25 pence per share nor more than 5 per cent above the average of the market values of these shares for the five business days before the shares are purchased. This power will only be exercised if, in the opinion of the Directors, a purchase would be in the best interests of the shareholders as a whole. Any shares purchased under this authority will either be cancelled or held in treasury for future re-sale in appropriate market conditions.

Directors' responsibilities in relation to the financial statements

The Directors are responsible for preparing the financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice, (United Kingdom Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the net return of the Company for that year. In preparing these financial statements, the Directors are required to: (a) select

suitable accounting policies and then apply them consistently; (b) make judgements and estimates that are reasonable and prudent; and (c) state whether applicable accounting standards have been followed.

The Directors are also responsible for the maintenance of proper accounting records 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 1985. They are also responsible for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

To the best of the knowledge of the Board the financial statements give a true and fair view of assets, liabilities, financial position and profit/loss and the report of the directors includes a fair review of the development and performance of the Company and a description of the principal risks that it faces.

Going concern

The Board, having made appropriate enquiries, has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis for preparing the financial statements. At the Annual General Meeting in 2010, and every five years thereafter, shareholders will be given the opportunity to vote on the continuation of the Company as an investment trust.

Corporate governance

The Board of Directors has had in place throughout the year the procedures necessary to ensure compliance with the 2006 Financial Reporting Council Combined Code of Best Practice ("the Combined Code") except as noted below. In addition, the

Company has complied throughout the year with the provisions of the Association of Investment Companies ("AIC") Code of Corporate Governance. Therefore, those issues on which the Company does not report in detail are excluded because the Board deems them to be irrelevant to the Company as explained in the AIC Code.

The Directors confirm that the Company has complied with the requirement to be headed by an effective Board to lead and control the Company. The Company is an investment trust and not a trading company and, as such, there is no requirement for a Chief Executive Officer (Code A.2.1). Mr J E F Lloyd has acted as Senior Independent Director throughout the year. The Board comprises the four non-executive Directors, three of whom are independent of the Managers and free from all business or other relationships that could interfere with the exercise of their independent judgement. Mr C W McLean is not regarded as independent.

Whilst the Directors are not appointed for specific terms, as required by the Combined Code (Code A.7.2), all the Directors must submit themselves for re-election by the shareholders at least every three years and are not entitled to compensation if they are not re-elected to office.

Since all Directors are non-executive, the Company is not required to comply with the principles of the Combined Code in respect of executive Directors' remuneration. Directors may seek independent advice at the expense of the Company.

During the year there were five Board and four Committee meetings (two Audit and two Management & Nomination). All Directors attended all relevant meetings.

The Directors conduct an annual self-assessment by discussion of their collective and individual

Report of the Directors

performances on a range of issues in order to ensure that they are acting in the best interests of the Company and its shareholders. Having reviewed this assessment, each Director continues to be regarded as effective and committed to the Company.

The Managers maintain regular contact with the Company's shareholders, particularly institutional shareholders, and report regularly to the Board on shareholder relations. In addition, the Board uses the Annual General Meeting in London and the shareholder meeting in Edinburgh as a forum for shareholders to meet and discuss issues with the Board and the Managers.

The Board has defined the scope of the Managers' Responsibilities, including the principal operating issues such as hedging, gearing and share buy backs. Details of the limits set on key areas of risk are set out in the Financial Instruments disclosure in Note 11 to the Accounts.

The Company usually exercises its voting powers at general meetings of investee companies. The Company does not operate a fixed policy when voting but treats each case on merit. The Managers have adopted the statement of principles set out by the Institutional Shareholders' Committee on The Responsibilities of Institutional Shareholders and Agents.

The Board recognises that corporate, social, environmental and ethical responsibility enables good sustainable business growth and can have positive implications for shareholder value. The Board believes that encouraging companies to recognise these responsibilities is best achieved with dialogue and actively aiming to encourage best practice.

Committees

The Board has adopted a formal schedule of matters specifically reserved to itself for decision and, in

relation to certain matters, two committees have been established. Both committees are chaired by the Senior Independent Director of the Company. The terms of reference of both committees are available from the Managers upon request.

Management and Nomination Committee

The Management and Nomination Committee, which comprises all of the independent Directors and for which a quorum is any two of the independent Directors, meets at least once a year. Its remit includes such matters as reviewing all contracts for services delivered to the Company (e.g. by the Auditors and the Managers), reviewing and recommending new appointments to the Board and fixing the remuneration of the Directors.

Audit Committee

The Audit Committee, which comprises all of the independent Directors and for which a quorum is any two of the independent Directors, meets at least twice a year. Its remit is to review the Company's financial position, internal controls, scope and results of the audit, its cost effectiveness and the independence and objectivity of the Auditors. The Committee must also satisfy itself that the Company's published accounts represent a true and fair view of its position. The Company's Auditors are invited to attend such meetings and report on the results of the audit. The Auditors do not provide any non-audit services other than tax services, for which they are paid £4,000. Notwithstanding these, the Committee has concluded that the Auditors are independent.

The Committee considers annually the need for an internal audit function. It believes such a function is unnecessary as the Company has no employees and subcontracts its business to third parties, the principal one of which is SVM Asset Management Limited.

