SMALL COMPANIES DIVIDEND TRUST PLC

Annual Report

for the year ended 30 April 2007

Investment objective

The investment objective of the Company is to provide Ordinary shareholders with a high income and opportunity for capital growth.

The Company's funds will be invested principally in companies with a market capitalisation of up to £500 million. The Company's portfolio will comprise companies listed on the Official List and companies admitted to trading on AIM. The Company will not invest in other investment trusts. No investment will be made in preference shares, loan stock or notes, convertible securities or fixed interest securities.

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If you are in any doubt about the contents of this document or the action you should take, you are recommended to seek immediately your own independent financial advice from your stockbroker, bank manager, solicitor, accountant or other financial adviser authorised under the Financial Services and Markets Act 2000.

Company summary

History

The Company was launched on 12 May 1999, raising £21.28 million before expenses, by a placing of 15,000,000 Ordinary shares and, through its former subsidiary company Small Companies PLC, 6,250,000 Zero Dividend Preference shares and 31,260 Preference shares. A further 750,000 Ordinary shares were issued as a result of a placing for cash on 3 March 2000 and on 26 October 2005 a further 500,000 shares were issued. The subsidiary, Small Companies PLC was placed in liquidation on 30 April 2007, following which the capital entitlement of the Zero Dividend Preference and Preference shares were repaid.

Total net assets and market capitalisation at year end

As at 30 April 2007, the Company had a market capitalisation of £38,797,000 (2006: £36,116,000) and total net assets amounted to £43,276,000 (2006: £39,827,000).

Management fee

The fee payable to the Investment Manager is 1% (plus VAT) of the combined gross assets of the Company, plus a performance fee of 10% (plus VAT) of the lower amount by which the net asset value plus dividends paid in the year exceeds 10% compounded per annum and beats the FTSE Small-cap index by 2%.

Capital structure

Details of share structure, entitlements and voting rights can be found on page 54.

PEP/ISA status

The Company's Ordinary shares are eligible investments for inclusion in Personal Equity Plans ('PEPs') up to the maximum permitted limit. They are also qualifying investments for Individual Savings Accounts ('ISAs').

Reorganisation

Following an Extraordinary General Meeting of the Company held on 14 August 2006, shareholders approved resolutions to:

- defer the continuation vote concerning the Company's future from 2007 until 2014;
- adopt new Articles of Association; and
- allot securities under section 95 of the Companies Act 1985.

Shareholders of the subsidiary company, Small Companies PLC, did not pass the resolutions proposed at its Extraordinary General Meeting held on 29 August 2006 to extend its life or to proceed with a Placing and Tender Offer of Zero Dividend Preference shares. Accordingly the Zero Dividend Preference shares and the Preference shares were repaid their full entitlement on 3 May 2007 of 184.63p per share following the liquidation of the subsidiary on 30 April 2007.

Registered in England
No. 3749536

A member of the Association of Investment Companies

Directors

The Directors are:

The Rt Hon the Lord Lamont of Lerwick* (Chairman), aged 65, acted as Chancellor of the Exchequer between 1990-1993. Prior to his appointment, Lord Lamont acted as Chief Secretary to the Treasury between 1989-1990. Following his retirement from acting as a Member of Parliament in 1997, he has held numerous positions as a director of various organisations and funds including NM Rothschild and Sons Ltd, the Indonesia Fund, the Asia Specialist Growth Fund and Taiwan Investment Fund of Jupiter Asset Management Limited. His current directorships include Balli Group plc, Jupiter Second Split Trust, and chairman of Jupiter Adria Plc managed by Jupiter Asset Management Limited.

Lord Lamont was appointed to the Board on 27 February 2006.

John Edward Chappell*, aged 57, has been a stockbroker since 1969. He is currently a director of private client funds at Charles Stanley.

Mr Chappell was appointed to the Board on 22 April 1999 and will retire at the Annual General Meeting.

David Harris*, aged 57, is Chief Executive of InvaTrust Consultancy. The company specialises in marketing issues relating to the investment and financial services industry. He writes regular articles for the national and trade press on investment matters. From 1995 to 1999 he was a director of AIC with specific responsibility for training and education of independent financial advisers. He is a non-executive director of two other investment trust companies, the Character Group plc and Aseana Properties Limited.

Mr Harris was appointed to the Board on 30 May 2000.

Bryan Lenygon*, aged 75, is a chartered accountant and a barrister. He is a former director of Gartmore Investment Limited and is a director of other investment trust companies.

Mr Lenygon was appointed to the Board on 6 April 1999.

William van Heesewijk, aged 48, began his career with Lloyds Bank International in 1981 working for both the merchant banking and investment management arms. He has been involved in the investment trust industry since 1987 in various capacities ranging from sales and marketing to corporate product development; having worked for Fidelity Investments International, Gartmore Investment Management plc and BFS Investments plc and is Business Development Director with Chelverton Asset Management Limited.

Mr van Heesewijk was appointed to the Board on 1 December 2005.

* Independent of the Investment Manager

Manager and Secretary

Manager: Chelverton Asset Management Limited ('Chelverton')

Chelverton was formed in 1998 by David Horner a chartered accountant who has considerable experience of analysing investments and working with smaller companies. Chelverton is wholly owned by its employees.

Chelverton is a boutique fund manager focussed on UK Small companies and has a successful track record. At 30 April 2007, total funds under management were £80 million including three investment companies and an OEIC. The fund management team comprises of David Horner and David Taylor.

Chelverton is authorised and regulated by the Financial Services Authority.

Secretary: Capita Sinclair Henderson Limited

Capita Sinclair Henderson Limited provides company secretarial and administrative services for the Company. It provides similar services for a number of investment trust companies.

Financial highlights

Capital	30 April 2007	30 April 2006	% change	Discount 30 April 2007
Total Net Assets (£'000)	**43,276**	39,827	8.66	
Net Asset Value per Ordinary share††	**266.32p**	245.09p	8.66	
Mid-Market Price per Ordinary share	**238.75p**	222.25p	7.42	10.35%
FTSE All-Share Index	**3,355.60**	3,074.26	9.15	
FTSE SmallCap Index	**4,098.99**	3,626.74	13.02	

Revenue	Year ended 30 April 2007	Year ended 30 April 2006	% change
Return per Ordinary share	**14.14p**	12.20p	15.90
Dividends declared per Ordinary share	**13.00p**	11.25p	15.56
Total Return			
Total Assets less current liabilities (excluding bank borrowings) total return*†	**0.02%**	31.85%	
Total Net Assets total return*	**8.94%**	50.43%	
Total Return FTSE All-Share Index	**12.68%**	32.36%	
Total expense ratio (including investment management fee and other expenses but excluding performance fee and exceptional items)	**1.72%**	1.45%	

* Adding back dividends paid in the year

† Adjusted for movement in bank borrowings during the year

†† Net asset values calculated in accordance with Articles of Association

Chairman's report

Results

The Company's net asset value per Ordinary share at 30 April 2007 was 266.32p (2006: 245.09p), an increase over the year of 8.7%. During this period the FTSE All-Share Index increased by 9.1%, the FTSE Small-Cap Index increased by 13.0%. Since Listing, on 12 May 1999, the FTSE All-Share has risen by 13.2% and the net asset value per Ordinary share has risen by 166.4%. Over this period the share price has increased by 122.25%.

The Company is currently invested in 71 companies across 26 sectors, this spread provides a diversified base and will assist the Company in providing a stable platform from which to grow in both capital and revenue terms.

Ongoing strong earnings and dividend growth by the underlying companies in the portfolio during the past year is encouraging and it is pleasing to note that this trend has continued into the current year.

Interest rates have recently risen for the sixth time since last August 2006 from 5.5% to 5.75% to help the Government to meet their inflation target. Global concerns remain in terms of energy prices, leading to continued concerns about rising inflation.

Capital structure

The Zero Dividend Preference shares were repaid their full capital entitlement of 184.63p on 3 May 2007. These shares enjoyed a good market rating and consistently traded at a premium over their life. This reflected both the good investment performance and the consequent strong net asset value over the period.

Bank facility

Until 30 March 2007 the Company had borrowing facilities with Lloyds TSB PLC ('the Bank') totalling £10.0 million, represented by a fixed term loan of £5.0 million and an overdraft facility for the balance of £5.0 million.

The fixed term loan was repaid on 30 March 2007 and the Bank facility was increased to a total of £16.5 million represented by a new £10.0 million fixed loan and an increased £6.5 million overdraft facility. This was done in order to maintain a similar level of gearing following the repayment of the Zero Dividend Preference shares and Preference shares.

The Board intends to restrict the borrowing arrangements with the Bank, so as to limit the total amount of borrowings, to below 30% of total assets at the time of draw down.

Dividend

The Board has declared a final dividend of 4.00p per Ordinary share (2006: 3.75p) which, when added to the three quarterly interim dividends of 3.00p, equates to a total dividend for the year of 13.00p per Ordinary Share (2006: 11.25p), an increase of 15.6% over the previous year. The Board is pleased that since launch it has been able to increase the dividend every year by more than the rate of inflation.

Discount management

The Board intends to apply an active discount management policy, with a view to establishing and supporting an improved rating in the Ordinary shares. At the same time, shareholders will be asked at the Annual General Meeting, in September 2007, to grant the Board authority to allow the Company to repurchase shares available in the market and to hold such shares in treasury to the extent permissible by law, and to sell such treasury shares in response to market demand. Such purchases will only be made at a price representing a discount greater than 5% to NAV. Shares may be sold out of treasury at a discount only if it is at a lower discount than that at which they were bought and to produce a positive absolute return, without income dilution to existing shareholders. The maximum number of shares that would be held in treasury at any year end is 5.0%. Any shares in excess of this limit will be cancelled and shares that are not reissued will be cancelled at each year end.

Outlook

The Board believe that the adoption of a conventional capital structure, combined with an effectively reduced level of gearing and consequent lower cost to capital will enable the Company to continue generating a high and attractive quarterly dividend yield in excess of 5.0%. Combined with an active discount management policy in order to maintain the discount below 5.0% should lead to a re-rating of the Ordinary shares in the market place.

Mr John Chappell has decided to retire at the Annual General Meeting. On behalf of shareholders I would like to thank him for his contribution to the Company since its launch.

The Board is encouraged by the continued progress in the past year and believes that if this growth continues that a dividend of no less than 13.65p will be paid for the year ending 30 April 2008 an increase of 5.0% over the current year in line with the targeted increase to be above the rate of inflation.

Lord Lamont of Lerwick
Chairman
1 August 2007

Investment Manager's report

We are pleased to report another year of progress, not only in terms of the asset value per share but also in respect of the earnings per share and, more importantly for the future, our estimate of earnings per share for the next financial year ending 30 April 2008.

Whilst the last two months has seen a general reduction in share prices around the world, and our portfolio has obviously been affected, it is pleasing to be able to report that in this period the gross assets have done relatively well against the benchmark index, the FTSE SmallCap and also, for information, the FTSE 100 Index. The resilience of the portfolio is, of course, due in part to the high yield nature of the assets.

Portfolio review

The fund is now invested in 71 companies (2006: 77) with a mix of stocks from 26 (2006: 24) different sectors.

At the end of the year the small holding of Treasury Stock held in the name of the subsidiary was sold and in addition twenty-three companies left the portfolio. Of this number seven left by way of takeovers (2006: 4) one went into administrative receivership and sixteen companies were sold. Seventeen new holdings were established.

Major investments were made in Acertec, on flotation, which was the name of the holding company used to take Hall Engineering Holdings plc private by a venture capitalist. Hansard Global, a specialist long term savings provider, was another flotation in which the Company was able to make a large investment. Two other companies, Macfarlane and Alexandra, have been portfolio companies in the past and the other thirteen additions all met our target yield of 4% on purchase.

