



**SVM** UK Emerging Fund plc  
Half Yearly Report  
30 September 2014



## HIGHLIGHTS

- Net asset value return of -11.9% compared to a -1.5% return in the IMA UK All Companies Sector Average Index
- Weakness confined to first half of review period; portfolio restructuring helped progress in second half of the period
- Positive contributions from ITV, GVC Holdings and SSP Group
- New investments made in Compass Group and Close Brothers Group
- Portfolio emphasises consumer services, property and business services.

*“Long term 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”*

## CHAIRMAN'S STATEMENT

Stockmarkets were volatile during the six months under review, with concern about UK interest rates and weaker real wage growth. Geopolitical developments were also unhelpful, with growth forecasts revised down for Europe and emerging markets. Over the six months, the Fund returned -11.9%, versus a return of -1.5% for the benchmark index, the IMA UK All Companies Sector Average.

The weakness was confined to the first half of the period under review, during which some restructuring was made to the Fund's portfolio. This reduced exposure to cyclical sectors, and the new investments focused on liquid shares in more defensive sectors. This helped the Fund to make some progress in the second-half of the period, despite further market weakness. Against a background of material long term outperformance by small and medium sized companies over the FTSE 100, there have been periods of similar setbacks. The last reverse was in 2011 and 2008 before that. Each time small and medium sized companies have returned to favour.

There were positive contributions over the period from gaming services group, GVC Holdings, ITV, and catering services business, SSP Group. ITV shares were also boosted by bid rumours, as US-based media group, Liberty Global, indicated intentions to expand in Europe. The main disappointments were in the consumer sectors and technology; WANdisco, ASOS and Supergroup.

New investments were made in Compass Group and Close Brothers Group; with additions to

Booker and SABMiller. Part of the investments in Ted Baker, WANdisco and Fusionex were sold to fund the new investments. The portfolio emphasises consumer sectors, property and business services. For the industrial businesses in the portfolio, the low oil price will help. The portfolio has no exposure to banks or utilities, and low exposure to mining, resources and energy.

Dividends within the listed investments in the portfolio are growing. However, in line with the practice in previous years, no interim dividend will be paid. The investment objective of the Company is long term capital growth.

Forecasts for UK growth have been revised down, but the UK will still be the strongest European economy this year, with growth also likely to continue ahead of the Eurozone over the next two years. Many UK-listed international companies are benefiting from the continuing US recovery, and the portfolio has exposure to this potential. Despite the weakness in Europe, the global economy continues to grow.

Deflation remains a risk for the UK and other major economies. As a result, monetary stimulation is likely to continue, and we expect equities will benefit from this. The Fund remains fully invested, reflecting good potential for self-help in many portfolio companies.

Peter Dicks  
Chairman  
24 November 2014

## DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for preparing the Half Yearly Report in accordance with applicable law and regulations.

The Directors confirm that to the best of their knowledge:

- (i) the condensed set of financial statements, which have been prepared in accordance with the Accounting Standards Board's statement 'Half Yearly Financial Reports' on a going concern basis, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Fund;
- (ii) the Interim Management Report includes a fair review of the information required by the Disclosure and Transparency Rules DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the

remaining six months of the year); and DTR 4.2.8R (disclosure of related party transactions and changes therein).

- (iii) No related party transactions have taken place during the first six months of the year that have materially affected the financial position of the Fund during the period and there have been no changes in the related party transactions described in the Annual Report & Accounts for the year end 31 March 2014 that could do so.

The Half Yearly Financial Report has not been audited or reviewed by the Fund's auditors.

