

Montanaro UK Smaller Companies Investment Trust PLC **(“MUSCIT” or the “Company”)**

Half-yearly Report for the six months ended 30 September 2013

MUSCIT was launched in March 1995 and is listed with the UKLA and its shares are traded on the London Stock Exchange.

Investment Objective

The investment objective is capital appreciation through investing in small quoted companies listed on the London Stock Exchange or traded on the Alternative Investment Market (“AIM”) and to achieve relative outperformance of its benchmark, the Numis Smaller Companies Index (excluding Investment Companies) (“NSCI”)*.

No unquoted investments are permitted.

Investment Policy

The Company seeks to achieve its objective and to diversify risk by investing in a portfolio of quoted UK smaller companies. At the time of initial investment, a potential investee company must be profitable and smaller than the largest constituent of the NSCI, which represents the smallest 10% of the UK Stock Market by value.

In order to manage risk, the Manager will normally limit any one holding to a maximum of 4% of the Company’s investments. 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 30% of total investments, with Board approval required for exposure to be above 25%.

The Manager is focused on identifying high quality 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 therefore constructed on a “bottom up” basis and there are no sectoral constraints placed on the Manager.

The Board, in consultation with the Manager, is responsible for determining the gearing strategy of the Company. Gearing is used to enhance returns when the timing is considered appropriate. The Company currently has a credit facility of £15 million through ING Bank of which £15 million was drawn as at 30 September 2013. The Board has agreed to limit borrowings to 25% of shareholders’ funds.

Change in Investment Manager’s fee

The Company is pleased to announce that, with effect from 1 April 2014, the investment management fee will decrease from 1% p.a. to 0.85% pa of gross assets. In addition, the performance fee will be removed. Your Board believes that these fee reductions will provide a more competitive and simpler management fee structure. In addition, this will make fee comparisons with other investment vehicles easier. Montanaro Asset Management Limited (“Montanaro”) has a very successful long-term track record as an independent quoted small company specialist investing in high quality growth companies. Investment ideas for MUSCIT will continue to be generated internally by Montanaro through detailed and skilled due diligence on companies they consider to be undervalued.

Highlights

for the six months to 30 September 2013

Results

Total Return

| | |
|-----------------------------------|----------------------|
| > Net Asset Value ("NAV") | +4.0% (£182 million) |
| > Gross Assets: | +2.4% (£198 million) |
| > Share Price: | +12.8% |
| > Gross Gearing: | 8.2% |
| > Net Gearing: | 1.4% |
| > Benchmark* (NSCI Total Return): | +12.5% |

Capital Return

| | As at 30 September 2013 | As at 31 March 2013 | % Change |
|--|-------------------------------|---------------------------|----------|
| NAV per Ordinary share (excluding current period revenue): | 538.08p | 522.17p | 3.1 |
| Ordinary share price: | 486.00p | 437.00p | 11.2 |
| Benchmark* (NSCI Capital Return): | 6,125.54 | 5,541.17 | 10.5 |

NAV Performance vs Benchmark* (to 30 September 2013)

| | 6 months | 3 years | 5 years | Since inception March 1995 |
|--|----------|---------|---------|----------------------------------|
| | % | % | % | % |
| NAV (excluding current period revenue) | 3.1 | 49.3 | 110.7 | 445.8 |
| Benchmark* | 10.5 | 40.4 | 61.0 | 97.3 |
| (Underperformance)/outperformance | (7.4) | 8.9 | 49.7 | 348.5 |

* Previous benchmark of FTSE SmallCap (excluding Investment Companies) to 31 March 2013 and Numis Smaller Companies Index (excluding Investment Companies) from 1 April 2013.

Capital Structure

As at 30 September 2013, the Company had 33,475,958 Ordinary shares of 10p each in issue (none of which were held in Treasury). Holders of Ordinary shares have unrestricted voting rights of one vote per share at all general meetings of the Company.

Manager's Review

The last six months have brought confirmation that central bankers in the developed world are the new rainmakers, waving their magic wands in ever more creative ways to keep investors happy. There is little doubt that the Bank of England, the Federal Reserve and the Bank of Canada have brought considerable innovation to the world of monetary policy since 2008 and have played a key role in the revival of equity markets. More recently, shortly after the Federal Reserve began to voice second thoughts about its Quantitative Easing programme, Mr Carney and Mr Draghi introduced forward guidance to lower interest rate expectations. Global equity markets applauded and pursued their upward march.

