

Annual Report
31 March 2019



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 IA UK All Companies Sector Average Index on a total return basis.

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Highlights

- Over the 12 months to 31 March 2019, the Company's net asset value decreased by 1.8% and the share price lost 6.7% compared to a return of 2.8% in the benchmark.
- Since the current investment managers took on responsibility for the portfolio in September 2012, net asset value has gained 130.0% against a benchmark return of 56.6%.
- The portfolio emphasises exposure to healthcare, technology and business services.
- The portfolio is focused on small and medium sized businesses, with a competitive edge that can protect margins and deliver growth.
- At 30 June 2019, the share price had risen 10.7% since 31 March 2019 to 93p and the net asset value had gained 2.1% over the same period.

Financial Highlights

	Year to 31 March 2019	Year to 31 March 2018
Total Return performance:		
Net Asset Value total return	-1.8%	+18.9%
Share Price total return	-6.7%	+33.3%
Benchmark Index (IA UK All Companies Sector Average Index since 1 October 2013*)	2.8%	+2.7%

	31 March 2019	31 March 2018	% Change
Capital Return performance:			
Net asset value (p)	110.06	112.05	(1.8)%
Share price (p)	84.00	90.00	(6.7)%
FTSE All-Share Index	3,978	3,894	2.2%
Discount	23.7%	19.7%	
Gearing**	20.3%	25.6%	
Ongoing Charges ratio:			
Investment management fees***	0.36%	—	
Other operating expenses	1.57%	1.0%	

Total Return to 31 March 2019 (%)	1 Year	3 Years	5 Years	10 Years	Launch (2000)
Net Asset Value	-1.8	+35.1	+48.8	+146	+13.4
Benchmark Index*	+2.8	+24.9	+28.7	+177	-24.8

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

** 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.

***The Manager waived its management fees for the six months to 30 September 2018 and the year to 31 March 2018. Management fees have been reintroduced from 1 October 2018.

Chairman's statement



- Over the 12 months to 31 March 2019, the Company's net asset value decreased by 1.8% and the share price lost 6.7% compared to a return of 2.8% in the benchmark.
- Portfolio emphasises exposure to technology, healthcare and consumer services.
- The portfolio is focused on medium-sized and smaller businesses, which have a competitive edge that can protect margins and deliver growth.
- Since the current investment managers took on responsibility for the portfolio in September 2012, net asset value has gained 130.0%, against a benchmark return of 56.6%.

Over the 12 months to 31 March 2019, the Company's net asset value fell by 1.8% to 110.1p per share, compared to a gain of 2.8% in the benchmark, the IA UK All Companies Sector Average Index. Over the 12 months, the share price fell 6.7%. Over the five years to 31 March 2019, net asset value has gained 48.8% and the share price

45.5%, against a benchmark return of 28.7%. The Company's net asset value progressed in the three months since the year end to 112.38p at 30 June 2019.

