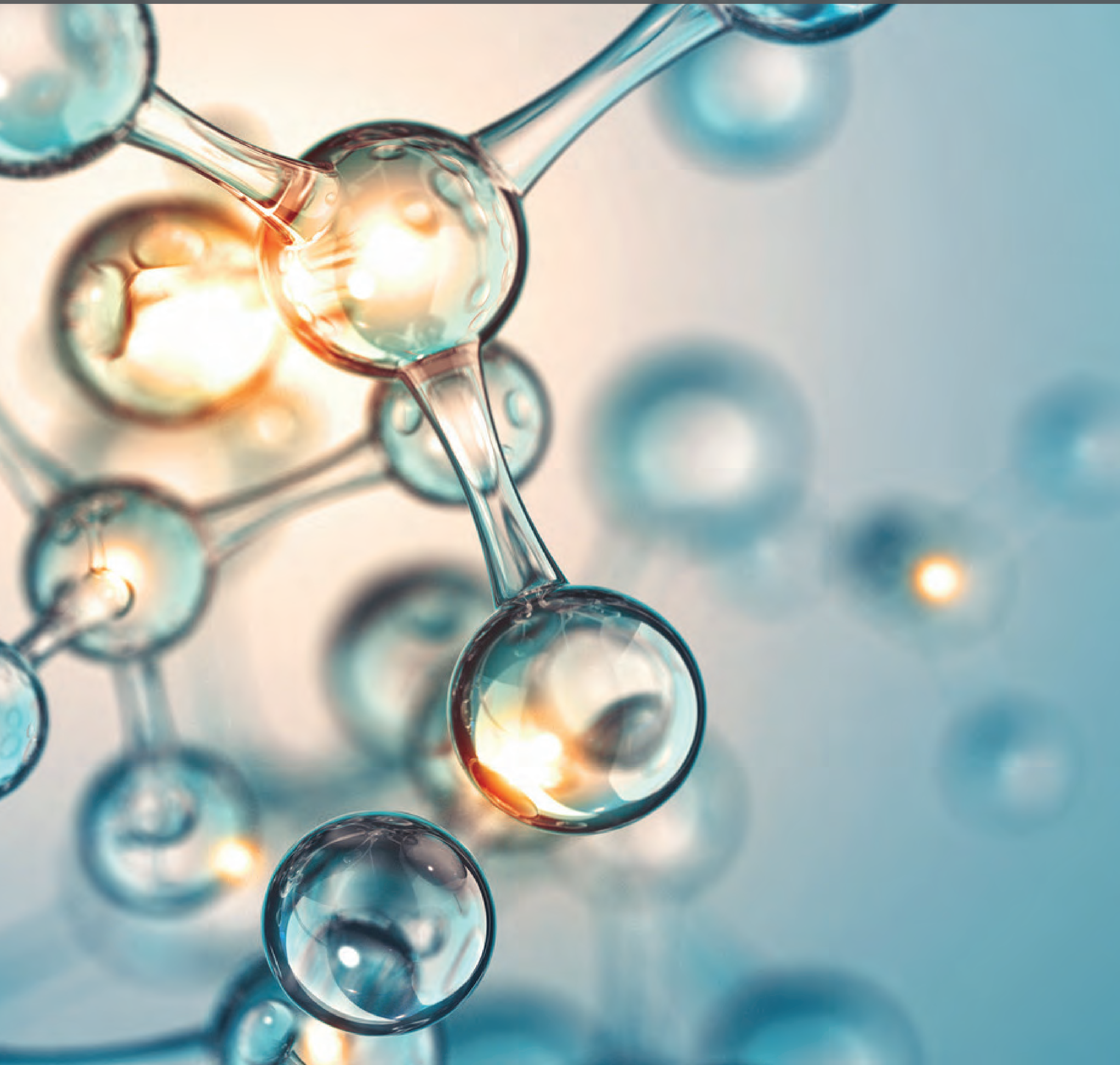
River UK Micro Cap Limited

(formerly River and Mercantile UK Micro Cap Investment Company Limited)

Annual Report and Financial Statements

For the year ended 30 September 2024



RIVER
UK MICRO CAP

RIVER UK MICRO CAP

The Company at a glance

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Purpose

River UK Micro Cap Limited (formerly River and Mercantile UK Micro Cap Investment Company Limited) (the "Company") is a closed-ended investment company. Its purpose is to deliver high and sustainable returns to investors by delivering the investment objective detailed below.

Investment objective

The Company aims to achieve long term capital growth from investment in a diversified portfolio of United Kingdom ("UK") micro-cap companies, typically comprising companies with a free float market capitalisation of less than £100 million at the time of purchase.

Investment strategy and policy

The Company's investment strategy is to take advantage of the illiquidity risk premium inherent in UK micro-cap companies and exploit fully the underlying investment opportunities in that area of the market to deliver high and sustainable returns to Shareholders, in the form of capital gains. It is expected that the majority of the Company's investible universe will comprise companies whose securities are admitted to trading on the Alternative Investment Market of the London Stock Exchange. While it is intended that the Company will be fully invested in normal market conditions, the Company may hold cash or similar instruments.

About the Alternative Investment Fund Manager ("AIFM")

The AIFM of the Company, for the purposes of the AIFM Directive, is Carne Global AIFM Solutions (C.I.) Limited ("Carne" or the AIFM) which is authorised and regulated by the Jersey Financial Services Commission. The AIFM provides an oversight and risk management function but delegates portfolio management to River Global Investors LLP (formerly "River and Mercantile Asset Management LLP"). The AIFM is independent and has no legal ownership connection with River Global Investors LLP.

> This year sees the tenth anniversary of River UK Micro Cap and as we enter our second decade, we expect to see a sustained recovery in smaller companies in the UK. Our portfolio companies stand to benefit from their own growth stories, plus an additional boost as valuations normalise.

About River Global Investors LLP (formerly River & Mercantile Asset Management LLP) (the "Portfolio Manager")

The Portfolio Manager is an active equity manager, specialising in UK and global equity strategies since its launch in 2006. Since 2014, it has been part of River and Mercantile Group Limited (formerly River and Mercantile Group PLC) (the "Group"). The Group is a subsidiary of AssetCo PLC. The Portfolio Manager is authorised and regulated by the Financial Conduct Authority.

George Ensor, the appointed fund manager, has been responsible for the Company's portfolio since February 2018. Please refer to page 8 for George's biography.

Capital redemptions and dividend policy

The Company is committed to achieving long term capital growth and, where possible, returning such growth to Shareholders throughout the life of the Company. Furthermore, the Board believes that a Net Asset Value ("NAV") in the region of £100 million will best position the Company to maximise returns from a portfolio of micro-cap companies. Accordingly, the Directors operate a Capital Redemption Mechanism under which a portion of the Company's share capital is redeemed compulsorily at the discretion of the Company to return the NAV back to around £100 million in order to:

- enable the Company to exploit fully the underlying investment opportunity and to deliver high and sustainable returns to Shareholders, principally in the form of capital gains;
- enable portfolio holdings to have a meaningful impact on the Company's performance, which might otherwise be marginal within the context of a larger fund; and
- ensure that the Company can continually take advantage of the illiquidity risk premium inherent in micro-cap companies.

The Company does not expect to pay dividends.

Management of your Company

The Board of the Company comprises a majority of independent non-executive Directors with extensive knowledge of investment matters, the regulatory and legal framework within which the Company operates, as well as the various roles played by investment companies in Shareholders' portfolios. The Board provides oversight of the Company's activities and ensures that the appropriate financial resources and controls are in place to deliver the investment strategy and manage the risks associated with such activities. The Board actively supervises both the AIFM and the Portfolio Manager in the performance of their respective functions.

Financial highlights and performance summary

Ongoing charges[1]

The ongoing charges for the year ended 30 September 2024 were 1.72% (30 September 2023: 1.71%), reflecting rising operational costs offset by rising average NAV of the Company compared to the prior year.

Performance during the year

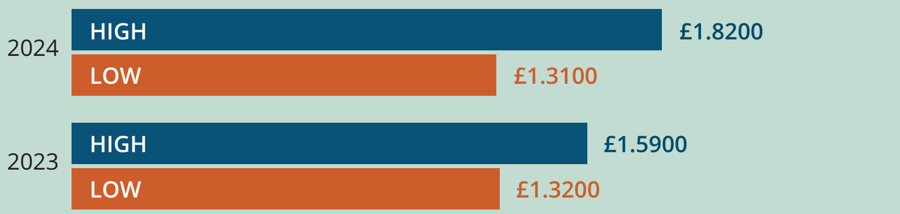
In the year ended 30 September 2024, the NAV total return[1] of the Company outperformed the Numis Smaller Companies plus Alternative Investment Market ("AIM") (excluding Investment Companies) Index (the "Comparative Index") by 0.78%, delivering a NAV total return[1] of 14.87%, compared to 14.10% posted by the Comparative Index (30 September 2023: outperformed the Comparative Index by 0.54%).

NAV and share price

	30 September 2024	30 September 2023
NAV per Ordinary Share[1]	£2.0348	£1.7714
Ordinary Share price (bid price)[2]	£1.7400	£1.4200
Share price discount to NAV[1]	(14.49)%	(19.84)%

NAV per Ordinary share[1]
Year ended 30 September

Ordinary share price (bid price)[2]
Year ended 30 September



NAV per Ordinary share[1]

+14.9%

30 Sept 2024: £2.0348
30 Sept 2023: £1.7714

Ordinary share bid price[2]

+22.5%

30 Sept 2024: £1.7400
30 Sept 2023: £1.4200

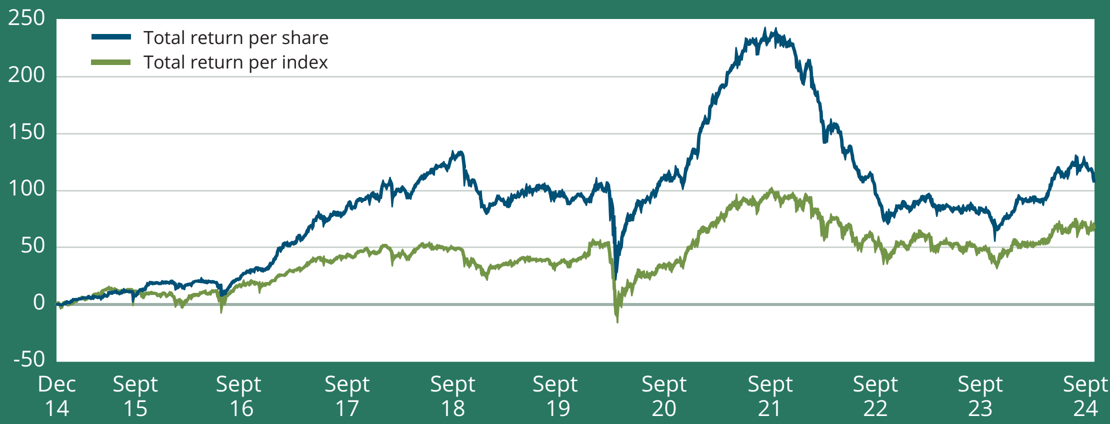
Share price discount to NAV[1]

-27%

30 Sept 2024: (14.49)%
30 Sept 2023: (19.84)%

Performance since inception

NAV total return versus the Comparative Index from inception



NAV total return[1] from inception (net of all fees) was 7.71% on an annualised basis, outperforming the Comparative Index total return[3] of 5.38% (30 September 2023: outperformed the Comparative Index by 4.44%).

Capital redemptions

Since inception to 30 September 2024, the Company has exercised its Capital Redemption Mechanism on five separate occasions, as detailed below, redeeming a total of 34,609,615 Ordinary Shares and returning a total of £76,924,351 to Shareholders.

Redemption date	Redemption price per Ordinary Share[4]	Number of Ordinary shares redeemed	Amount returned to shareholders
9 June 2017	£1.7217	8,712,240	£14,999,864
1 December 2017	£1.9124	7,843,469	£14,999,850
27 July 2018	£2.1659	5,506,817	£11,927,215
29 January 2021	£2.5335	5,921,631	£15,002,452
7 May 2021	£3.0179	6,625,458	£19,994,970

Please refer to note 11 for full details of the Company's redemption mechanism, including the conditions required for the Company to be able to operate the Capital Redemption Mechanism.

1 These are Alternative Performance Measures. Refer to pages 79 to 80 for further details.
2 Source: Bloomberg.
3 Source: Numis Securities Limited.
4 Excludes the cost of each redemption; amounting to a total of £33,008 across all redemptions.

Chairman's statement

Overall, the last 12 months have been satisfying for the Company on a number of levels. Although not fulfilling some of the more bullish expectations from earlier in the year, I am pleased to report that the Company showed a share price performance of 23% and a NAV performance of 14.9%, outperforming our Comparative Index.

The UK is still dogged by confidence issues that are holding back valuations, particularly in the small and micro-cap markets. There are ongoing questions around the efficacy of the AIM market, which is so important as the venue to much of the Company's investment strategy.

In many ways, it seems perverse that the UK's high-growth economy is struggling to be recognised for what it is. As a nation, we are market leaders in Fintech and building a strong reputation in emerging technologies such as artificial intelligence ("AI") and HealthTech as well as other high-growth sectors.

These types of companies typically need strong incentives to locate and grow in the UK and various attractive tax breaks have been introduced to both entrepreneurs and investors via the AIM market.

The rumours that some of these tax breaks were to be removed or diluted by the incoming Government proved mostly true in the recent Budget statement, and this affected market sentiment in the latter months of this reporting period, flattening performance.

Although the new Labour Government was elected with a growth-led economic agenda, there are still questions about some of the unintended consequences of the new, proposed tax raising initiatives.

The recent Autumn budget from Chancellor Rachel Reeves has at least clarified the economic landscape going forward, as has the US election. These outcomes might be unpopular, but the markets now have clarity.

RMMC share price up 23% over the period

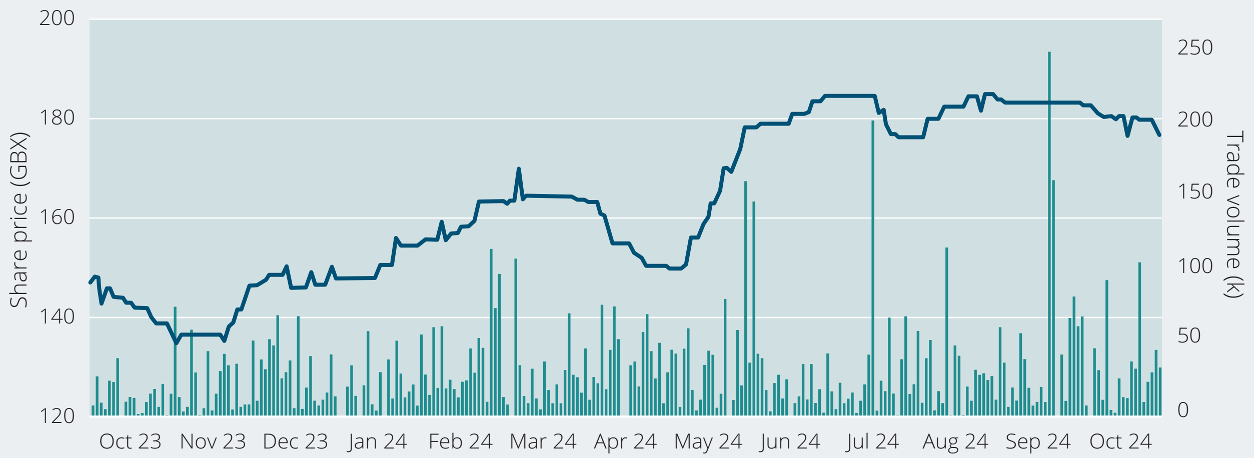


Chart showing share price and trading volumes over this reporting period (1 October 2023 - 30 September 2024).
Source: River Global Investors.

Chairman's statement (continued)

Putting all this together, the Board believes that there is a burgeoning opportunity to invest in a portfolio of Britain's brightest growth stories.

The unprecedented low valuations of micro and small cap firms are seen as a bargain for our Portfolio Manager and for investors looking to get on board the next growth cycle.

With a new Government, positive labour market, inflation back at planned levels and interest rates reducing, there are few reasons to argue that smaller UK company valuations shouldn't rise strongly from their current depressed values.

George Ensor, our Fund Manager at River Global Investors LLP, highlights in much more detail his approach to the market from pages 7 to 22 of this newly designed report.

Which brings us neatly to some of the efforts we have been making with shareholder communications.

You will see from this document that we have been working to make our writing more concise, engaging and well-presented. This improvement will be reflected in everything we do, including Regulatory News Service announcements, monthly updates and reports, and financial statements.

We want to be evangelists for the great investment case offered by this Company and that starts with us telling a strong story.

Back in January 2024, when the share price was low and the share price discount was wide, we were one of a number of investment companies attracting the attention of activist investment firms.

The Board decided that we were going to tell our story to the market through our first ever marketing campaign, ahead of the Continuation Vote in March of this year.

The campaign helped to rally both the share price, and a narrowing of the discount to NAV. The vote to continue the Company's unique positioning was backed by over 99% of voters – a resounding endorsement of the strategy and achievements to date.

Anthony Leatham, Head of Investment Company Research at Peel Hunt presents the Association of Investment Companies Marketing Campaign of the Year to Lucy Draper of River Global and John Blowers, Chairman.

We will continue to focus on marketing, in order to increase the understanding of the Company's benefits for investors, both existing and new, with a remit to increase demand for the Ordinary Shares of the Company.

This drives liquidity, narrows share price discounts and drives share price growth.

The efforts of the Company were rewarded in September 2024 when the AIC awarded us the Marketing Campaign of the Year award.

As the Company enters its 11th year in December 2024, I believe that we have ridden the worst of the low company valuations that have beset UK markets recently and we now look more clearly at a route to growth and further capital redemptions.

John Blowers
Chairman

20 December 2024

Portfolio Manager's report

We believe the opportunity for this strategy is excellent. After a prolonged period of subdued performance for UK financial markets, large and small, and the UK economy, there is a breadth of data that supports fiscal and monetary easing and an improvement in economic growth. This is a great backdrop for small, and therefore micro-cap, future equity performance. Indeed, following a period of extreme underperformance over the last three years, smaller companies have started to outperform – a critical lead indicator for our own performance.

The chart below illustrates the size of the opportunity if the rotation into smaller companies is sustained. In this environment, we would expect to deliver strong absolute and relative performance over the next few years.

UK Small Cap relative to Large Cap, September 1990 to September 2024

Source: River Global investors LLP, Bloomberg, Deutsche Numis. Data from 31 August 1990 to 30 September 2024. Chart shows Numis Small Cap plus AIM ex Investment Trusts relative to UK All Share (both total return).

This Portfolio Manager Report is compiled with reference to the investment portfolio. Therefore, all positions are calculated by reference to their official closing prices (as opposed to the closing bid prices basis within the financial statements). The estimated unaudited NAV is calculated on a daily basis utilising closing bid prices and is inclusive of all estimated charges and accruals.

Portfolio Manager's report (continued)

> "We believe, particularly given the depressed state of the UK equity and small-cap market, that an IRR of 12.4% confirms that the approach we are taking is absolutely in the interest of our shareholders.

Fund manager: George Ensor

George Ensor graduated from Bristol University with an Upper Second-Class degree in Chemistry in 2008 before joining Smith & Williamson Investment Management as a graduate trainee where he worked for five years as an analyst and Private Client Investment Manager.

George joined River Global Investors LLP in March 2014 as a UK equity analyst and is currently Portfolio Manager of the ES R&M UK Listed Smaller Companies Fund and River UK Micro Cap Limited. George is a CFA charter holder.

Portfolio Manager's report (continued)

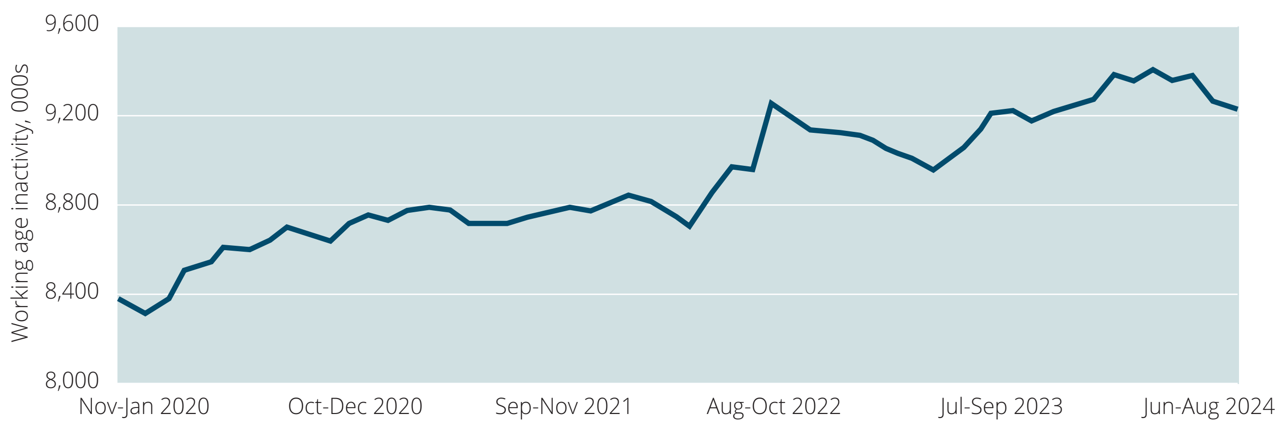
UK economy outperforming expectations and setting up strong case for micro-cap performance

In our 2023 report, we made the case that the UK economy was outperforming expectations and that this positive momentum, alongside cheap starting valuations, could support attractive future equity returns. Whilst equity returns have improved – the UK equity market, UK smaller companies and our net asset value increased by 13%, 14% and 15%[1] respectively – we are surprised that the continuing recovery of the UK economy has not led to a more sustained recovery in UK smaller companies' performance.

We believe there is a strong case for a broadening out of equity market performance and a rotation from mega-cap to small and micro-cap companies. The cycle of underperformance of small and micro-cap companies that we have experienced as interest rates increased from record low levels has not been specific to the UK and is not unusual. Below we justify our confidence in the UK economy and explain why we believe this should contribute to the outperformance of smaller companies looking forward. Our performance data, as illustrated in the section below on long term performance, continues to support the case for excellent absolute and relative returns in environments where there is a positive "small cap premium" (i.e. small companies outperforming large).

Evidence of improvement in the UK domestic economy:

- Mortgage approvals (65.6k in September) are in-line with the 10-year average and up 49% compared to September 2023 (44.0k)[2].
- UK consumer confidence has been on an upward trend over the last 12 months to a 23-month high of -13 in August. The 10-year average is -15 and the 5-year average is -25. Sentiment declined in September to -20 ahead of the new Labour Government's budget[3].
- The UK labour market is easing, unemployment remains low. Recent data from the KPMG/Recruitment and Employment Confederation survey, which is a measure of demand relative to the availability of workers, points to a "significant softening in wage growth"[4]. Three-month average regular earnings growth dropped below 5% (4.9%) for the first time since June 2022. This is important given the impact of wage growth in services inflation. Vacancies, at 841k, have just dropped below the pre-Covid peak (862k as at October 2018). The data also shows a trend of declining working age inactivity[5].
- UK real wage growth remains positive at close to +2% year on year ("YoY"), as has been the case since mid-2023[4].