Internal control and financial reporting

The Board, in conjunction with the Managers, has established a process for identifying, evaluating and managing the significant risks faced by the Company. This process, which accords with the Turnbull guidance, has been in place for the whole year and up to the date of approval of the financial statements. The Board is responsible for establishing and maintaining the Company's system of internal control and reviewing its effectiveness. Internal control systems are designed to meet the particular needs of the Company and the risks to which it is exposed and, by their nature, can provide reasonable but not absolute assurance against material misstatement or loss.

The principal elements of the Company's system of internal controls and the process applied by the Board in reviewing its effectiveness are:

- Clearly documented contractual arrangements with service providers
- Annual review by the Board of the reports of service providers
- Consideration by the Board of the latest Review of Internal Controls every six months
- Quarterly Board meetings to review performance, investment policy, strategy and shareholder relations
- Regular updating by the Managers on key risks and control developments.

The Board meets every quarter to review the overall business of the Company and to consider the matters specifically reserved for it to decide upon. At these meetings, the Directors review investment performance of the Company compared to its benchmark index and in relation to comparable investment trusts. The Directors also review the Company's activities over the preceding quarter to ensure it adheres to its investment policy or, if it is considered appropriate, to authorise

any change to that policy. The Board is satisfied that it is supplied in a timely manner with information to enable it to discharge its duties.

The Board has engaged external firms to undertake the investment management, secretarial and custodial activities of the Company. There are clearly documented contractual arrangements between the Company and these organisations which define the areas where the Board has delegated authority to them. The Board receives reports on at least an annual basis detailing the internal control objectives and procedures adopted by each organisation. Each report has been reviewed by the respective organisation's auditors. The Board's review of these reports allows it to assess the effectiveness of the internal systems of financial control which affect the Company.

Compliance statement

Except as noted above, the Company has complied with the applicable provisions of the Combined Code during the year and up to the date of the approval of the financial statements.

VAT on management fees

In relation to the action raised against HM Revenue & Customs regarding the charging of VAT on management fees, the Board has agreed with the Managers that the Company will only seek to recover from HMRC, that amount of VAT recovered by the Managers. Further details are disclosed in Note 12 on page 36.

By Order of the Board,

SVM Asset Management Limited

Secretaries
Edinburgh

5 June 2008

Directors' Remuneration Report

The Board has prepared this report in accordance with the requirements of Schedule 7A to the Companies Act 1985. An ordinary resolution for the approval of this report will be put to the members at the forthcoming Annual General Meeting.

The law requires the Company's auditors to audit certain aspects of the disclosures provided. Where disclosures have been audited, they are indicated as such. The auditors' opinion is included in their report on pages 22 and 23.

Remuneration Committee

The Company has four non-executive Directors, as detailed on page 11, three of whom are independent. The Management and Nomination Committee, comprising the independent non-executive directors, fulfils the function of a Remuneration Committee in addition to its nominations functions. The Board has appointed SVM Asset Management Limited as Company Secretaries to provide advice when the Management and Nomination Committee considers the level of Directors' fees. The Management and Nomination Committee carries out a review of the level of Directors' fees on an annual basis. In addition, SVM Asset Management Limited provides investment management and administration services to the Company.

Policy on Directors' fees

The Board's policy is that the remuneration of non-executive Directors should reflect the experience of the Board as a whole, be fair and comparable to that of other investment trusts that are similar in size, have a similar capital structure, and have similar investment objectives. It is the intention that this policy will continue for this and subsequent years.

The Chairman's and other Directors' fees were increased in 2007 from £20,000 and £15,000 respectively to £22,000 and £16,500 respectively.

This increase represented the first change in four years. The Board believe that these levels would attract and retain suitable directors.

The fees for the non-executive Directors are determined within the limits set out in the Company's Articles of Association. The current limit is £75,000 in aggregate per annum and shareholder approval in a general meeting would be required to change this limit. Non-executive Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits.

Directors' service contracts and tenure

All of the Directors have a letter of appointment. Messrs J E F Lloyd and C W McLean were originally appointed at the Company's inception and, in compliance with the Combined Code, offer themselves for re-election this year as detailed on page 13. Mr G M Powell and Mr F C Carr were appointed in 2004 and 2006 respectively and will be subject to re-election in 2009 and 2010 respectively. The terms of their appointment provide that Directors are obliged to retire by rotation, and, if they wish, to offer themselves for re-election, at least every three years thereafter. There is a three month notice period and the Company reserves the right to make a payment in lieu of notice on early termination of appointment.

The Board's policy on tenure is to review actively whether Directors with service of nine years or more should be re-nominated, whilst ensuring that the process of refreshing the Board does not compromise a balance of experience, age, length of service and skills. The Board intends that its balance will be maintained over time by a process of gradual change.

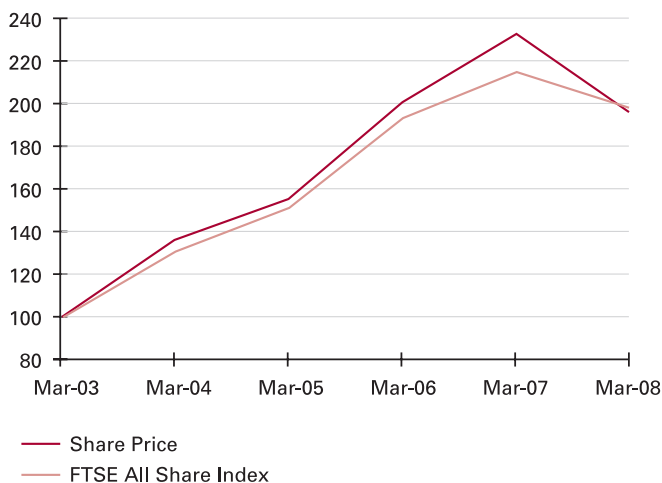
The Management and Nomination Committee recommends to the Board candidates for nomination as Directors. The committee selects candidates with

Directors' Remuneration Report

the aim of ensuring that the Board comprises a broad spread of experience and knowledge and, where appropriate, actively searches for candidates.

