MONTANARO

UK Smaller Companies Investment Trust PLC

Annual Report and Accounts 2020

The Montanaro UK Smaller Companies Investment Trust PLC ("MUSCIT" or the "Company") was launched in March 1995 and its shares are premium listed on the London Stock Exchange.

Investment Objective

MUSCIT's investment objective is capital appreciation through investing in small quoted companies listed on the London Stock Exchange or traded on AIM and to outperform its benchmark, the Numis Smaller Companies Index (excluding investment companies) ("NSCI").

No unquoted investments are permitted.

Contents

Highlights
for the year ended 31 March 2020

Performance

Total Returns	1 year	3 year	5 year	10 year	Since launch
Ordinary share price	(0.3%)	10.3%	26.6%	172.4%	721.9%
Net Asset Value ("NAV")[1]	(8.5%)	(1.4%)	14.1%	128.0%	751.9%
Benchmark (Composite)	(25.9%)	(23.0%)	(4.7%)	78.1%	n/a

Sources: Morningstar Direct, AIC, Numis, Montanaro Asset Management Limited ("Montanaro" or "the Manager").

All returns are shown with dividends reinvested.

The Benchmark is a composite index comprising the FTSE SmallCap Index (excluding investment companies) until 31 March 2013 and the NSCI from 1 April 2013 onwards.

	2020	2019	% change
For the year ended 31 March			
Revenue return per Ordinary share	**2.7p**	2.5p	4%
Dividend per Ordinary share	**5.3p**	3.9p	36%
Ongoing charges[2]	**0.81%**	0.80%	
Portfolio turnover[3]	**35.6%**	20.0%	
As at 31 March			
Ordinary share price	**101.0p**	106.0p	(4.7%)
NAV per Ordinary share[3]	**113.8p**	129.2p	(11.9%)
Discount to NAV[2]	**11.2%**	18.0%	
Gross assets[3]	**£210.4m**	£236.2m	(11.0%)
Net assets	**£190.4m**	£216.2m	(11.9%)
Market capitalisation	**£169.1m**	£177.4m	(4.7%)
Net gearing employed[3]	**4.2%**	6.2%	

[1] The difference between the NAV Total Return and the NAV per Ordinary Share Return reflects the impact of reinvested dividends.

[2] Details provided in Alternative Performance Measures on page 57.

[3] Details provided in the glossary on page 58.

Chairman's Statement

Background
I am pleased to present the twenty-fifth annual report of MUSCIT for the year ended 31 March 2020.

Performance
The past year to 31 March 2020 has been difficult and volatile. The total return on net assets of MUSCIT during this period was a negative of 8.5%. Pleasingly, however, this return represented an outperformance of 17.4% relative to our benchmark, which fell 25.9%.

The Board would like to congratulate Charles Montanaro, the named Manager of the Company, on a third consecutive year of outperformance and I am delighted to confirm that he has agreed to continue managing the Company for a minimum of 5 more years.

Since inception in 1995, the Company has delivered a cumulative Net Asset Value ("NAV") total return of 752%.

Dividends
The Company's aim is to generate capital growth from its portfolio. However, in July 2018, the Board announced a new dividend policy to pay quarterly dividends equivalent to 1% of the Company's NAV on the last business day of the preceding financial quarter, being the end of March, June, September and December.

During the Financial Year, the Company paid four quarterly dividends amounting to a total of 5.31p, equivalent to 5% of the share price at the start of the year.

We are pleased that MUSCIT remains the highest yielding UK SmallCap investment trust in the market.

The Board has given careful consideration to its dividend policy in light of the financial and economic challenges posed by the Coronavirus ("Covid-19") outbreak. Fortunately, the Company is well capitalised; has not entered into any derivatives contracts; and has over £20 million of cash and undrawn borrowing facilities available. Therefore, the Board is pleased to confirm no change to the current policy of paying quarterly dividends equivalent to 1% of NAV.

Discount
Over the last financial year the discount of MUSCIT's share price to NAV, as shown in the graph on page 3, narrowed from 18% to 11%. There has been a major effort on the part of the Manager to encourage retail flows into the Company and this does appear to be bearing fruit with platforms making up an ever increasing percentage of the share register.

Share Buy Backs
The Board is responsible for the implementation of share buy-backs which are undertaken at arms' length from Montanaro. No shares were bought back during the year.

Board
The Board consists solely of independent Non-Executive Directors with a good balance of skills, experience, diversity and knowledge of the Company and its business.

On behalf of the Board, I would like to extend my thanks to our former Chairman, Roger Cuming, who chaired the Board from July 2016 until July 2019 and served as a Director since 2009. Roger's outstanding contribution and wise counsel to the Board will be a hard act to follow.

I would also like to thank Kate Bolsover who stepped down from the Board in November 2019 due to other commitments. Kate made a significant contribution to the Company during her five year tenure and her enthusiasm and industry knowledge will be missed.

We are fortunate to have welcomed Catriona Hoare to the Board in November 2019. Catriona has extensive experience of and expertise in investment management and she is already making an important contribution to Board discussions.

Each year, the Directors go through a rigorous appraisal of the Board and its Committees and assess how best it can function. A committed, experienced, three-person Board with the appropriate breadth of skills seems to work well for MUSCIT.

Company Secretary
On 1 October 2019, the Board appointed Link Company Matters Limited as Company Secretary in place of Maitland Administration Services Limited. At the same time, the Company's registered office address changed to 65 Gresham Street, London EC2V 7NQ.

AGM

At the time of publication of this document, the UK Government has prohibited large public gatherings, save in certain limited circumstances. In light of these measures and in order to protect the health and safety of the Company's shareholders and Directors, the AGM, which is scheduled to be held at 11am on Friday 31 July 2020, will be conducted as a closed meeting and will be held to complete the formal business only. To allow shareholders the opportunity to engage with the Board and the Manager, shareholders are invited to submit in writing any questions they wish to ask to the Company Secretary at MUSCIT_CoSec@linkgroup.co.uk. Questions which are submitted no later than noon on 27 July 2020 will be answered on the Company's website www.montanaro.co.uk/trust/muscit prior to the close of proxy voting. Any questions submitted after this deadline will be responded to in due course.

Coronavirus Pandemic

Since the end of February 2020, global financial markets have seen immense disruption due to the rapid spread of Covid-19. However, all the Company's service providers have enacted their respective business continuity plans and continue to operate normally. The advantages of the closed end structure of investment trusts become ever more evident during these times of such extreme stock market volatility.

Outlook

The first quarter of 2020 was one of the worst periods of market performance in living memory. The Numis Smaller Companies Index (excluding investment companies) ("NSCI") recorded its second largest quarterly decline (-26%) in more than 30 years, resulting in the 8-year cycle-adjusted Price-to-Earnings ratio of the index falling to a 10-year low of 13.5x.

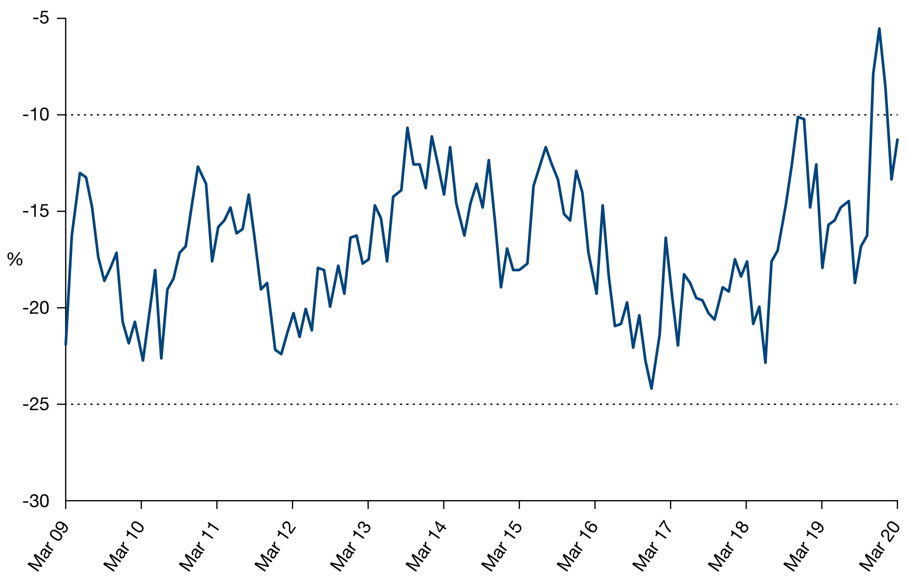
During this difficult period, the Montanaro team have continued to have an active dialogue with our investee companies in order to assess the impact that the collapse in global economic activity has been having on them. In particular, they have been looking closely at balance sheet risk and companies' access to credit. In times like these, the Manager's unwavering emphasis on investing in high quality businesses with strong balance sheets comes into its own. Such companies have a much higher likelihood of surviving this crisis and should emerge from it all the stronger.

We expect one consequence of this global health crisis will be a greater investor focus on the Environmental, Social and Governance ("ESG") credentials of investment funds in the years to come. This has long been one of the strengths of the Montanaro investment process in which ESG has been integrated for many years. Many of you will have noticed that Montanaro has recently started to report on the carbon, water and waste footprint of the Company's investments. Together with MUSCIT's aggregate ESG score, this additional disclosure will allow our investors to gauge the results of Montanaro's constructive engagement with our investee companies.

As MUSCIT celebrates its first 25 years, I would like to thank our investors for their past and future support. This difficult period will one day come to an end. Until then, on behalf of the Board and Montanaro, I would like to send all our investors and their loved ones our very best wishes for the future.

ARTHUR COPPLE
Chairman
22 June 2020

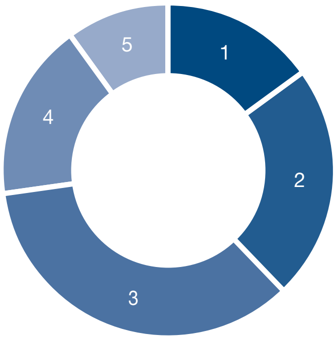
Share Price Discount to NAV*



* Discount based on NAV over the last ten years. Sources: Montanaro and Bloomberg.

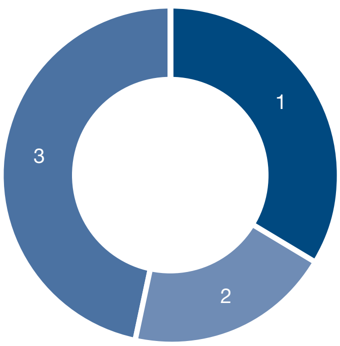
Manager's Report

Breakdown by Market Cap (Ex Cash)



		2020	(2019)
1	£0–£250m	15%	(6%)
2	£250m–£500m	23%	(30%)
3	£500m–£1bn	35%	(30%)
4	£1bn–£1.5bn	17%	(16%)
5	>£1.5bn	10%	(19%)

Breakdown by Index (Ex Cash)



		2020	(2019)
1	AIM	34%	(25%)
2	FTSE 250*	20%	(20%)
3	NSCI	46%	(55%)

The Attractions of Quoted UK Small Companies ('SmallCap')

The key attraction of investing in smaller companies is their long term record of delivering higher returns to investors than large companies. In the UK, over the last 65 years, this has amounted to an average of 3.3% per annum ("the SmallCap Effect"). £1 invested in UK large companies in 1954 would now be worth £1,176, whereas the same £1 invested in smaller companies would now be worth over £7,800 – over 6 times more.

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

Montanaro

Montanaro was established in 1991. We have one of the largest and most experienced specialist teams in the UK dedicated exclusively to researching and investing in quoted small companies. Our team of 30 includes ten nationalities, which gives us the breadth and scope to conduct thorough in-house research.

At 31 March 2020, we were looking after over £2 billion of assets.

Investment Philosophy and Approach

We specialise in researching and investing in quoted small companies.

We have a disciplined, two-stage investment process. Firstly, we identify *"good businesses"* within our investable universe. In the second stage, we determine the intrinsic value of each company to ensure they will make a *"good investment"* (the two are not always the same). When we consider that we have identified a good company, it must pass our stringent quality and ESG Checklists and be approved by our Investment Committee before it can be added to our "approved list". ESG has been integrated into or within our disciplined investment process for many years. Only the most attractive companies make it on to our approved list and it is from these that we construct your portfolio.

We have an in-house team of ten (soon to be eleven) analysts who are sector specialists. This is one of the largest such specialist teams in the country. Utilising their industry knowledge and a range of proprietary screens, they are continually searching for new ideas. With around 2,000 companies to choose from, we are spoiled for choice.

We look for high-quality companies in markets that are growing. They must be profitable; have good and experienced management; deliver sustainably high returns on capital employed; enjoy high and ideally growing profit margins reflecting pricing power and a strong market position; and provide goods and services that are in demand and likely to remain so.

We prefer companies that can deliver self-funded organic growth and remain focused on their core areas of expertise, rather than businesses that spend a lot of time on acquisitions.

Conversely, we avoid those with stretched balance sheets; poor free cash flow generation; incomprehensible or heavily adjusted accounts; unproven or unreliable management; or that face structurally challenged business models with stiff competition.

We believe that a deep understanding of a company's business model and the way it is managed are essential. Therefore, we visit our investee companies on a regular basis. These visits are important: we meet employees who have not met investors before; gain a better insight into the products and services provided; and observe

* Represents those holdings that are in the FTSE 250 and are above the threshold for the NSCI.

and come to appreciate the culture of the company that is hard to glean from reading an annual report. Few of our peers have the in-house resources to conduct such thorough due diligence. Although hard work, these site visits are a way for us to add value and this helps us to predict where a company will be in 5-10 years. We are long-term investors.

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

Once a company has been added to the portfolio, our analysts conduct ongoing analysis. 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 management. We will sometimes get things wrong.

In summary, we invest in well managed, high quality, growing companies bought at sensible valuations. We keep turnover and transaction costs low and follow our companies closely over many years. We would rather pay more for a higher quality, more predictable company that can be valued with greater certainty. Finally, we align ourselves with our investors by investing meaningful amounts of our own money alongside yours. We are significant shareholders in MUSCIT.

