

Corporate governance

The Company is committed to high standards of corporate governance.

Compliance Statement

The UK Listing Authority requires all listed companies to disclose how they have complied with the provisions of the 2006 Combined Code on corporate governance (the "Code"). This Corporate governance statement, together with the Statement of Directors' responsibilities set out in the Report of the Directors on page 31, indicates how the Company has complied with the principles of good governance contained in the Code and its requirements on Internal Control.

The Board considers that the Company has, throughout the year under review, complied with the best practice provisions in Section 1 of the Code.

Role of the Board

The Board determines and monitors the Company's investment objectives and policy, decides on individual fund investments and considers the future strategic direction of the Company. The Board is responsible for presenting a balanced and understandable assessment of the Company's position and, where appropriate, future prospects in annual and half-yearly reports and other forms of public reporting. It monitors and reviews the shareholder base of the Company, marketing and shareholder communication strategies, and evaluates the performance of all service providers, with input from its Committees where appropriate.

A procedure for Directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company has been agreed.

Composition and independence

At 31 December 2008, there were two executive and eight non-executive Directors, including the Chairman. Profiles of each of the Directors, including age and length of service, may be found on pages 26 and 27. The Board considers each of Francis Finlay, Anthony Habgood, Edgar Koning, Denis Raeburn, Charles Sinclair and Gary Steinberg to be independent. The independence of each Director is considered on a continuing basis.

A review of Board composition and balance, including succession planning for appointments to the Board, is included as part of the annual performance evaluation of the Board, details of which may be found below.

The Board is satisfied that it is of sufficient size, with an appropriate balance of skills and experience, and that no individual or group of individuals is or has been in a position to dominate decision making.

The role of the Chairman

The Chairman is responsible for leading the Board, ensuring its effectiveness in all aspects of its role and setting its agenda.

Senior Independent Director

Charles Sinclair succeeded Anthony Habgood as Senior Independent Director on 4 March 2009. The Senior Independent Director leads the evaluation of the performance of the Chairman and is available to shareholders if they have concerns that cannot be resolved through discussion with the Chairman. As part of the evaluation process, the non-executive Directors meet without the Chairman being present, and the Senior Independent Director chairs these meetings.

Company Secretary

The Directors have access to the advice and services of the corporate Company Secretary through its appointed representative, who is responsible to the Board, inter alia, for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

Tenure

The Directors have adopted a policy on tenure that they consider appropriate for the Company as a self-managed investment trust. The Board does not believe that length of service, by itself, leads to a closer relationship with Executive Management. The independence of non-executive Directors will continue to be assessed on a case-by-case basis. In order to allow shareholders the opportunity to endorse this policy, however, any non-executive Director who has served for more than nine years will be subject to annual re-election at the Annual General Meeting.

Induction and training

When a Director is appointed he or she receives a full, formal and tailored induction. Changes affecting Directors' responsibilities are advised to the Board as they arise.

Advisers to the Company also prepare reports for the Board from time to time. In addition, Directors may attend ad hoc seminars covering issues and developments relevant to the Company.

Performance evaluation

The Board has adopted a formal and rigorous annual evaluation of its own performance and that of its Committees and individual Directors. The last evaluation was completed in March 2009. The evaluation is in two stages. First, the evaluation of individual Directors is led by the Chairman, and the evaluation of the Chairman's performance is led by the Senior Independent Director. Evaluation is conducted utilising a questionnaire. Secondly, the Board evaluates its own performance and that of its Committees. The Board has developed criteria for use at the evaluation, which focuses on the individual contribution to the Board and its Committees made by each Director and the responsibilities, composition and agenda of the Committees and of the Board itself.

Meetings

The Board held five scheduled meetings during 2008. Two additional meetings were also arranged as required.

Attendance at the Board and Committee meetings was as set out below:

Director	Board	Audit Committee	Remuneration Committee	Nomination Committee
Nicholas Ferguson	7/7	N/A	N/A	1/1
Damon Buffini	7/7	N/A	N/A	1/1
Francis Finlay	7/7	N/A	2/2	1/1
Lynn Fordham	4/4	N/A	N/A	N/A
Anthony Habgood	7/7	2/2	2/2	1/1
Edgar Koning	5/7	N/A	N/A	1/1
Denis Raeburn	7/7	2/2	2/2	1/1
Charles Sinclair	6/7	2/2	N/A	N/A
Gary Steinberg	6/7	2/2	2/2	N/A
Andrew Williams	7/7	N/A	N/A	N/A

The Board is satisfied that each of the Chairman and the other non-executive Directors commit sufficient time to the affairs of the Company to fulfil their duties as Directors.

Information flows

Management reports to the Board on at least a quarterly basis and as appropriate on specific matters. The Chairman ensures that Directors are provided, on a regular basis, with key information on the Company's policies, regulatory requirements and internal controls. The Board receives and considers reports regularly from its advisers and ad hoc reports and information are supplied to the Board as required.

Insurance and Indemnities

During the year the Company maintained cover for its Directors and Officers under a directors' and officers' liability insurance policy.

