RIVER AND MERCANTILE UK MICRO CAP
INVESTMENT COMPANY LIMITED

HALF-YEARLY FINANCIAL REPORT

FOR THE SIX MONTHS ENDED 31 MARCH 2018

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INTERIM MANAGEMENT REPORT
FINANCIAL HIGHLIGHTS, PERFORMANCE SUMMARY AND DIVIDEND HISTORY

Financial highlights

Number of Ordinary Shares in issue as at 31 March 2018:

51,951,860 Ordinary Shares

Market capitalisation as at 31 March 2018:

Ordinary Share class: £88,318,162

Performance summary

	As at 31 March 2018	As at 30 September 2017
Net asset value per Ordinary Share	£1.9183[2]	£1.8342
Ordinary Share price (bid market)[1]	£1.7000	£1.8600
(Discount)/premium	£(0.2183)	£0.0258

Period highs and lows

	Six months ended 31 March 2018 High	Six months ended 31 March 2018 Low	Year ended 30 September 2017 High	Year ended 30 September 2017 Low
Net asset value per Ordinary Share	£2.0381	£1.8697	£1.8625	£1.2677
Ordinary Share price (bid market)[1]	£2.3000	£1.6800	£1.8700	£1.1150
Premium/(discount)	£0.2619	£(0.1897)	£0.0075	£(0.1527)

Dividend history

No Ordinary Share dividend was declared during the period.

Please refer to note 16 for further information subsequent to the reporting period.

[1] - Source: Bloomberg
[2] - Published NAV as at 29 March 2018 was £1.9189. Please refer to note 13 for reconciliation of NAV to published NAV.

INTERIM MANAGEMENT REPORT (CONTINUED)
CHAIRMAN'S STATEMENT

In this report on the interim results of our Company, I felt that I should focus my comments on the recent change in personnel at our portfolio manager River and Mercantile Asset Management LLP ("RAMAM"). Prior to the formation of our Company in November 2014, RAMAM has developed its clearly articulated investment philosophy known as PVT, named after the core tenets of their approach, namely Potential, Valuation and Timing. This approach is applied across all of RAMAM's UK and Global equity portfolios and has delivered strong investment returns across their strategies. At launch, we appointed RAMAM to manage the assets using this same philosophy and, in our case, the Company has significantly outperformed the benchmark Numis Smaller Companies plus Alternative Investment Market (excluding Investment Companies) index by 54.6%, since inception. From launch the Company introduced an innovative method to keep the portfolio at an optimum size for investing in microcap stocks whilst returning profit to investors via a redemption mechanism. Since inception, Shareholders have enjoyed a NAV total return of 95.8%.

As with all of the portfolios at RAMAM, whilst there is a team that is responsible for applying the investment philosophy and process there is a named portfolio manager for each strategy, for regulatory reasons among others, and in our case the named manager was Philip Rodrigs. The team ethos and approach at RAMAM is central to their structure, as is the case with many asset managers. The team responsible for the UK Micro Cap Investment Company included the now lead manager George Ensor who, from the outset, has been closely involved with delivering performance for our Company since its launch and your Board had met with him earlier in his role as a member of the team prior to his recent appointment as the named lead portfolio manager.

I cannot comment on the circumstances which led to the departure of Philip Rodrigs as that was an internal matter for RAMAM. However, as your Chairman I have had a number of conversations with RAMAM's Senior Management who also met with the Board. I and my fellow Board members are comfortable with their handling of the matter. As a Board, we had a decision to make regarding the ongoing management of the Company; specifically whether we should approve the appointment of George Ensor. Following a series of meetings with both George and the wider team at RAMAM, we felt confident to confirm the appointment as we believe it is in the best interest of our Shareholders to continue to apply the investment philosophy and process that has thus far delivered such powerful investment returns.

It is clearly evident that we have witnessed some share price weakness since this news was announced in February and I believe much of this reflects the immediate uncertainty surrounding the change in the portfolio management of the Company. This is a fairly natural reaction. However, it is also worth noting that, prior to the announcement, the Company's share price had reached an unsustainable premium to the underlying NAV. Why do I say this? For a company that states that it will look to compulsorily redeem shares at par once the NAV exceeds £110m, this level of premium is unjustified. In normal conditions we would expect a slight premium based on the strong historic returns that have been delivered for Shareholders. The current position with a discount to NAV of 12.9%, at a time when underlying investment returns remain strong (the NAV outperformed the benchmark by almost 4% in the first quarter of 2018), would appear equally unjustified.

As your Board we will continue to monitor the share price relative to the NAV. We continue to believe that the delivery of strong underlying NAV performance, combined with the proven redemption mechanism, will drive the longer term share price in a controlled environment and your Board has confidence that it has the investment management team to deliver those returns.

In line with this stated redemption policy, the Board took action to redeem 7,843,469 Ordinary Shares last December and returned the proceeds of £14,999,844 to Shareholders. This marked the second share redemption in the Company's short life and as previously mentioned it is the Board's intention to continue to redeem shares whenever the Company exceeds its optimum size by assets.

As highlighted above, River and Mercantile has continued to deliver exceptional performance. The Company's benchmark index fell by 1.8% during the six month period to 31 March 2018, while the Company's NAV total return was up by 4.6%, delivering an outperformance relative to the benchmark of 6.4%. The Company's assets are again approaching a level at which the Board believes the ability of the constituent companies to contribute effectively to returns for Shareholders may be constrained. As such, we will continue to closely monitor the situation and will consider triggering a further share redemption, consistent with the previous two successful redemptions in 2017, and in accordance with the original prospectus. A further redemption is likely to have a positive impact on the current discount and will, the Board believes, act as a natural discount control mechanism going forward.

I remain honoured and privileged to act as your Chairman and I would like to take this opportunity to thank you for your continued support.

Andrew Chapman
Chairman
18 May 2018

INTERIM MANAGEMENT REPORT (CONTINUED)
EXECUTIVE SUMMARY

This Executive Summary is designed to provide information about River and Mercantile UK Micro Cap Investment Company Limited's (the "Company") business and results for the six month period ended 31 March 2018. It should be read in conjunction with the Chairman's Statement on page 3 and the Portfolio Manager's Report on pages 10 to 13 which gives a detailed review of investment activities for the period and an outlook for the future.

Corporate summary

The Company was incorporated in Guernsey on 2 October 2014, with registered number 59106, as a non-cellular company with liability limited by shares. The Company has been registered by the Guernsey Financial Services Commission ("GFSC") as a registered closed-ended collective investment scheme pursuant to the Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended, and the Registered Collective Investment Scheme Rules ("RCIS Rules") 2015.

The Company's share capital is denominated in Sterling and each Ordinary Share carries equal voting rights.

The Company's Ordinary Shares are listed on the Official List of the UK Listing Authority and admitted to trading on the Main Market of the London Stock Exchange. As at 31 March 2018, the Company's issued share capital comprised 51,951,860 Ordinary Shares (30 September 2017: 59,795,329 Ordinary Shares).

The Company has appointed Carne Global AIFM Solutions (C.I.) Limited (the "Manager") to act as the Company's Alternative Investment Fund Manager ("AIFM"). The Manager has delegated portfolio management of the Company investment portfolio to River and Mercantile Asset Management LLP (the "Portfolio Manager"). The Board will actively and continuously supervise both the Manager and the Portfolio Manager in the performance of their respective functions.

The Company is a member of the Association of Investment Companies ("AIC").