The largest sector remains General Financial, representing 13% (2006: 13%). Complete disposals included Hill & Smith, Savills and NWF where the very strong rise in the share prices over the past three years has meant that despite the very strong dividend growth over the same period the overall yield fell to a point where the shares had to be sold. Collins & Hayes went into administrative receivership partially caused by its inability to fund a payment schedule to eliminate its pension deficit.

During the course of this year, six portfolio companies were taken over for cash: Birse, Center Parcs, City Lofts, House of Fraser, RHM, and UCM (2006: 4 takeovers, 2005: 5, 2004: 4, 2003: 2, 2002: 8, 2001: 7). At the year end two portfolio companies: Hitachi Capital and Alpha Airports had received cash offers.

At the end of the year sufficient funds had to be available to repay the Zero Dividend Preference shares so other underperforming holdings were disposed of and a number of solid performers were reduced. The effect of the repayment of the Zero Dividend Preference shares and the deliberate limiting of the bank debt has been a reduction in the level of overall gearing and a consequent reduction in the charge to capital. The overall bank loan facility was increased from £10.0m to £16.5m as from 1 May 2007. Notwithstanding this we are confident that the dividend can be grown in line with historical performance.

Outlook

As we look forward for the next year there are, as ever, a number of areas of concern. Will there need to be further interest rate increases to calm the rise of inflation despite growing anecdotal evidence that the rate rises that have already taken place appear to be working? Will the inevitable correction in Far East stock markets spread around the World and impact on sentiment in Europe and the USA?

Investment Manager's report (continued)

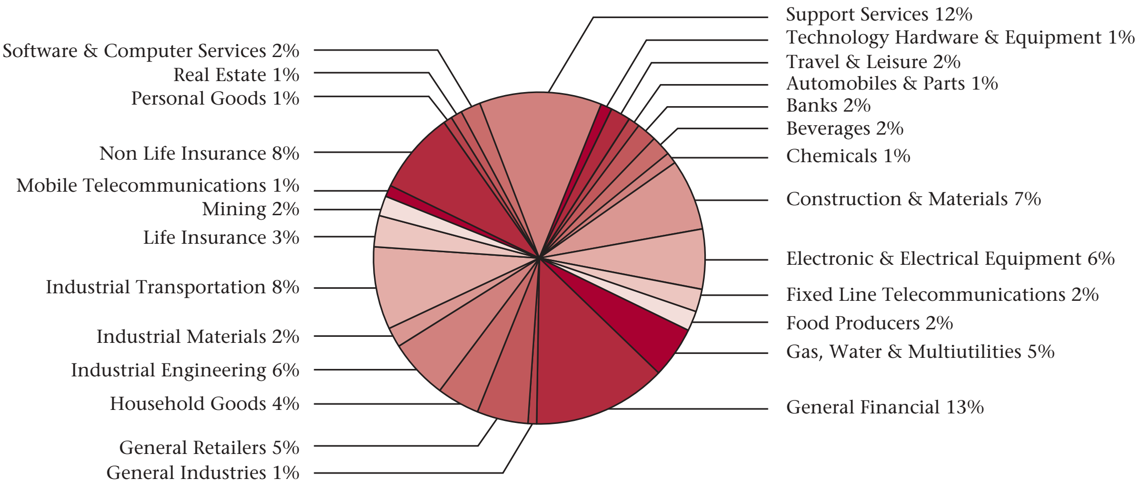
Of course only time will provide the answers to these questions, however it is true that for this Company excellent buying opportunities become available when short sharp corrections take place as solid cash generative companies are marked down with the market but tend to recover rather more quickly. Also the growth in the UK economy remains strong and in line with historical growth trends of 2.5% leads us to be confident about the future.

As reported last year we are again generally pleased with the overall progress shown by most of the portfolio companies, particularly in the robust manner of dividend increases which produced a growth in investment income of 8.5%.

As has occurred for the last eight years, the Company has announced an increased dividend with a total payment this financial year of 13.0p per share (2006: 11.25p) and will, wherever possible, consistently increase this already high dividend payment, whilst at the same time looking for long term prospects with capital growth. As has been reported in the Chairman's report the dividend payment this year will be a total of at least 13.65p, being a 5% increase on 2007.

It is also the intention over the next few years to increase the first three interim dividends by a higher amount than the fourth interim dividend with the result that, in time, the Company will move to paying four equal dividends.

Breakdown of Portfolio by Industry
at 30 April 2007



Source: Capita Sinclair Henderson

Twenty Largest Holdings

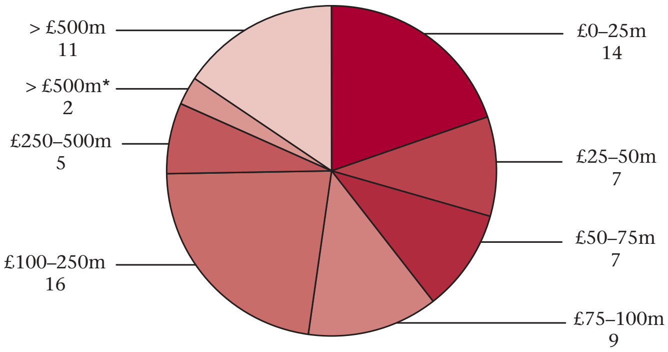
at 30 April 2007

		% of portfolio
Hitachi Capital UK	Credit, finance and vehicle contract hire	3.90
Alumasc Group	An engineering company focused on the design and manufacture of premium engineering and building products	3.00
Abacus Group	Distributes electrical components	2.62
TT Electronics	Electronic and electrical products and components	2.59
United Utilities	Management and operation of electricity distribution, water and waste water assets	2.54
Arbuthnot Banking Group	Banking and financial services	2.36
Personal Group	Provider of short-term accident and health insurance, employee benefits related business and financial services in the UK	2.34
Davenham Group	Asset based lender	2.29
Chesnara	Life assurance	2.27
Nichols	Specialises in soft drinks and dispense systems	2.23
Acertec	Manufacture of engineered steel products for use in the automotive and constructive markets	2.14
TDG	Provides European businesses with supply chain solutions which optimise efficiency and increase competitive advantage	2.07
Dee Valley Group	Provision of water services	2.05
Pendragon	Sale of new and used vehicles, contract hire, and after sales services	2.05
Brit Insurance Holdings	General insurance and reinsurance group	2.00
Highway Insurance Holdings	Insurance company, insurance brokers, Lloyd's underwriting agencies and corporate members of Lloyd's	2.00
ATH Resources	Coal mining	1.96
THB Group	Acts as a wholesaler for other intermediaries and provides risk management and insurance broking services	1.96
Johnson Service	Provides a range of support services to business and consumers	1.93
Metalrax Group	Manufacture of storage, handling equipment, metal, plastic and wooden housewares	1.91
Top twenty companies		46.21
Balance held in 51 holdings		53.79
Total portfolio		**100.00**

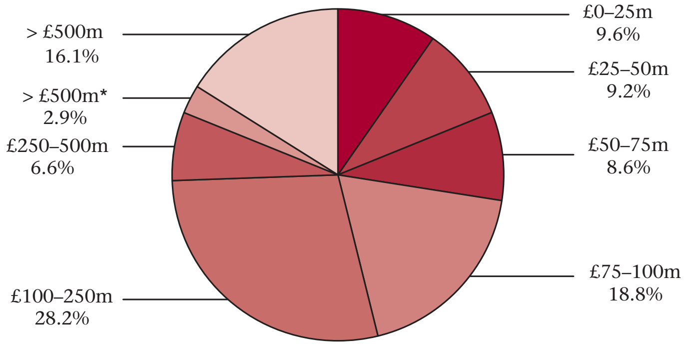
Breakdown of Portfolio by Market Capitalisation

at 30 April 2007

Number of Companies



% of Portfolio



Source: Capita Sinclair Henderson

* Less than £100m market capitalisation at point of investment.

David Horner and David Taylor

Chelverton Asset Management Limited

1 August 2007

Report of the Directors

(which incorporates the Statement on corporate governance on pages 18 to 23)

The Directors present their Report and the financial statements of the Company for the year ended 30 April 2007. The Company's registered number is 3749536.

The Company was incorporated on 6 April 1999 and commenced trading on 12 May 1999. Its capital structure comprises Ordinary shares.

Business review

Company status, objective and review

The principal activity of the Company is to carry on business as an investment trust. The Company has been granted approval from HM Revenue & Customs as an authorised investment trust under section 842 of the Income and Corporation Taxes Act 1988 for the year ended 30 April 2006. The Directors are of the opinion that the Company has conducted its affairs for the year ended 30 April 2007 so as to be able to continue to be approved as an authorised investment trust. The Company is an investment company as defined in section 266 of the Companies Act 1985.

The investment objective of the Company is to provide Ordinary shareholders with a high income and opportunity for capital growth.

Investment policies and restrictions

The Company's investment policy, as approved by shareholders on 25 November 2005, is that:

- funds will be invested principally in UK companies with a market capitalisation of up to £500 million at the point of investment;
- a maximum of 20 per cent of the Company's portfolio may be invested in companies without reference to their market capitalisation at the discretion of the Investment Manager;
- the Company will invest in the ordinary shares of companies either listed on the Official List and traded on the London Stock Exchange's Main Market or traded on the London Stock Exchange's Alternative Investment Market;
- no investment will be made in preference shares, loan stock or notes, convertible securities or fixed interest securities or any similar securities convertible into shares; and
- the Company will not invest in the securities of other investment trusts or in unquoted companies.

The Chairman's report on pages 5 and 6 and the Investment Manager's report on pages 7 to 10 give details of the Company's activities during the financial year under review.

Performance analysis using key performance indicators

At each quarterly Board meeting the Directors consider a number of key performance indicators ('KPIs') to assess the Company's success in achieving its objectives, for example; the NAV, the movement in the Company share price, the discount of the share price in relation to the NAV, the dividend per share and the total expense ratio.

- The Company's income statement is set out on page 29.
- A total dividend for the year to 30 April 2007 of 13.00p per Ordinary share has been paid to shareholders by way of three quarterly payments of 3.0p per Ordinary share and a fourth dividend payment of 4.00p per Ordinary share.
- The Company has not adopted a formal benchmark to compare the movements of the NAV to the FTSE All-Share Index or the FTSE SmallCap Index. The NAV per Ordinary share at 30 April 2007 was 266.32p (2006: 245.09p).

- The total expense ratio (including investment management fee and other expenses but excluding performance fee and exceptional items) for the year ended 30 April 2007 was 1.72% (2006: 1.45%).

Principal risks

The Board considers the following as the principal risks facing the Company. Mitigation of these risks is sought and achieved in a number of ways:

Market risk

The Company is exposed to UK market risk due to fluctuations in the market prices of its investments.

The Investment Manager actively monitors economic and performance of investee companies and reports regularly to the Board on a formal and informal basis. The Board formally meets with the Investment Manager on a quarterly basis when the portfolio transactions and performance are discussed and reviewed.

The Company is substantially dependent on the services of the Investment Manager's investment team for the implementation of its investment policy.

The Company may hold a proportion of the portfolio in cash or cash equivalent investments from time to time. Whilst during positive stock market movements the portfolio may forego notional gains, during negative market movements this may provide protection.

Discount volatility

As with many investment trust companies, discounts can fluctuate significantly.

The Board recognises that, as a closed ended company, it is in the long-term interests of shareholders to reduce discount volatility and believes that the prime driver of discounts over the longer term is performance. The Board, with its advisers, monitors the Company's discount levels and intends to adopt a discount management policy target of 5.0% discount above which shares may be bought back should it be thought appropriate to do so by the Board.

Regulatory risks

A breach of Companies Act regulations and FSA/London Stock Exchange rules may result in the Company being liable to fines or the suspension of the Company from the London Stock Exchange. The Board, with its advisers, monitors the Company's regulatory obligations both on an ongoing basis and at quarterly Board meetings.

Financial risk

The financial situation of the Company is reviewed in detail at each Board meeting, monitored and approved by the Board and the Audit Committee.

