

Annual Report
31 March 2016



SVM UK Emerging Fund plc

The investment objective of SVM UK Emerging Fund PLC (the “Fund” or the “Company”) 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.

Contents

1	Highlights
2	Chairman’s Statement
6	Manager’s Review
9	Investment Portfolio
10	Strategic Report
14	Board of Directors
15	Report of the Directors
21	Directors’ Remuneration Report
24	Audit Committee Report
26	Statement of Directors’ Responsibilities
27	Independent Auditor’s Report
30	Income Statement
31	Balance Sheet
32	Statement of Changes in Equity
33	Cash Flow Statement
34	Accounting Policies
35	Notes to the Financial Statements
41	Notice of Annual General Meeting
44	Shareholder Information
45	Corporate Information

Highlights

- Over the 12 months, net asset value increased by 8.1% and the share price gained 5.9% compared to a return of –2.5% in the benchmark.
- Since the current investment managers took on responsibility for the portfolio in September 2012, net asset value has gained 70.3% against a benchmark return of 25.4%.
- Portfolio emphasises exposure to growth in the UK economy, and improving consumer confidence.
- The portfolio is focused on medium sized and smaller growing businesses, where management can deliver growth via self-help.

Financial Highlights

	Year to 31 March 2016	Year to 31 March 2015
Total Return performance:		
Net Asset Value total return	+8.1%	+2.0%
Share Price total return	+5.9%	+2.2%
Benchmark Index (IMA UK All Companies Sector Average Index since 1 October 2013*)	–2.5%	+5.6%

	31 March 2016	31 March 2015	% Change
Capital Return performance:			
Net asset value (p)	81.47	75.38	+8.1%
Share price (p)	62.50	59.00	+5.9%
FTSE All-Share Index	3,395	3,664	–7.3%
Discount	23.3%	21.7%	
Gearing****	25.2%	27.4%	
Ongoing Charges ratio:			
Investment management fees**	–	–	
Other operating expenses	1.2%	0.9%***	

Total Return to 31 March 2016 (%)	1 Year	3 Years	5 Years	10 Years	Launch (2000)
Net Asset Value	+8.1	+51.2	–6.7	+64.7	–16.0
Benchmark Index*	–2.5	+20.6	–0.6	–20.8	–39.8

*The benchmark index for the Fund was changed to the IMA UK All Companies Sector Average Index from 1 October 2013 prior to which the FTSE AIM Index was used.

**The Manager has waived its management fees for the year to 31 March 2016 and 2015.

***2015 figure reduced by an accrual in respect of a prior year; without this reduction, the ongoing charges ratio for 2015 would be 1.4%.

**** The gearing figure indicates the extra amount by which shareholders' funds would change if total assets (including CFD position exposure and netting off cash and cash equivalents) were to rise or fall. A figure of zero per cent means that the Company has a nil geared position.

Chairman's statement

- Over the 12 months, net asset value increased by 8.1% and the share price gained 5.9% compared to a return of -2.5% in the benchmark.
- Since the current investment managers took on responsibility for the portfolio in September 2012, net asset value has gained 70.3% against a benchmark return of 25.4%.
- Portfolio emphasises exposure to growth in the UK economy, and improving consumer confidence.
- The portfolio is focused on medium-sized and smaller growing businesses, where management can deliver growth via self-help.

Over the 12 months to 31 March 2016, the Company's net asset value increased by 8.1% to 81.47p per share, compared to a fall of 2.5% in the benchmark, the IMA UK All Companies Sector Average Index. Over the 12 months, the share price gained 5.9%. Since the current joint managers were appointed in September 2012, net asset value has risen 70.3%, versus a benchmark return of 25.4%. Since the period end, the EU Referendum result has created stock market volatility and the Company's net asset value has been reduced.

Review of the year

Global stockmarkets drifted in the 12 months under review, and the UK was no exception. In the first part of the period, a rise in US interest rates drove weakness in mining, oils and banks. Fortunately, your Company has very low exposure to these areas. In the first quarter of 2016, however, domestic UK sectors experienced profit-taking, as fears about the EU Referendum weighed on sentiment. Sterling and consumer sectors underperformed, and resources recovered. There was concern about the trend of real earnings in the UK and disinflationary pressures. Since the year end, however, in April and May, there has been a sharp rebound in the over-sold areas. Fortunately, economic data is now more supportive of the UK economy, and the sectors on which the portfolio is focused are recovering. These include UK consumer and business services, healthcare and property. The EU Referendum has created some economic and political uncertainty, but the implications are as yet unclear.

The most significant contributions to performance came from Paddy Power, Betfair, Dart Group, SuperGroup, Ryanair and Johnson Service Group. Paddy Power and Betfair gained as they completed their merger, which took the combined group into the FTSE 100. The main disappointment was Hutchison China Meditech (HCM), which saw its shares weaken as it raised new capital when listing

on the US Nasdaq market. HCM has a strong pipeline of drug research, and has subsequently announced new trials. The investment in Claremont Partners, representing 0.7% of the portfolio, was written-off at the year end recognising uncertainty over its prospects and valuation. The portfolio now consists solely of listed companies.

During the period, the Company added to its investments in RPC Group, Imperial Brands, Kerry Group and Sage Holdings. New investments were made in Palace

Capital, Fevertree Drinks and Autotrader. New investments emphasise businesses with potential to grow against a background of low inflation. To fund these, some profit was taken in Unite Group, ITV and SSP Group, and Kainos was sold.

The portfolio includes businesses where there are good self-help opportunities or potential for acquisition, such as Kerry Group, RPC, Micro Focus and DCC. Companies are held where there are good prospects for pricing improvement and volume recovery, such as Imperial Brands.

The Company has a balance between cyclical exposure and investments in more defensive sectors.

The portfolio also has above average exposure to medium sized and smaller companies which are typically growing more rapidly than the largest FTSE 100 groups. Over the longer term, medium sized companies have significantly outperformed large ones. The current environment of low cost finance is encouraging businesses to restructure, facilitating acquisitions and disposals. In contrast, the largest groups tend to be more exposed to mature markets and lower growth prospects.

