



SVM UK Active Fund plc

Half Yearly Report 30 September 2008

“SVM UK Active Fund aims to achieve superior returns by actively managing a portfolio of principally UK listed companies that offer attractively priced growth.”

Chairman's Statement

Over the six months under review, SVM UK Active Fund's net asset value per share decreased by 18.0% compared to a fall in the FTSE All-Share of 13.5%. Since the end of the review period, there has been some recovery in the relative performance. Over the five years to 30 September 2008, on a total return basis, the Company's share price has increased by 46.1%, compared to a 44.5% rise in the FTSE All-Share.

During the period under review, the Company's exposure to some smaller companies, particularly in the resource sector, adversely affected performance. Investment in this area has been steadily reduced, and smaller companies now represent less than 4% of the portfolio. We believe that larger companies are more likely to be early beneficiaries of economic and stockmarket recovery. Over the six months, the Company's hedging policy proved helpful, with gains achieved that helped to mitigate some of the weakness in resources and financials. The two best performing portfolio investments were British Energy and Imperial Energy, both benefiting from takeover bids. We believe that the lower value of Sterling may result in more portfolio companies attracting bids from foreign companies.

New investments have been made in AstraZeneca, HSBC Holdings, BAE Systems, Tesco and BAT Industries. The portfolio emphasises healthcare, utilities, tobaccos and other businesses with greater resilience to a weaker economy. In most cases these new investments have above average dividend yields, which we believe will grow. It has proved right to limit exposure to financials, and banks in particular. This stance continues as we expect a number of

banks, with significant exposure to derivatives and potential impairment of loans, to disappoint.

We believe that the UK economy will slow further in 2009, despite likely stimulation through interest rate cuts and support for the bank sector. The portfolio has been positioned to reflect this concern, with low exposure to financials and economically-sensitive businesses, and an emphasis on businesses with a more stable outlook, good cash generation, and attractive dividends. Exposure to resources – oil and mining – was reduced from 50% at the end of March to 23% at the end of September. The Managers expect further weakness in Sterling, and the portfolio has increased exposure to companies with overseas earnings. The Company is also taking advantage of its ability to hedge some specific portfolio risks, and this flexibility is assisting active management of the portfolio. The Company currently holds more than 20% in cash.

Since 1999, the Board has implemented a vigorous share re-purchase programme. During the period under review, 337,000 shares were bought back and placed into treasury at an average price of 178.5 pence per share which represented a 12% discount to the prevailing net asset value. Over the six months, the discount averaged 11.5%. The Board remains committed to stability of the discount during relatively volatile markets, whilst recognising the extent to which this must be influenced by overall industry trends.

Mark Powell
Chairman

19 November 2008

Unaudited Accounts

Income Statement	6 months 30 September 2008 £000	6 months 30 September 2007 £000
Revenue Return		
Income	938	1,134
Interest charge allocated to revenue	(3)	(302)
Management fees allocated to revenue	(141)	(196)
Other expenses allocated to revenue	(149)	(88)
Net revenue return after tax	645	548
Capital return		
Net losses on investments	(13,601)	(3,882)
Interest charge allocated to capital	(3)	(302)
Management fees allocated to capital	(142)	(196)
Net capital return after tax	(13,746)	(4,380)
Total return after tax	(13,101)	(3,832)
Return per ordinary share		
Revenue	1.77p	1.46p
Capital	(37.71p)	(11.70p)
Total	(35.94p)	(10.24p)

Cash Flow Statement	6 months 30 September 2008 £000	6 months 30 September 2007 £000
Net cash flow from operating activities	369	402
Returns on investment and servicing of finance	(6)	(604)
Purchases/(sales) of fixed asset investments	9,012	11,723
Equity dividends paid	(1,091)	(1,113)
Financing (shares purchased for cancellation)	(604)	-
Movement in cash	7,680	10,408

Unaudited Accounts

Balance Sheet	30 September 2008 £000	31 March 2008 £000	30 September 2007 £000
Investments at fair value through profit or loss	48,016	66,100	92,850
Net current assets/(liabilities)	11,711	8,422	(7,994)
Ordinary shareholders' funds	59,727	74,522	84,856
Shares in issue (000s)	36,182	36,519	37,427
Net asset value per ordinary share	165.07p	204.06p	226.72p

Notes

1. These are not full accounts in terms of the Companies Act 1985. Audited accounts for the year to 31 March 2008 which were unqualified, have been lodged with the Registrar of Companies.
2. Investment management fees and bank overdraft interest have been allocated 50 per cent to revenue and 50 per cent to capital (2007 – 50 per cent to revenue and 50 per cent to capital).

Investment Portfolio

Company	Valuation £000	Total Assets %
1 Royal Dutch Shell	3,711	6.2
2 AstraZeneca	3,592	6.0
3 BP	3,248	5.4
4 BG Group	3,206	5.4
5 HSBC	3,164	5.3
6 Tesco	3,062	5.1
7 British American Tobacco	2,404	4.0
8 First Group	2,375	4.0
9 Severn Trent Water	2,185	3.7
10 Pennon Group	2,101	3.5
Ten largest investments	29,048	48.6
Other investments	18,968	31.8
Total investments	48,016	80.4

Company Information

Directors

G M Powell (Chairman)

F C Carr

J E F Lloyd

C W McLean

Investment Managers, Secretaries and Registered Office

SVM Asset Management Limited

7 Castle Street

Edinburgh EH2 3AH

Telephone: +44 (0) 131 226 6699

Facsimile: +44 (0) 131 226 7799

E mail: info@svmonline.co.uk

Web: www.svmonline.co.uk

Registrars

Computershare Investor Services plc

Lochside House

7 Lochside Avenue

Edinburgh Park

Edinburgh EH12 9DJ

Telephone: 0870 707 1368

Stockbrokers

Close Brothers Securities

The Atrium Building

Cannon Bridge

25 Dowgate Hill

London EC4R 2GA

Auditors

Ernst & Young LLP

Ten George Street

Edinburgh EH2 2DZ

Bankers

Bank of New York Mellon

One Canada Square

London E14 5AL

Registered Number

SC149809