Significant events during the period ended 31 March 2018

On 15 November 2017, the Company announced its intention to implement the Company's second compulsory redemption of Ordinary Shares. On 1 December 2017, (the redemption date), 7,843,469 Ordinary Shares were redeemed and cancelled as part of the redemption mechanism at a redemption price of £1.9124 per Ordinary Share, (which excludes costs of redemption of £9,000), returning £14,999,850 to Shareholders.

On the 13 December 2017, the Company signed an Extension and Amendment Agreement that varied the terms of the Sterling Facility Agreement entered into on the 9 December 2016. With effect from the 20 December 2017, the loan commitment was increased to £5,000,000 and the loan interest amended to 1.75% per annum over LIBOR.

On 7 February 2018 Philip Rodrigs left the Portfolio Manager and George Ensor was appointed to manage the Company's portfolio.

Company investment objective

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

Company investment policy

The Company invests in a diversified portfolio of UK Micro Cap Companies. It is expected that the majority of the Company's investible universe will comprise companies whose securities are admitted to trading on the Alternative Investment Market of the London Stock Exchange ("AIM").

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

The Company will not be benchmark-driven in its asset allocation.

Company investment policy (continued)

Diversification

The number of holdings in the portfolio will usually range between 30 and 50.

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

Investment restrictions

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

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

Although the Company would not normally expect to hold investments in securities that are unquoted it may do so from time to time but such investments will be limited in aggregate to 10% of NAV.

The Company may invest in other investment funds, including listed closed-ended investment funds, to gain investment exposure to UK Micro Cap Companies but such exposure will be limited, in aggregate, to 10% of NAV at the time of investment.

Borrowing and gearing policy

The Company does not normally intend to employ gearing but at certain times it may be opportune to do so, for both investment and working capital purposes. Accordingly, the Company may employ gearing up to a maximum of 20% of NAV at the time of borrowing. Please refer to note 14 for further details.

Derivatives

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

Director interests

The Board comprises four Directors, three of whom are independent: Andrew Chapman, Ian Burns and Trudi Clark; Mark Hodgson is Managing Director of the Manager and is therefore not regarded as independent. All the independent Directors are also members of the Audit Committee, Management Engagement Committee and Remuneration and Nomination Committee.

Information on the Directors' remuneration is detailed in note 5.

As at the date of approval of the Half-Yearly Financial Report, Directors held the following number of Ordinary Shares in the Company:

Director	Director holdings in the Company Ordinary Shares
Andrew Chapman	15,168
Ian Burns	Nil
Trudi Clark	12,803
Mark Hodgson	17,681

Director interests have decreased in line with the first and second compulsory redemption of Ordinary Shares.

No Director has any other interest in any contract to which the Company is a party with the exception of Mark Hodgson who acts as the Managing Director of the Manager. Information of each Director is shown in the Board Members section of this Half-Yearly Financial Report.

INTERIM BOARD REPORT (CONTINUED)
EXECUTIVE SUMMARY (CONTINUED)

Principal risks and uncertainties

When considering the total return of the Company, the Board takes account of the risk which has been taken in order to achieve that return. The Board looks at the following risk factors as listed below:

- Investment and liquidity risk
- Portfolio concentration and macro-economic risks

Information on these risks and how they are managed is given in the Annual Financial Report for the year ended 30 September 2017. In the view of the Board these principal risks and uncertainties are as applicable to the remaining six months of the financial year as they were in the six months under review.

Going concern

Under the AIC Code of Corporate Governance ("AIC Code") and applicable regulations, the Directors are required to satisfy themselves that it is reasonable to assume that the Company is a going concern from date of approval of the condensed financial statements.

The Directors are satisfied that, at the time of approving the condensed financial statements, no material uncertainties exist that may cast significant doubt concerning the Company's ability to continue for at least twelve months from the date of approval of the financial statements. The Directors consider it is appropriate to adopt the going concern basis in preparing the condensed financial statements and that it will remain appropriate to continue to adopt this basis over a period of twelve months from the date of approval of this Half-Yearly Financial Report.

Events after the reporting date

The Directors are not aware of any developments that might have a significant effect on the operations of the Company in subsequent financial periods not already disclosed in this report or note 16 of the attached condensed financial statements.

Future strategy

The Board continues to believe that the investment strategy and policy adopted by the Company is appropriate for and is capable of meeting the Company's objectives.

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

Please refer to the Portfolio Manager's report for details of the investment portfolio's performance to date and also of the main trends and factors likely to affect the Company's investments.

Related parties

Refer to note 15 for information on related party transactions.

BOARD MEMBERS

All Directors are non-executive.

CHAIRMAN

Andrew Chapman (independent). Appointed 2 October 2014.
Andrew holds both a BA and an MPhil in Economic & Social History. He began his career in 1978 as a UK equity fund manager.

In 1984, Andrew was appointed to the in-house investment management team at the British Aerospace Pension Fund, where he had responsibility for directly investing in a number of listed markets. In 1991, Andrew took the position of Investment Manager at United Assurance plc, where he was responsible for asset allocation and leading a team of in-house fund managers managing approximately £12 billion in assets. Andrew was subsequently a director of Teather & Greenwood Investment Management Limited, before joining Hewitt Associates as a Senior Consultant. From 1994 until 2003, Andrew was also a non-executive director of the Hambros Smaller Asian Companies Investment Trust plc (which subsequently became The Asian Technology Trust plc).

In 2003, Andrew was appointed as the first in-house Pension Investment Manager for the John Lewis Partnership Pension Fund, with responsibility for the overall investment strategy as well as the appointment and performance of 27 external fund managers across all asset classes. He retired from that role in 2012 and served as the CIO for The Health Foundation until September 2015.

Since 2012 Andrew has developed a portfolio of roles, including being a member of the investment committees of: Homerton College (Cambridge University); Coller Capital Partners; and the Property Charities Fund. He is also a non-executive director of Steadfast International Limited, Steadfast Long Capital Limited and Kidney Care UK.

Andrew served for several years on the Investment Council of the National Association of Pension Funds and was Chair of the Advisory Board for the Pension Fund Investment Forum.

DIRECTORS

Ian Burns (independent) - Chairman of the Audit Committee and Senior Independent Director. Appointed 2 October 2014.
Ian is a fellow of both the Institute of Chartered Accountants in England & Wales and a member of Society of Trust and Estate Practitioners. He is the founder and Executive Director of Via Executive Limited, a specialist management consulting company and the managing director of Regent Mercantile Holdings Limited, a privately owned investment company. He is licensed by the Guernsey Financial Services Commission as a personal fiduciary.

Mr. Burns is currently a non-executive director and audit committee chairman of London Stock Exchange listed Twenty Four Income Fund Limited and Finance Director of AIM listed Fast Forward Innovations Limited. He is also a non-executive director of Darwin Property Management (Guernsey) Limited, Curlew Capital Guernsey Limited and Premier Asset Management (Guernsey) Ltd.

BOARD MEMBERS (CONTINUED)

DIRECTORS (CONTINUED)

Trudi Clark (independent) - Chairman of the Remuneration and Nomination Committee and Management Engagement Committee. Appointed 2 October 2014.
Trudi graduated with a first class honours degree in business studies and is a qualified Chartered Accountant.

Trudi spent 10 years working in chartered accountancy practices in the UK and Guernsey. In 1991, she joined the Bank of Bermuda to head their European internal audit function before moving into private banking in 1993.