Against a background of low economic growth, the Managers focus on identifying companies that generate growing cash flow, with a good management record of delivering shareholder value. This emphasis is core to the Company's investment strategy. Good examples of these company characteristics include Johnson Services Group, GVC, UDG Healthcare and RPC Group.

Annual General Meeting

The Annual General Meeting will be held on 9 September 2016 at SVM's offices in

Edinburgh. In the interim report, I said your Board is considering measures to improve ease of dealing, recognising that liquidity in our shares is currently low. At previous General Meetings, the Company has sought from shareholders powers both to issue shares and to buy back for cancellation, or to hold in treasury. We now seek shareholders' approval to permit shares to be re-issued from treasury at a discount. Taken together with purchase of shares into treasury at a discount, your Board does not expect this overall to be dilutive to shareholders, but does consider it can improve liquidity. Your Board will monitor the operation of share purchase and re-issuance very carefully and report on this to shareholders each year.

Outlook

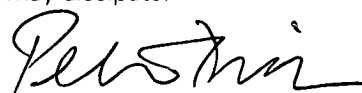
The Managers report that meetings with management of companies in the portfolio continue to be predominantly favourable. While the mixed economic background has an impact, there is good potential for organic growth in many portfolio companies. They would benefit from further economic recovery in the UK and Europe.

The Company emphasises exposure to the UK, and businesses with operations in the US and Europe. Returns on cash deposits

and bonds will remain very low, and so equities that offer growth and attractive dividend yields are being sought by investors.

The Company remains fully invested, reflecting the potential for dividend growth, share re-ratings, and for self-help in many

portfolio companies. Many may also benefit from the lower level of sterling and lower interest rates. Over the coming months, uncertainty on political issues may dissipate.



Peter Dicks

Chairman

1 July 2016

Manager's review

Summary

The Fund continued its strong recovery since 2012 with a positive absolute and relative performance in the 12 months to 31 March, 2016. Net asset value increased by 8.1%, despite a fall in the benchmark. Since the current investment managers, Margaret Lawson and Colin McLean, assumed portfolio responsibility, net asset value has risen 70.3%, versus a benchmark return of 25.4%.

The first six months saw weak stockmarkets globally, reacting to falls in commodity and energy prices. Economic data pointed to a marked slowdown in the Chinese economy, and deflationary pressures persisted around the world. This background encouraged profit-taking in many medium-sized and smaller companies. However, it was the major mining and oil groups that were hit hardest, and the Fund has low exposure to these sectors. Although the UK moved briefly into deflation, the consumer sectors in which the Fund is invested were helped by some improvement in real wages. The Fund primarily generated its absolute performance over the last three months of 2015 as it became clearer that there was potential for further stimulation in the Eurozone and China, with only gradual US rate rises likely.

The financing background for business remains favourable, with extremely low interest rates, and we expect more restructuring and merger activity. The Fund emphasises smaller and medium sized growth businesses that are typically less well researched, giving opportunity to identify value through company meetings and fundamental analysis.

The Managers believe that the biggest risk to investment performance is poor underlying long term returns in a business. This is often created by bad management or governance, or simply by being in an area that is likely to be disrupted by new entrants. Businesses that collapse typically show high levels of borrowing, poor governance, weak business models or questionable accounting. These can be value traps – few are good at pricing inherently risky businesses.

Contributors to performance

During the year, the strongest contributions to performance were from Paddy Power Betfair, Dart Group, Supergroup, Ryanair, Johnson Service Group and 4Imprint Group. Betfair and Paddy Power gained as they completed their merger, creating a £6bn betting

business. This joined the FTSE 100 in March 2016. The main disappointment was in Restaurant Group, which reported a challenging trading environment.

Other portfolio investments in consumer services include Domino Pizza, Autotrader and Cineworld. Consumer goods and services represent 56% of the total portfolio. The gaming sector is undergoing restructuring internationally, as regulations change. It is a growing industry, and apart from Paddy Power Betfair, the portfolio includes investments in GVC Holdings and Playtech. There are also investments in more disruptive business models where new entrants have an advantage in technology or business strategy. The lower oil cost and improving consumer confidence should benefit travel businesses, many of which have also proved able to manage costs aggressively. This is an area of focus for the Fund, and includes Ryanair, SSP, Dart Group and Easyjet.

Some 17% of the portfolio is invested in the financial sector, with all of this in non-bank

financials. The largest single group within this are Real Estate Investment Trusts and other property companies. These investments – Helical Bar, St Modwen Properties, Workspace Group, Londonmetric Property and Unite Group - focus on effective management teams, typically with a specialisation. Workspace provides tailored business premises for early stage businesses in London, and Unite specialises in student residential accommodation throughout the UK. Londonmetric invests across the UK, with an emphasis on logistics and distribution properties.

Portfolio changes

The Fund added to its investments in RPC Group, Sage Holdings, GVC, Dalata Hotel Group, Kerry Group and Imperial Brands. Additions and new investments emphasise businesses with potential to grow against a background of low inflation. To fund these, some profit was taken in Unite Group and Workspace Group.

Themes in the purchases include exposure to global recovery and potential for restructuring or self-help. Each new investment has at least one of these characteristics, and all have growth potential. Portfolio exposure to unquoted investments has been steadily reduced over the past three years and is now zero. The Managers do not plan to make any new unquoted investments in the current year.

in the US, Eurozone and UK continues to exceed most forecasts. Many UK-listed international companies are also benefiting from the recovery in the global economy.

Your Fund remains fully invested, reflecting the potential for dividend growth and share re-ratings in many portfolio companies. The portfolio emphasises consumer sectors, property, healthcare and business services.