Source: Panmure Liberum, ONS. 15 October 2024.

1 UK equity return is for the MSCI UK IMI Index in total return. UK small cap is the Numis Smaller Companies Index incl AIM excl Investment Trust in total return. Time period is the twelve months to the end of September 2024.

2 Bank of England

3 Growth from Knowledge (GfK)

4 Barclays UK Labour Market 7 October 2024.

5 Office for National Statistics , October Labour Market Review

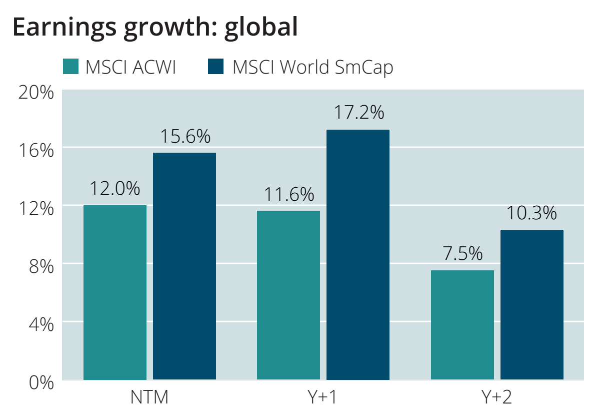
Portfolio Manager's report (continued)

- Peak gas prices expected for this winter are currently 104 pence, down 30% on the peak price expected for this winter in September 2023. Lower gas prices are akin to fiscal easing.[6]
- Monetary policy is easing. UK interest rates were 5.25% in September 2023 but were expected to increase (peak expectations of 5.4% in February 2024) and to be 5.1% in September 2024. UK rates fell to 5% in August 2024 and are expected to be 3.5% in twelve months.[6]
- Sterling has gained 11% against the US dollar over the last year and is sitting above the 5-year average of $1.28 and in-line with the 10-year average of $1.33.[6]
- UK Services, Manufacturing and Construction project management information systems for September 2024 of 52.4, 51.5 and 57.2, respectively, are all indicative of expansion.[7]
- UK was the fastest growing G7 economy in the first six-months of 2024 and forecasts for 2025 exceed both the US and the Eurozone[8].

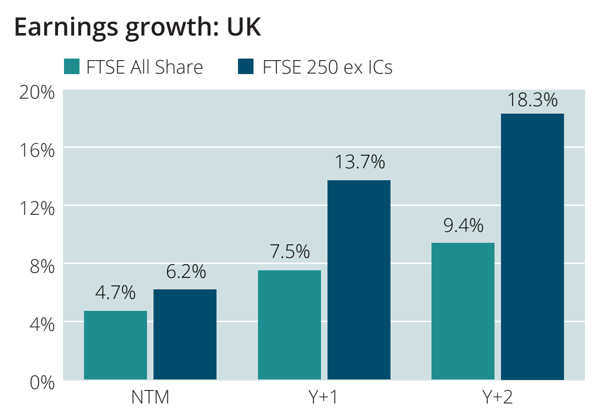
The most important driver of long-term equity performance is earnings. It therefore stands to reason that the growth rate of smaller company earnings relative to large companies should correlate to relative performance. We should expect to see a positive small cap premium when smaller company earnings outperform larger company earnings. Sentiment – expressed through flows and demonstrated in valuation multiples – exaggerates the delta in relative earnings over the short-term, as equities are priced by the marginal buyer or seller. As we will come back to discuss in the section on long term performance, our micro-cap strategy is geared to the small cap premium.

UK smaller companies are more exposed to the domestic economy (and therefore GBP and gas prices) and typically more cyclical. They are more geared to central bank base rates and, we would argue, longer duration (given the reason to own small caps is for higher growth). We therefore acknowledge some of the drivers of smaller companies' underperformance over the last three years. We struggle to see that the same reasons hold true today. With fundamentals that are improving, the reverse of these factors should drive future earnings growth at a higher rate for domestics, cyclicals, and small caps. Despite this and an attractive valuation starting point, outperformance over the last twelve months has been less than 1%.

Using FTSE 250 forecast earnings as a proxy for small cap, the data below shows that the relative earnings argument should be a positive driver from today (even if 18% earnings growth three years out is improbable). This would be a much more positive backdrop for both our absolute and relative performance.



Source: Bloomberg

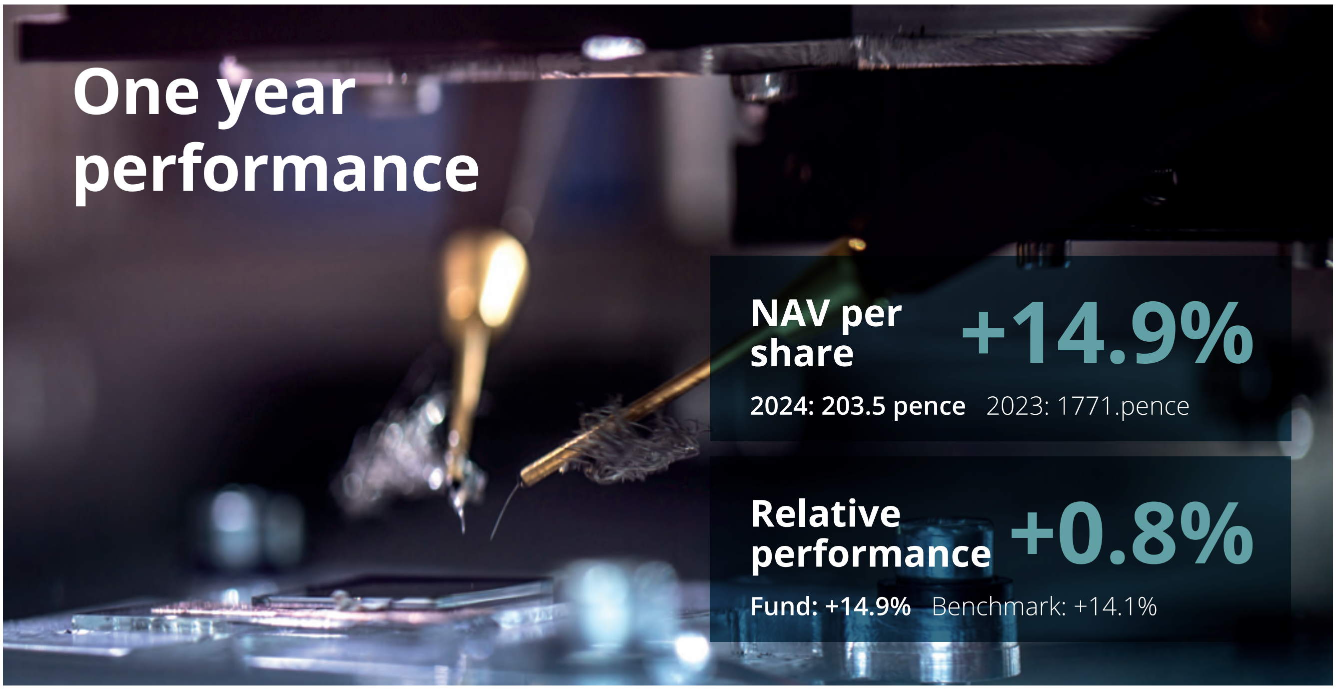


Source: Bloomberg

Source of charts: Numis Why Smaller Companies, Why Now? 17 September 2024.

6 Bloomberg, Data as of early October 2024
7 Bloomberg, S&P, October 2024
8 Berenberg Equity Strategy, 2 October 2024

Portfolio Manager's report (continued)



NAV per share at the end of September 2024 was 203.5 pence, a gain of 14.9% from the NAV per share of 177.1 pence at the end of September 2023. Our Numis Smaller Companies plus AIM ex Investment Trusts benchmark returned a gain of 14.1%, leaving relative performance for the year of +0.8%.

Comments follow for each position that impacted relative performance by at least one percentage point ("ppt"):

Renold (+2.4 ppts)

Renold is a manufacturer of highly engineered industrial chains typically used in demanding environments in a broad range of end markets. Renold reported strong results through the period that raised market confidence in the group's ability to achieve sustainable double-digit margins underpinned by a highly engineered, relatively low cost but performance critical chain product and strong operating efficiencies. Robust cash conversion and deleveraging provides a solid foundation for inorganic growth which is key to driving the group's ambitions to consolidate a highly fragmented industry with high switching costs. With margins having recovered compared to the long-term track record and supported by both the organic and inorganic opportunity on which the company has begun to execute, we transitioned the investment case from Recovery to Growth in the period.

Science in Sport (+1.5ppts)

Science in Sport is a manufacturer and distributor of performance nutrition products for athletes through their SiS and PhD brands. Whilst the industry is growing, it is highly competitive, which is a particularly relevant comment for direct-to-consumer ("DTC") ecommerce operations. Science in Sport distribute through DTC and via both online and offline retailers. The strategy under the prior management team was to invest in marketing to drive aggressive topline growth and, like many DTC businesses, acquiring users online became unprofitable which, alongside required capex investments, left the balance sheet overleveraged. The new management team reset commercial relationships, exiting unprofitable revenues and focussed on cash generation and profit. The balance sheet has been recapitalised through an equity raise in which we participated. Whilst we maintain our Growth investment case, these are key catalysts for improved operating and share price momentum that we look for in Recovery investment cases.

Portfolio Manager's report (continued)

Serabi Gold (+1.3ppts)

Serabi Gold is a Brazilian gold exploration and production business which has struggled over the last few years given increasing costs and inconsistent operational performance. The acquisition of a second asset, Coringa, also put significant pressure on the balance sheet. Operational performance has improved as Coringa has contributed to gold production and we expect this contribution to accelerate over the next two years. A combination of strong gold prices and weakness in the Brazilian Real has delivered a substantial turnaround in financial performance and free cash generation.

Venture Life (+1.2 ppts)

Venture Life has executed a value accretive buy-and-build strategy of self-care brands. Acquisitive strategies have had a tough time over the last few years as they are dependent on both a sensible market valuation for their equity and, typically, demand for equity that can be tapped to fund acquisitions. These two aspects have been absent for the last three years and so Venture Life sensibly focussed on organic growth and cash generation to pay down debt. Whilst not without challenge, the higher margin Brands division is delivering good organic growth which we do not believe is recognised in the valuation.

Windward's (+1.1 ppts)

Windward's software-as-a-service solution ("SaaS"), underpinned by a unique and defensible AI based process provides high payback maritime data insights primarily to government and commercial customers. Post our initial purchase, Windward has issued several strong market updates which have driven mid-to-high teens consensus sales upgrades over the period. This accelerates the group's path to breakeven, with sustained profitability expected from next year which de-risks our investment case. We share further comments on the investment case in the section on activity below.

Supreme (+1.0 ppts)

Supreme outperformed consensus expectations driven primarily by its core vaping business. Although the UK government announced a proposed disposable vape ban during the period, we believe the group is well prepared with its alternative forms of vaping (e.g. refillable pod system). Supreme deployed its strong balance sheet to acquire Clearly Drinks, a brand owner and manufacturer of specialised canned and bottled-at-source spring water, which was well received by the market. We think it is an attractive deal from both a strategic and financial perspective. It helps diversify the group's revenues with pro-forma non-vaping sales accounting for 40% of group sales. Supreme paid an attractive multiple of earnings and the deal is earnings enhancing before any potential synergies are considered. Clearly Drinks' manufacturing capacity appears to be well invested with significant free capacity. We expect strong synergy potential; for example, selling Clearly Drinks products to Supreme's already established customer relationships or developing Supreme's emergent activity in wellness and energy drinks.

Mergers and acquisitions ("M&A") were also a driver of performance with both **City Pub Group (+1.4 ppts)** and **Shanta Gold (+1.1 ppts)** being acquired in the period.

Mind Gym (-1.1 ppts)

Mind Gym provides behavioural science solutions to corporates that are proven to deliver business improvements through a focus on addressing a number of universal human capital challenges. Mind Gym issued a profit warning at its interim trading update in October 2023 and fell short of market expectations at its subsequent trading update in April 2024 which was primarily due to a weaker than expected macro environment. Balance sheet and liquidity constraints resulted in the company paring back selected long-term growth investments. Given depressed margins, a depressed share price and a change of chief executive officer ("CEO"), we transitioned the position to a Recovery investment case (versus Growth previously). The valuation opportunity is compelling at 0.3x sales versus a 5-year average of 1.8x and a mid-term 15-20% margin target; however, we reduced our holding in the period to less than 0.5% of NAV at the period end, indicative of our concerns about the achievability of the company's medium-term targets.

Portfolio Manager's report (continued)

Manolete (-1.2 ppts)

Manolete is a litigation funding business which acquires cases from insolvency practitioners in return for a share of any profitable outcome. Manolete moved back into profits in their full year results to March 2024 and reported progress for the first five months of their current financial year that show net cash receipts are tracking ahead again. This reported progress is at odds with the share price performance which has been poor. The shares trade at a small premium to book value which is a significant discount to the long-term price-to-book multiple and an attractive opportunity if the company returns to historic levels of growth and return-on-equity. We have a small position (1.2% of NAV) at the end of the period and will wait for a clear improvement in momentum before looking to add to our position.

Ten Lifestyle (-1.6 ppts)

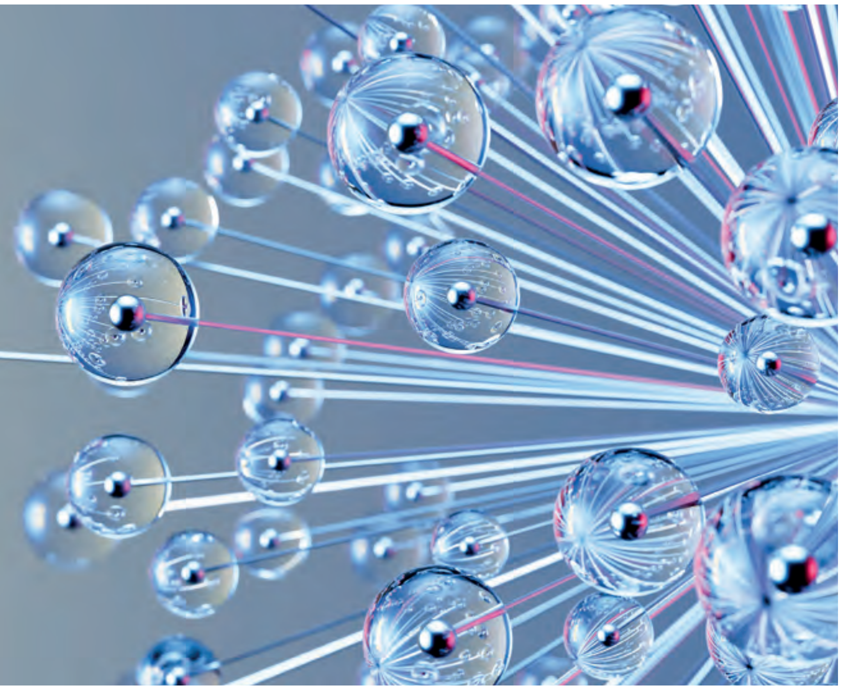
Ten Lifestyle's technology enabled concierge proposition aids their corporate customer, typically financial services, with retention – and therefore lifetime value – of high value customers. The company – which prides itself on an exceptional track record of contract retention – lost a large (c.5.5% of revenue) long-standing contract with Coutts following the leadership changes at the private bank. The company has since been awarded a new contract with an American financial services firm which is larger than the lost contract but did come with a need to raise capital to fund the working capital requirements as this contract ramps up. We participated in the fund raise and we believe our Growth investment case remains intact.

Inspecs (-1.8 ppts)

Inspecs is a vertically integrated eyewear solutions provider with a focus on mid-market brands that offers its customers unrivalled supply chain transparency and product quality underpinned by its own manufacturing. Inspecs issued a full-year trading update in January 2024 that confirmed the group's focus on margin recovery through extracting operational efficiencies is driving margins in the right direction, however earnings were below expectations due to weaker than expected sales growth. Soft European consumer demand notably in Germany and the loss of sales to GrandVision following its acquisition by Essilor Luxottica were key factors. At interim results, the company revealed that revenue and earnings – which were lower YOY – had benefited from elevated levels of ordering in the comparable period as retailers secured inventory post-Covid, which was not flagged in the prior year. Despite this, management held guidance, implying a stronger than usual second half weighting. Valuation remains compelling at seven-times 2025 consensus earnings, on margins well below management's long-term target.

Portfolio Manager's report (continued)

Long term performance review



We've extended the analysis that we shared with shareholders last year in the table overleaf which shows the annual NAV performance for each financial year since the Company's initial public offering ("IPO") in December 2014[9].

The penultimate row of the table shows our performance relative to our benchmark on the same basis while the last row shows our performance relative to the AIM All Share index which is a point we will come back to. The three middle rows provide context for the investment backdrop in the period.

For example, for the 10-month period to the end of September 2015, we delivered absolute NAV growth of 13% and we outperformed our benchmark by 5%. There was a growth style bias[10] in the market, UK interest rates were unchanged and Smaller Companies[11] outperformed.

Positive absolute and relative performance in eight out of ten financial periods.

Total return after all fees

107.6%

Outperformance

40.3%

9 Period to September 2015 is from IPO on 2 December 2014 and is therefore approximate a 10 month not 12-month period.
10 Measured as a composite of MSCI UK Value vs. MSCI UK Growth and Numis Small Cap Ex-Investment Trusts plus AIM vs AIM All Share.
11 Measured as Numis Smaller Companies Ex-Investment Trusts plus AIM vs UK All Share. Double signal means equal or greater than 10%.

Portfolio Manager's report (continued)

The intention of the data is to illustrate that the Company has delivered strong absolute and relative performance in a range of macro environments. We would highlight the following:

- Positive absolute and relative performance in eight out of ten financial periods.
- Total return after all fees of 107.6%.
- Outperformance of 40.3%.
- We have delivered positive absolute and relative returns in years with both Growth and Value style leadership and rising and falling interest rates.
- Unsurprisingly, positive absolute and relative performance has been most correlated with a positive smaller companies' premium. The smaller companies' premium was +0.7% for the most recent period.

	Sept 15*	Sept 16	Sept 17	Sept 18	Sept 19	Sept 20	Sept 21	Sept 22	Sept 23	Sept 24
NAV performance	13%	14%	45%	25%	-17%	9%	59%	-48%	4%	15%
Style bias	Growth	Growth	Value	Growth	None	Growth	Value	Value	Value	Value
Interest rates	Neutral	–	Neutral	+	+	–	Neutral	+	++	–
Small cap premium	++	–	+	–	– –	++	++	– –	– –	=
Relative performance	5%	4%	24%	22%	-10%	12%	14%	-21%	1%	1%
AIM relative performance	10%	0%	21%	14%	2%	-2%	29%	-14%	12%	11%

*10 months.
Source: River Global Investors LLP, BNP Paribas, Bloomberg.

The final row on the table above shows our performance relative to the AIM All Share index. AIM is seen as the key small company market in the UK with 610 companies on AIM with a total market capitalisation of £68 billion and an average of £111 million[12].

At the end of the year, all but three of our investments were AIM listed which represented 88% of the NAV. We would consider the performance of AIM to be a better measure of the performance of the smallest UK listed companies particularly as the FTSE Small Cap index (excluding Investment Trusts) has just 107 constituents with a total market cap of £27.7 billion and an average market capitalisation of £259 million[13]. For reference, our benchmark has 1,006 constituents with a total market value of £222.1 billion and an average of £222 million[13].

We have delivered strong outperformance relative to AIM both since inception and particularly over the last two years where our performance relative to our benchmark has been harder.

12 Peel Hunt Strategy, AIMing higher, 17 September 2024
13 Bloomberg, 25 October 2024

Portfolio Manager's report (continued)

Our NAV performance and performance relative to our Numis Smaller Companies (including AIM and excluding investment trusts (NSCI AIM ex ICs)) is shown below.

We also include performance figures for AIM and the broader UK market (MSCI United Kingdom IMI).

	1 year	3 years	5 years	Since inception
River UK Micro Cap	14.9%	-38.0%	7.6%	107.6%
Numis Smaller Companies plus AIM ex ICs	14.1%	-13.9%	22.0%	67.4%
MSCI United Kingdom IMI	13.2%	25.7%	30.6%	75.3%
AIM All Share	3.9%	-37.4%	-9.1%	19.3%

Source: River Global Investors LLP, BNP Paribas, Bloomberg. Performance to 30 September 2024. Since inception is 02 December 2014. Note: NAV data is based on daily unaudited estimations

We intend to return excess capital to shareholders when the Company's assets are in excess of £110 million. The last two capital returns were in 2021 with a total of £35 million returned.

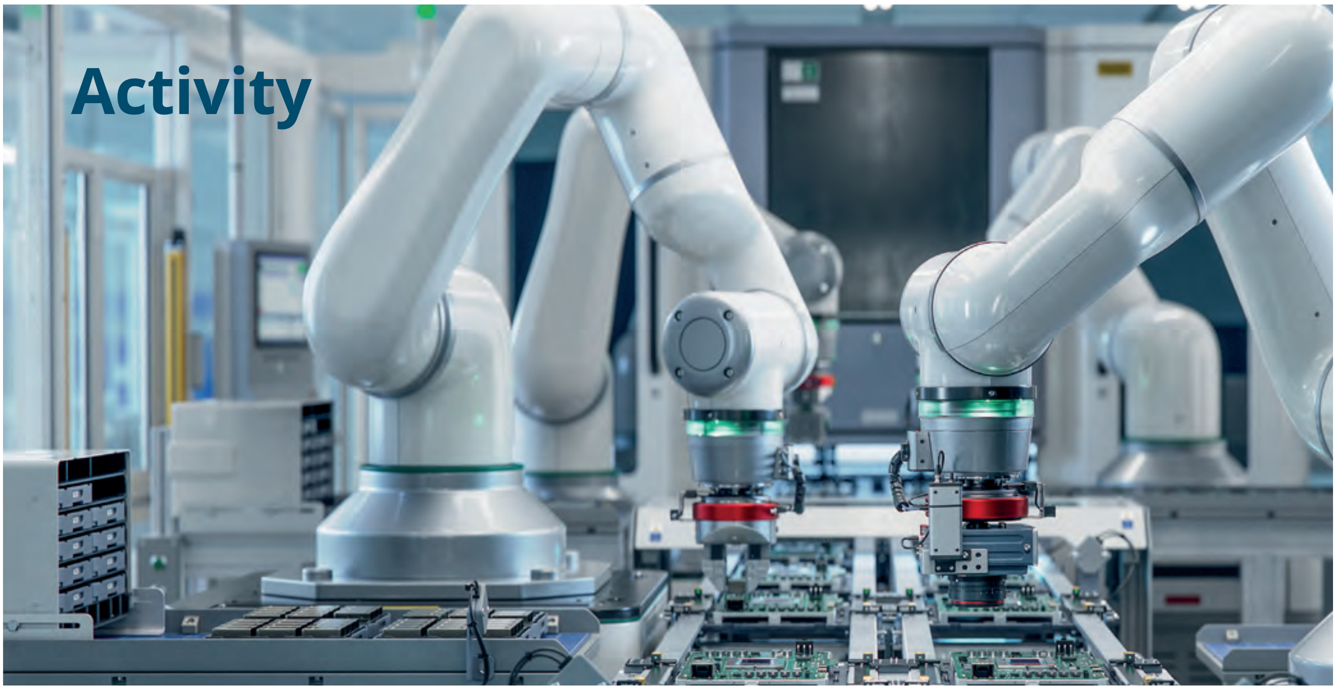
The details to the right allow us to calculate a money-weighted return (or internal rate of return ("IRR")) which differs from the NAV performance calculations shown above as it incorporates the timings of the capital returns.