Company performance

The graph below compares the total return (assuming all dividends are reinvested) to Ordinary Shareholders for the last five financial years, to the total shareholder return on a notional investment made up of shares of the same kinds and number as those by reference to which the FTSE All-Share Index is calculated. The Index has been chosen as it represents a comparable broad equity market index.



Directors' emoluments for the year (audited)

The Directors who served in the year received the following emoluments in the form of fees:

	Fees 2008 £	Fees 2007 £
F C Carr	16,500	5,136
J E F Lloyd	16,500	15,000
C W McLean	—	—
G M Powell	22,000	20,000
J D H Ross	4,125	15,000
	59,125	55,136

Mr C W McLean is a Director and shareholder of SVM Asset Management Limited and has waived his entitlement to Directors' emoluments.

By Order of the Board
SVM Asset Management Limited
 Secretaries
 Edinburgh

5 June 2008

Independent Auditors' Report *to the Members of SVM UK Active Fund plc*

We have audited the Company's financial statements of SVM UK Active Fund for the year ended 31 March 2008 which comprise the Income Statement, Balance Sheet, the Cash Flow Statement, Reconciliation of Movements in Shareholders Funds, Accounting Policies and related notes 1 to 12. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report, and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and

whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the information given in the Report of the Directors is consistent with the financial statements.

In addition, we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the Company is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Highlights, Chairman's Statement, Managers, Performance and Shareholding, Shareholder Information, Managers' Review, Investment Portfolio, Board of Directors, Report of the Directors, unaudited part of the Directors' Remuneration Report, Notice of Annual General Meeting and Corporate Information. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Independent Auditors' Report *to the Members of SVM UK Active Fund plc*

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 March 2008 and of its net return for the year then ended;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the financial statements.

Ernst & Young LLP

Registered Auditor
Edinburgh

9 June 2008

Income Statement *for the year to 31 March 2008*

	<i>Notes</i>	Revenue £000	Capital £000	Total £000
Net losses on investments at fair value through profit or loss	6	–	(11,781)	(11,781)
Exchange differences		–	2	2
Net losses on investments		–	(11,779)	(11,779)
Income	1	1,529	–	1,529
Investment management fees		(359)	(359)	(718)
Other expenses	2	(217)	(500)	(717)
Return before finance costs and taxation		953	(12,638)	(11,685)
Finance costs		(328)	(328)	(656)
Return on ordinary activities before taxation		625	(12,966)	(12,341)
Taxation	3	–	–	–
Return attributable to ordinary shareholders		625	(12,966)	(12,341)
Return per Ordinary Share	5	1.68p	(34.85p)	(33.17p)

The Total column of this statement is the profit and loss account of the Company. All revenue and capital items are derived from continuing operations. No operations were acquired or discontinued in the year. A Statement of Total Recognised Gains and Losses is not required as all gains and losses of the Company have been reflected in the above statement.

The Accounting Policies and the Notes on pages 29 to 36 form part of these Accounts

Income Statement *for the year to 31 March 2007*

	<i>Notes</i>	Revenue £000	Capital £000	Total £000
Net gain on investments at fair value through profit or loss	6	–	10,082	10,082
Exchange differences		–	(27)	(27)
Net gains on investments		–	10,055	10,055
Income	1	1,767	–	1,767
Investment management fees		(395)	(395)	(790)
Other expenses	2	(185)	(623)	(808)
Return before interest and taxation		1,187	9,037	10,224
Finance costs		(498)	(498)	(996)
Return on ordinary activities before taxation		689	8,539	9,228
Taxation	3	–	–	–
Return attributable to ordinary shareholders		689	8,539	9,228
Return per Ordinary Share	5	1.76p	21.82p	23.58p

The Total column of this statement is the profit and loss account of the Company. All revenue and capital items are derived from continuing operations. No operations were acquired or discontinued in the year. A Statement of Total Recognised Gains and Losses is not required as all gains and losses of the Company have been reflected in the above statement.

The Accounting Policies and the Notes on pages 29 to 36 form part of these Accounts

Balance Sheet *as at 31 March 2008*

	<i>Notes</i>	2008 £000	2007 £000
Fixed Assets			
Investments at fair value through profit or loss	6	66,100	107,901
Current Assets			
Debtors	7	1,002	1,108
Cash at bank		8,303	–
Total current assets		9,305	1,108
Creditors: amounts falling due within one year	8	(883)	(19,208)
Net current assets/(liabilities)		8,422	(18,100)
Total assets less current liabilities		74,522	89,801
Capital and Reserves			
Share capital	9	9,357	10,357
Special reserve		–	6,213
Capital redemption reserve		17,125	16,125
Treasury share reserve		(1,826)	(7,412)
Capital reserve		48,171	62,325
Revenue reserve		1,695	2,193
Equity shareholders' funds		74,522	89,801
Net asset value per Ordinary Share	5	204.06p	239.93p

Approved and authorised for issue by the Board of Directors on 5 June 2008 and signed on its behalf by Mark Powell, Chairman.

