SVM Asset Management

INDEPENDENT THINKING

SVM UK Emerging Fund plc

March 2023

Annual Report and Accounts

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.

Contents

Highlights

- Over the 12 months to 31 March 2023, net asset value per share fell 17.3% to 93.03p compared to a return of -1.9% in the chosen comparator, the IA UK Companies Sector Average Index.
- Over the five years to 31 March 2023, net asset value per share has fallen 17.0% and the share price 27.2%, against the comparator index return of +18.6%.
- Small and medium sized companies lagged the FTSE 100 over the period.
- A number of portfolio companies attracted takeovers and bid approaches, indicating share prices have fallen below underlying business value.
- At 30 June 2023, net asset value per share was 91.82p.

Financial Highlights

	Year to 31 March 2023	Year to 31 March 2022
Total Return performance:		
Net asset value total return*	**-17.3%**	-10.0%
Share price total return*	**-25.1%**	-12.1%
Comparator Index (IA UK All Companies Sector Average Index since 1 October 2013**)	**-1.9%**	5.4%

	31 March 2023	31 March 2022	% Change
Capital Return performance:			
Net asset value (p)	**93.03**	112.51	-17.3%
Share price (p)	**65.50**	87.50	-25.1%
MSCI UK Investable Market Index***	**2,093.18**	2,032.66	3.0%
Discount*	**29.6%**	22.2%	
Gearing*	**9.3%**	16.1%	
Ongoing charges ratio:*			
Investment management fees	**0.68%**	0.86%	
Other operating expenses	**2.32%**	1.78%	
Total	**3.00%**	2.64%	

Total Return to 31 March 2023 (%)	1 Year	3 Years	5 Years	10 Years	Launch (2000)
Net Asset Value	-17.3%	13.6%	-17.0%	78.6%	-4.1%
Comparator Index**	-1.9%	42.6%	18.6%	73.8%	-13.3%

*For a definition of terms see the Glossary of Terms and Alternative Performance Measures on page 47.
**The comparator index for the Fund is the IA UK All Companies Sector Average Index.
*** The MSCI UK Investable Market Index is a representative index of the UK Equity Market.

Chairman's Statement

Over the 12 months to 31 March 2023, the Company's net asset value fell 17.3% to 93.03p per share, compared to a return of -1.9% in the chosen comparator, the IA UK All Companies Sector Average Index. Over the 12 months, the share price fell by 25.1%. Over the five years to 31 March 2023, net asset value has fallen 17.0% and the share price 27.2%, against the IA UK All Companies Sector Average return of +18.6%. The Company's net asset value decreased slightly in the three months since the year end to 91.82p at 30 June 2023. (total return, FE fundinfo, IA UK All Companies Sector Average for comparison purposes).

Review of the year

Over the 12 months under review, inflation remained high due to the impact of the Ukraine conflict and supply pressures. Weakness relative to other major stockmarkets has brought UK equities - on a range of measures – to a significant valuation gap with the rest of the world. The September 2022 low in the Pound coincided with a peak in pessimism. Since then, the Pound has rebounded over 10% versus the US Dollar. A possible improvement in inflation as the year progresses should restore some confidence. A lessening of trade frictions, as new agreements are negotiated, should help the UK in the coming 12 months.

Although there has been some recovery from the UK's gilt and currency panic of September 2022, politics still weigh on domestic UK shares. Many sound and growing UK businesses were neglected as investors focused on large companies within the global sectors.

For a definition of terms see Glossary of Terms and Alternative Performance Measures on page 47.

The 12 months under review saw a significant gap between the performance of the largest UK listed companies, represented in the FTSE100, and that of smaller and medium sized businesses typical of SVM UK Emerging Fund. The FTSE100 Index materially outperformed the FTSE250 that represents medium sized companies. Over the medium and longer term, the medium sized companies, which tend to be more exposed to the domestic UK economy and the Pound, have shown more growth and stockmarket performance. However, 2022 was a significant setback to that trend.

The strongest contributions to performance over the period were from 4Imprint Group, Flutter Entertainment,

Beazley, Ideagen and Games Workshop. Laggards included Kin and Carta, Inspecs Group, Hilton Food Group, Dechra Pharmaceuticals and Dianomi. New investments included Grafton Group, Segro and Serco Group. Additional investment was made in Howden Joinery, Treatt and Dechra Pharmaceuticals. To fund these purchases Global Data, Gamma Communications and On The Beach were sold. DiscoverIE announced the acquisition of Magnasphere, a US designer and manufacturer of magnetic sensors and switches that has the potential to enhance earnings. Games Workshop announced a partnership with Amazon to develop TV and film content with Warhammer IP.

Ideagen was taken over by HG Capital and Aveva was acquired by Schneider Electric. Kape Technologies agreed a cash offer from Unikmind and Dechra Pharmaceuticals has attracted a bid approach from Swedish private equity firm, EQT. This interest in some smaller and medium sized British businesses by corporate investors and private equity may point to share prices having fallen below real business value.

Annual General Meeting

The Annual General Meeting will be held on Friday 8 September 2023 at SVM's offices in Edinburgh. At the last 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 our shares, and your Board does not expect this overall to be dilutive to shareholders.

On 31 October 2022, SVM Asset Management Limited, being the Investment Manager to SVM UK Emerging Investment Trust plc, was acquired by River and Mercantile Holdings Limited, a subsidiary of AssetCo plc, a UK listed company.

Outlook

Inflation should fall over the next 12 months and supply pressures should be moderate. Consumer sectors in particular appear to be beating expectations.

The Board and Manager are committed to investing in a responsible manner and the Manager embeds Environmental, Social and Governance (ESG) considerations into the research and analysis as part of the investment process.

The portfolio focuses on resilient growing businesses, with low exposure to commodities, oil and banks. The Fund remains fully invested with some additional gearing.

Peter Dicks
Chairman
26 July 2023

Manager's Review

Whilst there are currently no operational changes to note, SVM Asset Management Limited, being the Investment Manager to SVM UK Emerging Investment Trust plc, was acquired by River and Mercantile Holdings Limited, a subsidiary of AssetCo plc, a UK listed company on 31 October 2022.

Summary

The year under review was an extremely difficult period for UK growth investing, particularly for funds emphasising smaller and medium sized companies. The index averages conceal just how much of the returns for the period came from a narrow group of global sectors; energy, basic materials and healthcare.

UK equities have rallied from a low point in September 2022. But since March 2023 there has been some weakness in banks over concern about the health of the banking system. This stemmed from bank failures in the US and Credit Suisse in Europe. There is no portfolio exposure to banks. Although the sector is well capitalised, competition for deposits could adversely impact net interest margins.

In contrast to 2008, the financial sector does not appear to pose a systemic risk. Large financial institutions are much better capitalised than at any point in the last 40 years. Bank share prices, however, are likely to remain volatile in the near-term and subject to changes in prevailing sentiment.

Commentary from portfolio companies continues to be generally positive. Demand is typically flat, but order books and sentiment are reasonably robust. Earnings forecasts appear to have been cut to a level where there is more upside than downside risk to current year results. Nevertheless, UK business confidence remains fragile. UK inflation was expected to peak in early 2023 but has remained stubbornly over 10%.

Bank problems are just one early sign of a growing liquidity squeeze. This may see investors put more value on cash generative, profitable businesses. Easy money has propped-up some poor business models for a number of years. As losses mount, many early stage growth businesses have cut back on marketing and other costs to extend their cash runway. And some older declining businesses, trapped within a high cost structure, have allowed debt to pile up. The Fund is focused on well-funded proven business models.

Portfolio review and investment strategy

Portfolio changes during the 12 months under review emphasised improving underlying liquidity. The Fund is closed-end, and accordingly can take a longer term view on investments which are taking time to grow to a size that attracts institutional investor interest. Regulatory change, covering both portfolio risk and the way in which stockbroking research is conducted, mean that the size at which companies begin to attract broader research coverage and gain a wider audience, is now at a higher level of market capitalisation. Companies that are not included in one of the major indices lack natural buyers and shares can fall sharply on any delay or disappointment. This increases the risk profile of some of the smallest companies outside the FTSE All-Share Index. Portfolio reinvestment was in medium sized and smaller companies with near term prospects of moving into the Index or those already included.

