SC211841

SVM UK EMERGING FUND PLC

(formerly SVM OFEX Fund plc)

Annual Report

31 March 2005

REPORT OF THE DIRECTORS

The Directors submit their Report and Accounts for the year to 31 March 2005.

Principal Activity and Status

The Company is an Investment Company as defined in Section 266 of the Companies Act 1985. The Company will not seek approval by the Inland Revenue as an investment trust under Section 842 of the Income and Corporation Taxes Act 1988 for the year to 31 March 2005. It is the intention of the Directors that, where possible, the Company will subsequently conduct its affairs so as to enable it to seek such approval in the future.

Results

The revenue transferred from the revenue reserve was £65,000 (2004 £86,000). No dividend has been declared.

Directors

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

	31 March 2005	31 March 2004
P F Dicks	**150,000**	50,000
R Bernstein	**100,000**	50,000
A Puckridge	**20,000**	5,000

There have been no changes in the Directors' interests between 31 March 2005 and 24 May 2005.

No Director has a service contract with the Company.

Mr P F Dicks retires by rotation and, being eligible, offers himself for re-election at the Annual General Meeting. He has considerable experience of financial services and investment trusts. The Board recommends his re-election to shareholders.

Substantial Shareholdings

As at 24 May 2005, the following interests in excess of 3 per cent of the issued ordinary shares of the Company had been reported:

Name	Number of Shares	Percentage of Capital
SVM Asset Management	1,160,000	21.2
Jupiter Asset Management	594,000	10.9
Schroder Institutional Growth Fund	390,000	7.1
Scottish Friendly Assurance Society	300,000	5.5
C W McLean	174,000	3.2

Management

SVM Asset Management Limited provides investment management and secretarial services to the Company. These services can be terminated without compensation at any time by giving one year's notice or an immediate payment of a year's fees in lieu of notice. SVM Asset Management Limited receives a fee for these services, payable quarterly in arrears, equivalent to 0.75 per cent per annum of the total assets of the Company less current liabilities. In addition, SVM Asset Management Limited is entitled to an incentive fee of 15 per cent of achieved outperformance of the Company's benchmark index, FTSE AIM Index, on a six monthly in arrears basis. In view of the size of the Company, the Managers have waived their management fees for the year to 31 March 2005. No incentive fee was paid or due in respect of the year to 31 March 2005 or 31 March 2004.

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

Following this review, it is the Directors' opinion that the continuing appointment of the Manager on the terms agreed is in the best interests of the shareholders as a whole.

Personal Equity Plans ("PEP") and Individual Savings Account ("ISA")

The Company's shares are eligible for inclusion in a PEP and an ISA.

Auditors

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

Directors' Authority to Issue Shares

The Directors are currently authorised to allot ordinary shares up to an aggregate amount of £300,000 and renewal of this authority is set out in Resolution 5 of the Notice of the Annual General Meeting. The Directors will only issue new shares pursuant to this authority if they believe it is advantageous to the Company's shareholders to do so.

Directors' Authority to Buy Back Shares

The current authority of the Company to make market purchases of up to 15 per cent of the issued ordinary shares expires on the conclusion of the proposed Annual General Meeting and Resolution 6, as set out in the Notice of the Annual General Meeting, seeks renewal of this authority. The price paid for shares will not be less than the nominal value of 5 pence per share nor more than 5 per cent above the average of the market values of these shares for the five business days before the shares are purchased. This power will only be exercised if, in the opinion of the Directors, a repurchase would be in the best interests of the shareholders as a whole. Any shares purchased under this authority will be cancelled.

Directors' Responsibilities in relation to the Financial Statements

The Directors are required by law to prepare financial statements each year which give a true and fair view of the state of affairs of the Company at the end of the financial year and of the revenue of the Company for that year. These statements must be prepared in compliance with the required formats and disclosures of the Companies Act 1985 and with applicable accounting standards. In preparing these statements, the Directors are required to: (a) select suitable accounting policies and then apply them consistently; (b) make judgements and estimates that are reasonable and prudent; and (c) state whether applicable accounting standards have been followed.

The Directors are also responsible for the maintenance of proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Going Concern

The Board, having made appropriate enquiries, has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis of preparing the financial statements. At the Annual General Meeting convened this year, shareholders will be given the opportunity to decide on the future of the Company. Barring unforeseen circumstances, the Directors expect that this resolution will be passed by shareholders.