The positive momentum of UK equities was maintained throughout the period as investors continued to reappraise UK equity risk in the face of the constructive macroeconomic news flow. The closely-watched Purchasing Managers' Index climbed to a 31-month high in August 2013 and remained broadly stable in September 2013. The employment component of the index also showed that British factories are hiring at the fastest pace since May 2011. The recovery of the Euro Zone, the UK's largest trading partner, has raised hopes of an acceleration of export growth. Meanwhile, house prices have reached new highs, buoyed by the Government's "Help to Buy" schemes, creating a wealth effect that may encourage further consumer spending. There is little doubt that consumer confidence has improved.

The revival of the British economy, coupled with easier financial conditions for borrowers, produced a favourable backdrop for quoted smaller companies to maintain their leadership in the Stock Market. The NSCI rose by 10.5% over the six month period ending 30 September 2013, outperforming the FTSE 100 index by a remarkable 9.8% margin. Meanwhile, the NAV (excluding current period revenue) of the Company gained 3.1%, compared to 1.9% for the FTSE All-Share, but well below the NSCI benchmark index.

Outlook

As often happens when investor confidence returns and we enjoy a period of "risk on", our "quality growth" investment style has been out of favour since the middle of 2012. We have suffered from the strong rotation into SmallCap Value, high beta, low quality and cyclical stocks. The large underweight to the consumer, a sector where we traditionally find it more difficult to discover very high quality businesses with sustainable competitive advantages that can be held for the long-term, has also been partly responsible for the underperformance.

Such periods of marked underperformance of MUSCIT are rare but they are a natural by-product of our long-term "Buy & Hold" investment strategy focused exclusively on high quality businesses. The consistency of our strategy has enabled MUSCIT to generate a capital return of 13.2% p.a. (after fees) over the ten year period ending 30 September 2013, significantly ahead of the NSCI benchmark index which saw returns of 10.2% p.a.

As we enter the final quarter of 2013, we are seeing SmallCap Value stocks lose a little steam after a phenomenal run that resulted in an outperformance of 32% relative to growth over the past 16 months (source: Numis). To us, this suggests that we are slowly moving to the next phase of the Bull Market that would typically be led by growth and quality companies. Having reduced our underweight to the consumer sectors to approximately 8%, we feel comfortable with the positioning of the Company and do not anticipate material changes to the portfolio in the coming quarter. We expect to increase the level of gearing gradually over the quarter and look forward to the second half of the year.

Montanaro Asset Management Limited
28 November 2013.