For a definition of terms see Glossary of Terms and Alternative Performance Measures on page 47.

The key for growth investors is to find cash generative growth businesses where a strong moat or service differentiation helps to protect profit margins. Businesses with good cash conversion can reinvest for further growth. Sustainable long term growth in a business usually requires consistently good stewardship of capital. This takes time to evidence, and can often be missed or undervalued by investors. Those quality businesses should now be better placed for recovery.

The weakness of some consumer shares in particular does not reflect the potential for competition to ease and prospects improve. Some of that competition represents takeovers by private equity that have saddled acquired businesses with debt, limiting their ability to compete. Established businesses benefit from an environment with less discounting and a slower pace of innovation. Effectively, the cost of capital for early stage businesses has risen, helping businesses that are inherently cash generative and able to fund their own growth.

An example in the portfolio of a consumer business emerging strongly from pandemic disruption is Jet2, now the UK's largest tour operator. It has benefited from the recovery by refunding customers promptly and in operating a vertically integrated business, controlling its own fleet and seat supply. The disappearance of some capacity from the industry, as competitors cut back, has reduced competition and favours a model focusing on customer experience and value for money. Jet2's balance sheet has given it the strength to order fleet replacement and is working to improve sustainability. After a difficult three years, this consumer business is now growing strongly.

The Manager's approach to investing integrates environmental, social and governance (ESG) analysis into its day-to-day investment activities, and this, combined with an active engagement approach, seeks to influence change and encourage better practices from the companies in which it invests. Companies with successful business

Top 5 Contributors to Absolute Performance (%)

Company name	Contribution
4IMPRINT GROUP	3.39
FLUTTER ENTERTAINMENT	1.07
BEAZLEY GROUP	1.01
IDEAGEN	0.77
GAMES WORKSHOP GROUP	0.69

Bottom Contributors to Absolute Performance (%)

Company name	Contribution
KIN AND CARTA	-1.85
INSPECS GROUP	-1.43
HILTON FOOD GROUP	-1.38
DECHRA PHARMACEUTICALS	-1.37
DIANOMI	-1.30

models are usually transparent in their accounting and reporting policies and communicate their strategy. Resilience in a business often comes from its strength within a niche. Key to the opportunity that the Manager sees in investment is an ability to generate returns greater than cost of capital and to ensure that stewardship of assets is focused on this aspect.

Outlook

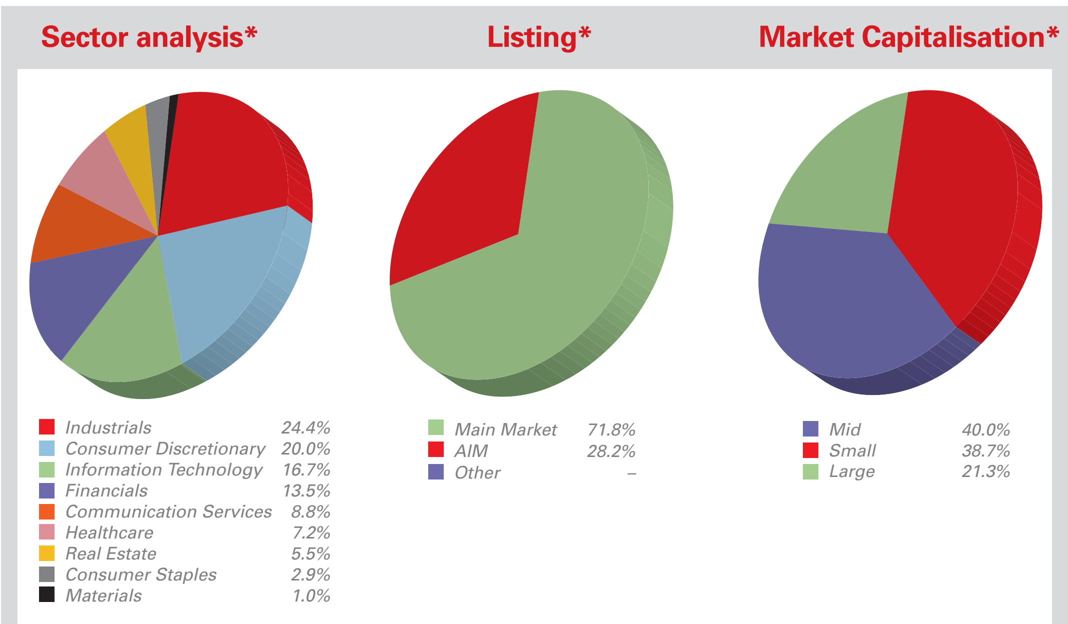
We can expect a rise in real interest costs that accompanies widening credit spreads and falling inflation. Over the next 12 months the Bank of England interest rate is likely to fall, but the real borrowing costs of many businesses could rise. This would negatively expose indebted businesses that have not focused on strong cashflow.

The global economy continues to be resilient. Supply chain risks continue, although labour scarcity may ease as unemployment picks up, but these risks are more acute in manufacturing sectors. In consumer sectors, safety probably lies with businesses that are leaders in their area or which can defend margins through innovation. Currently, consumer sectors have been significantly derated, in contrast to technology and industrials.

The portfolio emphasises exposure to businesses with strong competitive positions and potential for organic growth.

Colin McLean
Investment Director & Chief Investment Officer
SVM Asset Management
26 July 2023

Analysis of Investment Portfolio



*** Analysis is of gross exposure**

Investment Portfolio

as at 31 March 2023

	Stock	Market Exposure 2023 £000	% of Net Assets	Market Exposure 2022 £000
1	4Imprint Group	335	6.0	266
2	Alpha FX Group	321	5.8	378
3	Watches Of Switzerland Group*	229	4.1	319
4	Unite Group	192	3.4	233
5	Beazley Group	187	3.4	132
6	JD Sports Fashion*	167	3.0	139
7	Dechra Pharmaceuticals	166	3.0	243
8	Rentokil Initial	164	2.9	146
9	Ashtead Group	155	2.8	99
10	Howden Joinery Group	154	2.7	84
Ten largest Investments		**2,070**	**37.1**	
11	Kape Technologies	150	2.7	204
12	Jet2	150	2.7	131
13	Flutter Entertainment*	145	2.6	64
14	Games Workshop Group	140	2.5	105
15	Experian	133	2.4	148
16	Oxford Instruments	125	2.2	105
17	FDM Group Holdings	119	2.1	175
18	Kainos Group	119	2.1	113
19	Keystone Law Group	115	2.1	157
20	Impax Asset Management Group	111	2.0	140
Twenty largest investments		**3,377**	**60.5**	
21	Serco Group	110	2.0	-
22	Hilton Food Group	102	1.8	182
23	Renishaw *	93	1.7	88
24	Computacenter	89	1.6	123
25	Renew	86	1.5	87
26	Instem	85	1.5	99
27	Auto Trader Group	81	1.5	83
28	XP Power	81	1.5	138
29	DiscoverIE Group	79	1.4	81
30	Entain *	79	1.4	103
Thirty largest investments		**4,262**	**76.4**	
Other investments (31 holdings)		**1,490**	**26.7**	
Total Investments		**5,752**	**103.1**	
CFD positions		**(892)**	**(16.0)**	
CFD unrealised gains		**22**	**0.4**	
Net current assets		**695**	**12.5**	
Net assets		**5,577**	**100.0**	

**Includes CFDs.*

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. The investment portfolio is grossed up to include CFDs and the net CFD position is then deducted in arriving at the net asset total. Further information is given in note 6 to the Financial Statements. A full portfolio listing as at 31 March 2023 is detailed on the website.