New developments in accounting standards and industry related issues are actively reported to and monitored by the Board and its advisers, ensuring that appropriate accounting policies are adhered to.

Details regarding the Company's various Committees and their duties are given on pages 18 to 23 of the Statement on Corporate Governance.

Banking
A breach of the loan covenants may lead to funding being reduced or withdrawn. The Board monitors compliance with the loan covenants at each Board meeting and regularly reviews the loan and overdraft facilities, and the requirement for them, with the Investment Manager.

A more detailed explanation of the risks facing the Company are given in note 25 to the accounts on pages 47 to 50.

Current and future developments
A review of the main features of the year is contained in the Chairman's report on pages 5 and 6 and the Investment Manager's report on pages 7 to 10.

At an Extraordinary General Meeting of the Company held on 14 August 2006, shareholders approved resolutions to defer the continuation vote from 2007 until 2014, to adopt new Articles of Association, to allot securities under section 95 of the Companies Act 1985 and to authorise the Board to sell Ordinary shares out of Treasury at a discount to net asset value.

Shareholders of the subsidiary company, Small Companies PLC, did not pass the resolutions proposed at its Extraordinary General Meeting held on 29 August 2006 to extend its life nor to proceed with a Placing and Tender Offer of Zero Dividend Preference shares. Accordingly the Zero Dividend Preference shares were repaid following the liquidation of the subsidiary company on 30 April 2007.

The marketing and promotion of the Company will continue to involve the Board, led by the Investment Manager, with a proactive communications programme either directly or through its website, with existing and potential new shareholders and other external parties.

The Directors are seeking to renew the appropriate powers at the next Annual General Meeting to enable the issue and buy back of shares, when it is in the shareholders' interests as a whole.

Dividends paid

		30 April 2007	30 April 2006
	Payment date	**pence**	pence
First interim	30 September 2006	**3.00**	2.50
Second interim	30 December 2006	**3.00**	2.50
Third interim	30 March 2007	**3.00**	2.50
Fourth interim	29 June 2007	**4.00**	3.75
		13.00	11.25

The Directors do not recommend a final dividend in respect of the year ended 30 April 2007.

Directors

The Directors who served during the year ended 30 April 2007 were as follows:

Lord Lamont
J E Chappell
D Harris
B N Lenygon
W van Heesewijk

None of the other Directors nor any persons connected with them had a material interest in any of the Company's transactions, arrangements or agreements during the year. None of the Directors, save as mentioned above, has or has had any interest in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company, and which was effected by the Company during the current financial year.

There have been no loans or guarantees between the Company, or its subsidiary undertaking, granted to any Director at any time during the year or thereafter.

Mr J E Chappell will be retiring as a Director of the Company at the Annual General Meeting on 27 September 2007.

Directors' beneficial and family interests

	30 April 2007 Ordinary shares	30 April 2006 Ordinary shares
Lord Lamont	**1,684**	–
B N Lenygon	**1,000**	1,000
J E Chappell	**–**	–
D Harris	**5,802**	5,802
W van Heesewijk	**18,877**	10,000

Lord Lamont and W van Heesewijk have purchased 1,041 and 108 shares respectivly since 30 April 2007 as a result of regular purchases through the Chelverton Savings Plan.

Substantial shareholdings

The Directors have been notified of the following substantial interests in the voting shares of the Company at 1 August 2007:

Ordinary shares	Number of shares	% of voting shares
Jupiter Asset Management Ltd	1,328,000	8.17
Jupiter Monthly Income Fund Ltd	*1,328,000*	*8.17*
New Star Asset Management	1,310,497	8.06
New Star Equity Income Unit Trust	*810,497*	*4.99*
New Star Maximum Income Portfolio	*500,000*	*3.08*
Premier Fund Managers Limited	1,252,204	7.71
Including:		
US Special Opportunities Trust PLC	*547,554*	*3.37*
Premier UK Dual Return Trust PLC	*286,434*	*1.76*
Discretionary managed clients	*234,217*	*1.44*
Premier Asian Assets Trust Limited	*183,999*	*1.13*
Charles Stanley Group PLC	1,174,979	7.23
Dartmoor Investment Trust PLC	1,250,000	7.69
Consistent Practical Investment Fund Limited	875,000	5.38
London & St Lawrence Investment Company PLC	875,000	5.38
Midas Balanced Income Fund	750,000	4.62
Philip J Milton & Company	733,205	4.51

Annual General Meeting

At the Annual General Meeting held on 30 November 2006, a resolution was passed giving the Directors a general authority to allot relevant securities of the Company pursuant to section 80 of the Companies Act 1985 (‘the Act’) up to an aggregate nominal value of £1,354,166. This authority will be renewed at the Annual General Meeting and will relate to shares with an aggregate nominal value of £1,354,166 being one-third of the issued Ordinary shares as at 30 April 2007.

It is further proposed that at the Annual General Meeting, the Directors renew the power pursuant to section 95 of the Act to issue new equity shares for cash, notwithstanding the pre-emption provisions of section 89 of the Act, up to an aggregate nominal value of £406,250 (or, if higher, such amount as shall equal 10% of the issued Ordinary share capital).

The Directors also wish to propose that a resolution be passed authorising the Company to purchase its own Ordinary shares for cancellation or placing into treasury. This power will only be exercised if, in the opinion of the Directors, such purchases would be in the interests of the shareholders as a whole. These powers held previously were not utilised during the year nor up to the date of the report.

Finally, the Directors wish to propose a resolution to be passed authorising the issue of shares out of treasury at a discount to NAV.

The Board believes that the proposals set out in resolutions 6 to 9 as contained within the Notice of the Annual General Meeting are in the best interests of the shareholders as a whole and therefore recommends that the shareholders vote in favour of these resolutions.

Management agreements

The Company’s investments are managed by Chelverton under an agreement (‘the Investment Management Agreement’) with effect from 1 December 2005. The management fees are as follows:

a) a periodic fee payable quarterly in arrears at an annual rate of 1.00% of the value of the gross assets under management of the Group.

b) a performance fee equal to 10.00% of the amount by which the net asset value plus dividends paid during the year exceed 10.00% compounded, including VAT, subject to certain conditions and capped at 1.00% of shareholders’ funds.

Under another agreement (‘the Administration Agreement’) dated 7 May 1999, company secretarial services and the general administration of the Company are undertaken by Capita Sinclair Henderson Limited. Their fee is subject to annual upward adjustments in accordance with the Retail Price Index. The Administration Agreement may be terminated by twelve months’ written notice.

It is the Directors’ opinion that the continuing appointment of the Manager and the Secretary on the terms agreed is in the best interests of the Company and its shareholders. The Directors are satisfied that Chelverton has the required skill and expertise to continue to manage the Company’s portfolio.

Payment of suppliers

It is the Company's policy to obtain the best possible terms for all business and therefore the Company does not follow any code or standard on payment practice. The Company agrees with its suppliers the terms on which business will be transacted, and it is the Company's policy to abide by those terms. At 30 April 2007 all suppliers' invoices received had been settled.

ISAs/PEPs

The current portfolio of the Company is such that its shares are eligible investments for inclusion in Personal Equity Plans and it is the intention of the Directors to manage the affairs of the Company so that this eligibility will be maintained. The Company's shares are also qualifying investments for Individual Savings Accounts.

Financial instruments

As part of its normal operations, the Company holds financial assets and financial liabilities. Full details of the role of financial instruments in the Company's operations are set out in note 25 to the financial statements.

Auditors

The Auditors, Hazlewoods LLP, appointed by the Directors on 27 February 2007 to fill a casual vacancy following the resignation of Baker Tilly as auditors, have indicated their willingness to continue in office, and resolution 5 proposing their re-appointment and authorising the Directors to fix their remuneration for the ensuing year will be submitted at the Annual General Meeting.

The Directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the Auditors are unaware. Each of the Directors have confirmed that they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the Auditors.

By order of the Board
Capita Sinclair Henderson Limited
Secretary
1 August 2007

Statement on corporate governance

The Company is committed to maintaining high standards of corporate governance and the Directors are accountable to shareholders for the governance of the Company's affairs.

Statement of Compliance with the Combined Code on Corporate Governance ('the Combined Code')

The Directors have reviewed the detailed principles outlined in the Combined Code and confirm that, to the extent that they are relevant to the Company's business, they have complied with the provisions of the Combined Code throughout the year ended 30 April 2007 except in respect of those procedures described in this section as being non-compliant and that the Company's current practice is in all material respects consistent with the principles of the Combined Code.

The Board also confirms that, to the best of its knowledge and understanding, procedures were in place to meet the requirements of the Combined Code relating to internal controls throughout the year under review. This statement describes how the principles of the Combined Code have been applied in the affairs of the Company.

As an investment trust, the Company has also taken into account the Code of Corporate Governance produced by the Association of Investment Companies ('the AIC Code'), which is intended as a framework of best practice specifically for AIC member companies.

- Due to the size of the Board formal performance evaluations of the Chairman, the Board, its committees and individual Directors are not undertaken. Instead it is felt more appropriate to address matters as and when they arise. (Code provisions A.6, A.7.2).
- Due to the size of the Board it is also felt inappropriate to appoint a senior independent non-executive director (A.3.3).
- The Directors do not have service contracts, but all are required to retire and seek re-election at least every three years. The recommendation of the Code is for fixed term renewable contracts (B.1.6).
- As the Company has had no staff, other than Directors, there are no procedures in place in relation to whistle – blowing (C.3.4).

Board responsibilities and relationship with Investment Manager

The Board is responsible for the implementation of the Company's investment policy and for monitoring compliance with the Company's objectives. The Company's main functions have been delegated to a number of service providers, each engaged under separate legal agreements. At each Board meeting the Directors follow a formal agenda prepared and circulated in advance of the meeting by the Company Secretary to review the Company's investments and all other important issues, such as asset allocation, gearing policy, corporate strategic issues, cash management, peer group performance, marketing and shareholder relations, investment outlook and revenue forecasts, to ensure that control is maintained over the Company's affairs. The Board regularly considers its overall strategy.

The Board is responsible for the investment policy and strategic and operational decisions of the Company and for ensuring that the Company is run in accordance with all regulatory and statutory requirements. These procedures have been formalised in a schedule of matters reserved for decision by the full Board and has been adopted for all meetings. These matters include:

- the maintenance of clear investment objectives and risk management policies, changes to which require Board approval;
- the monitoring of the business activities of the Company, including investment performance and annual budgeting; and
- review of matters delegated to the Manager, Administrator or Secretary.

The management of the Company's assets is delegated to Chelverton. At each Board meeting, representatives of Chelverton are in attendance to present verbal and written reports covering its activity, portfolio composition and investment performance over the preceding period. Ongoing communication with the Board is maintained between formal meetings. The Managers ensure that Directors have timely access to all relevant management and financial information to enable informed decisions to be made and contact the Board as required for specific guidance. The Company Secretary and Investment Manager prepare briefing notes for Board consideration on matters of relevance, for example changes to the Company's economic and financial environment, statutory and regulatory changes and corporate governance best practice.

The Company has arranged a Directors' and Officers' Liability insurance policy which includes cover for legal expenses.

Committees of the Board

The Board has appointed a number of Committees as set out below to which certain Board functions have been delegated. Each of these Committees has formal written terms of reference, which clearly define their responsibilities, incorporate the best practice recommendations and requirements of the Combined Code. The terms of reference can be inspected at the Registered Office.

Board membership

At the year end the Board consisted of five Directors, all of whom are non-executive. There are no full time employees of the Company. The Board seeks to ensure that it has the appropriate balance of skills, experience, ages and length of service amongst its members. The Directors possess a wide range of business and financial expertise relevant to the direction of the Company and consider that they commit sufficient time to the Company's affairs. None of the Directors had a service agreement with the Company as at 30 April 2007. Brief biographical details of the Directors can be found on page 2.

