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 2026

Contents

Reasons to Invest	1
Highlights	2
Strategic Report	
Chairman's Statement	3
Manager's Report	6
Ten Largest Holdings	24
Twenty Largest Holdings	26
Analysis of Investment Portfolio by Industrial or Commercial Sector	27
Business Model and Strategy	28
Principal and Emerging Risks	30
Directors' Duties	34
Governance	
Board of Directors	38
Directors' Report	40
Corporate Governance Statement	44
Report from the Audit and Management Engagement Committee	48
Directors' Remuneration Report	51
Statement of Directors' Responsibilities	54
Financial Report	
Independent Auditor's Report	55
Income Statement	62
Statement of Changes in Equity	63
Balance Sheet	64
Notes to the Financial Statements	65
Other Information	
AIFMD Disclosures	76
Alternative Performance Measures	77
Glossary of Terms	79
Shareholder Information	80
Notice of Annual General Meeting	82
Advisers	90

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 purchaser or transferee.

Reasons to Invest

Long track record
Outperformed the benchmark by 233% since launch in 1995 (based on share price)

Experienced Manager
One of the largest specialist SmallCap teams in Europe

Discount control
Active buyback policy keeping discount volatility low

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 (6.4% of share price given discount)

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

ncc group — Years held: 20 Return: 440% — 5.4x

CRANSWICK plc Great British Taste — Years held: 12 Return: 530% — 6.3x

HILTON FOODS — Years held: 11 Return: 230% — 3.3x

CLARKSONS — Years held: 15 Return: 560% — 6.6x

Marshalls — Years held: 15 Return: 390% — 4.9x

THE BIG YELLOW SELF STORAGE COMPANY — Years held: 11 Return: 230% — 3.3x

Dechra — Years held: 23 Return: 5,385% — 54.8x

* 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 2026. Figures relate to current and past holdings.

Highlights
for the year ended 31 March 2026

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 (Including Dividends Reinvested)	1 year	3 year	5 year	10 year	Since launch[4]
Share Price[1]	3.0%	5.0%	(17.3%)	55.0%	883.4%
Net Asset Value ("NAV") per Share[1]	0.1%	1.0%	(15.7%)	27.4%	810.5%
Benchmark[2]	11.9%	24.8%	13.7%	72.2%	650.7%
Benchmark (including AIM)[3]	11.0%	13.9%	(3.4%)	58.3%	789.6%

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

As at 31 March	**2026**	2025	% change
Ordinary Share Price	**93.70p**	97.00p	(3.4)
NAV per Ordinary share[2]	**99.90p**	105.86p	(5.6)
Discount to NAV[1]	**6.2%**	8.4%	
Gross Assets[1]	**£124.6m**	£163.3m	(23.7)
Net Assets	**£114.6m**	£150.8m	(24.0)
Market Capitalisation	**£107.4m**	£138.2m	(22.3)
Net Gearing Employed[1]	**3.3%**	5.2%	

Year ended 31 March	**2026**	2025	% change
Revenue Return per Ordinary Share	**3.2p**	3.3p	(3.0)
Dividends per Ordinary Share	**6.5p**	5.4p	20.6
Ongoing Charges[1]	**1.0%**	0.9%	
Portfolio Turnover[1]	**60.2%**	45.6%	

1 Details provided in Alternative Performance Measures on pages 77 and 78.

2 The benchmark is a composite index with the NSCI used since 1 April 2013 and a different small cap index used from launch to 1 April 2013.

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

4 All data shown is from the date of the Company's launch on 16 March 1995.

Chairman's Statement

I am pleased to present the thirty-first annual report of MUSCIT for the year ended 31 March 2026.

In the year to 31 March 2026, the Net Asset Value ("NAV") of MUSCIT returned 0.1%. In comparison, the Numis Smaller Companies (excluding investment companies) Index (the "NSCI") gained 11.9% and the NSCI including AIM increased by 11.0%. During the same period, the share price of MUSCIT increased by 3.0% as the discount narrowed from 8.4% to 6.2%.

Results

Despite the disappointing short-term performance, discussed in the Manager's report on page 6, since launch in 1995, the Company has delivered a cumulative NAV total return of 811%, significantly outperforming the composite benchmark return of 651%.

Dividends

The Board believes the Company's dividend policy plays a key role in attracting new investors and rewarding existing investors, helping to narrow the discount.

In December 2024, the quarterly dividend was increased from 1% to 1.5% of the Company's NAV, equivalent to an annual NAV yield of approximately 6%. Based on the current discount of 6.2%, this implies a share price yield of 6.4%.

Quarterly dividends are calculated 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 6.51p, equivalent to 6.7% of the share price at the start of the year and 6.9% of the share price at the end of the period. This was higher than all other UK SmallCap trusts (source: Deutsche Numis).

The Company holds substantial reserves which are available for continuing to pay attractive dividends 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.

The Company's ongoing charges have marginally increased to 1.0%, following a decrease in net assets during the financial year following substantial share buybacks.

Share Buybacks

The Board is responsible for share buybacks which are undertaken at arm's length from the Manager. These are regularly considered by the Board and implemented when considered to be in the best interests of shareholders.

In February 2025, the Board confirmed its commitment to an active share buyback policy, with the view to maintaining the discount in single digits in normal market conditions. The share buyback authority was renewed at a General Meeting held on 20 May 2026.

During the Financial Year, the Company bought back 27,736,173 shares representing 19.5% of outstanding shares, which are held in treasury.

Discount

Over the last financial year, the discount of MUSCIT's share price to NAV narrowed from 8.4% to 6.2%.

The Board and the Manager have worked hard to make MUSCIT attractive to private clients, including: 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.

Chairman's Statement continued

Gearing

The Board, in consultation with the Manager, regularly reviews the gearing strategy of the Company and 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 active use of the gearing facility by the Manager but delegates the decision about optimum levels on a day-to-day basis.

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 2026, net gearing was 3.3%, a level that the Manager deemed appropriate in light of the elevated level of global geopolitical uncertainty.

AGM

The Company's Annual General Meeting will be held on Wednesday, 29 July 2026 at 10.00 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. Please send any questions beforehand to the Company Secretary at: cosec@junipartners.com.

Board Succession

Should I be re-elected by shareholders at the forthcoming AGM, I intend to continue to serve as Chairman beyond the nine year period suggested in the AIC Corporate Governance Code. Following careful consideration, the Nomination and Remuneration Committee, together with the Board, concluded that my continued service is in the best interests of the Company and its shareholders. The Nomination and Remuneration Committee will continue to review this position annually as part of its succession planning process, I will step down at the appropriate time, including when a suitable successor has been identified and an orderly transition can be achieved.

Continuation Vote

Under the Articles of the Company, the Directors will propose a resolution at this year's Annual General Meeting to remove the obligation that they put a resolution to shareholders at the Annual General Meeting in 2027 to wind up the Company. If passed, this will allow the Company to continue as an investment trust for a further five years.

In light of the commitment of Charles Montanaro to stay at the helm for the foreseeable future, the Directors unanimously recommend that all Shareholders vote in favour of Resolution 10 at the Annual General Meeting, as they intend to do themselves.

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.

Proposed Amendments to the Articles of Association

The Directors are proposing amendments to the Company's Articles of Association to enhance transparency, strengthen governance and support informed shareholder decision-making.

The principal purpose of the amendments is to ensure that, where a proposed investment manager has a significant existing interest in the Company, or is associated with a shareholder who does, shareholders are provided with appropriate information and any decision regarding that appointment is determined by shareholders who are independent of the relevant conflict of interest.

This amendment does not restrict the Board's right to appoint or replace an investment manager. Rather, it is intended to ensure that decisions affecting the Company's management arrangements are taken transparently and in the interests of shareholders as a whole.

The other material amendment seeks to ensure that there is a clear procedure in the event that there are insufficient directors (fewer than three), following directors failing to be reappointed at a general meeting or following directors being removed at a general meeting. In this instance, sufficient of the outgoing directors will be automatically reappointed, solely for the purpose of appointing sufficient new directors following which they will resign.

The Directors believe that these measures are consistent with good corporate governance, enhance the integrity of shareholder decision-making and are in the best interests of shareholders as a whole.

The Directors unanimously recommend that all Shareholders vote in favour of Resolution 15 at the AGM.

Outlook

The past twelve months have once again been characterised by a high degree of macroeconomic and geopolitical uncertainty. From the re-emergence of protectionist trade policies in the US, to a volatile domestic political backdrop in the UK and major tensions in the Middle East, investors have faced no shortage of concerns. Such environments tend to be accompanied by heightened volatility and periodic style rotations, often driven more by sentiment than by fundamentals.

As in previous years, this has weighed on UK quoted smaller companies, which underperformed large companies by 12% over the period, and on "Quality Growth" strategies in particular, including MUSCIT's.

However, there are increasingly tangible signs that the long period of hibernation for UK equities, and notably UK smaller companies, may be coming to an end. The UK market delivered strong absolute returns over the past year, outperforming many of its global peers.

At the same time, corporate activity has picked up with a growing number of takeover bids, which highlights the significant valuation discount at which quoted UK companies continue to trade. Encouragingly, there has also been a modest reopening of the IPO market in early 2026. February saw the first net inflows into UK All Companies funds in almost five years (source: Investment Association). Taken together, these developments suggest that investor sentiment towards the UK may be starting to turn more positive.

History would suggest that such periods of extreme pessimism and depressed valuations often precede sustained recoveries. There are clear parallels with the early 2000s, when the bursting of the TMT bubble marked the beginning of a prolonged period of outperformance for UK smaller companies. Following the peak in early 2000, UK smaller companies outperformed larger companies in six of the subsequent seven years and by over 70%. Currently, smaller company valuations are at attractive levels both relative to their own history and to larger companies.

As ever, Montanaro's approach is not to attempt to forecast macroeconomic developments but to focus on identifying and investing in high-quality businesses with sustainable competitive advantages, pricing power and structural growth potential. The Board believes that this disciplined "Quality Growth" philosophy is particularly well suited to periods of uncertainty.

Combined with a broad and well-diversified portfolio, this approach should enable MUSCIT to navigate the current environment safely and securely and to participate fully in any recovery that will inevitably come. Therefore, we look to the future with a sense of cautious optimism that the conditions are ripe for the start of a new multi-year cycle of outperformance for UK smaller companies. While investors wait for this to start, we will continue to deliver an attractive and certain quarterly income.

ARTHUR COPPLE
Chairman

25 June 2026

Manager's Report

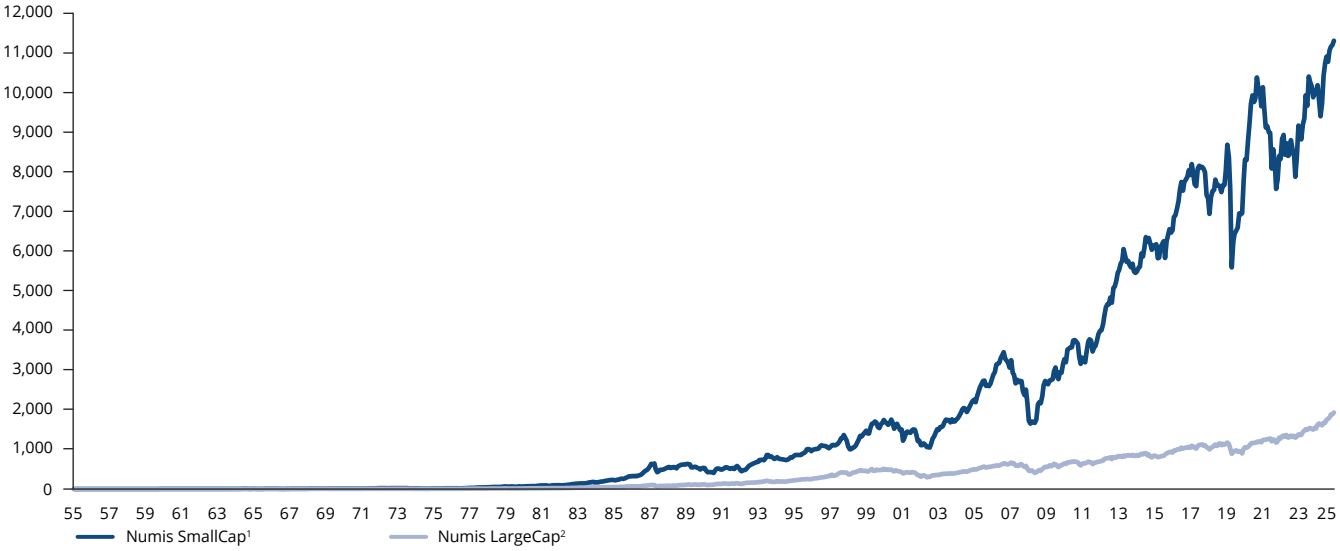
Charles Montanaro

Adam Montanaro

Why we believe you should invest in quoted UK smaller companies ("UK SmallCap")

In a nutshell, because you can make more money. Over the last 71 years, on average UK smaller companies have delivered 2.8% p.a. more than larger ones. That may not sound much, but a £1 investment in UK large companies on 1 January 1955 would now be worth £1,900, whereas the same £1 in UK smaller companies would now be worth £11,311 – almost six times more. Now that focuses the mind ...

Cumulative Nominal Return of £1 invested on 1 January 1955
(to 31 December 2025)



[1] Deutsche Numis Smaller Companies Index (Excluding Investment Companies), this abbreviation will be used throughout the Manager's Report.

[2] Deutsche Numis Large Cap Index, this abbreviation will be used throughout the Manager's Report

Source: Montanaro Asset Management, Deutsche Numis.

While some large companies are researched by more than 50 brokers, many smaller companies have little or no coverage. We believe that this makes it easier to identify attractive, undervalued and overlooked investment opportunities.

Who are Montanaro Asset Management?

Montanaro was established in 1991. It took almost three years to raise £10 million which was invested in a limited partnership launched in 1993. MUSCIT was launched in March 1995 shortly after the collapse of Barings Bank. We were a team of just three at the time and raised £25 million, a milestone that feels like only yesterday.

We now have one of the largest and most experienced specialist teams in the UK. Our team of thirty-six includes 11 nationalities and 16 analysts and portfolio managers, which gives us the high level of resources that you need to meet our companies and to complete due diligence in-house. Smaller company research is all about people and kicking the tyres. At 31 March 2026, we were looking after over £2 billion of client assets.

Investment Philosophy

We are unashamedly "Quality Growth" investors with an investment philosophy akin to Warren Buffett's. Investing in UK SmallCap seems so obvious – they can grow faster, so should give higher returns over time; there are plenty to choose from that are "hidden gems" and undervalued; why would you not buy the highest quality, growing companies run by the very best management teams?

We look for high quality companies in markets that are structurally growing. They must be profitable; have good and experienced management; deliver sustainably high returns on capital and free cash flow; 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. This makes them more predictable. We like companies that are focused, simple to understand (rather than conglomerates), well-established with a long history so we can see how they have performed 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. We want to know where they will be in five years' time or longer and what they will look like.

Conversely, we avoid those with stretched balance sheets; poor free cash flow generation; incomprehensible or heavily adjusted accounts riddled with exceptionals; unproven or unreliable management; that face structurally challenged business models with stiff competition; and "special situations" or recovery companies. Our experience has been that few are that "special" and many finally recover (if indeed they do at all) from a much lower share price.

A deep understanding of how a company makes money and the way it is managed are essential. We meet and speak to our investee companies on a regular basis, typically after they announce their semi-annual or annual figures. Site visits are particularly useful. We meet management in situ whenever possible so they can give us more time and we can talk to more people. It is a privilege for us and probably where we can add most value. We always arrive well prepared.

Investment Process

We have a two-stage investment process. Firstly, we identify "good businesses" within our investable universe typically using our proprietary screen that has been developed over decades. We come up with most new ideas ourselves. In the second stage, we try to work out what they are worth and if they will make a "good investment" (the two may not be the same). We produce our own comprehensive financial models.

We complete Quality and ESG checklists to assess the quality of a company. ESG has been integrated within our disciplined investment process for almost three decades – for many years we looked after a mandate for the Church of England that started in 2005. Our analysts present any new idea to our Investment Committee (consisting of senior professionals from within the Team) for approval prior to adding it to our "Approved List".

Only the most attractive companies make it on to the Approved List. It is from these that we build the MUSCIT portfolio. With over 1,000 quoted companies in the UK to choose from, we really are spoiled for choice. Investing in UK SmallCap is never dull.

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 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 do try to learn from them. Even after all this time, I learn something every day.

In summary, we invest in well managed, focused, high quality, growing companies that are comprehensible and invest at sensible prices. Valuation matters. We 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. We like to sleep at night.

