RIVER AND MERCANTILE UK MICRO CAP INVESTMENT COMPANY LIMITED

ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2021

THE COMPANY AT A GLANCE

Purpose
River and Mercantile UK Micro Cap Investment Company Limited (the "Company") is an 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 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.

Carne Global AIFM Solutions (C.I.) Limited (the "Manager") is the manager of the Company. It delegates portfolio management to River and Mercantile Asset Management LLP (the "Portfolio Manager").

About 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 PLC (the "Group"). The Group is an advisory and investment solutions business with a broad range of services, from consulting and advisory to fully delegated fiduciary management, liability driven investing and fund management. After the year end, the Group agreed a deal to sell its solutions business, this is not anticipated to have any impact on the Company.

George Ensor, the appointed portfolio manager, has been responsible for the Company's portfolio since February 2018. Please refer to page 7 for George Ensor'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 to return the Net Asset Value 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 significant 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 Manager and the Portfolio Manager in the performance of their respective functions. The Portfolio Manager is authorised and regulated by the Financial Conduct Authority and the Manager is authorised and regulated by the Jersey Financial Services Commission.

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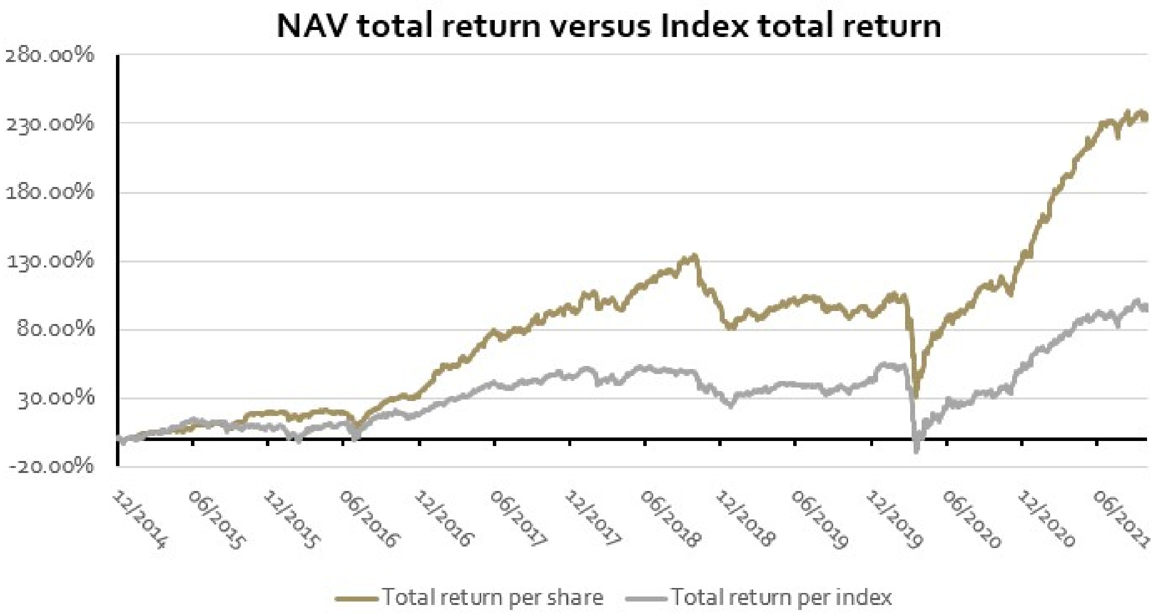
FINANCIAL HIGHLIGHTS AND PERFORMANCE SUMMARY

Key Performance Indicators

NAV total return versus benchmark from inception
NAV on a total return[1] basis increased by 235.00% from inception (net of issue costs), outperforming the total return posted by the Numis Smaller Companies plus Alternative Investment Market ("AIM") (excluding Investment Companies) Index (the "Benchmark") total return[2] of 94.34%. Refer to the chart below showing the NAV total return versus the Benchmark from inception:



NAV total return vs Benchmark for the year ended 30 September 2021
In the year ended 30 September 2021, the NAV total return of the Company outperformed against the benchmark index by 13.82%, delivering a NAV total return of 59.47%, which compares with the total return of 45.65% posted by the Benchmark.

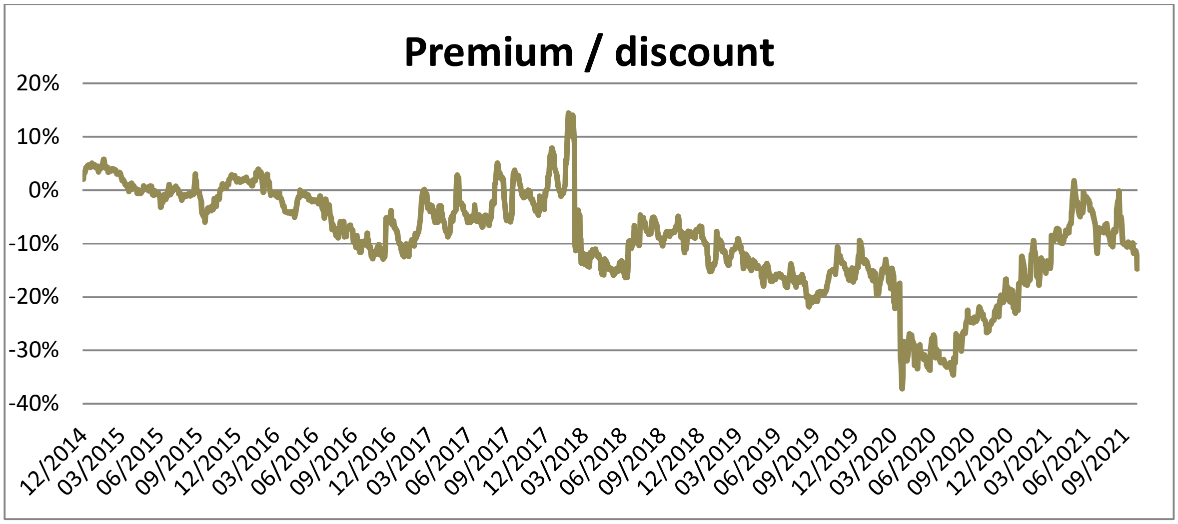
NAV and Share price

	As at 30 September 2021	As at 30 September 2020
NAV per Ordinary Share[3]	£3.2830	£2.0586
Ordinary Share price (bid price)[4]	£2.8000	£1.5800
Share price discount to NAV	(14.71%)	(23.25%)

Period highs and lows

	Year ended 30 September 2021 High	Year ended 30 September 2021 Low	Year ended 30 September 2020 High	Year ended 30 September 2020 Low
NAV per Ordinary Share[3]	£3.3199	£2.0053	£2.1120	£1.2860
Ordinary Share price (bid price)[4]	£3.2400	£1.5700	£1.7100	£0.8450

Premium / discount[5]



Capital redemptions
Since inception to 30 September 2021, 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 £76,924,349 to Shareholders. During the year, the Company completed two capital redemptions, redeeming a total of 12,547,089 shares and returning a total of £34,997,422 to shareholders.

Redemption Date	Redemption price per Ordinary Share[6]	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 12 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.

Ongoing charges
The ongoing charges reflect those expenses which are likely to recur in the foreseeable future and which relate to the operation of the Company. The ongoing charges are calculated in accordance with the Association of Investment Companies ("AIC") methodology and are based on actual costs incurred in the year which are likely to recur in the foreseeable future. The ongoing charges for the year ended 30 September 2021 were 1.29% (2020: 1.35%).

[1] – The NAV total return measures how the NAV per Ordinary Share has performed over a period of time, taking into account capital returns. The Company quotes NAV total return as a percentage change from the initial issuance of Ordinary Shares to 30 September 2021. The Company has not declared a dividend since inception. The Board monitors the Company NAV total return against the Numis Smaller Companies plus Alternative Investment Market ("AIM") (excluding Investment Companies Index).
[2] – Source: Numis Securities Limited
[3] –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.
[4] – Source: Bloomberg.
[5] – As the Company's Ordinary Shares are traded on the London Stock Exchange's Main Market, the share price may be higher or lower than the NAV. The Company's discount / premium to NAV is the difference between the Ordinary Share price (bid price) and the NAV per Ordinary Share on the same day. This comparison is expressed as a percentage.
[6] – Excludes the cost of each redemption; amounting to a total of £33,008 across all redemptions.

Dividend history
In accordance with the Company's stated policy, no dividend was declared or paid during the year.

For further detail on Key Performance Indicators, refer to the Executive Summary section on pages 20 to 24 and the Useful Information for Shareholders section on pages 71 to 72.

CHAIRMAN'S STATEMENT

If you can keep your head when all about you are losing theirs………..

Rudyard Kipling's poem 'If' is often quoted: "If you can keep your head when all about you are losing theirs…if you can wait and not be tired by waiting." Well, our Company continues to believe in and remains committed to the same strategy that was put in place 7 years ago at the IPO; to build and hold a high conviction portfolio, exploiting opportunities in a part of the equity market that, in general, has greater scope for growth and is often overlooked by larger funds and the investment broking community.

We are also patient; our Portfolio Manager is biding its time in deploying the capital which was realized as a result of takeover proceeds from Sigma Capital and Cambria Automobiles received in August. Whilst a number of opportunities are available as to how to deploy the cash, we will be patient. This steady focus has produced another year of outperformance for your Company and I would like to take this opportunity to congratulate the Portfolio Manager and George Ensor, for another stellar year. In the 12 months to 30 September 2021, the portfolio NAV was up 59.5% while the Benchmark rose 45.7%. Over the five years to 30 September 2021, the portfolio NAV has achieved an annualised net performance of +21.1% outperforming the Benchmark at +10.4%.

The Board is very conscious of the size of the Company and remains committed to the operation of the redemption mechanism. In order to ensure that our Company continues to deliver high and sustainable returns to shareholders we successfully completed two redemptions (worth £35 million) during the last financial year, bringing the number of redemptions that we have carried out to five in all. For the most recent redemption that took place in May of this year, 16.3% of the shares in issue were redeemed and cancelled. This means that the Company has now returned more in capital, £77.0 million, than the £70.1 million raised - an extraordinary result.

Your Board is very aware of the need to rotate the membership of the Board, to comply with the requirements of the AIC Code of Corporate Governance, so that independent Directors do not serve for more than nine-years. However, the Company faces the position that the original four members were all appointed at the same time when the Company was launched in December 2014. We have begun the Board refreshment process and I am pleased to welcome Stephen Coe to the Board and into his new role as Audit Committee Chairman. Stephen has over 30 years experience in the finance sector with an emphasis on investment funds and has been involved with offshore investment funds and managers since 1990, with significant exposure to property, debt, emerging markets and private equity investments. The Board would like to pay sincere thanks to Ian Burns, who has now retired from the Board, for his hard work and dedication to the Company since IPO. We intend to continue with an orderly succession process over the coming years.

As at the end of the financial year, the NAV of the Company stood at £111.3 million. The Board is conscious that the compulsory redemption mechanism is available in order to return the NAV of the Company to around £100m. This redemption mechanism is usually subject to a minimum value to be returned to shareholders of approximately £10m. We will continue to monitor the position closely, and should there be a sixth redemption, this will take place at NAV.

The discount to NAV of the shares significantly narrowed during the period to close to par before widening after the summer. The shares are currently trading at a discount to NAV of c.8%, which is surprising given the recent performance of the Company and the commitment to redeeming the shares at par. The Board continues to work hard with its advisors to narrow the current discount. I would also like to take the opportunity to remind investors that all your Directors as well as the Portfolio Manager, personally hold stock in the Company.

Following our year end, it was announced that River & Mercantile plc has agreed a deal to sell its Solutions Division, this is not anticipated to have any impact on our Company. A further more recent development has been expressions of interest being shown in the remaining investment management arm of the River & Mercantile plc business. Your Board will of course monitor the unfolding situation very carefully.

On behalf of the Board, I would like to thank all our Shareholders for their continued support.

Andrew Chapman,
Chairman
9 December 2021

PORTFOLIO MANAGER'S REPORT

The portfolio manager of the Company is George Ensor. George 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 and Mercantile Asset Management LLP in March 2014 as a UK equity analyst. George is a CFA charter holder.

This Portfolio Manager's 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 NAV referenced below is calculated on a daily basis utilising closing bid prices and is inclusive of all estimated charges and accruals.

REVIEW OF PERFORMANCE

We have delivered a year of strong absolute and relative performance with the NAV per share closing the period at 328.3p, just below the high of 332p recorded in August 2021. For the twelve month period to the end of September 2021, the NAV increased by 59.5%, outperforming the benchmark, which gained 45.7%, by 13.8%.

The long-term performance, net of all fees, remains strong. Since inception, the NAV has increased 235%, outperforming the benchmark performance of 94.3% by 140.7%.

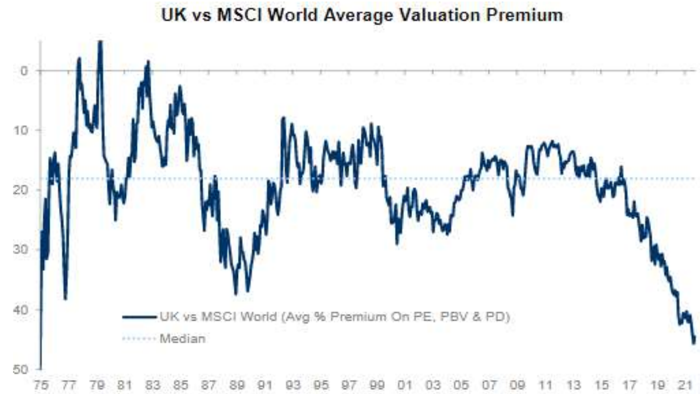
Period	NAV	Benchmark	Active return
6 months	14.5%	9.1%	5.4%
12 months	59.5%	45.7%	13.8%
3 years p.a.	12.7%	9.5%	3.3%
5 years p.a.	24.9%	13.2%	11.7%
Since inception p.a.	19.3%	10.2%	9.1%

Source: River and Mercantile Asset Management LLP,BNP Paribas, Bloomberg Performance to 30 September 2021.Since inception is 02 December 2014,'Benchmark:Numis Smaller Companies plus AIM (Excluding Investment Companies).