Strategic Report

The Directors submit the Strategic Report for the year to 31 March 2023. The information set out on pages 2 to 15 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 comparator 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, historically, has been considerably less. The Board has instructed the Manager not to make any new investments into unlisted shares. The unlisted shares held in the portfolio during the year were valued at 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 by the Manager and the Board has set an upper limit of a total of 30% of net assets. Borrowing is only used occasionally and 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 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 a total of 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 involves 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 is only used

For a definition of terms see Glossary of Terms and Alternative Performance Measures on page 47.

occasionally and 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. The Fund may, however, 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. 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 discount. The Board assesses these on a regular basis. Further information on these indicatorsis 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
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	(1.99)	23.7%
2020	81.88	70.00	(28.20)	14.5%
2021	125.00	99.50	43.12	20.4%
2022	112.51	87.50	(12.49)	22.2%
2023	**93.03**	**65.50**	**(19.48)**	**29.6%**

Results

The total loss for the year of £1,168k (2022: loss of £749,000) has been transferred to reserves. No dividend has been declared. The net asset value total return was -17.3% for the year. At 31 March 2023, the net asset value per share was 93.03p and the share price was 65.50p. The Chairman's Statement and Manager's review include a review of the main developments during the year.

Portfolio Analysis

An analysis of the Fund's portfolio is provided on the page entitled 'Investment Portfolio' and in the Manager's Review.

Principal Risks and Uncertainties

The Directors carry out a robust assessment of the Company's emerging and principal risks including reviewing the policies implemented 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 company 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 further under "Financial". Additional risks faced by the Fund are summarised below.

Emerging risks – are risks that could have a future impact on the Fund. The Board considers that emerging risks exacerbate existing identified risks e.g. market risk, rather than themselves being new risks. Whilst there were no new specific emerging risks added to the risk register during the year, certain other risks have continued to develop or recede, with the conflict between Russia and the Ukraine and resulting strains of Covid-19 being respective examples which continue to be considered. The Board recognise the impact of inflationary pressures and rising interest rates as established risks. The risks increased during the year.

Investment strategy – The risk that an inappropriate investment strategy may lead to the Fund underperforming its comparator, 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 comparator. The Board regularly reviews the Fund's investment mandate and long term strategy. This is a stable risk.

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. The Board acknowledge the discount rate has widened and, by virtue of that in isolation, assess that the associated risk has increased during the year.

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 the United Kingdom Listing Authority Rules. This is a stable risk.

Operational – The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. 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. Risk controls are monitored by their assigned owner with oversight from the Manager's risk and compliance function as part of the Manager's risk & control framework, which is reviewed at least annually. This is a stable risk.

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. This is a stable risk.

Financial – The Fund's investment activities expose it to a variety of financial risks including:

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. This risk is variable, which is assessed by the Board and the Manager throughout the year and is considered as broadly stable.

Liquidity risk

The risk that the Fund may encounter difficultly 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. This risk is variable, which is assessed by the Board and the Manager throughout the year and is considered as broadly stable.

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. This is a stable risk.

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. The Board note the increase in interest rates but assess the risk as stable.

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 and Going Concern Assessment

In accordance with The Financial Reporting Council's guidance on going concern and liquidity risk, including its Covid-19 guidance, the Directors have undertaken a thorough review of the Company's ability to continue as a going concern. In considering going concern and viability assessment, whilst a modest operating loss is forecast, the investment portfolio is heavily weighted to level 1 stock positions which provides sufficient liquidity to meet the operational cost shortfall. The most recent events of Covid-19, the Russian-Ukraine conflict and current inflationary pressures have all created periods of heightened market volatility, during which the Company has navigated with no going concern or viability issues to note, where 2 and 7 day liquidity buckets (to redeem the portfolio) have remained strong throughout and currently have 98% and 100% coverage respectively. Management's oversight of these matters supports retaining the view that a going concern basis of reporting remains appropriate. The Manager and the other service suppliers to the Company have demonstrated operational resilience to date, as recently endorsed in successfully meeting the specific operational challenges presented by Covid-19.

In accordance with Section 31 of the FRC's 2018 UK Corporate Governance Code 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 Manager has conducted stress testing of the liquidity risk within the portfolio holdings considering both a reduction in the availability of market liquidity and the impact of spread cost on the portfolio. In addition market risk has been stress tested through a range of scenario modelling including both historical scenarios such as the collapse of Lehman in 2008 and hypothetical scenarios such as a 10% fall in the financials sector. The assessment which has, in particular, considered the impact of heightened market volatility since the coronavirus outbreak, 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, including the impact of the coronavirus outbreak, 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. A continuation vote is held every five years at the AGM. The latest vote was held in September 2020 at which the Shareholders voted to approve the continuation of the Fund for another five years. The next vote will be held at the 2025 AGM.

On the basis of their robust review and with consideration to the principal risks and uncertainties the Company faces the Directors consider it appropriate to adopt the going concern basis of accounting in preparing the annual financial statements and have not identified any material uncertainties which would affect the Company's ability to continue in operation over a period of at least twelve months from the date of approval of the financial statements.

Directors' Duty to Promote the Success of the Company

Under section 172 of the Companies Act 2006 (the "Act"), the Directors have a statutory duty to promote the success of the Company as a whole and to describe how they have performed this duty while having regard to matters set out in section 172(1) of the Act and the likely consequences of any decision in the long term. The Board must consider how any decision it makes will affect the stakeholders.

As an investment trust the Board's principal concern has been, and continues to be, the interests of the Company's Shareholders. As an externally managed investment company, the

Company does not have employees. The Board considers that its main stakeholders are its Shareholders, who are also its customers, and its suppliers. These suppliers are external firms engaged by the Board to provide investment management, secretarial, depositary, custodial, banking and shareholder services. The principal relationship is with the Manager, whose services are fundamental to the success of the Company through the pursuit of the investment objective. To enable the Directors to exercise effective oversight of the Company's activities and investment performance in relation to its objective, the Board receives and reviews detailed reports from the Manager at each quarterly Board Meeting. The terms and conditions of the Manager's appointment are reviewed by the Board annually. Further information on the Board's review process is set out in the Directors' Report.

The Manager seeks to maintain productive relationships with the Company's other suppliers on behalf of the Company through regular communications, service review meetings and the provision of information as necessary.

To help the Board in its aim to act fairly between the Company's Shareholders, it encourages communications with all shareholders. Directors are available to meet with Shareholders during the year and at the Annual General Meeting. The AGM provides a key forum for both the Board and the Manager to make presentations on the performance of the Company. The Board seeks to ensure that Shareholders are provided with sufficient information to allow them to understand the risk/return balance to which they are exposed by holding their shares, through the information given in the annual and half-year financial reports, quarterly factsheets and the monthly net asset value disclosures, all of which are available on the Manager's website.

In seeking to enhance value for Shareholders over the long term, the Board has also established guidelines to allow the Manager to use gearing on a tactical basis when opportunities arise and to implement share buy-backs, operating within Board guidelines and approvals. Further information on share buy-backs can be found on pages 4 and 19.

Whilst the Company's operations are limited (with all substantive matters being conducted by its externally appointed service providers) the Board is aware of the need to consider the impact of the Company's operations on environmental, social and governance matters (ESG). The Board also expects good standards at the companies within which the Company is invested. In this regard, it is satisfied that the Manager consistently and proactively engages with investee companies on ESG, where these are material to the investment case and therefore to the long-term success of the Company. The Manager's approach to investing integrates ESG analysis into its day-to-day investment activities. This is combined with an active engagement approach which seeks to influence change and better practices from the companies in which it invests. Further details on the Manager's stewardship policy are available under the Governance section of the Manager's website, at www.svmonline.co.uk. More information on the Manager's ESG policy can be found under the Responsible Investing section of the Manager's website.

Directors and Employees and Gender Representation

The Directors of the Fund at 31 March 2023, all of whom held office throughout the year, are set out on the page entitled 'Board of Directors' which contains biographies. Throughout the year the Board consisted of three male Directors. At 31 March 2023, the Board did not meet the FCA targets of at least 40% female directors nor a director from a minority ethnic background. No woman held one of the four senior positions, as listed by the FCA, on the Board, but as an investment company there is not a chief executive or chief financial officer. However, the Investment Manager with day-to-day portfolio responsibility within the Managers is a woman. There has been no change to this information as at the date on which the annual financial report was approved. The Fund does not have any employees. Given the small constitution of the Board, it is committed to appointing individuals of a high calibre based on merit, with due regard to the benefits of diversity on the Board.

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.
The Fund aims to act to the highest standards in regard to these issues and is committed to integrating responsible business practices throughout its operations. The prevention of modern slavery is an important part of good corporate governance.