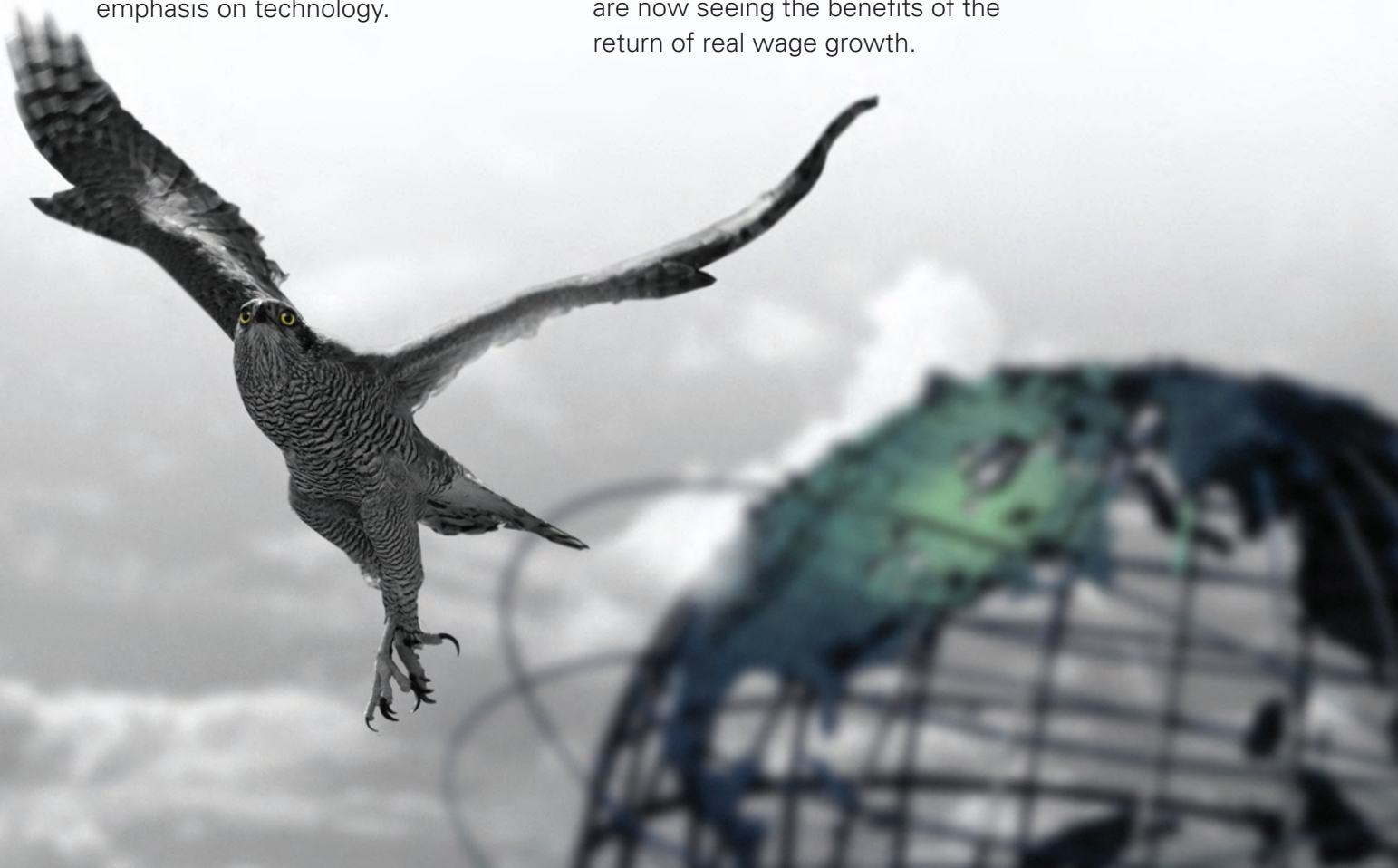
Review of the year

After a strong start to the year under review, the UK stockmarket fell back towards the end of 2018. While Brexit and UK political uncertainty were factors in this, slowing of the global economy also concerned investors. The portfolio was impacted by this weak sentiment and had not fully recovered by 31 March 2019. The portfolio is very different from the market, emphasising growth. The Fund's longer term track record, however, demonstrates the value of the strategy and the Manager's selection process.

During the 12 months under review, there were positive contributions to performance from Ocado Group, Fevertree Drinks, Burford Capital, Knights Group, Aquis Exchange, 4Imprint and Manolete. Fevertree, in particular, gained as the potential for US growth was recognised since the US premium mixer market is much larger than the UK. Litigation finance specialist, Burford, announced it has

secured additional funding which should enhance profits. Ocado gained on new distribution partnerships in the US, Australia, UK and France. Ocado could achieve further distribution partnerships in a number of other countries using its proprietary technology. There was also a new portfolio investment in private equity fund, Draper Esprit, which invests across the UK and Europe with an emphasis on technology.

The main disappointments in the period were ASOS, Superdry, Hostelworld and GVC. GVC fell on the unexpected change in fixed odds betting terminals. That impacts 2019, but there is significant potential from US deregulation. The travel sector was adversely impacted by a warm summer in 2018 and labour disputes within the industry. Brexit was also a negative for consumer services and leisure, but many portfolio companies are now seeing the benefits of the return of real wage growth.



New investments were made in Manolete, a litigation finance business, Knights Group, Aquis Exchange, Ocado, AB Dynamics and Boku. To fund the purchases, sales were made of Superdry, Ted Baker, Mattioli Woods, CVS, Animalcare Group, Quiz and Dignity. A factor in some of these sales is reducing portfolio risk.

The Fund has a growth-oriented portfolio based on fundamental analysis. The forces favouring growth businesses have been in place for more than 20 years. In contrast, the biggest global companies have been impacted by disinflation and, more recently, disruption. This trend seems likely to continue despite the recent uptick in inflation, due to ongoing technology change and global competition. There have been periods of reversal of this growth pattern, particularly in 2012 and 2016, but the Fund has rebounded on each occasion.

The Fund's investment strategy recognises the pervasiveness of technology and the economic change it

drives. The impact of change in technology and demographics is accelerating in a number of consumer and business sectors, particularly retail and finance. The Fund aims to avoid these more structurally challenged business areas.

Annual General Meeting

The Annual General Meeting will be held on 13 September 2019 at SVM's offices in Edinburgh. At the last Annual General Meeting, shareholders approved powers for the Company to issue shares and to buy back for cancellation, or to hold in treasury. Your Board has directed the Manager to implement this arrangement, operating within Board guidelines and approvals. This aims to improve liquidity in the Fund's shares, and your Board does not expect this overall to be dilutive to shareholders.

Outlook

Sentiment has driven domestically-focused UK shares and the decline in sterling to low levels. Foreign investors