We believe, particularly given the depressed state of the UK equity and small-cap market, that an IRR of 12.4% confirms that the approach we are taking is absolutely in the interest of our shareholders.

Date	Cash flow (£mn)	Comment
02/12/2014	-50.6	Initial Public Offer (IPO)
29/10/2015	-19.5	Additional equity offering
09/06/2017	15.0	Shareholder capital return
01/12/2017	15.0	Shareholder capital return
27/07/2018	11.9	Shareholder capital return
29/01/2021	15.0	Shareholder capital return
07/05/2021	20.0	Shareholder capital return
30/09/2024	69.0	NAV
IRR	**12.4%**	

Source: River Global Investors LLP, BNP Paribas

Portfolio Manager's report (continued)



Seven new positions were initiated in the period:

Windward

Windward's SaaS solution underpinned by a unique and defensible AI based process provides high return on investment ("ROI") insights on the maritime sector primarily to government and commercial customers. With an R&D budget that we believe is three to four times the size of its nearest competitor, Windward is well positioned to capitalise on secular industry growth drivers – notably digital immaturity, the growing desire to automate increasingly complex compliance and regulatory requirements and demand for improved supply-chain visibility – and is on a clear path to profitability. Valuation at purchase was compelling with the company trading on an undemanding multiple of sales. The holding has performed well since acquisition as per the comments in the performance section above.

Marwyn Acquisition Company II

Marwyn Acquisition Company II – which post period end has been renamed **InvestAcc Group** – is a buy and build of self-invested personal pensions ("SIPP") administration businesses, specifically complex (or full) SIPPs for which there is a higher administrative burden given the inclusion of private company shares and commercial property within the wrapper. Whilst these complex SIPPs are a smaller part of the market – ~£100 billion of assets versus the total SIPP market at ~£500 billion[14] – they are deemed non-core by many existing administrators which the company believes enables a value accretive buy and build strategy. We participated in the fund raise for the first acquisition, InvestAcc, which will be the platform that will host SIPPs acquired in future deals. Whilst the InvestAcc purchase was completed at 10x earnings, future deals will be cheaper (management are targeting 5-8x) and have meaningful cost synergies to further reduce the multiple paid.

MPAC Group

MPAC Group is a capital light assembler and servicing provider for packaging and automation equipment with a sticky blue-chip customer base primarily in the food & beverage and healthcare sectors. It was purchased on a self-help Recovery thesis – as there was evidence of margin recovery and improving cash conversion with a net cash balance sheet providing downside protection – with scope for it to successfully transition to a Growth thesis. Results post purchase were slightly above expectations with a particularly strong performance in the second half of the last year which showed margins are no longer depressed versus history. As a result, we have reclassified MPAC as Growth given the compelling

14 Company pathfinder

Portfolio Manager's report (continued)

organic growth opportunity from retaining and growing business with existing blue-chip clients, where MPAC is today only selling part of its capability into a few divisions, broadening the customer base and new product innovations. With a strong net cash balance sheet and a fragmented competitive landscape, there is also potential for inorganic growth to create a turn-key solution which would increase scale, margins and returns.

AOTI

AOTI develops medical devices for patients with chronic wounds. The statistics around diabetic foot ulcers are alarming – one third of diabetics will develop a diabetic foot ulcer in their lifetime, 50% of these will become infected and there is a c20% chance of amputation once infected. Treatment is a huge financial burden on society; in the US, the annual cost is equivalent to the cost of treating all cancer, with similar 5-year mortality rates. AOTI's at-home topical oxygen therapy has a strong value proposition, supported by a body of clinical and real-world data, as it significantly improves both patient outcomes and economics for payers relative to existing treatments. This has supported revenue growth in excess of 30% in the last two years. We expect rollout across the US, which is mix-accretive relative to the majority of historic sales into the Veterans Administration channel, to drive strong top line growth and margin expansion. We participated in the company's IPO as we felt the valuation offers attractive risk/reward if the company can scale effectively.

Gear4Music

After tracking the shares for more than a year, we bought an initial position in Gear4Music in January 2024. The online retailer of musical instruments and equipment has delivered consistent market share gains since IPO, benefitting from channel shift from high street to online; however, the combination of a post-Covid normalisation and a series of strategic mishaps resulted in the shares falling from their peak of £10 in mid-2021 to below £1 by late 2022. Questions over the level of sustainable profitability – which is meaningful for assessing the business' ability to generate cash and de-lever – kept us on the sidelines, with weak revenues and margin disappointments driving the recent downgrade cycle. There is now evidence of an inflection point – the business' ability to generate an improvement in gross profit margins whilst destocking during a tough trading environment over their peak Christmas period helps to build confidence in the medium-term margin recovery opportunity (from 4.6% towards management's 8% EBITDA margin target) and deleveraging pathway. Whilst there is still some macro uncertainty, we believe this is discounted in the cheap valuation at which we initiated the position.

Pebble Group

Pebble Group is a company we have followed since their IPO in December 2019 given our holding in our open-ended small cap fund. The company has two distinct divisions – albeit both are exposed to the use of promotional products. Brand Addition provides promotional products to large enterprise companies and is therefore geared into their marketing spend, which has disappointed largely due to the exposure to consumer and technology companies. Facilisgroup is a platform for small US promotional product distributors with a two-sided revenue model whereby customers pay a SaaS license fee to use the software and Pebble also receives a commission from a preferred list of suppliers that those same customers order products through. We purchased the shares at more than a 50% discount to their December 2019 IPO price despite a higher level of profits for either 2023 or forecast for 2024 than for 2019 and a stronger (net cash) balance sheet.

Eagle Eye Solutions

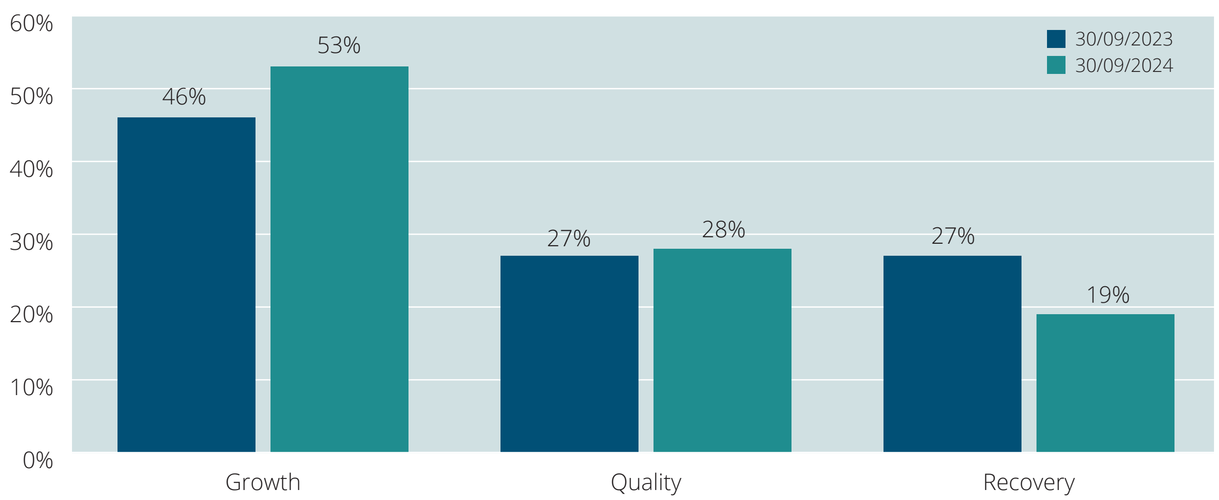
The final position we added to the portfolio was Eagle Eye Solutions, omnichannel digital marketing platform which enables grocery and food retailers to offer personalised promotions. The company is building a track record of profitable and cash generative growth serving an impressive list of clients which include Morrisons, John Lewis and Pret A Manger. Organic growth has averaged +25% over the last five years and the outlook is strong, supported by the structural shift to personalisation (which generates a +200% ROI improvement versus mass promotion spend according to a BCG study)[15] and expansion into the US, the largest promotions market globally. A growing sales pipeline and a conservative expectation set supports continued upgrade momentum, underpinning the current valuation which is attractive relative to SaaS peers.

15 https://www.bcg.com/publications/2021/personalized-offers-have-a-potential-70-billion-dollar-growth-opportunity

Portfolio Manager's report (continued)

We are looking to build a portfolio of companies that have a clear opportunity to create shareholder value in one of three phases of the company lifecycle – Growth, Quality and Recovery.

When compared to the end of September 2023, we have added 7ppts to Growth at the expense of Recovery which is down 8ppts. The move is largely a reversal of the movement into Recovery in the prior year where Recovery gained 7ppts at the expense of Growth. With the exception of Gear4Music (Recovery) and Marwyn Acquisition Company II (Quality), all of our new holdings were held as Growth investments at the end of the period (as discussed, MPAC was acquired as Recovery and transitioned to Growth).



Source: River Global Investors LLP

Portfolio Manager's report (continued)

On one-year forward consensus forecast, 90% of the portfolio is forecast to be free-cash flow profitable. If we exclude our litigation funding businesses, Litigation Capital Management and Manolete, and LendInvest for which free-cash flow is a result of investments (legal cases and mortgages), then that number increases to 96% with just three free-cash consumptive holdings; MaxCyte, MindGym and GetBusy.

We have always been cautious of leverage. Approximately 75% of the portfolio is net cash and of the remaining 25%, 10% has strong asset backing to support leverage. For example, SigmaRoc has significant mineral reserves and Capital has a fleet of almost 130 drilling rigs.

Our latest Sustainability and Stewardship Policy is available on our website (www.river.global/what-we-do/sustainable-investing/stewardship).

Our approach to integrating sustainability analysis into our fundamental research process is unchanged. We believe that businesses that are managed with the interest of all stakeholders in mind will compound higher returns for shareholders over the medium term.

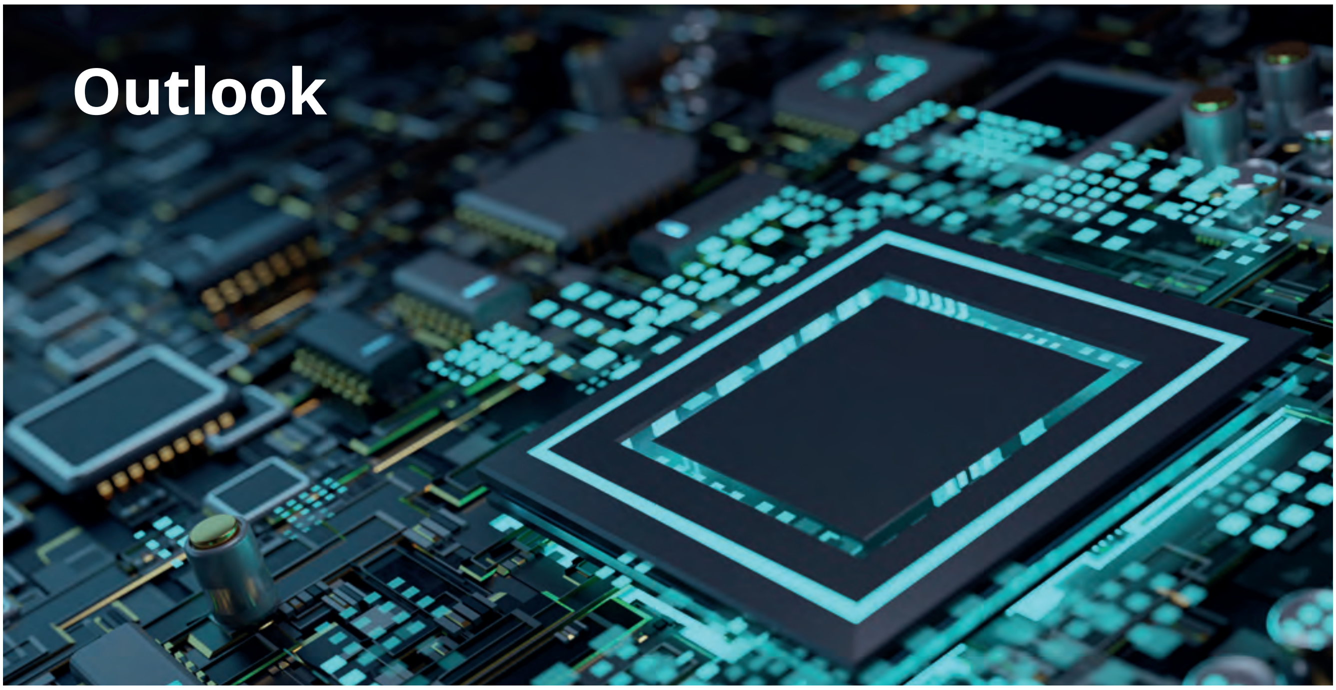
The portfolio allocation across the four different categories was similar to the previous year with 27% in S1 rated companies, 62% in S2 rated companies, 11% in S3 rated companies and no S4 rated positions (2023: 22% S1, 71% S2 and 7% S3).

Across the seven new positions, AOTI and Windward are S1 rated, Gear4Music is S3 rated and the others are S2 rated.

S1	A sustainable leader in its field and/or clear beneficiary of sustainability trends
S2	Solid sustainability characteristics, with no clear impediment to value creation or share price performance
S3	Sustainability improvement required. Evidence of progress and/or engagement potential
S4	Sustainability a clear barrier to value creation. No evidence of progress and/or low likelihood of engagement success, including failed attempts.

Portfolio Manager's report (continued)

Outlook



The market is being priced on flows instead of fundamentals and the only capital owners that are currently taking advantage of this at any scale are the corporates buying back their own shares and private equity vehicles, which are on a M&A bonanza. There are exceptions, but it is hard to make the case that most acquisitions of UK listed companies are being completed at generous prices.

As noted above and counter to the prevailing negative sentiment, data suggest UK economic fundamentals are improving and we are convinced in the logic that this should support the leadership of smaller company earnings over the next cycle.

The upcoming Budget and subsequent Mansion House speech will set the agenda for the new Labour Government. Perhaps naïvely, we believe that this government has recognised that growth is the only answer to our debt and public services dilemma and revitalised domestic capital markets have a key role to play.

The rewards to be realised on a rotation in market leadership from defensive to cyclical, from international to domestic and from large-to-small are exciting and worth positioning for today. Prior cycles, as illustrated in the chart below, are as good an indicator as any of the scale of the opportunity. Even excluding the exceptional period of performance from December 2008 to March 2018, the average outperformance of smaller companies in the UK over the last five cycles has been in excess of 50%[16]. For context, smaller companies have outperformed by just 5.6%[17] since the low in October 2023, which itself follows a remarkable 38% of relative underperformance.

After several months of uncertainty, the changes to inheritance tax and capital gains tax announced at the Budget were not as bad as feared. In fact, given the various other inheritance tax changes, there is an argument that the 50% relief that prevails on qualifying AIM listed companies is just as valuable as the prior 100% relief. Moreover, we now have certainty on a tax relief that many investors have been concerned about since well before the most recent election. Whilst we are now in a higher capital gains tax regime which does little to encourage equity investment, there is no longer a motivation to accelerate the recognition of gains

16 Analysis of performance in 1992-1994, 1999-2000, 2001-2007, 2008 to 2018 and 2019 to 2021 and excluding the outperformance of more than 150% for the 2008 to 2018 cycle. Source: River Global Investors LLP.
17 Bloomberg, 28 October 2024

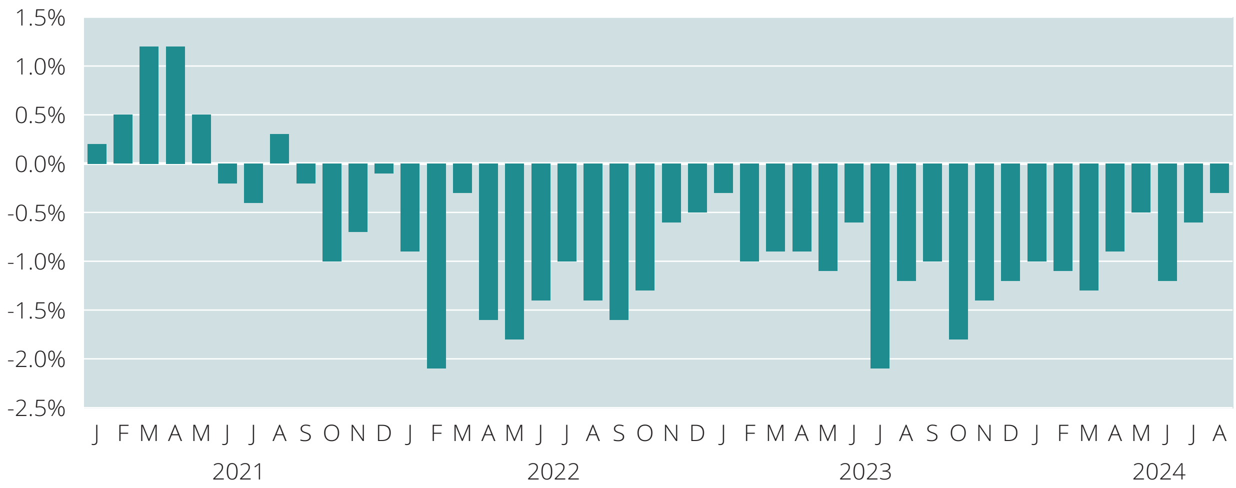
Portfolio Manager's report (continued)

which was a feature of the market prior to the Budget. Finally, there was little encouragement for listed equities in Rachel Reeves' maiden Mansion House Speech but the Interim Report of the Pensions Investment Review, which was published on the same day, illustrates that the Government is concerned by the lack of domestic investment by UK pension funds. The Government is using the next stage of the review to consider whether further intervention – which would likely be a mandatory minimum domestic equity allocation – may be needed. The final report is due in 2025 and any positive signal around this could be significant for inflows into UK equities.

George Ensor
Fund Manager

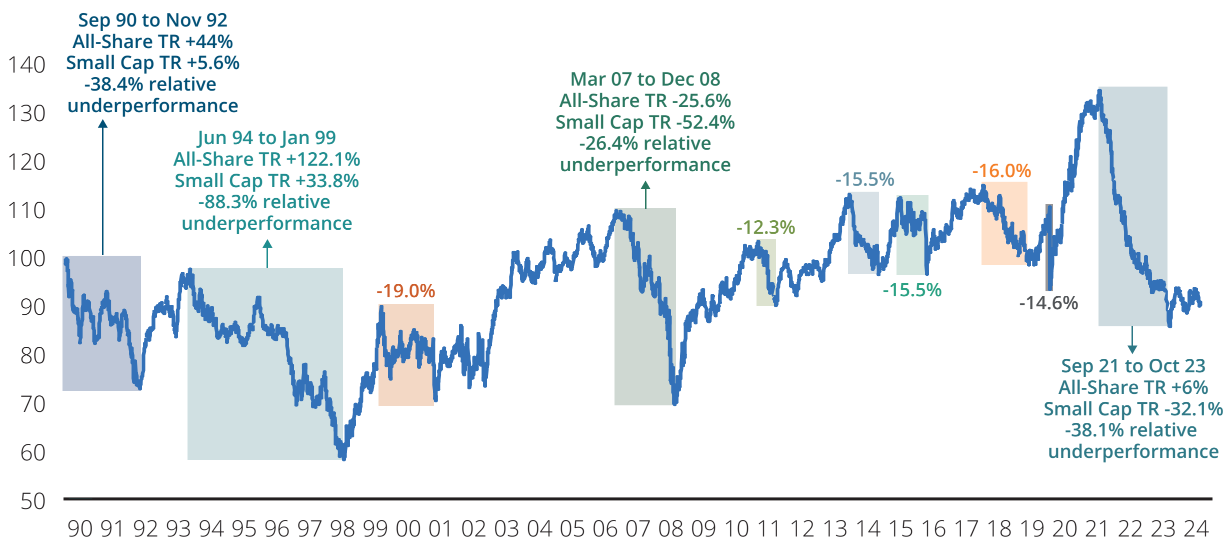
River Global Investors LLP

UK Small Cap flows, open-end funds % AuM



Source: River Global Investors LLP, The IA.

Numis SC + AIM ex IT TR relative to All-Share TR: September 1990 to September 2024



Source: River Global investors LLP, Bloomberg, Deutsche Numis. Data from 31 August 1990 to 30 September 2024.

Investment portfolio

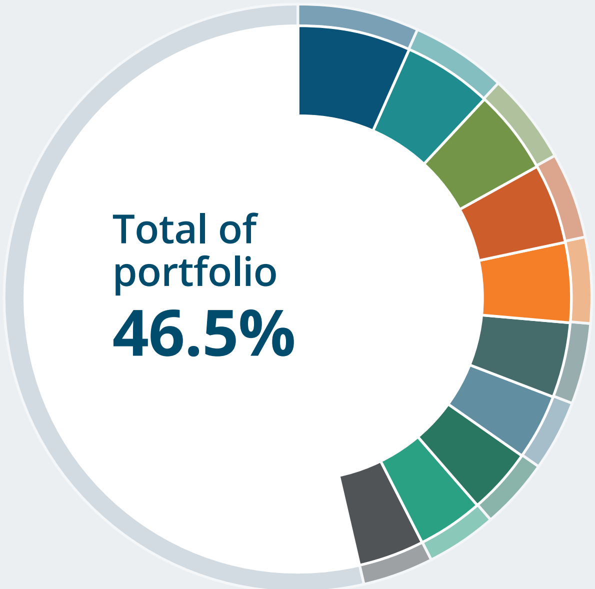
The Investment Portfolio below details the Company's holdings as at 30 September 2024, exclusive of cash and cash equivalents (portfolio weightings are based on mid-prices).