The Directors of the Company meet at regular Board Meetings, held at least once a quarter, and additional meetings and telephone meetings are arranged as necessary. During the year to 30 April 2007 the Board met four times, all Directors were present at all Board Meetings.

Chairman and Senior Independent Director

The Chairman, Lord Lamont, is independent. He considers himself to have sufficient time to commit to the Company's affairs. Given the size and nature of the Board it is not considered appropriate to appoint a senior independent director. The Company does not have a chief executive officer, as it has no executive directors.

Directors' independence

In accordance with the Listing Rules for investment entities the Board has reviewed the status of its individual Directors and the Board as a whole.

The Combined Code requires that this report should identify each non-executive director the Board considers to be independent in character and judgement and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the director's judgement, stating its reasons if it determines that a director is independent notwithstanding the existence of relationships or circumstances which may appear relevant to its determination.

Mr Lenygon is a director of another company managed by Chelverton; however his fellow Directors consider that he clearly and effectively demonstrates his independence of the Manager and they consider him to be independent.

Lord Lamont, Mr Chappell, Mr Harris and Mr Lenygon are deemed to be independent of the Investment Manager. Mr van Heesewijk is not independent. The majority of the Board, being four of the five Directors, is therefore independent. In accordance with the requirements of the Listing Rules Mr van Heesewijk is subject to annual re-election due to his connection with the Investment Manager.

In accordance with the terms of the Articles of Association, one-third of Directors will retire by rotation at the forthcoming Annual General Meeting and no Director shall serve a term of more than three years before re-election. The Board has reviewed the appointment of those Directors retiring at the forthcoming Annual General Meeting prior to submission for their re-election. The Board recommends that Mr Harris, who is retiring by rotation under the Articles, stand for re-election. Furthermore the Board recommends that shareholders vote for Messrs Harris and van Heesewijk as it believes their performance to be effective, that they demonstrate commitment to their role as a non-executive Director of the Company and have actively contributed throughout the year.

Audit Committee

The Audit Committee comprises the independent Directors with Mr Lenygon as Chairman. The Committee met once during the year ended 30 April 2007. Each Committee member was present. It is intended that the Committee will meet at least twice a year, to review the Interim Report and to approve the Company's Annual Report and Accounts.

The primary responsibilities of the Audit Committee are: to review the effectiveness of the internal control environment of the Company and monitor adherence to best practice in corporate governance; to make recommendations to the Board in relation to the re-appointment of the Auditors and to approve their remuneration and terms of engagement; to review and monitor the Auditors' independence and objectivity and the effectiveness of the audit process and provide a forum through which the Company's Auditors report to the Board. The Audit Committee also has responsibility for monitoring the integrity of the financial statements and accounting policies of the Company and for reviewing the Company's financial reporting and internal control policies and procedures. Committee members consider that individually and collectively they are appropriately experienced to fulfil the role required.

The Audit Committee has direct access to the Company's Auditors, Hazlewoods LLP, and representatives of Hazlewoods LLP attend the year end Audit Committee meeting. On the basis of these meetings the Audit Committee has been able to assess the effectiveness of the external audit. A formal statement of independence is received from the external Auditors each year.

The Chairman of the Audit Committee will be present at the Annual General Meeting to deal with any questions relating to the accounts.

Management Engagement Committee

The Management Engagement Committee comprises the independent Directors with Mr Lenygon as Chairman. The Committee will meet as necessary to review the performance of the Investment Manager's obligations under the Investment Management Agreement and to consider any variation to the terms of the Agreement. The Management Engagement Committee also reviews the performance of the Company Secretary, the Custodian and the Registrar and any matters concerning their respective agreements with the Company.

Nominations Committee

The Nominations Committee comprises the independent Directors with Mr Lenygon as Chairman, and has been formally constituted to assist the Board in making recommendations on all new Board appointments.

The role of the Committee is to review the balance and effectiveness of the Board and to identify the skills and expertise needed to meet the future challenges and opportunities facing the Company and those individuals who might best provide them. The Committee makes recommendations to the Board with regard to the criteria for future Board appointments, the methods of selection, as and when necessary, membership of the Audit Committee and the rationale for the re-appointment of those Directors standing for re-election at Annual General Meetings. The Committee is responsible for assessing the time commitment required for each Board appointment and ensuring that the present incumbents have sufficient time to undertake them.

On appointment to the Board, Directors are fully briefed as to their responsibilities by the Chairman and the Investment Manager.

Remuneration Committee

The Remuneration Committee comprises the entire Board, and is chaired by Mr Lenygon. The Committee will meet as necessary to determine and approve Directors' fees, following proper consideration of the role that individual Directors fulfil in respect of Board and Committee responsibilities, the time committed to the Company's affairs and remuneration levels generally within the Investment Trust sector.

Under Listing Rule 15.4.15, the Code principles relating to directors' remuneration do not apply to an investment trust company other than to the extent that they relate specifically to non-executive directors. Detailed information on the remuneration arrangements can be found in the Directors' Remuneration Report on pages 24 and 25 and in note 6 to the financial statements.

Independent professional advice

The Board has formalised arrangements under which the Directors, in the furtherance of their duties, may take independent professional advice at the Company's expense.

Institutional investors – use of voting rights

The Investment Manager, in the absence of explicit instruction from the Board, is empowered to exercise discretion in the use of the Company's voting rights.

Going concern

After due consideration, the Directors have concluded 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 in preparing the financial statements.

Internal control review

The Board is responsible for establishing and maintaining the Company's systems of internal control and for reviewing their effectiveness.

An ongoing process, in accordance with the guidance of the Turnbull Committee on internal control, issued in September 1999, is in place for identifying, evaluating and managing risks faced by the Company. This process, together with key procedures established with a view to providing effective financial control, has been in place for the full financial year and up to the date the financial statements were approved.

The risk management process and systems of internal control are designed to manage rather than eliminate the risk of failure to achieve the Company's objectives. It should be recognised that such systems can only provide reasonable, rather than absolute, assurance against material misstatement or loss.

Internal control assessment process

Risk assessment and the review of internal controls is undertaken by the Board in the context of the Company's overall investment objective. The review covers the key business, operational, compliance and financial risks facing the Company. In arriving at its judgement of what risks the Company faces, the Board has considered the Company's operations in the light of the following factors:

- the nature and extent of risks which it regards as acceptable for the Company to bear within its overall business objective;
- the threat of such risks becoming a reality;
- the Company's ability to reduce the incidence and impact of risk on its performance;
- the cost to the Company and benefits related to the review of risk and associated controls of the Company; and
- the extent to which third parties operate the relevant controls.

Against this background the Board has split the review into four sections reflecting the nature of the risks being addressed. The sections are as follows:

- corporate strategy;
- published information and compliance with laws and regulations;
- relationship with service providers; and
- investment and business activities.

Given the nature of the Company's activities and the fact that most functions are subcontracted, the Directors have obtained information from key third-party suppliers regarding the controls operated by them. To enable the Board to make an appropriate risk and control assessment, the information and assurances sought from third parties include the following:

- details of the control environment;
- identification and evaluation of risks and control objectives;
- assessment of the communication procedures; and
- assessment of the control procedures.

The key procedures which have been established to provide effective internal financial controls are as follows:

- investment management is provided by Chelverton. The Board is responsible for the implementation of the overall investment policy and monitors the action of the Manager at regular Board meetings;
- the provision of administration, accounting and company secretarial duties is the responsibility of Capita Sinclair Henderson Limited;

- custody of assets is undertaken by HSBC Bank plc;
- the duties of investment management, accounting and custody of assets are segregated. The procedures of the individual parties are designed to complement one another;
- the non-executive Directors of the Company clearly define the duties and responsibilities of their agents and advisers in the terms of their contracts. The appointment of agents and advisers is conducted by the Board after consideration of the quality of the parties involved; the Board monitors their ongoing performance and contractual arrangements;
- mandates for authorisation of investment transactions and expense payments are set by the Board; and
- the Board reviews detailed financial information provided by the Administrator on a regular basis.

The Company does not have an internal audit function. All of the Company's management functions are delegated to independent third parties whose controls are reviewed by the Board. It is therefore felt that there is no need for the Company to have an internal audit function. However, this need is reviewed annually.

Company Secretary

The Board has direct access to the advice and services of the Company Secretary, Capita Sinclair Henderson Limited, which is responsible for ensuring that Board and Committee procedures are followed and that applicable regulations are complied with. The Secretary is also responsible to the Board for ensuring timely delivery of information and reports and that statutory obligations of the Company are met.

Dialogue with shareholders

Communication with shareholders is given a high priority by both the Board and the Manager and all Directors are available to enter into dialogue with shareholders. Major shareholders of the Company are offered the opportunity to meet with the independent non-executive Directors of the Board in an attempt to ensure that their views are understood. All shareholders are encouraged to attend and vote at the Annual General Meeting, during which the Board and the Investment Manager are available to discuss issues affecting the Company and shareholders have the opportunity to address questions to the Investment Manager, the Board and the Chairman of the Board's standing committees.

Any shareholder who would like to lodge questions in advance of the Annual General Meeting is invited to do so either on the reverse of the proxy card or in writing to the Company Secretary at the address given on the inside back page. The Company always responds to letters from individual shareholders.

The Annual and Interim Reports of the Company are prepared by the Board and its advisers to present a full and readily understandable review of the Company's performance. Copies are dispatched to shareholders by mail and are also available for downloading from the Investment Manager's website www.chelvertonam.com.

Directors' remuneration report

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

The law requires your Company's Auditors to audit certain disclosures provided. Where disclosures have been audited, they are indicated as such. The Auditors' opinion is included in their report on pages 27 and 28.

Remuneration Committee

The Company has a Remuneration Committee comprising the whole Board with Mr Lenygon as Chairman which considers and approves Directors' remuneration.

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, and is determined with reference to comparable organisations and appointments. It is intended that this policy will continue for the year ending 30 April 2008.

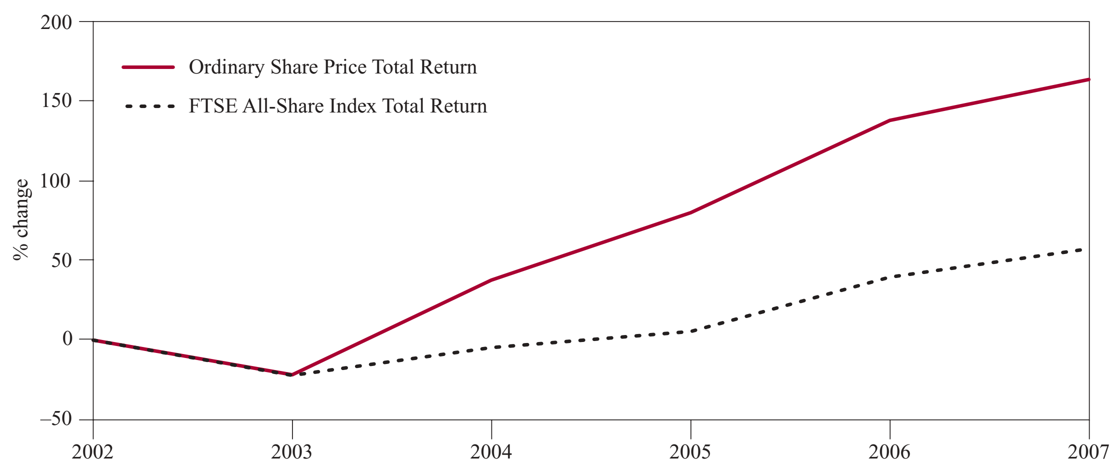
The fees of the non-executive Directors are determined within the limits set out in the Company's Articles of Association. Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits.

Director's service contracts

None of the Directors has a contract of service with the Company, nor has there been any contract or arrangement between the Company and any Director at any time during the year. The terms of their appointment provide that a Director shall retire and be subject to re-election at the first annual general meeting after their appointment, and at least every three years after that.

