SC211841

SVM UK Emerging Fund plc

Annual Report 31 March 2008

Contents

The investment objective of the Fund is long term capital growth from investments in smaller UK companies with a particular focus on the Alternative Investment Market

Highlights

- Net asset value increases by 3.0% compared to a fall of 15.2% in the FTSE AIM Index
- Share price rises 8.0% to trade at a small premium to net asset value
- Concentrated portfolio targeting absolute performance

Financial Highlights	**31 March 2008**	**31 March 2007**	**% Change**
Net asset value	**65 50p**	63 57p	+3 0
Share price	**67 50p**	62 50p	+8 0
FTSE AIM Index	**949 07**	1,118 83	–15 2
Premium/(Discount)	**3 1%**	(1 7%)	
Total expense ratio			
Investment management fees	–	–	
Other operating expenses	**1.8%**	1 7%	

Historical record Year to 31 March	**NAV per share (p)**	**Share price (p)**	**Total Return (p)**
2003	55 65	37 00	(29 16)
2004	36 04	34 00	(19 16)
2005	37 02	33 50	0 64
2006	49 45	45 00	14 32
2007	63 57	62 50	14 12
2008	**65 50**	**67 50**	**1 93**

Performance to 31 March, % change	**1 Year**	**2 Years**	**3 Years**	**5 Years**	**Since Launch**
Net Asset Value	+3 0	+32 4	+76 9	+17 7	–32 5
FTSE AIM Index	–15 2	–18 3	–9 3	+84 9	–37 9

Chairman's Statement

I am pleased to report another year of substantial relative and small absolute performance This should be viewed in light of the challenging environment For the year to 31 March 2008, the Fund's net asset value increased by 3 0% to 65 50 pence per share, compared to a decline of 15 2% in the FTSE AIM Index, the Fund's benchmark – an outperformance in excess of 18% The share price rose by 8 0% in the year Since the Fund's change of investment objective in September 2004, the net asset value has increased by 103 6% against a benchmark rise of only 7 7%

I am in a happy position reporting that the Fund's shares have traded on a small premium for most of the year This is an exceptional result given that the average discount for investment trusts as a whole widened from 7% to over 12% in the year Indeed, small companies funds as a whole have fared much worse with a number having discounts of 20% and above Although no shares were issued in the year, it is the intention to increase the size of the Fund through further new issues but only at the appropriate time and level which adds to current shareholder value

Portfolio

The Fund retains a concentrated portfolio of approximately forty stocks, five of which are companies traded on the PLUS market, three unlisted and the balance being listed on AIM Throughout the year, the Fund maintained a weighting of in excess of 80% in companies listed on AIM with slightly less than 6% in PLUS market companies, the Fund's previous principal focus

The Fund is managed on a more absolute basis and many of the holdings could be categorised as special situations By being benchmark aware rather than attempting to replicate sector weightings, the Fund has demonstrated substantially less volatility than both the

AIM Index or indeed the broader market, represented by the FTSE All Share Index

The Managers believe that this approach gives the potential of both relative out performance and absolute gains Although individual investment risk is higher, this can be mitigated through a diversified portfolio There is always a trade off between holding a broadly diversified portfolio which will demonstrate benchmark type returns against holding relatively few large positions with the potential of strong performance The Managers favour the latter approach

Review of the year

The year under review proved to be a watershed for equity markets Following more than four years of benign economic and favourable stockmarket conditions, this was brought to an abrupt halt by the uncovering of the problems principally associated with leverage and poor lending practices Although initially the impact was seen as being a purely US problem, it was not long before the contagion spread to other markets

At an operating level, UK small companies should have been relatively immune Typically, they are less financially leveraged than their larger peers and rely to a greater extent on equity as a means of providing funds rather than borrowing Unfortunately, small companies are perceived to be riskier and, as such, have been treated worse than larger companies This is perverse but perhaps understandable as investors sought safe havens The price falls in some cases appear overdone and has uncovered some interesting opportunities The Managers, having freed up capacity in the summer of 2007, have been making some selective additions to the portfolio at attractive levels While there continues to be no shortage of investment opportunities, one has to be careful as the market is currently extremely intolerant of failure or delay

Despite the rather less than helpful environment, AIM continues to be the market of choice for small and increasingly larger companies globally The new issue market, which had been vibrant over the last few years, is now more discerning We believe this is positive and should in time improve the quality of the AIM market Fortunately, the Fund has largely steered clear of new issues, preferring to concentrate on companies that have been listed for some time This stance has allowed the Fund to avoid the high profile collapses

Outlook

However unpleasant at the time, market corrections are healthy, inevitable and a pre requisite for a vibrant on going stockmarket Following the recent correction, there is arguably currently less downside risk to equity markets than in the recent past

The Fund has a concentrated portfolio of special situations and companies that exhibit higher than average growth potential but are still modestly valued The Board and the Managers believe that the Fund should extend the recent out performance and is well placed to deliver on its objective of long term capital growth with lower volatility