MARKET BACKDROP

The twelve months to September 2021 have been dominated by recovery with many economies approaching pre-pandemic levels of GDP. Markets recovered and then exceeded prior peaks. Central Banks have moved from their ultra-supportive position of the last 18 months to begin to signal tighter monetary conditions. Inflation is back as a major force influencing policymakers and markets with year-on-year inflation being impacted by a combination of soft prior year comparisons, strong demand recovery in a just-in-time economy which is incurring supply-side bottlenecks and, more recently, demand-pull inflation that is driving wage growth and further demand. This leaves central bankers walking a bit of a tightrope – tighten too early and they will risk suffocating growth. But hoping for higher prices being the solution to higher prices leaves them vulnerable to concerns that they are behind the curve and the consequences that has for consumer spending power.

UK assets remain firmly in the unloved box with the UK equity market amongst one of the cheapest in the world and Sterling continuing to trade at the discount that opened before and after the Brexit referendum. The chart overleaf shows the discount that the UK market trades on relative to the MSCI World Index (of which approx. two thirds is the US market). The chart shows a composite of three valuation measures (Price to Book, Price to Earnings and Dividend Yield) and shows the average discount that the UK has traded at for the last 46 years is c.18%. This compares to the current discount of c.45%. This is an attractive starting point and goes some way to explaining why we have seen so much M&A activity in the UK this year.



Sources: MSCI, IBES, Morgan Stanley Research Note: Average relative valuations use 12M forward data where available (forward P/E data starts in 1987) and trailing data where forward P/E not available.

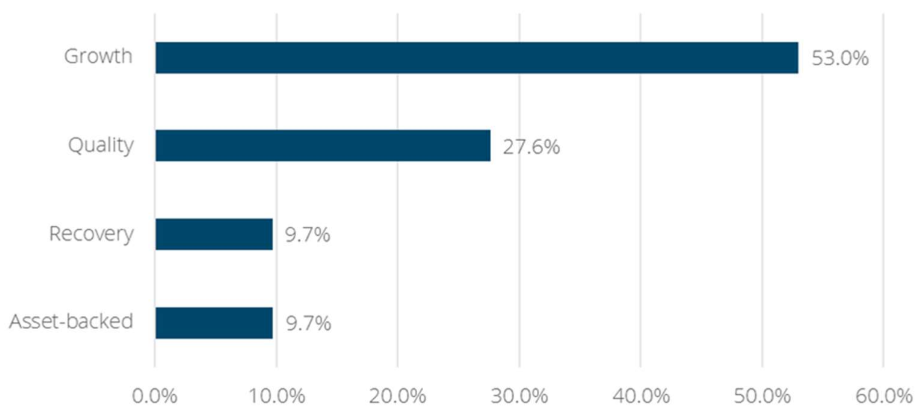
PORTFOLIO POSITIONING

Our investment philosophy is a multi-factor approach combining company fundamentals, valuation and momentum. We are looking to invest in companies that have the **P**otential to create shareholder value at attractive **V**aluations with supportive **T**iming.

Investors will be aware that within our **PVT** Philosophy there are four categories of Potential: *Growth, Quality*, *Recovery* and *Asset-backed*. The portfolio continues to have a bias to *Growth*; that is investing in companies that have the potential to grow revenues and profits at a higher rate than average. *Quality*, companies that have high and improving return on capital, remains the second largest category.

Recovery and Asset-backed opportunities, and cash, make up the balance of the portfolio. When we invest in *Recovery* stocks, we are looking to buy into companies where returns are depressed when compared to the last ten years but have begun to improve. And with *Asset-backed*, confidence in the value of the assets is key and we look for asset value upgrades to drive the share price performance. The exposure to different categories as at 30 September 2021 is shown below.

Category exposure, on an ex-cash basis, was similar to that reported in September 2020 with 53.0% invested in *Growth* (54.0% Sept 2020), 27.6% invested in *Quality* (25.0%), 9.7% in *Recovery* (9.0%) and 9.7% (12.0%) in *Asset-backed.*



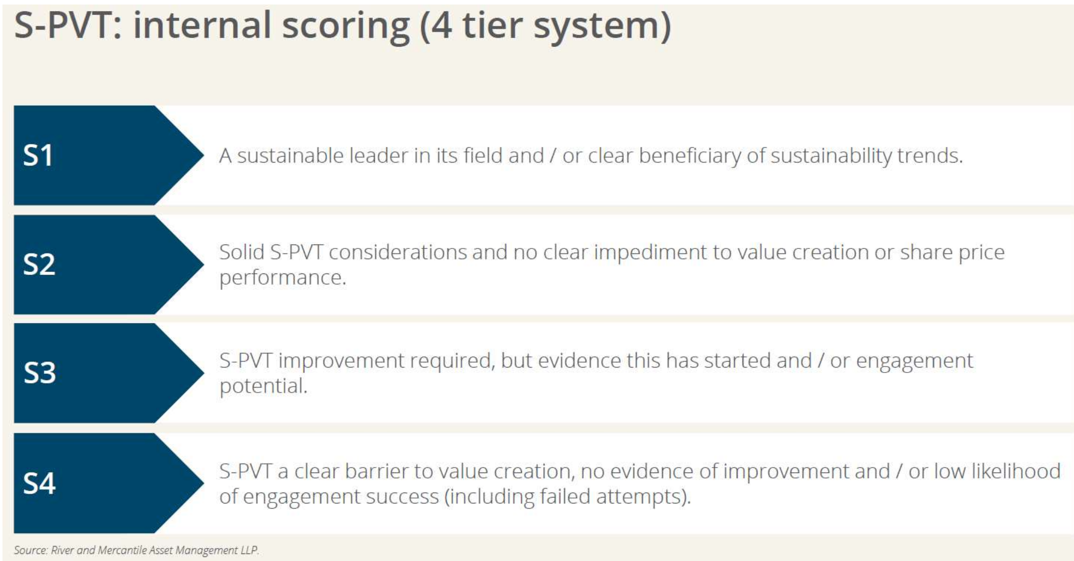
Source: River and Mercantile Asset Management LLP

SUSTAINABILITY

"A sustainable business compounds value for all stakeholders over the long term. It is a responsible steward of capital with a culture of longevity. We evaluate sustainability through the pillars of People, Innovation and the Environment, including companies undergoing change leading to positive long-term outcomes."

I introduced our approach to integrating sustainability analysis into our verification process in the equivalent report in the interim results. We are strong believers that the best way to drive change is to play a part; the world's challenges are not going to be solved through broad exclusion policies. We have a great opportunity to influence the environmental, social and governance ("ESG") agendas of the companies we invest in given the material ownership stakes that we take.

We also do not believe that you can outsource sustainability analysis, certainly not in the universe that we invest in. We complete fundamental sustainability analysis alongside our more conventional shareholder premised fundamental research and award companies with a sustainability rating ranging from winners (S1) to companies that have significant sustainability concerns with no obvious route to improvement (S4) which we will not invest in.



Our process enables us to fully understand the material sustainability risks and opportunities, which is a consideration in our investment decision and the scoring helps to guide portfolio construction whilst also providing transparency for clients. At the end of the period, on an ex-cash basis, 27% of the portfolio was invested in companies with an S1 rating, 64% in S2 rated businesses with the balance, 9%, invested in S3s. There are no S4 rated companies in the portfolio.

As at the end of the period, we owned four S3 rated companies, these are the companies where we are aiming to focus our engagement efforts with the ambition of driving improvement for the benefit of all stakeholders, including shareholders. A little detail on each of these companies and our engagement efforts follow:

City Pub Group – an owner and operator of a portfolio of pubs in the South of England was scored S3 on the back of a lack of disclosure around our People (Customers and Staff) and Environment (no emissions disclosure or net zero target) pillars. We also identified a lack of diversity and independence at the board level. We were pleased to see the appointment of Emma Fox as an independent NED who has since been appointed chair of the recently created ESG committee. Disclosure has also improved with Scope 1,2 and 3 emissions included in the latest annual report. On reflection, this is now a candidate to be reviewed and potentially moved to an S2 rating.

Capital Limited – is a business that provides drilling services to gold mining companies in Africa. The company has a strong employee safety track record which is critical. However, there is no disclosure around the environmental impact of the company. There are also some corporate governance concerns, for example the company is led by an executive chairman. We engaged with the company in May and they have committed to include a Sustainability Report including emissions data in the next annual report. The company is also investigating ways to reduce their carbon intensity, including the use of hydrogen to reduce the diesel fuel intensity of their fleet.

Argentex – an FX broking business disintermediating the traditional bank offering with high service levels. The investment case is premised on a growing and maturing sales team – a people business – and so our sustainability analysis therefore focused on the employees. It is difficult to judge the culture of a company from the outside, so we look for companies to release employee engagement and churn data and insight on diversity and inclusion. Unfortunately, none of this data has been made available to investors and so we cannot judge either the status or the direction of travel (improving or deteriorating); hence the S3 rating. We engaged with the company in June and are hopeful of improved disclosure with the next annual report.

Serabi Gold – a Brazilian Gold exploration and production company. Gold companies are interesting businesses to consider under the lens of sustainability. An understandable opinion would be that these companies are having a relatively significant environmental impact for a commodity that has little practical use. However, they do provide both direct and indirect employment in economies which often lack opportunities. They also make significant royalty and tax payments to local and national governments. Both gold miners that we own are predominantly underground miners where the environmental and ecological impacts are less significant but where employee health and safety risks are higher. Unfortunately, there was an accident at Serabi's mine in March which resulted in an employee being fatally injured. There has also been a recent investigation into relatively small but apparently fraudulent cash withdrawals which clearly leaves some governance questions. We are looking to engage with the company at our next meeting.

PORTFOLIO ATTRIBUTION: HOLDINGS WITH A CONTRIBUTION TO RELATIVE RETURN OF GREATER THAN +/- 1.5ppts (percentage points).

Positive Contributors:

MaxCyte: +5 ppts: MaxCyte was, for the second year running, the most material contributor to performance. We ran the position with high conviction and the share price performance in the period was exceptional (+174%). This was in part due to continued operational delivery by the company which is positioning itself as the gold standard partner for cell therapy companies. The share price performance was clearly also aided by the introduction to the Nasdaq exchange in the US. We saw this as a key catalyst for the shares and have since taken profits to move to a lower conviction position (2% position at the end of the period).

Joules: +2 ppts: We originally invested in Joules in April 2020 as the company needed to raise capital given the impact to the business from the pandemic. The business has since delivered exceptional growth in its eCommerce business and, more recently, has successfully re-opened its bricks and mortar estate. We purchased the business on a cheap valuation and have benefitted from both the recovery in earnings and the valuation re-rating which delivered a share price gain in the period of 120%.

Allergy Therapeutics: +1.9 ppts: Whilst there are obvious differences – one has a focus in cell therapy and the other in allergy vaccines – both Allergy and MaxCyte were business that have, for many years, delivered strong operational improvement supported by innovative R&D. However, the market dismissed each as loss making biotech stocks and left them trading on depressed valuations (and us holding positions with large unrealised losses). Like it did for MaxCyte, sentiment towards Allergy has flipped in the last 18 months. The last stock we purchased was at 7.6p in March 2020 - the share price was 37.5p at the end of September, up 144% from September 2020.

Science in Sport: +1.8 ppts: a leading sports nutrition brand, Science in Sport has delivered strong results and appears undervalued versus transactions for similar businesses. The shares gained 109% in the year and was our highest conviction position at the end of the period. Whilst net profit is depressed given the investment into driving the top line, the company is now profitable with a track record of strong top line growth and an improving gross margin.

City Pub Group: +1.7 ppts: as the owner and operator of 50 pubs, City Pub Group has seen a period of extremely depressed profitability. Trading has recovered since the removal of trading restrictions and, having been through a period of consolidation via the disposal of poorly performing sites, the company is once again investing in new sites and acquisitions. Significant costs savings have also been delivered meaning that run rate profitability should exceed pre-pandemic levels. The shares gained 101% over the twelve-month period.

Sylvania Platinum: +1.7 ppts: the producer of platinum group metals (PGMs) from chrome tailings delivered a gain of 100% in the period to the point of sale, which was completed in April, on the back of strong PGM prices. We saw strong gains in the metal prices with the rhodium price particularly strong, gaining 75% (according to the Johnson Matthey Rhodium Price index) from the start of the year to the high in March. Ultimately, Sylvania Platinum's profitability became very geared to that one price which was a key factor in our decision to exit.

Boku: +1.7 ppts: a position held since the company's IPO in November 2017 and a great long-term performer for us. Boku delivered several upgrades given the strength of the performance in the core direct carrier billing business where they partner with some of the largest eCommerce businesses in the world to enable seamless payments. The shares have been re-rated, gaining 114%, and we reacted to the higher valuation by taking profits.
Ince Group: +1.6 ppts: an unfortunately timed original purchase in early 2020, Ince was, as a recovery thesis with high financial leverage, a significant underperformer in the period from purchase to September 2020. We have since seen a recovery in the share price as the business has delivered positive cash generation and paid down debt. This is reflected in the share price gain, from an extremely depressed level, of 148% in the period with the shares remaining firmly in the value camp at the end of the period.

Detractors:

Venture Life: -2.9 ppts: one of the standout performers of the prior year with the shares gaining 159%, Venture Life shares fell 44% in the twelve months to September 2021. The company is executing a buy and build strategy of selfcare brands and has executed on two additional acquisitions in the period. The key issue has been disappointing trading in two areas which resulted in expectations for this year and next year being reduced. Hand sanitiser gel sales, under their brand DisinPlus, have deteriorated faster than expected and sales of their two mouthwash products into China have disappointed. Whilst the latter is more material than the former, neither are critical to the success of the business.

