RIVER AND MERCANTILE UK MICRO CAP
INVESTMENT COMPANY LIMITED

INTERIM FINANCIAL REPORT

FOR THE PERIOD 2 OCTOBER 2014
(INCORPORATION) TO 31 MARCH 2015

CONTENTS

INTERIM BOARD REPORT
FINANCIAL HIGHLIGHTS AND PERFORMANCE SUMMARY

Financial highlights

On incorporation date 2 October 2014, the Company issued 1 redeemable ordinary share (the "ordinary shares") of £1 in the capital of the Company.

On 2 December 2014, the Company issued 50,643,163 ordinary shares at a price of £1 per ordinary share, raising gross proceeds of £50,643,163.

Number of ordinary shares in issue as at 31 March 2015:

50,643,164 ordinary shares

Market capitalisation as at 31 March 2015:

Ordinary share class: £52,668,890

Performance summary

	As at 31 March 2015
Net asset value per ordinary share	£1.0317
Ordinary share price (bid market)*	£1.0400

Period highs and lows

	2015 High	2015 Low
Net asset value per ordinary share	£1.0428	£0.9738
Ordinary share price (bid market)*	£1.0600	£1.0000

Dividend history

No ordinary share dividend was declared during the period.

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

* - Source: Bloomberg

INTERIM BOARD REPORT (CONTINUED)
CHAIRMAN'S STATEMENT

The History

I have long been fascinated with history and I felt that in my first Chairman's statement of our company, albeit interim, I would take the opportunity to look back at the history of the River and Mercantile name and its links with the investment trust sector. As you may be aware the River and Mercantile name is synonymous with the investment trust sector since its formation in 1881 when the River Plate Trust Loan and Agency Company was incorporated. This company administered various businesses in South America and was succeeded in 1961 by the River Plate and Mercantile Trust Ltd. This company subsequently became River and Mercantile Trust Plc in 1962 and by 1994 the company had become synonymous with longevity, integrity and product innovation, managing five investment trusts with a total of £400m in assets.

Between 1994 and 1996 Pacific Investments acquired a 100% interest in River and Mercantile and recruited a management team from HSBC James Capel to launch a new open ended investment division. Following this management buy-in the focus of the business evolved and the investment trust contracts were sadly sold to a range of leading London based investment houses. This broke the long-standing link between River and Mercantile and the investment trust industry that had been the original cornerstone of the business. However, Pacific Investments retained the name and focused on developing the new investment division, a specialist UK equities fund management business that became Liontrust Asset Management PLC in 1999.

River and Mercantile Asset Management LLP (the "Portfolio Manager") was formed in 2006 by James Barham with the backing of Pacific Investments as a diversified investment boutique with a focus on the Institutional and wealth management market. The business has since grown strongly and now manages assets in excess of £2.3bn. The investment division is highly rated by the institutional investment consultants and more broadly amongst the Wealth Management community. In early 2014, the Portfolio Manager merged with P-Solve, a specialist investment and advisory business founded by Mike Faulkner in 2001, to form River and Mercantile Group and subsequently listed on the main market of the London Stock Exchange in June 2014.

The Company

It has long been an ambition of the management team of the Portfolio Manager to reconnect with their roots through the management of an Investment Trust and hence River and Mercantile UK Micro Cap Investment Company Limited was founded in October 2014.

I am delighted to welcome my other board directors - Ian Burns a fellow of both the Institute of Chartered Accountants in England and Wales and the Chartered Institute for Securities and Investment; Trudi Clark, a qualified Chartered Accountant who spent over ten years with Schroders (C.I) Limited; and Mark Hodgson who has over 25 years of financial services experience and is Managing Director of Carne Global Financial Services (C.I) Limited.

The Board appointed Carne Global AIFM Solutions (C.I.) Limited as the manager of the Company (the "Manager"), whom have delegated portfolio management to the Portfolio Manager. However, it is the Board's duty to actively and continuously supervise both the Manager and the Portfolio Manager in the performance of their respective functions.

INTERIM BOARD REPORT (CONTINUED)
CHAIRMAN'S STATEMENT (CONTINUED)

The Company (continued)

The Company's investment objective is 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 £100m at the time of purchase.

Performance

The unaudited Net Asset Value ("NAV") total return of the UK Micro Cap Investment Company over the period was +5.3%, which compares with the total return of +5.0% posted by the benchmark index and the +5.5% increase in the share price since the IPO.

Outlook

In what has been dubbed a surprisingly emphatic UK Election result, the market has moved from a period of considerable uncertainty to one where there is firm basis of reference for evaluating the prospects for the UK economy. Recent periods have shown that the UK is undergoing a broad based recovery across many parts of the Nation, with strengthening employment and real wages. Whilst GDP remains below long term trend levels this remains a healthy backdrop against which high quality UK firms can drive growth in their businesses. With the Portfolio Manager observing that valuations are at unusually attractive levels, I am encouraged that the proceeds of the IPO have been steadily deployed into UK Micro Caps, with a strong likelihood of full deployment being achieved within 6 months of the completion of the Company's listing on the Main Board of the London Stock Exchange. This attests to the good timing of the IPO, providing investors with a dedicated and focused Investment Company within an asset class with the potential for attractive long term returns.

Summary

It was a considerable honour to be asked to Chair the River and Mercantile UK Micro Cap Investment Company Limited and, although this is early days, I am very pleased to report the strong investment return and positive share price performance. We will continue to work with our advisers and the Portfolio Manager to identify suitable opportunities to raise additional assets within the confines of the agreed capacity.

I look forward to writing to you again following the completion of our first full year, but I would like to take the opportunity to thank all our shareholders for their support at the time of the launch and over the first six months.

A. Chapman

Andrew Chapman
Chairman
13 May 2015

INTERIM BOARD REPORT (CONTINUED)
EXECUTIVE SUMMARY

This Executive Summary is designed to provide information about the Company's business and results for the period ended 31 March 2015. It should be read in conjunction with the Chairman's Statement on pages 3 and 4 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 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") 2008.