The Accounting Policies and the Notes on pages 29 to 36 form part of these Accounts

Cash Flow Statement *for the year to 31 March 2008*

	2008 £000	2007 £000
Reconciliation of revenue before finance costs and taxation to operating cash flows		
Return before interest and taxation	(11,685)	10,224
Losses/(gains) on investments	11,779	(10,055)
Transaction costs	500	623
Movement in creditors	35	15
Movement in debtors	273	(77)
Net cash inflow from operating activities	902	730
Returns on investment and servicing of finance		
Finance costs	(656)	(996)
Capital expenditure and financial investment		
Purchases of fixed asset investments	(38,994)	(72,766)
Sales of fixed asset investments	68,461	65,252
	29,467	(7,514)
Equity dividends paid	(1,123)	(1,139)
Net cash inflow/(outflow) before financing	28,590	(8,919)
Financing		
Shares purchased	(1,815)	(8,063)
Increase/(decrease) in cash	26,775	(16,982)
Reconciliation of Net Cash Flow to Movement in Net Debt		
Movement in cash/(debt) in the year	26,775	(16,982)
Net debt at start of the year	(18,474)	(1,465)
Exchange differences	2	(27)
Net cash/(debt) at end of the year	8,303	(18,474)

The Accounting Policies and the Notes on pages 29 to 36 form part of these Accounts

Reconciliation of Movements in Shareholders Funds *for the year to 31 March 2008*

For the year to 31 March 2008

	Share capital £000	Special reserve £000	Capital redemption reserve £000	Treasury share reserve £000	Capital reserve realised £000	Capital reserve unrealised £000	Revenue reserve £000
As at 1 April 2007	10,357	6,213	16,125	(7,412)	37,000	25,325	2,193
Net gain on sale of investments	–	–	–	–	6,210	–	–
Transaction costs	–	–	–	–	(500)	–	–
Expenses charged to capital	–	–	–	–	(687)	–	–
Exchange differences	–	–	–	–	2	–	–
Movement in unrealised appreciation on investments	–	–	–	–	–	(17,991)	–
Revenue attributable to shareholders	–	–	–	–	–	–	625
Ordinary dividends	–	–	–	–	–	–	(1,123)
Shares re-purchased	(1,000)	(6,213)	1,000	5,586	(1,188)	–	–
As at 31 March 2008	9,357	–	17,125	(1,826)	40,837	7,334	1,695

For the year to 31 March 2007

	Share capital £000	Special reserve £000	Capital redemption reserve £000	Treasury share reserve £000	Capital reserve realised £000	Capital reserve unrealised £000	Revenue reserve £000
As at 1 April 2006	10,844	9,124	15,638	(2,260)	27,319	26,468	2,643
Net gain on sale of investments	–	–	–	–	11,225	–	–
Transaction costs	–	–	–	–	(623)	–	–
Expenses charged to capital	–	–	–	–	(894)	–	–
Exchange differences	–	–	–	–	(27)	–	–
Movement in unrealised appreciation on investments	–	–	–	–	–	(1,143)	–
Revenue attributable to shareholders	–	–	–	–	–	–	689
Ordinary dividends	–	–	–	–	–	–	(1,139)
Shares re-purchased	(487)	(2,911)	487	(5,152)	–	–	–
As at 31 March 2007	10,357	6,213	16,125	(7,412)	37,000	25,325	2,193

The Accounting Policies and the Notes on pages 29 to 36 form part of these Accounts

Basis of Preparation

The accounts are prepared in accordance with UK Generally Accepted Accounting Practice ("GAAP") and with the 2005 Statement of Recommended Practice "Financial Statements of Investment Trust Companies" ("SORP").

Income

Income is included in the Income Statement on an ex-dividend basis. Deposit interest and underwriting commission is included on an accruals basis.

Expenses and Interest

Expenses and bank interest payable are dealt with on an accruals basis.

Investment Management Fees and Finance Costs

The investment management fee and bank overdraft interest paid has been allocated 50% to revenue and 50% to capital. The allocation is in line with the Board's expected long-term split of returns, in the form of income and capital gains respectively, from the investment portfolio. The incentive fee, if payable, is allocated 100% to capital. The terms of the investment management agreement are detailed in the Report of the Directors on pages 14 and 15.

Taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more or a right to pay less tax in the future have occurred at the balance sheet date measured on an undiscounted basis and based on enacted tax rates. This is subject to deferred tax assets only being recognised if it is considered more likely

than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted. Timing differences are differences arising between the Company's taxable profits and its results as stated in the accounts which are capable of reversal in one or more subsequent periods.

Investments

The Company's investments have been categorised as "fair value through profit or loss".

All investments are held at fair value. For listed investments this is deemed to be bid prices as at 31 March 2008. Contracts for Differences are synthetic equities and are valued with reference to the investment's underlying bid prices. Unlisted investments are valued at fair value based on the latest available information and with reference to International Private Equity and Venture Capital Valuation Guidelines.

All changes in fair value and transaction costs on the acquisition and disposal of portfolio investments are included in the Income Statement as a capital item.