Shanta Gold: -2 ppts: another top performer from the prior year when the shares delivered a gain of 109%, Shanta has executed well on many of the key growth drivers, namely the expansion of the business from a single site, single country operator to a mid-tier, multi-site operator across two countries (Kenya and Tanzania). However, Shanta's long track record of meeting guidance came to an end as underground grades at their existing asset were lower than expected and production guidance for the year was reduced. The shares lost 26% in the period.

Argentex: -1.8 ppts: Argentex has compounded high organic revenue growth, margins and return on capital since (and before) they listed in 2019 which are attributes we look for in both our Quality and Growth categories. However, the revenue growth has failed to deliver to expectations and the margin, whilst high, has been falling given the investment in costs, mainly people and premises, through the pandemic. Revenue expectations were reduced in July which contributed to, alongside the sale of the ex-Co-CEO's equity stake, a decline of 29% in the period.

SDX Energy: -1.5 ppts: SDX is, in my opinion, one of the most undervalued companies in the portfolio. The shares trade at a substantial discount to the core net asset value (allowing for just the production assets and excluding any development or exploration assets). In my opinion, the attractive attributes of low costs of exploration, development and production and fixed price contracts covering much of the production are in no way reflected in the current valuation. Disappointing news on their latest high impact exploration well was the catalyst for the most recent drop in the share price with the shares losing 31% in the period.

PORTFOLIO ACTIVITY – NEW POSITIONS AND EXITS

I am going to focus on the portfolio changes that have been made in the second half of the year ended 30 September 2021.

Details of the changes made in the first six months can be found in the Half-Yearly Financial Report for the six months ended 31 March 2021 and include (in order of portfolio weight at the end of the period): **ActiveOps** (2.6%), **Supreme** (2.6%), **Distribution Finance Capital** (2%) and **Virgin Wine** (1.2%). We continued to build our positions in Supreme and DF Capital in the period and added to Virgin Wine post period end.

CMO Group (1.9%): approximately 10% of the very large building merchant market is transacted online and only 4% of this by businesses that are exclusively online operators. CMO is the largest of these, representing approximately a quarter of the pure play online value. This is a market that is vulnerable, like so many that have gone before it, to disruption by online players. Category expertise and vast range enables users to be acquired cheaply online and the drop-ship model leaves fulfilment with the ultimate supplier. The stock was purchased at IPO and is held as a Growth thesis, supported by the 30% compound annual revenue growth that the company has delivered over the last four years.

LendInvest (1.52%): is a fintech business that is looking to take share in both the UK buy-to-let and specialist homeowner mortgage markets. As opposed to owning the mortgages like a conventional lender, LendInvest places the mortgages with institutional owners in exchange for an origination. I've somewhat simplified the business model

here as there are several different funding structures, but you can see how this approach would be less capital intensive than a traditional lender. The company has set itself some ambitious targets, doubling platform revenue and growing EBITDA by 3-5x, and will deliver great shareholder value creation if it delivers to them. We also purchased this position through the IPO and the stock is also owned under a Growth thesis.
eEnergy (1.1%): an energy consultancy business which helps small and medium sized enterprises reduce their energy requirements by identifying wastage and implementing more energy efficient solutions and procuring green energy. The core business provides a solution to schools to convert to more efficient LED lighting and in-doing so reduce their energy costs. The company has since acquired additional services to broaden the offering and client base. We invested at the most recent placing which was undertaken to acquire UtilityTeam.

Exits:

Given the timing of the two capital returns (January 2021 and May 2021), most disposals were made in the first six months which, again, are detailed in the interim report. In summary, **DX Group** was exited as we felt that the recovery thesis had largely played out and did not see it transitioning to either a Quality or Growth thesis. **Adept Technology, Harvest Minerals, STM Group, Tekmar** and **Hummingbird Resources** were all exited to fund the fourth return of capital. **Sylvania Platinum** was exited given concerns over the gearing to the rhodium price with the proceeds being used in the second capital return.

M&A also played a role with **AFH Financial, Cambria Automobiles** and **Sigma Capital** being taken private.

OUTLOOK:

The outlook statement is always the hardest – by definition I need to be writing about the future and not reporting on the past, and I am something of a cynic when it comes to my/our ability to predict the future[1]. We believe in cycles and spend time trying to objectively analyse and debate where we stand in the current cycle. It will come as no surprise given the performance of equity markets that this cycle has evolved passed the early cycle recovery stage, so we are cognisant of this in the portfolio's overall style and factor exposures.

We have no shortage of exciting growth themes in the portfolio - from the disintermediation of conventional banks by fintech to the disruption of commerce by direct-to-consumer retailers and acquisitive buy and build strategies that are using their public equity to accelerate growth through M&A. And we are always on the look out for new ones, de-carbonisation and the green revolution being an obvious candidate. However, it is important that we manage risk which comes in many forms but is amplified when stocks are either very early stage and so unproven and/or loss making or when the current valuation reflects a high degree of confidence in the seamless delivery of ambitious expectations going out many years. This is why our valuation discipline is critical.

The long-term outperformance versus both the UK smaller companies benchmark and the wider UK market evidences the fantastic opportunity in micro caps and the proven approach the team employs. We will continue to execute to the strategy put in place at the company's IPO; namely investing with conviction in a part of the market which is often overlooked by investors and has greater scope for growth.

Thank you for your continued support.

George Ensor
Portfolio Manager

9 December 2021

[1]: For anyone interested in this subject I would recommend Superforecasting – The Art and Science of Prediction by Philip Tetlock

INVESTMENT PORTFOLIO

Investment Portfolio as at 30 September 2021

The Investment Portfolio below details the Company's holdings as at 30 September 2021, exclusive of cash and cash equivalents.

Name	Sector	Weight
Science In Sport	Consumer Staples	5.4%
Allergy Therapeutics	Health Care	5.0%
Instem	Health Care	5.0%
Keystone Law	Industrials	4.0%
Litigation Capital Mgmt	Financials	3.9%
Mind Gym	Industrials	3.7%
Joules	Consumer Discretionary	3.1%
Sigmaroc	Materials	3.0%
Capital Limited	Energy	2.9%
Aquis Exchange	Financials	2.8%
Revolution Bars Group	Consumer Discretionary	2.7%
Supreme	Consumer Discretionary	2.6%
ActiveOps	Information Technology	2.6%
Cake Box Holdings	Consumer Staples	2.5%
The City Pub Group	Consumer Discretionary	2.4%
Alpha FX	Financials	2.3%
Brand Architekts Group	Consumer Staples	2.2%
Real Estate Investors	Financials	2.1%
Kooth	Health Care	2.1%
DF Capital	Financials	2.0%
Ten Lifestyle	Consumer Discretionary	2.0%
MaxCyte	Health Care	2.0%
Ince Group	Industrials	2.0%
Flowtech Fluidpower	Industrials	1.9%
CMO Group	Consumer Discretionary	1.9%
RA International	Industrials	1.9%
Shanta Gold	Materials	1.7%
Venture Life	Consumer Staples	1.7%
LendInvest	Financials	1.5%
Argentex	Financials	1.5%
Boku	Information Technology	1.5%
Manolete Partners	Financials	1.4%
SDX Energy	Energy	1.3%
Serabi Gold	Materials	1.3%
Diversified Energy	Energy	1.3%
Virgin Wines UK	Consumer Staples	1.2%
eEnergy Group	Utilities	1.1%
GetBusy	Information Technology	1.0%
ULS Technology	Consumer Discretionary	0.6%

Source: River and Mercantile Asset Management LLP

[1] Portfolio weightings are based on mid-prices

PRINCIPAL RISKS AND UNCERTAINTIES

The Board is responsible for the Company's system of internal control and risk management but has delegated the responsibility for ensuring the daily monitoring of risk to the Manager. The Board assesses the robustness of the risk controls by reviewing, at each quarterly meeting, the risk reports produced by the Manager, and by assessing the overall risk profile of the Company as well as identifying any emerging risks and uncertainties which are likely to affect the Company.

The principal risks and emerging risks faced by the Company are summarised below:

Principal Risk	**Key controls**
Share price discount The price of the Company's shares may trade at a discount or premium relative to the underlying net asset value of the shares. There is a risk that shareholders become dissatisfied with a continuing discount to NAV and seek further action. The Company's Articles mandate a continuation vote every 5 years, the last vote being passed in 2019. During the year under review the discount narrowed in comparison to the year ended September 2020, with shares briefly trading at a premium in June 2021. This followed two capital redemptions in February and May 2021, which returned £15 million and £20 million respectively to shareholders. The discount has widened since June 2021, approaching 15% at the year-end. While this is a significant reduction from its widest point of 37.17% on 23 March 2020, the view of the Board remains that the discount should be considered a principal risk.	The Board continually 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. Part of the service required of the brokers includes active management of the discount. The Board believes that the Company's redemption mechanism acts to increase the parity between the share price and the Company's NAV. An annual shareholder resolution gives the Directors power to purchase up to 10% of the Company's shares in the market in order to manage the discount, however the Board has not yet exercised this power, considering the redemption mechanism to be a more effective way to return capital to investors and manage the discount. In order to further manage the discount, the Board has employed the services of a public relations ("PR") company to broaden interest in the Company's Ordinary shares.
Investment and liquidity risk 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 than securities on the London Stock Exchange of the Financial Conduct Authority's Official List 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. The timing of these technical factors can be quite out of sync with fundamentals. Many businesses are facing additional financial challenges due to demand fluctuations, and/or additional cost of supplies currently, due to the COVID-19 pandemic. The Company may have difficulty in selling its investments which may lead to volatility in the NAV and, consequently, market price of the the Company's Ordinary Shares. The Company may not necessarily be able to realise its investments within a reasonable period, and any such realisations that may be achieved	Risks are monitored by the Manager, which holds monthly AIFM Risk Committee meetings with the Portfolio Manager. The Manager provides an update of these AIFM Risk Committee meetings to the Board on a quarterly basis and the risks are discussed accordingly. The Board has introduced investment restrictions and guidelines to limit these risks. The Portfolio Manager also undertakes on-going reviews of the underlying investee companies, particularly those whose businesses are impacted by the pandemic. The Board does not consider there to be a substantial liquidity risk within the portfolio, although this is constantly monitored. During the year under review, the Company was able to raise sufficient cash to fund two redemptions.

may be at a considerably lower price than prevailing indicative market prices. 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.

Portfolio concentration and macro-economic risks

The Company's aim is to achieve long-term capital growth through investing in UK Micro Cap securities. The Company has no specific limits placed on its exposure to any industry sector. Changes in economic conditions in the UK, (for example, uncertainties as a result of Brexit, the impact of COVID-19, interest rates and rates of inflation, industry conditions, competition, political and diplomatic events and other factors), could substantially and adversely affect the Company's prospects. The Company may from time to time have significant exposure to portfolio companies from certain business sectors. Greater concentration of investments in any one industry sector may result in greater volatility in the value of the Company's investments, and consequently its NAV, and may materially and adversely affect the performance of the Company and returns to Shareholders.

While the Company does not include any specific limits on exposures to any industry sector, the Company does have investment limits and risk diversification policies in place to mitigate market and concentration risk. Refer to note 9 for further details.

Full details of the Company's risk factors are set out on pages 15 to 23 of the Company's prospectus, which is available on the Company's website (https://riverandmercantile.com/funds/rm-uk-micro-cap-investment-company/).

Reliance on the Portfolio Manager

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.

There is a risk that the portfolio manager significantly deviates away from fund strategy, leading to reputational damage in firm and loss of investor confidence in the portfolio manager. There is also a risk of fund underperformance due to poor investment decision making.

After the year end, the Group agreed to sell its solutions division and there have subsequently been expressions of interest in the remaining investment management arm of the Group's business, of which the Portfolio Manager is a part. The possible changes to the structure and ownership of the Group may impact the performance of the Company.

The Portfolio Manager has an experienced alternative manager ready and available to step in if required in the short term, and would hire a full time, experienced and proven replacement portfolio manager, if necessary.

Reliance on third-party service providers and cyber-security risk

The Company has no employees and is reliant on the performance of third-party service providers. The

The implementation of service providers' business continuity plans has enabled the Company to continue its

Board considers this to be a principal risk in light of the increasing prevalence of cyber related events and the ongoing impact of COVID-19 testing business continuity plans of third party service providers.

operations with little to no adverse impacts. 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 on a quarterly basis, including any breaches of information security. Service providers perform regular testing of their cyber security controls to ensure that they remain robust.

The Board monitors and receives reports on the performance of its key service providers and may in any event terminate all key contracts on normal commercial terms.

Emerging risks

During the current financial period the main emerging risk has been the continuing impact of COVID-19 on the Company and its underlying investment portfolio. The Company itself has been well placed to withstand the effects of the pandemic since it has no gearing or constraints on liquidity. At all times the Company holds sufficient cash reserves to meet on-going expenditure. The Portfolio Manager continues to monitor specific COVID-19 risks associated with the underlying investment portfolio.

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 emerging risk which may lead to the Company's shares becoming less attractive to investors. The Board welcomes the increasing emphasis being placed by shareholders and investors on ESG and climate change matters and believes that the adoption by the Portfolio Manager of a comprehensive ESG policy, which is fully endorsed by the Board, in combination with the development of regular reporting to the Board on ESG issues, will allow the Company to put appropriate controls in place to mitigate this emerging risk.

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 as between members of the Company.

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

Information on how the Board has engaged with its stakeholders and promoted the success of the Company, through the decisions it has taken during the year, whilst having 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 the Company's 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. Responding in part to the widening discount, the Board engaged Camarco as the Company's Public Relations Adviser to broaden the reach of the Company's shareholder engagement to include more retail investors. The Board has consistently expressed the priority it places on the Corporate Broker, the Portfolio Manager and the Public Relations Adviser co-ordinating their efforts on the Board's behalf to ensure the widest range of investor views is available to inform the Board's deliberations. 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 portfolio updates, the latter, since July 2020, now being published every month, rather than quarterly.