By Order of the Board

**Peter Dicks**

Chairman

24 November 2014

## UNAUDITED ACCOUNTS

### Income Statement

	Six months to 30 September 2014			Six months to 30 September 2013		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Net gain/(loss) on investments at fair value through profit or loss	-	(547)	(547)	-	590	590
Income	55	-	55	52	-	52
Investment management fees	-	-	-	-	-	-
Other expenses	(28)	(5)	(33)	(36)	(4)	(40)
<b>Gain/(loss) before finance costs and taxation</b>	<b>27</b>	<b>(552)</b>	<b>(525)</b>	<b>16</b>	<b>586</b>	<b>602</b>
Finance costs	(4)	-	(4)	(5)	-	(5)
<b>Gain/(loss) on ordinary activities before taxation</b>	<b>23</b>	<b>(552)</b>	<b>(529)</b>	<b>11</b>	<b>586</b>	<b>597</b>
Taxation	-	-	-	-	-	-
<b>Gain/(loss) attributable to ordinary shareholders</b>	<b>23</b>	<b>(552)</b>	<b>(529)</b>	<b>11</b>	<b>586</b>	<b>597</b>
<b>Gain/(loss) per Ordinary Share</b>	<b>0.38p</b>	<b>(9.19p)</b>	<b>(8.81p)</b>	<b>0.18p</b>	<b>9.76p</b>	<b>9.94p</b>

	Year ended 31 March 2014 (audited)		
	Revenue £'000	Capital £'000	Total £'000
Net gain/(loss) on investments at fair value through profit or loss	-	1,205	1,205
Income	83	-	83
Investment management fees	-	-	-
Other expenses	(62)	(11)	(73)
<b>Gain/(loss) before finance costs and taxation</b>	<b>21</b>	<b>1,194</b>	<b>1,215</b>
Finance costs	(13)	-	(13)
<b>Gain/(loss) on ordinary activities before taxation</b>	<b>8</b>	<b>1,194</b>	<b>1,202</b>
Taxation	-	-	-
<b>Gain/(loss) attributable to ordinary shareholders</b>	<b>8</b>	<b>1,194</b>	<b>1,202</b>
<b>Gain/(loss) per Ordinary Share</b>	<b>0.14p</b>	<b>19.89p</b>	<b>20.3p</b>

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

All revenue and capital items in this statement derive from continuing operations.

A Statement of Total Recognised Gains and Losses is not required as all gains and losses of the Company have been reflected in the above statement.

## UNAUDITED ACCOUNTS

### Balance Sheet

	As at 30 September 2014 (unaudited) £'000	As at 31 March 2014 (audited) £'000	As at 30 September 2013 (unaudited) £'000
<b>Fixed Assets</b>			
Investments at fair value through profit or loss	3,690	4,421	3,732
<b>Total Current Assets</b>	283	106	355
<b>Creditors: amounts falling due within one year</b>	(63)	(88)	(253)
<b>Net current assets</b>	220	18	102
<b>Total assets less current liabilities</b>	3,910	4,439	3,834
<b>Capital and Reserves</b>	3,910	4,439	3,384
<b>Equity shareholders' funds</b>	3,910	4,439	3,834
<b>Net asset value per Ordinary Share</b>	65.12p	73.93p	63.84p

## UNAUDITED ACCOUNTS

### Summarised Reconciliation of Movement in Shareholders' Funds

For the period to 30 September 2014

	Share capital £'000	Share premium £'000	Special reserve £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000
As at 1 April 2014	300	314	5,144	27	(733)	(613)
Gain/(loss) attributable to shareholders	-	-	-	-	(552)	23
<b>As at 30 September 2014</b>	<b>300</b>	<b>314</b>	<b>5,144</b>	<b>27</b>	<b>(1,285)</b>	<b>(590)</b>

For the year to 31 March 2014

	Share capital £'000	Share premium £'000	Special reserve £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000
As at 1 April 2013	300	314	5,144	27	(1,927)	(621)
Gain/(loss) attributable to shareholders	-	-	-	-	1,194	8
<b>As at 31 March 2014</b>	<b>300</b>	<b>314</b>	<b>5,144</b>	<b>27</b>	<b>(733)</b>	<b>(613)</b>

For the period to 30 September 2013

	Share capital £'000	Share premium £'000	Special reserve £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000
As at 1 April 2013	300	314	5,144	27	(1,927)	(621)
Gain/(loss) attributable to shareholders	-	-	-	-	586	11
<b>As at 30 September 2013</b>	<b>300</b>	<b>314</b>	<b>5,144</b>	<b>27</b>	<b>(1,341)</b>	<b>(610)</b>