Your Company's performance

The graph below compares the total return (assuming all dividends are reinvested) to Ordinary shareholders, compared 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 FTSE All-Share Index has been selected as it is considered to represent a broad equity market index against which the performance of the Company's assets may be adequately assessed.



Directors' emoluments for the year (audited)

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

	2007	2006
	£	£
Lord Lamont (Chairman)	**20,000**	3,452
J E Chappell	**15,000**	15,000
D Harris	**15,000**	15,000
B N Lenygon	**20,000**	20,000
W van Heesewijk*	**–**	–

* Mr van Heesewijk has waived his entitlement to fees.

Approval

The Directors' remuneration report on pages 24 and 25 was approved by the Board on 1 August 2007.

Lord Lamont of Lerwick
Chairman

Statement of Directors' responsibilities

in respect of the financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

UK company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare financial statements in accordance with International Financial Reporting Standards ('IFRS') adopted by the European Union and have elected to prepare the financial statements in accordance with IFRS.

The financial statements are required by law and IFRS adopted by the European Union to present fairly the financial position and performance of the Company; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

The financial statements are required by law to give a true and fair view of the state of affairs of the Company.

In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with IFRSs adopted by the European Union; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping 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 requirements of the Companies Act 1985.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for ensuring that the report of the Directors and other information included in the Annual Report is prepared in accordance with applicable company law. They are also responsible for ensuring that the Annual Report includes information required by the Listing Rules of the Financial Services Authority.

The financial statements are published on www.chelvertonam.com, which is a website maintained by the Investment Manager. Visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Independent Auditors' report

to the members of Small Companies Dividend Trust PLC

We have audited the financial statements (the 'financial statements') of Small Companies Dividend Trust PLC for the year ended 30 April 2007 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, the Statement of Changes in Equity and the related notes. 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 auditor's 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 law and International Financial Reporting Standards ('IFRSs') as adopted by the European Union 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 other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2003 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. The other information comprises only the Report of the Directors, the unaudited part of the Directors' Remuneration Report, the Chairman's Report, the Investment Manager's Report, the Company Summary, the Financial Highlights, details of the Directors, Manager and Secretary, and the Corporate Governance Statement. 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 (continued)

to the members of Small Companies Dividend Trust 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 judgments 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 IFRSs as adopted by the European Union, of the state of the Company's affairs as at 30 April 2007 and of its net revenue and total 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.

Hazlewoods LLP, Gloucester
Chartered Accountants & Registered Auditors
1 August 2007

Income statement

for the year ended 30 April 2007

	Note	2007 Revenue £'000	2007 Capital £'000	2007 Total £'000	2006 Revenue £'000	2006 Capital £'000	2006 Total £'000
Investments							
Gains on investments	11	**–**	**5,306**	**5,306**	–	13,946	13,946
Investment income	2	**2,846**	**–**	**2,846**	2,623	–	2,623
Expenses							
Investment management fee	3	**(177)**	**(531)**	**(708)**	(237)	(355)	(592)
Investment management performance fee	3	**–**	**–**	**–**	–	(1,346)	(1,346)
Other expenses	4	**(233)**	**–**	**(233)**	(215)	–	(215)
Exceptional item	5	**–**	**(269)**	**(269)**	–	–	–
		(410)	**(800)**	**(1,210)**	(452)	(1,701)	(2,153)
Net return before finance costs and taxation		**2,436**	**4,506**	**6,942**	2,171	12,245	14,416
Finance costs	7	**(127)**	**(1,283)**	**(1,410)**	(217)	(1,164)	(1,381)
Net return before taxation		**2,309**	**3,223**	**5,532**	1,954	11,081	13,035
Taxation	8	**(11)**	**–**	**(11)**	–	–	–
Net return after taxation		**2,298**	**3,223**	**5,521**	1,954	11,081	13,035
		Revenue pence	**Capital pence**	**Total pence**	Revenue pence	Capital pence	Total pence
Return per:							
Ordinary share	10	**14.14**	**19.84**	**33.98**	12.20	69.21	81.41

The total column of this statement is the income statement of the Company, prepared in accordance with IFRS.
All items in the above statement derive from continuing operations. No operations were acquired or discontinued during the year.

These financial statements have been prepared under International Financial Reporting Standards ('IFRS').

The notes on pages 33 to 50 form part of these financial statements.

Statement of changes in net equity
for the year ended 30 April 2007

	Note	Share capital £'000	Share premium account £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Year ended 30 April 2007						
30 April 2006		**4,063**	**11,917**	**22,212**	**1,635**	**39,827**
Net return after taxation for the year		**–**	**–**	**3,223**	**2,298**	**5,521**
Dividends paid	9	**–**	**–**	**–**	**(2,072)**	**(2,072)**
30 April 2007		**4,063**	**11,917**	**25,435**	**1,861**	**43,276**
Year ended 30 April 2006						
30 April 2005		3,938	11,126	11,131	1,470	27,665
Issue of shares		125	–	–	–	125
Premium on issue of shares	19	–	795	–	–	795
Cost of issue of shares	19	–	(4)	–	–	(4)
Net return after taxation for the year		–	–	11,081	1,954	13,035
Dividends paid	9	–	–	–	(1,789)	(1,789)
30 April 2006		4,063	11,917	22,212	1,635	39,827

These financial statements have been prepared under International Financial Reporting Standards ('IFRS').

The notes on pages 33 to 50 form part of these financial statements.

Balance sheet
as at 30 April 2007

	Note	2007 £'000	2006 £'000
Non-current assets			
Fair value through profit or loss investments	11	**59,001**	59,739
Current assets			
Trade and other receivables	13	**877**	745
Cash and cash equivalents		**247**	259
		1,124	1,004
Total assets		**60,125**	60,743
Current liabilities			
Trade and other payables	14	**(363)**	(754)
Bank loan	15	**–**	(5,000)
Bank overdraft		**(4,912)**	(4,421)
Loan Note	16	**(6,258)**	(6,226)
Commitment to subscribe for shares	17	**(5,316)**	–
		(16,849)	(16,401)
Total assets less current liabilities		**43,276**	44,342
Non-current liabilities			
Provision for liabilities and charges			
Commitment to subscribe for shares	17	**–**	(4,515)
Total liabilities		**(16,849)**	(20,916)
Net assets		**43,276**	39,827
Represented by:			
Share capital	18	**4,063**	4,063
Share premium account	19	**11,917**	11,917
Capital reserve	19	**25,435**	22,212
Revenue reserve	19	**1,861**	1,635
Issued capital and reserves		**43,276**	39,827

These financial statements have been prepared under International Financial Reporting Standards ('IFRS').

The notes on pages 33 to 50 form part of these financial statements.

These financial statements were approved by the Board and authorised for issue on 1 August 2007.

Lord Lamont of Lerwick, Chairman

Statement of cash flows

for the year ended 30 April 2007

	Note	2007 £'000	2006 £'000
Operating activities			
Investment income received		**2,858**	2,592
Bank deposit interest received		**8**	12
Investment management fee paid		**(709)**	(536)
Investment management performance fee paid		**(243)**	(2,801)
Administration and secretarial fees paid		**(57)**	(55)
Exceptional expenses paid		**(195)**	–
Other cash payments		**(169)**	(149)
Cash generated from/(absorbed by) operations		**1,493**	(937)
Loan interest paid		**(532)**	(542)
Net cash inflow/(outflow) from operating activities	21	**961**	(1,479)
Investing activities			
Purchases of investments		**(14,502)**	(21,547)
Sales of investments		**20,110**	23,360
Net cash inflow from investing activities		**5,608**	1,813
Financing activities			
Issue of shares		–	920
Cost of issue of shares		–	(4)
Repayment of loan		**(5,000)**	–
Dividends paid		**(2,072)**	(1,789)
Net cash outflow from financing activities		**(7,072)**	(873)
Decrease in cash and cash equivalents for year	22	**(503)**	(539)
Cash and cash equivalents at start of year	23	**(4,162)**	(3,623)
Cash and cash equivalents at end of year	23	**(4,665)**	(4,162)

These financial statements have been prepared under International Financial Reporting Standards ('IFRS').

The notes on pages 33 to 50 form part of these financial statements.

Notes to the financial statements

as at 30 April 2007

1 ACCOUNTING POLICIES

Small Companies Dividend Trust PLC is a company domiciled in the United Kingdom.

Basis of preparation

The financial statements of the Company have been prepared in conformity with International Financial Reporting Standards ('IFRS') issued by the International Accounting Standards Board (as adopted by the European Union) and Interpretations issued by the International Financial Reporting Interpretations Committee, and applicable requirements of United Kingdom company law, and reflect the following policies which have been adopted and applied consistently.

In previous years the Company presented consolidated financial statements for the Company and its subsidiary company, Small Companies PLC ('SC'). SC was placed into liquidation on 30 April 2007, such that at the end of the financial year the Company had no subsidiary companies and therefore consolidated financial statements are not required. The results and comparative amounts therefore relate to the Company only.

As at 30 April 2007, the Company had not settled its loan note or its obligation to subscribe for new shares. A payment of £11,539,375 was made to the liquidator of SC on 3 May 2007 on account of these obligations. A provision has been made for anticipated further costs of the liquidation which is underwritten by the Company which is included in commitments to subscribe for shares.

At the date of authorisation of these financial statements the following Standards and Interpretations which are relevant to the annual financial statements and have not been applied in these financial statements were in issue but not yet effective:

- IFRS 7 Financial instruments: Disclosures; and the related amendment to IAS 1 on capital disclosures (effective for accounting periods commencing on or after 1 January 2007).
- IFRS 8 Operating segments (effective for accounting periods commencing on or after 1 January 2009).
- IFRIC 9 Reassessment of embedded derivatives (effective for accounting periods commencing on or after 1 June 2006).
- IFRIC 11 Compound Treasury Share transactions (effective for accounting periods commencing on or after 1 March 2007).
- IFRIC12 Service concession agreements (effective for accounting periods commencing on or after 1 January 2007).

The Directors anticipate that the adoption of these Standards and Interpretations will have no material impact on the Company when the relevant standards come into effect.

1 ACCOUNTING POLICIES (continued)

Convention

The financial statements are presented in Sterling rounded to the nearest thousand. The financial statements have been prepared on a going concern basis under the historical cost convention, except for the measurement at fair value of investments classified as fair value through profit or loss. Where presentational guidance set out in the Statement of Recommended Practice regarding the Financial Statements of Investment Trust Companies ('SORP'), issued in 2003 and revised in December 2005, is consistent with the requirements of IFRS, the Directors have sought to prepare the financial statements on a consistent basis compliant with the recommendations of the SORP.

Segmental reporting

The Directors are of the opinion that the Company is engaged in a single segment of business, being investment business. The Company invests in companies listed in the United Kingdom.

Investments

All investments held by the Company are classified as 'fair value through profit or loss'. Investments are initially recognised at cost, being the fair value of the consideration given. Interest accrued on fixed interest rate securities at the date of purchase or sale is accounted for separately as accrued income or as an income receipt, so that the value or purchase price or sale proceeds is shown net of such items.

After initial recognition, investments are measured at fair value, with unrealised gains and losses on investments and impairment of investments recognised in the income statement and allocated to capital. Realised gains and losses on investments sold are calculated as the difference between sales proceeds and cost.

For investments actively traded in organised financial markets, fair value is generally determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date, without adjustment for transaction costs necessary to realise the asset.

Financial instruments

It is the Company's policy not to trade in derivative financial instruments.

Trade date accounting

All "regular way" purchases and sales of financial assets are recognised on the "trade date" i.e., the day that the entity commits to purchase or sell the asset. Regular way purchases, or sales, are purchases or sales of financial assets that require delivery of the asset within a time frame generally established by regulation or convention in the market place.

Income

Dividends receivable on quoted equity shares are taken into account on the ex-dividend date. Where no ex-dividend date is quoted, they are brought into account when the Company's right to receive payment is established. Other investment income and interest receivable are included in the financial statements on an accruals basis. Dividends received from UK registered companies are accounted for net of imputed tax credits.

