

MONTANARO

European Smaller Companies Trust plc



For your Trust,
we handpick the very best
of Europe's Smaller Companies

Annual Report and Accounts 2025

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This document is important and refers to certain matters on which voting action is required. Shareholders who are in any doubt as to what action to take should consult an appropriate independent adviser immediately.



If any shareholder has sold or transferred all their shares in the Company, they should pass this document to the purchaser or transferee or to the person through whom the transfer or sale was effected for onward transmission to the transferee or purchaser.

Reasons to Invest

 <p>Strong track record Montanaro has managed your Trust since September 2006, outperforming by 166.8% since launch</p>	 <p>Attractive asset class Higher returns historically +4.0% p.a. (Dec 2000 – Mar 2025) for Europe ex-UK Small versus Large Cap</p>
 <p>SmallCap specialists One of the largest, most experienced specialist teams in Europe</p>	 <p>Quality growth portfolio 49% of our companies have net cash; no loss makers; strong EPS growth</p>
 <p>Good timing European SmallCap has rarely been so cheap; the Trust's P/E ratio has nearly halved from its peak in August 2021</p>	 <p>Active discount control Regular tender offers, buybacks and lower fees enhance liquidity and are designed to reduce the volatility of the discount</p>

Consistently uncovering hidden gems

25 holdings currently in the portfolio have achieved multi-bagger* status

-  1 company has soared over **20x**
-  2 companies have grown over **15x**
-  8 companies have delivered returns of over **5x**

<p>Fortnox Top multi-bagger with a total return of 2128%</p>	<p>BELIMO Total return of 1647%</p>	<p>eventim Total return of 1476%</p>
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* A multi-bagger is an investment that has increased in value by multiple times its original purchase price. Total return figures are based on initial purchase price. Data as at 31 March 2025. Figures relate to current holdings only and exclude any past holdings that may have achieved multi-bagger status.

Highlights

for the year ended 31 March 2025

Investment Objective

The investment objective of Montanaro European Smaller Companies Trust plc (the “Company” or “Trust”) is to achieve capital growth by investing principally in Continental European quoted smaller companies.

The Company’s benchmark index is the MSCI Europe ex-UK SmallCap Index (in Sterling terms).

The Company was launched in May 1981. Its current objective and investment policy were adopted in September 2006. Its Ordinary shares are listed on the Main Market of the London Stock Exchange.

Performance

Total return %	1 year	3 year	5 year	10 year	MAM*
Net Asset Value (“NAV”) per share ⁽¹⁾	(1.1%)	(3.9%)	74.7%	208.3%	473.0%
Share Price ⁽¹⁾	5.1%	(9.6%)	74.6%	215.5%	475.3%
Benchmark** ⁽²⁾	1.3%	3.8%	70.2%	120.7%	306.2%

Capital return %	1 year	3 year	5 year	10 year	MAM*
NAV per share ⁽¹⁾	(1.9%)	(5.5%)	69.3%	183.5%	373.9%
Share Price ⁽¹⁾	4.2%	(11.6%)	68.8%	188.3%	365.2%
Benchmark** ⁽²⁾	(1.1%)	(3.3%)	53.8%	82.0%	184.4%

Sources: Morningstar Direct, Association of Investment Companies (“AIC”), Montanaro Asset Management (“MAM”).

As at 31 March	2025	2024	% change
Ordinary share price	148.5p	142.5p	4.2
NAV per Ordinary share	162.0p	165.1p	(1.9)
Discount to NAV ⁽¹⁾	(8.3%)	(13.7%)	
Net assets** (£’000s)	291,508	312,720	(6.8)
Market capitalisation** (£’000s)	267,188	269,934	(1.0)
Net gearing employed ⁽¹⁾	2.1%	2.9%	

For the year ended 31 March	2025	2024	% change
Revenue return per Ordinary share	1.50p	1.42p	5.6
Dividend per Ordinary share ⁽¹⁾	1.26p	1.125p	12.0
Ongoing charges ⁽¹⁾	1.0%	1.0%	
Portfolio turnover ⁽¹⁾	14%	16%	

* From 5 September 2006, when MAM was appointed as Investment Manager.

** Details provided in the Glossary on pages 70 and 71.

⁽¹⁾ Refer to Alternative Performance Measures on page 68.

⁽²⁾ From 5 September 2006, the benchmark was the MSCI Europe SmallCap Index. The benchmark was changed on 1 June 2009 to the MSCI Europe ex-UK SmallCap Index (in Sterling terms).

Chairman's Statement

For the year ended 31 March 2025



“Investor sentiment has shifted towards European equities this year as they have seen improved performance. They remain under-owned and still appear attractively valued.”

Results

The year saw a continuation of the trend seen since the end of 2021, namely a significant style headwind partially offset by the positive influence of stock selection. Montanaro Asset Management (“Montanaro”, “MAM” or the “Manager”) seeks to invest exclusively in high quality growing companies based on the belief that over the long term, a company’s ability to compound earnings and cash flows is the primary driver of investment returns. However, in the short term, factors such as investor flows, political developments and macroeconomic fluctuations can temporarily overshadow underlying fundamentals.

The Net Asset Value (“NAV”) declined by 1.9% to 162.0p per share during the financial year ended 31 March 2025. In comparison, the benchmark (the MSCI Europe ex-UK Small Cap Index) rose by 1.3% (in Sterling terms). The share price (with dividends reinvested) gained 5.1% as the discount to NAV tightened from -13.7% to -8.3%.

Whilst shorter term performance has been somewhat disappointing, Montanaro have a long-term investment approach. Over 5 and 10 years, your Company has delivered NAV total returns of 74.7% and 208.3%, outperforming the benchmark by 4.5% and 87.6% respectively. Since Montanaro were appointed in September 2006, the NAV total return has been 473.0%, 166.8% ahead of the benchmark (equivalent to an average annual outperformance of 2.0%).

Earnings and Dividends

Revenue earnings per share rose to 1.50p in the year (2024: 1.42p).

A first interim dividend of 0.3p per share was paid on 22 January 2025. A second interim dividend of 0.96p will be paid on 7 August 2025 to shareholders on the register on 27 June 2025. This will bring total dividends for the year to 1.26p per share, an increase of 12.0%.

The Company holds substantial reserves available for distribution, which gives the Board the ability to smooth any short-term income volatility.

Strategic Initiatives

On 27 March 2025, the Board announced three strategic initiatives designed to strengthen the investment proposition and deliver value for all shareholders:

1. Regular tender offers targeted at improving liquidity;
2. An active share buyback policy aimed at reducing the volatility of the discount; and
3. A reduction in the management fee.

Further details of each of the initiatives are set out in the Business Model and Strategy Section of the Annual Report.

Introduction of Regular Tenders

Conscious of shareholders’ desire to improve liquidity, the Board has proposed a new initiative to offer shareholders the opportunity to tender shares to the Company twice a year, around the Interim and Final Results announcements. Shares will be bought back at a 5% discount to NAV, reflecting the higher transaction costs associated with smaller companies. Each tender will be capped at 5% of shares in issue to protect existing shareholders and manage portfolio liquidity. Shareholder approval for the first tender offer was granted on 15 May 2025 and the first tender offer is expected to take place in Autumn 2025.

Share Buybacks and Treasury Shares

During the year, the Company bought back 9,502,921 Ordinary shares. As a result, the Company held 9,502,921 Ordinary shares in Treasury as at 31 March 2025.

Buying back Ordinary shares at a discount is accretive to the NAV per share. As such, the buybacks conducted during the year contributed an uplift of 0.45% to the NAV per share.

Since the end of the year, the Company continued to buy back Ordinary shares and substantially utilised the authority granted at the 2024 AGM. Accordingly, the Board secured additional authority at the General Meeting convened in May 2025 to cover the period until the next AGM.

Our stated policies on share buybacks and share issuances are set out on pages 18 and 32. The Board is seeking to renew the Company’s share buyback and issuance authorities at the forthcoming AGM.

Chairman's Statement continued

Management Fee

The Manager has agreed to a reduction in management fees from 0.90% per annum to 0.825% per annum of the market capitalisation of the Company up to £500 million and from 0.75% to 0.70% per annum between £500 million and £750 million. Above £750 million, the fee remains unchanged at 0.65% per annum.

This reduction in fees took effect on 1 April 2025, and is the second fee reduction which we have negotiated in the past four years.

As a demonstration of their confidence in the Trust, Montanaro has continued to invest in the Company and now hold 8.0% of the Company's shares.

Environmental, Social and Corporate Governance ("ESG")

Montanaro believes that strong ESG practices are closely linked to a company's ability to create long-term value for its shareholders. ESG considerations are therefore embedded within their definition of "Quality" and have been a fundamental part of their investment process for many years.

The ESG Report can be found on pages 10 and 11 of this Annual Report. It outlines developments in Montanaro's approach to ESG, their ongoing commitment and their engagement with investee companies.

Borrowings

The Board, in consultation with the Manager regularly reviews the gearing strategy of the Company and approves any gearing facility. Gearing amplifies the returns from underlying profits or losses generated by the investment portfolio.

The Board has set a maximum limit on borrowing (net of cash) of 30% of shareholders' funds at the time of borrowing. At the end of the financial year, the Company had borrowings (net of cash) of 2.1% compared to 2.9% at the beginning of the year.

Board Succession

As part of our normal succession planning process, I intend to retire as Chairman and from the Board on 31 December 2025. This will be after we have conducted our first bi-annual tender. We are very fortunate that Gordon Neilly has agreed to step into the role of Chairman and with his extensive experience of the investment trust sector there can be no better person to lead our Trust in the future.

Communication with Shareholders

Over the past few years, the composition of our shareholder base has changed significantly with an increasing number of individual investors coming onto the register via investment platforms. We are keen to encourage an open dialogue to keep all shareholders up to date with key developments. Our website – www.montanaro.co.uk/trust/mesct – is continually updated with factsheets, reports, presentations, webinar recordings and commentaries as well as more details about the Manager, investment philosophy and process. We encourage shareholders to visit regularly and welcome any feedback and suggestions.

We would also encourage shareholders to sign up to receive regular updates by email.

Dividend Policy

Following discussion on the timing of dividend payments to shareholders with the Company's broker Cavendish, the Board has decided to move to a cycle of paying two interim dividends per annum in or around January and August. This represents a change from the previous dividend payment cycle of paying an interim and final dividend. As the Company will no longer put a final dividend to shareholders for approval, in accordance with recommended corporate governance best practice, the new dividend policy will be put to shareholders approval at the upcoming Annual General Meeting. The new dividend policy can be found on page 18 of this report.

Annual General Meeting

The AGM will be held at the offices of Montanaro Asset Management, 53 Threadneedle Street, London EC2R 8AR, on 4 September 2025 at 11.00 a.m. Shareholders are encouraged to attend the Meeting where there will be an opportunity to meet and ask questions of the Board and the Manager.

Detailed instructions on how to vote on the AGM resolutions are provided on pages 79 to 81. We encourage all shareholders to review this guidance and ensure their votes are submitted.

Additionally, the AIC has prepared information on how to vote across the most common investment platforms, this guidance is available at – www.theaic.co.uk/how-to-vote-your-shares.

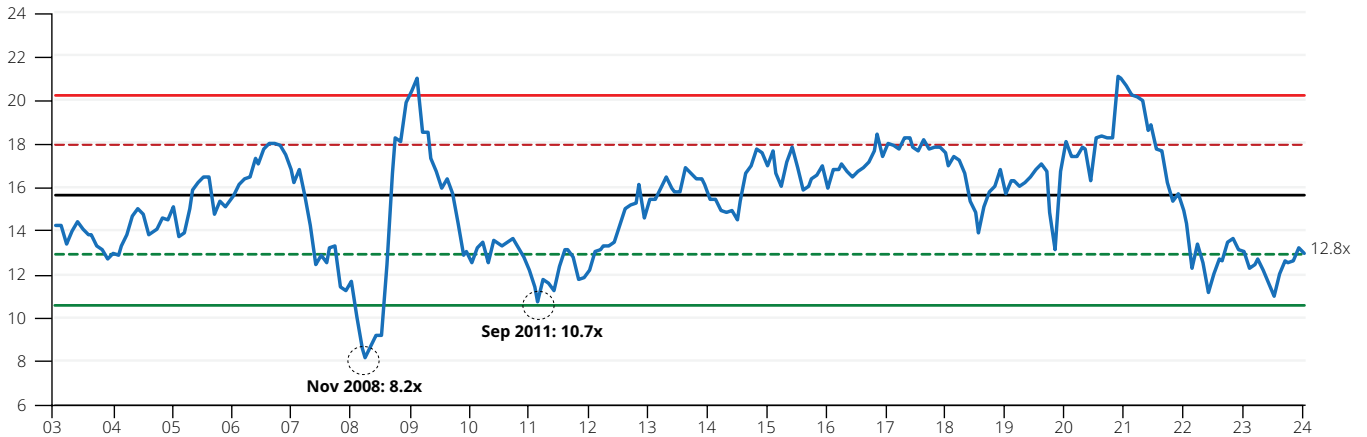
Outlook

As 2024 drew to a close, the prevailing investment consensus – that US mega-caps were the only place to be – reached a crescendo following the election of Donald Trump as President. However, events since then have cast doubt over this view. The tariffs announced on "Liberation Day" shocked the world. The United States has made it increasingly clear that they now view its relationships with the rest of the world – including Europe – as adversarial or, at best, purely transactional.

Yet with change comes opportunity. Investor sentiment has shifted towards European equities this year as they have seen improved performance. They remain under-owned and still appear attractively valued.

Since the peak in August 2020, the forward P/E of SmallCaps in Continental Europe has fallen from over 23x to around 13x at the end of March 2025. This substantial de-rating leaves them trading at a discount to their long-term historical average, as illustrated in the chart below:

MSCI Europe ex-UK SmallCap – 12 month forward P/E

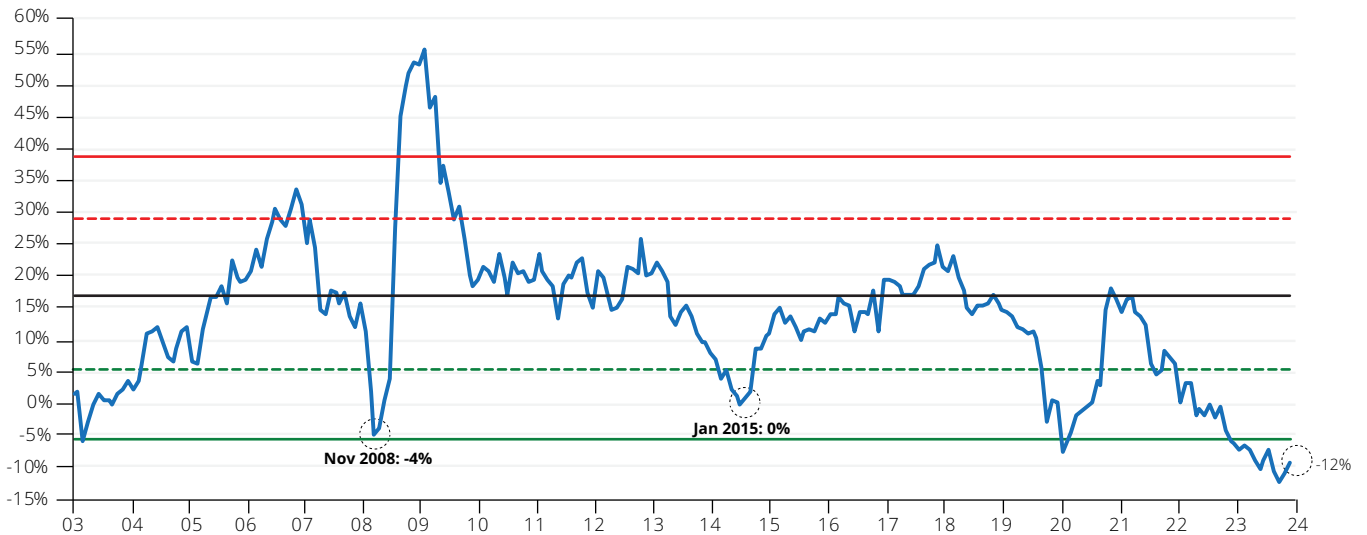


Source: Montanaro Asset Management, MSCI, FactSet. Note: Thick red line = average +2 standard deviations (dashed red line = average + 1 standard deviation). Thick green line = average -2 standard deviations (dashed green line = average -1 standard deviation). Black line = average.

Moreover, European SmallCaps are valued at a discount to the wider market, which is unusual. Indeed, the discount is at a level last seen in the depths of the Global Financial Crisis of 2008:

Europe ex-UK Small v. Market – 12 month forward P/E

(MSCI Europe ex-UK SmallCap v. MSCI Europe ex-UK Index, GBP)



Source: Montanaro Asset Management, MSCI, FactSet. Note: Thick red line = average +2 standard deviations (dashed red line = average + 1 standard deviation). Thick green line = average -2 standard deviations (dashed green line = average -1 standard deviation). Black line = average.

Chairman's Statement continued

We must, however, acknowledge that increasing global trade barriers and indeed policy uncertainty are likely to hinder rather than support economic growth. In this environment, owning a portfolio of very high quality, structurally growing companies provides us with a strong degree of comfort. One of the defining features of such quality companies is their ability to invest for the future and capture market share in more challenging economic environments, while weaker competitors have to focus on day-to-day survival.

In summary: European smaller companies have a long track record of delivering strong returns to investors. Today, they are trading at a significant discount to both their own history and to their larger counterparts. The previous overwhelming investment consensus favouring the US over Europe has been challenged and investor sentiment has shifted towards European equities. Meanwhile, the companies in your portfolio are well positioned to invest and grow even through difficult times, supported by strong balance sheets, high returns on capital, and clear structural growth opportunities. The portfolio continues to be managed by an exceptionally well-resourced and experienced team at Montanaro. In addition, the Board has implemented a series of measures aimed at improving liquidity, reducing discount volatility and further reducing costs.

Against this backdrop, we continue to look forward to the future with confidence.

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Chairman

18 June 2025

Manager’s Report

“European SmallCaps have returned 9.2% p.a. since the turn of the century, outperforming the vast majority of SmallCap markets around the world.”

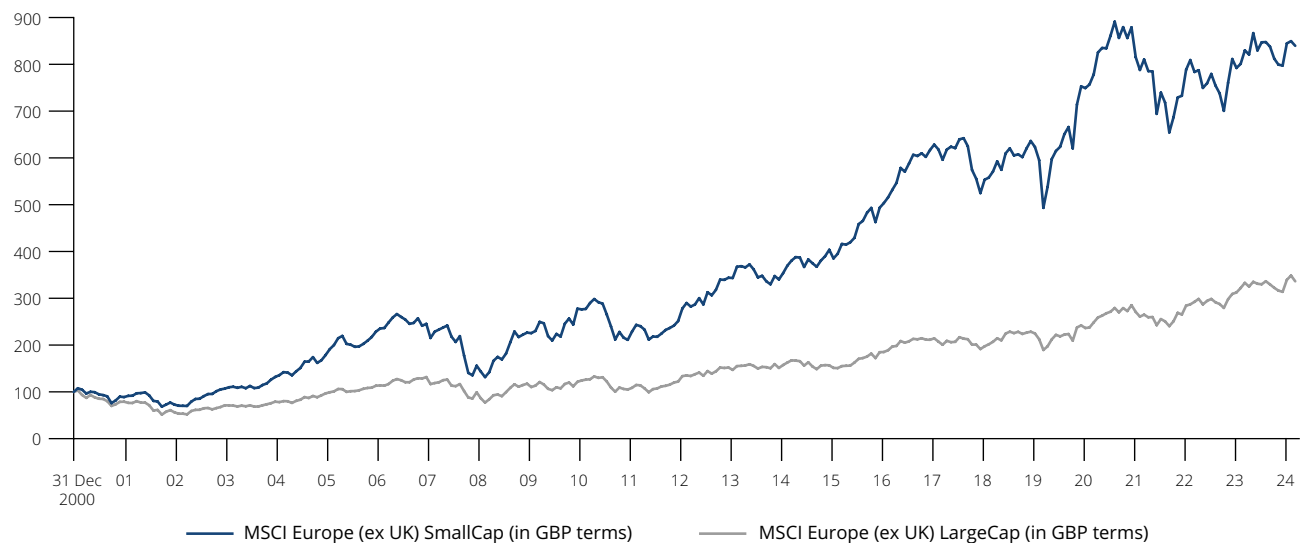
“The year to 31 March 2025 was notable for its M&A activity: we are clearly not the only ones who believe these companies are attractively valued and have strong growth prospects.”

The Attractions of Quoted European Smaller Companies (“SmallCap”)

The key attraction of investing in smaller companies is their long-term record of delivering higher returns to investors than large companies. In the UK, over the last 70 years, this has amounted to an average of 3.1% per annum (the “SmallCap Effect”). £1 invested in UK large companies on 1 January 1955 would now be worth £1,503 whereas the same £1 invested in smaller companies would now be worth £10,040 – almost seven times more.

Continental European Small v. LargeCap

(MSCI Europe ex UK SmallCap v. LargeCap indices, Net Total Return)
(rebased to 100 from 31 December 2000)



There is less comprehensive data on Europe – it only goes back to 2000. However, it suggests that the SmallCap Effect is even more pronounced on the Continent: as the chart above illustrates, European ‘small’ companies have outperformed ‘large’ companies by 4% per annum.

Remarkably, European SmallCaps have returned 9.2% p.a. (in Sterling terms) since the turn of the century, thereby outperforming the vast majority of SmallCap markets around the world including the UK, Japan, Australia the BRICs and even the USA (based on the Russell 2000 Index).