Purchases and sales of investments are accounted for on trade date.

Foreign Currencies

Assets and liabilities in foreign currencies are translated at the year end exchange rates. Foreign currency transactions are translated at the exchange rate on the transaction date. Exchange differences are dealt with in either the revenue account or capital reserve depending on the nature of the exchange gain or loss.

Share Repurchases

The cost of share repurchases is charged directly to the special reserve.

Notes to the Accounts

	2008 £000	2007 £000
1. Income		
Income from shares and securities		
– UK investment income	1,374	1,653
– overseas income	–	8
	1,374	1,661
Underwriting commission	–	90
Deposit interest	155	16
	1,529	1,767
All income from shares and securities comprises income from equity or equity related investments.		
2. Other Expenses		
Revenue		
General expenses	134	110
Directors' fees	59	55
Auditors' remuneration – audit services	20	18
– taxation services	4	2
	217	185
Capital		
Transaction costs	500	623
3. Taxation		
Current taxation	–	–
Deferred taxation	–	–
Total taxation for the year	–	–
Revenue on ordinary activities before taxation	625	689
The tax assessed for the year is different from the standard rate of corporation tax in the UK. The differences are noted below:		
Corporation tax (30%)	187	207
Non-taxable UK dividends	(412)	(496)
Current period excess expenses	225	289
Total taxation charge for the year	–	–

At 31 March 2008, the Company had unutilised management expenses of £21,195,000 (2007 – £19,759,000).

No deferred tax asset has been recognised on the unutilised management expenses as it is unlikely that there would be suitable taxable profits from which the future reversal of the deferred tax asset could be deducted.

Notes to the Accounts

	2008 £000	2007 £000
4. Dividends		
Final dividend for the year ended 31 March 2007 of 3.00p (2006 – 2.75p)	1,123	1,139

The proposed final dividend (3.00p per share) is subject to shareholder approval at the Annual General Meeting and has not been included as a liability in these financial statements.

5. Returns per Share

Returns per share are based on a weighted average of 37,208,231 (2007 – 39,141,297) shares in issue during the year. Total return per share is based on the total loss for the year of £12,341,000 (2007 – return of £9,228,000). Capital return per share is based on net capital loss during the year of £12,966,000 (2007 – gains of £8,539,000). Revenue return per share is based on revenue after taxation for the year of £625,000 (2007 – £689,000). The net asset values per share are based on the net assets of the Company (2008 – £74,522,000, 2007 – £89,801,000) divided by the number of shares in issue (excluding treasury shares) at the year end (2008 – 36,519,324, 2007 – 37,427,324).

	2008 £000	2007 £000		
6. Investments at fair value through profit or loss				
Listed investments	63,315	105,116		
Unlisted investments	2,785	2,785		
Valuation as at end of year	66,100	107,901		
	Listed	Unlisted	Total	
Valuation as at start of year	105,116	2,785	107,901	92,181
Unrealised appreciation as at start of year	(24,775)	(550)	(25,325)	(26,468)
Cost as at start of year	80,341	2,235	82,576	65,713
Purchases of investments at cost	38,608	–	38,608	71,667
Proceeds from sale of investments	(68,628)	–	(68,628)	(66,029)
Net gain on sale of investments	6,210	–	6,210	11,225
Cost as at end of year	56,531	2,235	58,766	82,576
Unrealised appreciation as at end of year	6,784	550	7,334	25,325
Valuation as at end of year	63,315	2,785	66,100	107,901
Net gain on sale of investments			6,210	11,225
Movement in unrealised appreciation			(17,991)	(1,143)
Total (loss)/gains on investments			(11,781)	10,082

Notes to the Accounts

	2008 £000	2007 £000
7. Debtors		
Due from brokers	944	777
Dividends due but not received	58	331
	<u>1,002</u>	<u>1,108</u>
8. Creditors: amounts falling due within one year		
Due to brokers	390	217
Bank overdraft	–	18,474
Amounts due under CFDs	203	262
Investment management fee	154	218
Other creditors	136	37
	<u>883</u>	<u>19,208</u>
9. Share Capital		
Authorised 120,000,000 ordinary 25p shares	<u>30,000</u>	<u>30,000</u>
Allotted, issued and fully paid 37,427,324 ordinary 25p shares (2007 – 41,427,324)	<u>9,357</u>	<u>10,357</u>
Of the above shares in issue, the movements in the ordinary 25p shares held in treasury were as follows:		
As at start of year: 4,000,000 shares (2007 – 1,650,000)	1,000	412
Cancelled during the year: 4,000,000 shares (2007 – 1,650,000)	(1,000)	(412)
Purchased during the year: 908,000 shares (2007 – 4,000,000)	227	1,000
	<u>227</u>	<u>1,000</u>
As at end of year: 908,000 shares (2007 – 4,000,000)		
The total cost of shares purchased during the year was £1,826,000 (2007 – £8,063,000).		

	As at 1 April 2007 £000	Cash Flow £000	Exchange Differences £000	As at 31 March 2008 £000
10. Analysis of Net Funds				
Cash at bank and on deposit	–	8,301	2	8,303
Bank overdraft	(18,474)	18,474	–	–
Total	(18,474)	26,775	2	8,303

11. Financial Instruments

Financial Instruments

The Company's investment policy is to hold investments and cash balances with gearing being provided by a bank overdraft. All financial instruments are denominated in Sterling and are carried at fair value. The fair value is the same as the carrying value of all financial assets and liabilities.

