MONTANARO

UK Smaller Companies Investment Trust PLC ("MUSCIT")

The best way to get to know
a Smaller Company isn't by
looking at a spreadsheet

Annual Report and Accounts 2025

Contents

This document is important and refers to certain matters on which voting action is required. Shareholders who are in any doubt as to what action to take should consult an appropriate independent adviser.

If any shareholder has sold or transferred their shares in the Company, he or she should pass this document to the purchaser or transferee or to the person through whom the transfer or sale was effected for onward transmission to the transferee or purchaser.

Reasons to Invest

Long track record
Outperformed by 390% since launch in 1995

Experienced Manager
One of the largest specialist SmallCap teams in Europe

Discount opportunity
8% discount vs a 3% premium at end of 2022

Interests aligned
MAM's biggest investment

Good timing
UK SmallCap has rarely been so cheap. Quality Growth is attractive

Quarterly Income
Annual yield of c.6% of NAV (6.5% of Share Price given discount)

The trust is a long-term holder of stocks, with a track record of identifying multi-baggers*, including:

nccgroup

Held for **20 years**

443%

total return

CLARKSONS

Held for **15 years**

559%

total return

CRANSWICK plc
Great British Taste

Held for **12 years**

533%

total return

While investing in exciting new ideas:

Raspberry Pi

BCG BALTIC CLASSIFIEDS GROUP

* A multi-bagger is an investment that has increased in value by multiple times its original purchase price. Total return figures are based on initial purchase price. Data as at 31 March 2025. Figures relate to current holdings only and exclude any past holdings that may have achieved multi-bagger status.

Highlights
for the year ended 31 March 2025

Investment Objective

The investment objective of Montanaro UK Smaller Companies Investment Trust PLC (the "Company" or "MUSCIT") is to achieve capital appreciation through investing in smaller quoted companies listed on the London Stock Exchange or traded on AIM and to outperform its benchmark, the Deutsche Numis Smaller Companies Index (excluding investment companies) ("NSCI").

Performance

Total Returns	1 year	3 year	5 year	10 year	Since launch
Share Price[1]	1.0%	(10.8%)	20.3%	52.3%	854.0%
Net Asset Value ("NAV") per share[1]	(6.9%)	(11.4%)	14.3%	30.4%	808.6%
Benchmark[2]	2.3%	2.7%	68.2%	60.3%	570.6%
Benchmark (including AIM)[3]	(0.4%)	(11.1%)	49.0%	47.7%	477.9%

Sources: Deutsche Numis, Bloomberg, Association of Investment Companies ("AIC"), Montanaro Asset Management Limited ("MAM").

As at 31 March	**2025**	2024	% change
Ordinary share price	**97.00p**	101.00p	(4.0)
NAV per Ordinary share[1]	**105.86p**	118.94p	(11.0)
Discount to NAV[1]	**8.4%**	15.1%	
Gross assets[1]	**£163.3m**	£219.1m	(25.5)
Net assets	**£150.8m**	£199.1m	(24.3)
Market Capitalisation	**£138.2m**	£169.1m	(18.3)
Net gearing employed[1]	**5.2%**	2.7%	

Year ended 31 March	**2025**	2024	% change
Revenue return per Ordinary share	**3.3p**	3.2p	3.1
Dividends per Ordinary share	**5.4p**	4.6p	17.4
Ongoing charges[1]	**0.9%**	0.9%	
Portfolio turnover[1]	**45.6%**	23.4%	

1 Details provided in Alternative Performance Measures on pages 64 to 65.

2 The Benchmark is a composite index with the NSCI used since 1 April 2013.

3 This represents the Benchmark with the NSCI including AIM used since 1 April 2013.

Chairman's Statement

I am pleased to present the annual report of MUSCIT for the year ended 31 March 2025. This year also marks MUSCIT's 30th anniversary.

Results

In the year to 31 March 2025, the Net Asset Value ("NAV") total return of MUSCIT decreased by 6.9%. In comparison, the Numis Smaller Companies Index (excluding investment companies) (the "NSCI") gained 2.3% and the NSCI including AIM decreased by 0.4%.

During the same period, the share price of MUSCIT returned 1.0% as the discount tightened from 15.1% to 8.4%. Compared with the NSCI including AIM, MUSCIT's Share Price *outperformed* by 1.4%.

Since inception in 1995, the Company has delivered a cumulative NAV total return of 809%, significantly outperforming the composite benchmark which delivered a return of 571%.

Dividends

The Board believes it is important that the Company's dividend policy continues to play a key role in attracting new investors and, in doing so, helps to narrow the discount.

While the Company's primary investment objective and focus remain capital growth – and this has not changed – the Board recognised the evolving interest rate environment.

In December 2024, the quarterly dividend was increased from 1% to 1.5% of the Company's NAV, equivalent to an annual yield of approximately 6%.

Based on the current discount of 8.4%, this implies a share price yield of 6.5%. **This would place MUSCIT in the top 10 highest-yielding UK equity trusts out of over 400 and one of only seven strategies offering yields in excess of 6%** (Source: Quoted Data).

Quarterly dividends continue to be calculated on the NAV on the last business day of the preceding financial quarter, being the end of March, June, September and December.

During the Financial Year, the Company paid four quarterly dividends amounting to a total of 5.43p per share, equivalent to 5.4% of the share price at the start of the year and 5.6% at the end of the period.

The Company holds substantial reserves which are available for distribution in future.

Costs

The Board remains highly focused on reviewing and managing costs. Effective from 31 December 2024, the investment management fee of 0.50% per annum is now calculated based on net assets rather than gross assets. The fee remains one of the most competitive within the UK SmallCap investment trust sector.

In addition, the Board conducts regular reviews of all service providers to ensure that fees remain competitive and at least aligned with market standards.

We are pleased to report that the Company's Ongoing Charge has remained stable at 0.9%, despite a decrease in net assets during the Financial Year.

Share Buybacks

The Board is responsible for share buy-backs which are undertaken at arms' length from the Manager. These are regularly considered by the Board and implemented when considered to be in the interests of shareholders as a whole.

In recognition of changing market dynamics, the Board confirmed its commitment to an active buyback policy, with the view to maintaining the discount in single digits in normal market conditions.

Chairman's Statement continued

The share buyback authority was renewed at a General Meeting held on 31 March 2025.

During the financial year, the Company bought back 24,927,148 shares (14.9% of outstanding shares) which are held in Treasury.

In addition, during the life of MUSCIT, the Company has bought back and cancelled 29% of the shares outstanding.

Discount

Over the last financial year, the discount of MUSCIT's share price to NAV, as shown in the graph on page 4, narrowed from 15.1% to 8.4%.

The Board and the Manager have worked hard to make MUSCIT attractive to private clients, including implementing a five-for-one share split in 2018; twice enhancing its dividend policy; reducing costs and increasing the focus on marketing. These initiatives are bearing fruit, with a growing number of retail investors now appearing on the share register. Over time, this broader ownership base should help to reduce discount volatility in MUSCIT's shares.

Gearing

The Board, in consultation with the Manager, regularly reviews the gearing strategy of the Company and it approves the arrangement of any gearing facility. The ability to issue debt to gear the portfolio is a key feature of investment trusts that we believe offers a strong competitive advantage over open-ended investment funds. Gearing can enhance investment returns to shareholders. The Board strongly encourages the Manager to actively use the gearing facility while delegating the decision on optimum levels to their discretion.

On 17 December 2024, the borrowing facilities were renewed with BNY Mellon for a period of two years. The interest rate on the £30 million revolving credit facility is calculated as the prevailing SONIA rate plus 1.3% (the bank margin).

At 31 March 2025, net gearing was 5.2%, a level that the Manager considered to be appropriate in light of the macroeconomic uncertainty and volatility in financial markets at that time.

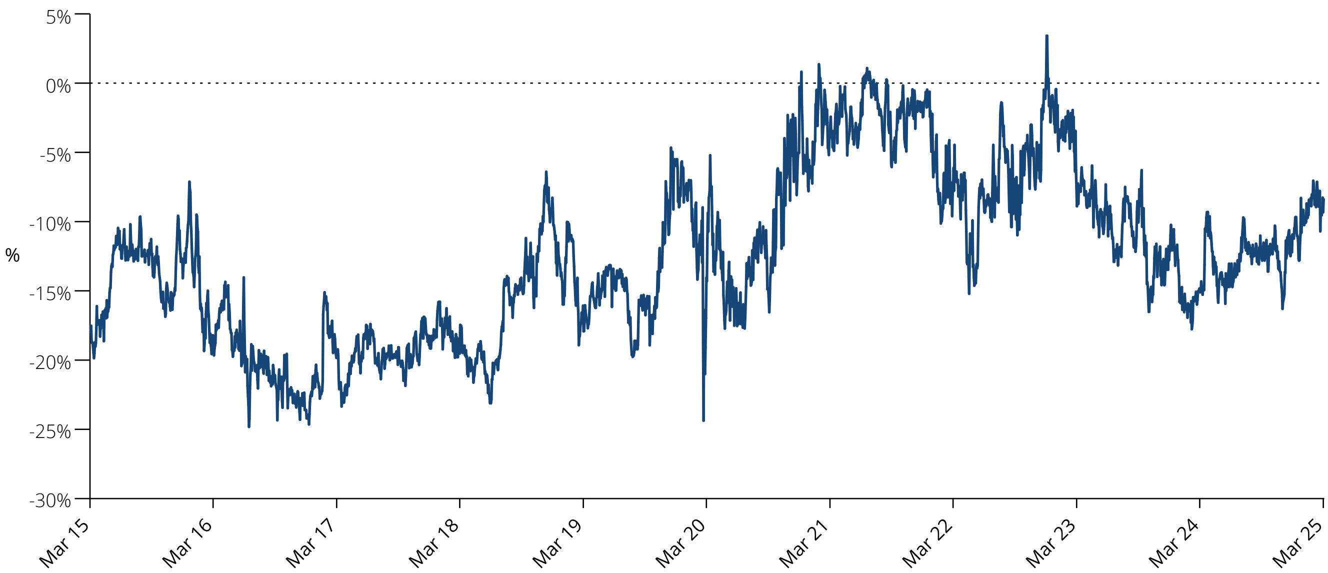
Environmental, Social and Corporate Governance ("ESG")

The Board and Montanaro believe there is a strong correlation between how well a business fares on ESG grounds and the value it creates for its shareholders. This is why ESG considerations form an integral part of the Manager's assessment of a company's "Quality" and have been fully integrated into the investment process for many years.

The depth of Montanaro's commitment is perhaps best exemplified by the fact that they are one of the few UK asset managers to be a certified B Corporation – a certification Montanaro have held since 2019. Certified B Corporations are businesses that meet the highest standards of verified social and environmental performance, public transparency and legal accountability to balance profit and purpose. The certification was renewed for a further three years in 2022. Montanaro's score rose from 81.8 to 105.5 (classified as "outstanding"), demonstrating their commitment to continual improvement.

An ESG Report is included on pages 7 to 8 of this Annual Report.

Share Price Discount to NAV*



* Discount based on NAV over the last ten years. Source: Montanaro Asset Management, Bloomberg.

AGM

The Annual General Meeting will be held on Wednesday, 23 July 2025 at 10 a.m. at the office of Montanaro Asset Management, 53 Threadneedle Street, London EC2R 8AR. Shareholders are warmly invited to attend the Meeting where, after the formal business has been concluded, there will be an opportunity to meet and ask questions of the Board and the Manager.

Continuation Vote

The next Continuation Vote is scheduled to be held in 2027.

At the AGM held on 12 August 2021, over 99% of shareholders voted in favour of continuation of the Company for a further five years.

Directors' Fees

In light of the adjustments to the investment management fee and reduced NAV of the Company, the Board has agreed to reduce Directors' remuneration by 10% from 1 April 2025. This decision reflects the Board's commitment to managing the Company's costs. Directors are encouraged to invest a proportion of their remuneration in shares of the Company. We will continue to review remuneration levels to ensure they remain appropriate and competitive within our peer group.

Outlook

The financial year to 31 March 2025 was shaped by considerable turbulence, both in international relations and financial markets. The re-election of Donald Trump and the announcement of sweeping tariffs – dubbed "Liberation Day" measures – shocked the global economy, heightening volatility and damaging investor confidence. These developments have added considerable uncertainty to the global outlook and are reshaping established trading relationships in ways that are still unfolding.

Closer to home, the UK faced its own challenges. The Budget announcements in November 2024 and again in March 2025 were generally poorly received by the business community, with tax and minimum wage increases viewed as disappointing. These measures weighed on domestic sentiment and contributed to a difficult environment for UK smaller companies in particular. Growth companies faced the additional headwind of rising bond yields.

Nonetheless, as we look ahead, there are reasons for cautious optimism. Recent data show that UK GDP growth in Q1 2025 outperformed expectations, while inflation has come in below forecast. As a result, investor sentiment towards UK equities is perhaps beginning to improve from deeply depressed levels.

Furthermore, early signs suggest that a potential 'brain drain' from US universities – as international academics and students look elsewhere – could benefit the UK's world-leading higher education sector and, over time, the broader economy. UK equity valuations – particularly among smaller companies – are close to generational lows compared to other major markets, while global investor allocations to UK equities remain exceptionally low. A combination of attractive valuations and improving sentiment could set the stage for a meaningful reappraisal of UK equities in the years ahead.

Against this backdrop, we remain confident that our portfolio of high-quality, resilient smaller companies – of which the overwhelming majority are unaffected by trade tariffs – offers attractive opportunities for long-term investors.

The Board and the Manager remain focused on delivering strong, sustainable returns while managing risk carefully in what continues to be an evolving and unpredictable environment.

ARTHUR COPPLE
Chairman

16 June 2025

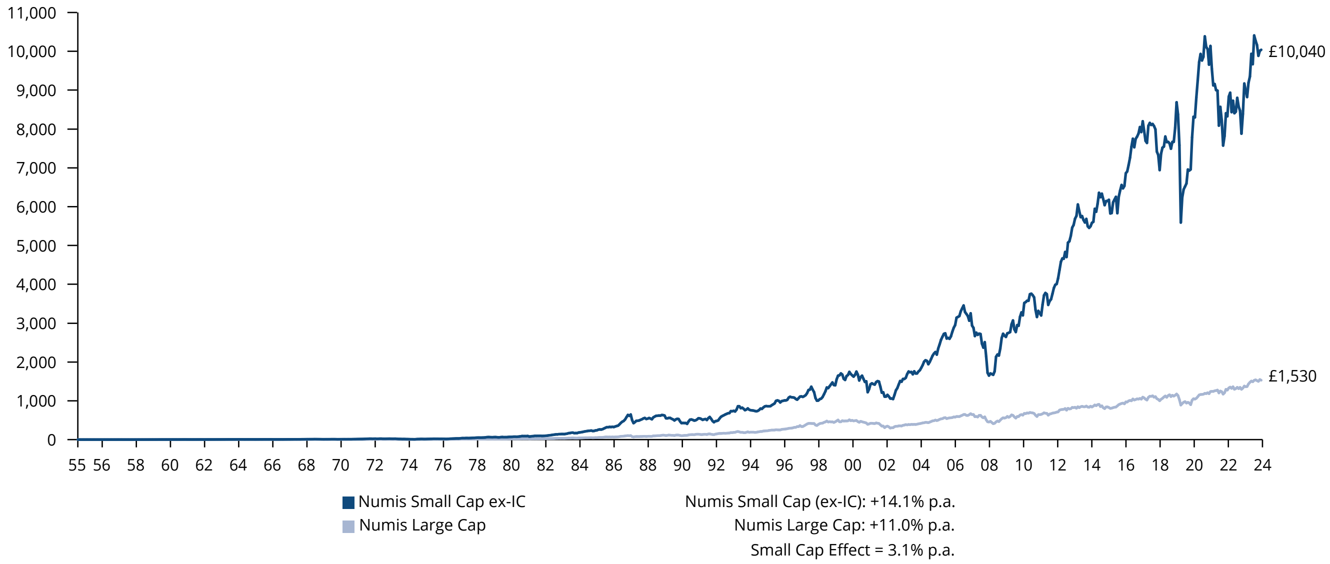
Manager's Report

The Attractions of Quoted UK Smaller Companies ("UK SmallCap")

The key attraction of investing in quoted smaller companies is their long-term record of delivering higher returns to investors than large companies. In the UK, over the last 70 years, this has amounted to an average of 3.1% per annum (the "SmallCap Effect").

£1 invested in UK large companies in 1954 would now be worth £1,530 whereas the same £1 invested in UK smaller companies would now be worth £10,040 – almost seven times more (see chart below).

Cumulative Nominal Return of £1 invested on 1 January 1955 (to 31 December 2024)



The market for UK smaller companies is inefficient. While some large companies are analysed by more than 50 brokers, many smaller companies have little or no coverage. We believe that this makes it easier for those with a high level of internal resources to identify attractive, undervalued and overlooked investment opportunities. This in turn makes it possible to deliver long-term performance over and above that of the benchmark.

Montanaro Asset Management

Montanaro was established in 1991. We have one of the largest and most experienced specialist teams in the UK dedicated exclusively to researching and investing in quoted smaller companies. Our team of 37 includes 11 nationalities and 16 Analysts and Portfolio Managers, which gives us the breadth of resources to conduct thorough in-house research.

At 31 March 2025, we were looking after around £3 billion of client assets.

Investment Philosophy and Approach

We specialise in researching and investing in quoted smaller companies.

We have a disciplined, two-stage investment process. Firstly, we identify "*good businesses*" within our investable universe. In the second stage, we determine the intrinsic value of each company to ensure they will make a "*good investment*" (the two are not always the same).

When we consider that we have identified a potentially "good" company, it must pass our stringent Quality and ESG Checklists and be approved by our Investment Committee before it can be added to our "Approved List". ESG has been integrated within our disciplined investment process for almost three decades. Only the most attractive companies make it on to the Approved List and it is from these that we construct your portfolio.

Our in-house team of Analysts are sector specialists and one of the largest specialist teams in the country. Utilising their industry knowledge and a range of proprietary screens, they are continually searching for new ideas. With around 1,600 quoted companies in the UK to choose from, we are spoiled for choice.

We look for high quality companies in markets that are structurally growing and simple to understand. They must be profitable; have good and experienced management; deliver sustainably high returns on capital employed; enjoy high and ideally growing profit margins reflecting pricing power and a strong market position; and provide goods and services that are in demand and likely to remain so. We like focused companies that are well-established with a long history so that we can see how they perform over different cycles. Ideally, they should deliver self-funded organic growth rather than rely on acquisitions and stick firmly to their core areas of expertise.

Conversely, we avoid those with stretched balance sheets; poor free cash flow generation; incomprehensible or heavily adjusted accounts; unproven or unreliable management; structurally challenged business models with stiff competition; and "special situations" or recovery companies.

We believe that a deep understanding of a company's business model and the way it is managed are essential. We meet or speak to our investee companies on a regular basis, typically after they announce their semi-annual or annual figures. Site visits are particularly useful. They allow us to meet management in situ when they can give us more time and we can talk to more people. Investing in small companies is all about meeting the executive team. It is a privilege for us and where we can add most value.

Management's past track record is examined in detail as we seek to understand their goals and aspirations. In smaller companies, the decisions of management can make or break a company (which is why meeting them is so important). We look closely at the board structure; the level of insider ownership; and carefully examine remuneration and corporate governance policies.

Once a company has been added to the portfolio, our Analysts conduct ongoing reviews. We will sell a holding if we believe that the company's underlying quality is deteriorating or if there has been a fundamental change to the investment case or indeed management. We will get things wrong and make mistakes, but we try to learn from them.

In summary, we invest in well managed, focused, high quality, growing companies bought at sensible valuations.

We keep turnover and transaction costs low and follow our companies closely over many years. We would rather pay more for a higher quality, more predictable company that can be valued with greater certainty.

Environmental, Social and Governance ("ESG")

Montanaro became a certified B Corporation in 2019, placing sustainability at its core. This was achieved by meeting verified standards of social and environmental performance, transparency and accountability. It is regarded as one of the toughest sustainability standards to achieve globally. Montanaro recertified for "B Corp" status in 2022 and achieved a score of 105.5, well above the 81.8 originally achieved in 2019 and an achievement of which we are proud.

Montanaro has a long track record of sustainable investing which has always been reflected in the way the portfolio has been managed. Ethical restrictions mean that we do not invest in companies that generate a significant proportion of sales from products with negative societal impact such as tobacco, gambling, alcohol, high-interest-rate lending and fossil fuels. Similarly, we do not invest in companies that conduct animal testing, unless it is required by law for healthcare or regulatory purposes.

The analysis of ESG factors has long formed part of our definition of a company's "Quality". The analysis of such information allows us to better understand the risks – and opportunities – that our companies may be exposed to, from factors such as climate change, supply chain risks and the structure of company boards.

MUSCIT was awarded an 'AA' rating for its ESG credentials by MSCI – the second best rating out of a possible seven – placing it among the highest-rated funds in its category.

In March 2022, Montanaro won "*the Best Small & Mid-Cap Sustainable Investment Boutique*" award from Ethical Finance. This recognised Montanaro's continuing commitment to sustainable investing within its own business, across the investment industry and in our investment process. We were delighted to receive this award again in 2024.

Manager's Report continued

Examples of Recent Investee Company Engagement

We continued our active engagement with portfolio companies over the past year, focusing on areas such as environmental transparency, executive pay, and sustainability reporting.

As part of the 2024 CDP Non-Disclosure Campaign, we engaged with **Hilton Foods** to discuss how they could improve their environmental reporting. In previous years, the company had not responded to CDP requests for disclosure. Our discussions were constructive as always. Subsequently, they completed all three CDP questionnaires covering climate change, water security and deforestation. This marks a significant step forward and shows the company's growing commitment to sustainability and investor transparency.

We took part in a shareholder consultation with **discoverIE** regarding proposed changes to its executive pay structure, including increases to performance-based long-term incentives. Our engagement focused on ensuring a clear link between reward and long-term value creation. The company provided reassurance on how performance metrics were being designed to align with shareholder interests. After a thorough review, we voted in favour of the proposals at the AGM.