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

On incorporation, the Company issued 1 ordinary share of £1 in the capital of the Company. On 2 December 2014, the Company announced the results of the initial placing of ordinary shares. The initial placing raised gross proceeds of £50,643,163 through the issue of 50,643,163 ordinary shares at an issue price of £1 per ordinary share. Application was made to the UK Listing Authority and the London Stock Exchange plc for the newly issued ordinary shares to be admitted to the Official List and to trading on the Main Market. The admission became effective on 2 December 2014.

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") and is regulated by the GFSC.

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 Alternative Investment Market ("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.

Further information can be found in the Portfolio Manager's report which is incorporated within this Interim Financial Report on pages 10 to 13 for informational purposes only.

INTERIM BOARD REPORT (CONTINUED)
EXECUTIVE SUMMARY (CONTINUED)

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 a member of the Audit Committee, Remuneration and Nomination Committee and Management Engagement Committee.

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

As at the date of approval of the condensed financial statements, Directors held the following number of ordinary shares in the Company:

Director	Director holdings in the Company ordinary shares
Andrew Chapman	10,000
Ian Burns	Nil
Trudi Clark	Nil
Mark Hodgson	Nil

No Director has or had any other material interest in any contract to which the Company is or was a party.

Key Performance Indicators (KPIs)

The Company's Board of Directors meets regularly and at each meeting reviews performance and risk against a number of key measures.

Returns and net asset value total return

The Board reviews and compares, at each meeting, the performance of the portfolio as well as the net asset value, income and share price of the Company. The Directors regard the Company's net asset value total return as being the overall measure of value delivered to shareholders over the long term. Total return reflects net asset value growth of the Company.

The Board is committed to achieving long term capital growth and, where possible, returning such growth to shareholders throughout the life of the Company. Furthermore, the Portfolio Manager has advised the Board that it believes that a NAV of £100 million (at current market levels although this may change over time) would best position the Company to take advantage of a portfolio of Micro Cap Companies.

Accordingly, assuming that the net asset value grows, the Directors intend to operate the redemption mechanism pursuant to which a portion of shareholders' shareholdings may be redeemed compulsorily so as to return the NAV back to around £100 million.

Please refer to note 12 for further details regarding redemption mechanism.

Concentration

The Directors review the geographical, industry, asset and currency diversification of the investment portfolio to ensure that holdings are in line with the prospectus and also to monitor the concentration risk of the investment portfolio.

Please refer to note 8 for further details regarding investment limits and risk diversification policies.

INTERIM BOARD REPORT (CONTINUED)
EXECUTIVE SUMMARY (CONTINUED)

Key Performance Indicators (KPIs) (continued)

Premium / Discount
The Directors review the trading price of the Company's ordinary shares and compare it against the net asset values of the ordinary shares of the Company to assess volatility in the discount or premium to the share prices during the period.

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 numerous risk factors, an overview of which is set out below:

Investment and liquidity
An inappropriate investment strategy may lead to under performance against the Company's benchmark and peer companies resulting in the Company's shares trading on a discount. The Board monitors the implementation and results of the investment process with the Portfolio Manager who attends all Board meetings and reviews data which shows measures of the Company's risk profile.

The Company invests 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. These securities are likely to have higher volatility and liquidity risk than securities on the London Stock Exchange Official List. The relatively small market capitalisation of Micro Cap Companies could therefore have an adverse effect on the performance of these investments and can make the market in their shares illiquid. On this basis prices of Micro Cap Companies are often more volatile than prices of larger capitalisation stocks, and even small cap companies.

The Company may have difficulty in selling its investments which may lead to volatility in the market price of shares in the Company. The Company may not necessarily be able to realise, its investments within a reasonable period, and any such realisations that may be achieved may be at a considerably lower price than prevailing indicative market prices. There can therefore be no guarantee that any realisation of an investment will be on a basis which necessarily reflects the valuation of that investment.

The Directors discuss these risk factors regularly at each Board meeting with the Portfolio Manager. The Directors placed investment restrictions and guidelines to limit these risks.

Portfolio concentration and macro-economic risks
The Company predominantly invests in securities in the UK and has no specific limits placed on its exposure to any industry sector. Changes in economic conditions in the UK, (for example, interest rates and rates of inflation, industry conditions, competition, political and diplomatic events and other factors), where the Company predominantly invests, could substantially and adversely affect the Company's prospects, as could changes in global economic conditions. This exposes the Company to concentration of geographical risk and may from time to time lead to the Company having significant exposure to portfolio companies from certain business sectors. Greater concentration of investments in any one geographical and / or industry sector may result in greater volatility in the value of the Company's investments, and consequently its NAV, and may materially and adversely affect the performance of the Company and returns to shareholders.

INTERIM BOARD REPORT (CONTINUED)
EXECUTIVE SUMMARY (CONTINUED)

Principal risks and uncertainties (continued)

Portfolio concentration and macro-economic risks (continued)
While the Company does not include any specific limits placed on exposures to any industry sector, the Company does have investment limits and risk diversification policies in place to mitigate market and concentration risk. Please refer to note 8 for further details.

Accounting, operational legal and regulatory
The Company is regulated by the GFSC and complies with regulated requirements in Guernsey. The Company must comply with the provisions of the Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended, and the RCIS Rules 2008 and since its shares are listed on the London Stock Exchange, the UKLA's Listing and Disclosure Rules. A breach of company law could result in the Company and / or the Directors being fined or the subject of criminal proceedings and financial and reputational damage. A breach of the UKLA Rules could result in suspension of the Company's shares. The Board relies on its Company Secretary and advisers to ensure adherence to company law and UKLA Listing and Disclosure Rules.

Disruption to, or failure of, the accounting, dealing or payments systems or the custodian's records could prevent accurate reporting and monitoring of the Company's financial position. The Board, by way of the Management Engagement Committee, actively monitors its service providers.

Other risks
The Directors wish to draw the attention of shareholders to the other risks as set out in the Company's prospectus which is available on the Company's website – microcap.riverandmercantile.com.