Name	Description	Weight (% of portfolio)
DF Capital	Financials	6.9%
ActiveOps	Information Technology	5.2%
Sigmaroc	Materials	4.9%
Supreme	Consumer Discretionary	4.9%
Kooth	Health Care	4.7%
Windward	Information Technology	4.3%
Venture Life	Consumer Staples	4.0%
Litigation Capital Mgmt	Financials	3.9%
Renold	Industrials	3.9%
Science In Sport	Consumer Staples	3.8%
Keystone Law	Industrials	3.7%
Capital Limited	Materials	3.7%
Marwyn Acquisition	Financials	3.2%
1Spatial	Information Technology	2.8%
Diaceutics	Health Care	2.6%
Cake Box Holdings	Consumer Staples	2.5%
Ten Lifestyle	Industrials	2.4%
Inspecs	Health Care	2.4%
HVIVO	Health Care	2.3%
IG Design Group	Consumer Discretionary	2.1%
Serabi Gold	Materials	2.1%
GetBusy	Information Technology	2.0%
Aquis Exchange	Financials	1.9%
Netcall	Information Technology	1.8%
Aoti	Health Care	1.8%
Pebble Group	Communication Services	1.7%
Gear4Music	Consumer Discretionary	1.6%
Boku	Information Technology	1.6%
Alpha Group Int'l	Financials	1.3%
MaxCyte	Health Care	1.2%
Manolete Partners	Financials	1.2%
MPAC Group	Industrials	1.2%
Flowtech Fluidpower	Industrials	0.9%
Eagle Eye Solutions	Communication Services	0.7%
LendInvest	Financials	0.6%
Mind Gym	Industrials	0.4%
Virgin Wines UK	Consumer Staples	0.4%

Source: River Global Investors LLP

Investment portfolio (continued)

Top ten holdings as at 30 September 2024



DF Capital	6.9%
ActiveOps	5.2%
Sigmaroc	4.9%
Supreme	4.9%
Kooth	4.7%
Windward	4.3%
Venture Life	4.0%
Litigation Cap Mgt	3.9%
Renold	3.9%
Science in Sport	3.8%

Sector breakdown as at 30 September 2024

Financials	19.0%
IT	17.7%
Health care	15.0%
Industrials	12.5%
Materials	10.7%
Consumer staples	10.7%
Consumer discretionary	8.6%
Communication services	2.4%

Strategic report

This Strategic Report is designed to provide information about the Company's operation and results for the year ended 30 September 2024. It should be read in conjunction with the Chairman's Statement and the Portfolio Manager's Report which provides a detailed review of investment activities for the year and an outlook for the future.

Corporate summary

The Company was incorporated in Guernsey on 2 October 2014, with registered number 59106, as a non-cellular company with liability limited by shares. The Company is regulated by the Guernsey Financial Services Commission ("GFSC") as a registered closed-ended collective investment scheme pursuant to the Protection of Investors (Bailiwick of Guernsey) Law, 2020, as amended, and the Registered Collective Investment Scheme Rules and Guidance, 2021 ("RCIS Rules").

The Company's share capital is denominated in Sterling and each share carries equal voting rights.

The Company's Ordinary Shares are listed on the Equity Share (Commercial Companies) (ESCC) segment of the Official List as maintained by the Financial Conduct Authority ("FCA") and admitted to trading on the Main Market of the London Stock Exchange.

The Company changed its name from River and Mercantile UK Micro Cap Investment Company Limited to River UK Micro Cap Limited, to align with that of its Portfolio Manager, with effect from 19 June 2024.

Significant events during the year ended 30 September 2024

Annual General Meeting held on 12 March 2024

On 12 March 2024, the Annual General Meeting was held. All resolutions proposed at the meeting were duly passed. This included the five-year Continuation Vote and appointment of Grant Thornton Limited as the Company's auditor.

Board and Committee changes

On 11 March 2024, Andrew Chapman retired from the Board and John Blowers assumed the role of Chairman of the Board.

On 1 May 2024, Charlotte Denton resigned from the Board and was replaced by Ted Holmes as Audit Committee Chair. Also on 1 May 2024, Serena Tremlett was appointed to the Board and took over the roles of Remuneration and Nomination Committee Chair and Management Engagement Committee Chair from John Blowers.

Company investment objective

The Company aims to achieve long term capital growth from investment in a diversified portfolio of UK micro-cap companies, typically comprising companies with a free float market capitalisation of less than £100 million at the time of purchase.

Company investment policy

The Company invests in a diversified portfolio of UK micro-cap companies. It is expected that the majority of the Company's investible universe will comprise companies whose securities are admitted to trading on AIM.

While it is intended that the Company will be fully invested in normal market conditions, the Company may hold cash on deposit or invest on a temporary basis in a range of high quality debt securities and cash equivalent instruments. There is no restriction on the amount of cash or cash equivalent instruments that the Company may hold and there may be times when it is appropriate for the Company to have a significant cash position instead of being fully or near fully invested.

The Company is not benchmark-driven in its asset allocation.

Diversification

The number of holdings in the portfolio will usually range between 30 and 50. The portfolio is expected to be broadly diversified across sectors and, while there are no specific limits placed on exposure to any sector, the Company will at all times invest and manage the portfolio in a manner consistent with spreading investment risk.

Investment restrictions

No exposure to any investee company will exceed 10% of NAV at the time of investment.

The Company may from time to time take sizeable positions in portfolio companies. However, in such circumstances, the Company would not normally intend to hold more than 25% of the capital of a single investee company at the time of investment.

Strategic report (continued)

Although the Company would not normally expect to hold investments in securities that are unquoted, it may do so from time to time but such investments will be limited in aggregate to 10% of NAV.

The Company may invest in other investment funds, including listed closed-ended investment funds, to gain investment exposure to UK micro-cap companies but such exposure will be limited, in aggregate, to 10% of NAV at the time of investment.

The Board reviews the industry and asset diversification of the investment portfolio to ensure that holdings are in line with the investment restrictions and to monitor the concentration risk of the investment portfolio. Refer to note 9 for further details regarding investment limits and risk diversification policies.

As at 30 September 2024, the Company held 37 (30 September 2023: 41) investment holdings of which none exceeded 10% of NAV at the time of investment. A portfolio listing is shown on page 23 which demonstrates the spread of investment risk in accordance with the investment policy.

Borrowing and gearing policy

The Company does not normally intend to employ gearing but at certain times it may be opportune to do so, for both investment and working capital purposes. Accordingly, the Company may employ gearing up to a maximum of 20% of NAV at the time of borrowing. As at 30 September 2024, the Company had no borrowings.

Derivatives

The Company may use derivatives (both long and short) for the purposes of efficient portfolio management only. The Company will not enter into uncovered short positions.

Further information can be found in the Portfolio Manager's Report which is incorporated within this Annual Report on pages 7 to 22 for informational purposes only.

Investment strategy and approach

The Company's investment strategy is to take advantage of the illiquidity risk premium inherent in UK micro-cap companies and exploit fully the underlying investment opportunity in the UK micro-cap market to deliver high and sustainable returns to Shareholders, principally in the form of capital gains in line with the Company investment objective and policy.

The Company pursues its investment strategy through the appointment of Carne as AIFM, whereby the AIFM has been given responsibility, subject to the supervision of the Board, for the management of the Company in accordance with the Company's investment objective and policy. In conjunction with the Board, the AIFM has engaged the Portfolio Manager to manage the portfolio. The Company depends on the diligence, skill, judgement and business contacts of the Portfolio Manager's investment professionals, in particular George Ensor, in identifying investment opportunities which are in line with the investment objective and policy of the Company. The Portfolio Manager attends all Board meetings at which the investment strategy and performance of the Company are discussed.

Key Performance Indicators (KPIs)

The Directors meet regularly to review performance and risk against a number of key measures. The Directors considers the KPIs to be NAV total return and capital returns. The KPIs are considered to be APMs, refer to the Financial Highlights and Performance Summary on pages 3 to 4 and the Alternative Performance Measures on pages 79 to 80 for further details.

Our approach to ESG

Our own direct environmental and social impact is minimal. The Company relies substantially on outsourced service providers to carry out our business activities. On an annual basis, we monitor the actions taken by our service providers regarding environmental and social issues. This is monitored by the Management Engagement Committee through an annual evaluation questionnaire completed by each service provider or on-site visits. This process is used to identify any areas of concern which may expose the Company to risks, principally the ability of each service provider to properly execute services to the Company and its shareholders. A primary ESG impact area for the Company is its portfolio holdings. The Company does not exclude any type of business from its universe of potential investments; however the Portfolio Manager uses an ESG lens on all potential investments (https://river.global/what-we-do/sustainable-investing/stewardship). This lens is part of the S-PVT internal scoring used by

Strategic report (continued)

the Portfolio Manager when selecting investments for the portfolio. The Board regularly receives reports and interrogates the Portfolio Manager on how the portfolio is split between each sustainability category, focusing specifically on how investments rated poorly (S3 and S4) under the Portfolio Manager's classification system are being evaluated and engaged with to improve the Board's assessment.

Voting and engagement

The Directors believe that it is important to monitor and encourage improvement in the management practices of the companies we invest in for all stakeholders whilst not compromising our objective of achieving strong financial returns. The best way to create wealth for our Shareholders is to invest in companies that are well managed and optimise returns to shareholders. The Board delegates responsibility for this objective to the Portfolio Manager and has approved the Portfolio Manager's approach to Voting and Engagement, details of which can be found at https://river.global/what-we-do/sustainable-investing/stewardship.

Future strategy

The Board continues to believe that the investment strategy and policies adopted are appropriate for and are capable of meeting the Company's purpose and investment objective.

The overall strategy remains unchanged and it is the Board's assessment that the AIFM and Portfolio Manager's resources are appropriate to properly manage the Company's investment portfolio in the current and anticipated investment environment.

Please refer to the Portfolio Manager's Report for details regarding performance to date of the investment portfolio and the main trends and factors likely to affect those investments.

Going concern

The Directors are required to satisfy themselves that it is reasonable to assume that the Company is a going concern and to identify any material uncertainties to the Company's ability to continue as a going concern for at least 12 months from the date of approving the financial statements.

The Board is satisfied that, at the time of approving the financial statements, no material uncertainties exist that may cast significant doubt concerning the Company's ability to continue for the foreseeable future, being 12 months after the date of approval of the financial statements. In addition, the Company's holdings of cash and cash equivalents, the liquidity of investments and the income deriving from those investments, means the Company has adequate financial resources to meet its liabilities as they fall due.

At the 2024 Annual General Meeting, the Continuation Vote was passed, approving the continuation of the Company for another five years. The Board also considered the continuing impact of the current macro-economic environment and the impact that ongoing geopolitical tensions may have on the Company, which it believes have a minimal risk at this stage on the going concern of the Company.

Therefore, the Board consider it appropriate to adopt the going concern basis in preparing the financial statements.

Viability statement

The Board carries out an annual assessment of the Company's current position and principal risks and uncertainties, as detailed on pages 29 to 32, combined with an assessment of the prospects of the Company to state that they have a reasonable expectation that the Company will be able to continue in operation over the period of their assessment.

The Company has no fixed life. The Directors shall propose one or more ordinary resolutions at every fifth AGM that the Company continues as a closed-ended investment company (the "Continuation Resolution"). The last Continuation Resolution was proposed at the AGM on 12 March 2024 and was passed by the Company's Shareholders. The next Continuation Resolution will be proposed at the AGM in 2029.

The Company is intended to be a long-term investment vehicle, however, having considered the inherent limitations of estimating the impact of future political and macro-economic conditions on the Company, the Directors have decided to assess the viability of the Company over a period of five years that aligns with the next Continuation Vote.

Strategic report (continued)

The Company's prospects are driven by its business model and strategy. The Company's aim is to achieve long term capital growth from investment in a diversified portfolio of UK micro-cap companies, typically comprising companies with a free float market capitalisation of less than £100 million at the time of purchase. The Board, advised by the Portfolio Manager, believes that the impact on micro-cap companies when the general economy returns to economic growth is particularly high and therefore based on a five-year time horizon, the Board would expect rising valuation metrics and enhanced returns. The Board acknowledges that due to the global economic situation, the value of the Company's investments is depressed, but draws attention to the fact that the Company has no gearing and has appropriate cash levels to meet expenditure. The Company's investments are held on a recognised stock exchange and the portfolio is well diversified.

The Board is mindful of the current political and economic environment and continues to monitor its impact on the Company. In this context, the Board's central case is that the prospects for economic activity in the UK will remain such that the investment objective, policy and strategy of the Company will be viable for the foreseeable future through a period of at least five years from the balance sheet date.

In making this judgement, the Board has assessed that the main risks to the long-term viability of the investment strategy of the Company are key global and market uncertainties driven by factors external to the Company, which in turn can impact on the liquidity and NAV of the investment portfolio, and therefore risk the viability of the Company itself. A simulation has been designed to estimate the impact of these uncertainties on the NAV of the Company at times of stress based on historical performance data of the Company's Comparative Index, using techniques similar to the sensitivity analysis performed in note 9 – financial risk management.

Taking account of the Company's current position, principal risks and results of the simulation noted above, the Board has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of assessment.

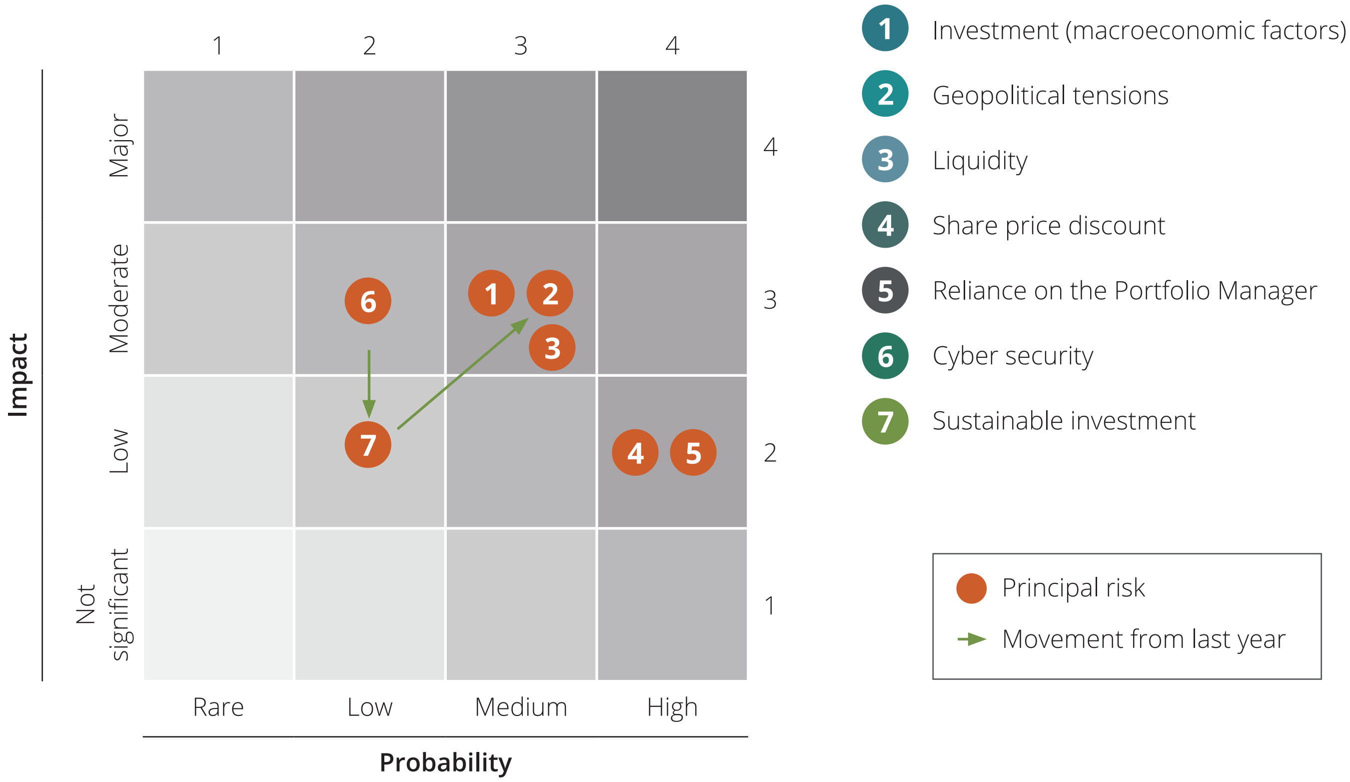
The Strategic Report was approved by the Board of Directors on 20 December 2024 and signed on its behalf by:

John Blowers
Chairman

Ted Holmes
Audit Committee Chair

Statement of principal risks and uncertainties

The table shows the post mitigation principal risks and uncertainties facing the Company and explains how we mitigate them. Information on our risk management framework can be found on pages 48 to 50.



1. Investment (macroeconomic factors)

Risk profile **unchanged**

Probability **medium**

Impact: moderate

The Company is exposed to market factors. The unrealised performance can be affected by the sentiment of the market, supply/demand of asset types, expectations on unemployment, and Gross Domestic Product growth.

High interest rates, an inflationary macroeconomic environment and the threat of global recession may drive down growth stocks especially, which would adversely affect the underlying value of the Company's investment portfolio, leading to an adverse impact on the Company's NAV.

Mitigation

The Company is closed ended and has no leverage. It is well set up to ride out any short-term dislocations in pricing without being forced to liquidate investments at technically distressed prices.

The skill and expertise of the Portfolio Manager allows the Company to be positioned effectively in the event of macro events which impact the value of the Fund assets.

Statement of principal risks and uncertainties (continued)

2. Geopolitical tensions

Risk profile
increasing

Probability
medium

Impact: **moderate**

Along with other investment companies, the Company faces an increased and emerging risk from the impact of global political unrest and rising geopolitical tensions, which potentially impacts the Company's investment portfolio and the general sentiment towards capital markets.

Mitigation

The Portfolio Manager will analyse stress scenarios and reposition the portfolio accordingly.

3. Liquidity

Risk profile
unchanged

Probability
medium

Impact: **moderate**

The Company invests in a diversified portfolio of UK micro cap companies, typically comprising companies with a free float market capitalisation of less than £100 million at the time of purchase. The relatively small market capitalisation of micro cap companies can make the market in their shares illiquid. As a result of lower liquidity, prices of micro cap companies tend to stick at one level, but can be at risk of sudden jumps in price when momentum of sentiment is strong enough and certain pools of investors are forced to liquidate. As a consequence, the Company may not necessarily be able to realise its investments within a reasonable period.

Both the liquidity and valuation issues highlighted above may be totally out of sync with the underlying investee company fundamentals. There can therefore be no guarantee that any realisation of an investment will be on a basis which necessarily reflects the valuation of that investment.

Mitigation

Risks within the portfolio are monitored by the AIFM, which holds monthly AIFM Risk Committee meetings with the Portfolio Manager. Portfolio liquidity forms a key part of these monthly discussions. The AIFM provides an update of the Risk Committee meetings to the Board and the risks are discussed accordingly. The Portfolio Manager also undertakes ongoing reviews of the underlying investee companies particularly those whose businesses are impacted by the current macro environment.

Statement of principal risks and uncertainties (continued)

4. Share price discount

Risk profile
unchanged

Probability
high

Impact: low

The price of the Company's shares may trade at a discount or premium relative to the underlying NAV of the Ordinary Shares.

There is a risk that shareholders become dissatisfied with a continuing discount to NAV and seek further action.

The Directors note that, in an environment where investment companies are trading at a discount, there has been a growing trend towards activism.

Mitigation

The Board monitors the Company's share price discount or premium to the published NAV and regularly consults with the Company's brokers regarding share trading volumes, significant buyers and sellers, and comparative data from the Company's peer group. In order to further manage the discount, the Board has developed a marketing plan to broaden interest in the company's Ordinary shares.

Since its inception the Company has operated the Redemption Mechanism to return capital to investors which the Board understands Shareholders are still supportive of.

Further, the Board considers that in the current environment, selling portfolio investments at depressed values in order to raise funds to buy back the Company's own shares is not in the best interests of investors and that the Redemption Mechanism remains the best tool to manage the discount in the longer term.

5. Reliance on the Portfolio Manager

Risk profile
unchanged

Probability
high

Impact: low

The Company is dependent on the expertise of a small team led by George Ensor to evaluate investment opportunities and to implement the Company's investment objective and investment policy.

Mitigation

The Portfolio Manager has experienced investment professionals ready and available to step in if required in the short term, should the lead manager be unavailable, and would hire a full time experienced and proven replacement lead manager, if necessary.

The Board and the AIFM continue to monitor and review the service and performance of the Portfolio Manager.

6. Cyber security

Risk profile
unchanged

Probability
low

Impact: moderate

The incidence of cyber related events and attacks heightens the risk of inappropriate access to data leading to loss of sensitive information which may have a material adverse effect on the Company's financial condition, reputation and investor confidence.

Mitigation

The Company's service providers maintain cyber security policies. These are reviewed by the AIFM as part of its oversight responsibilities and reported to the Board, including any breaches of information security. Service providers perform regular testing of their cyber security controls to ensure that they remain robust.

Statement of principal risks and uncertainties (continued)

7. Sustainable investment

Risk profile
decreasing

Probability
low

Impact: low

Investors are placing increased emphasis on ESG, including climate change, and the Board sees any failure by the Portfolio Manager to identify future potential issues within the underlying portfolio in this area as a key risk which may lead to the Company's shares becoming less attractive to investors.

A failure to adopt a sustainable approach to environmental and social matters, or a failure of governance is likely to adversely impact the Company's performance.

Mitigation

The Board believes that the adoption by the Portfolio Manager of a comprehensive sustainable investment policy, in combination with the development of regular reporting to the Board, allows the Company to mitigate this risk.

The Board has developed a strategy to engage with service providers across ESG matters more generally.

The Company is a closed-ended investment entity and so its own direct environmental and social impact is minimal. The Company does not exclude any types of business from its universe of potential investments. However, the Portfolio Manager does deploy an ESG lens on all potential investments and adopts a rigorous corporate ESG policy. The Company, in common with most investment companies, relies substantially on outsourced providers, including the Portfolio Manager. The Board believes therefore its focus should be centred around governance, ensuring that appropriate ESG policies and a sustainable investing approach is followed as well as monitoring and measuring the Company's service providers' future progress towards ESG objectives. The Company also wants to ensure it has a positive impact, for example minimising its carbon footprint. Both the Company and its service providers are evolving their approach.

Refer to pages 26 to 27 for " Our approach to ESG".

Other risks

Risk

Taxation

Description

The Company invests in AIM listed shares. Any change to the tax status of those shares, such as the reduction of inheritance tax (IHT) relief announced by the Chancellor in the Autumn Budget, could reduce investor appetite for AIM listed shares and make it harder to achieve the Company's investment objectives.

Section 172 statement and principal decisions

Through adopting the AIC Code, the Board acknowledges its duty to comply with section 172 of the UK Companies Act 2006 to act in a way that promotes the success of the Company for the benefit of its members as a whole, having regard to (amongst other things):

a) consequences of any decision in the long-term;

b) the interests of the Company's employees;

c) need to foster business relationships with suppliers, customers and others;

d) impact on community and environment;

e) maintaining reputation; and

f) act fairly between members of the Company.

The Board recognises its role in promoting the Company's purpose of delivering on the investment strategy and in promoting its core values of openness, challenge and respect in its interactions with all stakeholders.

Information on how the Board has engaged with its stakeholders and promoted the success of the Company in regard to the above, is outlined below. The Company has no employees.

Stakeholder	How the Board engages
Shareholders	The Company would not exist without the capital of its Shareholders and its ongoing success is dependent on their continued support. The Board therefore ensures that multiple lines of communication with Shareholders are actively promoted. The Annual General Meeting ("AGM") ensures a forum in which the views of all Shareholders are sought by the Board through the resolutions proposed and it is also an opportunity for Shareholders to question the members of the Board face to face. In addition, the Board requires Singer Capital Markets Advisory LLP as the Company's corporate broker (the "Corporate Broker") to maintain communication with major Shareholders and report back to the Board at quarterly meetings on the tenor and substance of such communication. Since the Company's inception, the Board has encouraged both the Corporate Broker and the Portfolio Manager to meet directly with Shareholders both for the purposes of communicating the Company's strategy and performance as well as to listen to the views of Shareholders. These views are reported back to the Board at their regular meetings. The Board has developed a multi-channel marketing strategy alongside the Broker and the Portfolio Manager to target retail, adviser and institutional investors with a series of messages suitable across all points on the investment cycle, at an affordable cost to the Company. The Company has noted the positive effects of this marketing strategy during the year and is pleased to note that the Company was awarded the 'Best Marketing Campaign (Continuation Vote)' at the AIC Shareholder 2024 Communication Awards. Furthermore, the Chairman and other Directors are available to meet with major Shareholders where such meetings would be welcomed. The Company provides regular information updates to Shareholders, including the daily NAV announcement to the markets and monthly portfolio updates.