Between 1995 and 2005, Trudi worked for Schroders (C.I.) Limited, an offshore private bank and investment manager. She was appointed to the position of banking director in 2000 and managing director in 2003. In 2005, Trudi left Schroders to establish and run a private family office.

In July 2009, Trudi established the Guernsey practice of David Rubin & Partners LLP, an internationally known insolvency and liquidation specialist.

Trudi Clark holds several non-executive directorships in funds which include F & C Commercial Property Trust Limited and NB Private Equity Fund both of which are listed on the London Stock Exchange and Sapphire (PPC) Limited - Sapphire IV Cell which is listed on The International Stock Exchange. She also holds a personal fiduciary license issued by GFSC.

Mark Hodgson. Appointed 2 October 2014.
Mark has over 25 years' financial services experience, with an extensive banking background having spent over 20 years with HSBC where he gained an in-depth knowledge of credit, financial markets and complex lending structures.

Prior to 2006, Mark was regional director for HSBC Invoice Finance (UK) Limited, where he was responsible for running the receivables finance business. In 2006, Mark moved to Jersey to head up HSBC's Commercial Centre, having full operational responsibility for credit and lending within the jurisdiction.

In 2008, Mark moved to Capita Fiduciary Group as managing director of Offshore Registration, a regulated role in which he had responsibility for Jersey, Guernsey and the Isle of Man. Mark also took on the regulated role of managing director of Capita Financial Administrators (Jersey) Limited, together with directorships of regulated and unregulated funds.

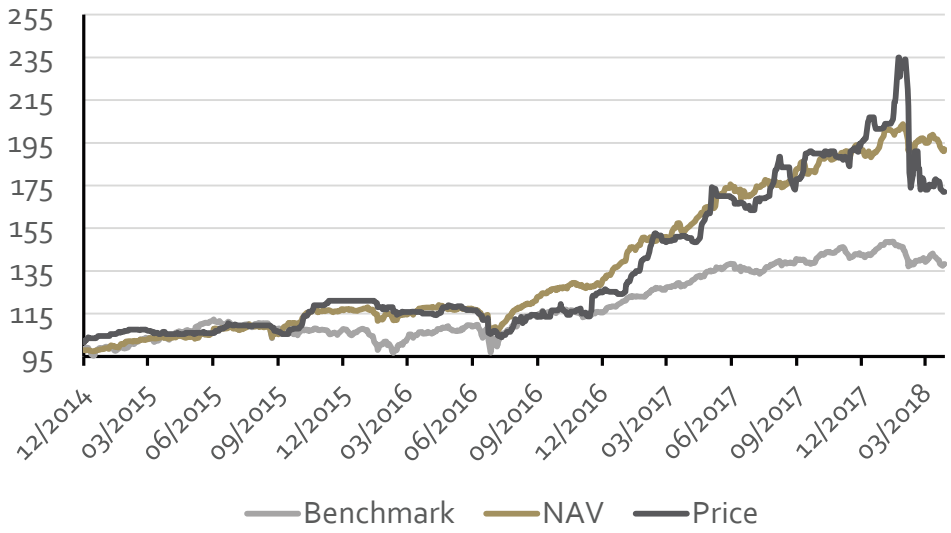
In April 2014, Mark joined Carne Global Financial Services (C.I.) Limited as managing director.

PORTFOLIO MANAGER'S REPORT

This Portfolio Manager Report is compiled with reference to the investment portfolio. Therefore all positions are calculated by reference to their official closing prices (as opposed to the closing bid prices basis within the condensed financial statements). The estimated unaudited NAV referenced below is calculated on a daily basis utilising closing bid prices and is inclusive of all estimated charges and accruals.

Review of performance

The six months to 31 March 2018 was a period of strong relative and absolute performance for the Company with the NAV increasing by 4.62%, outperforming the benchmark, which was down 1.81%, by 6.43%. Since inception, the NAV has increased by 95.8% with the benchmark up 41.16% over the same period. The period also saw the second £15m compulsory redemption which was announced in November and paid to Shareholders in December.



Source: River and Mercantile Asset Management LLP, BNP Paribas, Bloomberg
Note: NAV used is based on daily unaudited estimations

The six month period saw a rotation from the low volatility markets that made up much of the second half of 2016 and 2017 into an exceptionally strong December and January supported by apparent progress in the Brexit negotiations and the success of the Trump administration in realising significant tax cuts. Indeed, many equity indices made new all-time highs in the first two weeks in January, including the Company's benchmark, the Numis Smaller Companies plus AIM (ex ICs) index. Concerns quickly switched to inflation and the last two months of the period saw bond yields rising and equities finished the period significantly lower.

In line with our philosophy, we will continue to construct a portfolio of companies that have the Potential to create shareholder value at attractive Valuations with supportive Timing. Our PVT philosophy has delivered the Company's strong performance since inception and will continue to be at the heart of everything we do. The investment universe has a natural bias towards Growth companies given the focus on sub £100m market capitalisation businesses. As such, we would envisage approximately half of the NAV being invested in Growth. The balance of the portfolio will be invested in the other three categories of Potential; Quality, Recovery and Asset-backed.

PORTFOLIO MANAGER'S REPORT (CONTINUED)

Review of performance (continued)

Portfolio holdings with a contribution to return above 0.6% or below 0.6%

	Contribution to Return
Blue Prism	2.43%
Ideagen	1.19%
Sigma Capital Group	1.05%
Frontier Developments	0.93%
Keystone Law	0.88%
Providence Resources	0.80%
Shanta Gold	0.79%
AFH Financial Group	0.77%
Boku	0.75%
Taptica	-0.62%
Allergy Therapeutics	-0.70%
D4t4 Solutions	-0.72%
redT Energy	-0.75%

Source: River and Mercantile Asset Management LLP

Despite taking profits either side of Blue Prism's strong trading statement in November and again following a strong run in the shares in March, this world leader in robotic process automation finished the six month period as the third largest position and the largest single contributor to performance given the 38.8% rise in the share price. Whilst it has long outgrown its micro-cap roots it will, along with other strong performers, remain in the portfolio until it is either no longer deemed a high conviction PVT investment or an alternative PVT investment case is preferred.

Two new additions to the Company's portfolio were immediate contributors with Keystone Law, up 42.5%, and Boku, up 41%, both successful IPOs from November 2017. Keystone Law, now a top 100 UK law firm by revenue, operates a high growth, highly cash generative alternative for revenue generating lawyers to the traditional partnership model. Boku, the leading direct carrier billing company in the world, is opening up new populations of subscribers for its digital content merchant customers and, in doing so, delivering exceptionally strong organic growth.

Prior period underperformers, Shanta Gold and Providence Resources, rose 49.6% and 93.3% respectively. Providence Resources, the Irish Sea exploration company, performed on the announcement of the long awaited Barryoe Farm-out which will see the new 50% partner finance a three well drilling program. Meanwhile, Shanta Gold received a large VAT repayment from the Tanzanian Government, illustrating the impressive progress the company has made in being recognised as a true Tanzanian operated company.

Sigma Capital, the private rented sector developer and manager of the recently listed PRS REIT (Real Estate Investment Trust), was a significant contributor in the period with the shares up 54.6%. There were two key financing events for the PRS REIT which each provide significant future earnings opportunities for Sigma. Finally, Ideagen, one of the first investments made by the Company post its own IPO, continued to deliver, aided by the announcement of an acquisition funded from existing cash and debt facilities. The shares gained 42.3% in the period.