The new dividend policy announced in July 2018 has had no impact whatsoever on the investment philosophy, process or strategy. This does not and will not change. MUSCIT is a "quality growth" Trust looking for capital growth by investing in the best managed, quoted small companies in the UK.

Environmental, Social and Governance

Montanaro became a B Corporation in June 2019. "B Corps" are businesses that meet the highest standard of verified social and environmental performance, public transparency and legal accountability to balance profit and purpose.

As part of our due diligence work, we place a great deal of emphasis on ethical and ESG factors. We work closely with our companies to encourage sustainable business practices, which we believe play an integral part in the creation of long-term shareholder value.

Montanaro believes there is a clear correlation between how well a business fares on ESG grounds and the value it creates for its shareholders. Therefore, ESG considerations form an integral part of our assessment of a company's "quality" and are fully integrated into our investment process. All the ESG research is done in-house by our Analysts.

In addition, we engage with companies in an effort to improve corporate behaviour. As responsible shareholders, we believe that it is our duty to engage with our investee companies. In our experience, active and constructive engagement can help to foster positive long-term change in the way businesses are run.

We do not invest in companies that generate a significant proportion of sales from products with negative societal impact such as tobacco, gambling, armaments, alcohol, high-interest-rate lending and fossil fuels. Similarly, we do not invest in companies that conduct animal testing, unless it is required by law for healthcare purposes. With the "sustainability" trend a growing feature of the investment landscape, we believe that we are ahead of the curve. In SmallCap, it is particularly important to engage with companies to influence the impact they have on the world. Our high level of in-house resources makes this possible.

How to invest

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

Together with the Board, we have appointed Marten & Co to provide sponsored research – you can find the initiation report published in March 2020 here: www.montanaro.co.uk/montanaro-uk-smaller-companies-reputation-restored/

For further details about how to invest, please refer to the website: www.montanaro.co.uk/trust/muscit

The Portfolio

At 31 March 2020, the portfolio consisted of 49 companies of which the top ten holdings represented 36%. MUSCIT held 20 companies traded on AIM, representing 34% of the portfolio by value.

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

Performance

The NAV declined by 8.5% on a total return basis, which compares to a decline of 25.9% for the benchmark. This represents an outperformance of 17.4%. Over the past three years the Company has outperformed by 21.6%.

Manager's Report continued

Review

As we write these lines, holed up at home for countless weeks waiting for the Covid-19 pandemic to pass, it is easy to forget that the global economy only came to a halt in the final month of MUSCIT's financial year. For most of the year, life was "normal" and equity markets were moving higher. Capital cities around the world were bustling, borders and restaurants were open, carbon emissions were on the rise and our skies were littered with airplanes.

In fact, much did happen before the pandemic hit: the Woodford debacle rocked the funds industry and served as a reminder to us all that complacency is a fund manager's worst enemy and the importance of the right fund structure for illiquid investments; Boris Johnson took over from Theresa May as Prime Minister; a General Election was held and the Brexit Withdrawal Agreement was finally passed by Parliament, putting an end to more than three years of nerve grating negotiations with Brussels and domestic political drama. Much of the political uncertainty that had prevailed since the Brexit Referendum of 2016 had been lifted by the turn of the year.

UK equity markets cheered the good news – by the end of December 2019, MUSCIT had returned 23% in NAV terms (with dividends reinvested) and 43% in share price terms since the start of the Financial Year (1 April 2019). In addition, three portfolio companies received takeover bids: Entertainment One (26% premium), Charles Taylor (34% premium) and Consort Medical (39% premium).

The bull market came to an abrupt end in February 2020 shortly before a third of humanity went into lockdown. In early March, we witnessed one of the fastest stock market sell-offs in history as the world economy collapsed. Questions rapidly emerged about companies' liquidity and solvency. Fortunately, our "quality growth" style served us well once again and the Company managed to outperform by 10% in the final quarter.

Gearing

The Alternative Investment Fund Manager ("AIFM"), in consultation with the Board, is responsible for determining the net gearing level of the Company. Net gearing remained below the 10% mark through the first half of the year and was subsequently raised to c.12% ahead of the General Election in December 2019. Fortunately, this proved to be well-timed as the UK equity market – and SmallCap in particular – rallied strongly ahead of the Christmas holiday. After a period of strong performance, we gradually reduced gearing which helped cushion the fall in markets. At 31 March 2020 net gearing employed stood at 4.2%.

Outlook

The bleak economic outlook sparked by the global response to Covid-19 mostly threatens businesses with structural weaknesses – poor management, a weak balance sheet, a lack of recurring revenue or pricing power. However, despite our steadfast commitment to investing in high-quality businesses, we are taking nothing for granted.

From the very first day of lockdown, our analysts have been working remotely. It has been business as normal. They have excelled themselves by speaking to all the companies held in the portfolio. They have learned how each company is coping in this new reality and checked that management and staff are safe and well. We have learned a great deal during these few months.

Opportunities are already emerging from the darkness of the pandemic – some of our companies are seeing their competitors fail while others have been able to raise capital on attractive terms to fund future growth. As always, the strong will emerge stronger from the ashes of the world economy. Montanaro has always retained high levels of cash precisely for times like these. In past bear markets we have grown the team. This is no exception as we recruited a healthcare analyst to join our team as well as two additions to our back office team.

The end of the financial year marks the 25th anniversary of MUSCIT. When I launched MUSCIT in March 1995, it was one of twenty seven UK SmallCap investment trusts. Today, there are just seven. MUSCIT was launched with £25 million; net assets are today approaching £200 million. We have seen several bull and bear markets over the years. We are pleased to have delivered to our shareholders a total return of c.9% per annum since launch (after fees).

I would like to take this opportunity to extend my thanks to our Chairmen and Directors, past and present, for their valuable support during this exciting journey. I am also humbled that so many of our shareholders who joined us in the early days of this journey are still with us today – we look forward to celebrating our 30th anniversary with all of you.

CHARLES MONTANARO
22 June 2020

Twenty Largest Holdings
as at 31 March 2020

1. Hilton Food Group plc
a leading food packing business.

2. Integrafin Holdings plc
a UK IFA platform provider.

3. Marshalls plc
the UK's leading provider of hard landscaping products.

4. Ideagen plc
a supplier of Governance, Risk and Compliance software for highly regulated industries.

5. Discoverie
a designer and manufacturer of components for electronic applications.

6. Cranswick plc
a supplier of premium meat products.

7. Polypipe Group plc
a supplier of plastic pipes and ventilation systems for residential, commercial and infrastructure.

8. 4imprint Group plc
a supplier of promotional merchandise.

9. Big Yellow Group plc
a real estate investment trust focused on the self-storage market.

10. NCC Group
a provider of software escrow and cyber security consulting services.

11. XP Power Ltd
a provider of power solutions.

12. Restore
the UK's number two document storage and shredding business.

13. Porvair plc
an industrial filtration and environmental technology specialist.

14. Advanced Medical Solutions Group
a manufacturer of woundcare products, sutures and sealants.

15. Diploma plc
a supplier of specialised consumables in industrial seals, control systems and healthcare mainly in Europe and North America.

16. FDM Group Holdings plc
a specialist service business that trains and places IT professionals.

17. Dechra Pharmaceuticals
an animal health specialist.

18. AJ Bell
a leading online investment platform.

19. Clarkson plc
a leading shipping brokerage business.

20. First Derivatives
a database technology and consulting services provider.

Twenty Largest Holdings continued
as at 31 March 2020

Holding	Sector	Value £'000	Market cap £m	% of portfolio 31 March 2020	% of portfolio 31 March 2019
Hilton Food Group	Food Producers	8,910	883	4.6	3.4
Integrafin Holdings	Financial Services	8,710	1,443	4.5	2.7
Marshalls	Construction & Materials	7,319	1,171	3.7	4.6
Ideagen	Software & Computer Services	7,290	367	3.7	2.4
Discoverie	Electronic & Electrical Equipment	6,874	439	3.5	1.7
Cranswick	Food Producers	6,472	1,933	3.3	2.4
Polypipe Group	Construction & Materials	6,440	925	3.3	2.9
4Imprint Group	Media	6,273	542	3.2	4.0
Big Yellow Group	Real Estate Investment Trusts	6,024	1,762	3.1	3.7
NCC Group	Software & Computer Services	5,395	461	2.8	1.6
XP Power	Electronic & Electrical Equipment	5,357	507	2.7	2.5
Restore	Support Services	5,175	431	2.6	1.9
Porvair	Industrial Engineering	5,040	232	2.6	2.4
Advanced Medical Solutions Group	Health Care Equipment & Services	5,020	539	2.6	2.1
Diploma	Support Services	4,842	1,828	2.5	3.2
FDM Group	Software & Computer Services	4,804	807	2.5	2.5
Dechra Pharmaceuticals	Pharmaceuticals & Biotechnology	4,704	2,420	2.4	1.8
AJ Bell	Financial Services	4,658	1,273	2.4	0.5
Clarkson	Industrial Transportation	4,620	702	2.4	2.1
First Derivatives	Software & Computer Services	4,560	623	2.3	1.8
Twenty Largest Holdings		**118,485**		**60.6**	

A full portfolio listing is available on request from the Manager.

All investments are in Ordinary shares.

As at 31 March 2020, the Company did not hold any equity interests comprising more than 2.4% of any company's share capital.

Analysis of Investment Portfolio by Industrial or Commercial Sector

as at 31 March 2020

Sector	31 March 2020 % of portfolio	31 March 2020 % of NSCI	31 March 2019 % of portfolio	31 March 2019 % of NSCI
Oil and Gas Producers	–	2.7	–	3.6
Oil Equipment, Services & Distribution	–	1.4	–	1.1
Oil and Gas	**–**	**4.1**	**–**	**4.7**
Chemicals	2.0	1.7	2.8	2.5
Industrial Metals	–	0.8	–	1.0
Mining	–	3.6	–	3.3
Basic Materials	**2.0**	**6.1**	**2.8**	**6.8**
Construction and Materials	7.0	4.4	7.4	4.8
Aerospace and Defence	–	3.1	–	1.9
General Industrials	–	1.7	–	1.0
Electronic and Electrical Equipment	9.6	2.8	5.9	1.8
Industrial Engineering	2.6	1.9	2.4	1.7
Industrial Transportation	4.6	2.3	4.7	2.3
Support Services	12.2	6.5	20.3	7.8
Industrials	**36.0**	**22.8**	**40.7**	**21.3**
Automobiles and Parts	–	1.2	–	0.6
Beverages	–	1.5	–	0.9
Food Producers	9.1	3.4	7.4	3.5
Household Goods and Home Construction	0.6	2.4	2.5	3.2
Leisure Goods	–	0.1	0.2	0.8
Personal Goods	–	1.5	–	1.3
Consumer Goods	**9.7**	**10.2**	**10.1**	**10.3**
Health Care, Equipment and Services	4.7	1.0	5.9	1.2
Pharmaceuticals and Biotechnology	4.8	2.2	3.1	1.5
Health Care	**9.5**	**3.1**	**9.0**	**2.7**
Food and Drug Retailers	–	–	–	1.3
General Retailers	–	4.1	1.3	6.4
Media	6.8	6.2	8.4	3.8
Travel and Leisure	0.6	8.0	3.5	9.8
Consumer Services	**7.4**	**18.3**	**13.2**	**21.3**
Fixed Line Telecommunications	–	2.2	–	1.9
Mobile Telecommunications	–	1.4	–	–
Telecommunications	**–**	**3.6**	**–**	**1.9**
Electricity	–	1.7	–	0.8
Utilities	**–**	**1.7**	**–**	**0.8**
Banks	–	1.5	–	1.5
Life and Non-life Insurance	–	4.4	–	2.3
Real Estate/Real Estate Investment Trusts	4.3	1.8	4.8	5.0
Real Estate Investment & Services	–	7.1	–	–
Financial Services	12.4	10.3	7.4	8.7
Financials	**16.7**	**25.0**	**12.2**	**24.3**
Software and Computer Services	18.7	3.4	12.0	5.1
Technology Hardware & Equipment	–	1.5	–	0.8
Technology	**18.7**	**5.0**	**12.0**	**–**
Total	**100.0**	**100.0**	**100.0**	**100.0**

The investment portfolio comprises 49 traded or listed UK equity holdings.

Business Model and Strategy

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.

INVESTMENT OBJECTIVE

MUSCIT's investment objective is capital appreciation through investing in small 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 small 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 2020, this was any company below £1.63 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, 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 AIFM, in consultation with the Board, is responsible for determining the gearing levels of the Company and has determined that 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 currently has credit facilities totalling £30 million with ING Bank, of which £20 million was utilised via a Fixed Rate Term Loan as at 31 March 2020. Net gearing at that date amounted to 4.2%.

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.

* These investment restrictions were amended on 8 May 2018. Prior to this, AIM exposure was limited to 30% with Board approval required for exposure above 25%.

TAXATION POLICY

The Company complies at all times with Section 1158 of the Corporation Tax Act 2010 ("Section 1158") such that it does not suffer UK Corporation Tax on capital gains; and ensures that it submits correct taxation returns annually to HMRC and settles promptly any taxation due. 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.

PRINCIPAL AND EMERGING RISKS

The Board carefully considers the Company's principal and emerging risks and seeks to mitigate these risks through regular review, policy setting, compliance with and enforcement of contractual obligations and active communication with the Manager, the Administrator and 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 controls for mitigation.

The Board has 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.

A summary of the Company's risk management and internal control processes can be found in the Corporate Governance Statement on pages 24 and 25. 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.

Principal Risks	Mitigation

Liquidity and Discount Management:
The Company's share price performance lags NAV due to poor performance, or because SmallCap is out of favour.
 	