How to Invest

We have dedicated a great deal of time to make MUSCIT readily available to all investors. We have continued to grow our presence across the UK's investment platforms and are delighted to see a steady increase, year after year, in MUSCIT's retail following.

Together with the Board, we have appointed Marten & Co to provide sponsored research. The latest report published in May 2025 is available here: https://quoteddata.com/research/montanaro-uk-smaller-companies-high-growth-bigger-yield-mc/

For further details about how to invest, please refer to the following website: https://montanaro.co.uk/trust/montanaro-uk-smaller-companies-investment-trust/

The Portfolio

On 31 March 2025, the portfolio consisted of 40 companies of which the top ten holdings represented 41% (2024: 46%) of the portfolio by value. MUSCIT held 8 companies traded on AIM representing 16% of the Portfolio by value (2024: 21%).

Sector distribution within the portfolio is driven by stock selection. Although weightings relative to the market are monitored, overweight and underweight positions are held based on where the greatest value and upside are perceived to be.

Gearing

The Board is responsible for setting the Company's gearing strategy and approves the arrangement of any borrowing facilities. The Manager is responsible for determining the gearing level within parameters set by the Board. On 31 March 2025, gearing stood at 5.2%.

Performance Review

In the year ended 31 March 2025, the NAV decreased by 6.9% in comparison with the benchmark gain of 2.3%. Including AIM, the benchmark was flat. Style proved a headwind: Growth underperformed Value by 8% last year, accounting for the underperformance.

During this period, the share price of MUSCIT returned 1.0% as the discount narrowed from 15.1% to 8.4%. Compared with the NSCI including AIM, MUSCIT's share price *outperformed* by 1.4%.

Since its launch in March 1995, MUSCIT has delivered an average annualised NAV return of 7.6% p.a. (including dividends reinvested), outperforming the composite benchmark by 1.1% p.a.. This is a cumulative NAV total return of 809%, significantly outperforming the composite benchmark return of 571%.

Performance Attribution

The largest positive contributors over the period were:

XPS Pensions, a leading provider of pension administration and consulting services, continued its strong run. Demand for expert advice remains high following the LDI crisis caused by Liz Truss's mini-budget in September 2022. The group has been gaining market share through new client wins and awards. This is the second year in a row that XPS has been among our top performers.

Games Workshop, the fantasy miniatures company behind Warhammer, delivered impressive results once again. A growing global fanbase, successful new product launches, and expanding royalty income from licensing deals – including with Amazon – all contributed to investor enthusiasm. The business remains highly profitable and cash generative with a strong dividend track record.

Raspberry Pi, a Cambridge-based semiconductor company and educational computing pioneer, made a successful debut on the London Stock Exchange. We participated in the IPO (see below). Early trading has been encouraging and in line with market expectations.

As ever, the year was not without some disappointments. The largest detractors were:

Tracsis, a provider of software and services to the transport industry, saw its shares weaken after failing to secure any large train orders in America that had been anticipated. At the time of writing, the shares are trading on c.11x forward earnings, which suggests to us that the news has been fully discounted by the market. The share price has been quietly rallying since the end of the financial year.

4imprint, the direct marketer of promotional products in the US, gave back some of its previous strong gains. As most of their products are sourced from China, investors became concerned about the impact of trade tariffs and the likelihood of price increases that might result. One of our top performers last year, 4imprint remains a core holding and has one of the best management teams we have the privilege to know.

YouGov, the international market research and data analytics company, issued a profit warning following operational missteps, including delayed project delivery and cost overruns. So soon after a large acquisition, management credibility was sufficiently in doubt that we sold the holding. Subsequently, the Chief Executive stood down.

Case Study – Raspberry Pi

This year saw us participate in the IPO of **Raspberry Pi** – our first for MUSCIT since Auction Technology Group in February 2021. IPOs are rare for us. We prefer companies with a long track record on the public market, not least because listing is a gruelling process. The obligations once public are considerable. Add in fund managers like us asking endless (and probably quite annoying) questions and you can understand why some founders choose to stay private.

But we do like a good prospectus. The trick, as ever, is to read it from the back – litigation, accounting adjustments, related party transactions, etc. are all buried at the end. Most don't have the stamina to read every page to the last. We do.

In 2024, just 17 companies came to market in the UK – down 96% from the 2005 peak. But this could not go on. Private equity needed exits. Bankers needed bonuses. The London Stock Exchange needed a win. Step forward: **Raspberry Pi**.

Founded in Cambridge, Raspberry Pi began as an educational charity to inspire the next generation of computer programmers. Eben Upton and colleagues launched the first credit card-sized computer boards in 2012, priced at under £15, hoping schools would use them to teach coding. They caught on fast: first with kids and hobbyists; later with engineers and OEMs. Today, Raspberry Pi is a global business selling into both education and industry.

The IPO prospectus was one of the cleanest I have ever read. It passed the key tests: management were not selling a single share (always "*follow the money*"); they retained a meaningful 5% stake; they had impressive backers such as ARM and Lansdowne who were cornerstone investors; Sony Semiconductor was already involved. Most importantly, the main seller was the Raspberry Pi Foundation – not private equity – and proceeds would continue to support its charitable mission.

The company ticked every MUSCIT box: c.£500 million market cap (too small for the index-huggers and big institutions), profitable and growing fast. From 2021 to 2023, revenues rose by over 90% and operating profits had more than doubled. We had a long meeting with management who are passionate, open and trustworthy. We felt it would be priced attractively. There were too many people who had a vested interest in a successful outcome.

The IPO was around 10 times oversubscribed. Half the institutions walked away empty handed. Fortunately, we received an allocation which we quickly increased to our target weight. Raspberry Pi listed at £2.80 on 10 June 2024 and has since more than doubled. Such successes are rare but in this instance all the stars were aligned. A founder-led, mission-driven, profitable UK technology company, backed by long-term sophisticated investors built for the long term at a time when the London Stock Exchange needed something to shout about.

There is a postscript. Whilst reading the prospectus, I spotted a familiar name: David Braben, one of the co-founders, is also Chairman of Frontier Developments, a company we've known for many years. I gave him a call. As ever, some of the most valuable insights come not from broker notes, prospectuses or roadshows but rather from relationships built over decades.

This is what UK SmallCap is all about. Raspberry Pi reminds us why it is so exciting and rewarding.

Manager's Report continued

Outlook

UK equities as a whole are trading at just 12x earnings, one of the cheapest global stock markets. UK SmallCap is even cheaper, languishing at around 10x depressed profits (see chart below).

SmallCap – 12-month Forward P/E
(Deutsche Numis Smaller Companies ex-IC Index)

For long-term investors, this has the hallmarks of a generational buying opportunity.

We are not alone in this view. Around the world, the investment community is reassessing its exposure to Wall Street. The return of Donald Trump and "Liberation Day" politics have reignited concerns around deficits, US dollar stability and the sustainability of the dominance and so called "excellence" of America. Is it still a reliable trading partner? It may no longer be the obvious safe haven for investors – Wall Street underperformed the rest of the world by 10.5% in the first quarter of 2025, the most in 23 years. This is remarkable and may signal a change in the world order never seen before in our lifetime. As the risk premium on US equities rises, capital is beginning to search for alternative homes. The UK is on the radar once again.

Consensus earnings for UK SmallCap companies forecast a rise of over 17% in 2025, outpacing larger peers by some margin. The combination of a valuation discount and an improving earnings outlook bodes well. Currently, UK smaller companies are unloved and under-owned. Over the past thirty years, we have seen sentiment change dramatically almost overnight – March 2003 and March 2009 come to mind – which heralded several years of strong returns. It pays to remain patient and keep the faith.

CHARLES MONTANARO
16 June 2025

Ten Largest Holdings
as at 31 March 2025

1. discoverIE

A global electronics group designing customised components for industrial applications. Its high-margin, design-led model and exposure to structural growth markets such as renewables and automation make it a compelling long-term compounder.

2. XPS Pensions

A leader in pension consultancy and administration, XPS is well positioned to grow as regulation drives demand for independent, expert advice. Its scalable model and market share gains support long-term, structural growth. XPS won the John Lewis Pension Fund last year with 165,000 members, the largest in the company's history.

3. Big Yellow

Big Yellow is the UK's leading self-storage provider with over 100 stores nationwide and a focus on London and the South East. Demand is driven by decluttering, moving, home improvements, student storage, travel, business needs and life events ("death, divorce and downsizing"). Since listing in 2000, it has achieved consistent earnings and dividend growth with annualised total shareholder returns of 13.6%.

4. Hilton Foods

A global food packaging business partnering with leading supermarkets such as Tesco, Woolworths (Australia) and the Co-op. Innovation in sustainable packaging and plant-based products, plus geographic expansion such as in Saudi Arabia, support strong growth. Walmart have just announced a $6.5 billion landmark investment in Canada where they will be working with Hilton Foods.

5. Telecom Plus

Trading as Utility Warehouse, TelecomPlus bundles energy, broadband, mobile and insurance into a one-stop shop proposition. Its unique referral model fuels customer growth, with rising energy costs enhancing its relative value proposition. It has over one million customers in the UK.

Ten Largest Holdings continued
as at 31 March 2025

6. Baltic Classifieds

BCG are the dominant classifieds business in the Baltics, operating 14 online portals across autos, real estate, jobs, services and generalist verticals. High margins and pricing power, strong network effects and digital transition underpin its exceptional profitability and scalability. Each resident in the Baltics, on average, visits BCG sites 10 times per month.

7. Porvair

Specialising in filtration for environmental and industrial markets, Porvair benefits from global regulations and decarbonisation trends. Its niche technologies serve mission-critical applications with high barriers to entry.

8. 4imprint

4imprint is the leading direct marketer of promotional products in the USA, Canada, the UK and Ireland offering more than 43,000 products. They hold a 2% market share in a highly fragmented market indicating substantial room for growth to compete successfully with Amazon.

9. Bytes Technology

One of the UK's largest software resellers, Bytes provides IT solutions including software licensing, security, cloud services and digital transformation across public and private sectors. They have strong vendor relationships including with Microsoft (about half of sales) winning awards such as "Microsoft Partner of the Year". High cash generation and increasing cloud adoption support continued growth.

10. JTC

A global fund and corporate services provider with a strong M&A track record. Its client-first culture and scalable platform deliver high recurring revenues and consistent margin expansion.

Twenty Largest Holdings
as at 31 March 2025

Holding	Sector	Value £'000	Market cap £m	% of portfolio 31 March 2025	% of portfolio 31 March 2024
discoverIE	Electronic and Electrical Equipment	8,160	518	5.2	4.6
XPS Pensions	Investment Banking and Brokerage Services	7,500	778	4.8	3.9
Big Yellow	Real Estate Investment Trusts	7,456	1,827	4.7	5.2
Hilton Foods	Food Producers	7,004	738	4.4	3.1
Telecom Plus	Electricity	6,090	1,375	3.9	–
Baltic Classifieds	Software and Computer Services	6,010	1,466	3.8	–
Porvair	Integrated Engineering	5,780	315	3.7	3.8
4imprint	Media	5,550	1,042	3.5	5.4
Bytes Technology	Software and Computer Services	5,456	1,165	3.5	3.1
JTC	Industrial Support Services	5,448	1,507	3.5	–
MP Evans	Food Producers	5,050	538	3.2	2.0
Cranswick	Food Producers	4,905	2,644	3.1	4.0
Bloomsbury	Media	4,410	480	2.8	–
Gamma Communications	Telecommunications Service Providers	4,242	1,161	2.7	–
Games Workshop	Leisure Goods	4,197	4,610	2.7	4.9
Integrafin	Software and Computer Services	3,825	1,014	2.4	–
Cerillion	Investment Banking and Brokerage Services	3,813	450	2.4	1.9
Watches of Switzerland	Personal Goods	3,721	990	2.4	1.3
NCC Group	Software and Computer Services	3,684	436	2.3	2.1
Marshalls	Construction and Materials	3,675	620	2.3	4.7
Twenty Largest Holdings		**105,976**		**67.3**	

All investments are in ordinary shares.

As at 31 March 2025, the Company did not hold any equity interests in excess of 3% of any investee company's share capital.

Analysis of Investment Portfolio by Industrial or Commercial Sector

as at 31 March 2025

	31 March 2025		31 March 2024	
Sector	**% of portfolio**	**% of NSCI**	**% of portfolio**	**% of NSCI**
Software and Computer Services	14.7	5.4	16.6	6.6
Technology Hardware and Equipment	1.8	1.2	–	1.2
Technology	**16.5**	**6.6**	**16.6**	**7.8**
Telecommunications Equipment	–	0.8	1.5	0.8
Telecommunications Service Providers	2.7	0.8	–	2.7
Telecommunications	**2.7**	**1.6**	**1.5**	**3.5**
Health Care Providers	2.1	0.5	1.8	3.0
Medical Equipment and Services	–	0.1	–	0.1
Pharmaceuticals and Biotechnology	–	2.6	–	0.7
Health Care	**2.1**	**3.2**	**1.8**	**3.8**
Banks	–	2.4	–	2.9
Finance and Credit Services	–	3.0	–	1.7
Investment Banking and Brokerage Services	13.3	8.8	7.0	12.2
Life Insurance	–	1.4	–	1.1
Non-life Insurance	–	1.6	–	2.0
Financials	**13.3**	**17.2**	**7.0**	**19.9**
Real Estate Investment and Services Development	–	3.9	–	3.0
Real Estate Investment Trusts	8.4	7.1	8.7	5.5
Real Estate	**8.4**	**11.0**	**8.7**	**8.5**
Automobiles and Parts	–	1.7	–	1.3
Consumer Services	–	0.1	–	0.1
Household Goods and Home Construction	–	1.9	–	0.8
Leisure Goods	4.7	0.6	5.2	0.4
Personal Goods	2.3	1.0	1.2	1.2
Media	6.3	2.3	10.2	2.8
Retailers	–	4.5	–	4.0
Travel and Leisure	–	6.3	–	7.3
Consumer Discretionary	**13.3**	**18.4**	**16.6**	**17.9**
Beverages	–	0.8	–	0.9
Food Producers	10.8	3.4	9.1	2.6
Personal Care, Drug and Grocery Stores	1.1	0.8	4.6	1.1
Consumer Staples	**11.9**	**5.0**	**13.7**	**4.6**
Construction and Materials	4.6	6.6	7.4	6.5
Aerospace and Defense	1.2	1.4	–	1.5
Electronic and Electrical Equipment	12.4	2.0	14.2	2.6
General Industrials	–	1.3	–	1.3
Industrial Engineering	–	1.4	–	2.2
Industrial Support Services	7.8	9.3	7.6	5.1
Industrial Transportation	1.9	2.6	4.9	3.6
Industrials	**27.9**	**24.6**	**34.1**	**22.8**
Industrial Materials	–	0.1	–	0.1
Industrial Metals and Mining	–	2.3	–	2.2
Precious Metals and Mining	–	1.1	–	1.5
Chemicals	–	2.3	–	3.1
Basic Materials	**–**	**5.8**	**–**	**6.9**
Oil, Gas and Coal	–	3.9	–	3.7
Alternative Energy	–	0.1	–	0.2
Energy	**–**	**4.0**	**–**	**3.9**
Electricity	3.9	1.0	–	0.1
Waste and Disposal Services	–	0.5	–	0.1
Gas, Water and Multi-utilities	–	1.1	–	0.2
Utilities	**3.9**	**2.6**	**–**	**0.4**
Total	**100.0**	**100.0**	**100.0**	**100.0**

The investment portfolio comprises 40 traded or listed UK equity holdings.

Business Model and Strategy

The purpose of this report is to provide shareholders with details of the Company's strategy, objectives and business model as well as the principal and emerging risks and challenges the Company has faced during the year under review. It should be read in conjunction with the Chairman's Statement on pages 3 to 5 and the Manager's Report on pages 6 to 10, which provide a review of the Company's investment activity and a look to the future.

The Board is responsible for the stewardship of the Company, including overall strategy, investment policy, borrowings, dividends, corporate governance procedures and risk management. Biographies of the Directors can be found on pages 25 and 26.

PRINCIPAL ACTIVITY

The Company carries on business as an investment trust and its principal activity is portfolio management. Its Ordinary shares are traded on the Main Market of the London Stock Exchange.

The Company has no employees but contracts investment management and administration to appropriate external service providers, who are subject to oversight by the Board of Directors. The principal service providers during the year were:

- Montanaro Asset Management Limited ("Montanaro" or the "Manager"), which was appointed as Investment Manager and the Company's Alternative Investment Fund Manager ("AIFM").
- Juniper Partners Limited ("Juniper", the "Administrator" or the "Company Secretary"), which provided company secretarial and fund administration services.
- The Bank of New York Mellon (International) Limited which provided depositary and custodian services.
- MUFG Corporate Services (formerly Link Group) which provided registrar services.

STATUS OF THE COMPANY

The Company was incorporated in England and Wales in 1994 under registered number 3004101 and is domiciled in the United Kingdom and registered as an investment company as defined in section 833 of the Companies Act 2006.

The Company has been approved by HMRC as an investment trust under Sections 1158 and 1159 of the Corporation Tax Act 2010, subject to continuing to meet eligibility requirements. The Directors are of the opinion that the Company has conducted its affairs in a manner compliant with the conditions for continued approval and intends to continue to do so. As an investment company that is managed and marketed in the United Kingdom, the Company is an Alternative Investment Fund ("AIF") falling within the scope of, and subject to, the requirements of the Alternative Investment Fund Managers Directive ("AIFMD"). Further details are provided in the AIFMD Disclosures on page 63.

INVESTMENT OBJECTIVE

MUSCIT's investment objective is capital appreciation through investing in smaller quoted companies listed on the London Stock Exchange or traded on AIM and to outperform its benchmark, the NSCI.

No unquoted investments are permitted.

INVESTMENT POLICY

The Company seeks to achieve its objective and to manage risk by investing in a diversified portfolio of quoted UK smaller companies. At the time of initial investment, a potential investee company must be profitable and no bigger than the largest constituent of the NSCI, which represents the smallest 10% of the UK Stock Market by value. At the start of 2025, this was any company below £1.85 billion in size. The Manager focuses on the smaller end of this index.

In order to manage risk, the Manager limits any one holding to a maximum of 4% of the Company's investments at the time of initial investment. The portfolio weighting of each investment is closely monitored to reflect the underlying liquidity of the particular company. The Company's AIM exposure is also closely monitored by the Board and is limited to 40% of total investments at the time of investment, with Board approval required for exposure above 35%.

The Manager is focused on identifying high-quality, niche companies operating in growth markets. This typically leads the Manager to invest in companies that enjoy high barriers to entry, pricing power, a sustainable competitive advantage and strong management teams. The portfolio is constructed on a "bottom up" basis.

The Board is responsible for setting the Company's gearing strategy and approves the arrangement of any gearing facilities. The Manager is responsible for determining the net gearing level within the parameters set by the Board. The Company's borrowings should be limited to 25% of shareholders' funds. Gearing is used to enhance returns when the timing is considered appropriate.

The Company will not invest more than 10%, in aggregate, of the value of its total assets at the time of investment in other investment trusts or investment companies admitted to the Official List of the UK Listing Authority.

All material changes to the investment policy require approval from both the Financial Conduct Authority ("FCA") and shareholders.

Business Model and Strategy continued

KEY PERFORMANCE INDICATORS ("KPIs")

At each Board meeting, the Directors review performance by reference to a number of KPIs. The KPIs considered most relevant are those that demonstrate the Company's success in achieving its objectives.

The principal KPIs used to measure the progress and performance of the Company are set out below:

Performance to 31 March	**%**	
	2025	2024
NAV per share total return[1]	**(6.9)**	8.3
Share price total return[1]	**1.0**	0.7
Discount to NAV[1]	**8.4**	15.1
Ongoing charges[1]	**0.9**	0.9

[1] Alternative performance measures. Please see pages 64 and 65 for further information.

Relative performance	**%**	
	2025	2024
NAV per share total return		
vs benchmark	**(9.2)**	(0.7)
vs benchmark including AIM	**(6.5)**	(2.3)
Share price total return		
vs benchmark	**(1.3)**	(8.3)
vs benchmark including AIM	**1.4**	(9.9)

Performance

At each meeting, the Board reviews the performance of the portfolio as well as the NAV and share price. Performance is reviewed against the benchmark and compared with the performance of other companies in the peer group. Information on the Company's performance is detailed in the Highlights section on page 2.

Share price discount or premium to NAV

The Board monitors the level of the Company's premium or discount to NAV on an ongoing basis. The share price discount to NAV as at 31 March 2025 was 8.4%. During the year, the shares traded at an average discount to NAV of 11.9%.

Further details setting out how the discount or premium at which the Company's shares trade is calculated is provided in the Alternative Performance Measures on page 64.

Ongoing charges

The Board reviews the ongoing charges and monitors the expenses incurred by the Company on an ongoing basis. Full details of how the ongoing charges ratio is calculated is included in the Alternative Performance Measures on page 64.

THE MANAGER

Established in 1991, Montanaro is a highly experienced specialist investor in quoted smaller companies. It has one of the largest teams in the UK researching and investing exclusively in quoted smaller companies and currently manages circa £3 billion, mainly on behalf of leading financial institutions. Montanaro's investment philosophy and approach are set out in the Manager's Report on pages 6 to 10.

BENCHMARK

The Company's benchmark is the Deutsche Numis Smaller Companies Index (excluding investment companies) ('NSCI'). As a result of the portfolio's weighting towards AIM traded companies, the Deutsche Numis Smaller Companies Index (excluding investment companies) including AIM is also referenced throughout the Annual Report for comparison purposes. However, the Company has not formally adopted this index as its Benchmark.

DIVIDEND POLICY

The Company's dividend policy is to pay quarterly dividends of 1.5% of the Company's NAV, which equates to an approximate yield of 6% per annum.

DISCOUNT MANAGEMENT

It is the Board's objective to maintain a stable discount to NAV. In normal market conditions the Company will buy back its own shares, as necessary, to maintain a single digit percentage discount.

THE BOARD

At the date of signing this report, the Company has four Directors. Two are men and two are women.