There were, however, some more disappointing performers. Investments whose negative contribution exceeded 60 basis points included mobile marketing company Taptica. The shares were 23.0% lower over the period, unlikely helped by the equity placing for future M&A and management sell down in January. Whilst management has since purchased shares in the market, concerns over the use of personal data have, in light of the Facebook scandal, and in our view incorrectly, continued to impact the shares.

PORTFOLIO MANAGER'S REPORT (CONTINUED)

Review of performance (continued)

D4T4 Solutions collects and, importantly analyses, massive amounts of data on behalf of clients. The company reported weak trading for its first half resulting in the shares closing 23.7% lower. However, since the end of March, the company has announced in its pre-close trading statement that it has actually exceeded profit expectations and the shares have regained the majority of the losses.

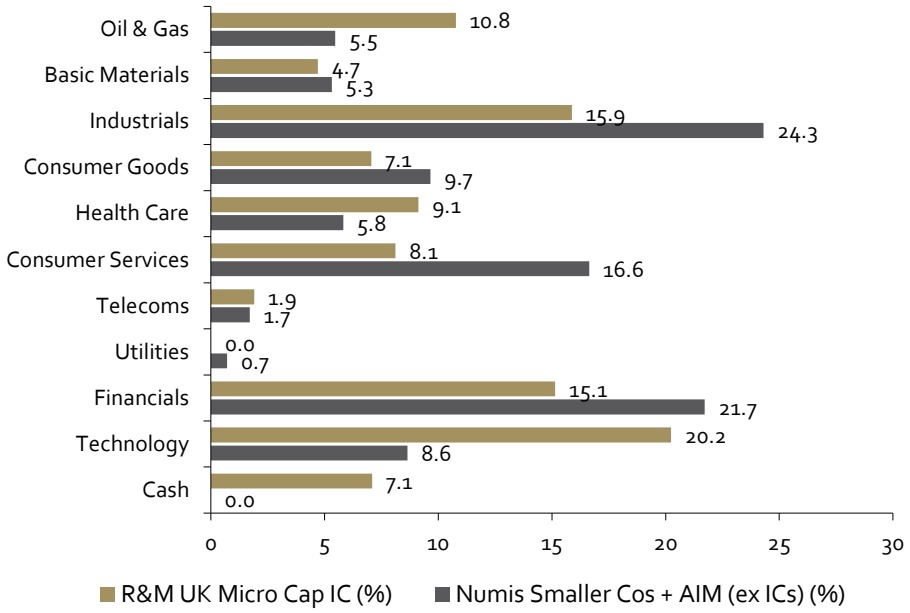
RedT Energy, the most negative contributor over the period, dropped by 43.5% as it became apparent to the market that the current funding would be insufficient to see it through to the production ramp up of the profitable Gen 3 product. The company completed a small, oversubscribed, fund raise post period end.

Portfolio statistics

Top 10 holdings[1,2]

	Weight (%)
MaxCyte	5.2
Frontier Developments	4.1
Blue Prism	4.1
Diversified Gas & Oil	3.7
Tax Systems	3.6
Ideagen	3.4
Keystone Law	3.3
SDX Energy	3.3
Taptica	3.3
Sigma Capital Group	3.2

Industrial sector weightings[1]

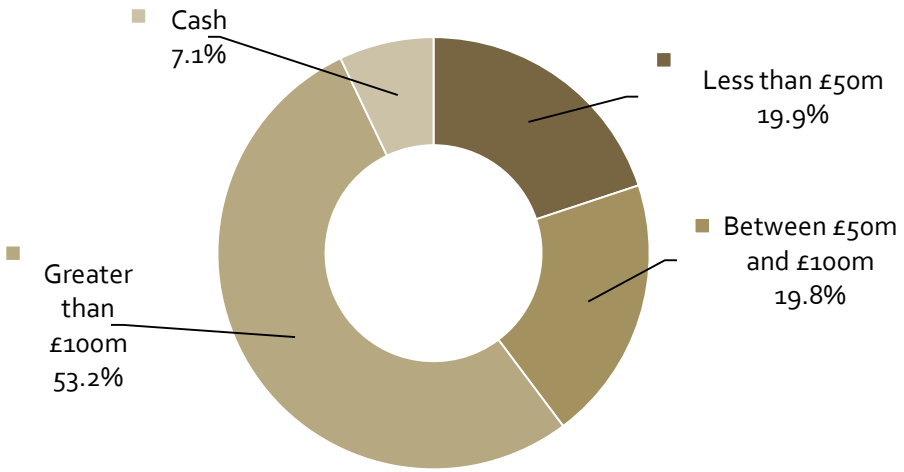


[1]*Source: River and Mercantile Asset Management LLP.*
[2]*Weightings on Top 10 Holdings is based on mid-price.*

PORTFOLIO MANAGER'S REPORT (CONTINUED)

Portfolio statistics (continued)

Market capitalisation breakdown



Source: River and Mercantile Asset Management LLP

Outlook

The universe remains rich in attractive PVT investments and the structure of the Company is ideal for exploiting the liquidity premium of the smallest companies listed in the UK. The range of businesses detailed above illustrates the sheer diversity of opportunities. Our focus remains to deliver strong NAV performance supported by our long serving and proven philosophy and process. Our passion and commitment to deliver long-term shareholder returns has never been greater.

I would like to thank the Board for the faith and confidence they have placed in me and the team, and also to thank you, the Company's Shareholders, for your continued support.

George Ensor
Portfolio Manager

18 May 2018

DIRECTORS' STATEMENT OF RESPONSIBILITIES

The Directors are responsible for preparing the Half-Yearly Financial Report in accordance with applicable Guernsey law and regulations.

The Directors confirm to the best of their knowledge that:

- the condensed financial statements contained within the Half-Yearly Financial Report have been prepared in accordance with IAS 34 – "Interim Financial Reporting" and gives a fair, balanced and understandable view of the affairs of the Company as at 31 March 2018, as required by the Financial Conduct Authority ("FCA") through the Disclosure Guidance and Transparency Rule ("DTR") 4.2.4R;

- the combination of the Chairman's Statement, the Portfolio Manager's Report, the Executive Summary and the notes to the condensed financial statements includes a fair review of the information required by:

a) DTR 4.2.7R, being an indication of important events that have occurred during the period up to 31 March 2018 and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

b) DTR 4.2.8R, being related party transactions that have taken place during the period up to 31 March 2018 and that have materially affected the financial position or performance of the Company during that period; and any changes in the related parties transactions in the annual report that could have a material impact on the financial position or financial performance of the Company in the first six months of the current financial year.

Andrew Chapman
Chairman

Ian Burns
Audit Committee Chairman

18 May 2018

INDEPENDENT REVIEW REPORT TO RIVER AND MERCANTILE UK MICRO CAP INVESTMENT COMPANY LIMITED

Our conclusion

We have reviewed the accompanying condensed interim financial information of River and Mercantile UK Micro Cap Investment Company Limited (the "Company") as of 31 March 2018. Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The accompanying condensed interim financial information comprise:

- the condensed statement of financial position as of 31 March 2018;
- the condensed statement of comprehensive income for the six-month period then ended;
- the condensed statement of changes in shareholders' equity for the six-month period then ended;
- the condensed statement of cash flows for the six-month period then ended; and
- the notes, comprising a summary of significant accounting policies and other explanatory information.