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, as the success of the Company is encouraged by forming stable partnerships with successful and motivated advisers.
The wider community and the environment	The Board is conscious of the increasing imperative to embed a responsible and realistic approach to Environmental, Social and Governance related issues into all its engagements with stakeholders, including how it delivers value to shareholders. The Board has discussed with the Portfolio Manager how responsible approach to ESG intersects with its PVT investment philosophy and this is described in greater detail in the Portfolio Manager's Report. The Board intends to engage with all its service provider stakeholders, so that it can assess its impact on society and the environment.

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 has retained its focus on doing what is possible to reduce the discount of share price to NAV per Share. To that end, the Board asked the Corporate Broker to examine the relative benefits of buybacks, tender offers, or any other mechanism as means of reducing the discount in addition to, or as an alternative to the existing Redemption Mechanism. After a review and presentation to the Board which was discussed in October 2020, the Board commissioned the Broker to canvass opinion amongst shareholders as to whether there was demand for a tender offer to operate alongside or alternatively to the Redemption Mechanism. The feedback received was that shareholders predominantly appreciated the Redemption Mechanism and were supportive of the Company continuing to do what it had set out to do at its launch. The Board reviewed the practical alternatives in the light of shareholder feedback and resolved to continue operating the Redemption Mechanism, which it believes acts as an effective buyback mechanism to restore closer parity between NAV per Ordinary Share and share price; this, in conjunction with the efforts to increase interest in the shares amongst retail investors, will, the Board believes, act to reduce the discount over time.

Implementation of two redemptions in February and then May 2021	The Board implemented two redemptions in the year, one in February 2021 and another in May 2021, which returned a total of £35 million to shareholders. In making this decision, the Board acted within and according to the parameters previously shared with all stakeholders. Principally, the Board triggered the Redemption Mechanism so that the Company would continue to do for shareholders what it had promised to do for shareholders.
Appointment of Stephen Coe as the first move in refreshing the Board	The Board has determined that its succession plan should conform to the highest standards of corporate governance, ensuring that expectations are met without compromising the skills represented in the Board as a whole. The first step in the execution of this plan the appointment, after a rigorous selection process, of Stephen Coe from 1 January 2021. Between Mr Coe’s appointment and the retirement of Mr Burns on 30 September 2021, Mr Coe has gained knowledge and experience of the Company which has enabled him to take on the role of Chair of the Audit Committee from 1 October 2021.

EXECUTIVE SUMMARY

This Executive Summary is designed to provide information about the Company's operation and results for the year ended 30 September 2021. It should be read in conjunction with the Chairman's Statement on page 6 and the Portfolio Manager's report on pages 7 to 12 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 registered 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, 1987, as amended, and the Registered Collective Investment Scheme Rules ("RCIS Rules") 2018.

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

The Company's Ordinary Shares are listed on the Official List as maintained by the FCA and admitted to trading with a premium listing on the Main Market of the London Stock Exchange.

Significant events during the year ended 30 September 2021

Board and committee changes
On 1 January 2021, Stephen Coe joined the Board as a non-executive Director. Following a period of handover, Stephen took over as the Audit Committee Chairman from Ian Burns, upon his retirement from the Board on 30 September 2021.

Completion of Partial Compulsory Redemptions
On 21 January 2021 and 28 April 2021, the Company announced its intention to undertake a compulsory redemption of its Ordinary Shares pursuant to the Company's redemption mechanism.

The fourth compulsory partial redemption resulted in 5,921,631 Ordinary Shares being redeemed and cancelled on 29 January 2021. A total of £15,002,452 was returned to shareholders. 40,523,412 Shares remained in issue following the redemption.

The fifth compulsory partial redemption resulted in 6,625,458 Ordinary Shares being redeemed and cancelled on 7 May 2021. A total of £19,994,970 was returned to shareholders. 33,897,954 Shares remained in issue following the redemption.

Refer to note 12 for full details of the Company's redemptions mechanism, including the conditions required for the Company to be able to operate the capital redemption mechanism.

COVID-19
The outbreak of Coronavirus (COVID-19), declared by the World Health Organisation as a global pandemic on the 11 March 2020, continues to impact many aspects of daily life and the global economy. Travel, movement and operational restrictions have been implemented by many countries. In some cases, lockdowns have been applied – in varying degrees – to reflect further waves of COVID-19. While these may imply a new stage of the crisis, they are not unprecedented in the same way as the initial impact. The pandemic and the measures taken to tackle COVID-19, including the development and roll out of vaccines globally, continue to affect economies and public equity markets globally. The success of vaccine programs are expected to have a major impact on the speed and nature of economic recovery but the timing and form of the recovery remains uncertain, particularly with the emergence of new strains of COVID-19. The Directors are continuing to utilise business continuity and resilience processes with the objective of mitigating the impact of COVID-19.

Results of the AGM held on 2 March 2021
The Board has noted the votes against Resolutions 1 (to receive and consider the Annual Financial Report and Financial Statements for the year ended 30 September 2020) and 7 (to re-elect Mr Mark Hodgson as a Director of the Company).

The Board believes that the votes against Resolution 1 relate to a shareholder advisory group taking issue with a lack of a vote on dividends and dividends policy. As disclosed in the Company's Annual Financial Report, the policy is to pay no dividends and the portfolio is not managed with an objective of income production. The Board will, in future years, seek shareholder approval of the policy not to pay a dividend.

The Board believes that the votes against Resolution 7 relate to the fact that, as disclosed in the Annual Financial Report, Mark Hodgson is not considered an independent director because he is a director of the Manager. The Manager is the AIFM of the Company but is totally unrelated to the Portfolio Manager and the Group. 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 Manger has a significant operation. In accordance with the recommendations of the AIC in relation to non-independent directors, Mark Hodgson is subject to annual re-election.

While the Board considers the reasoning behind the advice to oppose Resolutions 1 and 7 to be inappropriate, it has engaged with shareholders in this regard and it remains available to speak with shareholders.

Company investment objective
The Company aims to achieve long term capital growth from 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.

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 will not be 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.

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.

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. Currently the Company has no gearing or borrowing facilities, please refer to note 15 for further details of borrowing facilities.

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 Financial Report on pages 7 to 12 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 the Manager as AIFM, whereby the Manager 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. The Manager has delegated portfolio management to the Portfolio Manager. 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 is discussed.

Key Performance Indicators (KPIs)
The Directors meet regularly to review performance and risk against a number of key measures.

Returns and Net Asset Value total return
The Board reviews and compares, at each meeting, the performance of the portfolio as well as the NAV, income and share price of the Company. The Directors regard the Company's NAV total return as being the overall measure of value delivered to Shareholders over the long term. Total return reflects NAV growth of the Company.

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 redemption mechanism is in place to prevent the NAV significantly exceeding this figure.

NAV, on a total return basis, increased by 235.00% from inception which outperformed the total return posted by the benchmark index of 94.34%. Please refer to the Financial Highlights and Performance Summary on page 3 for NAV total return analysis and note 12 for further details regarding the redemption mechanism.

Concentration
The Board reviews the industry and asset diversification of the investment portfolio to ensure that holdings are in line with the investment restrictions and also to monitor the concentration risk of the investment portfolio.

Please refer to note 9 for further details regarding investment limits and risk diversification policies.

As at 30 September 2021, the Company held 39 (2020: 43) investment holdings of which no exposure in any investee company exceeded 10% of NAV at the time of investment. A portfolio listing is shown on page 13 which demonstrates the spread of investment risk in accordance with the investment policy.

Premium / discount
The Board discusses the extent of the discount in detail at every Board meeting, engaging with the Portfolio Manager, Broker and the Public Relations Adviser to generate strategies for narrowing the discount. The appointment of Camarco as Public Relations Adviser to the Company in December 2019 was part of a strategy to increase the reach of the Company to retail investors with the twin goals of increasing demand for the Company's shares and broadening the range of shareholders to include those more likely to trade in smaller numbers of shares. The view of the Board and its advisers is that this is likely to overcome the relative illiquidity of the Company's shares which is perpetuating a situation in which an exaggerated discount might appear at odds with the performance provided by the Portfolio Manager. In addition, on the appointment of the new Corporate Broker, the Board agreed a fee with a performance related element tied to the reduction of the discount. The Board believes that the redemption mechanism should act as a corrective to the discount.

Environmental and social issues
The Company is a closed-ended investment company and so its own direct environmental impact is minimal. The Board recognises that the Company's environmental, social and governance impact will stem from the companies in which it invests and also from its major service providers. The Board maintains a dialogue with the Portfolio Manager on environmental, social and governance matters, and supports the Portfolio Manager's conviction that it should, where possible, exercise its influence on behalf of the Company to encourage investee companies to adopt a progressively more sustainable set of business practices. The Portfolio Manager describes in greater detail their integration of ESG imperatives with their PVT investment philosophy in their report on page 9.

The Board will be making more detailed enquiries of its major service providers in order to better gauge the environmental and social impact of activities carried out on behalf of the Company and its investors.

The Board holds itself to high standards of governance and each director is subject to annual re-election. The Board has adopted a rotation policy so that the Board is subject to periodic change and when considering appointments the Board has due regard to diversity.

Voting and Engagement
The Directors believe that they have a fiduciary responsibility to improve the management of 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 be invested in companies that over time optimise their returns to shareholders. For companies to achieve this objective, the company should endeavour to ensure the long-term viability of its business, and to manage effectively its relationships with all stakeholders. 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://riverandmercantile.com/esg/voting-and-engagement.

Life of the Company
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 27 February 2019 and was passed by the Company's Shareholders. The next Continuation Resolution will be proposed at the AGM in 2024. In the event that a Continuation Resolution is not passed, the Directors shall formulate proposals to be put to the Shareholders as soon as is practicable but, in any event, by no later than six months after the Continuation Resolution is not passed, to reorganise or reconstruct the Company or for the Company to be wound up with the aim of enabling the Shareholders to realise their holdings in the Company.

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

The overall strategy remains unchanged and it is the Board's assessment that the Manager 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 on pages 7 to 12 for details regarding performance to date of the investment portfolio and the main trends and factors likely to affect those investments.

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

In making this assessment, the Board has considered the continuing impact of Covid-19 on the Company, a statement on which can be found on page 20, and are confident that it remains appropriate to adopt the going concern basis.

Viability statement

Under the AIC Code the Board is required to make a 'viability statement' which considers the Company's current position and principal risks and uncertainties combined with an assessment of the prospects of the Company in order to be able 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 is intended to be a long-term investment vehicle with no fixed life 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, assuming the Continuation Resolution is passed at the AGM in 2024.

The Company's prospects are driven by its business model and strategy. As explained on page 1, 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 of a return to economic growth is particularly high because of the knock-on effect of improved market confidence. Over the medium term, the Portfolio Manager expects that confidence and risk appetite amongst investors will grow with improving economic activity. Typically, we would expect that this will result in valuation metrics rising which will enhance returns for investors during this period.

The Directors have and continue to monitor the uncertainties in the political and economic environments in particular the impact as a result of the UK leaving the EU. 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 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. 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 benchmark, using techniques similar to the sensitivity analysis performed in note 9 – financial risk management.

Taking account of the Company's current position and principal risks, 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. Based on the financial position of the Company and shareholder feedback, the Directors expect the next Continuation Resolution at the AGM in 2024 to be passed.

The Strategic Report was approved by the Board of Directors on 9 December 2021 and signed on its behalf by:

Andrew Chapman
Chairman

Stephen Coe
Audit Committee Chairman

BOARD MEMBERS

All Directors are non-executive.

CHAIRMAN

Andrew Chapman, (Independent). Appointed 2 October 2014.
Over his career, Andrew has gained experience investing in every major asset class. After beginning as a UK equity fund manager, Andrew was subsequently appointed as the Deputy Investment Manager for the British Aerospace Pension Fund. In 1991, he took the position of Investment Manager at United Assurance plc, where Andrew was responsible for asset allocation and leading a team of in-house fund managers. Andrew later became a director at Teather & Greenwood Investment Management Limited, before joining Hewitt Associates as a Senior Consultant. Between 1994 and 2003, Andrew served as a non-executive director of the Hambros Smaller Asian Companies Investment Trust plc (which subsequently became The Asian Technology Trust plc).

In 2003, Andrew was appointed as the first in-house Pension Investment Manager for the John Lewis Partnership Pension Fund, with responsibility for the overall investment strategy as well as the appointment and performance of 27 external fund managers across all asset classes. He retired from that role in 2012. Thereafter Andrew has developed a plural portfolio of roles, initially serving as the CIO (part-time) for The Health Foundation. His current portfolio includes membership of the following advisory committees: the endowment fund for Homerton College (Cambridge University); Coller Capital Partners; and the Property Charities Fund. Andrew is also a non-executive director of Steadfast International Limited, Steadfast Long Capital Limited, GT ERISA Fund, GT Offshore Fund, and a Trustee of Kidney Care UK.

Key Relevant Skills

- 43 years investment experience, with an emphasis on equity markets.
- Extensive experience in selecting and managing external fund managers.
- A current member of several fund boards.
- Strong background in governance and risk management.

DIRECTORS

Ian Burns, (Independent) - Chairman of the Audit Committee and Senior Independent Director. Appointed 2 October 2014 and retired as a Director on 30 September 2021.
Ian qualified as a Chartered Accountant with Ernst & Young. He spent 20 years working in private client fiduciary businesses, ending up as Managing Director of Investec Trust globally. He then spent two years with one of Guernsey's leading privately owned fund administration companies.

Subsequently, Ian founded Via Executive Limited, a specialist management consulting company and was appointed the managing director of Regent Mercantile Holdings Limited, a privately owned investment company. He is licensed by the Guernsey Financial Services Commission as a personal fiduciary.

Ian also holds a number of appointments as a non executive director of companies engaged in a diverse range of investment activities and is a non-executive director of the following public companies: Twenty Four Income Fund Limited (Audit Committee Chairman) and Seed Innovations Limited (Chairman).