Principal and Emerging Risks

The Board carefully considers the Company's principal and emerging risks and seeks to mitigate them through regular review, policy setting, compliance with and enforcement of contractual obligations and active communication with the Manager, the Administrator and other third party service providers. A core element of this process is the Company's risk register which identifies the Company's key risks, the likelihood and potential impact of each risk and the tools for mitigation.

During the year under review, the Board carried out a robust assessment of the principal and emerging risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity.

The Board considers the Company's risks under four key areas: (1) Corporate strategy; (2) AIFM/Investment Manager; (3) Other outsourced service providers; and (4) Breach of regulation/failure to comply with legal requirements.

A summary of the Company's risk management and internal control processes can be found in the Corporate Governance Statement on pages 31 to 34. Details of the principal and emerging risks and how these are mitigated are set out below. The principal financial risks are summarised in Note 15 to the financial statements.

Corporate strategy:

Principal and Emerging Risks	Mitigation

Discount Management:
The Company's share price performance lags the NAV due to poor performance, or because UK SmallCap is out of favour.
The Company may be at risk from arbitrageurs or a sale from a sizeable shareholder.
Share buybacks could cause the Company to become too small to be viable in terms of ongoing charges, or for thresholds of institutional investors.
Continued area of Board focus due to persistent discounts across the investment trust sector and arbitrage activity
	The Board regularly reviews:
	• *the relative level of discount against the sector;*
	• *investment performance*
	  – *relative to the competition;*
	  – *the benchmark; and*
	• *the share register.*
	The Board has taken a number of specific steps to reduce the Company's discount, including the introduction of an enhanced dividend policy and an active share buyback policy, with a target of maintaining the discount in single digits in normal market conditions.
	Please refer to page 24 for further details.

Poor Investment Performance: Returns achieved are reliant primarily on the performance of the portfolio. Underperformance relative to the benchmark and/or peer group may result in a loss of capital together with dissatisfied shareholders. *No change in overall risk in the year*	*To manage the risk, a review is undertaken at each quarterly Board meeting with the Manager on portfolio performance against the Company's benchmark and peer group.* *The Board will seek:* • *to understand the reasons for any underperformance; and* • *comfort over the consistency of investment approach and style.* *Ultimately, the Board can terminate the Investment Management Agreement if unsatisfactory performance is considered irreversible and the causes cannot be rectified.* *The Company's NAV has underperformed relative to the benchmark during the year, with value shares outperforming growth shares. Given that Montanaro is a growth manager, an investment style that has been out of favour, the Board accepts the rationale for this period of underperformance.*
Gearing: One of the benefits of an investment trust is its ability to use borrowings, which can enhance returns to shareholders in a rising stock market. However, investment returns can worsen in falling markets. *No change in overall risk in the year*	*The Manager is responsible for determining the net gearing level within the parameters set by the Board.*

Principal and Emerging Risks continued

AIFM/Investment Manager:	
Principal and Emerging Risks	**Mitigation**
Financial: The Company's investment activities expose it to a variety of financial risks that include those relating to interest rate and liquidity risk. *No change in overall risk in the year*	*The liquidity of the portfolio is monitored by the Manager and reported to the Board, and market conditions and their impacts are considered.* *Further details on these risks are disclosed in Note 15 to the financial statements.*
Key Man Risk: A sudden loss or change in the key investment management personnel involved in the management of the portfolio could impact investment performance and lead to loss of investor confidence. *No change in overall risk in the year*	*The Manager operates a team approach in the management of the portfolio which mitigates against the impact of the departure of any one member of the investment team.* *There is an identified lead manager and designated co-manager within Montanaro, offering continuity of communication with the Company's shareholders. The Board is in regular contact with Montanaro and will be asked for their approval to any proposed change in the lead manager.*
Risk Oversight: The Manager is taking too much risk in the portfolio leading to unacceptable volatility in performance or excessive portfolio turnover. *No change in overall risk in the year*	*Risk oversight is primarily the responsibility of the AIFM. The Board also provides additional oversight through portfolio reviews at each Board meeting. Portfolio turnover is also reviewed at each Board meeting.* *No matters of concern have arisen during the year under review.*
Environmental, Social and Governance ("ESG"): ESG in the context of investing continues to gain prominence, therefore a consideration of ESG factors when undertaking an investment is vital. Climate change and other ESG matters have had a significant impact on the performance of different sectors of the stock market and there is a risk of being invested in the wrong sectors. *No change in overall risk in the year*	*ESG considerations are fully embedded in the investment process and the Manager takes these into consideration when reviewing current and potential investee companies.* *The Manager is a B Corporation which recognises its high ESG standards and has been awarded various industry awards recognising its commitment to ESG.*

Other outsourced service providers:

Principal and Emerging Risks	Mitigation
Operational Risk: In common with most other investment trusts, the Company has no employees and relies on services provided by third parties. It is therefore dependent on the control systems of the AIFM, depositary, custodian and administrator who maintain the Company's assets, dealing procedures and accounting records. Key operational risks include: • transactions not subject to best execution; • counterparty risk; • errors in settlement, title and corporate actions; • misstatement of NAV; and • breach of the Investment Policy. *No change in overall risk in the year*	*The Board monitors operational issues and reviews them in detail at each Board meeting.* *All third party service providers are subject to annual review by the Audit and Management Engagement Committee whereby their internal control reports are reviewed.* *The Company's assets are subject to a liability regime. Unless the depositary is able to demonstrate that any loss of financial assets held in custody was the consequence of an event beyond its reasonable control, it must return assets of an identical type or the corresponding amount.* *Business continuity plans are in place at all service providers, with disaster recovery tests taking place regularly.*
Cyber Risk: The threat of cyber attack is regarded as being as important as more traditional physical threats to business continuity and security. The Company has limited direct exposure to cyber risk. However, the Company's operations or reputation could be affected if any of its key service providers suffered a major cyber security breach. *Increased area of Board focus following recent high-profile cyber attacks on well-known UK companies*	*The Board monitors the preparedness of its service providers and is satisfied that the risk is given due priority and consideration in Board meetings.* *The Manager reports to the Board covering cyber risk. The Company benefits from the network and information technology controls of the Manager around the security of data. The Manager has appointed a specialist IT and cyber monitoring and management provider to provide continuous monitoring and access to a Cyber Information Security Officer.* *The annual review of service providers includes a consideration of cyber risk. As part of this review, internal controls reports for each service provider are reviewed to ensure that suitable cyber security controls are in place.*
Administrator: Daily NAV incorrectly stated. *No change in overall risk in the year*	*Daily logic checks of the NAVs are undertaken by the AIFM.* *Depositary checks are also undertaken daily.* *All financial information is reviewed by the Board at regular meetings.* *The AIFM conducts regular visits to the Administrator.*
Pandemics and other unforeseeable events: The AIFM and the Administrator are unable to manage or administer the portfolio. *No change in overall risk in the year*	*The AIFM, Investment Manager, and other key service providers, have appropriate business continuity plans in place in order to continue to operate effectively during unforeseen events.*

Principal and Emerging Risks continued

Breach of regulations/failure to comply with legal requirements:	
Principal and Emerging Risks	**Mitigation**
Breach of Regulation: The Company must comply with the provisions of the Companies Act 2006, the Listing Rules and Disclosure, Guidance & Transparency Rules, the UK Market Abuse Regulation and the Alternative Investment Fund Manager's Directive. Any serious breach could result in the Company and/or the Directors being fined or the subject of criminal proceedings. The Company has been accepted by HM Revenue & Customs as an investment trust, subject to continuing to meet the relevant eligibility conditions and operates as an investment trust in accordance with the Corporation Tax Act 2010. As such, the Company is exempt from capital gains tax on profits realised from the sale of investments. Any breach of the relevant eligibility conditions could lead to the loss of investment trust status. *No change in overall risk in the year*	*The Company Secretary and the Company's professional advisers provide reports to the Board in respect of compliance with all applicable rules and regulations.* *Compliance with the accounting rules affecting MUSCIT is closely monitored.* *During the year under review, the Company complied with all applicable rules and regulations including AIFMD and the second Markets in Financial Instruments Directive.*

Directors' Duties

SECTION 172 OF THE COMPANIES ACT 2006

Section 172 of the Companies Act 2006 (the "Act") requires directors to act in good faith and in a way that is most likely to promote the success of the company. In doing so, Directors must take into consideration the interests of the various stakeholders of the Company, the impact the Company has on the community and the environment, take a long-term view on the consequences of decisions they make as well as aim to maintain a reputation for high standards of business conduct and fair treatment between the members of the Company.

Fulfilling this duty naturally supports the Company in achieving its Investment Objective and helps to ensure that all decisions are made in a responsible and sustainable way. Below, the Board explains how the Directors have individually and collectively discharged their duties under section 172 of the Act over the course of the reporting period.

To ensure that the Directors are aware of and understand their duties, they are provided with details of all relevant regulatory and legal duties as a Director of a UK public limited company when they join the Board and continue to receive regular and ongoing updates and training on relevant legislative and regulatory developments. They also have continued access to the advice and services of the Company Secretary and, when deemed necessary, the Directors can seek independent professional advice. The schedule of Matters Reserved for the Board, as well as the Terms of Reference of its Committees, are reviewed periodically and further describe Directors' responsibilities and obligations and include any statutory and regulatory duties.

CULTURE

During the year, the Directors also considered the Company's culture and values and have worked to incorporate these behaviours and processes into the annual review of the Manager, strategic planning, the annual evaluation of Board effectiveness and reporting to stakeholders – thus embedding consideration of stakeholders' interests, a long-term perspective, maintaining reputation for fairness and high standards of governance, corporate reporting and business conduct more generally in the Company's culture and processes. The Company's culture and values are aligned with ESG goals with further details outlined in the Manager's Report on pages 6 to 10 and Business Model and Strategy on pages 15 and 16.

DECISION-MAKING

The importance of stakeholder considerations, in particular in the context of decision-making, is regularly brought to the Board's attention by the Company Secretary and taken into account at every Board meeting.

COMMUNITY AND ENVIRONMENT

Montanaro is a "B Corporation", a business certified for meeting the highest verified standards of social and environmental performance, transparency and accountability.

The Board recognises that the Company has certain responsibilities to its shareholders, stakeholders and wider society. While the Company itself does not have employees or offices, the Board endorses the Manager's policy to invest the Company's funds in a socially responsible manner. ESG factors are an integral part of the investment process. In addition, the Manager does not invest in companies it deems to be harmful to society or the environment; this includes companies involved in; gambling, alcohol, high-interest-rate lending and fossil fuels. Similarly they do not invest in companies that conduct animal testing unless it is required by law for healthcare or regulatory purposes.

The Board monitors investment activity to ensure that it is compatible with the policy and receives periodic updates from the Manager on its initiatives and performance against its ESG goals.

BUSINESS CONDUCT

The Matters Reserved for the Board, Board Committees' Terms of Reference, the Share Dealing Code and other Board policies are all reviewed on at least an annual basis and the Directors ensure that they appropriately define obligations and correct procedures. The Report of the Audit and Management Engagement Committee, which can be found on pages 35 to 37 of this Report, further explains how the Committee reviews the risk management and internal controls of the Company. This includes satisfying itself that relevant systems and controls in place remain effective and appropriate.

Directors' Duties continued

STAKEHOLDERS

The Board seeks to understand the needs and priorities of the Company's stakeholders and these are taken into account during all its discussions and as part of its decision-making. While, as an externally managed investment company, the Company does not have any employees or customers, its key stakeholders include:

<table>
<tr><th>Stakeholders</th><th>Why they are important</th><th>Board engagement</th></tr>
<tr><td>Shareholders</td><td>Continued shareholder support and engagement are critical to the existence of the business and the delivery of the long-term strategy of the business.</td><td>The Company has a large and diversified shareholder base. Over the years, the Company has developed various ways of engaging with its shareholders in order to gain an understanding of the views of our shareholders. These include:
Annual General Meeting – The Company welcomes attendance from shareholders at its Annual General Meeting, which is held at the offices of the Manager. All shareholders have an opportunity to meet the Directors and put questions to the Manager. A presentation is shared with investors and made available on the Company's website for those who are not attending. The Board greatly values the feedback and questions it receives from shareholders and takes action or makes changes as and when appropriate;
Company Information – The annual and interim results, as well as monthly factsheets, are available on the Company's website.

Feedback and/or questions the Company receives from the shareholders help the Company to evolve its reporting, aiming to make the reports and updates transparent and understandable; and
Investor Relations updates – The Manager's marketing team meet and speak to shareholders on a regular basis and from time to time, the Manager takes part in conferences and other webinars. At every Board meeting, the Directors receive updates on the share trading activity, share price performance and any shareholders' feedback, as well as any publications or comments in the press.</td></tr>
<tr><td colspan="3">SERVICE PROVIDERS:</td></tr>
<tr><td>The Manager (AIFM)</td><td>The Manager's performance is critical for the Company to successfully deliver its investment strategy and meet its objective.</td><td>Maintaining a close and constructive working relationship with the Manager is crucial as the Board and the Manager collectively aim to continue to achieve consistent, long-term returns in line with the Company's investment objective. Important components in the collaboration with the Manager, which are representative of the Board's culture, are:
Encouraging open discussion with the Manager; and
Recognising that the interests of shareholders and the Manager are well aligned, adopting a tone of constructive challenge.</td></tr>
</table>

Stakeholders	Why they are important	Board engagement
Other service providers including: the Company Secretary and Administrator, the Registrar, the Depositary, the Custodian and the Broker	In order to function as an investment trust listed on the London Stock Exchange, the Company relies on a diverse range of advisers to support it with meeting all of its relevant obligations.	The Board maintains regular contact with its key external providers, both through the Board and Committee meetings, as well as outside of the regular meeting cycle. Their advice, as well as needs and views, are routinely taken into account. In addition, the Board would expect to meet with all service providers on a regular basis and the Audit and Management Engagement Committee assesses their performance at least on an annual basis.
Bank	Availability of funding and liquidity may be helpful to the Company's ability to take advantage of investment opportunities as they arise.	Considering how important the availability of funding is, the Company aims to demonstrate to lenders that it is a well-managed business. In particular, that the Board focuses regularly and carefully on the management of risk.
Institutional Investors and Proxy Advisers	The evolving practice and support of the major institutional investors and proxy adviser agencies are important to the Directors, as the Company aims to maintain its reputation and high standards of corporate governance, which contributes to the long-term sustainable success of the Company.	Recognising the principles of stewardship, as promoted by the UK Stewardship Code, the Board welcomes engagement with all our investors. The Board recognises that the views, questions from, and recommendations of many institutional investors and proxy adviser agencies provide a valuable feedback mechanism and play a part in highlighting evolving shareholder expectations and concerns.
Regulators	The Company can only operate with the approval of its regulators who have a legitimate interest in how the Company operates in the market and treats its shareholders.	The Company regularly considers how it meets various regulatory and statutory obligations and follows voluntary and best-practice guidance. The Company is also mindful of how any governance decisions it makes can have an impact on its shareholders and wider stakeholders, in the short and in the longer-term.
Community and Environment	The Board recognises that it has a responsibility to the wider environment and community.	Details of our engagement with the community and the environment can be found on page 21.

Directors' Duties continued

PRINCIPAL DECISIONS DURING THE YEAR ENDED 31 MARCH 2025

Examples of the Board's principal decisions during the year, how the Board fulfilled its duties under section 172(1) of the Act and the related engagement activities are set out below:

Principal decision	Stakeholder Considerations and Engagement
Dividend policy	The Board updated the Company's dividend policy in 2018, introducing quarterly dividends amounting to 1% of NAV. The resulting annual yield of approximately 4% offered investors an attractive way to earn regular income and helped to broaden the appeal of the Company's shares. However, the Board were aware that the interest rate environment had changed considerably since 2018. At the time of the introduction in the dividend policy, 10-year Gilt yields stood at around 1.3%, comparable gilt yields are currently over 4%. The Board believes that it is important for the Company's dividend policy to continue to fulfil its role of attracting new investors and as a result helping to narrow the discount. Consequently, with effect from 31 December 2024, the Company has paid a regular quarterly dividend equivalent to 1.5% of the Company's NAV. The Board believes that the revised dividend policy is in the best interests of the Company and shareholders as a whole.
Investment management fee	With effect from 31 December 2024, the investment management fee of 0.50% per annum has been calculated based on net assets rather than gross assets. This adjustment reflected the Board's ongoing commitment to delivering value for the Company's investors and follows discussions with shareholders and the Manager. At 0.50% of net assets, the investment management fee remains among the most competitive in the UK SmallCap investment trust sector.
Discount control	Following discussions with a number of shareholders the Company began actively buying back its own shares in January 2025. Further to this, the Board announced on 25 February 2025 that it intends to continue to support shareholders with an active share buyback policy, with a target of maintaining the discount in single digits in normal market conditions. In the year to 31 March 2025, the Company bought back 24,927,148 of it's own Ordinary shares at a total cost of £25,270,000. Since the year-end, the Company has bought back a further 13,006,659 shares, at a cost of £13,008,000.
Gearing	The Board strongly encourages the Manager to actively use the gearing facility while delegating the decision on optimum levels to their discretion. On 17 December 2024, the borrowing facilities were renewed with BNY Mellon for a period of two years. The interest rate on the £30 million revolving credit facility is calculated as 1.3% (the bank margin) plus the prevailing SONIA rate. The ability to issue debt to gear the portfolio is a key feature of investment trusts that the Board believes offers a strong competitive advantage over open-ended investment funds.

On behalf of the Board

ARTHUR COPPLE
Chairman
16 June 2025

Board of Directors

MUSCIT has a highly experienced Board of Directors with extensive knowledge of investment management and investment trusts.

Arthur Copple – Chairman of the Board
Date of Appointment: 1 March 2017

Arthur was appointed to the Board as an independent non-executive Director in 2017 and succeeded Roger Cuming as Chairman on 25 July 2019. Arthur has specialised in the investment company sector for over 30 years. He was a partner at Kitcat & Aitken, an executive director of Smith New Court PLC and a managing director of Merrill Lynch.

Relevant skills and experience and reasons for re-election: Arthur served on the Board of Temple Bar Investment Trust Plc for 12 years and has comprehensive experience of investment management and the wider investment company sector. This has provided a strong basis for assessing, and where appropriate challenging, the Manager on the Company's performance and in leading the Board in strategic discussions.

Following a rigorous Board evaluation process, the Board agreed that Arthur continues to be an effective member of the Board.

Barbara Powley – Senior Independent Director and Chair of the Audit and Management Engagement Committee
Date of Appointment: 18 November 2020

Barbara is a non-executive director of M&G Credit Income Investment Trust plc. She is a chartered accountant with over 30 years' experience in the investment trust industry. Prior to her retirement in March 2018, she was a director in BlackRock's closed-end funds team from 2005, with responsibility for the oversight and administration of BlackRock's stable of investment trusts. From 1996 to 2005, she held a similar role at Fidelity.

Relevant skills and experience and reasons for re-election: Barbara has extensive experience within the investment trust sector, along with significant financial and accounting experience. Her diverse skill-set facilitates open discussion and allows for constructive challenge in the boardroom.

Following a rigorous Board evaluation process, the Board agreed that Barbara continues to be an effective member of the Board.

Board of Directors continued

Catriona Hoare – Non-Executive Director
Date of Appointment: 19 November 2019

Catriona joined Meridiem Investment Management (formerly Veritas Investment Partners Limited) in 2013. In her current role as Deputy CIO, she manages client portfolios and sits on the firm's research and investment governance committees. She was appointed as a director of Meridiem Investment Limited in May 2022. Catriona started her career at Newton Investment Management where she managed a number of portfolios and private family unit trusts, with a particular focus on international clients.

She is a CFA Charterholder, a member of the Chartered Institute For Securities and Investment and holds a BA (Hons) in History from the University of Bristol.

Relevant skills and experience and reasons for re-election: Catriona's 17 years of experience as an investment manager brings valuable investment and portfolio analysis skills to the Board, which enables her to assess and challenge the Manager on Company strategy and performance.

Following a rigorous Board evaluation process, the Board agreed that Catriona continues to be an effective member of the Board.

Yuuichiro Nakajima – Chair of the Nomination and Remuneration Committee
Date of Appointment: 1 January 2024

Yuuichiro is founder and managing director of Crimson Phoenix, a specialist cross-border corporate finance advisory firm, providing advice on Japan-related M&A transactions and a range of corporate strategy initiatives from offices in Tokyo, London and Frankfurt. He is a former member of the executive board of the British Chamber of Commerce in Japan and of the Council of the Japanese Chamber of Commerce and Industry in the UK. Yuuichiro spent ten years with S.G. Warburg (later SBC Warburg) and four years with PricewaterhouseCoopers. He is chairman of Japan H.L. Limited, which operates Japan House London. For nine years until July 2023, Yuuichiro was a non-executive director of JPMorgan Japan Small Cap Growth & Income plc.

Relevant skills and experience and reasons for election: Yuuichiro has extensive experience, knowledge and involvement in the investment trust sector.

Following a rigorous Board evaluation process, the Board agreed that Yuuichiro continues to be an effective member of the Board.

Directors' Report

The Directors present the Annual Report and Accounts of the Company for the year ended 31 March 2025.

For the purposes of compliance with Disclosure Guidance and Transparency Rules ("DTR") DTR 4.1.5 R (2) and DTR 4.1.8 R, the required content of the Management Report can be found in the Strategic Report and this Directors' Report. The following disclosures required to be included in this Directors' Report have been incorporated by way of reference to other sections of this report and should be read in conjunction with this report:

- Corporate Governance Statement – refer to pages 31 to 34 of this report;
- Strategy and relevant future developments – refer to the Chairman's Statement on pages 3 to 5, the Manager's Report on pages 6 to 10; and
- Financial risk management objectives and policies. An analysis of the portfolio along with further information about financial instruments and capital disclosures is provided in Note 15 on pages 60 to 62.

The outlook for the Company is set out in the Chairman's Statement on page 5. Principal and emerging risks can be found on pages 17 to 20, with further information on risk management objectives in Note 15 to the financial statements.

RESULTS AND DIVIDENDS

The results for the Company are set out in the Income Statement on page 49.

Details of dividends paid and declared in respect of the year, together with the Company's dividend policy, are set out in the Chairman's Statement on page 3 of the report. Further details can also be found in Note 7 on page 56.