The condensed interim financial information has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibilities and those of the directors

The Directors are responsible for the preparation and presentation of this condensed interim financial information in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on this condensed interim financial information based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of interim financial information performed by the independent auditor of the entity' issued by the International Auditing and Assurance Standards Board. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the half-yearly report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers CI LLP
Chartered Accountants
Guernsey, Channel Islands

18 May 2018

(a) The maintenance and integrity of the Company's website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

(b) Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

CONDENSED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 31 March 2018

	Notes	Six months ended 31 March 2018 (Unaudited) £	Six months ended 31 March 2017 (Unaudited) £
Income			
Investment income	3	289,613	383,387
Net gain on financial assets designated at fair value through profit or loss	7	6,597,381	22,421,165
Total income		6,886,994	22,804,552
Expenses			
Operating expenses	4	(1,874,943)	(3,003,990)
Finance costs		(16,851)	-
Foreign exchange loss		(4,113)	-
Total expenses		**(1,895,907)**	**(3,003,990)**
Profit before taxation		**4,991,087**	**19,800,562**
Taxation		-	-
Profit after taxation and total comprehensive income		**4,991,087**	**19,800,562**
Basic and diluted earnings per Ordinary Share	11	0.0914	0.2890

The Company has no items of other comprehensive income, and therefore the profit for the period is also the total comprehensive income.

All items in the above statement are derived from continuing operations. No operations were acquired or discontinued during the period.

The notes on pages 20 to 30 form an integral part of these condensed financial statements.

CONDENSED STATEMENT OF FINANCIAL POSITION
As at 31 March 2018

	Notes	31 March 2018 (Unaudited) £	30 September 2017 (Audited) £
Non-current assets			
Financial assets designated at fair value through profit or loss	7	94,327,434	97,606,392
Current assets			
Cash and cash equivalents		7,484,767	12,784,179
Trade receivables – securities sold awaiting settlement		243,045	-
Other receivables	6	39,754	88,605
Prepayments		9,503	7,803
Total current assets		**7,777,069**	**12,880,587**
Total assets		**102,104,503**	**110,486,979**
Current liabilities			
Trade payables - securities purchased awaiting settlement		(1,500,401)	-
Other payables	8	(944,664)	(809,778)
Total current liabilities		**(2,445,065)**	**(809,778)**
Total liabilities		**(2,445,065)**	**(809,778)**
Net assets		**99,659,438**	**109,677,201**
Capital and reserves			
Stated capital	10	-	-
Share premium	10	40,324,767	55,333,617
Retained earnings		59,334,671	54,343,584
Equity Shareholders' funds		**99,659,438**	**109,677,201**

The condensed financial statements on pages 16 to 30 were approved and authorised for issue by the Board of Directors on 18 May 2018 and signed on its behalf by:

Andrew Chapman
Chairman Audit

Ian Burns
Committee Chairman

The notes on pages 20 to 30 form an integral part of these condensed financial statements.

CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the six months ended 31 March 2018 (Unaudited)

	Note	Stated capital £	Share premium £	Retained earnings £	Total £
Opening equity Shareholders' funds at 1 October 2017		**-**	**55,333,617**	**54,343,584**	**109,677,201**
Total comprehensive income for the period		-	-	4,991,087	4,991,087
Transactions with owners, recorded directly to equity					
Redemption of Ordinary Shares	10	-	(14,999,850)	-	(14,999,850)
Ordinary Share redemption costs	10	-	(9,000)	-	(9,000)
Closing equity Shareholders' funds at 31 March 2018		**-**	**40,324,767**	**59,334,671**	**99,659,438**

For the six months ended 31 March 2017 (Unaudited)

	Stated capital £	Share premium £	Retained earnings £	Total £
Opening equity Shareholders' funds at 1 October 2016	**-**	**70,342,481**	**16,141,371**	**86,483,852**
Total comprehensive income for the period	-	-	19,800,562	19,800,562
Closing equity Shareholders' funds at 31 March 2017	**-**	**70,342,481**	**35,941,933**	**106,284,414**

The notes on pages 20 to 30 form an integral part of these condensed financial statements.

CONDENSED STATEMENT OF CASH FLOWS
For the six months ended 31 March 2018

	Notes	Six months ended 31 March 2018 (Unaudited) £	Six months ended 31 March 2017 (Unaudited) £
Cash inflow from operating activities			
Profit before taxation for the period		4,991,087	19,800,562
Adjustments to reconcile profit after tax to net cash flows:			
- Realised gain on financial assets designated at fair value through profit or loss	7	(13,470,678)	(10,324,614)
- Unrealised loss/(gain) on financial assets designated at fair value through profit or loss	7	6,873,297	(12,096,551)
Purchase of financial assets designated at fair value through profit or loss	7	(8,413,365)	(15,332,040)
Proceeds from sale of financial assets designated at fair value through profit or loss	7	19,547,060	27,437,139
Changes in working capital			
Decrease in other receivables and prepayments		47,151	202,251
Increase in other payables		134,886	2,346,364
Net cash from operating activities		**9,709,438**	**12,033,111**
Cash inflow from financing activities			
Redemption of Ordinary Shares	10	(14,999,850)	-
Ordinary Share redemption costs paid		(9,000)	-
Net cash used in financing activities		**(15,008,850)**	**-**
Net (decrease)/increase in cash and cash equivalents in the period		**(5,299,412)**	**12,033,111**
Cash and cash equivalents at beginning of the period		12,784,179	1,635,861
Cash and cash equivalents at the end of the period		**7,484,767**	**13,668,972**

The notes on pages 20 to 30 form an integral part of these condensed financial statements.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. General information

The Company was incorporated as a non-cellular company with liability limited by shares in Guernsey under The Companies (Guernsey) Law 2008 on 2 October 2014. It listed its Ordinary Shares on the Premium Segment of the Official List of the UK Listing Authority and was admitted to trading on the Main Market of the London Stock Exchange on 2 December 2014.

The Company has been registered by the GFSC as a registered closed-ended collective investment scheme pursuant to the Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended, and the RCIS Rules 2015. The Company's registered number is 59106.

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

2. Accounting policies

2.1 Basis of preparation

The Half-Yearly Financial Report has been prepared in accordance with the Disclosure Guidance and Transparency Rules of the FCA and with International Accounting Standards (IAS) 34 - 'Interim Financial Reporting'. The Half-Yearly Financial Report has also been prepared using the same accounting policies applied for the year ended 30 September 2017 Annual Financial Report, which was prepared in accordance with International Financial Reporting Standards ("IFRS").

The Directors are satisfied that, at the time of approving the condensed financial statements, no material uncertainties exist that may cast significant doubt concerning the Company's ability to continue for at least twelve months from the date of approval of the financial statements. The Directors consider it appropriate to adopt the going concern basis in preparing the condensed financial statements and that it will remain appropriate to continue to adopt this basis over a period of twelve months from the date of approval of this Half-Yearly Financial Report.

There have been no changes in accounting policies during the period. The accounting policies in respect of financial instruments are set out below at 2.3 due to the significance of financial instruments to the Company.

2.2 Segmental reporting

The Directors view the operations of the Company as one operating segment, being investment in UK Micro Cap Companies. All significant operating decisions are based upon analysis of the Company's investments as one segment. The financial results from this segment are equivalent to the financial results of the Company as a whole, which are evaluated regularly by the chief operating decision-maker (the Board with insight from the Portfolio Manager).

