RIVER AND MERCANTILE UK MICRO CAP INVESTMENT COMPANY LIMITED

ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2023

THE COMPANY AT A GLANCE

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

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

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

It is expected that the majority of the Company's investible universe will comprise companies whose securities are admitted to trading on the Alternative Investment Market of the London Stock Exchange. While it is intended that the Company will be fully invested in normal market conditions, the Company may hold cash or similar instruments.

About the Alternative Investment Fund Manager ("AIFM")
The AIFM of the Company is Carne Global AIFM Solutions (C.I.) Limited ("Carne" or the AIFM) who is authorised and regulated by the Jersey Financial Services Commission. The AIFM provides an oversight and risk management function but delegates portfolio management to River and Mercantile Asset Management LLP. The AIFM is independent and has no legal ownership connection with the River and Mercantile Asset Management LLP.

About River and Mercantile Asset Management LLP (the "Portfolio Manager")
The Portfolio Manager is an active equity manager, specialising in UK and global equity strategies since its launch in 2006. Since 2014, it has been part of River and Mercantile Group Limited (formerly River and Mercantile Group PLC) (the "Group"). The Group was acquired by AssetCo PLC on 15 June 2022. The Portfolio Manager is authorised and regulated by the Financial Conduct Authority.

George Ensor, the appointed fund manager, has been responsible for the Company's portfolio since February 2018. Please refer to page 14 for George's biography.

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

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

The Company does not expect to pay dividends.

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

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Key Performance Indicators

Performance for the year ended 30 September 2023
In the year ended 30 September 2023, the NAV total return of the Company outperformed the Numis Smaller Companies plus Alternative Investment Market ("AIM") (excluding Investment Companies) Index (the "Comparative Index") index by 0.54%, delivering a NAV total return of 3.81%, compared to 3.27% posted by the Comparative Index.

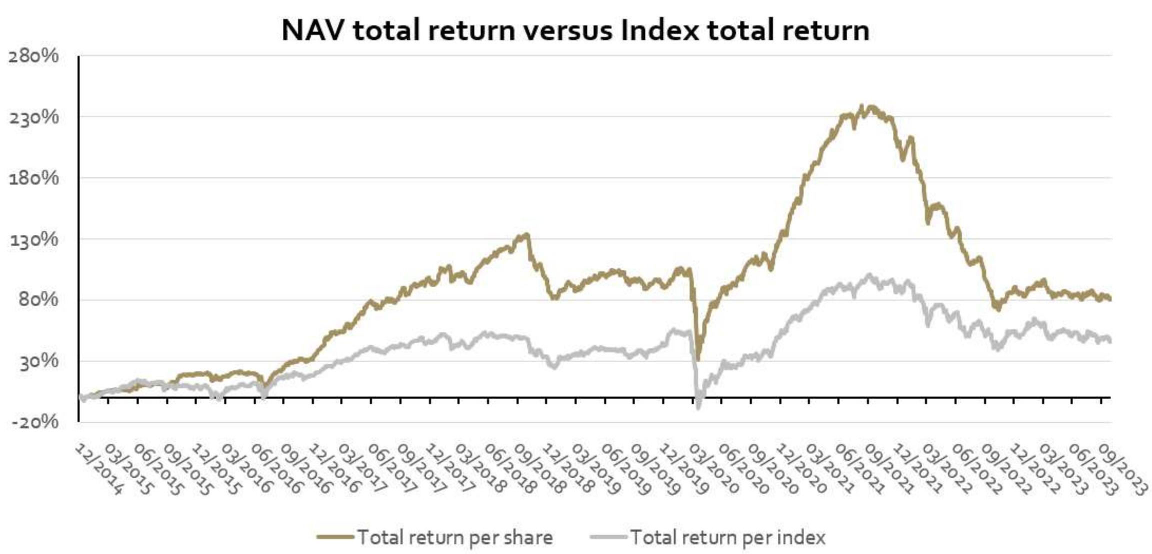
NAV and Share price

	As at 30 September 2023	As at 30 September 2022
NAV per Ordinary Share[1]	£1.7714	£1.7063
Ordinary Share price (bid price)[2]	£1.4200	£1.3600
Share price discount to NAV[3]	(19.84)%	(20.29)%

Period highs and lows

	Year ended 30 September 2023 High	Year ended 30 September 2023 Low	Year ended 30 September 2022 High	Year ended 30 September 2022 Low
NAV per Ordinary Share[1]	£1.9226	£1.6836	£3.2830	£1.7063
Ordinary Share price (bid price)[2]	£1.5900	£1.3200	£2.9000	£1.3600

Performance since inception
NAV total return[4] from inception (net of all fees) was 6.94% on an annualised basis, outperforming the Comparative Index total return[5] of 4.44%. Refer to the chart below showing the NAV total return versus the Comparative Index from inception:



Capital redemptions
Since inception to 30 September 2023, the Company has exercised its Capital Redemption Mechanism on five separate occasions, as detailed below, redeeming a total of 34,609,615 Ordinary Shares and returning a total of £76,924,351 to Shareholders.

Redemption Date	Redemption price per Ordinary Share[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 2023 were 1.71% (30 September 2022: 1.39%), reflecting the decrease in the average NAV of the Company compared to the prior year.

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 page 23 to 24 and the Useful Information for Shareholders section on pages 71 to 72.

[1] –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.
[2] – Source: Bloomberg.
[3] – 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.
[4] – The NAV total return measures how the NAV per Ordinary Share has performed on an annualised basis from the initial issuance of Ordinary Shares to 30 September 2023, taking into account capital returns. The Board monitors the Company NAV total return against the Numis Smaller Companies plus Alternative Investment Market ("AIM") (excluding Investment Companies Index).
[5] – Source: Numis Securities Limited.
[6] – Excludes the cost of each redemption; amounting to a total of £33,008 across all redemptions.

CHAIRMAN'S STATEMENT

Nine years have flown bye……..

After serving as Chairman of the Company since IPO in 2014, I am now retiring in line with the UK Corporate Governance Code. This sets, as a guideline, nine years for a non-executive director to serve on the board of a quoted company. I am now passing on my baton to John Blowers who I know to be a very worthy successor.

The Company is unique in two major ways. It is the only listed company to specialise in holding micro cap stocks and a commitment to return excess capital through a unique capital return mechanism which caps the size of the fund. This, in effect, acts to harvest capital at peaks in the market to return to shareholders. As an initial investor in the Company myself I have enjoyed a handsome total return in line with many other investors. I am indeed proud of the fact that your Company has returned more cash to investors than it raised.

Your Board is obviously concerned about the Company's prevailing discount to NAV. However, this is universally recognised as being part of a wider issue for the investment trust industry with discounts in the round standing at their widest level since 2008.

The last time there was a discount anywhere near the current average across the sector was in 2008 when the average discount reached -16.4%. In the subsequent 3 years the average investment trust returned 22%. Such high returns were also enjoyed following other recent troughs (2003 and 2016) when returns were 34% and 9% respectively over the following 3 years. The key point here is that on each of these occasions the discounts have arisen at times when equities were cheap (on a Price/Earnings basis) and buyers were thin on the ground. This is very similar to today's circumstances[1].

Furthermore, in the past when the tide has turned on discounts for listed investment trusts, the big winners have been those focused on UK companies, and smaller firms in particular. Thus, UK small cap trusts rose 97% in the 3 years after 2008, according to analysts at Kepler. Similarly, every time the Numis Smaller Companies Index has had a negative year, it has enjoyed positive returns over the subsequent 3 years, also noting that past performance is not entirely indicative of future results[1].

A very positive signal for the small company sector was the recently announced "Mansion House Compact" between HM Government and nine large UK fund managers who undertook to put 5% of the assets in their clients' pension fund assets into unlisted equities by 2030. Importantly for us, for this purpose AIM listed stocks are included in the definition of unlisted equities. This move could certainly act to boost the market for smaller companies.

In summary, with UK equities in general, and UK investment trusts in particular, looking unloved, this looks to be an opportune time to buy rather than sell. The Board is very conscious that a Continuation Vote is due in 2024. As a Board we continue to believe that longer term the small cap market will return to favour. Also, we absolutely believe that whatever the market might think, this is not the time to be selling given prevailing market valuations and the discount to NAV. On a personal note, it is certainly not my intention to sell any of my shares in the Company after I step down as Chairman.

I am delighted to welcome Ted Holmes to the Board in September 2023. He brings with him a wealth of investment experience. Ted's appointment is part of the Board's succession planning that ensures the Company complies with the highest standards of corporate governance.

Andrew Chapman
Chairman

5 December 2023

[1]Stocks Are on Sale in the UK – If You Know Where to Look.11 September 2023. Source: Bloomberg.

PORTFOLIO MANAGER'S REPORT

Executive Summary

- UK economic performance better than feared – real GDP growth and productivity upgraded, inflation peaked and re-coupling with global trends, interest rates likely peaked. Business investment accelerating.
- UK Small Cap relative valuations cheaper than Global Financial Crisis low. Sentiment remains extremely depressed.
- Twelve-month performance +0.54% ahead of the Comparative Index.
- Three new Growth positions: hVIVO, a contract research organisation specialising in human challenge trials; Netcall, a digital transformation software business, and Diaceutics, a precision-medicine data business.
- Two new Recovery positions: IG Design, a supplier of celebration products, and Inspecs, an eyewear manufacturer and distributor.

Market Backdrop

Given the long list of challenges that investors faced a year ago, it seems remarkable (to me at least) that UK smaller companies[1] have fallen below the market low point of October 2022 in October 2023. As a reminder – we had been warned, by The Bank of England, to expect the longest recession since records began, with unemployment forecast to double. Gas prices were forecast to exceed 500p per therm – they peaked at 375p. Most would probably agree that there is currently less political uncertainty, and the upcoming General Election is being fought by party leaders that lean towards the centre. We are yet to see either the earnings downgrades implied by the valuation of much of the market or the feared pickup in unemployment or collapse in house prices.

UK Small Cap equities are mispriced. Yes, with gilts and treasuries yielding 5% there is an alternative but, on a price-to-earnings ratio of less than 10x, equities are yielding far more – double! – and their earnings are very likely to grow over the medium term.

The chart below is both insightful and useful given the historical context – interest rates in the UK have ranged from 0.1% in 2021 to a peak of 17% in 1980. It shows the realised annual return on a rolling 10-year basis achieved from investing in UK Smaller Companies[2] which is relevant because historically, as we show later, we have delivered strong absolute and relative returns when UK Smaller Companies returns are positive.

The data shows that an investment in UK smaller companies' equity historically delivers attractive real returns when owned on a sensible time horizon (and not sold in a panic at the market lows). Whilst the chart shows nominal returns, RPI averaged 5.3% over the full time series and 3.8% since 1983, prior to which there was a 23-year period of high inflation (12.3% average). It is noteworthy that the January 1975 low for realised returns from smaller companies came just ahead of the August 1975 high for inflation (26.9% YoY!)[3], while the peak came 10 years later. In other words, peaking inflation heralded a golden decade for UK smaller company equity returns.

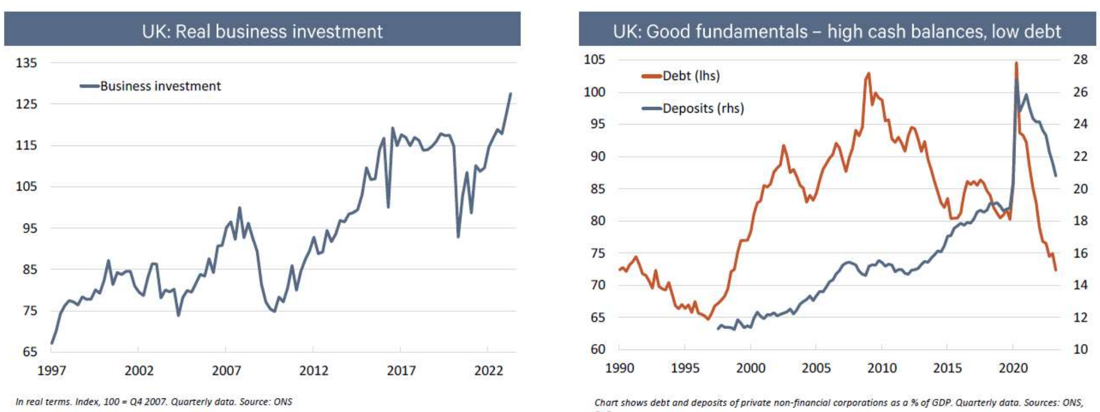
[1] As measured by our Comparative Index, the Numis Smaller Companies ex Investment Trusts plus AIM.
[2] Data is for Numis Smaller Companies Index (NSCI), Source: Numis.
[3] All RPI data – Source ONS, Bloomberg.