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 the attached condensed financial statements.

Related parties
Other than fees payable in the ordinary course of business, there have been no material transactions with related parties, which have affected the financial position or performance of the Company in the financial period. Please refer to note 15 for further details.

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 the foreseeable future. The Directors consider it appropriate to adopt the going concern basis in preparing the condensed financial statements.

Corporate Governance
To comply with the UK Listing Rules, the Company must comply with the requirements of the UK Corporate Governance Code. The Company is also required to comply with the Code of Corporate Governance issued by the Guernsey Financial Services Commission.

INTERIM BOARD REPORT (CONTINUED)
EXECUTIVE SUMMARY (CONTINUED)

Corporate Governance (continued)

The Company is a member of the AIC and by complying with the AIC Code is deemed to comply with both the UK and Guernsey Codes of Corporate Governance.

The Board has considered the principles and recommendations of the AIC Code, by reference to the guidance notes provided by the AIC ("AIC Guide"), and considers that reporting against these will provide better information to shareholders. To ensure ongoing compliance with these principles the Board reviews a report from the Corporate Secretary, at each quarterly meeting, identifying whether the Company is in compliance and identifying any changes that might be necessary.

The Company has complied with the recommendations of the AIC Code throughout the period and thus the relevant provisions of the UK Corporate Governance Code, except as set out below.

The UK Corporate Governance Code includes, amongst others, provisions relating to:

- the role of the chief executive
- executive directors' remuneration
- the need for an internal audit function
- the whistle blowing policy

For the reasons set out in the AIC Guide, and as explained in the UK Corporate Governance Code, the Board considers these provisions are not relevant to the Company as it is an externally managed investment company. The Directors are non-executive and the Company does not have employees, hence no whistle-blowing policy is required. There have been no instances of non-compliance, other than those noted above.

The Company has adopted a policy that the composition of the Board of Directors, which is required by the Company's Articles, comprise of at least two persons, that at all times a majority of the Directors are independent of the Portfolio Manager and any company in the same group as the Portfolio Manager; the Chairman of the Board of Directors is free from any conflicts of interest and is independent of the Portfolio Manager and of any company in the same group as the Portfolio Manager; and that no more than one director, partner, employee or professional adviser to the Portfolio Manager or any company in the same group as the Portfolio Manager may be a Director of the Company at any one time.

The Company's risk exposure and the effectiveness of its risk management and internal control systems are reviewed by the Audit Committee at its meetings and annually by the Board. The Board believes that the Company has adequate and effective systems in place to identify, mitigate and manage the risks to which it is exposed.

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 resources are appropriate to properly manage the Company's portfolio in the current and anticipated investment environment.

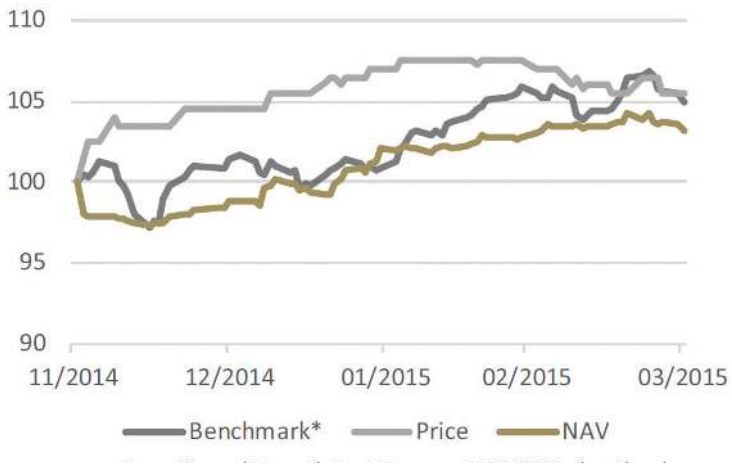
Please refer to the Portfolio Manager's report for detail regarding performance to date of the investment portfolio and the main trends and factors likely to affect those investments.

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). Where noted, reference is made to the investment performance since inception of the portfolio which is calculated from a starting value of 98% of gross IPO proceeds, being the Funds available for investment following the deduction of IPO expenses. 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 River and Mercantile UK Micro Cap Investment Company has enjoyed a promising start. The proceeds of the IPO have been progressively deployed throughout the period into carefully evaluated opportunities, reaching 78.2% invested by the end of March. Since the IPO, the performance benchmark has been strong, rising 5% (3.5% in Q1), which naturally means there has been a drag on relative performance from the cash component worth approximately 2%. It is therefore particularly pleasing to report that your part invested portfolio was able to deliver an investment before expenses return of 7.3% since IPO (5.6% in Q1), comfortably ahead of benchmark. It should be noted that this is calculated using official close prices and referencing a starting value of 98p – being the net proceeds after IPO expenses. The Net Asset Value utilises bid prices and includes accruals for fees and charges and therefore since IPO NAV rose 3.2% to 103.2p or 5.3% from a 98p starting value (4.4% in Q1).



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

The top contributor to this performance in Q1 was Nationwide Accident Repair Services. A 36% return was achieved since purchasing a 5.8% stake in this car repair firm at 65p. This excellent price was achieved by responding swiftly to the opportunity to assist Quindell plc in its objective of divesting non-core units. Remarkably, despite it being April Fool's Day, the good news got better post quarter end with the acceptance of a 100p cash offer for the business, cementing a 54% return within one month. Meanwhile the strongest riser in Q1 was Blur Group with a 39% advance and profits taken at even higher levels during the quarter. Blur is an Exeter-based global leading internet exchange for business services which is already transacting globally. Blur remains a young business with both triple digit growth and associated growing pains with strongly defendable prospects given the amount of time it would take to replicate the network.