Section 172 statement and principal decisions (continued)

Stakeholder	How the Board engages
Service providers	All key service providers report to the Board at every quarterly Board meeting, with representatives of the service providers present to answer questions from Directors. In accordance with the Company's culture of openness, challenge and respect, the Chairman actively encourages feedback from the Company's service providers as appropriate to their field of expertise. The Board, through its Management Engagement Committee, also seeks to ensure that the terms of engagement are commercially equitable for each service provider. The success of the Company is encouraged by forming stable partnerships with successful and motivated advisers.
The wider community and the environment	The Board has developed a strategy to embed a responsible and realistic approach to ESG related issues into its engagements with stakeholders, including how it delivers value to Shareholders. The Board continues to discuss with the Portfolio Manager how a responsible sustainable investment approach integrates with the Company's overall investment philosophy and objective which is described in greater detail in the Portfolio Manager's Report. The Board engages with all its service provider stakeholders, on an annual basis, to assess their impact on society and the environment. On the latest engagement with the Company's main service providers through questionnaires, which included ESG related questions, there was no issues noted by the Board when reviewing responses.

Principal decisions

The table below sets out principal decisions taken by the Board during the year which have the greatest impact on the Company's long-term success. The Board considers the factors outlined under section 172 and the wider interests of stakeholders as a whole in all decisions it takes on behalf of the Company.

Principal decision	Stakeholder interests
Discount management	The Board regularly monitors the level of the discount of the share price to NAV per Ordinary Share, especially in relation to its peer group. However, the Board continues to believe that the Capital Redemption Mechanism provides the most effective buyback mechanism in the longer term. Notwithstanding this view, the Board continues to look for effective ways to improve demand for and liquidity in the Company's shares. To that end, the Board has ensured that the Company had a marketing presence in a number of consumer-facing media, including Trustnet and The Armchair Trader, with dedicated advertising, video and podcast content to attract new investors. Given the trend for investment trusts to be attractive to UK private investors, the Board are focusing their marketing and PR efforts at consumers in order to boost liquidity.
Appointment of Serena Tremlett	Following the resignation of Charlotte Denton, the Company recruited Serena Tremlett, a Guernsey based Director, with the necessary skills and expertise. Serena Tremlett was appointed as a Director on 1 May 2024. (Refer to page 36 for her biography).

Board members

John Blowers
Non-executive Chairman (Independent)

Chairman of the Board (from 11 March 2024) .
Appointed 1 August 2022.

John has been instrumental in the digital revolution in financial services for 34 years, with a series of key achievements. He was involved with the UK's first digital fund platform at Interactive Investor and went on to design, build and run several digital investment offerings for AMP, UBS and latterly for FE fundinfo.

His skills revolve around strategic proposition development and has a successful track record in sales & marketing roles in the investment industry. Over the years, he has held a range of CEO, MD and senior management roles in both multi-national and start-up businesses and is well-known in the UK investment and financial media community.

He is now managing director of financial information company Stockomendation Limited, which operates three websites including Investegate.co.uk.

Key relevant skills

- Marketing
- Retail distribution
- Product design

Ted Holmes
Non-executive Director (Independent)

Audit Committee Chair (from 1 May 2024).
Appointed 26 September 2023.

Ted is currently on the board of the City of London Investment Trust and a Director for Blue Ocean Investment Partners.

Ted had a twenty-year career at UBS Asset Management. During that time, he worked as a managing director in both the Chicago office (previously Brinson Partners) and London office (previously Phillips and Drew) in a variety of positions, from analyst to European Head of Equities.

Prior to UBS, he worked for Ernst & Young where he earned his Certified Public Accountant license. He has an MBA from the University of Chicago Booth School of Business and is a qualified Chartered Financial Analyst.

Key relevant skills

- 27 years of experience in investment management (Chartered Financial Analyst)
- Investment oversight
- Investment trust oversight and governance
- Qualified accountant, Certified Public Accountant (US CPA)

Board members (continued)

Mark Hodgson

Non-executive Director (Independent)

Appointed 2 October 2014.

Mark Hodgson is a Channel Islands fund director based in Jersey, with considerable experience in the funds industry. He has a broad fund expertise covering a wide range of differing asset classes, including real estate, infrastructure, credit and private equity.

Mark joined Carne in April 2014 and is Head of the Channel Islands Fund business. He has over 25 years of financial services experience, with an extensive banking background. Mark spent over 20 years with HSBC Global Bank where he gained in depth knowledge of credit, financial markets and complex Real Estate structures.

Mark moved to Jersey in 2006 to head up HSBC's Commercial Centre having full operational responsibility for credit and lending within the jurisdiction, later moving to Capita Fiduciary Group in 2008 as Managing Director, acting as non-executive director on a number of fund boards.

Mark acts as a Non-Executive Director on a number of high-profile fund boards based in Jersey, Guernsey and Luxembourg. Mark is also a Fellow of the Institute of Directors and a qualified Chartered Director.

Key relevant skills

- 28 years financial services experience, 20 years of being the member of various boards
- Extensive fund risk management experience across multiple asset classes

Serena Tremlett

Non-executive Director (Independent)

Remuneration and Nomination Committee Chair and Management Engagement Committee Chair (from 1 May 2024). Appointed 1 May 2024.

Serena is a Guernsey-based company director and consultant with over 25 years of experience in funds, listed companies, company secretarial and regulatory matters.

Serena was a co-founder and managing director of Morgan Sharpe Administration Limited, a Guernsey fund and corporate services administrator which was established in April 2008 and then sold to Estera Group in 2017. Morgan Sharpe's clients included listed companies and some of the biggest names in private equity and real estate.

Prior to Morgan Sharpe, Serena was managing director of Assura Group's Guernsey office and company secretary to what was a FTSE 250 listed company at that time from 2006 to 2008. From 1996 to 2006, she developed her funds career at Mourant (Guernsey) Limited and Guernsey International Fund Managers Limited.

Serena also holds the Institute of Directors Diploma in Company Direction.

Key relevant skills

- Over 25 years of financial services experience, primarily in Guernsey
- Since 2001, has been a director of listed, unlisted, and general partner companies in many jurisdictions
- Strength in corporate governance and Guernsey regulation

Directors' report

The Directors present their annual report and the audited financial statements for the year ended 30 September 2024. The results for the year are set out in these accounts.

Dividend policy

Details of the Company's capital redemptions are shown on page 4. The Company does not expect to pay dividends and no dividends have been declared or paid during the year (30 September 2023: none).

Share capital

As at 30 September 2024, the Company had 33,897,954 (30 September 2023: 33,897,954) Ordinary Shares in issue.

Borrowing limits

The Directors may, if they feel it is in the best interests of the Company, borrow funds up to a maximum of 20% of NAV at the time of borrowing. No borrowing facility is currently in place.

Acquisition of own shares

To assist the Company in addressing any imbalance between the supply of and demand for Ordinary Shares and thereby assist in controlling the discount to NAV at which the Ordinary Shares may be trading, on 7 March 2024, the Company renewed general authority to purchase in the market up to 14.99% of the Ordinary Shares in issue as at 7 March 2024. This authority expires on the date of the 2025 AGM. The Company did not purchase any shares in the market during the year.

The Directors will seek a renewal of this authority from Shareholders at the Company's AGM on 12 March 2025.

Directors' shareholdings

As at 30 September 2024, the Directors held the following Ordinary Shares in the Company:

Director	Ordinary Shares held
John Blowers	14,559
Mark Hodgson	7,721
Ted Holmes	22,970
Serena Tremlett	3,432

Between 1 October 2024 and 20 December 2024, there were no shares purchased or sold by Directors.

Directors' report (continued)

Shareholders' interests

In accordance with Chapter 5 of the Disclosure Guidance and Transparency Rules (which covers acquisition and disposal of major shareholdings and voting rights), the following Shareholders had an interest in the Company's issued share capital of more than 5% as at 30 September 2024.

	Percentage of total voting rights (%)
West Yorkshire PF	9.81
River Global Investors LLP	9.17
Hargreaves Lansdown Asset Management[1]	8.59
Evelyn Partners Investment Management LLP	6.99
JP Morgan Securities plc	6.21
Investec Wealth & Investment Ltd	6.08
CG Asset Management	5.58
Interactive Investor Services Ltd[1]	5.53
Asset Value Investors	5.02

Between 1 October 2024 and 20 December 2024, the Company received two additional notifications for JP Morgan Securities plc, one on 27 November 2024 reducing its percentage of total voting rights to 5.99% and one on 13 December 2024 increasing its percentage of total voting rights to 6.46%.

Audit tender

The Company underwent a full and robust audit tender process between March and September 2023, the result of which saw Grant Thornton Limited awarded the mandate to provide comprehensive audit and associated services commencing with the review of the Half Yearly Financial Report for the period ended 31 March 2024. The appointment of Grant Thornton Limited as Auditors to the Company, along with a resolution to authorise the Directors to determine their remuneration, was tabled and approved at the AGM held on 12 March 2024.

Matters reserved for the Board

The Directors have adopted a set of reserved powers, which establish the key purpose of the Board and detail its major duties. These duties cover the following areas of responsibility:

- statutory obligations and public disclosure;
- approval of the investment policy;
- strategic matters and financial reporting;
- Board composition and accountability to Shareholders;
- risk assessment and management, including reporting, compliance, monitoring, governance and control;
- responsible for financial statements; and
- other matters having material effects on the Company

These reserved powers of the Board have been adopted by the Directors to demonstrate clearly the importance with which the Board takes its fiduciary responsibilities and as an ongoing means of measuring and monitoring the effectiveness of its actions.

The Portfolio Manager has the delegated power to make investment decisions on behalf of the Company within the framework of the investment objective and investment policy. The Board exerts oversight of the decisions of the Portfolio Manager both through the AIFM and by direct reporting at quarterly Board meetings. The Portfolio Manager provides written reports to the Board and a representative of the Portfolio Manager is present at every quarterly Board meeting to present the report and answer questions from the Board. In addition, the AIFM provides regular risk reporting on the Company's investment portfolio and the Portfolio Manager at each quarterly Board meeting.

1 These are investment platforms and do not control the voting rights.

Directors' report (continued)

Voting policy on portfolio investments

The Portfolio Manager, in the absence of explicit instructions from the Board, is empowered to exercise discretion in the use of the Company's voting rights in relation to investee company meetings. Voting on the Company's behalf is undertaken where practicable in accordance with corporate governance policies, which seek to maximise shareholder value by constructive use of votes at investee company meetings and by endeavouring to use the Company's influence as an investor with a principled approach to corporate governance.

Disclosures required under LR 9.8.4R

The FCA's Listing Rule 9.8.4R requires that the Company includes certain information relating to arrangements made between a controlling shareholder and the Company, waivers of Directors' fees, and long-term incentive schemes in force. The Directors confirm that there are no disclosures to be made in this regard.

Events after the Reporting Date

The increase in Director fees detailed in the Directors' Remuneration Report was formally approved by the Board on 3 October 2024.

Disclosure of Information to the Auditor

Each of the Directors who were members of the Board at the time of approving this Report confirms that:

- to the best of their knowledge and belief, there is no information relevant to the preparation of their report of which the Auditor was unaware; and
- they have taken all steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Auditor was aware of that information.

Fair, balanced and understandable

In assessing the overall fairness, balance and understandability of the Annual Report the Board has performed a comprehensive review to ensure consistency and overall balance.

Corporate governance statement

Introduction

The Company is listed on the London Stock Exchange and is therefore required to report on how the principles of the UK Corporate Governance Code (the "UK Code") have been applied. Being an investment company, a number of the provisions of the UK Code are not applicable as the Company has no executive Directors or internal operations.

The Board considers that reporting against the principles and provisions of the AIC Code, which has been endorsed by the Financial Reporting Council and the GFSC, provides more relevant information to stakeholders. The AIC Code is available on the AIC website www.theaic.co.uk. It includes an explanation of how the AIC Code adapts the principles and provisions set out in the UK Code to make them relevant to investment companies.

The Company has complied with all the principles and provisions of the AIC Code during the year ended 30 September 2024, with the exception to appoint a senior independent director. It was decided not to appoint a senior independent director given the small size of the Board and because all Directors have different qualities and areas of expertise on which they lead. Any concerns can be conveyed to the Chairman, or another Director if Shareholders do not wish to raise concerns with the Chairman.

Set out to the right is where stakeholders can find further information within the Annual Report about how the Company has complied with the various Principles and Provisions of the AIC Code.

Directors' statement of responsibilities

The Directors are responsible for preparing the Annual Report and Financial Statements in accordance with the applicable laws and regulations.

The Companies (Guernsey) Law, 2008 (the "Company Law") requires the Directors to prepare Financial Statements for each financial year. The Directors are required to prepare the Financial Statements in accordance with IFRS Accounting Standards as issued by the IASB and applicable law.

Under the 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 Company and its profit or loss for that year.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations or have no realistic alternative but to do so.

The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with Companies Law. The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

So far as the Directors are aware, there is no relevant audit information of which the Auditor is unaware, having taken all the steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the Auditor is aware of that information.

Each of the Directors who served during the year, who are listed on pages 35 and 36, confirms to the best of their knowledge and belief that:

- the financial statements, which have been prepared in accordance with IFRS Accounting Standards as issued by the IASB, give a true and fair view of the assets, liabilities, financial position and profit of the Company as required by DTR 4.1.22R; and
- the Annual Report (comprising the reports from pages 5 to 52) includes a fair review of the development and performance of the business during the year, and the position of the Company at the end of the year, together with a description of the principal risks and uncertainties that the Company faces, as required by DTR 4.1.8R and DTR 4.1.9R.

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 Company's performance, position, business model and strategy.

The Directors' Report was approved by the Board of Directors on 20 December 2024 and signed on its behalf by:

John Blowers
Chairman

20 December 2024

Ted Holmes
Audit Committee Chair

20 December 2024

Board and committees

Values and culture

The Directors recognise the purpose of the Company to deliver high and sustainable returns to Shareholders. Delivery of the investment objective has been achieved throughout its history through both investment capability and long held values of diversification, innovation, adaptation and integrity.

These values are underpinned by the culture the Board demonstrates in the way in which the Directors interact with each other and with the Company's service providers. Openness, challenge and respect are encouraged as key to developing and implementing the strategies that will deliver the Company's objective.

The Board

As at 30 September 2024, the Board consisted of the following non-executive Directors:

- John Blowers, (Independent) – Chairman of the Board (from 11 March 2024). Appointed 1 August 2022.
- Mark Hodgson. Appointed 2 October 2014.
- Ted Holmes, (Independent) - Audit Committee Chair (from 1 May 2024). Appointed 26 September 2023.
- Serena Tremlett, (Independent) - Remuneration and Nomination Committee Chair and Management Engagement Committee Chair. Appointed 1 May 2024.

The Board is chaired by John Blowers, who is independent of the AIFM and the Portfolio Manager and has been since the time of his appointment. The Chairman is responsible for the leadership of the Board and for ensuring its effectiveness in fulfilling its role.

All Directors are deemed independent, except for Mark Hodgson, who whilst independent of the Portfolio Manager, is the Managing Director of the AIFM and is therefore not regarded as independent. The opinion of the other Directors is that Mark Hodgson provides considerable and complementary expertise to the Board, particularly in the area of risk management, in which the AIFM has a significant presence.

The Board reviews the independence of all Directors annually.

Directors have agreed letters of appointment with the Company. No Director has a service contract with the Company and Directors' appointments may be terminated at any time by one month's written notice with no compensation payable at termination upon leaving office for whatever reason.

Directors' re-election

As required by the AIC Code, all Directors stand for re-election by Shareholders annually, the next occasion being at the AGM to be held on 12 March 2025.

Refer to pages 35 and 36 for biographies of each Director which demonstrates their professional knowledge and breadth of investment, accounting, banking and professional experience. The Board considers that there is a balance of skills and experience within the Board and each of the Directors contributes effectively.

Board diversity

The Board is currently made up of one female Director and three male Directors. The Board has due regard for the benefits of experience and diversity in its membership, including gender, and strives to achieve the right balance of individuals who have the knowledge and skill set to maximise Shareholder return while mitigating the risk exposure of the Company.

The below table sets out the Board's current composition. The below text compares this against the targets prescribed by Listing Rule 9.8.6R (9)(a).

Director	Number of Board Members	Percentage of the Board	Number of senior positions on the Board[1]
Men	3	75%	2
Women	1	25%	0
White British or other White (incl. minority-white groups)	4	100%	2

It is noted that at present 25% of the individuals on the Board are women, which is below the target of 40% prescribed by Listing Rule 9.8.6R (9)(a). At present, none of the Board members are from minority ethnic backgrounds, which is below the target of one, prescribed by Listing Rule 9.8.6R (9)(a).

1 Senior positions are CEO, CFO, SID and Chair. The Company does not have executive management, nor a Senior Independent Director and considers the Chair of the Board or the Audit Committee Chair to be senior roles.

Board and committees (continued)

During the year, the Board appointed Serena Tremlett as a Director. The Board noted the diversity requirements, but in such a small Board, the Company considers the diversity of skill sets and experience to be of the utmost importance. After reviewing a number of different applicants, it was decided that Serena Tremlett had the best skill set to complement the Board.

The Board are mindful of these requirements and alongside knowledge and expertise, they will be considered when the Board next recruits.

Tenure policy

The Board has adopted a policy on the tenure of its independent Directors that aligns with the AIC Code of Corporate Governance and none of the three independent Directors, including the Chairman of the Board, will serve for more than nine years. The Board has thus adopted a staged succession plan that maintains a balance between the strength added through continuity and experience as well as the benefits of new members bringing fresh perspectives. The Board will continue to assess annually each Board member's independence.

The Board considers that boards of investment companies are more likely to benefit from a long association with a company in that they will experience a number of investment cycles.

Committees

The Board has established three committees, the Audit Committee, the Management Engagement Committee and the Remuneration and Nomination Committee.

All the independent Directors, namely, John Blowers, Ted Holmes and Serena Tremlett (appointed 1 May 2024) have been appointed to all Committees.

Each committee operates within clearly defined terms of reference and duties. The terms of reference for each Committee have been approved by the Board and are available in full on the Company's website, https://river.global/our-funds/fund-centre.

Audit Committee

The Audit Committee membership comprises all the independent Directors and has been chaired by Ted Holmes since 1 May 2024. His position is considered appropriate given his recent and relevant financial and industry experience. Mark Hodgson attends at the invitation of the Audit Committee but does not actively participate in the meetings. The Chairman of the Board is also a member of the Audit Committee. His membership of the Audit Committee is considered appropriate given the size of the Board.

The report on the role and activities of this Committee and its relationship with the external auditors is set out in the Report of the Audit Committee on pages 48 to 50.

Management Engagement Committee

The Management Engagement Committee membership comprises all the independent Directors and has been chaired by Serena Tremlett since 1 May 2024.

The Management Engagement Committee carries out its review of the Company's advisers through consideration of a number of objective and subjective criteria and through a review of the terms and conditions of the advisers' appointments with the aim of evaluating performance, identifying any weaknesses and ensuring value for money for the Company's Shareholders.

On 3 October 2024, the Management Engagement Committee formally reviewed the performance of the Portfolio Manager and other key service providers to the Company. During this review, no material weaknesses were identified. Overall, the Management Engagement Committee confirmed its satisfaction with the services and advice received. The next review is expected be held in September 2025.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee membership comprises all the independent Directors and has been chaired by Serena Tremlett since 1 May 2024.

Board and Committee evaluation

The Remuneration and Nomination Committee performs an annual internal evaluation of the Board, its Committees and each Director. Due to diary conflicts of new Directors, this was last undertaken on 3 October 2024.

The annual internal evaluation carried out by the Remuneration and Nomination Committee for the year ended 30 September 2024 covered the performance of the Chairman and other Directors, their knowledge and understanding of the Company, its investments and markets and confirmed that the Board and its individual members had a good range of skills and competency. The Directors were determined to have had effective and comprehensive Board meetings and to have had sufficient time to devote to matters relating to the Company and its operations.

Board and committees (continued)

Succession plan

The Board's succession plan seeks to ensure that no independent non-executive Director serves on the Board for longer than nine years and that the Board is well balanced and refreshed from time to time by the appointment of new directors with the skills and experience necessary to replace those lost by Directors' retirements and to meet future requirements.

The Remuneration and Nomination Committee is committed to ensuring that any vacancies arising are filled by the most qualified candidates who have complementary skills or who possess the skills and experience which fill any gaps in the Board's knowledge or experience.

Following the resignation of Charlotte Denton on 1 May 2024, the Board sought to recruit a Guernsey-resident Director to the Board. On 1 May 2024, the Board announced the appointment of Serena Tremlett to the Board as a new independent non-executive Director.

Board meetings

The Board meets regularly throughout the year and a representative of the AIFM and the Portfolio Manager attends when the Board meets to review the performance of the Company's investments.

The Portfolio Manager and AIFM, together with the Company Secretary, ensure that all Directors receive, in a timely manner, all relevant management, regulatory and financial information relating to the Company and its portfolio of investments. The Chairman encourages open debate to foster a supportive and co-operative approach for all participants.

The Board applies its primary focus on the following:

- investment performance, ensuring that investment objectives and strategy of the Company are met;
- ensuring investment holdings are in line with the Company's investment restrictions;
- review and monitoring financial risk management, operating cash flows and budgets of the Company; and
- review and monitoring of the key risks to which the Company is exposed as set out in the Strategic Report.

At each relevant meeting the Board undertakes reviews of key investment and financial data, transactions and performance comparisons, share price and NAV performance, marketing and Shareholder communication strategies, peer group information and industry issues.

The Board considers the Company's investment objectives, their continuing relevance and whether the investment policy continues to meet those Company's investment objectives. The Board believes that the overall strategy of the Company remains appropriate.

Attendance at scheduled meetings of the Board and its committees

	Board	Audit Committee	Management Engagement Committee[6]	Remuneration and Nomination Committee[6]
Number of meetings during the year ended 30 September 2024[2]	**3**	**4**	**-**	**-**
John Blowers	3/3	4/4	-	-
Andrew Chapman[3]	1/1	1/2	-	-
Charlotte Denton[4]	1/2	2/2	-	-
Mark Hodgson	3/3	n/a	n/a	n/a
Ted Holmes	3/3	4/4	-	-
Serena Tremlett[5]	1/1	2/2	-	-

There was one ad-hoc board meeting held during the year.

2 Attendance presented in the table is based on the number of Board meetings held when a Director was part of the Board based on their date of retirement, resignation or appointment.
3 Andrew Chapman retired on 11 March 2024.
4 Charlotte Denton resigned on 1 May 2024.
5 Serena Tremlett was appointed on 1 May 2024.
6 Due to diary conflicts for new directors, the Board and committee meetings were moved from the year ended 30 September 2024 to 3 October 2024 which is outside of the reporting period.