Investment Portfolio
as at 30 September 2013

| Holding | Sector | Value £'000 | % of portfolio | Market cap £m |
|--------------------------------|---|----------------|-------------------|---------------------|
| Devro | Food Producers | 5,938 | 3.2 | 541 |
| Domino's Pizza | Travel and Leisure | 5,723 | 3.1 | 961 |
| Mears Group | Support Services | 5,665 | 3.1 | 419 |
| Consort Medical | Health Care Equipment and Services | 5,568 | 3.0 | 255 |
| Victrex | Chemicals | 4,976 | 2.7 | 1,354 |
| Dechra Pharmaceuticals | Pharmaceuticals and Biotechnology | 4,739 | 2.6 | 626 |
| James Fisher | Industrial Transportation | 4,667 | 2.5 | 531 |
| Berendsen | Support Services | 4,175 | 2.3 | 1,565 |
| Jupiter Fund Management | General Financials | 4,110 | 2.2 | 1,680 |
| Dialight | Electronic and Electrical Equipment | 4,109 | 2.2 | 367 |
| Brewin Dolphin | General Financials | 4,061 | 2.2 | 739 |
| Latchways | Support Services | 3,927 | 2.1 | 145 |
| Big Yellow Group | Real Estate/Real Estate Investment Trusts | 3,872 | 2.1 | 622 |
| Shaftesbury | Real Estate/Real Estate Investment Trusts | 3,864 | 2.1 | 1,489 |
| RPS Group | Support Services | 3,806 | 2.1 | 590 |
| Cranswick | Food Producers | 3,781 | 2.1 | 572 |
| NCC Group | Software and Computer Services | 3,780 | 2.1 | 308 |
| Marshalls | Construction and Materials | 3,754 | 2.0 | 352 |
| Helical Bar | Real Estate/Real Estate Investment Trusts | 3,712 | 2.0 | 351 |
| Brammer | Support Services | 3,670 | 2.0 | 541 |
| Twenty Largest Holdings | | 87,897 | 47.7 | |
| Senior | Aerospace and Defence | 3,664 | 2.0 | 1,125 |
| Genus | Pharmaceuticals and Biotechnology | 3,652 | 2.0 | 872 |
| AG Barr | Beverages | 3,587 | 1.9 | 616 |
| N Brown | General Retailers | 3,570 | 1.9 | 1,488 |
| Telecity Group | Software and Computer Services | 3,544 | 1.9 | 1,682 |
| Halma | Electronic and Electrical Equipment | 3,541 | 1.9 | 2,142 |
| Clarkson | Industrial Transportation | 3,487 | 1.9 | 427 |
| EnQuest | Oil and Gas Producers | 3,456 | 1.9 | 1,047 |
| Bovis Homes | Household Goods and Home Construction | 3,451 | 1.9 | 964 |
| Fenner | Industrial Engineering | 3,409 | 1.9 | 772 |
| Domino Printing Sciences | Electronic and Electrical Equipment | 3,328 | 1.8 | 718 |
| Cineworld | Travel and Leisure | 3,322 | 1.8 | 569 |
| Carclo | Chemicals | 3,230 | 1.7 | 251 |
| Croda International | Chemicals | 3,186 | 1.7 | 3,605 |
| Hilton Food | Food Producers | 3,078 | 1.7 | 310 |
| Renishaw | Electronic and Electrical Equipment | 3,065 | 1.7 | 1,312 |
| Aveva Group | Software and Computer Services | 2,988 | 1.6 | 1,659 |
| Rathbone Brothers | General Financials | 2,862 | 1.6 | 716 |
| Hunting | Oil Equipment Services and Distribution | 2,811 | 1.5 | 1,177 |
| KCOM Group | Fixed Line Telecommunications | 2,730 | 1.5 | 470 |
| Restaurant Group | Travel and Leisure | 2,713 | 1.5 | 1,067 |
| Ted Baker | Personal Goods | 2,631 | 1.4 | 836 |
| Anite | Software and Computer Services | 2,527 | 1.4 | 338 |
| Dignity | General Retailers | 2,328 | 1.3 | 771 |
| Dunelm Group | General Retailers | 2,315 | 1.3 | 1,872 |
| Xaar | Electronic and Electrical Equipment | 2,314 | 1.3 | 602 |
| Innovation Group | Software and Computer Services | 2,135 | 1.2 | 289 |
| Ocean Wilson Holdings | Industrial Transportation | 2,103 | 1.1 | 336 |
| Telecom Plus | Fixed Line Telecommunications | 2,089 | 1.1 | 897 |
| Wilmington Group | Media | 1,884 | 1.0 | 174 |
| Diploma | Support Services | 1,866 | 1.0 | 739 |
| Fidessa Group | Software and Computer Services | 1,718 | 0.9 | 747 |

| | | | | |
|----------------------------------|------------------|----------------|--------------|-------|
| Paypoint | Support Services | 1,464 | 0.8 | 721 |
| Games Workshop | Leisure Goods | 1,441 | 0.8 | 261 |
| Euromoney Institutional Investor | Media | 751 | 0.4 | 1,467 |
| Total Holdings | | 184,137 | 100.0 | |

Analysis of Investment Portfolio by FTSE Classification as at 30 September 2013

| Classification | % of portfolio |
|-------------------------|----------------|
| FTSE 100 | 1.7 |
| FTSE 250* | 7.1 |
| Numis Smaller Companies | 91.2 |
| AIM | 0.0 |

* represents those holdings that are in the FTSE 250 and are above the threshold for Numis Smaller Companies holdings.

Interim Management Report and Responsibility Statement

Interim Management Report

The important events that have occurred during the period under review and the key factors influencing the financial statements are set out in the Manager's Review.

The principal risks and uncertainties for the remaining six months of the financial year are reviewed in the Outlook section of the Manager's Review. The Company actively monitors its counterparty exposures and has been particularly vigilant during the period.

The principal risks facing the Company are substantially unchanged since the date of the Annual Report for the year ended 31 March 2013 and continue to be as set out in that report on pages 14 to 16 and pages 37 to 39.

Risks faced by the Company include, but are not limited to, Investment Manager, investment and strategy, portfolio liquidity, liquidity of MUSCIT shares, discount volatility, credit risk, market price risk, interest rate risk, Share liquidity risk, gearing, regulatory risk, operational risk, financial risk, banking, reputational and Company viability.