Lessons from history

We have long argued that clues to future performance lie in the past. Human nature broadly does not change. If we look back at previous periods with similarities to today, it is possible to anticipate what comes next. Nowadays, we drown in information – what we term "noise" – which has become even more pervasive thanks to AI.

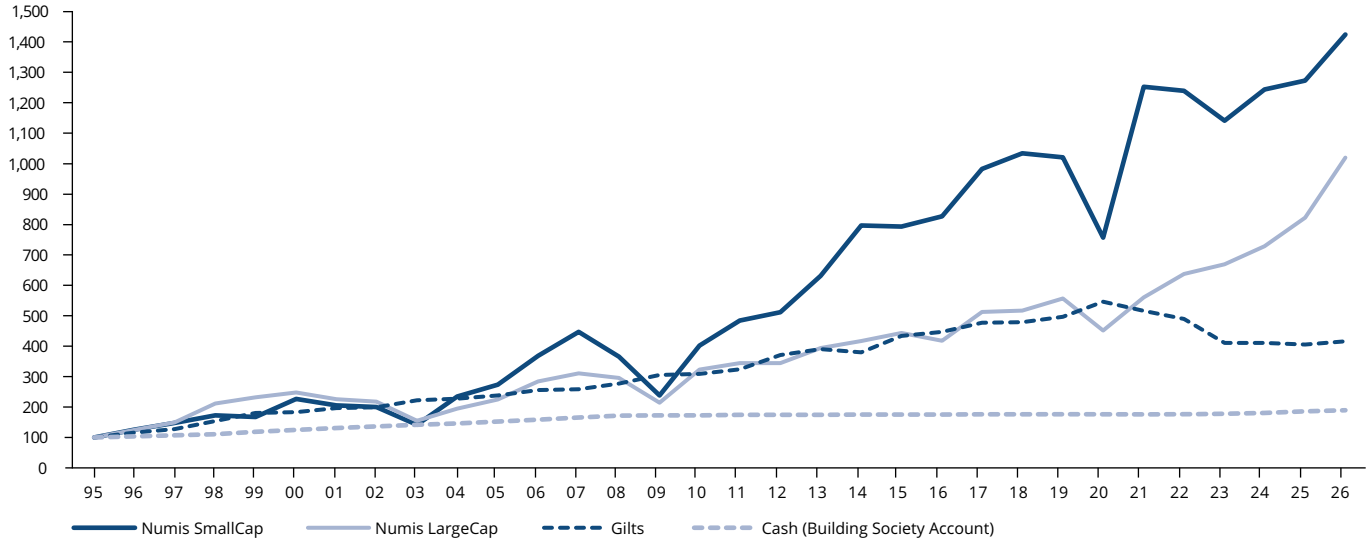
At the press of a button, now we can all get information on any topic you can think of. But there is a serious risk that investors end up not seeing the wood for the trees. One of the few benefits of more grey hair than most is having lived through numerous cycles including no less than seven bear markets. Each was different but there were patterns worth noting.

Manager's Report continued

Why invest in equities at all?

At the risk of teaching your grandmother to suck eggs, the worst thing you can do with your hard-earned money prudently set aside for your retirement is to simply leave it sitting on deposit in the bank. Although there is no risk (unless the bank goes bust – don't forget Barings), by taking virtually no risk, you basically get no return after you take inflation into account. Crudely, as you move up the risk spectrum, you get compensated for the extra risk by ever higher returns (although you face more volatility). Cash is the lowest risk; then bonds/gilts; blue-chip LargeCap; then SmallCap. The following chart shows this very clearly taking the launch date of MUSCIT as the starting point:

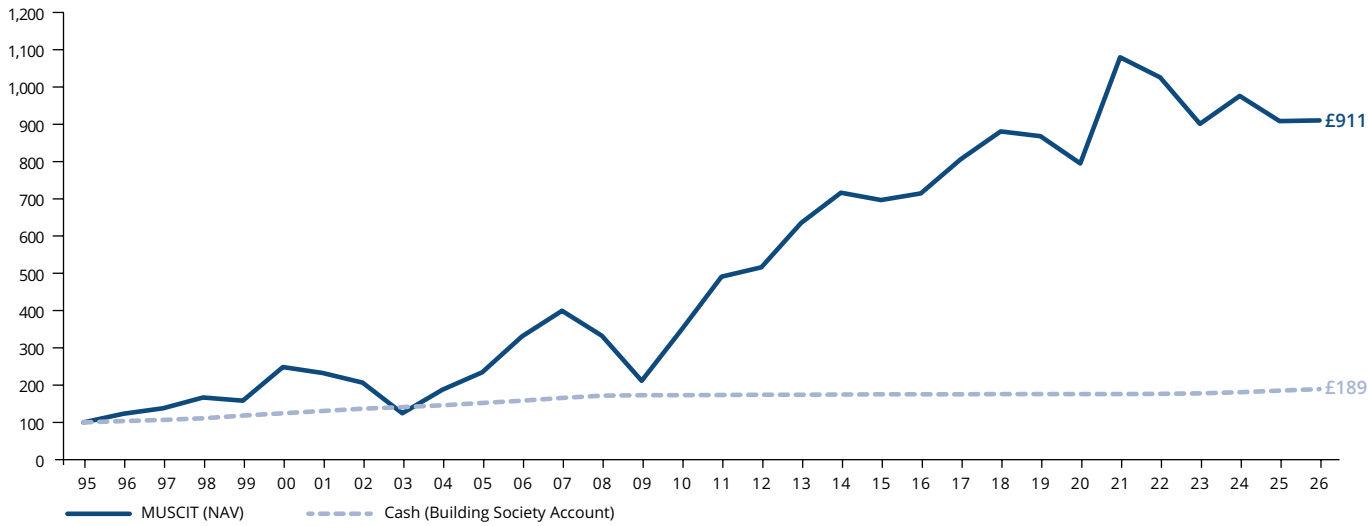
Cumulative Total Returns
(from 31 March 1995 to 31 March 2026)



Source: Montanaro Asset Management, Barclays Equity Gilt Study, Deutsche Numis, Factset.

Although UK SmallCap is riskier than LargeCap due to higher volatility and lower liquidity, the next chart simply compares an investment in MUSCIT from launch to simply leaving £100 in cash. Whilst as fund managers we agonise and despair about periods of underperformance (such as we have just seen), it is a salutary reminder that it could have been worse – we could have been in cash:

Cumulative Return of £100 invested at MUSCIT Launch
(from 31 March 1995 to 31 March 2026)



Source: Montanaro Asset Management, Barclays Equity Gilt Study, Factset.

MUSCIT's Investment Objective

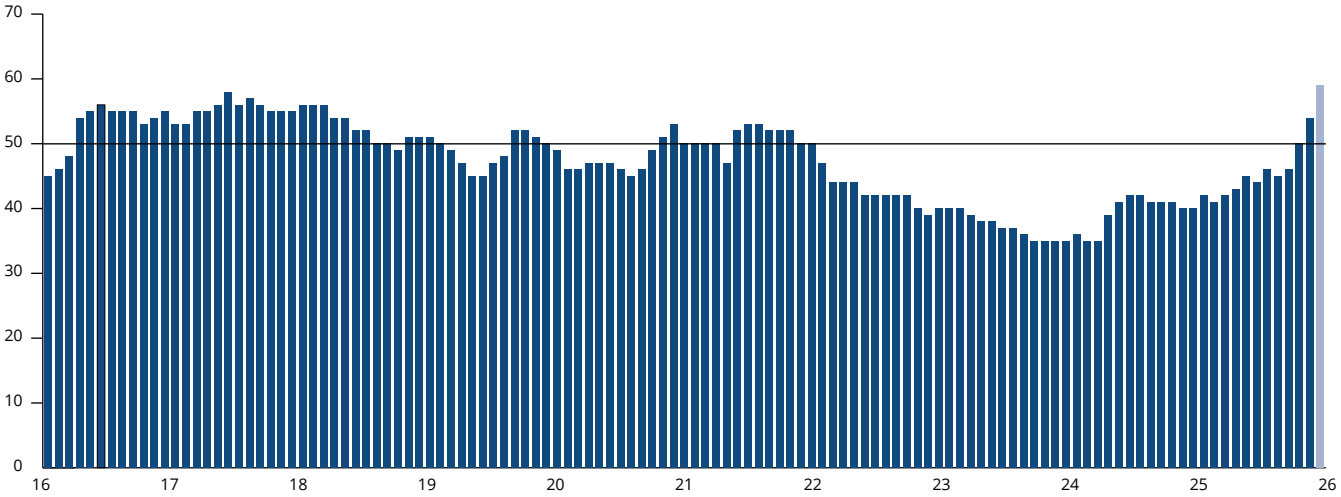
A quick reminder: MUSCIT's investment objective is primarily to deliver capital growth by investing in UK SmallCap (listed on the London Stock Exchange or traded on AIM) and to outperform the Deutsche Numis Smaller Companies Index (excluding investment companies) over time.

Our approach remains and always will be to follow a disciplined "Quality Growth" philosophy. MUSCIT also targets a regular income stream via a quarterly dividend of 1.5% of NAV (c. 6% per annum or 6.4% adjusting for the discount).

What did we do last year?

Conscious of a challenging macro-economic environment, we decided to actively reshape the portfolio to lower risk by increasing diversification. The number of holdings increased from 40 to 59 and concentration fell as a result: the top 10 investments have reduced from c.41% a year ago to c.32% of the portfolio now. We have returned the number of holdings back to where it was in the past. The target going forward is to invest in 50 – 60 "great" UK SmallCaps:

MUSCIT – Number of Holdings



Source: Montanaro Asset Management.

We have reduced sector exposure where we felt that cyclicality risk had increased and redeployed capital into a broader opportunity set, remaining firmly within our Quality discipline. We sold Greggs, SThree and Marshalls and lost Alpha Group to a takeover. We exited Polar Capital (given our assessment of how an "AI bubble" reversal could affect technology investors – which has yet to be proven right).

This gave us the opportunity to invest in several exciting new companies traded on AIM which we feel is due a recovery after a few difficult years. We started new positions in Craneware, Restore, FRP Advisory, Renew Holdings, SRT Marine Systems and Filtronic. We also participated in the Beauty Technology Group flotation, which proved a great success. At the time of writing, they have upgraded earnings forecasts no less than four times. Many congratulations to an exceptional and very likeable management team.

Manager's Report continued

We have introduced new exciting investment themes that fall into four categories:

1: High-Growth Strategic Themes

a) Electrification/Energy Transition/Grid Upgrade

- **Volex:** critical supplier of power/data cables (EVs, renewables and data centres)
- **Hill & Smith:** infrastructure supporting electrification (grid, transport safety)
- **Volution Group:** energy efficiency & indoor air quality (regulatory tailwind)

b) Nuclear

- **Avingtrans:** one of the few quoted UK smaller companies with genuine nuclear supply chain exposure such as Sellafield
- **Goodwin:** highly specialised engineering to nuclear/defence industries

c) Defence, Security & Space

- **Cohort:** strong defence electronics and naval systems
- **Filtronic:** RF/microwave tech with applications in space, satellite comms, defence radar
- **SRT Marine Systems:** maritime domain awareness, surveillance systems (border security, "blue economy")

2: Indirect/Enabling Exposure

a) Resource Nationalism/Critical Minerals/Energy Security

- **Ecora Resources:** royalty exposure to commodities critical for electrification (copper, etc.)
- **Capital Limited:** mining services
- **Amaroq Minerals:** gold

b) Infrastructure Upgrade/Environment

- **Renew Holdings:** maintenance of critical infrastructure (rail, energy networks)
- **Restore:** data/storage compliance (regulatory-driven demand)

c) Digitalisation/SaaS/Data

- **Craneware:** US healthcare digitisation
- **Pinewood Technologies:** SaaS transformation in auto retail
- **Elixirr International:** advisory into digital/AI transformation

3: Domestic/Consumer

- **A.G. Barr:** branded beverages like IrnBru (which we owned in the past)
- **Hollywood Bowl:** ten pin bowling roll-out
- **Angling Direct:** niche retail for the fisherman
- **The Beauty Tech Group:** beauty/skin devices (IPO)

4: Financials & Real Estate

- **Rathbones Group:** discretionary wealth manager benefiting from structural growth in advised assets
- **Mortgage Advice Bureau:** tech-enabled mortgage broker network gaining market share
- **FRP Advisory Group:** restructuring and advisory specialist
- **Derwent London:** central London office REIT
- **Savills:** global property advisor

The portfolio is now less benchmark-sensitive, less volatile, more defensive with a beta[1] of 0.92 versus the benchmark; a tracking error[2] of 5.5% (it reached a high of 11.4% in September 2022 and a beta of 1.16 in March 2024); retaining a high active share[3] of over 83%. The forward-looking portfolio fundamentals look attractive: a 2026 P/E of 13.6x and an expected Earnings Per Share (EPS)[4] growth of 12.8%; 2026 expected Return on Equity (ROE)[5] of 20%; and portfolio-level net debt-to-equity ratio[6] of -3% (i.e. close to net cash overall).

1 Beta is a measure of a portfolio's sensitivity to market movements and is calculated by comparing its historical returns to those of an index. A beta above one indicates higher volatility than the index, a beta below one indicates lower volatility than the index, and a negative beta indicates that the investment tends to move in the opposite direction to the index.

2 Tracking error is a measure of how closely a portfolio follows its benchmark and is calculated as the variability (typically the standard deviation) of the difference between the portfolio's returns and the benchmark's returns over time.

3 Active share is a measure of how much a portfolio's holdings differ from those of its benchmark and is calculated as the percentage of the portfolio that does not overlap with the benchmark's constituent weights. An active share of 0% indicates full replication of the benchmark, while 100% indicates no overlap with the benchmark holdings.

4 Earnings per share (EPS) is a profitability measure calculated by dividing a company's net income (after tax and preferred dividends) by the weighted average number of ordinary shares outstanding during the period. EPS growth is a measure of the rate at which earnings per share increase or decrease over time. It is typically expressed as a percentage change from one period to the next and is used to assess trends in profitability.

5 Return on equity (ROE) is a profitability measure calculated by dividing a company's net income by its shareholders' equity. It indicates how effectively the company uses equity capital to generate returns for shareholders.

6 Net debt-to-equity ratio is a leverage measure calculated by dividing a company's net debt (total interest-bearing debt minus cash and cash equivalents) by its shareholders' equity. It is used to assess a company's balance sheet risk and reliance on debt financing relative to equity capital. A company is described as "net cash" when it has more cash and cash equivalents than interest-bearing debt.

Performance

In the year ended 31 March 2026, the NAV returned a modest 0.1% in comparison with the benchmark gain of 11.9%. Including AIM, the benchmark increased by 11.0%. Although a positive return is better than nothing, we were disappointed not to deliver the sort of returns we have been used to in the past.

However, style has continued to be a headwind: in the 12 months to 31 March 2026, Growth underperformed Value by -2.1%; Quality lagged the broad UK Stock Market by -17.9%; AIM underperformed UK SmallCaps listed on the Main Market by -5.4% and for the fifth consecutive year. As Quality Growth investors with investments in AIM, it is little wonder that the past year was challenging once again.

(to 31 March 2026)	1 Year	3 Years	5 Years
Quality v. UK Market	-18%	-28%	-51%
Small Growth v. Value	-2%	-15%	-33%
AIM v. Listed SmallCap	-5%	-32%	-50%
MUSCIT v. Benchmark	-12%	-24%	-29%

Indices used, from top to bottom: MSCI UK Quality v. MSCI UK; Numis SmallCap Growth[1] v. Numis SmallCap Value[2]; Numis Alt Markets[3] v. Numis SmallCap (ex-ICs).
Source: Montanaro Asset Management, Deutsche Numis, Factset.