Peter Dicks
Chairman

13 June 2008

Managers' Review

Summary

On an absolute basis, the Fund only returned a small positive performance in the year (+3%) which is disappointing when compared to the strong performances booked in the previous three years However this should be viewed against the general stockmarket background which to say was challenging is arguably somewhat of an understatement The Fund's benchmark, FTSE AIM Index fell by over 15% in comparison whilst larger companies fared little better with the FTSE All Share Index declining approximately 8% Understandably, shareholders are much more interested in share price performance which registered an 8% gain and the Fund traded on a premium for the majority of the year

Although the FTSE AIM Index performed poorly over the year as a whole, there were opportunities to make money at times in the year In football parlance, it was a game of two halves, albeit unequal ones From April through to August, markets were positive, investor's risk appetite high and small companies outperformed The remainder of the year was the complete antithesis with increased volatility, uneasy investors and a flight to 'perceived' quality It is therefore not surprising that the AIM Index suffered accordingly

Portfolio movements

In terms of acquisitions, most of the additions made to the portfolio in the year were in resource companies with most of the sales in companies more consumer orientated New holdings were made in Petra Diamond, Maghreb Mining and Archipelago Resources with additions in Kirkland Lake Gold and Van Dieman Mines Both Petra and Archipelago proved to be successful investments and the opportunity was taken in March to book profits and reduce down the holdings

Being slightly sceptical in nature and with markets strong over the summer, we reduced the Fund's overall market exposure by either top slicing or selling out totally some of the other more mature positions Consequently, going into August, overall gearing was slightly down on the previous year end position This proved to be helpful in reducing the Fund's overall market sensitivity and volatility The second part of the year saw a drying up of liquidity and sales proved to be more difficult As such, there were few material portfolio changes

In addition to the sales of some of the listed holdings, we managed to negotiate a complete sale of the Fund's holding in unquoted investment, Ludgate 181, at a narrow discount to its net asset value Although this realised a loss on original book cost, the sale proceeds were at a premium to the prevailing valuation and marked a further move away from the Fund's original remit

Contributors to performance

As always, there has been a wide divergence in individual performances within the portfolio The best performances were unsurprisingly registered by resource companies – Borders & Southern Petroleum is an oil and gas exploration company specialising in the Falkland Islands, Dwyka Resources has recently transformed itself from a junior diamond company to a diversified exploration and development group The share prices of both almost doubled

However, there were disappointments although we believe that most are likely to be short term Bio degradable plastics manufacturer, Symphony Plastics, medical devices company, Dawmed Systems, and number plate recognition company, Appian Technology have all re focussed their businesses Each is now cash flow positive and profitable and demonstrates strong growth prospects Unfortunately there have been the inevitable delays and share prices have suffered as a result We believe that this de rating is unjustified and will continue to persevere

Following the sale of Ludgate, the Fund retains only three unlisted investments Both Mantle Diamonds and GB Petroleum have indicated that they will seek an AIM listing some time in this 2008/09 accounting period and this should be at a good premium to the Fund's carrying value Both are relatively young companies but have experienced and motivated executives The final unlisted, Fotolec Technologies recently completed its most successful quarter and continues to grow strongly

The Fund continues to maintain a broad spread of investments concentrating principally on Basic Material, Oil & Gas and Consumer Services with the heaviest exposure in resource companies Commodity prices continue to be strong as demand outweighs supply Our preference is for companies which are on the cusp of profitability as this appears to give the best risk reward characteristics

Outlook

The Fund continues to be focused on companies with strong market positions and pricing power, likely to drive near term trading performance and stockmarket valuation With the recent market falls and the number of companies in the investable universe, we consider that the Fund is well positioned to continue to deliver superior performance both on an absolute and relative basis

SVM Asset Management Limited

Investment Portfolio *as at 31 March 2008*

Company	Cost 2008 £000	Valuation 2008 £000	% of Net Assets	Valuation 2007 £000
1 Petrel Resources*	348	342	8 7	–
2 China Pub Company	100	300	7 6	300
3 Archipelago Resources	75	218	5 5	–
4 Kirkland Lake Gold	105	202	5 1	164
5 Borders & Southern Petroleum	50	202	5 1	75
6 AT Communications	238	200	5 1	136
7 Petra Diamond	30	198	5 0	–
8 Amazing Holdings	125	196	5 0	248
9 Van Dieman Mines	212	177	4 5	66
10 Mantle Diamonds†	100	167	4 2	125
Ten largest investments	**1,383**	**2,202**	**55 8**	
11 Dwyka Resources	76	141	3 6	81
12 ToLuna	50	132	3 4	150
13 Maghreb Minerals	250	125	3 2	–
14 Mercator Gold*	152	125	3 2	160
15 Music Copyright Solutions	101	121	3 1	131
16 Alltracel Pharmaceuticals*	117	120	3 0	105
17 Rheochem	127	112	2 9	117
18 Sport Media Group*	189	100	2 5	–
19 Fotolec Technologies†	200	90	2 3	90
20 Monto Minerals	126	87	2 2	79
Twenty largest investments	**2,771**	**3,355**	**85.2**	
21 GB Petroleum†	85	85	2 2	85
22 Care Capital	151	80	2 0	–
23 Hurlingham*	123	78	2 0	117
24 International Medical Devices	126	75	1 9	200
25 Greystar Resources	42	70	1 8	98
26 Rambler Metals & Minerals	51	69	1 7	86
27 Spectrum Technologies	173	68	1 7	61
28 Dawmed Systems	216	66	1 7	108
29 Bet Brokers	106	66	1 7	–
30 Lisungwe	50	57	1 5	–
Thirty largest investments	**3,894**	**4,069**	**103 4**	
Other investments (inc CFD margin)	913	(377)	(9 5)	
Total investments	**4,807**	**3,692**	**93 9**	
Net current assets		**241**	**6 1**	
†Unlisted		**3,933**	**100 0**	