Source: Numis, Data to 30 June 2023.

To use the data in another way and to show the scale of the opportunity when realised returns mean revert – the move from the low point for trailing returns in March 2009 to the most recent high point in September 2021 was a gain of more than 500%, doubling the performance of the wider UK market. Whilst this might at first appear a generous comparison given the exceptional nature of the Financial Crisis, absolute valuations are close to GFC levels, but small cap valuations relative to the all-share are substantially cheaper today.

We have – along with others – been making the case for UK equities for some time. The pushbacks are often the same: the UK has a growth issue (productivity) and/or the UK has its own unique inflation issues above and beyond those being experienced in other economies (with the finger usually being pointed at Brexit). We have seen some interesting developments on these challenges over the last few months.

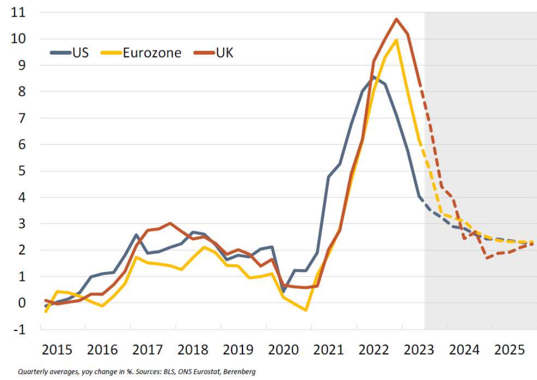
First, the Office of National Statistics released a substantial upgrade to UK GDP. Official data previously showed the UK as the only major economy to have not exceeded its pre-Covid real GDP. But, following a 2% upgrade to GDP, not only is real GDP almost 2% ahead of where it was at the end of 2019, but we have also delivered higher real growth than both France and Germany. Business investment – a key aspect of productivity – has also improved, aided by recent (relative) political stability and is close to the pre-Brexit trend (below LHS), supported by strong corporate balance sheets (below RHS).



Source: Berenberg, "The rocky road back to more normal times." October 2023. Includes Berenberg forecasts.

Second, having declined more slowly than expected from February to May, the rate of inflation has come in below expectations for the last three months to September 2023. Energy drove a further 2.1% decline in October 2023, which is likely to see UK CPI re-couple with European data. A long-term study of UK inflation by Panmure Gordon[4] showed that the difference in inflation between the UK and the G20 average over the last 25 years has been zero.

[4] Panmure Economics: UK Inflation. An extortionate privilege? 5 May 2023. Source: Panmure Gordon.



Source: Berenberg, "The rocky road back to more normal times." October 2023. Includes Berenberg forecasts.

Performance

The NAV at the end of September was 177.1p, a gain of 3.8% from the NAV per share of 170.6p at the end of September 2022. The Comparative Index returned a gain of 3.3%, leaving relative performance for the year at +0.5%.

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

Kooth (+3.1 percentage points contribution to portfolio relative return) announced the details of its new contract – a $188m, four-year contract to provide mental health services to six million young people in California. The contract is transformational and is likely to lead to both further opportunities in the US – the pilot trial with the state of Pennsylvania is ongoing – and higher margins as the business scales up. The 168% gain in the shares is a result of the starting valuation being extremely depressed plus the progress made in the US. The shares remain attractively valued albeit we do recognise that the next few months carry a higher level of execution risk.

Ten Lifestyle (+1.7) is a business that partners with banks and provides services – restaurant, travel and live events concierge – directly to their high value clients to improve retention. The business is therefore geared to both a recovery in travel and leisure but also to the profitability of banks. Ten Lifestyle have an excellent track record of retaining contracts meaning that both new contracts and the upsizing of existing contracts have driven strong revenue and EBITDA growth. The market has begun to recognise this potential, driving a re-rating in the period, but the company remains attractively valued.

Instem (+1.7) received a recommended cash offer at a 41% premium from Archimed, a specialist healthcare private equity investor, which sees an opportunity to accelerate the company's growth strategy. If the acquisition does complete at the recommended price of 833p then we will realise a return of 83% on our average cost.

Supreme (+1.5) delivered trading ahead of expectations driven by exceptional growth in its own vaping business and its new disposable vaping distribution business. We are cognisant of the risks facing disposable vapes given environmental and underage vaping concerns. In the event of a ban on disposables, we don't think the earnings impact would be as severe as the share price is currently discounting as it is likely that a high proportion of disposable vapers migrate to pod vaping systems which offer better value for money. Post year end, Supreme announced a series of detailed measures to proactively mitigate the growing rise of underage vaping (e.g., plain packaging, discontinue bright coloured disposables, age-appropriate flavours only, increase due-diligence on retailer age verification protocols) and reduce the environmental impact of disposable vapes (e.g., introduce vape disposal bins in stores).

Litigation Capital Management (+1.4) is another holding that has delivered excellent financial results. The company has delivered a record period of litigation case realisations and the returns realised from funding cases remains extremely attractive. This progress not only provides further support to the company's underwriting process, but the significant cash collected reduces the reliance on debt – the company had a net cash balance sheet at the end of June – that supports the ongoing growth of the business.

SigmaRoc (+1.2) rallied 43% over the period as the business continued to demonstrate the resilience of its profitability, driven by diversified end market exposure and its decentralised operating model which enables tight control of costs and continued productivity gains. We are pleased to see progress with the company's ongoing trial of carbon capture technology, which is a key step in its ambition to be net zero by 2030, reinforcing our S2 rating (see later for explanation). Given the shares started from a trough earnings multiple of 5.5x – following 2022's de-rating on energy costs and macro concerns – positive trading and additional bolt-on deals mean the company trades on only 7x PER today, which we believe represents excellent value. We expect resilient infrastructure markets, improving margins and further self-help initiatives to drive earnings momentum from here.

Keystone Law (+1.1) also delivered excellent results, upgrading full year expectations and announcing a further special dividend. Including expectations for the current year, the company will have returned close to 100p in dividends since its 2017 IPO at 160p. Keystone Law has delivered an exceptional rate of organic profit growth (c.26%) since IPO and returned substantial cash to shareholders.

Allergy Therapeutics (-4.8) was a high conviction position (4.9% of NAV at the end of September 2022) in a specialty pharmaceutical company focused on research and development of allergy treatments which we exited at a substantial loss. We believed that the group's vaccine technology, which offers convenience with far fewer injections than the market average underpinning increased patient adherence, was the foundation of the group's well established commercial position in Europe where it had demonstrated a strong track-record of consistent organic growth. We expected the cash cow core European business coupled with a strong, debt free, balance sheet to support R&D investment in a rich pipeline of both near market and early-stage opportunities offering significant upside optionality.

Despite a debt and equity fundraise in September 2022 (to fund pipeline asset growth opportunities) backed by two major shareholders, the company developed a significant additional funding requirement as a result of voluntarily pausing manufacturing during its peak production period in October and November prior to the start of the pollen season. The rationale for the voluntary pause in manufacturing was to upgrade quality control processes ahead of an expected regulatory inspection (which never occurred) following an earlier advisory notice. This had a material impact on the group's profitability and cash flow generation resulting in the company cancelling its revolving credit facility. Subsequently, the company announced a secured loan facility and equity financing with two major shareholders. The loan facility funds the company's short-term cash needs whilst the major shareholders obtain the necessary clearances from foreign direct investment authorities to subscribe for shares through the proposed equity financing at 1p per share, a material discount to the share price at the start of the period (30 Sept 2022, 8.7p). Given the onerous financial terms of the debt facility, Allergy expects to use the proceeds of the equity raise to pay off the debt facility. We exited our position ahead of the equity raise which resulted in a mandatory offer being made for the company at 1p per share. We are disappointed by the unfortunate sequence of events that enabled the two major shareholders to purchase the business at a deeply discounted valuation which we do not think reflects the long-term earnings potential of the business.

We expect **LendInvest** (-1.7), a prop-tech mortgage origination company, is close to trough profitability following its recent profit warning. Profitability has been impacted by depressed loan originations, particularly for higher value development loans. Future profitability should be supported by a reduction in operating costs and an eventual recovery in market demand. The current market capitalisation[5] of c.£50m is just three times the profit before tax that the company delivered in the twelve months to March 2023. We will look for a more benign backdrop before we consider re-building our position.

Mind Gym (-1.6) reported weaker than expected revenue growth, attributable to softer customer budgets, particularly within the technology sector and low efficacy of Mind Gym's sales force at a time when the group is reinvesting for long-term growth (specifically shifting from a predominantly coaching based business to a balanced coaching and software business). This has had a material impact on earnings expectations and increased the group's financial risk.

[5] As of October 2023

Our position in **Revolution Bars** (-1.5) was initiated on the belief that profits would recover towards pre-covid levels which would likely generate a significant return to equity investors. With an ambition to diversify away from late night drinking, the company acquired a leasehold pubs business. The valuation paid was reasonable, but the acquisition was largely debt funded and not only has the cost of debt materially increased but the core bars business has performed poorly. Investors are once again focusing on the leverage and the equity value has been significantly de-rated.

IOG (-1.5) is a North Sea gas production business that we acquired with a view to benefit from both high natural gas prices and production ramping up as various investment programs were completed. A combination of the fiscal changes – which are highly penal to debt-funded companies – and disappointing operational performance undermined our investment case and we exited the position.

SDX Energy (-1.1) is a (predominantly) gas exploration and production business with assets in Egypt and Morocco. US Dollar transfers have been restricted by the Central Bank of Egypt and the company has been unable to expatriate profits from Egypt. The company announced that they have signed terms for the disposal of the Egyptian business which will enable them to invest into developing the Moroccan assets. Recent news flow from the Moroccan business has been positive and it is clear that there is strong industrial demand for SDX's gas.

MaxCyte (-1.1) has seen partners rationalise spending given the challenging funding backdrop in the life sciences industry, driving revenue downgrades. Following a significant derating, the company trades on a depressed multiple of sales with 70% of the market capitalisation in cash.

Long term performance review
The table overleaf shows the annual NAV performance for each financial year since the Company's IPO in December 2014[6]. The last row of the table shows our performance relative to our Comparative Index on the same basis while the four middle rows provide context for the investment backdrop in that period.

For example, for the 10-month period to the end of September 2015, we deliver absolute NAV growth of 13% and we outperformed our Comparative Index by 5%. There was a growth style bias[7] in the market, UK interest rates were unchanged and Smaller Companies[8] outperformed.

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

- Positive relative performance in seven out of nine financial periods.
- Total return after all fees of 80.8%, an annualised return of 6.9%.
- Outperformance of 35%, delivering annualised outperformance of 3.4%.
- We have delivered positive returns in years with both Growth and Value style leadership and rising and falling interest rates.
- Unsurprisingly, positive absolute and relative performance has been most correlated with a positive smaller companies' premium. The smaller companies' premium was -10.0% for the most recent period. Outperforming our Comparative Index (albeit by a small amount) of typically much larger companies in this environment is a strong result.