Corporate Governance

The Board of Directors has had in place throughout the year the procedures necessary to ensure compliance with the Combined Code of Best Practice issued in 2003 ("the Code") except as noted below. However, in certain areas as described below, the Board has implemented alternative arrangements more suited to an investment trust. In addition, the Company has complied throughout the year with the provision of the AITC Code of Corporate Governance, which complements the Combined Code.

The Directors confirm that the Company has complied with the requirement to be headed by an effective Board to lead and control the Company. The Company is an investment trust and not a trading company and, as such, there is no requirement for a Chief Executive Officer (Combined Code A.2.1). Mr A Puckridge was appointed as the Senior non-executive Director on 24 May 2005 (Combined Code A.1.2). As detailed on page 5, the Board comprises the three non-executive Directors, all of whom are independent of the Managers and free from all business or other relationships that could interfere with the exercise of their independent judgement. Whilst the Directors are not appointed for specific terms, as required by the Code, all the Directors must submit themselves for re-election by the shareholders every three years and are not entitled to compensation if they are not re-elected to office.

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

The Directors complete an annual self-assessment of their collective and individual performances on a range of issues in order to ensure that they are acting in the best interests of the Company and its shareholders. Each Director continues to be effective and committed to the Company.

During the year there were four Board and three Committee meetings (two Audit and one Management and Nomination). All Directors attended all of the meetings with the exception of Mr R Bernstein, who missed one Board meeting.

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

The Company usually exercises its voting powers at general meetings of investee companies. The Company does not operate a fixed policy when voting but treats each case on merit. The Company does not have an environmental policy.

The Board has adopted a schedule of matters specifically reserved to itself for decision and, in relation to certain matters, two committees have been established. Both committees are chaired by the Chairman of the Company. The terms of reference of both committees are available from the Managers upon request.

Committees

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

The Audit Committee, which comprises all of the independent Directors and for which a quorum is any two of the independent Directors, meets at least twice a year. Its remit is to review the Company's financial position, internal controls, scope and results of the audit and its cost effectiveness and the independence and objectivity of auditors. The Auditors do not provide any other non-audit services with the exception of tax services, for which they are paid £1,000. The Committee must also satisfy itself that the Company's published financial statements represent a true and fair view of the position. The Company's auditors are invited to attend such meetings and report on the position. The Committee considers annually the need for an internal audit function. It believes such a function is unnecessary as the Company has no employees and sub-contracts its business to third parties.

Internal Control and Financial Reporting

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

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

- Clearly documented contractual arrangements with service providers
- Annual review by the Board of FRAG 21 reports of service providers
- Consideration by the Board of the latest Review of Internal Controls every six months
- Quarterly Board meetings to review performance, investment policy, strategy and shareholder relations
- Regular updating by the Managers on key risks and control developments.

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

The Board has engaged external firms to undertake the investment management, secretarial and custodial activities of the Company. There are clearly documented contractual arrangements between the Company and these organisations which define the areas where the Board has delegated authority to them. The Board receives reports on at least an annual basis detailing the internal control objectives and procedures adopted by each organisation.

FRAG 21 reports are received and attested to by independent auditors. Each report has been reviewed by the respective organisation's auditors. The Board's review of these reports allows it to assess the effectiveness of the internal systems of financial control which affect the Company.

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

By Order of the Board,
SVM Asset Management Limited
Secretaries
Edinburgh

24 May 2005

DIRECTORS' REMUNERATION REPORT

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

The law requires the Company's auditors to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The auditors' opinion is included in their report on pages 14 and 15.

Remuneration Committee

The Company has three non-executive Directors, P F Dicks, R Bernstein and A Puckridge, as detailed on page 5, all of whom are independent. The Management and Nomination Committee, comprising of all the Directors, fulfils the function of a Remuneration Committee in addition to its nominations functions. The Board have appointed SVM Asset Management Limited as Company Secretaries to provide advice when the Management and Nomination Committee considers the level of Directors' fees. The Management and Nomination Committee carries out a review of the level of Directors' fees on an annual basis. In addition, SVM Asset Management Limited provides investment management and administration services to the Company.

Policy on Directors' fees

The Board's policy is that the remuneration of non-executive Directors should reflect the experience of the Board as a whole, be fair and comparable to that of other investment trusts that are similar in size, have a similar capital structure, and have similar investment objectives. It is the intention that this policy will continue in subsequent years. Due to the size of the Company, the Managers have waived their management fee and the Directors have waived their entitlement to half their fees until further notice.