Under the Listing Rules the Manager is regarded as a related party of the Company. The amounts paid to the Manager during the period were £956,000 (six months to 30 September 2012: £1,075,000; year to 31 March 2013: £1,714,000). At 30 September 2013, the amount due to Montanaro, included in creditors, was £227,000.

However, the existence of an independent Board of Directors demonstrates that the Company is free to pursue its own financial and operating policies. Therefore, in terms of FRS 8 "Related Party Transactions", the Manager is not considered a related party.

Responsibility Statement

The Directors confirm that to the best of their knowledge:

- The condensed set of financial statements has been prepared in accordance with the Statement 'Half-Yearly Financial Reports' issued by the UK Accounting Standards Board and gives a true and fair view of the assets, liabilities, financial position and profit of the Company;
- The Manager's Review (constituting the interim management report) includes a fair review of the information required by DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements;
- The statement of principal risks and uncertainties for the remaining six months of the financial year above is a fair review of the information required by DTR 4.2.7R; and

- The financial statements include a fair review of the information required by DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the Company during that period, and any changes in the related party transactions described in the last Annual Report that could do so.

This Half-yearly Report was approved by the Board of Directors on 28 November 2013 and the above Responsibility Statement was signed on its behalf by Kathryn Matthews, Chairman.

Income Statement (unaudited)

for the six months to 30 September 2013

| | 6 months to 30 September 2013 | | | 6 months to 30 September 2012 | | | Year to 31 March 2013 | | |
|--|-------------------------------|------------------|----------------|-------------------------------|------------------|----------------|-----------------------|------------------|----------------|
| | Revenue £'000 | Capital £'000 | Total £'000 | Revenue £'000 | Capital £'000 | Total £'000 | Revenue £'000 | Capital £'000 | Total £'000 |
| Gains on investments designated at fair value through profit or loss | - | 5,604 | 5,604 | - | 10,106 | 10,106 | - | 32,574 | 32,574 |
| Dividends and interest | 2,760 | - | 2,760 | 2,209 | - | 2,209 | 3,844 | - | 3,844 |
| Management fee | (478) | (478) | (956) | (409) | (409) | (818) | (857) | (857) | (1,714) |
| Management performance fee | - | - | - | - | (256) | (256) | - | - | - |
| Other expenses | (208) | - | (208) | (173) | - | (173) | (315) | - | (315) |
| Movement in fair value of derivative financial instruments | - | 276 | 276 | - | (423) | (423) | - | (479) | (479) |
| Net return before finance costs and taxation | 2,074 | 5,402 | 7,476 | 1,627 | 9,018 | 10,645 | 2,672 | 31,238 | 33,910 |
| Interest payable and similar charges | (162) | (162) | (324) | (161) | (162) | (323) | (322) | (322) | (644) |
| Net return before taxation | 1,912 | 5,240 | 7,152 | 1,466 | 8,856 | 10,322 | 2,350 | 30,916 | 33,266 |
| Taxation (Note 2) | - | - | - | - | - | - | - | - | - |
| Net return after taxation | 1,912 | 5,240 | 7,152 | 1,466 | 8,856 | 10,322 | 2,350 | 30,916 | 33,266 |
| Return per Ordinary share | 5.71p | 15.65p | 21.36p | 4.38p | 26.45p | 30.83p | 7.02p | 92.35p | 99.37p |

The total column of this statement is the profit and loss account of the Company. The supplementary revenue and capital columns are presented under guidance issued by the Association of Investment Companies.

All revenue and capital items in the above statement derive from continuing operations. No operations were acquired or discontinued in the period.

No Statement of Total Recognised Gains and Losses has been prepared as all such gains and losses are shown in the Income Statement.

Reconciliation of Movements in Shareholders' Funds (unaudited)
for the six months to 30 September 2013