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

	Sept 15	Sept 16	Sept 17	Sept 18	Sept 19	Sept 20	Sept 21	Sept 22	Sept 23
NAV Performance	13%	14%	45%	25%	-17%	9%	59%	-48%	4%
Style Bias	Growth	Growth	Value	Growth	None	Growth	Value	Value	Value
Interest Rates	Neutral	–	Neutral	+	+	–	Neutral	+	++
Small Cap Premium	++	–	+	–	– –	++	++	– –	– –
Relative Performance	5%	4%	24%	22%	-10%	12%	14%	-21%	1%

Sustainability
We have previously explained our approach to integrating sustainability analysis into our fundamental research process which we believe improves our risk adjusted returns. It is important that shareholders understand that this is our primary motivation. We believe that businesses that are managed with the interest of all stakeholders in mind will compound higher returns for shareholders over the medium term.

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

At the end of the year, 22% of the portfolio was invested in S1 rated companies with 71% in S2 rated companies and 7% invested across four S3 rated companies. We do not have any investments that are rated in our lowest category, S4. Sustainability ratings for any new investments are included in the section on activity further below.

The sole rating change in the period was the upgrade of **City Pub Company** from an S3 to an S2. We had assigned an S3 rating given a lack of disclosure around environmental targets including net zero, independence of the board and diversity. Following successful engagement with the company, we have seen progress on each of these points leading to an upgrade in the rating. We have also engaged with two of our other S3 rated holdings – Argentex and Serabi Gold – for which we hope to see progress over the next twelve months.

Activity
Five new positions were initiated in the period:

Inspecs is a vertically integrated designer, manufacturer and distributor of frames for glasses with a combination of owned and licensed mid-market brands. Importantly, for an industry that has been largely offshored, the business is able to offer its customers unrivalled supply chain transparency and product quality. Short-term destocking in the group's core European market in the final quarter of 2022, a currency headwind and a poorly executed manufacturing site move has temporarily depressed profitability but does not preclude margin recovery to a more normalised level. We think recovered margins and returns should be sustainable because the group's key customers (e.g. Specsavers) are making strong margins with a significant mark-up and customers value supply-chain transparency and logistics performance, not just price. Interim results confirmed the recovery thesis is intact with evidence of strong sequential improvement in profit and operating margin and the company is on track to achieve its guidance for full-year break-even profitability. Inspecs trades on less than 7x recovered earnings on our estimates. We have rated the business S2, meaning that we do not see sustainability trends as either a material risk or opportunity for the company. The supply chain transparency is a key aspect of the success the company has historically had. The company targets 100% recycled packaging by the end of 2025 and a new investment in its first high volume European plant should reduce the environmental impact for customers.

Netcall is a software company offering digital transformation solutions that enable business and government automation by improving both customer and employee experience with unrivalled ease of use. Customer led innovation is the foundation of the group's sustainable competitive advantage and strong growth potential. When we initiated the position, we thought expectations were conservative with risk to the upside, however a renegotiated large customer contract, with lower annual value but longer duration is a temporary headwind to sales growth momentum. We do not think it is indicative of a potentially wider customer trend to renegotiate contract values down, but rather a specific issue at a large customer where management change catalysed a supplier review process following a period of overspend. A step-change in investment for growth amplifies the headwind at the earnings level, but we are reassured by the company's measured, customer and KPI led approach to investment which has previously generated strong returns. We look for evidence of a re-acceleration in annual recurring revenue growth and re-investment paying back to build our position further.

We rate Netcall S2, which means we do not see sustainability trends as either a material opportunity or risk for the company, given its focus on innovation which is key to maintaining product differentiation and sustaining high growth. The group's R&D spend is a healthy 13.5% of sales and its products help customers achieve their sustainability goals through digitalisation that can support a lower carbon footprint (e.g., helping the NHS and local government move away from paper-intensive services).

We initiated a position in **hVIVO**, a specialist outsourced provider of human challenge trials for testing infectious and respiratory disease treatments. Growth in this relatively nascent market – in which hVIVO has a dominant position – has been catalysed by changing ethical attitudes and greater regulatory recognition post COVID. The increasing quantity and size of trials is driving revenue growth with improving utilisation. hVIVO is attractively valued with earnings momentum supported by a growing order book and increased capacity as it relocates to a new larger facility.

Human challenge trials help hVIVO's pharma and biotech customers bring vital medical products to market faster and more cost-effectively resulting in better patient and societal outcomes. hVIVO's key IP is in the manufacture of challenge agents, where it is the only company whose data on model efficacy has been approved by regulators. hVIVO upholds high ethical standards and, importantly, compensation for volunteers is both regulated and in line with minimum wage. As a result, hVIVO is currently ranked S2 – we do not see sustainability trends as a material positive or negative factor – with the potential to transition to S1 – material beneficiary of sustainability trends – as the company develops its own sustainability strategy.

Diaceutics is a diagnostics commercialisation platform for precision medicine. Through the provision of real-world anonymised patient data and analytics, it helps big pharma companies to undertake more targeted drug development and better commercialise drugs once approved. We expect the transition of drug pipelines towards more personalised medicine – particularly in oncology where Diaceutics has strong coverage – to drive significant market growth, as companies allocate an increasing proportion of budgets to diagnostics as part of their go-to-market strategy. Despite having a first mover advantage in a complex and fragmented market, with Growth Potential supported by recent contract wins with blue chip customers, Diaceutics trades at a material discount to its main listed peers. We believe the current valuation underappreciates the ongoing transition towards a higher quality subscription-based model.

We have rated Diaceutics as an S1 which means we see sustainability trends as an opportunity for the company. Its data products have strong social drivers as they facilitate better targeting of cancer drugs, improving patient outcomes and the efficiency of clinical trials and drug launches. Regulatory support for precision medicine is a key driver of market growth. Robust data governance practices are also an important barrier to entry, given the sensitivities around handling patient data, underpinning Diaceutics' high market share and success with top 20 pharmaceutical clients.

IG Design Group is the leading supplier of celebration products – wrapping paper and Christmas crackers – to some of the large retailers (Walmart, Tesco, Sainsbury's, Amazon). The business is clearly seasonal and has an extended design and order cycle with prices set in January for product to be delivered in August and cash being collected the following January. Margins, which have typically been around 7%, were reduced to breakeven as trans ocean freight costs doubled from 4% to 8% of revenue and other costs (local freight, people, and raw materials) increased. Importantly, margins have already started to recover – they delivered a margin of 1.9% for the twelve months to March 2023 – as the company has been able to secure price increases. We purchased the shares on a cheap valuation of less than 4x recovered earnings (assuming margins return to 5.5%). Alternatively put, despite issuing no equity – and we believe there will be no need for additional equity – the shares trade at less than 20% of their all-time high, creating a compelling Recovery investment case.

We have rated the company with an S3 rating, which means sustainability trends could present a material risk to value creation, given just over half (53%) of their products are single use with just under half (46%) of those products being recyclable. We do believe the company is well placed to continue to drive category innovation and in doing so further reduce the environmental impact of their products.

Portfolio Positioning
We are looking to build a portfolio of companies that have a clear opportunity to create shareholder value in one of three phases of the company lifecycle – Growth, Quality and Recovery. We continue to have a bias towards Growth which represented 46% of the portfolio at the period end, compared to 27% in Quality and 27% in Recovery which now includes Asset Backed recovery alongside margin recovery investment cases.

Since 30 September 2022, we have added 7 percentage points ("% ppts") to Recovery at the expense of both Growth, down 6% ppts, and Quality, down 1% ppt.

Given our exposure to Growth, and indeed earlier stage growth where profitability is depressed through a high reinvestment rate, the portfolio valuation is higher than the Comparative Index on some traditional valuation metrics (book to price, earnings yield and EV/Sales) and in-line on others (cash flow yield and EV/EBITDA multiples) meaning we are essentially value neutral but with a strong bias to companies that have historically grown faster than the market. The portfolio-weighted average growth in sales and earnings over the last three years has been 20% and 41% respectively, whilst the equivalent data for the Comparative Index is 13% and 19%.

On 1-year forward consensus forecasts, just 2 of our 41 positions are forecast to be loss making at EBITDA. One – Maxcyte – has c.70% of its market cap in cash so funding is not a concern and the other – Smoove – announced a bid post period end from PEXA, a listed Australian business. The two positions represented less than 2% of our NAV at the end of September. One further position, MindGym (1.8% of NAV at the end of the period), reduced expectations post the period end and is expected to be breakeven at EBITDA for the current financial year.

We have always been cautious of leverage. Approximately 70% of the portfolio is net cash and of the remaining 30%, half have strong tangible asset backing to support leverage. For example, SigmaRoc has significant mineral reserves, Capital has a fleet of almost 100 drilling rigs, City Pub has freehold property, Shanta has proven gold reserves whilst Diversified Energy has its gas reserves.

Outlook – Buy now while stocks last
I think most people agree that there is a mismatch between valuation and fundamentals for UK small caps. Clients and potential clients are either already invested or are waiting for 'that' catalyst. A study from JP Morgan[9] showed the impact of timing the market using market returns for the 20 years to the end of 2019. The annualised return of 6.1% was reduced – by almost two thirds – to an annualised return of just 2.4% by missing out on the best 10 days. Realised returns were zero if one missed the best 20 days. The point is a simple one – the odds today appear stacked in our favour to make excellent returns over the next five years. There might be a catalyst, but it won't be clear that 'it' is the catalyst until after the event. The opportunity may get better – if it does, we will continue to rotate the portfolio from less cyclical Quality investments into either more cyclical companies or Recovery investments.

The mismatch between valuations and fundamentals – which is evident in our current discount to NAV – has been driven by outflows from open ended funds and a market wide aversion to illiquidity. UK Small Cap funds have seen outflows every month since September 2021 and UK Smaller Companies (as measured by our Comparative Index) have underperformed the wider market by 37% since September 2021. We cannot see a previous period of outflows that extends longer than the current one and the last time there was a similar level of relative underperformance was in 1989-1991 (-39%).

UK smaller companies are unloved and undervalued, in both absolute terms and relative to the wider market, on extremely attractive, once-in-a-cycle levels. We cannot call the bottom but putting capital to work today on a three to five-year view should be very rewarding.

George Ensor
Fund Manager
River & Mercantile Asset Management LLP

Fund Manager Biography

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 and is currently Fund Manager of the ES R&M UK Listed Smaller Companies Fund and the R&M UK Micro Cap Investment Company Limited. George is a CFA charter holder.

[9] Impact of being out of the market | J.P. Morgan Asset Management (jpmorgan.com)

INVESTMENT PORTFOLIO

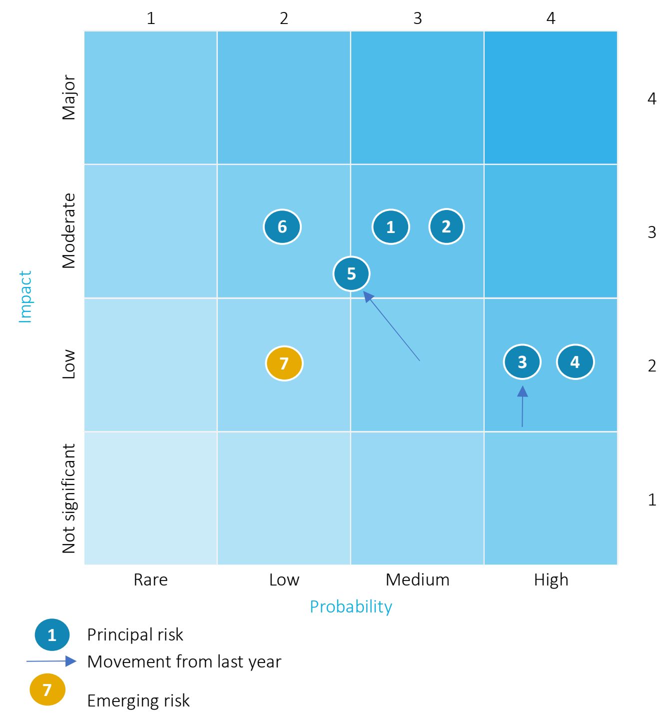
Investment Portfolio as at 30 September 2023
The Investment Portfolio below details the Company's holdings as at 30 September 2023, exclusive of cash and cash equivalents (portfolio weightings are based on mid-prices).