Outlook

Signals remain mixed, and above average cash levels show investor uncertainty. When cash is consensus, it often ends up being reinvested at higher market levels. Recovery

Investment portfolio

as at 31 March 2016

Stock	Market Exposure 2016 £000	% of Net Assets	Market Exposure 2015 £000
1 ITV Television	275	5.6	351
2 Paddy Power Betfair	251	5.1	–
3 Johnson Service Group	223	4.6	166
4 Hikma Pharmaceuticals	200	4.1	163
5 4imprint Group	196	4.0	160
6 Unite Group	193	3.9	240
7 Dart Group	191	3.9	61
8 Ryanair	191	3.9	98
9 Ted Baker	142	2.9	130
10 Hutchison China Meditech	139	2.8	87
Ten largest investments	2,001	40.8	
11 GVC Holdings	135	2.8	125
12 Supergroup	135	2.8	91
13 Workspace Group	130	2.7	209
14 Fevertree Drinks	114	2.3	–
15 Beazley Group	113	2.3	41
16 Redrow	112	2.3	101
17 St James Place	110	2.2	112
18 Henderson Group	108	2.2	118
19 Imperial Brands	102	2.1	63
20 Shire Pharmaceuticals	100	2.0	135
Twenty largest investments	3,160	64.5	
21 Travis Perkins	100	2.0	106
22 Kerry Group	99	2.0	–
23 FDM Group	95	1.9	31
24 Tui Travel	89	1.8	98
25 M&C Saatchi	89	1.8	93
26 Crest Nicholson	88	1.8	66
27 Whitbread	87	1.8	115
28 Greggs	87	1.8	–
29 ASOS	87	1.8	78
30 DS Smith	79	1.6	–
Thirty largest investments	4,060	82.8	
Other investments (39 holdings)	1,869	38.3	
Total Investments	5,929	121.1	
CFD positions exposure	(1,335)	(27.2)	
CFD unrealised gains	34	0.7	
Net current assets/(liabilities)	264	5.4	
Net assets	4,892	100.0	

Market exposure for equity investments held is the same as fair value and for CFDs held is the market value of the underlying shares to which the portfolio is exposed via the contract. Further information is given in note 5 to the financial statements. A full portfolio listing as at 31 March 2016 is detailed on the website.

Strategic Report

The Directors submit the Strategic Report for the year to 31 March 2016. The information set out on pages 2 to 13, including the Chairman's Statement and the Manager's Review, forms part of the Strategic Report.

Investment objective

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.

Investment policy and Gearing 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 IMA UK All Companies Sector Average Index, the pursuit of the investment objective may involve exposure to companies on various 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 stock markets.

The Board has granted the Manager a limited authority to invest in Contracts for Differences ("CFDs") (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 CFDs can involve counterparty credit risk.

The Fund may also make use of hedging as an additional investment tool. To help reduce the potential for stock market 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 CFDs 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.

Strategy and Business Model

The Fund is an investment trust which invests in accordance with its objective and investment policy as set out above. It has no employees and outsources the management of its investment portfolio to the Manager, SVM Asset Management Limited. The Board of the Fund is ultimately responsible for the stewardship of the Company's affairs and risks, acting in the interests of shareholders.

The Fund is required to comply with the Companies Act, the UK Listing Rules and applicable accounting standards. In addition to the formal annual financial statements, interim accounts and interim management statements, it publishes monthly asset values and quarterly factsheets.

Key Performance Indicators

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

Historical record Year to 31 March	NAV per share (p)	Share Price (p)	Total Return (p)	Rating Discount/(premium)
2006	49.45	45.00	14.32	9.0%
2007	63.57	62.50	14.12	1.7%
2008	65.50	67.50	1.93	-3.1%
2009	44.73	31.00	(20.77)	30.7%
2010	68.53	50.00	23.80	27.0%
2011	87.36	63.00	18.83	27.9%
2012	71.47	55.00	(15.89)	23.0%
2013	53.90	43.00	(17.57)	20.2%
2014	73.93	57.75	20.03	21.9%
2015	75.38	59.00	1.45	21.7%
2016	81.47	62.50	6.09	23.3%

Results

The total gain for the year of £366,000 (2015: gain of £87,000) has been transferred to reserves. No dividend has been declared. The net asset value total return was 8.1% for the year. At 31 March 2016, the net asset value per share was 81.47p and the share price was 62.50p. The Chairman's statement and Manager's review include a review of the main developments during the year.

Portfolio Analysis

A detailed analysis of the Fund's portfolio is provided on the page entitled 'Investment Portfolio'.

Principal Risks and Uncertainties

The Directors review policies for identifying and managing the principal risks faced by the Fund.

Many 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 Manager and a rigorous internal control culture. Further information on the internal controls operated for the Fund is detailed in the Report of the Directors.

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 financial statements. 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 reviews 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 reviews the discount and the Fund operates a 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 Listing Rules of the UK Listing Authority or the Disclosure and Transparency Rules of the UK Listing Authority, 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.

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 to the financial statements. 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 Manager 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.

Viability Statement

The Directors have assessed the viability of the Company over the period of five years and consider that an appropriate period given the Company's investment objective, strategy and business model. The assessment has taken account of the Company's position, its investment objective and strategy, its ability to settle projected liabilities of the Company as they fall due and the potential impact of the relevant principal risks detailed above. Based on this assessment, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet

its liabilities as they fall due over the five year period, subject to the Company's Shareholders continuing to support it and in particular voting in favour of the continuation of the Company in 2020.

Directors and Employees and Gender Representation

The Directors of the Fund at 31 March 2016, all of whom held office throughout the year, are set out on the page entitled 'Board of Directors' which contains biographies. The Board consists of 3 male Directors. The Fund does not have any employees.

Social, Community and Human Rights Issues

As an investment trust, the Fund has no direct responsibilities in respect of these matters, however, the Directors recognise that encouraging investee companies to recognise these responsibilities can have positive implications for shareholder value. Further information on governance responsibilities, including environmental, is included in the Directors' Statement on Corporate Governance contained in the Directors' Report.

Future Prospects

The Board's main focus is to achieve long term capital growth. The future performance of the Fund is dependent on the success of the investment strategy and the performance of economic and financial markets. The current outlook for the Fund is referred to in the Chairman's Statement and Manager's Review. The Board's intention is that the Fund will continue to pursue its investment objective and stated investment policy.

By Order of the Board,



SVM Asset Management Limited
Company Secretary

1 July 2016

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 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, which he founded in 2000. 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. Since 2008, Richard has been the Investment Adviser to Crystal Amber Fund. Richard 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 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 the Annual Report and Financial Statements for the year to 31 March 2016.