CONTINUATION OF THE COMPANY

The Company's Articles of Association (the "Articles") provide that shareholders should have the opportunity to consider the future of the Company at regular intervals.

The next general meeting for the purpose of considering a voluntary winding up of the Company must be held on or before 16 July 2027. However, an Ordinary Resolution may be passed to release the Directors from the obligation to convene the general meeting and this meeting must be held not more than eighteen months before 16 July 2027.

DIRECTORS

Biographical details of the Directors, all of whom are independent and non-executive, can be found on pages 25 and 26. The Directors' interests in the shares of the Company are shown on page 40.

DIRECTOR INDEMNIFICATION AND INSURANCE

In addition to Directors' and Officers' liability insurance cover, the Company's Articles of Association provide, subject to the provisions of applicable UK legislation, an indemnity for Directors.

Indemnities are in force as at the date of this report, and were in force during the year, between the Company and each of its Directors under which the Company has agreed to indemnify each Director, to the extent permitted by law, in respect of certain liabilities incurred as a result of carrying out his or her role as a Director of the Company.

CONFLICTS OF INTEREST

The Board has approved a procedure for identifying, reporting and addressing conflicts of interest, or potential conflicts, and will regularly review actual or potential conflicts. The Directors are aware that there remains a continuing obligation to notify the Company Secretary of any new conflict that may arise, or any change to a previously notified conflict.

The Board considers that the procedure has worked effectively during the year under review and intends to continue to review all notified conflicts on a regular basis.

DISCLOSURE OF INTERESTS

No Director was a party to, or had an interest in, any contract or arrangement with the Company. All of the Directors are non-executive and no Director had a contract of services with the Company at any time during the year.

INVESTMENT MANAGEMENT AGREEMENT

The Board contractually delegated the management of the investment portfolio to Montanaro under an Investment Management Agreement (the "Agreement") dated 19 June 2014. Except in certain circumstances, the Agreement may only be terminated by the Manager on giving 12 months' notice in writing to the Company. The Company shall be entitled to terminate the Agreement by notice in writing to the Manager forthwith, or as at the date specified in such notice.

On receiving such notice, the Manager will be entitled to a termination fee of 1% of the gross assets of the Company at the close of business on the last day of the calendar month immediately preceding the effective date of termination of the Agreement.

Directors' Report continued

CONTINUING APPOINTMENT OF THE MANAGER

The Board considers arrangements for the provision of investment management and other services to the Company on an ongoing basis. A formal annual review is conducted by the Audit and Management Engagement Committee of all the Company's service providers, including the Manager.

During the year, the Board considered the performance of Montanaro as AIFM and Manager by reference to the investment process, portfolio performance and how it had fulfilled its obligations under the terms of the Investment Management Agreement.

In the opinion of the Board, the continuing appointment of Montanaro as Manager and AIFM, on the terms referenced above, is in shareholders' interests as a whole. The Board is conscious that the short-term performance of the Company has been challenging. However, this is primarily as a result of the Company's investment style being out of favour with the market. On a positive note, the Company's performance is in line with its peer group and long-term performance relative to the benchmark has been strong. We remain encouraged by the depth and experience of the capabilities of Montanaro.

ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE

In order to comply with the Alternative Investment Fund Managers Directive ("AIFMD"), the Company entered into a Management Agreement with Montanaro dated 19 June 2014 under which the Manager was appointed by the Company to act as the AIFM. Montanaro receives an ongoing fee of £50,000 per annum to act as the Company's AIFM.

The AIFMD requires certain information to be made available to investors in Alternative Investment Funds ("AIFs") before they invest. An Investor Disclosure Document, which sets out this information, is available on the Company's website. There have been no material changes (other than those reflected in this Annual Report) to the information requiring disclosure.

DEPOSITARY AND CUSTODIAN

The Company is required under the AIFMD to appoint an AIFMD compliant Depositary. The main role of the Depositary is to act as a central custodian with additional duties to monitor the operations of the Company, including its cash flows, and ensuring that the Company's assets are valued in accordance with the relevant regulations and guidance. The Depositary is also responsible for enquiring into the conduct of the AIFM in each annual accounting period.

BNY Mellon Trust & Depositary (UK) Limited ("BNYMTD") was appointed as the Depositary with effect from 22 July 2014. However, with effect from 1 November 2017, the role of Depositary was transferred, by way of a novation agreement, from BNYMTD to its parent company, The Bank of New York Mellon (International) Limited ("BNYM" or the "Depositary"). The annual fee for depositary services is 0.034% per annum where gross assets are between £0 and £150 million and 0.025% per annum of gross assets above a value of £150 million, subject to a minimum fee of £20,000 per annum.

The Depositary Agreement is subject to 90 days' written notice. The Depositary's responsibilities include cash monitoring, segregation and safekeeping of the Company's assets and monitoring the Company's compliance with investment limits and leverage requirements. Under the depositary agreement, the Depositary has delegated the custodian function to The Bank of New York Mellon SA/NV (London Branch).

COMPANY SECRETARY AND ADMINISTRATOR

Juniper Partners Limited was appointed as the Company Secretary and Administrator with effect from 1 July 2023. Juniper Partners Limited receives a base annual fee of £145,000 plus 0.02% per annum on Net Assets of up to £1 billion and 0.01% per annum on Net Assets over £1 billion.

The Company Secretarial and Administration Agreement is subject to six months' written notice.

REGISTRAR

MUFG Corporate Markets has been appointed as the Company's registrar and receives an annual fee of £36,500. This agreement is in effect for a period of five years to July 2026 and is based on an agreed number of shareholders and transfers processed. The Registry Services Agreement may be terminated on not less than six months' notice. The Registrar is also entitled to reimbursement of all disbursements and out of pocket expenses.

SUBSTANTIAL SHAREHOLDINGS

At 31 March 2025, the Directors were aware of the following substantial shareholdings:

Shareholder:	Ordinary shares	% of voting rights
Clients of Hargreaves Lansdown	15,290,488	10.7%
Derbyshire County Council	11,996,285	8.4%
Montanaro Asset Management	10,340,000	7.3%
Clients of Interactive Investor	9,839,276	6.9%
Clients of A J Bell	9,123,131	6.4%
Clients of Charles Stanley	8,382,647	5.9%
West Yorkshire Pension Fund	8,242,500	5.8%
Clients of Rathbone Investment Management	6,697,875	4.7%
Charles Montanaro	5,150,000	3.6%

On 2 April 2025, the Company was notified that Clients of Charles Stanley now hold 5,266,502 (3.7%) shares in the Company.

GOING CONCERN

The financial statements of the Company have been prepared on a going concern basis. After reviewing the Company's forecast projections and actual performance on a regular basis throughout the year, the Directors believe that this is the appropriate basis. The Directors consider that the Company has adequate resources to continue in existence until at least 16 June 2026 (being 12 months from the date of signing this report).

In performing the assessment of the Company's ability to meet its liabilities as they fall due, the Directors took into consideration the following factors:

- cash balances and the portfolio of readily realisable securities which can be used to meet short-term funding commitments;
- the ability of the Company to meet all of its liabilities and ongoing expenses from its assets;
- revenue, operating and finance cost forecasts for the forthcoming year;
- continued adherence to the loan covenants;
- the ability of third-party service providers to continue to provide services; and
- three potential scenarios including stress testing the Company's portfolio for a 30% fall in the value of the investment portfolio; a 50% fall in dividend income; and maintaining the current dividend and discount policies. The cumulative impact of these three scenarios would leave the Company with a negative net cash position, however would have available liquid investments.

Based on this assessment, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements, and therefore have prepared the financial statements on a going concern basis.

VIABILITY STATEMENT

In accordance with the AIC Code of Corporate Governance, the Directors have assessed the prospects of the Company over a period longer than the twelve months required by the 'Going Concern' provision and reviewed the viability of the Company and its future prospects over the five-year period to 31 March 2030.

In the absence of any adverse change to the regulatory environment and to the treatment of UK investment trusts, the rolling five-year period was determined by the Directors to:

- represent the horizon over which they do not expect there to be any significant change to the Company's principal risks or their mitigation; and
- the period over which they can form a reasonable expectation of the Company's prospects.

In its assessment, the Board took into account the Company's current financial position, its ability to meet liabilities as they fall due and the principal risks as set out on pages 17 to 20. In reviewing the financial position, the following factors were taken into consideration:

- the portfolio is comprised solely of cash balances and equity securities listed or traded on the London Stock Exchange;
- the current portfolio could be liquidated to the extent of 70% within five trading days and there is no expectation that the nature of the investments held within the portfolio will be materially different in future;
- future revenue and expenditure projections:
  - the expenses and interest payments of the Company are predictable and relatively small; and
  - other than share buy backs, there are no expected capital outlays.

In addition to considering the Company's principal risks and the financial position of the Company as referenced above, the Directors also took account of the following assumptions in considering the Company's longer-term viability:

- the Board and the Manager will continue to adopt a long-term view when making investments;
- it is reasonable to believe that the Company will be able to renew its credit facilities;
- the Company invests principally in the securities of quoted UK smaller companies to which investors will wish to continue to have exposure;
- the Company has a large margin of safety over the covenants on its debt;
- there will continue to be demand for investment trusts;
- the next continuation vote will be in 2027. Further details are provided in the Directors' Report on page 27;
- regulation will not increase to a level that makes the running of the Company uneconomic; and
- the performance of the Company will be satisfactory.

Based on the results of their analysis and in the context of the consideration given to the Company's business model, strategy and operational arrangements, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five-year period of the assessment.

CAPITAL STRUCTURE

The Company's Ordinary issued share capital consists of 167,379,790 Ordinary shares, 24,927,148 of these are held in Treasury, therefore the total voting rights of the Company is 142,452,642. The Ordinary shares carry the right to receive dividends and have one voting right per Ordinary share.

Directors' Report continued

There are no restrictions concerning the transfer of securities; no special rights with regard to control attached to securities; no restrictions on voting rights; no agreements between holders of securities regarding their transfer known to the Company; and no agreements to which the Company is a party which might change or fall away on a change of control or trigger any compensatory payments for Directors following a successful takeover bid.

The Company's current authorities to buyback and sell shares from Treasury and issue shares will expire at the conclusion of the 2025 Annual General Meeting. The Directors are proposing that these authorities be renewed at the forthcoming Annual General Meeting (see Resolution 13).

GREENHOUSE GAS EMISSIONS

All of the Company's activities are outsourced to third parties. As such it does not have any physical assets, property, employees or operations of its own and does not generate any greenhouse gas or other emissions or consume any energy reportable under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 or the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, implementing the UK Government's policy on Streamlined Energy and Carbon Reporting.

CRIMINAL FINANCES ACT 2017

The Board is fully committed to complying with applicable legislation and statutory guidelines, including the UK's Criminal Finances Act 2017, designed to prevent tax evasion in the jurisdictions in which the Company operates.

DONATIONS

The Company made no political or charitable donations during the year (2024: nil) to organisations either within or outside of the EU.

UK LISTING RULE 6.6.1 (5)

UK Listing Rule 6.6.1 (5) requires the Company to include specified information in a single identifiable section of the Annual Report or a table cross referencing where the information is set out. With the exception of the item below, no disclosures are required in relation to UK Listing Rule 6.6.1 (5).

UKLR 6.6.1 (5)	Under the Company's Remuneration Policy, the SID is entitled to an additional fee of £1,250. However, Mrs Powley has waived her entitlement to the additional £1,250. This decision will be kept under review and the Remuneration Policy still allows the flexibility of this additional fee to be paid to the SID.

FINANCIAL INSTRUMENTS

The Company's financial instruments comprise its investment portfolio, cash balances, bank debt and debtors and creditors that arise directly from its operations, such as sales and purchases awaiting settlement and accrued income. The financial risk management objectives and policies arising from its financial instruments and the exposure of the Company to risk are disclosed in Note 15 to the accounts.

ANNUAL GENERAL MEETING

The Notice of the Annual General Meeting ("AGM") to be held on Wednesday, 23 July 2025 (the "Notice") is set out on pages 69 to 75.

Resolutions 1 to 11 will be proposed as Ordinary Resolutions and Resolutions 12 to 14 will be proposed as Special Resolutions. Please refer to pages 72 and 73 for a full explanation of all resolutions.

Recommendation

The Directors consider that the passing of each of the Resolutions to be proposed at the Annual General Meeting is in the best interests of the Company and its shareholders as a whole and they unanimously recommend that all shareholders vote in favour of these Resolutions, as they intend to do in respect of their own holdings.

INDEPENDENT AUDITOR

BDO LLP ("BDO") has confirmed its willingness to continue in office as the Auditor of the Company (the "Auditor"). A resolution to re-appoint BDO as the Auditor to the Company and to authorise the Audit and Management Engagement Committee to determine the Auditor's remuneration will be proposed to the forthcoming Annual General Meeting.

DISCLOSURE OF INFORMATION TO AUDITOR

Each of the Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are aware, there is no relevant audit information of which the Company's Auditor is unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

For and on behalf of the Board

Juniper Partners Limited
Company Secretary
16 June 2025

Corporate Governance Statement

The Corporate Governance Statement forms part of the Directors' Report.

STATEMENT OF COMPLIANCE

The Board has considered the Principles and Provisions of the AIC Code of Corporate Governance published in February 2019 ("AIC Code"). The AIC Code addresses the Principles and Provisions set out in the 2018 UK Corporate Governance Code (the "UK Code"), as well as setting out additional Provisions on issues that are of specific relevance to the Company.

The Board considers that reporting against the Principles and Provisions of the AIC Code, which has been endorsed by the Financial Reporting Council, provides more relevant information to shareholders.

During the year, the Company has complied with all of the Principles and Provisions of the AIC Code.

The Company is committed to maintaining the highest standards of governance and will work to ensure that it continues to meet all applicable requirements.

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 for investment companies. The UK Code is available from the Financial Reporting Council's website at www.frc.org.uk.

THE BOARD

As Chairman, Arthur Copple is responsible for leading the Board and ensuring its effectiveness in all aspects of its role. In line with the requirements of the AIC Code, the responsibilities of the Chairman and the Senior Independent Director ("SID") have been agreed by the Board and are available to view on the Company's website: www.montanaro.co.uk/trust/muscit

A revised AIC Code was issued in August 2024 and will come into effect for accounting periods beginning on or after 1 January 2025 (with the exception of Provision 34 which will come into effect for accounting periods beginning on or after 1 January 2026). The Board will review the Company's governance arrangements to ensure ongoing compliance with the updated AIC Code.

The Board has formalised the arrangements under which Directors, in the furtherance of their duties, may take independent professional advice. The Company also maintains Directors' and Officers' liability insurance. There were no third party indemnity provisions over the course of the year or since the year end.

Other than their letters of appointment, none of the Directors has a contract of service nor have there been any contracts or arrangements between the Company and any Director at any time during the year.

The Board has engaged external companies to undertake the Company's investment management, administrative and custodial activities. Clear, documented contractual arrangements are in place between the Company and its service providers that define the areas where the Board has delegated functions to them. Further details of the Investment Management Agreement are given on page 27. A schedule of matters specifically reserved to the Board for its decision has been adopted. These reserved matters include the approval of annual and half-yearly accounts; the recommendation of dividends; the approval of press releases and circulars; Board appointments and resignations; and the membership of Committees. Decisions regarding the capital structure of the Company (including share buybacks and Treasury share transactions) are also taken by the Board, while the day-to-day investment of the portfolio is delegated to the Manager.

ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

The Company holds at least four Board meetings each year at which the Directors review portfolio investments and all other important issues in relation to the Company's affairs. The following table sets out the number of scheduled Board and Committee meetings held during the year ended 31 March 2025 and the number of meetings attended by each Director.

	Board		Audit and Management Engagement Committee		Nomination and Remuneration	
	Number of meetings held	Number of meetings attended	Number of meetings held	Number of meetings attended	Number of meetings held	Number of meetings attended
Arthur Copple	4	4	3	3	1	1
Catriona Hoare	4	3	3	2	1	1
Yuuichiro Nakajima	4	4	3	3	1	1
Barbara Powley	4	4	3	3	1	1

The Board also met informally on a number of occasions during the year.

Corporate Governance Statement continued

INDEPENDENCE OF DIRECTORS AND TENURE

The Board has considered the independent status of each Director under the AIC Code and has determined that all Directors are independent.

In line with the 2019 AIC Code, the Company has adopted a formal policy on tenure. The Board does not feel that it would be appropriate to set a specific tenure limit for individual Directors or the Chair of the Board or its Committees. Instead, under normal circumstances, the Board members, including the Chair, will be expected to serve a tenure of 9 years, thus preserving the cumulative valuable experience and understanding of the Company, while benefitting from fresh perspectives and helping to promote diversity. The Board is of the view that length of service will not necessarily compromise the independence or contribution of Directors of an investment trust company where continuity and experience can significantly add to the strength of the Board.

PERFORMANCE EVALUATION

An annual review of the performance of the Board, its Committees and individual Directors is undertaken by the Directors. The Board evaluation process comprises a detailed questionnaire which assesses the performance and effectiveness of the Board and each of its Committees. The objective of the evaluation is to obtain constructive feedback to improve the Board's effectiveness by highlighting individual and collective strengths as well as development areas. Arthur Copple, as Chairman, takes overall responsibility for the evaluation process and has selected a questionnaire methodology to achieve these objectives. This is followed by a feedback session that assesses the effectiveness of the process, identifying any areas for improvement. The appraisal of the Chairman is led by the Senior Independent Director.

Following review of the Directors' time commitment and duties, and their contributions and attendance at all Board and Committee meetings and discussions held outside these formal meetings, the Board believes that each Director continues to be effective and demonstrates the necessary commitment to the role.

The Board considers that outside commitments have not impacted on their duties as Directors and have enhanced the knowledge brought to the Board meetings.

The results of the Board evaluation process were reviewed and discussed by the Board. Following evaluation, the Board concluded that it had the appropriate balance of skills, experience, and knowledge and that the Board and its Committees continued to operate effectively.

No other areas of particular significance or concern were identified in the performance evaluation. The Board considered whether an external performance evaluation should be undertaken in the future and notes that this is not a requirement under the AIC Code given the Company is outside of the FTSE 350. The Board has taken into account the costs and benefits associated with such an exercise and does not consider the use of external consultants to conduct this evaluation is likely to provide any meaningful advantage over the process that has been adopted. However, the option of doing so will be regularly reviewed.

RE-ELECTION OF DIRECTORS

Under the provisions of the Company's Articles, the Directors retire by rotation at least every three years. However, in accordance with corporate governance best practice as set out in the AIC Code, all Directors should put themselves forward for re-election every year. As such, each of the Directors is subject to annual re-election by the shareholders at the Annual General Meeting. All Directors have confirmed that they will be standing for re-election at the forthcoming Annual General Meeting.

INTERNAL CONTROL AND FINANCIAL REPORTING

The Board has delegated responsibility to the Audit and Management Engagement Committee for establishing and maintaining the Company's risk management and internal control processes and for monitoring their effectiveness. Internal control systems are designed to meet the Company's particular needs and the risks to which it is exposed and by their very nature provide reasonable but not absolute assurance against misstatement or loss. The Directors have reviewed the effectiveness of the system of internal controls, including financial, operational and compliance controls and risk management. The Committee will take actions to remedy any significant failings or weaknesses identified or make recommendations to the Board, as appropriate. Information about the Company's financial risk management objectives and policies is set out in Note 15 of the financial statements on pages 60 to 62. The key procedures that have been established to provide effective internal controls are as follows:

- throughout the year under review and up to the date of this Annual Report, there has been an ongoing process for identifying, evaluating and managing the principal risks faced by MUSCIT, which complies with guidance supplied by the FRC on risk management, internal control and related financial and business reporting. This is reviewed on a regular basis by the Audit and Management Engagement Committee, on behalf of the Board. Details of the principal and emerging risks are set out on pages 17 to 20. The process involves reports from MUSCIT's Company Secretary and Manager as described below. In addition, the Audit and Management Engagement Committee receives internal control reports from all the third parties to which the Company delegates functions;

- in accordance with guidance issued to directors of listed companies, the Board has carried out a review of the effectiveness of the Company's risk management and internal control processes. There were no matters arising from this review that required further investigation and no significant failings or weaknesses were identified; and
- a risk register is maintained against which the risks identified and the controls in place to mitigate those risks can be monitored. The risks are assessed on the basis of the likelihood of them happening, the impact on the business if they were to occur and the effectiveness of the controls in place to mitigate them. The risk register is reviewed at each meeting of the Audit and Management Engagement Committee, and at other times as necessary.

Given the nature of the Company's activities and the fact that most functions are sub-contracted, the Board has concluded that there is no need for the Company to have an internal audit function. Instead, the Directors obtain information from key third party suppliers regarding the controls operated by them. The key procedures which have been established in relation to this are as follows:

- investment management is provided by Montanaro which is regulated by the FCA. The Board is responsible for setting the overall investment policy and monitors the activity of the Manager at regular Board meetings. Montanaro provides reports at these meetings, which cover investment performance and compliance matters;
- Juniper Partners Limited ("Juniper") is responsible for the provision of administration duties;
- company secretarial duties are undertaken by Juniper;
- depositary services and custody of assets are undertaken by BNY Mellon;
- the duties of investment management, accounting and the custody of assets are segregated;
- the procedures of the individual parties are designed to complement one another;
- the Board clearly defines the duties and responsibilities of its agents and advisers in the terms of their contracts. The appointment of agents and advisers is conducted by the Board after due diligence involving consideration of the quality of the parties involved and the Audit and Management Engagement Committee monitors their ongoing performance and contractual arrangements;
- mandates for authorisation of investment transactions and expense payments are set by the Board; and
- the Board reviews financial information produced by the Administrator in detail on a regular basis.

RELATIONS WITH SHAREHOLDERS

The Company welcomes the views of shareholders and places great importance on communication with its shareholders. Please refer to page 22 for details of engagement activity in the year to 31 March 2025.

EXERCISE OF VOTING RIGHTS IN INVESTEE COMPANIES

The exercise of voting rights attached to the Company's portfolio has been delegated to the Manager.