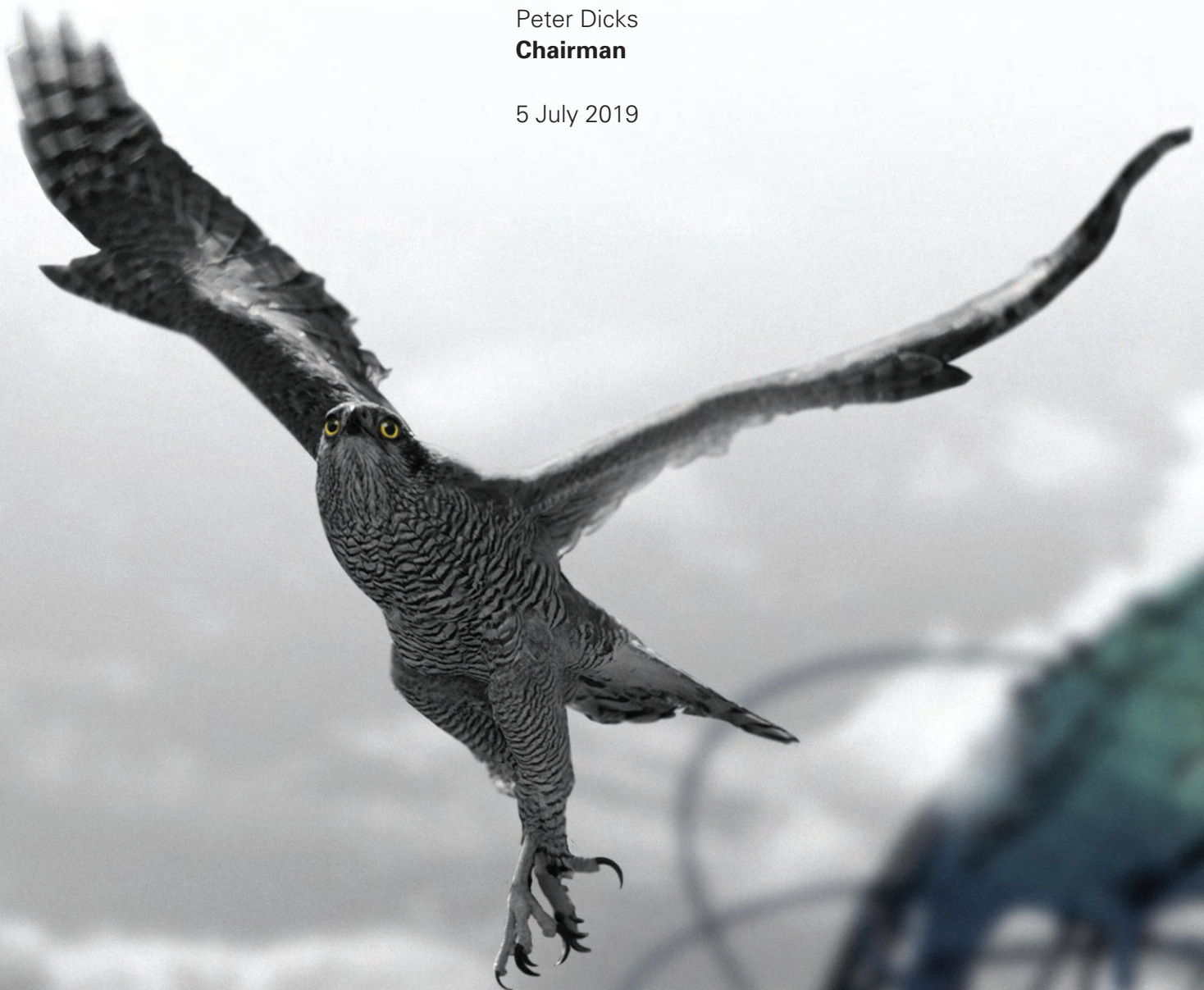
are likely to return when there is clarity on Brexit given that the UK is a major global economy, with a stockmarket which includes many companies growing internationally.

The portfolio emphasises exposure to scalable businesses with a competitive

edge and potential for self-help that can deliver above average growth. The Fund remains fully invested and, as appropriate, making use of its ability to apply gearing to increase market exposure.

Peter Dicks
Chairman

5 July 2019



Manager's review

Summary

After the weakness of late 2018, stockmarkets rebounded over the first quarter of 2019, with many shares ending the year under review little changed. Growth stocks particularly gained as it became clear that central banks were unlikely to tighten monetary policy in 2019. Small and mid-cap companies typically performed well. Although international investors remain concerned on UK political risks, the UK economy is still growing.

Portfolio changes

Growth businesses in the portfolio take time to benefit from their strategy and for progress to be recognised in the stockmarket. Investments typically are held for several years and, as a result, portfolio turnover is relatively low. During the twelve months under review, the aim of portfolio changes was to reduce risk and improve liquidity in investments. The opportunity was also taken to increase investment in emerging sub-sectors that offer growth.

Portfolio review and investment strategy

A focus of our investment research is identifying tomorrow's industries. Today's sectors represent past success - in time many will disappear. Future consumers' needs will be met by new technology and business structures. Some of these

emerging areas are already listed on the stockmarket, but typically in small and medium sized firms that are easily overlooked. For some, the edge is in technology, but more often change comes from disruptive business models using capital differently or offering innovative customer services.

Once a few businesses have listed in a sub-sector, analyst research and investor interest gradually builds up. This can lead to a re-rating, as investors become more comfortable with the new business models, and growth prospects are better understood. Interesting areas include student accommodation, legal services and videogames. Each has key differences with traditional business models, gaining a competitive edge that allows the new businesses to disrupt the incumbents.

Greater specialisation has been forced on all but the largest law firms, requiring more structured capital management than the old partnership model. Long-running court cases can prove extremely expensive; capital raising for legal cases is now a specialist activity in its own right. These changes have spawned new businesses, such as Burford Holdings, Manolete Partners, Keystone Law Group and Knights Group Holdings. Keystone and Knights are growing organically and by acquisition. Burford focuses on financing major US cases, where litigation might span



years. Manolete addresses the need for company administrators to value claims. It has identified opportunity pursuing claims against companies and their directors.

The property sector includes a number of specialist niches, such as student accommodation. Students now demand a good overall university experience, and to provide this universities must work in close partnership with developers and managers of student accommodation. Investing institutions, including overseas pension funds, find the long-term nature and stable occupancy of these properties attractive, allowing developers to sell-on but retain management. This allows the development partners to release capital. Listed companies in this sector include Unite.