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 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 the opinion of the Directors, the Fund has subsequently conducted its affairs so as to enable it to continue to obtain such approval. The Company is registered as a small UK Alternative Investment Fund Manager under the Alternative Investment Fund Managers Regulations 2013.

Other than the information contained within the Directors' Remuneration Report relating to the Directors waiving part of their fees, there are no other instances where the Company is required to make disclosures in respect of Listing Rule 9.8.4R.

Directors

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

	31 March 2016	31 March 2015
P F Dicks	250,000	250,000
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 2016 and 1 July 2016.

Each Director has a letter of appointment, details of which are noted in the Directors' Remuneration Report.

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, 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 2016 and 2015. No incentive fee was paid or due in respect of the years to 31 March 2016 or 31 March 2015.

The Management and Nomination Committee assess the Manager's performance on an ongoing basis and meet 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 1 July 2016, 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 Limited and client holdings*	1,779,932	29.6%
C W McLean*	370,000	6.2%
Alexander Moffat & Co WS	305,000	5.1%
Armstrong Investments Limited	300,000	5.0%
Stephen James Blackford & Mrs Tracey Magdeline Blackford	296,000	4.9%
Peter Dicks	250,000	4.2%
Charles Stanley & Co, Rock (Nominees) Ltd	240,000	4.0%

*The reported shareholding of C W McLean is also included in the reported shareholding of SVM Asset Management Limited.

Financial instruments

The Fund's financial instruments comprise the investment portfolio (including the use of CFDs), 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.

Share Capital

The rights and obligations attaching to the Funds ordinary shares are set out in the Fund's Articles of Association. The ordinary shares carry the right to receive any dividends and have one voting right per share. There are no restrictions on voting rights of the shares or the transfer of shares, and there are no shares that carry specific rights with respect to control of the Fund.

Directors' authority to issue shares

The Directors are seeking authority to allot ordinary shares up to an aggregate nominal amount of £30,000 and authority to sell shares held in treasury as set out in Resolutions 8 and 10 of the Notice of the Annual General Meeting.

The Directors believe this authority can improve liquidity in the Company's shares and 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 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 to make market purchases of up to 10% of the issued ordinary shares. 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 a period of not less than 12 months from the date of this report. At the Annual General Meeting to be convened in 2020 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 financial statements.

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.

The Manager maintains regular contact with the Fund's shareholders, particularly institutional shareholders, and reports 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 Manager.

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. 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 Manager's 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.

	Board	Audit Committee	Management and Nomination Committee
Number of meetings held in year	4	2	2
P F Dicks	4	2	2
R P Bernstein	2	1	1
A Puckridge	3	2	2

Amendment of the Fund's Articles of Association requires a special resolution to be passed by shareholders.

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. Further information on the role of the Audit Committee is set out in the Audit Committee Report.

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 (including gender), and independence and knowledge of the Fund and, where appropriate, actively searches for candidates. All appointments are based on merit and therefore no diversity targets have been set against which to report.

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 Auditor 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 Auditor is aware of that information.

Auditor

Scott-Moncrieff has expressed their willingness to continue in office as the Fund's Auditor and a resolution proposing their re-appointment 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.

Greenhouse Gas Emissions

As the Board has engaged external firms to undertake the investment management, secretarial, accounting and custody activities of the Fund, the Fund has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

Directors' Indemnity

The Company's Articles of Association provide, subject to the provisions of applicable UK legislation, an indemnity for Directors in respect of costs incurred in the defence of any proceedings brought against them by third parties arising out of their positions as Directors, in which they are acquitted or judgement is given in their favour.

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

1 July 2016

Directors' remuneration report

The Board has prepared this report in accordance with the requirements of the Companies Act 2006. It comprises the Directors' Remuneration Policy Report and the Annual Report on Directors' Remuneration.

The Directors' Remuneration Policy Report will be put to shareholders at the forthcoming Annual General Meeting and, if passed, will apply until it is next put to shareholders for approval, which must be at intervals of not less than three years. The Annual Report on Directors' Remuneration will be put to shareholders at the forthcoming Annual General Meeting and annually thereafter.

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 the page entitled 'Independent auditor's report'.

DIRECTORS' REMUNERATION POLICY REPORT

Directors' remuneration - Statement by the Chairman

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. In addition, a number of other factors are considered, including the time commitment required, the level of skills and experience required and any specific responsibilities of Directors. There were no changes to the policy during the year and it is the intention that this policy will continue for the three year period ending at the Annual General Meeting in 2019.

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. These letters are kept and are available for inspection at the Fund's registered office. 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. None of the Directors has a service contract with the Fund.

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. New appointments will receive induction training and spend time with representatives of the Manager. The Fund's policy is to encourage Directors to keep up to date with industry developments relevant to the Fund.

ANNUAL REPORT ON DIRECTORS' REMUNERATION**Remuneration committee**

The Fund has three non-executive Directors as detailed on the 'Board of Directors' page, 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 information when the Management and Nomination Committee consider the level of Directors' fees. The Directors are independent of SVM Asset Management Limited and SVM Asset Management Limited receives no additional fees for the provision of this information. 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.

Relative Importance of Spend on Directors' Remuneration

The table below shows the actual expenditure during the year in relation to Directors' remuneration, operating expenses and shareholder distributions. 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.

	2016 £	2015 £	Change %
Directors' total remuneration	17,500	17,500	–
Operating Expenses	50,500	28,500	75% [†]
Dividends paid to shareholders	Nil	Nil	–

[†]2015 figure reduced by an accrual in respect of a prior year.

Directors' Shareholdings (audited)

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

	31 March 2016 £	31 March 2015 £
P F Dicks	250,000	250,000
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 2016 and 1 July 2016. The Board has not adopted a policy whereby Directors are required to own shares in the Fund.

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 31 March 2016) 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 IMA UK All Companies Sector Average Index (prior to 1 October 2013 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 2016 £	Fees 2015 £
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

Future Policy Table

Based on the current level of fees, Directors' remuneration for the forthcoming financial year would be as follows:

	Fees 2017 £	Fees 2016 £
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

The Fund has not received any views from its Shareholders in respect of the level of Directors' remuneration.

