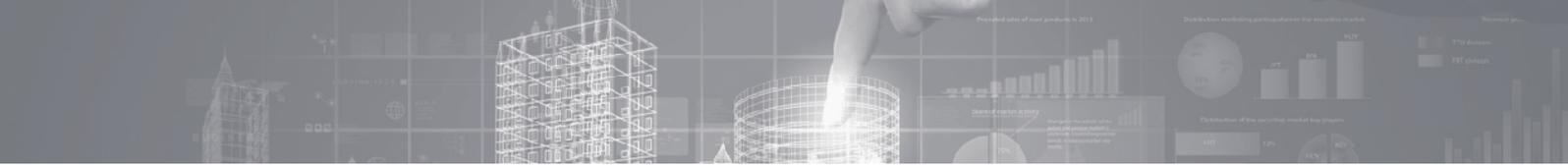




RIVER AND MERCANTILE UK MICRO CAP  
INVESTMENT COMPANY LIMITED

**HALF YEARLY FINANCIAL REPORT**  
FOR THE SIX MONTHS ENDED 31 MARCH 2016





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## HALF YEARLY BOARD REPORT FINANCIAL HIGHLIGHTS, PERFORMANCE SUMMARY AND DIVIDEND HISTORY

### Financial highlights

On 29 October 2015, 16,679,405 ordinary shares were issued at a price of £1.1718, raising gross proceeds of £19,544,927.

On 11 November 2015, 1,185,000 ordinary shares were issued at a price of £1.1825, raising gross proceeds of £1,401,263.

Number of ordinary shares in issue as at 31 March 2016:

68,507,569 ordinary shares

Market capitalisation as at 31 March 2016:

Ordinary share class: £77,413,553

### Performance summary

	<b>As at 31 March 2016</b>	<b>As at 31 March 2015</b>
Net asset value per ordinary share	£1.1785	£1.0317
Ordinary share price (bid market)*	£1.1300	£1.0400

### Period highs and lows

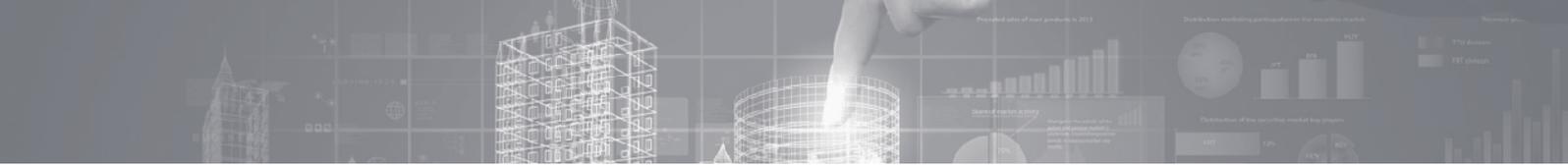
	<b>Six months ended 31 March 2016</b>	<b>Six months ended 31 March 2016</b>	<b>For the period from 2 October 2014 to 31 March 2015</b>	<b>For the period from 2 October 2014 to 31 March 2015</b>
	<b>High</b>	<b>Low</b>	<b>High</b>	<b>Low</b>
Net asset value per ordinary share	1.1799	1.0534	£1.0428	£0.9738
Ordinary share price (bid market)*	1.1900	1.0650	£1.0600	£1.0000

### Dividend history

No ordinary share dividend was declared during the period.

Please refer to note 15 for further information subsequent to the reporting period.

\* - Source: Bloomberg



## HALF YEARLY BOARD REPORT (CONTINUED) CHAIRMAN'S STATEMENT

### Ambrosia Creamed Rice

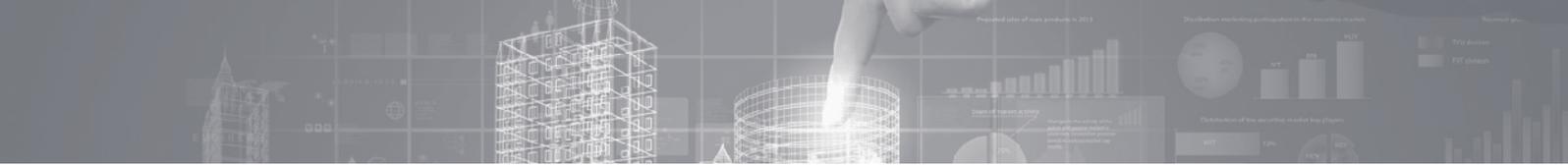
We are often reminded of our mortality by the passing of individuals with whom we have no family relationship but seem to have known all our lives. 2016 seems to be one of those years where the cruel hand of the reaper has been particularly busy. Hardly a week goes by without the papers announcing the latest sadness. We have lost some truly amazing and iconic individuals over the last few months; David Bowie, Prince, Victoria Wood, Alan Rickman, Terry Wogan, Keith Emerson, the list is long but of all these individuals I will particularly mourn is the passing of Ronnie Corbett. He has been an almost constant presence over the years and some of my early televisual memories were spent in his company. Who can forget the famous Class piece, from The Frost Report, a satire of British class system, featuring John Cleese, Ronnie Barker and Ronnie, or the four candles/fork handles sketch, or the great parody of Mastermind, as he answers questions on his specialist subject, by answering the previous question. I am sure that were Ronnie still with us, he would probably make a joke about the small size of his coffin. That was his way; he had the wonderful ability to defuse a tricky moment with a joke or well-timed word. This was best epitomised by the great story when he was courting a statuesque dancer called Anne Hart, who later became his wife. She teased him for never saying anything romantic. Why could he not tell me something sweet? He clutched his chin for a moment in that enigmatic way and replied: 'Ambrosia Creamed Rice.' He may have been short in stature but he was a giant of a man.

