

Annual Report
31 March 2013



SVM UK Emerging Fund plc



The investment objective of SVM UK Emerging Fund PLC (the “Fund or the “Company”) is long term growth from investments in smaller UK companies with a particular focus on the Alternative Investment Market.

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Highlights

- Over the 12 months, net asset value decreased by 25% and share price by 22% compared to a fall of 7% in the FTSE AIM Index.
- New portfolio managers appointed; strong recovery in second six months.
- Exposure to less liquid small companies reduced.
- Re-alignment of portfolio focusing on more liquid, dividend-paying growth businesses.
- Proposed re-alignment of investment objective.
- Since the year end, NAV has increased by 6.7% to 57.5p (31st May 2013)

Financial Highlights	31 March 2013	31 March 2012	% Change
Net asset value (p)	53.90	71.47	-24.7
Share price (p)	43.00	55.00	-21.8
FTSE AIM Index	762.27	821.98	-7.3
FTSE All-Share Index	3,380.64	3,002.78	-12.6
Discount	20.2%	23.0%	
Total expense ratio:			
Investment management fees*	–	–	
Other operating expenses	2.9%	1.4%	

*In view of the size of the Fund, the Manager has waived its management fees for the year to 31 March 2013 and 2012

Historical record Year to 31 March	NAV per share (p)	Share price (p)	Total Return (p)
2006	49.45	45.00	14.32
2007	63.57	62.50	14.12
2008	65.50	67.50	1.93
2009	44.73	31.00	(20.77)
2010	68.53	50.00	23.80
2011	87.36	63.00	18.83
2012	71.47	55.00	(15.89)
2013	53.90	43.00	(17.57)

Total Return to 31 March 2013 (%)	1 Year	3 Years	5 Years	Remit Change 2004	Launch (2000)
Net Asset Value	-24.6	-21.3	-17.7	+67.5	-44.4
FTSE AIM Index	-7.3	+6.4	-19.7	-13.5	-50.1

Chairman's statement



It is disappointing to report that over the 12 months to 31 March 2013, the net asset value decreased by 24.6% to 53.90p, compared to a fall of 7.3% in the benchmark, FTSE AIM Index. The share price fell 21.8%. In part, this reflects a tough environment for smaller companies, with many facing difficulty in raising either bank or equity finance. This contrasts with much improved financing for larger, global businesses. There appears to be little indication that this difficult environment, particularly for the smallest businesses will improve in the near term. Accordingly, the portfolio has been re-aligned to emphasise smaller and medium sized businesses that have exposure to global growth or the potential to progress by fundamental change and a degree of innovation. This has achieved an improvement in underlying liquidity within the portfolio. Encouragingly, since the end of the year under review, the net asset value has risen to by 6.7% to 57.5 pence at 31 May 2013.

Despite this year's disappointing performance, your Fund remains ahead of its benchmark since its remit change in September 2004. The net asset value and share price have returned 68% and 69%, respectively, against a decline of 14% in the benchmark.

Review of the year

In September, your Board announced that Colin McLean had assumed responsibility within SVM Asset Management for the investment management of the Fund. He is supported by deputy manager, Margaret Lawson. This change recognised that performance had been very disappointing over the previous 12 months. Colin and Margaret are also co-managers of SVM UK Growth Fund, an open ended investment company. Since their appointment to that fund six years ago it has returned 56.7 %, compared to an FTSE All-Share Index return of 27.8%. (Lipper, 6 years to 31.3.2013)

Following this change in the investment management team, a thorough review of the portfolio was made and a re-alignment implemented. Buyers were found for two of the unquoted businesses in line with valuation and a number of less liquid quoted equities were sold. The proportion of unquoted within the Fund is much reduced, and the Managers are continuing to work to release capital from this area. The Fund is now focused on more liquid, relatively larger capitalisation shares within the Fund's investment objective. The aim is to significantly improve liquidity and prospects for performance. Strategy will focus on businesses capable of growing without reliance on bank finance, and which have an institutional share register.

Additional investments researched by SVM UK Growth Fund manager, Margaret Lawson, have been made, and have contributed to the recovery in net asset

value since early September. Some of the cash realised from disposals is being aligned with SVM UK Growth Fund's best ideas.

The Fund has withdrawn from new investment in unquoted shares or those with PLUS Market quotes, given the increased risks and lower liquidity in these sectors. Amongst more liquid smaller companies and certain medium sized businesses, including those on AIM, there are attractive lower risk opportunities in growing businesses. New portfolio

investments include 3D printing software business, Delcam, which the Managers believe has strong growth prospects. Investments in Spirit Pub Company, and property group, Unite Group, are already showing good portfolio gains.

Your Board is working to improve liquidity in the Fund's shares. We believe that the improved underlying portfolio liquidity should help to achieve a lower discount, and that the management change will lead to an improvement in the performance of the Fund.



The UK economy is proving resilient, with many consumer businesses trading well and regulatory pressures easing for banks. Well-managed businesses are seeing relatively stable demand, and are able to gain market share, helped by cheap finance. While there will be greater pressures on disposable income this year, overall confidence in the economy is improving. The Managers expect further quantitative easing around the world, and shares should benefit. Many companies are able to lift earnings by self-help. The improvement in credit conditions is also helping businesses that are restructuring, such as Spirit Pubs and Thomas Cook.

The weak Pound is favourable for UK exporters, and the steady recovery in the US economy has more than offset a weaker background in Europe. The Fund is focused on growing small and mid-cap businesses, with an emphasis on the technology, retail, property, gaming and oil exploration sectors. It has no exposure to mining or banks.

A failure of austerity measures in Europe is likely to lead to full quantitative easing in the Eurozone. That should provide a favourable background for stockmarkets. We believe that the Pound may weaken further, but this should be helpful to many of the businesses in the portfolio.

Change of Investment Objective

The re-alignment of the portfolio since September has not only improved underlying liquidity, but also achieved markedly better performance. The Board believe that it would be helpful to amend the investment objective of the Fund to more clearly describe the current strategy. This will allow the Managers to continue stockpicking within predominantly smaller and medium sized UK companies, but remove the need for a particular focus on the Alternative Investment Market. The aim will be to outperform the IMA UK All Companies Sector Average on a total return basis.

SVM UK Growth Fund

Percentage Performance	31 May 12 to 31 May 2013	31 May 11 to 31 May 2012	31 May 10 to 31 May 2011	31 May 09 to 31 May 2010	31 May 08 to 31 May 2009
SVM UK Growth Fund A	-10.8	-24.7	25.6	21.5	-20.0
FTSE AIM Index	6.5	-21.8	30.8	33.3	-48.4

SVM UK Growth Fund

Percentage Performance	31 May 12 to 31 May 2013	31 May 11 to 31 May 2012	31 May 10 to 31 May 2011	31 May 09 to 31 May 2010	31 May 08 to 31 May 2009
SVM UK Growth Fund A	30.0	-1.9	25.7	20.3	-21.7
FTSE All-Share TR	30.1	-8.0	20.4	22.9	-23.7