Where appropriate, gearing is utilised in order to enhance net asset value. The Company does not invest in fixed rate securities, except where the Company has substantial cash resources. In this situation, the Company has typically held short dated UK Government Securities. There were no fixed interest securities held at 31 March 2008 (2007 – nil). Investments, which comprise mainly equity investments, are valued as detailed in the Company's accounting policies. Any cash balances are held on a variable rate call account generally yielding a higher rate of interest than that available for fixed interest securities.

The Company only operates short term gearing, which will not normally exceed 25% of net assets, and is undertaken through an unsecured variable rate bank overdraft. The benchmark rate which determines the interest received on cash balances or paid on bank overdrafts is the bank base rate which was 5.25% as at 31 March 2008 (2007 – 5.25%). Short term debtors and creditors are excluded from disclosure.

The Company has an £18 million bank overdraft facility with Bank of New York, renewable in May each year, at a rate of 1% above the bank base rate. There are no undrawn committed borrowing facilities.

The Board has granted the Managers a limited authority to invest in Contracts for Differences ("CFD") to achieve some degree of gearing and/or hedging without incurring the gross cost of investment. The Board requires the Managers to operate within certain risk ranges of normal exposure, as detailed in the Report of the Directors and Managers' Review.

The following table details the CFD positions:

	2008	2007
Number of holdings	19	19
Net exposure	£5,701,000	£106,000
– long exposure	£16,392,000	12,569,000
– short exposure	£10,691,000	£12,463,000
Unrealised profits	£3,804,000	£3,215,000

Notes to the Accounts

11. Financial Instruments (continued)

Risk Management

The major risks inherent within the Company are market risk, liquidity risk, interest rate risk and credit risk. The Company has an established environment for the management of these risks which are continually monitored by the Managers. Appropriate guidelines for the management of the Company's financial instruments and gearing have been established by the Board of Directors. The Company does not have any material non-Sterling assets and therefore does not use currency hedging. The Company does not use derivatives within the portfolio with the exception of Contracts for Differences.

Market risk exists where there are changes in share prices, equity valuations, interest rates and the liquidity of financial instruments. The Company addresses this risk by owning a diversified portfolio of investments covering a range of market capitalisation, sectors and geographic regions. Market price risk management is part of the fund management process and is typical of equity related investment. The portfolio is managed so as to minimise the effects of adverse price movements and results from detailed and continuing analysis with an objective of maximising overall returns to shareholders.

Liquidity risk exists where the Company is a forced seller of its investments at times where there may not be sufficient demand for these assets. Although shares traded on AIM and the lower regions of the All Share Index tend to be in companies that are smaller in size and by their nature less liquid than larger companies, the Company maintains a long term investment view and is rarely required to sell its investments in a forced manner. In addition, the Company maintains an overdraft facility to ensure that the Company is not a forced seller of its investments.

Interest rate risk exists where the returns generated from the investments are less than the cost of borrowing. This risk has been mitigated by operating with a relatively small level of gearing at most times. The level has and will only be increased where an opportunity exists substantially to add to net asset value performance.

Credit risk exists where a counterparty fails to discharge an obligation or commitment entered into with the Company. The Managers monitor counterparty risk as part of the overall investment management process. This risk is reduced by using counterparties that are substantial, well financed organisations. The Company's principal bankers are Bank of New York Mellon, CFD provider UBS and execution brokers organisations authorised by the Financial Services Authority.

Sensitivity analysis

The following table details the impact on net asset value per share of the Company to changes in the two principal drivers of performance, namely investment returns and interest rates. The calculations are based on the balances at the respective balance sheet dates and are not representative of the year as a whole.

	2008 £000	2007 £000
Investment portfolio		
5% increase	+8.8p	+13.0p
5% decrease	-8.8p	-13.0p
Other assets/liabilities		
Interest rate +2%	+0.4p	-0.9p
Interest rate -2%	-0.4p	+0.9p

11. Financial Instruments (continued)*Contractual maturity analysis*

	Due not later than 1 month £000	Due between 1 and 3 months £000	Due between 3 and 12 months £000	2008 Total £000
Bank	8,303	–	–	8,303
Debtors	1,002	–	–	1,002
Creditors	(883)	–	–	(883)
Net liquidity	8,422	–	–	8,422

	Due not later than 1 month £000	Due between 1 and 3 months £000	Due between 3 and 12 months £000	2007 Total £000
Bank overdraft	–	–	(18,474)	(18,474)
Debtors	1,108	–	–	1,108
Creditors	(734)	–	–	(734)
Net liquidity	374	–	(18,474)	(18,100)

Cash flows payable under financial liabilities by remaining contractual liabilities are as stated above.

Capital management policies

The Company's management objectives are to provide shareholders with long term capital growth.

The Company's capital comprises:	2008 £000	2007 £000
Capital and reserves:		
Share capital	9,357	10,357
Special reserve	–	6,213
Capital redemption reserve	17,125	16,125
Treasury share reserve	1,826	(7,412)
Capital reserve	48,171	62,325
Revenue reserve	1,695	2,193
Total shareholders' funds	74,522	89,801

The Company's objectives for managing capital are the same as the previous year and have been complied with throughout the year. The Company normally restricts gearing to 25% of net assets, maintains a minimum share capital of £50,000 (as a public company) and adheres to the capital restrictions imposed by relevant company and tax legislation.