Voting at Annual General Meeting

At the Fund's last Annual General Meeting, held on 11 September 2015, shareholders approved the Directors' Remuneration Report in respect of the year ended 31 March 2015. 100% of votes were in favour of the resolution and 0% were against.

Ordinary resolutions for the approval of this report and the Directors' Remuneration Policy Report will be put to the members at the forthcoming Annual General Meeting.

By Order of the Board,

SVM Asset Management Limited

Company Secretary
Edinburgh



1 July 2016

Audit Committee Report

Composition and Role

The Audit Committee, which comprises all of the independent Directors, meets at least twice a year. All Directors have the requisite financial experience to sit on this committee. Terms of reference set out the role of the Audit Committee. Its role 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 Audit Committee must also satisfy itself that the Annual Report and Financial Statements are fair, balanced and reasonable. The auditor is invited to attend such meetings and report on the results of the audit.

The Audit 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 the Manager.

External Audit

The Audit Committee met on two occasions during the year. In the course of its duties, the committee had direct access to Scott-Moncrieff and senior members of the Manager's team. Amongst other things, the Audit Committee considered and reviewed the following matters and reported thereon to the Board:

- annual results announcements, and annual and half-yearly reports and financial statements;
- accounting policies of the Fund;
- principal risks faced by the Fund and the effectiveness of the Fund's internal control environment;
- internal controls operated by the Manager;

- effectiveness of the audit process and related non-audit services and the independence and objectivity of Scott-Moncrieff, their re-appointment, remuneration and terms of engagement;
- policy on the engagement of Scott-Moncrieff to supply non-audit services; and
- implications of proposed new accounting standards and regulatory changes.

As part of its review of the scope and results of the audit, the Audit Committee considered Scott-Moncrieff's plan for the audit of the financial statements for the year ended 31 March 2016. At the conclusion of the audit Scott-Moncrieff did not highlight any issues to the Audit Committee which would cause it to qualify its audit report nor did it highlight any fundamental internal control weaknesses. Scott-Moncrieff issued an unqualified audit report.

In evaluating the effectiveness of the external audit process, the Audit Committee has taken into consideration the standing, skills and experience of Scott-Moncrieff and the audit team. Working closely with the Manager the Audit Committee considered and evaluated Scott-Moncrieff's planning, scope and execution of the audit.

Significant Issues considered by the Audit Committee

In relation to the 2016 Annual Report and Financial Statements, the Audit Committee considered a number of issues in relation to the financial statements. The key risk areas identified and how these were addressed were as follows:

- **The accuracy of the valuation of the investment portfolio.**
Listed investments are valued using stock exchange prices provided by a third party

pricing vendor. CFDs are valued with reference to the investment's underlying bid prices using stock exchange prices provided by a third party pricing vendor. Unlisted investments are valued at fair value based on the latest information available and recommendations from the Fair Value pricing committee of the Manager. The Board reviews portfolio valuations and also relies on controls operated by the Manager in respect of pricing.

- **Misappropriation of the Company's investments or other assets.**

The Audit Committee reviews reports from service providers on key controls over the assets of the Fund, including the reconciliation of the Fund's records with those of the custodian of the Fund's assets.

- **Revenue Recognition**

The Board reviews revenue forecasts and receives explanations from the Manager regarding movements from previous forecasts.

- **Statutory financial statements disclosure requirements**

Disclosure requirements are reviewed by the Manager and Auditor before the financial statements are approved by the Board.

Auditor Appointment and Tenure

The auditor appointment was last put out to tender in 2013 and Scott-Moncrieff was appointed as auditor in place of the incumbent auditor for the audit in respect of the year to 31 March 2014. Based on its review of the effectiveness of Scott-

Moncrieff, the Audit Committee has recommended the continuing appointment of Scott-Moncrieff to the Board. Scott-Moncrieff's performance will continue to be reviewed annually taking into account all relevant guidance and best practice.

Non-Audit Services

The auditor has not provided any non-audit services to the Fund other than tax compliance services, for which they are paid £1,000 per annum (2015: £1,000). Notwithstanding these, the Audit Committee has concluded that the auditor is objective and independent. The Audit Committee will continue to monitor on an annual basis the level of non-audit work carried out by the auditor.

Mr Anthony Puckridge

Chairman of Audit Committee

1 July 2016

Statement of directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration 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 prepared 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 gain 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; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume the Fund will continue in business

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 the assets of the Fund 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 consider that the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Fund's performance, business model and strategy.

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 gain or loss of the Fund and;
- the Strategic Report 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

1 July 2016

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 2016, which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and the related notes. 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), including FRS102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland'.

This report is made solely to the Company'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 Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities on page 26, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit 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 Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided at the Financial Reporting Council's website at frc.org.uk/auditscopeukprivate.

Our assessment of risks of material misstatement

We identified the following risks that we believe have the greatest impact on the audit strategy:

- investment portfolio valuation;
- revenue recognition; and
- misappropriation of company assets.
- statutory financial statements disclosure requirements.

Our application of materiality

We apply the concept of materiality in planning and performing our audit, and in evaluating the effect of misstatements on our audit and on the financial statements. For the purposes of determining whether the financial statements are free from material misstatement we define materiality as the level of error that would change the opinion of the reader of the financial statements.

When establishing our overall audit strategy, we determined the level of uncorrected misstatement that would be material for the financial statements as a whole to be £50,000, which is 1% of net assets (net assets being a key performance indicator for investors in the Company).

Materiality for revenue transactions was determined to be £14,000, as we believe readers of the financial statements will be more sensitive to variances in the revenue account.

We agreed with the Audit Committee that we would report to them individual and extrapolated errors in excess of a threshold of £2,000, as well as differences below that threshold that we believe warranted reporting on qualitative grounds.