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

Directors' service contracts

It is the Board's policy that none of the Directors have a service contract but Directors are provided with an appointment letter. All Directors were originally appointed at the Company's inception in 2000. 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. Directors are thereafter obliged to retire by rotation, and, if they wish, to offer themselves for re-election, at least every three years thereafter. There is no notice period and no provision for compensation on early termination of appointment.

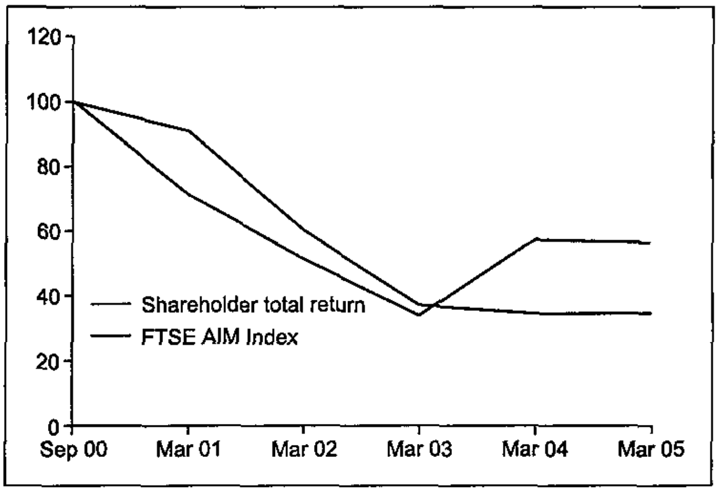
Directors' emoluments for the year (audited)

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

	Fees 2004 £	Fees 2003 £
P F Dicks	**7,500**	15,000
R Bernstein	**5,000**	10,000
A Puckridge	**5,000**	10,000
	17,500	35,000

Company performance

The graph below compares the total return (assuming all dividends are reinvested) to Ordinary Shareholders since inception 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 AIM Index is calculated. The Index has been chosen as it represents the Fund's benchmark.



By Order of the Board,
SVM Asset Management Limited
Secretaries
Edinburgh

24 May 2005

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SVM UK EMERGING FUND PLC

We have audited the financial statements for the year ended 31 March 2005 which comprise the Statement of Total Return, Balance Sheet, Cash Flow Statement, Accounting Policies and the related notes 1 to 12. These financial statements have been prepared on the basis of the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

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

Respective responsibilities of Directors and Auditors

The Directors are responsible for preparing the Annual Report, including the financial statements which are required to be prepared in accordance with applicable United Kingdom law and accounting standards are set out in the Statement of Directors' Responsibilities in relation to the financial statements. The Directors are also responsible for preparing the Directors' Remuneration Report.

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, United Kingdom Auditing Standards and the Listing Rules of the Financial Services Authority.

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 if, in our opinion, the Report of the Directors is not consistent with the financial statements, if 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 or the Listing Rules regarding Directors' remuneration and transactions with the Company is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2003 FRC Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the Chairman's Statement, Managers' Review, Investment Portfolio, Board of Directors, Shareholder Information, Report of the Directors, unaudited part of Directors' Remuneration Report and Notice of Annual General Meeting. 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.

Basis of audit opinion

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

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

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the affairs of the Company as at 31 March 2005 and its net deficit for the year then ended; and
- 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.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Edinburgh

24 May 2005

STATEMENT OF TOTAL RETURN

For the year to 31 March 2005

	Notes	Revenue £000	Capital £000	Total £000
Net loss on sale of investments	*9*	–	(317)	(317)
Movement in unrealised depreciation on investments	*9*	–	435	435
		–	118	118
Income	*1*	2	–	2
Investment management fees		–	–	–
Other expenses	*2*	(66)	–	(66)
Return before interest and taxation		(64)	118	54
Bank overdraft interest		(1)	–	(1)
Return on ordinary activities before taxation		(65)	118	53
Taxation	*3*	–	–	–
Transfer from reserves	*10*	(65)	118	53
Return per ordinary share	*4*	(1.19p)	2.16p	0.97p

The Revenue column of this statement is the profit and loss account of the Company.

The Accounting Policies and the Notes on pages 20 to 24 form part of these Financial Statements.