The market for European smaller companies is inefficient. While some large companies are analysed by more than 50 brokers, many smaller companies in Europe have little or no coverage. We believe that this makes it easier for those

with a high level of internal resources to identify attractive, undervalued and overlooked investment opportunities. This in turn makes it possible to deliver long-term performance over and above that of the benchmark.

Montanaro Asset Management

Montanaro was established in 1991. We have one of the largest and most experienced specialist teams in the UK dedicated exclusively to researching and investing in quoted small companies. Our large team of analysts and portfolio managers gives us the breadth of resources to conduct thorough in-house research.

At 31 March 2025, we were looking after around £3 billion of client assets. We have been the Manager of your Company since September 2006.

Manager's Report continued

Investment Philosophy and Approach

We specialise in researching and investing in quoted smaller companies. We have a disciplined, two-stage investment process.

In the first stage, we identify “good businesses” within our investable universe. We look for high quality companies in markets that are growing. They must be profitable; have good and experienced management; deliver sustainably high returns on capital employed; enjoy high and ideally growing profit margins reflecting pricing power and a strong market position; and provide goods and services that are in demand and likely to remain so. We prefer companies that can deliver self-funded organic growth and remain focused on their core areas of expertise, rather than businesses that spend a lot of time on acquisitions.

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

A company must also pass our stringent quality and ESG checklists. ESG has been integrated into our disciplined investment process for almost two decades.

When we have identified a company that we believe is high quality, has structural growth and is well managed from a business and ESG perspective, it is reviewed by our Investment Committee before it can proceed to the next stage. Companies that do not possess these attributes are rejected.

Companies that pass the first stage then undergo a valuation & risk assessment. We determine their intrinsic value, typically through a proprietary discounted cashflow analysis, to ensure they will make a “good investment” (“good businesses” and “good investments” are not always the same). The Investment Committee scrutinises the forecasts and assumptions made for each business. While the biggest risk – that we invest in poor or declining businesses – is addressed in the first stage, in stage two we take a more quantitative approach, with in-depth analysis of liquidity, factor risk and correlations and how these might affect position sizing and the subsequent portfolio characteristics. Only once this is complete will we add it to our Approved List.

Companies that are on the Approved List and which we also believe are attractively valued are then eligible for inclusion in your portfolio.

Our Investment Team use their industry knowledge and a range of proprietary screens to continually search for new ideas. With thousands of quoted companies from which to choose, we are spoiled for choice.

We believe that a deep understanding of a company's business model and the way it is managed are essential. We visit our investee companies on a regular basis. We examine management's past track record in detail as we seek to understand their goals and aspirations. In smaller companies, the decisions and motivation of the entrepreneurial management can make or break a company, which is why meeting them is so important. We look closely at the board structure; the level of insider ownership; and examine remuneration and corporate governance policies carefully.

Once a company has been added to the portfolio, our investment team conducts ongoing analysis. We will sell a holding if we believe that the company's underlying quality is deteriorating or if there has been a fundamental change to the investment case or management. We will get things wrong and make mistakes, but we try to learn from them.

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

The Portfolio

At 31 March 2025, the portfolio consisted of 49 companies of which the top ten holdings represented 38.3% of net assets. Sector and country distributions within the portfolio are driven by stock selection. Although weightings relative to the market are monitored, overweight and underweight positions are based on where the greatest value and upside are perceived to be.

Performance Attribution

The largest positive contributors over the period were:

Plejd is a Swedish developer of smart lighting, heating and other electrical products, which are sold to professional electricians. The company had an excellent year, with operating profit more than doubling thanks to both significant revenue growth and a well invested cost base that allowed for significant operating leverage.

VZ Holding is a Swiss independent financial consultant and wealth manager. The company was a top three contributor last year too – another demonstration that “running your winners” is often a fruitful strategy. The company had a good year thanks to continued demand for financial advice and an independent approach which continues to appeal to customers.

MTU Aero Engines manufacture and maintain aircraft engines and components. The company successfully improved efficiency in the Geared Turbofan fleet management plan, while continuing to deliver growth elsewhere in the business.

Inevitably the year was not without some stock price declines as well. The largest detractors were:

Tecan develop automated instruments and solutions that are used in laboratories. The company endured a difficult year as biopharma companies pulled back spending and research budgets in the US in particular came under threat from the new administration.

Bachem is a leading manufacturer of peptides. The share price declined as the timing for the new manufacturing facility (and, therefore, the associated revenues) was pushed out.

IMCD is one of the world's largest specialty chemical distributors. Hopes of a volume recovery in 2024 proved to be premature, with investors de-rating the stock through the year.

Portfolio Changes

We try to keep portfolio turnover as low as possible. However, we typically make a few changes each year as we identify new investment ideas that we expect will provide stronger long-term returns than existing holdings. Companies that become too large, are acquired or where the investment case deteriorates are also replaced with new ideas from our Approved List.

The year to 31 March 2025 was notable for its M&A activity: we are clearly not the only ones who believe these companies are attractively valued and have strong growth prospects.

Esker and **Epsilon Net**, both niche software providers, were bought out. The merger of **Chr. Hansen**, the probiotic developer, and Novozymes was completed and we subsequently sold our holding in the combined company on size grounds. Esker and Chr. Hansen both exited the portfolio having risen by multiple times their initial purchase price.

Epsilon Net was sold at a premium to our purchase price and made a respectable return for the portfolio, but did not achieve the same feat due to being taken over less than a year after we bought the stock.

Dynavox, the supplier of augmentative and alternative communication devices used by people with disabilities to communicate more effectively, and **cBrain**, which develops modular software primarily for government and state departments, were added to the portfolio.

Continual Improvement

Each year we take time to look back at our successes and mistakes to assess how our systems and processes can be improved.

We have made significant strides in our ability to dynamically quantify and monitor our risk profile, especially with respect to factor risks. Our objective – as with all our risk management processes – is not to eliminate risk entirely; rather, it is to take risk selectively and thoughtfully where we believe it is well rewarded. Our focus is on ensuring that we are exposed to the right risks while actively minimising our exposure to those factor risks on which we have either a negative view or no conviction at all.

We have been systematically collecting data on the companies we research – from new idea fruition to exit – for many years. We have now reached a point where the dataset is sufficient to extract meaningful patterns and insights. Our analysis has already revealed several interesting findings, leading to refinements in both our idea generation process and the way we conduct Investment Committee meetings.

How to Invest

We have invested a great deal of time and effort to make the Company readily available to all investors. We have continued to grow our presence across the UK's investment platforms and are delighted to see a steady increase, year after year, in the Trust's retail following. With the Board, we have appointed Marten & Co to provide sponsored research – you can find the initiation report, here: <https://www.montanaro.co.uk/mesct-quality-business/> and update reports on our website: www.montanaro.co.uk/trust/mesct.

MONTANARO ASSET MANAGEMENT

Lead Portfolio Manager; George Cooke
18 June 2025

ESG Report

Montanaro has long placed sustainability at the heart of its business. We became a certified B Corporation in 2019, meeting some of the highest global standards for social and environmental performance. We successfully recertified in 2022 with a score of 105.5 — a significant improvement on our original 2019 score and well above the minimum threshold. In 2022, we also set an ambitious target to become carbon negative by 2030, including the removal of our historical emissions.

Ethical Restrictions and ESG Analysis

Montanaro has a long-standing commitment to sustainable investing, which is reflected in the way the portfolio is managed. We apply a range of ethical exclusions and do not invest in companies that derive a significant proportion of their revenues from harmful products or practices.

Environmental, Social and Governance (“ESG”) factors form an integral part of how we define “Quality”. Our proprietary ESG Checklist is used across our investment process to identify risks and opportunities. Analysts assess each company’s performance on issues such as climate change, supply chains, governance, board structure and employee wellbeing.

Engagement and Active Ownership

Where we identify ESG risks or areas for improvement, we engage constructively with management. As investors in smaller companies, we are often able to speak directly with senior leadership, including CEOs.

During the year, we engaged with **MTU Aero Engines** to strengthen its approach to climate-related disclosure. The company’s 2025 Sustainability Report marked a significant improvement in transparency, with more detailed Scope 3 emissions data in line with the Corporate Sustainability Reporting Directive (CSRD). We also welcomed the company’s ongoing review of a formal commitment to the Science Based Targets initiative (SBTi), and we continue to support efforts to align with best-practice decarbonisation pathways.

We also engaged with **CTS Eventim**, encouraging stronger internal governance and oversight of ESG issues. Following our discussions, the company established an internal ESG competence centre and published its first Non-Financial Report. We were pleased to see growing board-level awareness and a commitment to improving Scope 3 disclosure across decentralised operations. These are important first steps and we will maintain an active dialogue as their ESG framework develops.

Elsewhere, we contributed to the **CDP Non-Disclosure Campaign**, calling on companies to improve their environmental reporting, and we continued to support portfolio companies working to meet new CSRD double materiality requirements. In several cases, including with **Brembo**, we completed surveys to help management prioritise sustainability topics based on stakeholder input.

Deep Dive Research and Industry Engagement

Our Investment Team conducts regular Deep Dive projects, combining internal research with external stakeholder engagement. In January 2025, we published our fifth Net Zero Carbon Deep Dive report, examining the progress our investee companies are making on the pathway to net zero. We also continued to work on sustainability challenges identified in our recent Built Environment report. These research initiatives deepen our understanding of emerging ESG themes, risks and opportunities and help inform investment decisions across the firm.

Montanaro remained active within the sustainable investment community. We maintained our role as a signatory to the UK Stewardship Code, with our latest report receiving endorsement from the Financial Reporting Council. We continued to support initiatives including the Taskforce on Nature-related Financial Disclosures (TNFD), the ShareAction Workforce Disclosure Initiative, and investor coalitions on food policy, public health and human rights.

We are signatories to and engage with important initiatives:

Signatory date	Initiative	
2009	UN Principles for Responsible Investment ("PRI")	 Principles for Responsible Investment
2010	UK Stewardship Code	
2015	Carbon Disclosure Project ("CDP")	
2017	LGPS Code of Transparency	
2019	B Corporation	
2019	Farm Animal Investment Risk and Return ("FAIRR")	
2020	Net Zero Asset Managers Initiative (NZAM)	
2022	Tobacco Free Portfolios Finance Pledge	
2022	Living Wage Accreditation	
2023	UK Sustainable Investment and Finance Association ("UKSIF")	
2023	GFANZ (Glasgow Financial Alliance for Net Zero)	
2023	ShareAction	
2023	Business Coalition for a Global Plastics Treaty	
2023	Task Force on Nature-related Financial Disclosures ("TNFD")	

Montanaro's Head of Sustainable Investments continues to serve on the Board of the UK Sustainable Investment and Finance Association (UKSIF), a leading network of over 300 financial services firms representing more than £19 trillion in assets. Through this role, we actively contribute to shaping the future of sustainable finance in the UK. Over the past year, this has included direct input on key policy developments such as the implementation of the FCA's Sustainability Disclosure Requirements (SDR), which came into force in 2024 and are now beginning to reshape the UK regulatory landscape.

We also remain active participants in the Glasgow Financial Alliance for Net Zero (GFANZ), working alongside peers to accelerate the transition to a low-carbon economy through credible, science-aligned action. Our ongoing involvement in these initiatives ensures we stay at the forefront of industry developments while helping to raise standards across the investment sector.

In recognition of our broader commitment to sustainability, Montanaro was named **"ESG Champion of the Year"** at the *Financial Times/Investors' Chronicle* Investment Awards in 2024.

MONTANARO ASSET MANAGEMENT
18 June 2025

Top 10 Holdings

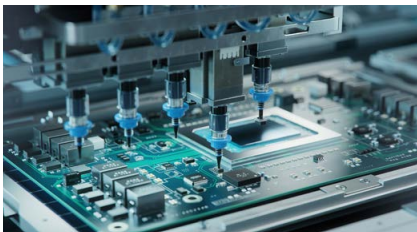
as at 31 March 2025

1. VZ Holding



A Swiss financial consultancy and wealth manager with a tech-enabled platform. Its focus on fee-based advice and recurring revenues makes it a standout in a traditionally commission-driven industry.

2. Kitron



An electronics manufacturing services (EMS) provider for defence, healthcare, and electrification markets. Kitron offers resilient growth through long-term contracts, reshoring trends, and rising demand for high-reliability electronics.

3. ATOSS Software



A leader in workforce management software. Its scalable cloud solutions help companies optimise labour costs, with a high-margin SaaS model driving recurring revenue and impressive long-term growth.

4. MTU Aero Engines



A key player in aircraft engine manufacturing and maintenance. Benefiting from global air travel recovery and a strong order book, MTU offers a powerful combination of engineering excellence and after-market revenue.

5. CTS Eventim



Europe's leading ticketing and live events platform. Its dominant digital position, asset-light model and the return of large scale events has delivered strong earnings growth.

6. Reply



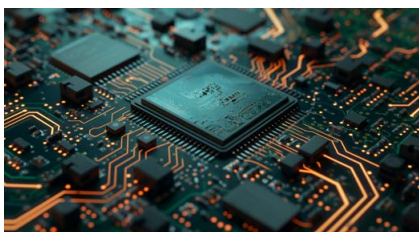
An IT consultancy focused on AI, cloud and digital innovation. Reply's decentralised model and blue-chip client base drive consistent growth and strong returns in the fast-evolving tech landscape.

7. Fortnox



Cloud-based accounting and admin software for SMEs. With a near-monopoly in Sweden, high switching costs and expanding product suite, Fortnox is a classic high-margin compounder. The company received a takeover offer on 31 March 2025.

8. NCAB



A global printed circuit board supplier offering premium service and logistics. With an asset-light model and consolidation strategy, NCAB delivers reliable cashflows and market share growth.

9. Plejd



Develops smart lighting control systems for homes and businesses. Its intuitive products and strong network of electricians make it a high-growth disruptor in Nordic smart homes.

10. Brunello Cucinelli



The Italian luxury brand known for "humanistic capitalism" and timeless craftsmanship. Its focus on sustainable growth, exclusivity and global demand for quiet luxury support premium positioning and pricing power.

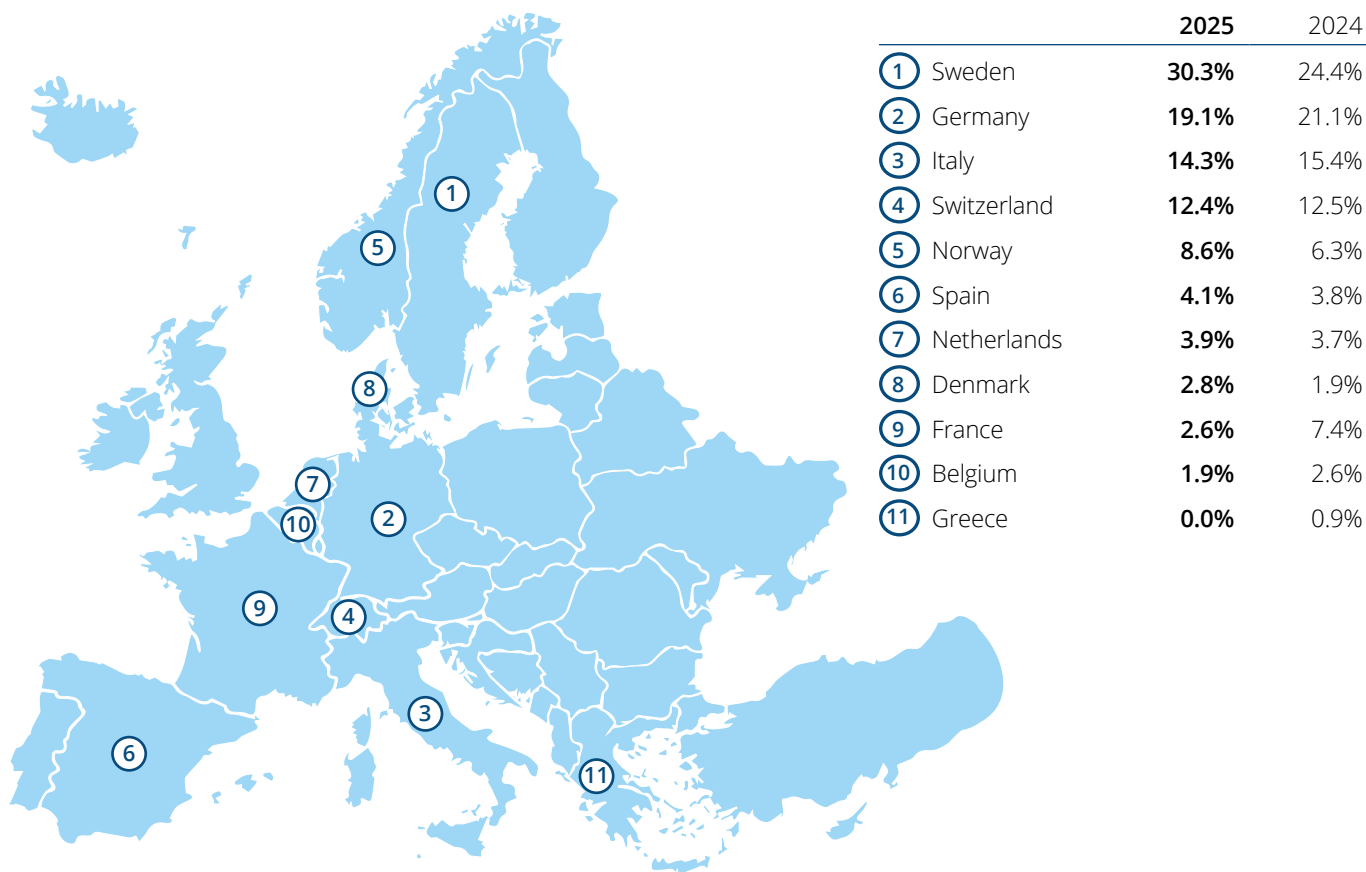
Twenty Largest Holdings

as at 31 March 2025

Holding	Country	31 March 2025 Value £'000	31 March 2024 Value £'000	31 March 2025 % of net assets	31 March 2024 % of net assets	31 March 2025 Market cap £m
VZ Holding	Switzerland	13,270	9,663	4.6	3.1	5,903
Kitron	Norway	13,179	9,964	4.5	3.2	654
ATOSS Software	Germany	12,602	14,058	4.3	4.5	1,657
MTU Aero Engines	Germany	12,063	14,121	4.1	4.5	14,484
CTS Eventim	Germany	11,588	13,075	4.0	4.2	7,455
Reply	Italy	10,103	8,976	3.5	2.9	4,724
Fortnox	Sweden	10,048	12,493	3.4	4.0	4,090
NCAB	Sweden	9,884	14,350	3.4	4.6	740
Plejd	Sweden	9,563	3,813	3.3	1.2	402
Brunello Cucinelli	Italy	9,286	9,518	3.2	3.0	6,012
Belimo Holding	Switzerland	8,763	7,186	3.0	2.3	5,825
IMCD	Netherlands	8,727	11,870	3.0	3.8	6,070
AAK	Sweden	7,566	6,597	2.6	2.1	5,602
Invisio	Sweden	7,397	3,980	2.5	1.3	1,349
Rational	Germany	7,029	7,558	2.4	2.4	7,297
Viscofan	Spain	6,679	6,296	2.3	2.0	2,488
Thule	Sweden	6,634	7,177	2.3	2.2	2,394
Sectra	Sweden	6,456	5,396	2.2	1.7	3,600
Biogaia	Sweden	5,934	3,484	2.0	1.1	859
Merlin Properties	Spain	5,774	5,959	2.0	1.9	4,652
Twenty Largest Holdings		182,545		62.6	56.0	

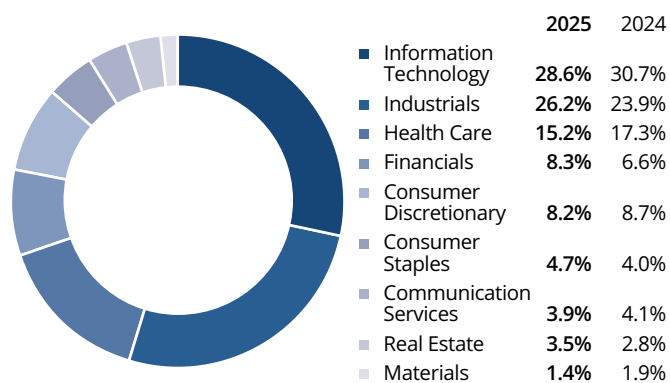
Portfolio Analysis

Geographical Analysis (31 March)



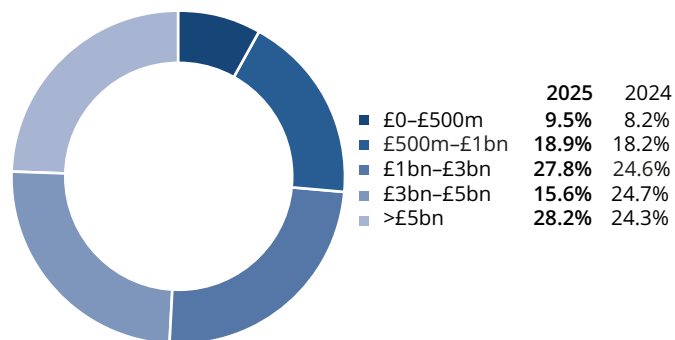
Source: Montanaro Asset Management

Sector Distribution (31 March)



Source: Montanaro Asset Management

Market Capitalisation of Holdings by Value (31 March)