An overview of the scope of our audit

The way in which we scoped our audit in order to address the assessed risks of material misstatement was as follows:

- The holdings and valuations of all investments were reconciled to the custodian report. A sample of year end valuations were agreed to appropriate external sources.
- The income recorded for a sample of securities was checked to appropriate external sources. We paid particular attention to special dividends and their accounting treatment. A sample of investment disposals was agreed to contract notes to ensure these were recorded correctly.
- We reviewed the accounting records for any significant transactions that were outside the normal course of business.
- We reviewed the statutory disclosure requirements applicable to the Company to identify any omitted or inaccurate disclosures.

The Audit Committee's consideration of these risks is set out on pages 24 and 25.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2016 and of its return for the year then ended;

- have been properly prepared in accordance with United Kingdom Generally Accepting Accounting Practice, including FRS102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'; and
- have been prepared in accordance with 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;
- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Statement in compliance with rules 7.2.5 and 7.2.6 in the Disclosure and Transparency rules sourcebook issued by the Financial Conduct Authority (information about internal control and risk management systems in relation to financial reporting processes and share capital structure) 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 International Standards in Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or

- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or
- is otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed.

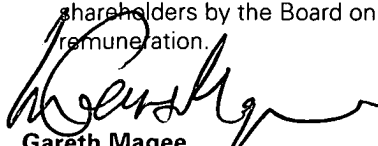
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept and 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 return; 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 in relation to going concern on page 17 and the Viability statement set out on page 13; and

- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the Corporate Governance Code specified for our review; and
- certain elements of the report to the shareholders by the Board on Directors' remuneration.



Gareth Magee

(Senior Statutory Auditor)

For and on behalf of Scott-Moncrieff,
Statutory Auditor
Exchange Place 3
Sample St
Edinburgh
EH3 8BL

1 July 2016

Income statement

for the year to 31 March 2016

	Notes	Revenue £000	Capital £000	Total £000
Net gain on investments at fair value	5	–	317	317
Income	1	137	–	137
Investment management fees		–	–	–
Other expenses	2	(59)	(9)	(68)
Gain before finance costs and taxation		78	308	386
Finance costs		(20)	–	(20)
Gain on ordinary activities before taxation		58	308	366
Taxation	3	–	–	–
Gain attributable to ordinary shareholders		58	308	366
Gain per Ordinary Share	4	0.97p	5.13p	6.09p

for the year to 31 March 2015

	Notes	Revenue £000	Capital £000	Total £000
Net gain on investments at fair value	5	–	35	35
Income	1	109	–	109
Investment management fees		–	–	–
Other expenses	2	(37)	(9)	(46)
Gain before finance costs and taxation		72	26	98
Finance costs		(11)	–	(11)
Gain on ordinary activities before taxation		61	26	87
Taxation	3	–	–	–
Gain attributable to ordinary shareholders		61	26	87
Gain per Ordinary Share	4	1.02p	0.43p	1.45p

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 Comprehensive Income 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 34 to 40 form part of these Financial Statements

Balance sheet

as at 31 March 2016

	Notes	2016 £000	2015 £000
Fixed Assets			
Investments at fair value through profit or loss	5	4,628	4,571
Current Assets			
Debtors	6	299	20
Cash at bank and on deposit		102	131
Total current assets		401	151
Creditors: amounts falling due within one year	7	(137)	(196)
Net current assets/(liabilities)		264	(45)
Total assets less current liabilities		4,892	4,526
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		(399)	(707)
Revenue reserve		(494)	(552)
Equity shareholders' funds		4,892	4,526
Net asset value per Ordinary Share	4	81.47p	75.38p

Approved and authorised for issue by the Board of Directors on 1 July 2016 and signed on its behalf by Peter Dicks, Chairman.

Company registered number: SC211841



*The Accounting Policies
and the Notes on
pages 34 to 40 form
part of these Financial
Statements*

Statement of Changes in Equity

for the year to 31 March 2016

	Share capital £000	Share premium £000	Special reserve £000	Capital redemption reserve £000	Capital reserve £000	Revenue reserve £000
As at 1 April 2015	300	314	5,144	27	(707)	(552)
Gain attributable to shareholders	–	–	–	–	308	58
As at 31 March 2016	300	314	5,144	27	(399)	(494)

For the year to 31 March 2015

	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 attributable to shareholders	–	–	–	–	26	61
As at 31 March 2015	300	314	5,144	27	(707)	(552)

*The Accounting Policies
and the Notes on
pages 34 to 40 form
part of these Financial
Statements*

Cash flow statement

for the year to 31 March 2016

	2016 £000	2015 £000
Operating Activities		
Gain before finance costs and taxation	386	98
Adjusted for:		
(Gains) on investments	(317)	(35)
Transaction costs	9	9
Taxation recovered	–	7
Movement in debtors	(279)	21
Movement in creditors	(2)	(39)
Cash flow from operating activities	(203)	61
Financing activities		
Finance costs	(20)	(11)
Cash flow from financing activities	(20)	(11)
Investment activities		
Purchases of fixed asset investments	(2,702)	(2,686)
Sales of fixed asset investments	2,896	2,709
Cash flow from investing activities	194	23
Movement in cash and cash equivalent	(29)	73
Cash and cash equivalent as at start of the year	131	58
Cash and cash equivalent as at end of the year	102	131

*The Accounting Policies
and the Notes on
pages 34 to 40 form
part of these Financial
Statements*

Accounting policies

Basis of preparation

This is the first year that the Company has presented its financial statements under Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council and under the AIC's Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" (SORP) issued in 2014. The last financial statements under previous UK GAAP were for the year ended 31 March 2015 and the date of transition to FRS 102 was therefore 1 April 2015. There have been no changes in accounting policies as a consequence of adopting FRS 102. There was no adjustment to the Company's Income Statement for the year to 31 March 2015 and the Balance Sheet as at 31 March 2015. The Cash Flow Statement for the year to 31 March 2015 has been restated to reflect presentational changes to be consistent with the format of FRS 102. The financial statements have been prepared on a going concern basis. The functional and presentation currency is pounds sterling, which is the currency of the environment in which the Company operates.

Significant Judgements and estimates

Preparation of financial statements can require management to make significant judgements and estimates. There are no significant judgements or sources of estimation uncertainty the Board considers need to be disclosed.

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.

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 financial statements 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. 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.