STATEMENT OF TOTAL RETURN

For the year to 31 March 2004

	Notes	Revenue £000	Capital £000	Total £000
Net loss on sale of investments		–	(305)	(305)
Movement in unrealised depreciation on investments		–	(657)	(657)
		–	(962)	(962)
Income	*1*	3	–	3
Investment management fees		–	(22)	(22)
Other expenses	*2*	(89)	–	(89)
Return on ordinary activities before taxation		(86)	(984)	(1,070)
Taxation	*3*	–	–	–
Transfer from reserves	*10*	(86)	(984)	(1,070)
Return per ordinary share	*4*	(1.58p)	(18.02p)	(19.60p)

The Revenue column of this statement is the profit and loss account of the Company.

The Accounting Policies and the Notes on pages 20 to 24 form part of these Financial Statements.

BALANCE SHEET

As at 31 March 2005

	Notes	2005 £000	2004 £000
Fixed Assets			
Investments	5	2,133	1,944
Current Assets			
Debtors	6	84	–
Cash at bank and on deposit		–	43
Total current assets		84	43
Creditors: amounts falling due within one year	7	(196)	(19)
Net current (liabilities)/assets		(112)	24
Total assets less current liabilities		2,021	1,968
Capital and Reserves			
Share capital	8	273	273
Special reserve		5,144	5,144
Capital redemption reserve		27	27
Capital reserve – realised	9	(803)	(486)
Capital reserve – unrealised	9	(2,485)	(2,920)
Revenue reserve	9	(135)	(70)
Equity shareholders' funds	10	2,021	1,968
Net asset value per Ordinary Share	4	37.02p	36.04p

Peter Dicks
Chairman

24 May 2005

The Accounting Policies and the Notes on pages 20 to 24 form part of these Financial Statements.

CASH FLOW STATEMENT

For the year to 31 March 2005

	2005 £000	2004 £000
Reconciliation of revenue before interest and taxation to net operating cash flows		
Deficit before taxation	(64)	(86)
Investment management fees charged to capital	–	(22)
Movement in debtors	–	18
Movement in creditors	(4)	(2)
Net cash outflow from operating activities	(68)	(92)

CASH FLOW STATEMENT

	2005 £000	2004 £000
Net cash outflow from operating activities	(68)	(92)
Returns on investment and servicing of finance		
Interest paid	(1)	–
Capital expenditure and financial investment		
Purchases of fixed asset investments	(1,923)	(215)
Sales of fixed asset investments	1,820	5
	(103)	(210)
Decrease in cash	(172)	(302)
Reconciliation of net cash flow to movements in net funds		
Movement in cash in the year	(172)	(302)
Net funds as at start of year	43	345
Net (debt)/funds as at end of the year	(129)	43

The Accounting Policies and the Notes on pages 20 to 24 form part of these Financial Statements.

ACCOUNTING POLICIES

Basis of Preparation

The financial statements are prepared under the historical cost convention, modified to include the revaluation of fixed asset investments. The financial statements are prepared in accordance with applicable accounting standards and with the 2003 Statement of *Recommended Practice Financial Statements of Investment Trust Companies" ("SORP") as it* is the intention to manage the Company as an investment trust.

Income

Income is included in the Statement of Total Return on an accruals basis. Deposit interest is included on an accruals basis.

Expenses and Interest

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

Investment Management Fees

The investment management fees have been allocated 100 per cent to capital. The allocation is in line with the Board's expected long-term return from the investment portfolio. The terms of the investment management agreement are detailed in the Report of the Directors on pages 9 and 10.

Taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more or a right to pay less tax in the future have occurred at the balance sheet date measured on an undiscounted basis and based on enacted tax rates. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted. Timing differences are differences arising between the Company's taxable profits and its results as stated in the accounts which are capable of reversal in one or more subsequent periods.

Investments

Investments quoted on AIM are valued at middle market prices. Other unquoted investments are valued at Directors' valuation based on the latest available information.

Capital Reserve – Realised

Gains and losses on realisations of fixed asset investments are dealt with in this reserve. The investment management fees and finance costs, together with any tax relief, are also taken to this reserve.

Capital Reserve – Unrealised

Increases and decreases in the valuation of fixed asset investments are dealt with in this reserve.

	2005 £000	2004 £000
1. Income		
Interest on short-term deposits	2	3
2. Other Expenses		
General expenses	37	41
Directors' fees	18	35
Auditors' remuneration – audit services	10	10
– non audit services	1	3
	66	89
3. Taxation		
Deficit before taxation	(65)	(86)

The tax assessed for the year is lower than the standard small company rate of corporation tax in the UK. The differences are noted below.