Contracts for Differences are asterisked Numbers shown represent economic interest
All portfolio investments are equity investments

Board of Directors

Peter Dicks (Chairman)

Peter Dicks was a founder and director of Abingworth plc which, between 1973 and 1992, specialised in making venture capital investments in the USA and the UK He is currently a director of Gartmore Fledgling Trust plc, Graphite Enterprise Trust plc, Polar Technology Trust plc, Private Equity Investor plc and a number of other unquoted companies He was appointed in 2000 and is due for re election this year

Richard Bernstein

Richard Bernstein, chartered accountant, is the founder and Chief Executive of Eurovestech plc, an AIM listed investment fund, investing in technology and internet related businesses Between 1994 and 1996, he ran his own specialist research house, Amber Analysis, which provided a risk management service for UK institutions From 1996 until 1999, he was an equities analyst at Schroder Securities Limited He has considerable investment experience with listed investments including a number of companies involved in internet infrastructure and e commerce He was appointed in 2000 and is due for re election in 2009

Anthony Puckridge

Anthony Puckridge is a director of NW Brown and Company Limited, a broadly diversified financial business where he founded the investment management division Prior to joining NW Brown, he was a director of Lazard Brothers & Co Limited where at various times he managed and advised pension funds, was in charge of both the US and smaller companies investments and was responsible for a series of funds involved in making venture capital investments He is an Associate of UKSIP and a Member of the Securities Institute He was appointed in 2000 and is due for re election in 2010

Report of the Directors

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

Principal activity and status

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

Investment objective

The investment objective of the Fund is long term capital growth from investments in smaller UK companies with a particular focus on the Alternative Investment Market ("AIM") Its aim is to outperform the FTSE AIM Index on a total return basis

Investment policy

The Fund aims to achieve its objective and to diversify risk by investing in shares and related instruments, controlled by a number of limits on exposures Appropriate guidelines for the management of the investments, gearing and financial instruments have been established by the Board Limits are expressed as percentages of shareholders' funds, measured at market value

Although the Fund's benchmark is the FTSE AIM Index, the pursuit of the investment objective may involve exposure to companies on other exchanges and to unlisted investments A high conviction investment approach is employed, which can involve strong sector or thematic positions No individual investment will exceed 10% of the portfolio on acquisition Total exposure to unlisted shares is also limited to a maximum of 10% and has historically been less

The Fund has the ability to borrow money to enhance returns This gearing can enhance benefits to shareholders but, if the market falls, losses may be greater The level of gearing is closely monitored and the Board has set an upper limit of 30% Borrowing is normally on a short term basis to ensure maximum flexibility but the Fund may also commit to longer term borrowing The Fund may also sell parts of the share portfolio and hold cash or other securities when there may be a greater risk of falling stockmarkets

The Board has granted the Managers a limited authority to invest in Contracts for Differences (long positions) and similar instruments as an alternative to holding actual stocks This means that the gross cost of investment is not incurred The total effect of such gearing (bank borrowings plus the gross exposure of long positions less any hedging) is limited to 30% of the Fund's net asset value Additional limits have also been set on individual hedging to assist risk control The use of Contracts for Differences can involve counterparty risk exposure

The Fund may also make use of hedging as an additional investment tool To help reduce the potential for stockmarket weakness to adversely impact the portfolio, the Board has granted the Managers limited authority to hedge risks, within specified limits and to a maximum of 15% of the total portfolio Such hedging (short positions) may be conducted through Contracts for Differences or other index instruments Hedging can be used to facilitate adjustment of the portfolio at a time of economic uncertainty or increased risk It aids flexibility and can allow exposure to a sector to be reduced with less disruption to the underlying long term portfolio However, in a rising stockmarket, this may impact performance

The Fund does not normally invest in fixed rate securities

Business review

A review of the business during the year is set out on pages 4 and 5

The Fund is an investment trust quoted on the London Stock Exchange and is required to comply with the Companies Act, the UK Listing Rules and applicable accounting standards In addition to the formal annual accounts, interim accounts and interim management statements, the Fund publishes monthly asset values and quarterly factsheets Although the objective is for long term growth, the Managers believe that outperformance in the short term is also important for the control of the Fund's rating (premium/discount) The performance and the rating are the two primary key performance indicators for the Fund and the Board assesses these on a regular basis The factsheets and the website carry further information on these indicators