| | Called-up share capital | Share premium account | Capital redemption reserve | Special reserve | Capital reserve | Distributable revenue reserve | Total equity shareholders funds |
|---|-------------------------------|-----------------------------|----------------------------------|--------------------|--------------------|-------------------------------------|--|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| 6 months to 30 September 2013 | | | | | | | |
| As at 1 April 2013 | 3,348 | 19,307 | 1,362 | 4,642 | 144,259 | 4,233 | 177,151 |
| Fair value movement of investments | - | - | - | - | 5,604 | - | 5,604 |
| Costs allocated to capital | - | - | - | - | (640) | - | (640) |
| Net revenue for the period | - | - | - | - | - | 1,912 | 1,912 |
| Movement in fair value of derivative financial instruments | - | - | - | - | 276 | - | 276 |
| Dividends paid in period | - | - | - | - | - | (2,263) | (2,263) |
| As at 30 September 2013 | 3,348 | 19,307 | 1,362 | 4,642 | 149,499 | 3,882 | 182,040 |
| 6 months to 30 September 2012 | | | | | | | |
| As at 1 April 2012 | 3,348 | 19,307 | 1,362 | 4,642 | 113,343 | 4,146 | 146,148 |
| Fair value movement of investments | - | - | - | - | 10,106 | - | 10,106 |
| Costs allocated to capital | - | - | - | - | (827) | - | (827) |
| Net revenue for the period | - | - | - | - | - | 1,466 | 1,466 |
| Movement in fair value of derivative financial instruments | - | - | - | - | (423) | - | (423) |
| Dividends paid in period | - | - | - | - | - | (2,263) | (2,263) |
| As at 30 September 2012 | 3,348 | 19,307 | 1,362 | 4,642 | 122,199 | 3,349 | 154,207 |
| Year to 31 March 2013 | | | | | | | |
| As at 1 April 2012 | 3,348 | 19,307 | 1,362 | 4,642 | 113,343 | 4,146 | 146,148 |
| Fair value movement of investments | - | - | - | - | 32,574 | - | 32,574 |
| Costs allocated to capital | - | - | - | - | (1,179) | - | (1,179) |
| Net revenue for the year | - | - | - | - | - | 2,350 | 2,350 |
| Movement in fair value of derivative financial instruments | - | - | - | - | (479) | - | (479) |
| Dividends paid in the year | - | - | - | - | - | (2,263) | (2,263) |
| As at 31 March 2013 | 3,348 | 19,307 | 1,362 | 4,642 | 144,259 | 4,233 | 177,151 |

Balance Sheet (unaudited)
as at 30 September 2013

| | As at 30 September 2013 £'000 | As at 30 September 2012 £'000 | As at 31 March 2013 £'000 |
|--|--|--|------------------------------------|
| Fixed assets | | | |
| Investments designated at fair value through profit and loss | 184,137 | 164,603 | 179,446 |
| Current assets | | | |
| Debtors | 1,132 | 553 | 711 |
| Cash at bank | 12,523 | 5,241 | 12,961 |
| | 13,655 | 5,794 | 13,672 |
| Creditors: amounts falling due within one year | | | |
| Other creditors | (474) | (692) | (413) |
| Revolving credit facility | (15,000) | (15,000) | (15,000) |
| | (15,474) | (15,692) | (15,413) |
| Net current liabilities | (1,819) | (9,898) | (1,741) |
| Total assets less current liabilities | 182,318 | 154,705 | 177,705 |
| Creditors: amounts falling due after more than one year | | | |
| Interest rate swap | (278) | (498) | (554) |
| Net assets | 182,040 | 154,207 | 177,151 |
| Share capital and reserves | | | |
| Called-up share capital | 3,348 | 3,348 | 3,348 |
| Share premium account | 19,307 | 19,307 | 19,307 |
| Capital redemption reserve | 1,362 | 1,362 | 1,362 |
| Special reserve | 4,642 | 4,642 | 4,642 |
| Capital reserve | 149,499 | 122,199 | 144,259 |
| Distributable revenue reserve | 3,882 | 3,349 | 4,233 |
| Total equity shareholders' funds | 182,040 | 154,207 | 177,151 |
| Net asset value per Ordinary share | 543.79p | 460.65p | 529.19p |

Summarised Statement of Cash Flows (unaudited)

as at 30 September 2013

| | Note | As at 30 September 2013 £'000 | As at 30 September 2012 £'000 | As at 31 March 2013 £'000 |
|--|----------|--|--|------------------------------------|
| Net cash inflow from operating activities | 3 | 1,813 | 456 | 874 |
| Servicing of finance | | | | |
| - Interest and similar charges paid | | (322) | (323) | (646) |
| Net cash outflow from servicing of finance | | (322) | (323) | (646) |
| Capital expenditure and financial investment | | | | |
| - Purchases of investments | | (66,135) | (18,255) | (28,187) |
| - Sales of investments | | 66,469 | 11,660 | 29,217 |
| Net cash inflow/(outflow) from capital expenditure and financial investment | | 334 | (6,595) | 1,030 |
| Equity dividends paid | | (2,263) | (2,263) | (2,263) |
| Decrease in cash | 4 | (438) | (8,725) | (1,005) |

Notes to the Financial Statements

as at 30 September 2013

1 Financial information

The financial information contained in this report does not constitute full statutory accounts as defined in section 434 of the Companies Act 2006. The financial information for the six months to 30 September 2013 and 30 September 2012 has not been audited or reviewed by the Company's Auditor pursuant to the Auditing Practices Board guidance on such reviews.