A new sector has emerged to capture the interest of young consumers in videogames. There are still risks in this area, but the best titles are extremely valuable, and many smaller UK businesses have emerged to support this industry. It is a growing London-listed sector; including Codemasters.

Food and drink businesses may look dull, but many have innovative business models and are developing new products and services to meet changing tastes. Kerry Group, for example, is the world's largest supplier of specialist ingredients and flavours. It is reformulating ingredients and re-engineering recipes. Consumer tastes are changing; health and wellness trends are driving a demand for a clean label, and organic and free-from characteristics in their food. Kerry has been particularly successful in winning long term contracts with smaller food businesses, where its innovation supports customers' success. Fevertree Drinks continues to perform well, with potential now to replicate UK success in the US, and also to broaden its mixer range.

A number of portfolio companies are key to technological change in their sectors. Ocado Group provides logistics to support major supermarket groups. Over the past twelve months it has won a number of new contracts with major global supermarket chains, supporting online customer service. Although it has already grown substantially,

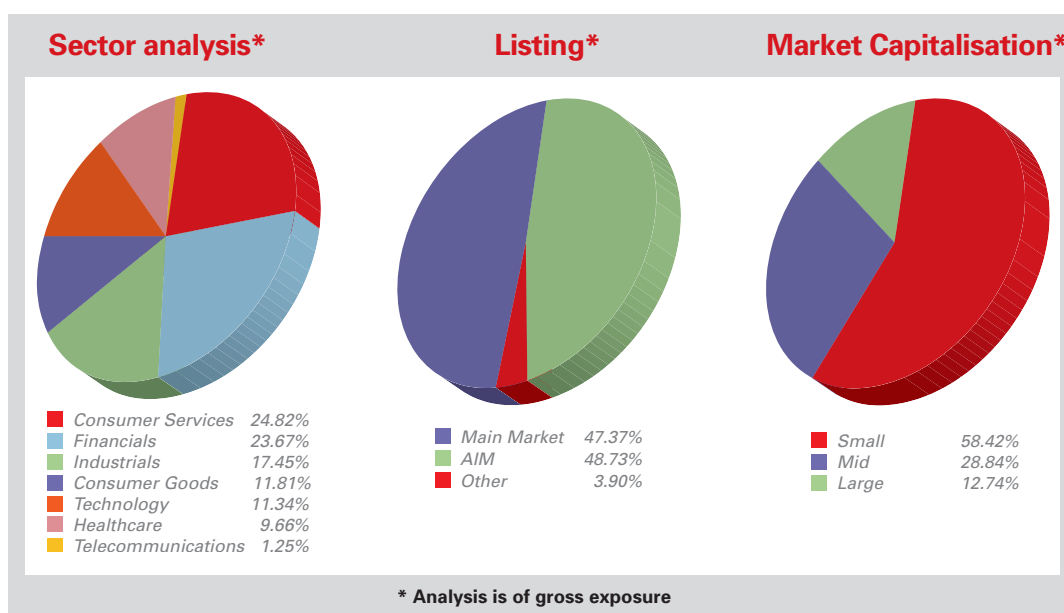
taking it into the FTSE 100 Index, the Manager believes Ocado can win additional contracts and expand further. AB Dynamics designs and supplies advanced testing and measurement products to major European car manufacturers. It is building close relationships with these customers and should benefit as automated driving technology progresses.

Outlook

The UK economy has proved relatively resilient, with the resumption of real wage growth signalling a reversal of the consumer squeeze. Sentiment has driven domestically-

focused UK shares and the Pound itself down to low levels. Foreign investors are likely to return when there is clarity on Brexit. UK equity allocations are at lows, and domestic stocks are already pricing in a lot of pessimism. Europe is slowing and the ECB will likely maintain easy monetary policy.

Meetings with company managements continue to be encouraging, and portfolio companies are making good progress. We see considerable investment opportunity and accordingly the Fund is fully invested, with flexible borrowing arrangements allowing a typical gearing of 120% of assets.



Investment portfolio

as at 31 March 2019

Stock	Market Exposure 2019 £000	% of Net Assets	Market Exposure 2018 £000
1 Fevertree Drinks	335	5.1	292
2 Burford Capital	322	4.9	256
3 4Imprint Group	297	4.5	190
4 Unite Group	261	3.9	225
5 Workspace Group	227	3.4	165
6 Hutchison China Meditech	222	3.4	194
7 Hilton Food Group	205	3.1	180
8 Blue Prism Group	191	2.9	160
9 Kerry Group	178	2.7	150
10 Beazley Group	161	2.4	179
Ten largest investments	2,399	36.3	
11 Johnson Service Group	160	2.4	288
12 Rentokil Initial	159	2.4	122
13 Ocado Group	158	2.4	–
14 Dechra Pharmaceuticals	153	2.3	150
15 Manolete Partners	150	2.3	–
16 GVC Holdings	150	2.3	246
17 Aquis Exchange	149	2.3	–
18 FDM Group Holdings	148	2.2	167
19 Cineworld Group	133	2.0	108
20 SSP Group	133	2.0	121
Twenty largest investments	3,892	58.9	
21 Knights Group	127	1.9	–
22 Draper Espirit	108	1.6	–
23 Keystone Law Group	107	1.6	57
24 Alpha Financial Markets	107	1.6	71
25 Gamma Communications	97	1.5	84
26 Tracsis	95	1.4	77
27 UDG Healthcare	93	1.4	142
28 Learning Technologies Group	91	1.4	114
29 K3 Capital Group	90	1.4	168
30 Abcam	85	1.3	93
Thirty largest investments	4,892	74.0	
Other investments (44 holdings)	2,857	43.2	
Total Investments	7,749	117.2	
CFD positions	(1,332)	(20.1)	
CFD unrealised gains	20	0.3	
Net current assets/(liabilities)	172	2.6	
Net assets	6,609	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 6 to the financial statements. A full portfolio listing as at 31 March 2019 is detailed on the website.