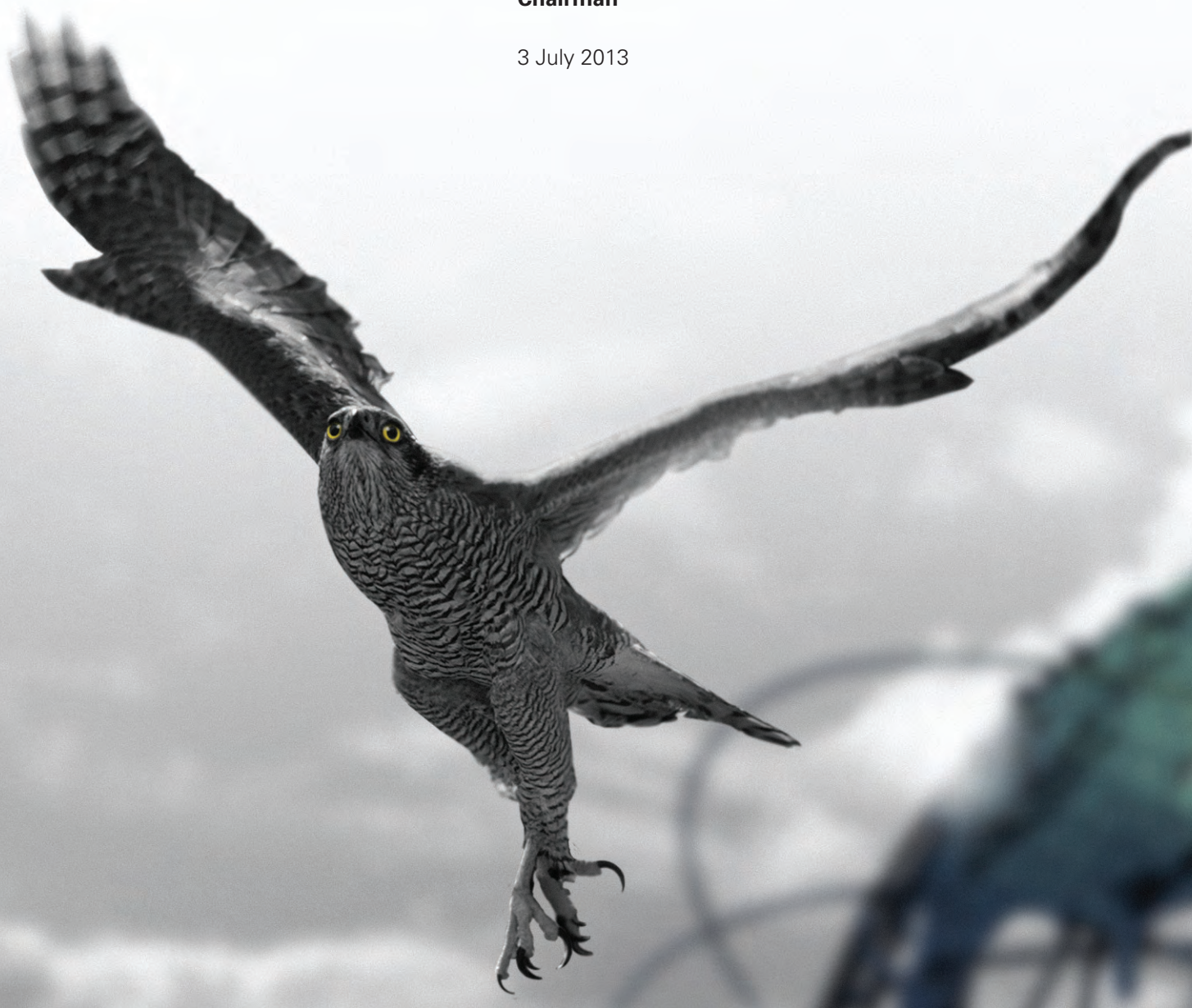
Outlook

The Fund retains a focused portfolio of growth businesses, many of which are modestly valued in comparison to their larger equivalents. Its aim remains to deliver long term capital growth, lower

volatility and superior absolute and relative returns. The Board and the Managers believe that it is well placed to continue to deliver on these aims.

Peter Dicks
Chairman

3 July 2013



Manager's review

Summary

The period under review saw significant change in the portfolio, after Colin McLean and Margaret Lawson assumed responsibility for the investment management of the Fund in September 2012. Portfolio exposure to unquoted and less liquid shares was reduced, reinvesting in businesses with superior growth prospects and lower risk. The portfolio is now focused on businesses capable of growing without reliance on bank finance, and which have an institutional share register. The emphasis continues to be in AIM, smaller companies and medium sized businesses, but microcap exposure has been reduced.

This reorganisation was largely effected in September and early October, and since then, performance has sharply improved. This has been against a more encouraging economic background for the UK, with the economy avoiding a triple dip over the period, and with good performance from well-managed businesses exposed to recovering sectors. Sectors emphasised in the portfolio include retailers, technology, industrials, business services and property. It has little exposure to mining and banks. The investment process involves fundamental research via company

meetings, combined with the identification of a catalyst to achieve recognition of value.

Contributors to performance

A number of the new portfolio investments, made in the second half of the year under review, contributed strongly to performance. 3D printing software group, Delcam, rose strongly, and there were gains from Ted Baker and Tribal Group. There was also steady performance from the property companies, where London exposure benefitted from money printing and investors' search for yield. During the year, North Sea oil & gas exploration and production group, Nautical Petroleum received a bid. After the year end, Valiant Petroleum also attracted a bid. Although these companies had been successful in exploration, and made money for investors, their eventual takeover reflects the difficult funding market for oil and gas field development.

A small number of holdings contributed disproportionately to losses during the period. Mantle Diamonds, Digital Learning Machines and Oracle Coal Fields were disappointing, as was China Pub Company. The funding environment for very small companies, or microcaps, continues to be challenging.



Strategy

Stocks are identified using a range of sources, from company meetings through to broker recommendations. Most portfolio shares are selected because of the sustainability of their business model; offering global exposure, strong top line growth and margins. Each is a niche operator which is hard for competitors to replicate; provided management can continue to deliver operationally, investors will be rewarded. These quality stocks can look expensive on traditional valuation measures; however they deserve this favourable rating. The Fund also seeks to exploit price anomalies. These tend to be businesses undergoing a fundamental change which we believe will lead to strong share price appreciation.

Unquoteds

The portfolio now has just three unquoted investments. Hurricane Energy, formerly Hurricane Exploration, is a substantial oil & gas exploration and development business, focused on the UK continental shelf. It controls 450 million barrels of 2C contingent

resources. The group specialises in fractured basement reservoirs, and its team has expertise in this area. Hurricane is not currently producing gas or oil. The Fund's investment is valued at a discount of 20% to the price at which Hurricane last raised funds, in March 2012. The shares are also held by a number of other institutional investors.

The Fund has an unquoted investment in the unsecured loan stock of Hydrodec Group, the ordinary shares of which are quoted on AIM. This pays an 8% coupon, and is redeemable in October 2014, or earlier at the company's option. Hydrodec has technology for cleaning and treating waste oil. To mitigate risk, the Fund has hedged part of this investment via a short sale of ordinary shares, effectively reducing credit exposure to Hydrodec.