Three factors impact our ability to outperform:

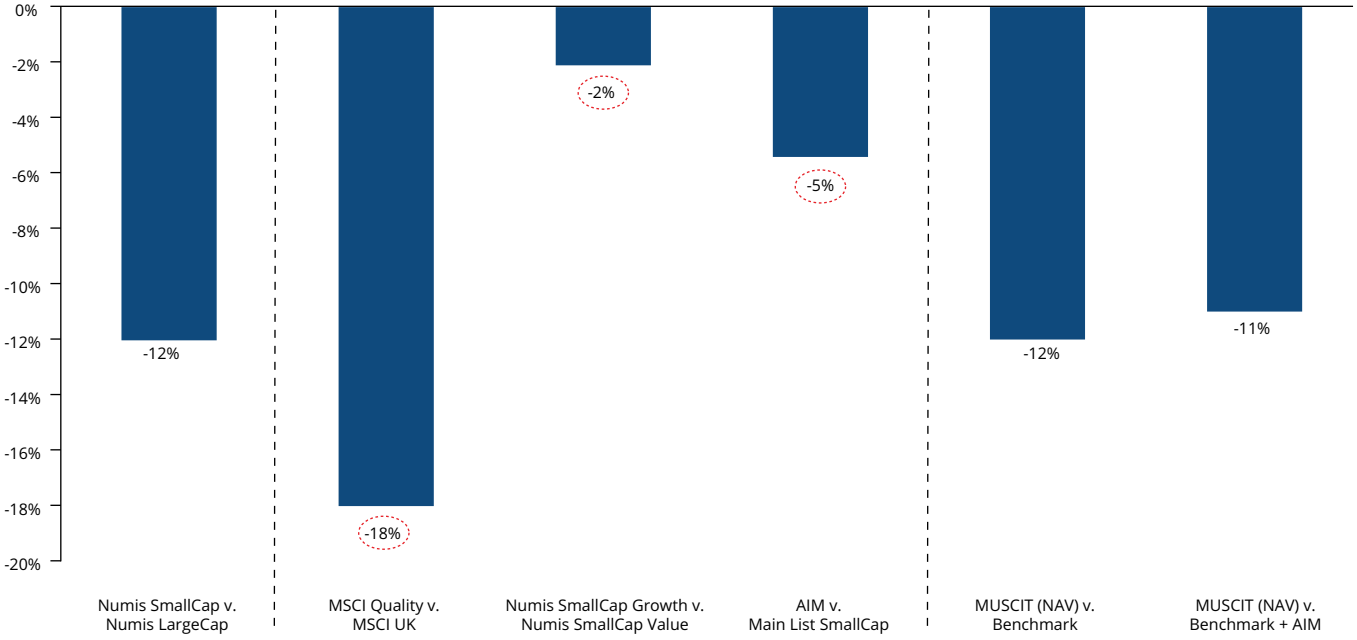
1) Quality does well;

2) Growth does better than Value; and

3) AIM outperforms.

Last year, each of these factors was negative, making it a truly challenging and unenviable time for Quality Growth SmallCap investors. This "perfect storm" has lasted for four years and is unprecedented by historic standards:

Relative Returns – 12 months to 31 March 2026 (total return)



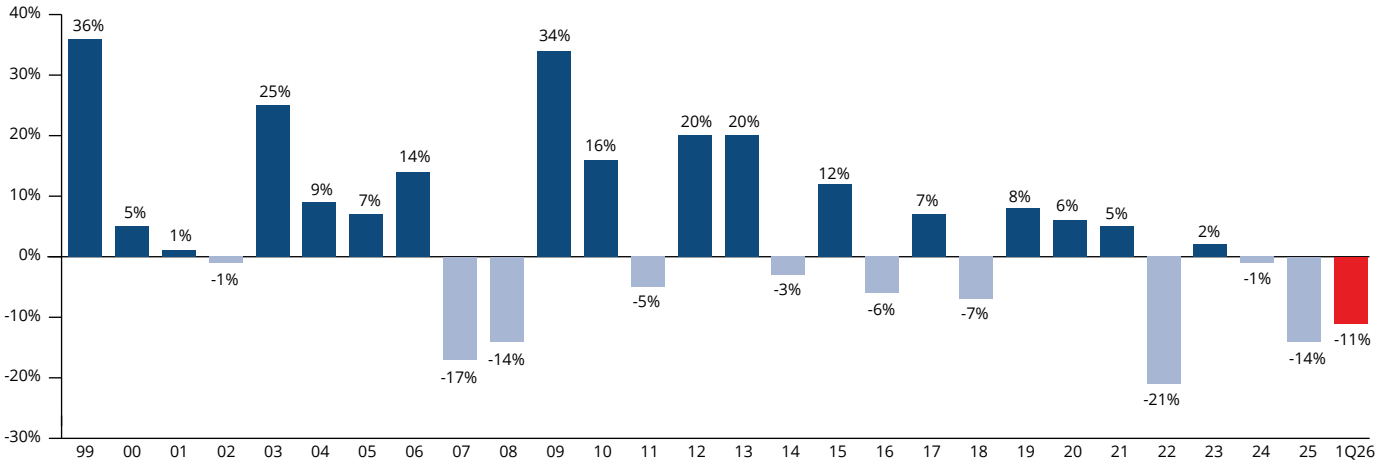
Source: Montanaro Asset Management, Deutsche Numis, Factset, MSCI.

[1] Deutsche Numis Smaller Companies (ex-IC) Growth, this abbreviation will be used throughout the Manager's Report.
[2] Deutsche Numis Smaller Companies (ex-IC) Value, this abbreviation will be used throughout the Manager's Report.
[3] Deutsche Numis Alternative Markets, this abbreviation will be used throughout the Manager's Report.

Manager's Report continued

UK SmallCap has faced a tough time since the Ukraine war began in 2021:

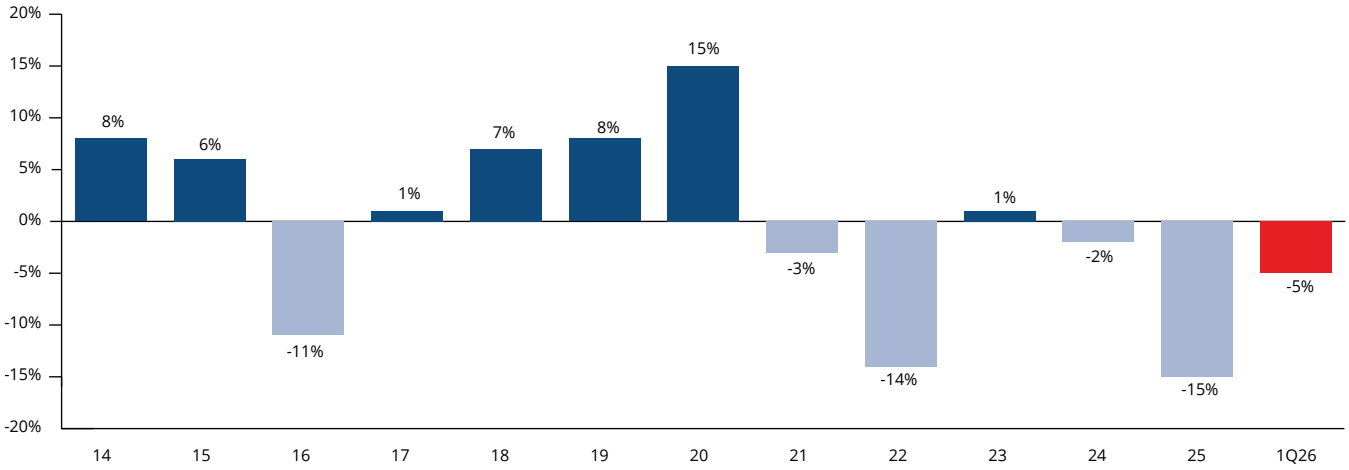
UK SmallCap v. UK LargeCap
(Numis SmallCap v. Numis LargeCap, total return)



Source: Montanaro Asset Management, Deutsche Numis.

Quality has suffered as investors bought banks, commodities and energy:

UK Quality v. UK Market
(MSCI UK Quality v. MSCI UK Index, total return)



Source: Montanaro Asset Management, MSCI, Factset.

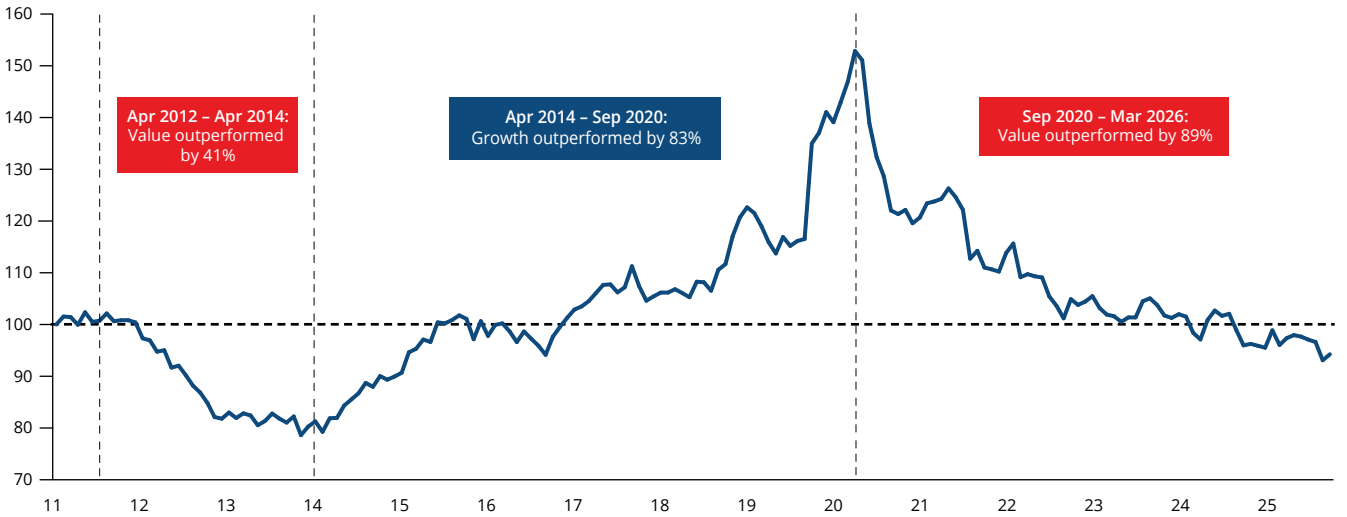
Quality has underperformed by 72% since October 2020:

UK Quality v. UK Market – Relative Performance (rebased)
(MSCI UK Quality v. MSCI UK, total return)

Source: Montanaro Asset Management, MSCI, Factset.

Growth has underperformed Value by a staggering 89% since 2020 and completely reversed the previous 6.5 years of outperformance by Growth:

UK SmallCap Growth v. UK SmallCap Value – Relative Performance (rebased)
(Numis Smaller Companies Growth v. Value Index, total return)

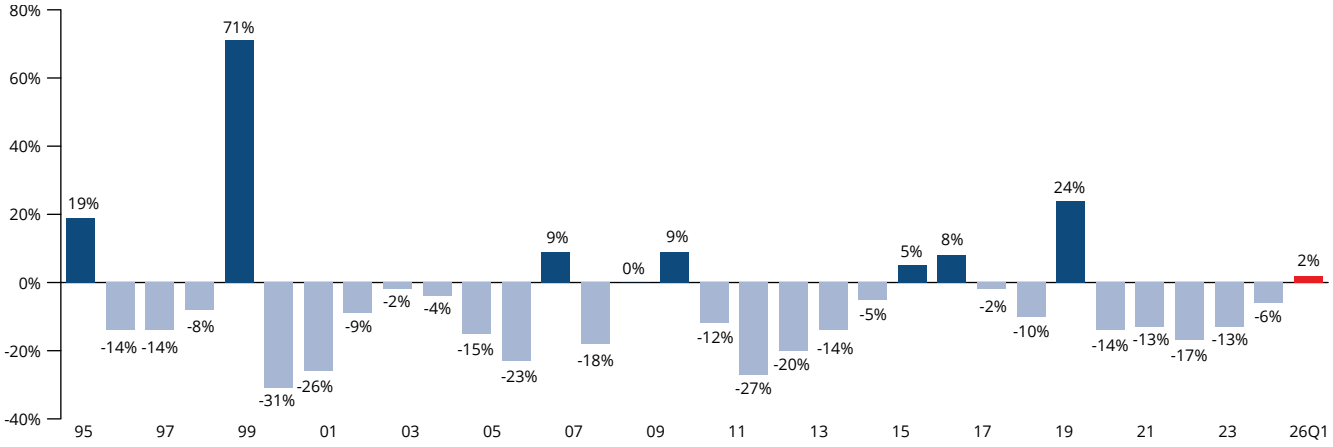


Source: Montanaro Asset Management, Deutsche Numis.

Manager's Report continued

... and AIM has underperformed for the last five consecutive years :

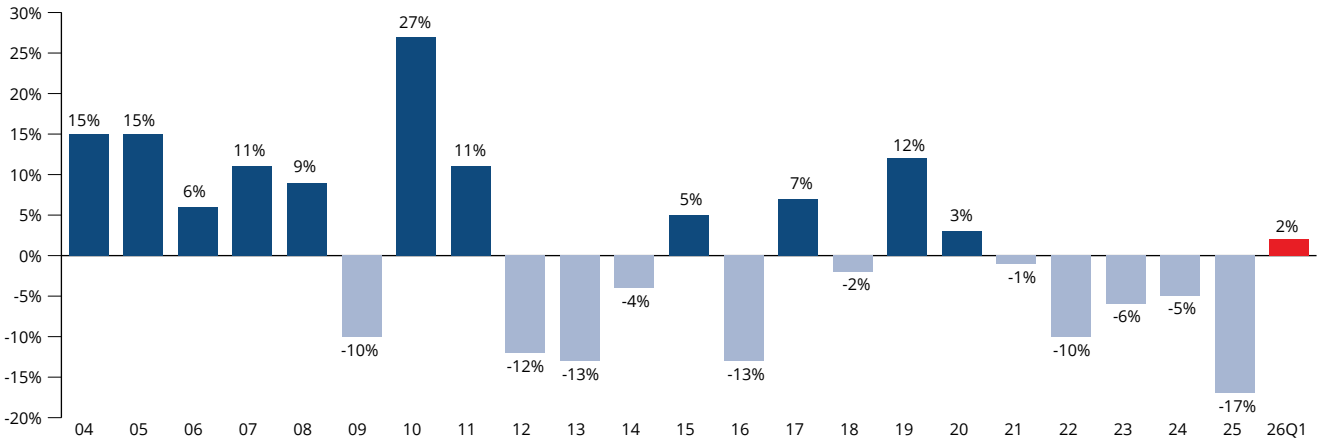
AIM v. Main List SmallCap Returns
(Deutsche Numis Alternative Markets v. Numis SmallCap, total return)



Source: Montanaro Asset Management, Deutsche Numis.

Given the extreme underperformance of Quality, Growth and AIM, it was inevitable that MUSCIT would also underperform, although, encouragingly, the early signs of a recovery are beginning to emerge.

MUSCIT v. Benchmark – NAV (total return)

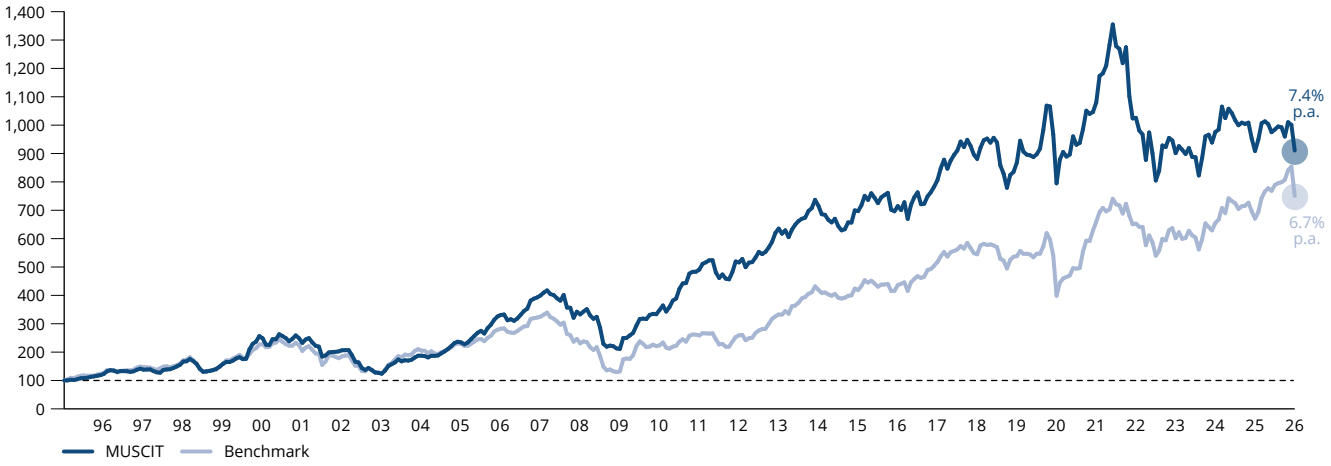


Source: Montanaro Asset Management, Deutsche Numis.