Strategic Report

The Directors submit the Strategic Report for the year to 31 March 2019. 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 medium-sized and smaller UK companies. Its aim is to outperform the IA 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 IA UK All Companies Sector Average Index, the pursuit of the investment objective may involve exposure to some 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 considerably less. The Board has instructed the Manager not to make any new investments into unlisted shares and during the year the value of unlisted shares in the portfolio was nil.

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 adversely 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)
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%
2017	94.25	67.50	12.78	28.4%
2018	112.05	90.00	17.80	19.7%
2019	110.06	84.00	(2.00)	23.7%

Results

The total loss for the year of £120,000 (2018: gain of £1,069,000) has been transferred to reserves. No dividend has been declared. The net asset value total return was -1.8% for the year. At 31 March 2019, the net asset value per share was 110.06p and the share price was 84.00p. 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 10 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 has 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 10 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 2019, 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 three 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

5 July 2019

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 Unicorn AIM VCT plc, Foresight Solar Fund Ltd, Miton UK MicroCap Trust plc and a number of other 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. Mr Bernstein has served on the Board for over nine years.

Anthony Puckridge

Anthony Puckridge is a retired 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 2019.

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 2019	31 March 2018
P F Dicks	272,500	272,500
R P Bernstein	142,500	142,500
A Puckridge	50,000	50,000

There have been no changes in the Directors' interests between 31 March 2019 and 5 July 2019.

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. In view of the size of the Fund, the Manager waived its management fees for the six months to 30 September 2018 and the year to 31 March 2018. The Board reviewed its management fee arrangements in September 2018 and made the decision to re-instate the Investment Management Agreement Fee, with effect from 1 October 2018, under the terms set out in the Investment Management Agreement. SVM Asset Management Limited provides management and secretarial services to the Company and is entitled to a fee for these services, payable quarterly in arrears equivalent to 0.75% per annum of the total assets of the Company, less current liabilities. The Board also accepted the Manager's request to delete reference to payment of an incentive fee. No incentive fee was paid or due in respect of the years to 31 March 2019 and 31 March 2018.

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 30 June 2019, 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*	1,749,932	29.1%
C W McLean*	370,000	6.2%
Alexander Moffat & Co WS	305,000	5.1%
Stephen James Blackford & Mrs Tracey Magdeline Blackford	296,000	4.9%
Peter Dicks	272,500	4.5%
Charles Stanley & Co, Rock (Nominees) Ltd	271,500	4.5%

*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 10 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 Fund'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 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 not relevant 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 10 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	4	2	2
A Puckridge	4	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

5 July 2019

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 2020.

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 three 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 waived its management fee and the Directors have waived their entitlement to half their fees for the six months to 30 September 2018 and the year to 31 March 2018. In September 2018, the Company approved changes to the Director's Fees with effect from 1 October 2018. Non-executive Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes, compensation for loss of office or other

benefits. The revised fees are now at the original levels set at the inception of the Fund, being £10,000 for the Chairman and £7,500 for each of the non-executive directors per annum. Operating expenses increased when State Street took on accounting services on 1 April 2018 to move the Company to best practice in the segregation of records.

	2019 £	2018 £	Change %
Directors' total remuneration	21,250	17,500	21
Operating Expenses	82,750	52,120	62
Dividends paid to shareholders	Nil	Nil	–

Directors' Shareholdings (audited)

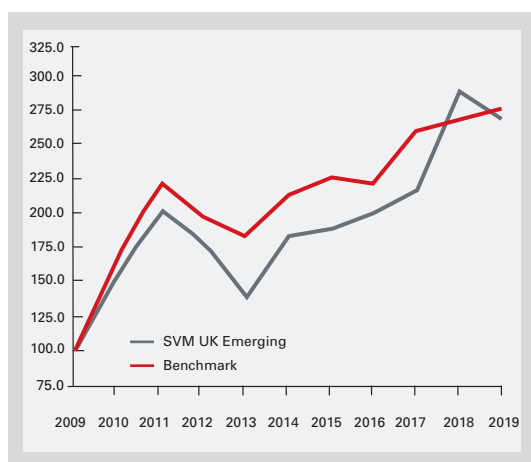
The Directors who held office during the year and their beneficial interests in the ordinary shares of the Fund were:

	31 March 2019 £	31 March 2018 £
P F Dicks	272,500	272,500
R P Bernstein	142,500	142,500
A Puckridge	50,000	50,000

There have been no changes in the Directors' interests between 31 March 2019 and 30 June 2019. 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 10 years (to 31 March 2019) 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 IA 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 2019 £	Fees 2018 £
P F Dicks	8,750	7,500
R P Bernstein	6,250	5,000
A Puckridge	6,250	5,000
Total	21,250	17,500

Future Policy Table

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

	Fees 2020 £	Fees 2019 £
P F Dicks	10,000	8,750
R P Bernstein	7,500	6,250
A Puckridge	7,500	6,250
Total	25,000	21,250

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 14 September 2018, shareholders approved the Directors' Remuneration Report in respect of the year ended 31 March 2019. 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

5 July 2019

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 2019. 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 2019 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.