The Fund is an investment vehicle and does not provide goods or services in the normal course of its business, or have customers. The Fund's turnover is below the threshold of the Modern Slavery Act 2015 and, accordingly, the Directors consider that the Fund is not required to make any slavery or human trafficking statement under the Act.

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

26 July 2023

Gender identity or sex*	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)
Men	3	100%	2
Women	–	–	–
Not specified/ prefer not to say	–	–	–

Ethnic background*	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)
White British or other white (including minority-white groups)	3	100%	2
Mixed/Multiple ethnic groups	–	–	–
Asian/Asian British	–	–	–
Black/African/ Caribbean/Black British	–	–	–
Other ethnic group, including Arab	–	–	–
Not specified/ prefer not to say	–	–	–

* This information was collected through a self-identification exercise by all Directors and facilitated by the Company Secretary. Permission was sought from the Directors to use the information for this purpose.

Board of Directors

Peter Dicks (Chairman)

Ian Gray

Jeremy Harris

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 Averon Park Limited, Miton UK MicroCap Trust plc and other unquoted companies. Mr Dicks was appointed on 4 October 2000, and stands for annual re-election.

Ian Gray (Chairman of the Audit Committee and Management and Nomination Committee)

Ian Gray is a Chartered Accountant (FCA), holding the Corporate Finance qualification and a Chartered Manager. He has worked in strategic roles in a variety of businesses helping with their strategy, development and corporate governance. He is a director of Clancy Group Holdings Ltd. Mr Gray was appointed to the Board on 6 March 2020 and stands for annual re-election.

Jeremy Harris (Non-executive director)

Jeremy Harris is a solicitor and partner at Brian Harris & Co, a member of the International Bar Association and the Law Society of England and Wales. He is a director of Gatekeeper Trustee Limited. Mr Harris was appointed to the Board on 15 August 2019 and stands for annual re-election.

The Board regards all of the Directors to be wholly independent of the Fund's Manager.

Report of the Directors

The Directors submit the Annual Report and Financial Statements for the year to 31 March 2023.

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.

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 2023	31 March 2022
P F Dicks	**297,500**	297,500
I Gray	**15,000**	15,000
J Harris	**–**	–

There have been no changes in the Directors' interests between 31 March 2023 and 7 July 2023.

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

Each Director will offer himself for re-election at the Annual General Meeting. The Board considers that each Director is independent, despite the Chairman having served on the Board for more than ten 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 recommends the Directors' individual re-election to shareholders.

Management

SVM Asset Management Limited provides investment management and secretarial services to the Fund. These services can be terminated without compensation at any time by giving one year's notice or an immediate payment of a year's fees in lieu of notice. The Manager is entitled to a fee for these services, payable quarterly in arrears, equivalent to 0.75% per annum of the total assets of the Company, less current liabilities.

Whilst there are currently no operational changes to note, SVM Asset Management Limited, being the Investment Manager to SVM UK Emerging Investment Trust plc, was acquired by River and Mercantile Holdings Limited, a subsidiary of AssetCo plc, a UK listed company, on 31 October 2022.

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 2023, 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
Barnton Capital and client holdings	1,749,932	29.2%
Armstrong Investments Ltd	740,000	12.3%
C W McLean	370,000	6.2%
Charles Stanley & Co, Rock (Nominees) Ltd	301,000	5.0%
Peter Dicks	297,500	5.0%
Stephen James Blackford & Mrs Tracey Magdeline Blackford	296,000	4.9%
Integrated Financial Arrangements Ltd	229,044	3.8%

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 Fund's ordinary shares are set out in the Fund's Articles of Association. The ordinary shares, except those held in treasury, 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. 10,000 ordinary shares were held in treasury at 31 March 2023 (2022: 10,000) which have no rights to vote or receive dividends.

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 8, 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.

There were no share buybacks during the year.

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 2025 and every five years thereafter, shareholders will be given the opportunity to decide on the future of the Fund via a continuation vote. In assessing whether it is a going concern the Board has considered the principal risks and uncertainties, as referenced in the Strategic Report, the current cash position and the overall financial position of the Fund alongside stress testing of portfolio performance, analysis of portfolio liquidity under normal and stressed scenarios, and the efficient implementation of its business continuity plan as a result of the COVID-19 pandemic. 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 principles of the 2019 AIC Code of Corporate Governance ("the AIC Code") and the provisions of the Financial Reporting Council's 2018 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 Code.

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 Ian Gray 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.

The Chairman has served for more than nine years. However, the Board subscribes to the view expressed within the AIC Code that long-serving Directors should not be prevented from forming part of an independent majority. The Board considers that independence is not compromised by the length of tenure and that it has the appropriate balance of skills, experience, ages and length of service.

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 that the Manager has complied with the UK 2020 Stewardship Code and is a signatory to the Code. The code 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.

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

Committees

	Board	Audit Committee	Management and Nomination Committee
Number of meetings held in year	**5**	**2**	**2**
P F Dicks	5	2	2
I Gray	5	2	2
J Harris	4	2	2

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 Manager. 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. Given the small constitution of the Board, it is committed to appointing individuals of a high calibre based on merit, with due regard to the benefits of diversity on the Board.

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 he 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
- he 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

Johnston Carmichael LLP has expressed its 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 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 comparator 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 and the AIC 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
26 July 2023

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 2024.

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

One of the Directors was originally appointed at the Fund's inception in 2000 and the other two were appointed during 2019-20. 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. 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 currently 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.

	2023 £	2022 £	Change %
Directors' total remuneration	**25,000**	25,000	–
Operating Expenses	**118,000**	102,000	15.7
Dividends paid to shareholders	**Nil**	Nil	–

Directors' Shareholdings (audited)

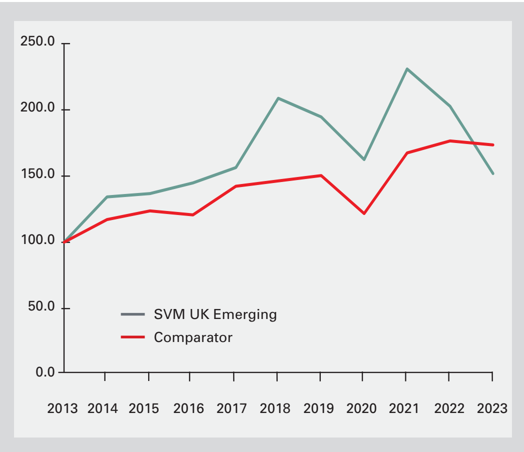
The Directors who held office during the year and their beneficial interests in the ordinary shares of the Fund were:

	31 March 2023 £	31 March 2022 £
P F Dicks	**297,000**	297,000
I Gray	**15,000**	15,000
J Harris	**–**	–

There have been no changes in the Directors' interests between 31 March 2023 and 30 June 2023. 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 2023) 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 comparator.



Directors' emoluments for the year (audited)

The Directors who served in the year received the following emoluments in the form of fixed fees. The year on year increase for each Director from 2021 to 2023 has been nil percent pa. There is no variable element to Directors' emoluments.

	Fees 2023 £	Fees 2022 £	Fees 2021 £
P F Dicks	**10,000**	10,000	10,000
I Gray	**7,500**	7,500	7,500
J Harris	**7,500**	7,500	7,500
Total	**25,000**	25,000	25,000

Future Policy Table

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

	Fees 2024 £	Fees 2023 £
P F Dicks	**10,000**	10,000
I Gray	**7,500**	7,500
J Harris	**7,500**	7,500
Total	**25,000**	25,000

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 9 September 2022, shareholders approved the Directors' Remuneration Report in respect of the year ended 31 March 2023. 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

26 July 2023

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 external audit, its cost effectiveness and the independence and objectivity of the auditor. The auditor is invited to attend such meetings and report on the results of the audit.

The Audit Committee must also satisfy itself that the Annual Report and Financial Statements are fair, balanced and understandable.

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 the external auditor and senior members of the Manager's team. During the year its Chairman met with the external auditor outside of the committee meetings. 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 Johnston Carmichael, their appointment, remuneration and terms of engagement;
- policy on the engagement of Johnston Carmichael 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 Johnston Carmichael's plan for the audit of the financial statements for the year ended 31 March 2023. At the conclusion of the audit Johnston Carmichael 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. Johnston Carmichael 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 Johnston Carmichael and the audit team. Working closely with the Manager the Audit Committee considered and evaluated Johnston Carmichael's planning, scope and execution of the audit.