This period needs to be put into perspective. Since its launch in March 1995, MUSCIT has delivered an average annualised NAV return of 7.4% p.a. (including dividends reinvested), outperforming the benchmark by 0.7% p.a.. We have delivered a cumulative NAV total return of 811%, significantly outperforming the benchmark return of 651%.

Despite a tough few years recently which hurt the long-term track record, we have still outperformed since launch after all fees and costs.

Cumulative NAV Total Returns since MUSCIT launch



Source: Montanaro Asset Management, Deutsche Numis.

Best and Worst performers

The largest positive contributors over the year were:

XP Power, a designer and manufacturer of power control solutions for industrial and healthcare applications, performed strongly as demand recovered and margins improved, helped by easing supply chain pressures.

JTC, a provider of fund administration and corporate services, received a takeover offer by private equity group Permira at a c.50% premium.

Alpha Group, a specialist in corporate foreign exchange and alternative banking solutions, saw a takeover approach from US-based Corpay at an even larger c.55% premium.

So, we received two take-over offers last year.

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

Hilton Foods, an international food packaging and distribution company, saw margin pressures from higher seafood prices and weaker consumer demand, particularly in more price-sensitive markets.

Bytes Technology, a value-added reseller of software licences and an IT solutions provider, faced a period of softer growth not helped by investor concerns around an internal reorganisation that did not go well.

XPS Pensions, a pensions consulting and administration firm, saw growth expectations moderate. The shares consolidated after a period of strong outperformance in previous years. XPS has been a top contributor in the past. They are a superb management team.

How have our companies fared?

Despite the style challenges shown above, if you look at how our companies have performed, the picture is much rosier. Over the past decade, our companies have delivered an average 10% p.a. growth in earnings:

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026e	Ave
Revenue Growth	11%	11%	14%	11%	9%	4%	21%	16%	8%	5%	7%	8%	**10%**
EPS Growth	11%	5%	15%	11%	6%	-5%	35%	22%	2%	4%	6%	13%	**10%**
EBIT Margin	20%	19%	16%	16%	16%	17%	18%	20%	21%	21%	25%	24%	**19%**
RoE	17%	18%	18%	16%	17%	15%	20%	24%	25%	20%	21%	20%	**20%**
Net Gearing	n/a	9%	17%	38%	10%	-1%	-2%	-8%	3%	-5%	-5%	-3%	**5%**
% Companies with Net Cash	36%	46%	47%	43%	42%	49%	51%	49%	51%	50%	51%	49%	**48%**

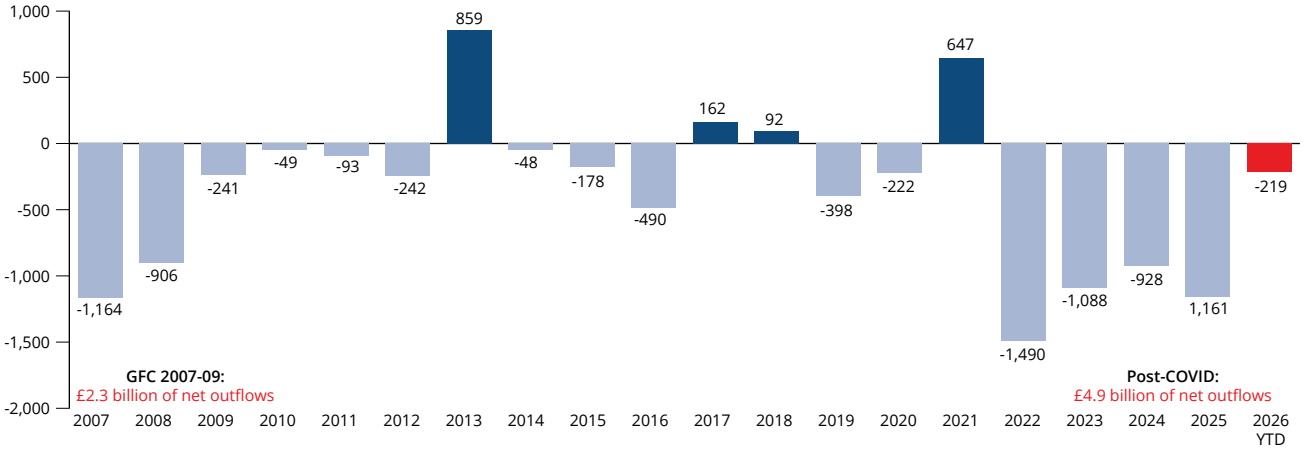
Source: Montanaro Asset Management, Factset.

Manager's Report continued

Outlook for UK SmallCap

Over the past four years, we have seen constant outflows from UK SmallCap totalling £4.9 billion. We are witnessing a doom cycle: as active managers have been unable to match the performance of the Magnificent Seven and ETFs have ballooned, SmallCap funds and – largely thanks to Saba Capital – investment trusts have been wound up and the portfolios liquidated. Large institutions such as wealth managers and pension funds have exited closed end funds and less liquid asset classes. There have been very few buyers.

Net Flows in UK SmallCap Funds (£ million)



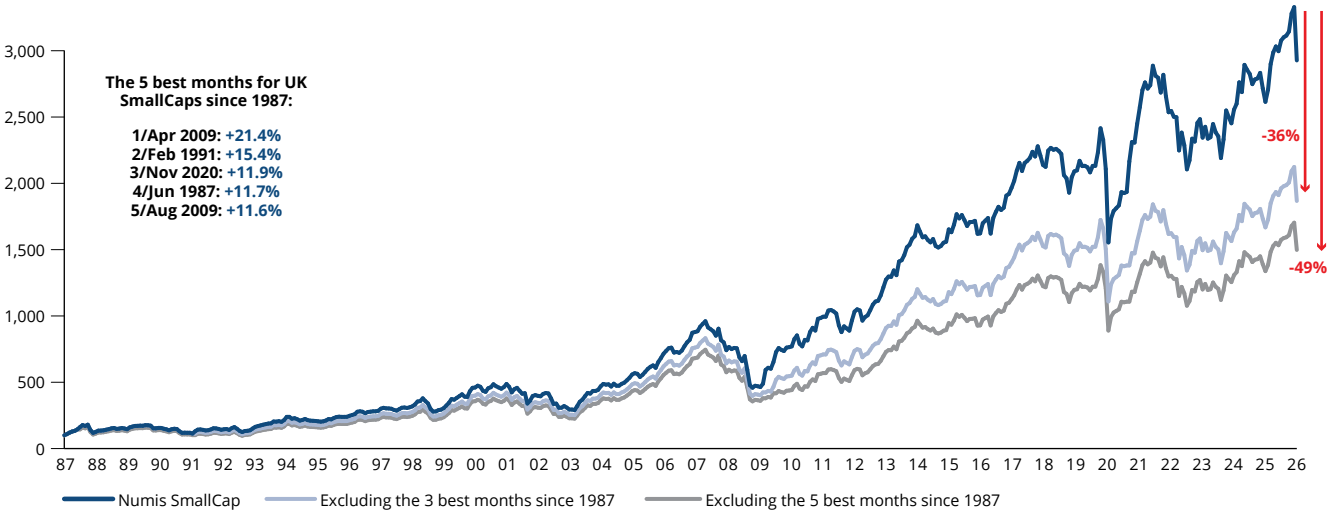
Source: Montanaro Asset Management, Investment Association.

We need to see a return of confidence. This requires an end to the macroeconomic uncertainty such as we have seen due to COVID, the Ukraine and now Iran wars and the associated supply chain disruptions and oil price shocks. A return to normality would bring with it lower inflation and falling interest rates, which would be welcome.

But confidence is fickle. It returns when you least expect it: after the TMT Bear Market of 2000 – 2003, it was all doom and gloom until suddenly, in March 2003, the market went up and carried on doing so. We saw similar doom and gloom after the Global Financial Crisis of 2007 – 2009 (Lehman Brothers went bust in September 2008), and the same thing happened in March 2009. The next bull market started.

No-one rings a bell at the bottom as we all know. In SmallCap, it pays to be invested before confidence returns. Had you missed the best five months since 1987, your returns would be 50% less!

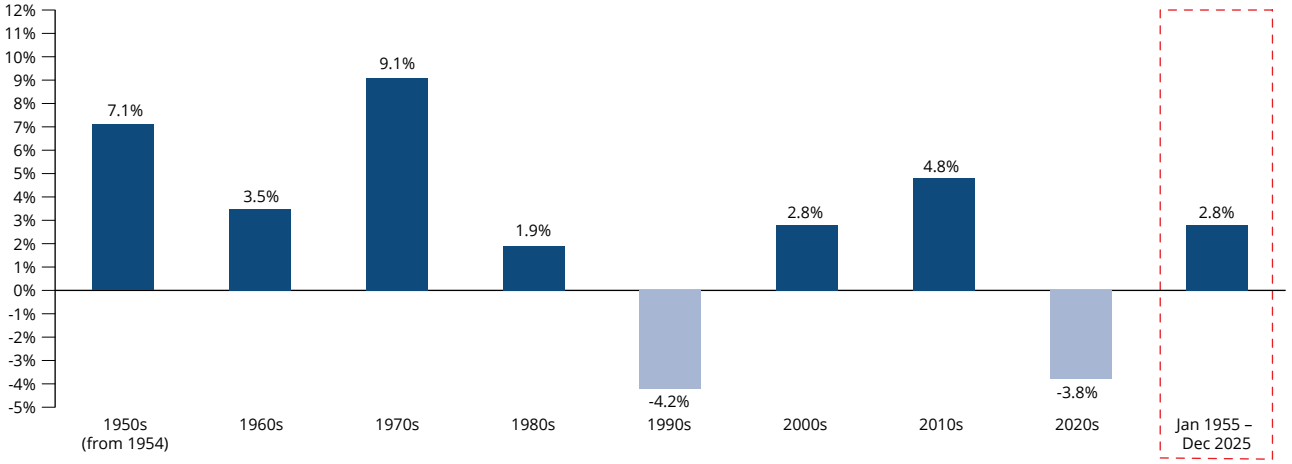
Numis SmallCap Index (total returns, January 1987 – March 2026)



Source: Montanaro Asset Management, Deutsche Numis.

If you look at the performance of UK SmallCap by decade, with only one exception (now two) UK SmallCap was the place to be:

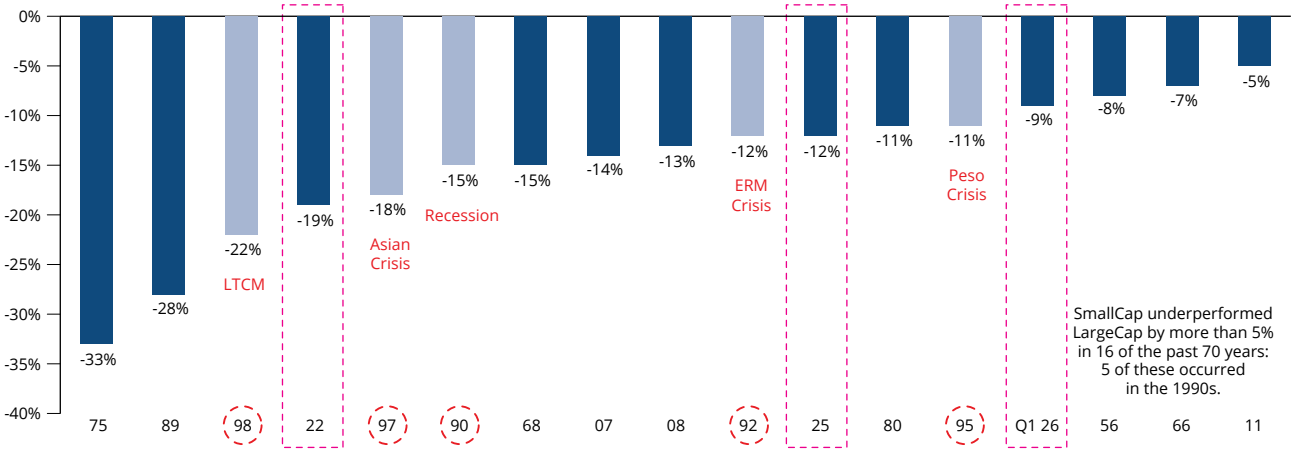
UK – Relative Performance by Decade (annualised)
(Numis SmallCap. v. Numis LargeCap, December 1954 – December 2025)



Source: Montanaro Asset Management, Deutsche Numis.

What happened in the 1990s? Montanaro was established in 1991, so this period remains vivid in the memory. It was a decade during which it felt that every other year there was a crisis. In a crisis, investors lose confidence and there is a flight to cash/liquidity. UK SmallCap sees redemptions and fares poorly.

Worst Years of UK SmallCap Underperformance
(Numis Smaller Companies v. Numis LargeCap indices, total return)



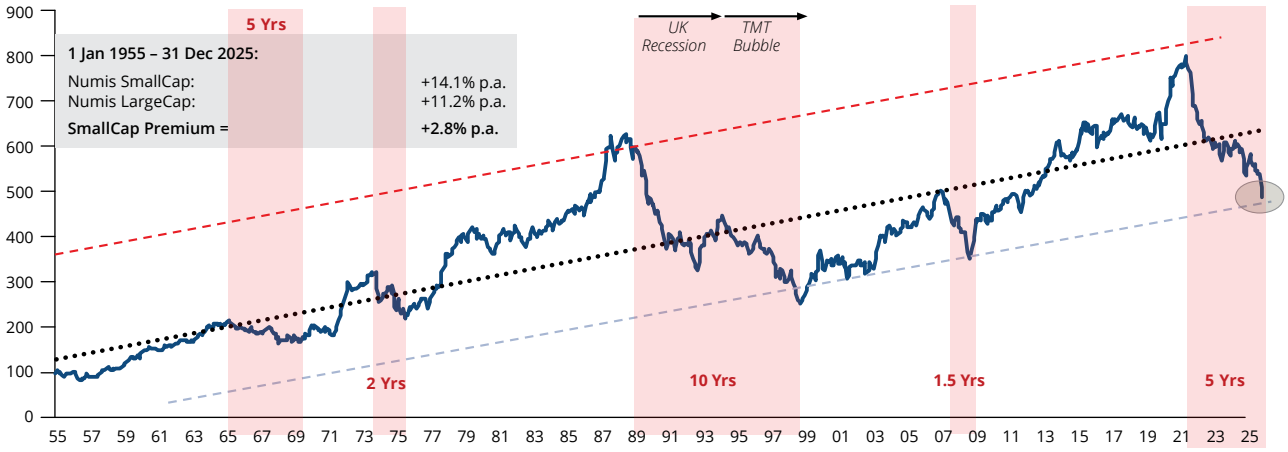
Source: Montanaro Asset Management, Deutsche Numis.

As we have reached the half-way point of this current decade, in three years out of five, there has been a "crisis". Little wonder that it has been a challenging period. It has been eerily similar to the 1990s.

The 1990s marked the longest bear market in UK smaller companies that we have ever seen. The past few years have witnessed the *second* longest bear market. Please note that after each pink period (bear market), the next bull market for UK SmallCap begins.

Manager's Report continued

UK SmallCap v. UK LargeCap (rebased in 1955)
(Numis SmallCap v. Numis LargeCap, total returns)



Source: Montanaro Asset Management, Deutsche Numis.

Please also note that, since 1955, you have been better off investing in SmallCap rather than LargeCap 58% of the time.

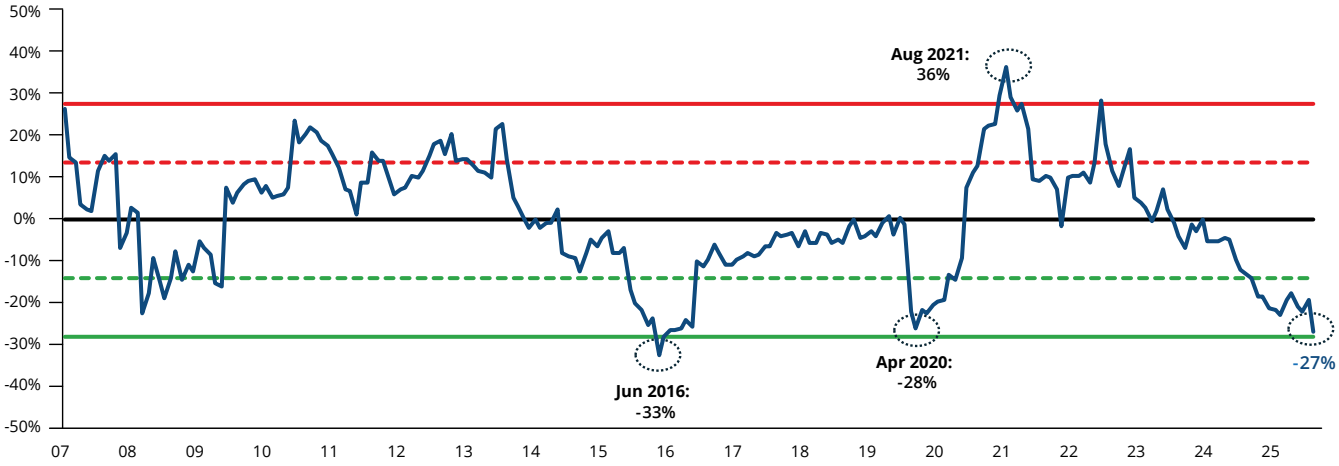
UK SmallCap is trading on less than ten times earnings and well below its long-term average price to earnings ratio (P/E)

UK SmallCap – 12 month forward P/E
(Numis SmallCap)

Note: Black line = average. Thick red line = average + 2 standard deviations (dotted red line = average + 1 standard deviation). Thick green line = average – 2 standard deviations (dotted green line = average – 1 standard deviation).
Source: Montanaro Asset Management, Deutsche Numis.