	2005 £000	2004 £000
Corporation tax (19%)	(12)	(16)
Excess management expenses	12	16
	–	–

At 31 March 2005, the Company had unutilised management expenses of £272,000 (2004 – £207,000). No deferred tax asset has been recognised on the unutilised management expenses as it is unlikely that there would be suitable taxable profits from which the future reversal of the deferred tax asset could be deducted.

4. Returns per Share

Returns per share is based on a weighted average of 5,460,000 (2004 – same) ordinary shares in issue during the year. Capital return per share is based on net capital gain during the year of £118,000 (2004 – loss of £984,000). Revenue return per share is based on the revenue loss after taxation for the year of £65,000 (2004 – £86,000).

The net asset values per share are based on the net assets of the Company of £2,021,000 (2004 – £1,968,000) divided by the number of shares in issue as shown in Note 8.

	2005 £000	2004 £000
5. Fixed Assets – Investments		
Valuation as at start of year	**1,944**	2,696
Unrealised depreciation as at start of year	**(2,920)**	(2,263)
Cost as at start of year	**4,864**	4,959
Purchase of investments at cost	**1,975**	215
Proceeds from sale of investments	**(1,904)**	(5)
Net loss on sale of investments	**(317)**	(305)
Cost as at end of year	**4,618**	4,864
Unrealised depreciation as at end of year	**(2,485)**	(2,920)
Valuation as at end of year	***2,133***	1,944
Net loss on sale of investments	**(317)**	(305)
Previously recognised as unrealised depreciation	**228**	305
Realised	**(89)**	–
Movement in unrealised depreciation	**207**	(962)
Total gains/(losses) on investments	**118**	(962)
6. Debtors		
Due from brokers	**84**	–
7. Creditors: amounts falling due within one year		
Bank overdraft	**129**	–
Due to brokers	**52**	–
Investment management fees	**–**	4
Other creditors	**15**	15
	196	19

	Number of ordinary 5p shares	£000
8. Share Capital		
Authorised		
As at 1 April 2004 and 31 March 2005	**100,000,000**	**5,000**
Allotted, issued and fully paid		
As at 1 April 2004 and 31 March 2005	**5,460,000**	**273**

	Capital Reserve Realised £000	Capital Reserve Unrealised £000	Revenue Reserve £000
9. Reserves			
As at 1 April 2004	(486)	(2,920)	(70)
Loss on sale of investments	(317)	–	–
Movement in unrealised depreciation on investments	–	435	–
Transfer to revenue account	–	–	(65)
As at 31 March 2005	**(803)**	**(2,485)**	**(135)**

	2005 £000	2004 £000
10. Reconciliation of Movement in Shareholders' Funds		
Revenue attributable to shareholders	**(65)**	(86)
Other recognised gains and losses for the year	**118**	(984)
	53	(1,070)
Opening shareholders' funds	**1,968**	3,038
Closing shareholders' funds	**2,021**	1,968

Shareholders' funds are wholly attributable to equity shareholders.

11. FRS 13 Disclosures

Risk Management

The major risks inherent within the Company are market risk, liquidity risk and interest rate risk. The Company has an established environment for the management of these risks which are continually monitored by the Managers. Appropriate guidelines for the management of the investments, gearing and financial instruments have been established by the Board of Directors. It is not the policy of the Board to use currency hedging or derivatives within its portfolio with the exception of Contracts for Differences.

Market risk exists where there are changes in interest rates, equity valuations, share price movements and the liquidity of financial instruments. Liquidity risks exist where the Company is a forced seller of the fixed asset investments at times where there may not be sufficient demand for these assets. Shares traded on the OFEX and AIM market tend to be in companies that are smaller in size and by their nature less liquid than larger companies. Interest rate risk exists where the returns generated from the investments are less than the cost of borrowing. Market price risk management is part of the fund management process and is typical of equity related investment. The portfolio is managed so as to minimise the effects of adverse price movements and results from detailed and continuing analysis with an objective of maximising overall returns to shareholders. The portfolio is not currency hedged as the portfolio is denominated in sterling. Further information on the investment portfolio is detailed on page 4 and in note 5 on page 22.