The Company may be at risk from arbitrageurs or a sale from a sizeable shareholder.
	The Board regularly reviews:
	• *the relative level of discount against the sector;*
	• *investment performance*
	  – *relative to the competition; and*
	  – *the benchmark;*
	• *the underlying liquidity of the portfolio; and*
	• *the share register.*
	
	The Company may buy back shares when it considers it to be in shareholders' best interests.
	
	The dividend policy was amended in July 2018 with the intention of attracting new investors and reducing the discount.

Principal Risks	Mitigation
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.	*To manage the risk, a review is undertaken at each Board meeting with the Manager of portfolio performance against the benchmark and the 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.*
Risk Oversight: The Manager is taking too much risk in the portfolio leading to unacceptable volatility in performance or excessive portfolio turnover.	*Risk oversight is primarily the responsibility of the AIFM, but the Board provides additional oversight through portfolio reviews at each Board meeting. Portfolio turnover is also reviewed at each Board meeting.*
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, gearing exacerbates movements in the NAV both positively and negatively and will exaggerate declines in NAV when share prices of investee companies are falling.	*The AIFM, in consultation with the Board, is responsible for determining the gearing levels of the Company, which is monitored at each Board meeting.*
Key Man Risk: A change in the key investment management personnel involved in the management of the portfolio could impact on future investment performance and lead to loss of investor confidence.	*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 within Montanaro offering continuity of communication with the Company's shareholders. The Board is in regular contact with Montanaro and its designated Manager and will be asked for their approval to any proposed change in the lead manager.*
Operational Risk: The Company has no employees, in common with most other investment trusts, 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.	*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 as part of which their internal control reports are reviewed.* *The Company's assets are subject to a liability regime. Unless the Depositary is able to demonstrate that any loss of financial assets held in custody was the consequence of an event beyond its reasonable control, it must return assets of an identical type or the corresponding amount.* *Business continuity plans at all service providers have been implemented and services have continued with no disruption. The Manager has been in regular contact with the Board and has reported no matters of concern in continuity of operations.*

Business Model and Strategy continued

Principal Risks	Mitigation
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 service providers suffered a major cyber security breach.	*The Board monitors the preparedness of its service providers and is satisfied that the risk is given due priority.* *The Manager provides a report to the Board at each meeting that covers cyber risk. The Company benefits from the network and information technology controls of the Manager around the security of data.*
Breach of Regulation: The Company must comply with the provisions of the Companies Act 2006, the UK Listing Rules and Disclosure, Guidance & Transparency Rules, the Market Abuse Regulations 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.	*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, the Packaged Retail and Insurance-based Products Regulation and the second Markets in Financial Instruments Directive.*
Financial: The Company's investment activities expose it to a variety of financial risks that include interest rate and liquidity risk. Events such as global pandemics could affect share prices in particular markets.	*The liquidity of the portfolio is monitored by the Manager and reported to the Board, and market conditions and their impacts are considered.* *Further details on these risks are disclosed in note 15 to the financial statements.*

KEY 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	%	
	2020[1]	2019[1]
NAV per share total return[2]	**(8.5)**	0.5
Share price total return	**(0.3)**	(1.1)
Relative NAV[3] per share performance vs benchmark	**17.4**	1.7
Discount to NAV[2,3,4]	**11.2**	18.0
Ongoing charges ratio[2]	**0.81**	0.80

1 Returns for both 2019 and 2020 are Total Returns, i.e. including dividends reinvested.

2 Alternative performance measures. Please see page 57 for further information.

3 London Stock Exchange closing price.

4 The percentage difference between the share price and the NAV.

Performance

At each meeting, the Board reviews the performance of the portfolio as well as the NAV and share price. Performance is reviewed against the benchmark and compared with the performance of other companies in the peer group. Information on the Company's performance is given in the Highlights on page 1.

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 2020 was 11.2%. During the year the shares traded at an average discount to NAV of 13.4%.

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 57.

Ongoing charges ratio

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 57.

VIABILITY STATEMENT

In accordance with the UK Corporate Governance Code, 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 2025.

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 fell due and the principal risks as set out on pages 10 to 12. 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 62% 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
  - 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 maintain the credit facilities currently provided by ING Bank;
- the Company invests principally in the securities of quoted UK small 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;
- as determined at the AGM held in 2017, the next continuation vote will be in 2022. Further details are provided in the Directors Report on page 18;
- regulation will not increase to a level that makes the running of the Company uneconomic; and
- the performance of the Company will be satisfactory.

Since the global outbreak of COVID-19 materially impacting global markets in recent months, all necessary actions have been undertaken to preserve the financial condition of the Company and to ensure that it is able to operate effectively. Since 18 March 2020, the majority of the Manager's employees have been working from home in accordance with government requirements. The Company has successfully continued to manage its portfolios and the associated administration. Despite market volatility negatively impacting performance in March and the fact that the resulting economic disruption caused by the crisis will likely create further challenges for the Company in the coming months, the Board considers that the Company's available resources are more than sufficient to ensure its continuing viability.

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.

FUTURE PROSPECTS

The Board's main focus is the achievement of capital appreciation and outperformance of the benchmark. The future of the Company is dependent upon the success of the Company's investment strategy. The Company's outlook is discussed in the Chairman's Statement on page 3 and the Manager's Report on page 6.

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.

DIRECTORS AND GENDER REPRESENTATION

As at 31 March 2020, the Board of Directors comprised two male Directors and one female Director. The Board acknowledges the benefits of diversity, including gender diversity and it remains committed to ensuring that the Company's Directors bring a wide range of skills, knowledge, experience, backgrounds and perspectives.

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. In accordance with the requirements of the Companies (Miscellaneous Reporting) Regulations 2018, 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 a tailored induction, including details of all relevant regulatory and legal duties as a Director of a UK public limited company when they first 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 and defined 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.

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. A paper reminding Directors of that is tabled at the start of every Board meeting. For example, the strategic planning discussions involve careful considerations of the longer-term consequences of any decisions and their implications on shareholders and other stakeholders and are supported by detailed cash flow projections based on various scenarios, which include assumptions around the Company's contractual commitments; availability of funding; borrowing; as well as the wider economic conditions and market performance.

COMMUNITY AND ENVIRONMENT

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 that it deems to be harmful to society or the environment; this includes companies involved in tobacco, fossil fuels, gambling, adult entertainment, weapons manufacturing, alcohol and high interest rate lending. Similarly, we do not invest in companies that conduct animal testing, unless it is required by law for healthcare purposes.

The Manager is a signatory to the Principles for Responsible Investment, the UK Stewardship Code, the Carbon Disclosure Project and the LGPS Code of Transparency. In June 2019, Montanaro became a "B Corporation", a business certified for meeting the highest verified standards of social and environmental performance, transparency and accountability.

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 policy 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 27 to 29 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. The Manager always delivers a presentation and all shareholders have an opportunity to meet the Directors and ask questions. The presentation is then sent to investors who could not attend and is also made available on the Company's website. The Board greatly values the feedback and questions it receives from shareholders and takes action or makes changes as and when appropriate; • **Presentations** – 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 render the reports and updates transparent and understandable; • **Investor Relations updates** – The Manager's marketing team meet and speak to shareholders on a regular basis – 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	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 both 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 for the most part well aligned, adopting a tone of constructive challenge, balanced when those interests are not fully congruent by robust negotiation of the Manager's terms of engagement.
Other service providers, including: the Company Secretary, the Administrator, the Registrar, the Depositary, the Custodian and the Broker	In order to function as an investment trust with a premium listing on the London Stock Exchange, the Company relies on a diverse range of advisors for support with meeting all 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.

Directors' Duties continued

Stakeholders	Why They Are Important	Board Engagement
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, and in particular, that the Board focuses regularly and carefully on the management of risk.
Institutional Investors and proxy advisors	The evolving practice and support (or lack thereof) 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.

The Chairman's Statement on pages 2 and 3, the Manager's Report on pages 4 to 6 and the portfolio analysis on pages 7 to 9 also form part of the Strategic Report. The Strategic Report was approved by the Board at its meeting on 22 June 2020.

On behalf of the Board

ARTHUR COPPLE
Chairman
22 June 2020

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 and Chairman of the Nomination and Remuneration Committee
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. He is also non-executive Chairman of Temple Bar Investment Trust plc and Vice-Chair of the University of Brighton Academies Trust.

Relevant skills and experience and reasons for re-election: Arthur 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.

James Robinson – Senior Independent Director and Chairman of the Audit and Management Engagement Committee
Date of Appointment: 30 September 2013

James is a non-executive Director of JPMorgan Elect plc and a Governor of Lord Wandsworth College. A chartered accountant, he was previously chief investment officer (investment trusts) and director of hedge funds at Henderson Global Investors and a non-executive director of Aberdeen New Thai Investment Trust plc, Invesco Asia Trust plc and Fidelity European Values plc. He was also formerly Chairman of Polar Capital Global Healthcare Trust plc and the investment committee of the British Heart Foundation.

Relevant skills and experience and reasons for re-election: James' experience as a chartered accountant brings valuable financial and risk management skills to the Board, which enables him to assess the financial position of the Company and to lead discussions regarding the Company's risk appetite. His experience helps inform his role as Chairman of the Audit and Management Engagement Committee. Additionally, he gained significant experience of investment trusts through his role as chief investment officer, investment trusts at Henderson Global Investors. Following a rigorous Board evaluation process, the Board agreed that James continues to be an effective member of the Board.

Catriona Hoare
Date of Appointment: 19 November 2019

Catriona joined Veritas Investment Management LLP in 2013. In her current role as an Investment Partner, she manages client portfolios and sits on the firm's research and investment governance committees. 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 Governor of Southmead Primary School, 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 election: Catriona's experience as an investment partner at Veritas Investment Management LLP brings valuable investment and portfolio analysis skills to the Board, which enables her to assess and challenge the Manager on Company strategy and performance. Catriona was appointed to the Board in November 2019 and is therefore seeking election from shareholders for the first time.

Directors' Report

The Directors present the Annual Report and Accounts of the Company for the year ended 31 March 2020.

The outlook for the Company is set out in the Chairman's Statement on page 3. Principal and emerging risks can be found on pages 10 to 12 with further information on risk management objectives in note 15 to the accounts.

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 54.

The Company's shares are eligible for inclusion in the stocks and shares component of a Individual Savings Account ("ISA").

RESULTS AND DIVIDEND

The results for the Company are set out in the Income Statement on page 41.

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 2 of the report.

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 2022, being a period of not more than five years since the Directors were last released from the obligation to convene a general meeting. 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 2022.

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 and particularly in light of the economic disruption caused by the COVID-19 pandemic, the Directors believe that this is the appropriate basis. The Directors consider that the Company has adequate resources to continue in existence for the foreseeable future, being a period of at least 12 months from the date the financial statements were approved. In reaching this conclusion, the Directors had particular regard to the Company's ability to meet its obligations as they fall due and the liquidity of the portfolio. The Company is also able to meet all of its liabilities from its assets and the ongoing charges are approximately 0.81% per annum.

The Company's longer-term viability is considered in the Viability Statement on pages 12 and 13.

CAPITAL STRUCTURE

The Company's ordinary issued share capital consists of 167,379,790 ordinary shares. There are no shares held in treasury. The Ordinary shares carry the right to receive dividends and have one voting right per Ordinary share. There are no restrictions on the voting rights or transfer of Ordinary shares and no shares which carry special rights. There are no agreements which the Company is party to that might affect its control or trigger any compensatory payments for Directors following a takeover bid.

The Company may cancel or hold Ordinary shares acquired by way of market purchases in treasury. 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 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.

The Company's current authorities to buy back and sell shares from treasury and issue shares will expire at the conclusion of the 2020 Annual General Meeting. The Directors are proposing that these authorities be renewed at the forthcoming Annual General Meeting.

Any decisions regarding placing shares into treasury, or selling shares from treasury, will be taken by the Directors. No shares were held in treasury, bought back, sold from treasury or issued during the financial year or during the period from 31 March 2020 to the date of this report.

As at 19 June 2020 (being the latest practicable date prior to the publication of this report), the closing share price of the Company's Ordinary shares of 2 pence each had risen to 108 pence.

DIRECTORS

The biographical details of the Directors in office at the date of this report are provided on page 17 and their interests in the shares of the Company are shown on page 31. All Directors are independent and non-executive. Ms Hoare was appointed as a Director on 19 November 2019 and Kate Bolsover, who had served as a Director since 2014 and was the Senior Independent Director and Chair of the Remuneration Committee, resigned on 19 November 2019. Mr Cuming retired as Chairman of the Board and Chairman of the Nomination Committee on 25 July 2019.

The Directors may exercise all powers within their scope to manage the business of the Company subject to the provisions of the Articles of Association and the Companies Act 2006. These powers may be delegated to a Director, committee or agent.

In accordance with the policy adopted by the Board, all Directors should submit themselves for re-election at each Annual General Meeting. Accordingly, Mr Copple and Mr Robinson will stand for re-election for a further year at the 2020 AGM and Ms Hoare will be seeking election for the first time.

As set out on page 23, following a performance review, the Board believes that it is in the best interests of shareholders that each Director continues in their roles and believes that it would be in the Company's best interests for each of them to be proposed for election, or re-election, at the forthcoming AGM given their material level of contribution, commitment to the role and for the reasons set out on page 17. Ms Hoare joined the Board in November 2019 following a rigorous selection process.

The rules relating to the appointment and removal of Directors are set out in the Companies Act 2006 and the Company's Articles of Association.

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.

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 an annual 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.

SUBSTANTIAL SHAREHOLDINGS

At 31 March 2020 the Company had been informed of the following notifiable interests in its voting rights:

Beneficial owner	Ordinary shares	% of voting rights
Border to Coast Pensions Partnership	14,892,000	8.9
Derbyshire County Council	13,174,285	7.9
Rathbone Investment Management Limited	11,839,880	7.1
Lazard Asset Management LLC	9,181,888	5.5
Montanaro Asset Management Limited	8,375,000	5.0
Quilter Cheviot Limited	8,356,150	5.0
Newton Investment Management Limited	8,307,825	5.0
Brooks Macdonald Asset Management Limited	8,363,585	5.0
1607 Capital Partners LLC	7,899,099	4.7
Jupiter Asset Management Limited	7,825,000	4.7
Royal London Asset Management Limited	6,752,830	4.0
City of Bradford Metropolitan District Council	6,142,500	3.7

The Company has not been advised of any changes to these notified interests between 31 March 2020 and the date of this report.