Foreign currency translation

Transactions involving foreign currencies are converted at the rate ruling as at the date of the transaction. Foreign currency monetary assets and liabilities are retranslated into sterling at the rate ruling on the financial reporting 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 financial statements

	2016 £000	2015 £000
1. Income		
Income from shares and securities		
– dividends	137	109
– interest	–	–
	137	109

2. Other expenses

Revenue

General expenses	28	6†
Directors' fees	18	18
Auditor's remuneration – audit services	12	12
– taxation services	1	1
	59	37

† The figure for 2015 has been reduced by an accrual for Auditor's fees in respect of a prior year of £20,000.

Capital

Transaction costs – acquisitions	4	4
– disposals	5	5
	9	9

3. Taxation

Current taxation	–	–
Deferred taxation	–	–
Total taxation for the year	–	–

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:

Gain on ordinary activities before taxation	366	87
Corporation tax (20%, 2015 – 20%)	73	17
Non taxable UK dividends	(25)	(18)
Non taxable investment (gains)/losses in capital	(61)	(5)
Movement in unutilised management expenses and NTLR deficits	13	6
Total taxation charge for the year	–	–

At 31 March 2016, the Fund had unutilised management expenses and non trade loan relationship ("NTLR") deficits of £927,000 (2015 – £910,000).

A deferred tax asset of £185,000 (2015 – £182,000) 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 (2015 – 6,005,000) ordinary shares in issue during the year.

Total return per share is based on the total gain for the year of £366,000 (2015 – gain of £87,000).

Capital return per share is based on the net capital gain for the year of £308,000 (2015 – gain of £26,000).

Revenue return per share is based on the revenue gain after taxation for the year of £58,000 (2015 – gain of £61,000).

The net asset value per share is based on the net assets of the Fund of £4,892,000 (2015 – £4,526,000) divided by the number of shares in issue at the year end as shown in note 8.

	2016 £000	2015 £000
5. Investments at fair value through profit or loss		
Listed investments	4,628	4,541
Unlisted investments	–	30
Valuation as at end of year	4,628	4,571

	Listed £000	Unlisted £000	Total £000	
Valuation as at start of year	4,541	30	4,571	4,421
Investment holding (gains)/losses as at start of year	(1,225)	(155)	(1,070)	(896)
Cost as at start of year	3,316	185	3,501	3,525
Purchases of investments at cost	2,547	–	2,547	2,816
Proceeds from sale of investments	(2,901)	–	(2,901)	(2,715)
Transfers	–	–	–	–
Net gain/(loss) on sale of investments	545	–	545	(125)
Cost as at end of year	3,507	185	3,692	3,501
Investment holding gains/(losses) as at end of year	1,121	(185)	936	1,070
Valuation as at end of year	4,628	–	4,628	4,571
Net gain/(loss) on sale of investments	545	–	545	(125)
Movement in investment holding gains	(198)	(30)	(228)	160
Total gain/(loss) on investments	347	(30)	317	35

	2016 £000	2015 £000
6. Debtors		
Investment income due but not received	9	12
Amounts receivable relating to CFDs	290	8
Taxation	–	–
	299	20

	2016 £000	2015 £000
7. Creditors: amounts falling due within one year		
Amounts due relating to CFDs	116	23
Other creditors	21	173
	137	196

8. Share capital

Allotted, issued and fully paid

6,005,000 ordinary 5p shares (2015– 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, CFDs 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 2016 were valued at £nil (2015 – £nil). Investments, which comprise principally equity investments, are valued as detailed in the accounting policies.

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 CFDs. 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 2016 (2015 – 0.5%). There are no undrawn committed borrowing facilities. Short-term debtors and creditors are excluded from disclosure.

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

	2016 £000	2015 £000
<i>Classification of financial instruments</i>		
Level 1	4,594	4,339
Level 2	34	202
Level 3 – 3 investments (2015 – 3)	–	30

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 are the sole Level 2 investments for 2016 and 2015.

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:

	2016	2015
	£000	£000
Balance as at start of year	30	106
Purchases of investments at cost	–	–
Proceeds from sale of investments	–	–
Net losses on sale of investments	–	(200)
Transfers	–	–
Movement in investment holding gains	(30)	124
Balance as at end of year	–	30

The Board has granted the Manager a limited authority to invest in CFDs to achieve some degree of gearing and/or hedging without incurring the gross cost of investment. The Board requires the Manager to operate within certain risk limits, as detailed in the Report of the Directors. The following table details the CFD positions:

Number of holdings (2016 – 16; 2015 – 16)

Gross exposure	1,335	1,370
Net exposure	1,335	1,370
Unrealised gains	34	202
Unrealised losses	116	23

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 CFDs.

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 or similar 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 bank 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.

	2016 £000	2015 £000
Investment portfolio		
5% increase	+4.9p	+4.8p
5% decrease	+4.9p	-4.8p
Other assets/liabilities		
Interest rate 0.5% increase	-	-
Interest rate 0.5% decrease	-	-
Maximum credit risk analysis		
As at the year end, the Fund's maximum credit risk exposure was as follows:		
Bank	102	131
Amounts receivable relating to CFDs	290	8
Investment income due but not received	9	12
Taxation	-	-
	401	151

9. Financial instruments (continued)*Contractual maturity analysis*

	Due not later than 1 month £000	Due between 1 and 3 months £000	Due between 3 and 12 months £000	2016 Total £000
Bank	102	–	–	102
Debtors	8	1	290	299
Creditors	(137)	–	–	(137)
Net liquidity	(27)	1	290	264

	Due not later than 1 month £000	Due between 3 and 12 months £000	2015 Total £000
Bank	131	–	131
Debtors	5	15	20
Creditors	(196)	–	(196)
Net liquidity	(60)	15	(45)

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.

	2016 £000	2015 £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	(494)	(707)
Revenue reserve	(399)	(552)
Total shareholders' funds	4,892	4,526

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.

The revenue reserve is distributable and, to the extent it is positive, dividends can be funded from it. The special reserve is distributable and the cost of purchasing own shares has been accounted for in this reserve. The Company's Articles of Association prohibit the distribution of capital profits by way of dividend.