Our company, the River and Mercantile UK Micro Cap Investment Company (the "Company"), is proof from an investment perspective that good things also come in small packages. Size is clearly your friend when it comes to investing and in spite of some very significant volatility in underlying markets over the period our portfolio manager, Philip Rodrgis, has delivered another period of exceptional performance. By the middle of February UK markets were down 10-11%, whereas the Company's NAV has fallen less than 5%. By the end of the quarter performance was positive with NAV rising +0.4% which was ahead of the benchmark which finished down -1.3%. The main frustration, therefore, is that the share price, having tracked the NAV lower, failed to rebound in lock-step with the recovery of the NAV, repeating the pattern seen last September. Looking longer term, the share price is up +15% since IPO, whilst NAV hit new highs to record +20.9% since IPO to 117.85p compared to the benchmark (Numis Smaller Companies +AIM ex IC's) rising +8.7% over the same period.

It continues to be a great honour to be your Chairman and I would like to take this opportunity to thank you for your continued support. We undertook a further capital raise during the period of circa £21m and welcome all our new shareholders. Finally, I do think it is appropriate to finish this short note by remembering the diminutive gentleman and his comic genius. As we mourn him, we must remember the laughter, and of course, the Ambrosia Creamed Rice.



**Andrew Chapman**  
Chairman  
17 May 2016



## **INTERIM BOARD REPORT (CONTINUED) EXECUTIVE SUMMARY**

This Executive Summary is designed to provide information about the Company's business and results for the six month period ended 31 March 2016. It should be read in conjunction with the Chairman's Statement on page 3 and the Portfolio Manager's Report on pages 9 to 12 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") 2008.

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 2016, the Company's issued share capital comprised 68,507,569 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") 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, which comprises of companies that constitute the bottom 2% of the stock market by value. 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.

### **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.

## INTERIM BOARD REPORT (CONTINUED) EXECUTIVE SUMMARY (CONTINUED)

### Company investment policy (continued)

#### *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.

#### *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.

Further information can be found in the Portfolio Manager's report which is incorporated within this Half Yearly Financial Report on pages 9 to 12 for informational purposes only.

### Director interests

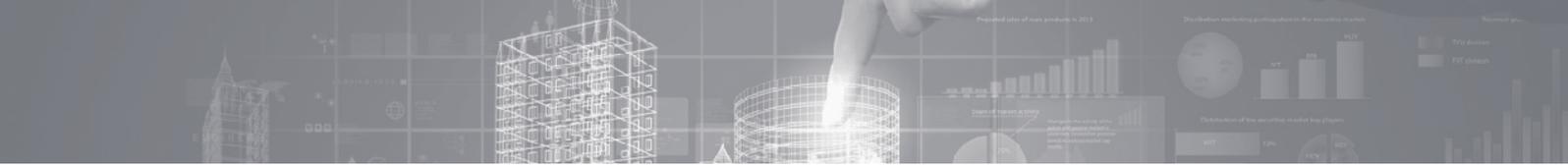
The Board comprises four Directors, three of whom are independent: Andrew Chapman, Ian Burns and Trudi Clark; Mark Hodgson is Managing Director of the Manager and is therefore not regarded as independent. All the independent Directors are also members of the Audit Committee, Remuneration and Nomination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

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

As at the date of approval of the Half Yearly Financial Report, Directors held the following number of ordinary shares in the Company:

<b>Director</b>	<b>Director holdings in the Company ordinary shares</b>
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 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.



## **HALF YEARLY 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
- 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 2015. 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 the foreseeable future. The Directors consider it appropriate to adopt the going concern basis in preparing the condensed financial statements.

#### **Events after the reporting date**

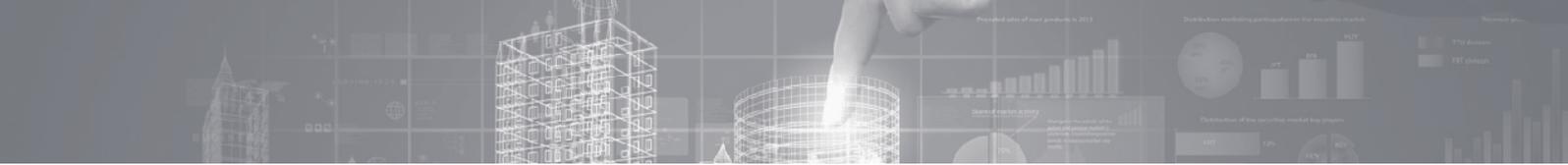
The Directors are not aware of any developments that might have a significant effect on the operations of the Company in subsequent financial periods not already disclosed in this report or the attached condensed financial statements.

#### **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.



## 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: The Pensions Trust; Homerton College, Cambridge; Collier Capital Partners; and the Property Charities Fund. He is also a non-executive director of Steadfast International Limited.