INVESTMENT MANAGEMENT AGREEMENT (THE "AGREEMENT")

The Board contractually delegated the management of the investment portfolio to Montanaro under an Investment Management 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.

Directors' Report continued

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 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. Among the reasons for this view is the Company's long-term investment performance relative to that of the markets in which the Company invests, as well as the depth and experience of the research capability of Montanaro.

ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE

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

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

DEPOSITARY AND CUSTODIAN

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

BNY Mellon Trust & Depositary (UK) Limited ("BNYMTD") was appointed as the Depositary with effect from 22 July 2014. However, with effect from 1 November 2017, the role of Depositary was transferred, by way of a novation agreement, from BNYMTD to its parent company, The Bank of New York Mellon (International) Limited ("BNYM" or the "Depositary"). The annual fee for depositary services is 0.034% per annum where gross assets are between £0 and £150 million and 0.025% per annum of gross assets above a value of £150 million, subject to a minimum fee of £20,000 per annum. The Depositary Agreement is subject to 90 days' written notice.

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

ADMINISTRATOR

Link Alternative Fund Administrators Limited has been appointed as Administrator to the Company. The Administrator receives an annual fee of £72,000. The agreement may be terminated by either party by giving not less than six months' prior written notice.

COMPANY SECRETARY

Maitland Administration Services Limited was appointed as Company Secretary pursuant to an agreement dated 29 September 2016 and was replaced by Link Company Matters Limited on 1 October 2019.

The Company Secretary receives an annual fee of £55,000. The agreement may be terminated by either party by giving not less than six months' prior written notice.

REGISTRAR

Link Asset Services has been appointed as the Company's registrar and is entitled to a fee calculated on the number of shareholders and the number of 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.

CHANGE OF CONTROL

There are no agreements to which the Company is a party that might be affected by a change in control of the Company.

CORPORATE GOVERNANCE

The Corporate Governance Statement, which forms part of this Directors' Report, is set out on pages 22 to 26.

FUTURE DEVELOPMENTS OF THE COMPANY

The outlook for the Company is set out in the Chairman's Statement on page 3 and the Manager's Report on page 6.

GLOBAL GREENHOUSE GAS EMISSIONS

The Company has no greenhouse gas emissions to report from the operations of the Company, nor does it have responsibility for any other emission producing sources under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

DONATIONS

The Company made no political or charitable donations during the year (2019: nil) to organisations either within or outside of the EU.

REQUIREMENTS OF THE LISTING RULES

Listing Rule 9.8.4 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 Listing Rule 9.8.4.

LR 9.8.4 (5) Mr Robinson took over the role of Senior Independent Director ("SID") with effect from 19 November 2019. Under the Company's Remuneration Policy, the SID is entitled to an additional fee of £1,000. However, Mr Robinson has waived his entitlement to the additional £1,000. 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.

ARTICLES OF ASSOCIATION

Any amendments to the Company's Articles of Association must be made by special resolution.

ANNUAL GENERAL MEETING

The Notice of the Annual General Meeting ("AGM") to be held on 31 July 2020 (the "Notice") is set out on pages 59 to 63.

Resolutions 1 to 9 will be proposed as Ordinary Resolutions and Resolutions 10 and 11 will be proposed as Special Resolutions.

As explained in the Chairman's Statement on page 3, in light of the current measures in place in the UK and in order to protect the health and safety of the Company's shareholders and Directors, the AGM will be conducted as a closed meeting and will be held to complete the formal business only.

Authority to Allot Shares (Resolution 9)

The Directors may only allot shares for cash if authorised to do so by shareholders in a general meeting. This resolution seeks to renew the authority of the Directors to allot Ordinary shares for cash up to an aggregate nominal amount of £167,380 which represents 5% of the Company's issued Ordinary share capital (excluding any treasury shares) as at 22 June 2020.

The Directors will use this authority when it is in the best interests of the Company to issue Ordinary shares for cash. This authority will expire at the conclusion of the AGM to be held in 2021 unless renewed prior to that date.

Disapplication of Pre-emption Rights: (Resolution 10)

The Directors are required by law to seek specific authority from shareholders before allotting new shares or selling shares out of treasury for cash without first offering them to existing shareholders in proportion to their holdings. Resolution 10 authorises the Directors to allot new ordinary shares for cash or to sell shares held by the Company in treasury, otherwise than to existing shareholders on a pro rata basis, up to an aggregate nominal amount of £167,380 which is equivalent to 8,368,989 Ordinary shares and represents 5% of the Company's issued ordinary share capital as at 22 June 2020. This authority will expire at the conclusion of the AGM to be held in 2021 unless renewed prior to that date.

Authority to Buy Back Shares (Resolution 11)

The resolution to be proposed will seek to renew the authority granted to Directors enabling the Company to purchase its own shares.

The Directors are seeking authority to purchase up to 25,090,230 Ordinary shares or, otherwise if less, 14.99% of the number of shares in issue immediately following the passing of this resolution.

This authority will expire at the conclusion of the AGM to be held in 2021 unless renewed prior to that date.

Any Ordinary shares purchased may be cancelled immediately upon completion of the purchase or held, sold, transferred or otherwise dealt with as treasury shares in accordance with the provisions of the Companies Act 2006.

RECOMMENDATION

The Directors unanimously recommend that all shareholders vote in favour of all the Resolutions, as they intend to do in respect of their own holdings, which amount in aggregate to 172,250 shares representing approximately 0.1% of the voting rights in the Company.

INDEPENDENT AUDITOR

As announced on 17 March 2020, the Company undertook a formal tender process and will appoint BDO LLP ("BDO") as its auditor for the financial year ending 31 March 2021. A resolution to 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 at the forthcoming Annual General Meeting. Further details on the tender process can be found on pages 28 and 29.

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 he/she ought to have taken as a Director to make himself/herself 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

LINK COMPANY MATTERS LIMITED
Company Secretary
22 June 2020

Corporate Governance Statement

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

STATEMENT OF COMPLIANCE

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

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

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

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.

During the year, the Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Code, except as set out below.

Since all the Directors are non-executive, the provisions of the UK Code in respect of the role of the chief executive are not relevant to the Company and, likewise, the provisions of the UK Code relating to directors' remuneration are not relevant except in so far as they relate specifically to non-executive Directors. For the reasons set out in the preamble to the AIC Code, the Board considers that these provisions are not relevant to the Company, being an externally managed investment trust. The Company has therefore not reported further in respect of these provisions.

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

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. During the year ended 31 March 2020, four Board meetings were held. The number of scheduled Board and Committee meetings attended by each Director is set out below.

	Board		Audit and Management Engagement		Remuneration		Nomination	
	Number of meetings held	Number of meetings attended	Number of meetings held	Number of meetings attended	Number of meetings held^	Number of meetings attended	Number of meetings held	Number of meetings attended
Roger Cuming*	2	2	1	1	–	–	–	–
Kate Bolsover†	3	3	2	2	–	–	1	1
Arthur Copple	4	4	2	2	1	1	1	1
James Robinson	4	4	2	2	1	1	1	1
Catriona Hoare‡	2	2	–	–	1	1	–	–

* Mr Cuming resigned as a Director on 25 July 2019

† Ms Bolsover resigned as a Director on 19 November 2019

‡ Ms Hoare was appointed as a Director on 19 November 2019

^ The Remuneration Committee was held after the year-end and was attended by all current directors

THE BOARD

The Board currently consists of three non-executive Directors.

Roger Cuming retired from the Board on 25 July 2019 and was succeeded by Arthur Copple. As Chairman, Arthur is responsible for leading the Board, ensuring its effectiveness in all aspects of its role. James Robinson succeeded Kate Bolsover as the SID on 19 November 2019 and the Board considers that James Robinson is ideally suited to perform the role of the SID.

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 has there been any contract or arrangement between the Company and any Director at any time during the year. These letters of appointment are available for inspection on request to the Company Secretary.

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 19. 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 removals and the membership of committees. Decisions regarding the capital structure of the Company (including share buy backs and treasury share transactions) are also taken by the Board, while the day-to-day investment of the portfolio is delegated to the Manager.

PERFORMANCE EVALUATION

The Directors conduct an annual review of the performance of the Board, its Committees and individual Directors. The Board evaluation process aims to provide a valuable feedback mechanism for improving Board effectiveness, maximising strengths and highlighting areas for further development. This process is comprised of a detailed questionnaire assessing the performance and effectiveness of the Board and each of its committees.

Arthur Copple, as Chairman, takes overall responsibility for the evaluation process and has selected a questionnaire methodology to achieve these objectives, which is followed by a feedback session that considers how effective the process has been and identifies any areas for improvement. James Robinson, as the SID, leads the appraisal of the Chairman.

The Board has reviewed the time commitment required from all Directors and, noting their contributions and attendance at all Board and Committee meetings and discussions held outside these formal meetings, believes that all Directors have demonstrated the necessary commitment to the role.

The Board considers that outside commitments have not impinged 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, length of service and knowledge. It was agreed that a further review of the Board structure would be undertaken in the coming year.

INDEPENDENCE OF DIRECTORS

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

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.

ELECTION/RE-ELECTION OF DIRECTORS

Under the Company's Articles and in accordance with the AIC Code, Directors are required to retire at the first AGM following their appointment. Thereafter, one third of Directors shall be subject to retirement by rotation at each AGM. In so far as the number of Directors retiring is less than one-third, those Directors who have been longest in office shall also retire.

Beyond these requirements, the Board has agreed a policy whereby all Directors will seek annual re-election at each Annual General Meeting, which is in line with the AIC Code.

In line with the 2019 AIC Code, the Company has adopted a formal policy on tenure. The Board does not feel that it would be appropriate to set a specific tenure limit for individual Directors or the Chair of the Board or its Committees. Instead, under normal circumstances, the Board members, including the Chair, will be expected to serve a maximum 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.

A Chairman stepping down from that role would be capable of continuing to serve as a Director.

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:	56
Number of meetings voted against management or abstained:	13
Resolutions	
Number of resolutions where voted with management:	785
Number of resolutions where abstained:	14
Number of resolutions where voted against management:	7

Corporate Governance Statement continued

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

The roles of the Audit Committee and Management Engagement Committee have been combined to form one Committee.

This Committee is comprised of all Directors and is chaired by James Robinson, who is a Chartered Accountant. The Board is satisfied that James Robinson has recent and relevant financial experience to guide the Committee in its deliberations.

The report from this Committee is set out on pages 27 to 29.

Remuneration Committee

The Remuneration Committee was chaired by Kate Bolsover until her resignation on 19 November 2019 when Arthur Copple succeeded her as the Chairman, and is comprised of all Directors. The Committee meets as required for the purpose of considering levels of remuneration paid to the Directors and reviews the Directors' Remuneration Report and Remuneration Policy.

Nomination Committee

The Nomination Committee is comprised of all Directors and meets as required for the purpose of considering recruitment to, and removals from, the Board. This Committee was chaired by Roger Cuming until his retirement when he was succeeded by Arthur Copple.

The Company will ensure that any future Board vacancies will be filled by the most appropriate candidates regardless of gender or other forms of diversity. Therefore, no targets have been set against which to report. The value of diversity in the composition of the Board is recognised and, when Board positions become available, the Company will ensure it considers a diverse group of candidates.

All of the Company's Directors will stand for re-election at the forthcoming AGM, with the exception of Catriona Hoare who will stand for election having been appointed during the year under review by the Board.

As disclosed earlier in this report, Ms Hoare was appointed following a rigorous recruitment process. An external recruitment agency was not used in this search.

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 upon request from the Company Secretary and are available on the Company's website.

With effect from 31 March 2020, the Board determined to amalgamate the Remuneration and Nomination Committees into the Nomination and Remuneration Committee, chaired by Arthur Copple and comprised of all Directors. Given the size of the Company and the fact that all Directors sit on the newly amalgamated committee, the Board feels it is appropriate that Arthur Copple chair this committee.

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 would take actions to remedy any significant failings or weaknesses identified or make recommendations to the Board, as appropriate. 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 accords 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 risks are set out on pages 10 to 12. 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 has been produced 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 issues;
- Link Alternative Fund Administrators Limited ("LAFA") is responsible for the provision of administration duties;
- company secretarial duties, with effect from 1 October 2019, were undertaken by Link Company Matters Limited. Prior to this they were undertaken by Maitland Administration Services Limited;
- 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 Board 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.

DIALOGUE WITH SHAREHOLDERS

Communication with shareholders is given a high priority by both the Board and the Manager. The Directors and Manager are always available to enter into dialogue with shareholders and have a policy of regularly inviting major shareholders to meet the Board and the Manager. Shareholders wishing to communicate directly with the Board should contact the Company Secretary at the registered office or the Manager.

The Annual and Half-Yearly Reports of the Company are prepared by the Board and its advisers to present a fair, balanced and understandable review of the Company's position and performance, business model and strategy.

All shareholders usually have the opportunity to attend and vote at the AGM during which the Board and Manager are available to discuss issues affecting the Company. The Manager has signed up to the Stewardship Code and publishes its voting records on its website.

However, at the date of this report, the UK Government has prohibited large public gatherings, save in certain limited circumstances. In light of these measures and in order to protect the health and safety of the Company's shareholders and Directors, we hope that shareholders will understand that for 2020 the Company's Annual General Meeting will be run as a closed meeting and will be held to complete the formal business only. Shareholders will not be able to attend in person. Full details are provided at the end of this Annual Report in the Notice of Meeting.