2.3 Financial instruments

Financial assets

a) Classification

The Company classifies its investments in equity securities as financial assets designated at fair value through profit or loss. These financial instruments are held for investment purposes. Financial assets also include cash and cash equivalents as well as trade receivables and other receivables which are measured at amortised cost using the effective interest rate method.

Financial assets designated at fair value through profit or loss at inception

Financial assets designated at fair value through profit or loss at inception are financial instruments that are not classified as held for trading but are managed, and their performance is evaluated on a fair value basis in accordance with the Company's documented investment strategy.

The Company's policy requires the Portfolio Manager and the Board of Directors to evaluate the information about these financial assets on a fair value basis together with other related financial information.

2. Accounting policies (continued)

2.3 Financial instruments (continued)

Financial assets (continued)

b) Recognition, measurement and derecognition

Purchases and sales of investments are recognised on the trade date – the date on which the Company commits to purchase or sell the investment. Financial assets designated at fair value through profit or loss are measured initially at fair value. Transaction costs are expensed as incurred and movements in fair value are recorded in the Statement of Comprehensive Income. Subsequent to initial recognition, all financial assets designated at fair value through profit or loss are measured at fair value.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Company has transferred substantially all risks and rewards of ownership.

c) Fair value estimation

Fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date.

As at 31 March 2018, the Company held investments in a diversified portfolio of UK Micro Cap Companies, typically comprising companies with a free float market capitalisation of less than £100 million at the time of purchase, whose securities are admitted to trading on AIM.

Investments are valued at fair value, which are quoted bid prices for investments traded in active markets.

For investments which are not traded in active markets, unlisted and restricted investments, the Board in determining its assessment of fair value takes into account the latest traded prices, other observable market data and asset values based on the latest available and relevant information for that investment.

As all the Company's financial assets are quoted securities which are traded in active markets, in the opinion of the Directors, the fair value of the financial assets is not subject to significant judgments, estimates or assumptions.

d) Valuation process

The Directors are in ongoing communications with the Portfolio Manager and hold meetings on a timely basis to discuss performance of the investment portfolio and the valuation methodology and in addition review monthly investment performance reports.

The Directors analyse the investment portfolio in terms of both investment mix and fair value hierarchy and consider the impact of general credit conditions and/or events that occur in the global corporate environments which may impact the economic conditions in the UK and ultimately on the valuation of the investment portfolio.

Financial liabilities

e) Classification

Securities purchased awaiting settlement represent payables for investments that have been contracted for but not yet settled or delivered on 31 March 2018. Financial liabilities include amounts due to brokers and other payables which are held at amortised cost using the effective interest rate method.

f) Recognition, measurement and derecognition

Financial liabilities are recognised initially at fair value, net of transaction costs incurred, and are subsequently carried at amortised cost using the effective interest rate method. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

3. Investment income

	Six months ended 31 March 2018 (Unaudited)	Six months ended 31 March 2017 (Unaudited)
	£	£
Investment income	273,362	381,617
Bank interest	16,251	1,770
Total investment income	**289,613**	**383,387**

4. Operating expenses

	Six months ended 31 March 2018 (Unaudited)	Six months ended 31 March 2017 (Unaudited)
	£	£
Portfolio management fees	399,528	368,363
Portfolio management performance fee	1,160,610	2,321,256
Directors' fees	58,520	60,692
AIFM fees	27,055	27,088
Audit fees	18,500	17,505
Non-audit fees – interim review services	17,000	17,000
Administration fees	56,555	50,044
Broker fees	25,006	24,911
Custody fees	9,010	9,474
Company secretariat fees	17,694	17,500
Registrar fees	17,520	9,603
Transaction fees	25,088	47,812
Sundry expenses	41,443	20,297
Legal and professional fees	1,414	12,445
Total operating expenses	**1,874,943**	**3,003,990**

AIFM fee
On 21 October 2014, the Company signed an AIFM agreement with the Manager to act as the Company's AIFM. Under the agreement, the Manager is entitled to an annual fixed fee of £54,000. The annual fixed fee is paid quarterly in arrears. AIFM fees payable as at 31 March 2018: £13,315 (30 September 2017: £nil).

Administration fee
On 21 October 2014, the Company signed an agreement with BNP Paribas Securities Services S.C.A., Guernsey Branch, (the "Administrator") to provide administrative, compliance oversight and company secretarial services to the Company. Under the administration agreement, the Administrator is entitled to a minimum annual fixed fee for fund administration services and company secretarial and compliance services. These fees are paid monthly in arrears. Other ad hoc administration services are chargeable on a time cost basis. In addition, the Company will reimburse the Administrator for any out of pocket expenses.

Custody fee
On 21 October 2014, the Company signed a Global Custody Agreement with the Manager and the Administrator, whereby the Company appointed the Administrator to carry out custodian services. In its role as Custodian, the Administrator is entitled to a fee payable by the Company on a transaction by transaction and ad-valorem fee basis.

4. Operating expenses (continued)

Portfolio management and portfolio management performance fee

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

Under the agreement, the Portfolio Manager is entitled to receive a base fee and performance fee. The portfolio manager base fee is payable monthly in arrears at a rate of one-twelfth of 0.75% of NAV. A performance fee equal to 15% of the amount by which the Company's NAV outperforms the total return on the benchmark, (being Numis Smaller Companies plus AIM (excluding investment companies) total return index), will be payable to the Portfolio Manager over a performance period.

The performance period is the period between two redemptions, being the first business day after the calculation date, (referable to the earlier redemption (opening date)), and the end day of the calculation date (referable to the later redemption (closing date)). The first opening date is the date of admission and in circumstances in which a performance fee may be payable upon termination of this Agreement, the final closing date shall be the date in which the agreement is terminated. The calculation date is the date determined by the Board for the calculation of the price to be paid on any particular exercise of the redemption mechanism. Please refer to note 10 for further detail regarding the redemption mechanism. The performance fee due will only be paid when the Company implements the Redemption Mechanism as detailed in the IPO Prospectus issued on 14 November 2014. Please refer to note 10 for further detail regarding the redemption mechanism.

During the six months ended 31 March 2018, the Company incurred a performance fee of £1,160,610 (31 March 2017: £2,321,256), of which £736,293 (30 September 2017: £602,506) was payable at period end. Performance fee of £1,026,823 (31 March 2017: £nil) was paid during the period as a result of the Company's second compulsory redemption. Please refer to note 10.

Broker fee

On 20 January 2015, the Company signed a Corporate Stockbroker and Financial Adviser agreement with Winterflood Investment Trusts (a division of Winterflood Securities Limited) (the "Corporate Broker"), to provide corporate stockbroker and financial adviser services to the Company. Under the agreement, the Corporate Broker is entitled to a fee payable by the Company of £50,000 per annum payable half-yearly in arrears. Broker fees payable as at 31 March 2018 were £16,439 (30 September 2017: £16,576).

5. Directors' fees and interests

The Directors of the Company were remunerated for their services at a fee of £25,000 per annum (£40,000 for the Chairman) and the Chairman of the Audit Committee received an additional £5,000 for his services in this role.

The Company has no employees other than the Directors. Directors' fees payable as at 31 March 2018 were £29,274 (30 September 2017: £31,164).

As at the date of approval of these condensed financial statements, Andrew Chapman, Trudi Clark and Mark Hodgson held 15,168, 12,803 and 17,681 Ordinary Shares in the Company respectively. No other Director holds shares in the Company. No pension contributions were payable in respect of any of the Directors.