Source: Montanaro Asset Management

Historic Record

	Net assets £'000s	NAV per share	Ordinary share price	(Discount)/ premium [^]	Dividends per share	Ongoing charges [^]
5 September 2006*	60,022	344.0p	322.0p	(6.4%)	n/a	1.6%
31 March 2007	74,447	426.7p	404.0p	(5.3%)	4.00p	1.8%
31 March 2008	69,061	401.6p	340.0p	(15.3%)	4.00p	1.8%
31 March 2009	42,653	257.4p	220.8p	(14.2%)	7.33p**	1.6%
31 March 2010	71,059	428.8p	373.0p	(13.0%)	4.50p	1.7%
31 March 2011	88,837	536.0p	467.0p	(12.9%)	4.50p	1.6%
31 March 2012	81,278	471.6p	405.0p	(14.1%)	5.50p	1.5%
31 March 2013	93,009	559.2p	519.3p	(7.1%)	6.75p	1.5%
31 March 2014	98,683	593.3p	540.0p	(9.0%)	7.00p	1.5%
31 March 2015	95,751	572.2p	515.0p	(10.0%)	7.50p	1.5%
31 March 2016	106,418	636.0p	540.0p	(15.1%)	7.50p	1.4%
31 March 2017	136,050	813.1p	695.0p	(14.5%)	8.25p	1.2%
31 March 2018	150,776	901.1p	800.0p	(11.2%)	8.50p	1.2%
31 March 2019	169,141	1010.8p	890.0p	(12.0%)	9.00p	1.2%
31 March 2020	160,123	956.9p	880.0p	(8.0%)	9.25p	1.2%
31 March 2021	276,065	1,589.0p	1,610.0p	1.3%	9.25p	1.2%
10 for 1 share split effective from 14 September 2021						
31 March 2022	324,905	171.5p	168.0p	(2.0%)	0.925p	1.1%
31 March 2023	299,975	158.4p	137.6p	(13.1%)	0.970p	1.0%
31 March 2024	312,720	165.1p	142.5p	(13.7%)	1.125p	1.0%
31 March 2025	291,508	162.0p	148.5p	(8.3%)	1.260p	1.0%

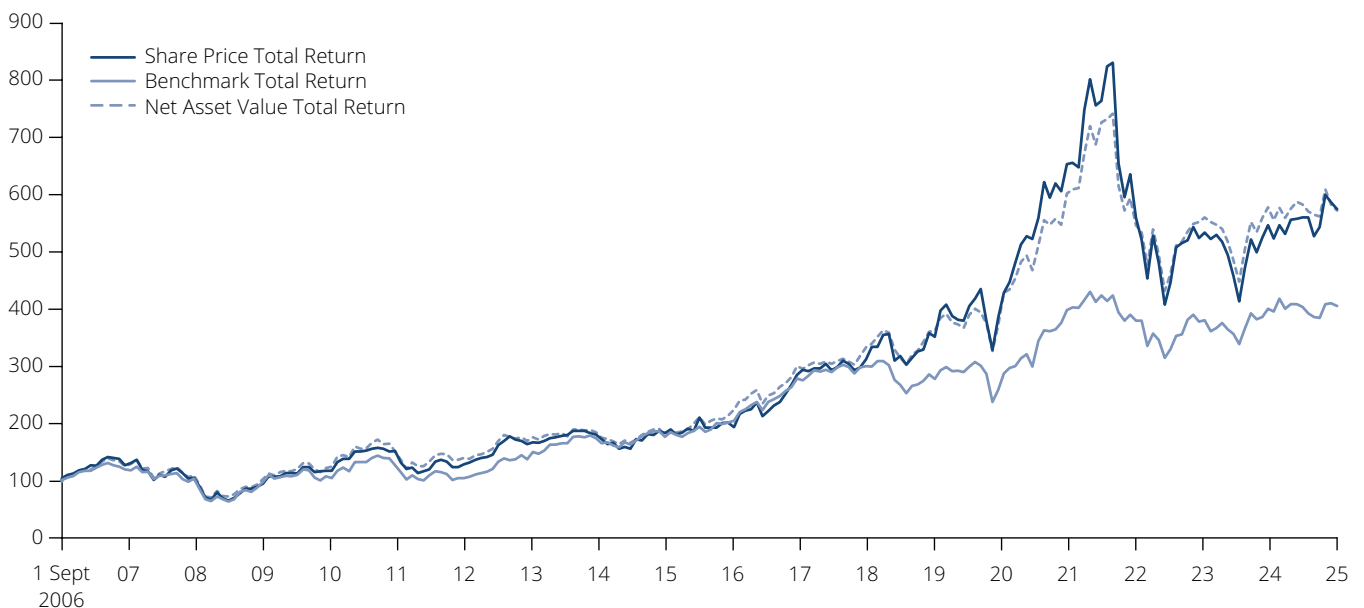
* Date of commencement of current management arrangements.

** Includes special dividends of 2.83p per share.

[^] Alternative Performance Measures, refer to page 68.

Performance since commencement of current management arrangements

(rebased to 100 from 1 September 2006)



Source: Montanaro Asset Management

Business Model and Strategy

The purpose of this report is to provide shareholders with details of the Company's strategy, objectives and business model. It should be read in conjunction with the Chairman's Statement on pages 3 to 6 and the Manager's Report on pages 7 to 9, which provide a review of the Company's investment activity and a look to the future.

The Board is responsible for the stewardship of the Company, including overall strategy, investment policy, borrowings, dividends, corporate governance procedures and risk management. Biographies of the Directors can be found on pages 27 and 28.

PRINCIPAL ACTIVITY

The Company carries on business as an investment trust and its principal activity is portfolio management. Its Ordinary shares are traded on the Main Market of the London Stock Exchange.

The Company has no employees but contracts investment management and administration to appropriate external service providers, who are subject to oversight by the Board of Directors. The principal service providers during the year were:

- Montanaro Asset Management ("Montanaro", "MAM" or the "Manager"), which was appointed as Investment Manager on 5 September 2006 and the Company's Alternative Investment Fund Manager ("AIFM") on 22 July 2014.
- Juniper Partners Limited, which provided company secretarial and fund administration services from 1 July 2023.
- Equiniti Limited which provided registrar services during the year.
- Bank of New York Mellon (International) Limited which provided depository services during the year.

STATUS OF THE COMPANY

The Company was incorporated in Scotland in 1981 under registered number SC074677, and is domiciled in the United Kingdom and registered as an investment company as defined in Section 833 of the Companies Act 2006.

The Company has been approved by HMRC as an investment trust under Sections 1158 and 1159 of the Corporation Tax Act 2010, subject to continuing to meet eligibility requirements. The Directors are of the opinion that the Company has conducted its affairs in a manner compliant with the conditions for continued approval and intends to continue to do so. As an investment company that is managed and marketed in the United Kingdom, the Company is an Alternative Investment Fund ("AIF") falling within the scope of, and subject to, the requirements of the Alternative Investment Fund Managers Directive ("AIFMD"). Further details are provided in the AIFMD Disclosures on page 67.

INVESTMENT OBJECTIVE

The Company's objective is to achieve capital growth by investing principally in Continental European quoted smaller companies. The Company's benchmark index is the MSCI Europe ex-UK SmallCap Index (in Sterling terms).

INVESTMENT POLICY

The Company invests principally in quoted smaller companies within the European Union, Norway and Switzerland (but is not restricted from investing in smaller companies quoted on other European stock exchanges). In addition, the Company may invest in:

- Companies listed on non-European stock exchanges that derive significant revenues or profits from Europe;
- European securities, such as global depository receipts, listed on other international stock exchanges; and
- Debt issued by European governments or denominated in European currencies.

The Company's investment policy is flexible, enabling it to invest in all types of securities of companies, including (but not limited to) equities, preference shares, debt, convertible securities, warrants and other equity-related securities. The Company may also invest, where appropriate, in open-ended collective investment schemes and closed-ended funds that invest in Europe. It is not intended that the Company will acquire securities that are unquoted or unlisted at the time of investment (with the exception of securities which are about to be listed or traded on a stock exchange). However, the Company may continue to hold securities that cease to be quoted or listed if the Manager considers this to be appropriate.

Investment risk is diffused through holding a range of securities in different countries and industry sectors. Investments are not limited as to country or sector basis weightings, but no investment in the portfolio may exceed 10% of the Company's total assets at the time of investment. The Company may invest in derivatives, financial instruments, money market instruments and currencies solely for the purpose of efficient portfolio management (i.e. solely for the purpose of reducing, transferring or eliminating investment risk in the Company's investments, including any technique or instrument used to provide protection against currency and credit risks).

The Company borrows funds for investment to enhance returns over the long-term and may borrow in Sterling, Euros or other currencies. The Board has set a maximum limit on borrowing, net of cash, of 30% of shareholders' funds at the time of borrowing.

The Company's portfolio will normally be fully invested. However, during periods in which changes in economic conditions or other factors so warrant, the Company may reduce its exposure to securities and increase its position in cash and money market instruments. The Company will not invest more than 10%, in aggregate, of the value of its total assets at the time of investment in other investment trusts or investment companies admitted to the Official List of the Financial Conduct Authority.

DIVIDEND POLICY

As previously mentioned in the Chairman's Statement on page 3, the Board has decided to move to a cycle of paying two interim dividends per annum in or around January and August.

Business Model and Strategy continued

The purpose of the change being to align dividend payments with the release of the Annual and Interim Reports. This represents a change from the previous dividend payment cycle of paying an interim dividend in January and a final dividend in September.

The new dividend policy has therefore been updated to include the following additional wording "Under normal market conditions the Company will pay two interim dividends per year, aligning with the release of the Annual and Interim Reports".

New Dividend Policy

The Company's primary aim is to deliver capital growth to its shareholders, rather than dividend income. In determining dividend payments, the Board takes account of income forecasts, brought forward revenue reserves, the Company's dividend payment record and the Corporation Tax rules governing investment trust status. These rules determine the minimum level of dividend which must be paid in order to comply with Section 1158 of the Corporation Tax Act 2010 in respect of the retention of distributable income. Dividends can also be paid from the Realised Capital Reserve from any surplus arising from the realisation of any investment. Under normal market conditions the Company will pay two interim dividends per year, aligning with the release of the Annual and Interim Reports.

Going forward, given the Board will no longer put a final dividend to shareholders for approval, the Company's dividend policy will be put to shareholders for approval annually at the Annual General Meeting.

REGULAR TENDER OFFERS

On 15 May 2025, shareholders approved the Board's proposal to implement tender offers on a bi-annual basis. These tender offers will provide shareholders with the opportunity to tender their shares for repurchase by the Company at a 5% discount to NAV (reflecting the wider spreads amongst smaller companies and the cost associated with the exercise) and bring increased liquidity to the Company's shares. Each tender offer will take place around the time of the publication of the Company's Interim and Final Results and will be limited in total to a maximum of 5% of the Company's shares in issue. If the situation occurs whereby a tender offer is oversubscribed, any shares offered for repurchase by shareholders will be dealt with on a pro-rata basis. The first tender offer is expected to take place in Autumn 2025 following the Interim Results.

SHARE BUYBACK POLICY

In normal market circumstances, the Board will target a single digit share price discount to NAV. Subject to market volatility, the Board anticipates that this will be achieved through a combination of the bi-annual tender offers and ad hoc share buybacks. On 15 May 2025, shareholders approved the renewal of the Company's authority to buyback its own shares, the Board will continue to seek shareholder approval as necessary to extend its authority to buy back shares.

KEY PERFORMANCE INDICATORS

The Board recognises that it is long-term share price returns that are most important to the Company's shareholders. They are largely driven by competitive portfolio returns and by keeping down the level of both the discount and ongoing charges.

The Board uses a number of key performance indicators to assess the Company's success in pursuing its objectives.

They are as follows:

- Capital and total return – NAV and share price returns, both absolute and against the benchmark;
- Discount of share price to NAV per share;
- Gearing; and
- Ongoing charges.

The NAV and share price returns against the benchmark index for the one, three, five and ten year periods ended 31 March 2025 and for the period since Montanaro were appointed as Manager are shown on page 2. The historic discount and ongoing charges figures are included in the Historic Record on page 16.

The Company's performance for the year against the key performance indicators, together with the outlook for the coming year, is reported within the Highlights on page 2, the Chairman's Statement on pages 3 to 6 and the Manager's Report on pages 7 to 9.

THE MANAGER

Established in 1991, Montanaro is a highly experienced specialist investor in quoted smaller companies. It has one of the largest teams in the UK researching and investing exclusively in quoted smaller companies and currently manages circa £3 billion, mainly on behalf of leading financial institutions. Montanaro's investment philosophy and approach is set out in the Manager's Report on page 8.

The Manager is a signatory to the Principles for Responsible Investment, the UK Stewardship Code and the LGPS Code of Transparency. In June 2019, Montanaro became a B Corporation, a business certified for meeting the highest verified standards of social and environmental performance, transparency and accountability. The Manager is a signatory to a number of industry commitments as detailed on page 11. Montanaro is also a B Corporation, a business certified for meeting the highest verified standards of social and environmental performance, transparency and accountability. Further information is included in the ESG Report on pages 10 and 11.

THE BOARD

At the date of signing this report, the Company has four Directors – two men and two women. The Company has no employees.

JUNIPER PARTNERS LIMITED

Company Secretary
18 June 2025

Principal and Emerging Risks

In accordance with the AIC Code of Corporate Governance, the Board has an established process for identifying, evaluating and managing the emerging and principal risks faced by the Company. The Board carefully considers the Company's principal and emerging risks and seeks to mitigate these risks through continued and regular review, policy setting, compliance with and enforcement of contractual obligations and active communication with the Manager, the Administrator and shareholders.

Most of the principal and emerging risks that could threaten the Company's objective, strategy, future returns and solvency are market-related and comparable to those of other investment trusts investing primarily in quoted securities.

The Report of the Audit Committee on pages 36 to 38 summarises the Company's internal control and risk management arrangements. By means of the procedures set out in that summary, and in accordance with the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting, issued by the Financial Reporting Council, the Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. It has also reviewed the effectiveness of the Company's risk management and internal control systems during the year. During the year, the Audit Committee carried out a robust assessment of the principal and emerging risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity.

The investment trust sector continues to evolve, driven by a shifting shareholder base and the challenges of engaging and communicating with retail investors. In addition, the Company is facing an emerging risk from heightened geopolitical tensions, which may influence market stability and investor sentiment. The resulting impact on the Company's operating and risk environment are described within the principal risks section below.

Notes 15 to 20 to the financial statements provide detailed explanations of the risks associated with the Company's financial instruments and their management.

Principal Risks	Mitigation
<p>Corporate strategy:</p> <p>An inappropriate or unattractive objective and strategy may have an adverse effect on shareholder returns or cause a reduction in demand for the Company's shares, both of which could lead to a widening discount.</p> <p><i>Heightened area of focus due to increased industry awareness of the impact that share price discounts can have on investor sentiment, along with the Board's objective of improving the investment proposition for all shareholders.</i></p>	<p><i>The Board conducts annual strategy reviews and considers investment performance, shareholder views and developments in the marketplace as well as emerging risks which could impact the Company regularly throughout the year. The Board reviews changes to the shareholder register at quarterly Board Meetings and engages the Broker to continually monitor the discount at which the Company's shares trade, reporting regularly to the Board and buying back shares when appropriate.</i></p> <p><i>The Board has committed to a number of initiatives with the target of enhancing value to the Company's shareholders, including the introduction of a bi-annual tender offer and an active share buyback policy (with a target of maintaining a single digit discount). At the General Meeting held on 15 May 2025, shareholders approved resolutions to support both of these proposals. Please refer to page 3 for further details.</i></p>
<p>Investment:</p> <p>Poor investment performance may have an adverse effect on shareholder returns.</p> <p><i>Heightened area of focus due to the current geopolitical tensions and the potential impact this could have on the Company's portfolio.</i></p>	<p><i>At each Board Meeting, the Manager discusses portfolio performance and strategy with the Directors and performance against the benchmark and the peer group is reviewed. The Manager also provides the Board with quarterly reports. The portfolio is well diversified with typically 45-55 holdings, thereby reducing stock-specific risk. The Board formally reviews the performance of the Manager and its terms of appointment annually.</i></p>

Principal and Emerging Risks continued

Principal Risks

Other financial:

The Company invests principally in Continental European quoted smaller companies and its principal risks are therefore market related with short term risk arising from the volatility in the prices of the Company's investments and foreign exchange. Events such as terrorism, disease (such as a global pandemic), protectionism, inflation or deflation, changes in regulation and taxation, excessive stock market speculation, economic recessions, political instability and movements in interest rates and exchange rates could affect share prices in particular markets.

As with all small company investment trusts, there is liquidity risk at times when the liquidity of the underlying portfolio is poor, such as when smaller companies are out of favour or during periods of adverse financial conditions. The portfolio is focused on investments in smaller European companies where the opportunities may be more attractive than in larger companies but where overall portfolio liquidity may be more challenging. This may result in difficulties in buying or selling individual holdings in difficult markets. In addition, illiquid stock markets may impact the discount of the Company's share price to the NAV per share.

No change in overall risk in year.

Discount volatility:

As with all small company investment trusts, discounts can fluctuate significantly both in absolute terms and relative to their peer group, this can also lead to issues with respect to the liquidity of the Company's shares.

Despite the Company's discount narrowing during the year discount volatility remains a significant area of Board focus.

Mitigation

Portfolio diversification, both geographical and sectoral, can mitigate the consequences of such risky events and the Board reviews the portfolio with the Manager on a regular basis. It is not the Company's policy to hedge currency risk. The Board has also set investment restrictions and guidelines which are adhered to and reported on by the Manager. If required, it is also possible to raise the level of cash held, thereby reducing the risk of declining share prices and the effect of gearing on lower portfolio valuations. The portfolio's liquidity is not managed on the basis of timing short-term market fluctuations.

One of the benefits of an investment trust is that the Manager is rarely forced to buy or sell individual holdings at inopportune times. The Manager constantly reviews the underlying liquidity of the portfolio, which is well diversified, and deals with a wide range of brokers to enhance its ability to execute and minimise liquidity risk.

The liquidity of the portfolio is monitored by the Manager and reported to the Board, and market conditions and their impacts are considered.

The Company's liquidity risk is managed on a daily basis by the Manager in accordance with established policies and procedures in place.

Further details on the financial risks arising from the Company's financial instruments, together with the policies for managing these risks are included in Notes 15 to 20 to the financial statements.

The Board and Manager actively monitor the discount of share price to NAV per share and seek to influence this through regular share buybacks in line with the revised policy, effective marketing and liaising closely with the Company's Broker.

The Board receives regular reports on the discount level of the Company, its peer group, and the wider investment trust sector which informs any decision to buy back shares. The Board monitors liquidity of the Company's shares and encourages the Manager to market the Company's shares.

Principal Risks**Mitigation****Regulatory:**

The Company carries on business as an investment trust and has been approved as such by HM Revenue & Customs subject to it continuing to meet eligibility conditions and ongoing requirements. As a result, it is not liable to corporation tax on capital gains. Breach of Section 1158 of the Corporation Tax Act 2010 could lead to the Company being subject to tax on chargeable gains.

Breach of regulatory rules could also lead to suspension of the Company's Stock Exchange listing, financial penalties or a qualified audit report.

No change in overall risk in year.

The Company Secretary and the Company's professional advisers provide reports to the Board in respect of compliance with all applicable rules and regulations.

The Company complied with all applicable rules and regulations including AIFMD, the Packaged Retail and Insurance-based Products Regulation and the second Markets in Financial Instruments Directive during the year.

The Administrator monitors the Company's compliance with Section 1158 of the Corporation Tax Act 2010 including revenue forecasts and the amount of proposed dividends to ensure the rules are not breached. The results are reported to the Board at each meeting.

The Administrator monitors compliance with the Listing Rules of the Financial Conduct Authority and compliance with the principal rules is reviewed by the Directors at each Board Meeting.

The Board and AIFM also monitor changes in legislation which may have an impact on the Company.

Operational:

In common with most other investment trust companies, the Company has no employees. The Company is therefore reliant on the services provided by third parties such as the Manager, the Administrator and the Custodian (as a delegate of the Depositary). Disruption or failure of the Manager's or Administrator's systems, or those of other third-party service providers could lead to an inability to provide accurate reporting and monitoring of the Company's financial position or a breach of regulatory and legal regulations.

No change in overall risk in year.

The Board and the Audit Committee receive regular reports on the operation of internal controls to mitigate against the risk of failure, including those at the Manager, the Administrator and the Custodian as explained in more detail within Risk Management and Internal Control on pages 36 and 37. These reports include controls over risks of cyber security. These have been tested and monitored throughout the year which is evidenced from their control reports regarding their internal controls which are reported on by their reporting accountants. Quarterly reports are also received from the Depositary which is responsible for overseeing the safekeeping of all custodial assets of the Company.

In addition, the Manager is in regular contact with service providers regarding business operations and continuity planning, and has reported no matters of concern.

Cyber security:

The threat of cyber attack is regarded as being as important as more traditional physical threats to business continuity and security. The Company has limited direct exposure to cyber risk. However, the Company's operations or reputation could be affected if any of its service providers suffered a major cyber security breach.

Continued area of Board focus due to ongoing geopolitical tensions and the potential security risks posed by new technologies.

The Board monitors the preparedness of its service providers and is satisfied that the risk is given due priority. The Manager provides a report to the Board at each meeting that covers cyber risk. The Company benefits from the network and information technology controls of the Manager around the security of data.

The annual review of service providers includes a consideration of cyber risk. As part of this review, internal controls reports for each service provider are reviewed to ensure that suitable cyber security controls are in place.

Principal and Emerging Risks continued

Principal Risks

Environmental, social and governance (“ESG”):

A key risk is that the Manager invests in a company which has poor ESG practices. It is the Manager’s opinion that companies with poor standards of ESG are likely to underperform over the long-term. Key ESG risks include:

Environmental

- Climate change and greenhouse gas emissions (“GHG”)
- Resource depletion, including water
- Waste and pollution

Social

- Working conditions, including no slavery or child labour
- Health and safety
- Employee relations and diversity

Governance

- Executive pay
- Board diversity and structure (in terms of age, gender, educational and professional background)
- Anti-bribery and corruption

No change in overall risk in year.