Expenses

All expenses are accounted for on an accruals basis. All expenses are charged through the revenue account in the income statement except as follows:

1 ACCOUNTING POLICIES (continued)

- expenses which are incidental to the acquisition of an investment are included within the costs of the investment;
- expenses which are incidental to the disposal of an investment are deducted from the disposal proceeds of the investments; and
- expenses are charged to capital reserve where a connection with the maintenance or enhancement of the value of the investments can be demonstrated.

The Company's investment management fees, bank interest and all other expenses are allocated to revenue with the exception of 75% (2006: 60%) of the investment manager's fee, 75% (2006: 60%) of bank interest and 100% of the provision for the investment manager's performance fee, all of which are allocated to capital. In respect of the investment management fee and bank interest allocation to revenue and capital this 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 of the Company. This expectation was revised in the current financial year based on a review of historical performance which the Board believe is the best current indication of future returns.

Cash and cash equivalents

Cash in hand and in banks and short-term deposits which are held to maturity are carried at cost. Cash and cash equivalents are defined as cash in hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value. Bank overdrafts that are repayable on demand which form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Bank loans and borrowings

All bank loans and borrowings are initially recognised at cost, being the fair value of the consideration received, less issue costs where applicable. After initial recognition, all interest-bearing loans and borrowings are subsequently measured at amortised cost. Any difference between cost and redemption value is recognised in the income statement over the period of the borrowings on an effective interest basis.

Preference and Zero Dividend Preference shares

The Company entered into a subscription agreement with its former subsidiary company, Small Companies PLC ('SC'), to subscribe for one new ordinary share in that company at a premium sufficient to enable SC to meet in full its redemption obligations to the holders of its Zero Dividend Preference shares and Preference shares. This created an obligation in excess of the fair value of the one new ordinary share which is in substance a finance cost attributable to the loan note issued to SC out of the proceeds of issue of such preference shares. SC was placed into liquidation on 30 April 2007 and the subscription for the new share and redemption of the loan note made on 3 May 2007.

The appropriations in respect of the Preference shares and Zero Dividend Preference shares necessary to increase the Company's liabilities to the redemption values are allocated to capital in the income statement (see note 7). This treatment reflected the Board's long-term expectations that the entitlements of the Preference and Zero Dividend Preference shareholders would be satisfied out of gains arising on investments held primarily for capital growth.

1 ACCOUNTING POLICIES (continued)

Share issue costs

Costs incurred by the Company in relation to the issue of its own Ordinary shares and the issue by the subsidiary of Zero Dividend Preference shares has been apportioned between the two issues based on the relative proceeds of issue. Costs regarded as relating to the issue of the Company's own Ordinary shares are deducted from the share premium account.

Costs regarded as relating to the issue of Zero Dividend Preference shares which in substance are attributable to the Loan Note of the Company were amortised through the capital reserve, at a constant rate over the period from the issue of shares up until maturity on 30 April 2007.

Taxation

There is no charge to income tax as the Company's allowable expenses exceed its taxable income. Deferred tax assets in respect of unrelieved excess expenses are not recognised as it is unlikely that the Company will generate sufficient taxable income in the future to utilise these expenses.

Dividends payable to shareholders

Dividends to shareholders are recognised as a liability in the period in which they are paid or approved in general meetings and are charged to the statement of changes in net equity. Dividends declared and approved by the Company after the balance sheet date have not been recognised as a liability of the Company at the balance sheet date.

2 INCOME

	2007 £'000	2006 £'000
Income from listed investments		
UK net dividend income	**2,766**	2,611
Unfranked foreign dividend income	**72**	–
	2,838	2,611
Other income		
Bank interest receivable	**8**	12
Total income	**2,846**	2,623
Total income comprises:		
Dividends	**2,838**	2,611
Interest	**8**	12
	2,846	2,623

3 INVESTMENT MANAGEMENT FEE

	2007			2006		
	Revenue £'000	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000
Investment management fee	**151**	**452**	**603**	202	302	504
Irrecoverable VAT thereon	**26**	**79**	**105**	35	53	88
	177	**531**	**708**	237	355	592

At 30 April 2007 there were amounts outstanding of £177,000 (including VAT) (2006: £178,000).

A performance fee was not payable for the year (2006: £1,346,000* including VAT).

*This amount was paid to BFS Investments plc, the former investment manager, which subsequently went into members voluntary liquidation before Chelverton's half share entitlement was paid.

4 OTHER EXPENSES

	2007 £'000	2006 £'000
Administrative and secretarial fee	**56**	55
Directors' remuneration	**70**	53
Auditors' remuneration:		
audit services	**18**	19
non audit services	**–**	–
Insurance	**16**	12
Other expenses	**73**	76
	233	215

5 EXCEPTIONAL ITEM

The exceptional item of £269,000 (2006: £nil) relates to professional fees incurred in respect of advice and general meetings called to propose a deferral of the redemption date of the Zero Dividend Preference shares of the former subsidiary company.

Notes to the financial statements (continued)

as at 30 April 2007

6 DIRECTORS' REMUNERATION

	2007 £	2006 £
Total fees	**70,000**	53,452
Remuneration to Directors		
Lord Lamont (Chairman)	**20,000**	3,452
B N Lenygon	**20,000**	20,000
J E Chappell	**15,000**	15,000
D Harris	**15,000**	15,000
W van Heesewijk*	**–**	–

* Mr van Heesewijk has waived his entitlement to fees.

7 FINANCE COSTS

	2007			2006		
	Revenue £'000	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000
Bank interest payable on bank overdraft and bank loan	**127**	**383**	**510**	217	325	542
Finance costs in respect of former subsidiary company						
Appropriations in respect of:						
Zero Dividend Preference shares	**–**	**855**	**855**	–	791	791
Preference shares	**–**	**4**	**4**	–	4	4
Amortisation of Zero Dividend Preference share issue costs	**–**	**32**	**32**	–	32	32
Provision for loss in former subsidiary company	**–**	**9**	**9**	–	12	12
	127	**1,283**	**1,410**	217	1,164	1,381

8 TAXATION

	2007 £'000	2006 £'000
Based on the revenue return for the year		
Current tax	**11**	–

The current tax charge for the year is lower than the standard rate of corporation tax in the UK of 30% (2006: 30%). The differences are explained below:

	2007 £'000	2006 £'000
Revenue on ordinary activities before taxation	**2,309**	1,953
Theoretical tax at UK corporation rate of 30% (2006: 30%)	**693**	586
Effects of:		
UK dividends which are not taxable	**(830)**	(783)
Excess expenses in the year	**137**	197
Withholding tax suffered on unfranked foreign dividend income	**11**	–
Actual current tax charged to the revenue account	**11**	–

The Company has unrelieved excess expenses of £12,194,000 (2006: £11,792,000). It is unlikely that the Company will generate sufficient taxable profits in the future to utilise these expenses and therefore no deferred tax asset has been recognised.

9 DIVIDENDS

	2007 £'000	2006 £'000
Declared and paid per Ordinary share		
Fourth interim dividend for the year ended 30 April 2006 of 3.75p (2005: 3.70p)	**609**	583
First interim dividend paid of 3.00p (2006: 2.50p)	**487**	394
Second interim dividend paid of 3.00p (2006: 2.50p)	**488**	406
Third interim dividend paid of 3.00p (2006: 2.50p)	**488**	406
	2,072	1,789
Proposed per Ordinary share		
Proposed fourth interim dividend for the year ended 30 April 2007 of 4.0p (2006: 3.75p)	**650**	609

10 RETURN PER SHARE

Ordinary shares

Revenue return per Ordinary share is based on the net revenue on ordinary activities after taxation of £2,298,000 (2006: £1,954,000) and on 16,250,000 (2006: 16,013,013) Ordinary shares, being the weighted average number of Ordinary shares in issue during the year.

Capital return per Ordinary share is based on capital gains of £3,223,000 (2006: £11,081,000) and on 16,250,000 (2006: 16,013,013) Ordinary shares, being the weighted average number of Ordinary shares in issue during the year.

11 INVESTMENTS

As at 30 April 2007	Listed £'000	AIM £'000	Unlisted £'000	2007 Total £'000
Opening valuation	48,254	11,459	26	59,739
Movements in the year:				
Purchases at cost	12,093	2,191	–	14,284
Disposals:				
Proceeds	(17,914)	(2,414)	–	(20,328)
Realised gains on disposals	7,229	154	–	7,383
(Decrease)/increase in unrealised appreciation	(2,610)	533	–	(2,077)
Closing valuation	47,052	11,923	26	59,001
Closing book cost	35,495	9,770	101	45,366
Closing unrealised appreciation/(depreciation)	11,557	2,153	(75)	13,635
	47,052	11,923	26	59,001
Realised gains on disposals	7,229	154	–	7,383
Increase in unrealised appreciation	(2,610)	533	–	(2,077)
Gains on investments	4,619	687	–	5,306

11 INVESTMENTS (continued)

As at 30 April 2006	Listed £'000	AIM £'000	Unlisted £'000	2006 Total £'000
Opening valuation	41,962	4,359	36	46,357
Movements in the year:				
Purchases at cost	17,764	4,002	–	21,766
Disposals:				
Proceeds	(22,233)	(77)	(20)	(22,330)
Realised gains/(losses) on disposals	11,813	21	(230)	11,604
Reclassification of investment	(2,022)	2,022	–	–
Increase in unrealised appreciation	970	1,132	240	2,342
Closing valuation	48,254	11,459	26	59,739
Closing book cost	34,087	9,839	101	44,027
Closing unrealised appreciation/(depreciation)	14,167	1,620	(75)	15,712
	48,254	11,459	26	59,739
Realised gains/(losses) on disposals	11,813	21	(230)	11,604
Increase in unrealised appreciation	970	1,132	240	2,342
Gains on investments	12,783	1,153	10	13,946

Transaction costs

During the year the Company incurred transaction costs of £53,000 (2006: £185,000) and £71,000 (2006: £85,000) on purchases and sales of investments respectively. These amounts are included in gains on investments, as disclosed in the income statement.

Notes to the financial statements (continued)

as at 30 April 2007

12 SIGNIFICANT INTERESTS

The Company has a holding of 3% or more in the following investments:

Name of undertaking	Class of share	30 April 2007 % held
ATA Group	Ordinary	5.73
Sinclair (Williams) Holdings	Ordinary	4.99
Sanderson Group	Ordinary	4.78
Victoria	Ordinary	4.32
THB Group	Ordinary	4.05
Honeycombe Leisure	Ordinary	3.79
Stadium Group	Ordinary	3.30
Portmeirion Group	Ordinary	3.07

13 TRADE AND OTHER RECEIVABLES – amounts falling due within one year

	2007 **£'000**	2006 £'000
Sales for future settlement	**238**	20
Dividends receivable	**632**	666
Prepayments and accrued income	**7**	5
Loan to Subsidiary undertaking	**–**	54
	877	745

14 TRADE AND OTHER PAYABLES – amounts falling due within one year

	2007 **£'000**	2006 £'000
Purchases for future settlement	**–**	219
Other creditors	**363**	535
	363	754

The Company has a bank overdraft facility which is secured by a first legal charge over the Company's investment portfolio.

15 BANK LOAN

The Company's £5 million bank loan facility was repaid on 30 March 2007. A further loan of £10 million was taken out on 1 May 2007, as referred to in note 25.

	2007 **£'000**	2006 £'000
Bank loan	**–**	5,000

16 UNSECURED LOAN NOTE

On 25 May 1999 the Company issued a Loan Note to its then Subsidiary with a value of £6,258,000. The Loan Note was non-interest bearing and was redeemable at par on 30 April 2007 on the winding up of the Subsidiary. The costs of issuing this Loan Note were amortised through the capital reserve.