Most of the Fund's investments are in small companies and may be seen as carrying a higher degree of risk These risks are mitigated through portfolio diversification, in depth analysis, the experience of the Managers and a rigorous internal control culture Further information on the internal controls operated for the Fund is detailed in the Report of the Directors on pages 12 and 13

Results

The total return for the year of £116,000 (2007 – £776,000) has been transferred to reserves No dividend has been declared

Principal risks

The principal risks facing the Fund are market related and include market price, interest, liquidity and credit risk. An explanation of these risks and how they are mitigated is explained in Note 10 to the Accounts Additional risks faced by the Fund are summarised below

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

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

Regulatory/Operational – Failure to comply with applicable legal and regulatory requirements could lead to a suspension of the Fund's shares, fines or a qualified audit report A breach of Section 842 could lead to the Fund being subject to capital gains tax Failure of the Managers' or third party service providers could prevent accurate reporting and monitoring of the Fund's financial position The Managers have many years of experience in managing investment trusts and comprehensive systems in place to ensure that the Fund is not at risk

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

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

Directors

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

	31 March 2008	1 April 2007
P F Dicks	**150,000**	150,000
R Bernstein	**100,000**	100,000
A Puckridge	**20,000**	20,000

There have been no changes in the Directors' interests between 31 March 2008 and 13 June 2008

Each Director has a letter of appointment, details of which are shown on page 14

Mr Dicks, who is considered to be independent, retires by rotation and, being eligible, offers himself for re election at the Annual General Meeting He has considerable investment management experience both in financial services and in small companies The Board recommends his re election to shareholders

Management

SVM Asset Management Limited provides investment management and secretarial services to the Fund 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 They are entitled to a fee for these services, payable quarterly in arrears, equivalent to 0 825 per cent per annum of the total assets of the Fund less current liabilities In addition, SVM Asset Management Limited is entitled to an incentive fee of 15 per cent of achieved outperformance of the Fund's benchmark index, FTSE AIM Index, on a six monthly in arrears basis subject to a high water mark In view of the size of the Fund, the Managers have waived their management fees for the year to 31 March 2007 and 2008 No incentive fee was paid or due in respect of the year to 31 March 2007 or 31 March 2008

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

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

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

Disclosure of information to the Auditors

Each Director of the Fund confirms that

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

Substantial shareholdings

As at 13 June 2008, the following interests in excess of 3 per cent of the issued ordinary shares of the Fund had been reported

Name	Number of Shares	Percentage of Capital
SVM Asset Management	1,160,000	19 3%
Jupiter Asset Management	544,000	9 1%
SG Asset Management	400,000	6 7%
Deutsche Bank Securities	300,000	5 0%
Landsbanki Securities	260,000	4 3%

Creditors Payment Policy

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

Financial instruments
The Fund's financial instruments comprise the investment portfolio (including the use of Contracts for Differences), cash at bank and on deposit, bank overdrafts and debtors and creditors that arise directly from operations The main risks that the Fund faces from its financial instruments are disclosed in Note 10 to the financial statements

Auditors
Ernst & Young LLP have expressed their willingness to continue in office as the Fund'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 nominal 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 Fund's existing shareholders to do so

Directors' Authority to Buy Back Shares
The current authority of the Fund to make market purchases of up to 15 per cent of the issued ordinary shares expires on the conclusion of this year's Annual General Meeting Resolution 6, as set out in the Notice of the Annual General Meeting, seeks renewal of this authority until the Annual General Meeting in 2009 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

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

Corporate governance
The Board of Directors has had in place throughout the year the procedures necessary to ensure compliance with the 2006 Combined Code of Best Practice ("the Combined Code") except as noted below In addition, the Fund has complied throughout the year with the provisions of the Association of Investment Companies Code of Corporate Governance ("AIC Code") Therefore, those issues on which the Fund does not report in detail are excluded because the Board deems them to be irrelevant to the Fund as explained in the AIC Code

The Directors confirm that the Fund has complied with the requirement to be headed by an effective Board to lead and control the Fund The Fund is an investment trust and not a trading company and, as such, there is no requirement for a Chief Executive Officer (Code A 2 1) Mr A Puckridge has acted as the Senior Independent Director throughout the year As detailed on page 7, 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 Combined 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 Fund is not required to comply with the principles of the Combined Code in respect of executive Directors' remuneration Directors may seek independent advice at the expense of the Fund

The Directors conduct an annual self assessment by discussion 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 Fund and its shareholders Having reviewed this assessment, each Director continues to be regarded as effective and committed to the Fund

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

The Managers maintain regular contact with the Fund'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 Board has defined the scope of the Managers' responsibilities including the principal operating issues such as hedging, gearing, share issuance and buy backs Details of the limits set on the key areas are set out in the Financial Instruments disclosures in note 10 to the Accounts

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

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

Committees

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

Management and Nomination Committee

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

Audit Committee

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

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

Internal control and financial reporting

The Board, in conjunction with the Managers, has established a process for identifying, evaluating and managing the significant risks faced by the Fund This process, which accords with the Turnbull guidance, has been in place for the whole year and up to the date of approval of the financial statements The Board is responsible for establishing and maintaining the Fund's system of internal control and reviewing its effectiveness Internal control systems are designed to meet the particular needs of the Fund 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 Fund's system of internal controls and the process applied by the Board in reviewing its effectiveness are.