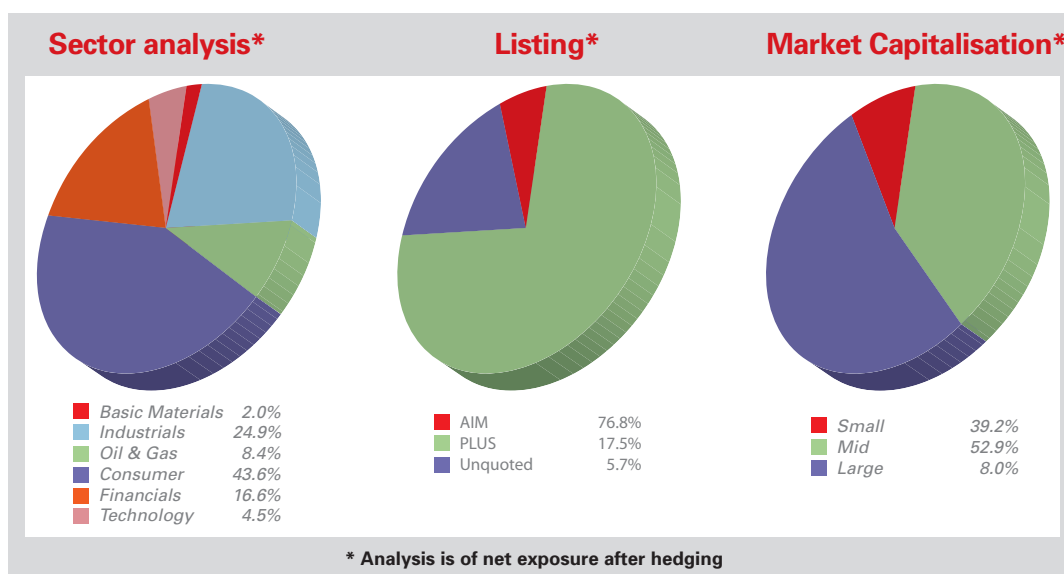
Claremont Partners, formerly CR201, represents 3.3% of the Fund and is valued at a 15% discount to cost. Claremont has gaming licence applications in Taiwan and the US, with land ownership which would benefit if the licenses were approved. It has a number of UK institutional investors.

During the year, a number of unquoted investments were sold or written-down. Fotolec Technology, previously Glassguard, was sold in line with valuation. China Pub Company was fully written-down, reflecting the Manager's assessment that re-financing is now unlikely.

Outlook

Many portfolio companies are able to lift earnings by self-help. The gradual improvement in credit conditions is also helping businesses that are restructuring, such as Spirit Pubs and Thomas Cook. The weak Pound is favourable for UK exporters, and the steady recovery in the US economy has more than offset a weaker background in Europe.

The UK economy is proving resilient, with many consumer businesses trading well and regulatory pressures easing for banks. Well-managed businesses are seeing relatively stable demand, and are able to gain market share, helped by cheap finance. While there will be greater pressures on disposable income over the next year, overall confidence in the economy is improving. We expect further quantitative easing around the world, and shares should benefit. A failure of austerity measures in Europe is likely to lead to full quantitative easing in the Eurozone. That should provide a favourable background for stockmarkets.



Investment portfolio

as at 31 March 2013

Stock	Cost 2013 £000	Valuation 2013 £000	% of Net Assets	Valuation 2012 £000
1 Hydrodec 8% CULS	250	250	7.7	250
2 Unite Group PLC	131	163	5.0	–
3 Spirit Pub Co PLC	131	137	4.2	–
4 Ted Baker PLC	93	130	4.0	–
5 Manroy PLC	165	123	3.8	293
6 Delcam PLC	88	120	3.7	–
7 Claremont Partners Ltd *	125	106	3.3	–
8 Tribal Group PLC	65	98	3.0	–
9 Mitchells & Butlers PLC	93	97	3.0	–
10 Filtrona PLC	66	95	2.9	–
Ten largest investments	1,207	1,319	40.6	
11 Hurricane Exploration *	50	90	2.8	101
12 Playtech LTD	59	88	2.7	–
13 Home Retail Group	63	88	2.7	–
14 Johnson Service Group PLC	70	87	2.7	–
15 Workspace Group PLC	66	83	2.6	–
16 Grainger PLC	82	81	2.5	–
17 Thomas Cook Group PLC	65	76	2.4	–
18 ITV PLC	60	75	2.3	–
19 SIG PLC	64	73	2.3	–
20 Lavendon Group PLC	59	71	2.2	–
Twenty largest investments	1,845	2,131	65.8	
21 GVC Holdings PLC	66	69	2.1	–
22 Marstons PLC	61	68	2.1	–
23 Synthomer PLC	60	67	2.1	–
24 Inchcape PLC	57	65	2.0	–
25 Ophir Energy PLC	71	65	2.0	–
26 Sports Direct International	62	64	2.0	–
27 Quintain Estates & Dev PLC	62	63	2.0	–
28 Helical Bar PLC	45	56	1.7	–
29 Hays PLC	51	53	1.6	–
30 Enterprise Inns PLC	38	53	1.6	–
Thirty largest investments	2,418	2,754	85.0	
Other investments (inc CFD margin)	1,272	494	15.3	
Total investments	3,690	3,248	100.3	
Net current assets		(11)	(0.3)	
		3,237	100.0	

All investments are UK equity investments with the exception of Hydrodec.

Those marked with an asterisk are unlisted.

Further information is given in note 5 on page 31.

A full portfolio listing as at 31 March 2013 is detailed on the website.

Board of Directors



Peter Dicks (Chairman)



Richard Bernstein



Anthony Puckridge

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 Milton Income Opportunities Trust plc, Graphite Enterprise Trust plc, Polar Capital Technology Trust plc, Private Equity Investor plc, Unicorn AIM VCT plc, Mears Group plc, Foresight VCT range of funds and a number of other quoted and unquoted companies. Mr Dicks has served on the Board for over nine years and stands for annual re-election.

Richard Bernstein

Richard Bernstein, a 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. Mr Bernstein has served on the Board for over nine years and stands for annual re-election.

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. Mr Puckridge has served on the Board for over nine years and stands for annual re-election.

Report of the directors

The Directors submit their Report and Accounts for the year to 31 March 2013.

BUSINESS REVIEW

Principal activity Status and Review

The Fund, is an Investment Company as defined in Section 833 of the Companies Act 2006 (company number: SC211841). It is not a close company for taxation purposes. It has been approved by HM Revenue & Customs as an investment trust for accounting periods commencing on or after 31 March 2012 subject to the Fund continuing to meet the eligibility conditions in section 1158 of Corporation Tax Act 2010 and the ongoing requirements for approved companies in Chapter 1 Part 2 Investment Trust (Approved Company) (Tax) Regulations 2011 (Statutory Instrument 2011/2999). 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 it 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 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 25% of the portfolio 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, including the use of derivatives, is closely monitored and the Board has set an upper limit of 30% of net assets. Borrowing is normally on a short term basis to ensure maximum flexibility but it may also commit to longer term borrowing. It 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 Manager a limited authority to invest in Contracts for Differences ("CFD's") (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 CFD's can involve counterparty credit risk.

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 Manager 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 CFD's 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 other than securities that are convertible into equity. However, the Fund may invest in short dated Government Securities as an alternative to holding cash.

Review

A review of the business during the year is set out on pages 6 to 8. 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, it 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).

Most of the Fund's investments are in small companies and may be seen as carrying a higher degree of risk than their larger counterparts. 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 18 and 19.

Results

The total loss for the year of £1,055,000 (2012: loss of £954,000) has been transferred to reserves. No dividend has been declared.