	2007	2006
	£'000	£'000
Value at 1 May 2006	**6,226**	6,194
Amortisation of costs	**32**	32
Value at 30 April 2007	**6,258**	6,226

The Loan Note was settled on 3 May 2007.

17 COMMITMENT TO REPAY CAPITAL ENTITLEMENT OF ZERO DIVIDEND PREFERENCE SHARES AND PREFERENCE SHARES

The Company entered into an agreement with its then Subsidiary, pursuant to which the Company subscribed on 30 April 2007 for one Ordinary share in the Subsidiary. The subscription would be at such a premium as would result in the assets of the Subsidiary being sufficient to satisfy the capital entitlement on 30 April 2007 of 184.63p per share of the Zero Dividend Preference shares and the Preference shares in issue on that date.

The proceeds from this issue were used by the Subsidiary to subscribe for a Loan Note in the Company. The premium hence in substance reflects a finance cost attributable to the Loan Note.

The capital entitlement of the Zero Dividend Preference shares and the Preference shares increased daily at a compound rate over the period to redemption on 30 April 2007. A provision was made in the financial statements for the Company's commitment to subscribe for the Subsidiary share, equal to the increase in the capital entitlement of the Zero Dividend Preference shares and the Preference shares. This provision was taken to the capital reserve. The commitment was crystallised as a liability on 30 April 2007 on which date the Subsidiary was wound-up.

	2007	2006
	£'000	£'000
Value at 1 May 2006	**4,515**	3,708
Increase in capital entitlement of Zero Dividend Preference shareholders	**855**	791
Increase in capital entitlement of Preference shareholders	**4**	4
Revenue reserve (profits)/losses in Subsidiary	**(58)**	12
Value at 30 April 2007	**5,316**	4,515

The liability on 30 April 2007 arising under the commitment to subscribe for shares was repaid on 3 May 2007.

Notes to the financial statements (continued)
as at 30 April 2007

18 SHARE CAPITAL

	2007	2006
	£'000	£'000
Authorised		
33,000,000 (2006: 33,000,000) Ordinary shares of 25p each	**8,250**	8,250
	8,250	8,250
Issued, allotted and fully paid		
16,250,000 (2006: 16,250,000) Ordinary shares of 25p each	**4,063**	4,063
	4,063	4,063

As to dividends each year
Ordinary shares are entitled to all the revenue profits of the Company available for distribution, including all undistributed income.

As to capital on winding up
On a winding up, the holders of Ordinary shares will receive all the assets available for distribution to shareholders after payment of all debts and satisfaction of all liabilities of the Company rateably according to the amounts paid or credited as paid up on the Ordinary shares held by them respectively.

Duration
The Directors shall convene an extraordinary general meeting of the Company to be held on 30 April 2014, or if that is not a business day, on the immediately preceding business day ('the First EGM'), at which an ordinary resolution will be proposed to the effect that the Company continues in existence ('the Continuation Resolution'). In the event that such resolution is not passed the Directors shall, subject to the Statutes, put forward further proposals to shareholders regarding the future of the Company (which may include the voluntary liquidation, unitisation or other reorganisation of the Company) ('Restructuring Resolution') at an extraordinary general meeting of the Company to be convened not more than four months after the date of the First EGM (or such adjournment). The Restructuring Resolution shall be proposed as a special resolution. If the Restructuring Resolution is either not proposed or not passed then the Directors shall convene an extraordinary general meeting not more than four months after the date of the First EGM (or such adjournment) if the Restructuring Resolution is not proposed or four months after the date the Restructuring Resolution is not passed, an ordinary resolution pursuant to section 84 of the Insolvency Act 1986 to voluntarily wind-up the Company shall be put to shareholders at this extraordinary general meeting and the votes taken on such resolution shall be on a poll.

19 RESERVES

	Share premium account £'000	Capital reserve realised £'000	Capital reserve unrealised £'000	Revenue reserve £'000
At 1 May 2006	**11,917**	**6,500**	**15,712**	**1,635**
Net gains on realisation of investments	–	**1,587**	–	–
Transfer of gains on disposal of investments	–	**5,796**	**(5,796)**	–
Movement in unrealised appreciation	–	–	**3,719**	–
Costs charged to capital	–	**(1,183)**	–	–
Increase in commitment to subscribe for shares as a result of increase in capital entitlements of:				
Zero Dividend Preference shares	–	**(855)**	–	–
Preference shares	–	**(4)**	–	–
Provision for loss in former Subsidiary	–	**(9)**	–	–
Amortisation of Zero Dividend Preference share issue costs	–	**(32)**	–	–
Retained net revenue for the year	–	–	–	**226**
At 30 April 2007	**11,917**	**11,800**	**13,635**	**1,861**
At 1 May 2005	11,126	(2,239)	13,370	1,470
Premium on issue of Ordinary shares	795	–	–	–
Costs of issue of Ordinary shares	(4)	–	–	–
Net gains on realisation of investments	–	4,387	–	–
Transfer of gains on disposal of investments	–	7,217	(7,217)	–
Movement in unrealised appreciation	–	–	9,559	–
Costs charged to capital	–	(2,026)	–	–
Increase in commitment to subscribe for shares as a result of increase in capital entitlements of:				
Zero Dividend Preference shares	–	(791)	–	–
Preference shares	–	(4)	–	–
Revenue reserve losses in Subsidiary	–	(12)	–	–
Amortisation of Zero Dividend Preference share issue costs	–	(32)	–	–
Retained net revenue for the year	–	–	–	165
At 30 April 2006	11,917	6,500	15,712	1,635

20 NET ASSET VALUE PER SHARE

The net asset value per share and the net assets attributable to the Ordinary shareholders at the year end are calculated in accordance with the Articles of Association and are as follows:

	Net asset value per share 2007 pence	**Net assets attributable to shareholders 2007 £'000**	Net asset value per share 2006 pence	Net assets attributable to shareholders 2006 £'000
Ordinary shares	**266.32**	**43,276**	245.09	39,827

21 RECONCILIATION OF NET RETURN BEFORE AND AFTER TAXATION TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2007 £'000	2006 £'000
Net return before taxation	**5,532**	13,035
Taxation	**(11)**	–
Net return after taxation	**5,521**	13,035
Net capital return	**(3,223)**	(11,081)
Decrease/(increase) in debtors	**34**	(17)
Decrease in creditors	**(188)**	(1,390)
Interest and expenses charged to the capital reserve	**(1,183)**	(2,026)
Net cash flow from operating activities	**961**	(1,479)

22 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2007 £'000	2006 £'000
Decrease in cash in year	**(503)**	(539)
Finance costs in respect of former Subsidiary company	**(833)**	(839)
Repayment of loan	**5,000**	–
Change in net debt	**3,664**	(1,378)
Net debt at 1 May 2006	**(19,903)**	(18,525)
Net debt at 30 April 2007	**(16,239)**	(19,903)

23 ANALYSIS OF CHANGES IN NET DEBT

	At 1 May 2006 £'000	Cash flows £'000	Other non-cash changes £'000	**At 30 April 2007 £'000**
Cash at bank	259	(12)	–	**247**
Overdrafts	(4,421)	(491)	–	**(4,912)**
	(4,162)	(503)	–	**(4,665)**
Debts due within one year	(15,741)	5,000	(833)	**(11,574)**
	(19,903)	4,497	(833)	**(16,239)**

Other non-cash changes relate to finance costs in the former Subsidiary company.

24 RELATED PARTY TRANSACTIONS

The investments are managed by Chelverton a company in which Mr van Heesewijk, a Director of the Company, has an interest. The amounts paid to the Manager are disclosed in note 3.

25 ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES

Objectives, policies and strategies

The Company primarily invests in companies with a market capitalisation of up to £500 million. The majority of investments comprise ordinary shares in companies listed on the Official List and companies admitted to AIM.

The Company borrowed money by way of a short-term £6.5 million bank overdraft facility and bank loan. The £5.0 million bank loan was repaid on 30 March 2007 and a further £10.0 million bank loan taken out in May 2007. These facilities are used for investment purposes and to aid settlement and finance placings until other investments have been reduced.

The Company finances its operations through bank borrowings, equity and retained profits. The Company borrows sterling at 1% above base rate on its floating rate overdraft facility.

Cash, liquid resources and short-term debtors and creditors arise from the Company's day-to-day operations.

It is, and has been throughout the year under review, the Company's policy that no trading in financial instruments shall be undertaken.

The main risk arising from the Company's financial instruments is market price risk incorporating foreign currency risk and interest rate risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

25 ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES (continued)

Foreign currency risk

All the Company's assets are in sterling and accordingly the only currency exposure the Company has is through the trading activities of its investee companies.

Interest rate risk

The Company has cash and a bank overdraft. These assets and liabilities will be subject to fluctuations in current and future interest rates.

The Company's bank loan was repaid on 30 March 2007.

Liquidity risk

The majority of the Company's assets are small listed securities, which can under normal conditions be sold to meet funding commitments if necessary. They may however be difficult to realise in adverse market conditions.

Under the terms of the bank facilities the Company must comply with the following financial covenants that: (a) the borrowing does not at any time exceed 30% of the value of the investment portfolio after deducting (i) the amount by which the value of any single investment exceeds 5% of the value of the investment portfolio, (ii) the value of any investment with a market capitalisation of less than £75,000,000, and (iii) the amount by which the aggregate value of all investments in a single industry sector exceeds 20% of the value of the investment portfolio. (b) the borrower shall procure that profit before interest and taxation is not at any time less than 200% of the aggregate amount of interest paid and payable.

Market price risk

Market price risk arises mainly from uncertainty about future prices of financial instruments used in the Company's business. It represents the potential loss the Company might suffer through holding market positions by way of price movements and movements in exchange rates. These risks are monitored by the Investment Manager on a regular basis and the Board at quarterly meetings with the Investment Manager.

As required by IAS 32: Financial Instruments: Disclosure and Presentation, an analysis of financial assets and liabilities, which identifies the risk to the Company of holding such items, is given below.

25 ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES (continued)

Financial assets

The Company holds fixed asset investments which are primarily listed on the London Stock Exchange and the Alternative Investment Market.

The interest rate profile of the Company's financial assets is as follows:

	Total £'000	Financial assets on which no interest is paid £'000	Floating rate financial assets £'000
30 April 2007			
Equity shares	**59,001**	**59,001**	**–**
Cash and debtors	**1,124**	**877**	**247**
	60,125	**59,878**	**247**
30 April 2006			
Equity shares	59,739	59,739	–
Cash and debtors	1,004	745	259
	60,743	60,484	259

Financial liabilities

As discussed earlier in this note, the Company finances its operations through bank borrowings, equity and retained profits.

25 ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES (continued)

The interest rate risk profile of the Company's financial liabilities is as follows:

	Total £'000	Non-interest bearing £'000	Floating rate £'000	Fixed rate £'000	Interest rate %	Repayment date
30 April 2007						
Bank overdraft	**4,912**	**–**	**4,912**	**–**		
Creditors	**363**	**363**	**–**	**–**		
Loan Note Commitment to subscribe for shares	**11,574**	**–**	**–**	**11,574**	**8.0**	**3 May 2007**
	16,849	**363**	**4,912**	**11,574**		
30 April 2006						
Bank overdraft	4,421	–	4,421	–		
Creditors	754	754	–	–		
Bank loan	5,000	–	–	5,000	5.6	30 March 2007
Loan Note Commitment to subscribe for shares	10,741	–	–	10,741	8.0	3 May 2007
	20,916	754	4,421	15,741		

The loan note does not bear interest but as a consequence of the issue the Company underwrote the redemption of the zero dividend preference shares as described in note 17.

The maturity profile of financial liabilities at 30 April 2007 is as follows:

	2007 £'000	2006 £'000
In one year or less	**16,849**	16,401
In more than one but less than two years	**–**	4,515
	16,849	20,916

The Company has an overdraft facility of £6.5 million. This facility is renewable on 30 April 2008. Bank borrowings under this facility incur interest at a rate of 1% above base rate.