Name	Description	Weight
Instem	Health Care	6.1%
Keystone Law	Industrials	5.7%
ActiveOps	Information Technology	4.9%
Kooth	Health Care	4.8%
Litigation Capital Mgmt	Financials	4.6%
Sigmaroc	Materials	4.6%
DF Capital	Financials	4.5%
Capital Limited	Materials	3.9%
Supreme	Consumer Discretionary	3.8%
Renold	Industrials	3.5%
Ten Lifestyle	Industrials	3.4%
Shanta Gold	Materials	3.1%
Venture Life	Consumer Staples	2.9%
Cake Box Holdings	Consumer Staples	2.7%
GetBusy	Information Technology	2.7%
Aquis Exchange	Financials	2.7%
The City Pub Group	Consumer Discretionary	2.6%
Diaceutics	Health Care	2.6%
1Spatial	Information Technology	2.5%
Manolete Partners	Financials	2.4%
HVIVO	Health Care	2.0%
Inspecs	Health Care	1.9%
Alpha Group Int'l	Financials	1.8%
Diversified Energy	Energy	1.8%
Mind Gym	Industrials	1.8%
Boku	Information Technology	1.7%
Netcall	Information Technology	1.7%
IG Design Group	Consumer Discretionary	1.1%
Flowtech Fluidpower	Industrials	1.0%
Science In Sport	Consumer Staples	1.0%
Argentex	Financials	1.0%
LendInvest	Financials	1.0%
CMO Group	Consumer Discretionary	0.9%
Virgin Wines UK	Consumer Staples	0.9%
MaxCyte	Health Care	0.9%
Serabi Gold	Materials	0.9%
Strip Tinning	Information Technology	0.7%
Smoove	Information Technology	0.7%
Brand Architekts Group	Consumer Staples	0.7%
Revolution Bars Group	Consumer Discretionary	0.7%
SDX Energy	Energy	0.6%

Source: River and Mercantile Asset Management LLP

Statement of Principal Risks and Uncertainties

The table shows the post mitigation principal risks and uncertainties facing the Company and explains how we mitigate them. Information on our risk management framework can be found on pages 39 to 40.



1 Investment (Macroeconomic factors)
2 Liquidity
3 Share price discount
4 Reliance on the portfolio manager
5 Cyber security
6 Sustainable investment
7 Geopolitical

1 Investment (Macroeconomic factors) Risk profile: Unchanged

Probability medium	**Impact moderate**	**Mitigation**
	The Company is exposed to market factors. The unrealised performance can be affected by the sentiment of the market, supply/demand of asset types, expectations on unemployment, and Gross Domestic Product growth. High interest rates, an inflationary macroeconomic environment and the threat of global recession may drive down growth stocks especially, which would adversely affect the underlying value of the Company's investment portfolio, leading to an adverse impact on the Company's NAV.	The Company is closed ended and has no leverage. It is well set up to ride out any short-term dislocations in pricing without being forced to liquidate investments at technically distressed prices. The skill and expertise of the Portfolio Manager allows the Fund to be positioned effectively in the event of macro events which impact the value of the Fund assets.

2 Liquidity — Risk profile: Unchanged

Probability medium	Impact moderate	Mitigation
	The Company invests in a diversified portfolio of UK micro cap companies, typically comprising companies with a free float market capitalisation of less than £100 million at the time of purchase. The relatively small market capitalisation of micro cap companies can make the market in their shares illiquid. As a result of lower liquidity, prices of micro cap companies tend to stick at one level, but can be at risk of sudden jumps in price when momentum of sentiment is strong enough and certain pools of investors are forced to liquidate. As a consequence, the Company may not necessarily be able to realise its investments within a reasonable period. Both the liquidity and valuation issues highlighted above may be totally out of sync with the underlying investee company fundamentals. There can therefore be no guarantee that any realisation of an investment will be on a basis which necessarily reflects the valuation of that investment.	Risks within the portfolio are monitored by the AIFM, which holds monthly AIFM Risk Committee meetings with the Portfolio Manager. Portfolio liquidity forms a key part of these monthly discussions. The AIFM provides an update of the Risk Committee meetings to the Board and the risks are discussed accordingly. The Portfolio Manager also undertakes ongoing reviews of the underlying investee companies particularly those whose businesses are impacted by the current macro environment.

3 Share price discount — Risk profile: Increasing

Probability high	Impact low	Mitigation
	The price of the Company's shares may trade at a discount or premium relative to the underlying NAV of the Ordinary Shares. There is a risk that shareholders become dissatisfied with a continuing discount to NAV and seek further action. The Directors note that, in an environment where investment companies are trading at a discount, there has been a growing trend towards activism.	The Board monitors the Company's share price discount or premium to the published NAV and regularly consults with the Company's brokers regarding share trading volumes, significant buyers and sellers, and comparative data from the Company's peer group. In order to further manage the discount, the Board has developed a marketing plan to broaden interest in the company's Ordinary shares. Since its inception the Company has operated the Redemption Mechanism to return capital to investors which the Board understands Shareholders are still supportive of. Further, the Board considers that in the current environment, selling

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

4 Reliance on the portfolio manager — Risk profile: Unchanged

Probability high	**Impact low**	**Mitigation**
	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.	The Portfolio Manager has experienced investment professionals ready and available to step in if required in the short term, should the lead manager be unavailable, and would hire a full time experienced and proven replacement lead manager, if necessary. The Board and the AIFM continue to monitor and review the service and performance of the Portfolio Manager.

5 Cyber security — Risk profile: Increasing

Probability low/medium	**Impact moderate**	**Mitigation**
	The incidence of cyber related events and attacks heightens the risk of inappropriate access to data leading to loss of sensitive information which may have a material adverse effect on the Company's financial condition, reputation and investor confidence.	The Company's service providers maintain cyber security policies. These are reviewed by the AIFM as part of its oversight responsibilities and reported to the Board, including any breaches of information security. Service providers perform regular testing of their cyber security controls to ensure that they remain robust.

6 Sustainable investment — Risk profile: Unchanged

Probability low	**Impact moderate**	**Mitigation**
	Investors are placing increased emphasis on ESG, including climate change, and the Board sees any failure by the Portfolio Manager to identify future potential issues within the underlying portfolio in this area as a key risk which may lead to the Company's shares becoming less attractive to investors. A failure to adopt a sustainable approach to environmental and social matters, or a failure of governance is likely to adversely	The Board believes that the adoption by the Portfolio Manager of a comprehensive sustainable investment policy, in combination with the development of regular reporting to the Board, allows the Company to mitigate this risk. The Board has developed a strategy to engage with service providers across ESG matters more generally. The Company is a closed-ended investment entity and so its own direct environmental and social impact is minimal. The Company

	impact the Company's performance.	does not exclude any types of business from its universe of potential investments. However, the Portfolio Manager does deploy an ESG lens on all potential investments and adopts a rigorous corporate ESG policy. The Company, in common with most investment companies, relies substantially on outsourced providers, including the Portfolio Manager. The Board believes therefore its focus should be centered around governance, ensuring that appropriate ESG policies and a sustainable investing approach is followed as well as monitoring and measuring the Company's service providers' future progress towards ESG objectives. The Company also wants to ensure it has a positive impact, for example minimising its carbon footprint. Both the Company and its service providers are evolving their approach. See pages 24 to 26 for "Our Overall Strategy and Approach to ESG".

Emerging risks

Risk	Description
Geopolitical	Along with other investment companies, the Company faces an increased and emerging risk from the impact of global political unrest and rising geopolitical tension from the latest conflict in the Middle East and the ongoing Ukraine conflict, which potentially impacts the Company's investment portfolio and the general sentiment towards capital markets.

SECTION 172 STATEMENT AND PRINCIPAL DECISIONS

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

a) consequences of any decision in the long-term;
b) the interests of the Company's employees;
c) need to foster business relationships with suppliers, customers and others;
d) impact on community and environment;
e) maintaining reputation; and
f) act fairly between members of the Company.

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

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

Stakeholder	How the Board engages
Shareholders	The Company would not exist without the capital of its Shareholders and its ongoing success is dependent on their continued support. The Board therefore ensures that multiple lines of communication with Shareholders are actively promoted. The Annual General Meeting ("AGM") ensures a forum in which the views of all Shareholders are sought by the Board through the resolutions proposed and it is also an opportunity for Shareholders to question the members of the Board face to face. In addition, the Board requires Singer Capital Markets Advisory LLP as the Company's corporate broker (the "Corporate Broker") to maintain communication with major Shareholders and report back to the Board at quarterly meetings on the tenor and substance of such communication. Since the Company's inception, the Board has encouraged both the Corporate Broker and the Portfolio Manager to meet directly with Shareholders both for the purposes of communicating the Company's strategy and performance as well as to listen to the views of Shareholders. These views are reported back to the Board at their regular meetings. The Board engaged Camarco (Capital Market Communications Ltd) as the Company's public relations adviser to broaden the reach of the Company's shareholder engagement to include more retail investors. Effective 13 June 2023, the Board terminated the engagement with Camarco. Subsequently, the Board developed a multi-channel marketing strategy alongside the Broker and the Portfolio Manager to target retail, adviser and institutional investors with a series of messages suitable across all points on the investment cycle. Such marketing should help improve demand, liquidity and discount management at an affordable cost to the Company. Furthermore, the Chairman and other Directors are available to meet with major Shareholders where such meetings would be welcomed.

	Given the upcoming rotation of the Chair of the Company, along with the Continuation Vote there has been further engagement with the Shareholders that the Corporate Broker has coordinated. The Company provides regular information updates to Shareholders, including the daily NAV announcement to the markets and monthly portfolio updates.
Service providers	All key service providers report to the Board at every quarterly Board meeting, with representatives of the service providers present to answer questions from Directors. In accordance with the Company's culture of openness, challenge and respect, the Chairman actively encourages feedback from the Company's service providers as appropriate to their field of expertise. The Board, through its Management Engagement Committee, also seeks to ensure that the terms of engagement are commercially equitable for each service provider. The success of the Company is encouraged by forming stable partnerships with successful and motivated advisers.
The wider community and the environment	The Board has developed a strategy to embed a responsible and realistic approach to ESG related issues into its engagements with stakeholders, including how it delivers value to Shareholders. The Board continues to discuss with the Portfolio Manager how a responsible sustainable investment approach integrates with the Company's overall investment philosophy and objective which is described in greater detail in the Portfolio Manager's Report. The Board engages with all its service provider stakeholders, on an annual basis, to assess 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 regularly monitors the level of the discount of the share price to NAV per Ordinary Share, especially in relation to its peer group. However, the Board continues to believe that the Redemption Mechanism provides the most effective buyback mechanism in the longer term. Notwithstanding this view, the Board continues to look for effective ways to improve demand for and liquidity in the Company's shares. To that end, the Board has ensured that the Company had a marketing presence in a number of consumer-facing media, including Trustnet and The Armchair Trader, with dedicated advertising, video and podcast content to attract new investors. Given the trend for investment trusts to be attractive to UK private investors, we are focusing our marketing and PR efforts at consumers in order to boost liquidity.
Appointment of Robert "Ted" Holmes Jr as part of the ongoing refreshment of the Board	Having considered the current balance of skills and expertise on the Board in conjunction with the needs of

	the Company and as part of its Board Succession Plan, the Directors sought a replacement director for the Board. After an extensive search Ted Holmes was appointed (see page 29 for his biography).

EXECUTIVE SUMMARY

This Executive Summary is designed to provide information about the Company's operation and results for the year ended 30 September 2023. It should be read in conjunction with the Chairman's Statement on page 5 and the Portfolio Manager's report on pages 6 to 14 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, 2020, as amended, and the Registered Collective Investment Scheme Rules and Guidance 2021 ("RCIS Rules").