## UNAUDITED ACCOUNTS

### Summarised Cash Flow Statement

	Six months to 30 September 2014 £'000 (unaudited)	Year to 31 March 2014 £'000 (unaudited)	Six months to 30 September 2013 £'000 (audited)
Net cash (out)/inflow from operating activities	(7)	-	53
Taxation	7	-	2
Capital expenditure and financial investment	119	(115)	137
Servicing of finance	(4)	(13)	(5)
<b>Movement in cash in the period</b>	<b>115</b>	<b>(128)</b>	<b>81</b>



## UNAUDITED ACCOUNTS

### Investment Portfolio

**Ten largest investments as at 30 September 2014**

	Valuation £000	% of Net Assets
<b>Stock</b>		
1 ITV Television	185	4.7
2 Unite Group	174	4.4
3 Workspace Group	155	4.0
4 SSP Holdings	132	3.4
5 GVC Holdings	131	3.4
6 Johnson Service Group	131	3.4
7 Grainger Trust	111	2.8
8 Claremont Partners	106	2.7
9 Playtech	101	2.6
10 Restaurant Group	98	2.5
<b>Ten largest investments</b>	<b>1,324</b>	<b>33.9</b>
Other investments (47 holdings)	2,366	60.5
<b>Total investments</b>	<b>3,690</b>	<b>94.4</b>
<b>Net current assets</b>	<b>220</b>	<b>5.6</b>
<b>Net Assets</b>	<b>3,910</b>	<b>100.0</b>

**Sector analysis as at 30 September 2014**

Sector	% of Net Assets
Basic Materials	0.0
Industrials	20.1
Oil and Gas	1.5
Consumer Goods	9.7
Consumer Services	42.1
Healthcare	0.9
Telecoms	0.0
Technology	5.6
Financials	20.1
Utilities	0.0
<b>Total</b>	<b>100.0</b>

## 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. Additional risks faced by the Fund are investment strategy, share price discount, accounting, legal and regulatory, operational, corporate governance and shareholder relations, and financial. 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. An explanation of these risks and how they are mitigated is explained in the 2014 Annual Report, which is available on the Manager's website: [www.svmonline.co.uk](http://www.svmonline.co.uk). These principal risks and uncertainties have not changed from those disclosed in the 2014 Annual Report.

## Notes

1. The results have been prepared in accordance with UK Generally Accepted Accounting Practice ('GAAP') and the 2009 Statement of Recommended Practice ('SORP') issued by the Association of Investment Companies. These accounts have been prepared in accordance with the accounting policies used for the year ended 31 March 2014.
2. **Returns per share**  
Return per share is based on a weighted average of 6,005,000 (2013 – 6,005,000) ordinary shares in issue during the period.  
Total return per share is based on the total loss for the period of £529,000 (2013 – gain of £597,000). Capital return per share is based on the net loss for the period of £552,000 (2013 – gain of £586,000). Revenue return per share is based on the revenue gain after taxation for the period of £23,000 (2013 gain of £11,000).  
  
The number of shares in issue at 30 September 2014 was 6,005,000 (2013 – 6,005,000).
3. The Investment Managers have waived their fees for the periods to 30 September 2014 and 2013.
4. The above figures do not constitute full or statutory accounts in terms of Sections 434 and 435 of the Companies Act 2006. All information shown for the six months to 30 September 2014 is unaudited. The accounts for the year to 31 March 2014, on which the auditors issued an unqualified report, have been lodged with the Registrar of Companies and did not contain a statement required under Section 498 of the Companies Act 2006.

## CORPORATE INFORMATION

### Directors

Peter Dicks (Chairman)  
Richard Bernstein  
Anthony Puckridge

### Investment Manager, Secretary and Registered Office

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### Registrars

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### Auditor

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### Custodians

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### Registered Number

SC211841

### Company Website

[www.svmonline.co.uk](http://www.svmonline.co.uk)