Key Relevant Skills

- Extensive operational and risk management knowledge.
- Qualified chartered accountant with extensive financial experience including chairing audit committees of listed funds.
- Working in financial services since 1988.
- Providing strategic consulting advice to financial services companies.
- Advising on modern corporate governance standards and developing risk management measurement and mitigation frameworks.
- Family office, inheritance and private client trustee experience.
- Supervising technical accounting issues including specialist disclosure of risk.

Stephen Coe, (Independent) - Chairman of the Audit Committee with effect from 1 October 2021. Appointed 1 January 2021.
Stephen is currently a director of Chrysalis Investments Limited, a listed entity. He is also the Chairman of the Audit Committee.

He has been involved with offshore investment funds and managers since 1990 with significant exposure to property, debt, emerging markets and private equity investments.

He qualified as a Chartered Accountant with Price Waterhouse Bristol in 1990 and remained in audit practice, specialising in financial services, until 1997. From 1997 to 2003 he was a director of the Bachmann Group of fiduciary companies and Managing Director of Bachmann Fund Administration Limited, a specialist third party fund administration company. From 2003 to 2006 Stephen was a director with Investec in Guernsey and Managing Director of Investec Trust (Guernsey) Limited and Investec Administration Services Limited. He became self employed in August 2006 providing executive and non-executive services to financial services clients.

Key Relevant Skills

- Over 30 years in the finance sector with an emphasis on investment funds
- Has held many Audit Chair positions covering companies investing in equities, land and property, mining and alternative asset classes
- Specialisms in risk management and valuations
- Fellow of the Institute of Chartered Accountants in England & Wales

Trudi Clark, (Independent) - Chairman of the Remuneration and Nomination Committee and Management Engagement Committee. Appointed 2 October 2014.
Trudi graduated with a first class honours degree in business studies and is a qualified Chartered Accountant.

Trudi spent 10 years working in chartered accountancy practices in the UK and Guernsey. In 1991, she joined the Bank of Bermuda to head their European internal audit function before moving into private banking in 1993.

Between 1995 and 2005, Trudi worked for Schroders (C.I.) Limited, an offshore private bank and investment manager. She was appointed to the position of banking director in 2000 and managing director in 2003. In 2005, Trudi left Schroders to establish and run a private family office.

In July 2009, Trudi established the Guernsey practice of David Rubin & Partners LLP, an internationally known insolvency and liquidation specialist. Since June 2018 she has been a full time non-executive director.

Trudi holds several non-executive directorships which include BMO Commercial Property Trust Limited, NB Private Equity Partners Limited, the Schiehallion Fund Limited and Taylor Maritime Investments Limited, which are listed on the London Stock Exchange. She also holds a personal fiduciary licence issued by the GFSC.

Key Relevant Skills

- Qualified chartered accountant with extensive financial experience.
- Working in financial services since 1987.
- Strong background in risk and corporate governance.
- Experience of several Investment Company Boards.

Mark Hodgson. Appointed 2 October 2014.
Mark Hodgson is a Channel Islands fund director based in Jersey, with considerable experience in the administration of Channel Islands funds. 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. 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. Prior to moving to Jersey Mark was Regional Director for HSBC Invoice Finance (UK) running their receivables finance business.

Mark moved to Jersey in 2006 to Head up HSBC's Commercial Centre having full operational responsibility for credit and lending within the jurisdiction. In 2008 he moved to Capita Fiduciary Group as Managing Director Offshore Registration (a regulated role) with responsibility for Jersey, Guernsey and the Isle of Man. Mark also took on the responsibility as managing director of Capita Financial Administrators (Jersey) Limited (regulated role) together with directorship appointments of regulated and unregulated funds boards.

Mark sits on a number of very high-profile real estate boards including: Kennedy Wilson Investment Management Limited, Aviva Jersey Investors Jersey Unit Trust Management Ltd and LaSalle Investment Management (Jersey) Ltd. He has a broad range of funds experience covering a range of debt and credit fund.

Key Relevant skills

- 26 years financial services experience, 16 years of being the member of various boards
- Extensive fund risk management experience across multiple asset classes
- A strong background in board governance

DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year ended 30 September 2021. The results for the year are set out in these accounts.

Dividend Policy

Details of the Company's capital redemptions and dividend policy are shown on page 1. The Company does not expect to pay significant dividends and no dividends have been declared or paid during the year (30 September 2020: none).

Share Capital

As at 30 September 2021, the Company had 33,897,954 Ordinary Shares (30 September 2020: 46,445,043) 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.

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 2 March 2021 the Company renewed general authority to purchase in the market up to 14.99% of the Ordinary Shares in issue as at 2 March 2021. This authority expires on the date of the 2022 AGM. During the year the Company did not purchase any shares in the market.

The Directors will seek a renewal of this authority from Shareholders at the Company's AGM on 2 March 2022.

Directors' shareholdings

The Directors who held office at the year end and their interests in the ordinary shares of the Company as at 30 September 2021 were as follows:

Director	Ordinary Shares held
Andrew Chapman	15,009
Ian Burns	4,105
Trudi Clark	8,353
Mark Hodgson	7,721
Stephen Coe	-

Post year-end, on 18 October 2021, Stephen Coe purchased 4,000 Ordinary Shares in the Company.

Transactions in Ordinary Shares by Directors are outlined in note 6. Ordinary Shares held by Directors have decreased in line with each compulsory redemption.

Shareholders' interests

As at 30 September 2021, the Company had been notified in accordance with the Disclosure Guidance and Transparency Rules ("DTR") of the Financial Conduct Authority (which covers the acquisition and disposal of major shareholdings and voting rights), of the following Shareholders that had an interest of greater than 5% in the Company's issued stated capital.

	Percentage of total voting rights (%)
Investec Wealth & Investment Ltd	9.98
City of Bradford Metropolitan District Council	9.69
River and Mercantile Asset Management LLP	8.85
Smith & Williamson	6.20
Premier Miton Group plc	5.11

Between 1 October 2021 and 9 December 2021 the Company received no additional notifications.

Independent Auditor
PricewaterhouseCoopers CI LLP, have indicated their willingness to continue in office as auditor and a resolution proposing their re-appointment and to authorise the Directors to determine their remuneration will be proposed at the forthcoming AGM.

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 its appointed Manager 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 Manager provides regular risk reporting on the Company's investment portfolio and the Portfolio Manager at each quarterly Board meeting.

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. All shareholdings are voted at all Company meetings where practicable in accordance with corporate governance policies, which seek to maximise shareholder value by constructive use of votes at 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 Financial Conduct Authority'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 Directors are not aware of any developments that might have a significant effect on the operations of the Company in subsequent financial periods not already disclosed in this report or note 17 of the attached financial statements.

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 Financial Report the Board has performed a comprehensive review to ensure consistency and overall balance.

Corporate Governance Statement

Introduction
The Company has a premium listing 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 has considered the principles and provisions of the AIC Code. The AIC Code addresses all the principles and provisions set out in the UK Code, as well as setting out additional provisions on issues that are of specific relevance to the Company.

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 Guernsey Financial Services Commission, 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 2021.

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

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The Directors' Report was approved by the Board of Directors on 9 December 2021 and signed on its behalf by:

Andrew Chapman
Chairman

BOARD AND COMMITTEES

Values and Culture

Since its inception the Board of Directors of the Company has upheld the values on which it was founded. 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 that centre around 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. In particular, openness, challenge and respect are encouraged as key to developing and implementing the strategies that will deliver the Company's objective.

The Board

All Directors were appointed on 2 October 2014 (date of incorporation), except for Stephen Coe who was appointed on 1 January 2021. The Directors are:

- Andrew Chapman (Independent non-executive Chairman)
- Ian Burns (Senior Independent non-executive Director and Chairman of the Audit Committee) – retired as a Director on 30 September 2021
- Trudi Clark (Independent non-executive Director, Chairman of the Remuneration and Nomination Committee and Management Engagement Committee)
- Mark Hodgson (Non-executive Director)
- Stephen Coe (Chairman of the Audit Committee with effect from 1 October 2021)

The Board is chaired by Andrew Chapman, who is independent of the Manager and Portfolio Manager at the time of his appointment and remains so. The Chairman is responsible for the leadership of the Board and ensuring its effectiveness in all aspects of its role.

Ian Burns was appointed as the Senior Independent Director and provided assistance to the Chairman and served as an intermediary for the other Directors where necessary. Ian Burns retired as a Director on 30 September 2021.

The Chairman and all Directors, with the exception of Mark Hodgson, are considered independent of the Manager and the Portfolio Manager. Mark Hodgson, who is independent of the Portfolio Manager, is the Managing Director of the Manager 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 Manager 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 2 March 2022.

Please refer to pages 25 and 27 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

Following the retirement of Ian Burns on 30 September 2021, the Board is made up of three male Directors and one female Director. The Board has due regard for the benefits of experience and diversity in its membership, including gender, and strives to meet the right balance of individuals who have the knowledge and skillset to maximise Shareholder return while mitigating the risk exposure of the Company.

The Board supports the recommendations of the Davies Report and believes in and values the importance of diversity, including gender, to the effective functioning of the Board. The Board, however, does not consider it appropriate or in the interest of the Company and its Shareholders to set prescriptive targets for gender or other diversity on the Board.

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 members 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 Andrew Chapman, Ian Burns (to 30 September 2021), Stephen Coe (from 1 January 2021) and Trudi Clark 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://microcap.riverandmercantile.com.

Audit Committee
The Audit Committee membership comprises all of the Directors with the exception of Mark Hodgson and was chaired by Ian Burns up to 30 September 2021, with Stephen Coe assuming the Chairman position from 1 October 2021. The Chairman is a member of the Audit Committee but he does not chair it. His membership of the Audit Committee is considered appropriate given his extensive knowledge of the financial services industry and 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 page 38.

Management Engagement Committee
Trudi Clark is the Chair of the Management Engagement Committee.

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. In September 2020, 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.

Remuneration and Nomination Committee
Trudi Clark is the Chair of the Remuneration and Nomination Committee.

Board and Committee evaluation
The Remuneration and Nomination Committee performs an annual internal evaluation of the Board, its Committees and each Director, this was last undertaken in September 2020. With the appointment of Stephen Coe to the Board, the formal evaluation of the Board and the Committees has been postponed and will be held in early 2022 to allow for the new Board to meet in person.

The Chair of the Committee on an informal basis continued to review and discuss various areas, including investment matters, strategy, Shareholder value, governance, and the process and style of meetings. In addition, the Committee reviewed the performance of the Chairman in his role and evaluated all the Directors' personal contributions. It was concluded that all Directors had a good understanding of the investments and markets and felt well prepared and able to participate fully at Board meetings. It was agreed that Board meetings were effective and all relevant topics were fully discussed, with the Board having a good range of skills and competency. The Directors confirmed that they have devoted sufficient time, as considered necessary, to the matters of the Company.

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.

In accordance with the succession plan, the Remuneration and Nomination Committee engaged OSA Recruitment to identify a suitably qualified and experienced director to join the board who could assume the role of the Audit Committee Chairman on the retirement of Ian Burns. OSA Recruitment have no connections to the Company or its Directors. This process led to the appointment of Stephen Coe on 1 January 2021.

All Directors, with the exception of Stephen Coe, have served on the Board since the launch of the Company, Ian Burns retired as a Director on 30 September 2021. On 1 October 2021, Stephen Coe was appointed as the Audit Committee Chairman.

Board meetings
The Board meets regularly throughout the year and a representative of the Manager and the Portfolio Manager is in attendance at all times when the Board meets to review the performance of the Company's investments.

The Portfolio Manager and Manager 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	Remuneration and Nomination Committee
Number of meetings during the year ended 30 September 2021	**9**	**3**	**1**	**1**
Andrew Chapman	9	3	1	1
Ian Burns[1]	8	2	1	1
Trudi Clark	9	3	1	1
Mark Hodgson	8	n/a	n/a	n/a
Stephen Coe[2]	7	2	1	1

[1]Ian Burns retired as a Director with effect from 30 September 2021.
[2]Stephen Coe was appointed a Director with effect from 1 January 2021.

Service providers
The Company has appointed the Manager to act as the Company's Alternative Investment Fund Manager ("AIFM"). The Manager has delegated portfolio management of the Company's investment portfolio to the Portfolio Manager. The Board will actively and continuously supervise both the Manager and the Portfolio Manager in the performance of their respective functions.

The Company has appointed BNP Paribas Securities Services S.C.A., Guernsey Branch (the "Administrator") 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.

The Board receives and considers reports regularly from both the Portfolio Manager and the Manager, 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 Manager, 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 Manager, 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 are followed and that applicable rules and regulations are complied with. The Board, the Manager, Portfolio Manager and the Administrator operate in a supportive, co-operative and open environment and the Board will actively and continuously supervise both the Manager, 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 as a whole 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 Financial 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://microcap.riverandmercantile.com, 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 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.

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.

Other communications
All substantive communications regarding any major corporate issues are discussed by the Board taking into account representations from the Manager, Portfolio Manager, 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 Manager to act as its Alternative Investment Fund Manager ("AIFM"). The Manager 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 Guernsey Financial Services Commission, being the Company's competent regulatory authority, as a non-EU Alternative Investment Fund ("AIF"), and the AIFM has registered with the UK Financial Conduct Authority, 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 Securities Services S.C.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 AIFM Directive, is set out in note 9– Financial Risk Management. Please refer to pages 14 and 16 for the Board's assessment of the principal risks and uncertainties facing the Company.

Leverage
There has been no change to the maximum level of leverage which the AIFM may employ on behalf of the Company. The Company may employ gearing up to a maximum of 20% of Net Asset Value at the time of borrowing. The actual level of gearing at 30 September 2021 was 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 2021 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 ten 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 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 on the basis of 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 annualised remuneration amount paid to all of the Identified Staff of the AIFM in respect of their work for the AIF for the 12 month period to 31 March 2021 was GBP 42,777 (31 March 2020: GBP 39,655). There was no variable component to this remuneration and none of the AIFM's Identified Staff is able to materially impact the risk profile of the Company. The AIFM manages other AIFs and has no staff other than the Identified Staff.