The information for the year ended 31 March 2013 has been extracted from the latest published audited financial statements, which have been filed with the Registrar of Companies. The Report of the Auditors on those financial statements was unqualified and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

The financial statements are prepared on the basis of the accounting policies set out in note 1 on pages 30 and 31 of the Annual Report and Accounts for the year ended 31 March 2013.

2 Tax credit/charge on ordinary activities

The tax charge for the half year is nil (six months to 30 September 2012: nil; year to 31 March 2013: nil) based on an estimated effective tax rate of 0% for the year ending 31 March 2014. The estimated effective tax rate is 0% as investment gains are exempt from tax owing to the Company's status as an investment trust and there is expected to be an excess of management expenses over taxable income.

3 Reconciliation of net return before finance costs and taxation to net cash inflow from operating activities

| | 6 months to 30 September 2013 £'000 | 6 months to 30 September 2012 £'000 | Year to 31 March 2013 £'000 |
|--|--|--|--------------------------------------|
| Net return before finance costs and taxation | 7,476 | 10,645 | 33,910 |
| Gains on investments designated at fair value through profit or loss | (5,604) | (10,106) | (32,574) |
| Movement in fair value of derivative financial instruments | (276) | 423 | 479 |
| Increase/(decrease) in creditors | 59 | (519) | (796) |
| Decrease/(increase) in prepayments and accrued income | 158 | 13 | (145) |
| Net cash inflow from operating activities | 1,813 | 456 | 874 |

4 Reconciliation of net cash flows to movements in net debt

| | 6 months to 30 September 2013 £'000 | 6 months to 30 September 2012 £'000 | Year to 31 March 2013 £'000 |
|---------------------------------|--|--|--------------------------------------|
| Decrease in cash in the period | (438) | (8,725) | (1,005) |
| Movement in net debt | (438) | (8,725) | (1,005) |
| Net debt at beginning of period | (2,039) | (1,034) | (1,034) |
| Net debt at end of period | (2,477) | (9,759) | (2,039) |

5 Analysis of net debt

| | As at 1 April 2013 £'000 | Cash flows £'000 | As at 30 September 2013 £'000 |
|--------------------------------|-----------------------------------|---------------------|--|
| Cash at bank | 12,961 | (438) | 12,523 |
| Debt due in less than one year | (15,000) | - | (15,000) |
| | (2,039) | (438) | (2,477) |

6 Going Concern

The Company has adequate financial resources to meet its investment commitments and as a consequence, the Directors believe that the Company is well placed to manage its business risks. After making appropriate enquiries and due consideration of the Company's cash balances, the liquidity of the Company's investment portfolio and the cost base of the Company, the Directors have a reasonable expectation that the Company has adequate available financial resources to continue in operational existence for the foreseeable future and accordingly have concluded that it is appropriate to continue to adopt the going concern basis in preparing the Half-yearly Report, consistent with previous years.

Directors

Kathryn Matthews (Chairman)
Roger Cuming
Michael Moule
James Robinson (appointed 30 September 2013)

Principal Advisers

Manager

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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

Sources of further information

The Company's share price is listed in the Financial Times under "Investment Companies".

Information on the Company is also available on the Manager's website: www.montanaro.co.uk and the Company's website: www.montanarouksmaller.co.uk

Key Dates

| | |
|----------|------------------------|
| March | Company Year End |
| June | Annual Results |
| July | Annual General Meeting |
| November | Interim Results |

Frequency of NAV Publication

The Company's NAV is released to the London Stock Exchange on a daily basis.

ISA Status

The Company is fully eligible for inclusion in ISAs.

Association of Investment Companies ("AIC")

The Company is a member of the AIC.

National Storage Mechanism

A copy of the Annual Report 2013 has been submitted to the National Storage Mechanism ("NSM") and is available for inspection at the NSM, which is situated at: www.morningstar.co.uk/uk/NSM

Neither the contents of the Company's website nor the contents of any website accessible from hyperlinks on this announcement (or any other website) is incorporated into, or forms part of, this announcement.