Manager:

Should the Manager not be in a position to continue to manage the Company, performance may be impacted.

No change in overall risk in year.

Mitigation

Montanaro is a certified B Corporation and therefore takes ESG and sustainability issues seriously. A strong and consistently applied investment process is in place and ESG risks are considered for every company in which the Manager considers investing.

An ethical framework excludes investment in companies that generate a significant proportion of sales from products with negative societal impact. A bespoke ESG Checklist is completed for every company by Montanaro’s team of Research Analysts and the Manager only invests in those which pass the criteria set out in this Checklist, which is designed to cover the aforementioned Environmental, Social and Governance Risks.

Overview is provided by Montanaro’s Sustainability Committee, which reviews ESG stock analyses and coordinates detailed engagement activity with investee companies.

The Board receives reports at each Board Meeting which include ESG considerations for new and existing investments.

Montanaro has one of the largest specialist teams in the UK focusing on quoted European smaller companies. Montanaro operates a team approach in the management of the investment portfolio which mitigates against the impact of the departure of any one member of the investment team. The Manager is financially robust, and keeps the Board informed of developments within its business.

Directors' Duties

SECTION 172(1) OF THE COMPANIES ACT 2006

Section 172(1) of the Companies Act 2006 (the "Act") requires Directors to act in good faith and in a way that is the most likely to promote the success of the Company. In doing so, Directors must take into consideration the interests of the various stakeholders of the Company, the impact the Company has on the community and the environment, take a long-term view of consequences of the decisions they make as well as aim to maintain a reputation for high standards of business conduct and fair treatment between the members of the Company.

Fulfilling this duty naturally supports the Company in achieving its Investment Objective and helps to ensure that all decisions are made in a responsible and sustainable way. In accordance with the requirements of the Companies (Miscellaneous Reporting) Regulations 2018, the Board explains below, how the Directors have individually and collectively discharged their duties under section 172(1) of the Act over the course of the reporting period.

To ensure that the Directors are aware of, and understand, their duties they are provided with a tailored induction, including details of all relevant regulatory and legal duties as a Director of a UK public limited company when they first join the Board, and continue to receive regular and ongoing updates and training on relevant legislative and regulatory developments.

They also have continued access to the advice and services of the Company Secretary, and when deemed necessary, the Directors can seek independent professional advice. The schedule of Matters Reserved for the Board, as well as the Terms of Reference of its Committees are reviewed periodically and further describe Directors' responsibilities and obligations and include any statutory and regulatory duties.

PRINCIPAL DECISIONS DURING THE YEAR ENDED 31 MARCH 2025

Examples of the Board's principal decisions during the year, how the Board fulfilled its duties under section 172(1) of the Act and the related engagement activities are set out below:

Principal decision	Stakeholder Considerations and Engagement
<p>Value-enhancing initiatives for shareholders</p>	<p><i>Regular tender offers to improve liquidity:</i></p> <p>Conscious of shareholders' desire to improve the liquidity of the Company's shares, the Board is proposing a scheme to do this whilst remaining cognisant of the liquidity constraints of the underlying portfolio. The Board is proposing to offer shareholders an opportunity twice a year, around the time of the Interim and Final Results publication, to tender their shares to the Company at a 5% discount to NAV (reflecting the wider spreads amongst smaller companies and the cost associated with the exercise). Each tender offer will be limited in total to a maximum of 5% of the Company's shares in issue in order to protect existing shareholders and facilitate liquidity management in the underlying portfolio. It is hoped that these regular tender opportunities will improve liquidity for all shareholders and not engender the need for investors to take such opportunities that occur with one-off tenders. Subject to the necessary authority being granted, the first tender offer is expected to take place in Autumn 2025 following the Interim Results.</p> <p><i>Active share buyback policy:</i></p> <p>The Board has revised its buyback policy in light of changing expectations amongst shareholders and has pursued an active share buyback policy. The primary purpose is to reduce the discount volatility (and therefore share price volatility) seen in recent years, during which the Company's shares have traded both at a premium and a discount to Net Asset Value. In normal market circumstances, the Board will target a single digit discount which, combined with the periodic tenders, should provide reduced discount volatility. The Board is also conscious of the accretion to NAV of share buybacks at a discount and believes this policy will be of benefit to all shareholders.</p>

Directors' Duties continued

Principal decision	Stakeholder Considerations and Engagement
<p>Value-enhancing initiatives for shareholders (continued)</p>	<p><i>Reduced management fees:</i></p> <p>The Board has conducted a thorough review of all costs and expects the ongoing charges figure (OCF) to remain below 1% in the future. The Board has negotiated a further reduction in the management fee (the second in four years). However, it continues to recognise the significant resource intensity of Montanaro's extremely thorough and detailed research-based investment process. The Manager has agreed to the following reductions in management fees (all on a per annum basis) from 0.90% to 0.825% of the market capitalisation of the Company up to £500 million; from 0.75% to 0.70% between £500 – £750 million; and (unchanged) 0.65% above £750 million.</p> <p>The reduction in fees took effect on 1 April 2025.</p>
<p>To approve interim dividends during the year</p>	<p>The Company must comply with the provisions of Section 1158 of the Corporation Tax Act 2010 which states that it must not retain more than 15% of its income for each accounting period and the Board balanced its regulatory obligations with those of its shareholders. As a result, the Board paid an increased interim dividend of 0.3 pence per Ordinary share in January 2025 and has declared a second interim dividend of 0.96 pence per Ordinary share. This increase reflects the expected income generated by the Company's portfolio, balanced by the Board's intention to maintain a relatively consistent level of dividend.</p> <p>As mentioned in the Chairman's Statement on page 3, the Board has decided to move to a cycle of paying two interim dividends per annum in or around January and August. The purpose of the change being to align dividend payments with the release of the Annual and Interim Reports. This represents a change from the previous dividend payment cycle of paying an interim dividend in January and a final dividend in September.</p> <p>The new dividend policy has therefore been updated to include the following additional wording "Under normal market conditions the Company will pay two interim dividends per year, aligning with the release of the Annual and Interim Reports.", please refer to page 18 for the full text of the new dividend policy.</p>
<p>Board composition</p>	<p>Hillary Williams was appointed to the Board with effect from 6 September 2024. Ms Williams brings extensive experience as a senior financial services marketing leader to the Board, thus adding a new skill set to the Board; this benefits the governance of the Company and insight on a key aspect of business operations.</p>

BUSINESS CONDUCT

The Matters Reserved for the Board, Board Committees' Terms of Reference, the Share Dealing Code and other Board policies are all reviewed on at least an annual basis and the Directors ensure that they appropriately define obligations and correct procedures. The Report of the Audit Committee,

which can be found on pages 36 to 38 of this Report, further explains how the Committee reviews the risk management and internal controls of the Company. This includes satisfying itself that relevant systems and controls in place remain effective and appropriate.

STAKEHOLDERS

The Board seeks to understand the needs and priorities of the Company's stakeholders and these are taken into account during all its discussions and as part of its decision-making. While as an externally managed investment company, the Company does not have any employees or customers, its key stakeholders include:

Stakeholders	Board engagement
Shareholders	<p>The Company has more than 1,200 shareholders. Over the years, the Company has developed various ways of engaging with its shareholders, in order to gain an understanding of the views of our shareholders. These include:</p> <ul style="list-style-type: none"> • Annual General Meeting – The Company welcomes attendance from shareholders at its Annual General Meeting. The Manager delivers a presentation and all shareholders have an opportunity to meet the Directors and ask questions. The Board greatly values the feedback and questions it receives from shareholders and takes action or makes changes as and when appropriate; • Presentations – The annual and interim results, as well as monthly factsheets are available on the Company's website. Feedback and/or questions the Company receives from the shareholders help the Company to evolve its reporting, aiming to render the reports and updates transparent and understandable; and • Investor Relations updates – At every Board meeting, the Directors receive updates on the share trading activity, share price performance and any shareholders feedback, as well as any publications or comments in the press.
The Manager	<p>Maintaining a close and constructive working relationship with the Manager is crucial as the Board and the Manager both aim to continue to achieve consistent, long-term returns in line with the Company's Investment Objective. Important components in the collaboration with the Manager, which are representative of the Board's culture are:</p> <ul style="list-style-type: none"> • Encouraging open discussion with the Manager; • Recognising that the interests of shareholders and the Manager are for the most part well aligned, adopting a tone of constructive challenge, balanced when those interests are not fully congruent by robust negotiation of the Manager's terms of engagement; and • Willingness to make the Directors' experience available to support the Manager in the sound, long-term development of its business and resources, recognising that the long-term health of the Manager is in the interests of shareholders in the Company.
Other service providers, including: the Company Secretary, the Administrator, the Registrar, the Depositary, the Custodian and the Broker	<p>The Board maintains regular contact with its key external providers, both through the Board and Committee meetings, as well as outside of the regular meeting cycle. Their advice, as well as needs and views are routinely taken into account. In addition, the Board also undertakes periodic reviews of the external service providers and addresses any concerns raised in those reviews. It also holds relationship meetings and formally hears, and acts on, their feedback, as appropriate.</p>
Banks	<p>In recognition of the importance of funding availability, the Company aims to demonstrate to lenders that it is a well-managed business, and in particular, that the Board focuses regularly and carefully on the management of risk.</p>
Community and Environment	<p>Our engagement with the community and the environment can be found on page 26. A detailed ESG Report can be found on pages 10 and 11.</p>

Directors' Duties continued

CULTURE

During the year, the Directors confirmed the Company's culture and values and has worked to incorporate these behaviours and processes into the annual review of the Manager, strategic planning, the annual evaluation of Board effectiveness and reporting to stakeholders – thus embedding consideration of stakeholders' interests, long-term perspective, maintaining reputation for fairness and high standards of governance, corporate reporting and business conduct more generally in the Company's culture and processes.

DECISION-MAKING

The importance of stakeholder considerations, in particular in the context of decision-making, is regularly brought to the Board's attention by the Company Secretary and taken into account at every Board meeting. A paper reminding Directors of that is tabled at the start of every Board meeting. For example, the strategic planning discussions involve careful considerations of the longer-term consequences of any decisions and their implications on shareholders and other stakeholders.

COMMUNITY AND ENVIRONMENT

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

The Board recognises that the Company has certain responsibilities to its shareholders, stakeholders and wider society. While the Company itself does not have employees or offices, the Board endorses the Manager's policy to invest the Company's funds in a socially responsible manner. ESG factors are an integral part of the investment process. In addition, the Manager does not invest in companies it deems to be harmful to society or the environment; this includes companies involved in tobacco, fossil fuels, gambling, adult entertainment, weapons manufacturing, alcohol and high interest rate lending. Similarly, they do not invest in companies that conduct animal testing, unless it is required by law for healthcare purposes.

The Board monitors investment activity to ensure that it is compatible with the policy and receives periodic updates from the Manager on its initiatives and performance against its ESG goals.

The Chairman's Statement on pages 3 to 6, the Manager's Report on pages 7 to 9, the Twenty Largest Holdings on page 14, all form part of this Strategic Report, which has been approved by the Board of Directors.

By order of the Board

JUNIPER PARTNERS LIMITED

Company Secretary
18 June 2025

Board of Directors

The Directors of the Company who were in office during the financial year and up to the date of signing the financial statements were:



Richard Curling – Chairman of the Board and Chair of the Nomination Committee

Date of Appointment: 2 November 2015

Richard was appointed to the Board as an independent non-executive Director in 2015 and was appointed as Chairman of the Board on 29 August 2018. Richard has over 30 years' experience as a fund manager and is currently an investment director at Jupiter Fund Management Plc. He has extensive experience of both investment trusts and small company investing.

Relevant skills and experience and reasons for re-election:

Richard has comprehensive experience of investment management and the wider Investment Company sector. This has provided a strong basis for assessing, and where appropriate challenging, the Manager, on the Company's performance, and in leading the Board in strategic discussions. Following a rigorous board evaluation process, the Board agreed that Richard continues to be an effective member of the Board. As noted in the Chairman's Statement on page 4, Richard will retire from the Board on 31 December 2025, at which point Gordon Neilly will step into the role of Chairman.



Caroline Roxburgh – Senior Independent Director and Chair of the Audit Committee

Date of Appointment: 8 November 2017

Caroline is a Chartered Accountant and was previously a partner at PricewaterhouseCoopers LLP until 2016. She has over 30 years' business, finance and audit experience across a number of industries and sectors bringing extensive experience to the Board. Caroline also holds a number of other board positions including as a non-executive director of the Edinburgh Worldwide Investment Trust plc. She is an experienced chair of audit and risk committees and holds that position on other boards of which she is a member.

Relevant skills and experience and reasons for re-election:

Caroline's experience as a senior board advisor, assurance partner and chartered accountant brings valuable business, financial, governance and risk management skills to the Board, which enables her to assess the financial position of the Company, to lead discussions regarding the Company's risk management framework and risk appetite and to contribute to developing the Company's strategy. Her broad range of experience as a chair of audit and risk committees helps inform her role as Chair of the Company's Audit Committee. Given her experience on the Board, Caroline was appointed Senior Independent Director on 31 December 2020. Following a rigorous board evaluation process, the Board agreed that Caroline continues to be an effective member of the Board.

Board of Directors continued



Gordon Neilly – Chair of the Remuneration Committee

Date of Appointment: 21 September 2020

Gordon has considerable experience and knowledge of investment trusts. Gordon is Head of European Credit, Clearlake Credit, a director of Clearlake Capital Group UK Limited and a non-executive director of Personal Assets Trust plc. He was previously Chief of Staff at Standard Life Aberdeen. Prior to this he was Head of Strategy and Corporate Activity at Aberdeen Standard Investments, Co-Chief Executive Officer of Cantor Fitzgerald Europe, Chief Executive of Intelli Corporate Finance and Finance and Business Development Director of Ivory & Sime.

Relevant skills and experience and reasons for re-election:

Gordon has gained an in-depth knowledge of strategic matters, extensive leadership skills and possesses a wealth of experience in business transformation and developing strategies through his executive roles, particularly within the asset and wealth management sectors and investment companies. Gordon's diverse skill-set and strategic awareness facilitates open discussion and allows for constructive challenge in the boardroom, which brings a unique perspective and insight to the Board. Following a rigorous board evaluation process, the Board agreed that Gordon continues to be an effective member of the Board.



Hillary Williams – Non-Executive Director

Date of Appointment: 6 September 2024

Hillary is an experienced senior financial services marketing leader. She was, until June 2023, the Global Director of Brand and Marketing of M&G PLC overseeing teams in the UK, Asia and Europe. Prior to this she was Brand and Marketing Director for Prudential UK. She joined the M&G Group from AEGON UK in 2016 where she held the position of Customer Marketing Director. She previously held Marketing Director positions at Sainsbury's Bank and UKI Partnerships, and more recently, Interim Marketing Director at Royal London.

Hillary was a member of Prudential's Independent Governance Committee from 2020 to 2022.

Relevant skills and experience and reasons for re-election:

Hillary has a deep understanding of financial marketing, brand strategy, and customer engagement. She brings invaluable expertise to the Board, enabling her to assess the Company's market positioning, drive discussions on strategic marketing initiatives, and contribute to the development of growth strategies. Following a rigorous board evaluation process, the Board agreed that Hillary is an effective member of the Board.

Directors' Report

The Directors present the Annual Report and Accounts of the Company for the year ended 31 March 2025.

For the purposes of compliance with Disclosure Guidance and Transparency Rules ("DTR") DTR 4.1.5 R (2) and DTR 4.1.8 R, the required content of the Management Report can be found in the Strategic Report and this Directors' Report. The following disclosures required to be included in this Directors' Report have been incorporated by way of reference to other sections of this report and should be read in conjunction with this report:

- Corporate Governance Statement – refer to pages 33 to 35 of this report;
- Strategy and relevant future developments – refer to the Chairman's Statement on pages 3 to 6 and the Manager's Report on pages 7 to 9; and
- Financial risk management objectives and policies. An analysis of the portfolio along with further information about financial instruments and capital disclosures is provided in Notes 15 to 20 on pages 63 to 66.

The outlook for the Company is set out in the Chairman's Statement on pages 3 to 6. Principal and emerging risks can be found on pages 19 to 22, with further information on risk management objectives in Notes 15 to 20 to the financial statements.

RESULTS AND DIVIDENDS

The results for the year are set out in this Annual Report and Accounts. A first interim dividend of 0.3p per Ordinary share was paid on 22 January 2025. A second interim dividend of 0.96p will be paid on 7 August 2025 to shareholders on the register on 27 June 2025.

DIRECTORS

Biographical details of the Directors, all of whom are independent and non-executive, can be found on pages 27 and 28. The Directors' interests in the shares of the Company are shown on page 41.

DIRECTOR INDEMNIFICATION AND INSURANCE

In addition to Directors' and Officers' liability insurance cover, the Company's Articles provide, subject to the provisions of applicable UK legislation, an indemnity for Directors.

Indemnities are in force as at the date of this report, and were in force during the year, between the Company and each of its Directors under which the Company has agreed to indemnify each Director, to the extent permitted by law, in respect of certain liabilities incurred as a result of carrying out his or her role as a Director of the Company.

POWERS OF THE DIRECTORS

Subject to the provisions of the Companies Act 2006, the Articles and to any directions given by the Company in general meeting by special resolution, the business of the Company is managed by the Board, which may exercise all the powers of the Company whether relating to the management of the business of the Company or not. In particular, the Board may exercise all the powers of the Company to issue shares or other securities and to borrow money and to mortgage or charge all or any part of the Company's assets.

CONFLICTS OF INTEREST

Each Director has a statutory duty to avoid a situation where they have, or could have, a direct or indirect interest which conflicts, or may conflict with the interests of the Company. A Director will not be in breach of that duty if the relevant matter has been authorised in accordance with the Articles. The Board has approved a protocol for identifying and dealing with conflicts and has resolved to conduct a regular review of actual or possible conflicts and any authorised conflicts. No conflicts or potential conflicts were identified during the year.

INVESTMENT MANAGEMENT AGREEMENT

Montanaro provides investment management services to the Company and is the Company's AIFM. With effect from 1 April 2025, the Manager has agreed to a reduction in management fees from 0.90% per annum. to 0.825% per annum of the market capitalisation of the Company up to £500 million; from 0.75% to 0.70% per annum between £500 – £750 million; and (unchanged) 0.65% per annum above £750 million. Montanaro's appointment may be terminated by either party giving to the other not less than six months' notice. The investment management agreement may be terminated earlier by the Company provided that a payment in lieu of notice, equivalent to the amount the Manager would otherwise have received during the notice period, is made.

CONTINUING APPOINTMENT OF THE MANAGER

In February 2025, the Remuneration Committee and the Board formally reviewed the Manager's appointment. In carrying out its review, the Board considered the skills, experience, resources and commitment of the Manager, together with the investment performance during the year and since its appointment. It also considered the length of the notice period of the investment management agreement and the fees payable to the Manager. Following this review, it is the Directors' opinion that the continuing appointment of Montanaro as Manager and AIFM, on the terms agreed, is in the interests of shareholders as a whole. Among the reasons for this was the Manager's continued strong long-term performance, the greater strength and depth of the Manager's research team, as well as the stability and capability of the team, which provided strong benefits to the Company.

Directors' Report continued

DEPOSITARY AND CUSTODIAN

The Bank of New York Mellon (International) Limited acts as the Company's Depositary and Custodian in accordance with the AIFM Directive. The Depositary's responsibilities include cash monitoring, segregation and safe keeping of the Company's financial instruments and monitoring the Company's compliance with investment limits and leverage requirements.

REGISTRAR

Equiniti has been appointed as the Company's registrar. The Registry Services Agreement may be terminated on not less than six months' notice. The Registrar is also entitled to reimbursement of all disbursements and out of pocket expenses.

COMPANY SECRETARY AND ADMINISTRATOR

Juniper Partners Limited ("Juniper") was appointed as the Company's Company Secretary and Administrator with effect from 1 July 2023. Juniper receives a base annual fee of £145,000 plus 0.02% per annum on net assets of up to £1 billion, and 0.01% per annum on net assets over £1 billion.

The Company Secretarial and Administration Agreement is subject to six months' written notice.

SUBSTANTIAL SHAREHOLDINGS

At 31 March 2025, the Directors were aware of the following substantial shareholdings:

	Number of shares held	Percentage held
Saba Capital Management	23,457,468	13.04
Interactive Investor (EO)	20,441,337	11.36
Hargreaves Lansdown (EO)	18,725,129	10.41
Montanaro Asset Management	12,548,491	6.97
1607 Capital Partners	9,943,392	5.53
AJ Bell (EO)	9,675,120	5.38
RBC Brewin Dolphin Ireland	8,695,661	4.83
Allspring Global Investment	8,214,170	4.57
RBC Brewin Dolphin	5,653,044	3.14

On 2 June 2025 the Company was notified that Montanaro Asset Management owns 13,248,491 shares (8.01%) in the Company.

On 3 June 2025 the Company was notified that Saba Capital Management owns 8,208,953 shares (4.98%) in the Company.

On 6 June 2025 the Company was notified that Allspring Global Investment owns 8,181,575 shares (5.00%) in the Company.

GOING CONCERN

In assessing the going concern basis of accounting, the Directors have had regard to the guidance issued by the Financial Reporting Council and have undertaken a rigorous review of the Company's ability to continue as a going concern.

The Directors have taken into account the Company's Investment Policy, which is described on page 17 and which is subject to regular Board monitoring processes and is designed to ensure that the Company is invested mainly in liquid, listed securities. The Company retains title to all assets held by its custodian, and has financial covenants relating to its bank borrowings with which it complied during the year.