To allow shareholders the opportunity to engage with the Board and the Manager, shareholders are invited to submit any questions they wish to ask in writing through to the Company Secretary at MUSCIT_CoSec@linkgroup.co.uk. Questions which are submitted no later than noon on 27 July 2020 will be answered on the Company's website www.montanaro.co.uk/trust/muscit prior to the close of proxy voting. Any questions submitted after this deadline will be responded to in due course.

PACKAGED RETAIL AND INSURANCE-BASED INVESTMENT PRODUCTS ("PRIIPS") REGULATION ("THE REGULATION")

Shares issued by investment trusts fall within the scope of the European Union's PRIIPs Regulation. Investors should be aware that the PRIIPs Regulation requires the AIFM, as PRIIPs manufacturer, to prepare a key information document ("KID") in respect of the Company. This KID must be made available, free of charge, to EEA retail investors prior to them making any investment decision.

Corporate Governance Statement continued

The Company is not responsible for the information contained in the KID and investors should note that the procedures for calculating the risks, costs and potential returns are prescribed by law. The figures in the KID may not reflect the expected returns for the Company and anticipated performance returns cannot be guaranteed. The PRIIPs KID in respect of the Company can be found at: www.montanaro.co.uk/trust/muscit

BRIBERY PREVENTION POLICY

The Board takes its responsibility to prevent bribery very seriously and has a zero tolerance policy towards bribery and a commitment to carry out business fairly, honestly and openly.

The Manager has high level, proportionate and risk-based anti-bribery policies and procedures in place which are periodically reviewed by the Board.

CRIMINAL FINANCES ACT 2017

The Company has a commitment to zero tolerance towards the criminal facilitation of tax evasion.

For and on behalf of the Board
ARTHUR COPPLE
Chairman
22 June 2020

Report from the Audit and Management Engagement Committee

As Chairman of the Audit and Management Engagement Committee (the "Committee"), I am pleased to present its Report to shareholders for the year ended 31 March 2020.

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 Mr Robinson, 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 respect to the investment trust sector.

ROLE OF THE COMMITTEE

The primary responsibilities of the Committee are to:

- monitor the process for the production and integrity of the Company's accounts;
- consider compliance with regulatory and financial reporting requirements;
- review and monitor the effectiveness of the internal control and risk management systems;
- review annually the need for the Company to have its own internal audit function;
- consider the terms of appointment, remuneration, independence, objectivity and effectiveness of the Company's Auditor;
- make recommendations to the Board in relation to the appointment of the Auditor;
- agree the Auditor's fee;
- develop and implement a policy on the supply of non-audit services by the Auditor;
- review annually the performance of the Manager and the terms of its appointment;
- review annually the performance of other third party service providers; and
- review annually 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.

MATTERS CONSIDERED IN THE YEAR

The Committee meets at least twice a year in advance of the publication of the annual and half-yearly financial results of the Company. At the two 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 the 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 Investment Management Agreement to ensure that the terms remain competitive;
- reviewed the performance of the Manager;
- satisfied itself that the continued appointment of the Manager was in the interests of shareholders as a whole;
- recommended to the Board that the Manager's appointment be continued; and
- reviewed and, where appropriate, updated the Company's risk register.

Report from the Audit and Management Engagement Committee continued

ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2020

Following discussion with the Manager and the Auditor, the Committee determined that the key areas of risk in relation to the financial statements of the Company for the year ended 31 March 2020 and how they were addressed were:

Significant issue	How the issue was addressed
COVID-19	Since the global outbreak of COVID-19 materially impacting global markets in recent months, all necessary actions have been undertaken to preserve the financial condition of the Company and to ensure that it is able to operate effectively. Since 18 March 2020, the majority of the Manager's employees have been working from home in accordance with government requirements. The Company has successfully continued to manage its portfolios and the associated administration. Despite market volatility negatively impacting performance in March and the fact that the resulting economic disruption caused by the crisis will likely create further challenges for the Company in the coming months, the Board considers that the Company's available resources are more than sufficient to ensure its continuing viability.
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 the notes on page 44. 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 read and discussed this 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

The Committee assesses annually whether it is appropriate to prepare the Company's financial statements on a going concern basis and makes its recommendations to the Board. The Board's conclusions are set out on page 18.

INTERNAL CONTROL

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. There were no significant matters of concern identified in the Committee's review of the internal controls of its third party suppliers. The Committee paid particular attention to the developing threat of cyber crime and has sought assurance from its suppliers regarding this risk. All main suppliers have provided written assurance of measures taken to mitigate this risk.

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 annually.

EXTERNAL AUDIT, REVIEW AND APPOINTMENT

An audit fee of £30,000 (excluding expenses) has been agreed in respect of the audit for the year ended 31 March 2020 (2019: £23,000 (excluding expenses)). The increase in fees from the previous year are a result of factors impacting the audit market and the resulting impact on Ernst & Young LLP ("EY").

This is the fourth year in which EY has conducted the audit. EY was appointed at the AGM held on 22 July 2016. Their appointment followed a tender process undertaken by the Committee in November 2015. As a Public Interest Entity, listed on the London Stock Exchange, the Company is subject to the mandatory auditor rotation requirements of the European Union.

The Company will be required to put the external audit out to tender at least every ten years and change Auditor at least every twenty years.

However, in response to the knowledge that EY's audit fees would be increasing again in future years, the Company decided to put the audit service out to tender and EY did not participate. The Committee undertook a robust tender process and, following this process, a recommendation based on quality, knowledge and experience was made to appoint BDO LLP as Auditor for the financial year ending 31 March 2021, subject to shareholder approval at the 2020 AGM. EY will therefore not be reappointed at the forthcoming AGM.

The Committee would like to thank EY for the efficient way in which they have conducted the Company's audit over the last four years.

The Auditor is required to rotate partners every five years. Matthew Price, the current audit partner, has been the audit partner for four years. The Committee reviewed the effectiveness of the external audit process during the year, considering performance, objectivity, independence and experience. The Committee has reviewed and accepted reports from EY on its procedures for ensuring that its independence and objectivity are safeguarded. Following review, the Committee concluded that the audit process for the year under review was effective and that the Auditor is independent of the Company.

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;
- the services are considered to be likely to inhibit the auditor's independence or objectivity as auditor; and
- the appointment has not been agreed by the Audit and Management Engagement Committee.

As the Company is a Public Interest Entity listed on the London Stock Exchange, with effect from 1 April 2017, under EU legislation, prohibitions of certain services and 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.

The Committee has a policy, with effect from 1 April 2017, that the accumulated costs of all non-audit services sought from the auditor in any one year should not exceed 30% of the likely audit fees for that year and confirms that no non-audit services have been undertaken for the year ended 31 March 2020.

CONCLUSION

Following the 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 33.

JAMES ROBINSON
Chairman, Audit and Management Engagement Committee
22 June 2020

Directors' Remuneration Report

The Board has prepared this Report in accordance with the requirements of the Large and Medium-Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. An ordinary resolution for the approval of this report will be put to shareholders at the forthcoming AGM.

The law requires the Company's Auditor, Ernst & Young LLP, to audit certain disclosures provided. Where disclosures have been audited, they are indicated as such. The Auditor's opinion is included in their report on pages 34 to 40.

ANNUAL STATEMENT FROM THE CHAIRMAN OF THE REMUNERATION COMMITTEE (THE "COMMITTEE")

I am pleased to present the Directors' Remuneration Report for the year ended 31 March 2020.

Having reviewed the current level of remuneration payable to Directors, in accordance with the Remuneration Policy, the Committee has determined that there will be no change to the Directors' Fees. Directors' fees were last increased with effect from 1 April 2019. However, as disclosed on page 21, Mr Robinson took over the role of SID on 19 November 2019 and has waived his entitlement to the additional £1,000 which the Remuneration Policy permits him to take for this role.

In accordance with the Companies Act 2006, the Company is required to seek shareholder approval for its remuneration policy on a triennial basis. It is the intention of the Board that the following policy on remuneration, as approved at the 2019 AGM, will continue to apply until 31 March 2022.

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

Policy Table

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; • 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, any feedback from shareholders, the level of, 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.
Description	Current levels of fixed annual fee (with effect from 1 April 2019): Chairman: £35,000 Audit and Management Engagement Committee Chair: £28,000 Directors: £24,000 Additional payment for the Senior Independent Director: £1,000
Maximum	Total remuneration paid to the non-executive Directors is subject to an annual aggregate limit of £125,000 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' Emoluments for the Year (Audited)

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

	Year ended 31 March 2020			Year ended 31 March 2019		
	Fees £	**Expenses £**	**Total £**	Fees £	Expenses £	Total £
Arthur Copple[1]	**31,503**	**–**	**31,503**	22,000	–	22,000
Catriona Hoare[2]	**8,831**	**–**	**8,831**	–	–	–
James Robinson[3]	**28,000**	**98**	**28,098**	25,500	151	25,651
Roger Cuming[4]	**11,308**	**–**	**11,308**	32,000	–	32,000
Kate Bolsover[5]	**15,833**	**55**	**15,888**	23,000	175	23,175
	95,475	**153**	**95,628**	102,500	326	102,826

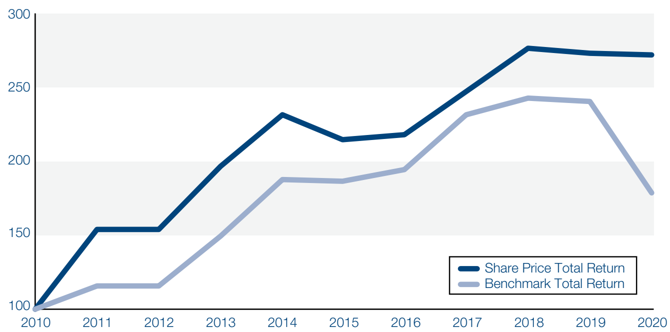
1 appointed as Chairman on 25 July 2019
2 appointed to the Board on 19 November 2019
3 appointed as Senior Independent Director on 19 November 2019
4 retired on 25 July 2019
5 resigned on 19 November 2019

No sums are paid to any third parties in respect of Director's services.

Your 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 2010)



Source: Link Alternative Fund Administrators Limited.

* The Benchmark is a composite index comprising the FTSE SmallCap Index (excluding investment companies) until 31 March 2013 and the NSCI from 1 April 2013 onwards.

Voting at AGM

The Directors' Remuneration Report for the year ended 31 March 2019 and the Remuneration Policy were approved by shareholders at the AGM held on 25 July 2019. The proxy voting was as follow:

	Remuneration Report		**Remuneration Policy**	
	Number of votes cast	**%**	**Number of votes cast**	**%**
For*	89,521,307	99.98	89,521,307	99.98
Against	22,184	0.02	22,184	0.02
Total votes cast	**89,543,491**		**89,543,491**	
Number of votes withheld	–	–	–	–

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

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

Directors' Beneficial and Family 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 2020 No. of shares	As at 1 April 2019 No. of shares
Arthur Copple[1]	**125,000**	125,000
Catriona Hoare[2]	**7,250**	–
James Robinson[3]	**40,000**	40,000
Roger Cuming[4]	**–**	50,000
Kate Bolsover[5]	**–**	8,345

1 Includes 25,000 shares held by Mrs Copple
2 Appointed on 19 November 2019
3 Held jointly by Mr and Mrs Robinson
4 Retired on 25 July 2019
5 Resigned on 19 November 2019

There have been no changes to the above holdings between 31 March 2020 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.

Directors' Remuneration Report continued

Relative Importance of Spend on Pay

The table below sets out, in respect of the financial year ended 31 March 2020 and the preceding financial year:

a) the remuneration paid to the Directors; and

b) the distributions made to shareholders by way of dividends.

	Year ended 31 March 2020 £	Year ended 31 March 2019 £	Change %
Total remuneration	**95,628**	102,826	(7.0)
Dividend paid	**8,887,867**	8,034,230	10.6

Statement of implementation of Remuneration Policy in respect of the financial year ending 31 March 2021

The Committee has reviewed Directors' fees during the financial year, and, as stated has determined there will be no change.

On behalf of the Board

ARTHUR COPPLE
Chairman
22 June 2020

Statement of Directors' Responsibilities
in respect of the Annual Report and the Financial Statements

The Directors are responsible for preparing the Annual Report and the financial statements 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors 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 financial statements, 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.