Key Performance Indicators

The Directors consider a number of key performance indicators ("KPIs") to measure the Fund's success in achieving its objectives. The key performance indicators used to measure the performance and development of the Fund are the Net Asset Value and share price performance and the rating. The Board assesses these on a regular basis. Further information on these indicators are detailed in the Highlights, Chairman's Statement, the Managers' website www.svmonline.co.uk and quarterly factsheets. The Board also reviews the performance of the Fund against its peers.

Principal Risks and Uncertainties

The principal risks facing the Fund relate to the investment in financial instruments and include market, liquidity, credit and interest rate risk. An explanation of these risks and how they are mitigated is explained in Note 9 to the Accounts. Additional risks faced by the Fund are summarised below:

Investment strategy – The risk that an inappropriate investment strategy may lead to the Fund underperforming its benchmark, for example in terms of stock selection, asset allocation or gearing.

The Board have given the Manager a clearly defined investment mandate which incorporates various risk limits regarding levels of borrowing and the use of derivatives. The Manager invests in a diversified portfolio of holdings and monitors performance with respect to the benchmark. The Board regularly review the Fund's investment mandate and long term strategy.

Discount – The risk that a disproportionate widening of discount in comparison to the Fund's peers may result in loss of value for shareholders.

The discount varies depending upon performance, market sentiment and investor appetite. The Board regularly review the discount and the Fund operates a vigorous share buy-back programme.

Accounting, Legal and Regulatory – 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. In order to qualify as an investment trust the Fund must comply with section 1158 of the Corporation Tax Act 2010 ("CTA"). Failure to do so may result in the Fund losing investment trust status and being subject to Corporation Tax on realised gains within the Fund's portfolio. The Manager monitors movements in investments, income and expenditure to ensure compliance with the provisions contained in section 1158. Breaches of other regulations, including the Companies Act 2006, the UKLA Listing Rules or the UKLA Disclosure and Transparency Rules, could lead to regulatory and reputational damage. The Board relies on the Manager and its professional advisers to ensure compliance with section 1158 CTA, Companies Act 2006 and UKLA Rules.

Operational – The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

Like most other Investment Trusts, the Fund has no employees and relies upon the

services provided by third parties. The Manager has comprehensive internal controls and processes in place to mitigate operational risks. These are regularly monitored and are reviewed to give assurance regarding the effective operation of the controls.

Corporate Governance and Shareholder Relations – Details of the Fund's compliance with corporate governance best practice, including information on relations with shareholders, are set out in the Directors' Statement on Corporate Governance on page 16.

Financial – The Fund's investment activities expose it to a variety of financial risks including market, credit and interest rate risk. These risks are explained in Note 9 on pages 32 to 34.

The Board seeks to mitigate and manage these risks through continuous review, policy setting and enforcement of contractual obligations.

The Board receives both formal and informal reports from the Managers and third party 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 and creditworthy counterparties.

The capital structure comprises only ordinary shares that rank equally. Each share carries one vote at general meetings.

Directors

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

	31 March 2013	31 March 2012
P F Dicks	150,000	150,000
R P Bernstein	120,000	120,000
A Puckridge	40,000	40,000

There have been no changes in the Directors' interests between 31 March 2013 and 3 July 2013.

Each Director has a letter of appointment, details of which are noted on page 20.

Each Director, having served for more than nine years, will offer himself for re-election at the Annual General Meeting. The Board considers that each Director is independent, despite having served on the Board for more than nine years and have demonstrated their independence through integrity and a robust contribution. The Board is of the view that length of service does not necessarily compromise the independence or contribution of directors of an investment trust, where continuity and experience can add significantly to the strength of the Board. The Board considers the long service of the Directors as an asset and recommends their individual 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. The Manager is 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 basis in arrears when the net asset value of the Fund exceeds 100p. In view of the size of the Fund, the Manager has waived its management fees for the years to 31 March 2013 and 2012. No incentive fee was paid or due in respect of the years to 31 March 2013 or 31 March 2012.

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

The Committee has reviewed the Manager's contract. In carrying out its review, it 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, marketing and risk monitoring. 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.

Substantial shareholdings

As at 3 July 2013, the following interests in excess of 3 per cent of the issued ordinary shares of the Fund had been reported:

	Number of Shares held	Percentage held
SVM Asset Management	1,814,218	30.2%
Clients of Charles Stanley	849,000	14.1%
Clients of L R Nominees Limited	533,473	8.9%
The Orr Mackintosh Foundation	260,000	4.3%
Clients of Alliance Trust Savings	201,118	3.3%
Clients of Cheviot Asset Management	200,000	3.3%

Creditors payment policy

The Fund's policy is to agree and make suppliers aware of payment terms prior to the transacting of business. It does and will continue to operate this policy. It does not have any trade creditors outstanding at the year end or at the previous 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 9 to the financial statements.

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 and the authority to sell shares held in treasury is set out in Resolutions 7 and 8 of the Notice of the Annual General Meeting.

The Directors will only issue 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% of the issued ordinary shares expires on the conclusion of this year's Annual General Meeting. Resolution 9, as set out in the Notice of the Annual General Meeting, seeks renewal of this authority until the Annual General Meeting in 2014. The price paid for shares will not be less than the nominal value of 5 pence per share nor more than 5% 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 either be cancelled or held in treasury for future re-sale in appropriate market conditions.

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 to be convened in 2015 and every five years thereafter, shareholders will be given the opportunity to decide on the future of the Fund. In assessing whether it is a going concern, the Board has reviewed the cash flow forecasts for the foreseeable future. In

addition, the Board has considered the current cash position and the overall financial position of the Fund. For these reasons, the Board considers that there is reasonable evidence to continue to adopt the going concern basis in preparing the accounts.

Directors' Statement on Corporate Governance

The Board of Directors considers that the Fund has complied with the recommendations of the AIC's Code of Corporate Governance and the provisions of the Financial Reporting Council's UK Corporate Governance Code (the "Code") that are relevant to the Fund throughout the year except as noted below:

- the role of the chief executive;
- executive directors' remuneration; and
- the need for an internal audit function;

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's Code of Corporate Governance.

The Directors confirm that the Fund has complied with the requirement to be headed by an effective Board to lead and control it. The Fund is an investment trust and not a trading company and, as such, there is no requirement for a Chief Executive Officer. The Board consists solely of non-executive Directors. Mr Peter Dicks is the Chairman and Mr Anthony Puckridge is the Senior

Independent Director. All Directors are considered by the Board to be independent of the Manager 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 annually 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 Code in respect of executive Directors' remuneration. Directors may seek independent professional advice if necessary, at the expense of the Fund.

The Directors conduct an annual self assessment of their collective and individual performances on a range of issues to review the effectiveness of the Board, the Committees and individual Directors in order to ensure that they are acting in the best interests of the Fund and its shareholders. In addition, the performance of the Chairman is evaluated by the other Directors. Having reviewed these assessments, it is the Board's opinion that each Director's performance continues to be effective and to demonstrate commitment to their role.

The table below sets out the number of Board meetings, Audit Committee and, Management and Nomination Committee meetings held during the year and the meetings attended by each Director.

	Board	Audit Committee	Management and Nomination Committee
Number of meetings held in year	3	2	2
P F Dicks	3	2	2
R P Bernstein	3	2	2
A Puckridge	3	2	2

The Manager maintains 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.