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

The Board meets every quarter to review the overall business of the Fund and to consider the matters specifically reserved for it to decide upon At these meetings, the Directors review investment performance of the Fund compared to its benchmark index and in relation to comparable investment trusts The Directors also review the Fund'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 Fund There are clearly documented contractual arrangements between the Fund and these organisations which define the areas where the Board has delegated authority to them The Board receives reports on at least an annual basis detailing the internal control objectives and procedures adopted by each organisation Each report has been reviewed by the respective organisation's auditors The Board's review of these reports allows it to assess the effectiveness of the internal systems of financial control which affect the Fund

Compliance statement

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

VAT on management fees

In relation to the action raised against HM Revenue & Customs regarding the charging of VAT on investment management fees, the Board has agreed with the Managers that the Fund will only seek to recover from HMRC that amount of VAT recovered by the Managers Further details are disclosed in Note 11 on page 29

By Order of the Board,

SVM Asset Management Limited

Secretaries

13 June 2008

Directors' Remuneration Report

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

The law requires the Fund's Auditors to audit certain aspects of the disclosures provided Where disclosures have been audited, they are indicated as such The Auditors' opinion is included in their report on pages 16 and 17

Remuneration Committee
The Fund has three non executive Directors as detailed on page 7, 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 has appointed SVM Asset Management Limited as Company Secretaries to provide advice when the Management and Nomination Committee considers the level of Directors' fees The Management and Nomination Committee carries out a review of the level of Directors' fees on an annual basis In addition, SVM Asset Management Limited provides investment management and administration services to the Fund

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 this and subsequent years Due to the size of the Fund, 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 Fund's Articles of Association The current limit is £75,000 in aggregate per annum and shareholder approval in a general meeting would be required to change this limit Non executive Directors are not eligible for bonuses, pension benefits, share options, long term incentive schemes or other benefits

Directors' service contracts and tenure
All Directors were originally appointed at the Fund's inception in 2000 and all Directors have a letter of appointment The terms of their appointment provide that a Director shall retire and be subject to re election at the first Annual General Meeting following 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 a 3 month notice period and the Fund reserves the right to make a payment in lieu of notice on early termination of appointment

The Board's policy of tenure is to review actively whether Directors with service of nine years or more should be re nominated, whilst ensuring that the process of refreshing the Board does not compromise a balance of experience, age, length of service and skills To date, all Directors have been on the Board for less than eight years

The Management and Nomination Committee recommends to the Board candidates for nomination as Directors The Committee seeks candidates with the aim of ensuring that the Board comprises a broad spread of experience and knowledge and, where appropriate, actively searches for candidates

Fund performance
The graph below compares the total return (assuming all dividends are reinvested) to Ordinary

Shareholders for the last five years to the total shareholder return on a notional investment made up of shares of the same kinds and number as those by reference to which the FTSE AIM Index is calculated The Index has been chosen as it represents the Fund's benchmark

Directors' emoluments for the year (audited)
The Directors who served in the year received the following emoluments in the form of fees

	Fees 2008 £	Fees 2007 £
P F Dicks	**7,500**	7,500
R Bernstein	**5,000**	5,000
A Puckridge	**5,000**	5,000
	17,500	17,500

By Order of the Board,
SVM Asset Management Limited
Secretaries

13 June 2008

Statement of Directors' Responsibilities and Independent Auditors' Report

Directors' Responsibilities in relation to the Financial Statements

The Directors are responsible for preparing the financial statements in accordance with applicable law and regulations Company law requires the Directors to prepare financial statements for each financial year Under that law, the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice, (United Kingdom Accounting Standards and applicable law) The financial statements are required by law to give a true and fair view of the state of affairs of the Fund at the end of the financial year and of the net return of the Fund for that year 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 Fund 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 Fund and for taking reasonable steps for the prevention and detection of fraud and other irregularities

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

By Order of the Board

SVM Asset Management Limited
Secretaries

13 June 2008

Independent Auditors' Report to the members of SVM UK Emerging Fund plc

We have audited the financial statements of SVM UK Emerging Fund plc for the year ended 31 March 2008 which comprise the Income Statement, Balance Sheet, Cash Flow Statement, Reconciliation of Movements in Shareholders' Funds, Accounting Policies and the related notes 1 to 11 These financial statements have been prepared under the accounting policies set out therein We have also audited the information in the Directors' Remuneration Report that is described as having been audited

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

Respective responsibilities of Directors and Auditors

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

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

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

Statement of Directors' Responsibilities and Independent Auditors' Report

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

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

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

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

Opinion
In our opinion

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

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
London

17 June 2008

Income Statement *for the year to 31 March 2008*

	Notes	**Revenue £000**	**Capital £000**	**Total £000**
Gain on investments at fair value through profit or loss	*5*	–	222	222
Income	*1*	19	–	19
Investment management fees		–	–	–
Other expenses	*2*	(69)	(5)	(74)
Return before finance costs and taxation		(50)	217	167
Finance costs – bank overdraft interest		(51)	–	(51)
Return on ordinary activities before taxation		(101)	217	116
Taxation	*3*	–	–	–
Transfer (from)/to reserves		(101)	217	116
Return per Ordinary Share	*4*	(1 68p)	3 61p	1 93p