In performing the assessment of the Company's ability to meet its liabilities as they fall due, the Directors took into consideration the following factors:

- cash and cash equivalents balances and the portfolio of readily realisable securities which can be used to meet short-term funding commitments;
- the ability of the Company to meet all of its liabilities and ongoing expenses from its assets;
- revenue, operating and finance cost forecasts for the forthcoming year;
- continued adherence to the loan covenants;
- the ability of third-party service providers to continue to provide services; and
- consideration of a number of severe downside scenarios, the impact of which would still leave the Company with sufficient liquid assets to remain a going concern.

Notes 15 to 20 to the financial statements set out the financial risk profile of the Company and indicate the effect on its assets and liabilities of falls and rises in the value of securities, market rates of interest and changes in exchange rates.

The Directors believe, in light of the controls and review processes noted above and bearing in mind the nature of the Company's business and assets and liabilities, that the Company has adequate resources to continue in operational existence for a period of at least twelve months from the date of approval of the financial statements. For this reason, they continue to adopt the going concern basis in preparing the accounts.

VIABILITY ASSESSMENT

In accordance with the AIC Code of Corporate Governance, the Directors have assessed the prospects of the Company over the coming three years. In order to assess the viability of the Company, the Board is required to assess its future prospects and has considered that a number of characteristics of its business model and strategy were relevant to this assessment:

- The Company's objective is to achieve capital growth.
- The Company's investment policy, which is subject to regular Board monitoring, means that the Company is invested principally in the securities of Continental European quoted smaller companies.
- The Company is a closed-end investment trust, whose shares are not subject to redemptions by shareholders.
- The Company's business model and strategy is not time limited.

Also relevant were a number of aspects of the Company's operational arrangements:

- The Company retains title to all assets held by the Custodian under the terms of a formal agreement with the Depositary and Custodian.
- The borrowing facilities, which remain available until September 2026, are also subject to formal agreements, including financial covenants with which the Company complied in full during the year.
- Revenue and expenditure forecasts are reviewed by the Directors at each Board Meeting.

In considering the viability of the Company, the Directors carried out a robust assessment of the principal risks and uncertainties which could threaten the Company's objective and strategy, future performance, liquidity and solvency, including the impact of a significant fall in equity markets or adverse currency movements on the Company's investment portfolio. These risks, their mitigations and the processes for monitoring them are set out on pages 19 to 22 in Principal and Emerging Risks, pages 36 and 37 in the Report of the Audit Committee and in the notes to the financial statements.

The Directors have also considered:

- The level of ongoing charges incurred by the Company which are modest and predictable and that these were covered by investment income and total 1% of average net assets.
- Future revenue and expenditure projections and the potential impact of reduced dividend income.
- The Company's borrowing in the form of a fixed rate loan facility of €10 million and a €15 million revolving credit facility maturing on 13 September 2026, the revolving credit facility was fully drawn down at 31 March 2025.

This loan was covered 15 times by the Company's total assets at 31 March 2025 the Board expects to replace the Company bank facilities at the end of the current term.

- Its ability to meet liquidity requirements given the Company's investment portfolio consists principally of Continental European quoted smaller companies which can be realised. It is estimated that approximately 88% of the portfolio could be liquidated under normal conditions within seven trading days.
- The ability to undertake share buybacks if required.
- The estimated level of take up of the Company's bi-annual tender offer.
- That the Company's objective and investment policy continue to be relevant to investors.
- The Company has no employees, having only non-executive Directors and consequently does not have redundancy or other employment related liabilities (including pensions) or responsibilities.

These matters were assessed over a three year period to June 2028, and the Board will continue to assess viability over three year rolling periods, taking account of severe but plausible scenarios. In the absence of any adverse change to the regulatory environment and to the treatment of UK investment trusts a rolling three year period represents the horizon over which the Directors do not expect there to be any significant change to the Company's principal risks or their mitigation and they believe they can form a reasonable expectation of the Company's prospects.

Based on their assessment, and in the context of the Company's business model, strategy and operational arrangements set out above, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three year period to June 2028. For this reason, the Board also considers it appropriate to continue adopting the going concern basis in preparing the Report and Accounts.

CAPITAL STRUCTURE

The Company's structure is composed solely of Ordinary shares. At 31 March 2025 there was 179,924,679 Ordinary shares in issue and 9,502,921 shares held in Treasury. The Company bought back 9,502,921 Ordinary shares in the year to 31 March 2025.

Directors' Report continued

GREENHOUSE GAS EMISSIONS

All of the Company's activities are outsourced to third parties. As such it does not have any physical assets, property, employees or operations of its own and does not generate any greenhouse gas or other emissions or consume any energy reportable under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 or the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, implementing the UK Government's policy on Streamlined Energy and Carbon Reporting.

CRIMINAL FINANCES ACT 2017

The Board is fully committed to complying with applicable legislation and statutory guidelines, including the UK's Criminal Finances Act 2017, designed to prevent tax evasion in the jurisdictions in which the Company operates.

FINANCIAL INSTRUMENTS

The Company's financial instruments comprise its investment portfolio, cash balances, bank debt and debtors and creditors that arise directly from its operations, such as sales and purchases awaiting settlement and accrued income. The financial risk management objectives and policies arising from its financial instruments and the exposure of the Company to risk are disclosed in Notes 15 to 20 to the financial statements.

TREASURY SHARES

Shares which are bought back by the Company pursuant to the share buyback authority may be cancelled or held by the Company in treasury and subsequently re-issued. It is the Board's intention that any shares bought back by the Company will be held in treasury. Shares held in treasury will not carry any voting rights, dividends payable in respect of them will be suspended and they will have no entitlements on a winding-up of the Company. It is the Board's policy that shares will only be re-issued from treasury either at a price representing a premium to the NAV per share at the time of re-issue, or at a discount to the NAV per share provided that such discount is lower than the weighted average discount to the NAV per share when they were bought back by the Company. It is also the Board's policy that shares may be held in treasury indefinitely. The Board believes that the treasury shares policy will improve liquidity in the shares and help to maintain the size of the Company. Furthermore, the Board believes that the re-issuance of shares from treasury at a discount to the NAV per share within the parameters described above will, in conjunction with the Company's share buyback policy, ensure

that the overall effect of the 'round trip' of repurchasing shares and subsequently reissuing them from treasury will be an enhancement to the NAV per share. As at 17 June 2025, being the latest practicable date before the publication of the Annual Report and Accounts, there were 159,895,306 Ordinary shares in issue. 29,532,294 shares are held in treasury. Accordingly, the total number of voting rights in the Company is 159,895,306.

INDEPENDENT AUDITOR

PricewaterhouseCoopers LLP ("PwC") has confirmed its willingness to continue in office as the Auditors of the Company (the "Auditors"). A resolution to re-appoint PwC as the Auditors to the Company and to authorise the Audit Committee to determine the Auditors' remuneration will be proposed to the forthcoming Annual General Meeting.

DISCLOSURE OF RELEVANT INFORMATION TO THE AUDITOR

Having made the requisite enquiries, so far as the Directors are aware, there is no relevant audit information (as defined by Section 418(3) of the Companies Act 2006) of which the Company's Auditors are unaware and each Director has taken all steps that ought to have been taken to make themselves aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

ANNUAL GENERAL MEETING

The Notice of Annual General Meeting to be held on 4 September 2025 is set out on pages 74 to 81.

Resolutions 1 to 10 will be proposed as Ordinary Resolutions and Resolutions 11 to 13 will be proposed as Special Resolutions. Please refer to pages 77 and 78 for a full explanation of all resolutions.

Recommendation

The Directors consider that the passing of each of the resolutions to be proposed at the Annual General Meeting is in the best interests of the Company and its shareholders as a whole and they unanimously recommend that all shareholders vote in favour of these resolutions.

For and on behalf of the Board

JUNIPER PARTNERS LIMITED

Company Secretary
18 June 2025

Corporate Governance Statement

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

STATEMENT OF COMPLIANCE

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

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

During the year, the Company has complied with all of the recommendations of the AIC Code.

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

The AIC Code is available on the AIC website www.theaic.co.uk. It includes an explanation of how the AIC Code adapts the Principles and Provisions set out in the UK Code to make them relevant for investment companies. The UK Code is available from the Financial Reporting Council's website at www.frc.org.uk.

A revised AIC Code was issued in August 2024, and will come into effect for accounting periods beginning on or after 1 January 2025 (with the exception of Provision 34 which will come into effect for accounting periods beginning on or after 1 January 2026). The Board will continue to review the Company's governance arrangements to ensure ongoing compliance with the updated AIC Code.

THE CHAIRMAN OF THE COMPANY

Mr Curling was appointed to the Board as an independent non-executive Director in 2015, and as Chairman of the Board on 29 August 2018. His biography can be found on page 27. Mr Curling is also a member of the Audit Committee and Chair of the Nomination Committee. The Board believes it is appropriate for Mr Curling to be a member of both Committees as he is considered to bring valuable experience, to be independent and there are no conflicts of interest.

THE COMPANY SECRETARY

The Board has direct access to the services of the Company Secretary who is responsible for ensuring Board and Committee procedures are followed and that applicable regulations are complied with. The Company Secretary is also responsible to the Board for ensuring the timely delivery of the information and reports which the Directors require and that statutory obligations are met.

THE BOARD

The Board consists solely of non-executive Directors. All Directors are considered by the Board to be independent of the Manager. Under the requirements of the Articles, Directors are subject to election at the next Annual General Meeting after their appointment. New Directors receive an induction from the Manager and Company Secretary on joining the Board, and all Directors are encouraged to attend relevant training courses and seminars.

Individual Directors may, at the expense of the Company, seek independent professional advice on any matter that concerns them in the furtherance of their duties. The Company maintains appropriate directors' and officers' liability insurance. The Board is formed of four independent non-executive Directors. Mr Curling is the Chairman of the Board and Chair of the Nomination Committee, Ms Roxburgh is Chair of the Audit Committee and Senior Independent Director and Mr Neilly is Chair of the Remuneration Committee.

ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

The Board currently meets at least four times a year and, in addition, informally on a regular basis. It receives full information on the Company's investment performance, assets, liabilities and other relevant information in advance of Board meetings. The Board has approved a formal schedule of matters reserved for it, including, but not limited to: overall strategy, investment policy, capital structure, gearing and monitoring the performance of the Manager.

Corporate Governance Statement continued

The following table sets out the number of scheduled Board and Committee meetings held during the year ended 31 March 2025 and the number of meetings attended by each Director.

	Board		Audit		Nomination		Remuneration	
	Number of meetings held	Number of meetings attended	Number of meetings held	Number of meetings attended	Number of meetings held	Number of meetings attended	Number of meetings held	Number of meetings attended
R M Curling	4	4	3	3	1	1	1	1
CA Roxburgh	4	4	3	3	1	1	1	1
G Neilly	4	4	3	3	1	1	1	1
H Williams*	2	2	2	2	–	–	1	1

* Appointed as a Director on 6 September 2024, meetings held prior to this date are not included in Ms Williams' attendance figures.

The Board also met informally on a number of occasions during the year, including a significant amount of ad-hoc meetings in respect of the strategic initiatives.

INDEPENDENCE OF DIRECTORS AND TENURE

The Board ensures that it has the appropriate balance of skills, experience, knowledge and independence in order to remain effective and regularly reviews the independence of its members and considers all of the Directors to be independent in line with the 2019 AIC Code.

The Board does not feel that it would be appropriate to set a specific tenure limit for individual Directors or the Chairman of the Board or its Committees. Instead, the Board will regularly review the size and structure of the Board with the aim of new directors bringing the challenge of fresh thinking into the Board's discussions. By doing so, the Board intends to maintain a broad range of experience in the Board, with Directors who have served a range of periods on the Board of the Company. This will ensure that on each occasion the Board enters into new investment commitments, several members have direct personal experience of negotiating previous commitments with the Manager. This is intended to preserve the cumulative experience and deep understanding of the Company, its commitments and investment portfolio, while benefiting from new perspectives and helping to promote diversity of perspective. It is believed that the Directors provide, individually and collectively, the breadth of skill and experience to manage the Company and ensuring its long-term sustainable success.

The basis on which the Company aims to generate value over the longer term is set out in the Business Model and Strategy on pages 17 and 18.

As noted in the Chairman's Statement on page 4, Richard Curling will retire from the Board on 31 December 2025, at which point Gordon Neilly will step into the role of Chairman.

PERFORMANCE EVALUATION

During the year, the Directors undertook a formal and rigorous performance evaluation and also considered the output from the previous year's evaluation. The process was led by the Chairman and was designed to assess the strengths and independence of the Board together with the performance of its Committees, the Chairman and individual Directors.

The Board completed evaluation questionnaires which covered a range of areas including processes and effectiveness, size and composition, and corporate governance and were also intended to analyse the focus of meetings and assess whether they are appropriate, or if any additional information may be required to facilitate future Board discussions. The evaluation of the Chairman was carried out by the other Directors of the Company and the process was led by the Senior Independent Director.

The results of the Board evaluation process were reviewed and discussed by the Board. The Board concluded that it remains effective and highlighted the continuing attention to succession planning and assessing developments in the retail investors' information needs and investment platforms as areas of focus.

ELECTION/RE-ELECTION OF DIRECTORS

Under the provisions of the Company's Articles, the Directors retire by rotation at least every three years, however, in accordance with corporate governance best practice as set out in the AIC Code, all Directors should put themselves forward for re-election every year. As such, each of the Directors is subject to annual re-election by the shareholders at the Annual General Meeting and Mr Curling, Ms Roxburgh and Mr Neilly have confirmed that they will be standing for re-election at the forthcoming Annual General Meeting. As this is the first Annual General Meeting since her appointment as a Director, Ms Williams will be standing for election.

VOTING POLICY ON PORTFOLIO INVESTMENTS

The Manager, in the absence of explicit instructions from the Board, is empowered to exercise discretion in the use of the Company's voting rights. Environmental, social and governance factors are taken into account by the Manager as part of its investment analysis and decision making processes. The Board is pleased that the Manager has been a signatory of the UK Stewardship Code since its publication in 2010 and its statement can be found on its website www.montanaro.co.uk. In June 2019, Montanaro became a B Corporation, a business certified for meeting the highest verified standards of social and environmental performance, transparency and accountability.

RELATIONS WITH SHAREHOLDERS

The Company welcomes the views of shareholders and places great importance on communication with its shareholders. Please refer to page 25 for details of engagement activity in the year to 31 March 2025.

BOARD COMMITTEES

The Board has established three Committees to assist with its operations. Throughout the year the following Committees have been in operation, namely the Audit Committee, the Remuneration Committee and the Nomination Committee. Each of the Committees' delegated responsibilities are clearly defined in formal terms of reference which are available on the Company's website <https://montanaro.co.uk/trust/mesct>.

Audit Committee

The Report of the Audit Committee is included on pages 36 to 38 and forms part of this statement.

Remuneration Committee

The Remuneration Committee, chaired by Mr Neilly, comprises the full Board and reviews the appropriateness of the Manager's continuing appointment and determines the level of Directors' fees. The Directors' Remuneration Report on pages 39 to 41 provides information on the remuneration arrangements for the Directors of the Company.

Nomination Committee

The Nomination Committee, chaired by Mr Curling, comprises the full Board and is convened for the purpose of considering the appointment of new Directors as and when considered appropriate. The Board is composed solely of non-executive Directors and has equal male and female representation.

The Directors will ensure it adheres to set objectives in relation to the diversity of the Board as and when they seek to appoint additional Directors, in the future. The Board considers the guidance set out in the Hampton-Alexander Report and the Parker Review in considering the composition of the Board and in its recruitment and succession planning. The Company's Board diversity policy is shown below.

DIVERSITY AND INCLUSION

The Board's policy on diversity is to ensure that the Directors on the Board have a broad range of experience, skills and knowledge, with diversity of thinking, background and perspective. Appointments to the Board are made on merit against objective criteria, having regard to the benefits of diversity and the current and future needs of the business and the other factors set out in the AIC Code.

The Board continues to develop its succession planning in line with these recommendations. In accordance with Listing Rule 6.6.6 (9)(a) the tables below, in prescribed format, show the gender and ethnic background of the Directors at 18 June 2025.

Gender identity or sex	Number of Board members	Percentage on the Board	Number of senior positions on the Board
Men	2	50	1
Women	2	50	1
Not specified/prefer not to say	-	-	-

Ethnic background	Number of Board members	Percentage on the Board	Number of senior positions on the Board
White British or other	4	100	2
White (including minority white groups)			
Mixed/Multiple Ethnic Groups	-	-	-
Asian/Asian British	-	-	-
Black/African/Caribbean/Black British	-	-	-
Other Ethnic group	-	-	-
Not specified/prefer not to say	-	-	-

The data in the above tables was collected through self-reporting by the Directors.

The Board does not comply with the Listing Rule requirement that there should be one ethnic minority Board member. The small size of the Board is a constraint to achieving all of these targets but the Board will actively take this into consideration in future recruitment.

MODERN SLAVERY ACT 2015

As an investment trust, the Company does not provide goods or services in the normal course of business and does not have customers. Accordingly, the Directors consider that the Company is not required to make any slavery or human trafficking statement under the Modern Slavery Act 2015.

RISK MANAGEMENT AND INTERNAL CONTROLS

Details of the principal risks and internal controls applied by the Board are set out on pages 19 to 22 and pages 36 and 37 respectively.

By order of the Board

JUNIPER PARTNERS LIMITED

Company Secretary
18 June 2025

Report of the Audit Committee

COMPOSITION OF THE COMMITTEE

The Board recognises the requirement for the Audit Committee as a whole to have competence relevant to the sector in which the Company operates and at least one member with recent and relevant experience.

The Audit Committee is chaired by Ms Roxburgh, a Chartered Accountant, who has recent and relevant financial experience, and the Committee operates within clearly defined terms of reference and comprises all the Directors. Given the size of the Board, and Mr Curling's experience, it is felt appropriate for him to sit on the Audit Committee as permitted by the AIC Code. The Directors have a combination of financial, investment and business experience, specifically with respect to the investment trust sector.

ROLE OF THE COMMITTEE

The duties of the Audit Committee include reviewing: the annual and interim financial statements; the system of internal controls; and the terms of appointment and remuneration of the Auditor, PricewaterhouseCoopers LLP ("PwC") including its independence and objectivity.

The Audit Committee met three times during the year. The attendance of each of the members is set out on page 34. In the course of its duties throughout the year, the Committee had direct access to PwC, Juniper, BNYM and Montanaro. Amongst other things, the Audit Committee considered and reviewed the following matters and reported thereon to the Board:

- The annual and half-yearly reports and accounts and results announcements;
- The accounting policies of the Company;
- The principal risks faced by the Company and the effectiveness of the Company's internal control and risk management environment, including consideration of the assumptions underlying the Board's Viability Assessment and Statement;
- The effectiveness of the audit process and related non-audit services and the independence and objectivity of PwC, its appointment, remuneration and terms of engagement;
- The implications of proposed new accounting standards and regulatory changes;
- The receipt of AAF (01/06) and ISAE 3402 reports or their equivalent from the Manager, Administrator, Custodian and other service providers; and
- Whether the Annual Report and Accounts is fair, balanced and understandable.

RISK MANAGEMENT

The Board has established an ongoing process designed to meet the particular needs of the Company in managing the risks to which it is exposed, consistent with the related guidance issued by the Financial Reporting Council.

Montanaro's Compliance and Risk department and Juniper provide regular control reports to the Audit Committee and the Board covering administration, risk and compliance matters.

A key risk summary is produced to identify the risks to which the Company is exposed, the controls in place and the actions being taken to mitigate them. The Board has a robust process for considering the resulting risk matrix and reviews the significance of the risks, reasons for any change and actions arising as a result.

The Company's principal risks and their mitigations are set out on pages 19 to 22, with additional information provided in Notes 15 to 20 of the financial statements.

The integration of these risks into the consideration of the Viability Assessment and Statement on page 31 was also fully considered by the Committee.

INTERNAL CONTROL

The Board is responsible for the Company's systems of internal controls and for reviewing their effectiveness. The Audit Committee has reviewed and reported to the Board on these controls which aim to ensure that the assets of the Company are safeguarded, proper accounting records are maintained and the financial information used within the business and for publication is reliable.

The key procedures which have been established to provide an effective internal control environment are outlined below:

- Board procedures are set within clearly defined parameters, as set out in matters specifically reserved for the Board.
- At every Board meeting the Directors review financial information prepared by the Administrator, including management accounts, forecasts of income and expenditure and detailed analysis relating to the performance of the Company.
- The Bank of New York Mellon (International) Limited, as the Company's Depositary, provides quarterly reports to the Board and carries out daily independent checks on cash and investment transactions.
- The Bank of New York Mellon SA/NV is responsible for the custody of the Company's investments. Lists of investments held are reconciled to the Company's records on a regular basis and a report on controls, which is reviewed by a firm of independent reporting accountants, is produced annually for consideration by the Audit Committee.

- Investment management services are provided by Montanaro, which is regulated by the Financial Conduct Authority. At each Board meeting the Board monitors the investment performance of the Company in comparison to its stated Investment Objective, the benchmark index and comparable investment trusts. The Board also reviews the Company's activities since the last Board meeting to ensure that Montanaro adheres to the agreed Investment Policy and approved investment guidelines. On an annual basis, Montanaro produces an AAF 01/06 Report on internal controls, which is reviewed by a firm of independent reporting accountants, and which is then reviewed and considered by the Audit Committee. Montanaro is also the Company's AIFM and in this capacity provides a semi-annual report to the Board.
- Juniper are responsible for the provision of company secretarial, accounting and administration services to the Company. On an annual basis, Juniper produce an ISAE 3402 Report on internal controls, which is reviewed by a firm of independent reporting accountants, for consideration by the Audit Committee.
- The Board reviews contracts with other third party service providers, including the standard of services provided, on a regular basis.