A loan of £10 million was taken out in May 2007, repayable on 1 May 2014.

Small Companies Dividend Trust PLC
Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the ANNUAL GENERAL MEETING of the Company will be held at 11.00 a.m. on Thursday, 27 September 2007 at the St Stephen's Club, 34 Queen Annes Gate, London SW1H 9AB for the following purposes:

Ordinary Resolutions

1 To receive the Report of the Directors and the audited financial statements for the year ended 30 April 2007.

2 To receive and approve the Directors' remuneration report.

3 To re-elect Mr D Harris as a Director.

4 To re-elect Mr W van Heesewijk as a Director.

5 To reappoint Hazlewoods LLP as Auditors and to authorise the Directors to determine their remuneration.

Special Business

To consider and, if thought fit, to pass the following Resolutions of which Resolution 6 will be proposed as an Ordinary Resolution and Resolutions 7, 8 and 9 will be proposed as a Special Resolutions.

6 THAT, the Directors be and are hereby generally and unconditionally authorised in accordance with section 80 of the Companies Act 1985 ('the Act') to exercise all or any powers of the Company to allot relevant securities (as defined in section 80(2) of the Act up to an aggregate nominal amount of £1,354,166 during the period commencing on the date of the passing of this resolution and expiring (unless previously renewed, varied or revoked by the Company in general meeting) on the date of the next Annual General Meeting of the Company ('the section 80 period'), whichever is the earlier, but so that the Directors may, at any time prior to the expiry of the section 80 period, make an offer or agreement which would or might require relevant securities to be allotted after the expiry of the section 80 period and the Directors may allot relevant securities in pursuance of such offer or agreement as if the authority had not expired.

7 THAT, the Directors be and are hereby empowered, pursuant to section 95 of the Act, to allot and make offers or agreements to allot equity securities (as defined in section 94(2) of the Act) for cash pursuant to the authority referred to in Resolution 6 above and to sell equity shares (within the meaning of Section 94 of the Act) which are held in treasury as if section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:

i) during the period of the said authority but so that such power enables the Directors, at any time prior to the expiry of the said authority, to make offers or agreements which would or might require equity securities to be allotted after the expiry of such power and the Directors may allot equity securities in pursuance of such an offer or agreement as if the power had not expired;

ii) up to an aggregate nominal amount not exceeding £406,250, being 10% of the issued share capital of the Company as at 30 April 2007; and

iii) the authority hereby conferred shall expire within 15 months or at the conclusion of the next following Annual General Meeting of the Company, from the passing of this Resolution, unless such authority is renewed prior to such time.

8 THAT, the Company be and is hereby generally and unconditionally authorised in accordance with section 166 of the Companies Act 1985 ('the Act') to make market purchases (within the meaning of section 163 of the Act) of Ordinary shares of 25p each in the capital of the Company, ('Ordinary shares'), or such terms and in such manner as the Directors may from time to time determine provided that:

Notice of Annual General Meeting (continued)

i) the maximum number of Ordinary shares hereby authorised to be purchased shall be 2,435,875 (or, if less, 14.99% of the issued Ordinary share capital immediately following the passing of this Resolution);

ii) the minimum price which may be paid for each Ordinary share is 25p;

iii) the maximum price with may be paid for each Ordinary share is an amount equal to 105 per cent. of the average of the middle market quotations for Ordinary shares taken from the London Stock Exchange Official List for the 5 business days immediately preceding the day on which such Ordinary share is purchased or such other amount as may be specified by the UK Listing Authority from time to time;

iv) the authority hereby conferred shall expire within 15 months or at the conclusion of the next following Annual General Meeting of the Company, from the passing of this Resolution, unless such authority is renewed prior to such time; and

v) the Company may make a contract to purchase Ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Ordinary shares pursuant to any such contract.

9 THAT, subject to the passing of resolution 7 above, the Company be authorised, for the purposes of LR15.4.23 of the Listing Rules of the United Kingdom Listing Authority, to issue ordinary shares of 25p each in the capital of the Company ("Ordinary Shares") at a price below the net asset value per share of the existing ordinary shares then in issue provided always that such issue shall be limited to:

i) up to an aggregate nominal amount of £406,250 being 10%. of the issued ordinary share capital: and

ii) the sale of shares which, immediately before such sale, were held by the Company as treasury shares: and such authority to expire upon conclusion of the annual geneneral meeting held in 2008.

By order of the Board
Capita Sinclair Henderson Limited
Secretary
1 August 2007

Registered office:
Beaufort House
51 New North Road
Exeter EX4 4EP

Notes

1. *A member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and vote instead of him or her. A proxy need not also be a member of the Company. Lodgement of the form of proxy will not preclude a shareholder from attending the Meeting and voting in person.*
2. *The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those shareholders registered in the register of members of the Company as at 11 a.m. on 25 September 2007 shall be entitled to attend or vote at the aforesaid Annual General Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of securities after 11 a.m. on 25 September 2007 shall be disregarded in determining the rights of any person to attend or vote at the Meeting.*
3. *Shareholders (and any proxies or representatives they appoint) agree by attending the Meeting, that they are expressly requesting, and that they are willing to receive any communications (including communications relating to the Company's securities) made at the Meeting.*
4. *The Articles of Association will be available for inspection at the registered office of the Company during usual business hours on any weekday (except Saturdays and Public Holidays) until the date of the Meeting and at the place of the Meeting for a period of fifteen minutes prior to and during the Meeting.*

Shareholder information

Financial calendar

Company's year end	30 April
Interim dividends paid	March, June, September and December
Annual results announced	June
Annual General Meeting	November
Company's half-year	31 October
Interim results announced	December

Share prices and performance information

The Company's Ordinary shares are listed on the London Stock Exchange. The mid-market prices are quoted daily in the Financial Times under 'Investment Companies' and the Daily Telegraph under 'Investment Trusts'.

The net asset values are announced weekly to the London Stock Exchange and published monthly via the Association of Investment Companies.

Information about the Company can be obtained on the Chelverton internet site at www.chelvertonam.com. Any enquiries can also be e-mailed to cam@chelvertonam.com.

Share register enquiries

The register for the Ordinary shares is maintained by Lloyds TSB Registrars. In the event of queries regarding your holding, please contact the Registrar on 01903 502541. Changes of name and/or address must be notified in writing to the Registrar.

Interim management statements

Under the New Disclosure and Transparency Rules DTR 4.3.2R the Company is required to publish interim management statements. The first of these statements will be released to the London Stock Exchange before 18 September 2007 and will also be available on the Company's website.

Capital structure

Bank borrowings

The Company has an overdraft facility of £6.5 million which at 30 April 2007 stood at £4.9 million. The previous £5.0 million term bank loan was repaid on 30 March 2007 and a new bank loan of £10.0 million was taken out in May 2007.

Small Companies Dividend Trust PLC

Ordinary shares of 25p each

Income

Holders of Ordinary shares are entitled to dividends.

Capital

On a winding-up of the Company, Ordinary shareholders will be entitled to all surplus assets of the Company available.

Voting

Each holder on a show of hands will have one vote and on a poll will have one vote for each Ordinary share held.

Glossary of terms

Discount

If the share price of an investment trust is lower than the NAV per share, the shares are said to be trading at a discount. The size of the discount is calculated by subtracting the share price from the NAV per share and is usually expressed as a percentage of the NAV per share. If the share price is higher than the NAV per share, the shares are said to be trading at a premium.

Gearing

Gearing is the process whereby changes in the total assets of a company have an exaggerated effect on the net assets of that company's ordinary shares due to the presence of borrowing or share classes with a prior ranking entitlement to capital.

Net asset value ('NAV')

The NAV is shareholders' funds expressed as an amount per individual share. Shareholders' funds are the total value of all the Group's assets, at current market value, having deducted all prior charges at their par value (or at their asset value).

Total expense ratio

The total expenses incurred by a company, including those charged to capital (excluding performance fee and finance costs and exceptional costs) as a percentage of total assets less current liabilities (before deduction of bank loan and liabilities due to non-equity shareholders).

Total return

The combined effect of any dividends paid, together with the rise or fall in the share price or NAV. Total return statistics enable the investor to make performance comparisons between trusts with different dividend policies. Any dividends (after tax) received by a shareholder are assumed to have been reinvested in either additional shares of the trust at the time the shares go ex-dividend (the share price total return) or in the assets of the trust at its NAV per share (the NAV total return).

Directors and Advisers

Directors	Lord Lamont of Lerwick (Chairman) Bryan Lenygon John Chappell David Harris William van Heesewijk
Investment Manager	Chelverton Asset Management Limited 11 George Street Bath BA1 2EH Tel: 01225 483030
Secretary and Registered Office	Capita Sinclair Henderson Limited Beaufort House 51 New North Road Exeter EX4 4EP Tel: 01392 412122
Registrar and Transfer Office	Lloyds TSB Registrars The Causeway Worthing West Sussex BN99 6DA Tel: 01903 502541
Bankers	Lloyds TSB Bank Plc 25 Gresham Street London EC2V 7HN
Auditors	Hazlewoods LLP Windsor House Barnett Way Barnwood Gloucester GL4 3RT
Solicitors	Maclay, Murray & Spens One London Wall London EC2Y 5AB
Stockbrokers	Fairfax I. S. Limited 46 Berkeley Square London W1J 5AT

Small Companies Dividend Trust PLC
Proxy form

I/We (Block Capitals please) . . . .

. . . .

being a member/members of the above-named Company, hereby appoint the Chairman of the Meeting/

. . . .

as my/our proxy to vote for me/us on my behalf at the Annual General Meeting of the Company to be held at 11.00 a.m. at the St Stephen's Club, 34 Queen Annes Gate, London SW1H 9AB on 27 September 2007 and at any adjournment thereof.

Signature . . . .

Date 2007

Please indicate with an X in the spaces below how you wish your votes to be cast.

		FOR	AGAINST	VOTE WITHELD
ORDINARY RESOLUTIONS				
RESOLUTION 1	To receive the Report of the Directors and the audited financial statements for the year ended 30 April 2007.			
RESOLUTION 2	To receive and approve the Directors' remuneration report.			
RESOLUTION 3	To re-elect Mr D Harris as a Director.			
RESOLUTION 4	To re-elect Mr W van Heesewijk as a Director.			
RESOLUTION 5	To reappoint Hazlewoods LLP as Auditors and to authorise the Directors to determine their remuneration.			
RESOLUTION 6	Section 80 authority to allot shares.			
SPECIAL RESOLUTION				
RESOLUTION 7	Section 95 authority to allot shares.			
RESOLUTION 8	Authority to buyback shares.			
RESOLUTION 9	Authority to issue shares at a discount to NAV.			

NOTES

1. *A member may appoint a proxy of his/her own choice. If such an appointment is made, delete the words 'the Chairman of the Meeting' and insert the name of the person appointed proxy in the space provided.*
2. *If the appointor is a corporation, this form must be under its common seal or under the hand of some officer or attorney duly authorised in that behalf.*
3. *In the case of joint holders, the signature of any one holder will be sufficient but the names of all the joint holders should be stated.*
4. *If this form is returned without any indication as to how the person appointed proxy shall vote, the Chairman will exercise his/her discretion as to how he/she votes or whether he/she abstains from voting.*
5. *To be valid, this form must be completed and deposited at the office of the Company's Registrars not less than 48 hours before the time fixed for holding the Meeting or adjourned Meeting. Only those shareholders registered in the register of members 48 hours prior to the meeting shall be entitled to attend and vote at the Meeting in respect of the number of shares registered in their name at that time. Changes to the register of members after that time shall be disregarded in determining the rights of any person to attend and vote at the Meeting*
6. *A "vote witheld" is not a vote in law and will not be counted in the calculation of the proportion of the votes for and against the resolution.*

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Dividend Trust PLC
The Causeway
Worthing
West Sussex BN99 6ZL

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