The Board encourages the Manager to give due consideration to environmental, social and governance matters whilst recognising the overall investment policy and objectives of the Company. Montanaro votes against resolutions it considers may damage shareholders' rights or economic interests and gives due weight to what it considers to be socially responsible investments when making investment decisions. However, its overriding objective is to produce good investment returns for shareholders.

During the year, the Manager on behalf of the Company exercised its voting authority as follows:

Meetings	
Number of meetings voted at:	44
Number of meetings voted against management or abstained:	8
Resolutions	
Number of resolutions where voted with management:	652
Number of resolutions where abstained:	6
Number of resolutions where voted against management:	5

BOARD COMMITTEES

The Chairman of each Board Committee fulfils an important leadership role similar to that of the Chairman of the Board, particularly in creating the conditions for overall Committee and individual Director effectiveness.

Audit and Management Engagement Committee

This Committee comprises all Directors and is chaired by Barbara Powley, who is a Chartered Accountant. The Board is satisfied that Mrs Powley has recent and relevant financial experience to guide the Committee in its deliberations. The Board is also satisfied that other members of the Audit and Management Engagement Committee have relevant and recent financial experience to fulfil their role effectively and also have sufficient experience relevant to the closed ended investment company sector and UK listed companies.

The report from this Committee is set out on pages 35 to 37.

Corporate Governance Statement continued

Nomination and Remuneration Committee

This Committee is comprised of all Directors and is chaired by Yuuichiro Nakajima. The Committee meets as required for the purpose of considering recruitment to, and removals from, the Board; levels of remuneration paid to the Directors; and reviews the Directors' Remuneration Report and Remuneration Policy.

The Committee is a joint Nomination and Remuneration Committee. It is considered that all Directors offer valuable contributions to the Committee and therefore all Directors are members of the Committee.

Further details on performance evaluation, tenure and independence are provided on page 32.

The Committee considers that the performance of each of the Directors continues to be effective and that they each demonstrate commitment to their role, including commitment of time for Board and Committee meetings and any other duties.

Each Committee has adopted formal written terms of reference which are available on the Company's website www.montanaro.co.uk/trust/muscit

DIVERSITY AND INCLUSION

The Board's policy on diversity is to ensure that the Directors on the Board have a broad range of experience, skills and knowledge, with diversity of thinking, background and perspective. Appointments to the Board are made on merit against objective criteria, having regard to the benefits of diversity and the current and future needs of the business and the other factors set out in the AIC Code.

In accordance with UK Listing Rule 6 Annex 1R, the following tables, in prescribed format, show the gender and ethnic background of the Directors at the date of this Report. The Company meets the gender and ethnic minority requirements of UK Listing Rule 6.

Gender identity or sex	Number of Board members[1]	Percentage on the Board	Number of senior positions on the Board
Men	2	50%	1
Women	2	50%	1
Not specified/ prefer not to say	–	–	–

[1] The Company does not disclose the number of Directors in executive management as this is not applicable for an externally managed investment company.

Ethnic background	Number of Board members	Percentage on the Board	Number of senior positions on the Board
White British or other White (including minority white groups)	3	75%	2
Asian / Asian British	1	25%	–
Not specified/ prefer not to say	–	–	–

The data in the above tables was collected through self-reporting by the Directors.

MODERN SLAVERY ACT 2015

As an investment trust, the Company does not provide goods or services in the normal course of business and does not have customers. Accordingly, the Directors consider that the Company is not required to make any slavery or human trafficking statement under the Modern Slavery Act 2015.

RISK MANAGEMENT AND INTERNAL CONTROLS

Details of the principal risks and internal controls applied by the Board are set out on pages 17 to 20 and pages 32 and 33 respectively.

For and on behalf of the Board

ARTHUR COPPLE
Chairman
16 June 2025

Report from the Audit and Management Engagement Committee

As Chair of the Audit and Management Engagement Committee (the "Committee"), I am pleased to present its Report to shareholders for the year ended 31 March 2025.

COMPOSITION OF THE COMMITTEE

The Board recognises the requirement for the Committee as a whole to have competence relevant to the sector in which the Company operates and at least one member with recent and relevant experience.

The Committee is chaired by Mrs Powley, a Chartered Accountant, who has recent and relevant financial experience.

The Committee operates within clearly defined terms of reference and comprises all the Directors. Given the size of the Board and Mr Copple's experience, it is felt appropriate for him to sit on the Committee. The Directors have a combination of financial, investment and business experience, specifically with reference to the investment trust sector.

ROLE OF THE COMMITTEE

The Committee's duties include considering and recommending to the Board for approval the contents of the half yearly and annual financial statements, and providing an opinion as to whether the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy. The Committee also reviews the external Auditors' report on the Annual Report and Financial Statements and is responsible for reviewing and forming an opinion on the effectiveness of the external audit process and audit quality. The Committee is also responsible for reviewing the performance of the Investment Manager and other third party service providers, including the terms of their appointment. Other duties include reviewing the appropriateness of the Company's accounting policies and ensuring the adequacy of the internal control systems and standards. The Terms of Reference detailing the scope and duties of the Audit and Management Engagement Committee are available on the Company's website.

MATTERS CONSIDERED IN THE YEAR

The Committee meets at least three times a year. At the three meetings held during the financial year, the Committee has:

- reviewed the internal controls and risk management systems of the Company and its third party providers;
- reviewed the performance of the Company's third party service providers and ensured that they complied with the terms of their agreements and that the terms of their agreements remain competitive;
- agreed the audit fee and audit plan with the Auditor, including the principal areas of focus;
- received and discussed with the Auditor their report on the results of the audit;
- reviewed the Company's financial statements and advised the Board accordingly;
- reviewed the FRC's audit quality review and discussed the results with the Audit Partner;
- reviewed the Manager's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters insofar as they affect the Company (no incidents were reported during the period);
- reviewed the Investment Management Agreement to ensure that the terms remain competitive;
- reviewed the performance of the Manager;
- satisfied itself that the continued appointment of the Manager was in the interests of shareholders as a whole;
- recommended to the Board that the Manager's appointment be continued;
- reviewed the Company's policy on the supply of non-audit services by the Auditor;
- reviewed and, where appropriate, updated the Company's risk register; and
- reviewed its own performance as a Committee and its own Terms of Reference.

Report from the Audit and Management Engagement Committee continued

ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2025

Subsequent to discussion with the Manager and the Auditor, the Committee determined the following key areas of risk in relation to the financial statements of the Company for the year ended 31 March 2025 and how they were addressed:

Significant issue	How the issue was addressed
Valuation and ownership of the Company's investments	The Board reviews detailed portfolio valuations at each meeting. It relies on the Administrator and AIFM to use appropriate pricing in accordance with the accounting standards adopted by the Company. Ownership of listed investments is verified by reconciliation to the Custodian's records. In addition, the Depositary reports to the Committee in relation to its monitoring and oversight of the activities of the AIFM, Administrator and Custodian. No matters of significance were identified in their monitoring.
Maintenance of investment trust status	The Committee regularly considers the controls in place to ensure that the regulations for maintaining investment trust status are observed at all times and receives supporting documentation from the Manager and the Administrator.
Incomplete or inaccurate revenue recognition	Income received is accounted for in accordance with the Company's accounting policies as set out in Note 1 to these accounts. The Board receives income forecasts, including special dividends, and receives an explanation from the Manager for any significant movements from previous forecasts and prior year figures.
Ensuring the Annual Report and Accounts is fair, balanced and understandable	The Committee reviewed and discussed the Annual Report and Accounts and advised the Board that it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

GOING CONCERN AND VIABILITY

The Committee assesses annually whether it is appropriate to prepare the Company's financial statements on a going concern basis and makes a recommendation to the Board.

The Board concluded that the going concern basis continues to be appropriate and further information regarding the going concern assessment is set out in the Directors' Report on page 29.

The Committee conducts an annual assessment to determine whether the evaluation of the Company's long-term viability remains valid.

The Board concluded that the Company continues to remain viable and further information regarding the Company's viability is set out in the Directors' Report on page 29.

INTERNAL CONTROL & RISK MANAGEMENT

The Committee is responsible for ensuring that suitable controls are in place to prevent and detect fraud, error and misstatement of financial information. As the Company outsources all of its functions to third parties, it requires these service providers to report on their internal controls. Further details of the Company's internal controls and risk management processes are given in the Corporate Governance report on pages 31 to 34. There were no significant matters of concern identified in the Committee's review of the internal controls of its third party suppliers.

INTERNAL AUDIT FUNCTION

It is considered that the Company does not require an internal audit function, principally because the Company delegates its day-to-day operations to third parties, which are monitored by the Committee and provide control reports on their operations at least annually.

EXTERNAL AUDIT, REVIEW AND APPOINTMENT

BDO, first appointed at the Company's AGM held on 31 July 2020, continues as Auditor. The Audit Committee reviews the re-appointment of the auditor every year. The Committee reviewed the effectiveness of the external audit process following the completion of the annual audit process for the year ended 31 March 2025, taking into consideration their standing, skills, experience, performance and objectivity of the firm and the audit team. The Committee has reviewed and accepted reports from BDO on its procedures for ensuring that its independence and objectivity are safeguarded and that it has complied with relevant auditing standards. The Committee, from direct observation and enquiry of the Administrator, is satisfied that BDO provides effective independent challenge in carrying out its responsibilities. Following this review, the Committee concluded that the audit process was effective.

BDO's fee in respect of the audit for the year ended 31 March 2025 is £45,500 (2024: £44,000). Following professional guidelines, the audit partner rotates after five years. The year ended 31 March 2025 is Peter Smith's fifth year as audit partner. BDO will present potential audit partners to the Audit and Management Engagement Committee in 2025, ahead of the 31 March 2026 year end audit.

POLICY ON NON-AUDIT SERVICES

The Committee regards the continued independence of the Auditor to be a matter of the highest priority. The Company's policy with regard to the provision of non-audit services by the external Auditor ensures that no engagement will be permitted if:

- the provision of the services would contravene any regulation or ethical standard;
- the Auditor is not considered to be an expert provider of the non-audit services;
- the provision of such services by the Auditor creates a conflict of interest for either the Board or the Manager; and
- the services are considered to be likely to inhibit the Auditor's independence or objectivity as Auditor.

As the Company is a Public Interest Entity listed on the London Stock Exchange, with effect from 1 April 2017, under EU legislation, a cap on the level of fees incurred for permissible non-audit services now applies and should not exceed 70% of the average audit fee for the previous three years.

No non-audit services were provided in the year under review.

CONCLUSION

Following consideration of the above and its detailed review of the half year and annual reports conducted at its meetings, the Committee is of the opinion that the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary to assess the Company's position and performance, business model and strategy. The Committee reported on these findings to the Board.

The Statement of Directors' Responsibilities in respect of the Annual Report and Financial Statements is on page 41.

By order of the Board

BARBARA POWLEY
Chair, Audit and Management Engagement Committee
16 June 2025

Directors' Remuneration Report

ANNUAL STATEMENT FROM THE CHAIR OF THE NOMINATION AND REMUNERATION COMMITTEE (THE "COMMITTEE")

I am pleased to present the Directors' Remuneration Report for the year ended 31 March 2025.

Having reviewed the current level of remuneration payable to Directors, in accordance with the Remuneration Policy, the Committee has determined that with effect from 1 April 2025, Directors' Fees would be payable as set out in the Future Policy Remuneration Table on page 39.

In accordance with the Companies Act 2006, the Company is required to seek shareholder approval for its remuneration policy on a triennial basis. The Remuneration Policy was last approved by shareholders at the 2022 AGM. The Board has reviewed the Remuneration Policy and believes that it remains appropriate with no changes required. Accordingly, a resolution to approve the policy will be put to shareholders at the AGM on 23 July 2025.

The Committee is chaired by Yuuichiro Nakajima and comprises all Directors. The Committee meets as required for the purpose of considering levels of remuneration paid to the Board and any change in the Directors' remuneration policy.

All Directors are members of the Committee due to their experience and understanding of the Company. Given the size of the Board and Mr Copple's experience and independence upon appointment as Chairman of the Board, it is considered appropriate that he sit on this Committee.

REMUNERATION POLICY

The Company's policy is that remuneration should:

Purpose and link to strategy	• be sufficient to attract and retain individuals of a high calibre with suitable knowledge and experience to promote the long-term success of the Company; • reflect the time spent by the Directors on the Company's affairs; • reflect the responsibilities borne by the Directors; and • recognise the more onerous roles of the Chairman of the Board and the Chairman of the Audit and Management Engagement Committee through the payment of higher fees. Directors are remunerated in the form of fees. The Committee reviews fees on an annual basis and makes recommendations to the Board. Reviews will take into account wider factors such as research carried out on the level of fees paid to the Directors of the Company's peers, the size of the Company, any feedback from shareholders, the level of inflation and any change in the complexity of the Directors' responsibilities.
Fixed fee element	Directors are not eligible to be compensated for loss of office, nor are they eligible for bonuses, pension benefits, share options or other incentives or benefits. There are no performance-related elements to the Directors' fees. None of the Directors has a service contract with the Company and their terms of appointment are set out in a letter provided when they join the Board. These letters are available for inspection at the Company's registered office.
Maximum	Total remuneration paid to the non-executive Directors is subject to an annual aggregate limit of £200,000 in accordance with the Company's Articles of Association. Any changes to this limit will require shareholder approval by Ordinary Resolution.
Taxable benefits	In accordance with the Company's Articles of Association, the Directors are also entitled to be reimbursed for out-of-pocket expenses and any other reasonable expenses incurred in the proper performance of their duties. Such expenses are treated as a benefit in kind and are subject to tax and national insurance.

FUTURE REMUNERATION POLICY TABLE

Directors' fees for the forthcoming financial year will be as follows:

	Fee for year ending 31 March 2026 £	Fee for year ending 31 March 2025 £
Chairman	**39,150**	43,500
Audit and Management Engagement Chair	**31,500**	35,000
Director	**27,000**	30,000

DIRECTORS' EMOLUMENTS FOR THE YEAR (AUDITED)

The Directors who served in the year received the following emoluments in the form of fees:

	Fees £		**Taxable benefits £**		**Total £**		**Total fixed remuneration £**		**Total variable remuneration £**	
	2025	2024	**2025**	2024	**2025**	2024	**2025**	2024	**2025**	2024
Arthur Copple	**43,500**	41,500	**–**	–	**43,500**	41,500	**43,500**	41,500	**–**	–
Catriona Hoare	**30,000**	28,500	**–**	–	**30,000**	28,500	**30,000**	28,500	**–**	–
Yuuichiro Nakajima[1]	**30,000**	7,125	**81**	66	**30,081**	7,191	**30,000**	7,125	**81**	66
Barbara Powley	**35,000**	31,903	**1,974**	1,656	**36,974**	33,559	**35,000**	31,903	**1,974**	1,656
James Robinson[2]	**–**	10,738	**–**	–	**–**	10,738	**–**	10,738	**–**	–
Total	**138,500**	119,766	**2,055**	1,722	**140,555**	121,488	**138,500**	119,766	**2,055**	1,722

1 Appointed to the Board on 1 January 2024.

2 Retired from the Board on 27 July 2023.

No sums are paid to any third parties in respect of Directors services and no sums were paid to any third parties in respect of advice from remuneration advisers. There have been no payments to past Directors during the financial year ended 31 March 2025, whether for loss of office or otherwise.

ANNUAL PERCENTAGE CHANGE IN REMUNERATION OF DIRECTORS

Directors' pay has increased over the last four years, as set out in the table below:

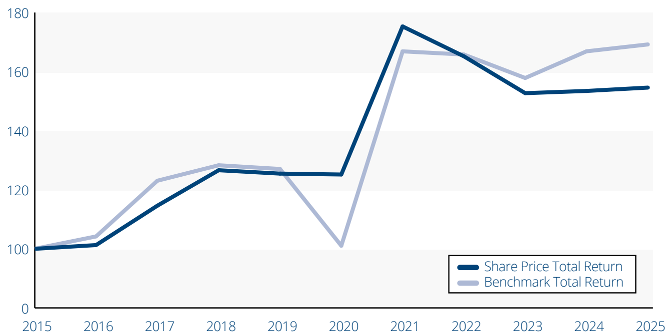
	2025 £	Change %	2024 £	Change %	2023 £	Change %	2022 £	Change %	2021 £	Change %	2020 £
Chairman	**43,500**	4.8%	41,500	7.8	38,500	4.8	36,750	5.0	35,000	–	35,000
Audit and Management Engagement Committee Chair	**35,000**	4.5%	33,500	8.1	31,000	5.1	29,500	5.4	28,000	–	28,000
Director	**30,000**	5.3%	28,500	7.5	26,500	5.0	25,250	5.2	24,000	–	24,000

Directors' Remuneration Report continued

COMPANY'S PERFORMANCE

In accordance with the Companies Act 2006, a graph showing the Company's share price total return compared to its benchmark is set out below. The share price includes all dividends reinvested.

Share Price and Benchmark* Performance (rebased to 100 on 31 March 2015)



* The Company's Benchmark is the Deutsche Numis Smaller Companies Index (excluding investment companies).

VOTING AT AGM

The Directors' Remuneration Report for the year ended 31 March 2024 was approved by shareholders at the AGM held on 25 July 2024. The Directors' Remuneration Policy was last approved by shareholders at the Company's Annual General Meeting, held on 27 July 2022. The proxy voting was as follows:

	Remuneration Report		Remuneration Policy	
	Number of votes cast	%	Number of votes cast	%
For*	72,136,412	99.70	83,266,732	99.89
Against	215,737	0.30	90,399	0.11
Total votes cast	**72,352,149**		**83,357,131**	
Number of votes withheld	38,153	0.05	22,405	0.03

* including votes granting discretion to the Chairman who voted in favour.

Any views expressed by shareholders on the fees being paid to Directors will be taken into consideration by the Board when reviewing the Directors' Remuneration Policy and in the annual review of Directors' fees.

RELATIVE IMPORTANCE OF DIRECTORS' FEES

The table below sets out, in respect of the financial year ended 31 March 2025 and the preceding financial year:

a) the remuneration paid to the Directors;

b) the distributions made to shareholders by way of dividends; and

c) the cost of Ordinary shares bought back.

	Year ended 31 March 2025 £	Year ended 31 March 2024 £	Change %
Total remuneration	**140,555**	121,488	15.7
Dividends paid	**9,088,000**	7,632,000	19.0
Investment management fee	**1,108,000**	1,104,000	0.4
Cost of Ordinary shares bought back	**25,270,000**	–	–

DIRECTORS' INTERESTS (AUDITED)

There is no requirement under the Articles of Association for Directors to hold shares in the Company. The interests of the current Directors and their families in the voting rights of the Company are set out below:

	As at 31 March 2025 Number of shares	As at 31 March 2024 Number of shares
Arthur Copple	**300,000**	275,000
Catriona Hoare	**18,080**	9,039
Yuuichiro Nakajima	**10,000**	–
Barbara Powley	**24,209**	13,026

On 14 April 2025, Barbara Powley acquired 13,500 shares and now holds 37,709 shares in total. There have been no other changes to the above holdings between 31 March 2025 and the date of this Annual Report. None of the Directors nor any persons connected with them had a material interest in any of the Company's transactions, arrangements or agreements during the year.

STATEMENT OF IMPLEMENTATION OF REMUNERATION POLICY IN RESPECT OF THE FINANCIAL YEAR ENDING 31 MARCH 2026

The Committee will, as usual, review Directors' fees during 2025/26 and consider whether any further changes to remuneration are required.

On behalf of the Board

YUUICHIRO NAKAJIMA
Chair, Nomination and Remuneration Committee
16 June 2025

Statement of Directors' Responsibilities
in respect of the Annual Report and Accounts

The Directors are responsible for preparing the Annual Report and Accounts in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- prepare a Directors' report, a strategic report and Directors' remuneration report which comply with the requirements of the Companies Act 2006.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for ensuring that the Annual Report and Accounts, taken as a whole, are fair, balanced, and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

The Directors are responsible for ensuring the Annual Report and Accounts are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Each of the Directors who are listed on pages 25 and 26 confirm to the best of their knowledge that:

- the financial statements, prepared in accordance with UK Accounting Standards, give a true and fair view of the assets, liabilities, financial position and return of the Company; and
- the Strategic Report and the Directors' Report include 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.

In the opinion of the Board, the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

By order of the Board

ARTHUR COPPLE
Chairman
16 June 2025

Independent Auditor's Report
to the Members of Montanaro UK Smaller Companies Investment Trust PLC

OPINION ON THE FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2025 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Montanaro UK Smaller Companies Investment Trust plc (the 'Company') for the year ended 31 March 2025 which comprise the Income Statement, the Statement of Changes in Equity, the Balance Sheet and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor'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. Our audit opinion is consistent with the additional report to the audit committee.

Independence

Following the recommendation of the Audit and Management Engagement Committee, we were appointed by The Board of Directors on 17 March 2020 and subsequently by the members at the AGM on 31 July 2020 to audit the financial statements for the year ended 31 March 2021 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is five years, covering the years ended 31 March 2021 to 31 March 2025. We remain independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Company.

CONCLUSIONS RELATING TO GOING CONCERN

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

- Evaluating the appropriateness of the Directors' method of assessing the going concern in light of economic and market conditions by reviewing the information used by the Directors in completing their assessment;
- Assessing the appropriateness of the Directors' assumptions and judgements made in their base case and stress tested forecasts including consideration of the available cash resources relative to forecast expenditure;
- Challenging the Directors' assumptions and judgements made in their forecasts by performing an independent analysis of the liquidity of the portfolio; and
- Reviewing the loan agreements to identify the covenants and assessing the likelihood of them being breached based on the Directors' forecasts and our sensitivity analyses.

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

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

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

OVERVIEW

Key audit matters		**2025**	**2024**
	• Valuation and ownership of quoted investments	✓	✓
Materiality	*Company financial statements as a whole* • £1,500,000 (2024:£1,990,000) based on 1% (2024: 1%) of Net assets		

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Our audit was scoped by obtaining an understanding of the Company and its environment, including the Company's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

Independent Auditor's Report continued
to the Members of Montanaro UK Smaller Companies Investment Trust PLC

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, 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 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.