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. He is currently Chair of the BUNAC Educational Scholarship Trust.

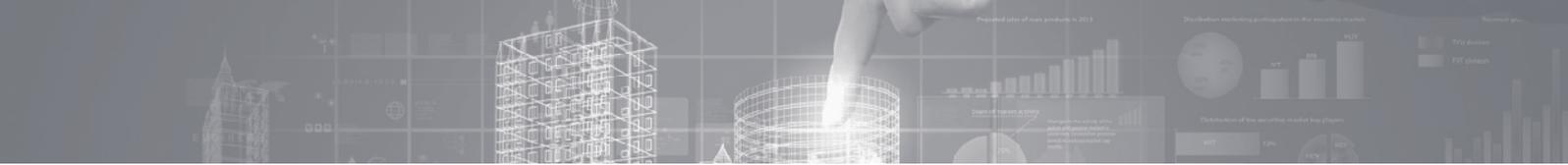
### DIRECTORS

#### **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 and Wales and the Chartered Institute for Securities & Investment.

He is the founder and an 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.

Ian is currently a non-executive director and Audit Committee chairman of two UK listed companies, Phaunos Timber Fund Limited, Twenty Four Income Fund Limited and is the Finance Director of Fast Forward Innovations Limited, a company listed on the AIM market. He is also a non-executive director of Montreux Capital Corp which is listed on the Toronto Stock Exchange, Darwin Property Investment Management (Guernsey) Limited, Curlew Capital Guernsey Limited, and Premier Asset Management (Guernsey) Limited. Until recently, Ian was the Finance Director of the AIM listed company, Polo Resources Limited.



## 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 Schrodgers (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 Schrodgers 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 holds several non-executive directorships in Funds which include F & C Commercial Property Trust Limited, which is a UK listed fund and Sapphire (PCC) Limited – Sapphire IV Cell which is listed on the Channel Islands Securities Exchange.

**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). 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 Company has enjoyed a positive and eventful six months. The fully invested portfolio delivered a strong end to the last financial year, and this momentum carried through from the September reporting season into October, attracting significant investor interest in both the investments and also for the Company itself. Strong investor demand supported a fund raise by the Company and an inaugural 'Tap' issue which resulted in total proceeds of nearly £21m which helps take the Company a decisive step closer to the long term target of £100m. This led to a busy period for investigating additional investment opportunities but, as ever, there are plenty of attractive options to choose from. The Company regained fully invested status (below 10% of uncommitted cash) swiftly, with the market volatility in the early part of 2016 assisting in presenting attractive investment options.

The investment performance in the six months ended 31 March 2016 was strong at +8.3%, well ahead of the benchmark's return of +0.9%. Given that the benchmark was broadly unchanged during the period between the fund raising and the deployment, there was no cash drag effect on performance for this tranche of cash. Overall, the investment performance has accumulated to a total of +24.7% since IPO which is substantially ahead of the benchmark's +8.7% return over the same period. It should be noted that these investment returns are calculated using official market closing prices, compared to the calculation of the net asset value which utilises bid prices and includes accruals for fees and charges. Therefore, compared to the starting value of 98p, the NAV was reported to have risen +20.3% since IPO to 117.85p.



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

As noted in the Annual Report, it remains encouraging that the above performance is witnessing theory becoming apparent in practice. The investment objective is to deliver attractive returns from both accessing the beta of the micro cap segment of the UK market but also in applying a disciplined stock selection approach to produce attractive alpha generation. Turning to beta first, the volatility amongst global stock market indices has continued to be elevated over the period – particularly so in the first quarter of calendar year 2016. The Company demonstrated that it is by no means a given that during heightened periods of overall market volatility, shares of micro cap companies should suffer proportionately more. By the middle of February UK markets were down 10-11%, whereas the NAV fell less than 5%, and subsequently recovered to post gains in the quarter. This performance is in no small part due to the continued contribution of stock-selection alpha from a high conviction, diversified, yet concentrated portfolio of typically between 30 and 50 holdings. This allows the extraction of significant alpha if the endeavour to select the best risk adjusted returning stocks in the universe is achieved. This period has delivered further rewarding evidence of this endeavour, with 8 stocks contributing to portfolio return in excess of 0.6%, compared to just 3 which detracted more than 0.6%.

## PORTFOLIO MANAGER'S REPORT (CONTINUED)

### Review of performance (continued)

#### Portfolio Holdings with a contribution to return greater than +0.6% or less than -0.6%

	Contribution to Return
KBC Advanced Technologies	2.13%
IS Solutions	1.80%
Trakm8	1.04%
Blue Prism	0.76%
Sigma Capital Group	0.75%
dotDigital Group	0.74%
Curtis Banks Group	0.72%
WYG	0.61%
Amino Technologies	-0.78%
Bonmarche Holdings	-1.00%
Epistem Holdings	-1.05%

Source: River and Mercantile Asset Management LLP

This period saw a further two takeover offers for constituents of the portfolio. Alongside **ISG** (see Q1 Quarterly), **KBC Advanced Technologies** attracted not one but two suitors. This confirmed the original investment proposition that, despite providing software to the beleaguered oil and gas industry, it is the focus on the refining segment which defines the Company. The rival bids resulted in a 79% rise in the share price in the period and therefore a contribution to the overall portfolio of over 2%. One of the earliest purchases by the Company, the 156% uplift in value of this high conviction investment has added 4% to the Company's return by itself.