Board and committees (continued)

Service providers

The AIFM has delegated portfolio management of the Company's investment portfolio to the Portfolio Manager. The Board actively and continuously supervises both the AIFM and the Portfolio Manager in the performance of their respective functions.

The Company has appointed BNP Paribas S.A., Guernsey Branch (the "Administrator" and/or the "Company Secretary") to provide administration, custodian and company secretarial services.

Each of these contracts was entered into after full and proper consideration by the Board of the quality and cost of services offered, including the control systems in operation in so far as they relate to the affairs of the Company. Fees in relation to service providers are considered on a regular basis.

The Board receives and considers reports regularly from both the Portfolio Manager and the AIFM, with ad hoc reports and information supplied to the Board as required. The Portfolio Manager complies with the Company investment limits and risk diversification policies and has systems in place to monitor cash flow and the liquidity risk of the Company. The AIFM, Portfolio Manager and the Administrator also ensure that all Directors receive, in a timely manner, all relevant management, regulatory and financial information. Representatives of the AIFM, Portfolio Manager and Administrator attend each Board meeting as required, enabling the Directors to probe further on matters of concern.

The Directors have access to the advice and service of the corporate Company Secretary through its appointed representative who is responsible to the Board for ensuring that Board procedures and applicable rules and regulations are followed. The Board, the AIFM, Portfolio Manager and the Administrator operate in a supportive, co-operative and open environment and the Board will actively and continuously supervise both the AIFM, Portfolio Manager and Administrator in the performance of their respective functions.

Performance of the Portfolio Manager

The Board reviews on an ongoing basis the performance of the Portfolio Manager and considers whether the investment strategy adopted is likely to achieve the Company's investment objective.

Having formally appraised the performance, investment strategy and resources of the Portfolio Manager, the Board has unanimously agreed that the interests of the Shareholders are best served by the continuing appointment of the Portfolio Manager on the terms agreed.

The Board believes that the portfolio management fees are competitive with other investment companies with similar investment mandates. The key terms of the Investment Management agreement and the portfolio management fee charged by the Portfolio Manager are set out in note 4.

Shareholder communications

The main method of communication with Shareholders is through the Half-Yearly and Annual Report which aims to give Shareholders a clear and transparent understanding of the Company's objectives, strategy and results. This information is supplemented by the publication of the daily NAVs of the Company's Ordinary Shares on the London Stock Exchange via a Regulatory Information Service.

The Company's website, https://river.global/our-funds/fund-centre is regularly updated with monthly factsheets and provides further information about the Company, including the Company's financial reports and announcements. The maintenance and integrity of the Company's website is the responsibility of the Directors, which has been delegated to the Portfolio Manager; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Information published on the internet is accessible in many countries with different legal requirements relating to the preparation and dissemination of financial statements and users of the Company's website are responsible for informing themselves of how the requirements in their own countries may differ from those of Guernsey.

Board and committees (continued)

The Board believes that the AGM provides an appropriate forum for investors to communicate with the Board and encourages participation. The AGM will be attended by members of the Board. There is an opportunity for individual Shareholders to question the Directors at the AGM. The Directors welcome the views of all Shareholders and place considerable importance upon them.

In addition to the AGM and the monthly publication of factsheets, the Board requires its Corporate Broker to maintain regular contact with Shareholders, to co-ordinate and facilitate meetings between Shareholders and the Portfolio Manager and to report back to the Board the views of investors expressed at those meetings. The Chairman is always willing to meet with Shareholders to discuss any questions or issues they might have about the Company.

The Board have additionally committed to uprating the information on the Company by contracting with Trustnet, one of the UK's premier fund data companies, serving the private investor and professional adviser markets. The live share price and discount information is provided, plus ratings, historic performance data and fund manager profiles.

This information can be found here: https://www.trustnet.com/factsheets/T/KZFC/river-and-mercantile-uk-micro-cap-red-ord-npv.

Other communications

All substantive communications regarding any major corporate issues are discussed by the Board taking into account representations from the AIFM, Portfolio Manager, Grant Thornton Limited (the "Auditor"), legal advisers, Corporate Brokers and the Company Secretary.

AIFMD report

Alternative Investment Fund Manager Directive ("AIFMD")

The Company (which is a non-EU AIF for the purposes of the AIFM Directive and related regimes in EEA member states) has appointed the AIFM. The AIFM is authorised by the Jersey Financial Services Commission to act as an AIFM on behalf of alternative investment funds ("AIFs") in accordance with the Financial Services (Jersey) Law 1998.

The Company is registered with the GFSC, being the Company's competent regulatory authority, as a non-EU Alternative Investment Fund ("AIF"), and the AIFM has registered with the UK FCA, under their relevant national private placement regime.

The AIFM has delegated portfolio management of the Company's investment portfolio to the Portfolio Manager and the Board actively and continuously supervises both the AIFM and the Portfolio Manager in the performance of their respective functions.

As the Company and the AIFM are non-EU domiciled, no depositary has been appointed in line with AIFMD. However, BNP Paribas S.A., Guernsey Branch has been appointed to act as custodian.

The current risk profile of the Company and the risk management systems employed by the AIFM to manage those risks

Information relating to the current risk profile of the Company and the risk management systems employed by the AIFM to manage those risks, as required under paragraph 4(c) of Article 23 of the AIFMD, is set out in note 9 – Financial Risk Management. Refer to pages 29 to 32 for the Board's assessment of the principal risks and uncertainties facing the Company.

Leverage

The Company may employ gearing up to a maximum of 20% of NAV at the time of borrowing. The actual level of gearing at 30 September 2024 was nil% (30 September 2023: nil%).

Material changes to information

Article 23 of AIFMD requires certain information to be made available to investors before they invest and requires material changes to this information to be disclosed in the annual report. There have been no material changes to the information requiring disclosure.

AIFM remuneration

The total fee paid to the AIFM by the Company for the year ended 30 September 2024 is disclosed in note 5.

The AIFM is not subject to the provisions of Article 13 of the AIFMD, which require the AIFM to adopt remuneration policies and practices in line with the principles detailed in Annex II of the Directive. However, in accordance with Article 22 of the AIFM Directive and Article 107 of the AIFM Regulations, the AIFM must make certain disclosures in respect of the remuneration paid to its staff.

The AIFM has identified six staff as falling within the scope of the disclosure requirements (the "Identified Staff"). These Identified Staff are senior management, named as Designated Persons of the AIFM's managerial functions and members of the Board of Directors, risk and investment committees of the AIFM. All Identified Staff of the AIFM are employees of the Carne Group and as such receive no separate remuneration for their role within the AIFM. Instead, they are remunerated as employees of other Carne group companies, with a combination of fixed and variable discretionary remuneration, where the latter is assessed based on their overall individual contribution in their role, with reference to both financial and non-financial criteria and not directly linked to the performance of the staff of specific business units or targets reached. The total remuneration of the Identified Staff, in respect of AIFs under management, for the year ended 31 March 2024 was £198,033 (31 March 2023: £238,250) . Based on the net asset value of the Company relative to the total assets under management of the AIFM, the portion of this figure attributable to the Company was £6,614. There was no variable component to this remuneration that is based on the performance of the Company and none of the AIFM's Identified Staff can materially impact the risk profile of the Company. The AIFM manages other funds and has no staff other than the Identified Staff.

Report of the Audit Committee

The Board has appointed an Audit Committee which operates within clearly defined Terms of Reference, which are available on the Company's website.

The Audit Committee includes all the Directors except for Mark Hodgson, who attends at the invitation of the Audit Committee but does not actively participate in the meetings. Ted Holmes is the Audit Committee Chair, he is independent of the AIFM and Portfolio Manager as are all the other Directors that comprise the committee. All the Audit Committee's members have recent and relevant financial and industry experience and the Audit Committee Chair is a qualified accountant and chartered financial analyst. The Audit Committee has competence relevant to the sector in which the Company operates. Biographical information pertaining to the members of the Audit Committee can be found in the Board Members section of this Annual Report.

Role of the Committee

The Audit Committee assists the Board in carrying out its responsibilities in relation to financial reporting requirements, risk management and the assessment of internal financial and operating controls. It also manages the Company's relationship with the external Auditor.

The Audit Committee's main functions are:

- to review and monitor the integrity, fairness, and balance of the financial statements of the Company including its Half-Yearly Report and Annual Report to Shareholders and any formal announcements regarding its financial performance, together with any significant financial reporting issues and areas of judgement contained within them;
- to advise the Board on whether the Annual Report, taken as a whole, is fair, balanced, and understandable and provides the information necessary for Shareholders to assess the Company's performance, position, business model and strategy;
- to review the adequacy and effectiveness of the Company's financial reporting and internal control policies and procedures with respect to the Company's record keeping, asset management and operations for the identification, assessment and reporting of risks;
- to consider and make recommendations to the Board, to be put to Shareholders for approval at the AGM, in relation to the appointment, re-appointment and removal and the provisions of non-audit services of the external Auditor and to negotiate their remuneration and terms of engagement on audit and non-audit work;
- to meet regularly with the external Auditor to review their proposed audit program and remit of work and the subsequent Audit Report and to assess the effectiveness of the audit process; any issues arising from the audit with respect to accounting or internal controls systems and the level of fees paid in respect of audit and non-audit work; and
- to annually assess the external Auditor's independence, objectivity, effectiveness, resources, and expertise.

Internal controls and risk management systems

The Board is responsible for ensuring that suitable systems of risk management and internal control are implemented, including systems that include financial controls to address financial risks, by the third-party service providers and keeping these systems under review to ensure their continuing adequacy.

The Directors have reviewed the BNP Paribas ISAE 3402 report (on the description of controls placed in operation, their design and operating effectiveness for the period from 1 April 2023 to 31 March 2024 on Fund Administration and the corresponding Bridging Letter up to 30 September 2024 and are pleased to note that no significant issues were identified.

In accordance with the FRC's Internal Control: Guidance on Risk Management, Internal Control and Related Financial and Business Reporting, and the FRC's Guidance on Audit Committees, the Board confirms that there is an on-going process for identifying, evaluating and managing the significant internal control risks faced by the Company.

As the Company does not have any employees it does not have a 'whistleblowing' policy in place, however the Board has reviewed the whistleblowing procedures of the Portfolio Manager with no issues noted. The Company delegates its main administrative functions to third-party providers who report on their policies and procedures to the Board.

The Board believes that as the Company delegates its day-to-day administrative operations to third parties (which are monitored by the Board), it does not require an internal audit function.

Report of the Audit Committee (continued)

The Audit Committee met on four occasions in the year under review and the members' attendance record can be found on page 44 of this Annual Report.

Significant risks in relation to the financial statements

The Audit Committee views the valuation of the Company's investments as a significant risk.

There is a risk that the AIM listed investments are not valued appropriately in accordance with the requirements set out in IFRS 13 due to the nature of the AIM market and the listed stocks not being highly liquid, or heavily traded.

The Audit Committee reviews the regular reports from the Portfolio Manager and Administrator regarding the valuation of the investments and the Board reviews the NAV of the Company, together with the value and trading volumes of investments on a regular basis. The Committee also considered the implications of the current geopolitical tensions and the economic environment, on both the valuation and liquidity of the investment portfolio and concluded that it remained appropriate to estimate the fair value of the Company's financial assets based on quoted prices (refer to note 2.3(c) for further details).

In addition to the above, the AIFM holds monthly risk committee meetings, where the Company's risk measurement framework is discussed, including market risk, credit risk, counterparty risk, operational risk and liquidity risk, in reference to the investment portfolio and the Company performance thereof. The AIFM provides regular updates and risk meeting minutes to the Board and is also asked to attend Audit Committee meetings by the Audit Committee Chair to assist the Audit Committee in evaluating the appropriateness and robustness of the valuation methodology applied to the investment portfolio.

External audit process

Following a full and robust audit tender process in 2023, the Auditor was appointed at the AGM held on 12 March 2024 . The Audit Committee has direct access to the Company's external auditor and provides a forum through which the external auditor reports to the Board. Representatives of the Auditor attend meetings of the Audit Committee at least twice each year.

The Audit Committee met with the Auditor prior to the commencement of the audit and agreed an audit plan that would adopt a risk based approach. The Audit Committee and the Auditor agreed that audit procedures would be performed over the title to and the existence of the Company's investments and the procedures in place at the Administrator and the Portfolio Manager in respect of the valuation of the Company's investment portfolio would be understood and evaluated.

Upon completion of the audit, the Audit Committee discussed with the Auditor the effectiveness of the audit and considered the Auditor's independence from the Company since their appointment and throughout the audit process.

The significant risks regarding both fraud risk - management override of controls and valuation of the investment portfolio, were tracked through the period and the Audit Committee challenged the work performed by the Auditor to test management override of controls and in addition the audit work undertaken in respect of valuations of investments held.

The Audit Committee was satisfied that during the audit of the Annual Report for the year ended 30 September 2024, there had been appropriate focus and challenge on the significant and other key areas of audit risk and the Audit Committee assessed the quality of the audit process to be good.

During the year ended 30 September 2024, in addition to the audit services in respect to the audit of the Company's Annual Report, the Auditor provided non-audit services in respect of the review of the Company's Half-Year Report for the six months ended 31 March 2024. No other non-audit services were provided during the year ended 30 September 2024.

To safeguard the objectivity and independence of the external Auditor from becoming compromised, the Audit Committee has a formal policy governing the engagement of the Auditor to provide non-audit services. The Auditor and the Directors have agreed that all non-audit services require the pre-approval of the Audit Committee prior to commencing any work. Fees for non-audit services will be tabled annually so that the Audit Committee can consider the impact on the Auditor's objectivity.

Report of the Audit Committee (continued)

The fees for the audit services were: £53,000 for the audit for the year ended 30 September 2024 (30 September 2023: £64,550) and the fees for non-audit services were £17,000 (30 September 2023: £23,000) for the review of the Company's Half-Yearly Report for the six months ended 31 March 2024.

The Audit Committee has discussed the report provided by the Auditor and the Audit Committee is satisfied as to the independence of the Auditor.

The Committee has reviewed the Auditor's independence policies and procedures and considers that they are fit for purpose.

Appointment and independence

The Audit Committee considers the reappointment of the Auditor, including the rotation of the audit engagement leader, and assesses their independence on an annual basis. The external Auditor is required to rotate the engagement leader responsible for the Company's audit every seven years. Michael Carpenter is the engagement leader and this is his first year overseeing the audit of the Company.

The Committee reviews the objectivity and effectiveness of the audit process on an annual basis and considers whether the Company should put the audit engagement out to tender.

This Report of the Audit Committee was approved by the Board of Directors on 20 December 2024 and signed on its behalf by:

Ted Holmes
Audit Committee Chair

Directors' remuneration report

This report describes how the Board has applied the principles of the AIC Code relating to Directors' remuneration. An ordinary resolution to approve the Directors' remuneration report will be proposed at the AGM on 12 March 2025.

Table of Directors' remuneration

The fees paid to each director are detailed in the table below:

Director	Role(s)	Year ended 30 September 2024	Year ended 30 September 2023
Andrew Chapman[1]	Chairman	£20,324	£43,838
John Blowers	Chairman (from 11 March 2024)	£37,984	£27,787
Charlotte Denton[2]	Audit Committee Chair	£20,288	£32,865
Ted Holmes	Audit Committee Chair (from 1 May 2024)	£31,535	£nil
Mark Hodgson	Director	£30,794	£28,181
Serena Tremlett[3]	Remuneration and Nomination Committee Chair and Management Engagement Committee Chair (from 1 May 2024)	£13,754	n/a

No other remuneration or compensation was paid or is payable by the Company during the year to any of the Directors and there has been no change to the Company's remuneration policy as detailed below during the course of the year.

No Director is entitled to receive any remuneration which is performance related.

Remuneration policy

The determination of the Directors' fees is a matter for the Remuneration and Nomination Committee. The Remuneration and Nomination Committee considers the remuneration policy annually to ensure that it remains appropriately positioned. Members of this Committee will review the fees paid to the boards of Directors of similar companies.

The Company's policy is for the Directors to be remunerated in the form of fees, payable quarterly in arrears. No Director has any entitlement to a pension, and the Company has not awarded any share options or long-term performance incentives to any of the Directors.

Directors are authorised to claim reasonable expenses from the Company in relation to the performance of their duties.

The Company's policy is that the fees payable to the Directors should reflect the time spent by the Board on the Company's affairs and the responsibilities borne by the Directors and should be sufficient to enable high calibre candidates to be recruited. The policy is for the Chairman and Audit Committee Chair to be paid a higher fee than the other Directors in recognition of their more onerous roles and more time spent. The Remuneration and Nomination Committee may recommend the amendments to the level of remuneration paid within the limits of the Company's Articles of Incorporation.

1 Andrew Chapman retired from the Board on 11 March 2024.
2 Charlotte Denton resigned from the Board on 1 May 2024.
3 Serena Tremlett was appointed to the Board on 1 May 2024.

Directors' remuneration report (continued)

On 12 October 2023, the Board approved an increase in the annual basic Director fees of 2.5% effective 1 January 2023.

In June 2024, a comprehensive review of annual Director fees against similar sized listed companies was performed for consideration by the Remuneration and Nomination Committee. It was proposed to revise annual Director fees with effect from 1 July 2024 as listed below:

Director	Role(s)	Effective 1 July 2024
John Blowers	Chairman (from 11 March 2024)	£49,000
Ted Holmes	Audit Committee Chair (from 1 May 2024)	£41,000
Mark Hodgson	Director	£36,000
Serena Tremlett	Remuneration and Nomination Committee Chair and Management Engagement Committee Chair (from 1 May 2024)	£36,000

On 3 October 2024, the above proposal was approved by the Board effective 1 July 2024.

The Company's Articles of Incorporation limits the aggregate fees payable to the Board of Directors to a total of £165,000 per annum. The Company did not breach this limit for the year ended 30 September 2024.

Advisers to the Remuneration and Nomination Committee

The Board has not sought the advice or services by any outside person, in respect of its consideration of the Directors' remuneration, although the Board reviews Directors' compensation in line with market trends. Ensuring Directors fees remain in line with the market is important during this period of Board refreshment to ensure that the Company continues to attract the most talented individuals

Serena Tremlett
Remuneration and Nomination Committee Chair

20 December 2024

Independent auditor's report

to the members of River UK Micro Cap Limited

Opinion

We have audited the financial statements of River UK Micro Cap Limited, formerly known as River and Mercantile UK Micro Cap Investment Company Limited, (the "Company") for the year ended 30 September 2024, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Shareholders' Equity, the Statement of Cash Flows and notes to the financial statements, including material accounting policy information.

In our opinion the Company's financial statements

- give a true and fair view of the financial position of the Company as at 30 September 2024 and of its financial performance and its cash flows for the year then ended;
- are in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board; and
- Comply with the Companies (Guernsey) Law, 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Guernsey, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter	How the matter was addressed in our audit
Valuation of financial assets held at fair value through profit or loss ("investments") The entity's investments are all Level 1 investments. Per IFRS 13 *Fair Value Measurement ("IFRS 13")*, the fair value of Level 1 investments, such as those in micro-cap companies, is derived from quoted prices in active markets. The valuation of Level 1 quoted investments is relatively straightforward. However, there is a likelihood of errors in determining the quoted prices for these investments, particularly those involving micro-cap companies. This could result from the use of outdated quoted prices or inappropriate quoted prices, e.g., the offer price or mid-price, to determine the valuation of the investments.	**Our procedures consisted of:** • We obtained an understanding of the processes, policies and methodologies, and controls concerning the valuation of quoted investments and confirmed our understanding by performing tests of the design and implementation of relevant controls concerning the valuation. • We assessed whether the fair value disclosures in the financial statements are appropriate, complete and in accordance with the requirements of IFRS 13. • We independently obtained an investment confirmation for all investments from The Bank of New York Mellon (International) Limited (BNY Mellon) and compared the stated quantities and values to the Company's accounting records. • We verified the quoted prices used by management against independent sources, such as reputable stock exchanges or financial data providers.

Independent auditor's report (continued)

The key audit matter	How the matter was addressed in our audit
As such, we identified the valuation of quoted investments as one of the most significant assessed risks of material misstatement due to error, with these being measured using the quoted price at year-end and there is a high risk that using the incorrect quoted price to value these investments at year-end could result in a material misstatement of the financial statements and requires significant audit attention. *Refer to the Audit Committee Report (pages 48-50); Accounting policies in pages 64-65, and Note 8, Financial assets held at fair value through profit or loss, to the Financial Statements.*	• We assessed whether the listed shares are actively trading and have correctly been classified as Level 1. This included considering trading volumes, bid-ask spreads, and the frequency of transactions. • We analysed historical price volatility for each investment to assess the risk of significant fluctuations that could impact the fair value and considered whether the valuation date price reflected an outlier due to temporary market conditions. **Our result:** Based on results obtained from procedures performed, we did not identify any material misstatements concerning the valuation of the Investments in the period.

Other matters

We draw attention to the fact that the financial statements of River UK Micro Cap Limited for the year ended 30 September 2023 were audited by another auditor who expressed an unmodified opinion on those financial statements on 5 December 2023.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. 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.

Responsibilities of the directors for the financial statements

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, 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 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit.

Independent auditor's report (continued)

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with section 262 of the Companies (Guernsey) Law, 2008. 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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the Company; or
- the Company's financial statements are not in agreement with the accounting records; or
- we have not obtained all the information and explanations, which to the best of our knowledge and belief, are necessary for the purposes of our audit.

Michael Carpenter
For and on behalf of Grant Thornton Limited
Chartered Accountants
St Peter Port
Guernsey

Date: 20 December 2024

> “We intend to return excess capital to shareholders when the Company’s assets are in excess of £110 million. The last two capital returns were in 2021 with a total of £35 million returned.

Statement of comprehensive income

For the year ended 30 September 2024

	Notes	Year ended 30 September 2024 £	Year ended 30 September 2023 £
Income			
Investment income	3	624,554	818,176
Net gain on financial assets held at fair value through profit or loss	8	9,473,024	2,468,544
Total income		**10,097,578**	**3,286,720**
Expenses			
Portfolio management fees	4	(498,783)	(458,720)
Operating expenses	5	(660,495)	(625,709)
Foreign exchange (losses)/gains		(8,240)	3,157
Total expenses		**(1,167,518)**	**(1,081,272)**
Profit before taxation		**8,930,060**	**2,205,448**
Taxation	2.9	-	-
Profit after taxation and total comprehensive income		**8,930,060**	**2,205,448**
Basic and diluted profit per Ordinary Share	12	**0.2634**	**0.0651**

The Company has no items of other comprehensive income, and therefore the profit after taxation for the year is also the total comprehensive income.

All items in the above statement are derived from continuing operations. No operations were acquired or discontinued during the year.

The notes on pages 62 to 78 form an integral part of these financial statements.