10. Related parties

The Management section of the Report of the Directors sets out the services provided by the Manager to the Fund and fees earned. In view of the size of the Fund, the Manager has waived its management fees for the years to 31 March 2016 and 31 March 2015. The share interests of the Manager in the Fund are set out in the Substantial shareholdings section of the Report of the Directors. C W McLean is managing director of SVM Asset Management Limited.

There are no transactions with Directors other than aggregated remuneration for services as Directors as disclosed in the Directors' Remuneration Report and note 2. Shareholdings of Directors are also set out in the Directors' Remuneration Report.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that an Annual General Meeting of SVM UK Emerging Fund plc ('the Company') will be held at the offices of SVM Asset Management Limited, 7 Castle Street, Edinburgh, EH2 3AH on Friday, 9 September 2016 at 9.30 am to consider and, if thought fit, pass the following resolutions of which resolutions 1 – 8 will be proposed as Ordinary Resolutions and Resolutions 9 & 10 as Special Resolutions all as set out below.

Ordinary Business – Ordinary Resolutions

1. That the financial statements for the year to 31 March 2016, the Directors' Report and the Independent Auditor's Report be received.
2. That the Directors' Remuneration Policy Report as contained in the Directors' Remuneration Report for the year to 31 March 2016 be approved.
3. That the Annual Report on Directors' Remuneration as contained in the Directors' Remuneration Report for the year to 31 March 2016 be approved.
4. That Peter Frederick Dicks be re-appointed as a Director.
5. That Richard Philip Bernstein be re-appointed as a Director.
6. That Anthony Puckridge be re-appointed as a Director.
7. That Scott-Moncrieff be re-appointed as Auditor of the Company to hold office until the conclusion of the next general meeting of the Company at which accounts are laid before the Company and that their remuneration be determined by the Directors.

8. Authority to allot shares

That, in substitution for any existing authority, but without prejudice to the exercise of that authority prior to the date hereof, the Directors of the Company are hereby authorised in accordance with Section 551 of the Companies Act 2006 to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for shares in the Company provided that such authority shall be limited to the allotment of shares and the grant of rights in respect of shares with an aggregate nominal value not exceeding £30,000, representing approximately 10% of the nominal value of the issued capital of the Company and provided that said authority shall expire at the conclusion of the next general meeting of the Company after the passing of this resolution or on the expiry of 15 months from the passing of this resolution, whichever is the earlier, unless previously revoked, varied or extended by the Company in a general meeting, save that the Company may at any time prior to the expiry of this authority make an offer or enter into an agreement which would or might require shares to be allotted or granted after the expiry of this authority and the Directors shall be entitled to allot or grant shares pursuant to said offer or agreement as if this authority had not expired.

Special Resolutions

9. Market purchase of shares

That in substitution for any existing authority but without prejudice to the exercise of any such authority prior to the date hereof, the Company be generally and unconditionally authorised in

accordance with section 701 of Companies Act 2006 to make market purchases (within the meaning of section 693 thereof) of shares of the Company provided that:

- (a) the maximum aggregate number of shares hereby authorised to be purchased is less than 10% 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 Company, or 15 months from the passing of this Resolution, whichever is the earlier, save that the Company 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.

10. Disapplication of pre-emption rights

That, the Directors be authorised to allot shares in the Company for cash either pursuant to the authority conferred by resolution 8 above or by way of sale of treasury shares as if Section 561(1) of the

Companies Act 2006 did not apply to such allotment, provided that this authority shall be limited to the allotment of shares with an aggregate nominal value not exceeding £30,000 representing approximately 10% of the nominal value of the issued share capital of the Company. The Directors of the Company are hereby authorised for the purposes of LR15.4.11 of the Listing Rules of the UK Listing Authority of the Financial Conduct Authority to sell treasury shares for cash at a price below the net asset value per share of those shares without any prior offer to Shareholders of the Company. This authority shall expire at the conclusion of the next general meeting of the Company 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 Company 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 pursuant to any such offer or agreement as if the authority conferred hereby had not expired.

By order of the Board
SVM Asset Management Limited
Company Secretary

1 July 2016

Notes:

1. Under Section 324 of the Companies Act 2006, a member of the Company 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 Company, 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 is enclosed with this document. Forms of proxy must be lodged with the Company'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 Company.
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 7 September 2016 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 Company'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 Company'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 Company'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 Company 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 Company may require the Company to publish, on its website, a statement setting out any matter relating to the audit of its financial statements, 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 Company or at least 100 members who have a relevant right to vote and hold shares in the Company 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 Company at 7 Castle Street, Edinburgh EH2 3AH.
8. As at 1 July 2016, the latest practicable date prior to the publication of this document, the Company'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 Company and, therefore the total number of voting rights in the Company as at 1 July 2016 is 6,005,000.
9. Any person holding 3% of the total voting rights in the Company 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 Company is required by Section 311A Companies Act 2006 Act to publish on a website in advance of the meeting is available on the Manager's website on www.svmonline.co.uk
11. Under section 319A of the Companies Act 2006, the Company must cause to be answered 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 Company or the good order of the meeting that the question be answered.

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 stock picking 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

Shares can be easily traded on the London Stock Exchange.

Investors wishing to purchase shares in the Fund or sell all or part of their existing holding may do so through a stockbroker or their other financial adviser. Most banks also offer this service. It is also possible to trade the Company's shares through many of the online dealing service providers.

For more information the Manager can be contacted on **0131 226 7660** or alternatively information is available on the website: www.svmonline.co.uk. The Manager is not permitted to give you financial or tax advice. If you are in any doubt please consult your financial adviser.

Corporate information

**Investment Manager, Secretary and
Registered Office**

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

Registrars

Computershare Investor Services plc
Leven House, 10 Lochside Place
Edinburgh Park
Edinburgh EH12 9DF
Telephone: +44 (0) 370 702 0003

Auditor

Scott-Moncrieff
Exchange Place 3
Semple Street
Edinburgh EH3 8BL

Custodians

State Street Bank & Trust Company

Registered Number

SC211841

Company Website

www.svmonline.co.uk