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

The Accounting Policies and the Notes on pages 23 to 29 form part of these Financial Statements

Income Statement *for the year to 31 March 2007*

	Notes	Revenue £000	Capital £000	Total £000
Gain on investments at fair value through profit or loss	*5*	–	866	866
Income	*1*	5	–	5
Investment management fees		–	–	–
Other expenses	*2*	(54)	(8)	(62)
Return before finance costs and taxation		(49)	858	809
Finance costs – bank overdraft interest		(33)	–	(33)
Return on ordinary activities before taxation		(82)	858	776
Taxation	*3*	–	–	–
Transfer (from)/to reserves		(82)	858	776
Return per Ordinary Share	*4*	(1 49p)	15 61p	14 12p

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

The Accounting Policies and the Notes on pages 23 to 29 form part of these Financial Statements

Balance Sheet *as at 31 March 2008*

	Notes	2008 £000	2007 £000
Fixed Assets			
Investments at fair value through profit or loss	5	**3,692**	3,712
Current Assets			
Debtors	6	**–**	126
Cash at bank and on deposit		**353**	118
Total current assets		**353**	244
Creditors amounts falling due within one year	7	**(112)**	(139)
Net current assets		**241**	105
Total assets less current liabilities		**3,933**	3,817
Capital and Reserves			
Share capital	8	**300**	300
Share premium		**314**	314
Special reserve		**5,144**	5,144
Capital redemption reserve		**27**	27
Capital reserve		**(1,449)**	(1,666)
Revenue reserve		**(403)**	(302)
Equity shareholders' funds		**3,933**	3,817
Net asset value per Ordinary Share	4	**65 50p**	63 57p

Approved and authorised for issue by the Board of Directors on 13 June 2008
and signed on its behalf by Peter Dicks, Chairman

The Accounting Policies and the Notes on pages 23 to 29 form part of these Financial Statements

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

	2008 £000	2007 £000
Reconciliation of revenue before finance costs and taxation to net operating cash flows		
Return before interest and taxation	167	809
Gains on investments	(222)	(866)
Transaction costs	5	8
Movement in creditors	–	(5)
Net cash outflow from operating activities	(50)	(54)
Returns on investment and servicing of finance		
Finance costs	(51)	(33)
Capital expenditure and financial investment		
Purchases of fixed asset investments	(1,391)	(2,087)
Sales of fixed asset investments	1,839	1,780
	448	(307)
Financing		
Share issue	–	341
Increase/(decrease) in cash	347	(53)
Reconciliation of Net Cash Flow to Movements in Net Funds		
Movement in cash in the year	347	(53)
Net funds as at start of year	6	59
Net funds as at end of the year	353	6

The Accounting Policies and the Notes on pages 23 to 29 form part of these Financial Statements

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

For the year to 31 March 2008

	Share capital £000	Share premium £000	Special reserve £000	Capital redemption reserve £000	Capital reserve realised £000	Capital reserve unrealised £000	Revenue reserve £000
As at 1 April 2007	**300**	**314**	**5,144**	**27**	**(896)**	**(770)**	**(302)**
Realised gain on sale of investments	–	–	–	–	**567**	–	–
Transaction costs	–	–	–	–	**(5)**	–	–
Movement in unrealised appreciation on investments	–	–	–	–	–	**(345)**	–
Loss on ordinary activities after taxation	–	–	–	–	–	–	**(101)**
As at 31 March 2008	**300**	**314**	**5,144**	**27**	**(334)**	**(1,115)**	**(403)**

For the year to 31 March 2007

	Share capital £000	Share premium £000	Special reserve £000	Capital redemption reserve £000	Capital reserve realised £000	Capital reserve unrealised £000	Revenue reserve £000
As at 1 April 2006	273	–	5,144	27	(1,345)	(1,179)	(220)
Realised gain on sale of investments	–	–	–	–	457	–	–
Transaction costs	–	–	–	–	(8)	–	–
Movement in unrealised appreciation on investments	–	–	–	–	–	409	–
Loss on ordinary activities after taxation	–	–	–	–	–	–	(82)
Share issue	27	314	–	–	–	–	–
As at 31 March 2007	300	314	5,144	27	(896)	(770)	(302)

The Accounting Policies and the Notes on pages 23 to 29 form part of these Financial Statements

Accounting Policies

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

Income
Income is included in the Income Statement on an ex dividend basis Deposit interest is included on an accruals basis

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

Investment Management Fees
Investment management fees, if any, are allocated 100 per cent to capital The allocation is in line with the Board's expected long term return from the investment portfolio Due to the size of the Fund, the Managers have waived their management fee The terms of the investment management agreement are detailed in the Report of the Directors on page 9