PORTFOLIO MANAGER'S REPORT (CONTINUED)

Review of Performance (continued)

Top 10 contributors to return

Holdings	Contribution to return (%)
Nationwide Accident Repair	1.12%
Blur Group	1.08%
Entu UK	0.61%
Finsbury Food Group	0.46%
ScS Group	0.41%
Quixant	0.33%
Cambria Automobiles	0.25%
KBC Advanced Technologies	0.20%
Premier Technical Services	0.19%
Providence Resources	0.15%

Source: FactSet, held stocks contribution vs benchmark

Portfolio statistics

Other strong gainers in Q1 all reflect the theme of a buoyant UK economy leading to improved consumer confidence and spending. Cambria Automobiles accelerated 15% as this Jaguar Land Rover focused car dealer is enjoying strong growth in demand. Finsbury Food rose 16% as investments to improve its cake offerings were well received. Entu cemented a 28% rise with results that confirmed that this home improvements provider was trading at a very low valuation. And finally ScS Group was strongly supported after its IPO this quarter, rising 17%. It is notable that this sofa retailer with strong growth prospects was offered at half the valuation achieved by larger peer DFS, yet boasting a significantly stronger balance sheet and much higher dividend yield, emphasising the attractive valuation discount available for this Micro Cap firm.

So far disappointments have been limited. The sharpest faller and largest detractor was Epistem which fell 19%. Epistem's 'Genedrive' device is a major diagnosis step forward in the battle against Tuberculosis in India, having already confirmed the device had successfully passed its trial when the shares were purchased. However shares fell as final approval to release the product was still pending by the end of the quarter. Management remained confident with approval the first small step to addressing an enormous potential for this device. Lastly, ISG plc slipped 11% below purchase price as the market digests the recent developments at the global leading interior fit-out firm. ISG offers significant recovery potential following our support of a rescue equity funding to repair the firm's balance sheet after significant losses in its wholly segregated construction unit. In a buoyant fit-out market, this unit is growing robustly and more than justifies the market value of the business at the end of 2014. Therefore significant upside opportunity exists even if the construction business ends up being worth zero, although efforts to return the unit to profitability suggest an attractive recovery here too.

PORTFOLIO MANAGER'S REPORT (CONTINUED)

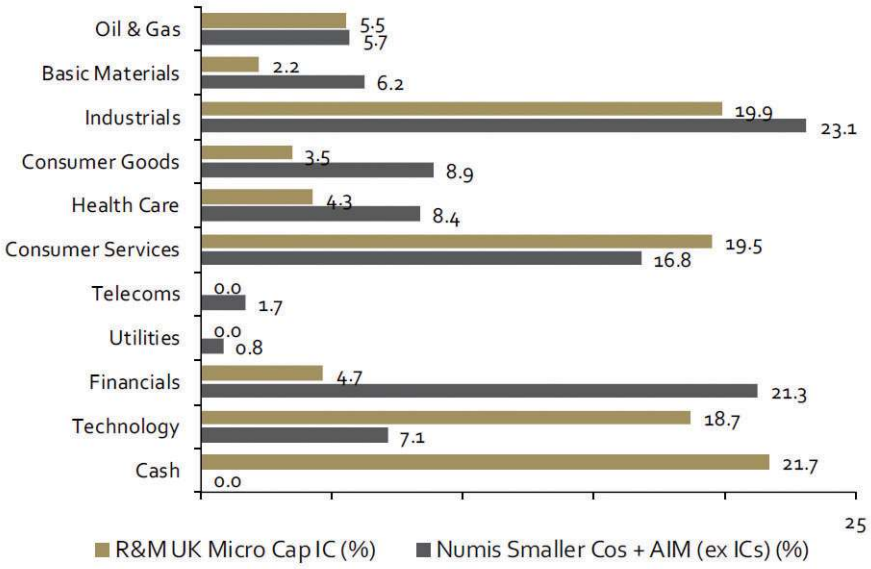
Portfolio statistics (continued)

Top 10 Holdings

Holdings	Weight (%)
KBC Advanced Technologies	4.4%
Nationwide Accident Repair	4.2%
ClearStar	4.1%
Ideagen	4.0%
Blur Group	3.8%
ScS Group	3.5%
Entu UK	3.5%
Finsbury Food Group	3.5%
NAHL Group	3.4%
WYG	3.3%

Source: River and Mercantile Asset Management LLP

Allocation by Sector

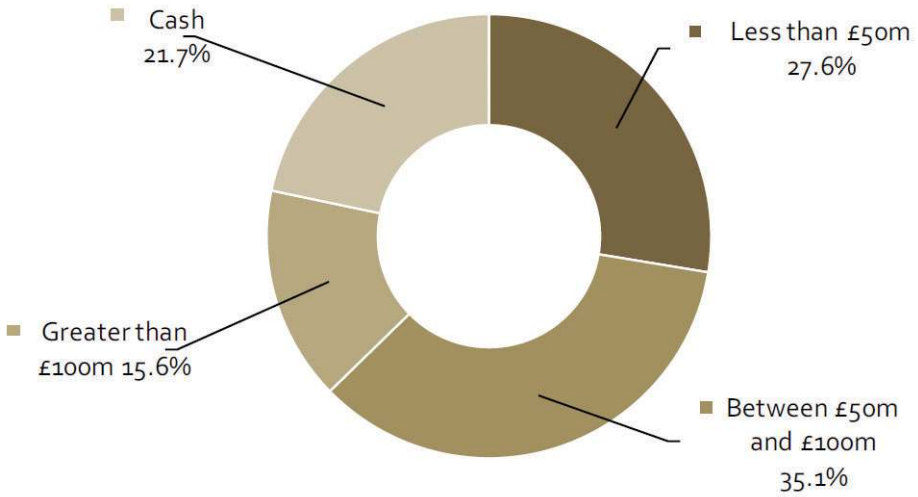


Source: FactSet

PORTFOLIO MANAGER'S REPORT (CONTINUED)

Portfolio statistics (continued)

Allocation by Market Capitalisation



Source: FactSet

Outlook

The UK remains amongst the top performing economies in Europe. GDP growth for Q4 was upgraded to 3% indicating strong momentum. Further strength in employment, leading to tentative real wage growth, is boosting consumers, whilst exporters will be cheering the improving market conditions in Continental Europe as the large Quantitative Easing programme boosts confidence in the territory. The balanced approach of accommodative monetary policy and supply side fiscal reform, has assisted the UK to a sustained phase of above trend growth. A surprisingly emphatic result in the UK General Election means investors can expect more of the same over the next five years – a welcome reduction in uncertainty. It is perhaps this uncertainty that has left the small and micro end of the UK market rising less than mid-caps so far this year, resulting in a valuation gap opening up which was last seen in 2009. With an unusual combination of low valuations for micro cap stocks against a robust UK economic backdrop, the prospect for long term attractive returns for the portfolio is very promising.