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 provided non-audit services to the Fund for 2019 relating to the conversion of certain schedules to an iXBRL format (2018: nil). 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

5 July 2019

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 judgements 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

5 July 2019

Independent auditor's report

to the members of SVM UK Emerging Fund plc

Opinion

We have audited the financial statements of SVM UK Emerging Fund plc for the year ended 31 March 2019 which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2019 and of its gains/losses for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (FRC's) Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to in relation to:

- the disclosures in note 10 to the statements that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation on pages 12-13 in the annual report that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity;
- the Directors' statement on page 17 in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the Directors' statements relating to the prospects of the Company and to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation on page 13 in the annual report as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key Audit Matter	How the scope of our audit responded to the key audit matter	Key Observations
<p>Valuation and existence of Investments Refer to page 35 (Accounting Policies) and pages 36 to 41 (Notes to the financial statements).</p> <p>The investment portfolio at the year-end comprised listed equity investments valued at £6,437,000. As the Company's largest asset, accurate valuation of its portfolio is crucial. We focused on gaining assurance in respect of the valuation and existence of investments as they make up 95.5% (2018: 93.7%) of the Company's total assets.</p>	<p>We tested the existence of the investment portfolio by agreeing 100% of investment holdings to an independent custodian confirmation and reviewing reports prepared on the design and operation of controls at the custodians who are responsible for holding the investments on the Company's behalf. The bid price of all listed securities was agreed to appropriate published external sources.</p>	<p>We concluded that the valuations attributed to the Company's investments were appropriate, and that the Company has appropriate title to the investments reported in the financial statements. Our testing did not identify any misstatements which required reporting to those charged with governance.</p>
<p>Accuracy, completeness and occurrence of investment income Refer to page 35 (Accounting Policies) and pages 36 to 41 (Notes to the financial statements).</p> <p>We focused on gaining assurance in respect of the accuracy, occurrence and completeness of dividend income as incomplete or inaccurate income could have a material impact on the Company's net asset value. This is considered to be a potential fraud risk due to income being a significant account balance which drives key performance indicators. We also reviewed the accounting policy for income recognition and its presentation in the Income Statement to ensure it complies with the requirements of The Association of Investment Companies Statement of Recommended Practice (the "AIC SORP").</p>	<p>Our work included checking income recorded for a sample of securities to appropriate external sources. To test for completeness, we tested a sample of the investments, that all dividends declared in the market by investment holdings had been recorded. We tested occurrence by testing that all dividends recorded in the year had been declared in the market by investment holdings, and we traced a sample of dividends received to bank statements. We also reviewed income for further indications of omissions. We considered holdings which have not generated any income during the year. We tested the accuracy of dividend receipts by agreeing the dividend rates for a sample of investments to independent market data. Finally, we considered the accounting treatment of any "special dividends" received.</p>	<p>We concluded that the dividend income recorded and allocated in relation to the Company's equity investments were appropriate. Our testing did not identify any misstatements which required reporting to those charged with governance.</p>

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 misstatements that would be material for the financial statements as a whole to be £66,000, 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 £6,000, 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 5% of the relevant materiality figure, as well as differences below that threshold that we believe warranted reporting on qualitative grounds.

An overview of the scope of our audit

We conducted our audit of the financial statements using information maintained and provided by State Street Global Services (the "Administrator") to whom the Manager has, with the consent of the Company's Directors, delegated the provision of certain administrative functions.

We tailored the scope of our audit taking into account the types of investments within the Company, the involvement of the third parties referred to above, the accounting processes and controls, and the industry in which the Company operates.

We obtained an understanding of the control environment in place at both the Manager and the Administrator and adopted a fully substantive testing approach to obtain our audit evidence.

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in the evaluation of the effect of misstatements, both individually and in aggregate on the Financial Statements as a whole.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. This includes considering the director's statement relating to the Company's compliance with the Code, under the Listing Rules, for review by the auditors. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement of the financial statements or a material misstatement of the other information.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Opinions 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.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out 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, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. We planned and conducted our audit so as to obtain reasonable assurance of detecting any material misstatements in the financial statements resulting from improprieties or breach of regulations. Audit procedures performed by the engagement team included:

- Enquiries of the Manager and the Audit Committee, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Testing the Company's compliance with section 1158 of the Corporation Tax Act 2010 in the current year;
- Identifying and testing journal entries, specifically all manual journal entries posted by the Administrator during the preparation of the financial statements;
- Understanding the operating effectiveness of the Administrator and Manager's internal controls designed to prevent and detect irregularities;
- Reviewing relevant meeting minutes, including those of the Audit Committee; and,
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing of immaterial journal entries.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters which we are required to address

We were appointed by the Company Directors on 21 April 2014. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 5 years. The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company and its controlled undertakings in conducting our audit. Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

Use of our report

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.