Notes to the Accounts

12. Contingent Assets

In June 2004, an action was raised against HM Customs & Excise regarding the charging of VAT on management fees. Following the judgment by the European Court of Justice, HM Revenue & Customs announced their withdrawal in November 2007. As a result, VAT will no longer be charged on investment management fees and, as referred to in the Report of the Directors, the Company is entitled to seek reimbursement of VAT previously paid. The Managers have filed the requisite protective claims and, as a result, approximately £635,000 of VAT is potentially recoverable.

No asset has been recorded in the accounts as at 31 March 2008 due to the lack of certainty surrounding the amount or timing of any recovery.

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Ten George Street
Edinburgh EH2 2DZ

Bankers

Bank of New York Mellon

Stockbrokers

Close Winterflood Securities

Registered Number

149809

Notice of Annual General Meeting

Notice is hereby given that a presentation will be given by the Managers at 12 noon following which, the Annual General Meeting of SVM UK Active Fund plc will be held at The London Capital Club, 15 Abchurch Lane, London EC4N 7BW, on Thursday 9 July 2008 at 12.30 pm for the following purposes:

Ordinary Resolutions

1. To receive the accounts for the year to 31 March 2008 together with the Directors' and Auditors' Reports.
2. To declare a final dividend of 3.00 pence per share for the year to 31 March 2008.
3. To re-elect Mr J E F Lloyd as a Director.
4. To re-elect Mr C W McLean as a Director.
5. To re-appoint Ernst & Young LLP as auditors and to authorise the Directors to fix their remuneration.
6. To approve the Directors' Remuneration Report for the year to 31 March 2008.
7. That the Company be authorised generally and unconditionally, subject to and in accordance with the provisions of the Companies Act 2006, to use electronic communications with its shareholders and in particular to send or supply all types of notices, documents or information to shareholders by means of electronic equipment, including making them available on the Manager's website and this resolution will supersede any provision in the Company's Articles of Association to the extent that it is inconsistent with this Resolution.
8. Authority to allot shares
That, in substitution for any existing power under section 80 of the Companies Act 1985 (the "Act"), but without prejudice to the exercise of any such authority prior to the date of this resolution, the Directors be and are hereby generally and unconditionally authorised in accordance with section 80 of the Act to exercise all the powers of the Company to allot relevant securities (as defined in section 80(2) of the Act) up to an aggregate nominal amount of £935,683 (representing approximately 10 per cent of the current issued share capital), such authority to expire one year from the date of this resolution or, if earlier, at the conclusion of the Company's next annual general meeting, unless previously revoked, varied or extended by the Company in general meeting, save that the Company may, at any time prior to the expiry of such authority, make an offer or enter into an agreement which would or might require relevant securities to be allotted after the expiry of such authority and the Directors may allot relevant securities in pursuance of such an offer or agreement as if such authority had not expired.

Special Resolutions

9. Disapplication of pre-emption rights
That in substitution for any existing power under section 95 of the Companies Act 1985 (the "Act"), the Directors be generally empowered pursuant to section 95 of the Act to allot equity securities (within the meaning of sections 94(2) to 94(3A) of the Act) wholly for cash pursuant to the authority conferred by the resolution numbered 8 in the Notice of the Meeting as if section 89(1) of the Act did not apply to the allotment. This power:
 - (i) expires one year from the date of this resolution or, if earlier, at the conclusion of the Company's next annual general meeting, but the Company may make an offer or agreement which would or might require equity securities to be allotted after expiry of this power and the Directors may allot equity securities in pursuance of that offer or agreement as if this power had not expired; and

Notice of Annual General Meeting

(ii) shall be limited to:

(a) the allotment of equity securities in connection with an issue in favour of holders of ordinary shares in the capital of the Company in proportion (as nearly as may be practicable) to their existing holdings of ordinary shares, but subject to such exclusions or other arrangements as the Directors deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory, or the requirements of a regulatory body or stock exchange; and

(b) the allotment of ordinary shares for cash otherwise than pursuant to paragraph (a) up to an aggregate nominal amount equal to £935,683.

This power applies in relation to a sale of shares which is an allotment of equity securities by virtue of section 94(3A) of the Act as if in the first paragraph of this resolution 9 the words "pursuant to the authority conferred by the resolution numbered 8 in the notice of the meeting" were omitted.

10. Authority to repurchase shares

To authorise the Company generally and unconditionally pursuant to section 166 of the Companies Act 1985 to make market purchases (within the meaning of section 163 of the said Act) on the London Stock Exchange of any of its ordinary shares of 25 pence each ("Shares") provided that:

(a) the maximum number of Shares hereby authorised to be purchased is less than 15% of the issued share capital as at the date of this resolution;

(b) the minimum price (exclusive of expenses) which may be paid for a share shall be 25 pence;

(c) the maximum price (exclusive of expenses) which may be paid for a share shall not be more than 5% above the average of the middle market quotation (as derived from the Daily Official List of the London Stock Exchange) for the Shares for the five business days immediately preceding the date of purchase; and

(d) unless renewed, varied or revoked, the authority hereby conferred shall expire at the conclusion of the next annual general meeting of the Company, or 9 October 2009 if earlier, save that the Company may, prior to such expiry, enter into a contract to purchase shares which will or may be completed or executed wholly or partly after such expiry.