Philip Rodrigs
Portfolio Manager
13 May 2015

DIRECTORS' STATEMENT OF RESPONSIBILITIES

The Directors are responsible for preparing the interim financial report and condensed financial statements 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 interim financial report has been prepared in accordance with IAS 34 – "Interim Financial Reporting" and gives a true and fair view on the state of affairs of the Company as at 31 March 2015, as required by the UK Listing Authority Disclosure and Transparency Rule 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 of the Disclosure and Transparency Rules, of the UK's Financial Conduct Authority, being an indication of important events that have occurred during the period up to 31 March 2015 and their impact on the set of condensed 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 of the Disclosure and Transparency Rules, of the UK's Financial Conduct Authority, being related party transactions that have taken place during the period since inception to 31 March 2015 and that have materially affected the financial position or performance of the Company during that period.

Andrew Chapman
Chairman
13 May 2015

Ian Burns
Audit Committee Chairman

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

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the interim financial report for the period ended 31 March 2015, which comprises the condensed statement of comprehensive income, condensed statement of financial position as of 31 March 2015, condensed statement of changes in shareholders' equity, condensed statement of cash flows and related notes. We have read the other information contained in the interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The interim financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the interim financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2.1, the annual financial statements of the Company are prepared in accordance with International Financial Reporting Standards. The condensed set of financial statements included in this interim financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting".

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the interim financial report based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of the Disclosure and Transparency Rules of the Financial Conduct Authority and for no other purpose. We do not, in producing this report, 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 enquiries, 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim financial report for the period ended 31 March 2015 is not prepared, in all material respects, in accordance with International Accounting Standard 34 and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

PricewaterhouseCoopers CI LLP
Chartered Accountants
Guernsey, Channel Islands
13 May 2015

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

Publication of Interim Financial Report

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.

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 period from 2 October 2014 (incorporation) to 31 March 2015

	Notes	For the period from 2 October 2015 to 31 March 2015 (Unaudited) £
Income		
Investment income	3	89,445
Net gain on financial assets designated at fair value through profit or loss	7	2,881,047
Total Income		2,970,492
Expenses		
Operating expenses	4	(351,932)
Profit before taxation		**2,618,560**
Taxation		-
Profit after taxation and total comprehensive income		**2,618,560**
Basic and diluted earnings per ordinary share	13	£0.0749

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

The notes on pages 21 to 36 form an integral part of these condensed financial statements.

CONDENSED STATEMENT OF FINANCIAL POSITION

As at 31 March 2015

	Notes	31 March 2015 (Unaudited) £
Non-current assets		
Financial assets designated at fair value through profit or loss	7	40,864,257
Current assets		
Cash and cash equivalents	9	13,495,057
Dividend receivable		12,000
Prepayments		2,432
Other receivables	6	5,569
Total current assets		**13,515,058**
Total assets		**54,379,315**
Current liabilities		
Trade payables - securities purchased awaiting settlement		1,958,450
Other payables	10	172,004
Total current liabilities		**2,130,454**
Total liabilities		**2,130,454**
Net assets		**52,248,861**
Capital and reserves		
Share capital	12	49,630,301
Retained earnings		2,618,560
Equity shareholders' funds		**52,248,861**

The condensed financial statements on pages 17 to 36 were approved by the Board of Directors on 13 May 2015 and signed on its behalf by:

Andrew Chapman
Chairman
13 May 2015

Ian Burns
Audit Committee Chairman

The notes on pages 21 to 36 form an integral part of these condensed financial statements.

CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the period from 2 October 2014 (Incorporation) to 31 March 2015

	Note	Share capital (Unaudited) £	Retained earnings (Unaudited) £	Total (Unaudited) £
Opening equity shareholders' funds at 2 October 2014	12	-	-	-
Total comprehensive income for the period		-	2,618,560	2,618,560
Transactions with owners, recorded directly to equity				
Proceeds from issuance of ordinary shares	12	50,643,164	-	50,643,164
Share issue costs	12	(1,012,863)	-	(1,012,863)
Closing equity shareholders' funds at 31 March 2015		**49,630,301**	**2,618,560**	**52,248,861**

The notes on pages 21 to 36 form an integral part of these condensed financial statements.

CONDENSED STATEMENT OF CASH FLOWS

For the period from 2 October 2014 (Incorporation) to 31 March 2015

	Notes	Period ended 31 March 2015 (Unaudited) £
Cash inflow from operating activities		
Profit after taxation and total comprehensive income for the period		2,618,560
Adjustments to reconcile profit after tax to net cash flows:		
- Realised gain on financial assets designated at fair value through profit or loss	7	(113,701)
- Unrealised gain on financial assets designated at fair value through profit or loss	7	(2,767,346)
Purchase of financial assets designated at fair value through profit or loss	7	(38,799,709)
Proceeds from sale of financial assets designated at fair value through profit or loss	7	816,499
Changes in working capital		
Increase in other receivables		(20,001)
Increase in trade payables		1,958,450
Increase in other payables		154,165
Net cash used in operating activities		**(36,153,083)**
Cash inflow from financing activities		
Proceeds from issuance of ordinary shares	12	50,643,164
Ordinary share issue costs paid		(995,024)
Net cash from financing activities		**49,648,140**
Net increase in cash and cash equivalents in the period		**13,495,057**
Cash and cash equivalents at beginning of the period		-
Cash and cash equivalents at the end of the period	9	13,495,057

The notes on pages 21 to 36 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 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 2008. The Company 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

The principal accounting policies applied in the preparation of these condensed financial statements are set out below. These policies have been consistently applied throughout the period presented.