The largest sector overweight – Technology (see below) – delivered considerable positive returns. **IS Solutions** was one of the first purchases from the fund raise proceeds and has subsequently delivered a 60% return. Due to change its name to D4T4 Solutions, the firm has been transformed into a Data Analytics specialist via the acquisition of Cerberus. Specialising in analysing the minutiae of customer interaction with websites, the patented and potentially world leading capability is already demonstrating that clients from many different industries are willing to procure the firm's solutions which has led to a series of positive surprises on trading. IS Solutions is an example of world leading technology available in the UK Micro Cap, and **Blue Prism Group** is even more so. This was an extremely popular IPO with an immediate 52% return due to the fact that Blue Prism has by far the leadership position in 'Software Robots'. In an ideal world all IT systems would be integrated seamlessly, but the daunting technical challenge means that disparate systems need vast armies of staff to perform basic tasks. Advanced artificial intelligence allows a software program to emulate human actions, reducing errors and releasing staff to perform more productive tasks. Whilst early stage, Blue Prism could be at the forefront of a seismic shift in productivity. Already delivering productivity for fleet customers, telematics designer and service provider **Trakm8 Holdings** ended the period 25% higher. The 63% return since purchase is thoroughly justified by the leading technology that permits the smallest device footprint, for the lowest cost and providing value added services such as fuel saving and insurance-related data.

Seven other stocks contributed over 0.5% to the portfolio. **Sigma Capital Group** is at the forefront of delivering homes for affordable rent in areas with social housing shortages with a unique partnership model. **dotDigital** specialises in marketing tools to help firms of all sizes engage with their consumers better. Wrongly seen as outdated, automated personalised emails are proving extremely attractive to marketers and recipients alike, driving strong growth globally. **Curtis Banks** is a leading provider of SIPPs, gaining market share as regulations support its high standards approach. **WYG** is a planning consultant in the buoyant UK construction market.

## PORTFOLIO MANAGER'S REPORT (CONTINUED)

### Review of performance (continued)

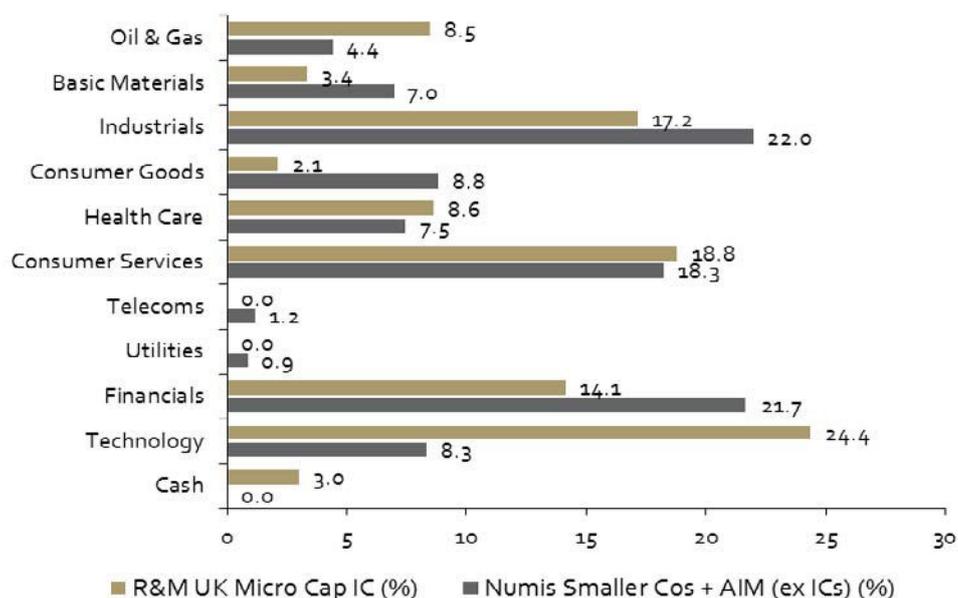
Within a diversified portfolio, not all goes to plan. **Amino Technologies** plunged 28% and was immediately sold after a shock profit warning. Management were honest to confess to being distracted by their acquisition of Entone, but a now-apparent technology shift may prolong the distraction. Older demographic clothing retailer **Bonmarche** has been early in confirming to the market that unfavourable weather was hurting trade, which has been later corroborated by peers. It was also a shame to learn that the CEO is to leave, but the 38% fall is harsh as the fundamentals of the firm are unaffected by transitory weather effects. **Epistem** remains the most frustrating holding of the portfolio. Significant technical achievements, management enhancements and commercial progress, such as the news of Indian regulatory approval have not been reflected in an enhanced valuation attributed to the shares. The firm notes that commercialisation will need extra growth funds, but it is harsh that such a low valuation is attributed at this point to the ground-breaking tablet-sized Genedrive diagnostics device which works and can be used to save lives. With dozens of potential applications, this low cost gene detector has enormous commercial potential from detecting bio-hazards through to personalised medicine and life-saving diagnostics in tuberculosis, HIV, Hepatitis C and more.