6. Other receivables

	31 March 2018 (Unaudited)	30 September 2017 (Audited)
	£	£
Dividend receivable	37,610	87,209
Interest receivable	2,143	1,395
Ordinary Share receivable	1	1
Total other receivables	39,754	88,605

The Directors believe that these balances are fully recoverable.

7. Financial assets designated at fair value through profit or loss

	31 March 2018 (Unaudited)	30 September 2017 (Audited)
	£	£
Financial assets designated at fair value through profit or loss	94,327,434	97,606,392

The Company has invested the proceeds raised from the initial Ordinary Share issue and subsequent Ordinary Share tap issues in a portfolio of UK Micro Cap Companies in line with its investment strategy. These investments are predominantly comprised of companies whose securities are admitted to trading on the AIM, with a free float market capitalisation of less than £100 million at the time of purchase.

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

The Company categorises its financial assets according to the following fair value hierarchy detailed in IFRS 13, that reflects the significance of the inputs used in determining their fair values;

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable variable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

7. Financial assets designated at fair value through profit or loss (continued)

Fair value hierarchy (continued)

	Level 1 (Unaudited) £	Level 2 (Unaudited) £	Level 3 (Unaudited) £	31 March 2018 Total (Unaudited) £
Financial assets				
Financial assets designated at fair value through profit or loss	94,327,434	-	-	94,327,434

	Level 1 (Audited) £	Level 2 (Audited) £	Level 3 (Audited) £	30 September 2017 Total (Audited) £
Financial assets				
Financial assets designated at fair value through profit or loss	97,606,392	-	-	97,606,392

Financial assets designated at fair value through profit or loss reconciliation

The following table shows a reconciliation of all movements in the fair value of financial assets categorised within Level 1 to 3 between the beginning and the end of the reporting period.

31 March 2018	Level 1 (Unaudited) £	Level 2 (Unaudited) £	Level 3 (Unaudited) £	Total (Unaudited) £
Opening valuation	**97,606,392**	-	-	**97,606,392**
Movements in the period:				
Purchases during the period	9,913,766	-	-	9,913,766
Sales - proceeds during the period	(19,790,105)	-	-	(19,790,105)
Realised gain on financial assets designated at fair value through profit or loss[1]	13,470,678	-	-	13,470,678
Unrealised loss on financial assets designated at fair value through profit or loss[2]	(6,873,297)	-	-	(6,873,297)
Closing valuation	**94,327,434**	**-**	**-**	**94,327,434**
Total net gain on financial assets for the period ended 31 March 2018	6,597,381	-	-	6,597,381

[1]Realised gain on financial assets designated at fair value through profit or loss is made up of £13,535,656 gain and £(64,978) loss.
[2]Unrealised gain on financial assets designated at fair value through profit or loss is made up of £7,661,748 gain and £(14,535,045) loss.

During the period ended 31 March 2018, there were no reclassifications between levels of the fair value hierarchy.

7. Financial assets designated at fair value through profit or loss (continued)

Financial assets designated at fair value through profit or loss reconciliation (continued)

30 September 2017	Level 1 (Audited) £	Level 2 (Audited) £	Level 3 (Audited) £	Total (Audited) £
Opening valuation	**85,978,933**	-	-	**85,978,933**
Movements in the year:				
Purchases during the year	26,002,113	-	-	26,002,113
Sales - proceeds during the year	(57,274,750)	-	-	(57,274,750)
Realised gain on financial assets designated at fair value through profit or loss[3]	26,224,732	-	-	26,224,732
Unrealised gain on financial assets designated at fair value through profit or loss[4]	16,675,364	-	-	16,675,364
Closing valuation	**97,606,392**	-	-	**97,606,392**
Total gain on financial assets for the year ended 30 September 2017	42,900,096	-	-	42,900,096

[3]Realised gain on financial assets designated at fair value through profit or loss is made up of £27,869,691 gain and £(1,644,959) loss.
[4]Unrealised gain on financial assets designated at fair value through profit or loss is made up of £18,398,086 gain and £(1,722,722) loss.

During the year ended 30 September 2017, there were no reclassifications between levels of the fair value hierarchy.

Please refer to note 2.3 for valuation methodology of financial assets designated at fair value through profit or loss. As at 31 March 2018, none of the investments held are deemed to be illiquid in nature and on this basis are not subject to any special arrangements.

8. Other payables

	31 March 2018 (Unaudited) £	30 September 2017 (Audited) £
Portfolio management fees	61,739	65,754
Portfolio management performance fees	736,293	602,506
Administration fees	8,726	8,803
AIFM fees	13,315	-
Audit fees	35,500	37,000
Broker fees	16,439	16,576
Company Secretariat fees	3,014	2,819
Custody fees	1,142	1,113
Directors' fees	29,274	31,164
Registrar fees	646	625
Sundry expenses	38,576	43,418
Total other payables	**944,664**	**809,778**

9. Contingent liabilities and commitments

As at 31 March 2018, the Company had no contingent liabilities or commitments (30 September 2017: nil).

10. Stated capital and share premium

Authorised

The authorised share capital of the Company is represented by an unlimited number of redeemable Ordinary Shares at no par value.

Allotted, called up and fully-paid

Ordinary Shares	Number of shares	Stated capital £	Share premium £
Total issued share capital as at 1 October 2017	59,795,329	-	55,333,617
Ordinary Shares redeemed during the period	(7,843,469)	-	(15,008,850)
Total issued share capital as at 31 March 2018	**51,951,860**	**-**	**40,324,767**

Ordinary Shares	Number of shares	Stated capital £	Share premium £
Total issued stated capital as at 1 October 2016	68,507,569	-	70,342,481
Ordinary Shares redeemed during the year	(8,712,240)	-	(15,008,864)
Total issued stated capital as at 30 September 2017	**59,795,329**	-	**55,333,617**

Ordinary Shares

As at 31 March 2018, the Company had 51,951,860 Ordinary Shares (30 September 2017: 59,795,329).

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

The Board does not expect income from the investment portfolio to significantly exceed the anticipated annual running costs of the Company and therefore does not expect that the Company will pay significant, or any, dividends, although it reserves the right to do so.

No dividends have been declared or paid during the period (30 September 2017: Nil).

Issuance of Ordinary Shares

No Ordinary Shares were issued during the period ended 31 March 2018 (30 September 2017: Nil Ordinary Shares issued).

10. Stated capital and share premium (continued)

Redemption mechanism

As the Company has been established as a closed-ended collective investment scheme, there is no right or entitlement attaching to the Ordinary Shares that allows them to be redeemed or repurchased by the Company at the option of the Shareholder.

The redemption mechanism allows the Board to redeem any number of shares at the prevailing NAV per share at the calculation date, (being the date determined by the Board for the calculation of the price to be paid on any particular exercise of the redemption mechanism), less the cost of redemption. This right will only be exercised in specific circumstances and for the purpose of returning capital growth.

On the basis that the NAV has exceeded £100 million, the Directors intend to operate the redemption mechanism to return the net asset value back to around £100 million in order to:

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

The Directors are not obliged to operate the redemption mechanism and will not do so if:

- calculation and publication of the NAV has been suspended; or
- the Directors are unable to make the solvency statement required by Guernsey law; or
- other circumstances exist that the Board believes make the operation of the redemption mechanism undesirable or impracticable.