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 2023

Board and Committee changes
On 1 March 2023, Trudi Clark retired from the Board. Upon Trudi Clark's retirement, John Blowers was appointed Chair of the Remuneration and Nomination Committee and Chair of the Management Engagement Committee.

On 26 September 2023, it was announced that Ted Holmes had joined the Board as a non-executive Director. It was also announced that Andrew Chapman would be retiring from the Board at the Company's AGM to be held on 7 March 2024 and that John Blowers would be taking over the role of Chairman of the Board upon Andrew Chapman's retirement.

Economic environment
There are continuing macro-economic headwinds, although the UK base rate has likely peaked, there is no expectation it will reduce in the near term, inflation remains above the UK governments targets and there is a significant increase in the cost of living. All this has led to a lack of investor appetite, particularly for growth stocks focused on the UK market.

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

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

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

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

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

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

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

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. As at 30 September 2023, the Company had no borrowings.

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

Further information can be found in the Portfolio Manager's Report which is incorporated within this Annual Financial Report on pages 6 to 14 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 Carne as AIFM, whereby the AIFM has been given responsibility, subject to the supervision of the Board, for the management of the Company in accordance with the Company's investment objective and policy. In conjunction with the Board, the AIFM has engaged the Portfolio Manager to manage the portfolio. The Company depends on the diligence, skill, judgement and business contacts of the Portfolio Manager's investment professionals, in particular George Ensor, in identifying investment opportunities which are in line with the investment objective and policy of the Company. The Portfolio Manager attends all Board meetings at which the investment strategy and performance of the Company are discussed.

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

Returns and NAV 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 since inception.

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 total return from inception (net of all fees) was 6.94% on an annualised basis, which outperformed the total return posted by the Comparative Index of 4.44%. Please refer to the Financial Highlights and Performance Summary on page 3 for the 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.

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

As at 30 September 2023, the Company held 41 (30 September 2022: 41) investment holdings of which none exceeded 10% of NAV at the time of investment. A portfolio listing is shown on page 15 which demonstrates the spread of investment risk in accordance with the investment policy.

Our Overall Strategy and Approach to ESG
The Company is a closed-ended investment entity and so its own direct environmental and social impact is minimal. The Company does not exclude any types of business from its universe of potential investments, however the Portfolio Manager does deploy an ESG lens on all potential investments and adopts a rigorous corporate ESG policy (https://riverandmercantile.com/responsible-investment/). The Company, in common with most investment companies, relies substantially on outsourced providers, including the Portfolio Manager. We believe therefore our focus should be centered around governance, ensuring that appropriate ESG policies and a sustainable investing approach is followed as well as monitoring and measuring our service providers progress towards ESG objectives. However, as a Company we also want to ensure we have a positive impact, for example minimising our own carbon footprint. We recognise that both the Company and our service providers are evolving their approach.

The table below details the areas which we have focused on in the last year and which we will continue to focus on in future:

Strategic Area	**What will we do and how do we demonstrate and measure our actions?**	**The Company**	**Key Service Providers**	**The Portfolio Manager**
Environment	Climate Change and Sustainability - minimising carbon footprint	Our own carbon footprint is limited but the Board focused on two areas: **Board Members Travel** Meeting in person quarterly is obviously necessary and desirable but going forward the Board will consider whether: (a) one quarterly meeting a year could be held virtually; and (b) all "ad hoc" meetings could be held virtually. During the year, all ad hoc meetings were held virtually, with the exception of the audit tender presentations. No quarterly meetings were held virtually. **Paperless Communications with Stakeholders** During the year, the Board received deemed consent from some Shareholders for paperless communications. Fewer printed copies were	The Management Engagement Committee ("MEC") in its 2023 annual evaluation questionnaire encompassed specific questions about service providers ESG policy, plans to reduce carbon emissions and details of a net zero target date (if set). The responses received were reviewed by the MEC. Going forward, the MEC will ask for updates on progress towards reducing carbon emissions, this will be taken into consideration	The Portfolio Manager outlines their S-PVT internal scoring for sustainability (see page 11). The Board regularly receive reports on how the portfolio is split between each category from the Portfolio Manager. The Board maintains a dialogue with the Portfolio Manager on the portfolio and we express a particular interest on how they are engaging with those investments rated as S4 and S3 under the Portfolio Manager's classification. The Portfolio Manager is our principal service provider and during the year reported to the Board on its ESG activities . The Board received this

		circulated to Shareholders during the year than in the prior year. The Board will continue to encourage all shareholders to receive paperless communications.	when evaluating each provider.	presentation on 26 September 2023. We will continue to review its annual report and progress to ensure that our own overall ESG objective and ambitions are being met.
Social	Community and Employee Engagement and Supporting Ethical Employment Practices	The Company itself does not have any employees.	The MEC in its questionnaire requests written assurances that each service provider has policies which protect the rights of employees and has policies and procedures in place which prohibit discrimination and encourage diversity.	The social and employment impact of portfolio companies is an integral part of the Portfolio Manager S-PVT scoring for sustainability. Where low ratings relate specifically to this area the Board will maintain a dialogue with the Portfolio Manager on why such holdings remain in the portfolio.
Governance	Ensuring we have a strong corporate governance structure which ensures adherence to the AIC Code.	**Diversity of the Board** The Board has in previous annual reports published its succession plans which will continue. The Company is supportive of diversity in all forms based on sex, ethnicity, social background and skill sets. It is also committed to 40% female representation and a senior role being held by a woman be that the Chair of the Board or the Chair of the Audit Committee. The Board is small and decided not to appoint a senior independent director. The Company will, in its recruitment of new directors as part of its succession plan, take into consideration the upcoming proposals from the AIC on diversity but in such a small board the Company considers the diversity of skill sets and experience to be of the utmost importance and of greatest value to Shareholders.	The MEC through questionnaires or on-site visits ensures that service providers have a strong governance structure.	The governance of portfolio companies is an integral part of the Portfolio Manager's S-PVT scoring for sustainability. Where low ratings relate specifically to this area the Board will maintain a dialogue with the Portfolio Manager on why such holdings remain in the portfolio.

		Governance With no direct employees itself, the Company is committed to continue its oversight of service providers to ensure that they have appropriate ESG policies which align with the Company's own strategy. The Board will consider what metrics from our underlying service providers on achieving their ESG goals might be incorporated into the Company's future financial statements, recognising with our outsourced model the true ESG impact of the Company.		

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

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

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

Please refer to the Portfolio Manager's Report on pages 6 to 14 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 next Continuation Resolution will be tabled at the AGM in 2024. The Company's Corporate Broker is in regular contact with a range of Shareholders and has advised the Board that in their opinion Shareholders would support the Continuation Resolution. The Board notes the Continuation Resolution has not yet been voted on and represents a material uncertainty at the time of signing this Annual Financial Report but is confident that the resolution will be passed by Shareholders. The Board is satisfied that, at the time of approving the financial statements, no other 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 and acknowledging the current economic environment, the Board has considered that the Company has no borrowings. The Board also considered the continuing impact of the current macro-economic environment on the Company, which it believes has a minimal risk at this stage on the going concern of the Company and are therefore confident that it remains appropriate to adopt the going concern basis. The Board has further considered the macro-economic environment on the long-term viability of the Company, which has been detailed in the statement below.

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

The Company has no fixed life. The Directors shall propose one or more ordinary resolutions at every fifth AGM that the Company continues as a closed-ended investment company (the "Continuation Resolution"). The last Continuation Resolution was proposed at the AGM on 27 February 2019 and was passed by the Company's Shareholders. The next Continuation Resolution will be proposed at the AGM in 2024.

The Company is intended to be a long-term investment vehicle, however, having considered the inherent limitations of estimating the impact of future political and macro-economic conditions on the Company, the Directors have decided to assess the viability of the Company over a period of five years, 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 when the general economy returns to economic growth is particularly high and therefore based on a five-year time horizon, the Board would expect rising valuation metrics and enhanced returns. The Board acknowledges that due to the global economic situation, the value of the Company's investments are depressed, but draws attention to the fact that the Company has no gearing and has appropriate cash levels to meet expenditure. The Company's investments are held on a recognised stock exchange and the portfolio is well diversified.

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

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

Taking account of the Company's current position 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. The Company's Corporate Broker is in regular contact with a range of Shareholders and has advised the Board that in their opinion Shareholders would support the Continuation Resolution. 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.

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. In such event, the Board would consider a proposal 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.

The Strategic Report was approved by the Board of Directors on 5 December 2023 and signed on its behalf by:

Andrew Chapman
Chairman

Charlotte Denton
Audit Committee Chair

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, and GT Offshore Fund.

Key Relevant Skills

- 45 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

John Blowers, (Independent) – Appointed 1 August 2022
John has been instrumental in the digital revolution in financial services for 34 years, with a series of key achievements. He was involved with the UK's first digital fund platform at Interactive Investor and went on to design, build and run several digital investment offerings for AMP, UBS and latterly for FE fundinfo.

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

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

Key Relevant Skills

- Marketing
- Retail Distribution
- Product Design

Charlotte Denton, (Independent) – Chair of the Audit Committee. Appointed 1 September 2022.
Charlotte is a Fellow of the Institute of Chartered Accountants in England and Wales and holds a degree in politics from Durham University. She is also a member of the Society of Trust and Estate Practitioners, a Chartered Director and a fellow of the Institute of Directors. During Charlotte's executive career she worked in various locations through roles in diverse organisations, including KPMG, Rothschild, Northern Trust, a property development startup and a privately held financial services group. She has served on boards for nearly twenty years and is currently a Non-Executive Director of various entities including the GP boards of Private Equity groups Cinven and Hitec, the voting company for Pershing Square Holdings and the Investment Manager for NextEnergy. She is also the Audit Chair for the listed Investment Company Starwood European Real Estate. Charlotte is a resident of Guernsey.

Key Relevant skills

- Investment Oversight
- Finance
- Governance

Mark Hodgson. Appointed 2 October 2014.
Mark Hodgson is a Channel Islands fund director based in Jersey, with considerable experience in the funds industry. He has a broad fund expertise covering a wide range of differing asset classes, including real estate, infrastructure, credit and private equity.

Mark joined Carne in April 2014 and is Head of the Channel Islands Fund business. He has over 25 years of financial services experience, with an extensive banking background. Mark spent over 20 years with HSBC Global Bank where he gained in depth knowledge of credit, financial markets and complex Real Estate structures. 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. Mark moved to Capita Fiduciary Group in 2008 as Managing Director of Capita Financial Administrators (Jersey) Limited (regulated role) to run this business and act as Non Executive Director on a number of fund boards.

Mark acts as a Non-Executive Director on a number of high-profile fund boards based in Jersey, Guernsey and Luxembourg including: Kennedy Wilson Investment Management Limited, Aviva Jersey Investors Jersey Unit Trust Management Ltd and LaSalle Investment Management (Jersey) ltd, together with HSBC Private Markets. Collectively Mark has over 20 years of board experience.

Mark is also a member of the Institute of Directors.

Key Relevant skills

- 28 years financial services experience, 20 years of being the member of various boards
- Extensive fund risk management experience across multiple asset classes
- A strong background in board governance

Ted Holmes. Appointed 26 September 2023
Ted is currently on the board of the City of London Investment Trust and a Director for Blue Ocean Investment Partners.

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

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

Key Relevant skills

- 27 years of experience in investment management (Chartered Financial Analyst)
- Investment Oversight
- Investment Trust Oversight and Governance
- Qualified accountant, Certified Public Accountant (US CPA)

DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year ended 30 September 2023. 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 dividends and no dividends have been declared or paid during the year (30 September 2022: none).

Share Capital

As at 30 September 2023, the Company had 33,897,954 (30 September 2022: 33,897,954) Ordinary Shares in issue.