A management agreement between the Fund and the Manager sets out the matters over which the Manager has authority and the limits over which Board approval must be sought. All other matters, including corporate strategy, investment policy, corporate governance procedures, risk management and principal operating issues such as hedging, gearing, share issuance and buy backs are reserved for the approval of the Board of Directors. Details of the limits set on the key areas are set out in the Financial Instruments disclosures in note 9 to the financial statements.

The Fund usually exercises its voting powers at general meetings of investee companies. It does not operate a fixed policy when voting but treats each case on merit. The Manager has 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. The Board notes the Manager's statement of compliance with the UK Stewardship Code issued by the Financial Reporting Council in July 2010, which can be found on the Managers' website www.svmonline.co.uk

Each Director has a statutory duty to avoid a situation where they (and connected persons) have, or could have, a direct or indirect interest which conflicts, or may conflict, with the interests of the Fund. The Board has in place procedures for identifying and dealing with conflicts or potential conflicts. No actual or potential conflicts were identified during the year.

Committees

The Board has adopted a formal schedule of matters specifically reserved to itself for decision and, in relation to certain matters, two committees (the Audit Committee, and the Management and Nomination Committee) have been established. Each of the Committees comprises all of the Directors. The Board considers that it is appropriate for all Directors to be members of these committees, given the size and composition of the Board.

Both committees are chaired by the Senior Independent Director. The terms of reference of both committees are available for inspection on request from the Managers.

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. In considering appointments to the Board, the Management and Nomination Committee takes into account the ongoing requirements of the Fund and the need to have a balance of skills, experience, diversity, and independence and knowledge of the Fund.

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. All Directors have the requisite financial experience to sit on this committee. 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 Auditor.

The Committee must also satisfy itself that the published financial statements represent a true and fair view of the position. The Auditor is invited to attend such meetings and report on the results of the audit. The Auditor does not provide any non-audit services to the Fund other than tax compliance services, for which they are paid £3,000 per annum. Notwithstanding these, the Committee has concluded that the Auditor is 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.

Disclosure of information to the Auditor

As required by section 418 of the Companies Act 2006 each Director of the Fund confirms that:

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

Auditor

The auditors, Ernst & Young LLP have expressed their willingness to continue in office as the Fund's Auditors and resolutions proposing their reappointment and authorising the Directors to determine their remuneration for the ensuing year will be proposed at the forthcoming Annual General Meeting.

Internal control and financial reporting

The Board is responsible for establishing and maintaining the Fund's system of internal control and reviewing its effectiveness. The UK Corporate Governance Code states that the review should cover all material controls, including financial, operational and compliance controls. The Board, in conjunction with the Manager, has established a process for identifying, evaluating and managing the significant risks faced by the Fund. This process is subject to regular review by the Board and accords with the Financial

Reporting Council guidance. The process has been in place for the year under review and up to the date of these financial statements. 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 internal control reports of service providers.
- Consideration by the Board of the latest Review of Internal Controls documentation.
- Quarterly Board meetings to review performance, investment policy, strategy and shareholder relations.
- Regular updating by the Manager 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 its 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, administration, 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. 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 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

Company Secretary

3 July 2013

Directors' remuneration report

The Board has prepared this report in accordance with the requirements of the Companies Act 2006. 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 Auditor to audit certain aspects of the disclosures provided. Where disclosures have been audited, they are indicated as such. The Auditor's opinion is included in their report on pages 23 and 24.

Remuneration committee

The Fund has three non-executive Directors as detailed on page 10, 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 Secretary 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, administration and secretarial 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 Manager has waived its management fee and the Directors have waived their entitlement to half their fees until further notice.

Directors' remuneration is likely to remain unchanged for the coming year. 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, compensation for loss of office or other benefits.

Directors' appointment 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.

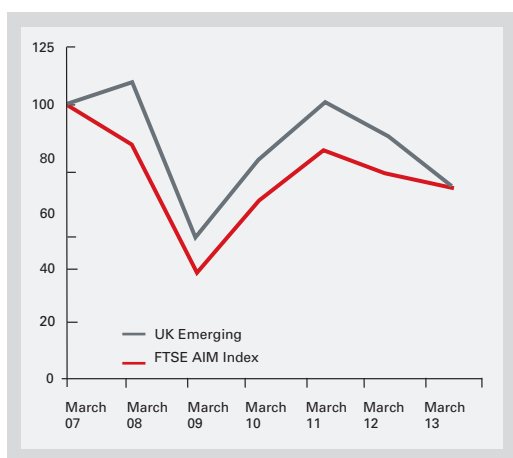
The Board's policy of tenure is to review actively whether Directors with service of nine years or more should be re-nominated, whilst ensuring that the process of refreshing the Board does not compromise a balance of experience, age, length of service and skills.

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 share price 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 2013 £	Fees 2012 £
P F Dicks	7,500	7,500
R P Bernstein	5,000	5,000
A Puckridge	5,000	5,000
Total	17,500	17,500

By Order of the Board,

SVM Asset Management Limited

Secretaries
Edinburgh

3 July 2013

Statement of directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Directors' Report and 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). Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Fund and of its profit or loss for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Fund's transactions and disclose with reasonable accuracy at any time the financial position of the Fund and enable them to ensure that the financial statements comply with the Companies Act 2006.

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

The Directors have delegated responsibility to the Manager for the maintenance and integrity of the Fund's corporate and financial information included on the Manager's website. The work carried out by the Auditor does not involve consideration of these matters and, accordingly, the Auditor accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors each confirm to the best of their knowledge that:

- the financial statements, prepared in accordance with the applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Fund and;
- the Report of the Directors includes a fair review of the development and performance of the business and the position of the Fund together with a description of the principal risks and uncertainties that it faces.

By Order of the Board

Peter Dicks

Chairman

3 July 2013

Independent auditor's 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 2013, which comprise the Income Statement, Balance Sheet, Reconciliation of Movements in Shareholders' Funds, Cash Flow Statement, Accounting Policies and related notes 1 to 9. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Fund's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Fund's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the Fund's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 22, the Directors are responsible for the preparation of the Annual Report and the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

In addition, we read all the financial and nonfinancial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Fund's affairs as at 31 March 2013 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' statement set out on pages 15 and 16, in relation to going concern;
- the part of the Corporate Governance Statement relating to the Fund's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

Susan Dawe

(Senior statutory auditor)
for and on behalf of Ernst & Young LLP,
Statutory Auditor
Edinburgh

3 July 2013

Income statement

for the year to 31 March 2013

	Notes	Revenue £000	Capital £000	Total £000
Net losses on investments at fair value through profit or loss	5	–	(991)	(991)
Income	1	50	–	50
Investment management fees		–	–	–
Other expenses	2	(96)	(12)	(108)
Loss before finance costs and taxation		(46)	(1,003)	(1,049)
Finance costs		(6)	–	(6)
Loss on ordinary activities before taxation		(52)	(1,003)	(1,055)
Taxation	3	–	–	–
Loss attributable to ordinary shareholders		(52)	(1,003)	(1,055)
Loss per Ordinary Share	4	(0.86p)	(16.71p)	(17.57p)

for the year to 31 March 2012

	Notes	Revenue £000	Capital £000	Total £000
Net losses on investments at fair value through profit or loss	5	–	(922)	(922)
Income	1	39	–	39
Investment management fees		–	–	–
Other expenses	2	(67)	(1)	(68)
Loss before finance costs and taxation		(28)	(923)	(951)
Finance costs		(3)	–	(3)
Loss on ordinary activities before taxation		(31)	(923)	(954)
Taxation	3	–	–	–
Loss attributable to ordinary shareholders		(31)	(923)	(954)
Loss per Ordinary Share	4	(0.52p)	(15.37p)	(15.89p)