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 Fund's taxable profits and its results as stated in the accounts which are capable of reversal in one or more subsequent periods

Investments
The Fund's investments have been categorised as "fair value through profit or loss"

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

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

Purchases and sales of investments are accounted for on trade date

Notes to the Financial Statements

	2008 £000	2007 £000
1. Income		
Income from U K listed shares and securities	**19**	5
2. Other Expenses		
Revenue		
General expenses	**33**	20
Directors' fees	**18**	18
Auditors' remuneration – audit services	**14**	14
– taxation services	**4**	2
	69	54
Capital		
Transaction costs	**5**	8
3 Taxation		
Current taxation	**–**	–
Deferred taxation	**–**	–
Total taxation for the year	**–**	–
Revenue loss on ordinary activities before taxation	**(101)**	(82)
The tax assessed for the year is different from the standard small company rate of corporation tax in the UK The differences are noted below		
Corporation tax (20%)	**(20)**	(16)
Non taxable UK dividends	**(4)**	(1)
Current period excess expenses	**24**	17
Current taxation charge for the year	**–**	–

At 31 March 2008, the Fund had unutilised management expenses of £567,000 (2007 – £456,000) 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 6,005,000 (2007 – 5,497,329) ordinary shares in issue during the year
Total return per share is based on the total return for the year of £116,000 (2007 – £776,000)
Capital return per share is based on net capital gain during the year of £217,000 (2007 – £858,000)
Revenue return per share is based on the revenue loss after taxation for the year of £101,000 (2007 – £82,000)
The net asset values per share are based on the net assets of the Fund of £3,933,000 (2007 – £3,817,000) divided by the number of shares in issue at the year end as shown in Note 8

			2008 £000	2007 £000
5. Investments at fair value through profit or loss				
Listed investments			3,350	3,280
Unlisted investments			342	432
Valuation as at end of year			3,692	3,712
	Listed	**Unlisted**	**Total**	
Valuation as at start of year	3,280	432	3,712	2,616
Unrealised depreciation as at start of year	531	239	770	1,179
Cost as at start of year	3,811	671	4,482	3,795
Purchase of investments at cost	1,471	–	1,471	2,067
Proceeds from sale of investments	(1,576)	(137)	(1,713)	(1,837)
Net gain/(loss) on sale of investments	630	(63)	567	457
Cost as at end of year	4,336	471	4,807	4,482
Unrealised depreciation as at end of year	(986)	(129)	(1,115)	(770)
Valuation as at end of year	3,350	342	3,692	3,712
Net gain on sale of investments			567	457
Movement in unrealised depreciation			(345)	409
Total gains on investments			222	866
6. Debtors				
Due from brokers			–	126
7. Creditors: amounts falling due within one year				
Bank overdraft			–	112
Amounts due under CFD's			92	7
Other creditors			20	20
			112	139

Notes to the Financial Statements

	2008 £000	2007 £000
8. Share Capital		
Authorised		
100,000,000 ordinary 5p shares (2007 – same)	**5,000**	5,000
Allotted, issued and fully paid		
6,005,000 ordinary 5p shares (2007 – same)	**300**	300

	As at 1 April 2007 £000	Cash Flows £000	**As at 31 March 2008 £000**
9. Analysis of Net Funds			
Cash at bank and on deposit	118	235	353
Bank overdraft	(112)	112	–
Total	6	347	353

10 Financial Instruments

Financial Instruments

The Fund's investment policy is to hold investments and cash balances with gearing being provided by a bank overdraft All financial instruments are denominated in Sterling and are carried at fair value The fair value is the same as the carrying value of all financial assets and liabilities Where appropriate, gearing can be utilised in order to enhance net asset value The Fund does not invest in fixed rate securities other than where the Fund has substantial cash resources In this situation, the Fund has typically held short dated UK Government Securities There were no fixed rate securities held at 31 March 2008 (2007 – nil) Investments, which comprise principally equity investments, are valued as detailed in the Fund'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 Fund only operates short term gearing, which is limited to 30 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 5 25% as at 31 March 2008 (2007 – 5 25%) The Fund has a £400,000 bank overdraft facility with Bank of New York, renewable in May each year, at a rate of 1% above bank base rate There are no undrawn committed borrowing facilities Short term debtors and creditors are excluded from disclosure

The Fund does not have any foreign currency exposure and is consequently not currency hedged Financial information on the investment portfolio is detailed on page 6 and in note 5 on page 25

The Board has granted the Managers a limited authority to invest in Contracts for Differences ("CFD") to achieve some degree of gearing and/or hedging without incurring the gross cost of investment The Board requires the Managers to operate within certain risk limits, as detailed in the Report of the Directors The following table details the CFD positions

	2008 £000	2007 £000
Number of holdings	**5**	4
Net exposure	**£765,000**	£456,000
Unrealised losses	**£165,000**	£40,000

10. Financial Instruments (continued)

Risk management

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

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

Liquidity risk exists where the Fund is a forced seller of its investments at times where there may not be sufficient demand for these assets Shares traded on AIM and PLUS markets tend to be in companies that are smaller in size and by their nature less liquid than larger companies However, the Fund maintains an overdraft facility to ensure that the Fund is not a forced seller of its investments