### Portfolio Statistics

#### Top 10 Holdings<sup>1</sup>

	Weight (%)
IS Solutions	4.8
KBC Advanced Technologies	4.4
Taptica	3.9
Trakm8	3.7
Ideagen	3.5
WYG	3.5
Quarto Group	3.4
Allergy Therapeutics	3.1
Sigma Capital Group	3.1
dotDigital Group	2.9

#### Industrial Sector Weightings<sup>1</sup>

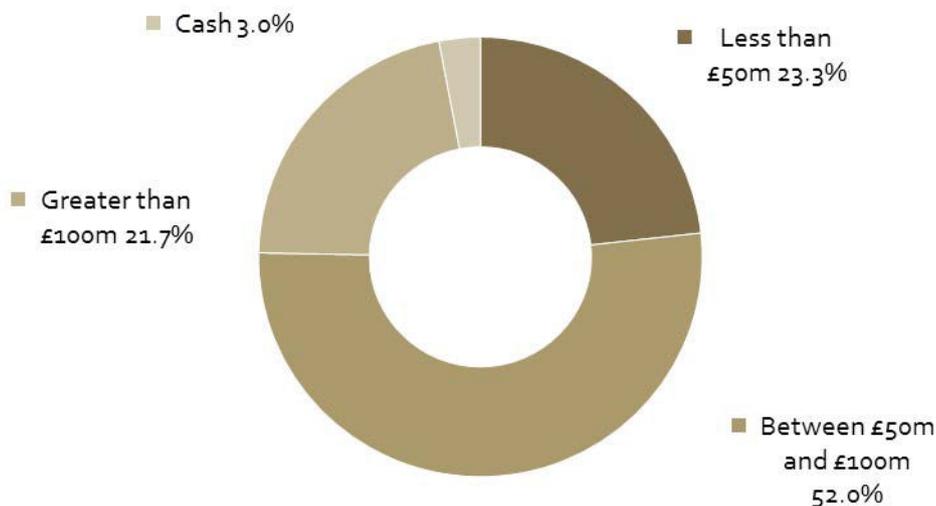


<sup>1</sup> - Source: River and Mercantile Asset Management LLP

## PORTFOLIO MANAGER'S REPORT (CONTINUED)

### Portfolio Statistics (continued)

#### Market Capitalisation breakdown



Source: River and Mercantile Asset Management LLP

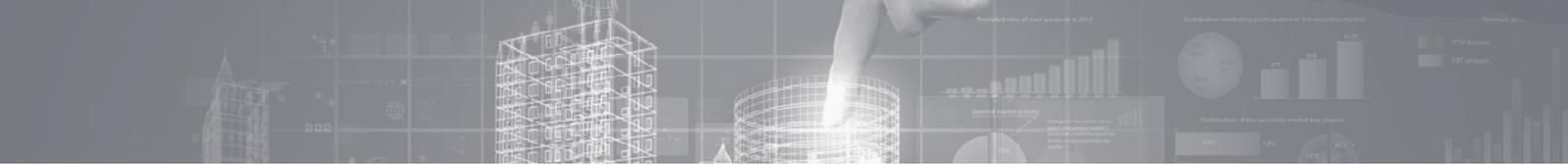
#### Outlook

Volatility is the friend of the active investor, and as the first half has shown, not necessarily the foe of the micro cap section of the market. The resilience seen is in part due to the ongoing discount valuation experienced by many micro caps. These low starting valuations entering into a volatile period naturally provide an element of protection for share price performance compared to stocks that enter such a period with over-inflated valuations. Meanwhile the underlying economic conditions remain relatively stable, thereby allowing individual companies to continually further their growth or recovery trajectories. As such we continue to look forward to delivering attractive long term returns into the future.

I would like to thank all of the investors who supported the founding of the River and Mercantile UK Micro Cap Investment Company and those who supported the fund raise activities during this period.

**Philip Rodrigs**  
Portfolio Manager

17 May 2016



## DIRECTORS' STATEMENT OF RESPONSIBILITIES

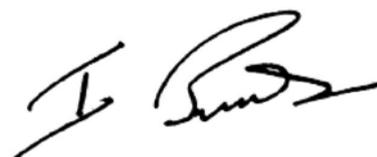
The Directors are responsible for preparing the Half Yearly Financial Report in accordance with applicable Guernsey law and regulations.

The Directors confirm to the best of their knowledge that:

- the condensed financial statements contained within the Half Yearly Financial Report 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 2016, 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 2016 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 2016 and that have materially affected the financial position or performance of the Company during that period.

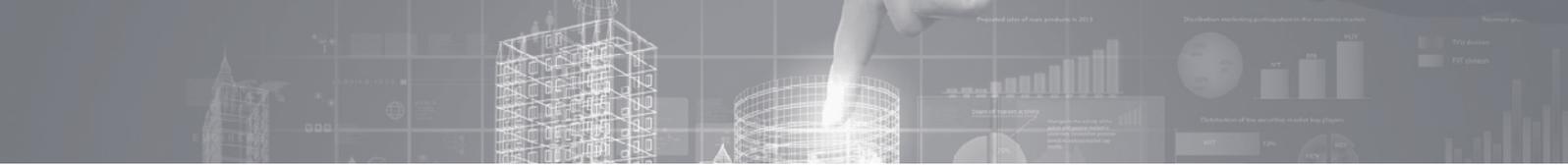


**Andrew Chapman**  
Chairman



**Ian Burns**  
Audit Committee Chairman

17 May 2016



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

### **Introduction**

We have been engaged by River and Mercantile UK Micro Cap Investment Company Limited (the “Company”) to review the condensed unaudited set of financial statements in the interim financial report for the six months ended 31 March 2016, which comprises the condensed statement of comprehensive income, the condensed statement of financial position as at 31 March 2016, the condensed statement of changes in shareholders’ equity, the condensed statement of cash flows, comparative figures and associated 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, 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 six months ended 31 March 2016 are 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