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 Total 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 30 to 35 form part of these Financial Statements

Balance sheet

as at 31 March 2013

	Notes	2013 £000	2012 £000
Fixed Assets			
Investments at fair value through profit or loss	5	3,248	4,064
Current Assets			
Debtors	6	14	15
Cash at bank and on deposit		186	846
Total current assets		200	861
Creditors: amounts falling due within one year	7	(211)	(633)
Net current assets		(11)	228
Total assets less current liabilities		3,237	4,292
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		(1,927)	(924)
Revenue reserve		(621)	(569)
Equity shareholders' funds		3,237	4,292
Net asset value per Ordinary Share	4	53.90p	71.47p

*Approved and
authorised for issue by
the Board of Directors
on 3 July 2013 and
signed on its behalf by
Peter Dicks, Chairman.*

*The Accounting Policies
and the Notes on
pages 30 to 35 form
part of these Financial
Statements*

Reconciliation of movements in shareholders' funds

for the year to 31 March 2013

	Share capital £000	Share premium £000	Special reserve £000	Capital redemption reserve £000	Capital reserve £000	Revenue reserve £000
As at 1 April 2012	300	314	5,144	27	(924)	(569)
Loss attributable to shareholders	–	–	–	–	(1,003)	(52)
As at 31 March 2013	300	314	5,144	27	(1,927)	(621)

For the year to 31 March 2012

	Share capital £000	Share premium £000	Special reserve £000	Capital redemption reserve £000	Capital reserve £000	Revenue £000
As at 1 April 2011	300	314	5,144	27	(1)	(538)
Loss attributable to shareholders	–	–	–	–	(923)	(31)
As at 31 March 2012	300	314	5,144	27	(924)	(569)

The Accounting Policies and the Notes on pages 30 to 35 form part of these Financial Statements

Cash flow statement

for the year to 31 March 2013

	2013 £000	2012 £000
Reconciliation of loss before finance costs and taxation to net operating cash flows		
(Loss) before finance costs and taxation	(1,049)	(951)
Losses on investments	991	922
Transaction costs	12	1
Movement in debtors	1	(2)
Movement in creditors	(422)	2
Net cash outflow from operating activities	(467)	(28)
Taxation		
Taxation paid	–	(4)
Loss on investment and servicing of finance		
Finance costs	(6)	(3)
Capital expenditure and financial investment		
Purchases of fixed asset investments	(3,198)	(1,165)
Sales of fixed asset investments	3,011	1,196
	(187)	31
Movement in cash	(660)	(4)
Reconciliation of net cash flow to movement in net cash		
Movement in cash in the year	(660)	(4)
Net cash as at start of the year	846	850
Net cash as at end of the year	186	846

*The Accounting Policies
and the Notes on
pages 30 to 35 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 2009 Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" ("SORP").

Income

Income is included in the Income Statement on an ex-dividend basis. Income on fixed interest securities is included on an effective interest rate 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 Manager has waived its management fee. The terms of the investment management agreement are detailed in the Report of the Directors on page 14.

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 taxable profits and the results as stated in the accounts which are capable of reversal in one or more subsequent periods.

Investments

The 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 2013. 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.

Capital reserve

Gains and losses on realisations of fixed asset investments, and transactions costs, together with appropriate exchange differences, are dealt with in this reserve. All incentive fees and investment management fees, together with any tax relief, is also taken to this reserve. Increases and decreases in the valuation of fixed asset investments are dealt with in this reserve.

Notes to the accounts

	2013 £000	2012 £000
1. Income		
Income from UK listed shares and securities		
– dividends	34	19
– interest	16	20
	50	39

2. Other expenses

Revenue		
General expenses	39	29
Directors' fees [†]	22	18
Auditor's remuneration – audit services*	23	17
– taxation services*	12	3
	96	67

[†] The Directors' fees in respect of the year ended 31 March 2013 were £18,000. The figure above includes an adjustment for an underaccrual at 31 March 2012 of £4,000.

* The 2013 figures include VAT. The fees in respect of the year ended 31 March 2013 for audit services and taxation services, excluding VAT, were £17,000 and £4,000 respectively.

Capital

Transaction costs – acquisitions	6	–
– disposals	6	1
	12	1

3. Taxation

Current taxation	–	–
Deferred taxation	–	–
Total taxation for the year	–	–
Loss on ordinary activities before taxation	(1,055)	(954)

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%, 2012 – 20%)	(211)	(191)
Non taxable UK dividends	(7)	(4)
Non taxable investment losses/(gains) in capital	201	185
Movement in unutilised management expenses	17	10
Total taxation charge for the year	–	–

At 31 March 2013, the Fund had unutilised management expenses of £850,000 (2012 – £767,000).

A deferred tax asset of £170,000 has not 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 are based on a weighted average of 6,005,000 (2012 – 6,005,000) ordinary shares in issue during the year.

Total return per share is based on the total loss for the year of £1,055,000 (2012 – loss of £954,000).

Capital return per share is based on net capital loss during the year of £1,003,000 (2012 – loss of £923,000).

Revenue return per share is based on the revenue loss after taxation for the year of £52,000 (2012 – £31,000).

The net asset values per share are based on the net assets of the Fund of £3,237,000 (2012 – £4,292,000) divided by the number of shares in issue at the year end as shown in Note 8.

	2013 £000	2012 £000
5. Investments at fair value through profit or loss		
Listed investments	3,062	3,180
Unlisted investments	186	884
Valuation as at end of year	3,248	4,064

	Listed £000	Unlisted £000	Total £000	
Valuation as at start of year	3,180	884	4,064	4,973
Investment holding (losses)/gains as at start of year	(1,073)	(102)	(1,175)	501
Cost as at start of year	4,253	986	5,239	4,472
Purchases of investments at cost	3,192	–	3,192	1,210
Proceeds from sale of investments	(2,732)	(285)	(3,017)	(1,197)
Transfers	55	(55)	–	–
Net (loss)/gain on sale of investments	(1,500)	(59)	(1,559)	754
Cost as at end of year	3,268	587	3,855	5,239
Investment holding (losses) as at end of year	(216)	(391)	(607)	(1,175)
Valuation as at end of year	3,052	196	3,248	4,064
Net (loss)/gain on sale of investments	(1,500)	(59)	(1,559)	754
Movement in investment holding gains	857	(289)	568	(1,676)
Total loss on investments	(643)	(348)	(991)	(922)

	2013 £000	2012 £000
6. Debtors		
Investment income due but not received	6	7
Taxation	8	8
	14	15

	2013 £000	2012 £000
7. Creditors: amounts falling due within one year		
Amounts due under CFD's	164	609
Other creditors	47	24
	211	633

8. Share capital

Authorised		
100,000,000 ordinary 5p shares (2012 – same)	5,000	5,000
Allotted, issued and fully paid		
6,005,000 ordinary 5p shares (2012 – same)	300	300

As at the date of publication of this document, there was no change in the issued share capital and each ordinary share carries one vote.