A formal annual review of these procedures is carried out by the Audit Committee. The review meeting is attended by the Company's Auditor. During the year, the Committee received updates on any material changes in the risk environment and regulatory requirements, and the action taken. These

procedures have been in place throughout the year and up to the date of approval of the Annual Report, and the Board is satisfied with their effectiveness. The procedures are designed to manage rather than eliminate risk and, by their nature, can only provide reasonable, but not absolute, assurance against material misstatement or loss.

The Board has previously reviewed the need for an internal audit function. As an externally managed investment trust, it has decided that the systems and procedures employed by the Manager and the Administrator, including their risk management and internal audit functions, provide assurance that a sound system of internal control, which safeguards shareholders' investment and the Company's assets, is maintained. In addition, reporting is also provided by the Depositary with respect to their monitoring and oversight of the Company. An internal audit function, specific to the Company, is therefore considered unnecessary.

EXTERNAL AUDIT PROCESS AND SIGNIFICANT MATTERS CONSIDERED BY THE AUDIT COMMITTEE

As part of its review of the scope and results of the audit, during the year the Audit Committee considered and approved PwC's plan for the audit of the financial statements for the year ended 31 March 2025. At the conclusion of the audit, PwC did not highlight any issues to the Audit Committee which would cause it to qualify its audit report nor did it highlight any fundamental internal control weaknesses. PwC has issued an unqualified audit report which is included on pages 43 to 49. The significant issues considered by the Audit Committee are discussed in the table below.

Significant Issues Considered by the Audit Committee in Relation to the Financial Statements

Matter	Action
<p>Investment Portfolio Valuation: The Company's portfolio is invested in the shares of European quoted smaller companies. Errors in the portfolio valuation could have a material impact on the Company's NAV per share.</p>	<p>The Board reviews a full portfolio valuation at each Board meeting and, since the implementation of the AIFM Directive in July 2014, receives semi-annual reports from the AIFM and Depositary. The Audit Committee reviewed the Administrator's annual internal controls report, which is reported on by independent external accountants, and which details the systems, processes and controls around the daily pricing of securities, including the application of exchange rate movements.</p>
<p>Misappropriation of Assets: Misappropriation of the Company's investments or cash balances could have a material impact on its NAV per share.</p>	<p>The Audit Committee reviewed the Administrator's annual internal control report, as referred to above, which details the controls around the reconciliation of the Administrator's records to those of the Custodian. The Audit Committee also reviewed the Custodian's annual internal controls report, which is reported on by independent external accountants, and which provides details regarding its control environment. As stated above, since the implementation of the AIFM Directive in July 2014, the Board receives semi-annual reports from the AIFM and Depositary.</p>

Report of the Audit Committee continued

Matter	Action
<p>Income Recognition: Incomplete or inaccurate income recognition, including allocation between revenue and capital, could have an adverse effect on the Company's NAV and earnings per share and its level of distributable revenue.</p>	<p>The Audit Committee reviewed the Administrator's annual internal controls report, as referred to above, which details the systems, processes and controls around the recording of investment income. It also compared the final level of income received for the year to the budget which was set at the start of the year and considered the accounting treatment of all special dividends received with the Manager.</p>
<p>Annual Report and Accounts: Ensuring the Annual Report and Accounts is fair, balanced and understandable.</p>	<p>The Audit Committee read and discussed this Annual Report and Accounts and advised the Board that it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.</p>

NON-AUDIT SERVICES

The Committee regards the continued independence of the Auditors to be a matter of the highest priority. The Company's policy with regard to the provision of non-audit services by the external auditor ensures that no engagement will be permitted if:

- The provision of the services would contravene any regulation or ethical standard;
- The auditor is not considered to be an expert provider of the non-audit services;
- The provision of such services by the auditor creates a conflict of interest for either the Board or the Manager; and
- The services are considered to be likely to inhibit the auditors independence or objectivity as auditors.

AUDITOR ASSESSMENT, INDEPENDENCE AND APPOINTMENT

The Audit Committee reviews the re-appointment of the auditor every year. As part of this year's review of auditor independence and effectiveness, PwC has confirmed that it is independent of the Company and has complied with relevant auditing standards. In evaluating PwC, the Audit Committee has taken into consideration the standing, skills and experience of the firm and the audit team. The Audit Committee, from direct observation and enquiry of the Administrator, remains satisfied that PwC continues to provide effective independent challenge in carrying out its responsibilities. PwC's fee in respect of the audit for the year ended 31 March 2025 is £57,750 (2024: £54,340). The increase in fees reflects the cumulative effect of inflationary pressures since the audit tender.

Following professional guidelines, the audit partner rotates after five years. The year ended 31 March 2025 is Shujaat Khan's fourth year as audit partner.

On the basis of their assessment, the Audit Committee has recommended the re-appointment of PwC to the Board. PwC's performance will continue to be reviewed annually taking into account all relevant guidance and best practice.

On behalf of the Board

C A ROXBURGH

Chair of the Audit Committee
18 June 2025

Directors' Remuneration Report

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

I am pleased to present the Directors' Remuneration Report for the year ended 31 March 2025.

During the year, the Committee reviewed the Remuneration Policy and the Directors' fees. The outcomes of each of these reviews can be found below.

This report shows all major decisions on Directors' remuneration and any substantial changes made during the year relating to Directors' remuneration, including the context in which any changes occurred. Under company law, the Auditor is required to audit certain disclosures provided. Where disclosures have been audited they are indicated as such. The Auditor's opinion is included in its report on pages 43 to 49.

The Remuneration Committee consists solely of independent non-executive Directors and determines the level of the Directors' fees in accordance with the AIC Code of Corporate Governance. The Company Secretary provides information on comparative levels of Directors' fees to the Remuneration Committee in advance of each review.

The members of the Remuneration Committee are Mr Curling, Ms Roxburgh, Ms Williams and the Chair, Mr Neilly. As the Company has no executive Directors, the Committee meets annually to determine the level of Directors' fees and to review the performance of the Manager. The outcome of the review of the Manager can be found on page 29. No Director is involved in deciding their own remuneration outcome.

DIRECTORS' REMUNERATION POLICY

The existing Directors' Remuneration Policy was approved at the Company's Annual General Meeting in 2023.

The Company's policy is to remunerate Directors exclusively by fixed fees in cash at a rate which should reflect the responsibilities of being a non-executive Director, including the potential liabilities associated with the position, and the time committed by them to these responsibilities including, where appropriate, Board Committee duties. There were no changes to the policy during the year.

The fees for the non-executive Directors are determined within the limits set out in the Company's Articles of Association. The present limit is £200,000 in aggregate per annum and may not be changed without seeking shareholder approval at a general meeting. There is no performance related remuneration scheme and therefore non-executive Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits. Directors do not have service contracts, but new Directors are provided with a letter of appointment. These letters of appointment are available for inspection at the Company's registered office. The terms of Directors' appointments provide that they should retire and be subject to election at the next Annual General Meeting after their appointment. Under the terms of the Company's Articles of Association, Directors are obliged to offer themselves for re-election by shareholders by not later than the third Annual General Meeting after they were last elected. However, the Board has agreed that all Directors will retire annually and, if appropriate, seek re-election. There is no notice period and no provision for compensation upon early termination of appointment.

APPROACH TO RECRUITMENT REMUNERATION

The principle adopted by the Committee in respect of recruitment of Directors is that the fees for a non-executive Director should reflect the responsibilities and time commitment required. The Committee seeks to encourage the enhancement of the Company's performance and to ensure that remuneration packages offered are competitive and designed to attract, retain and motivate Directors of the right calibre.

Any new non-executive Director would be paid on the same basis as the existing non-executive Directors. As noted above the aggregate level of Directors' fees must not exceed a set limit, as set out in the Company's Articles of Association, which is currently £200,000 per annum.

Directors' Remuneration Report continued

FUTURE POLICY TABLE

Following a review of the level of Directors' fees, the Remuneration Committee concluded that, for the forthcoming financial year, the Chairman's fee will remain at £43,000 per annum, the Audit Committee Chair's fee will remain at £37,500 per annum and other Directors' fees will remain at £31,000 per annum.

Based on these fees, Directors' fees for the forthcoming financial year would be as follows:

	31 March 2026	31 March 2025
Chairman	£43,000	£43,000
Audit Committee Chair	£37,500	£37,500
Director	£31,000	£31,000

DIRECTORS' EMOLUMENTS FOR THE YEAR (AUDITED)

The Directors who served during the financial year received the following amounts for services as non-executive Directors for the years ended 31 March 2025 and 31 March 2024 as well as reimbursement for expenses necessarily incurred. No other forms of remuneration were paid during the year.

	Fees £		Taxable Benefits [^] £		Total £		Total fixed remuneration £		Total variable remuneration £	
	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024
R M Curling	43,000	41,000	1,501	1,130	44,501	42,130	43,000	41,000	1,501	1,130
C A Roxburgh	37,500	35,500	4,442	1,445	41,942	36,945	37,500	35,500	4,442	1,445
G Neilly	31,000	29,500	–	455	31,000	29,955	31,000	29,500	–	455
H Williams	17,562	–	865	–	18,427	–	17,562	–	865	–
Total	129,062	106,000	6,808	3,030	135,870	109,030	129,062	106,000	6,808	3,030

[^] Comprises amounts reimbursed for expenses incurred in carrying out business for the Company.

No sums are paid to any third parties in respect of Directors' services and no sums were paid to any third parties in respect of advice from remuneration advisors. There have been no payments to past Directors during the financial year ended 31 March 2025, whether for loss of office or otherwise.

ANNUAL PERCENTAGE CHANGE IN REMUNERATION OF DIRECTORS

Directors' pay has increased over the last five years, as set out in the table below:

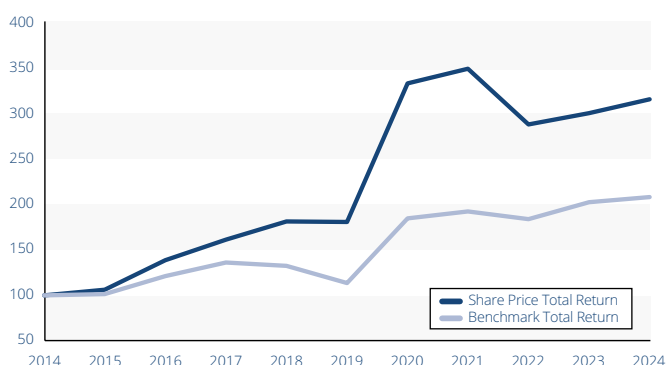
	2025 £	Change %	2024 £	Change %	2023 £	Change %	2022 £	Change %	2021 £	Change %	2020 £
Chairman	43,000	4.9	41,000	5.1	39,000	8.2	36,050	3.0	35,000	9.0	32,000
Audit Committee Chair	37,500	5.6	35,500	6.0	33,500	8.4	30,900	3.0	30,000	11.0	27,000
Director	31,000	5.1	29,500	5.4	28,000	8.7	25,750	3.0	25,000	9.0	23,000

The Company does not have any employees and therefore no comparisons are given in respect of Directors' and employees' pay increases.

COMPANY PERFORMANCE

The Board is responsible for the Company's investment strategy and performance, although the management of the Company's investment portfolio is delegated to Montanaro through the investment management agreement, as referred to in the Report of the Directors on page 29. The graph below compares, for the ten financial years ended 31 March 2025, the share price total return (assuming all dividends are reinvested) to shareholders compared to the return from the benchmark index. An explanation of the performance of the Company for the year ended 31 March 2025 is given in the Chairman's Statement and the Manager's Report.

Share Price and Benchmark Performance** (rebased at 100 on 31 March 2015, GBP)



** From 5 September 2006: MSCI Europe SmallCap Index. The benchmark was changed on 1 June 2009 to the MSCI Europe ex-UK SmallCap Index (in Sterling terms). This benchmark was selected because it is the most commonly used index for SmallCap investors.

VOTING AT AGM

At the Company's last Annual General Meeting, held on 5 September 2024, shareholders approved the Annual Report on Directors' Remuneration for the year ended 31 March 2024, 99.65% of votes were in favour of the resolution and 0.35% of voters were against. 0.1% of votes were withheld.

An ordinary resolution for the approval of this Annual Report on Directors' Remuneration will be put to shareholders at the forthcoming Annual General Meeting.

The Directors' Remuneration Policy was last approved by shareholders at the Company's Annual General Meeting, held on 7 September 2023. 99.25% of votes were in favour of the resolution and 0.73% of votes were against. 0.02% of votes were withheld.

RELATIVE IMPORTANCE OF DIRECTORS' FEES

As the Company has no employees, the table above represents the total remuneration costs and benefits paid by the Company. To enable shareholders to assess the relative importance of expenditure on Directors' remuneration, the table below shows the actual expenditure during the year in relation to Directors' remuneration (excluding taxable benefits), other operating expenses and shareholder distributions:

	2025 £	2024 £	Change %
Aggregate Directors' remuneration	129,062	106,000	21.8 [†]
Management and other operating expenses*	3,234,000	2,982,000	8.5
Dividends paid to shareholders	2,273,000	1,885,000	20.6

* Includes Directors' remuneration.

[†] This represents the total change; the Board comprised four Directors from 6 September 2024, compared to three Directors during the year ending 31 March 2024

DIRECTORS' INTERESTS (AUDITED)

The Directors who held office during the year and their interests in the shares of the Company were as follows:

		As at 31 March 2025 No. of shares	As at 31 March 2024 No. of shares
R M Curling	Beneficial	150,000	150,000
C A Roxburgh [^]	Beneficial	70,169	62,833
G Neilly	Beneficial	62,701	62,293
H Williams	–	–	–

[^] Includes 1,654 shares held in Ms Roxburgh's spouse's name

On 7 May 2025, Hillary Williams acquired 6,255 Ordinary shares. There have been no other changes to the above holdings between 31 March 2025 and the date of this Annual Report. None of the Directors nor any persons connected with them had a material interest in any of the Company's transactions, arrangements or agreements during the year.

STATEMENT OF IMPLEMENTATION OF REMUNERATION POLICY IN RESPECT OF THE FINANCIAL YEAR ENDING 31 MARCH 2026

The Committee will, as usual, review Directors' fees during 2025/26, including the time required to be committed to the business of the Company, and will consider whether any further changes to remuneration are required.

By Order of the Board

G NEILLY

Chair of the Remuneration Committee
18 June 2025

Statement of Directors' Responsibilities in respect of the Financial Statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with UK-adopted international accounting standards.

Under company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006.

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

DIRECTORS' CONFIRMATIONS

Each of the Directors, whose names and functions are listed in Board of Directors confirm that, to the best of their knowledge:

- the financial statements, which have been prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and return of the Company; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

R M CURLING

Chairman

18 June 2025

Independent Auditors' Report

to the Members of Montanaro European Smaller Companies Trust plc

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

In our opinion, Montanaro European Smaller Companies Trust plc's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2025 and of its return and cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the Balance Sheet as at 31 March 2025; the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended; and the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Our opinion is consistent with our reporting to the Audit Committee.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

We have provided no non-audit services to the Company in the period under audit.

OUR AUDIT APPROACH

Context

Montanaro European Smaller Companies Trust plc is an Investment Trust Company listed on the London Stock Exchange and invests primarily in equities quoted on European investment markets. The operations of the Company are located in the UK. We focus our audit work primarily on the valuation and existence of investments and income from investments.

Overview

Audit scope

- The Company is a standalone Investment Trust Company and engages Montanaro Asset Management Limited (the "Manager") to manage its assets.
- We conducted our audit of the financial statements using information from Juniper Partners Limited, (the "Administrator") to whom the Board has, delegated the provision of certain administrative functions.
- We tailored the scope of our audit taking into account the types of investments within the Company, the involvement of the third parties referred to above, the accounting processes and controls, and the industry in which the Company operates.
- We obtained an understanding of the control environment in place at both the Manager and the Administrator and adopted a fully substantive testing approach using reports obtained from the Administrator.

Independent Auditors' Report continued

to the Members of Montanaro European Smaller Companies Trust plc

Key audit matters

- Valuation and existence of investments
- Income from and gains/losses on investments

Materiality

- Overall materiality: £2,915,080 (2024: £3,127,200) based on 1% of Net Assets.
- Performance materiality: £2,186,310 (2024: £2,345,400).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

The key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
<p>Valuation and existence of investments</p> <p>Refer to the Material Accounting Policies and the Notes to the financial statements.</p> <p>The Investment portfolio at the year-end comprised listed equity investments valued at £296.8 million.</p> <p>We focused on the valuation and existence of investments because investments represent the principal element of the net asset value as disclosed in the Balance Sheet in the financial statements.</p>	<p>We assessed the accounting policy for the valuation of investments for compliance with accounting standards and performed testing to check that investments are accounted for in accordance with this stated accounting policy.</p> <p>We tested the valuation of the listed equity investments by agreeing the prices used in the valuation to independent third party sources for all investments.</p> <p>We tested the existence of the investment portfolio by agreeing investment holdings to an independent custodian confirmation.</p> <p>No material issues were identified.</p>

Key audit matter**Income from and gains/losses on investments**

Refer to Material Accounting policies and Notes to the Financial Statements.

For the Company we consider that 'income' refers to both revenue and capital (including gains and losses on investments).

We focused on the accuracy, occurrence and completeness of investment income as incomplete or inaccurate income could have a material impact on the company's net asset value.

We also focused on the accounting policy for income recognition and its presentation in the Statement of Comprehensive Income as set out in the requirements of The Association of Investment Companies Statement of Recommended Practice (the "AIC SORP") as incorrect application could result in a misstatement in income recognition.

How our audit addressed the key audit matter

We found that the accounting policies implemented were in accordance with accounting standards and the AIC SORP, and that income has been accounted for in accordance with the stated accounting policy.

The gains/losses on investments held at fair value through profit or loss comprise realised and unrealised gains/losses. For unrealised gains and losses, we tested the valuation of the portfolio at the year-end, together with testing the reconciliation of opening and closing investments. For realised gains/losses, we tested a sample of disposal proceeds by agreeing the proceeds to bank statements and we re-performed the calculation of a sample of realised gains/losses. We also tested a sample of purchases to underlying supporting documentation.

We tested the accuracy of dividend receipts by agreeing the dividend rates from investment reports to independent third-party data.

To test for occurrence, we confirmed that all dividends recorded had occurred in the market to independent third-party data, and traced a sample of cash payments to bank statements.

To test for completeness, we tested that the appropriate dividends had been received in the year by reference to independent third party data of dividends declared for all listed investments during the year.

We also tested the allocation and presentation of income between the revenue and capital return columns of the Statement of Comprehensive Income inline with the requirements set out in the AIC SORP by assessing the treatment applied in the context of the underlying facts and circumstances of a sample of special dividends.

No material issues were identified.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which it operates.

All audit procedures were conducted by a UK audit team. We tested and examined information using sampling and other auditing techniques, to the extent we considered necessary to provide a reasonable basis for us to form our own judgements.

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the extent of the potential impact of climate risk on the Company's financial statements, and we remained alert when performing our audit procedures for any indicators of the impact of climate risk. Our procedures did not identify any material impact as a result of climate risk on the Company's financial statements.

Independent Auditors' Report continued

to the Members of Montanaro European Smaller Companies Trust plc

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall company materiality	£2,915,080 (2024: £3,127,200).
How we determined it	1% of Net Assets
Rationale for benchmark applied	We believe that net assets is the primary measure used by the shareholders in assessing the performance of the entity, and is a generally accepted auditing benchmark. This benchmark provides an appropriate and consistent year on year basis for our audit.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2024: 75%) of overall materiality, amounting to £2,186,310 (2024: £2,345,400) for the company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £145,754 (2024: £156,360) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

CONCLUSIONS RELATING TO GOING CONCERN

Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- evaluating the Directors' risk assessment and considering whether it addressed the relevant threats to the Company;
- evaluating the Directors' assessment of potential operational impacts to the Company of relevant risks, considering their consistency with other available information and our understanding of the business and assessed the potential impact on the financial statements;
- reviewing the Directors' assessment of the Company's financial position in the context of its ability to meet future expected operating expenses, their assessment of liquidity as well as their review of the operational resilience of the Company and oversight of key third-party service providers; and
- assessing the implication of potential significant reductions in NAV as a result of market movements on the ongoing ability of the Company to operate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Company's ability to continue as a going concern.

From our work on the corporate governance statement described below, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

REPORTING ON OTHER INFORMATION

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2025 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

CORPORATE GOVERNANCE STATEMENT

As explained in Corporate Governance Statement, the Directors have chosen to demonstrate how the Company has met its obligations under the UK Corporate Governance Code ("the Code") by reporting under the 2019 Association of Investment Companies' Code of Corporate Governance ("the AIC Code"). As such, we refer to the AIC Code where we report matters required under ISAs (UK) in respect of the Directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the Company's compliance with the provisions of the Code specified by the Listing Rules for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The Directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The Directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The Directors' explanation as to their assessment of the Company's prospects, the period this assessment covers and why the period is appropriate; and
- The Directors' statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Independent Auditors' Report continued to the Members of Montanaro European Smaller Companies Trust plc

Our review of the Directors' statement regarding the longer-term viability of the Company was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Company and its environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The Directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when the Directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of section 1158 of the Corporation Tax Act 2010, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue (investment income and capital gains) or to increase net asset value of the Company. Audit procedures performed by the engagement team included:

- discussions with the Manager and Audit Committee, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- reviewing relevant committee meeting minutes, including those of the Board and Audit Committee;
- assessment of the Company's compliance with the requirements of section 1158 of the Corporation Tax Act 2010, including recalculation of numerical aspects of the eligibility conditions;
- review of financial statement disclosures to underlying supporting documentation;

- identifying and testing manual journal entries posted by the Administrator during the preparation of the financial statements; and
- designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

OTHER REQUIRED REPORTING

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the members on 9 September 2021 to audit the financial statements for the year ended 31 March 2022 and subsequent financial periods. The period of total uninterrupted engagement is four years, covering the years ended 31 March 2022 to 31 March 2025.