17 May 2016

**CONDENSED STATEMENT OF COMPREHENSIVE INCOME**  
For the six months ended 31 March 2016

	Notes	Six months ended 31 March 2016 (Unaudited) £	For the period from 2 October 2014 to 31 March 2015 (Unaudited) £
<b>Income</b>			
Investment income	3	628,350	89,445
Net gain on financial assets designated at fair value through profit or loss	7	4,741,923	2,881,047
<b>Total Income</b>		<b>5,370,273</b>	<b>2,970,492</b>
<b>Expenses</b>			
Operating expenses	4	(1,236,544)	(351,932)
<b>Profit before taxation</b>		<b>4,133,729</b>	<b>2,618,560</b>
Taxation		-	-
<b>Profit after taxation and total comprehensive income</b>		<b>4,133,729</b>	<b>2,618,560</b>
<b>Basic and diluted earnings per ordinary share</b>			
	12	0.0629	0.0749

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 19 to 28 form an integral part of these condensed financial statements.

## CONDENSED STATEMENT OF FINANCIAL POSITION

As at 31 March 2016

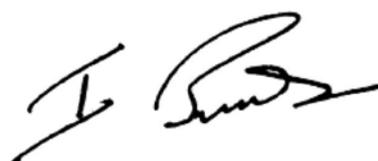
	Notes	31 March 2016 (Unaudited) £	30 September 2015 (Audited) £
<b>Non-current assets</b>			
Financial assets designated at fair value through profit or loss	7	79,453,206	54,053,643
<b>Current assets</b>			
Cash and cash equivalents	8	2,433,466	1,268,358
Trade receivables – securities sold awaiting settlement		-	1,138,260
Other receivables	6	81,620	28,497
<b>Total current assets</b>		<b>2,515,086</b>	<b>2,435,115</b>
<b>Total assets</b>		<b>81,968,292</b>	<b>56,488,758</b>
<b>Current liabilities</b>			
Other payables	9	(1,231,430)	(597,805)
<b>Total current liabilities</b>		<b>(1,231,430)</b>	<b>(597,805)</b>
<b>Total liabilities</b>		<b>(1,231,430)</b>	<b>(597,805)</b>
<b>Net assets</b>		<b>80,736,862</b>	<b>55,890,953</b>
<b>Capital and reserves</b>			
Share capital	11	70,342,481	49,630,301
Retained earnings		10,394,381	6,260,652
<b>Equity shareholders' funds</b>		<b>80,736,862</b>	<b>55,890,953</b>

The condensed financial statements on pages 15 to 28 were approved by the Board of Directors on 17 May 2016 and signed on its behalf by:



**Andrew Chapman**  
Chairman

17 May 2016



**Ian Burns**  
Audit Committee Chairman

The notes on pages 19 to 28 form an integral part of these condensed financial statements.

**CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
For the six months ended 31 March 2016 (Unaudited)

	Note	Share capital £	Retained earnings £	Total £
<b>Opening equity shareholders' funds at 1 October 2015</b>	11	49,630,301	6,260,652	55,890,953
Total comprehensive income for the period		-	4,133,729	4,133,729
<b>Transactions with owners, recorded directly to equity</b>				
Proceeds from issuance of ordinary shares	11	20,946,190	-	20,946,190
Share issue costs	11	(234,010)	-	(234,010)
<b>Closing equity shareholders' funds at 31 March 2016</b>		<b>70,342,481</b>	<b>10,394,381</b>	<b>80,736,862</b>

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

	Note	Share capital £	Retained earnings £	Total £
<b>Opening equity shareholders' funds at 2 October 2014</b>	11	-	-	-
Total comprehensive income for the period		-	2,618,560	2,618,560
<b>Transactions with owners, recorded directly to equity</b>				
Proceeds from issuance of ordinary shares	11	50,643,164	-	50,643,164
Share issue costs	11	(1,012,863)	-	(1,012,863)
<b>Closing equity shareholders' funds at 31 March 2015</b>		<b>49,630,301</b>	<b>2,618,560</b>	<b>52,248,861</b>

The notes on pages 19 to 28 form an integral part of these condensed financial statements.