Redemptions will, subject to compliance with all applicable law and regulation, be carried out pro rata to a Shareholder's holding of Ordinary Shares, but all redemptions will normally be subject to a de minimis value to be returned of approximately £10 million (before costs). The Company will not redeem fractions of shares.

The price at which any Ordinary Shares are redeemed under the redemption mechanism will be calculated by reference to unaudited NAV calculations. To the extent that any redemption takes place at a time when the Ordinary Shares are trading at a significant premium to the prevailing unaudited NAV, Shareholders may receive an amount in respect of their redeemed Ordinary Shares that is materially below the market value of those shares prior to redemption.

In order to facilitate any redemptions, the Company may be required to dispose of assets within the investment portfolio. There is no certainty of the price that can be achieved on such sales and any sale price could be materially different from the carrying value of those assets. Consequently, the value received in respect of redeemed Ordinary Shares may be adversely affected where the Company is not able to realise assets at their carrying values. In addition, during any period when the Company is undertaking investment portfolio realisations, it may hold the sale proceeds (which could, in aggregate, be a material amount) in cash, which could impact the Company's returns, until the redemption is implemented and the cash is distributed to Shareholders.

Investors should note that the redemption mechanism has a specific and limited purpose, and no expectation or reliance should be placed on the redemption mechanism being operated on any one or more occasions or as to the proportion of Ordinary Shares that may be redeemed or as to the price at which they will be redeemed. The redemption mechanism may also lead to a more concentrated and less liquid portfolio, which may adversely affect the Company's performance and value.

10. Stated capital and share premium (continued)

Redemption mechanism (continued)

In the absence of the availability of the redemption mechanism, Shareholders wishing to realise their investment in the Company will be required to dispose of their shares on the stock market. Accordingly, Shareholders' ability to realise their investment at any particular price and/or time may be dependent on the existence of a liquid market in the shares.

During the year ended 30 September 2017, the Company completed its first compulsory redemption of Ordinary Shares where 8,712,240 Ordinary Shares were redeemed and cancelled as part of the redemption mechanism at a redemption price of £1.7217 per Ordinary Share, (which excludes costs of redemption of £9,000), returning £14,999,864 to Shareholders.

On 1 December 2017, the Company completed its second compulsory redemption of Ordinary Shares where 7,843,469 Ordinary Shares were redeemed and cancelled as part of the redemption mechanism at a redemption price of £1.9124 per Ordinary Share, (which excludes costs of redemption of £9,000), returning £14,999,850 to Shareholders.

11. Basic and diluted earnings per Ordinary Share

	Six months ended 31 March 2018 (Unaudited) £	Six months ended 31 March 2017 (Unaudited) £
Total comprehensive income for the period	4,991,087	19,800,562
Weighted average number of Ordinary Shares during the period	54,580,715	68,507,569
Basic and diluted earnings per Ordinary Share	0.0914	0.2890

12. Net asset value per Ordinary share

	31 March 2018 (Unaudited) £	30 September 2017 (Audited) £
Net asset value	99,659,438	109,677,201
Number of Ordinary Shares at period end	51,951,860	59,795,329
Net asset value per Ordinary Share	1.9183	1.8342

13. Reconciliation of NAV to published NAV

	31 March 2017 NAV per Ordinary Share £	30 September 2017 NAV per Ordinary Share £
Published NAV per Ordinary Share	1.9189	1.8342
Fair value adjustment on financial assets designated at fair value through profit or loss	(0.0007)	0.0000
Accrual adjustment[1]	0.0001	0.0000
NAV per Ordinary Share	1.9183	1.8342

[1] The published NAV was calculated as at 29 March 2018, which did not take into consideration expense accruals for the period from 29 March 2018 to 31 March 2018.

14. Finance costs

On the 9 December 2016, the Company entered into a Sterling Facility Agreement (the "Facility") for a £2,000,000 revolving credit facility with BNP Paribas Securities Services S.C.A. (the "Lender") and BNP Paribas Securities Services S.C.A., Guernsey Branch (the "Custodian"); and Security Interest Agreement between the Company, the Lender and Custodian.

Loan interest of 2.05% per annum over LIBOR will be paid on any outstanding loan amounts and a loan commitment fee is payable on the available commitment, being £2,000,000 less the amount of any outstanding loan, for the availability period. In addition, a loan arrangement fee of £8,000 was paid on the date of the facility agreement, payable upfront.

Under the terms of the Facility the Company will repay any loan drawdown on the last day of the Company's availability period, being the period from the 9 December 2016 and including one month before the Facility termination date which is 364 calendar days from the signing of the Facility, unless an extension is agreed between the Company and the Lender.

On the 13 December 2017, the Company signed an Extension and Amendment Agreement that varied the terms of the Facility entered into on the 9 December 2016. With effect from the 20 December 2017, the loan commitment was increased to £5,000,000 and the loan interest amended to 1.75% per annum over LIBOR. A loan extension fee of £8,000 was paid, payable upfront, on the date of the Extension and Amendment Agreement.

The Facility was not drawn upon as at 31 March 2018.

As at the date of approval of the Half-Yearly Financial Report no new extension date has been agreed between the Company and the Lender.

15. Related party disclosure

The Manager and Portfolio Manager are deemed related parties and all transactions between these related parties were conducted on terms equivalent to those prevailing in an arm's length transaction. Please refer to note 4 for further detail.

George Ensor is deemed to be a related party as he is the Fund Manager of the Portfolio Manager. As at the date of approval of the Half-Yearly Financial Report, he held nil Ordinary Shares in the Company.

The Directors are entitled to remuneration for their services. Please refer to note 5 for further detail. Mark Hodgson is the Managing Director of the Manager.

For Directors' fees, portfolio management fees and AIFM fees payable as at 31 March 2018, please refer to note 8.

16. Material events after the Condensed Statement of Financial Position date

There were no events which occurred subsequent to the period end until the date of approval of the condensed financial statements, which would have a material impact on the condensed financial statements of the Company as at 31 March 2018.

17. Controlling party

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

COMPANY INFORMATION

Board members
Andrew Chapman (Chairman)
Ian Burns (Chairman of the Audit Committee and Senior Independent Director)
Trudi Clark (Chairman of the Remuneration and Nomination Committee and Management Engagement Committee)
Mark Hodgson

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St Julian's Avenue
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Guernsey
GY1 1WA

Portfolio Manager
River and Mercantile Asset Management LLP
30 Coleman Street
London
EC2R 5AL

Manager
Carne Global AIFM Solutions (C.I.) Limited
Channel House
Green Street
St Helier
Jersey
JE2 4UH

Corporate Broker
Winterflood Securities Limited
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Cannon Bridge House
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London
EC4R 2GA

Solicitors to the Company (as to English law)
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Advocates to the Company (as to Guernsey law)
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Les Banques
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Custodian
BNP Paribas Securities Services S.C.A., Guernsey Branch
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Independent Auditor
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1 Glategny Esplanade
St Peter Port
Guernsey
GY1 4ND

Administrator and Company Secretary
BNP Paribas Securities Services S.C.A., Guernsey Branch
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BNP Paribas Securities Services S.C.A. Guernsey Branch is regulated by the Guernsey Financial Services Commission.

Registrar[1]
Computershare Investor Services (Guernsey) Limited
Queensway House
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St Helier
Jersey
JE1 1ES

[1] – From 6 March 2018, the Company appointed Computershare Investor Services (Guernsey) Limited to act as the Company's registrar, replacing Link Asset Services (formerly Capita Registrars (Guernsey) Limited).