Significant Issues considered by the Audit Committee

In relation to the 2023 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. Judgement is also required in determining whether special dividends are treated as income or capital in the Income Statement.

- **Other Matters**
  The Audit Committee considered the impact of the war in Ukraine, increasing interest rates and the cost of living pressures for the UK consumer on the Company, including the valuation of the investment portfolio and the revenues of the Company.

Auditor Appointment and Tenure

The auditor appointment was last put out to tender in 2020 and Johnston Carmichael was appointed as auditor in place of Scott-Moncrieff commencing with the audit in respect of the year to 31 March 2020. Richard Sutherland is an Audit Partner at Johnston Carmichael and this is his second year as Senior Statutory Auditor to the company. Based on its review of the effectiveness of Johnston Carmichael, the Audit Committee has recommended the continuing appointment of Johnston Carmichael to the Board. Johnston Carmichael's performance will continue to be reviewed annually taking into account all relevant guidance and best practice.

Non-Audit Services

The auditor did not provide any non-audit services to the Fund for 2023 (2022: nil). 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.

Ian Gray
Chairman of Audit Committee
26 July 2023

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

26 July 2023

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 ("the Company"), for the year ended 31 March 2023, which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Equity and the related notes, including 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 2023 and of its loss for the year then ended;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- Have been prepared in accordance with the requirements of the Companies Act 2006.

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 responsibilities for the audit of the financial statements section of our report. 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 FRC's Ethical Standard, as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our approach to the audit

We planned our audit by first obtaining an understanding of the Company and its environment, including its key activities delegated by the Board to relevant approved third-party service providers and the controls over provision of those services.

We conducted our audit using information maintained and provided by State Street Global Services (the "Administrator"), State Street Bank & Trust Company (the "Custodian") and SVM Asset Management Limited (the "Company Secretary" and "Investment Manager") to whom the Company has delegated the provision of services.

We tailored the scope of our audit to reflect our risk assessment, taking into account such factors as the types of investments within the Company, the involvement of the Administrator, the accounting processes and controls, and the industry in which the Company operates.

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.

Key audit matters

Key audit matters are those matters that, in our professional judgement, 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) that we identified. These matters included 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, we do not provide a separate opinion on these matters.

We summarise below the key audit matters in arriving at our audit opinion above, together with how our audit addressed these matters and the results of our audit work in relation to these matters.

Key Audit Matter	How our audit addressed the key audit matter and our conclusions
Valuation and ownership of investments (as described on pages 27 and 28 in the Audit Committee Report and as per the accounting policy on pages 39 and 40 and Note 6). The valuation of the listed, level 1 investments at 31 March 2023 was £4.86m (2022: £6.41m), and the net value of the level 2 Contracts for Difference ("CFDs") was (£0.49m) (2022: £0.38m). As this is the largest component of the Company's Balance Sheet and a key driver of the Company's net assets and total return, this has been designated as a key audit matter, being one of the most significant assessed risks of material misstatement due to fraud or error. There is a further risk that the investments held at fair value may not be actively traded and the quoted prices may not be reflective of their fair value (valuation). Additionally, there is a risk that the Company does not have proper legal title to the investments recorded as held at year end (ownership).	• We obtained and assessed controls reports provided by the Administrator and the Custodian to evaluate the design of the process and implementation of key controls. • We compared market prices applied to all listed investments held at 31 March 2023 to an independent third-party source and recalculated the investment valuations. • We compared the market prices applied to all CFD's held at 31 March 2023 to an independent third-party source and recalculated the investment valuations. • We obtained average trading volumes from an independent third-party source for all listed investments held at year end and noted no significant illiquid holdings. • We agreed the ownership, as at 31 March 2023, of all listed investments to the independently received custodian report and all CFDs to independently received broker confirmations. • From our completion of these procedures, we identified no material misstatements in relation to the valuation and ownership of the investments.
Revenue recognition including the allocation of special dividends as revenue or capital returns (as described on page 28 in the Audit Committee Report and as per the accounting policy on page 39 and Note 1. Investment income recognised in the year was £103k (2022: £94k) consisting of dividend income from listed investments and CFDs. Revenue-based performance metrics are often one of the key performance indicators for stakeholders. The investment income received by the Company during the year directly impacts these metrics and the minimum dividend required to be paid by the Company. There is a risk that revenue is incomplete or inaccurate through failure to recognise income entitlements or failure to appropriately account for their treatment. It has therefore been designated as a key audit matter being one of the most significant assessed risks of material misstatement due to fraud or error. Additionally, there is a risk of incorrect allocation of special dividends as revenue or capital returns as judgement is required in determining their allocation within the Income Statement.	• We obtained and assessed controls reports for the Administrator to evaluate the design of the process and implementation of key controls. • We confirmed that income was recognised and disclosed in accordance with the AIC SORP by assessing the accounting policies. • We recalculated 100% of dividends due to the Company, from both equity and CFD holdings, based on investment holdings throughout the year and announcements made by investee companies. • We agreed a sample of dividends received to bank statements. • We assessed the completeness of the special dividend population with reference to third party market data and determined whether special dividends recognised were revenue or capital in nature with reference to the underlying commercial circumstances of the dividend payments. • From our completion of these procedures, we identified no material misstatements in relation to revenue recognition, including allocation of special dividends as revenue or capital returns.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature and extent of our work and in evaluating the resultat work.

Materiality for the Financial Statements as a Whole – we have set materiality as 1% of net assets as we believe that net assets is the primary performance measure used by investors and is the key driver of shareholder value. It is also the standard industry benchmark for materiality for investment trusts and we determined the measurement percentage to be commensurate with the risk and complexity of the audit and the Company's listed status.	**£56,000 (2022: £67,450)**
Performance Materiality – performance materiality represents amounts set by the auditor at less than materiality for the financial statements as a whole, to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. In setting this we consider the Company's overall control environment and any experience of the audit that indicates a lower risk of material misstatements. Based on our judgement of these factors, we have set performance materiality at 75% of our overall financial statement materiality.	**£42,000 (2022: £50,000)**
Specific Materiality – recognising that there are transactions and balances of a lesser amount which could influence the understanding of users of the financial statements we calculate a lower level of materiality for testing such areas. Specifically, given the importance of the distinction between revenue and capital for the Company, we also applied a separate testing threshold for the revenue column of the Income Statement, set at the higher of 5% of the net return before taxation (where profit generating) and our Audit Committee Reporting Threshold. We have also set a separate specific materiality in respect of related party transactions and Directors' remuneration. We used our judgement in setting these thresholds and considered our experience and industry benchmarks for specific materiality.	**£2,800 (2022: £3,300)**
Audit Committee Reporting Threshold – we agreed with the Audit Committee that we would report to them all differences in excess of 5% of overall materiality in addition to other identified misstatements that warranted reporting on qualitative grounds, in our view. For example, an immaterial misstatement as a result of fraud.	**£2,800 (2022: £3,300)**

During the course of the audit, we reassessed initial materiality and found no reason to alter the basis of calculation used at year-end.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- Evaluating management's method of assessing going concern, including consideration of market conditions and uncertainties;
- Assessing and challenging the forecast cashflows and associated sensitivity modelling used by the Directors in support of their going concern assessment;
- Obtaining and recalculating management's assessment of the Company's ongoing maintenance of investment trust status;
- Evaluating management's assessment of the business continuity plans of the Company's main service providers; and
- Assessing the adequacy of the Company's going concern disclosures included in the Annual Report.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the Company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the Annual Report. 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.

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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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.

Matters on which we are required to report by exception

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.

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; or
- A corporate governance statement has not been prepared by the Company.

Corporate governance statement

We have reviewed the Directors' Statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the entity's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 20;
- The Directors' explanation as to its assessment of the Company's prospects, the period this assessment covers and why the period is appropriate set out on pages 13 and 14;
- The Directors' statement on fair, balanced and understandable set out on page 29;

- The Directors' statement on whether it has a reasonable expectation that the Company will be able to continue in operation and meets its liabilities set out on page 14;
- The Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 12;
- The section of the annual report that describes the review of the effectiveness of risk management and internal control systems set out on pages 22 and 23; and
- The section describing the work of the Audit Committee set out on pages 27 and 28.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 29, 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We assessed whether the engagement team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations by considering their experience, past performance and support available.