2.1 Basis of preparation

(a) Statement of Compliance

The condensed financial statements have been prepared in accordance with the Disclosure and Transparency Rules of the FCA and with International Accounting Standards ("IAS") 34 - 'Interim Financial Reporting'. The Annual Financial Report will be prepared in accordance with International Financial Reporting Standards ("IFRS") which comprise standards and interpretations approved by the International Accounting Standards Board ("IASB"), and interpretations issued by the International Financial Reporting Standards Interpretations Committee ("IFRIC") as approved by the International Accounting Standards Committee ("IASC") which remain in effect.

The condensed financial statements have been prepared under a going concern basis. The Directors are satisfied that, at the time of approving the condensed financial statements, it is appropriate to adopt the going concern basis in preparing the condensed financial statements.

The impact of seasonality or cyclicality on operations is not regarded as significant to the condensed financial statements.

(b) Basis of measurement

These condensed financial statements have been prepared on a going concern basis under the historical cost basis adjusted to take account of the revaluation of financial assets designated at fair value through profit or loss.

(c) Functional and presentation currency

The Company's functional currency is Pounds Sterling, which is the currency of the primary economic environment in which it operates. The Company's performance is evaluated and its liquidity is managed in Pounds Sterling. Therefore Pounds Sterling is considered as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The condensed financial statements are presented in Pounds Sterling.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)

2. Accounting policies (continued)
2.1 Basis of preparation (continued)

(d) Critical accounting assumptions, estimates and judgements
The preparation of the condensed financial statements in conformity with IAS 34, requires the Company to make judgements, estimates and assumptions that affect items reported in the Condensed Statement of Financial Position and Condensed Statement of Comprehensive Income and the disclosure of contingent assets and liabilities at the date of the condensed financial statements. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

As outlined in above in Note 2.1(c) the Directors have used their judgements to determine that the Company's presentational and functional currency is Pounds Sterling.

(e) New standards, amendments and interpretations
New standards, amendments and interpretations to existing standards that become effective in future accounting periods and have not been adopted by the Company;

International Financial Reporting Standards (IFRS)	Effective for periods beginning on or after
• IFRS 9 - Financial Instruments: Classification and Measurement	1 January 2018
• IFRS 15 – Revenue from Contracts with Customers	1 January 2017

The Directors have not yet fully assessed the impact this new standard will have on the condensed financial statements but their initial opinion is that it will not be significant.

2.2 Foreign currency translations
Foreign exchange gains and losses resulting from the settlement of transactions in foreign currencies and from the translation of monetary assets and liabilities at period end exchange rates to Pounds Sterling are recognised in the Condensed Statement of Comprehensive Income as foreign exchange translation gains / losses.

Non-monetary items such as financial assets designated at fair value through profit or loss measured at fair value in a foreign currency, are translated using exchange rates at the balance sheet date when the fair value was determined. Effects of exchange rate changes on non-monetary items measured at fair value on a foreign currency are recorded as part of the fair value gain or loss.

As at 31 March 2015 all financial assets designated at fair value through profit and loss are held in Pounds Sterling.

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 are financial instruments are held for investment purposes. Financial assets also include cash and cash equivalents as well as other receivables which are measured at amortised cost using the effective interest rate method.

2. Accounting policies (continued)
2.3 Financial instruments (continued)

Financial assets (continued)

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.

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 Condensed 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 2015, 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, in the opinion of the Directors, the fair value of the financial assets is not subject to significant judgements, 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.

2. Accounting policies (continued)
2.3 Financial instruments (continued)

Financial assets (continued)
(d) Valuation process (continued)
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
Amounts due to brokers represent payables for investments that have been contracted for but not yet settled or delivered on 31 March 2015. Financial liabilities include trade payables 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.

2.4 Dividend income and interest income and expenses
Dividends receivable on equity shares are recognised as revenue for the period on an ex-dividend basis. Interest income and expenses are recognised in the Condensed Statement of Comprehensive Income on an accruals basis using the effective interest rate method.

2.5 Operating expenses
Operating expenses are recognised on an accruals basis and are recognised in the Condensed Statement of Comprehensive Income.

2.6 Cash and cash equivalents
Cash and cash equivalents include cash in hand and deposits held at call with banks. Cash equivalents are short term, highly liquid investments with original maturities of three month or less that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

2.7 Segmental reporting
In accordance with IFRS 8, the Board as a whole has been determined as constituting “the chief operating decision maker” of the Company. 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. Accounting policies (continued)

2.8 Contingent liabilities and provisions

A contingent liability is a possible obligation depending on whether some uncertain future event occurs; or a present obligation but payment is not probable or the amount cannot be measured reliably. A provision is recognised when:

- the Company has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources will be required to settle the obligation; and
- the amount has been reliably estimated.

2.9 Taxation

The Company has applied for and been granted exemption from liability to income tax in Guernsey under the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989 as amended by the Director of Income Tax in Guernsey for the current period. Exemption must be applied for annually and will be granted, subject to the payment of an annual fee, which is currently fixed at £1,200 per applicant, provided the Company qualifies under the applicable legislation for exemption.

It is the intention of the Directors to conduct the affairs of the Company so as to ensure that it continues to qualify for exempt company status for the purposes of Guernsey taxation.

2.10 Share capital

Ordinary shares are classified as equity in accordance with IAS 32 – “Financial Instruments: Presentation” as these instruments include no contractual obligation to deliver cash and the redemption mechanism is not mandatory.

Costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction from the proceeds.

Please refer to note 12 for details regarding the redemption mechanism of ordinary shares.

2.11 Capital risk management

The Board defines capital as financial resources available to the Company. The Company’s capital as at 31 March 2015 comprises its share capital at a total of £49,630,301.