REPORT OF THE AUDIT COMMITTEE

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 of the Directors with the exception of Mark Hodgson, who attends following invitation from the Audit Committee but does not actively participate in the meetings. With effect from 1 October 2021, Stephen Coe is the Chairman of the Audit Committee, following the retirement of Ian Burns on 30 September 2021, and is independent of the Manager and Portfolio Manager as are all the other Directors that comprise the committee. All of the Audit Committee's members have recent and relevant financial and industry experience and the Chairman of the Audit Committee is a Chartered Accountant. The Audit Committee as a whole 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 section of this Annual Financial Report entitled, "Board Members" on pages 25 and 27.

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 Financial 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 Financial 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 in order 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 Securities Services ISAE 3402 report (on the description of controls placed in operation, their design and operating effectiveness for the period from 1 April 2020 to 31 March 2021) on Fund Administration, 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. In particular, the committee discussed, reviewed and considered the implications of COVID-19 for the Company's service providers both in terms of effectiveness and the maintenance of appropriate internal controls.

As the Company does not have any employees it does not have a "whistle blowing" 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.

The Audit Committee met on three occasions and the members' attendance record can be found on page 34 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 COVID-19 pandemic 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, Mark Hodgson chairs monthly AIFM 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. On a regular basis, Mark Hodgson reports findings to the Board and is also asked to attend Audit Committee meetings by the Audit Committee Chairman to assist the Committee to gain assurance as to the appropriateness and robustness of the valuation methodology applied to the investment portfolio.

External audit process
The Company's external auditor, PricewaterhouseCoopers CI LLP (the "Auditor"), were reappointed on 2 March 2021. 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 external 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.

For the year ended 30 September 2021, the Audit Committee was satisfied that there had been appropriate focus and challenge on the significant and other key areas of audit risk and assessed the quality of the audit process to be good.

During the year ended 30 September 2021, in addition to the audit services in respect to the audit of the Company's Annual Financial Report, the Auditor provided non-audit services in respect of the review of the Company's Half-Yearly Report for the period ended 31 March 2021. No other non-audit services were provided during the year ended 30 September 2021.

To safeguard the objectivity and independence of the external Auditor from becoming compromised, the Committee has a formal policy governing the engagement of the external Auditor to provide non-audit services. The external 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.

The fees for the audit services were: £50,779 (year-end audit) and the fees for non-audit services were £19,070 for review of the Company's Half-Yearly Report for the period ended 31 March 2021.

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 external 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 five years. Tony Corbin took over as engagement leader during the year ended 30 September 2020 and this is the second year he has overseen 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. Having considered the need to tender the position for the current year, the Committee has provided the Board with its recommendation to the Shareholders on the reappointment of PricewaterhouseCoopers CI LLP as external auditor for the year ending 30 September 2022.

Accordingly, a resolution proposing the reappointment of PricewaterhouseCoopers CI LLP as our auditor will be put to the Shareholders at the AGM. There are no contractual obligations restricting the Audit Committee's choice of external auditor and we do not indemnify our external auditor.

The Committee will seek to adopt best practice guidance in conducting audit tenders, as issued by the FRC and other governing bodies as applicable.

This Report of the Audit Committee on pages 38 to 40 was approved by the Board of Directors on 9 December 2021 and signed on its behalf by:

Stephen Coe
Audit Committee Chairman

DIRECTORS' STATEMENT OF RESPONSIBILITIES

The Directors are responsible for preparing financial statements in accordance with The Companies (Guernsey) Law, 2008, as amended ("Companies Law") and International Financial Reporting Standards ("IFRS").

Companies Law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss for the 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.

In accordance with DTR 4.1.12, the Directors confirm to the best of their knowledge that:

- the financial statements, which have been prepared in accordance with IFRS, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and

- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

The Annual Financial 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.

Andrew Chapman
Chairman
9 December 2021

Stephen Coe
Audit Committee Chairman
9 December 2021

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 2 March 2022.

Table of Directors Remuneration

Component	Director	Annual Rate to 31 December 2020 (£)	Annual Rate from 1 January 2021 (£)	Purpose of reward
Annual fee	All Directors			For commitments as non-executive Directors
	Andrew Chapman (Chairman)	£25,000	£27,000	
	Ian Burns	£25,000	£27,000	
	Trudi Clark	£25,000	£27,000	
	Mark Hodgson	£25,000	£27,000	
	Stephen Coe	N/A	£27,000	
Additional annual fee	Andrew Chapman (Chairman of the Board)	£15,000	£15,000	For additional responsibilities and time commitment
	Ian Burns (Chairman of the Audit Committee) to 30 September 2021	£5,000	£5,000	
	Stephen Coe (Chairman of the Audit Committee) from 1 October 2021	N/A	£5,000	
Expenses		Ad hoc	Ad hoc	Reimbursement of expenses paid

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. Each director recuses themselves from participating in decisions relating to his or her own remuneration.

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 of the Board and Chairman of the Audit Committee 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.

Directors remuneration was last reviewed in 2016, a review was undertaken by the Remuneration and Nomination Committee of market trends and in order to ensure the fees paid to Directors remains appropriate, the fee paid to each Directors increased by £2,000 effective 1 January 2021. There will be further, annual increases linked to the Retail Prices Index, subject to a maximum annual increase of 2.5%, from 1 January 2022.

The Company's Articles of Incorporation limits the aggregate fees payable to the Board of Directors to a total of £150,000 per annum.

Advisers to the Remuneration and Nomination Committee
The Board has not sought the advice or services by any outside person, at this time, in respect of its consideration of the Directors' remuneration, although the Board is currently reviewing 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.

Trudi Clark
Remuneration and Nomination Committee Chair

9 December 2021

Independent auditor's report to the members of River and Mercantile UK Micro Cap Investment Company Limited

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of River and Mercantile UK Micro Cap Investment Company Limited (the "company") as at 30 September 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the requirements of The Companies (Guernsey) Law, 2008.

What we have audited

The company's financial statements comprise:

- the statement of financial position as at 30 September 2021;
- the statement of comprehensive income for the year then ended;
- the statement of changes in shareholders' equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements of the company, as required by the Crown Dependencies' Audit Rules and Guidance. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

Audit scope

- The company is a closed-ended investment company, incorporated in Guernsey, whose ordinary shares are admitted to trading with a premium listing on the Main Market of the London Stock Exchange.
- We conducted our audit of the financial statements in Guernsey, using information provided by BNP Paribas Securities S.C.A. Guernsey branch (the "Administrator"), River and Mercantile Asset Management LLP (the "Portfolio Manager") and Carne Global AIFM Solutions (C.I.) Limited (the "Alternative Investment Fund Manager") all to whom the board of directors has delegated the provision of certain functions.
- We tailored the scope of our audit taking into account the types of investments within the company, the involvement of third parties referred to above, the accounting processes and controls and the industry in which the company operates.

Key audit matters

- Valuation of Financial Assets designated at fair value through profit or loss ("Investments").

Materiality

- Overall materiality: £ 1.1 million (2020: £1 million) based on 1% of net assets.
- Performance materiality: £ 0.8 million.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

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

This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Valuation of Financial Assets designated at fair value through profit or loss ("Investments") Investments of £102.1 million (note 8) held at fair value through profit or loss (note 2.3) consist mainly of equities in companies whose securities are admitted to trading on the AIM. Investments are the main driver of the company's performance and are considered to be a key area of focus for members of the company. There is a risk that the AIM listed investments are not valued appropriately in accordance with the requirement set out in IFRS 13 for the price to be quoted in an active market in order to be an appropriate measure of fair value, and we therefore consider this to be a key audit matter. IFRS 13 defines an active market as a market in which transactions for the asset take place with sufficient frequency and volume to provide pricing information on an ongoing basis.	We assessed the accounting policy for the Investments, as set out in note 2.3, for compliance with IFRS. We understood and evaluated the internal control environment in place at the Administrator over the valuation of the investment portfolio and the production of the net asset value for the company. We also discussed the asset selection and monitoring process with the Portfolio Manager. We tested the valuation of the Investments by independently agreeing 100% of the prices used in the valuation to a third-party pricing provider and recalculated the total valuation as at 30 September 2021. We independently obtained and analysed each security's trading volumes for the final quarter of the September 2021 financial year. For securities identified as having low trading volumes, relative to the company's holdings, further trading volume analysis post 30 September 2021 was also performed. Our analysis showed that some level of trading occurred at or near the quoted year-end prices during the two week post year end period indicating evidence of an active market and that the quoted prices at the period end were therefore indicative of fair value. We independently obtained the custody confirmation for the Investments and reconciled the Investment holdings to the company's accounting records, without exception. We have nothing to report to those charged with governance in respect of the above procedures.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which the company operates.

Materiality

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

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	£ 1.1 million (2020: £1.0 million).
How we determined it	1% of net assets
Rationale for benchmark applied	We believe that net assets is the most appropriate benchmark because this is the key metric of interest to members of the company. It is also a generally accepted measure used for companies in this industry.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £0.8 million for the company's financial statements.

In determining the performance materiality, we considered a number of factors –the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £ 55,640 (2020: £47,800) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Reporting on other information

The directors are responsible for the other information. The other information comprises all the information included in the Annual Financial Report (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 based on these responsibilities.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Statement of Responsibilities, the directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards, the requirements of Guernsey law 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 has 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. 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 over a period of at least twelve months from the date of approval of the financial statements. 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 those charged with governance 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 those charged with governance 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, related safeguards.

From the matters communicated with those charged with governance, 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 this report

This report, including the opinions, has been prepared for and only for the members as a body in accordance with the Section 262 of The Companies (Guernsey) Law, 2008 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Report on other legal and regulatory requirements

Company Law exception reporting

Under the Companies (Guernsey) Law, 2008 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit;
- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

The company has reported compliance against the 2019 AIC Code of Corporate Governance (the "Code") which has been endorsed by the UK Financial Reporting Council as being consistent with the UK Corporate Governance Code for the purposes of meeting the company's obligations, as an investment company, under the Listing Rules of the FCA.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the company was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the "Code"); and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the company and its environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Tony Corbin

For and on behalf of PricewaterhouseCoopers CI LLP
Chartered Accountants and Recognised Auditor
Guernsey, Channel Islands

9 December 2021

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 September 2021

	Notes	Year ended 30 September 2021 £	Year ended 30 September 2020 £
Income			
Investment income	3	957,075	1,100,172
Net gain on financial assets designated at fair value through profit or loss	8	53,254,632	8,904,203
Total income		**54,211,707**	**10,004,375**
Expenses			
Portfolio performance fees expense	4	(2,068,808)	(1,046,428)
Portfolio management fees	4	(830,989)	(651,766)
Operating expenses	5	(636,367)	(499,421)
Finance costs	15	-	(4,521)
Foreign exchange gains/(losses)		4,840	(7,520)
Total expenses		**(3,531,324)**	**(2,209,656)**
Profit before taxation		**50,680,383**	**7,794,719**
Taxation		**-**	**-**
Profit after taxation and total comprehensive income		**50,680,383**	**7,794,719**
Basic and diluted earnings per Ordinary Share	13	1.2700	0.1678

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 54 to 70 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION
As at 30 September 2021

	Notes	30 September 2021 £	30 September 2020 £
Non-current assets			
Financial assets designated at fair value through profit or loss	8	102,125,227	92,934,986
Current assets			
Cash and cash equivalents		10,156,557	3,929,910
Trade receivables - securities sold awaiting settlement		-	73,663
Other receivables and prepayments	7	78,385	73,083
Total current assets		**10,234,942**	**4,076,656**
Total assets		**112,360,169**	**97,011,642**
Current liabilities			
Trade payables – securities purchased awaiting settlement		-	(104,945)
Other payables and accruals	10	(1,073,602)	(1,293,784)
Total current liabilities		**(1,073,602)**	**(1,398,729)**
Total liabilities		**(1,073,602)**	**(1,398,729)**
Net assets		**111,286,567**	**95,612,913**
Capital and reserves			
Stated capital	12	-	-
Share premium	12	-	28,391,852
Retained earnings		111,286,567	67,221,061
Equity Shareholders' funds		**111,286,567**	**95,612,913**

The financial statements on pages 51 to 71 were approved and authorised for issue by the Board of Directors on 9 December 2021 and signed on its behalf by:

Andrew Chapman
Chairman

Stephen Coe
Audit Committee Chairman

The notes on pages 54 to 70 form an integral part of these financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 30 September 2021

	Stated capital £	Share premium £	Retained earnings £	Total £
Opening equity Shareholders' funds at 1 October 2020	**-**	**28,391,852**	**67,221,061**	**95,612,913**
Total comprehensive income for the year	-	-	50,680,383	50,680,383
Transactions with owners, recorded directly in equity				
Redemption of ordinary shares	-	(28,382,545)	(6,614,877)	(34,997,422)
Ordinary share redemption costs	-	(9,307)	-	(9,307)
Closing equity Shareholders' funds at 30 September 2021	**-**	**-**	**111,286,567**	**111,286,567**

For the year ended 30 September 2020

	Stated capital £	Share premium £	Retained earnings £	Total £
Opening equity Shareholders' funds at 1 October 2019	**-**	**28,391,852**	**59,426,342**	**87,818,194**
Total comprehensive loss for the year	-	-	7,794,719	7,794,719
Closing equity Shareholders' funds at 30 September 2020	**-**	**28,391,852**	**67,221,061**	**95,612,913**

The notes on pages 54 to 70 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS
For the year ended 30 September 2021

	Notes	Year ended 30 September 2021 £	Year ended 30 September 2020 £
Cash flow from operating activities			
Profit after taxation and total comprehensive income for the year		50,680,383	7,794,719
Adjustments to reconcile profit after taxation to net cash flows:			
- Realised gain on financial assets designated at fair value through profit or loss	8	(32,981,316)	(2,344,487)
- Unrealised gain on financial assets designated at fair value through profit or loss	8	(20,273,316)	(6,559,716)
Purchase of financial assets designated at fair value through profit or loss[1]	8	(23,635,734)	(32,221,333)
Proceeds from sale of financial assets designated at fair value through profit or loss[2]	8	67,668,843	29,537,287
Changes in working capital			
Decrease in other receivables and prepayments	7	(5,302)	128,995
(Decrease)/increase in other payables	10	(220,182)	1,050,581
Net cash generated from/(used in) operating activities		**41,233,376**	**(2,613,954)**
Cash flows from financing activities			
Redemption of ordinary shares	12	(34,997,422)	-
Ordinary share redemption costs paid	12	(9,307)	-
Net cash used in financing activities		**(35,006,729)**	-
Net increase/(decrease) in cash and cash equivalents in the year		**6,226,647**	**(2,613,954)**
Cash and cash equivalents at the beginning of the year		3,929,910	6,543,864
Cash and cash equivalents at the end of the year		**10,156,557**	**3,929,910**

[1] - Payables outstanding at 30 September 2021 relating to purchases of financial assets designated at fair value through profit amounted to £nil (30 September 2020: £104,945).
[2] - Receivables outstanding at 30 September 2021 relating to sales of financial assets designated at fair value through profit amounted to £nil (30 September 2020: £73,663).