... and near a 20-year low P/E premium v. UK LargeCap

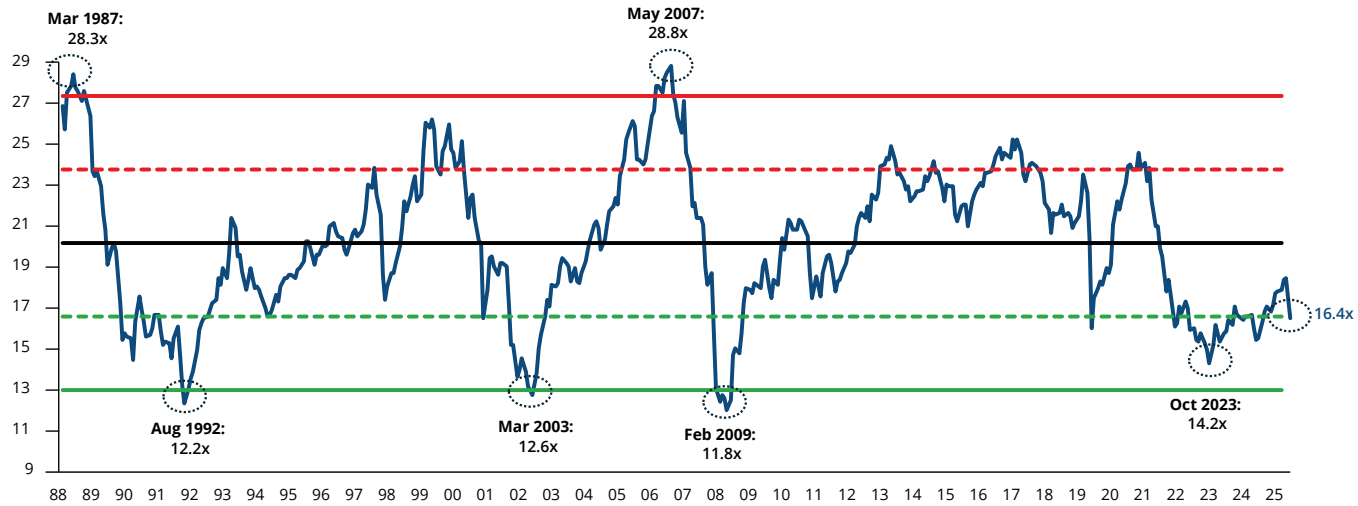
UK SmallCap v. UK LargeCap – 12 month forward P/E
(Numis SmallCap v MSCI UK LargeCap)



Note: Black line = average. Thick red line = average +2 standard deviations (dotted red line = average + 1 standard deviation).
Thick green line = average -2 standard deviations (dotted green line = average -1 standard deviation). Black line = average.
Source: Montanaro Asset Management, Deutsche Numis, MSCI, Factset.

UK SmallCap also looks attractive on a Shiller P/E[1]

UK SmallCap – 10-year Shiller P/E
(Numis SmallCap)



Note: Black line = average. Thick red line = average +2 standard deviations (dotted red line = average + 1 standard deviation).
Thick green line = average -2 standard deviations (dotted green line = average -1 standard deviation). Black line = average.
Source: Montanaro Asset Management, Deutsche Numis.

1 The Shiller P/E is a long-term valuation measure calculated by dividing the current price of a stock or equity index by the ten-year average of its inflation-adjusted earnings. This produces a more stable long term assessment of valuation because earnings are smoothed across business cycles.

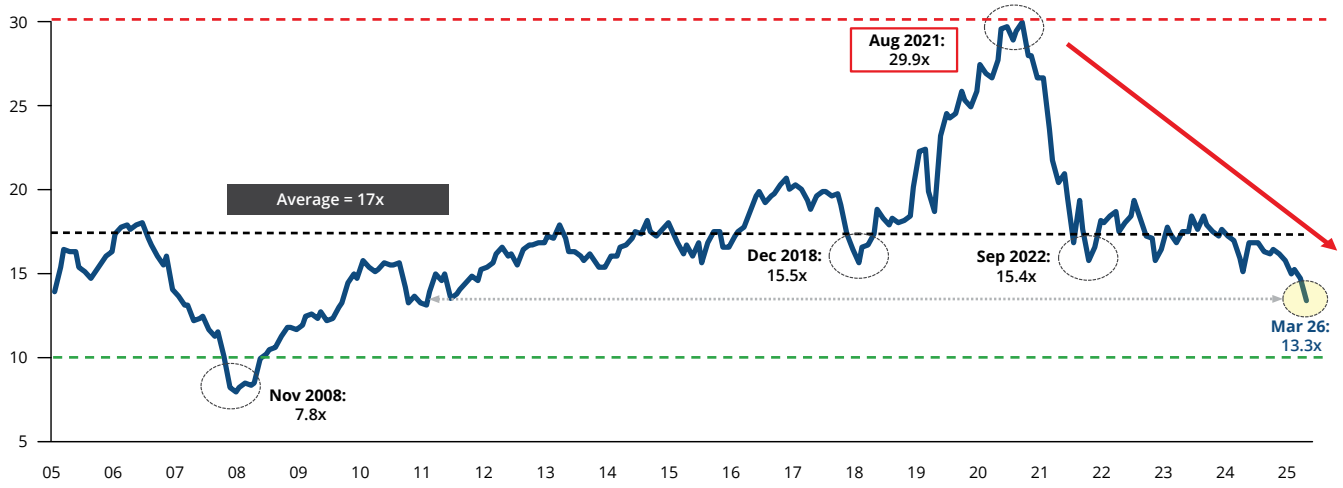
Manager's Report continued

Outlook for MUSCIT

Consensus expectations point to an acceleration in earnings growth through 2026, returning to double-digit rates after several subdued years. Importantly, we continue to see balance-sheet strength across the portfolio (half of our holdings hold net cash).

MUSCIT's P/E valuation has more than halved since 2021, back to levels last seen fifteen years ago:

MUSCIT – 12 month forward P/E



Source: Montanaro Asset Management, Factset.

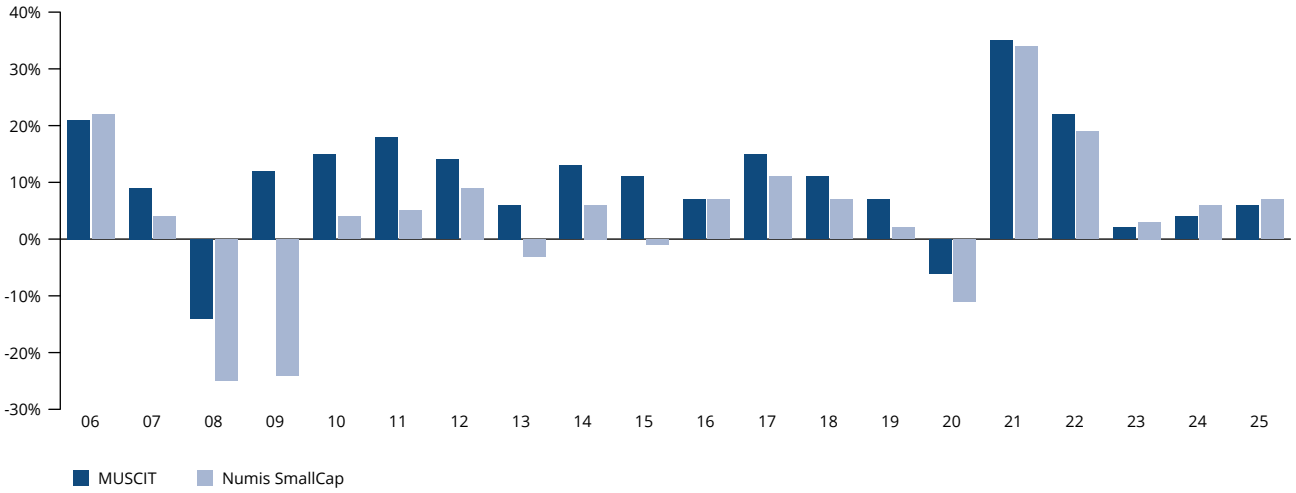
The premium has fallen from over 100% in 2020 to below the long-term average:

MUSCIT v. Benchmark – 12 month forward P/E Premium

Note: MUSCIT P/E is relative to the Benchmark.
Source: Montanaro Asset Management, Factset.

The outlook for MUSCIT's earnings growth is now the strongest in several years (and better than for larger companies). The key determinant of returns comes down to growth of earnings, so this is encouraging. Over the past two decades, MUSCIT has delivered earnings growth more than double the market:

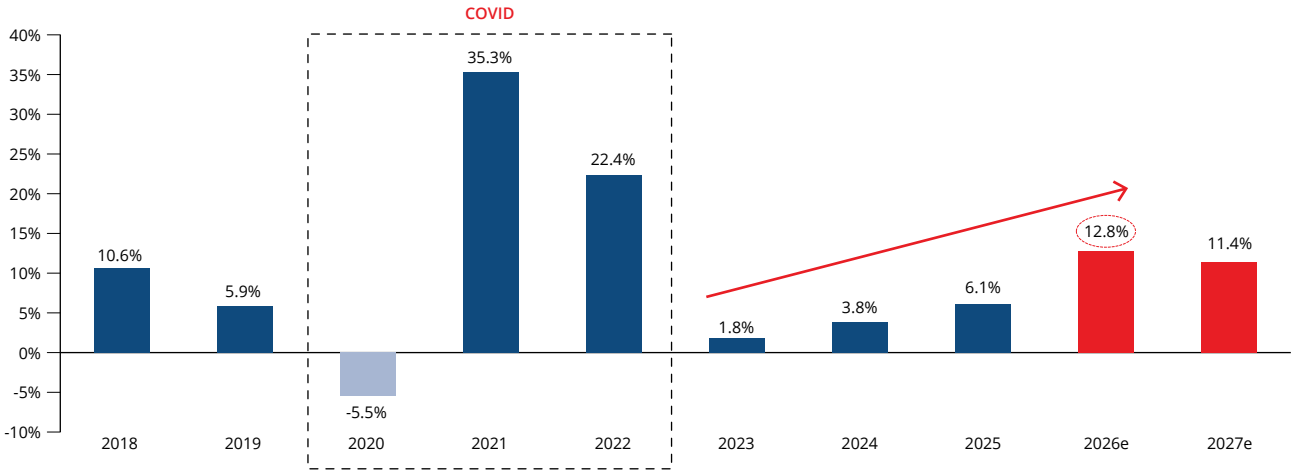
EPS Growth (Calendar Year)



Source: Montanaro Asset Management, Factset.

After a subdued few years, we are now expecting double digit earnings growth in 2026 and also 2027:

MUSCIT – EPS Growth (Actual, Consensus for 2026 & 2027)

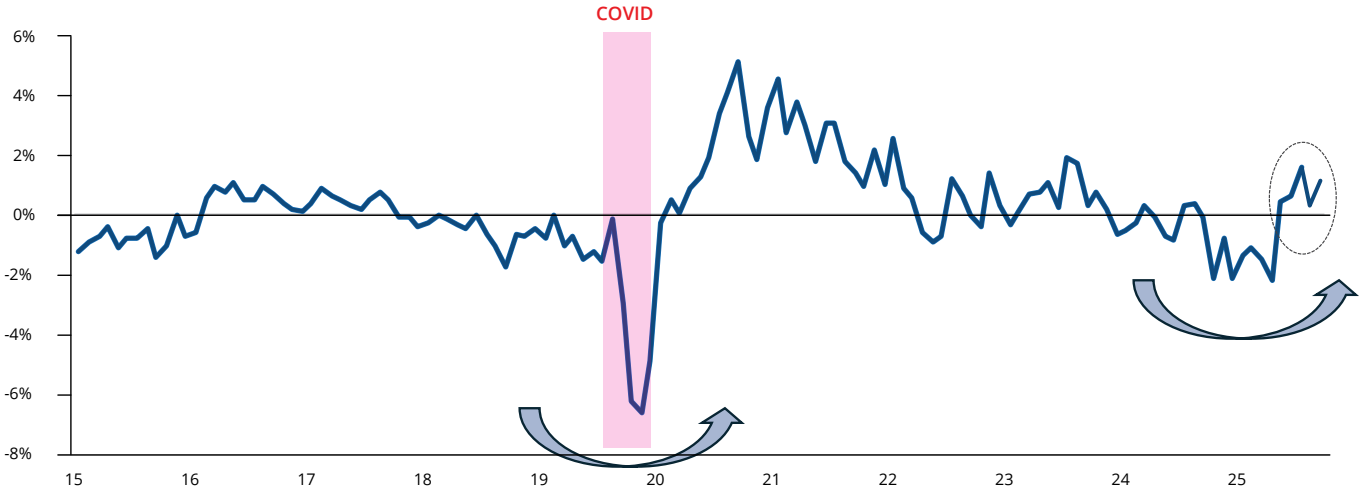


Source: Montanaro Asset Management, Factset.

Manager's Report continued

Earnings revisions have been positive this year:

MUSCIT – EPS Revisions (last three months)

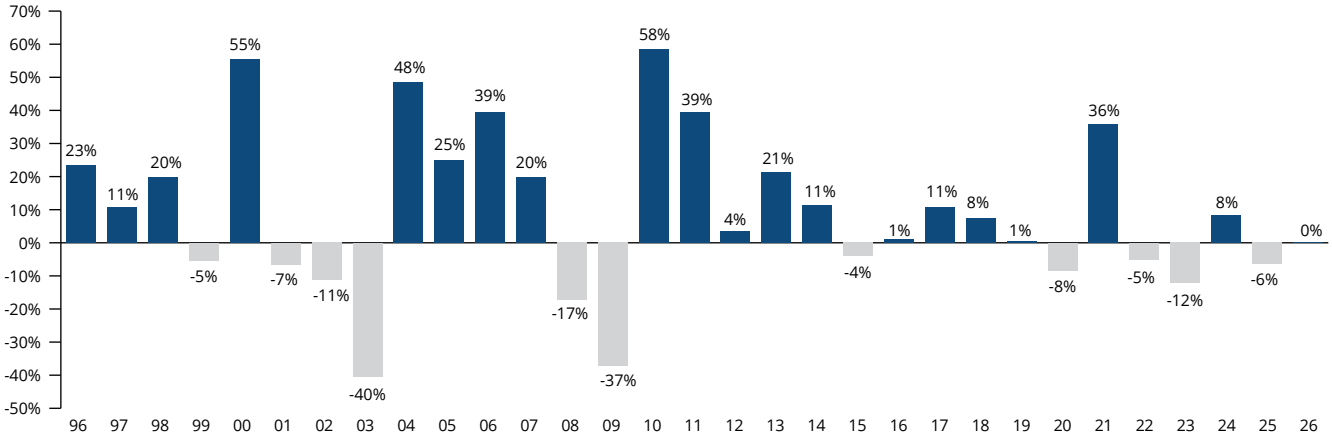


Source: Montanaro Asset Management, Factset.

Conclusions

After a challenging few years, it is easy to forget that MUSCIT has enjoyed some great times as well. The following chart shows absolute NAV returns since we launched MUSCIT in 1995 (please look at the blue bars):

MUSCIT – Financial Year NAV Returns (total return)



Source: Montanaro Asset Management, Factset.

Good times often follow bad; the light is darkest before the dawn; "Be fearful when others are greedy, and greedy when others are fearful" (Warren Buffett); "Buy when there's blood in the streets…Buy on the sound of cannons" (Rothschild); there is light at the end of the tunnel…choose whichever phrase you like…they all apply.