## CONDENSED STATEMENT OF CASH FLOWS

For the six months ended 31 March 2016

	Notes	Six months ended 31 March 2016 (Unaudited) £	For the period from 2 October 2014 to 31 March 2015 (Unaudited) £
<b>Cash inflow from operating activities</b>			
Profit after taxation and total comprehensive income for the period		4,133,729	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	(2,355,083)	(113,701)
- Unrealised gain on financial assets designated at fair value through profit or loss	7	(2,386,840)	(2,767,346)
Purchase of financial assets designated at fair value through profit or loss	7	(31,481,344)	(38,799,709)
Proceeds from sale of financial assets designated at fair value through profit or loss	7	10,823,704	816,499
<b>Changes in working capital</b>			
Increase other receivables		(53,123)	(20,001)
Decrease in trade receivables		1,138,260	-
Increase in trade payables		-	1,958,450
Increase in other payables		633,625	154,165
<b>Net cash used in operating activities</b>		<b>(19,547,072)</b>	<b>(36,153,083)</b>
<b>Cash inflow from financing activities</b>			
Proceeds from issuance of ordinary shares	11	20,946,190	50,643,164
Ordinary share issue costs paid		(234,010)	(995,024)
<b>Net cash from financing activities</b>		<b>20,712,180</b>	<b>49,648,140</b>
<b>Net increase in cash and cash equivalents in the period</b>		<b>1,165,108</b>	<b>13,495,057</b>
Cash and cash equivalents at beginning of the period		1,268,358	-
Cash and cash equivalents at the end of the period	8	2,433,466	13,495,057

The notes on pages 19 to 28 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 Annual Financial Report is prepared in accordance with the Disclosure and Transparency Rules of the FCA and 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 Half Yearly Financial Report has been prepared in accordance with International Accounting Standards (IAS) 34 - 'Interim Financial Reporting'. They have also been prepared using the same accounting policies applied for the period ended 31 September 2015 Annual Financial Report, which was prepared in accordance with IFRS.

The Half Yearly Financial Report has been prepared on the going concern basis. After reviewing the Company's budget and cash flow forecast for the next financial period, the Directors are satisfied that, at the time of approving the financial statements, it is appropriate to adopt the going concern basis in preparing the financial statements.

There have been no changes in accounting policies during the period. The accounting policies in respect of financial instruments are set out below at 2.2 due to the significance of financial instruments to the company.

#### 2.1 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).

#### 2.2 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 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.

###### *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.

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)

### 2. Accounting policies (continued)

#### 2.2 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 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 2016, 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 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

###### *a) Classification*

Amounts due to brokers represent payables for investments that have been contracted for but not yet settled or delivered on. Financial liabilities include trade payables and other payables which are held at amortised cost using the effective interest rate method.

###### *b) 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.

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)

### 3. Investment income

	Six months ended 31 March 2016  (Unaudited) £	For the period from 2 October 2014 to 31 March 2015  (Unaudited) £
Investment income	616,731	65,370
Bank interest	11,619	24,075
<b>Total investment income</b>	<b>628,350</b>	<b>89,445</b>

### 4. Operating expenses

	Six months ended 31 March 2016  (Unaudited) £	For the period from 2 October 2014 to 31 March 2015  (Unaudited) £
Portfolio management fees	287,093	157,139
Portfolio management performance fee	648,120	-
Directors' fees	47,176	42,164
AIFM fees	26,962	23,856
Audit fees	17,404	-
Non-audit fees – interim review services	16,000	16,439
Administration fees	46,966	29,222
Broker fees	25,660	16,439
Custody fees	6,227	2,115
Company secretariat fees	17,597	12,163
Registrar fees	12,737	4,932
Transaction fees	75,455	36,265
Sundry expenses	3,505	11,198
Legal and professional fees	5,642	-
<b>Total operating expense</b>	<b>1,236,544</b>	<b>351,932</b>

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 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 11 for further detail. AIFM fees payable as at 31 March 2016: £Nil (30 September 2015: £13,611).

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.

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 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.

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)

### 4. Operating expenses (continued)

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 11 for further detail regarding the redemption mechanism. During the period ended 31 March 2016, the Company incurred a performance fee of £648,120 (31 March 2015: £nil), of which £1,074,145 (30 September 2015: £426,025) was payable at period end.

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 will be 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 2016 were £33,171 (30 September 2015: £41,507).

### 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 2016 were £23,620 (30 September 2015: £23,944).

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 2016 (Unaudited)	30 September 2015 (Audited)
	£	£
Dividend receivable	71,824	27,250
Prepayments	9,778	1,238
Interest receivable	17	8
Ordinary share receivable	1	1
<b>Total other receivables</b>	<b>81,620</b>	<b>28,497</b>

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)

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

	31 March 2016 (Unaudited) £	30 September 2015 (Audited) £
Financial assets designated at fair value through profit or loss	79,453,206	54,053,643

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 its investment strategy. These investments consist 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 2016 Total (Unaudited) £
<b>Financial assets</b>				
Financial assets designated at fair value through profit and loss	79,453,206	-	-	79,453,206

	Level 1 (Audited) £	Level 2 (Audited) £	Level 3 (Audited) £	30 September 2015 Total (Audited) £
<b>Financial assets</b>				
Financial assets designated at fair value through profit and loss	54,053,643	-	-	54,053,643

## 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 2016 Total (Unaudited) £
Opening valuation	54,053,643	-	-	54,053,643
Movements in the period:				
Purchases during the year	31,481,344	-	-	31,481,344
Sales - proceeds during the year	(10,823,704)	-	-	(10,823,704)
Realised gain on financial assets designated at fair value through profit or loss	2,355,083	-	-	2,355,083
Unrealised gain on financial assets designated at fair value through profit or loss	2,386,840	-	-	2,386,840
Closing valuation	79,453,206	-	-	79,453,206
Total gains on financial assets for the period ended 31 March 2016	4,741,923	-	-	4,741,923

During the period ended 31 March 2016, there were no reclassifications between levels of the fair value hierarchy.