All engagement team members were briefed on relevant identified laws and regulations and potential fraud risks at the planning stage of the audit. Engagement team members were reminded to remain alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and the sector in which it operates, focusing on those provisions that had a direct effect on the determination of material amounts and disclosures in the financial statements. The most relevant frameworks we identified include:

- Companies Act 2006;
- FCA listing and DTR rules;
- The principles of the UK Corporate Governance Code applied by the AIC Code of Corporate Governance (the "AIC Code");
- Industry practice represented by the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts ("the SORP") issued in July 2022;
- Financial Reporting Standard 102; and
- The Company's qualification as an investment trust under section 1158 of the Corporation Tax Act 2010.

We gained an understanding of how the Company is complying with these laws and regulations by making enquiries of management and those charged with governance. We corroborated these enquiries through our review of relevant correspondence with regulatory bodies and board meeting minutes.

We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur, by meeting with management and those charged with governance to understand where it was considered there was susceptibility to fraud. This evaluation also considered how management and those charged with governance were remunerated and whether this provided an incentive for fraudulent activity. We considered the overall control environment and how management and those charged with governance oversee the implementation and operation of controls. We identified a heightened fraud risk in relation to the completeness and allocation of special dividends (audit procedures performed in response to these risks are set out in the section on key audit matters above) and management override (procedures in response to this risk are included below). In addition to the above, the following procedures were performed to provide reasonable assurance that the financial statements were free of material fraud or error:

- Reviewing minutes of meetings of those charged with governance for reference to: breaches of laws and regulation or for any indication of any potential litigation and claims; and events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud;
- Performing audit work procedures over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, recalculating the investment management fee, evaluating the business rationale of significant transactions outside the normal course of business and reviewing judgements made by management in their calculation of accounting estimates for potential management bias;
- Completion of appropriate checklists and use of our experience to assess the Company's compliance with the Companies Act 2006 and the Listing Rules; and
- Agreement of the financial statement disclosures to supporting documentation.

Our audit procedures were designed to respond to the risk of material misstatements in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve intentional concealment, forgery, collusion, omission or misrepresentation. There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

Other matters which we are required to address

Following the recommendation of the Audit Committee, we were appointed by the Board on 22 January 2020 to audit the financial statements for the year ended 31 March 2020 and subsequent financial periods. The period of our total uninterrupted engagement is four years, covering the years ended 31 March 2020 to 31 March 2023.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting our audit.

Our audit opinion is consistent with the additional report to the Audit Committee.

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.

Richard Sutherland
(Senior Statutory Auditor)
For and behalf of Johnston Carmichael LLP
Statutory Auditor
Edinburgh
United Kingdom

26 July 2023

Income Statement

for the year to 31 March 2023

	Notes	**Revenue £000**	**Capital £000**	**Total £000**
Net loss on investments at fair value	*6*	**–**	**(1,065)**	**(1,065)**
Income	*1*	**104**	**–**	**104**
Investment management fees	*2*	**–**	**(42)**	**(42)**
Other expenses	*3*	**(143)**	**–**	**(143)**
Loss before finance costs and taxation		**(39)**	**(1,107)**	**(1,146)**
Finance costs		**(22)**	**–**	**(22)**
Loss on ordinary activities before taxation		**(61)**	**(1,107)**	**(1,168)**
Taxation	*4*	**–**	**–**	**–**
Loss attributable to ordinary shareholders		**(61)**	**(1,107)**	**(1,168)**
Loss per Ordinary Share	*5*	**(1.02)p**	**(18.46)p**	**(19.48)p**

for the year to 31 March 2022

	Notes	**Revenue £000**	**Capital £000**	**Total £000**
Net loss on investments at fair value	6	–	(641)	(641)
Income	1	94	–	94
Investment management fees	2	–	(61)	(61)
Other expenses	3	(127)	–	(127)
Loss before finance costs and taxation		(33)	(702)	(735)
Finance costs		(14)	–	(14)
Loss on ordinary activities before taxation		(47)	(702)	(749)
Taxation	*4*	**–**	**–**	**–**
Loss attributable to ordinary shareholders		(47)	(702)	(749)
Loss per Ordinary Share	*5*	(0.78)p	(11.71)p	(12.49)p

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 39 to 46 form part of these Financial Statements.

Balance Sheet

as at 31 March 2022

	Notes	**2023 £000**	2022 £000
Fixed Assets			
Investments at fair value through profit or loss	*6*	**4,882**	6,408
Current Assets			
Debtors	*7*	**897**	720
Cash at bank and on deposit		**375**	53
Total current assets		**1,272**	773
Creditors: amounts falling due within one year	8	**(577)**	(436)
Net current assets		**695**	337
Total assets less current liabilities		**5,577**	6,745
Capital and Reserves			
Share capital	*9*	**300**	300
Share premium		**314**	314
Special reserve		**5,136**	5,136
Capital redemption reserve		**27**	27
Capital reserve		**394**	1,501
Revenue reserve		**(594)**	(533)
Equity shareholders' funds		**5,577**	6,745
Net asset value per Ordinary Share	*5*	**93.03p**	112.51p

Approved and authorised for issue by the Board of Directors on 26 July 2023 and signed on its behalf by Peter Dicks, Chairman.

Company registered number: SC211841

For a definition of terms see Glossary of Terms and Alternative Performance Measures on page 47.

The Accounting Policies and the Notes on pages 39 to 46 form part of these Financial Statements.

Statement of Changes in Equity

for the year to 31 March 2023

	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 2022	**300**	**314**	**5,136**	**27**	**1,501**	**(533)**	**6,745**
Loss attributable to shareholders	**–**	**–**	**–**	**–**	**(1,107)**	**(61)**	**(1,168)**
As at 31 March 2023	**300**	**314**	**5,136**	**27**	**394**	**(594)**	**5,577**

for the year to 31 March 2022

	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 2021	300	314	5,136	27	2,203	(486)	7,494
Loss attributable to shareholders	–	–	–	–	(702)	(47)	(749)
As at 31 March 2022	300	314	5,136	27	1,501	(533)	6,745

*Distributable reserves at 31 March 2023 were £4,542,000 (2022: £4,603,000).

The Accounting Policies and the Notes on pages 39 to 46 form part of these Financial Statements.

Accounting Policies

Basis of preparation

The Financial Statements are prepared under the historical cost convention, modified to include the revaluation of fixed asset investments which are recorded at fair value, 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 July 2022. The Directors have also prepared the Financial Statements on a going concern basis and have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least twelve months from the date of approval of these Financial Statements. In making their assessment the Directors have reviewed income and expenditure projections, reviewed the liquidity of the investment portfolio and considered the Company's ability to meet liabilities as they fall due. This conclusion also takes in to account the Directors' assessment of the continuing risks emerging from the pandemic and conflict in Ukraine. The Company is exempt from presenting a Cash Flow Statement as a Statement of Changes in Equity is presented and substantially all of the Company's investments are highly liquid and are carried at market value.

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

Dividend income is included in the Income Statement on an ex-dividend basis and includes dividends on both direct equity investments and synthetic equity holdings via Contracts for Differences. Special dividends are recorded on an ex-dividend basis and allocated to revenue or capital in line with the underlying commercial circumstances of the dividend payment. Interest receivable on bank balances is included in the Income Statement on an accruals basis.

Expenses and interest

Expenses and interest payable are recognised on an accruals basis. All expenses other than investment management fees are charged to revenue.

Investment management fees

Investment management fees 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 or substantively enacted tax rates. This is subject to deferred tax assets only being recognised if it is considered probable 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. A Contract for Difference (CFD) is a synthetic equity comprising of a future contract to either purchase or sell a specific asset at a specified future date for a specified price. The Company can hold long and short positions in

CFDs which are held at fair value, based on the bid prices of the underlying securities in respect of long positions, and the offer prices of the underlying securities in respect of short positions. Profits and losses on CFDs are recognised in the Income Statement as capital gains or losses on investments at fair value. Dividends and interest on CFDs are included in revenue income. The year end fair value of CFD positions which are assets is included in fixed asset investments, whilst the year end fair value of CFD positions which are liabilities is included within current liabilites in Note 8. Balances with brokers in respect of margin calls are included within debtors in Note 7. 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 issued in December 2022.