On behalf of the Board
ARTHUR COPPLE
Chairman
22 June 2020

Independent Auditor's Report

to the Members of Montanaro UK Smaller Companies Investment Trust PLC

OPINION

We have audited the financial statements of Montanaro UK Smaller Companies Investment Trust plc (the 'Company') for the year ended 31 March 2020 which comprise of the Income Statement, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and the related notes 1 to 19, 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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 March 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 below. We are 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 public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO PRINCIPAL RISKS, GOING CONCERN AND VIABILITY STATEMENT

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report set out on pages 10 to 12 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation set out on page 10 in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement set out on page 44 in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation set out on pages 12 and 13 in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

OVERVIEW OF OUR AUDIT APPROACH

Key audit matters	• Risk of incomplete and/or inaccurate revenue recognition through incorrect classification of special dividends as revenue or capital items in the Income Statement • Risk of inappropriate valuation and/or defective title to the investment portfolio • Impact of COVID-19
Materiality	• Overall materiality of £1.43m which represents 1% of shareholders' funds

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. These matters included 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 our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit and Management Engagement Committee
Incomplete and/or inaccurate revenue recognition, including classification of special dividends as revenue or capital items in the Income Statement (as described on page 28 in the Audit and Management Engagement Committee's Report and as per the accounting policy set out on pages 44 and 45). The total revenue for the year to 31 March 2020 was £5.60m (2019: £5.11m), consisting primarily of dividend income from listed investments. The total amount of special dividends recognised by the Company was £0.48m, £0.16m which was classified as revenue and £0.32m was classified as capital. The income receivable by the Company during the year directly affects the Company's revenue return. There is a risk of incomplete and/or inaccurate recognition of revenue through the failure to recognise proper income entitlements or applying appropriate accounting treatment. In addition to the above, the directors are required to exercise judgement in determining whether income receivable in the form of special dividends should be classified as 'revenue' or 'capital'.	**We performed the following procedures:** • We obtained an understanding of the Manager and Administrator's processes and controls surrounding revenue recognition and the recognition and classification of special dividends by reviewing their audited controls reports and by performing walkthrough procedures to, in the case of special dividends, evaluate the design and implementation of controls. • We agreed 100% of dividends received from the income report to an independent data vendor. We recalculated the dividend income by multiplying the investment holdings at the ex-dividend date, traced from the accounting records, by the dividend per share as agreed to an external source. We agreed a sample to bank statements and, where applicable, we also agreed the exchange rates to an external source.To test completeness of recorded income, we tested that all expected dividends for each investee company had been recorded as income with reference to investee company announcements obtained from an independent data vendor. • For all dividends accrued at the year end, we reviewed the investee company announcements to assess whether the obligation arose prior to 31 March 2020. We agreed the dividend rate to corresponding announcements made by the investee company. We recalculated the dividend amount receivable and confirmed this was consistent with cash received as shown on post period end bank statements. • Recognising that a number of companies have responded to the COVID-19 pandemic by cancelling or adjusting their dividend payments, we traced 31% of the cash receipts of the accrued dividend income to post year end bank statements to ensure that the accrued dividends had subsequently been received. • We performed a review of the income and the disposal reports to identify all dividends received and accrued during the period that are above our testing threshold.	**The results of our procedures are:** Based on the work performed, we have identified one known audit difference. Within the accrued income balance for the year ended 31 March 2020, two dividends have been recognised which were announced and subsequently cancelled or adjusted as the underlying investee Companies responded to the Covid-19 pandemic. The dividends recognised amounted to £0.21m collectively and therefore exceeded the threshold at which we are required to communicate the difference to those charged with governance. Other than the above, based on our testing we are satisfied that income is complete and, in the case of special dividends, appropriately recognised as revenue or capital.

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

Risk	Our response to the risk	Key observations communicated to the Audit and Management Engagement Committee
	• We identified which of the dividends above our testing threshold were special dividends with reference to an external source. There were two special dividends above our testing threshold with a total value of £0.43m, £0.11m which was classified as revenue and £0.32m was classified as capital. • We recalculated and assessed the appropriateness of management's classification of the special dividend which was above our testing threshold and agreed with the allocations made.	
Inappropriate valuation and/or defective title of the investment portfolio (as described on page 28 in the Audit and Management Engagement Committee's Report and as per the accounting policy set out on pages 44, 48 and 49). The valuation of the portfolio at 31 March 2020 was £195.59m (2019: £229.5m) consisting of listed investments. The valuation of the assets held in the investment portfolio is the key driver of the Company's net asset value and total return. Inappropriate investment pricing, or a failure to maintain proper legal title of the investments held by the Company could have a significant impact on the portfolio valuation and the return generated for shareholders. The fair value of listed investments is determined by reference to stock exchange quoted market bid prices at close of business on the reporting date.	**We performed the following procedures:** • We obtained an understanding of the Administrator's processes surrounding investment pricing of listed securities by reviewing their audited controls report and by performing walkthrough procedures. • For all investments in the portfolio, we compared the market prices and exchange rates applied to an independent pricing vendor and recalculated the investment valuations as at the year-end. • We assessed the liquidity of the investment portfolio through analysing the monthly average trading volume of the investments. We also reviewed the year end price exception and stale pricing reports to identify any prices that have not changed since the previous day and tested whether the listed price is a valid fair value. • We agreed the Company's investments to the independent confirmation received from the Company's Custodian and Depositary at 31 March 2020.	**The results of our procedures are:** Based on our testing we are satisfied that the investment portfolio has been appropriately valued and that the existence has been confirmed.

Risk	Our response to the risk	Key observations communicated to the Audit and Management Engagement Committee
Impact of COVID-19 (as described on pages 3 and 6 in the Strategic Report, page 28 in the Audit Committee's Report and as per the accounting policy set out on page 44). The COVID-19 pandemic has adversely impacted global commercial activity and contributed to significant volatility in global equity and debt markets, but as of the date of our audit report, the longer term impact remains uncertain. This uncertainty had an impact on our risk assessment and, as a result, on our audit of the financial statements. The COVID-19 pandemic and resultant uncertainties had the most significant impact on our audit of the financial statements in the following areas: **Going concern** There is increased risk due to the degree of uncertainty in the assumptions underlying management's assessment of future prospects, including the impact of COVID-19 on the Company continuing to meet its stated objective. **Revenue recognition** There is risk that revenue could be incorrectly stated due to dividends accrued at year end from underlying investments being subsequently cancelled or altered. **Financial statement disclosures** There is a risk that the impact of COVID-19 is not adequately disclosed in the financial statements.	**We performed the following procedures:** **Going concern:** • We obtained and reviewed the assessment of going concern which includes consideration of the impact of COVID-19 and challenged the assumptions made by the Manager in the preparation of the revenue and expenses forecast. • We reviewed the revenue forecast, which takes account of any impact COVID-19 may have on the Company and which supports the Directors' assessment of going concern, and challenged the assumptions made by the Manager in the preparation of the forecast. • We assessed the liquidity of the portfolio as set out in our response to the risk on inappropriate valuation and/or defective title of the investment portfolio above. We also assessed the concentration risk of the investment portfolio. • We reviewed the Board's assessment of the risk of breaching the debt covenants including in stressed scenarios. We recalculated the debt covenants which are set out in the loan agreement and which do not involve any subjectivity, to confirm there were no covenant breaches as at the year end. • We confirmed through discussion with the Company Secretary and the Directors that they are in close contact with key service providers and that Business Continuity Plans are in place with no significant deterioration of service being experienced. **Revenue recognition** • In response to a number of companies cancelling or altering their dividend payments due to COVID-19, we have performed our audit procedures on the recoverability of accrued dividend income up to the date of the approval of the Annual Report and Financial Statements, as set out in our response to the "risk on incomplete and/or inaccurate revenue recognition." **Financial statements disclosures** • We reviewed the disclosures contained within the Financial Statements.	**The results of our procedures are:** Based on the procedures performed, we are satisfied that the Directors have appropriately considered the impact of COVID-19 on the going concern assessment, revenue recognition and that adequate disclosures have been presented in the financial statements.

We re-assessed the risks determined at the planning stage of the audit and, due to the uncertainty in global markets caused by the COVID-19 pandemic, we revised our risk assessment to include the Key Audit Matter 'Impact of COVID-19'.

Independent Auditor's Report continued

to the Members of Montanaro UK Smaller Companies Investment Trust PLC

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

TAILORING THE SCOPE

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Company and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed.

OUR APPLICATION OF MATERIALITY

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Company to be £1.90m (2019: £2.20m) which is 1% (2019: 1%) of shareholders' funds. We believe that shareholders' funds provides us with materiality aligned to the key measurement of the Company's performance.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 75% (2019: 75%) of our planning materiality, namely £1.43m (2019: £1.70m).

Given the importance of the distinction between revenue and capital for the Company we also applied a separate testing threshold for the revenue column of the Income Statement of £0.22m (2019: £0.20m) being 5% (2019: 5%) of profit before tax.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit and Management Engagement Committee that we would report to them all uncorrected audit differences in excess of £0.10m (2019: £0.11m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

OTHER INFORMATION

The other information comprises the information included in the annual report set out on pages 1 to 33 and 54 to 64, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable** set out on page 33 – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit and Management Engagement committee reporting** set out on pages 27 to 29 – the section describing the work of the audit and management engagement committee does not appropriately address matters communicated by us to the audit and management engagement committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code** set out on page 22 – the parts of the directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

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 directors' reports have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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 directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the directors' responsibilities statement set out on page 33, 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.

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

EXPLANATION AS TO WHAT EXTENT THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD

The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are the Companies Act 2006, the Listing Rules, the UK Corporate Governance Code and Section 1158 of the Corporation Tax Act 2010.
- We understood how the Company is complying with those frameworks through discussions with the Audit and Management Engagement Committee and Company Secretary and review of the Company's documented policies and procedures.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements. We identified a fraud risk with respect to the incomplete and/or inaccurate revenue recognition through incorrect classification of special dividends as revenue or capital in the Income Statement. Further discussion of our approach is set out in the section on key audit matters above.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of the reporting to the directors with respect to the application of the documented policies and procedures and review of the financial statements to ensure compliance with the reporting requirements of the Company.

A further description of our responsibilities for the audit of the financial statements is located on the

Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

OTHER MATTERS WE ARE REQUIRED TO ADDRESS

- We were appointed by the Company on 22 July 2016 to audit the financial statements for the year ending 31 March 2017 and subsequent financial periods.
- Our total uninterrupted period of engagement is four years, covering the period from our appointment through to the period ending 31 March 2020.
- 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 the audit.
- The 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.

MATTHEW PRICE (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP
Statutory Auditor
London
22 June 2020

Income Statement
for the year to 31 March 2020

	Notes	Revenue £'000 (Year to 31 March 2020)	Capital £'000 (Year to 31 March 2020)	Total £'000 (Year to 31 March 2020)	Revenue £'000 (Year to 31 March 2019)	Capital £'000 (Year to 31 March 2019)	Total £'000 (Year to 31 March 2019)
Losses on investments designated as fair value through profit or loss	9	**–**	**(19,776)**	**(19,776)**	–	(5,762)	(5,762)
Dividends and interest	2	**5,596**	**–**	**5,596**	5,109	–	5,109
Management fee	3	**(330)**	**(989)**	**(1,319)**	(320)	(959)	(1,279)
Other expenses	4	**(527)**	**–**	**(527)**	(516)	–	(516)
Net return before finance costs and taxation		**4,739**	**(20,765)**	**(16,026)**	4,273	(6,721)	(2,448)
Interest payable and similar charges	5	**(160)**	**(480)**	**(640)**	(148)	(441)	(589)
Net return before taxation		**4,579**	**(21,245)**	**(16,666)**	4,125	(7,162)	(3,037)
Taxation	6	**(8)**	**–**	**(8)**	(7)	–	(7)
Net return after taxation		**4,571**	**(21,245)**	**(16,674)**	4,118	(7,162)	(3,044)
Return per Ordinary share: Basic and Diluted	8	**2.73p**	**(12.69p)**	**(9.96p)**	2.46p	(4.28p)	(1.82p)

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 44 to 53 form part of these financial statements.

Statement of Changes in Equity
for the year to 31 March 2020

Year to 31 March 2020	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 2019		**3,348**	**19,307**	**1,362**	**4,642**	**184,267**	**3,296**	**216,222**
Total comprehensive income:								
Fair value movement of investments	9	**–**	**–**	**–**	**–**	**(19,776)**	**–**	**(19,776)**
Costs allocated to capital		**–**	**–**	**–**	**–**	**(1,469)**	**–**	**(1,469)**
Net revenue for the year		**–**	**–**	**–**	**–**	**–**	**4,571**	**4,571**
		–	**–**	**–**	**–**	**(21,245)**	**4,571**	**(16,674)**
Dividends paid in the year	7	**–**	**–**	**–**	**–**	**(3,265)**	**(5,874)**	**(9,139)**
As at 31 March 2020		**3,348**	**19,307**	**1,362**	**4,642**	**159,757**	**1,993**	**190,409**

Year to 31 March 2019	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 2018		3,348	19,307	1,362	4,642	191,463	7,213	227,335
Total comprehensive income:								
Fair value movement of investments	9	–	–	–	–	(5,762)	–	(5,762)
Costs allocated to capital		–	–	–	–	(1,400)	–	(1,400)
Net revenue for the year		–	–	–	–	–	4,118	4,118
		–	–	–	–	(7,162)	4,118	(3,044)
Costs in relation to share split		–	–	–	–	(34)	–	(34)
Dividends paid in the year	7	–	–	–	–	–	(8,035)	(8,035)
As at 31 March 2019		3,348	19,307	1,362	4,642	184,267	3,296	216,222

* These reserves are distributable, excluding any unrealised capital reserve. The special reserve can be used for the repurchase of the Company's own shares.

The notes on pages 44 to 53 form part of these financial statements.

Balance Sheet
as at 31 March 2020

	Notes	31 March 2020 £'000	31 March 2020 £'000	31 March 2019 £'000	31 March 2019 £'000
Fixed assets					
Investments at fair value	9		**195,593**		229,476
Current assets					
Debtors	10	**3,049**		403	
Cash at bank		**12,097**		6,663	
		15,146		7,066	
Creditors: amounts falling due within one year					
Other creditors	11	**(330)**		(320)	
		(330)		(320)	
Net current assets			**14,816**		6,746
Total assets less current liabilities			**210,409**		236,222
Creditors: amounts falling due after more than one year					
Fixed rate term loan	12		**(20,000)**		(20,000)
Net assets			**190,409**		216,222
Share capital and reserves					
Called-up share capital	13		**3,348**		3,348
Share premium account			**19,307**		19,307
Capital redemption reserve			**1,362**		1,362
Special reserve			**4,642**		4,642
Capital reserve			**159,757**		184,267
Distributable revenue reserve			**1,993**		3,296
Total equity shareholders' funds			**190,409**		216,222
Net asset value per Ordinary share: Basic and Diluted			**113.76p**		129.18p

These financial statements were approved and authorised for issue by the Board of Directors on 22 June 2020.

ARTHUR COPPLE
Chairman

Company Registered Number: 3004101

The notes on pages 44 to 53 form part of these financial statements.

Notes to the Financial Statements
at 31 March 2020

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 6th Floor, 65 Gresham Street, London, EC2V 7NQ.

ACCOUNTING CONVENTION
The financial statements are prepared on a going concern basis under the historical cost convention as modified by the revaluation of fixed asset investments and in accordance with UK applicable accounting standards and the Statement of Recommended Practice regarding the Financial Statements of Investment Trust Companies and Venture Capital Trusts ("SORP") issued in November 2014 and updated in January 2017. The financial statements have been prepared under FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Following the adoption of FRS 102, the Company elected not to present the statement of cash flows per paragraph 7.1.A. The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied throughout the year and the preceding year.