	Level 1 (Audited) £	Level 2 (Audited) £	Level 3 (Audited) £	30 September 2015 Total (Audited) £
Opening valuation	-	-	-	-
Movements in the period:				
Purchases during the year	58,630,422	-	-	58,630,422
Sales - proceeds during the year	(11,560,756)	-	-	(11,560,756)
Realised gain on financial assets designated at fair value through profit or loss	2,835,275	-	-	2,835,275
Unrealised gain on financial assets designated at fair value through profit or loss	4,148,702	-	-	4,148,702
Closing valuation	54,053,643	-	-	54,053,643
Total gains on financial assets for the period ended 30 September 2015	6,983,977	-	-	6,983,977

During the period ended 30 September 2015, there were no reclassifications between levels of the fair value hierarchy.

Please refer to note 2.2 for valuation methodology of financial assets designated at fair value through profit or loss.

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)

### 8. Cash and cash equivalents

	31 March 2016 (Unaudited) £	30 September 2015 (Audited) £
Total cash and cash equivalents	2,433,466	1,268,358

### 9. Other payables

	31 March 2016 (Unaudited) £	30 September 2015 (Audited) £
Portfolio management fees	52,003	34,737
Portfolio management performance fees	1,074,145	426,025
Administration fees	7,319	7,083
AIFM fees	-	13,611
Audit fees	33,404	33,000
Broker fees	33,171	41,507
Company Secretariat fees	3,014	2,917
Custody fees	927	642
Directors' fees	23,620	23,944
Registrar fees	1,250	625
Sundry expenses	2,577	13,714
<b>Total other payables</b>	<b>1,231,430</b>	<b>597,805</b>

### 10. Contingent liabilities and commitments

As at 31 March 2016, the Company had no contingent liabilities or commitments (30 September 2015: nil).

### 11. 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 1 October 2015	50,643,164	-	50,643,164
Ordinary shares issued during the period	17,864,405	-	20,946,190
Total issued share capital as at 31 March 2016	68,507,569	-	71,589,354

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 30 September 2015	50,643,164	-	50,643,164

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)

### 11. Share capital (continued)

#### Ordinary shares

On incorporation, the Company issued one 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.

On 29 October 2015, 16,679,405 ordinary shares were issued at a price of £1.1718, raising gross proceeds of £19,544,927 (net proceeds of £19,328,692). The newly issued 16,679,405 ordinary shares were admitted to the Official List and to trading on the Main Market with effect from 3 November 2015. The costs and expenses of the placing of 16,679,405 ordinary shares attributable to the Company amounted to a total of £216,235.

On 11 November 2015, 1,185,000 ordinary shares were issued at a price of £1.1825, raising gross proceeds of £1,401,263 (net proceeds of £1,383,488). The newly issued 1,185,000 ordinary shares were admitted to the Official List and to trading on the Main Market with effect from 17 November 2015. The costs and expenses of the placing of 1,185,000 ordinary shares attributable to the Company amounted to a total of £17,775.

As at 31 March 2016, the Company had 68,507,569 ordinary shares (30 September 2015: 50,643,164).

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.

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.

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)

### 11. Share capital (continued)

#### Redemption mechanism (continued)

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.

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.

### 12. Basic and diluted earnings per ordinary share

	<b>Six months ended 31 March 2016 (Unaudited) £</b>	<b>For the period from 2 October 2014 to 31 March 2015 (Unaudited) £</b>
Total comprehensive income for the period	4,133,729	2,618,560
Weighted average number of shares during the period	65,690,037	34,974,561
Basic and diluted earnings per share	0.0629	0.0749

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)

### 13. Net asset value per share

	<b>31 March 2016 (Unaudited)</b>	<b>30 September 2015 (Audited)</b>
	<b>£</b>	<b>£</b>
Net asset value	80,736,862	55,890,953
Number of shares at period end	68,507,569	50,643,164
Net asset value per share	1.1785	1.1036

### 14. 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 Directors' fees, portfolio management fees and AIFM fees payable as at 31 March 2016, please refer to note 9.

### 15. Material events after the Condensed Statement of Financial Position date

Management has evaluated subsequent events for the Company through 17 May 2016, 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.

### 16. 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.*

### Registered Office

BNP Paribas House  
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GY1 1WA

### Portfolio Manager

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

### Manager

Carne Global AIFM Solutions (C.I.) Limited  
8th Floor  
Union House  
Union Street  
St Helier  
Jersey  
JE2 3RF

### Corporate Broker

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Cannon Bridge House  
25 Dowgate Hill  
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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Carey House  
Les Banques  
St Peter Port  
Guernsey  
GY1 4BZ

### Custodian

BNP Paribas Securities Services S.C.A., Guernsey Branch  
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Guernsey  
GY1 1WA

### Independent Auditor

PricewaterhouseCoopers CI LLP  
PO Box 321  
Royal Bank Place  
1 Gategny 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

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Longue Hougue House  
St Sampson  
Guernsey  
GY2 4JN

### Receiving Agent

Capita Registrars Limited (trading as Capita Asset Services)  
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BR3 4TU