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

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

Sensitivity analysis

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

	2008 £000	2007 £000
Investment portfolio		
5% increase	**+3.1p**	+3 1p
5% decrease	**–3.1p**	–3 1p
Other assets/liabilities		
Interest rate +2%	**+0.1p**	–
Interest rate –2%	**–0 1p**	–

Notes to the Financial Statements

10. Financial Instruments (continued)

Contractual maturity analysis

	Due not later than 1 month £000	Due between 1 and 3 months £000	Due between 3 and 12 months £000	2008 Total £000
Bank	353	–	–	353
Debtors	–	–	–	–
Creditors	(112)	–	–	(112)
Net liquidity	**241**	–	–	**241**

	Due not later than 1 month £000	Due between 1 and 3 months £000	Due between 3 and 12 months £000	2007 Total £000
Bank	118	–	–	118
Debtors	126	–	–	126
Creditors	(139)	–	–	(139)
Net liquidity	**105**	–	–	**105**

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

Capital management policies

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

The Fund's capital comprises	**2008 £000**	2007 £000
Capital and reserves		
Share capital	**300**	300
Share premium	**314**	314
Special reserve	**5,144**	5,144
Capital redemption reserve	**27**	27
Capital reserve	**(1,449)**	(1,666)
Revenue reserve	**(403)**	(302)
Total shareholders' funds	**3,933**	3,817

The Fund's objectives for managing capital are the same as the previous year and have been complied with throughout the year The Fund is subject to a number of capital requirements including restricting gearing to 30% of net assets, maintaining a minimum share capital of £50,000 (as a public company) and all capital restrictions imposed by relevant company and tax legislation

11. Contingent Assets

In June 2004, an action was raised against HM Customs & Excise regarding the charging of VAT on management fees Following the judgment by the European Court of Justice HM Revenue & Customs announced their withdrawal in November 2007 As a result, VAT will no longer be charged on investment management fees and, as referred to in the Report of the Directors, the Fund is entitled to seek reimbursement of VAT previously paid The Managers have filed the requisite protective claims and, as a result, approximately £6,500 of VAT is potentially recoverable

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

Notice of Annual General Meeting

Notice is hereby given that an Annual General Meeting of SVM UK Emerging Fund plc will be held at 7 Castle Street, Edinburgh EH2 3AH on Friday, 18 July 2008 at 9 30 am for the following purposes

Ordinary Resolutions

1 To receive the financial statements for the period to 31 March 2008 together with the Directors' and Auditors' Reports thereon

2 To re appoint Mr P F 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 for the year to 31 March 2008

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 18 October 2009, unless previously revoked, varied or extended by the Fund 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) for cash 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 Fund 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 Fund 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 Fund 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 18 October 2009 or at the conclusion of the next Annual General Meeting of the Fund (whichever is the earlier) save that the Fund 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

By Order of the Board
SVM Asset Management Limited
Secretaries

13 June 2008

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

Shareholder Information

Annual General Meeting

The Annual General Meeting of SVM UK Emerging Fund will be held at 7 Castle Street, Edinburgh EH2 3AH on 18 July 2008 at 9 30 am in order to receive the Report and Accounts and pass the resolutions as set out in the Notice calling the Meeting

Duration of the Fund

An ordinary resolution will be proposed at the Annual General Meeting in 2010, and at every fifth subsequent Annual General Meeting, that the Fund should continue as an investment trust If any such resolution is not approved, the Directors will convene an EGM to propose a special resolution for the unitisation or other reconstruction of the Fund

Investor Information

Regularly updated information, including the Fund's share price, net asset value and quarterly factsheets is available on a dedicated page on the SVM website at www svmonline co uk The latest annual reports are also available on the website As there is no longer a requirement to post the interim report to shareholders, it will also be made available on the website

If you own shares in your own name, the Registrars' website at www computershare co uk allows you to check your holding, display its current value and amend your details If you have any questions about your holding, you can contact the Registrars whose details are noted opposite

If you have purchased shares through the SVM Savings Scheme or ISA products and have any questions about your holding then you should contact the Administrator, whose details are noted opposite, quoting your investor reference number if possible

Investment Managers, Secretaries and Registered Office

SVM Asset Management Limited
6th Floor, 7 Castle Street
Edinburgh EH2 3AH
Telephone +44 (0)131 226 6699
Facsimile +44 (0)131 226 7799
E mail info@svmonline co uk
Web www svmonline co uk

Administrators of Savings Scheme/ISA

SVM Asset Management Limited
Block C, Western House
Peterborough Business Park
Lynchwood
Peterborough PE2 6BP
Tel 0845 358 1108

Registrars

Computershare Investor Services plc
Lochside House
7 Lochside Avenue
Edinburgh Park
Edinburgh EH12 9DJ
Telephone +44 (0)870 707 1328

Auditors

Ernst & Young LLP
1 More London Place
London SE1 2AF

Bankers

Bank of New York Mellon

Stockbrokers

Daniel Stewart & Company

Registered Number

211841

Summerhall Corporate 44059