The notes on pages 54 to 70 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 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 registered by the GFSC as a registered closed-ended collective investment scheme pursuant to the Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended, and the RCIS Rules 2018. 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. Accounting policies

The principal 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 International Financial Reporting Standards ("IFRS") which comprise standards and interpretations approved by the International Accounting Standards Board ("IASB"), and interpretations issued by the IFRS Interpretations Committee ("IFRIC") as approved by the International Accounting Standards Committee ("IASC") which remain in effect. 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 designated at fair value through profit or loss.

c) Functional and presentation currency

The Company's functional currency is Pounds 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 Pounds Sterling. Pounds 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 Pounds Sterling.

d) Critical 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 the functional currency is Pounds Sterling (refer to note 2.1 (c) above) and that all financial assets designated at fair value through profit or loss are traded within an active market (note 2.3(c) below).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Accounting policies (continued)
2.1 Basis of preparation (continued)
e) New standards, amendments and interpretations
Definition of material (amendments to IAS 1 and IAS 8)
The International Accounting Standards Board has redefined its definition of material, issued practical guidance on applying the concept of materiality and issued proposals focused on the application of materiality to disclosure of other accounting policies. The amendments do not have a material impact on the Company's financial statements.

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

There are a number of new standards, amendments and interpretations to existing standards that will become effective in future accounting periods that have not been adopted by the Company.

f) Standards, amendments and interpretations issued but not yet effective
Detailed below are new standards, amendments and interpretations to existing standards that become effective in future accounting periods, which have not been early adopted by the Company:

	Effective for periods beginning on or after
IFRS 17 – Insurance contracts	1 January 2023

The Board has undertaken an assessment of the impact of IFRS 17 on the Company's financial statements and concluded that there will be no material impact as the Company does not have any insurance contracts.

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16
The amendments to the above standards are effective for period beginning on or after 1 January 2021 and provide temporary reliefs, which address the financial reporting effects when an interbank offered rate is replaced with an alternative nearly risk-free interest rate. As the Company does not hold any instruments that reference interbank offered rates, these amendments have no impact on the Annual Report and 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 Pounds Sterling are recognised in the Statement of Comprehensive Income as foreign exchange gains/(losses).

Non-monetary items such as financial assets designated 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 2021 all financial assets designated at fair value through profit or loss are held in Pounds Sterling.

2.3 Financial instruments
Financial Assets
a) Classification
The Company classifies its investments in equity securities as financial assets designated 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Accounting policies (continued)
2.3 Financial instruments (continued)
Financial Assets (continued)

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 designated 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 designated at fair value through profit or loss are measured at fair value.

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 2021, 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.

The Directors determined that an active market exists based on the frequency and volume of transactions of each asset. As all the Company's financial assets are quoted securities which are traded in active markets as at 30 September 2021, in the opinion of the Directors, the quoted price for the financial assets as at 30 September 2021 is representative of fair value.

d) Valuation process
The Directors are in ongoing communications with the Portfolio Manager and hold meetings on a timely basis to discuss performance of the investment portfolio and the valuation methodology and in addition review monthly investment performance reports.

The Directors analyse the investment portfolio in terms of both investment mix and fair value hierarchy and consider the impact of general credit conditions and/or events that occur in the global corporate environments which may impact the economic conditions in the UK and ultimately on the valuation of the investment portfolio.

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 2021. 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Accounting policies (continued)

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.

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 Directors view the operations of the Company as one operating segment, being investment in UK micro cap companies. All significant operating decisions are based upon analysis of the Company's investments as one segment. The financial results from this segment are equivalent to the financial results of the Company as a whole, which are evaluated regularly by the chief operating decision-maker (the Board with insight from the Portfolio Manager).

2.9 Contingent liabilities and provisions
A contingent liability is a possible obligation depending on whether some uncertain future event occurs; or a present obligation but payment is not probable or the amount cannot be measured reliably. A provision is recognised when:

- the Company has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources will be required to settle the obligation; and
- the amount has been reliably estimated.

2.10 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 £1,200 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2.11 Stated 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.

Please refer to note 12 for details regarding the redemption mechanism of Ordinary Shares.

2.12 Capital risk management

The Board defines capital as financial resources available to the Company. The Company's capital as at 30 September 2021 comprises its stated capital, share premium and retained earnings at a total of £111,286,567 (2020: £95,612,913).

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 2021 £	Year ended 30 September 2020 £
Dividend income[1]	957,075	1,095,656
Bank interest	-	4,516
Total investment income	**957,075**	**1,100,172**

[1] Net of withholding taxes of £108,374 (2020: £174,716).

4. Portfolio management and performance fees

On 3 November 2014, the Company signed an Investment Management agreement with the Manager and the Portfolio Manager, whereby the Manager 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 Manager or the Portfolio Manager may voluntarily terminate the Investment Management agreement by providing six months' notice in writing. The Manager's power to terminate the appointment of the Portfolio Manager under the Investment Management agreement may only be exercised under the direction of the Board and the Manager has agreed to comply with the instructions of the Board as regards to any proposed termination of the Portfolio Manager's appointment.

Under the agreement, 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 2021, the Company incurred management fees expense of £830,989 (30 September 2020: £651,766).

A performance fee equal to 15% of the amount by which the Company's NAV outperforms the total return on the benchmark (being Numis Smaller Companies plus AIM (excluding Investment Companies) total return index) over a performance period will be payable to the Portfolio Manager upon a redemption.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Portfolio management and performance fees (continued)

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 12.

During the year ended 30 September 2021, the Company recognised performance fees expense of £2,068,808 (30 September 2020: £1,046,428).

As at 30 September 2021, performance fees accrued were £897,281 (30 September 2020: £1,046,428) as the Company's NAV total return is currently outperforming the benchmark. During the year ended 30 September 2021, the Company paid performance fees in the sum of £2,217,955 (30 September 2020: £nil). Refer to the Financial Highlights and Performance Summary for details of the Company's previous redemptions on page 4.

5. Operating expenses

	Year ended 30 September 2021 £	**Year ended 30 September 2020 £**
Administration fees	159,282	128,639
Directors' fees	144,387	119,918
AIFM fees	58,098	54,192
Audit fees	50,436	52,798
Transaction fees	55,208	42,977
Broker fees	36,667	38,707
Custody fees	24,321	20,599
Non-audit fees	19,070	19,135
Registrar fees	14,624	16,569
Legal and professional fees	4,791	6,670
Sundry expenses	69,483	(783)
Total operating expenses	**636,367**	**499,421**

Non-audit fees

Non-audit fees incurred during the year ended 30 September 2021 relating to interim review services amounted to £19,070 (2020: 19,135). Non-audit fees payable as at 30 September 2021 were £nil (30 September 2020: £nil).

AIFM fee

On 21 October 2014, the Company signed an AIFM agreement with the Manager to act as the Company's AIFM. Under that agreement, the Manager was entitled to an annual fixed fee of £54,000 which was increased to £58,000 per annum effective 1 September 2020 when the Company signed an amended agreement. All other provisions of the AIFM agreement dated 21 October 2014 remained the same.

The annual fixed fee is paid quarterly in arrears. There were no AIFM fees payable as at 30 September 2021 (30 September 2020: £13,574). The AIFM agreement can be terminated by either the Company or the Manager by giving the other not less than ninety days' written notice or on immediate notice on the occurrence of certain "cause" events.

Custody fee

On 21 October 2014, the Company signed a Global Custody Agreement with the Manager and the Administrator, whereby the Company appointed the Administrator to carry out custodian services. 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. Custody fees payable as at 30 September 2021 were £1,212 (30 September 2020: £1,096).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. Operating expenses (continued)

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
On 21 October 2014, the Company signed an agreement with the Administrator to provide administrative, compliance oversight and company secretarial services to the Company. Under the administration agreement, the Administrator will be entitled to a minimum annual fixed fee for fund administration services, company secretarial and compliance services. These fees are paid monthly in arrears. Ad hoc other administration services are chargeable on a time cost basis. In addition, the Company will reimburse the Administrator for any out of pocket expenses. Administration fees payable as at 30 September 2021 were £9,319 (30 September 2020: £10,926).

Broker fee
Cantor Fitzgerald Europe ("Cantor Fitzgerald") provided corporate stockbroker and financial adviser services to the Company as the Company's sole broker. Under the agreement, Cantor Fitzgerald was entitled to a fee payable by the Company of £40,000 per annum payable quarterly in arrears.

On 1 July 2020, the Company announced it had appointed Singer Capital Markets Advisory LLP ("Singer"), to provide corporate stockbroker and financial adviser services to the Company, as the Company's sole broker, following Cantor Fitzgerald's withdrawal from providing corporate broker services in this UK market. Under the agreement, Singer is entitled to a fee payable by the Company of £40,000 per annum payable quarterly in advance.

In addition, Singer is entitled to a one-off bonus fee contingent upon the average daily discount over the three months to 31 December 2021. The bonus will be payable to Singer only if the Company's average daily discount will be no greater than 8% during this period; with a maximum bonus payable to Singer of £11,800 per annum, should the Company's shares be trading at a premium during this period, reduced accordingly if the average daily discount lies between 8% and 0% during this period.

There were no broker fees payable as at 30 September 2021 (30 September 2020: £13,333).

6. Directors' fees and interests
The Directors of the Company were remunerated for their services at a fee of £25,000 per annum to 31 December 2020, increasing to £27,000 per annum from 1 January 2021. The Chairman and the Chairman of the Audit Committee receive an additional £15,000 and £5,000 respectively for their additional roles.

The Company has no employees. Directors' fees payable as at 30 September 2021 were £37,052 (30 September 2020: £30,165).As at the date of approval of the Annual Financial Report, Andrew Chapman, Trudi Clark, Mark Hodgson' Ian Burns and Stephen Coe held 15,009, 8,353, 7,721, 4,015 and nil Ordinary Shares in the Company respectively. Stephen Coe purchased shares post year-end, refer to note 17 for further details. No pension contributions were payable in respect of any of the Directors.

7. Other receivables

	30 September 2021 £	30 September 2020 £
Dividend receivable	71,144	51,480
Prepayments	6,777	6,580
Interest and other receivable	463	15,022
Ordinary Share receivable	1	1
Total other receivables	**78,385**	**73,083**

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 designated at fair value through profit or loss

	30 September 2021 £	30 September 2020 £
Financial assets designated at fair value through profit or loss	**102,125,227**	**92,934,986**

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 instrument's 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 £**	**30 September 2021 Total £**
Financial assets designated at fair value through profit or loss	102,125,227	-	-	102,125,227

Financial assets	**Level 1 £**	**Level 2 £**	**Level 3 £**	**30 September 2020 Total £**
Financial assets designated at fair value through profit or loss	92,934,986	-	-	92,934,986

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

Financial assets designated at fair value through profit or loss reconciliation
The following table shows a reconciliation of all movements in the fair value of financial assets categorised within Level 1 to 3 between the beginning and the end of the reporting period:

30 September 2021	Level 1 £	Level 2 £	Level 3 £	Total £
Opening valuation	**92,934,986**	**-**	**-**	**92,934,986**
Purchases during the year	23,530,789	-	-	23,530,789
Sales - proceeds during the year	(67,595,180)		-	(67,595,180)
Realised gain on financial assets designated at fair value through profit or loss[1]	32,981,316	-	-	32,981,316
Unrealised gain on financial assets designated at fair value through profit or loss[2]	20,273,316	-	-	20,273,316
Closing valuation	**102,125,227**	**-**	**-**	**102,125,227**
Total net gain on financial assets for the year ended 30 September 2021	53,254,632	-	-	53,254,632

During the year ended 30 September 2021, there were no reclassifications between levels of the fair value hierarchy.

30 September 2020	Level 1 £	Level 2 £	Level 3 £	Total £
Opening valuation	**81,386,681**	**-**	**-**	**81,386,681**
Purchases during the year	32,218,190	-	-	32,218,190
Sales - proceeds during the year	(29,574,088)		-	(29,574,088)
Realised gain on financial assets designated at fair value through profit or loss[3]	2,344,487	-	-	2,344,487
Unrealised gain on financial assets designated at fair value through profit or loss[4]	6,559,716	-	-	6,559,716
Closing valuation	**92,934,986**	**-**	**-**	**92,934,986**
Total net gain on financial assets for the year ended 30 September 2020	8,904,203	-	-	8,904,203

During the year ended 30 September 2020, there were no reclassifications between levels of the fair value hierarchy.

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

As at 30 September 2021, none of the investments held are deemed to be illiquid in nature and on this basis are not subject to any special arrangements.

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.