Allison Gibson

(Senior Statutory Auditor)
For and on behalf of Scott-Moncrieff,
Statutory Auditor
Exchange Place 3
Semple Street
Edinburgh
EH3 8BL
5 July 2019

Income statement

for the year to 31 March 2019

	Notes	Revenue £000	Capital £000	Total £000
Net loss on investments at fair value	6	–	(106)	(106)
Income	1	143	–	143
Investment management fees	2	–	(24)	(24)
Other expenses	3	(104)	–	(104)
Gain/(loss) before finance costs and taxation		39	(130)	(91)
Finance costs		(26)	–	(26)
Gain/(loss) on ordinary activities before taxation		13	(130)	(117)
Taxation	4	(3)	–	(3)
Gain/(loss) attributable to ordinary shareholders		10	(130)	(120)
Gain/(loss) per Ordinary Share	5	0.17p	(2.17)p	(2.00)p

for the year to 31 March 2018

	Notes	Revenue £000	Capital £000	Total £000
Net gain on investments at fair value	6	–	1,019	1,019
Income	1	141	–	141
Investment management fees	2	–	–	–
Other expenses	3	(62)	(7)	(69)
Gain before finance costs and taxation		79	1,012	1,091
Finance costs		(23)	–	(23)
Gain on ordinary activities before taxation		56	1,012	1,068
Taxation	4	1	–	1
Gain attributable to ordinary shareholders		57	1,012	1,069
Gain per Ordinary Share	5	0.94p	16.83p	17.77p

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 35 to 41 form part of these Financial Statements

Balance sheet

as at 31 March 2019

	Notes	2019 £000	2018 £000
Fixed Assets			
Investments at fair value through profit or loss	6	6,437	6,480
Current Assets			
Debtors	7	300	427
Cash at bank and on deposit		6	8
Total current assets		306	435
Creditors: amounts falling due within one year	8	(134)	(186)
Net current assets		172	249
Total assets less current liabilities		6,609	6,729
Capital and Reserves			
Share capital	9	300	300
Share premium		314	314
Special reserve		5,144	5,144
Capital redemption reserve		27	27
Capital reserve		1,193	1,323
Revenue reserve		(369)	(379)
Equity shareholders' funds		6,609	6,729
Net asset value per Ordinary Share	5	110.06p	112.05p

Approved and authorised for issue by the Board of Directors on 5 July 2019 and signed on its behalf by Peter Dicks, Chairman.

Company registered number: SC211841

*The Accounting Policies
and the Notes on
pages 35 to 41 form
part of these Financial
Statements*

Statement of Changes in Equity

for the year to 31 March 2019

	Share capital £000	Share premium £000	Special reserve £000	Capital redemption reserve £000	Capital reserve £000	Revenue reserve £000	Total £000
As at 1 April 2018	300	314	5,144	27	1,323	(379)	6,729
(Loss)/gain attributable to shareholders	–	–	–	–	(130)	10	(120)
As at 31 March 2019	300	314	5,144	27	1,193	(369)	6,609

For the year to 31 March 2018

	Share capital £000	Share premium £000	Special reserve £000	Capital redemption reserve £000	Capital reserve £000	Revenue reserve £000	Total £000
As at 1 April 2017	300	314	5,144	27	311	(436)	5,660
Gain attributable to shareholders	–	–	–	–	1,012	57	1,069
As at 31 March 2018	300	314	5,144	27	1,323	(379)	6,729

The Accounting Policies and the Notes on pages 35 to 41 form part of these Financial Statements

Accounting policies

Basis of preparation

The Financial Statements have been prepared on a going concern basis in accordance with FRS 102, the "Financial Reporting Standard applicable in the UK and Republic of Ireland" and under the AIC's Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" (SORP) issued in 2014. The requirements have been met to qualify for the exemptions to prepare a Cash Flow Statement, this therefore has been removed.

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. The terms of the investment management agreement are detailed in the Report of the Directors.

Taxation

Current tax is provided at the amounts expected to be paid or received. 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.

Financial instruments

In addition to the investment transactions described above, basic financial instruments are entered into that result in recognition of other financial assets and liabilities, such as investment income due but not received, other debtors and other creditors. These financial instruments are receivable and payable within one year and are stated at cost less impairment.

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.

Special reserve

On 29 June 2001, the court approved the redesignation of the Share Premium Account, at that date, as a fully distributable Special Reserve.

*The Accounting Policies
and the Notes on
pages 35 to 41 form
part of these Financial
Statements*

Notes to the financial statements

	2019 £000	2018 £000
1. Income		
Income from shares and securities		
– dividends	143	141
– interest	–	–
	143	141
2. Investment management fees		
Investment management fees	24	–
3. Other expenses		
Revenue		
General expenses	68	31
Directors' fees	21	18
Auditor's remuneration – taxation services	15	13
	104	62
4. Taxation		
Current taxation	3	(1)
Deferred taxation	–	–
Total taxation charge for the year	3	(1)

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:

Loss/gain on ordinary activities before taxation	(117)	1,068
Corporation tax (19%, 2018 – 19%)	(22)	203
Non taxable UK dividends	(13)	(25)
Non taxable property revenue from UK REIT	(3)	–
Irrecoverable overseas tax	3	–
Non taxable investment losses/(gains) in capital	20	(192)
Non taxable overseas dividends	(4)	–
Movement in deferred tax rate on excess management charges	2	–
Movement in unutilised management expenses and NTLR deficits	20	13
Total taxation charge for the year	3	(1)

At 31 March 2019, the Fund had unutilised management expenses and non trade loan relationship ("NTLR") deficits of £1,116,000 (2018 – £1,019,000).