Over the past 45 years, I have learned that all markets mean revert; all cycles come to an end and eventually turn. Surely, that time cannot be far away. Good times will return – history teaches us that they always do.

We will continue to deliver the Trust's quarterly dividend to shareholders amounting currently to over 6% p.a.. As investors ourselves, we are all being paid to wait for the return of the capital returns we have enjoyed in the past.

Continuation Vote

The last time there was a continuation vote was in 2021, when 99.9% of shareholders voted in favour of MUSCIT continuing. This marked the end of a strong period for MUSCIT and Quality Growth investors.

According to Morningstar, as of 31 May 2026, the Company was in the top 4% best performing UK smaller company funds out of a total of more than 50 funds and investment trusts.

MUSCIT Peer Group – Performance Table (ranked by five year performance to 31 March 2026)

	1m	3m	6m	1Y	3Y	5Y
Aberforth Smaller Cos	-11.6%	-3.7%	-2.9%	13.3%	27.1%	23.5%
JPMorgan UK Small Cap Growth & Income	-12.3%	-6.4%	-6.6%	7.6%	22.2%	2.8%
BlackRock Throgmorton Trust	-12.6%	-6.1%	-5.5%	6.7%	9.7%	-13.0%
BlackRock Smaller Cos	-11.0%	-5.6%	-5.8%	3.7%	2.1%	-14.4%
Aberdeen UK Smaller Companies Growth	-12.7%	-9.0%	-11.2%	-0.2%	7.9%	-15.0%
Montanaro UK Smaller Companies Investment Trust	**-9.0%**	**-5.1%**	**-7.5%**	**0.1%**	**1.0%**	**-15.7%**
Henderson Smaller Companies	-13.4%	-7.7%	-7.8%	6.1%	4.3%	-16.7%
Artemis UK Future Leaders	-12.8%	-12.5%	-13.6%	-5.0%	-15.6%	-28.4%
Numis SmallCap	-13.2%	-6.9%	-4.9%	11.9%	24.8%	13.7%

Source: Montanaro Asset Management, Deutsche Numis.

Over the past five years, just one single UK SmallCap trust within our core peer group has outperformed the Benchmark and delivered a positive return. This shows what a remarkable period we have just seen.

At the launch of MUSCIT in March 1995, there were 35 UK SmallCap investment trusts. Today only a handful remain. It would be a tragedy if investors are left with ever less choice. Investment trusts are an ideal vehicle for investing in UK, quoted smaller companies for a number of reasons:

1. Investors are more insulated from inflows and outflows: you don't have to sell due to investors panicking out at the bottom of the market – which is especially important when investing in companies traded on AIM where liquidity can be low.
2. It is possible to borrow and increase exposure to UK SmallCap when valuations are particularly enticing (as now). Gearing can increase returns in rising markets.
3. Higher returns: the AIC has plenty of data showing that, where the same strategy is held in a closed or open-ended fund, invariably the closed structure has done better.

We have "skin in the game" and have put our money where our mouth is. Montanaro is the largest institutional investor in MUSCIT and it is also my largest personal investment.

We would love to manage MUSCIT for a further five years. We have just hired three more analysts to the team at a time when many are closing down their SmallCap funds. Our team is stronger than ever – the largest in Europe – and we have learned valuable lessons from the past few years. We have high hopes of the recent additions to the portfolio. There may well be another Dechra or Games Workshop hidden there, destined to make it to the FTSE-100 in time. MUSCIT is in good shape with a bright future.

If you have any questions, please do get in touch (email below). For more information, please refer to: https://montanaro.co.uk/trust/muscit

We will do our best not to let you down. The Board, the whole Montanaro team and I very much hope that you will support the resolution at this year's Annual General Meeting, which would remove the requirement for the Company to seek shareholder approval for a wind-up resolution at the 2027 Annual General Meeting and allow the Company to continue pursuing its long-term investment objectives.

CHARLES MONTANARO
enquiries@montanaro.co.uk
25 June 2026

Ten Largest Holdings
as at 31 March 2026

1. Integrafin

IntegraFin owns Transact, one of the UK's leading independent investment platforms for financial advisers. Its sticky client assets, recurring revenues and strong adviser relationships support long-term growth as wealth management assets continue to shift onto platforms. The business benefits from structural growth in UK savings and pensions markets alongside increasing regulatory complexity.

2. 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.

3. Bloomsbury

Bloomsbury is a leading independent publishing house with strong positions in academic publishing and consumer fiction. Its increasingly digital academic offering delivers high recurring revenues and attractive margins, while bestselling authors including J.K. Rowling and Sarah J. Maas support resilient cash generation.

4. Cranswick

Cranswick is a leading UK food producer supplying premium meat and convenience food products to major supermarkets. Long-standing customer relationships, operational excellence and investment in automation support strong market positions and consistent growth. The business also benefits from increasing demand for higher quality and value-added food products.

5. 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.

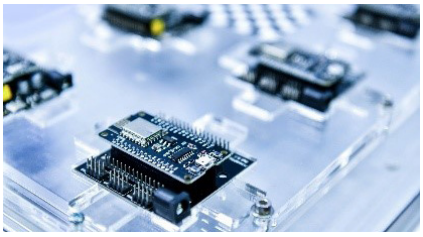
6. MP Evans

MP Evans is a sustainable Indonesian palm oil producer focused on high-quality crude palm oil and efficient plantation management. Strong yields, disciplined capital allocation and rising global demand for vegetable oils underpin attractive long-term growth. The company's emphasis on sustainability and certified production supports relationships with international customers.

7. Luceco

Luceco manufactures LED lighting, wiring accessories and portable power products serving trade and consumer markets. Exposure to energy efficiency trends and electrification supports structural growth, while strong brands and distribution relationships underpin resilient market positions. Its focus on innovation and operational efficiency has supported consistent profitability and cash generation.

8. XP Power



XP Power designs and manufactures power control solutions for industrial technology, healthcare and semiconductor equipment markets. Its highly engineered products serve mission-critical applications where reliability and long product cycles create high barriers to entry. Growing demand for automation, advanced healthcare equipment and semiconductor manufacturing supports long-term structural growth.

9. 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.

10. 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%.

Twenty Largest Holdings
as at 31 March 2026

Holding	Sector	Value £'000	Market cap £m	% of portfolio 31 March 2026	% of portfolio 31 March 2025
Integrafin	Investment Banking and Brokerage Services	4,590	1,009	3.8	2.4
discoverIE	Electronic and Electrical Equipment	4,573	513	3.8	5.2
Bloomsbury	Media	4,504	459	3.8	2.8
Cranswick	Food Producers	3,923	2,819	3.3	3.1
XPS Pensions	Investment Banking and Brokerage Services	3,625	601	3.0	4.8
MP Evans	Food Producers	3,464	793	2.9	3.2
Luceco	Electronic and Electrical Equipment	3,460	278	2.9	1.7
XP Power	Electronic and Electrical Equipment	3,377	291	2.8	2.0
Hilton Foods	Food Producers	3,322	458	2.8	4.4
Big Yellow	Real Estate Investment Trusts	3,146	1,658	2.6	4.7
Games Workshop	Leisure Goods	3,098	5,829	2.6	2.7
The Beauty Tech Group	Personal Care, Drug and Grocery Stores	3,000	266	2.5	–
Clarkson	Industrial Transportation	2,997	1,415	2.5	1.9
Tristel	Health Care Providers	2,975	166	2.5	2.1
Hill and Smith	Industrial Metals and Mining	2,947	1,694	2.5	–
Porvair	Electronic and Electrical Equipment	2,740	330	2.3	3.7
Cohort	Aerospace and Defense	2,727	567	2.3	–
Londonmetric Property	Real Estate Investment Trusts	2,723	1,984	2.3	2.3
Volution Group	Construction and Materials	2,565	1,127	2.1	–
Watches of Switzerland	Personal Goods	2,445	1,065	2.0	2.4
Twenty Largest Holdings		**66,201**		**55.3**	

All investments are in ordinary shares.

As at 31 March 2026, 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 2026

	31 March 2026		31 March 2025	
Sector	**% of portfolio**	**% of NSCI**	**% of portfolio**	**% of NSCI**
Software and Computer Services	4.9	3.8	14.7	5.4
Technology Hardware and Equipment	1.7	0.6	1.8	1.2
Technology	**6.6**	**4.4**	**16.5**	**6.6**
Telecommunications Equipment	1.8	–	–	0.8
Telecommunications Service Providers	1.2	1.6	2.7	0.8
Telecommunications	**3.0**	**1.6**	**2.7**	**1.6**
Health Care Providers	4.6	0.4	2.1	0.5
Medical Equipment and Services	–	0.2	–	0.1
Pharmaceuticals and Biotechnology	0.7	2.3	–	2.6
Health Care	**5.3**	**2.9**	**2.1**	**3.2**
Banks	–	3.3	–	2.4
Finance and Credit Services	0.8	2.2	–	3.0
Investment Banking and Brokerage Services	9.9	13.3	13.3	8.8
Life Insurance	–	1.9	–	1.4
Non-life Insurance	–	1.7	–	1.6
Financials	**10.7**	**22.4**	**13.3**	**17.2**
Real Estate Investment and Services Development	0.7	3.7	–	3.9
Real Estate Investment Trusts	6.8	7.8	8.4	7.1
Real Estate	**7.5**	**11.5**	**8.4**	**11.0**
Automobiles and Parts	–	0.2	–	1.7
Consumer Services	–	0.1	–	0.1
Household Goods and Home Construction	–	1.0	–	1.9
Leisure Goods	4.3	0.3	4.7	0.6
Personal Goods	2.0	1.0	2.3	1.0
Media	5.8	1.4	6.3	2.3
Retailers	0.2	5.6	–	4.5
Travel and Leisure	1.0	6.6	–	6.3
Consumer Discretionary	**13.3**	**16.2**	**13.3**	**18.4**
Beverages	1.1	0.7	–	0.8
Food Producers	9.0	4.3	10.8	3.4
Personal Care, Drug and Grocery Stores	2.5	2.7	1.1	0.8
Consumer Staples	**12.6**	**7.7**	**11.9**	**5.0**
Construction and Materials	4.7	6.0	4.6	6.6
Aerospace and Defense	4.2	3.4	1.2	1.4
Electronic and Electrical Equipment	12.9	1.8	12.4	2.0
General Industrials	0.6	1.5	–	1.3
Industrial Engineering	1.2	1.7	–	1.4
Industrial Support Services	4.2	5.8	7.8	9.3
Industrial Transportation	2.5	2.5	1.9	2.6
Industrials	**30.3**	**22.7**	**27.9**	**24.6**
Industrial Materials	–	–	–	0.1
Industrial Metals and Mining	5.7	2.8	–	2.3
Precious Metals and Mining	0.5	0.6	–	1.1
Chemicals	–	1.7	–	2.3
Basic Materials	**6.2**	**5.1**	**–**	**5.8**
Oil, Gas and Coal	2.6	2.8	–	3.9
Alternative Energy	–	0.4	–	0.1
Energy	**2.6**	**3.2**	**–**	**4.0**
Electricity	1.9	0.7	3.9	1.0
Waste and Disposal Services	–	–	–	0.5
Gas, Water and Multi-utilities	–	1.6	–	1.1
Utilities	**1.9**	**2.3**	**3.9**	**2.6**
Total	**100.0**	**100.0**	**100.0**	**100.0**

The investment portfolio comprises 59 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 23, 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 38 and 39.

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 Markets (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 76.

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 2026, this was any company below £2.51 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.

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	**%**	
	2026	2025
NAV per share total return[1]	**0.1**	(6.9)
Share price total return[1]	**3.0**	1.0
Discount to NAV[1]	**6.2**	8.4
Ongoing charges[1]	**1.0**	0.9

[1] Alternative performance measures. Please see pages 77 and 78 for further information.

Relative performance	**%**	
	2026	2025
NAV per share total return		
vs benchmark	**(11.8)**	(9.2)
vs benchmark including AIM	**(10.9)**	(6.5)
Share price total return		
vs benchmark	**(8.9)**	(1.3)
vs benchmark including AIM	**(8.0)**	1.4

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.

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 2026 was 6.2%. During the year, the shares traded at an average discount to NAV of 8.4%.

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 77.

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 77.

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 over £2 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 23.

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.

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 44 to 47. 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.*
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 or justified.* *The Company's NAV has underperformed relative to the benchmark during the year, with Value shares outperforming Quality Growth shares. Given that Montanaro is a Quality 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.*

Corporate strategy (continued):

Principal and Emerging Risks	Mitigation
Geopolitical Risk: The impact of geopolitical events could result in losses to the Company. *Heightened area of focus due to continued geopolitical uncertainty*	*Geopolitical uncertainty remains elevated, driven by conflicts in Ukraine and the Middle East, alongside the potential broader economic implications of US trade tariff policies. In addition, there is ongoing concern around potential fiscal tightening in the UK, which could affect both investor sentiment and economic activity.* *The portfolio is positioned with an emphasis on resilient, high-quality businesses and is constructed to ensure diversification across holdings, helping to mitigate the effects of market instability.*

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. 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.*

Principal and Emerging Risks continued

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 value.* *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. *Continued area of focus as cyber attacks are increasing globally, emerging technologies could also increase information security risks.*	*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 engaged a specialist IT and cyber security provider to deliver continuous monitoring services and provide access to a Chief 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. In addition, all service providers report on cyber security accreditations.*
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.*

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 as described in previous Annual Reports.

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 48 to 50 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.

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:

Stakeholders	Why they are important	Board engagement
Shareholders	Continued shareholder support and engagement are critical to the existence of the business and the delivery of the long-term strategy of the business.	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 beforehand 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.
SERVICE PROVIDERS:		
The Manager (AIFM)	The Manager's performance is critical for the Company to successfully deliver its investment strategy and meet its objective.	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.

Directors' Duties continued

Stakeholders	Why they are important	Board engagement
Other service providers including: the Company Secretary and Administrator, the Registrar, the Depositary, the Custodian, the Broker and Legal Advisors	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 34.

PRINCIPAL DECISIONS DURING THE YEAR ENDED 31 MARCH 2026

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
Discount control	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 2026, the Company bought back 27,736,173 (2025: 24,927,148) of its own Ordinary shares at a total cost of £27,697,000 (2025: £25,270,000). Although buybacks took place throughout the year – compared with only three months in the period to 31 March 2025 – the total amount has not increased significantly. The discount narrowed from 8.4% at 31 March 2025 to 6.2% at 31 March 2026. Since the year-end, the Company has bought back a further 3,421,479 shares, at a cost of £3,573,000.

On behalf of the Board

ARTHUR COPPLE
Chairman
25 June 2026

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 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.

Catriona Hoare – Non-Executive Director

Date of Appointment: 19 November 2019

Catriona joined Navera Investment Management (formerly Meridiem) 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 Navera 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 two decades 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 2026.

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 44 to 47;
- Strategy and relevant future developments – refer to the Chairman's Statement on pages 3 to 5, the Manager's Report on pages 6 to 23; 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 73 to 75.

The outlook for the Company is set out in the Chairman's Statement on pages 3 to 5. Principal and emerging risks can be found on pages 30 to 33, 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 62.

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 69.

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. Please refer to Resolution 10 within the notice of the AGM on page 83.

DIRECTORS

Biographical details of the Directors, all of whom are independent and non-executive, can be found on pages 38 and 39. The Directors' interests in the shares of the Company are shown on page 53.

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.

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 recent 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. 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. Since the year end the Company has had strong performance and is currently at the top of its peer group.

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"). From July 2025 the annual fee for depositary services is 0.019% (previously 0.024%) per annum where gross assets are between £0 and £150 million and 0.0125% (previously 0.015%) 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 2026, the Directors were aware of the following substantial shareholdings:

Shareholder:	Ordinary shares	% of voting rights
Montanaro Asset Management	13,946,244	12.2%
Derbyshire County Council	11,996,285	10.5%
Clients of Hargreaves Lansdown	11,709,096	10.2%
Clients of Interactive Investor	9,930,570	8.7%
Clients of Transact	8,303,315	7.2%
Clients of A J Bell	7,364,561	6.4%
West Yorkshire Pension Fund	7,242,500	6.3%
Charles Montanaro	5,150,000	4.5%
Clients of Charles Stanley	4,851,578	4.2%
BlackRock Investment Management	2,686,668	2.3%

Directors' Report continued

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 25 June 2027 (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;
- the expected renewal of the current borrowing facilities;
- 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 2031.

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 30 to 33. 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 buybacks, 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 40;
- 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, 52,663,321 of these are held in Treasury, therefore the total voting rights of the Company are 114,716,469. The Ordinary shares carry the right to receive dividends and have one voting right per Ordinary share.