[1] Realised gain on financial assets designated at fair value through profit or loss is made up of £37,042,565 gain and £(4,061,250) loss.
[2] Unrealised gain on financial assets designated at fair value through profit or loss is made up of £34,324,776 gain and £(14,051,460) loss.
[3] Realised gain on financial assets designated at fair value through profit or loss is made up of £10,898,127 gain and £(8,553,640) loss.
[4] Unrealised gain on financial assets designated at fair value through profit or loss is made up of £20,669,693 gain and £(14,109,977) loss.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9.1 Market risk (continued)
a) Price risk (continued)

As at 30 September 2021, 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 in order 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 designated at fair value through profit or loss at the year end increased or decreased by 15% (2020: 15%):

Financial assets	30 September 2021 £	Increase by 15% £	Decrease by 15% £
Financial assets designated at fair value through profit or loss	102,125,227	15,318,784	(15,318,784)

Financial assets	30 September 2020 £	Increase by 15% £	Decrease by 15% £
Financial assets designated at fair value through profit or loss	92,934,986	13,940,248	(13,940,248)

The Directors consider a 15% (2020: 15%) movement to be reasonable given their assessment of the volatility of the AIM market during the year ended 30 September 2021. 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.

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 income receivable on cash deposits. Financial assets designated 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. Furthermore, the Company would be exposed to interest rate risk on any amounts drawn down under the facility detailed in note 15.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Financial risk management (continued)
9.1 Market risk (continued)
b) Interest rate risk (continued)

The Company has not had any borrowings during the year (30 September 2020: £nil). The table below details the Company's exposure to interest rate risks:

	30 September 2021 Interest bearing (*) £	30 September 2021 Non-interest bearing £	30 September 2021 Total £
Assets			
Financial assets designated at fair value through profit or loss	-	102,125,227	102,125,227
Cash and cash equivalents	10,156,557	-	10,156,557
Trade receivables - securities sold awaiting settlement	-	-	-
Other receivables (excluding prepayments)	-	71,608	71,608
Total assets	**10,156,557**	**102,196,835**	**112,353,392**
Liabilities			
Trade payables – securities purchased awaiting settlement	-	-	-
Other payables	-	(1,073,602)	(1,073,602)
Total liabilities	-	(1,073,602)	(1,073,602)
Total interest sensitivity gap	**10,156,557**	**101,123,233**	**111,279,790**

* - floating rate and due within 1 month

	30 September 2020 Interest bearing (*) £	30 September 2020 Non-interest bearing £	30 September 2020 Total £
Assets			
Financial assets designated at fair value through profit or loss	-	92,934,986	92,934,986
Cash and cash equivalents	3,929,910	-	3,929,910
Trade receivables - securities sold awaiting settlement	-	73,663	73,663
Other receivables (excluding prepayments)	-	66,503	66,503
Total assets	**3,929,910**	**93,075,152**	**97,005,062**
Liabilities			
Trade payables – securities purchased awaiting settlement	-	(104,945)	(104,945)
Other payables	-	(1,293,784)	(1,293,784)
Total liabilities	-	(1,398,729)	(1,398,729)
Total interest sensitivity gap	**3,929,910**	**91,676,423**	**95,606,333**

* - floating rate and due within 1 month

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Financial risk management (continued)

Interest rate sensitivity analysis
If interest rates had changed by 50 basis points, (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 2021 £	30 September 2020 £
Increase of 50 basis points	50,783	19,650
Decrease of 50 basis points	(50,783)	(19,650)

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 Pounds Sterling.

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

During the year ended 30 September 2021 and 30 September 2020, all transactions were in Pounds 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 Pounds Sterling, it may do so from time to time, depending on market conditions. During the year ended 30 September 2021, the Company did not enter into (30 September 2020: nil) currency purchase spot contracts to mitigate the foreign currency exposure.

As at 30 September 2021, USD cash in the sum of $126,524 (30 September 2020: $nil) was held and income receivable was $49,200 (30 September 2020: $nil). 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.

At the reporting date, the Company's financial assets exposed to credit risk amounted to the following:

	30 September 2021 £	30 September 2020 £
Cash and cash equivalents	10,156,557	3,929,910
Trade receivables - securities sold awaiting settlement	-	73,663
Other receivables (excluding prepayments)	71,608	66,503
Total assets	**10,228,165**	**4,070,076**

All cash is placed with BNP Paribas Securities Services S.C.A., Guernsey Branch.

BNP Paribas Securities Services S.C.A., Guernsey Branch is a wholly owned subsidiary of BNP Paribas Securities Services S.A. which is publicly traded with a credit rating of A+ (2020: A+) from 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Financial risk management (continued)

9.2 Credit risk (continued)
The financial assets designated at fair value through profit or loss are held by BNP Paribas Securities Services S.C.A, Guernsey branch, the Company's custodian, in a segregated account. In the event of bankruptcy or insolvency of the Administrator, 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 consider both historical analysis and forward looking information in determining any expected credit loss. At 30 September 2020 and 30 September 2021, 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.

The table below shows the residual contractual maturity of the financial liabilities as at 30 September 2021:

Maturity analysis of financial liabilities

	Less than 3 months £	3 to 12 months £	More than 1 year £	Total £
Financial liabilities				
Trade payables – securities purchased awaiting settlement	-	-	-	-
Other payables and accruals[1]	(176,321)	(897,281)	-	(1,073,602)
Total undiscounted financial liabilities	**(176,321)**	**(897,281)**	**-**	**(1,073,602)**

The table below shows the residual contractual maturity of the financial liabilities as at 30 September 2020:

	Less than 3 months £	3 to 12 months £	More than 1 year £	Total £
Financial liabilities				
Trade payables – securities purchased awaiting settlement	(104,945)	-	-	(104,945)
Other payables and accruals	(247,355)	(1,046,429)	-	(1,293,784)
Total undiscounted financial liabilities	**(352,300)**	**(1,046,429)**	**-**	**(1,398,729)**

[1] – Included in other payables is a performance fee payable of £897,281 (30 September 2020: £1,046,428). Please refer to note 4 for further details regarding calculation of performance fee and when this sum will be payable.

In accordance with Article 23(4)(a) and (b) of AIFMD Directive, the AIFM has assessed that the financial assets designated 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. Other payables and accruals

	30 September 2021 £	30 September 2020 £
Portfolio performance fees	897,281	1,046,428
Portfolio management fees	69,197	119,563
Audit fees	50,779	54,199
Directors' fees	37,052	30,165
AIFM fees	-	13,574
Broker fees	-	13,333
Administration fees	12,236	10,926
Registrar fees	1,000	2,000
Custody fees	1,212	1,096
Sundry expenses	4,845	2,500
Total other payables and accruals	**1,073,602**	**1,293,784**

11. Contingent liabilities and commitments

As at 30 September 2021, the Company had no contingent liabilities or commitments (30 September 2020: nil).

12. Stated capital and share premium

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

Ordinary Shares	Number of shares	Stated capital £	Share premium £
Total issued share capital as at 1 October 2020	**46,445,043**	**-**	**28,391,852**
Ordinary Shares redeemed during the year	(12,547,089)	-	(28,382,545)
Ordinary shares redemption costs	-	-	(9,307)
Total issued share capital as at 30 September 2021	**33,897,954**	**-**	**-**

The share premium reserve is and has historically been used to recognise the Company's share redemptions. As the share premium reserve reduced to £nil during the year ended 30 September 2021, £6,614,877 of Ordinary Shares redeemed during the year have been recognised against retained earnings.

	Number of shares	Stated capital £	Share premium £
Total issued share capital as at 1 October 2019	**46,445,043**	**-**	**28,391,852**
Ordinary Shares redeemed during the year	-	-	-
Total issued share capital as at 30 September 2020	**46,445,043**	**-**	**28,391,852**

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. Stated capital and share premium (continued)

No dividends have been declared or paid during the year (30 September 2020: nil).

Issuance of Ordinary Shares
No Ordinary Shares were issued during the year ended 30 September 2021 (30 September 2020: nil 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 that 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.

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 reserves of The Company. The share premium reserve is and has historically been used to recognise The Company's share redemptions. Any redemptions over and above this reserve will be recognised against retained earnings.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. Stated capital and share premium (continued)

Redemption mechanism (continued)

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.

13. Basic and diluted earnings per Ordinary Share

	Year ended 30 September 2021 £	Year ended 30 September 2020 £
Total comprehensive income for the year	50,680,393	7,794,719
Weighted average number of Ordinary Shares during the year	39,905,041	46,445,043
Basic and diluted earnings per Ordinary Share	1.2700	0.1678

14. Net Asset Value per Ordinary share

	30 September 2021 £	30 September 2020 £
Net Asset Value	111,286,567	95,612,912
Number of Ordinary Shares at year end	33,897,954	46,445,043
Net Asset Value per Ordinary Share	3.2830	2.0586

15. Finance costs

On 9 December 2016, the Company entered into a Sterling Facility Agreement (the "Facility") for a £2,000,000 revolving credit facility with BNP Paribas Securities Services S.C.A. (the "Lender") and BNP Paribas Securities Services S.C.A., Guernsey Branch (the "Custodian"); and Security Interest Agreement between the Company, the Lender and Custodian. Any amount drawn under the Facility was subject to interest of 2.05% per annum over LIBOR.

In addition, a loan commitment of 0.50% per annum was payable on any undrawn amounts. The Facility was subject to an original arrangement fee of £8,000 and subsequent annual extensions were subject to an extension fee of £8,000 per annum

The Facility was extended and amended on 13 December 2017, with an increased facility amount of £5,000,000 and the loan interest was amended to 1.75% per annum over LIBOR. The Facility was further extended on 11 December 2018 to 6 December 2019 and it expired on this date, as the Board decided not to renew the Facility further.

16. Related party disclosure

The Manager

The Manager 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 Manager.

The Portfolio Manager

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. Related party disclosure (continued)

As at 30 September 2021, the Portfolio Manager and George Ensor held the following voting rights in the Company:

	30 September 2021	30 September 2020
Portfolio Manager	3,000,230	4,110,768
George Ensor	43,791	60,000

The Directors
The Directors are entitled to remuneration for their services and also 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.

17. 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 2021.

During the period 30 September 2021 to 7 December 2021, the NAV per share increased by 8.38% from £3.2830 to £3.0079.

On 1 October 2021, the Board announced that Stephen Coe had taken over as Chairman of the Audit Committee following the retirement of Ian Burns from the Board on 30 September 2021.

On 18 October 2021, Stephen Coe purchased 4,000 Ordinary Shares in the Company.

18. Controlling party
In the Directors’ opinion, the Company has no ultimate controlling party.

USEFUL INFORMATION FOR SHAREHOLDERS

Alternative performance measures disclosure
In accordance with ESMA Guidelines on Alternative Performance Measures ("APMs") the Board has considered what APMs are included in the Annual Financial Report and financial statements which require further clarification. An APM is 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, are deemed to be as follows:

NAV total return vs benchmark
The NAV total return measures how the NAV per Ordinary Share has performed over a period of time, taking into account of capital returns. The Company quotes NAV total return as a percentage change from the beginning of the financial year or initial issuance of Ordinary Shares to 30 September 2021. The Company has not declared a dividend since inception.

The Board monitors the Company NAV total return against the Numis Smaller Companies plus Alternative Investment Market (“AIM”) (excluding Investment Companies) Index.

Please refer to page 3 for NAV total return vs benchmark analysis.

NAV to market price discount / premium
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. However, because the Company’s Ordinary Shares are traded on the London Stock Exchange's Main Market, the share price may be higher or lower than the NAV. The difference is known as a discount or premium. The Company’s discount / premium to NAV is calculated by expressing the difference between the Ordinary Share price (bid price)[1] and the NAV per share on the same day compared to the NAV per share on the same day.

At 30 September 2021, the Company's Ordinary Shares traded at £2.8000 (2020: £1.5800), reflecting a discount of 14.71% (2020: discount of 23.25%) to the NAV per Ordinary Share of £3.2830 (2020: £2.0586).

Ongoing charges
The ongoing charges ratio for the year ended 30 September 2021 was 1.29% (2020: 1.35%). The AIC’s methodology for calculating an ongoing charges figure is based on annualised ongoing charges of £1,412,148 (2020: £1,168,194) divided by average NAV in the period of £109,661,967 (2020: £86,684,667).

Calculating ongoing charges
The ongoing charges are 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.”

[1] - Source: Bloomberg

USEFUL INFORMATION FOR SHAREHOLDERS (CONTINUED)

Ongoing charges (continued)
Please refer below for ongoing charges reconciliation for the years ended 30 September 2021 and 30 September 2020:

	30 September 2021 £	30 September 2020 £
Total expenses for the year:	3,531,324	2,209,656
Expenses excluded from the calculation of ongoing charges figures, in accordance with AIC's methodology:		
Portfolio Performance fees expense	(2,068,808)	(1,046,428)
Sundry expenses (marketing fees recovery)	-	59,984
Transaction fees	(55,208)	(42,977)
Finance costs	-	(4,521)
Foreign exchange gains/(losses)	4,840	(7,520)
Total ongoing charges for the year	**1,412,148**	**1,168,194**

Calculating an average NAV
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 2021 and 30 September 2020.

COMPANY INFORMATION

Board members
Andrew Chapman (Chairman)
Ian Burns (Chairman of the Audit Committee and Senior Independent Director) retired from the Board on 30 September 2021
Stephen Coe (Chairman of the Audit Committee and Senior Independent Director from 1 October 2021) Appointed 1 January 2021
Trudi Clark (Chairman of the Remuneration and Nomination Committee and Management Engagement Committee)
Mark Hodgson

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

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

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

Portfolio Manager
River and Mercantile Asset Management LLP
30 Coleman Street
London
EC2R 5AL

Independent Auditor
PricewaterhouseCoopers CI LLP
PO Box 321
Royal Bank Place
1 Glategny Esplanade
St Peter Port
Guernsey
GY1 4ND

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

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

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

Registrar
Computershare Investor Services (Guernsey) Limited
1st Floor, Tudor House
Le Bordage
St Peter Port
Guernsey
GY1 1DB

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

[1] – BNP Paribas Securities Services S.C.A. Guernsey Branch is regulated by the Guernsey Financial Services Commission.