Borrowing limits

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

Acquisition of own shares

To assist the Company in addressing any imbalance between the supply of and demand for Ordinary Shares and thereby assist in controlling the discount to NAV at which the Ordinary Shares may be trading, on 2 March 2022 the Company renewed general authority to purchase in the market up to 14.99% of the Ordinary Shares in issue as at 1 March 2023. This authority expires on the date of the 2024 AGM. The Company did not purchase any shares in the market during the year.

The Directors will seek a renewal of this authority from Shareholders at the Company's AGM on 7 March 2024.

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 2023 were as follows:

Director	Ordinary Shares held
John Blowers	5,653
Andrew Chapman	15,009
Charlotte Denton	15,350
Mark Hodgson	7,721
Ted Holmes	12,970

For further details on Ordinary Shares held by Directors refer to note 6.

Shareholders' interests

As at 30 September 2023, the following Shareholders had an interest in the Company's issued share capital of more than 5%.

	Percentage of total voting rights (%)
West Yorkshire PF	9.81
River and Mercantile Asset Management LLP	9.26
Hargreaves Lansdown Asset Management[1]	8.73
Investec Wealth & Investment Ltd	7.43
Evelyn Partners Investment Management LLP	7.39
CG Asset Management	5.88
Interactive Investor Services Ltd[1]	5.38

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

Between 1 October 2023 and 5 December 2023, the Company received no additional notifications.

Audit Tender
The Company underwent a full and robust audit tender process between March and September 2023, the result of which saw Grant Thornton Limited being awarded the mandate to provide comprehensive audit and associated services commencing with the review of the Half Yearly Financial Report for the period ending 31 March 2024. The appointment of Grant Thornton Limited as Auditors to the Company, along with a resolution to authorise the Directors to determine their remuneration, 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 the AIFM and by direct reporting at quarterly Board meetings. The Portfolio Manager provides written reports to the Board and a representative of the Portfolio Manager is present at every quarterly Board meeting to present the report and answer questions from the Board. In addition, the AIFM provides regular risk reporting on the Company's investment portfolio and the Portfolio Manager at each quarterly Board meeting.

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
On 5 October 2023, Ted Holmes purchased a further 10,000 Ordinary Shares in the Company, thereby increasing the number of Ordinary Shares held to 22,970.

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

The Company has complied with all the principles and provisions of the AIC Code during the year ended 30 September 2023, with the exception to appoint a senior independent director. It was decided not to appoint a senior independent director given the small size of the Board and because all Directors have different qualities and areas of expertise on which they lead. Any concerns can be conveyed to the Chairman, or another Director if Shareholders do not wish to raise concerns with the Chairman.

Set out 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.

The Directors' Report was approved by the Board of Directors on 5 December 2023 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 of diversification, innovation, adaptation and integrity.

These values are underpinned by the culture the Board demonstrates in the way in which the Directors interact with each other and with the Company's service providers. 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

Andrew Chapman and Mark Hodgson were appointed as Directors on 2 October 2014. John Blowers, Charlotte Denton and Ted Holmes were appointed as Directors on 1 August 2022, 1 September 2022 and 26 September 2023 respectively.

As at 30 September 2023, the Directors are:

- Andrew Chapman (Independent non-executive Chairman).
- John Blowers (Independent non-executive Director, Chair of the Remuneration and Nomination Committee and Management Engagement Committee).
- Charlotte Denton (Independent non-executive Director, Chair of the Audit Committee).
- Mark Hodgson (Non-executive Director).
- Ted Holmes (Independent non-executive Director).

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

The Chairman and all Directors are considered independent of the Portfolio Manager. Mark Hodgson, who is independent of the Portfolio Manager, is the Managing Director of the AIFM and is therefore not regarded as independent.

The opinion of the other Directors is that Mark Hodgson provides considerable and complementary expertise to the Board, particularly in the area of risk management, in which the AIFM has a significant presence.

The Board reviews the independence of all Directors annually.

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

Directors' re-election

As required by the AIC Code, all Directors stand for re-election by Shareholders annually, the next occasion being at the AGM to be held on 7 March 2024.

Please refer to pages 28 and 29 for biographies of each Director which demonstrates their professional knowledge and breadth of investment, accounting, banking and professional experience. The Board considers that there is a balance of skills and experience within the Board and each of the Directors contributes effectively.

Board diversity

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

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

	Number of Board Members	**Percentage of the Board**	**Number of Senior Positions on the board (CEO, CFO, SID and Chair)***
Men	4	80%	1
Women	1	20%	1

	Number of Board Members	**Percentage of the Board**	**Number of Senior Positions on the board (CEO, CFO, SID and Chair)***
White British or other White (including minority-white groups)	5	100%	2

*The Company does not have executive management and considers the Chair of the Board or the Chair of the Audit Committee to be senior roles.

It is noted that at present 20% of the individuals on the Board are women, which is below the target of 40% prescribed by Listing Rule 9.8.6R (9)(a). The role of Chair of the Audit Committee, being a senior position, is held by a woman. At present, none of the Board members are from minority ethnic backgrounds, which is below the target of one, prescribed by Listing Rule 9.8.6R (9)(a).

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

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

Tenure policy
The Board has adopted a policy on the tenure of its independent Directors that aligns with the AIC Code of Corporate Governance and none of the four 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, John Blowers, Charlotte Denton and Ted Holmes (appointed 26 September 2023) 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 is chaired by Charlotte Denton. The Chairman of the Board is a member of the Audit Committee. 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 39.

Management Engagement Committee
John Blowers 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 2023, 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. The next review will be held in September 2024 before the approval of the Annual Financial Report. Overall, the Management Engagement Committee confirmed its satisfaction with the services and advice received.

Remuneration and Nomination Committee
John Blowers 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 2023.

The Chair and Members of the Committee reviewed and discussed investment matters, strategy, Shareholder value, governance, and the process and style of Board 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 the board member hiring specialist, Nurole Ltd, to identify a suitably qualified and experienced director to join the Board. This process led to the appointment of Ted Holmes on 26 September 2023.

On 26 September 2023, the Board announced the retirement of Andrew Chapman as a director and Chairman of the Board at the forthcoming AGM on 7 March 2024. John Blowers would be taking over the role of Chairman of the Board upon Andrew Chapman's retirement.

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

The Board applies its primary focus on the following:

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

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

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

Attendance at scheduled meetings of the Board and its committees

	Board	**Audit Committee**	**Management Engagement Committee**	**Remuneration and Nomination Committee**
Number of meetings during the year ended 30 September 2023	**5**	**5**	**3**	**2**
John Blowers	5	5	3	2
Andrew Chapman	5	4/5	3	2
Trudi Clark[1]	2/2	2/2	2/2	1/1
Charlotte Denton	5	5	3	2
Mark Hodgson	5	n/a	n/a	n/a
Ted Holmes[2]	1/1	1/1	1/1	1/1

[1]Trudi Clark retired at the AGM on 1 March 2023.
[2]Ted Holmes was appointed on 26 September 2023.

In addition to these meetings, there were 4 ad-hoc board meetings during the period.

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

The Company has appointed BNP Paribas S.A., Guernsey Branch (the "Administrator") 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 AIFM, with ad hoc reports and information supplied to the Board as required. The Portfolio Manager complies with the Company investment limits and risk diversification policies and has systems in place to monitor cash flow and the liquidity risk of the Company. The AIFM, Portfolio Manager and the Administrator also ensure that all Directors receive, in a timely manner, all relevant management, regulatory and financial information. Representatives of the AIFM, Portfolio Manager and Administrator attend each Board meeting as required, enabling the Directors to probe further on matters of concern.

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

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

Having formally appraised the performance, investment strategy and resources of the Portfolio Manager, the Board has unanimously agreed that the interests of the Shareholders 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://riverandmercantile.com/funds/rm-uk-micro-cap-investment-company, is regularly updated with monthly factsheets and provides further information about the Company, including the Company's financial reports and announcements. The maintenance and integrity of the Company's website is the responsibility of the Directors, which has been delegated to the Portfolio Manager; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

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. During the year, the Corporate Broker also contacted Shareholders in regard to the Continuation Vote to be held at the AGM in 2024. The Chairman is always willing to meet with Shareholders to discuss any questions or issues they might have about the Company.

The Board have additionally committed to uprating the information on the Company by contracting with Trustnet, one of the UK's premier fund data companies, serving the private investor and professional adviser markets. The live share price and discount information is provided, plus ratings, historic performance data and fund manager profiles. This information can be found here: https://www.trustnet.com/factsheets/T/KZFC/river-and-mercantile-uk-micro-cap-red-ord-npv.

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

AIFMD Report

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

The Company is registered with the GFSC, being the Company's competent regulatory authority, as a non-EU Alternative Investment Fund ("AIF"), and the AIFM has registered with the UK 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 S.A., Guernsey Branch has been appointed to act as custodian.

The current risk profile of the Company and the risk management systems employed by the AIFM to manage those risks
Information relating to the current risk profile of the Company and the risk management systems employed by the AIFM to manage those risks, as required under paragraph 4(c) of Article 23 of the AIFMD, is set out in note 9 – Financial Risk Management. Please refer to pages 16 and 19 for the Board's assessment of the principal risks and uncertainties facing the Company.

Leverage
The Company may employ gearing up to a maximum of 20% of NAV at the time of borrowing. The actual level of gearing at 30 September 2023 was nil% (30 September 2022: 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 2023 is disclosed in note 5.

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

The AIFM has identified six staff as falling within the scope of the disclosure requirements (the "Identified Staff"). These Identified Staff are senior management, named as designated persons of the AIFM's managerial functions and members of the Board of Directors, risk and investment committee 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 total remuneration of the Identified Staff for the year ended 31 March 2023 was £238,250 and the AIFM has determined that on the basis of the NAV of the Company, relative to the total assets under management, the portion of this figure attributable to the Company is £5,782. 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

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 at the invitation of the Audit Committee but does not actively participate in the meetings. Charlotte Denton is the Chair of the Audit Committee; she is independent of the AIFM 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 Chair 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 28 and 29.

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 ISAE 3402 report (on the description of controls placed in operation, their design and operating effectiveness for the period from 1 April 2022 to 31 March 2023) on Fund Administration and the corresponding Bridging Letter up to 30 September 2023, and are pleased to note that no significant issues were identified.

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

As the Company does not have any employees it does not have a "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 two occasions in the year under review and the members' attendance record can be found on page 36 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 latest conflict in the Middle East, the ongoing Ukraine conflict and the current political and economic environment, on both the valuation and liquidity of the investment portfolio and concluded that it remained appropriate to estimate the fair value of the Company's financial assets based on quoted prices (refer to note 2.3(c) for further details).

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

External audit process
The Auditor was reappointed on 1 March 2023. The Audit Committee has direct access to the Company's external auditor and provides a forum through which the external auditor reports to the Board. Representatives of the Auditor attend meetings of the Audit Committee at least twice each year.

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

Upon completion of the audit, the Audit Committee discussed with the Auditor the effectiveness of the audit and considered the Auditor's independence from the Company since their appointment and throughout the audit process. The significant risks regarding both fraud risk - management override of controls and valuation of the investment portfolio, were tracked through the period and the Audit Committee challenged the work performed by the Auditor to test management override of controls and in addition the audit work undertaken in respect of valuations of investments held.

The Audit Committee was satisfied that during the audit of the Annual Financial Report for the year ended 30 September 2023, there had been appropriate focus and challenge on the significant and other key areas of audit risk and the Committee assessed the quality of the audit process to be good.

During the year ended 30 September 2023, 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-Year Report for the period ended 31 March 2023. No other non-audit services were provided during the year ended 30 September 2023.

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: £64,550 for the audit for the year ended 30 September 2023 and the fees for non-audit services were £23,000 for the review of the Company's Half-Yearly Report for the period ended 31 March 2023. The Audit Committee has discussed the report provided by the Auditor and the Audit Committee is satisfied as to the independence of the Auditor.