The Company’s objectives when managing capital are to:

- safeguard the Company’s ability to continue as a going concern;
- provide returns for shareholders; and
- maintain an optimal capital structure to minimise the cost of capital.

The Board monitors the capital adequacy of the Company on an on-going basis and the Company’s objectives regarding capital management have been met.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)

3. Investment income

	Period ended 31 March 2015 (Unaudited) £
Investment income	65,370
Bank interest	24,075
Total income	**89,445**

4. Operating expenses

	Period ended 31 March 2015 (Unaudited) £
Portfolio management fees	157,139
Directors' fees and travel expenses	42,164
AIFM fees	23,856
Audit fees	16,439
Administration fees	29,222
Broker fees	16,439
Custody fees	2,115
Company secretariat fees	12,163
Registrar fees	4,932
Transaction fees	36,265
Sundry expenses	11,198
Total	**351,932**

On the 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 upfront set up fee of £20,000 and annual fixed fee of £54,000. The annual fixed fee is paid quarterly in arrears. Please note that the upfront set up fee is included as part of share issue costs. Please refer to note 12 for further detail.

On the 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.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)

4. Operating expenses (continued)

On the 21 October 2014, the Company signed an agreement with with the Manager and 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 will be entitled to a minimum annual fixed fee of £85,000 with a cap of £115,000 for fund administration services and £35,000 annual fixed fee for company secretarial and compliance services. These fees are paid monthly in arrears. Ad hoc other administration services are chargeable on a time cost basis. In addition, the Company will reimburse the Administrator for any out of pocket expenses.

On the 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. No performance fee was paid during the period ended 31 March 2015.

5. Directors' fees and interests

The Directors of the Company are remunerated for their services at a fee of £20,000 per annum (£30,000 for the Chairman). The Chairman of the Audit Committee receives 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 2015 were £23,424.

As at the date of approval of these condensed financial statements, Andrew Chapman held 10,000 ordinary shares in the Company. 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 2015 (Unaudited) £
Interest receivable	94
Tax recoverable	5,475
Total other receivables	**5,569**

Tax recoverable represents withholding tax charged in error on dividend income from investments held. The Directors believe that these balances are fully recoverable.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)

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

	31 March 2015 (Unaudited) £
Financial assets designated at fair value through profit or loss	**40,864,257**

During the period, the Company has invested the proceeds raised from the initial ordinary share issue in a portfolio of UK Micro Cap Companies in line with it 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.

	Level 1 (Unaudited) £	Level 2 (Unaudited) £	Level 3 (Unaudited) £	31 March 2015 Total (Unaudited) £
Financial assets				
Financial assets designated at fair value through profit and loss	40,864,257	-	-	40,864,257

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)

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

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.

	Level 1 (Unaudited) £	Level 2 (Unaudited) £	Level 3 (Unaudited) £	31 March 2015 Total (Unaudited) £
Opening valuation	-	-	-	-
Movements in the period:				
Purchases during the year	38,799,709	-	-	38,799,709
Sales - proceeds during the year	(816,499)	-	-	(816,499)
Realised gain on financial assets designated at fair value through profit or loss	113,701	-	-	113,701
Unrealised gain on financial assets designated at fair value through profit or loss	2,767,346	-	-	2,767,346
Closing valuation	40,864,257	-	-	40,864,257
Total gains on financial assets for the period ended 31 March 2015	2,881,047	-	-	2,881,047

During the period ended 31 March 2015, 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.

8. Financial risk management

The Company's activities expose it to a variety of financial risks; market risk (including price risk, interest rate risk and foreign exchange risk), credit risk and liquidity risk.

8.1a Price risk

Price risk is the risk that the Company's performance will be adversely affected by changes in the markets in which it invests.

As at 31 March 2015, the Company held investments in a diversified portfolio of UK Micro Cap Companies, comprising companies with a free float market capitalisation of less than £100 million at the time of purchase.

The relatively small market capitalisation of Micro Cap Companies can make the market in their shares illiquid. Therefore prices of Micro Cap Companies are often more volatile than prices of larger capitalisation stocks, and even small cap companies.

8. Financial risk management (continued)

8.1a Price risk (continued)

While the Company does not include any specific limits placed on exposures to any industry sector, the Company does have investment limits and risk diversification policies in place to mitigate market and concentration risk. Investments limits in place include:

- the number of holdings in the investment portfolio will range from 30 to 50.
- no exposure in any investee company will exceed 10% of NAV at the time of the investment.

However, any significant event which affects a specific industry sector in which the investment portfolio has a significant holding could materially and adversely affect the performance of the Company. To mitigate market risk, the Board and Portfolio Manager actively monitor market prices throughout the financial period and meet regularly in order to consider investment strategy.

Please refer below for sensitivity analysis on the impact on the profit or loss account and NAV of the Company, if the fair value of the investments designated at fair value through profit or loss at the period end increased or decreased by 5%:

Current value	31 March 2015 Total £	Increase by 5%	Decrease by 5%
Financial assets designated at fair value through profit or loss	40,864,257	2,043,213	(2,043,213)

The above calculations are based on the investment valuation at the balance sheet date and are not representative of the period as a whole, and may not be reflective of future market conditions.

8.1b Interest rate risk

Interest rate risk is the risk that the fair value of financial instruments and related income from cash and cash equivalents will fluctuate due to changes in market interest rates.