SHUJAAT KHAN (Senior statutory auditor) for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Edinburgh

18 June 2025

Statement of Comprehensive Income

for the year ended 31 March 2025

	Notes	Year to 31 March 2025			Year to 31 March 2024		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Capital (losses)/gains on investments							
(Losses)/gains on investments held at fair value	9	-	(5,074)	(5,074)	-	13,543	13,543
Exchange (losses)/gains		-	(52)	(52)	-	135	135
Revenue							
Investment income	2	5,098	-	5,098	4,576	-	4,576
Other income	2	84	-	84	116	-	116
Total income		5,182	(5,126)	56	4,692	13,678	18,370
Expenditure							
Management expenses	3	(865)	(1,608)	(2,473)	(803)	(1,490)	(2,293)
Other expenses	4	(761)	-	(761)	(689)	-	(689)
Total expenditure		(1,626)	(1,608)	(3,234)	(1,492)	(1,490)	(2,982)
Return before finance costs and taxation		3,556	(6,734)	(3,178)	3,200	12,188	15,388
Finance costs	5	(183)	(340)	(523)	(134)	(248)	(382)
Return before taxation		3,373	(7,074)	(3,701)	3,066	11,940	15,006
Taxation	6	(536)	-	(536)	(376)	-	(376)
Return after taxation		2,837	(7,074)	(4,237)	2,690	11,940	14,630
Return per share	8	1.50p	(3.75p)	(2.25p)	1.42p	6.30p	7.72p

The total column of this statement represents the Company's Income Statement and Statement of Comprehensive Income, prepared to UK-adopted International Accounting Standards in conformity with the Companies Act 2006.

The supplementary revenue return and capital return columns are both prepared under guidance published by the Association of Investment Companies.

All revenue and capital items in the above statement derive from continuing operations.

No operations were acquired or discontinued in the year.

The accompanying notes are an integral part of the financial statements.

Balance Sheet

as at 31 March 2025

	Notes	31 March 2025 £'000	31 March 2024 £'000
Non-current assets			
Investments held at fair value through profit or loss	9	296,829	321,676
Current assets			
Trade and other receivables	10	1,592	885
Cash and cash equivalents	10	14,816	242
		16,408	1,127
Total assets		313,237	322,803
Current liabilities			
Trade and other payables	11	(839)	(754)
Revolving credit facility	11	(12,560)	(856)
		(13,399)	(1,610)
Non-current liabilities			
Interest-bearing bank loan	12	(8,330)	(8,473)
Total liabilities		(21,729)	(10,083)
Net assets		291,508	312,720
Capital and reserves			
Ordinary share capital	13	9,471	9,471
Share premium account		44,057	44,057
Capital redemption reserve		2,212	2,212
Capital reserve		230,745	252,521
Revenue reserve		5,023	4,459
Total shareholders' funds		291,508	312,720
Net asset value per share	14	162.0p	165.1p

The financial statements on pages 50 to 66 were approved and authorised for issue by the Board of Directors on 18 June 2025 and signed on its behalf by:

R CURLING

Director

Company Registered Number: SC074677

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Equity

for the year ended 31 March 2025

Year to 31 March 2025	Notes	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000*	Revenue reserve £'000*	Total £'000
As at 1 April 2024		9,471	44,057	2,212	252,521	4,459	312,720
Return after taxation		-	-	-	(7,074)	2,837	(4,237)
Dividends paid	7	-	-	-	-	(2,273)	(2,273)
Share buybacks	13	-	-	-	(14,702)	-	(14,702)
As at 31 March 2025		9,471	44,057	2,212	230,745	5,023	291,508

Year to 31 March 2024	Notes	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000*	Revenue reserve £'000*	Total £'000
As at 1 April 2023		9,471	44,057	2,212	240,581	3,654	299,975
Return after taxation		-	-	-	11,940	2,690	14,630
Dividends paid	7	-	-	-	-	(1,885)	(1,885)
As at 31 March 2024		9,471	44,057	2,212	252,521	4,459	312,720

The accompanying notes are an integral part of the financial statements.

* These reserves are distributable. However the amount that is distributable is not necessarily the full amount of the reserves as disclosed in these financial statements.

Statement of Cash Flows

for the year ended 31 March 2025

	31 March 2025 £'000	31 March 2024 £'000
Cash flows from operating activities		
Return before taxation	(3,701)	15,006
Investment losses/(gains)	5,074	(13,543)
Exchange losses/(gains)	52	(135)
Finance costs	523	381
Withholding tax	(557)	(374)
Investment income	(5,182)	(4,692)
Dividends received	5,208	4,675
Other income received	84	116
Purchases of investments	(22,379)	(33,701)
Sales of investments	41,415	35,136
Increase in receivables	(62)	(100)
Increase in payables	51	222
Net cash inflow from operating activities	20,526	2,991
Cash flows from financing activities		
Own shares bought back	(14,702)	–
Repayments of loan	–	(4,327)
Drawdowns on revolving credit facility	11,683	855
Loan arrangement fees	–	(94)
Dividends paid	(2,273)	(1,885)
Interest paid	(452)	(353)
Net cash outflow from financing activities	(5,744)	(5,804)
Net increase/(decrease) in cash and cash equivalents	14,782	(2,813)
Exchange losses	(208)	(170)
Increase/(decrease) in cash and cash equivalents	14,574	(2,983)
Cash and cash equivalents at beginning of year	242	3,225
Cash and cash equivalents at end of year	14,816	242

The accompanying notes are an integral part of the financial statements.

Notes to the Financial Statements

for the year ended 31 March 2025

1 Material Accounting Policies

A summary of the principal accounting policies is set out below.

BASIS OF ACCOUNTING

The financial statements of the Company have been prepared in accordance with International Accounting Standards in conformity with the requirements of the UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. The annual financial statements have been prepared in accordance with the Statement of Recommended Practice issued by the Association of Investment Companies ("AIC SORP") for the financial statements of investment trust and venture capital trusts, except to any extent where it is not consistent with the requirements of International Accounting Standards in conformity with the Companies Act 2006.

The functional and presentational currency of the Company is Pounds Sterling and has been determined on the basis of the currency of the Company's share capital and the currency in which dividends and expenses are paid.

The financial statements have been prepared on a going concern basis, under historical cost convention, except for the measurement at fair value of investments measured at fair value through profit or loss and on the expectation that approval as an investment trust company will continue to be met.

The financial statements have adopted the following accounting policies in their preparation, which remain consistent with the accounting policies adopted in the audited financial statements for the year ended 31 March 2024. All values are rounded to the nearest thousand pounds unless otherwise indicated.

The Directors have made an assessment of the Company's ability to continue as a going concern and are satisfied that the Company has adequate resources to continue in business for the foreseeable future, being until at least 18 June 2026. Please refer to page 30 for full details of the Directors' going concern assessment.

ACCOUNTING DEVELOPMENTS

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 March 2025 reporting periods and have not been early adopted by the Company. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions. The Company has yet to assess the full impact of IFRS 18-Presentation and Disclosure in Financial Statements which is effective from 1 January 2027.

CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements in accordance with International Accounting Standards in conformity with the Companies Act 2006, requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts in the Balance Sheet, the Statement of Comprehensive Income and the disclosure of contingent assets and liabilities at the date of the financial statements. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The areas requiring the most significant judgement in the preparation of the financial statements are: recognising and classifying unusual or special dividends received as either revenue or capital in nature; and setting the levels of dividends paid and proposed in satisfaction of both the Company's long-term objective and its obligations to adhere to investment trust status rules under Section 1158 of the Corporation Tax Act 2010.

Dividends received which appear to be unusual in size or circumstance are assessed on a case-by-case basis, based on interpretation of the investee companies' relevant statements, to determine their allocation in accordance with the AIC SORP to either the revenue account or capital reserves. Dividends which have clearly arisen out of the investee company's reconstruction or reorganisation are usually considered to be capital in nature and allocated to capital reserves. Investee company dividends which appear to be paid in excess of current year profits will still be considered as revenue in nature unless evidence suggests otherwise.

The estimates and underlying assumptions are reviewed on an ongoing basis. Any revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future period if the revision affects both current and future periods.

1 Material Accounting Policies continued

SEGMENTAL REPORTING

The Board is of the view that the Company is engaged in a single segment of business, of investing in European quoted smaller companies, and that therefore the Company has only a single operating segment.

PRESENTATION OF STATEMENT OF COMPREHENSIVE INCOME

In order to better reflect the activities of an investment trust company and in accordance with guidance issued by the AIC, supplementary information which analyses the Statement of Comprehensive Income between items of a revenue and capital nature has been presented alongside the Statement of Comprehensive Income. The net revenue return is the measure the Directors believe appropriate in assessing the Company's compliance with certain requirements set out in Section 1158 of the Corporation Tax Act 2010.

INCOME

Dividends are recognised as income on the date that the related investments are marked ex-dividend.

Dividends receivable on equity shares where no ex-dividend date is quoted are recognised when the Company's right to receive payment is established.

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

Where the Company has elected to receive its dividends in the form of additional shares rather than cash, the amount of the cash dividend foregone is recognised as income.

All other income is accounted for on a time apportioned basis.

EXPENSES AND FINANCE COSTS

All expenses and finance costs are accounted for on an accruals basis and are charged against revenue, except where incurred in connection with the maintenance or enhancement of the value of the Company's assets and taking account of the expected long-term returns as follows:

- finance costs payable are allocated 35% to revenue and 65% to capital.
- investment management fees payable are allocated 35% to revenue and 65% to capital.

TAXATION

The tax expense represents the sum of the tax currently payable and movements in deferred tax. Tax payable is based on the taxable profit for the year and withholding tax payable. Taxable profit differs from profit before tax as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the Balance Sheet date.

In line with the recommendations of the AIC SORP, the allocation method used to calculate tax relief on expenses presented against capital returns in the supplementary information in the Statement of Comprehensive Income is the 'marginal basis'. Under this basis, if taxable income is capable of being offset entirely by expenses presented in the revenue return column of the Statement of Comprehensive Income, then no tax relief is transferred to the capital return column.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the Balance Sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each Balance Sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Notes to the Financial Statements continued

1 Material Accounting Policies continued

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the Statement of Comprehensive Income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Investment trusts which have approval under Section 1158 of the Corporation Tax Act 2010 are not liable to taxation on capital gains.

INVESTMENTS

The Company's business is investing in financial assets with a view to profiting from their total return in the form of income and capital growth. This portfolio of financial assets is managed and its performance evaluated on a fair value basis in accordance with the documented investment strategy and information is provided internally on that basis to the Company's Board of Directors and other key management personnel.

The investments held by the Company are designated by the Company as 'at fair value through profit or loss'.

All gains and losses are allocated to the capital return within the Statement of Comprehensive Income as 'Gains or losses on investments held at fair value through profit or loss'. Also included within this heading are transaction costs in relation to the purchase or sale of investments. When a sale or purchase is made under a contract, the terms of which require delivery within the timeframe of the relevant market, the investments concerned are recognised or derecognised on the trade date.

All investments are classified upon initial recognition as held at fair value through profit or loss, and are measured at subsequent reporting dates at fair value, which is the bid price or the last traded price depending on the convention of the exchange on which the investment is listed. The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of consideration received and receivable and the cumulative gain or loss that had been accumulated is recognised in profit or loss.

All investments for which a fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy levels set out in Note 15.

CASH AND CASH EQUIVALENTS

Cash comprises bank balances and cash held by the Company. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

LOANS

The loans are valued at amortised cost. Costs in relation to arranging the debt finance have been capitalised and are amortised over the term of the finance. Hence, amortised cost is the par value less the amortised cost of issue.

The Euro loan is shown at amortised cost with the exchange difference on the principal amounts to be repaid reflected. Any gains or losses arising from changes in exchange rate between Euro and Sterling is included in the Capital Reserve and shown in the capital column of the Statement of Comprehensive Income.

RESERVES

Share Premium Account

The following are included in this reserve:

- premium on the issue of shares.
- surplus arising on the sale of Ordinary shares from Treasury.
- costs associated with the issue of equity.

This reserve is non-distributable.

Capital Redemption Reserve

The nominal value of Ordinary shares bought back for cancellation is added to this reserve. This reserve is non-distributable.

1 Material Accounting Policies continued

Capital Reserve

The following are included in this reserve:

- gains and losses on the realisation of investments.
- increases and decreases in the valuation of investments held at the year end.
- exchange differences of a capital nature.
- special dividends of a capital nature.
- expenses and finance costs, together with the related taxation effect, charged in accordance with the above policies.
- cost of purchasing Ordinary shares to be held in Treasury or cancelled.
- proceeds from the issue of Ordinary shares held in Treasury equivalent to the weighted average cost of the repurchase.

In addition, the Company's Articles of Association permit it to distribute from the Capital Reserve any surplus arising from the realisation of its investments.

Revenue Reserve

The net profit arising in the revenue column of the Statement of Comprehensive Income is added to this reserve. Dividends paid during the year may be deducted from this reserve.

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised on the Balance Sheet of the Company when the Company becomes a party to the contractual provisions of the instrument. The Company shall offset financial assets and financial liabilities if it has a legally enforceable right to set off the recognised amounts and intends to settle on a net basis. As at 31 March 2025, no financial assets or financial liabilities had been offset (31 March 2024: nil).

FOREIGN CURRENCIES

Monetary assets and liabilities expressed in foreign currencies are translated into Sterling at rates of exchange ruling at the Balance Sheet date. Non-monetary items expressed in foreign currencies held at fair value are translated into Sterling at rates of exchange ruling at the date the fair value is measured. Transactions in foreign currencies are converted to Sterling at the rate ruling at the date of the transaction. Exchange gains and losses are taken to the Statement of Comprehensive Income as a capital or revenue item depending on the nature of the underlying item.

Exchange gains and losses on investments are included within 'Gains/(losses) on investments held at fair value' and are taken to the Capital Reserve. Exchange differences on other financial instruments are included in the Statement of Comprehensive Income as 'Exchange (losses)/gains'.

Rates of exchange (per Pound Sterling)	31 March 2025	31 March 2024	Change %
Danish Krone	8.90	8.72	2.1%
Euro	1.19	1.17	1.7%
Norwegian Krone	13.56	13.65	(0.7%)
Swedish Krona	12.96	13.44	(3.6%)
Swiss Franc	1.14	1.14	0.0%

Notes to the Financial Statements continued

2 Income

	Year to 31 March 2025 £'000	Year to 31 March 2024 £'000
Investment income		
Overseas dividend income	5,102	4,582
Exchange losses	(4)	(6)
Investment income	5,098	4,576
Bank interest	84	100
Other income	–	16
Total other income	84	116
Total income	5,182	4,692

3 Management Expenses

	Year to 31 March 2025			Year to 31 March 2024		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee	856	1,592	2,448	785	1,458	2,243
AIFM fee	9	16	25	18	32	50
	865	1,608	2,473	803	1,490	2,293

Details of the management fee arrangements during the year, and future arrangements, are contained within the Directors' Report on page 29 and details of fees owed to the Manager at the Balance Sheet date are included in Note 11.

4 Other Expenses

	Year to 31 March 2025			Year to 31 March 2024		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Directors' fees	129	–	129	106	–	106
Auditor's remuneration for:						
– statutory audit*	58	–	58	54	–	54
Secretarial and administration fees	188	–	188	173	–	173
Legal, professional and advisory fees	–	–	–	13	–	13
Custody and depositary fees	115	–	115	96	–	96
Credit facility commitment fee	58	–	58	43	–	43
Other	213	–	213	204	–	204
	761	–	761	689	–	689

* The statutory audit for the year to 31 March 2025 is £57,750 (2024: £54,340).

5 Finance Costs

	Year to 31 March 2025			Year to 31 March 2024		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Interest payable on bank borrowings	183	340	523	134	248	382

6 Taxation

	Year to 31 March 2025			Year to 31 March 2024		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Overseas tax	536	–	536	376	–	376

6 Taxation continued

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The corporation tax rate was 25% (2024: 25%). The tax charge for the year differs from the charge resulting from applying the standard rate of corporation tax in the UK for an investment trust company. The differences are explained below:

	Year to 31 March 2025 £'000	Year to 31 March 2024 £'000
(Loss)/profit on activities before taxation	(3,701)	15,006
Corporation tax at standard rate of 25% (2024: 25%)	(925)	3,752
Effect of:		
Non-taxable losses/(gains) on investments	1,269	(3,386)
Movement in unutilised expenses	939	841
Non-taxable overseas income	(1,296)	(1,173)
Exchange losses/(gains)	13	(34)
Overseas tax	536	376
Total tax charge for the year	536	376

As at 31 March 2025, the Company had unutilised management expenses for taxation purposes of £38,076,000 (2024: £34,320,000). A deferred tax asset of £9,519,000 (2024: £8,580,000) has not been recognised on the unutilised expenses as it is unlikely that there will be suitable taxable profits from which the future reversal of the deferred tax could be deducted.

7 Dividends

	Year to 31 March 2025 £'000	Year to 31 March 2024 £'000
Final dividend for the year ended 31 March 2023 of 0.725p per share	–	1,459
Interim dividend for the year ended 31 March 2024 of 0.225p per share	–	426
Final dividend for the year ended 31 March 2024 of 0.900p per share	1,705	–
First interim dividend for the year ended 31 March 2025 of 0.300p per share	568	–
	2,273	1,885

Amounts relating to the year but not paid at the year end:

Final dividend for the year ended 31 March 2024 of 0.900p per share	–	1,705
Second interim dividend for the year ended 31 March 2025 of 0.960p per share	1,535	–
	1,535	1,705

A second interim dividend of 0.96p will be paid on 7 August 2025 to shareholders on the register on 27 June 2025.

The attributable revenue and the dividends paid and proposed for the purposes of the income retention test for Section 1158 of the Corporation Tax Act 2010, are set out below:

	Year to 31 March 2025 £'000	Year to 31 March 2024 £'000
Revenue attributable to equity shareholders	2,837	2,690
Interim dividend for the year ended 31 March 2024 of 0.225p per share	–	(426)
Final dividend for the year ended 31 March 2024 of 0.900p per share	–	(1,705)
First interim dividend for the year ended 31 March 2025 of 0.300p per share	(568)	–
Second interim dividend for the year ended 31 March 2025 of 0.96p per share	(1,535)	–
Net movement in revenue	734	559

Notes to the Financial Statements continued

8 Return per Share

	Year to 31 March 2025			Year to 31 March 2024		
	Revenue	Capital	Total	Revenue	Capital	Total
Basic	1.50p	(3.75p)	(2.25p)	1.42p	6.30p	7.72p

Basic total return per Ordinary share is based on the total comprehensive loss for the financial year of £4,237,000 (2024: gain of £14,630,000) and on 188,678,279 (2024: 189,427,600) Ordinary shares, being the weighted average number of Ordinary shares in issue during the year.

Basic revenue return per Ordinary share is based on the net revenue return on ordinary activities after taxation of £2,837,000 (2024: £2,690,000), and on 188,678,279 (2024: 189,427,600) Ordinary shares, being the weighted average number of Ordinary shares in issue during the year.

Basic capital return per Ordinary share is based on the net capital loss for the financial year of £7,074,000 (2024: gain of £11,940,000), and on 188,678,279 (2024: 189,427,600) Ordinary shares, being the weighted average number of Ordinary shares in issue during the year.

9 Investments held at Fair Value Through Profit or Loss

	Year to 31 March 2025 £'000	Year to 31 March 2024 £'000
Opening cost	193,353	193,796
Holding gains	128,323	116,512
Opening fair value	321,676	310,308
Purchases at cost	22,379	43,002
Sales – proceeds	(42,152)	(45,177)
– gains on sales	22,325	1,732
Holding (losses)/gains	(27,399)	11,811
Closing fair value	296,829	321,676
Closing cost	195,905	193,353
Holding gains	100,924	128,323
Closing valuation	296,829	321,676

Net gains on the realisation of investments during the year represents the difference between the net proceeds of sale and the book cost of investments sold.

TRANSACTION COSTS

The Company incurred transaction costs on the purchase of investments of £13,000 and sales of investments of £17,000 (2024: £29,000 on purchases and £18,000 on sales).

	Year to 31 March 2025 £'000	Year to 31 March 2024 £'000
Gains on sales	22,325	1,732
(Decrease)/increase in holding gains	(27,399)	11,811
(Losses)/gains on investments	(5,074)	13,543

10 Current Assets

TRADE AND OTHER RECEIVABLES

	As at 31 March 2025 £'000	As at 31 March 2024 £'000
Due from broker	737	–
Prepayments and accrued income	82	221
Overseas tax recoverable	773	664
	1,592	885

The carrying value of the balances above approximates to fair value. There are no amounts which are past due at the year end (2024: £nil).

CASH AND CASH EQUIVALENTS

These comprise bank balances and cash held by the Company. The carrying amount of these assets approximates to their fair value.