Statement of financial position

As at 30 September 2024

	Notes	30 September 2024 £	30 September 2023 £
Non-current assets	8	66,668,888	59,625,665
Financial assets held at fair value through profit or loss			
Current assets			
Cash and cash equivalents		1,769,894	415,330
Trade receivables – securities sold awaiting settlement		680,187	-
Prepayments		8,073	8,234
Other receivables	7	61,484	252,169
Total current assets		**2,519,638**	**675,733**
Total assets		**69,188,526**	**60,301,398**
Current liabilities			
Trade payables – securities purchased awaiting settlement		-	(52,843)
Other payables	10	(213,277)	(203,366)
Total current liabilities		**(213,277)**	**(256,209)**
Net assets		**68,975,249**	**60,045,189**
Capital and reserves			
Stated capital	11	-	-
Retained earnings		68,975,249	60,045,189
Equity Shareholders' funds		**68,975,249**	**60,045,189**

The financial statements on pages 57 to 78 were approved and authorised for issue by the Board of Directors on 20 December 2024 and signed on its behalf by:

John Blowers
Chairman

Serena Tremlett
Director

The notes on pages 62 to 78 form an integral part of these financial statements.

Statement of changes in shareholders' equity

For the year ended 30 September 2024

	Stated capital £	Retained earnings £	Total £
Opening equity Shareholders' funds at 1 October 2023	**-**	**60,045,189**	**60,045,189**
Total comprehensive income for the year	-	8,930,060	8,930,060
Closing equity Shareholders' funds at 30 September 2024	**-**	**68,975,249**	**68,975,249**

For the year ended 30 September 2023

	Stated capital £	Retained earnings £	Total £
Opening equity Shareholders' funds at 1 October 2022	**-**	**57,839,741**	**57,839,741**
Total comprehensive income for the year	-	2,205,448	2,205,448
Closing equity Shareholders' funds at 30 September 2023	**-**	**60,045,189**	**60,045,189**

The notes on pages 62 to 78 form an integral part of these financial statements.

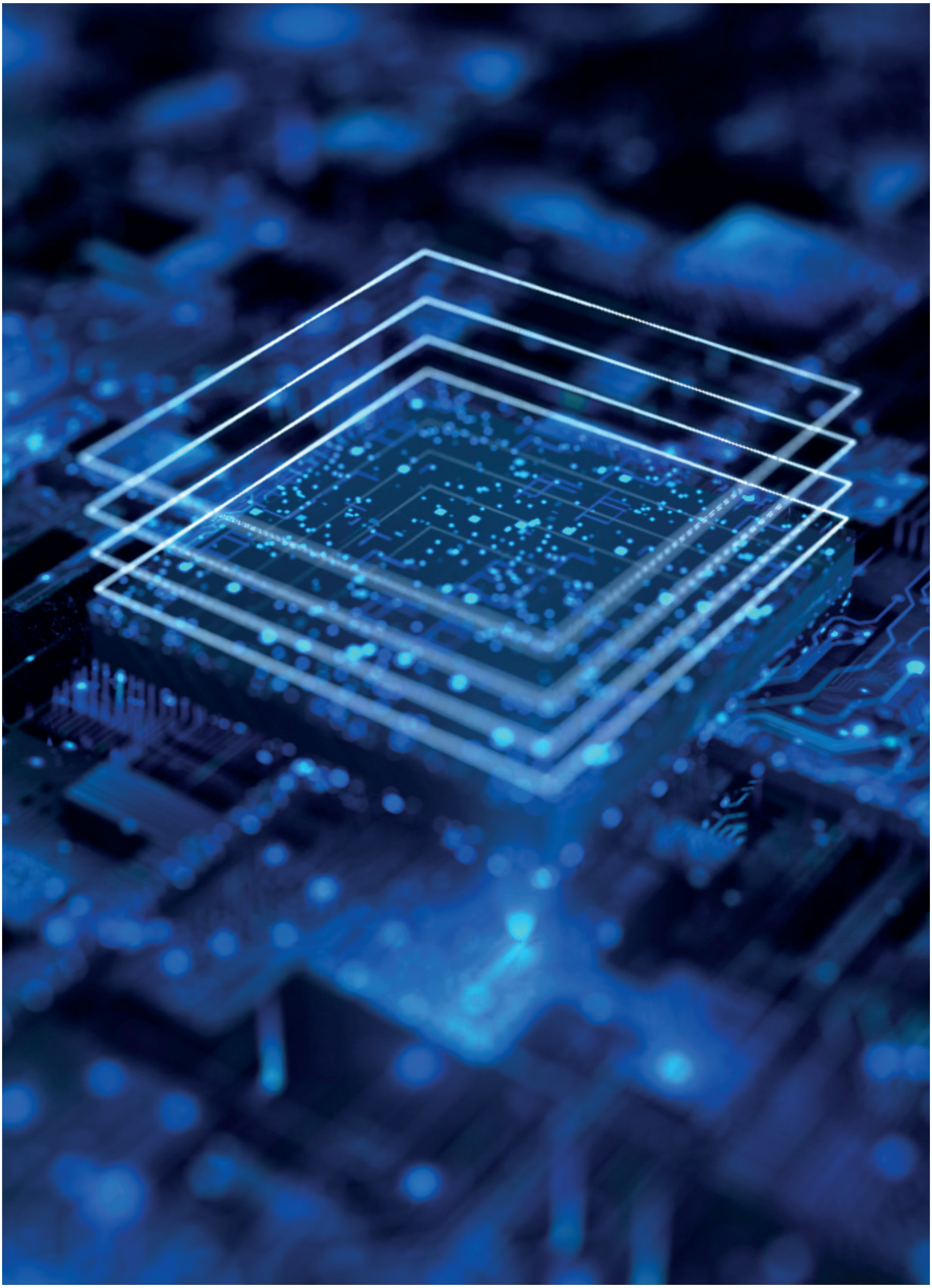
Statement of cash flows

For the year ended 30 September 2024

	Notes	Year ended 30 September 2024 £	Year ended 30 September 2023 £
Cash flow from operating activities			
Profit after taxation and total comprehensive income		8,930,060	2,205,448
Adjustments to reconcile profit after taxation to net cash flows:			
Realised loss on financial assets held at fair value through profit or loss	8	4,030,780	7,993,136
Unrealised gain on financial assets held at fair value through profit or loss	8	(13,503,804)	(10,461,680)
Purchase of financial assets held at fair value through profit or loss[1]	8	(16,110,533)	(11,959,171)
Proceeds from sale of financial assets held at fair value through profit or loss[2]	8	17,807,304	10,448,555
Changes in working capital			
Decrease/(increase) in other receivables and prepayments	7	190,846	(167,722)
Increase in other payables	10	9,911	67,147
Net cash generated from/(used in) operating activities		**1,354,564**	**(1,874,287)**
Net increase/(decrease) in cash and cash equivalents in the year		**1,354,564**	**(1,874,287)**
Cash and cash equivalents at the beginning of the year		415,330	2,289,617
Cash and cash equivalents at the end of the year		**1,769,894**	**415,330**

1 Payables outstanding at 30 September 2024 relating to purchases of financial assets held at fair value through profit or loss amounted to £nil (30 September 2023: £52,843).
2 Receivables as at 30 September 2024 relating to proceeds from sale of financial assets held at fair value through profit or loss amounted to £680,187 (30 September 2023: £nil).

The notes on pages 62 to 78 form an integral part of these financial statements.



Notes to the financial statements

1 General information

The Company was incorporated as a non-cellular company with liability limited by shares in Guernsey under The Companies (Guernsey) Law, 2008 (the "Companies Law") on 2 October 2014. It listed its Ordinary Shares on the Equity Shares (Commercial Companies) (ESCC) segment (previously the 'Premium segment') of the Official List as maintained by the FCA and was admitted to trading on the Main Market of the London Stock Exchange on 2 December 2014.

The Company has been regulated by the GFSC as a registered closed-ended collective investment scheme pursuant to the Protection of Investors (Bailiwick of Guernsey) Law, 2020, as amended, and the RCIS Rules. The Company registered number is 59106.

The Company's registered address is BNP Paribas House, St Julian's Avenue, St Peter Port, Guernsey, GY1 1WA

2 Material accounting polices

The material accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

a) Statement of Compliance

The financial statements have been prepared in accordance with the Companies Law and with IFRS Accounting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). The financial statements give a true and fair view of the Company's affairs and comply with the requirements of the Companies Law.

The financial statements have been prepared under a going concern basis. The Directors are satisfied that, at the time of approving the financial statements, no material uncertainties exist that may cast significant doubt concerning the Company's ability to continue for the foreseeable future. The Directors consider it appropriate to adopt the going concern basis in preparing the financial statements.

b) Basis of measurement

These financial statements have been prepared on a historical cost basis adjusted to take account of the revaluation of financial assets held at fair value through profit or loss.

c) Functional and presentation currency

The Company's functional currency is Pound Sterling, which is the currency of the primary economic environment in which it operates. The Company's performance is evaluated and its liquidity is managed in Pound Sterling. Pound Sterling is therefore considered as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in Pound Sterling.

d) Significant accounting assumptions, estimates and judgements

The preparation of the financial statements in conformity with IFRS, requires the Company to make judgements, estimates and assumptions that affect items reported in the Statement of Financial Position and Statement of Comprehensive Income and the disclosure of contingent assets and liabilities at the date of the financial statements. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The Directors have used their judgement to determine that all financial assets held at fair value through profit or loss are traded within an active market (note 2.3(c) below).

The Directors have determined that an active market exists for the Company's financial assets, as all the Company's financial assets are quoted securities which are traded in active markets as at 30 September 2024. In the opinion of the Directors, the quoted price for the financial assets as at 30 September 2024 is representative of fair value.

Notes to the financial statements (continued)

2. Material accounting policies (continued)
2.1 Basis of preparation (continued)

e) New standards, amendments and interpretations

Standards and amendments to existing standards that became effective during the year are detailed below.

	Effective for periods beginning on or after
IAS 1 - Classification of liabilities as current or non-current and non-current liabilities with covenants	1 January 2024
Amendments to IFRS 16 - Lease liability in a sale and leaseback	1 January 2024
Amendments to IAS 7 and IFRS 7- Supplier finance arrangements	1 January 2024

The amendments to IAS 1 in relation to classification of liabilities as current or non-current clarify how an entity classifies debt and other financial liabilities as current or non-current in particular circumstances. The Directors do not believe that the application of these amendments will have any impact on the Company's audited financial statements as not applicable to the Company.

The IFRS 16 amendments clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The Directors do not believe that the application of these amendments will have any impact on the Company's audited financial statements as not applicable to the Company.

The amendments to IAS 7 and IFRS 7 add disclosure requirements, and signposts within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangements. The Directors do not believe that the application of these amendments will have a material impact on the Company's audited financial statements.

During the year, a number of other amendments and interpretations became applicable for the current reporting period, which are not relevant to the Company's operations.

f) Standards, amendments and interpretations issued but not yet effective

Detailed below are new standards, amendments and interpretations to existing standards that have been issued but are not yet mandatorily effective for the reporting period. They have not been early adopted by the Company:

	Effective for periods beginning on or after
Amendments to IAS 21 - Lack of exchangeability	1 January 2025
IFRS S1 General requirements for disclosure of sustainability-related financial information and IFRS S2 climate-related disclosures	To be determined
Amendments to the Classification and Measurement of Financial Instruments - Amendments to IFRS 9 and 7	1 January 2026
IFRS 18 - Presentation and disclosure in financial statements	1 January 2027
Amendments to IFRS 10 and IAS 28 - Sale or contribution of assets between an Investor and its Associate or Joint Venture	Optional

The amendments to IAS 21 contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not. The Directors do not believe that the application of these amendments will have a material impact on the Company's audited financial statements.

The amendments to the classification and measurement of financial instruments (Amendments to IFRS 9 and IFRS 7) aimed to address matters identified during the post-implementation review of the classification and measurement requirements of IFRS 9 - Financial Instruments. The Directors do not believe that the application of these amendments will have a material impact on the Company's audited financial statements.

Notes to the financial statements (continued)

2. Material accounting policies (continued)
2.1 Basis of preparation (continued)

f) Standards, amendments and interpretations issued but not yet effective (continued)

IFRS 18 includes requirements for all entities applying IFRS Accounting Standards for the presentation and disclosure of information in financial statements. The Directors do not believe that the application of this amendment will have a material impact on the Company's audited financial statements.

IFRS S1 and S2 sets out overall requirements with the objective to require an entity to disclose information about its sustainability-related risks and opportunities that is useful to the primary users of general purpose financial reports in making decisions relating to providing resources to the entity. The Directors will monitor the adoption of these standards in the UK which is expected during 2025.

The amendments to IFRS 10 and IAS 28 seek to address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (of 2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The Directors do not believe that the application of these amendments will have a material impact on the Company's audited financial statements.

2.2 Foreign currency translations

Foreign exchange gains and losses resulting from the settlement of transactions in foreign currencies and from the translation of monetary assets and liabilities at year end exchange rates to Pound Sterling are recognised in the Statement of Comprehensive Income as foreign exchange gains or losses.

Non-monetary items such as financial assets held at fair value through profit or loss measured at fair value in a foreign currency, are translated using exchange rates at the Statement of Financial Position date when the fair value was determined. Effects of exchange rate changes on non-monetary items measured at fair value on a foreign currency are recorded as part of the fair value gain or loss.

As at 30 September 2024, all financial assets held at fair value through profit or loss are held in Pound Sterling.

2.3 Financial instruments

Financial Assets

a) Classification

The Company classifies its investments in equity securities as financial assets held at fair value through profit or loss as they are held for investment purposes. These financial assets are managed, and their performance is evaluated on a fair value basis in accordance with the Company's documented investment strategy.

The Company's policy requires the Portfolio Manager and the Board of Directors to evaluate the information about these financial assets on a fair value basis together with other related financial information. Furthermore, these financial assets do not possess contractual cash flows. Financial assets also include cash and cash equivalents as well as trade receivables and other receivables which are classified at amortised cost using the effective interest rate method.

b) Recognition, measurement and derecognition

Purchases and sales of investments are recognised on the trade date – the date on which the Company commits to purchase or sell the investment. Financial assets held at fair value through profit or loss are measured initially at fair value. Transaction costs are expensed as incurred and movements in fair value are recorded in the Statement of Comprehensive Income. Subsequent to initial recognition, all financial assets held at fair value through profit or loss are measured at fair value.

Notes to the financial statements (continued)

2. Material accounting policies (continued)
2.3 Financial instruments (continued)

b) Recognition, measurement and derecognition (continued)

Cash and cash equivalents, trade receivables, other receivables and prepayments are classified at amortised cost. These financial assets are initially recognised at fair value plus transaction costs and subsequently measured at amortised cost.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Company has transferred substantially all risks and rewards of ownership.

c) Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

As at 30 September 2024, the Company held investments in a diversified portfolio of UK micro-cap companies, typically comprising companies with a free float market capitalisation of less than £100 million at the time of purchase, whose securities are admitted to trading on AIM or the main market of the London Stock Exchange. Investments are valued at fair value, which are quoted bid prices for investments traded in active markets.

Financial liabilities

a) Classification

Securities purchased awaiting settlement represent payables for investments that have been contracted for but not yet settled or delivered on 30 September 2024. Financial liabilities include amounts due to brokers and other payables which are held at amortised cost using the effective interest rate method.

b) Recognition, measurement and derecognition

Financial liabilities are recognised initially at fair value, net of transaction costs incurred and are subsequently carried at amortised cost using the effective interest rate method. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

2.4 Investment income

Dividends receivable on equity shares are recognised as revenue for the period on an ex-dividend basis and net of withholding taxes, as the withholding taxes are deducted at source and are not a tax on profits. Interest income and expenses are recognised in the Statement of Comprehensive Income using the effective interest rate method.

2.5 Expenses

Expenses are recognised on an accruals basis and are recognised in the Statement of Comprehensive Income.

2.6 Cash and cash equivalents

Cash includes cash at bank. Cash equivalents are short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Notes to the financial statements (continued)

2. Material accounting policies (continued)

2.7 Trade receivables and trade payables

Trade receivables and payables represent securities sold and securities purchased, respectively, that have been contracted for but not yet settled or delivered on the Statement of Financial Position date.

These amounts are recognised initially at fair value and subsequently measured at amortised cost. At each period end, the Company measures the loss allowance on trade receivables at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, the credit risk has not increased significantly since initial recognition, the Company will measure the loss allowance at an amount equal to 12-month expected credit losses.

Significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation and default in payments are all considered indicators that a loss allowance may be required. A significant increase in credit risk is defined by the Directors as any contractual payment which is more than 30 days past due.

2.8 Segmental reporting

The chief operating decision maker, which is the Board, is of the opinion that the Company is engaged in a single segment being investment in UK micro-cap companies. The financial information used by the chief operating decision maker to manage the Company presents the business as a single segment. Segment information is measured on the same basis as that used in the preparation of the Company's financial statements. The Company receives revenues from the UK. The Company holds no non-current assets not listed in the UK.

2.9 Taxation

The Company has applied for and been granted exemption from liability to income tax in Guernsey under the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989 as amended by the Director of Income Tax in Guernsey for the current period. Exemption must be applied for annually and will be granted, subject to the payment of an annual fee, which is currently fixed at £1,600 per applicant, provided the Company qualifies under the applicable legislation for exemption.

It is the intention of the Directors to conduct the affairs of the Company so as to ensure that it continues to qualify for exempt company status for the purposes of Guernsey taxation.

2.10 Share capital

Ordinary Shares are classified as equity in accordance with IAS 32 – "Financial Instruments: Presentation" as these instruments include no contractual obligation to deliver cash and the Company is not obligated to apply the redemption mechanism.

Costs directly attributable to the issue of new Ordinary Shares and redemption of existing Ordinary Shares are shown in equity as a deduction from the proceeds.

Refer to note 11 for details regarding the redemption mechanism of Ordinary Shares.

Notes to the financial statements (continued)

2. Material accounting policies (continued)

2.11 Capital risk management

The Board only considers retained earnings as capital, which in turn, are the financial resources available to the Company. The Company's capital as at 30 September 2024 was £68,975,249 (30 September 2023: £60,045,189).

The Company's objectives when managing capital are to:

- safeguard the Company's ability to continue as a going concern;
- provide returns for Shareholders; and
- maintain an optimal capital structure to minimise the cost of capital.

The Board monitors the capital adequacy of the Company on an on-going basis and all three of the Company's objectives regarding capital management have been met. The Company has no imposed capital requirements.

3. Investment income

	Year ended 30 September 2024 £	Year ended 30 September 2023 £
Dividend income[1]	587,561	780,431
Bank interest	36,993	37,745
Total investment income	**624,554**	**818,176**

1 Net of withholding taxes of £19,366 (30 September 2023: £74,111).

4. Portfolio management and performance fees

On 3 November 2014, the Company signed an Investment Management Agreement (the "IMA") with the AIFM and the Portfolio Manager, whereby the AIFM delegated to the Portfolio Manager overall responsibility for the discretionary management of the Company assets in accordance with the Company's investment objective and policy.

The AIFM or the Portfolio Manager may voluntarily terminate the IMA by providing six months' notice in writing. The AIFM's power to terminate the appointment of the Portfolio Manager under the IMA may only be exercised under the direction of the Board and the AIFM has agreed to comply with the instructions of the Board as regards to any proposed termination of the Portfolio Manager's appointment.

Under the IMA, the Portfolio Manager is entitled to receive a base fee and performance fee. The Portfolio Manager base fee is payable monthly in arrears at a rate of one-twelfth of 0.75% of NAV. During the year ended 30 September 2024, the Company incurred management fees expense of £498,783 (30 September 2023: £458,720).

A performance fee equal to 15% of the amount by which the Company's NAV outperforms the total return on the Comparative Index over a performance period will be payable to the Portfolio Manager upon a redemption.

The performance period is the period between two redemptions, being the first business day after the calculation date, (referable to the earlier redemption (opening date)), and the end day of the calculation date (referable to the later redemption (closing date)). The first opening date was the date of admission and in circumstances in which a performance fee may be payable upon termination of this Agreement, the final closing date shall be the date in which the agreement is terminated. The calculation date is the date determined by the Board for the calculation of the price to be paid on any particular exercise of the redemption mechanism.

The performance fee is only paid when the Company implements the redemption mechanism as detailed in note 11.

During the year ended 30 September 2024, no performance fees were accrued or paid by the Company (30 September 2023: nil).

Notes to the financial statements (continued)

5. Operating expenses

	Year ended 30 September 2024 £	Year ended 30 September 2023 £
Administration fees	162,384	134,565
Directors' fees	157,838	144,687
AIFM fees	58,000	58,000
Audit fees	53,000	64,550
Non-audit fees	17,000	23,000
Transaction fees	30,571	17,988
Broker fees	40,000	40,000
Custody fees	14,072	13,418
Registrar fees	27,236	27,882
Legal and professional fees	8,101	6,218
Listing fees	20,793	23,558
Regulatory fees	13,640	11,951
Insurance fees	6,265	6,390
Marketing fees	11,593	-
Sundry expenses	40,002	53,502
Total operating expenses	**660,495**	**625,709**

Non-audit fees
Non-audit fees incurred during the years ended 30 September 2024 and 30 September 2023 related to interim review services performed by Grant Thornton Limited in the current year and PricewaterhouseCoopers CI LLP in the prior year.

AIFM fee
The AIFM is entitled to an annual fixed fee of £58,000 per annum payable quarterly in arrears.

Custody fee
In its role as custodian, the Administrator is entitled to a fee payable by the Company on a transaction by transaction and ad-valorem fee basis.

Registrar fee
The Company's registrar is Computershare Investor Services (Guernsey) Limited. The registrar is entitled to an annual maintenance fee plus disbursements.

Administration fee
The Administrator provides administrative, compliance oversight and company secretarial services to the Company. Effective 1 July 2024, an updated fee schedule was implemented whereby the Administrator is entitled to an annual fixed fee. Ad hoc services are chargeable for an agreed fee or on a time cost basis.

Broker fee
Singer Capital Markets Advisory LLP ("Singer") provide corporate stockbroker and financial adviser services to the Company, as the Company's sole broker. Singer is entitled to a fee payable by the Company of £40,000 per annum.

Notes to the financial statements (continued)

6. Directors’ fees and interests

Directors’ fees are listed in the Directors’ Remuneration Report on pages 51 and 52.

No pension contributions were payable in respect of the Directors. Directors’ fees were increased post year end, refer to note 15 for further details.

The Directors held the following number of Ordinary Shares in the Company:

	30 September 2024 Ordinary Shares held	30 September 2023 Ordinary Shares held
Andrew Chapman[1]	n/a	15,009
John Blowers	14,559	5,653
Charlotte Denton[2]	n/a	15,350
Ted Holmes	22,970	12,970
Mark Hodgson	7,721	7,721
Serena Tremlett[3]	3,432	n/a

1 Andrew Chapman retired as a Director on 11 March 2024.
2 Charlotte Denton resigned as a Director on 1 May 2024.
3 Serena Tremlett was appointed as a Director on 1 May 2024.

7. Other receivables

	30 September 2024 £	30 September 2023 £
Dividend receivable	61,422	252,144
Interest and other receivable	62	25
Total other receivable	**61,484**	**252,169**

The Directors believe that these balances are fully recoverable and therefore have not recognised any loss allowance on 12-month expected credit losses.