9. Financial instruments

Risk Management

The Fund's investment policy is to hold investments, CFD's 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. It does not invest in short dated fixed rate securities other than where it has substantial cash resources. Fixed rate securities held at 31 March 2013 were valued at £250,000 (2012 – £250,000). Investments, which comprise principally equity investments, are valued as detailed in the 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 and the use of CFD's. The benchmark rate which determines the interest received on Sterling cash balances or paid on bank overdrafts is the bank base rate which was 0.5% as at 31 March 2013 (2012 – 0.5%). 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 9 and in note 5 on page 31.

	2013 £000	2012 £000
Classification of financial instruments		
Level 1	2,690	3,178
Level 2	202	103
Level 3 – 8 investments (2012 – 8)	356	783

Level 1 reflects financial instruments quoted in an active market.

Level 2 reflects financial instruments whose fair value is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables includes only data from observable markets. The CFD positions and Hurricane Exploration (2013 – £90,000, 2012 – £101,000) are the sole Level 2 investments.

Level 3 reflects financial instruments whose fair value is determined in whole or in part using a valuation technique based on assumptions that are not supported by prices from observable market transactions in the same instrument and not based on available observable market data.

9. Financial instruments (continued)

The movements within level 3 investments were as follows:

	2013 £000	2012 £000
Balance as at start of year	783	458
Purchases of investments at cost	–	125
Proceeds from sale of investments	(90)	–
Net losses on sale of investments	(110)	–
Transfers from level 1	–	200
Movement in investment holding gains	(227)	–
Balance as at end of year	356	783

The Board has granted the Managers a limited authority to invest in CFD's 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:

Number of holdings (2013 – 8; 2012 – 4)

Gross exposure	581	165
Net exposure (one short position)	289	165
Unrealised losses	212	743

The major risks inherent within the Fund are market risk, liquidity risk, credit risk and interest rate risk. It has an established environment for the management of these risks which are continually monitored by the Manager. Appropriate guidelines for the management of its financial instruments and gearing have been established by the Board of Directors. It has no foreign currency assets and therefore does not use currency hedging. It does not use derivatives within the portfolio with the exception of CFD's.

Market risk

The risk that the Fund may suffer a loss arising from adverse movements in the fair value or future cash flows of an investment. Market risks include changes to market prices, interest rates and currency movements. The Fund invests in a diversified portfolio of holdings covering a range of sectors. The Manager conducts continuing analysis of holdings and their market prices with an objective of maximising returns to shareholders. Asset allocation, stock selection and market movements are reported to the Board on a regular basis.

Liquidity risk

The risk that the Fund may encounter difficulty in meeting obligations associated with financial liabilities. The Fund is permitted to invest in shares traded on AIM and PLUS markets, these tend to be in companies that are smaller in size and by their nature less liquid than larger companies. The Manager conducts continuing analysis of the liquidity profile of the portfolio and the Fund maintains an overdraft facility to ensure that it is not a forced seller of investments.

9. Financial instruments (continued)

Credit risk

The risk that the counterparty to a transaction fails to discharge its obligation or commitment to the transaction resulting in a loss to the Fund. Investment transactions are entered into using brokers that are on the Manager's approved list, the credit ratings of which are reviewed periodically in addition to an annual review by the Manager's Board of Directors. The Fund's principal bankers are State Street Bank & Trust Company, the main broker for CFDs is UBS and other approved execution broker organisations authorised by the Financial Conduct Authority.

Interest rate risk

The risk that interest rate movements may affect the level of income receivable on cash deposits. At most times the Fund operates with relatively low levels of gearing, this has and will only be increased where an opportunity exists to substantially add to the net asset value performance.

Sensitivity analysis

The following table details the impact on net asset value and return 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.

	2013	2012
	£000	£000
Investment portfolio		
5% increase	+2.7p	+3.4p
5% decrease	-2.7p	-3.4p
Other assets/liabilities		
Interest rate 0.5%	-	-
Interest rate 0.5%	-	-
Maximum credit risk analysis		
As at the year end, the Fund's maximum credit risk exposure was as follows:		
Bank	186	846
Investment income due but not received	6	7
Taxation	8	8
	200	861

9. Financial instruments (continued)

Contractual maturity analysis

	Due not later than 1 month £000	Due between 3 and 12 months £000	2013 Total £000
Bank	186	–	186
Debtors	5	9	14
Creditors	(211)	–	(211)
Net liquidity	20	9	(11)

	Due not later than 1 month £000	Due between 3 and 12 months £000	2012 Total £000
Bank	846	–	846
Debtors	11	4	15
Creditors	(633)	–	(633)
Net liquidity	224	4	228

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.

	2013 £000	2012 £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	(1,927)	(924)
Revenue reserve	(621)	(569)
Total shareholders' funds	3,237	4,292

The Fund's objectives for managing capital are detailed in the Report of the Directors and have been complied with throughout the year. It normally restricts gearing to 30% of net assets, maintaining a minimum share capital of £50,000 (as a public company) and adheres to the capital restrictions imposed by relevant company and tax legislation.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that an Annual General Meeting of SVM UK Emerging Fund plc will be held at 1-2 Marylebone High Street, London W1U 4LZ on Friday, 13 September 2013 at 9.30 am for the following purposes:

Ordinary Business – Ordinary Resolutions

1. That the financial statements for the year to 31 March 2013, the Directors' Report and the Directors' Remuneration Report and the Independent Auditor's Report be received.
2. That the Directors' Remuneration Report for the year to 31 March 2013 be approved.
3. That Mr P Dicks be re-appointed as a Director.
4. That Mr R Bernstein be re-appointed as a Director.
5. That Mr A Puckridge be re-appointed as a Director.
6. That Ernst & Young LLP be re-appointed as Auditor of the Fund to hold office until the conclusion of the next AGM and that their remuneration be fixed by the Directors.
7. That, in substitution for any existing authority under the Companies Act 2006 (the "Act") but without prejudice to the exercise of any such authority prior to the date of this resolution, the Directors be and are hereby generally and unconditionally authorised in accordance with section 551 of the Act to exercise all the powers of the Fund to allot shares in the Fund and to grant rights to subscribe

for shares up to an aggregate nominal amount of £300,000 representing approximately 100% of the nominal value of the initial share capital of the Fund. This authority is to expire 15 months from the date on which this resolution is passed or, if earlier, at the conclusion of the annual general meeting of the Fund to be held in 2013, unless previously revoked, varied or extended by the Fund in general meeting, save that the Fund may, at any time prior to the expiry of such authority, make an offer or enter into an agreement which would or might require shares to be allotted after the expiry of such authority and the Directors may allot shares in pursuance of such an offer or agreement as if such authority had not expired.

Ordinary Business – Special Resolutions

8. That, the Directors be given the general power to allot shares in the Fund for cash either pursuant to the authority conferred by Resolution 7 or by way of a sale of treasury shares, as if section 561(1) of the Act did not apply to such allotment provided that the power shall be limited to the allotment of shares up to an aggregate nominal amount of £300,000 representing approximately 100% of the nominal value of the issued share capital of the Fund. This power:
 - (a) expires at the conclusion of the next Annual General Meeting of the Fund after the passing of this resolution or on the expiry of 15 months from the passing of this resolution, whichever is the earlier, save that the Fund may, before such expiry, make an offer or agreement which would or might

require shares to be allotted after such expiry and the Directors may allot shares in pursuance of any such offer or agreement as if the power conferred hereby had not expired; and

- (b) revokes and replaces all unexercised powers previously granted to the Directors to allot shares as if section 561 of the Act did not apply but without prejudice to any allotment of shares already made or agreed to be made pursuant to such authorities.