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 buy back and sell shares from treasury and issue shares will expire at the conclusion of the 2026 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 (2025: 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, 29 July 2026 (the "Notice") is set out on pages 82 to 84.

Resolutions 1 to 11 will be proposed as Ordinary Resolutions and Resolutions 12 to 15 will be proposed as Special Resolutions. Please refer to pages 85 and 86 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
25 June 2026

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 Corporate Governance Code published in August 2024 ("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

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 40 and in note 3 to the financial statements on page 68. 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 2026 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	3	3	2	1	1
Catriona Hoare	4	4	3	3	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.

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 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.

Subject to his re-election at the forthcoming AGM, the Chairman will continue to serve beyond the nine-year period referenced in the AIC Corporate Governance Code. Following careful consideration, the Nomination and Remuneration Committee, together with the Board, concluded that his continued service is in the best interests of the Company and its shareholders. In reaching this conclusion, the Board took into account Mr Copple's extensive experience, his strong engagement and communication with shareholders, and his contribution to the Board's oversight of discount management. The Nomination and Remuneration Committee will continue to review this position annually as part of its succession planning process. The Board recognises the importance of orderly succession and expects the Chairman to step down at the appropriate time, including when a suitable successor has been identified and an effective transition can be achieved.

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.

Corporate Governance Statement continued

Information about the Company's financial risk management objectives and policies is set out in Note 15 of the financial statements on pages 73 to 75. 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 30 to 33. 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 35 for details of engagement activity in the year to 31 March 2026.

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:	51
Number of meetings voted against management or abstained:	5
Resolutions	
Number of resolutions where voted with management:	727
Number of resolutions where abstained:	2
Number of resolutions where voted against management:	7

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 48 to 50.

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 45.

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 30 to 33 and pages 45 and 46 respectively.

For and on behalf of the Board

ARTHUR COPPLE
Chairman
25 June 2026

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 2026.

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;
- arranged a meeting with the Manager, held shortly after the year end to facilitate a review of the full financial year, to undertake a comprehensive review of the investment management process, including investment performance, decision-making procedures and risk oversight;
- 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.

ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2026

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 2026 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 42.

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 42.

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 44 to 47. 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 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 2026, 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.

Report from the Audit and Management Engagement Committee continued

BDO's fee in respect of the audit for the year ended 31 March 2026 is £47,775 (2025: £45,500). Following professional guidelines, the audit partner rotates after five years. The year ended 31 March 2026 is David Reeves' first year as audit partner.

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 54.

By order of the Board

BARBARA POWLEY
Chair, Audit and Management Engagement Committee
25 June 2026

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 2026.

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 2026, Directors' Fees would be payable as set out in the Future Policy Remuneration Table on page 52.

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 2025 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 next be put to shareholders at the AGM in 2028.

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.

Directors' Remuneration Report continued

FUTURE REMUNERATION POLICY TABLE

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

	Fee for year ending 31 March 2027 £	Fee for year ending 31 March 2026 £
Chairman	**40,500**	39,150
Audit and Management Engagement Chair	**32,500**	31,500
Director	**28,000**	27,000

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 £**	
	2026	2025	**2026**	2025	**2026**	2025	**2026**	2025	**2026**	2025
Arthur Copple	**39,150**	43,500	**–**	–	**39,150**	43,500	**39,150**	43,500	**–**	–
Catriona Hoare	**27,000**	30,000	**–**	–	**27,000**	30,000	**27,000**	30,000	**–**	–
Yuuichiro Nakajima	**27,000**	30,000	**65**	81	**27,065**	30,081	**27,000**	30,000	**65**	81
Barbara Powley	**31,500**	35,000	**2,045**	1,974	**33,545**	36,974	**31,500**	35,000	**2,045**	1,974
Total	**124,650**	138,500	**2,110**	2,055	**126,760**	140,555	**124,650**	138,500	**2,110**	2,055

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 2026, whether for loss of office or otherwise.

ANNUAL PERCENTAGE CHANGE IN REMUNERATION OF DIRECTORS

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

	2026 £	Change %	2025 £	Change %	2024 £	Change %	2023 £	Change %	2022 £	Change %	2021 £
Chairman	**39,150**	(10.0)	43,500	4.8%	41,500	7.8	38,500	4.8	36,750	5.0	35,000
Audit and Management Engagement Committee Chair	**31,500**	(10.0)	35,000	4.5%	33,500	8.1	31,000	5.1	29,500	5.4	28,000
Director	**27,000**	(10.0)	30,000	5.3%	28,500	7.5	26,500	5.0	25,250	5.2	24,000

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 2016)

* 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 2025 was approved by shareholders at the AGM held on 24 July 2025. The Directors' Remuneration Policy was last approved by shareholders at the Company's Annual General Meeting, held on 24 July 2025. The proxy voting was as follows:

	Remuneration Report		**Remuneration Policy**	
	Number of votes cast	**%**	**Number of votes cast**	**%**
For*	50,566,637	99.80	50,566,123	99.80
Against	117,152	0.20	116,652	0.20
Total votes cast	**50,683,789**		**50,682,775**	
Number of votes withheld	87,967		88,981	

* 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 2026 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 2026 £	Year ended 31 March 2025 £	Change %
Total remuneration	**126,760**	140,555	(11.3)
Dividends paid	**9,088,499**	9,088,000	–
Investment management fee	**731,000**	1,108,000	(34.0)
Cost of Ordinary shares bought back	**27,697,000**	25,270,000	9.6

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 2026 Number of shares	As at 31 March 2025 Number of shares
Arthur Copple	**300,000**	300,000
Catriona Hoare	**30,000**	18,080
Yuuichiro Nakajima	**10,000**	10,000
Barbara Powley	**47,709**	24,209

There have been no changes to the above holdings between 31 March 2026 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 2027

The Committee will, as usual, review Directors' fees during 2026/27 and consider whether any further changes to remuneration are required.

On behalf of the Board

YUUICHIRO NAKAJIMA
Chair, Nomination and Remuneration Committee
25 June 2026

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 38 and 39 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
25 June 2026

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 2026;
- 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 2026 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.

Independence
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 the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting our audit.

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 going concern in light of economic and market conditions by reviewing the information used by the Directors in completing their assessment;
- Evaluating the sensitivity analysis applied by the Directors in their going concern assessment including the impact of a significant reduction in the fair value of investments;
- Assessing the appropriateness of the Directors' assumptions and judgements made in their base case and stress tested forecasts including consideration of the available cash and liquid assets relative to forecast expenditure and other commitments;
- Challenging the Directors' assumptions and judgements made in their forecasts by performing an independent analysis of the liquidity of the portfolio; and
- Reviewing the disclosures in the financial statements relating to going concern to assess whether they are consistent with the Company's circumstances.

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

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. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

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 in preparing the financial statements.

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		2026	2025
	• Valuation and ownership of quoted investments	✓	✓
Materiality	*Company financial statements as a whole* • £1,146,000 (2025:£1,500,000) based on 1% (2025: 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, the applicable financial reporting framework and the system of internal control. We identified and assessed the risks of material misstatement of the financial statements. We then applied professional judgement to focus our audit procedures on the areas that posed the greatest risk of material misstatement to the financial statements. We continually assessed risks throughout our audit, revising the risks where necessary, with the aim of reducing the risk of material misstatement to an acceptable level, to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period 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 Note 1 and 9	The investment portfolio at the year-end comprised of quoted equity investments held at fair value through profit or loss. We considered the valuation and ownership of investments to be a significant audit area as investments represent the most significant balance in the financial statements and underpins the principal activity of the Company. While we do not consider the valuation of quoted investments to involve a significant degree of estimation or judgement, there is a risk that the prices used for the quoted investments held by the Company may not reflect their fair value at the year end. Additionally, in relation to ownership and recording, there is a risk of error in the recording of quoted investment holdings which could result in the incorrect recognition of investments by the Company. For these reasons, and due to the materiality of the balance in the context of the financial statements as a whole, we consider 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: • Checked 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 price 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.

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

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 2026 £	Company financial statements 2025 £
Materiality	1,146,000	1,500,000
Basis for determining materiality	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.	
Performance materiality	859,500	1,130,000
Basis for determining performance 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.	

Reporting threshold

We agreed with the Audit and Management Engagement Committee that we would report to them all individual audit differences in excess of £57,300 (2025:£75,500). 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 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.

CORPORATE GOVERNANCE STATEMENT

The UK Listing Rules sourcebook requires 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 set out on page 54; • the Directors' explanation as to their assessment of the Company's prospects, the period this assessment covers and why the period is appropriate set out on page 54; and • the Directors' statement on whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities set out on page 54.
Other Code provisions	• Directors' statement on fair, balanced and understandable set out on page 54; • Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 54; • the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 45; and • the section describing the work of the Audit and Management Engagement Committee set out on page 48.

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.

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

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Statement of Directors' Responsibilities, 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.

However, the primary responsibility for the prevention and detection of fraud rests with both Those Charged with Governance of the Company and management.

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.

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 qualitative factors and ensuring compliance with these.

Fraud

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

Our risk assessment procedures included:

- Enquiry with the Investment Manager, Administrator and Those Charged with Governance regarding any known or suspected instances of fraud;

- Obtaining an understanding of the Company's policies and procedures relating to:
  - Detecting and responding to the risks of fraud; and
  - Internal controls established to mitigate risks related to 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:

- 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.

OTHER MATTERS WHICH WE ARE REQUIRED TO ADDRESS

We were appointed by the Audit and Management Engagement Committee 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. Our total uninterrupted period of engagement is six years, covering the years ended 31 March 2021 to 31 March 2026.

Our audit opinion is consistent with the additional report to the Audit and Management Engagement Committee.

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.

In due course, as required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.15R – 4.1.18R, these financial statements will form part of the Electronic Format Annual Financial Report filed on the National Storage Mechanism of the FCA in accordance with DTR 4.1.15R – DTR 4.1.18R. This auditor's report provides no assurance over whether the Electronic Format Annual Financial Report has been prepared in compliance with DTR 4.1.15R – DTR 4.1.18R.

David Reeves (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK
25 June 2026

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

Income Statement
for the year to 31 March 2026

		Year to 31 March 2026			Year to 31 March 2025		
	Notes	**Revenue £'000**	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000
Losses on investments designated at fair value through profit or loss	9	**–**	**(3,077)**	**(3,077)**	–	(18,007)	(18,007)
Investment income	2	**4,895**	**–**	**4,895**	6,560	–	6,560
Investment management fee	3	**(183)**	**(548)**	**(731)**	(277)	(831)	(1,108)
Other expenses	4	**(649)**	**–**	**(649)**	(695)	–	(695)
Net return before finance costs and taxation		**4,063**	**(3,625)**	**438**	5,588	(18,838)	(13,250)
Interest payable and similar charges	5	**(135)**	**(407)**	**(542)**	(169)	(508)	(677)
Net return before taxation		**3,928**	**(4,032)**	**(104)**	5,419	(19,346)	(13,927)
Taxation	6	**–**	**–**	**–**	–	–	–
Net return after taxation		**3,928**	**(4,032)**	**(104)**	5,419	(19,346)	(13,927)
Return per Ordinary share	8	**3.15p**	**(3.24p)**	**(0.09p)**	3.28p	(11.70p)	(8.42p)

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 65 to 75 form part of these financial statements.

Statement of Changes in Equity
for the year to 31 March 2026

Year to 31 March 2026	**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 2025		**3,348**	**19,307**	**1,362**	**–**	**126,223**	**557**	**150,797**
Total comprehensive income:								
Fair value movement of investments	9	**–**	**–**	**–**	**–**	**(3,077)**	**–**	**(3,077)**
Costs allocated to capital		**–**	**–**	**–**	**–**	**(955)**	**–**	**(955)**
Net revenue for the year		**–**	**–**	**–**	**–**	**–**	**3,928**	**3,928**
		–	**–**	**–**	**–**	**(4,032)**	**3,928**	**(104)**
Share Buybacks		**–**	**–**	**–**	**–**	**(27,697)**	**–**	**(27,697)**
Dividends paid in the year	7	**–**	**–**	**–**	**–**	**(4,342)**	**(4,051)**	**(8,393)**
As at 31 March 2026		**3,348**	**19,307**	**1,362**	**–**	**90,152**	**434**	**114,603**

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

* These reserves, excluding any unrealised capital reserve are distributable. As at 31 March 2026 distributable reserves totalled £90,586,000 (2025: £136,665,000).

The notes on pages 65 to 75 form part of these financial statements.

Balance Sheet
as at 31 March 2026

	Notes	31 March 2026 £'000	31 March 2026 £'000	31 March 2025 £'000	31 March 2025 £'000
Fixed assets					
Investments at fair value	9		**119,622**		157,502
Currents assets					
Debtors	10	**183**		2,453	
Cash at bank		**6,275**		4,684	
		6,458		7,137	
Creditors: amounts falling due within one year					
Other creditors	11	**(1,477)**		(1,342)	
Borrowings	12	**(10,000)**		(12,500)	
		(11,477)		(13,842)	
Net current liabilities			**(5,019)**		(6,705)
Net assets			**114,603**		150,797
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
Capital reserve			**90,152**		126,223
Distributable revenue reserve			**434**		557
Total equity shareholders' funds			**114,603**		150,797
Net asset value per Ordinary share: Basic and Diluted	14		**99.90p**		105.86p

These financial statements were approved and authorised for issue by the Board of Directors on 25 June 2026.

ARTHUR COPPLE
Chairman

Company Registered Number: 3004101

The notes on pages 65 to 75 form part of these financial statements.

Notes to the Financial Statements
at 31 March 2026

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 2026. 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 25 June 2027. Please refer to page 42 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 2022 for the purpose of voluntarily winding up the Company. Under the Company's Articles, the next continuation-related vote is scheduled for 2027. However, at this year's AGM, shareholders will be asked to consider a resolution to remove the requirement for the Company to propose a wind-up resolution at the 2027 AGM. If approved, the Company would no longer be required to put such a resolution to shareholders 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 the 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.

Notes to the Financial Statements continued
at 31 March 2026

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 measured 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.

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 and any 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 2026 £'000	Year to 31 March 2025 £'000
UK dividend income	**4,686**	6,050
Overseas dividend income	**20**	20
Income from investments	**4,706**	6,070
Bank interest	**189**	490
Total income	**4,895**	6,560
Total income comprises		
Dividends from financial assets designated at fair value through profit or loss	**4,706**	6,070
Interest received	**189**	490
	4,895	6,560

Notes to the Financial Statements continued
at 31 March 2026

3 Investment Management Fee

	Year to 31 March 2026			Year to 31 March 2025		
	Revenue £'000	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000
Investment management fee	**171**	**510**	**681**	264	794	1,058
AIFMD fee	**12**	**38**	**50**	13	37	50
	183	**548**	**731**	277	831	1,108

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 2026, £167,000 (2025: £234,000) was due for payment to the Manager.

The AIFM receives an annual fee of £50,000 (2025: £50,000).

4 Other Expenses

	Year to 31 March 2026 £'000	Year to 31 March 2025 £'000
Company secretarial fees	**171**	167
Directors' fees[1]	**127**	139
Depositary fee	**31**	56
Registrar fee	**61**	47
Auditor's remuneration for:		
– audit	**48**	46
Custody and other bank charges	**22**	21
Legal fees	**2**	6
Other expenses (including VAT)	**187**	213
	649	695

[†] A breakdown of the Directors' remuneration is set out in the Directors' Remuneration Report on page 52.

The Company has no employees.

5 Interest Payable and Similar Charges

	Year to 31 March 2026			Year to 31 March 2025		
	Revenue £'000	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000
Interest payable on loan	**129**	**388**	**517**	163	490	653
Loan commitment fee	**6**	**19**	**25**	6	18	24
	135	**407**	**542**	169	508	677

6 Taxation

	Year to 31 March 2026			Year to 31 March 2025		
	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% (2025: 25%). The differences are explained below.