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

Appointment and independence
The Audit Committee considers the reappointment of the Auditor, including the rotation of the audit engagement leader, and assesses their independence on an annual basis. The external Auditor is required to rotate the engagement leader responsible for the Company's audit every five years. Evgeniya Litvintseva took over as engagement leader during the year ended 30 September 2022 and this is the second year she 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 completed a full and robust audit tender process during the year, the Committee provided the Board with its recommendation that Grant Thornton Limited be appointed as the external auditor for the year ending 30 September 2024. A resolution proposing the appointment of Grant Thornton Limited as the external auditor will be put to Shareholders at the 2024 AGM.

This Report of the Audit Committee was approved by the Board of Directors on 5 December 2023 and signed on its behalf by:

Charlotte Denton
Audit Committee Chair

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.

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

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

5 December 2023

Charlotte Denton
Audit Committee Chair

5 December 2023

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 7 March 2024.

Table of Directors Remuneration

The fees payable to directors are set for each calendar year in accordance with the policy set out below.

Director	**Role**	**Annual Fee to 31 December 2022***	**Annual Fee effective 1 January 2023 (approved post year-end)***
Andrew Chapman (due to retire 7 March 2024)	Chairman	£43,050	£44,126
Mark Hodgson	Non-executive Director	£27,675	£28,367
Trudi Clark (retired 1 March 2023)	Non-executive Director	£27,675	£28,367
Charlotte Denton (appointed 1 September 2022)	Chair of the Audit Committee	£32,800	£33,620
John Blowers (appointed 1 August 2022)	Non-executive Director	£27,675	£28,367
Ted Holmes (appointed 26 September 2023)	Non-executive Director	-	£28,367

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

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

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

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

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

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

The Company's policy is that the fees payable to the Directors should reflect the time spent by the Board on the Company's affairs and the responsibilities borne by the Directors and should be sufficient to enable high calibre candidates to be recruited. The policy is for the Chairman of the Board and Chair 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.

In 2020, the Remuneration Committee recommended that Directors remuneration be increased annually by a percentage equal to the Retail Prices Index, subject to a maximum annual increase of 2.5%. On 12 October 2023, the Board approved an increase in the annual basic Director fees of 2.5% effective from 1 January 2023

The Company's Articles of Incorporation limits the aggregate fees payable to the Board of Directors to a total of £165,000 per annum. The Company did not breach this limit for the year ended 30 September 2023.

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 reviews Directors' compensation in line with market trends. Ensuring Directors fees remain in line with the market is important during this period of Board refreshment to ensure that the Company continues to attract the most talented individuals.

John Blowers
Remuneration and Nomination Committee Chair

5 December 2023

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 2023, 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 2023;
- 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.

Material uncertainty related to going concern

We draw attention to note 2.1 to the financial statements which indicates that the company is due to hold a continuation vote at its Annual General Meeting in March 2024.This event or condition indicates that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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 S.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 accounting processes and controls, and the industry in which the company operates.

Key audit matters

- Material uncertainty related to going concern.

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

Materiality

- Overall materiality: £600k (2022: £578k) based on 1% of net assets.
- Performance materiality: £450k (2022: £434k).

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 the auditor's professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditor, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, 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. In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

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")	We assessed the accounting policy for the Investments, as set out in note 2.3, for compliance with IFRS.
Investments of £59.6 million (note 8) held at fair value through profit or loss consist mainly of equities in companies whose securities are admitted to trading on the Alternative Investment Market ("AIM"). Investments are the main driver of the company's performance. There is a risk that the investments are not valued in accordance with the requirements of IFRS 13, which requires investments to be priced as quoted in an active market. 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 confirmed our understanding 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 of 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 2023. We independently obtained and analysed each security's trading volumes for the 12 months of the financial year ended 30 September 2023. We compared that with the trading volume of the last 12 months ended 30 September 2022. For securities identified as having low trading volumes, relative to the company's holdings, further trading volume analysis post 30 September 2023 was also performed.

	We independently obtained the custody confirmation for the Investments and reconciled 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, the industry in which the company operates, and we considered the risk of climate change and the potential impact thereof on our audit approach.

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	£600k (2022: £578k).
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% (2022: 75%) of overall materiality, amounting to £450k (2022: £434k) 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 at the higher end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £30,000 (2022: £28,900) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Reporting on 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. The directors are responsible for the other information.

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 have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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 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 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 of the Annual Report 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.

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

5 December 2023

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 September 2023

	Notes	**Year ended 30 September 2023 £**	**Year ended 30 September 2022 £**
Income			
Investment income	3	818,176	847,006
Net gain/(loss) on financial assets designated at fair value through profit or loss	8	2,468,544	(54,004,763)
Total income		**3,286,720**	**(53,157,757)**
Expenses			
Portfolio performance fees recovery	4	-	897,281
Portfolio management fees	4	(458,720)	(630,785)
Operating expenses	5	(625,709)	(589,580)
Foreign exchange gains		3,157	34,015
Total expenses		**(1,081,272)**	**(289,069)**
Profit/(loss) before taxation		**2,205,448**	**(53,446,826)**
Taxation		**-**	**-**
Profit/(loss) after taxation and total comprehensive income/(loss)		**2,205,448**	**(53,446,826)**
Basic and diluted profit/(loss) per Ordinary Share	13	0.0651	(1.5767)

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

STATEMENT OF FINANCIAL POSITION

As at 30 September 2023

	Notes	30 September 2023 £	30 September 2022 £
Non-current assets			
Financial assets designated at fair value through profit or loss	8	59,625,665	56,027,223
Current assets			
Cash and cash equivalents		415,330	2,289,617
Other receivables and prepayments	7	260,403	92,681
Total current assets		**675,733**	**2,382,298**
Total assets		**60,301,398**	**58,409,521**
Current liabilities			
Trade payables – securities purchased awaiting settlement		(52,843)	(433,561)
Other payables and accruals	10	(203,366)	(136,219)
Total current liabilities		**(256,209)**	**(569,780)**
Total liabilities		**(256,209)**	**(569,780)**
Net assets		**60,045,189**	**57,839,741**
Capital and reserves			
Stated capital	12	-	-
Retained earnings		60,045,189	57,839,741
Equity Shareholders' funds		**60,045,189**	**57,839,741**

The financial statements on pages 51 to 70 were approved and authorised for issue by the Board of Directors on 5 December 2023 and signed on its behalf by:

Andrew Chapman
Chairman

Charlotte Denton
Audit Committee Chair

The notes on pages 55 to 70 form an integral part of these financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 30 September 2023

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

For the year ended 30 September 2022

	Stated capital £	Retained earnings £	Total £
Opening equity Shareholders' funds at 1 October 2021	**-**	**111,286,567**	**111,286,567**
Total comprehensive loss for the year	-	(53,446,826)	(53,446,826)
Closing equity Shareholders' funds at 30 September 2022	-	**57,839,741**	**57,839,741**

The notes on pages 55 to 70 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS
For the year ended 30 September 2023

	Notes	**Year ended 30 September 2023 £**	**Year ended 30 September 2022 £**
Cash flow from operating activities			
Profit/(loss) after taxation and total comprehensive profit/(loss)		2,205,448	(53,446,826)
Adjustments to reconcile profit after taxation to net cash flows:			
- Realised loss on financial assets designated at fair value through profit or loss	8	7,993,136	1,352,009
- Unrealised (gain)/loss on financial assets designated at fair value through profit or loss	8	(10,461,680)	52,652,754
Purchase of financial assets designated at fair value through profit or loss[1]	8	(11,959,171)	(18,456,591)
Proceeds from sale of financial assets designated at fair value through profit or loss	8	10,448,555	10,983,393
Changes in working capital			
Increase in other receivables and prepayments	7	(167,722)	(14,296)
Increase/(decrease) in other payables	10	67,147	(937,383)
Net cash used in operating activities		**(1,874,287)**	**(7,866,940)**
Net decrease in cash and cash equivalents in the year		**(1,874,287)**	**(7,866,940)**
Cash and cash equivalents at the beginning of the year		2,289,617	10,156,557
Cash and cash equivalents at the end of the year		**415,330**	**2,289,617**

[1] - Payables outstanding at 30 September 2023 relating to purchases of financial assets designated at fair value through profit amounted to £52,843 (30 September 2022: £433,561).

The notes on pages 55 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, 2020, as amended, and the RCIS Rules. The Company registered number is 59106.

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

2. 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 Company's Corporate Broker is in regular contact with a range of Shareholders and has advised the Board that in their opinion Shareholders would support the Continuation Resolution to be tabled at the AGM in 2024. The Board notes the Continuation Resolution represents a material uncertainty but is confident that the resolution will be passed by Shareholders. The Directors are satisfied that, at the time of approving the financial statements, no other 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 Pound Sterling, which is the currency of the primary economic environment in which it operates. The Company's performance is evaluated and its liquidity is managed in Pound Sterling. Pound Sterling is therefore considered as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in Pound Sterling.

d) 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 Pound 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).

The Directors have determined that an active market exists for the Company's financial assets 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 2023, in the opinion of the Directors, the quoted price for the financial assets as at 30 September 2023 is representative of fair value.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Accounting policies (continued)
2.1 Basis of preparation (continued)
e) New standards, amendments and interpretations

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

	Effective for periods beginning on or after
IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors - amendments regarding the definition of accounting estimates.	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of accounting policies.	1 January 2023

The IAS 8 amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The definition of accounting policies remains unchanged. The Directors do not believe that the application of this amendment will have a material impact on the Company's audited financial statements.

The amendments to IAS 1 and IFRS Practice Statement 2 are intended to help preparers in deciding which accounting policies to disclose in their financial statements. The Directors do not believe that the application of these amendments will have a material impact on the Company's audited financial statements.

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

f) Standards, amendments and interpretations issued but not yet effective
Detailed below are new standards, amendments and interpretations to existing standards that have been issued, but are not yet effective. They are not relevant to the Company's operations and have not been early adopted by the Company:

	Effective for periods beginning on or after
IAS 1 - Classification of liabilities as current or non-current.	1 January 2024

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

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

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 2023, all financial assets designated at fair value through profit or loss are held in Pound Sterling.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

b) Recognition, measurement and derecognition
Purchases and sales of investments are recognised on the trade date – the date on which the Company commits to purchase or sell the investment. Financial assets 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 2023, 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.

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 2023. 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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. Accounting policies (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 2023 comprises its retained earnings at a total of £60,045,189 (30 September 2022: £57,839,741).

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 2023 £	Year ended 30 September 2022 £
Dividend income[1]	780,431	836,749
Bank interest	37,745	10,257
Total investment income	**818,176**	**847,006**

[1] Net of withholding taxes of £74,111 (30 September 2022: £66,616).

4. Portfolio management and performance fees

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

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

Under the IMA, the Portfolio Manager is entitled to receive a base fee and performance fee. The Portfolio Manager base fee is payable monthly in arrears at a rate of one-twelfth of 0.75% of NAV. During the year ended 30 September 2023, the Company incurred management fees expense of £458,720 (30 September 2022: £630,785).

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

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 2023, no performance fees were accrued or paid by the Company (30 September 2022: recovery of £897,281). 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 2023 £	**Year ended 30 September 2022 £**
Administration fees	134,565	129,545
Directors' fees	144,687	134,199
AIFM fees	58,000	58,000
Audit fees	64,550	57,000
Non-audit fees	23,000	21,500
Transaction fees	17,988	23,121
Broker fees	40,000	39,889
Custody fees	13,418	16,588
Registrar fees	27,882	21,056
Legal and professional fees	6,218	11,275
Sundry expenses	95,401	77,407
Total operating expenses	**625,709**	**589,580**

Non-audit fees
Non-audit fees incurred during the years ended 30 September 2023 and 30 September 2022 related to interim review services.

AIFM fee
On 21 October 2014, the Company signed an AIFM agreement, which was subsequently amended on 1 September 2020. The AIFM is entitled to an annual fixed fee of £58,000 per annum payable quarterly in arrears.

The AIFM agreement can be terminated by either the Company or the AIFM 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 AIFM 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.