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. Sterling is the functional currency of the Fund and all 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 accounted for within this reserve. All investment management fees, together with any tax relief, are also taken to this reserve. Increases and decreases in the valuation of fixed asset investments are recognised 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.

Capital redemption reserve

This reserve represents the nominal value of own shares bought back.

Revenue reserve

Retained revenue profits and losses, are accounted for in this fully distributable reserve.

Share Capital

This account represents, allotted, issued and fully paid up shares of 5p each.

Share Premium

This account represents the value received for issuing shares in excess of the nominal value of 5p per share.

Notes to the Financial Statements

	2023 £000	2022 £000
1. Income		
Income from shares and securities		
– dividends	**103**	94
– interest	**1**	–
	104	94
2. Investment management fees		
Investment management fees	**42**	61
3. Other expenses		
Revenue		
General expenses	**79**	69
Directors' fees	**25**	25
Auditor's remuneration	**39**	33
	143	127
4. Taxation		
Current taxation	**–**	–
Deferred taxation	**–**	–
Total taxation charge for the year	**–**	–

The tax assessed for the year is different from the standard small company rate of corporation tax in the UK. The differences are noted below:

	2023 £000	2022 £000
Loss on ordinary activities before taxation	**(1,168)**	(749)
Corporation tax (19%, 2022 – 19%)	**(222)**	(142)
Effects of:		
Non taxable UK dividends	**(15)**	(14)
Losses on CFD	**25**	60
Non taxable investment losses in capital	**177**	62
Non taxable overseas dividends	**(1)**	(1)
Movement in deferred tax rate on excess management charges	**(11)**	(11)
Movement in unutilised management expenses and NTLR deficits	**47**	46
Total taxation charge for the year	**–**	–

At 31 March 2023, the Fund had unutilised management expenses and non trade loan relationship ("NTLR") deficits of £1,824,000 (2022 – £1,637,000).

A deferred tax asset of £456,000 (2022 – £409,000) has not been recognised on unutilised management expenses and NTLR deficits 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 5,995,000 (2022 - 5,995,000) ordinary shares in issue during the year not held in Treasury.

Total return per share is based on the total loss for the year of £1,168,000 (2022 - loss of £749,000).

Capital return per share is based on the net capital loss for the year of £1,107,000 (2022 - loss of £702,000).

Revenue return per share is based on the revenue loss after taxation for the year of £61,000 (2022 - loss of £470,000).

The net asset value per share is based on the net assets of the Fund of £5,577,000 (2022 - £6,745,000) divided by the number of shares in issue at the year end as shown in note 9.

			2023 £000	2022 £000
6. Investments at fair value through profit or loss				
Listed investments and CFDs			4,882	6,408
Unlisted investments			–	–
Valuation as at end of year			4,882	6,408
	Listed £000	**Unlisted £000**	**Total £000**	
Opening book cost	4,953	140	5,093	5,068
Opening investment holding gains/(losses)	1,455	(140)	1,315	2,530
Opening fair value*	6,408	–	6,408	7,598
Analysis of transactions made during the year				
Purchases at cost	494	19	513	1,374
Sales proceeds received**	(1,106)	–	(1,106)	(2,237)
Losses on investments***	(914)	(19)	(933)	(327)
Closing fair value	4,882	–	4,882	6,408
Closing book cost	3,944	159	4,103	5,093
Closing investment holding gains/(losses)	938	(159)	779	1,315
Closing fair value******	4,882	–	4,882	6,408
Losses on investments	(914)	(19)	(933)	(327)
Movement in CFD current liability	(132)	–	(132)	(314)
Net losses on investments at fair value	(1,046)	(19)	(1,065)	(641)

The transaction costs in acquiring investments during the year were £3,000 (2022: £2,000). For disposals, transaction costs were £2,000 (2022: £2,000).

The Company received £1,106,000 (2022: £2,237,000) from investments sold in the year. The book cost of these investments when they were purchased was £1,503,000 (2022: £1,349,000). These investments have been revalued over time and, until they were sold, any unrealised gains/losses were included in the fair value of the investments.

*Opening fair value of £6,408,000 includes £0 of CFD gains.
**Sale proceeds received of £1,106,000 includes a negative balance of £68,000 in relation to CFDs.
***Losses on investments of £933,000 includes a balance of £68,000 in relation to losses on CFDs.
****Closing fair value of £4,882,000 includes £22,000 of CFD gains.

	2023 £000	2022 £000
7. Debtors		
Investment income receivable	13	6
Amounts receivable relating to CFDs – being cash held at Broker	868	699
Prepayments	13	13
Taxation	3	2
	897	720

	2023 £000	2022 £000
8. Creditors: amounts falling due within one year		
Amounts due relating to CFDs – being losses on CFD contracts	**507**	375
Due to SVM Asset Management Limited	**10**	13
Other creditors	**60**	48
	577	436

9. Share capital		
Allotted, issued and fully paid		
6,005,000 ordinary 5p shares (2022 - 6,005,000)	**300**	300

As at the date of publication of this document, there was no change in the issued share capital and each ordinary share carries one vote, other than the 10,000 shares held in treasury which carry no voting rights.

During the current and prior year no Ordinary Shares were bought back.

10. Financial instruments

Risk Management

The Fund's investment policy is to hold investments, CFDs and cash balances with gearing being provided by the use of CFDs and a bank overdraft. 100% (2022: 100%) of the Fund's net asset value is held in investments that 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 2023 were valued at £nil (2022 – £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 comparator rate which determines the interest received on Sterling cash balances or paid on bank overdrafts is the Bank of England base rate which was 4.25% as at 31 March 2023 (2022 – 0.75%). There are no undrawn committed borrowing facilities. Short-term debtors and creditors are excluded from disclosure.

The Fund does not hold any (2022: nil%) of the total net asset value in investments with direct foreign currency exposure and is consequently not currency hedged. Financial information on the investment portfolio is detailed in note 6.

	Assets 2023 £000	Liabilities 2023 £000	Assets 2022 £000	Liabilities 2022 £000
Classification of financial instruments				
Level 1	4,860	–	6,408	–
Level 2	22	2,507	–	375
Level 3 - 3 investments (2022 - 2)	–	–	–	–

The fair value hierarchy levels do not directly match the Investment Portfolio as CFD losses are included within creditors in note 8.

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 were the sole Level 2 investments at 31 March 2023 and 2022.

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.

There are 3 (2022-2) investments in the Fund which have values of £nil where the respective share prices have been suspended, or are stale. The Fair Value and Pricing Committee oversees and has ratified the positions.

10. Financial instruments (continued)

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:

	2023 £000	2022 £000
Number of holdings (2023 – 9; 2022 – 11)		
Gross exposure	892	1,136
Net exposure	892	1,136
Unrealised gains	22	–
Unrealised losses	507	375

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 difficultly 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, what can be, 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.

	2023 £000	2022 £000
Investment portfolio		
5% increase	**+4.1p**	+5.3p
5% decrease	**-4.1p**	-5.3p
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:

	2023	2022
Bank	**375**	53
Amounts receivable relating to CFDs	**868**	699
Investment income due but not received	**13**	6
Taxation	**3**	2
	1,259	760

Contractual maturity analysis

	Due not later than 1 month £000	**Due between 1 and 3 months £000**	**Due between 3 and 12 months £000**	**2023 Total £000**
Bank	**375**	**–**	**–**	**375**
Debtors	**29**	**–**	**868**	**897**
Creditors	**(577)**	**–**	**–**	**(577)**
Net liquidity	**(173)**	**–**	**868**	**695**

	Due not later than 1 month £000	Due between 1 and 3 months £000	Due between 3 and 12 months £000	2022 Total £000
Bank	53	–	–	53
Debtors	21	–	699	720
Creditors	(436)	–	–	(436)
Net liquidity	(362)	–	699	337

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.