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 the resources to continue in business for the foreseeable future, being a period of at least 12 months from the date these financial statements were approved. Furthermore, the Directors are not aware of any material uncertainties that may cast significant doubt upon 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). In particular, the Directors considered the impact of disruptions arising from the global pandemic on the Company's liquidity, market values, bank covenants and continuity of operations in reaching their conclusion and they continue to adopt the going concern basis in preparing the financial statements.

SEGMENTAL REPORTING
The Company has one reportable segment being invested primarily in a portfolio of quoted UK small 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 brought into account when the Company's right to receive payment is established. Fixed returns on non-equity shares are recognised on a time-apportioned basis.

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

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

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.

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 capitalised and amortised over the term of the finance. Expenses incurred directly in relation to issue or redemption of shares are deducted from equity and charged to the share premium account. All other expenses are allocated in full to the revenue account.

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, and information about the portfolio is provided internally on that basis to the Company's Board of Directors. The Company has fully adopted sections 11 and 12 of FRS 102.

All investments 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'). 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 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.

1 Accounting Policies continued

TAXATION
The charge for taxation is based on the net return for the year. Deferred taxation is provided in accordance with FRS 102 on all timing differences that have originated but not reversed by the Balance Sheet date. Provision is made for deferred taxation on the liability method, without discounting, on all timing differences calculated at the current rate of tax relevant to the benefit or liability. Deferred taxation assets are only recognised to the extent that they are regarded as recoverable.

DIVIDENDS PAYABLE TO SHAREHOLDERS
Final dividends are recognised in the year in which they have been approved by shareholders in a general meeting. Interim dividends are recognised in the period in which they have been declared and paid.

BANK LOANS AND BORROWINGS
All bank loans and borrowings are carried at amortised cost. Costs in relation to arranging debt finance have been capitalised and are amortised over the term of the instrument. Hence, amortised cost is the par value less the unamortised cost of issue.

RESERVES
Share premium
The account represents the accumulated premium paid for shares issued in previous periods above their nominal value less expenses of issuance.

Capital redemption reserve
The capital redemption reserve accounts for amounts by which the issued capital is diminished through the repurchase and cancellation of the Company's own shares.

Special reserve
The special reserve was created by a reduction in the share premium account by order of the High Court in August 1998. It can be used for the repurchase of the Company's Ordinary shares.

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.

2 Income

	Year to 31 March 2020 £'000	Year to 31 March 2019 £'000
UK dividend income	**5,346**	4,908
Overseas dividend income	**250**	201
Income from investments	**5,596**	5,109
Total income	**5,596**	5,109
Total income comprises		
Dividends from financial assets designated at fair value through profit or loss	**5,596**	5,109
Dividends and interest	**5,596**	5,109

Notes to the Financial Statements continued
at 31 March 2020

3 Management fee

	Year to 31 March 2020			Year to 31 March 2019		
	Revenue £'000	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000
Management fee	**317**	**952**	**1,269**	307	922	1,229
AIFMD fee	**13**	**37**	**50**	13	37	50
	330	**989**	**1,319**	320	959	1,279

The Manager received a monthly management fee equivalent to 1/12 of 0.50% (2019: 0.50%) of the gross assets of the Company valued at the close of business on the last business day of each month.

At 31 March 2020, £88,000 (2019: £99,000) was due for payment to the Manager.

4 Other Expenses

	Year to 31 March 2020 £'000	Year to 31 March 2019 £'000
Administration	**76**	72
Company secretarial fees	**46**	36
Directors' fees†	**96**	103
Depositary fee	**64**	75
Registrar fee	**51**	39
Auditor's remuneration for:		
– audit	**30**	23
Custody and other bank charges	**22**	21
Legal fees	**9**	6
Other expenses (including VAT)	**133**	141
	527	516

† A breakdown of the Directors' remuneration is set out in the Directors' Remuneration Report on page 31.

The Company has no employees.

5 Interest Payable and Similar Charges

	Year to 31 March 2020			Year to 31 March 2019		
Financial liabilities	**Revenue £'000**	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000
Interest payable on loan	**152**	**456**	**608**	134	402	536
Loan commitment fee	**8**	**24**	**32**	14	41	55
	160	**480**	**640**	148	443	591

6 Taxation

	Year to 31 March 2020			Year to 31 March 2019		
Analysis of charge in year	**Revenue £'000**	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000
Current tax:						
Overseas tax suffered	**(8)**	**–**	**(8)**	7	–	7
	(8)	**–**	**(8)**	7	–	7

6 Taxation continued

The taxation charge for the year is different from the standard rate of Corporation Tax in the UK of 19% (2019: 19%). The differences are explained below.

	Year to 31 March 2020			Year to 31 March 2019		
	Revenue £'000	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000
Net return/(loss) before taxation	**4,579**	**(21,245)**	**(16,666)**	4,125	(7,162)	(3,037)
Theoretical tax at UK corporation tax rate of 19% (2019: 19%)	**870**	**(4,037)**	**(3,167)**	784	(1,367)	(583)
Effects of:						
– UK dividends that are not taxable	**(1,016)**	**–**	**(1,016)**	(878)	–	(878)
– Foreign dividends that are not taxable	**(47)**	**–**	**(47)**	(38)	–	(38)
– Non-taxable investment losses	**–**	**3,757**	**3,757**	–	1,095	1,095
– Irrecoverable overseas tax	**8**	**–**	**8**	7	–	7
– Disallowed expenses	**–**	**–**	**–**	–	6	6
– Unrelieved excess expenses	**193**	**280**	**473**	132	266	398
Taxation charge for the year	**8**	**–**	**8**	7	–	7

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 2020, based on current estimates and including the accumulation of net allowable losses, the Company had unrelieved losses of £47,788,000 (2019: £45,562,000) that are available to offset future taxable revenue. A deferred tax asset of £9,080,000 (2019: £8,657,000) 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 and 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 2020 £'000	Year to 31 March 2019 £'000
In respect of the previous period:		
Paid		
2019 first quarter dividend of 1.29p	**2,159**	–
In respect of the year under review:		
Paid		
2019 second quarter dividend of 1.32p (2018: 2.2p)	**2,209**	3,682
2019 third quarter dividend of 1.31p (2018: 1.43p)	**2,193**	2,394
2019 fourth quarter dividend of 1.54p (2018: 1.17p)	**2,578**	1,958
Dividends distributed during the year	**9,139**	8,034
Declared:		
2020 first quarter dividend of 1.14p (2019: 1.29p)	**1,908**	2,159

The first dividend distribution of 1.32 pence per Ordinary share in respect of the second quarter of 2019 was paid on 23 August 2019. The record date was 26 July 2019.

The second dividend distribution of 1.31 pence per Ordinary share in respect of the third quarter of 2019 was paid on 22 November 2019 to shareholders on the register at the close of business on 25 October 2019.

The third dividend distribution of 1.54 pence per Ordinary share in respect of the fourth quarter of 2019 was paid on 6 March 2020 to shareholders on the register at the close of business on 7 February 2020.

The fourth dividend distribution of 1.14 pence per Ordinary share in respect of the first quarter of 2020 was declared on 14 April 2020 and was paid on the 26 May 2020 to shareholders on the register at the close of business on 24 April 2020.

Notes to the Financial Statements continued
at 31 March 2020

8 Return/(loss) per Ordinary Share

	Year to 31 March 2020			Year to 31 March 2019		
	Revenue	**Capital**	**Total**	Revenue	Capital	Total
Ordinary share	**2.73p**	**(12.69p)**	**(9.96p)**	2.46p	(4.28p)	(1.82p)

Revenue return per Ordinary share is based on the net revenue after taxation of £4,571,000 (2019: £4,118,000) and 167,379,790 (2019: 167,379,790) Ordinary shares, being the weighted average number of Ordinary shares, excluding any shares held in treasury.

Capital return/(loss) per Ordinary share is based on net capital gains/(losses) for the year of £(21,245,000) (2019: £(7,162,000)), and on 167,379,790 (2019: 167,379,790) Ordinary shares, being the weighted average number of Ordinary shares, excluding any shares held in treasury.

Basic and diluted return/(loss) per share are the same as there are no dilutive elements on share capital.

9 Investments

	Year to 31 March 2020 £'000	Year to 31 March 2019 £'000
Total investments at fair value	**195,593**	229,476

The investment portfolio comprises 49 (2019: 51) traded and listed UK equity holdings.

	Year to 31 March 2020 £'000	Year to 31 March 2019 £'000
Opening book cost	**189,029**	172,541
Opening investment holding gains	**40,447**	60,929
Opening valuation	**229,476**	233,470
Movements in the year		
Purchases at cost	**66,685**	47,809
Sales – proceeds	**(80,792)**	(46,041)
– realised gains on sales	**8,500**	14,720
(Decrease) in investment holding gains	**(28,276)**	(20,482)
Closing valuation	**195,593**	229,476
Closing book cost	**183,422**	189,029
Closing investment holding gains	**12,171**	40,447
	195,593	229,476

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 2020			31 March 2019		
	Level 1 £'000	**Level 2 £'000**	**Total £'000**	Level 1 £'000	Level 2 £'000	Total £'000
Equity investments	**195,593**	**–**	**195,593**	229,476	–	229,476
	195,593	**–**	**195,593**	229,476	–	229,476

There were no level 2 or 3 investments.

TRANSACTION COSTS

During the year, the Company incurred transaction costs of £226,000 (2019: £142,000) and £35,000 (2019: £27,000) on purchases and sales of investments respectively. These amounts are deducted in determining gains on investments at fair value as disclosed in the Income Statement.

	Year to 31 March 2020 £'000	Year to 31 March 2019 £'000
Net gains on investments at fair value		
Gains on sales	**8,500**	14,720
Changes in fair value	**(28,276)**	(20,482)
	(19,776)	(5,762)

A list of the twenty largest holdings by market value and an analysis of the investment portfolio by industrial or commercial sector can be found on pages 7 to 9.

10 Debtors

	Year to 31 March 2020 £'000	Year to 31 March 2019 £'000
Prepayments and accrued income	**59**	55
Due from brokers	**2,692**	–
Dividends receivable	**298**	348
	3,049	403

11 Other Creditors

	Year to 31 March 2020 £'000	Year to 31 March 2019 £'000
Accruals	**330**	320
	330	320

12 Fixed Rate Term and Floating Rate Revolving Credit Facilities

	Year to 31 March 2020 £'000	Year to 31 March 2019 £'000
Falling due after more than one year	**20,000**	20,000
	20,000	20,000

On 19 December 2016, the Company agreed a £20,000,000 Fixed Rate Term Loan Facility with ING Bank N.V. At the same time, the Company also entered into a £10,000,000 Floating Rate Revolving Credit Facility.

The Fixed Rate Term Loan Facility is available for a five-year term from 19 December 2016 to 19 December 2021. The loan was fully drawn down at 31 March 2020 and 31 March 2019. Interest is payable at a fixed rate of 2.68% per annum in both the current and prior year.

Notes to the Financial Statements continued
at 31 March 2020

12 Fixed Rate Term and Floating Rate Revolving Credit Facilities continued
The Floating Rate Revolving Credit Facility is available for a five-year term from 19 December 2016 to 19 December 2021. None of this facility was utilised at 31 March 2020 and 31 March 2019. When drawn down, interest is payable at LIBOR plus a margin of 1.65% per annum and mandatory costs. A Commitment fee is payable on the daily undrawn balance at 0.55% per annum in the event that the average utilisation is less than 50% during the applicable quarter or 0.40% per annum in the event that the average utilisation is greater than 50% during the applicable quarter.

The facilities contain covenants which 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 Share Capital

	31 March 2020 £'000	31 March 2019 £'000
Allotted, called-up and fully paid:		
167,379,790 Ordinary shares of 2p each (2019: 167,379,790)	**3,348**	3,348

Treasury shares
At the AGM on 25 July 2019, the Company was granted the authority to purchase 25,090,230 Ordinary shares. This authority is due to expire at the conclusion of the next AGM.

There were no shares held in treasury at any time during the year (2019: nil) and no shares purchased during the year (2019: nil).

14 Net Asset Value per Ordinary Share
Net asset value per Ordinary share is based on net assets of £190,409,000 (2019: £216,222,000) and on 167,379,790 (2019: 167,379,790) Ordinary shares, being the number of Ordinary 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 10.

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.

15 Analysis of Financial Assets and Liabilities continued

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 £195,593,000 (2019: £229,476,000).

If the investment portfolio valuation fell by 10% from the amount detailed in the financial statements as at 31 March 2020, it would have the effect, with all other variables held constant, of reducing the net capital return before taxation by £19,960,000 (2019: £22,950,000). 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 has a Fixed Rate Term Loan Facility (see note 12) so this would not be affected by any changes in interest rates. The Company also has a Floating Rate Revolving Credit Facility. This was undrawn at the year end so would not yet be affected by any changes in interest rates.

The Company received no interest on cash deposits in the year (2019: £nil).

If interest rates had reduced by 1% from those paid as at 31 March 2020, it would have the effect, with all other variables held constant, of increasing the net revenue return before taxation on an annualised basis by £nil (2019: £nil). If there was an increase in interest rates of 1%, the net revenue return before taxation on an annualised basis would have decreased by £nil (2019: £nil).

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 small 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. These reports allow it to manage its obligations as they fall due.

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 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.

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.

Notes to the Financial Statements continued
at 31 March 2020

15 Analysis of Financial Assets and Liabilities continued

The maximum exposure to credit risk at 31 March 2020 was:

	31 March 2020 £'000	31 March 2019 £'000
Cash at bank (held at Bank of New York Mellon)	**12,097**	6,663
Debtors and prepayments	**3,049**	403
	15,146	7,066

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

Gearing

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 AIFM, in consultation with the Board, is responsible for determining the gearing level of the Company, which is disclosed on page 6. The Directors receive financial information on a regular basis which is used to identify and monitor risk.