11. FRS 13 Disclosures (continued)

Financial Instruments

The Company's investment policy is to hold fixed asset investments, current asset investments, cash balances with gearing being provided by a bank overdraft. Where appropriate, gearing can be utilised in order to enhance net asset value. The Company does not invest in fixed rate securities other than where the Company has substantial cash resources. In this situation, the Company has typically held short dated UK Government Securities. Fixed asset investments, which comprise principally equity investments, are valued as detailed in the Company's accounting policies. Any cash balances are held on a variable rate call account generally yielding a higher rate of interest than that available for fixed interest securities. The Company only operates short term gearing, which is limited to 20 per cent of gross assets, and is undertaken through an unsecured variable rate bank overdraft. The benchmark rate which determines the interest received on sterling cash balances or paid on bank overdrafts is the bank base rate which was 4.75 per cent as at 31 March 2005 (2004 – 4.00 per cent). Short-term debtors and creditors are excluded from disclosure as permitted by FRS 13. The fair value is not materially different from the carrying value of all financial assets and liabilities.

The Board has granted the Managers a limited authority to invest in Contracts for Differences ("CFDs") to achieve some degree of gearing and/or hedging without incurring the gross cost of investment. The Board requires the Managers to operate within certain risk limits including an effective net exposure of 20 per cent of the total portfolio. As at 31 March 2005, there were 4 holdings representing an effective net exposure of £433,000. Using 31 March 2005 share prices, this resulted in an unrealised gain of £54,000.

12. Analysis of Changes in Net Cash/(Debt)

	As at 1 April 2004 £000	Cash Flow £000	**As at 31 March 2005 £000**
Cash at bank and on deposit	43	(43)	**–**
Bank overdraft	–	(129)	**(129)**
Total	43	(172)	**(129)**

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that an Annual General Meeting of SVM UK Emerging Fund plc will be held at 23 Bentinck Street, London W1U 2EZ on Friday, 1 July 2005 at 12 noon for the following purposes:

Ordinary Resolutions

1. To receive the financial statements for the period to 31 March 2005 together with the Directors' and Auditors' Reports thereon.
2. To re-appoint Mr P Dicks, who retires by rotation, as a Director.
3. To re-appoint Ernst & Young LLP as auditors and to authorise the Directors to fix their remuneration.
4. To approve the Directors' Remuneration Report.

Special Resolutions

5. That:
   (a) the Directors be and they are hereby:
      (i) generally and unconditionally authorised in accordance with section 80 of the Companies Act 1985 (the "Act") to allot relevant securities (as defined in the section) up to an aggregate nominal amount of £300,000 during the period commencing on the date of passing of this resolution and expiring on 1 October 2006, unless previously revoked, varied or extended by the Company in general meeting; and
      (ii) empowered, pursuant to section 95 of the Act, to allot equity securities (within the meaning of section 94 of the Act) pursuant to the authority referred to in paragraph (a)(i) of this Resolution as if section 89 of the Act did not apply to such allotment, but so that this authority shall allow the Company to make offers or agreements before the expiry of this authority and power and notwithstanding such expiry the Directors may allot equity securities in pursuance of such offer or agreement; and

   (b) all authorities and powers previously conferred under section 80 or 95 of the Act be and they are hereby revoked, provided that such revocation shall not have retrospective effect.
6. To authorise the Company generally and unconditionally pursuant to section 166 of the Act to make market purchases (within the meaning of section 163 of the Act) on the London Stock Exchange of any of its ordinary shares provided that:
   (a) the maximum number of shares hereby authorised to be purchased is less than 15 per cent of the issued share capital of the Company as at the date of this resolution;
   (b) the minimum price (exclusive of expenses) which may be paid for a share shall be 5 pence;
   (c) the maximum price (exclusive of expenses) which may be paid for a share shall not be more than 5 per cent above the average of the middle market quotation (as derived from the Daily Official List of the London Stock Exchange) for the shares for the five business days immediately preceding the date of purchase; and
   (d) unless previously varied, revoked or renewed, the authority hereby conferred shall expire on 1 October 2006 or at the conclusion of the next Annual General Meeting of the Company (whichever is the earlier) save that the Company may, prior to such expiry, enter into a contract to purchase shares which will or may be completed or executed wholly or partly after such expiry.

Special Business – Ordinary Resolution

7. To approve the continuation of the Company as required by Article 165 of the Articles of Association.

By Order of the Board
SVM Asset Management Limited
Secretaries

24 May 2005

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