- 9. That in substitution for any existing authority but without prejudice to the exercise of any such authority prior to the date hereof, the Fund be generally and unconditionally authorised in accordance with section 701 of the Act to make market purchases (within the meaning of section 693 of the Act) of shares of the Fund provided that:

- (a) the maximum aggregate number of shares hereby authorised to be purchased is less than 15% of the issued share capital as at the date this resolution is passed;
- (b) the minimum price which may be paid for a share shall be 5 pence;
- (c) the maximum price (excluding expenses) which may be paid for a share shall be not more than the higher of:
 - (i) 5% above the average closing price on the London Stock Exchange for the shares over the five business days immediately preceding the date of purchase;
 - (ii) the higher of the last independent trade and the highest current independent bid on the London Stock Exchange; and

- (d) unless renewed, varied or revoked, the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Fund, or 15 months from the passing of this Resolution 9, whichever is the earlier, save that the Fund may, prior to such expiry, enter into a contract to purchase shares under such authority which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of shares pursuant to any such contract.

Special Business – Ordinary Resolutions

- 10. That the Benchmark be changed from the FTSE AIM Index to the IMA UK All Companies Sector Average Index.
- 11. THAT the investment objective be changed to "The investment objective of the Fund is long term capital growth from investments in smaller UK companies. Its aim is to outperform the IMA UK All Companies Sector Average Index on a total return basis."

By order of the Board
SVM Asset Management Limited
Company Secretary

3 July 2013

Notes:

1. Under Section 324 of the Companies Act 2006, a member of the Fund is entitled to appoint one or more proxies to exercise all or any of the member's rights to attend, speak and vote at a meeting of the Fund, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by the member.
2. A form of proxy for use by shareholders (or a form of direction for use by investors in the Savings Scheme or ISA products) is enclosed with this document. Proxies must be lodged with the Fund's registrars, Computershare Investor Services plc at the address noted on the form, not less than 48 hours (excluding non-working days) before the time appointed for the meeting, together with any Power of Attorney or other authority under which the proxy is signed. Completion of the form of proxy will not preclude you from attending the meeting and voting in person. Attendance by non-shareholders will be at the discretion of the Fund.
3. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, only those shareholders entered on the Register of Members at close of business on 11 September 2013 are entitled to attend and/or vote at the meeting. If the meeting is adjourned, to be entitled to attend and vote at the adjourned meeting, members must be entered on the Register of Members 48 hours (excluding non-working days) before the time fixed for the adjourned meeting.
4. The letters of appointment of the directors are available for inspection at the Fund's registered office during normal business hours and at the AGM (for 15 minutes prior to the meeting and during the meeting).
5. To facilitate voting by corporate representatives at the meeting, arrangements will be put in place so that (i) if a corporate shareholder has appointed the Chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the Chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative.
6. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a "CREST proxy instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the Fund's registrar (ID number 3RA50) no later than 48 hours (excluding non-working days) before the time of the meeting or any adjournment.

For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which

the Fund's registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members, and where applicable, their CREST sponsors or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Fund may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

7. The members of the Fund may require the Fund to publish, on its website, a statement setting out any matter relating to the audit of its accounts, including the auditor's report and the conduct of the audit. It will be required to do so once it has received such requests from either members representing at least 5% of the total voting rights of the Fund or at least 100 members who have a relevant right to vote and hold shares in the Fund on which there has been paid up an average sum per member of at least £100. Such requests should be made in writing and must state your full name and address and be sent to the Fund at 7 Castle Street, Edinburgh EH2 3AH.
8. As at 3 July 2013, the latest practicable date prior to the publication of this document, the Fund's issued share capital was 6,005,000 Ordinary Shares of 5p each. Each ordinary share carries the right to one vote at a general meeting of the Fund and, therefore the total number of voting rights in the Fund as at 3 July 2013 is 6,005,000.
9. Any person holding 3% of the total voting rights in the Fund who appoints a person other than the Chairman as his proxy will need to ensure that both he and such third party complies with their respective disclosure obligations under the Disclosure and Transparency Rules.
10. A copy of this notice, which the Fund is required by Section 311A of the Act to publish on a website in advance of the meeting is available on the Managers' website on www.svmonline.co.uk
11. Under section 319A of the Companies Act 2006, the Fund must answer any question relating to the business being dealt with at the meeting put by a member attending the meeting unless:
 - (a) answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;
 - (b) the answer has already been given on a website in the form of an answer to a question; or
 - (c) it is undesirable in the interests of the Fund or the good order of the meeting that the question be answered.
12. There are special arrangements for holders of shares through the Fund's Savings Scheme and ISA. These are explained in the separate 'Form of Direction' which such holders will have received with this Annual Report.

Shareholder Information

The SVM website remains the best source of information about the Fund. Over recent years, there have been a number of initiatives which have been added to improve shareholder access and the quality of reporting and marketing. These initiatives attract new investors and keep existing shareholders informed.

The Fund's webpage is easy to access within the Manager's website www.svmonline.co.uk and provides detailed information on the Fund.

The Fund's latest share price is updated daily and gives access to historical share price data since launch.

An interactive charting tool allows investors to view the performance record over fixed time periods or dates of their choice.

There is no longer any requirement to post the Fund's half yearly report to shareholders. It is made available on the website together with all other information we publish for the Fund.

Comprehensive quarterly factsheets are produced with the Manager's commentary, portfolio analysis, featured stock, fund performance, sector breakdowns and current hedging and gearing status.

The Fund distributes quarterly updates by email to a number of intermediaries. It is also possible for shareholders and other interested parties to subscribe to this. To do so, please email your request to info@svmonline.co.uk

At SVM, we aim to achieve superior investment performance through careful stockpicking and analysis. Whether we are researching for our long or long/short funds we undertake proprietary, in-depth analysis in order to identify the true value of a company or fund. This strategy has ensured that we have achieved superior investment returns for a broad range of clients – both institutional and private investors. As pure equity specialists, we focus our expertise on investing in UK and European companies as well as global investment funds.

Investing in SVM UK Emerging Fund plc

There are a variety of ways to invest in the Fund. Shares can be easily traded on the London Stock Exchange. However, regular savings and tax free wrappers are also available;

- SVM Investment Trust Savings Scheme accepts minimum lump sum investment from £200 and monthly savings from £50. Investments can be made as gifts for children or other adults. Dividends can be reinvested at no dealing cost.
- SVM ISA allows investors to save tax free up to £10,680 per annum. The minimum lump sum investment is £1,000 or regular savings from £50 per month.
- SVM Saving Scheme for Children is a low cost option available to any adult who wants to invest for children. The minimum lump sum accepted is £200 and monthly savings start from as little as £25.

For more information or brochures call **0131 226 7660**. Alternatively, application packs can be downloaded from www.svmonline.co.uk

Corporate information

**Investment Manager, Secretary and
Registered Office**

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Administrators of Savings Scheme/ISA

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Auditor

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Custodians

State Street Bank & Trust Company

Registered Number

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