The majority of the Company's interest rate exposure arises on the level of income receivable on cash deposits. Financial assets designated at fair value through profit and loss are equity investments and therefore the valuation of these investments and income receivable is not directly exposed to interest rate risk.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)

8. Financial risk management (continued)
8.1b Interest rate risk (continued)

The following table details the Company's exposure to interest rate risks:

	31 March 2015 Interest bearing (*) (Unaudited) £	31 March 2015 Non-interest bearing (Unaudited) £	31 March 2015 Total (Unaudited) £
Assets			
Financial assets designated at fair value through profit or loss	-	40,864,257	40,864,257
Cash and cash equivalents	13,495,057	-	13,495,057
Dividend receivable	-	12,000	12,000
Other receivables	-	5,569	5,569
Total assets	13,495,057	40,881,826	54,376,883
Liabilities			
Trade payables - securities purchased awaiting settlement	-	(1,958,450)	(1,958,450)
Other payables	-	(172,004)	(172,004)
Total liabilities	-	(2,130,454)	(2,130,454)
Total interest sensitivity gap	13,495,057	38,751,372	52,246,429

* - floating rate and due within 1 month

Interest rate sensitivity analysis

If interest rates had changed by 50 basis points, (considered to be a reasonable illustration based on observation of current market conditions), with all other variables remaining constant, the effect on the net profit for the period would be as detailed below:

	31 March 2015 (Unaudited) £
Increase of 50 basis points	67,475
Decrease of 50 basis points	(67,475)

8.1c Foreign currency risk

Foreign currency risk is the risk that the values of the Company's assets and liabilities are adversely affected by changes in the values of foreign currencies by reference to the Company's base currency. The functional currency of the Company is Pounds Sterling.

Throughout the period ended 31 March 2015, all transactions were in Pounds Sterling and on this basis the Company has not been exposed to any foreign currency risk during the period.

8. Financial risk management (continued)

8.2 Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. The Board of Directors has in place monitoring procedures in respect of counterparty risk which is reviewed on an ongoing basis.

The Company's credit risk is attributable to its financial assets designated at fair value through profit or loss, cash and cash equivalents and interest and other receivables.

In the opinion of the Board of Directors, the carrying amounts of financial assets best represent the maximum credit risk exposure at the balance sheet date. At the reporting date, the Company's financial assets exposed to credit risk amounted to the following:

	31 March 2015 (Unaudited) £
Financial assets designated at fair value through profit or loss	40,864,257
Cash and cash equivalents	13,495,057
Dividend receivables	12,000
Other receivables	5,569
Total assets	54,376,883

The Company's main credit risk exposure is in its investment in UK Micro Cap Companies shown as financial assets designated at fair value through profit or loss. All investments held are admitted to trading on AIM.

The financial assets designated at fair value through profit or loss are held by BNP Paribas Securities Services S.C.A, Guernsey branch, the Company's custodian, in a segregated account. In the event of bankruptcy or insolvency of the Administrator, the Company's rights with respect to the securities held by the custodian may be delayed or limited.

All cash is placed with BNP Paribas Securities Services S.C.A., Guernsey Branch.

BNP Paribas Securities Services S.C.A, is a wholly owned subsidiary of BNP Paribas Securities Services S.A. which is publicly traded and a constituent of the S&P 500 Index with a long standing credit rating of A-1 from Standard & Poor's.

Credit risk of cash and custodian is mitigated by the Company's policy to only undertake significant transactions with leading commercial counterparties.

8.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in realising assets or otherwise raising funds to meet financial commitments as and when these fall due for payment.

Liquidity risk is monitored on an ongoing basis by the Board of Directors and Portfolio Manager so as to ensure that the Company maintains sufficient working capital in cash or near cash form so as to be able to meet the Company's ongoing requirements to pay accounts payable and accrued expenses.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)

8. Financial risk management (continued)

8.3 Liquidity risk (continued)

In addition, the Company's liquidity management policy involves projecting cash flows and considering the level of liquid assets necessary to ensure the Company remains as a going concern.

The table below shows the residual contractual maturity of the financial liabilities as at 31 March 2015:

	Less than 1 year (Unaudited) £	1 to 5 years (Unaudited) £	More than 5 years (Unaudited) £	Total (Unaudited) £
Financial liabilities				
Trade payables	(1,958,450)	-	-	(1,958,450)
Other payables	(172,004)	-	-	(172,004)
Total undiscounted financial liabilities	(2,130,454)	-	-	(2,130,454)

9. Cash and cash equivalents

	31 March 2015 (Unaudited) £
Total cash and cash equivalents	13,495,057

10. Other payables

	31 March 2015 (Unaudited) £
Portfolio management fees	62,034
Administration fees	7,556
AIFM fees	13,229
Audit fees	16,439
Broker fees	16,439
Company Secretariat fees	3,111
Custody fees	457
Directors' fees	23,424
Registrar fees	4,932
Share issue costs	17,839
Sundry expenses	6,544
Total	**172,004**

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)

11. Contingent liabilities and commitments

As at 31 March 2015, the Company had no contingent liabilities or commitments.

12. Share capital

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	Share premium £	Share capital £
Total issued share capital as at 2 October 2014	-	-	
Ordinary shares issued during the period	50,643,164	-	50,643,164
Total issued share capital as at 31 March 2015	50,643,164	-	50,643,164

Ordinary shares

On incorporation, the Company issued 1 ordinary share at a price of £1.

On 27 November 2014, the Company issued a further 50,643,163 ordinary shares at a price of £1 per ordinary share, raising gross proceeds of £50,643,163 (net proceeds of £49,630,300). The costs and expenses of the initial placing of ordinary shares attributable to the Company amounted to a total of £1,012,863.

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.

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.

12. Share capital (continued)

Redemption mechanism (continued)

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.

Accordingly, assuming that the NAV exceeds £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.

12. Share capital (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.

13. Basic and diluted earnings per ordinary share

	For the period from 2 October 2015 to 31 March 2015 (Unaudited) £
Total comprehensive income for the period	2,618,560
Weighted average number of shares during the period	34,974,561
Basic and diluted earnings per share	0.0749

14. Net asset value per share

	31 March 2015 (Unaudited) £
Net asset value	52,248,861
Number of shares at period end	50,643,164
Net asset value per share	1.0317

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.

The Directors are entitled to remuneration for their services. Please refer to note 5 for further detail.

For Director fees, portfolio management fees and AIFM fees payable as at 31 March 2015, please refer to note 10.

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

Management has evaluated subsequent events for the Company through 13 May 2015, the date the condensed financial statements are available to be issued, and had concluded there are not any material events that require disclosure or adjustment of the condensed financial statements.

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

All Directors were appointed on the 21 October 2014.

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

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