	2023 £000	2022 £000
Capital and reserves:		
Share capital	**300**	300
Share premium	**314**	314
Special reserve	**5,136**	5,136
Capital redemption reserve	**27**	27
Capital reserve	**394**	1,501
Revenue reserve	**(594)**	(533)
Total shareholders' funds	**5,577**	6,745

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. Transactions with the Manager

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.

SVM Asset Management Limited provides investment management and secretarial services to the Fund. The Manager is entitled to a fee for these services, payable quarterly in arrears, equivalent to 0.75% of the total assets of the Fund, less current liabilities.

Amounts paid to SVM Asset Management Limited in respect of Investment Management fees are disclosed in note 2, with £10,498 (2022: £13,543) due at the year end.

During each year, SVM Asset Management Limited pays supplier invoices and Directors' fees on behalf of the Fund. The balance due to SVM Asset Management Limited is settled by the Fund in full twice a year; generally in September and March.

Glossary of Terms and Alternative Performance Measures

Alternative Performance Measures (APM)

An Alternative Performance Measure 'APM' is a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework. The Company uses the APMs noted below throughout the annual report, financial statements and notes to the financial statements:

Discount (APM)

Discount is the amount, expressed as a percentage, by which the share price is lower than the NAV per share. If the share price is higher than the NAV per share, this situation is called a premium. As at 31 March 2023 the share price was 65.50p and the NAV per share was 93.03p therefore the discount was 29.6%, (2022: discount 22.2%).

Gearing (APM)

Gearing means borrowing to invest in additional investments for the Company and is calculated as the amount by which total investments exceed the net asset value, expressed as a percentage of net asset value. If the net asset value grows, gearing can increase the Company's returns, but, if they fall, losses can be greater. Gearing is calculated as Total CFD exposure (£892,000) less cash held (£375,000) divided by Total Net Assets (£557,000) = 9.3%, (2022: 16.1%).

Net Asset Value ('NAV') total return (APM)

NAV total return is the return on the NAV per share considering both capital return and dividends paid, assuming these were reinvested on ex-date represented by the movement in NAV during the year, being 100*(93.03/112.51-1) = -17.3%.

Ongoing Charges (APM)

Ongoing charges are the total of the Company's expenses including both the investment management fee and other operating costs expressed as a percentage of NAV. Ongoing charges are calculated as Investment Management fees (£42,000) divided by the average of opening and closing NAV ((£6,745,000 + £5,577,000)÷2) = 0.68%, (2022: 0.86%). Similarly other expenses (£143,000) are divided by the same average NAV referred above = 2.32%, (2022: 1.78%). Total ongoing charges are, therefore, calculated as Investment Management fees plus other expenses (£42,000+£143,000) divided by the average of the opening and closing NAV ((£6,745,000 + £5,577,000)÷2)) = 3.00%, (2022: 2.64%).

Share price total return (APM)

Share price total return is the return of the share price considering both capital return and dividends paid, assuming these were reinvested on ex-date represented by the movement in share price during the year, being 100*(65.50/87.50-1) = 25.1%,(2022: -12.1%).

Comparator Index total return

Comparator Index total return is the return of the Comparator Index considering both capital return and dividends paid, assuming these were reinvested on ex-date. The Company's comparator index is the IA UK All Companies Sector.

Leverage

For the purposes of the Alternative Investment Fund Managers Directive ('AIFMD'), leverage is any method which increases the Company's exposure, whether through borrowings, derivatives or any other means. It is expressed as a ratio between the Company's exposure and its net asset value and can be calculated on a gross and a commitment method. In accordance with AIFMD leverage can be calculated using a gross and a commitment method, as represented by the Gearing calculation, being an APM. Under the gross method, exposure represents the sum of the Company's positions after the deduction of sterling cash balances, without taking into account any hedging and netting arrangements. Under the commitment method, exposure is calculated without the deduction of sterling cash balances and after certain hedging and netting positions are offset against each other. The commitment leverage is calculated as gross exposure expressed as a percentage of the closing NAV, being 892,000/5,577,000*100=16.0% (2022: 16.8%). The gross leverage is calculated as the gross exposure (£892,000) less sterling cash balances (£375,000) divided by the NAV (£5,577,000) = 9.3%.

NAV per Share

The net asset value ('NAV') is the value of the investment company's assets, less any liabilities that it has. The NAV per share is the NAV divided by the number of shares in issue, not held in Treasury being £5,577,000/5,995,000 shares *100 = 93.03p, (2022: 112.51p).

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, 8 September 2023 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 2023, 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 2023 be approved.

3. That the Annual Report on Directors' Remuneration as contained in the Directors' Remuneration Report for the year to 31 March 2023 be approved.

4. That Peter Frederick Dicks be re-appointed as a Director.

5. That Ian Gray be re-appointed as a Director.

6. That Jeremy Harris be re-appointed as a Director.

7. That Johnston Carmichael LLP be re-appointed as Auditor of the Company to hold office until the conclusion of the next general meeting of the Company at which accounts are laid before the Company and that their remuneration be determined by the Directors.

8. Authority to allot shares

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

Special Resolutions

9. Market purchase of shares

   That in substitution for any existing authority but without prejudice to the exercise of any such authority prior to the date hereof, the Company be generally and unconditionally authorised in accordance with section 701 of Companies Act 2006 to make market purchases (within the meaning of section 693 thereof) of shares of the Company provided that:

(a) the maximum aggregate number of shares hereby authorised to be purchased is less than 10% of the issued share capital as at the date this resolution is passed;

(b) the minimum price which may be paid for a share shall be 5 pence;

(c) the maximum price (excluding expenses) which may be paid for a share shall be not more than the higher of:

(i) 5% above the average closing price on the London Stock Exchange for the shares over the five business days immediately preceding the date of purchase;

(ii) the higher of the last independent trade and the highest current independent bid on the London Stock Exchange; and

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

10. Disapplication of pre-emption rights

That, the Directors be authorised to allot shares in the Company for cash either pursuant to the authority conferred by resolution 8 above or by way of sale of treasury shares as if Section 561(1) of the Companies Act 2006 did not apply to such allotment, provided that this authority shall be limited to the allotment of shares with an aggregate nominal value not exceeding £30,000 representing approximately 10% of the nominal value of the issued share capital of the Company. The Directors of the Company are hereby authorised for the purposes of LR15.4.11 of the Listing Rules of the UK Listing Authority of the Financial Conduct Authority to sell treasury shares for cash at a price below the net asset value per share of those shares without any prior offer to Shareholders of the Company. This authority shall expire at the conclusion of the next general meeting of the Company after the passing of this resolution or on the expiry of 15 months from the passing of this resolution, whichever is the earlier, save that the Company may, before such expiry, make an offer or agreement which would or might require shares to be allotted after such expiry and the Directors may allot shares pursuant to any such offer or agreement as if the authority conferred hereby had not expired.

By order of the Board
SVM Asset Management Limited
Company Secretary

26 July 2023

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. Alternatively, shareholders may register the appointment of a proxy electronically by logging on to the website www.investorcentre.co.uk/eproxy. To appoint a proxy electronically, you will require the Control Number, Shareholder Reference Number and PIN detailed on your Form of Proxy. Electronic proxy appointments must be also be received by the Company's Registrar, Computershare, no later than 48 hours (excluding non-working days) before the time appointed for the meeting. Proxies received after that date or sent to any other address, will not be valid.

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 6 September 2023 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 2023, 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, other than those held in treasury, 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 2023 is 5,995,000.

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.

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

(unaudited)

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

Authorised and regulated by the Financial Conduct Authority and a member of the Investment Association

Registrars
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Edinburgh House
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Edinburgh EH2 1HJ
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Authorised and regulated by the Financial Conduct Authority

Auditor
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Edinburgh EH3 7PE

Custodians
State Street Bank & Trust Company

Registered Office:
20 Churchill Place
Canary Wharf
London EH14 5HJ

Correspondence Address:
Quartermile 3
10 Nightingale Way
Edinburgh EH3 9EG

Authorised and regulated by the Financial Conduct Authority and a member of the Investment Association

Registered Number
SC211841

Company Website
www.svmonline.co.uk

Contact:
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Registered Office:
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