Key audit matter		How the scope of our audit addressed the key audit matter
Valuation and ownership of quoted investments Notes 1 and 9	The investment portfolio at the year-end comprised of quoted equity investments held at fair value through profit or loss. There is a risk that the prices used for the listed investments held by the Company are not reflective of fair value and the risk that errors made in the recording of investment holdings result in the incorrect reflection of investments owned by the Company. Therefore, we considered the valuation and ownership of quoted investments to be the most significant audit area as the investments also represent the most significant balance in the financial statements and underpin the principal activity of the entity. For these reasons and the materiality of the balance in relation to the financial statements as a whole, we considered this to be a key audit matter.	We responded to this matter by testing the valuation and ownership of the whole portfolio of quoted investments. We performed the following procedures: • Confirmed the year-end bid or SETS price was used by agreeing to externally quoted prices; • Assessed if there were contra indicators, such as liquidity considerations, to suggest bid price is not the most appropriate indication of fair value by considering the realisation period for individual holdings; • Recalculated the valuation by multiplying the number of shares held per the statement obtained from the custodian by the valuation per share; and • Obtained direct confirmation of the number of shares held per equity investment from the custodian regarding all investments held at the balance sheet date. **Key observations:** Based on our procedures performed we did not identify any matters to suggest the valuation or ownership of the quoted equity investments was not appropriate.

OUR APPLICATION OF MATERIALITY

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

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

	Company financial statements 2025 £	**Company financial statements 2024 £**
Materiality	1,500,000	1,990,000
Basis for determining materiality	1 % of Net assets	1 % of Net assets
Rationale for the benchmark applied	As an investment trust, the net asset value is the key measure of performance for users of the financial statements.	As an investment trust, the net asset value is the key measure of performance for users of the financial statements.
Performance materiality	1,130,000	1,493,000
Basis for determining performance materiality	75% of materiality	75% of materiality
Rationale for the percentage applied for performance materiality	The level of performance materiality applied was set after having considered a number of factors including the expected total value of known and likely misstatements and the level of transactions in the year.	The level of performance materiality applied was set after having considered a number of factors including the expected total value of known and likely misstatements and the level of transactions in the year.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £75,000 (2024: £99,500). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the Annual Report & Financial Statements other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent Auditor's Report continued
to the Members of Montanaro UK Smaller Companies Investment Trust PLC

CORPORATE GOVERNANCE STATEMENT

The Listing Rules require us to review the Directors' statement 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.

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

Going concern and longer-term viability	• The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified; and • The Directors' explanation as to their assessment of the Company's prospects, the period this assessment covers and why the period is appropriate.
Other Code provisions	• Directors' statement on fair, balanced and understandable; • Board's confirmation that it has carried out a robust assessment of the emerging and principal risks; • The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and • The section describing the work of the Audit Committee.

OTHER COMPANIES ACT 2006 REPORTING

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	In our opinion, based on the work undertaken in the course of the audit: • the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.
Directors' remuneration	In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: • adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or • the financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or • certain disclosures of Directors' remuneration specified by law are not made; or • we have not received all the information and explanations we require for our audit.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

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

Non-compliance with laws and regulations

Based on:

- Our understanding of the Company and the industry in which it operates;
- Discussion with the Investment Manager and Administrator and those charged with governance; and
- Obtaining and understanding of the Company's policies and procedures regarding compliance with laws and regulations; and we considered the significant laws and regulations to be Companies Act 2006, the FCA listing and DTR rules, the principles of the AIC Code of Corporate Governance, industry practice represented by the AIC SORP, the applicable accounting framework, and qualification as an Investment Trust under UK tax legislation as any non-compliance of this would lead to the Company losing various deductions and exemptions from corporation tax.

Our procedures in respect of the above included:

- Agreement of the financial statement disclosures to underlying supporting documentation;
- Enquiries of management and those charged with governance relating to the existence of any non-compliance with laws and regulations;
- Reviewing minutes of meeting of those charged with governance throughout the period for instances of non-compliance with laws and regulations; and
- Reviewing the calculation in relation to Investment Trust compliance to check that the Company was meeting its requirements to retain their Investment Trust Status. This included a review of other qualititatve factors and ensuring compliance with these.

Independent Auditor's Report continued
to the Members of Montanaro UK Smaller Companies Investment Trust PLC

Fraud

We assessed the susceptibility of the financial statement to material misstatement including fraud.

Our risk assessment procedures included:

- Enquiry with the Investment Manager, the Administrator and those charged with governance regarding any known or suspected instances of fraud;
- Review of minutes of meetings of those charged with governance for any known or suspected instances of fraud; and
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements.

Based on our risk assessment, we considered the areas most susceptible to fraud to be management override of controls.

Our procedures in respect of the above included:

- In addressing the risk of management override of control, we:
  - Performed a review of estimates and judgements applied by management in the financial statements to assess their appropriateness and the existence of any systematic bias;
  - Considered the opportunity and incentive to manipulate accounting entries and target tested relevant adjustments made in the period end financial reporting process;
  - Reviewed for significant transactions outside the normal course of business; and
  - Performed a review of unadjusted audit differences, if any, for indications of bias or deliberate misstatement.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, who were deemed to have the appropriate competence and capabilities, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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

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

USE OF OUR REPORT

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Peter Smith
For and on behalf of BDO LLP, Statutory Auditor
London, UK
16 June 2025

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Income Statement
for the year to 31 March 2025

	Notes	**Year to 31 March 2025** **Revenue £'000**	**Capital £'000**	**Total £'000**	Year to 31 March 2024 Revenue £'000	Capital £'000	Total £'000
(Losses)/gains on investments designated at fair value through profit or loss	9	**–**	**(18,007)**	**(18,007)**	–	11,137	11,137
Investment income	2	**6,560**	**–**	**6,560**	6,347	–	6,347
Investment management fee	3	**(277)**	**(831)**	**(1,108)**	(276)	(828)	(1,104)
Other expenses	4	**(695)**	**–**	**(695)**	(618)	–	(618)
Net return before finance costs and taxation		**5,588**	**(18,838)**	**(13,250)**	5,453	10,309	15,762
Interest payable and similar charges	5	**(169)**	**(508)**	**(677)**	(175)	(522)	(697)
Net return before taxation		**5,419**	**(19,346)**	**(13,927)**	5,278	9,787	15,065
Taxation	6	**–**	**–**	**–**	–	–	–
Net return after taxation		**5,419**	**(19,346)**	**(13,927)**	5,278	9,787	15,065
Return per Ordinary share	8	**3.28p**	**(11.70p)**	**(8.42p)**	3.15p	5.85p	9.00p

The total column of this statement is the Statement of Total Comprehensive Income of the Company prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". The supplementary revenue return and capital return columns are prepared in accordance with the Statement of Recommended Practice issued by the Association of Investment Companies ("AIC SORP").

All revenue and capital items in the above statement derive from continuing operations.

There are no items of other comprehensive income and therefore the net loss after taxation is both the profit/loss and the total comprehensive income for the year.

No operations were acquired or discontinued in the year.

The notes on pages 52 to 62 form part of these financial statements.

Statement of Changes in Equity
for the year to 31 March 2025

Year to 31 March 2025	**Notes**	**Called-up share capital £'000**	**Share premium account £'000**	**Capital redemption reserve £'000**	**Special reserve* £'000**	**Capital reserve* £'000**	**Distributable revenue reserve* £'000**	**Total equity shareholders' funds £'000**
As at 31 March 2024		**3,348**	**19,307**	**1,362**	**4,642**	**170,230**	**193**	**199,082**
Total comprehensive income:								
Fair value movement of investments	9	**–**	**–**	**–**	**–**	**(18,007)**	**–**	**(18,007)**
Costs allocated to capital		**–**	**–**	**–**	**–**	**(1,339)**	**–**	**(1,339)**
Net revenue for the year		**–**	**–**	**–**	**–**	**–**	**5,419**	**5,419**
		–	**–**	**–**	**–**	**(19,346)**	**5,419**	**(13,927)**
Share Buybacks	13	**–**	**–**	**–**	**(4,642)**	**(20,628)**	**–**	**(25,270)**
Dividends paid in the year	7	**–**	**–**	**–**	**–**	**(4,033)**	**(5,055)**	**(9,088)**
As at 31 March 2025		**3,348**	**19,307**	**1,362**	**–**	**126,223**	**557**	**150,797**

Year to 31 March 2024	Notes	Called-up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Special reserve* £'000	Capital reserve* £'000	Distributable revenue reserve* £'000	Total equity shareholders' funds £'000
As at 31 March 2023		3,348	19,307	1,362	4,642	162,418	572	191,649
Total comprehensive income:								
Fair value movement of investments	9	–	–	–	–	11,137	–	11,137
Costs allocated to capital		–	–	–	–	(1,350)	–	(1,350)
Net revenue for the year		–	–	–	–	–	5,278	5,278
		–	–	–	–	9,787	5,278	15,065
Dividends paid in the year	7	–	–	–	–	(1,975)	(5,657)	(7,632)
As at 31 March 2024		3,348	19,307	1,362	4,642	170,230	193	199,082

* These reserves, excluding any unrealised capital reserve are distributable. As at 31 March 2025 distributable reserves totalled £136,665,000 (2024: £157,133,000).

The notes on pages 52 to 62 form part of these financial statements.

Balance Sheet
as at 31 March 2025

		31 March 2025		31 March 2024	
	Notes	**£'000**	**£'000**	£'000	£'000
Fixed assets					
Investments at fair value	9		**157,502**		204,694
Currents assets					
Debtors	10	**2,453**		312	
Cash at bank		**4,684**		14,627	
		7,137		14,939	
Creditors: amounts falling due within one year					
Other creditors	11	**(1,342)**		(551)	
Borrowings	12	**(12,500)**		(20,000)	
		(13,842)		(20,551)	
Net current liabilities			**(6,705)**		(5,612)
Net assets			**150,797**		199,082
Share capital and reserves					
Called-up share capital	13		**3,348**		3,348
Share premium account			**19,307**		19,307
Capital redemption reserve			**1,362**		1,362
Special reserve			**–**		4,642
Capital reserve			**126,223**		170,230
Distributable revenue reserve			**557**		193
Total equity shareholders' funds			**150,797**		199,082
Net asset value per Ordinary share: Basic and Diluted	14		**105.86p**		118.94p

These financial statements were approved and authorised for issue by the Board of Directors on 16 June 2025.

ARTHUR COPPLE
Chairman

Company Registered Number: 3004101

The notes on pages 52 to 62 form part of these financial statements.

Notes to the Financial Statements
at 31 March 2025

1 Accounting Policies

Montanaro UK Smaller Companies Investment Trust PLC ("MUSCIT") is a company incorporated and registered in England and Wales. The principal activity of the Company is that of an investment trust company within the meaning of Sections 1158/1159 of the Corporation Tax Act 2010. The registered office of the Company is 53 Threadneedle Street, London EC2R 8AR.

BASIS OF PREPARATION

The financial statements have been prepared under FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and in accordance with UK applicable accounting standards and the Statement of Recommended Practice issued by the Association of Investment Companies ("AIC SORP"). The Company meets the requirements of FRS 102 section 7.1.A and therefore has elected not to present the Statement of Cash Flows for the year ended 31 March 2025. The principal accounting policies adopted in the preparation of these financial statements are set out below.

The financial statements have been presented in sterling, which is the Company's functional currency as the UK is the primary environment in which it operates, rounded to the nearest £'000, except where otherwise indicated.

GOING CONCERN

The financial statements have been prepared on a going concern basis and on the basis that approval as an investment trust company will continue to be met.

The Directors have made an assessment of the Company's ability to continue as a going concern and are satisfied that the Company has adequate resources to continue in business for the foreseeable future, being until at least 16 June 2026. Please refer to page 29 for full details of the Directors' going concern assessment.

The Company's Articles of Association ("Articles") contain a requirement for shareholders to vote on the continuation of the Company at regular intervals. At the Company's AGM held on 12 August 2021, shareholders voted to remove the obligation to convene a General Meeting during 2023 for the purpose of voluntarily winding up the Company. The next Continuation Vote is scheduled to be held in 2027.

The Directors are not aware of any material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern, having taken into account the liquidity of the Company's investment portfolio and the Company's financial position in respect of its cash flows, borrowing facilities and investment commitments (of which there are none of significance). Therefore, the financial statements have been prepared on the going concern basis.

SEGMENTAL REPORTING

The Directors are of the opinion that the Company is engaged in a single segment of business, being investment business. The Company primarily invests in listed companies.

INCOME RECOGNITION

Dividends receivable on quoted equity shares are taken to revenue on an ex-dividend basis. Dividends receivable on equity shares where no ex-dividend date is quoted are recognised when the Company's right to receive payment is established. Fixed returns on non-equity shares are recognised on a time-apportioned basis.

Dividends from overseas companies are shown gross of any non-recoverable withholding taxes, which are presented separately in the Income Statement.

Special dividends are taken to revenue or capital account depending on their nature. In deciding whether a dividend should be regarded as a capital or revenue receipt, the Board reviews all relevant information as to the reasons for the sources of the dividend on a case-by-case basis against the AIC SORP guidance.

When the Company has elected to receive scrip dividends in the form of additional shares rather than in cash, the amount of the cash dividend forgone is recognised as income. Any excess in the value of the cash dividend is recognised in the capital column.

1 Accounting Policies continued

EXPENSES AND FINANCE COSTS

All expenses and finance costs are accounted for on an accruals basis. On the basis of the Board's expected long-term split of total returns, the Company charges 75% of its management fee and finance costs to capital.

Expenses directly incurred in relation to arranging debt and loan facilities have been amortised over the term of the finance.

INVESTMENTS

The Company's business is investing in financial assets with a view to profiting from their total return in the form of income and capital growth. This portfolio of financial assets is managed and its performance evaluated on a fair value basis, in accordance with a documented investment strategy. Information about the portfolio is provided internally on that basis to the Company's Board of Directors.

In accordance with FRS 102 sections 11 and 12, all investments held by the Company are classified upon initial recognition as financial assets at fair value through profit or loss and are measured at subsequent reporting dates at fair value, which is the bid price or the closing price for the Stock Exchange Electronic Trading Service – quotes and crosses ('SETSqx'). All transaction costs in relation to the purchase of an investment are included in the initial book cost. The Company derecognises a financial asset either when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of consideration received and receivable after transaction costs have been deducted, and the cumulative gain or loss that had been accumulated is recognised in profit or loss.

All investments for which fair value is measured in the financial statements are categorised within the fair value hierarchy in Note 9.

OTHER RECEIVABLES AND PAYABLES

Trade receivables and trade payables are measures at amortised cost.

TAXATION

UK corporation tax payable is provided on taxable profits at the current rate.

Provision is made for deferred taxation, without discounting, on all timing differences and is calculated using substantively enacted tax rates.

This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted.

DIVIDENDS PAYABLE TO SHAREHOLDERS

Interim dividends are recognised in the period in which they have been paid.

BANK LOANS AND BORROWINGS

All bank loans and borrowings are carried at amortised cost. Costs in relation to arranging debt finance have been amortised over the term of the instrument.

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements requires the Directors to make judgements, estimates and assumptions that affect the reported amounts recognised in the financial statements and disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods. The area requiring the most significant judgement is recognition and classification of unusual or special dividends received as either revenue or capital in nature. The estimates and underlying assumptions are reviewed on an ongoing basis. There have been no other significant judgements, estimates or assumptions which have had a significant impact on the financial statements for the current or preceding financial year.

Notes to the Financial Statements continued
at 31 March 2025

1 Accounting Policies continued

RESERVES

Share premium

The share premium account represents the accumulated premium paid for shares issued in previous periods above their nominal value less expenses of issuance. This is a reserve forming part of the non-distributable reserves. The following items are taken to this reserve; costs associated with the issue of equity, the surplus on sale of Ordinary shares from Treasury premium on the issue of shares.

Capital redemption reserve

The capital redemption reserve represents non-distributable reserves that arise from the purchase and cancellation of shares.

Special reserve

The special reserve was created by the cancellation of the share premium account by order of the High Court in August 1998. The costs of buying back Ordinary shares, including related stamp duty and transaction costs, are charged to the special reserve. This reserve can be distributed.

Revenue reserve

The revenue reserve represents the surplus of accumulated profits from the income derived from holding investment assets less the costs and interest on cash balances associated with running the Company. This reserve can be distributed.

Capital reserve

The following are accounted for in this reserve:

- gains and losses on the realisation of investments;
- net movement arising from changes in the fair value of investments;
- net movement from changes in the fair value of derivative financial instruments;
- expenses, together with related taxation effect, charged to this account in accordance with the above policies;
- cost of purchasing Ordinary shares to be held in Treasury or cancellation;
- proceeds from the issue of Ordinary shares held in Treasury equivalent to the weighted average cost of the repurchase; and
- dividends paid from the realised Capital Reserve.

The Company's Articles of Association permit it to distribute from the Capital Reserve any surplus arising from the realisation of its investments.

2 Income

	Year to 31 March 2025 £'000	Year to 31 March 2024 £'000
UK dividend income	**6,050**	5,880
Overseas dividend income	**20**	36
Income from investments	**6,070**	5,916
Bank interest	**490**	431
Total income	**6,560**	6,347
Total income comprises		
Dividends from financial assets designated at fair value through profit or loss	**6,070**	5,916
Interest received	**490**	431
Dividends	**6,560**	6,347

3 Investment Management Fee

	Year to 31 March 2025			Year to 31 March 2024		
	Revenue £'000	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000
Investment management fee	**264**	**794**	**1,058**	263	791	1,054
AIFMD fee	**13**	**37**	**50**	13	37	50
	277	**831**	**1,108**	276	828	1,104

Up to 30 September 2024, the Manager received a monthly management fee equivalent to 1/12 of 0.50% of the gross assets of the Company valued at the close of business on the last business day of each month.

With effect from 31 December 2024, the Manager received a monthly management fee equivalent to 1/12 of 0.50% of the net assets of the Company valued at the close of business on the last business day of each month.

At 31 March 2025, £234,000 (2024: £275,000) was due for payment to the Manager.

The AIFM receives an annual fee of £50,000 (2024: £50,000).

4 Other Expenses

	Year to 31 March 2025 £'000	Year to 31 March 2024 £'000
Company secretarial fees	**167**	158
Directors' fees[†]	**139**	120
Depositary fee	**56**	42
Registrar fee	**47**	45
Auditor's remuneration for:		
– audit	**46**	44
Custody and other bank charges	**21**	21
Legal fees	**6**	14
Other expenses (including VAT)	**213**	174
	695	618

[†] A breakdown of the Directors' remuneration is set out in the Directors' Remuneration Report on page 39.

The Company has no employees.

5 Interest Payable and Similar Charges

	Year to 31 March 2025			Year to 31 March 2024		
	Revenue £'000	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000
Interest payable on loan	**163**	**490**	**653**	167	498	665
Loan commitment fee	**6**	**18**	**24**	8	24	32
	169	**508**	**677**	175	522	697

Notes to the Financial Statements continued
at 31 March 2025

6 Taxation

	Year to 31 March 2025			Year to 31 March 2024		
	Revenue £'000	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000
Current tax:						
Withholding tax suffered	**–**	**–**	**–**	–	–	–
	–	**–**	**–**	–	–	–

The taxation charge for the year is different from the standard rate of Corporation Tax in the UK of 25% (2024: 25%). The differences are explained below.

	Year to 31 March 2025			Year to 31 March 2024		
	Revenue £'000	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000
Net return before taxation	**5,419**	**(19,346)**	**(13,927)**	5,278	9,787	15,065
Theoretical tax at UK corporation tax rate of 25% (2024: 25%)	**1,355**	**(4,836)**	**(3,481)**	1,319	2,447	3,766
Effect of:						
– UK dividends that are not taxable	**(1,513)**	**–**	**(1,513)**	(1,314)	–	(1,314)
– Foreign dividends that are not taxable	**(5)**	**–**	**(5)**	(9)	–	(9)
– Non-taxable investment losses/(gains)	**–**	**4,502**	**4,502**	–	(2,784)	(2,784)
– Unrelieved excess expenses	**163**	**334**	**497**	4	337	341
Current tax charge for the year	**–**	**–**	**–**	–	–	–

Factors that may affect future tax charges

Deferred tax is not provided on capital gains and losses arising on the revaluation or disposal of investments because the Company meets (and intends to continue for the foreseeable future to meet) the conditions for approval as an investment trust company. At 31 March 2025, based on current estimates and including the accumulation of net allowable losses, the Company had unrelieved losses of £58,334,000 (2024: £56,346,000) that are available to offset future taxable revenue. The potential deferred tax asset has been calculated using a corporation tax rate of 25% (2024: 25%). A deferred tax asset of £14,583,000 (2024: £14,086,000) has not been recognised because the Company is not expected to generate sufficient taxable income in future periods in excess of the available deductible expenses. Accordingly, the Company is unlikely to be able to reduce future tax liabilities through the use of existing surplus losses.

7 Dividends

	Year to 31 March 2025 £'000	Year to 31 March 2024 £'000
In respect of the previous period:		
Paid		
2024 fourth quarter dividend of 1.19p (2024: 1.15p)	**1,991**	1,925
In respect of the year under review:		
Paid		
2025 first quarter dividend of 1.24p (2024: 1.13p)	**2,076**	1,891
2025 second quarter dividend of 1.22p (2024: 1.10p)	**2,042**	1,841
2025 third quarter dividend of 1.78p (2024: 1.18p)	**2,979**	1,975
Dividends distributed during the year	**9,088**	7,632
Declared:		
2025 fourth quarter dividend of 1.59p (2024: 1.19p)*	**2,265**	1,991

* The fourth quarter dividend was declared on 8 April 2025. The ex-dividend date was 17 April 2025 and it was paid on 14 May 2025.

The quarters referred to in the table above relate to the Company's financial year.

Any dividends paid in excess of the Revenue Reserve are paid from the realised Capital Reserve.

8 Return per Ordinary Share

	Year to 31 March 2025			Year to 31 March 2024		
	Revenue	**Capital**	**Total**	Revenue	Capital	Total
Ordinary share	**3.28p**	**(11.70)p**	**(8.42)p**	3.15p	5.85p	9.00p

Revenue return per Ordinary share is based on the net return after taxation of £5,419,000 (2024: £5,278,000) and 165,391,764 (2024: 167,379,790) Ordinary shares, being the weighted average number of Ordinary shares in issue, excluding any shares held in Treasury.