The Company provides a Deed of Indemnity to each Director to the extent permitted by United Kingdom law whereby the Company is able to indemnify such Director against any liability incurred in proceedings in which the Director is successful, and for costs in defending a claim brought against the Director for breach of duty where the Director acted honestly and reasonably.

Committees

The Board has delegated certain responsibilities and functions to Committees. Terms of Reference for each of these Committees are available on the Company's website at www.svgcapital.com. Details of membership of the Committees at 31 December 2008 may be found on pages 26 and 27 of this report and information regarding attendance at Committee meetings during the year under review may be found above.

Investment Committee

The role of the Investment Committee is to review investment proposals for the Company, providing investment recommendations and implementing decisions as regards any investment. The work of the Committee is undertaken by the full Board during its meetings.

Audit Committee

The role of the Audit Committee is to ensure that the Company maintains the highest standards of integrity in financial reporting and internal control. The Board considers each member of the Committee to be independent. The Board also considers that members of the Committee have recent and relevant financial experience.

To discharge its duties, the Committee met on two occasions during the year ended 31 December 2008 and considered the annual financial statements and half-yearly financial statements, the external Auditors' year end reports and management letters, the effectiveness of the audit process, the independence and objectivity of the external Auditor and the risk profile of the Group.

With effect from 4 March 2009, Gary Steinberg succeeded Charles Sinclair as Chairman of the Audit Committee.

Remuneration Committee

The role of the Committee is to determine remuneration policy throughout the SVG Group and to operate the Company's Share Awards Schemes. The Board considers each member of the Committee to be independent.

To discharge its duties, the Committee met on two occasions during the year ended 31 December 2008 and considered the approval of annual bonus proposals and the approval of appropriate targets and long term incentives for the executive Directors and key staff based on performance in respect of the year ended 31 December 2007.

Nomination Committee

The role of the Committee is to consider and make recommendations to the Board on the Board's composition and balance of skills and experience, and on individual appointments, to lead the process and make recommendations to the Board.

To discharge its duties, the Committee met on one occasion during the year ended 31 December 2008 and considered an evaluation of the balance of skills and expertise of the Board, succession planning and the selection of suitable candidates for a new Director.

The Committee considered the appointment of a Director during the year under review. On this occasion, an external search consultancy was engaged to identify suitable candidates to fulfil the criteria established by the Committee.

Relations with shareholders

The Board believes that the maintenance of good relations with both institutional and retail shareholders is important for the prospects of the Company. It has, since its launch, sought engagement with investors. The Chairman, the Senior Independent Director and other Directors where appropriate, discuss governance and strategy with major shareholders and the Chairman ensures communication of shareholders' views to the Board. The Board also receives feedback on the views of shareholders from its corporate broker.

The Board believes that the Annual General Meeting provides an appropriate forum for investors to communicate with the Board, and encourages participation. The Annual Report and Accounts is, when possible, sent to shareholders at least 20 business days before the Annual General Meeting, which is normally attended by the full Board of Directors. Proceedings include a presentation on the activities of the Company. There is an opportunity for individual shareholders to question the chairmen of the Board, Audit and Remuneration Committees. Details of proxy votes received in respect of each resolution are made available to shareholders at the meeting. The Board believes that the Company's policy of reporting to shareholders as soon as possible after the Company's year end is valuable. The Notice of Meeting on pages 83 to 85 sets out the business of the meeting.

Going concern

The Group's activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's statement on pages 4 and 5, the Finance Director's report on pages 6 and 7 and the Business Review on pages 8 to 23. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Finance Director's Report on pages 6 and 7. In addition note 33 to the financial statements includes details of the Group's financial instruments and its risk profile. A description of the Group's risks and risk management are also outlined in the Business Review on pages 8 to 23.

The Group has much improved financial resources following the Placing and Rights Issue. As a consequence, the Directors believe that the Group is now positioned to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Internal control

The Code requires the Board to at least annually conduct a review of the adequacy of the Group's systems of internal control and report to shareholders that it has done so. The Board has undertaken a full review of all the aspects of the Turnbull Guidance for Directors, as revised in October 2005 (the "Turnbull Guidance") under which the Board is responsible for the Group's system of internal control and for reviewing its effectiveness. The Board has approved a detailed Risk Map identifying significant strategic, investment-related, operational and service provider-related risks and has adopted an enhanced monitoring system to ensure that risk management and all aspects of internal control are considered on a regular basis.

The Board believes that the key risks identified and the implementation of an ongoing system to identify, evaluate and manage these risks are based upon and relevant to the Group's business as an investment trust. The ongoing risk assessment, which has been in place throughout the financial year and up to the date of this report, includes consideration of the scope and quality of the systems of internal control (including whistleblowing policies where appropriate) adopted by major service providers, and ensures regular communication of the results of monitoring by third parties to the Board, the incidence of significant control failings or weaknesses that have been identified at any time and the extent to which they have resulted in unforeseen outcomes or contingencies that may have a material impact on the Group's performance or condition. No significant control failings or weaknesses were identified during the course of the year and up to the date of this report from the Board's continuing risk assessment.

Although the Board believes that it has a robust framework of internal control in place this can only provide reasonable and not absolute assurance against material financial mis-statement or loss and is designed to manage, not eliminate, risk.