A deferred tax asset of £190,000 (2018 – £173,000) 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.

5. Returns per share

Returns per share are based on a weighted average of 6,005,000 (2018 – 6,005,000) ordinary shares in issue during the year.

Total return per share is based on the total loss for the year of £120,000 (2018 – gain of £1,069,000).

Capital return per share is based on the net capital loss for the year of £130,000 (2018 – gain of £1,012,000).

Revenue return per share is based on the revenue gain after taxation for the year of £10,000 (2018 – gain of £57,000).

The net asset value per share is based on the net assets of the Fund of £6,609,000 (2018 – £6,729,000) divided by the number of shares in issue at the year end as shown in note 9.

	2019 £000	2018 £000
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6. Investments at fair value through profit or loss

Listed investments	6,437	6,480
Unlisted investments	–	–
Valuation as at end of year	6,437	6,480

	Listed £000	Unlisted £000	Total £000	
Valuation as at start of year	6,480	–	6,480	5,583
Investment holding gains/(losses) as at start of year	2,431	(140)	2,291	1,606
Cost as at start of year	4,049	140	4,189	3,977
Purchases of investments at cost	1,268	–	1,268	2,352
Proceeds from sale of investments	(1,166)	–	(1,166)	(2,440)
Transfers	–	–	–	–
Net (loss)/gain on sale of investments	(62)	–	(62)	300
Cost as at end of year	4,089	140	4,229	4,189
Investment holding gains/(losses) as at end of year	2,348	(140)	2,208	2,291
Valuation as at end of year	6,437	–	6,437	6,480
Net (loss)/gain on sale of investments	(62)	–	(62)	300
Movement in investment holding gains	(44)	–	(44)	719
Total (loss)/gain on investments	(106)	–	(106)	1,019

The transaction costs in acquiring investments during the year were £2,000 (2018: £3,000). For disposals, transaction costs were £2,000 (2018: £4,000).

	2019 £000	2018 £000
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7. Debtors

Investment income due but not received	9	15
Due from brokers	–	71
Amounts receivable relating to CFDs	291	341
Taxation	–	–
	300	427

	2019 £000	2018 £000
8. Creditors: amounts falling due within one year		
Bank overdraft	–	65
Amounts due relating to CFDs	58	98
Other creditors	76	23
	134	186

9. Share capital**Allotted, issued and fully paid**

6,050,000 ordinary 5p shares (2018 – same)	300	300
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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.

10. 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 investments are denominated in Sterling and are carried at fair value. 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 2019 were valued at £nil (2018 – £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 2019 (2018 – 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 6.

	2019 £000	2018 £000
<i>Classification of financial instruments</i>		
Level 1	6,417	6,464
Level 2	20	16
Level 3 – 2 investments (2018 – 2)	–	–

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 2019 and 2018.

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.

10. Financial instruments (continued)

The movements within level 3 investments were as follows:

	2019 £000	2018 £000
Valuation as at start of year	–	–
Purchases of investments at cost	–	–
Proceeds from sale of investments	–	–
Net losses on sale of investments	–	–
Transfers	–	–
Movement in investment holding gains	–	–
Valuation as at end of year	–	–

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 (2019 – 17; 2018 – 20)

Gross exposure	1,332	1,668
Net exposure	1,332	1,668
Unrealised gains	20	16
Unrealised losses	58	98

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.

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.

10. Financial instruments (continued)*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.

	2019 £000	2018 £000
Investment portfolio		
5% increase	+5.4p	+6.8p
5% decrease	-5.4p	-6.8p
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	6	8
Amounts receivable relating to CFDs	291	341
Investment income due but not received	9	15
Taxation	–	–
	306	364

Contractual maturity analysis

	Due not later than 1 month £000	Due between 1 and 3 months £000	Due between 3 and 12 months £000	2019 Total £000
Bank	6	–	–	6
Debtors	9	–	291	300
Creditors	(134)	–	–	(134)
Net liquidity	(119)	–	291	172

	Due not later than 1 month £000	Due between 1 and 3 months £000	Due between 3 and 12 months £000	2018 Total £000
Bank	8	–	–	8
Debtors	73	13	341	427
Creditors	(186)	–	–	(186)
Net liquidity	(105)	13	341	249

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

10. Financial instruments (continued)

Capital management policies

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

	2019 £000	2018 £000
Capital and reserves:		
Share capital	300	300
Share premium	314	314
Special reserve	5,144	5,144
Capital redemption reserve	27	27
Capital reserve	1,193	1,323
Revenue reserve	(369)	(379)
Total shareholders' funds	6,609	6,729

The Fund's objectives for managing capital are detailed in the Strategic Report 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.

11. 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. 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 3. Shareholdings of Directors are also set out in the Directors' Remuneration Report.

Amounts paid to SVM Asset Management Limited in respect of Investment Management fees are disclosed in note 2, with £11,659 (2018: nil) due at the year end.

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, 13 September 2019 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 2019, 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 2019 be approved.
3. That the Annual Report on Directors' Remuneration as contained in the Directors' Remuneration Report for the year to 31 March 2019 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.

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

5 July 2019

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

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 12 September 2019 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 30 June 2019, 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 30 June 2019 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**

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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
Edinburgh House
4 North St. Andrew Street
Edinburgh EH2 1HJ
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

Notes

Notes





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0800 0199 440

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