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. No fixed interest assets were held at 31 March 2020 (31 March 2019: £Nil) or at any time during the year. 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 2020 was as follows:

	Total £'000	Weighted average interest rate %	Period until maturity Years
Amounts drawn down under Fixed Rate Term Loan Facility	**20,000**	**2.7**	**1.7**
Amounts drawn down under Floating Rate Revolving Credit Facility	**–**	**–**	**–**
Financial liabilities upon which no interest is paid	**330**	**–**	**–**

The interest rate risk profile of the financial liabilities of the Company as at 31 March 2019 was as follows:

	Total £'000	Weighted average interest rate %	Period until maturity Years
Amounts drawn down under Fixed Rate Term Loan Facility	20,000	2.7	2.7
Amounts drawn down under Floating Rate Revolving Credit Facility	–	–	–
Financial liabilities upon which no interest is paid	320	–	–

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

	31 March 2020 £'000	31 March 2019 £'000
In three months or less	**423**	418
In more than three months but not more than one year	**432**	437
In more than one year but not more than three years	**20,383**	20,919
In more than three years but not more than five years	**–**	–
	21,238	21,774

16 Capital Management Policies

The structure of the Company's capital is described on page 18 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 small 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 market; and
- the extent to which revenue in excess of that which is required to be distributed should be retained.

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 Commitments and Contingent Liabilities

At 31 March 2020, there were no capital commitments or contingent liabilities (2019: nil).

18 Related Party Transactions

Under the Listing Rules, the Manager is regarded as a related party 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 30 to 32.

19 Post Balance Sheet Event

Subsequent to the year end, the Company's NAV recovered from the sharp decline experienced in the final quarter of the Financial Year as the global COVID-19 crisis unfolded. Between 31 March 2020 and the date of this report, the NAV rose from 113.8p to 128.5p, an increase of 13.0%.

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 2020 are shown below:

Leverage exposure

	Gross method	Commitment method
Maximum limit	200%	200%
Actual	102.73%	109.09%

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 58.

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 AIFM 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 extended its professional liability insurance cover to £5 million.

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

- pages 10 to 33 and note 15 to the financial statements set out the risk profile and risk management systems in place. There have been no changes to the risk management systems in place in the period under review and no breaches of any of the risk limits set, with no breach expected;
- information on the investment strategy, geographic and sector investment focus and stock exposures are included on pages 4 to 9; and
- none of the Company's assets are subject to special arrangements arising from their illiquid nature.

Shareholder Information

Sources of Further Information

Information on the Company is available on the Company's website: www.montanaro.co.uk/trust/muscit and the Manager's website: www.montanaro.co.uk.

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 financial statements 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 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 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 Link Asset Services. 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 enquiries@linkgroup.co.uk.

Changes of name must be notified in writing to the registrar, whose address is: Link Asset Services, Shareholder Services Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. A change of address can be updated online via www.signalshares.com.

Common Reporting Standard

Under the Common Reporting Standard financial institutions, including investment trust companies, are required to provide personal information to HMRC on investors who meet certain criteria set out in the legislation.

On an annual basis, the Company will provide information to the local tax authority on the tax residencies of non-UK based certificated shareholders and corporate entities. The local tax authority may exchange this information with the tax authorities of another country or countries in which the shareholder may be a tax resident, where those countries, or the tax authorities in those countries, have entered into agreements to exchange financial account information.

New shareholders, excluding those whose shares are held in CREST, entered on the Company's share register, will be sent a certification form for the purposes of collecting this information.

Share dealing

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

Shareholder Information continued

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.

Website

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.

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.

Alternative Performance Measures ("APMs")

The Company uses the following APMs:

Discount (or Premium)

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

As at 31 March 2020, the Net Asset Value per share was 113.8p and the share price was 101.0p. The Discount is therefore calculated at 11.2% as shown in the highlights on page 1.

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.

Ongoing charges calculation

	31 March 2020 £'000	31 March 2019 £'000
Total expenditure	**2,486**	2,384
Less interest payable and similar charges (see note 5)	**(640)**	(589)
Total (a)	**1,846**	1,795
Average daily net assets (b)	**227,097**	225,533
Ongoing charges (c = a/b) (C)	**0.81%**	0.80%

Total Return – NAV and Share Price Returns

Total returns measure the effect of any rise or fall in the share price or NAV, plus dividends paid which are reinvested at the prevailing NAV or share price on the ex-dividend date. As at 31 March 2020, the 1 year NAV Total Return was (8.5%), and the 1 year Ordinary share price Total Return was (0.3%), as shown in the highlights on page 1.

NAV Total Return calculation as at 31 March 2020

	£'000	
NAV per share as at 31 March 2020	113.76	(c)
NAV per share as at 31 March 2019	129.18	(d)
Dividend adjustment factor (+1)	1.04	(a)
Pre-Dividend Reinvestment Factor	0.88	(b) (b=c/d)
NAV Total Return	**(8.5%)**	**((a*b)-1)**

(a) Dividend Adjustment Factor

Dividend	PPS	Dividend XD date	NAV at Dividend XD Date	NAV Multiplier
Quarterly dividend 1	1.29	25.Apr.19	137.29	0.01
Quarterly dividend 2	1.32	25.Jul.19	130.53	0.01
Quarterly dividend 3	1.31	24.Oct.19	132.16	0.01
Quarterly dividend 4	1.54	06.Feb.20	154.42	0.01
				0.04

NAV Total Return calculation as at 31 March 2019

	£'000	
NAV per share as at 31 March 2019	**129.18**	(c)
NAV per share as at 31 March 2018	**135.82**	(d)
Dividend adjustment factor (+1)	**1.04**	(a)
Pre-Dividend Reinvestment Factor	**0.95**	(b) (b=c/d)
NAV Total Return	**(1.5%)**	**((a*b)-1)**

(a) Dividend Adjustment Factor

Dividend	PPS	Dividend XD date	NAV at Dividend XD Date	NAV Multiplier
Final Dividend FY18	2.20[1]	29.Jun.18	144.69[1]	0.02
Quarterly dividend 1	1.43	01.Nov.18	131.33	0.01
Quarterly dividend 2	1.17	31.Jan.19	122.68	0.01
				0.04

[1] adjusted to reflect the subsequent five for one share split.

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 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 Assets
Gross assets are calculated as total assets less current liabilities.

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.

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.

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

NSCI
Numis Smaller Companies Index (excluding investment companies).

Portfolio Turnover
Calculated using the total purchases plus the sales proceeds divided by two as a percentage of the average total investments at fair value during the year.

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

Notice of Annual General Meeting

COVID-19 PANDEMIC

At the time of publication of this document, the UK Government has prohibited large public gatherings and non-essential travel, save in certain limited circumstances. In light of these measures and in order to protect the health and safety of the Montanaro UK Smaller Companies Investment Trust plc's (the "Company") shareholders and Directors, we hope that shareholders will understand that **the Company's Annual General Meeting ("AGM") will be run as a closed meeting. Shareholders will not be able to attend in person**. Instead, the Company will make arrangements to ensure that the legal requirements to hold the meeting can be satisfied through the attendance of two shareholders constituting the minimum quorum for the AGM. The format of the AGM will be purely functional and will comprise only the formal votes of the AGM resolutions, without any business update or Q&A.

Shareholders are therefore strongly encouraged to submit a proxy vote in advance of the meeting. A form of proxy for use at the AGM is enclosed with this document. 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 Company's registrars, Link Asset Services, no later than 48 hours before the time of the Annual General Meeting, or any adjournment of that meeting.

Given the restrictions on attendance set out above, **shareholders are strongly encouraged to appoint the "Chair of the meeting" as their proxy**, rather than a named person who will not be permitted to attend the meeting.

This situation is constantly evolving, and the UK Government may change current restrictions or implement further measures relating to the holding of general meetings during the affected period. Any changes to the arrangements for the AGM (including any change to the location of the AGM) will be communicated to shareholders before the meeting through our website www.montanaro.co.uk and, where appropriate, by RNS announcement.

Notice is hereby given that the Annual General Meeting of Montanaro UK Smaller Companies Investment Trust plc (the 'Company') will be held at 53 Threadneedle Street London EC2R 8AR, on Friday 31 July 2020 at 11.00am for the purposes of considering and, if thought fit, passing the following resolutions, of which resolutions 1 to 9 will be proposed as ordinary resolutions and resolutions 10 and 11 will be proposed as special resolutions.

ORDINARY RESOLUTIONS

RESOLUTION 1 – ANNUAL REPORT AND FINANCIAL STATEMENTS

To receive and, if thought fit, to accept the Strategic Report, the Directors' Report, the Auditor's Report and the audited financial statements of the Company for the year ended 31 March 2020.

RESOLUTION 2 – DIRECTORS' REMUNERATION REPORT

To receive and approve the Directors' Remuneration Report for the year ended 31 March 2020.

RESOLUTION 3 – DIVIDENDS

To approve the Company's dividend policy to continue to pay four quarterly interim dividends.

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 James Robinson as a Director of the Company.

RESOLUTION 6 – ELECTION OF DIRECTOR

To elect Catriona Hoare as a Director of the Company.

RESOLUTION 7 – APPOINTMENT OF AUDITOR

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

RESOLUTION 8 – AUDITOR'S REMUNERATION

To authorise the Audit and Management Engagement Committee to determine the Auditor's remuneration.

Notice of Annual General Meeting continued

RESOLUTION 9 – 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 £167,380 (being approximately 5% of the issued share capital (excluding treasury shares) as at 22 June 2020) provided that the authorities conferred on the Directors shall, unless renewed, varied or revoked by the Company in 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.

SPECIAL RESOLUTIONS

RESOLUTION 10 – DISAPPLICATION OF PRE-EMPTION RIGHTS

THAT, subject to the passing of Resolution 9 (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 9 as if Section 561 of the Act did not apply to any such allotment and of sales of equity securities, provided that this power:

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

(b) shall be limited to the allotment of equity securities and/or sale of equity securities held in treasury for cash up to an aggregate nominal amount of £167,380 (being approximately 5% of the issued share capital (excluding treasury shares) as at 22 June 2020); and

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

RESOLUTION 11 – 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 25,090,230, 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 2021 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.

By order of the Board

LINK COMPANY MATTERS LIMITED
Company Secretary
22 June 2020

65 Gresham Street
London EC2V 7NQ

Notice of Annual General Meeting continued

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

1. To be entitled to vote at the Meeting (and for the purpose of the determination by the Company of the number of votes they may cast), shareholders must be registered in the Register of Members of the Company at close of trading on Wednesday, 29 July 2020. 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. As explained above, shareholders will not be permitted to attend the AGM and are strongly encouraged to appoint a proxy to exercise their rights to vote on their behalf at the AGM. Shareholders are strongly encouraged to appoint the "Chair of the meeting" as their proxy, rather than a named person who will not be permitted to attend the meeting. Details on how to appoint a proxy can be found below.
3. 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.
4. 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).
5. 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.
6. You can vote either:
   - (i) by logging on to www.signalshares.com and following the instructions;
   - (ii) You may request a hard copy form of proxy directly from the registrars, Link Asset Services (previously called Capita), on 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.
   - (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 Link Asset Services at 34 Beckenham Road, Beckenham, Kent, BR3 4ZF by 11.00am on Wednesday, 29 July 2020.
7. 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.
8. The return of a completed form of proxy, electronic filing or any CREST Proxy Instruction (as described in note 11 below) will not prevent a shareholder from attending the Meeting and voting in person if he/she wishes to do so.
9. 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/site/public/EUI). 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.
10. 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 & Ireland 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 11.00am on Wednesday, 29 July 2020. 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.

11. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland 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.

12. 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.

13. 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.

14. As at 22 June 2020 (being the latest practicable business day prior to the publication of this Notice), the Company's ordinary issued share capital consists of 167,379,790 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 22 June 2020 are 167,379,790.

15. 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.

16. 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.

17. The following documents 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 10.45 am on the day of the Meeting until the conclusion of the Meeting: copies of the Directors' letters of appointment.

18. 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.

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.

Principal Advisers

Investment Manager and Alternative Investment Fund Manager ('AIFM')
MONTANARO ASSET MANAGEMENT LIMITED
53 Threadneedle Street
London EC2R 8AR
Tel: 020 7448 8600
Fax: 020 7448 8601
Website: www.montanaro.co.uk
Email: enquiries@montanaro.co.uk

Administrator
LINK ALTERNATIVE FUND ADMINISTRATORS LIMITED
Beaufort House
51 New North Road
Exeter EX4 4EP
Tel: 01392 477500
Fax: 01392 498288

Company Secretary and Registered Office
LINK COMPANY MATTERS LIMITED
65 Gresham Street
London EC2V 7NQ
Tel: 0207 7954 9547
Email: Muscit_Cosec@linkgroup.co.uk

Registrar
LINK ASSET SERVICES
Shareholder Services Department
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU
Tel: 0371 664 0300
(calls will cost 12p per minute plus network charges)
Email: shareholderenquiries@link.co.uk
Website: www.linkassetservices.com

Depositary
THE BANK OF NEW YORK MELLON (INTERNATIONAL) LIMITED
One Canada Square
London E14 5AL

Custodian
BANK OF NEW YORK MELLON SA/NV
London Branch
One Canada Square
London E14 5AL

Banker
ING BANK N.V.
London Branch
60 London Wall
London EC2M 5TQ

Broker
CENKOS SECURITIES PLC
6.7.8 Tokenhouse Yard
London EC2R 7AS

Auditor
ERNST & YOUNG LLP
25 Churchill Place
London E14 5EY

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

Montanaro UK Smaller Companies Investment Trust PLC
53 Threadneedle Street
London EC2R 8AR

Tel: 020 7448 8600
Fax: 020 7448 8601
E-mail: enquiries@montanaro.co.uk
Website: www.montanaro.co.uk