	Year to 31 March 2026			Year to 31 March 2025		
	Revenue £'000	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000
Net return/(loss) before taxation	**3,928**	**(4,032)**	**(104)**	5,419	(19,346)	(13,927)
Theoretical tax at UK corporation tax rate of 25% (2025: 25%)	**982**	**(1,008)**	**(26)**	1,355	(4,836)	(3,481)
Effect of:						
– UK dividends that are not taxable	**(1,172)**	**–**	**(1,172)**	(1,513)	–	(1,513)
– Foreign dividends that are not taxable	**(5)**	**–**	**(5)**	(5)	–	(5)
– Non-taxable investment losses	**–**	**769**	**769**	–	4,502	4,502
– Unrelieved excess expenses	**195**	**239**	**434**	163	334	497
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 2026, based on current estimates and including the accumulation of net allowable losses, the Company had unrelieved losses of £60,070,000 (2025: £58,334,000) that are available to offset future taxable revenue. The potential deferred tax asset has been calculated using a corporation tax rate of 25% (2025: 25%). A deferred tax asset of £15,018,000 (2025: £14,583,000) 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 2026 £'000	Year to 31 March 2025 £'000
In respect of the previous period:		
Paid		
2025 fourth quarter dividend of 1.59p (2025: 1.19p)	**2,188**	1,991
In respect of the year under review:		
Paid		
2026 first quarter dividend of 1.74p (2025: 1.24p)	**2,241**	2,076
2026 second quarter dividend of 1.67p (2025: 1.22p)	**2,099**	2,042
2026 third quarter dividend of 1.60p (2025: 1.78p)	**1,865**	2,979
Dividends distributed during the year	**8,393**	9,088
Declared:		
2026 fourth quarter dividend of 1.50p (2025: 1.59p)*	**1,717**	2,265

* The fourth quarter dividend was declared on 2 April 2026. The ex-dividend date was 16 April 2026 and it was paid on 13 May 2026.

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.

Notes to the Financial Statements continued
at 31 March 2026

8 Return per Ordinary Share

	Year to 31 March 2026			Year to 31 March 2025		
	Revenue	**Capital**	**Total**	Revenue	Capital	Total
Ordinary share	**3.15p**	**(3.24)p**	**(0.09)p**	3.28p	(11.70)p	(8.42)p

Revenue return per Ordinary share is based on the net return after taxation of £3,928,000 (2025: £5,419,000) and 124,626,399 (2025: 165,391,764) 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 £4,032,000 (2025: net capital loss after taxation of £19,346,000), and on 124,626,399 (2025: 165,391,764) Ordinary shares, being the weighted average number of Ordinary shares in issue, excluding any shares held in Treasury.

9 Investments

	As at 31 March 2026 £'000	As at 31 March 2025 £'000
Total investments at fair value	**119,622**	157,502

The investment portfolio comprises 59 (2025: 40) traded and listed UK equity holdings.

	Year to 31 March 2026 £'000	Year to 31 March 2025 £'000
Opening book cost	**167,386**	191,404
Opening unrealised (depreciation)/appreciation	**(9,884)**	13,290
Opening fair value	**157,502**	204,694
Movements in the year		
Purchases at cost	**65,079**	75,784
Sales – proceeds	**(99,882)**	(104,969)
– realised (losses)/gains on sales against book cost	**(3,888)**	5,167
Increase/(decrease) in investment holding gains	**811**	(23,174)
Total movement in the year	**(37,880)**	(47,192)
Closing book cost	**128,695**	167,386
Closing unrealised depreciation	**(9,073)**	(9,884)
Closing fair value	**119,622**	157,502

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.

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 2026		31 March 2025	
	Level 1 £'000	**Total £'000**	Level 1 £'000	Total £'000
Equity investments	**119,622**	**119,622**	157,502	157,502
	119,622	**119,622**	157,502	157,502

There were no level 2 or 3 investments.

	Year to 31 March 2026 £'000	Year to 31 March 2025 £'000
Net losses on investments at fair value		
(Losses)/gains on sales	**(3,888)**	5,167
Changes in fair value	**811**	(23,174)
	(3,077)	(18,007)

TRANSACTION COSTS

During the year, the Company incurred transaction costs of £234,000 (2025: £404,000) and £63,000 (2025: £67,000) 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 £99,882,000 (2025: £104,969,000). The book cost of these investments when purchased was £103,770,000 (2025: £99,802,000). 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 2026 £'000	As at 31 March 2025 £'000
Prepayments and accrued income	**39**	68
Dividends receivable	**144**	234
Sales awaiting settlement	**–**	2,151
	183	2,453

11 Other Creditors

	As at 31 March 2026 £'000	As at 31 March 2025 £'000
Other payables	**121**	99
Accrued interest	**21**	35
Management fee payable	**167**	234
Purchases awaiting settlement	**1,168**	974
	1,477	1,342

Notes to the Financial Statements continued
at 31 March 2026

12 Fixed Rate Term and Floating Rate Revolving Credit Facilities

	As at 31 March 2026 £'000	As at 31 March 2025 £'000
Falling due in 12 months or less – Revolving credit facility	**10,000**	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 require 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 2026 £'000	Number of shares	As at 31 March 2025 £'000
Ordinary shares of 2p				
Ordinary shares in issue at the beginning of the year	142,452,642	2,849	167,379,790	3,348
Ordinary shares bought back to Treasury during the year	(27,736,173)	(555)	(24,927,148)	(499)
Ordinary shares in issue at the end of the year	114,716,469	2,294	142,452,642	2,849
Treasury shares (ordinary shares 2p)				
Treasury shares in issue at the beginning of the year	24,927,148	499	–	–
Ordinary shares bought back to Treasury during the year	27,736,173	555	24,927,148	499
Treasury shares in issue at the end of the year	52,663,321	1,054	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 27,736,173 Ordinary shares into Treasury at a cost of £27,697,000 (2025: 24,927,148 shares bought back into Treasury at a cost of £25,270,000). The cost of shares bought back is included in the capital reserve.

Treasury shares
At the AGM on 23 July 2025, the Company was granted the authority to purchase 19,261,972 Ordinary shares. At a General Meeting held on 21 May 2026, the Company was granted an additional authority to purchase 16,794,230 Ordinary shares.

14 Net Asset Value per Ordinary Share
The Net Asset Value per share of 99.90p (2025: 105.86p) is based on net assets of £114,603,000 (2025: £150,797,000) and on 114,716,469 (2025: 142,452,642) Ordinary shares, being the number of Ordinary shares (excluding treasury shares) in issue at the year end.

15 Analysis of Financial Assets and Liabilities

Investment Objective and Policy

The Company's investment objective and policy are detailed on page 28.

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 £119,622,000 (2025: £157,502,000).

If the investment portfolio valuation fell by 10% from the amount detailed in the financial statements as at 31 March 2026, it would have the effect, with all other variables held constant, of reducing the net capital return before taxation by £11,962,000 (2025: £15,750,000). 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 £189,000 interest on cash deposits in the year (2025: £490,000).

If interest rates had reduced by 1% from those paid as at 31 March 2026, it would have the effect, with all other variables held constant, of increasing the net revenue return before taxation on an annualised basis by £37,000 (2025: £16,000). If there was an increase in interest rates of 1%, the net revenue return before taxation on an annualised basis would have decreased by £37,000 (2025: £16,000).

Notes to the Financial Statements continued
at 31 March 2026

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 75.

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 77. 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 2026 was:

	31 March 2026 £'000	31 March 2025 £'000
Cash at Bank (held at Bank of New York Mellon)	**6,275**	4,684
Debtors	**183**	2,453
	6,458	7,137

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 2026 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	**10,000**	**5.2**	**0.1**
Financial liabilities upon which no interest is paid	**1,477**	**–**	**–**

15 Analysis of Financial Assets and Liabilities continued

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	12,500	5.2	0.1
Financial liabilities upon which no interest is paid	1,342	–	–

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

	31 March 2026 £'000	31 March 2025 £'000
In three months or less	**10,130**	12,688
In more than three months but not more than one year	**–**	–
In more than one year but not more than three years	**–**	–
	10,130	12,688

16 Capital Management Policies

The structure of the Company's capital is described on pages 42 and 43 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 51 to 53.

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 2026 are shown below:

Leverage exposure

	Gross method	Commitment method
Maximum limit	200%	200%
Actual	104.4%	109.9%

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 79.

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;
- information on the investment strategy, geographic and sector investment focus and stock exposures are included in the Manager's Report on pages 6 to 23; 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 2026, the NAV per share was 99.90p and the share price was 93.70p. The Discount is therefore calculated at 6.2%.

Gross Assets

Gross assets are calculated as net assets adding back borrowings.

	31 March 2026 £'000	31 March 2025 £'000
Net assets	**114,603**	150,797
Revolving credit facility	**10,000**	12,500
Gross assets	**124,603**	163,297

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 2026 £'000	31 March 2025 £'000
Total expenditure	**1,922**	2,480
less finance charges	**(542)**	(677)
Total (a)	**1,380**	1,803
Average net assets (b)	**136,913**	198,155
Ongoing Charges (c=a/b) (c)	**1.01%**	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 2026 £'000	31 March 2025 £'000
Revolving credit facility	**10,000**	12,500
Less: cash at bank	**(6,275)**	(4,684)
Net debt (a)	**3,725**	7,816
Shareholders' funds (b)	**114,603**	150,797
Net gearing (a/b)	**3.3%**	5.2%

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 2026 £'000	31 March 2025 £'000
Purchases at cost	**65,079**	75,784
Sales proceeds	**99,882**	104,969
Total (a)	**164,961**	180,753
Average total (b) (b=a/2)	**82,481**	90,377
Average net assets (c)	**136,913**	198,155
Portfolio turnover (b/c)	**60.2%**	45.6%

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.

Alternative Performance Measures ("APMs") – unaudited continued

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 2026

Share price as at 31 March 2026	93.70	(a)
Share price as at 31 March 2025	97.00	(b)
Share Price Capital Return	**(3.40%)**	(c) = (a-b)/(b)

NAV Capital Return calculation as at 31 March 2026

NAV per share as at 31 March 2026	99.90	(a)
NAV per share as at 31 March 2025	105.86	(b)
NAV Capital Return	**(5.63%)**	(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 2025	1.59	17 April 2025	95.10	1.67%
Quarter 1 2026	1.74	17 July 2025	101.25	1.72%
Quarter 2 2026	1.67	16 October 2025	97.50	1.71%
Quarter 3 2026	1.60	15 January 2026	104.25	1.53%
				6.63% (d)

Pre dividend adjustment factor	0.9660	(e) = 1+(c)
Dividend adjustment factor (1+(d))	1.0663	(f) = 1+(d)
Share Price total return	**3.01%**	((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 2025	1.59	17 April 2025	104.06	1.53%
Quarter 1 2026	1.74	17 July 2025	112.76	1.54%
Quarter 2 2026	1.67	16 October 2025	109.94	1.52%
Quarter 3 2026	1.60	15 January 2026	110.05	1.45%
				6.04% (d)

Pre dividend adjustment factor	0.9437	(e) = 1+(c)
Dividend adjustment factor (1+(d))	1.0604	(f) = 1+(d)
NAV total return	**0.07%**	((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 or Numis SmallCap
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 https://uk.investorcentre.mpms.mufg.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.

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, 29 July 2026 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 15 will be proposed as Special Resolutions.

ATTENDANCE AT THE MEETING

Shareholders intending to attend the AGM 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, 27 July 2026 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.

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 2026.

RESOLUTION 2 – DIRECTORS' REMUNERATION REPORT

To receive and approve the Directors' Remuneration Report for the year ended 31 March 2026.

RESOLUTION 3 – DIVIDEND POLICY

To approve the Company's Dividend Policy.

RESOLUTION 4 – RE-ELECTION OF DIRECTOR

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

RESOLUTION 5 – RE-ELECTION OF DIRECTOR

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

RESOLUTION 6 – RE-ELECTION OF DIRECTOR

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

RESOLUTION 7 – RE-ELECTION OF DIRECTOR

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

RESOLUTION 8 – 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 9 – AUDITOR'S REMUNERATION

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

RESOLUTION 10 – CONTINUATION VOTE

THAT the Directors be released from the obligation to convene a General Meeting during 2027 for the purpose of providing for the Company to be wound-up on a voluntary basis as stated in the Company's Articles of Association.

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 £222,590 (being approximately 10% of the issued share capital, excluding Treasury shares, as at 23 June 2026) 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/or sale 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 £222,590 (being approximately 10% of the issued share capital (excluding Treasury shares) as at 23 June 2026); 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 sold 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).

Notice of Annual General Meeting continued

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 16,683,119, 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 2027 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.

RESOLUTION 15 – ARTICLES OF ASSOCIATION

THAT the amended Articles of Association as set out in the document produced to the meeting and initialled by the Chairman of the meeting for the purposes of identification be hereby approved and adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, all existing Articles of Association.

By order of the Board

JUNIPER PARTNERS LIMITED
Company Secretary
25 June 2026

28 Walker Street
Edinburgh EH3 7HR

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 2026 (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.

Resolution 2 – Remuneration

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

Resolution 3 – 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 80 and 81.

Resolutions 4 to 7 – Re-election of Directors

In line with the recommendations of the 2024 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 38 and 39 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 8 and 9 – 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 8. Resolution 9 authorises the Audit and Management Engagement Committee to fix the Auditor's remuneration.

Resolution 10 – Continuation Vote

Resolution 10, if passed, will release the Directors from the obligation to convene a General Meeting during 2027 for the purpose of providing for the Company to be wound-up on a voluntary basis as stated in the Company's Articles of Association. It will also allow the Company to continue as an investment trust for a further five years. Further information about the duration of the Company is set out on page 4.

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 £222,590, 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 11 (being in respect of Ordinary shares up to an aggregate nominal value of £222,590, 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.

Notice of Annual General Meeting continued

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.

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 16,683,119 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.

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 a Special Resolution which 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.

Resolution 15 – Articles of Association

Resolution 15 is a Special Resolution which is being proposed to adopt amended Articles of Association of the Company in substitution for, and to the exclusion of, the Company's existing Articles of Association.

The principal amendments are intended to enhance transparency, strengthen governance and support informed shareholder decision-making. In particular, the proposed amendments provide that, where a proposed investment manager has a significant existing interest in the Company, or is associated with a shareholder who does, shareholders are provided with appropriate information and any decision regarding that appointment is determined by shareholders who are independent of the relevant conflict of interest. The proposed amendments also introduce a mechanism to ensure that, if the number of directors falls below the minimum required for the Board to function effectively, sufficient directors may be appointed to restore the Board to the required level, following which those directors appointed solely for that purpose will resign.

A copy of the proposed amended Articles of Association, together with a version marked to show the changes from the existing Articles of Association, is available for inspection by Shareholders at the registered office of the Company and on the Company's website from the date of this Notice until the conclusion of the Annual General Meeting.

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, 27 July 2026. 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 https://uk.investorcentre.mpms.mufg.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 10 a.m. on Monday 27 July 2026.

   If you are an institutional investor you may also be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to www.proxymity.io. Your proxy must be lodged by 10 a.m. on Monday, 20 July 2026 in order to be considered valid or, if the meeting is adjourned, by the time which is 48 hours before the time of the adjourned meeting. Before you can appoint a proxy via this process you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy. An electronic proxy appointment via the Proxymity platform may be revoked completely by sending an authenticated message via the platform instructing the removal of your proxy vote.

   Shareholders can vote electronically via the Investor Centre, a free app for smartphone and tablet provided by MUFG Corporate Markets (the company's registrar). It allows you to securely manage and monitor your shareholdings in real time, take part in online voting, keep your details up to date, access a range of information including payment history and much more. The app is available to download on both the Apple App Store and Google Play, or by scanning the relevant QR code below. Alternatively, you may access the Investor Centre via a web browser at: https://uk.investorcentre.mpms.mufg.com/.

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Notice of Annual General Meeting continued

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 or Proxymity 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 10 a.m. on Monday, 27 July 2026. 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.

    In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to MUFG Corporate Markets, at PXS 1, Central Square, 29 Wellington Street, Leeds, LS1 4DL. The revocation notice must be received by MUFG Corporate Markets no later than 48 hours before the meeting.
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 23 June 2026 (being the latest practicable business day prior to the publication of this Notice), the Company's Ordinary issued share capital consists of 111,294,990 Ordinary shares of 2 pence each, carrying one vote each. Therefore, the total voting rights in the Company as at 23 June 2026 are 111,294,990.

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 a.m. 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

AIFM AND INVESTMENT MANAGER
Montanaro Asset Management Limited
53 Threadneedle Street
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Tel: 020 7448 8600
Fax: 020 7448 8601
Website: www.montanaro.co.uk
Email: enquiries@montanaro.co.uk

COMPANY SECRETARY AND ADMINISTRATOR
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28 Walker Street
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REGISTERED OFFICE
53 Threadneedle Street
London EC2R 8AR

REGISTRAR
MUFG Corporate Markets
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Calls are charged at the standard geographic rate and will vary by provider.
Email: shareholderenquiries@cm.mpms.mufg.com
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Montanaro UK Smaller Companies Investment Trust PLC
Registered in England and Wales No. 3004101

An investment company as defined under Section 833 of the Companies Act 2006

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