11. THAT the draft regulations produced to the meeting and, for the purposes of identification, initialled by the Chairman of the meeting be adopted as the Articles of Association of the Company in substitution for the existing Articles of Association of the Company.

By Order of the Board

SVM Asset Management Limited

Secretaries

5 June 2008

Only shareholders are entitled to attend and vote at the meeting but any shareholder may appoint one or more proxies, who need not be shareholders, to attend and vote on a poll instead of him or her. A form of proxy is enclosed.

Notice of Annual General Meeting

Appendix

Summary of the proposed material changes to the Articles of Association

The principal changes which would arise from the adoption of the New Articles are set out below. References to Article numbers are references to the New Articles.

Electronic and web communications

The New Articles allow communications to members in electronic format and permit the Company to take advantage of the provisions in the 2006 Act relating to website communications to allow the Company to communicate with shareholders via electronic means and give the directors discretion to use electronic communications to distribute notices of meetings, annual reports, accounts and summary financial statements.

Form of resolutions and convening meetings

The existing Articles contain provisions referring to "extraordinary" resolutions and "extraordinary" general meetings. These concepts have been abolished under the 2006 Act with effect from 1 October 2007. Meetings of shareholders other than annual general meetings are referred to simply as general meetings. Any resolution requiring a 75% majority will be a "special" resolution.

The current Articles enable members to act by written resolution. Under the 2006 Act, with effect from 1 October 2007, public companies can no longer pass written resolutions. These provisions have therefore been removed in the New Articles.

Provisions in the existing Articles dealing with convening of general meetings and annual general meetings and the length of notice required to convene such meetings are amended in the New Articles to conform to the new provisions of the 2006 Act. In particular, general meetings to consider special resolutions can now be convened on 14 clear days' notice whereas previously 21 clear days' notice was required. The annual general meeting of the Company still requires 21 clear days' notice.

Quorum

The existing Articles provide that two members present in person or by proxy and entitled to vote forms the quorum. Under the 2006 Act the quorum for a meeting can be two "qualifying persons" which includes corporate representatives. The New Articles adopt these new provisions and corporate representatives can now be counted to form the quorum of a meeting of the Company.

Proxies

Under the 2006 Act, proxies are entitled to vote on a show of hands, whereas under the existing Articles proxies are only entitled to vote on a poll. The time limits for the appointment of proxies have also been altered by the 2006 Act so weekends and bank holidays can be excluded for the purposes of the timing for delivery of proxies. Multiple proxies may be appointed provided that each proxy is appointed to exercise the rights attached to different shares held by the shareholder. The New Articles reflect these changes.

Corporate representatives

The 2006 Act permits a corporate shareholder to appoint multiple corporate representatives who can attend, speak, vote and count towards a quorum at any general meeting. However, where multiple corporate representatives exercise votes in different ways, the 2006 Act provides that no votes have been exercised. The New Articles reflect the provisions in the 2006 Act.

Conflicts of interest

The New Articles shall, at Article 100A, retain the provisions of the existing Articles in relation to directors' conflicts of interest up to October 2008. However, with effect from the coming into force of sections 175 to 177 and 182 to 185 of the 2006 Act, these provisions will cease to apply and will be replaced by Article 100B to reflect the new provisions of the 2006 Act in relation to directors' conflicts of interests which are expected to come into force on 1 October 2008.

The 2006 Act sets out directors' general duties which largely codify the existing law but with some changes. Under the 2006 Act, from 1 October 2008, a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or may conflict, with the Company's interests. The requirement is very broad and could apply, for example, if a director becomes a director of another company, an advisor to the Company or a trustee of another organisation. The 2006 Act allows directors of public companies to authorise conflicts and potential conflicts, where appropriate, insofar as the articles of association contain a provision to this effect. The 2006 Act also allows articles to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty.

There are safeguards in the New Articles which will apply when directors decide whether to authorise a conflict or potential conflict. First, only directors who have no interest in the matter being considered will be able to take the relevant decision, and second, in taking the decision, the directors must act in a way they consider, in good faith, will be most likely to promote the Company's success. The directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

It is also proposed that the New Articles contain provisions relating to confidential information, attendance at board meetings and the availability of board papers to protect a director being in breach of duty if a conflict of interest or a potential conflict of interest arises.

It is proposed that the New Articles will, with effect from 1 October 2008, contain provisions, in Article 100B, giving the directors authority to approve situations involving directors' conflicts of interest and to allow conflicts of interest to be dealt with by the Board.

Age of directors on appointment

The existing Articles require a director to leave office after reaching the age of 70 years old. This has been deleted in the New Articles as it may fall foul of age discrimination legislation.

Winding up

The current Articles contain provisions dealing with the distribution of assets in kind in the event of the Company going into liquidation. These provisions have been removed in the New Articles on the grounds that a provision about the powers of liquidators is really a matter for insolvency law rather than the articles of a company and the Insolvency Act 1986 confers powers on the liquidator which would enable it to do what is envisaged by the existing Articles anyway.

Articles that duplicate statutory provisions

Certain other provisions in the current Articles which replicate provisions contained in companies legislation are amended to bring them into line with the 2006 Act.

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