



**SVM UK Emerging Fund plc**

Interim Report 30 September 2007

## Highlights

- Net asset value (“NAV”) increases by 12.5%
- NAV outperforms benchmark by more than 14%
- Shares trade at a premium to NAV

*“Long term capital growth from investments in smaller UK companies with a particular focus on the Alternative Investment Market.”*

# Chairman's Statement

I am pleased to report that the last six month's asset value and share price performance have been positive both on a relative and absolute basis. The Fund's asset value rose 12.5% over the six months against the benchmark, FTSE AIM Index, which fell 1.6% and the broader market, FTSE All Share index, rise of only 1.0%. The Fund's share price performed much better, rising 27.2%. The end of September is the third anniversary of the change of investment remit and I am pleased to report that the asset value has increased by 122% against the rises of 24% in the AIM Index and 61% in the FTSE All Share Index.

Although equity markets in general have been broadly positive, 2007 has repeated what can broadly be categorised as a 'small companies effect', namely small companies out-performed in the first part of the year only to underperform over the summer and rally towards the end of the year. In addition, following the US induced correction in August, there was a perceived flight to quality which many took to mean large companies. The Managers believe that this is perverse as the level of risk, especially financial, in small companies can be much lower as they are typically less leveraged.

The Fund continues to be concentrated on a relatively small number of special situations. There are thirty five companies in the portfolio with approximately 90% invested in AIM companies. The balance is spread equally between unquoted investments and a small number of residual companies still

quoted on the junior PLUS markets. In terms of sectors, the Fund continues to be heavily exposed to resources (both basic material and oil & gas), consumer services and healthcare. The Fund's exposure to financials and property were disposed of well in advance of the August correction.

The Managers continue to shun new issues, preferring to support more seasoned investments with greater visibility. In addition, there are more attractive returns available from existing investments that require follow-on capital in order to reach profitability or fulfil their objectives. Not only are the discounts more attractive, there is less competition and this gives a more attractive risk reward profile. The major acquisitions in the period were in Maghreb Minerals (lead/zinc exploration company), BetBrokers (UK's first brokerage / clearing house for the sports betting industry) and Sports Media Group which recently acquired the Sport range of newspapers.

The Board and the Managers believe that the Fund should continue to extend the recent out-performance and is well placed to deliver long term capital growth.

Peter Dicks  
Chairman  
16 November 2007

# Unaudited Accounts

<b>Income Statement</b>	<b>Six months 30 September 2007 £000</b>	<b>Six months 30 September 2006 £000</b>
<b>Revenue Return</b>		
Income	9	3
Expenses allocated to revenue	(35)	(20)
Interest charge allocated to revenue	(21)	(18)
Net revenue return after tax	(47)	(35)
<b>Capital return</b>		
Gains on sale investments	321	183
Movement in unrealised depreciation on investments	207	(69)
Gains on investments	528	114
Expenses allocated to capital	(4)	(4)
Net capital return after tax	524	110
<b>Total return after tax</b>	<b>477</b>	<b>75</b>
<b>Return per ordinary share</b>		
Revenue	(0.78p)	(0.65p)
Capital	8.72p	2.01p
<b>Total</b>	<b>7.94p</b>	<b>1.36p</b>

<b>Cash Flow Statement</b>	<b>Six months 30 September 2007 £000</b>	<b>Six months 30 September 2006 £000</b>
Net cash flow from operating activities	(86)	(42)
Returns from investment and servicing of finance	(22)	(18)
Capital expenditure and financial investment	(21)	132
Movement in cash	(129)	72

# Unaudited Accounts

<b>Balance Sheet</b>	<b>As at 30 September 2007 £000</b>	As at 31 March 2007 £000	As at 30 September 2006 £000
Investments	<b>4,383</b>	3,712	2,645
Net current assets	<b>(89)</b>	105	130
Shareholders' funds	<b>4,294</b>	3,817	2,775
<b>Net asset value per ordinary share</b>	<b>71.51 p</b>	63.57p	50.82p

## Note

These are not full accounts in terms of Section 240 of the Companies Act 1985.

# Investment Portfolio

<b>Company</b>	<b>Valuation £000</b>	<b>Total Assets %</b>
1 China Pub Company	300	7.0
2 Amazing Holdings	281	6.5
3 Kirkland Lake Gold	266	6.2
4 AT Communications	256	6.0
5 Dwyka Resources	240	5.6
6 Bet Brokers	217	5.0
7 Maghreb Mining	214	5.0
8 Sport Media Group	178	4.1
9 Mercator Gold	175	4.1
10 International Medical Devices	162	3.8
<b>Ten largest investments</b>	<b>2,289</b>	<b>53.3</b>
<b>Other investments</b>	<b>2,094</b>	<b>48.8</b>
<b>Total investments</b>	<b>4,383</b>	<b>102.1</b>

# Company Information

## Directors

Peter Dicks (Chairman)  
Richard Bernstein  
Anthony Puckridge

## Investment Managers, Secretaries and Registered Office

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## Registered Number

SC149809