Notes to the financial statements (continued)

8. Financial assets held at fair value through profit or loss

The Company has invested in a portfolio of UK micro-cap companies in line with its investment strategy. These investments are comprised of companies whose securities are admitted to trading on the AIM, with a free float market capitalisation of less than £100 million at the time of purchase.

Fair value hierarchy

IFRS 13 'Fair Value Measurement' requires an analysis of investments valued at fair value based on the reliability and significance of information used to measure their fair value.

The Company categorises its financial assets according to the following fair value hierarchy detailed in IFRS 13 that reflects the significance of the inputs used in determining their fair values:

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable variable inputs have a significant effect on the instruments valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Financial assets	Level 1 £	Level 2 £	Level 3 £	Total £
30 September 2024				
Financial assets held at fair value through profit or loss	66,668,888	-	-	66,668,888
30 September 2023				
Financial assets held at fair value through profit or loss	59,625,665	-	-	59,625,665

Notes to the financial statements (continued)

8. Financial assets designated at fair value through profit or loss (continued)

Financial assets held at fair value through profit or loss reconciliation

The following table shows a reconciliation of all movements in the fair value of financial assets capitalised within Level 1 to 3 between the beginning and the end of the reporting period:

30 September 2024	Level 1 £	Level 2 £	Level 3 £	Total £
Opening valuation	**59,625,665**	**-**	**-**	**59,625,665**
Purchases during the year	16,057,690	-	-	16,057,690
Sales proceeds during the year	(18,487,491)	-	-	(18,487,491)
Realised loss on financial assets held at fair value through profit or loss[1]	(4,030,780)	-	-	(4,030,780)
Unrealised gain on financial assets held at fair value through profit or loss[2]	13,503,804	-	-	13,503,804
Closing valuation	**66,668,888**	**-**	**-**	**66,668,888**
Total net gain on financial assets for the year ended 30 September 2024	9,473,024	-	-	9,473,024

During the year ended 30 September 2024, there were no reclassifications between levels of the fair value hierarchy.

30 September 2023	Level 1 £	Level 2 £	Level 3 £	Total £
Opening valuation	**56,027,223**	**-**	**-**	**56,027,223**
Purchases during the year	11,578,453	-	-	11,578,453
Sales proceeds during the year	(10,448,555)	-	-	(10,448,555)
Realised loss on financial assets held at fair value through profit or loss[3]	(7,993,136)	-	-	(7,993,136)
Unrealised gain on financial assets held at fair value through profit or loss[4]	10,461,680	-	-	10,461,680
Closing valuation	**59,625,665**	**-**	**-**	**59,625,665**
Total net gain on financial assets for the year ended 30 September 2023	2,468,544	-	-	2,468,544

During the year ended 30 September 2023, there were no reclassifications between levels of the fair value hierarchy.

Please refer to note 2.3 for valuation methodology of financial assets held at fair value through profit or loss.

As at 30 September 2024 and 30 September 2023, none of the investments held are illiquid in nature and on this basis are not subject to any special arrangements.

The carrying amount of the trade and other receivables/payables is a reasonable approximation of fair value because of its short-term nature.

1 Realised loss on financial assets held at fair value through profit or loss is made up of £6,487,854 gain and £(10,518,634) loss.
2 Unrealised gain on financial assets held at fair value through profit or loss is made up of £19,391,473 gain and £(5,887,669) loss.
3 Realised loss on financial assets held at fair value through profit or loss is made up of £2,586,526 gain and £(10,579,662) loss.
4 Unrealised gain on financial assets held at fair value through profit or loss is made up of £16,414,946 gain and £(5,953,266) loss.

Notes to the financial statements (continued)

9. Financial risk management

The Company's activities expose it to a variety of financial risks; market risk (including price risk, interest rate risk and foreign currency risk), credit risk and liquidity risk.

9.1 Market risk

a) Price risk

Price risk is the risk that the Company's performance will be adversely affected by changes in the markets in which it invests.

As at 30 September 2024, the Company held investments in a diversified portfolio of UK micro-cap companies, comprising companies with a free float market capitalisation of less than £100 million at the time of purchase. The relatively small market capitalisation of micro-cap companies can make the market in their shares illiquid. Therefore, prices of UK micro-cap companies are often more volatile than prices of larger capitalisation stocks, and even small cap companies.

While the Company does not include any specific limits placed on exposures to any industry sector, the Company does have investment limits and risk diversification policies in place to mitigate market and concentration risk.

Investments limits in place include:

- the number of holdings in the investment portfolio will usually range from 30 to 50.
- no exposure in any investee company will exceed 10% of NAV at the time of the investment.

However, any significant event which affects a specific industry sector in which the investment portfolio has a significant holding could materially and adversely affect the performance of the Company. To mitigate market risk, the Board and Portfolio Manager actively monitor market prices throughout the financial period and meet regularly to consider investment strategy.

Please refer below for sensitivity analysis on the impact on the Statement of Comprehensive Income and NAV of the Company, if the fair value of the investments held at fair value through profit or loss at the year end increased or decreased by 25% (30 September 2023: 25%):

30 September 2024 Financial assets	£	Increase by 25% £	Decrease by 25% £
Financial assets held at fair value through profit or loss	66,668,888	16,667,222	(16,667,222)

30 September 2023 Financial assets	£	Increase by 25% £	Decrease by 25% £
Financial assets held at fair value through profit or loss	59,625,665	14,906,416	(14,906,416)

The Directors consider a 25% (30 September 2023: 25%) movement to be reasonable given their assessment of the volatility of the AIM market during the year ended 30 September 2024. The above calculations are based on the investment valuation at the Statement of Financial Position date and are not representative of the period as a whole and may not be reflective of future market conditions.

The Investment Manager's S-PVT scoring for sustainability is used to rate all the Company's investments from S1 to S4. Investments categorised S1 and S2 have solid sustainability characteristics, investments categorised S3 require sustainability improvement and investments categorised S4 would represent a sustainability barrier to value creation. The ESG risk for the Company is currently evaluated to be minimal from a financial materiality perspective. As at 30 September 2024, investments categorised S1 represent 26.9%, S2 represent 62.0% and S3 represent 11.1% of the Company's NAV. The Company does not hold any investments in the S4 category. Further details on the S-PVT scoring for sustainability can be found in the Portfolio Managers Report.

Notes to the financial statements (continued)

9. Financial risk management (continued)
9.1 Market risk (continued)

b) Interest rate risk

Interest rate risk is the risk that the fair value of financial instruments and related income from cash and cash equivalents will fluctuate due to changes in market interest rates. The majority of the Company's interest rate exposure arises on the level of interest income receivable on cash deposits. As at 30 September 2024, the Company's cash and cash equivalents were £1,769,894 (30 September 2023: £415,330).

The Company did not have any borrowings during the year (30 September 2023: £nil).

Financial assets held at fair value through profit or loss are equity investments and therefore the valuation of these investments and income receivable is not directly exposed to interest rate risk.

Interest rate sensitivity analysis
If interest rates had changed by 100 basis points ("BP") (30 September 2023: 100 BP), considered to be a reasonable illustration based on observation of current market conditions, with all other variables remaining constant, the effect on the net profit for the year would be as detailed below:

	30 September 2024 £	30 September 2023 £
Increase of 100 BP (30 September 2023: 100 BP)	17,699	4,153
Decrease of 100 BP (30 September 2023: 100 BP)	(17,699)	(4,153)

c) Foreign currency risk

Foreign currency risk is the risk that the values of the Company's assets and liabilities are adversely affected by changes in the values of foreign currencies by reference to the Company's functional currency, being Pound Sterling.

The Company has not been exposed to any material foreign currency risk during the year.

During the years ended 30 September 2024 and 30 September 2023, all transactions were in Pound Sterling, with the exception of several dividend income and cash transactions which were in USD. Although the Company does not pursue a policy of hedging such currencies back to Pound Sterling, it may do so from time to time, depending on market conditions. During the years ended 30 September 2024 and 30 September 2023 the Company did not enter into currency purchase spot contracts to mitigate the foreign currency exposure.

As at 30 September 2024, USD cash in the sum of $149,451 (30 September 2023: $230,412) was held and income receivable was $40,300 (30 September 2023: $37,050). Any reasonable change in foreign exchange rates will have an immaterial impact and therefore no sensitivity analysis has been provided.

9.2 Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. The Board of Directors has in place monitoring procedures in respect of counterparty risk which is reviewed on an ongoing basis.

The Company's credit risk is attributable to its cash and cash equivalents, trade receivables – securities sold awaiting settlement and other receivables.

Notes to the financial statements (continued)

9. Financial risk management (continued)
9.2 Credit risk (continued)

The Company's financial assets exposed to credit risk amounted to the following:

	30 September 2024 £	30 September 2023 £
Cash and cash equivalents	1,769,894	415,330
Trade receivables – securities sold awaiting settlement	680,187	-
Other receivables (excluding prepayments)	61,484	252,169
Total assets	**2,511,565**	**667,499**

All cash is placed with BNP Paribas S.A., Guernsey Branch. BNP Paribas S.A. is publicly traded with a credit rating of A+ (30 September 2023: A+) from S&P Global Ratings (formerly Standard & Poor's).

Credit risk of cash and custodian is mitigated by the Company's policy to only undertake significant transactions with leading commercial counterparties.

All transactions in listed securities are settled for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

The financial assets held at fair value through profit or loss are held by BNP Paribas S.A., Guernsey Branch, the Company's custodian, in a segregated account. In the event of bankruptcy or insolvency of the Administrator, in its role as the Company's custodian, the Company's rights with respect to the securities held by the custodian may be delayed or limited. The Company did not participate in stock lending during the year.

The Company measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management considers both historical analysis and forward looking information in determining any expected credit loss. At 30 September 2024 and 30 September 2023, management consider the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Company.

9.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in realising assets or otherwise raising funds to meet financial commitments as and when these fall due for payment. Liquidity risk is monitored on an ongoing basis by the Board of Directors and Portfolio Manager to ensure that the Company maintains sufficient working capital in cash or near cash form to be able to meet the Company's ongoing requirements to pay accounts payable and accrued expenses.

In addition, the Company's liquidity management policy involves projecting cash flows and considering the level of liquid assets necessary to ensure the Company remains a going concern. The Company's investments all comprise of investments in companies whose securities are admitted to trading on AIM. The Company would expect to be able to liquidate a sufficient number of investments within 7 days or less in the event cash was required to cover expenses.

Notes to the financial statements (continued)

9. Financial risk management (continued)
9.3 Liquidity risk (continued)

The tables below show the residual contractual maturity of the financial liabilities:

Maturity analysis of financial liabilities 30 September 2024	Less than 3 months £	3 to 12 months £	More than 1 year £	Total £
Financial liabilities				
Other payables and accruals	(213,277)	-	-	(213,277)
Total undiscounted financial liabilities	**(213,277)**	**-**	**-**	**(213,277)**

Maturity analysis of financial liabilities 30 September 2023	Less than 3 months £	3 to 12 months £	More than 1 year £	Total £
Financial liabilities				
Trade payables – securities purchased awaiting settlement	(52,843)	-	-	(52,843)
Other payables and accruals	(203,366)	-	-	(203,366)
Total undiscounted financial liabilities	**(256,209)**	**-**	**-**	**(256,209)**

In accordance with Article 23(4) (a) and (b) of AIFMD Directive, the AIFM has assessed that the financial assets held at fair value through profit or loss held by the Company are not deemed to be illiquid in nature, and as such, are not subject to any special liquidity arrangements and that the AIF has no new arrangements in place for managing liquidity.

10. Other payables

	30 September 2024 £	30 September 2023 £
Portfolio management fees	42,429	35,802
AIFM fees	14,624	30,352
Audit fees	44,500	64,550
Non-audit fees	17,000	23,000
Directors' fees	40,950	32,369
Administration fees	48,459	10,000
Registrar fees	1,000	967
Custody fees	1,658	676
Sundry expenses	2,657	5,650
Total other payables	**213,277**	**203,366**

Notes to the financial statements (continued)

11. Share capital

Authorised

The authorised share capital of the Company is represented by an unlimited number of redeemable Ordinary Shares at no par value.

Allotted, called up and fully paid

	30 September 2024		30 September 2023	
	Number of Ordinary Shares	Stated capital £	Number of Ordinary Shares	Stated capital £
Balance as the start of the year	33,897,954	-	33,897,954	-
Balance as the end of the year	33,897,954	-	33,897,954	-

Each holder of Ordinary Shares is entitled to attend and vote at all general meetings that are held by the Company. Each holder is also entitled to receive payment of a dividend should the Company declare such a dividend payment. Any dividends payable by the Company will be distributed to the holders of the Company's Ordinary Shares, and on the winding-up of the Company or other return of capital (other than by way of a repurchase or redemption of shares in accordance with the provisions of the Articles and the Companies Law), the Company's surplus assets, after payment of all creditors, will be distributed among the holders of the Company's Ordinary Shares.

The Board anticipates that returns to Shareholders will be made through the Company's redemption mechanism and therefore does not expect that the Company will pay any dividends.

No dividends have been declared or paid during the year (30 September 2023: nil).

Issuance of Ordinary Shares

No Ordinary Shares were issued during the year ended 30 September 2024 (30 September 2023: no Ordinary Shares issued).

Redemption mechanism

As the Company has been established as a closed-ended collective investment scheme, there is no right or entitlement attaching to the Ordinary Shares that allows them to be redeemed or repurchased by the Company at the option of the Shareholder.

The redemption mechanism allows the Board to redeem any number of shares at the prevailing NAV per share at the calculation date, (being the date determined by the Board for the calculation of the price to be paid on any particular exercise of the redemption mechanism), less the cost of redemption. This right will only be exercised in specific circumstances and for the purpose of returning capital growth.

Accordingly, assuming the NAV exceeds £100 million, the Directors intend to operate the redemption mechanism to return the NAV back to around £100 million in order to:

- enable the Company to exploit fully the underlying investment opportunity and to deliver high and sustainable returns to Shareholders, principally in the form of capital gains;
- enable portfolio holdings to have a meaningful impact on the Company's performance, which might otherwise be marginal within the context of a larger fund; and
- ensure that the Company can continually take advantage of the illiquidity risk premium inherent in micro-cap companies.

Notes to the financial statements (continued)

11. Share capital (continued)
Redemption mechanism (continued)

The Directors are not obliged to operate the redemption mechanism and will not do so if:

- calculation and publication of the NAV has been suspended; or
- the Directors are unable to make the solvency statement required by Guernsey law; or
- other circumstances exist that the Board believes make the operation of the redemption mechanism undesirable or impracticable.

Redemptions will, subject to compliance with all applicable law and regulation, be carried out pro rata to a Shareholder's holding of Ordinary Shares, but all redemptions will normally be subject to a de minimis value to be returned of approximately £10 million (before costs). The Company will not redeem fractions of shares.

Redemptions will be recognised against the retained earnings of the Company.

The price at which any Ordinary Shares are redeemed under the redemption mechanism will be calculated by reference to unaudited NAV calculations. To the extent that any redemption takes place at a time when the Ordinary Shares are trading at a significant premium to the prevailing unaudited NAV, Shareholders may receive an amount in respect of their redeemed Ordinary Shares that is materially below the market value of those shares prior to redemption.

In order to facilitate any redemptions, the Company may be required to dispose of assets within the investment portfolio. There is no certainty of the price that can be achieved on such sales and any sale price could be materially different from the carrying value of those assets. Consequently, the value received in respect of redeemed Ordinary Shares may be adversely affected where the Company is not able to realise assets at their carrying values. In addition, during any period when the Company is undertaking investment portfolio realisations, it may hold the sale proceeds (which could, in aggregate, be a material amount) in cash, which could impact the Company's returns, until the redemption is implemented, and the cash is distributed to Shareholders.

Investors should note that the redemption mechanism has a specific and limited purpose, and no expectation or reliance should be placed on the redemption mechanism being operated on any one or more occasions or as to the proportion of Ordinary Shares that may be redeemed or as to the price at which they will be redeemed. The redemption mechanism may also lead to a more concentrated and less liquid portfolio, which may adversely affect the Company's performance and value.

In the absence of the availability of the redemption mechanism, Shareholders wishing to realise their investment in the Company will be required to dispose of their shares on the stock market. Accordingly, Shareholders' ability to realise their investment at any particular price and/or time may be dependent on the existence of a liquid market in the shares.

12. Basic and diluted profit per Ordinary Share

	Year ended 30 September 2024 £	Year ended 30 September 2023 £
Total comprehensive income for the year	8,930,060	2,205,448
Weighted average number of Ordinary Shares during the year	33,897,954	33,897,954
Basic and diluted earnings per Ordinary Share	0.2634	0.0651

Notes to the financial statements (continued)

13. NAV per Ordinary share

	30 September 2024 £	30 September 2023 £
NAV	68,975,249	60,045,189
Number of Ordinary Shares at year end	33,897,954	33,897,954
NAV per Ordinary Share	2.0348	1.7714

14. Related party disclosure

The AIFM
The AIFM is a related party and is entitled to an annual fixed fee as disclosed in note 5. Mark Hodgson is the Managing Director of the AIFM.

The Portfolio Manager
The Portfolio Manager is a related party and is entitled to management and performance fees as disclosed in note 4.

The Portfolio Manager and George Ensor held the following Ordinary Shares in the Company:

	30 September 2024 £	30 September 2023 £
Portfolio Manager	3,109,578	3,140,230
George Ensor	90,194	90,194

The Directors

The Directors are entitled to remuneration for their services and hold Ordinary Shares in the Company as disclosed in note 6.

All transactions between these related parties and the Company were conducted on terms equivalent to those prevailing in an arm's length transaction.

15. Material events after the Statement of Financial Position date

There were no events which occurred subsequent to the year end until the date of approval of the annual financial statements, which would have a material impact on the annual financial statements of the Company as at 30 September 2024.

The increase in Director fees detailed in the Directors' Remuneration Report was formally approved by the Board on 3 October 2024.

16. Controlling party

In the Directors' opinion, the Company has no ultimate controlling party.

Useful information for shareholders

(unaudited)

Alternative performance measures

In accordance with the European Securities and Markets Authority Guidelines on Alternative Performance Measures ("APMs") the Board has considered what APMs are included in the Annual Report and financial statements which require further clarification. APMs are defined as 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. APMs included in the financial statements, which are unaudited and outside the scope of IFRS Accounting Standards, are deemed to be as follows:

NAV per Ordinary share

The NAV per Ordinary Share is the value of all the Company's assets, less any liabilities it has, divided by the total number of Ordinary Shares.

Performance since inception

The NAV total return measures how the NAV per Ordinary Share has performed on an annualised basis from the original issuance of Ordinary Shares to 30 September 2024, taking into account capital returns. The Company has not declared a dividend since inception.

The Board monitors the Company NAV total return against the Numis Smaller Companies plus AIM (excluding Investment Companies) Index. Refer to page 4 for NAV total return vs Index total return analysis.

Share price premium or discount to NAV

The NAV per share is the value of all the Company's assets, less any payables it has, divided by the total number of Ordinary Shares. The Company's share price may be higher or lower than the NAV, the difference is known as a premium or discount. The Company's premium or discount to NAV is calculated by expressing the difference between the Ordinary Share bid price[1] and the NAV per share as a percentage of the NAV per share.

	30 September 2024 Ordinary shares	30 September 2023 Ordinary shares
NAV per share (A)	£2.0348	£1.7714
Closing share price[1] (B)	£1.7400	£1.4200
Discount to NAV per share ((B-A)/A)	(14.49)%	(19.84)%

Capital returns

The Board is committed to achieving long term capital growth and, where possible, returning such growth to Shareholders throughout the life of the Company. Furthermore, the Portfolio Manager has advised the Board that it believes that a NAV of £100 million (at current market levels although this may change over time) would best position the Company to take advantage of a portfolio of micro-cap companies and the Capital Redemption Mechanism is in place to prevent the NAV significantly exceeding this figure. Refer to note 11 for further details regarding the redemption mechanism.

1 Source Bloomberg

Useful information for shareholders (unaudited) (continued)

Ongoing charges

Ongoing charges are calculated based on actual costs incurred in the year excluding any non-recurring fees in accordance with the AIC methodology. Expense items have been excluded in the calculation of the ongoing charges figure when they are not deemed to meet the following AIC definition:

> "Ongoing charges are those expenses of a type which are likely to recur in the foreseeable future, whether charged to capital or revenue, and which relate to the operation of the investment company as a collective fund, excluding the costs of acquisition/disposal of investments, financing charges and gains/losses arising on investments. Ongoing charges are based on costs incurred in the year as being the best estimate of future costs."

Please refer below for a breakdown of the ongoing charges:

	30 September 2024 £	30 September 2023 £
Total expenses for the year:	1,167,518	1,081,270
Expenses excluded from the calculation:		
Sundry expenses	(13,420)	(15,000)
Transaction fees	(30,571)	(17,988)
Foreign exchange gains	8,240	3,157
Total ongoing charges for the year	**1,131,767**	**1,051,439**

The AIC's methodology for calculating an ongoing charges figure is based on annualised ongoing charges of £1,131,767 (30 September 2023: £1,051,439) divided by average NAV in the period of £65,956,099 (30 September 2023: £61,456,997).

The AIC's methodology for calculating average NAV for the purposes of the ongoing charges figure is to use the average of NAV at each NAV calculation date. On this basis the average NAV figure has been calculated using the daily NAVs over the years ended 30 September 2024 and 30 September 2023.

The ongoing charges ratio for the year ended 30 September 2024 was 1.72% (30 September 2023: 1.71%).

Company information

Board members

John Blowers	Chairman
Mark Hodgson	
Ted Holmes	Audit Committee Chair, *effective 1 May 2024*
Serena Tremlett	Remuneration and Nomination Committee Chair and Management Engagement Committee Chair, *effective 1 May 2024*

Registered office
BNP Paribas House, St Julian's Avenue, St Peter Port, Guernsey GY1 1WA

Portfolio Manager
River Global Investors LLP[1], 30 Coleman Street, London EC2R 5AL

AIFM
Carne Global AIFM Solutions (C.I.) Limited, Channel House, Green Street, St Helier, Jersey JE2 4UH

Corporate Broker
Singer Capital Markets Advisory LLP, One Bartholomew Lane, London EC2N 2AX

Solicitors to the Company (as to English law)
CMS Cameron McKenna Nabarro Olswang LLP, Cannon Place, 78 Cannon Street, London EC4N 6AF

Advocates to the Company (as to Guernsey law)
Carey Olsen, P.O. Box 98, Carey House, Les Banques, St Peter Port, Guernsey GY1 4BZ

Custodian
BNP Paribas S.A., Guernsey Branch[2], BNP Paribas House, St Julian's Avenue, St Peter Port, Guernsey GY1 1WA

Independent Auditor
Grant Thornton Limited[3], St James Place, St James Street, St Peter Port, Guernsey GY1 2NZ

Administrator and Company Secretary
BNP Paribas S.A., Guernsey Branch[1], BNP Paribas House, St Julian's Avenue, St Peter Port, Guernsey GY1 1WA

Registrar
Computershare Investor Services (Guernsey) Limited, 2nd Floor, Lefebvre Place, Lefebvre Street, St Peter Port, Guernsey GY1 2JP

1 Formerly River and Mercantile Asset Management LLP.
2 BNP Paribas S.A., Guernsey Branch is regulated by the GFSC.
3 Appointed 12 March 2024.

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