Capital return per Ordinary share is based on net capital loss after taxation of £19,346,000 (2024: net capital gain after taxation of £9,787,000), and on 165,391,764 (2024: 167,379,790) Ordinary shares, being the weighted average number of Ordinary shares in issue, excluding any shares held in Treasury.

9 Investments

	As at 31 March 2025 £'000	As at 31 March 2024 £'000
Total investments at fair value	**157,502**	204,694

The investment portfolio comprises 40 (2024: 35) traded and listed UK equity holdings.

	Year to 31 March 2025 £'000	Year to 31 March 2024 £'000
Opening book cost	**191,404**	188,991
Opening unrealised appreciation	**13,290**	11,786
Opening fair value	**204,694**	200,777
Movements in the year		
Purchases at cost	**75,784**	40,675
Sales – proceeds	**(104,969)**	(47,895)
– realised gains on sales against book cost	**5,167**	9,633
(Decrease)/increase in investment holding gains	**(23,174)**	1,504
Total movement in the year	**(47,192)**	3,917
Closing book cost	**167,386**	191,404
Closing unrealised (depreciation)/appreciation	**(9,884)**	13,290
Closing fair value	**157,502**	204,694

FAIR VALUE HIERARCHY

Financial assets of the Company are carried in the Balance Sheet at their fair value or approximation of fair value. The fair value is the amount at which the asset could be sold in an ordinary transaction between market participants, at the measurement date, other than a forced or liquidation sale. The Company measures fair values using the following hierarchy that reflects the significance of the inputs used in making the measurements.

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset as follows:

- Level 1 – Valued using quoted prices, unadjusted in active markets for identical assets and liabilities.
- Level 2 – Valued by reference to valuation techniques using observable inputs for the asset or liability other than quoted prices included in level 1.
- Level 3 – Valued by reference to valuation techniques using inputs that are not based on observable market data for the asset or liability. Assessing the significance of a particular input requires judgement, considering factors specific to the asset or liability.

Notes to the Financial Statements continued
at 31 March 2025

9 Investments continued

The table below sets out the fair value measurement of financial assets and liabilities in accordance with the fair value hierarchy.

	31 March 2025		31 March 2024	
	Level 1 £'000	**Total £'000**	Level 1 £'000	Total £'000
Equity investments	**157,502**	**157,502**	204,694	204,694
	157,502	**157,502**	204,694	204,694

There were no level 2 or 3 investments.

	Year to 31 March 2025 £'000	Year to 31 March 2024 £'000
Net (losses)/gains on investments at fair value		
Gains on sales	**5,167**	9,633
Changes in fair value	**(23,174)**	1,504
	(18,007)	11,137

TRANSACTION COSTS

During the year, the Company incurred transaction costs of £404,000 (2024: £187,000) and £67,000 (2024: £27,000) on purchases and sales of investments respectively. These amounts are deducted in determining gains on investments at fair value as disclosed in the Income Statement.

The Company sold investments in the year with proceeds of £104,969,000 (2024: £47,895,000). The book cost of these investments when purchased was £99,802,000 (2024: £38,262,000). These investments have been revalued over time until they were sold, any unrealised gains or losses were included in the fair value of the investments.

10 Debtors

	As at 31 March 2025 £'000	As at 31 March 2024 £'000
Prepayments and accrued income	**68**	87
Dividends receivable	**234**	225
Sales awaiting settlement	**2,151**	–
	2,453	312

11 Other Creditors

	As at 31 March 2025 £'000	As at 31 March 2024 £'000
Other payables	**99**	134
Accrued interest	**35**	142
Management fee payable	**234**	275
Purchases awaiting settlement	**974**	–
	1,342	551

12 Fixed Rate Term and Floating Rate Revolving Credit Facilities

	As at 31 March 2025 £'000	As at 31 March 2024 £'000
Falling due in 12 months or less –		
Fixed rate term loan	**–**	20,000
Revolving credit facility	**12,500**	–

In the period to 17 December 2024, the Company had a £20,000,000 Fixed Rate Term Loan and £10,000,000 Revolving Credit Facility with ING Bank N.V.

Fixed Rate Term Loan: The Fixed Rate Term Loan was available for a three-year term to 17 December 2024. The interest was payable at a fixed rate of 2.49%.

Revolving Credit Facility: The Revolving Credit Facility was available for a three-year term to 17 December 2024. Interest chargeable was the RFR plus a margin of 1.55% per annum. Undrawn balances were charged at 0.40% per annum.

Following the expiry of these agreements, the Company entered into a two-year £30,000,000 Revolving Credit Facility with Bank of New York Mellon. Interest chargeable on this facility is daily SONIA plus a margin of 1.3% per annum. Undrawn balances are charged at 0.12% per annum.

Under the terms of both agreements, the covenants requires that total borrowing will not at any time exceed 30% of the adjusted NAV, which itself shall not fall below £80,000,000 in respect of both facilities. The Company remained compliant with these covenants throughout the year.

13 Called-up Share Capital

	Number of shares	**As at 31 March 2025 £'000**	**Number of shares**	**As at 31 March 2024 £'000**
Ordinary shares of 2p				
Ordinary shares in issue at the beginning of the year	167,379,790	3,348	167,379,790	3,348
Ordinary shares bought back to Treasury during the year	(24,927,148)	(499)	–	–
Ordinary shares in issue at the end of the year	142,452,642	2,849	167,379,790	3,348
Treasury shares (ordinary shares 2p)				
Treasury shares in issue at the beginning of the year	–	–	–	–
Ordinary shares bought back to Treasury during the year	24,927,148	499	–	–
Treasury shares in issue at the end of the year	24,927,148	499	–	–
Total ordinary shares in issue and in Treasury at the end of the year	**167,379,790**	**3,348**	**167,379,790**	**3,348**

The Company bought back 24,927,148 Ordinary shares into Treasury at a cost of £25,270,000 (2024: no shares bought back into Treasury). The cost of shares bought back is included in capital reserve and special reserve.

Treasury shares

At the AGM on 25 July 2024, the Company was granted the authority to purchase 25,090,230 Ordinary shares. Following commencement of the Company's active share buyback policy, a large proportion of this authority was used.

A General Meeting was held on 31 March 2025, where shareholders approved the authority for the Company to purchase a further 21,400,393 Ordinary shares.

14 Net Asset Value per Ordinary Share

The Net Asset Value per share of 105.86p (2024: 118.94p) is based on net assets of £150,797,000 (2024: £199,082,000) and on 142,452,642 (2024: 167,379,790) Ordinary shares, being the number of Ordinary shares in issue at the year end.

Notes to the Financial Statements continued
at 31 March 2025

15 Analysis of Financial Assets and Liabilities

Investment Objective and Policy
The Company's investment objective and policy are detailed on page 15.

The Company's investing activities in pursuit of its investment objective involve certain inherent risks. The Company's financial instruments can comprise:

- shares and debt securities held in accordance with the Company's investment objective and policies;
- derivative instruments for efficient portfolio management, gearing and investment purposes; and
- cash, liquid resources and short-term debtors and creditors that arise from its operations.

The risks identified arising from the Company's financial instruments are market risk (which comprises market price risk, interest rate risk and foreign currency exposure risk), liquidity risk and credit and counterparty risk. The Company may enter into derivative contracts to manage risk. The Board reviews and agrees policies for managing each of these risks, which are summarised below.

These policies have remained unchanged since the beginning of the accounting period.

Market risk
Market risk arises mainly from uncertainty about future prices of financial instruments used in the Company's business. It represents the potential loss the Company might suffer through holding market positions by way of price movements, interest rate movements and exchange rate movements. The Manager assesses the exposure to market risk when making each investment decision and these risks are monitored by the Manager on a regular basis and the Board at quarterly meetings with the Manager.

Market price risk
Market price risk (i.e. changes in market prices other than those arising from currency risk or interest rate risk) may affect the value of investments.

The Board manages the risks inherent in the investment portfolio by ensuring full and timely reporting of relevant information from the Manager. Investment performance and exposure are reviewed at each Board meeting.

The maximum exposure to market price risk is the fair value of investments of £157,502,000 (2024: £204,694,000).

If the investment portfolio valuation fell by 10% from the amount detailed in the financial statements as at 31 March 2025, it would have the effect, with all other variables held constant, of reducing the net capital return before taxation by £15,750,000 (2024: £20,469,000). An increase of 10% in the investment portfolio valuation would have an equal and opposite effect on the net capital return before taxation. The analysis is based on closing balances only and is not representative of the year as a whole.

Foreign currency risk
Any income denominated in a foreign currency is converted into Sterling upon receipt. At the Balance Sheet date, all the Company's assets were denominated in Sterling and accordingly the only currency exposure the Company currently has is through the trading activities of its investee companies.

Interest rate risk
Changes in interest rates may cause fluctuations in the income and expenses of the Company. The Company also has a Floating Rate Revolving Credit Facility.

The Company received £490,000 interest on cash deposits in the year (2024: £431,000).

If interest rates had reduced by 1% from those paid as at 31 March 2025, it would have the effect, with all other variables held constant, of increasing the net revenue return before taxation on an annualised basis by £16,000 (2024: £4,000). If there was an increase in interest rates of 1%, the net revenue return before taxation on an annualised basis would have decreased by £16,000 (2024: £4,000).

15 Analysis of Financial Assets and Liabilities continued

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Manager does not invest in unlisted securities on behalf of the Company. The investments consist of UK smaller companies which, whilst less liquid than quoted large companies, are quoted and tradeable on a recognised stock exchange.

The Company's liquidity risk is managed on a daily basis by the Manager in accordance with established policies and procedures in place. The Manager reviews daily forward-looking cash reports which project cash obligations. As the Company is a closed-ended fund assets do not need to be liquidated to meet redemptions and sufficient liquidity is maintained to meet obligations as they fall due.

Contractual maturities of the financial liabilities at undiscounted amounts at the year end, based on the earliest date on which payment can be required, are detailed on page 62.

Gearing can have amplified effects on the NAV of the Company. It can have a positive or negative effect depending on portfolio performance. It is the Company's policy to determine the level of gearing appropriate to its own risk profile.

The Manager is responsible for determining the net gearing level within the parameters set by the Board, which is disclosed on page 64. The Directors receive financial information on a regular basis which is used to identify and monitor risk.

Credit risk

Credit risk is the risk of financial loss to the Company if the contractual party to a financial instrument fails to meet its contractual obligations.

The Company's listed and traded investments and cash balances are held on its behalf by The Bank of New York Mellon, the Company's custodian. Bankruptcy or insolvency of the custodian may cause the Company's rights with respect to securities held by the custodian to be delayed. The Board monitors the Company's risk by reviewing the custodian's internal controls report.

The Board monitors the credit worthiness of Bank of New York, currently rated at Aa3 (Moody's).

Investment transactions are carried out with a number of brokers whose creditworthiness is reviewed by the Manager.

Transactions are ordinarily undertaken on a delivery versus payment basis within CREST, whereby the transaction will only settle if the Company and counterparty details are matching.

The maximum exposure to credit risk at 31 March 2025 was:

	31 March 2025 £'000	31 March 2024 £'000
Cash at Bank (held at Bank of New York Mellon)	**4,684**	14,627
Debtors	**2,453**	312
	7,137	14,939

None of the Company's assets are past due or impaired.

FINANCIAL ASSETS

The Company's financial assets consist of listed and traded equity shares, which neither pay interest nor have a maturity date, cash at bank and short-term debtors. All financial assets are in Sterling.

FINANCIAL LIABILITIES

The Company finances its operations through equity, retained profits and bank borrowings (see Note 12).

The interest rate risk profile of the financial liabilities of the Company as at 31 March 2025 was as follows:

	Total £'000	**Weighted Average interest rate %**	**Period until maturity Years**
Amounts drawn down under Fixed Rate Term Loan Facility	**–**	**–**	**–**
Amounts drawn down under Floating Rate Revolving Credit Facility	**–**	**5.8**	**0.1**
Financial liabilities upon which no interest is paid	**1,342**	**–**	**–**

Notes to the Financial Statements continued
at 31 March 2025

15 Analysis of Financial Assets and Liabilities continued

The interest rate risk profile of the financial liabilities of the Company as at 31 March 2024 was as follows:

	Total £'000	Weighted average interest rate %	Period until maturity Years
Amounts drawn down under Fixed Rate Term Loan Facility	20,000	2.5	0.7
Amounts drawn down under Floating Rate Revolving Credit Facility	–	–	–
Financial liabilities upon which no interest is paid	551	–	–

The maturity profile of the Company's financial liabilities at undiscounted amount is as follows:

	31 March 2025 £'000	31 March 2024 £'000
In three months or less	**12,688**	660
In more than three months but not more than one year	**–**	20,249
In more than one year but not more than three years	**–**	–
	12,688	20,909

16 Capital Management Policies

The structure of the Company's capital is described on pages 29 and 30 and details of the Company's reserves are shown in the Statement of Changes in Equity.

The Company's capital management objectives are:

- to ensure that it will be able to continue as a going concern;
- to achieve capital growth through a focused portfolio of investments, particularly in UK smaller companies; and
- to maximise the return to shareholders while maintaining a capital base to allow the Company to operate effectively and meet obligations as they fall due.

The Board and the AIFM regularly monitor and review the capital on an ongoing basis. These reviews include:

- the level of gearing, which takes account of the Company's position and the Manager's views on the stock market.

The Company's objectives, policies and processes for managing capital are unchanged from last year.

The Company is subject to externally imposed capital requirements:

- As a public company, the Company is required to have a minimum share capital of £50,000; and
- In accordance with the provisions of Sections 832 and 833 of the Companies Act 2006, the Company as an investment company:
  - is only able to make a dividend distribution to the extent that the assets of the Company are equal to at least one and a half times its liabilities after the dividend payment has been made; and
  - is required to make a dividend distribution each year such that it does not retain more than 15% of the income that it derives from shares and securities.

These requirements are unchanged since last year and the Company has complied with them at all times.

17 Related Party Transactions

Under the Listing Rules, the Manager is regarded as a related party, owing to the Manager's controlling party being Charles Montanaro. Mr Montanaro is deemed to be Key Management Personnel of the Company. The amounts paid to the Manager are disclosed in Note 3.

The related party transactions with the Directors are set out in the Directors' Remuneration Report on pages 38 to 40.

AIFMD Disclosures – unaudited

In accordance with the AIFMD, Montanaro and the Company are required to make certain disclosures available to investors in relation to the Company's leverage and the remuneration of the Company's AIFM. In accordance with the Directive, the AIFM's remuneration policy is available from Montanaro on request. The Company's maximum and average actual leverage levels at 31 March 2025 are shown below:

Leverage exposure

	Gross method	Commitment method
Maximum limit	200%	200%
Actual	104.4%	107.6%

For the purposes of the AIFMD, leverage is any method which increases the Company's exposure, including the borrowing of cash and the use of derivatives. It is expressed as a percentage of the Company's NAV and is calculated on both a gross and commitment method.

An explanation of the methods used can be found in the glossary of terms on page 66.

The leverage limits are set by the AIFM and approved by the Board and are in line with the maximum leverage levels permitted in the Company's Articles. The Manager is also required to comply with the gearing parameters set by the Board in relation to borrowings. Detailed regulatory disclosures to investors in accordance with the AIFMD are contained on the Company's website.

The AIFM has sufficient capital and liquid assets to meet the requirements under AIFMD. In addition, the AIFM has professional liability insurance cover of £5 million.

The periodic disclosures to investors as required under the AIFMD are made below:

- Note 15 to the financial statements set out the risk profile and risk management systems in place. There have been no changes to the risk management systems in place in the period under review and no breaches of any of the risk limits set, with no breach expected;
- information on the investment strategy, geographic and sector investment focus and stock exposures are included in the Manager's Report on pages 6 to 10; and
- none of the Company's assets are subject to special arrangements arising from their illiquid nature.

Alternative Performance Measures (“APMs”) – unaudited

Discount (or Premium)

If the share price of an Investment Trust is less than its Net Asset Value (“NAV”) per share, the shares are trading at a discount. If the share price is greater than the NAV per share, the shares are trading at a premium.

As at 31 March 2025, the NAV per share was 105.86p and the share price was 97.00p. The Discount is therefore calculated at 8.4% as shown in the highlights on page 2.

Gross Assets

Gross assets are calculated as net assets adding back borrowings.

	31 March 2025 £’000	31 March 2024 £’000
Net assets	**150,797**	199,082
Fixed rate term loans	**–**	20,000
Revolving credit facility	**12,500**	–
Gross assets	**163,297**	219,082

Ongoing Charges (expressed as a percentage)

All operating costs expected to be incurred in future and that are payable by the Company expressed as a proportion of the average net assets of the Company over the reporting year. The costs of buying and selling investments are excluded, as are interest costs, taxation, non-recurring costs and the costs of buying back or issuing Ordinary shares.

	31 March 2025 £’000	31 March 2024 £’000
Total expenditure	**2,480**	2,419
less finance charges	**(677)**	(697)
Total (a)	**1,803**	1,722
Average net assets (b)	**198,155**	189,014
Ongoing Charges (a/b)	**0.91%**	0.91%

Net Gearing

Net gearing is the total debt, net of cash and equivalents, as a percentage of the total shareholders’ funds.

	31 March 2025 £’000	31 March 2024 £’000
Revolving credit facility	**12,500**	–
Fixed rate term loans	**–**	20,000
Less: cash at bank	**(4,684)**	(14,627)
Net debt (a)	**7,816**	5,373
Shareholders' funds (b)	**150,797**	199,082
Net gearing (a/b)	**5.2%**	2.7%

Portfolio Turnover

Calculated using the total purchases plus the sales proceeds divided by two as a percentage of the average net assets during the year.

	31 March 2025 £’000	31 March 2024 £’000
Purchases at cost	**75,784**	**40,675**
Sales proceeds	**104,969**	**47,895**
Total (a)	**180,753**	**88,570**
Average total (b) (b=a/2)	**90,377**	**44,285**
Average net assets (c)	**198,155**	**189,014**
Portfolio turnover (b/c)	**45.6%**	**23.4%**

Share Price and NAV per share Returns

Capital Return measures the effect of any rise or fall in the share price or NAV per share, excluding any dividends paid.

Total Return measures the effect of any rise or fall in the share price or NAV per share, plus dividends paid which are reinvested at the prevailing NAV or share price on the ex- dividend date.

Share Price Capital Return calculation as at 31 March 2025

Share price as at 31 March 2025	97.00	(a)
Share price as at 31 March 2024	101.00	(b)
Share Price Capital Return	**(3.96%)**	(c) = (a-b)/(b)

NAV Capital Return calculation as at 31 March 2025

NAV per share as at 31 March 2025	105.86	(a)
NAV per share as at 31 March 2024	118.94	(b)
NAV Capital Return	**(11.00%)**	(c) = (a-b)/(b)

Share Price impact of dividends reinvested

Dividend	Dividend per share (pence)	Ex-dividend date	Share price at ex-dividend date	Impact of dividends reinvested	
Quarter 4 2024	1.19	18 April 2024	105.50	1.13%	
Quarter 1 2025	1.24	18 July 2024	111.00	1.12%	
Quarter 2 2025	1.22	18 October 2024	105.50	1.15%	
Quarter 3 2025	1.78	17 January 2025	100.00	1.78%	
				5.18%	(d)

Pre dividend adjustment factor	0.9604	(e) = 1+(c)
Dividend adjustment factor (1+(d))	1.0518	(f) = 1+(d)
Share Price total return	**1.01%**	((e)*(f)-1)

NAV impact of dividends reinvested

Dividend	Dividend per share (pence)	Ex-dividend date	NAV per share at ex-dividend date	Impact of dividends reinvested	
Quarter 4 2024	1.19	18 April 2024	116.30	1.02%	
Quarter 1 2025	1.24	18 July 2024	127.30	0.97%	
Quarter 2 2025	1.22	18 October 2024	121.60	1.00%	
Quarter 3 2025	1.78	17 January 2025	114.70	1.56%	
				4.55%	(d)

Pre dividend adjustment factor	0.89	(e) = 1+(c)
Dividend adjustment factor (1+(d))	1.0455	(f) = 1+(d)
NAV total return	**(6.95)%**	((e)*(f)-1)

Glossary of Terms

Alternative Performance Measure ("APM")
An APM is a numerical measure of the Company's current, historical or future financial performance, financial position or cash flows, other than a financial measure defined or specified in the applicable financial framework.

Articles
Articles of Association of the Company, being its Constitutional Document.

Commitment method of calculating leverage
Exposure is calculated without the deduction of cash balances and after certain hedging and netting positions are offset against each other.

Gearing
Gearing refers to the ratio of the Company's net debt to its equity capital. The Company may borrow money to invest in additional investments for its portfolio. If the Company's assets grow, the shareholders' assets grow proportionately more because the debt remains the same.

If the value of the Company's assets falls, the situation is reversed. Gearing can therefore enhance performance in rising markets but can adversely impact performance in falling markets.

Gross method of calculating leverage
Represents the sum of the Company's positions after deduction of cash balances, without taking account of any hedging or netting arrangements.

Montanaro, AIFM or Manager
Montanaro Asset Management Limited.

MUSCIT
Montanaro UK Smaller Companies Investment Trust PLC.

Net asset value ("NAV")
The NAV is the shareholders' funds. Shareholders' funds are the total value of all of the Company's assets, at their current market value, having deducted all liabilities and prior charges at their par value, or at their asset value as appropriate. The NAV per share is calculated by dividing the shareholders' funds by the number of Ordinary shares in issue excluding Treasury shares.

NSCI
Deutsche Numis Smaller Companies Index (excluding investment companies).

Relative NAV per share performance vs benchmark
This is the difference between the change in the NAV as a percentage over the year and the Benchmark as a percentage over the year.

Shareholder Information

Sources of further information

Your Board is committed to shareholder engagement. To receive regular email news and updates about the Company please visit: www.montanaro.co.uk/trust/muscit.

Useful information on the Company, such as investor updates and half year and annual reports can also be found on the website.