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. The Administrator is entitled to a minimum annual fixed fee 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. Operating expenses (continued)

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

6. Directors' fees and interests
Directors' fees are listed in the Directors' Remuneration Report on page 43.

No pension contributions were payable in respect of the Directors. Directors' fees were increased post year end, refer to note 16 for further details.

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

Director	Ordinary Shares held	
	30 September 2023	**30 September 2022**
Andrew Chapman	15,009	15,009
Trudi Clark[1]	n/a	8,353
Mark Hodgson	7,721	7,721
Charlotte Denton	15,350	-
John Blowers	5,653	1,772
Ted Holmes[2]	12,970	n/a

[1]Trudi Clark retired as a Director on 1 March 2023.
[2]Ted Holmes was appointed as a Director on 26 September 2023.

7. Other receivables

	30 September 2023 £	**30 September 2022 £**
Dividend receivable	252,144	78,450
Prepayments	8,234	7,348
Interest and other receivable	25	6,883
Total other receivables	**260,403**	**92,681**

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

30 September 2023 **Financial assets**	**Level 1** **£**	**Level 2** **£**	**Level 3** **£**	**Total** **£**
Financial assets designated at fair value through profit or loss	59,625,665	-	-	59,625,665

30 September 2022 **Financial assets**	**Level 1** **£**	**Level 2** **£**	**Level 3** **£**	**Total** **£**
Financial assets designated at fair value through profit or loss	56,027,223	-	-	56,027,223

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

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 (continued)

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

30 September 2022	Level 1 £	Level 2 £	Level 3 £	Total £
Opening valuation	**102,125,227**	**-**	**-**	**102,125,227**
Purchases during the year	18,890,152	-	-	18,890,152
Sales - proceeds during the year	(10,983,393)		-	(10,983,393)
Realised loss on financial assets designated at fair value through profit or loss[3]	(1,352,009)	-	-	(1,352,009)
Unrealised loss on financial assets designated at fair value through profit or loss[4]	(52,652,754)	-	-	(52,652,754)
Closing valuation	**56,027,223**	**-**	**-**	**56,027,223**
Total net loss on financial assets for the year ended 30 September 2022	(54,004,763)	-	-	(54,004,763)

During the year ended 30 September 2022, 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 2023 and 30 September 2022, 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.

As at 30 September 2023, 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.

[1] Realised loss on financial assets designated at fair value through profit or loss is made up of £2,586,526 gain and £(10,579,662) loss.
[2] Unrealised gain on financial assets designated at fair value through profit or loss is made up of £16,414,946 gain and £(5,953,266) loss.
[3] Realised loss on financial assets designated at fair value through profit or loss is made up of £3,109,290 gain and £(4,461,299) loss.
[4] Unrealised loss on financial assets designated at fair value through profit or loss is made up of £1,738,932 gain and £(54,391,686) loss.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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 25% (30 September 2022: 25%):

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

30 September 2022 **Financial assets**	**£**	**Increase by 25%** **£**	**Decrease by 25%** **£**
Financial assets designated at fair value through profit or loss	56,027,223	14,006,806	(14,006,806)

The Directors consider a 25% (30 September 2022: 25%) movement to be reasonable given their assessment of the volatility of the AIM market during the year ended 30 September 2023. The above calculations are based on the investment valuation at the Statement of Financial Position date and are not representative of the period as a whole and may not be reflective of future market conditions.

The Investment Manager's S-PVT scoring for sustainability is used to rate all the Company's investments from S1 to S4. Investments categorised S1 and S2 have solid sustainability characteristics, investments categorised S3 require sustainability improvement and investments categorised S4 would represent a sustainability barrier to value creation. The ESG risk for the Company is currently evaluated to be minimal from a financial materiality perspective. As at 30 September 2023, investments categorised S1 represent 22.3%, S2 represent 70.8% and S3 represent 6.9%, of the Company's NAV. The Company does not hold any investments in the S4 category. Further details on the S-PVT scoring for sustainability can be found in the Portfolio Managers Report.

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.

The Company has not had any borrowings during the year (30 September 2022: £nil). The table below details the Company's exposure to interest rate risks:

30 September 2023	**Interest bearing (*)** **£**	**Non-interest bearing** **£**	**Total** **£**
Assets			
Financial assets designated at fair value through profit or loss	-	59,625,665	59,625,665
Cash and cash equivalents	415,350	-	415,330
Other receivables (excluding prepayments)	-	252,169	252,169
Total assets	**415,330**	**59,877,834**	**60,293,164**
Liabilities			
Trade payables – securities purchased awaiting settlement	-	(52,843)	(52,843)
Other payables	-	(203,366)	(203,366)
Total liabilities	-	(256,209)	(256,209)
Total interest sensitivity gap	**415,330**	**59,621,625**	**60,036,955**

* - floating rate and due within 1 month

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

30 September 2022	**Interest bearing (*)** **£**	**Non-interest bearing** **£**	**Total** **£**
Assets			
Financial assets designated at fair value through profit or loss	-	56,027,223	56,027,223
Cash and cash equivalents	2,289,617	-	2,289,617
Other receivables (excluding prepayments)	-	85,333	85,333
Total assets	**2,289,617**	**56,112,556**	**58,402,173**
Liabilities			
Trade payables – securities purchased awaiting settlement	-	(433,561)	(433,561)
Other payables	-	(136,219)	(136,219)
Total liabilities	-	(569,780)	(569,780)
Total interest sensitivity gap	**2,289,617**	**55,542,776**	**57,832,393**

* - floating rate and due within 1 month

Interest rate sensitivity analysis
If interest rates had changed by 100 basis points ("BP") (30 September 2022: 100 BP), considered to be a reasonable illustration based on observation of current market conditions, with all other variables remaining constant, the effect on the net profit for the year would be as detailed below:

	30 September 2023 **£**	**30 September 2022** **£**
Increase of 100 BP (30 September 2022: 100 BP)	4,153	22,896
Decrease of 100 BP (30 September 2022: 100 BP)	(4,153)	(22,896)

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

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

During the years ended 30 September 2023 and 30 September 2022, all transactions were in Pound Sterling, with the exception of several dividend income and cash transactions which were in USD. Although the Company does not pursue a policy of hedging such currencies back to Pound Sterling, it may do so from time to time, depending on market conditions. During the years ended 30 September 2023 and 30 September 2022 the Company did not enter into currency purchase spot contracts to mitigate the foreign currency exposure.

As at 30 September 2023, USD cash in the sum of $230,412 (30 September 2022: $37,346) was held and income receivable was $37,050 (30 September 2022: $52,000). 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

	30 September 2023 £	30 September 2022 £
Cash and cash equivalents	415,330	2,289,617
Other receivables (excluding prepayments)	252,169	85,333
Total assets	**667,499**	**2,374,950**

All cash is placed with BNP Paribas S.A., Guernsey Branch. BNP Paribas S.A. is publicly traded with a credit rating of A+ (30 September 2022: 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.

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

The Company measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management considers both historical analysis and forward looking information in determining any expected credit loss. At 30 September 2023 and 30 September 2022, management consider the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Company.

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

Maturity analysis of financial liabilities

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

30 September 2022	Less than 3 months £	3 to 12 months £	More than 1 year £	Total £
Financial liabilities				
Trade payables – securities purchased awaiting settlement	(433,561)	-	-	(433,561)
Other payables and accruals	(136,219)	-	-	(136,219)
Total undiscounted financial liabilities	**(569,780)**	**-**	**-**	**(569,780)**

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.

10. Other payables and accruals

	30 September 2023 £	30 September 2022 £
Portfolio management fees	35,802	35,677
Audit fees	64,550	57,000
AIFM fees	30,352	-
Non-audit fees	23,000	-
Directors' fees	32,369	31,109
Administration fees	10,000	10,000
Registrar fees	967	1,000
Custody fees	676	708
Sundry expenses	5,650	725
Total other payables and accruals	**203,366**	**136,219**

11. Contingent liabilities and commitments
As at 30 September 2023, the Company had no contingent liabilities or commitments (30 September 2022: 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. Stated capital and share premium (continued)
Allotted, called up and fully-paid

	30 September 2023		30 September 2022	
	Number of Ordinary Shares	Stated capital £	Number of Ordinary Shares	Stated capital £
Balance as the start of the year	**33,897,954**	**-**	**33,897,954**	**-**
Balance as the end of the year	**33,897,954**	**-**	**33,897,954**	**-**

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

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

No dividends have been declared or paid during the year (30 September 2022: nil).

Issuance of Ordinary Shares
No Ordinary Shares were issued during the year ended 30 September 2023 (30 September 2022: 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. Stated capital and share premium (continued)
Redemption mechanism (continued)

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.

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 profit/(loss) per Ordinary Share

	Year ended 30 September 2023 £	Year ended 30 September 2022 £
Total comprehensive income/(loss) for the year	2,205,448	(53,446,826)
Weighted average number of Ordinary Shares during the year	33,897,954	33,897,954
Basic and diluted earnings per Ordinary Share	0.0651	(1.5767)

14. NAV per Ordinary share

	30 September 2023 £	30 September 2022 £
NAV	60,045,189	57,839,741
Number of Ordinary Shares at year end	33,897,954	33,897,954
NAV per Ordinary Share	1.7714	1.7063

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. Related party disclosure

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

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

The Portfolio Manager and George Ensor held the following voting rights in the Company:

	30 September 2023	30 September 2022
Portfolio Manager	3,140,230	3,100,230
George Ensor	90,194	60,041

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.

16. 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 2023.

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

17. Controlling party

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

USEFUL INFORMATION FOR SHAREHOLDERS

Alternative performance measures disclosure

In accordance with the European Securities and Markets Authority Guidelines on Alternative Performance Measures ("APMs") the Board has considered what APMs are included in the Annual Financial Report and financial statements which require further clarification. APMs are defined as a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework. The Audit Committee reviewed the overall presentation of APMs, which remains consistent with the prior year. The Ordinary Share price discount performance metric has been presented for the financial year and comparative period. The Audit Committee is satisfied that no APMs were given undue prominence in the Company's Annual Financial Report and financial statements. APMs included in the financial statements, which are unaudited and outside the scope of IFRS, are deemed to be as follows:

Performance since inception

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 2023. 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.

Refer to page 3 for NAV total return vs Index total return 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 2023, the Company's Ordinary Shares traded at £1.4200 (30 September 2022: £1.3600), reflecting a discount of 19.84% (30 September 2022: discount of 20.29%) to the NAV per Ordinary Share of £1.7714 (30 September 2022: £1.7063).

Ongoing charges

The ongoing charges ratio for the year ended 30 September 2023 was 1.71% (30 September 2022: 1.39%). The AIC’s methodology for calculating an ongoing charges figure is based on annualised ongoing charges of £1,051,439 (30 September 2022: £1,197,244) divided by average NAV in the period of £61,456,997 (30 September 2022: £86,321,192).

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 2023 and 30 September 2022:

	30 September 2023 £	**30 September 2022 £**
Total expenses for the year:	1,081,270	289,069
Expenses excluded from the calculation of ongoing charges figures, in accordance with AIC's methodology:		
Portfolio Performance fees recovery	-	897,281
Sundry expenses (Director recruitment fees)	(15,000)	-
Transaction fees	(17,988)	(23,121)
Foreign exchange gains	3,157	34,015
Total ongoing charges for the year	**1,051,439**	**1,197,244**

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 2023 and 30 September 2022.

COMPANY INFORMATION

Board members
Andrew Chapman (Chairman)
Trudi Clark
Retired from the Board on 1 March 2023
Mark Hodgson
John Blowers (Chair of the Remuneration and Nomination Committee and Management Engagement Committee)
Charlotte Denton (Chair of the Audit Committee)
Ted Holmes
Appointed 26 September 2023

Advocates to the Company (as to Guernsey law)
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[1] – BNP Paribas S.A., Guernsey Branch is regulated by the GFSC.