Key dates

The timing of the announcement and publication of the Company's results would normally be expected in the following months:

June	Annual results for the year ended 31 March announced and the Annual Report and Accounts published
July	Annual General Meeting
November	Half-yearly results to 30 September announced and published on the Company's website

Quarterly dividend

Period ending	Declared	Payment date
30 June	July	August
30 September	October	November
31 December	January	February
31 March	April	May

NMPI status

The Company currently conducts its affairs so that the shares it issues can be recommended by financial advisers to retail investors in accordance with the FCA's rules in relation to non-mainstream pooled investment products. It is intended to continue to do so for the foreseeable future. The Company's securities are excluded from the FCA's restrictions which apply to non-mainstream pooled investment products because they are securities in a UK listed investment trust.

Share price and NAV

The Company's Ordinary shares are listed on the main market of the London Stock Exchange. The market price of these shares can be found in the London Stock Exchange Daily Official List. The Company's NAV is published daily and released through the London Stock Exchange's Regulatory News Service and is available on the Company's website.

Registrar enquiries

The register for the Ordinary shares is maintained by MUFG Corporate Markets. In the event of queries regarding your holding, please contact the registrar. You can contact the Registrar by calling 0371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales. Or alternatively you may contact the Registrar at shareholderenquiries@cm.mpms.mufg.com.

Changes of name must be notified in writing to the registrar, whose address is: MUFG Corporate Markets, Central Square, 29 Wellington Street, Leeds, LS1 4DL. Change of address can be updated online via www.signalshares.com.

Common Reporting Standard

Under the Common Reporting Standard financial institutions, including investment trust companies, are required to provide personal information to HMRC on investors who meet certain criteria set out in the legislation. On an annual basis, the Company will provide information to the local tax authority on the tax residencies of non-UK based certificated shareholders and corporate entities. The local tax authority may exchange this information with the tax authorities of another country or countries in which the shareholder may be a tax resident, where those countries, or the tax authorities in those countries, have entered into agreements to exchange financial account information. New shareholders, excluding those whose shares are held in CREST, entered on the Company's share register, will be sent a certification form for the purposes of collecting this information.

Share dealing

Investors wishing to purchase more shares in the Company or to sell all or part of their existing holding may do so through their financial adviser, stockbroker or, if financial advice is not required, through a fund supermarket or any other execution-only platform. Further information can be found at: www.montanaro.co.uk/trust/muscit.

Shareholder Information continued

Data protection

The Company is committed to protecting and respecting the confidentiality, integrity and security of the personal data it holds. For information on the processing of personal data, please see the privacy policy on the website at www.montanaro.co.uk.

Nominee code

Where shares are held in a nominee company name, the Company undertakes:

- to provide the nominee company with multiple copies of shareholder communications, so long as an indication of quantities has been provided in advance; and
- to allow investors holding shares through a nominee company to attend general meetings, provided the correct authority from the nominee company is available; and nominee companies are encouraged to provide the necessary authority to underlying shareholders to attend the Company's general meetings.

AIC

The Company is a member of the Association of Investment Companies.

Stocks and Shares Individual Savings Accounts (ISA)

ISAs are a tax-efficient method of investment and the Company's shares are eligible investments for inclusion in an ISA.

Warning to shareholders – beware of share fraud

Fraudsters use persuasive and high-pressure tactics to lure investors into scams. They may offer to sell shares that turn out to be worthless or to buy shares at an inflated price in return for an upfront payment.

If you receive unsolicited investment advice or requests:

- Check the Financial Services Register at **www.fca.org.uk** to see if the person or firm contacting you is authorised by the Financial Conduct Authority ('FCA').
- Call the FCA on **0800 111 6768** if the firm does not have contact details on the Register or you are told they are out of date.
- Search the list of unauthorised firms to avoid at www.fca.org.uk/scams.
- Consider that if you buy or sell shares from an unauthorised firm you will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme.
- Think about getting independent financial and professional advice.

If you are approached by fraudsters please tell the FCA by using the share fraud reporting form at **www.fca.org.uk/scams** where you can find out more about investment scams. You can also call the FCA Consumer Helpline on **0800 111 6768**.

If you have already paid money to share fraudsters you should contact Action Fraud on **0300 123 2040**.

Independent Financial Advisers

The Company conducts its affairs so that its Ordinary shares can be recommended by Independent Financial Advisers ("IFAs") to ordinary retail investors in accordance with the FCA's rules relating to non-mainstream investment products and intends to continue to do so.

Notice of Annual General Meeting

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR URGENT ATTENTION. If you are in any doubt about any aspect of the proposals referred to in this document or about the action which you should take, you should seek your own advice immediately from a stockbroker, solicitor, accountant or other independent professional adviser authorised under the Financial Services and Markets Act 2000 if you are in the United Kingdom or, if not, from another appropriately authorised financial adviser. If you have sold or otherwise transferred all of your shares, please pass this document, together with the accompanying documents, to the purchaser or transferee, or to the person who arranged the sale or transfer, so they can pass these documents to the person who now holds the shares.

Notice is hereby given that the Annual General Meeting ("AGM") of Montanaro UK Smaller Companies Investment Trust PLC (the "Company") will be held at 53 Threadneedle Street, London EC2R 8AR, on Wednesday, 23 July 2025 at 10 a.m. for the purposes of considering and, if thought fit, passing the following resolutions, of which resolutions 1 to 11 will be proposed as Ordinary Resolutions and resolutions 12 to 14 will be proposed as Special Resolutions.

ATTENDANCE AT THE MEETING

Shareholders intending to attend the AGM and are asked to register their intention as soon as practicable by emailing the Company Secretary at the email address provided below.

SHAREHOLDER ENGAGEMENT

For shareholders unable to attend the AGM who wish to ask the Board or the Investment Manager any questions, we request that you do so by either email to: **cosec@junipartners.com**, or by post, by writing to: The Company Secretary, Juniper Partners, 28 Walker Street, Edinburgh EH3 7HR. Those questions which are submitted before Monday, 21 July 2025 will be answered ahead of the AGM and we will endeavour to answer any questions subsequently received as soon as possible. Any presentation given by the Investment Manager at the AGM will be published on our website: www.montanaro.co.uk/trust/muscit beforehand.

PROXIES

Whether you intend to attend the AGM in person or not we encourage all shareholders to complete and submit a proxy form appointing "the Chair of the meeting" as their proxy. This will ensure that your vote will be counted if ultimately you (or any other proxy you might otherwise appoint) are not able to attend the meeting. You may request a hard copy Form of Proxy from the Company's registrars, MUFG Corporate Markets (please refer to the notes to the Notice of Meeting). To be valid, the form of proxy should be completed, signed and returned in accordance with the instructions printed thereon, as soon as possible, and in any event to reach the Registrar no later than 48 hours before the time of the AGM, or any adjournment of that meeting.

Notice of Annual General Meeting continued

ORDINARY RESOLUTIONS

RESOLUTION 1 – ANNUAL REPORT AND ACCOUNTS

To receive and, if thought fit, to accept the Strategic Report, the Directors' Report, the Independent Auditor's Report and the audited accounts of the Company for the year ended 31 March 2025.

RESOLUTION 2 – DIRECTORS' REMUNERATION REPORT

To receive and approve the Directors' Remuneration Report for the year ended 31 March 2025.

RESOLUTION 3 – DIRECTORS' REMUNERATION POLICY

To approve the Directors' Remuneration Policy as set out in the Directors' Remuneration Report on pages 38 to 40.

RESOLUTION 4 – DIVIDEND POLICY

To approve the Company's Dividend Policy.

RESOLUTION 5 – RE-ELECTION OF DIRECTOR

To re-elect Arthur Copple as a Director of the Company.

RESOLUTION 6 – RE-ELECTION OF DIRECTOR

To re-elect Catriona Hoare as a Director of the Company.

RESOLUTION 7 – RE-ELECTION OF DIRECTOR

To re-elect Yuuichiro Nakajima as a Director of the Company.

RESOLUTION 8 – RE-ELECTION OF DIRECTOR

To re-elect Barbara Powley as a Director of the Company.

RESOLUTION 9 – RE-APPOINTMENT OF AUDITOR

To re-appoint BDO LLP as Independent Auditor to the Company to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting at which financial statements are laid before the Company.

RESOLUTION 10 – AUDITOR'S REMUNERATION

To authorise the Directors of the Company to determine the remuneration of the Independent Auditor.

RESOLUTION 11 – AUTHORITY TO ALLOT SHARES

THAT the Directors of the Company be and are hereby generally and unconditionally authorised (in substitution for any authorities previously granted to the Directors to the extent unused) pursuant to Section 551 of the Companies Act 2006 (the "Act"), to exercise all the powers of the Company to allot shares and to grant rights to subscribe for, or to convert any security into, shares in the Company ("Rights") up to an aggregate nominal amount of £258,892 (being approximately 10% of the issued share capital, excluding Treasury shares, as at 13 June 2025) provided that the authorities conferred on the Directors shall, unless renewed, varied or revoked by the Company in a general meeting, expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution, save that the Company may before such expiry make offers or agreements which would or might require shares to be allotted or Rights to be granted after such expiry and the Directors may allot shares or grant Rights in pursuance of such offers or agreements as if the authority conferred hereby had not expired. The Directors will use this authority when it is in the best interests of the Company to issue Ordinary shares for cash and will only issue new shares at a price representing a premium to the NAV per share at the time of issuance.

SPECIAL RESOLUTIONS

RESOLUTION 12 – DISAPPLICATION OF PRE-EMPTION RIGHTS

THAT, subject to the passing of Resolution 11 (and in substitution for all subsisting authorities to the extent unused but without prejudice to the exercise of any such power prior to the date hereof), the Directors be and are hereby empowered pursuant to Section 570 and Section 573 of the Companies Act 2006 (the "Act") to allot equity securities (within the meaning of Section 560 of the Act) and to sell equity securities held by the Company as Treasury shares (as defined in Section 724 of the Act) for cash pursuant to the authority conferred by Resolution 11 as if Section 561 of the Act did not apply to any such allotment and of sales of equity securities, provided that this power:

(a) shall expire at the conclusion of the Company's next Annual General Meeting after the passing of this resolution, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement as if the power conferred by this resolution had not expired;

(b) shall be limited to the allotment of equity securities and/or sale of equity securities held in Treasury for cash up to an aggregate nominal amount of £258,892 (being approximately 10% of the issued share capital (excluding Treasury shares) as at 13 June 2025); and

(c) shall authorise the Directors to issue equity securities at such issue price as the Directors may determine (including, without limitation, where equity securities are being issued from Treasury at a price below the net asset value per Ordinary share (including income) of the Company at the time of the relevant issue).

RESOLUTION 13 – AUTHORITY TO BUY BACK SHARES

THAT in substitution for the Company's existing authority to make market purchases of Ordinary shares in the capital of the Company ("Ordinary shares"), the Company be and is hereby generally and unconditionally authorised in accordance with Section 701 of the Companies Act 2006 (the "Act") to make market purchases (within the meaning of Section 693(4) of the Act) of Ordinary shares, provided that:

(i) the maximum number of Ordinary shares hereby authorised to be purchased shall be 19,403,953, or if less, that number of Ordinary shares which is equal to 14.99% of the number of shares in issue immediately following the passing of this resolution;

(ii) the minimum price (excluding expenses) which may be paid for each Ordinary share is the nominal value of that share;

(iii) the maximum price (excluding expenses) payable by the Company for each Ordinary share is the higher of (i) 105% of the average closing market value of the Ordinary shares in the Company as derived from the Daily Official List of the London Stock Exchange, for the five business days prior to the date of the market purchase and (ii) the higher of the price of the last independent trade and the highest current independent bid on the London Stock Exchange;

(iv) the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company in 2026 unless such authority is renewed prior to such time; and

(v) the Company may make a contract to purchase Ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Ordinary shares pursuant to any such contract.

All Ordinary shares purchased pursuant to the above authority shall be either:

(i) held, sold, transferred or otherwise dealt with as Treasury shares in accordance with the provisions of the Act; or

(ii) cancelled immediately upon completion of the purchase.

RESOLUTION 14 – GENERAL MEETING NOTICE PERIOD

That the Company be and is hereby generally and unconditionally authorised to hold general meetings (other than annual general meetings) on 14 clear days' notice, such authority to expire at the conclusion of the next Annual General Meeting of the Company.

By order of the Board

JUNIPER PARTNERS LIMITED
Company Secretary
16 June 2025

28 Walker Street
Edinburgh EH3 7HR

Notice of Annual General Meeting continued

Explanation of Notice of Annual General Meeting

Resolution 1 – To receive the Annual Report and Accounts

The Directors are required to present the annual accounts, Strategic Report, Directors' Report and Auditor's Report to the meeting. These are contained in the Company's Annual Report and Accounts for the year ended 31 March 2025 (the Annual Report). A resolution to receive the financial statements, together with the Strategic Report, Directors' Report and the Auditor's Report on those accounts is included as an Ordinary Resolution.

Resolutions 2 and 3 – Remuneration

Advisory resolutions to approve the Directors' Remuneration Report and the Remuneration Policy (as set out in the Annual Report) are included.

Resolution 4 – Dividend Policy

To approve the Company's dividend policy to continue to pay four quarterly interim dividends. Further details on the timings of each quarterly dividend can be found in the Shareholder Information section on pages 67 to 68.

Resolutions 5 to 8 – Re-election of Directors

In line with the recommendations of the 2019 AIC Corporate Governance Code, all Directors of the Company are required to retire and offer themselves for re-election at each AGM. In accordance with this requirement, Mr Copple, Ms Hoare, Mr Nakajima and Mrs Powley will retire and offer themselves for re-election as Directors.

All of the Directors seeking re-election are recommended by the Board for re-election. Full biographies of all of the Directors are set out in the Annual Report on pages 25 and 26 and are also available for viewing on the Company's website www.montanaro.co.uk/trust/muscit. The Nomination and Remuneration Committee considered the Directors' performance and recommended their re-election and the Board agrees that it is in the best interests of shareholders that each of the Directors be re-elected.

Resolutions 9 and 10 – Re-appointment and remuneration of Auditor

At each meeting at which the Company's financial statements are presented to its members, the Company is required to appoint an auditor to serve until the next such meeting. The Board, on the recommendation of the Audit and Management Engagement Committee, recommends the re-appointment of BDO LLP as Auditor to the Company. The Auditor's re-appointment will be proposed to the AGM as Resolution 9. Resolution 10 authorises the Audit and Management Engagement Committee to fix the Auditor's remuneration.

Resolution 11 – Authority to allot Ordinary shares

Resolution 11 authorises the Board to allot Ordinary shares generally and unconditionally in accordance with Section 551 of the Companies Act 2006 (the "Act") up to an aggregate nominal value of £258,892, representing approximately 10% of the issued Ordinary share capital at the date of the Notice. This authority shall expire at the next AGM when a resolution will be proposed to renew the authority.

Resolution 12 – Authority to disapply pre-emption rights

Resolution 12 is a Special Resolution which is being proposed to authorise the Directors to disapply the pre-emption rights of existing Shareholders in relation to issues of Ordinary shares under Resolution 12 (being in respect of Ordinary shares up to an aggregate nominal value of £258,892, representing approximately 10% of the Company's issued Ordinary share capital as at the date of the Notice). This authority shall expire at the next AGM.

The Directors will only allot new Ordinary shares pursuant to the authorities proposed to be conferred by Resolutions 11 and 12 if they believe it is advantageous to the Company's shareholders to do so and will only issue new shares at a price representing a premium to the NAV per share at the time of issuance.

Resolution 13 – Purchase of own shares

Resolution 13 is a Special Resolution which will grant the Company authority to make market purchases of up to 19,403,953 Ordinary shares, representing 14.99% of the Ordinary shares in issue as at the date of the Notice. The Ordinary shares bought back will either be cancelled or placed into Treasury, at the determination of the Directors. The maximum price which may be paid for each Ordinary share must not be more than the higher of (i) 105% of the average of the market value of an ordinary share for the five business days immediately preceding the day on which the purchase is made or (ii) the value of an Ordinary share calculated on the basis of the higher price quoted for: (a) the last independent trade of; and (b) the highest current independent bid for any number of Ordinary shares on the trading venue where the purchase is carried out. The minimum price which may be paid for each Ordinary share is £0.02.

It is the Board's intention that any shares bought back by the Company will be held in Treasury and will only be re-issued from Treasury either at a price representing a premium to the NAV per share at the time of re-issue, or at a discount to the NAV per share, provided that such discount is lower than the weighted average discount to the NAV per share when they were bought back by the Company. Any Treasury shares re-issued must also be at an absolute profit. The Directors will only consider repurchasing shares in the market if they believe it to be in shareholders' interests and as a means of correcting any imbalance between supply and demand for the Company's shares. Any decisions regarding placing shares into Treasury, or selling shares from Treasury, will be taken by the Directors.

This authority shall expire at the next AGM, when a resolution to renew the authority will be proposed.

Resolution 14 – Notice period for general meetings

Resolution 14 is being proposed to enable general meetings to be held on 14 clear days' notice. The minimum notice period for listed company general meetings is 21 clear days, but companies have an ability to reduce this period to 14 clear days (other than for annual general meetings), provided that the company offers facilities for shareholders to vote by electronic means and that there is an annual resolution of shareholders approving the reduction in the minimum period for notice of general meetings (other than annual general meetings) from 21 clear days to 14 clear days. The Board is therefore proposing Resolution 14 as a special resolution to ensure that the minimum required period for notice of general meetings of the Company (other than annual general meetings) is 14 clear days. The Directors believe it is in the best interests of the shareholders of the Company to preserve the shorter notice period, although it is intended that this flexibility will be used only for non-routine business and where merited in the interests of shareholders as a whole. The approval will be effective until the Company's next Annual General Meeting when it is intended that a similar resolution will be proposed.

Notice of Annual General Meeting continued

The following notes explain your general rights as a shareholder and your right to attend and vote at this Meeting or to appoint someone else to vote on your behalf.

1. To be entitled to vote at the Meeting (and for the purpose of the determination by the Company of the number of votes they may cast), shareholders must be registered in the Register of Members of the Company at close of trading on Monday, 21 July 2025. Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the Meeting.
2. Shareholders are entitled to appoint another person as a proxy to exercise all or part of their rights to attend and to speak and vote on their behalf at the Meeting. A shareholder may appoint more than one proxy in relation to the Meeting provided that each proxy is appointed to exercise the rights attached to a different Ordinary share or Ordinary shares held by that shareholder. A proxy need not be a shareholder of the Company.
3. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's Register of Members in respect of the joint holding (the first named being the most senior).
4. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.
5. You can vote either:
   (i) by logging on to www.signalshares.com and following the instructions; or
   (ii) you may request a hard copy form of proxy directly from the registrars, MUFG Corporate Markets via email at shareholderenquiries@cm.mpms.mufg.com or Tel: 0371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 – 17:30, Monday to Friday, excluding public holidays in England and Wales; and
   (iii) in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below. In order for a proxy appointment to be valid a form of proxy must be completed. In each case the form of proxy must be received by MUFG Corporate Markets at PXS 1, Central Square, 29 Wellington Street, LEEDS, LS1 4DL by 12 noon on Monday, 21 July 2025.
6. If you return more than one proxy appointment, either by paper or electronic communication, the appointment received last by the Registrar before the latest time for the receipt of proxies will take precedence. You are advised to read the terms and conditions of use carefully. Electronic communication facilities are open to all shareholders and those who use them will not be disadvantaged.
7. The return of a completed form of proxy, electronic filing or any CREST Proxy Instruction (as described in Note 8 below) will not prevent a shareholder from attending the Meeting and voting in person if he/she wishes to do so.
8. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Meeting (and any adjournment of the Meeting) by using the procedures described in the CREST Manual (available from www.euroclear.com. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
9. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & International Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID RA10) by 12 noon on Monday, 21 July 2025. For this purpose, the time of receipt will be taken to mean the time (as determined by the timestamp applied to the message by the CREST application host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

10. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & International Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
11. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 (the "2006 Act") to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the member by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights.
12. Any corporation which is a shareholder can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a shareholder provided that no more than one corporate representative exercises powers in relation to the same shares.
13. As at 13 June 2025 (being the latest practicable business day prior to the publication of this Notice), the Company's Ordinary issued share capital consists of 129,445,983 Ordinary shares of 2 pence each, carrying one vote each. Therefore, the total voting rights in the Company as at 13 June 2025 are 129,445,983.
14. Under Section 527 of the Companies Act 2006, shareholders meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's financial statements (including the Auditor's Report and the conduct of the audit) that are to be laid before the Meeting; or (ii) any circumstances connected with an Auditor of the Company ceasing to hold office since the previous meeting at which annual financial statements and reports were laid in accordance with Section 437 of the Companies Act 2006 (in each case) that the shareholders propose to raise at the relevant meeting. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with Sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under Section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Meeting for the relevant financial year includes any statement that the Company has been required under Section 527 of the Companies Act 2006 to publish on a website.
15. Any shareholder attending the Meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the Meeting but no such answer need be given if: (a) to do so would interfere unduly with the preparation for the Meeting or involve the disclosure of confidential information; (b) the answer has already been given on a website in the form of an answer to a question; or (c) it is undesirable in the interests of the Company or the good order of the Meeting that the question be answered.
16. Copies of the Directors' letters of appointment are available for inspection during normal business hours at the registered office of the Company on any business day from the date of this Notice until the time of the Meeting and may also be inspected at the Meeting venue, as specified in this Notice, from 11.45 am on the day of the Meeting until the conclusion of the Meeting.
17. You may not use any electronic address (within the meaning of Section 333(4) of the Companies Act 2006) provided in either this Notice or any related documents (including the form of proxy) to communicate with the Company for any purposes other than those expressly stated.
18. Personal data provided by shareholders at or in relation to the Meeting will be processed in line with the Company's privacy policy.

A copy of this Notice, and other information required by Section 311A of the Companies Act 2006, can be found on the Company's website at www.montanaro.co.uk/trust/muscit.

Advisers

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Fax: 020 7448 8601
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ADMINISTRATOR
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REGISTERED OFFICE
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REGISTRAR
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Montanaro UK Smaller Companies Investment Trust PLC
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An investment company as defined under Section 833 of the Companies Act 2006

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