	As at 31 March 2025 £'000	As at 31 March 2024 £'000
Cash at bank and on hand	14,816	242

11 Current Liabilities

	As at 31 March 2025 £'000	As at 31 March 2024 £'000
Trade and other payables:		
Investment management and AIFM fee	646	595
Other creditors	193	159
	839	754
	As at 31 March 2025 £'000	As at 31 March 2024 £'000
Revolving credit facility:		
Revolving credit facility	12,560	856
	12,560	856

The Company entered into a three year secured revolving credit facility with ING Bank N.V ("ING"), which will mature on 13 September 2026. Drawdowns from the facility are charged at margin over the relevant EURIBOR rate. As at 31 March 2025, €15 million (£12,560,000) of the facility was drawn (2024: €1 million (£856,000)), at a rate of 4.27%.

Once drawn, the facility will be measured at amortised cost and revalued for exchange rate movements. Any gain or loss arising from changes in exchange rates is included in the capital reserve and shown in the capital column of the Statement of Comprehensive Income. Interest costs are charged to capital and revenue in accordance with the Company's accounting policies.

The carrying value of the balances above approximates to fair value.

Notes to the Financial Statements continued

12 Interest-Bearing Bank Loans

	Year to 31 March 2025 £'000	Year to 31 March 2024 £'000
Opening balance	8,473	8,787
Set up Cost	–	(98)
Amortisation of set-up costs	33	22
Non-cash foreign currency movements	(176)	(238)
	8,330	8,473

The Company has a €10 million three year secured loan at a fixed rate of 5.105% per annum with ING. This loan will mature on 13 September 2026.

Under the bank covenants relating to the loans, the Company is to ensure that at all times the total borrowings of the Company do not exceed 35% of the Adjusted Net Asset Value (as defined in the loan agreements) and that the Adjusted Net Asset Value does not fall below £45 million (2024: £45 million). The Company met all covenant conditions during the year.

The carrying value of the balances above approximates to fair value.

13 Called-up Share Capital

	Number of shares	As at 31 March 2025 £'000	Number of shares	As at 31 March 2024 £'000
Ordinary shares of 5p				
Ordinary shares in issue at the beginning of the year	189,427,600	9,471	189,427,600	9,471
Ordinary shares bought back to Treasury during the year	(9,502,921)	(475)	–	–
Ordinary shares in issue at the end of the year	179,924,679	8,996	189,427,600	9,471
Treasury shares (Ordinary shares 5p)				
Treasury shares in issue at the beginning of the year	–	–	–	–
Ordinary shares bought back to Treasury during the year	9,502,921	475	–	–
Treasury shares in issue at the end of the year	9,502,921	475	–	–
Total Ordinary shares in issue and in Treasury at the end of the year	189,427,600	9,471	189,427,600	9,471

The Company bought back 9,502,921 Ordinary shares into Treasury at a cost of £14,702,000 (2024: no shares bought back into Treasury). The cost of shares bought back is included within the capital reserve.

CAPITAL MANAGEMENT

The Company's capital is represented by the issued Share Capital, Share Premium Account, Capital Redemption Reserve, Capital Reserve, Revenue Reserve and external debt financing. As at the year end this balance stood at £312,398,000 (2024: £322,049,000). Details of the movement through each reserve are shown in the Statement of Changes in Equity. The Company is not subject to any externally imposed capital requirements other than those associated with the loan finance.

The Company's capital is managed in accordance with its Investment Policy, in pursuit of its Investment Objective, both of which are detailed in the Business Model and Strategy on pages 17 and 18. The Company's capital structure is also explained in the Directors' Report on page 31.

14 Net Asset Value per Share

	Net asset value per share As at 31 March		Net asset value As at 31 March	
	2025 p	2024 p	2025 £'000	2024 £'000
NAV per Ordinary Share	162.0	165.1	291,508	312,720

The NAV per share is based on net assets at the year end and on 179,924,679 (2024: 189,427,600) Ordinary shares, being the number of Ordinary shares in issue at the year end, excluding those shares bought back and held in Treasury.

15 Financial Instruments

The Company's financial instruments comprise its investment portfolio, cash balances, bank loans, and debtors and creditors that arise directly from its operations. As an investment trust the Company holds a portfolio of financial assets in pursuit of its investment objective. The Company makes use of borrowings, as detailed in Notes 11 and 12 and the Chairman's Statement, to achieve improved performance in rising markets.

The Company's principal risks are described in the Business Model and Strategy on pages 17 and 18.

Financial risks arising from the Company's financial instruments are:

- (i) market price risk, being the risk that the value of investment holdings will fluctuate as a result of changes in market prices caused by factors other than interest rate or currency rate movements;
- (ii) interest rate risk, being the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates;
- (iii) foreign currency risk, being the risk that the value of investment holdings, investment purchases, investment sales, bank loans and accrued income will fluctuate because of movements in currency rates;
- (iv) credit risk, being 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; and
- (v) liquidity risk, being the risk that the Company may not be able to liquidate quickly its investments to meet obligations associated with its financial liabilities.

FAIR VALUE HIERARCHY

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant assets as follows:

- **Level 1** – valued using quoted prices unadjusted in active markets for identical assets or liabilities.
- **Level 2** – valued by reference to valuation techniques using observable inputs for the asset or liability other than quoted prices included within Level 1.
- **Level 3** – valued by reference to valuation techniques using inputs that are not based on observable market data for the asset or liability.

The tables below set out fair value measurements of financial instruments as at the year end, by the level in the fair value hierarchy into which the fair value measurement is categorised.

The Company held the following categories of financial instruments all of which are included fair value or amortised cost with is an approximation of fair value as at 31 March 2025:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	2025 Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000	2024 Total £'000
Financial instruments								
Investments	296,829	-	-	296,829	321,676	-	-	321,676

There were no transfers between levels in the fair value hierarchy in the year ended 31 March 2025 (2024: none).

Cash balances of £14,816,000 (2024: £242,000), debtors of £819,000 (2024: £221,000) and creditors of £839,000 (2024: £754,000) are considered financial instruments.

Notes to the Financial Statements continued

16 Market Price Risk

Market price risk (i.e. changes in market prices other than those arising from currency risk or interest rate risk) may affect the value of investments.

The Board manages the risks inherent in the investment portfolio by ensuring full and timely reporting of relevant information from the Manager. Investment performance and exposure are reviewed at each Board meeting.

The maximum exposure to market price risk is the fair value of investments of £296,829,000 (2024: £321,676,000).

If the investment portfolio valuation fell by 10% from the amount detailed in the financial statements as at 31 March 2025, it would have the effect, with all other variables held constant, of reducing the net capital return before taxation by £29,683,000 (2024: £32,167,000). An increase of 10% in the investment portfolio valuation would have an equal and opposite effect on the net capital return before taxation. The analysis is based on closing balances only and is not representative of the year as a whole.

17 Interest Rate Risk

FIXED RATE

The Company has a €10 million fully drawn fixed rate term loan with ING, with a Sterling equivalent of £8,375,000 as at 31 March 2025, at a rate of interest of 5.105% per annum (31 March 2024: €10 million drawn, with a sterling equivalent of £8,473,000, at a rate of interest of 5.105% per annum). An interest rate sensitivity analysis has not been performed as the Company has borrowed at a fixed rate of interest.

FLOATING RATE

The Company has a €15 million revolving credit facility term with ING of which €15 million was drawn, with a Sterling equivalent of £12,560,000 as at 31 March 2025, at a rate of interest of 4.27% per annum (31 March 2024: €1 million drawn, with a sterling equivalent of £856,000, at a rate of interest of 5.68% per annum).

When the Company retains cash balances, the cash is primarily held in accounts at the custodian. Interest received or paid on cash balances and bank overdrafts is at market rates and is monitored and reviewed by the Manager and the Board. As at 31 March 2025, the cash position of the Company was £14,816,000 (2024: £242,000).

If interest rates had increased by 1.0%, the impact on the profit or loss and the NAV would have been negative £23,000 (2024: negative £6,000). If interest rates had decreased by 1.0%, the impact on the profit or loss and the NAV would have been positive £23,000 (2024: positive £6,000). The calculations are based on the floating rate balances as at the respective Balance Sheet dates.

18 Foreign Currency Risk

The Company invests in overseas securities and holds foreign currency cash balances and foreign currency borrowings which give rise to currency risks. It is not the Company's policy to hedge this risk.

Foreign currency exposure:

As at 31 March 2025	Investments £'000	Trade and other receivables £'000	Cash £'000	Trade and other payables £'000	Revolving credit facility £'000	Interest- bearing bank loan* £'000	Net exposure £'000
Danish Krone	8,206	5	-	-	-	-	8,211
Euro	136,291	315	14,692	-	(12,560)	(8,375)	130,363
Norwegian Krone	25,844	27	-	-	-	-	25,871
Swedish Krona	89,948	-	-	-	-	-	89,948
Swiss Franc	36,540	426	-	-	-	-	36,966
Total	296,829	773	14,692	-	(12,560)	(8,375)	291,359

18 Foreign Currency Risk continued

As at 31 March 2024	Investments £'000	Trade and other receivables £'000	Cash £'000	Trade and other payables £'000	Revolving credit facility £'000	Interest- bearing bank loan* £'000	Net exposure £'000
Danish Krone	6,251	60	–	–	–	–	6,311
Euro	176,388	243	192	–	(855)	(8,549)	167,419
Norwegian Krone	20,223	27	–	–	–	–	20,250
Swedish Krona	78,642	18	–	–	–	–	78,660
Swiss Franc	40,172	317	–	–	–	–	40,489
Total	321,676	665	192	–	(855)	(8,549)	313,129

* Par value excluding amortised costs.

If the value of Sterling had weakened by 5% (2024: 5%) against each of the currencies in the portfolio, the impact on the profit or loss and the NAV would have been positive £14,841,000 (2024: positive £16,084,000). If the value of Sterling had strengthened by 5% (2024: 5%) against each of the currencies in the portfolio, the impact on the profit or loss and the NAV would have been negative £14,841,000 (2024: negative £16,084,000). These calculations are based on the foreign currency exposure balances as at the respective Balance Sheet dates.

19 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 Company has in place a monitoring procedure in respect of counterparty risk which is reviewed on an ongoing basis. The carrying amounts of financial assets best represent the maximum credit risk exposure at the Balance Sheet date.

The Company had the following categories of financial assets exposed to credit risk as at 31 March:

	2025 £'000	2024 £'000
Cash and cash equivalents	14,816	242
Due from brokers and accrued income	737	90
	15,553	332

Credit risk arising on transactions with brokers relates to transactions awaiting settlement. Risk relating to unsettled transactions is considered to be small due to the short settlement period involved and the financial stability and credit quality of the brokers used, which are monitored on an ongoing basis by the Manager. The Manager also monitors the quality of service provided by the brokers used to further mitigate this risk.

There were no significant concentrations of credit risk to counterparties at 31 March 2025 or 31 March 2024. No individual investment exceeded 5.0% of the investment portfolio at 31 March 2025 (2024: none).

A significant majority of the assets of the Company, including those that are traded on a recognised exchange, are held in segregated accounts on behalf of the Company by The Bank of New York Mellon SA/NV (London Branch), the Company's custodian. Bankruptcy or insolvency of this or other custodians may cause the Company's rights with respect to securities held by the custodians to be delayed. The Board monitors the Company's risk by reviewing the custodian's internal control reports.

20 Liquidity Risk

The Company does not hold unlisted securities (2024: £nil). The Company's listed securities are considered to be readily realisable.

However, as with all smaller company investment trusts, there are times when the liquidity of the underlying portfolio is poor, such as when smaller companies are out of favour or during periods of adverse economic conditions. The Manager focuses on smaller companies where the opportunities may be more attractive but this can decrease overall underlying liquidity. This may result in the Manager being unable to buy or sell individual holdings within the portfolio. The Manager constantly reviews the underlying liquidity of the portfolio and deals with a wide range of brokers to enhance its ability to execute transactions and minimise liquidity risk. The Company's overall exposure to liquidity risks is monitored on a regular basis by the Board.

Notes to the Financial Statements continued

20 Liquidity Risk continued

Liquidity risk is mitigated as the Company maintains sufficient cash to pay accounts payable and accrued expenses. As at 31 March 2025, the cash position of the Company was £14,816,000 (2024: £242,000).

CONTRACTUAL MATURITY ANALYSIS FOR FINANCIAL LIABILITIES

Contractual maturities of the financial liabilities at the year end at undiscounted amounts, based on the earliest date on which payment can be required, are as follows:

	Within one month £'000	Between one and three months £'000	Between three and twelve months £'000	Between one and five years £'000	Total £'000
As at 31 March 2025					
Liabilities:					
Other creditors	839	–	–	–	839
Revolving credit facility	12,560	–	–	–	12,560
Loan and loan interest	–	–	–	8,375	8,375
Total liabilities	13,399	–	–	8,375	21,774
	Within one month £'000	Between one and three months £'000	Between three and twelve months £'000	Between one and five years £'000	Total £'000
As at 31 March 2024					
Liabilities:					
Other creditors	754	–	–	–	754
Revolving credit facility	856	–	–	–	856
Loan and loan interest	–	–	–	8,314	8,314
Total liabilities	1,610	–	–	8,314	9,924

21 Related Parties and Transactions with the Manager

The following are considered related parties: the Board of Directors. The Directors of the Company received fees for their services and dividends from their shareholdings in the Company. Further details are provided in the Directors' Remuneration Report on pages 39 to 41.

Transactions between the Company and the Manager are detailed in Note 3 on management fees and Note 11 on fees owed to the Manager at the Balance Sheet date. The existence of an independent Board of Directors demonstrates that the Company is free to pursue its own financial and operating policies and therefore, under the AIC SORP, the Manager is not considered to be a related party.

AIFMD Disclosures (Unaudited)

Alternative Investment Fund Managers (“AIFM”) Directive (“AIFMD”)

In accordance with the AIFMD, information in relation to the Company's leverage (as defined on page 71), and the remuneration of the Company's AIFM, Montanaro Asset Management, is required to be made available to investors. Detailed regulatory disclosures including those on the AIFM's remuneration policy are available on the Company's website or from Montanaro Asset Management on request. The Company's maximum and actual leverage levels at 31 March 2025 are shown below:

Leverage exposure

	Gross method	Commitment method
Maximum limit	200%	200%
Actual	106.87%	106.91%

For the purposes of the AIFMD, leverage is any method which increases the Company's exposure, including the borrowing of cash and the use of derivatives. It is expressed as a percentage of Company's exposure to its NAV and is calculated on both a gross and commitment method.

Under the gross method, exposure represents the sum of the Company's positions after deduction of cash and cash equivalents, without taking account of any hedging or netting arrangements. Under the commitment method, exposure is calculated without the deduction of cash and cash equivalents and after certain hedging and netting positions are offset against each other.

The leverage limits are set by the AIFM and approved by the Board. The AIFM is also required to comply with the gearing parameters set by the Board in relation to borrowings. Detailed regulatory disclosures to investors in accordance with the AIFMD are contained on the AIFM's website.

Alternative Performance Measures

Dividends per Ordinary share

Total dividends paid to shareholders in respect of the year ended 31 March 2025, comprising the interim dividend, paid on 22 January 2025 of 0.3p and the second interim dividend, to be paid on 7 August 2025 of 0.96p.

Premium/(discount)

If the share price of an investment trust is less than its NAV per share, the shares are trading at a discount. If the share price is greater than the NAV per share, the shares are trading at a premium.

As at 31 March 2025, the NAV per share was 162.0p (2024:165.1p) and the share price was 148.5p (2024: 142.5p). The discount is therefore calculated at 8.3% (2024: discount of 13.7%).

Net Gearing Employed

Unlike open-ended investment companies, investment trusts have the ability to borrow to invest. This term is used to describe the level of borrowings that an investment trust has undertaken, and is stated as a percentage of shareholders' funds. The higher the level of borrowings, the higher the gearing ratio.

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

As at 31 March 2025, interest bearing bank loans and revolving credit facility were £20,890,000 (2024: £9,329,000), cash and cash equivalents were £14,816,000 (2024: £242,000) and net assets were £291,508,000 (2024: £312,720,000). As at 31 March 2025, gearing is therefore equal to 2.1% (2024: 2.9%).

Ongoing Charges

All operating costs expected to be incurred in the future and that are payable by the Company expressed as a proportion of the average net assets of the Company over the reporting year. The costs of buying and selling investments are excluded, as are interest costs, taxation, non-recurring costs and the costs of buying back or issuing Ordinary shares.

	For the year ended 31 March 2025 £'000	For the year ended 31 March 2024 £'000
Total expenditure (a)	3,234	2,982
Average monthly net assets (b)	308,082	286,505
Ongoing Charges (a/b)	1.0%	1.0%

Portfolio turnover

Calculated using total sales proceeds as a percentage of the average net assets during the year.

	For the year ended 31 March 2025	For the year ended 31 March 2024
Average net assets (£'000) (a)	308,082	286,505
Sales (£'000) (b)	42,152	45,177
Portfolio turnover (b)/(a)	14%	16%

Share Price and NAV per share Returns

Capital Return measures the effect of any rise or fall in the share price or NAV per share, excluding any dividends paid.

Total Return measures the effect of any rise or fall in the share price or NAV per share, plus dividends paid which are reinvested at the prevailing NAV or share price on the ex- dividend date.

Share Price Capital Return calculation as at 31 March 2025

Share price as at 31 March 2025	148.50	(a)
Share price as at 31 March 2024	142.50	(b)
Share Price Capital Return	4.21%	((a-b)/b)
Impact of dividends reinvested	0.85%	(Note 1)
Share Price Total Return	5.06%	

Note 1 – Share Price impact of dividends reinvested

Dividend	Dividend per share (pence) (a)	Ex-dividend date	Share price at ex-dividend date (b)	Impact of dividends reinvested (a)/(b)
Interim dividend	0.3	19 December 2024	138.50	0.22%
Final dividend	0.9	15 August 2024	142.00	0.63%
				0.85%

NAV Capital Return calculation as at 31 March 2025

NAV per share as at 31 March 2025	162.00	(a)
NAV per share as at 31 March 2024	165.10	(b)
NAV Capital Return	(1.88%)	((a-b)/b)
Impact of dividends reinvested	0.74%	(Note 1)
NAV Total Return	(1.14%)	

Note 1 – NAV impact of dividends reinvested

Dividend	Dividend per share (pence) (a)	Ex-dividend date	NAV per share at ex-dividend date (b)	Impact of dividends reinvested (a)/(b)
Interim dividend	0.3	19 December 2024	159.20	0.19%
Final dividend	0.9	15 August 2024	164.20	0.55%
				0.74%

Glossary of Terms

Alternative Investment Fund Managers Directive (“AIFMD”)

Issued by the European Parliament in 2012 and 2013, the Directive requires that all investment vehicles in the European Union, including investment trusts, must, with effect from 22 July 2014, appoint a Depositary and an Alternative Investment Fund Manager (“AIFM”). The board of directors of an investment trust, nevertheless, remains fully responsible for all aspects of the Company’s strategy, operations and compliance with regulations.

Association of Investment Companies (“AIC”)

The Association of Investment Companies is the trade body for Closed-end Investment Companies (www.theaic.co.uk).

Benchmark

This is a measure against which an investment trust’s performance is compared. The benchmark of the Company is the MSCI Europe ex-UK SmallCap Index (capital return in Sterling terms). The index averages the performance of a defined selection of companies listed in European smaller company stock markets and gives an indication of how those markets have performed in any period.

Closed-end Investment Company

A company, including an investment trust, with a fixed issued ordinary share capital which is traded on an exchange at a price not necessarily related to the NAV of the company and where shares can only be issued or bought back by the company in certain circumstances. This contrasts with an open-ended investment company, which has units not traded on an exchange but issued or bought back from investors at a price directly related to the NAV.

Custodian

A specialised financial institution responsible for safeguarding, worldwide, the listed securities and certain cash assets of the Company, as well as the income arising therefrom, through provision of custodial, settlement and associated services. The Company’s Custodian is The Bank of New York Mellon SAVNV (London Branch).

Depositary

Under the AIFMD rules applying from 22 July 2014, the Company must appoint a Depositary, whose duties in respect of investments, cash and similar assets include: safekeeping; verification of ownership and valuation; and cash monitoring. The Depositary has strict liability for loss of any investments or other assets where it has safekeeping duties. The Depositary’s oversight duties include, but are not limited to, oversight of share buybacks, dividend payments and adherence to investment limits. The Company’s Depositary is The Bank of New York Mellon (International) Limited.

Dividend

The income from an investment. Some investment trusts pay dividends on a quarterly or monthly basis. The Company currently pays dividends twice a year.

Gearing

Gearing is calculated as total liabilities less current assets divided by net assets.

International Accounting Standards

International Accounting Standards in conformity with the requirements of the Companies Act 2006.

Investment Manager

The Company’s investment manager is Montanaro Asset Management. The responsibilities and remuneration of the Manager are set out in the Business Model and Strategy on page 18 and in the Directors’ Report on page 29.

Investment Trust

A closed-end investment company which satisfies the requirements of Section 1158 of the Corporation Tax Act 2010. Companies which meet these criteria are exempt from having to pay tax on the capital gains they realise from sales of the investments within their portfolios.

Leverage

As defined under the AIFMD rules, leverage is any method by which the exposure of an AIF is increased through borrowing of cash or securities or leverage embedded in derivative positions. Leverage is broadly equivalent to gearing, but is expressed as a ratio between the assets (excluding borrowings) and the net assets (after taking account of borrowings). Under the gross method, exposure represents the sum of the Company's positions after deduction of cash and cash equivalents, without taking account of any hedging or netting arrangements. Under the commitment method, exposure is calculated without the deduction of cash and cash equivalents and after certain hedging and netting positions are offset against each other.

Marked to Market

Accounting for the fair value of an asset or liability that can change over time and reflects its current market value rather than its book cost.

Market Capitalisation

The stock market value of a company as determined by multiplying the number of shares in issue, excluding those shares held in Treasury, by the market price of the shares.

Net Assets (or Shareholders' Funds)

This is calculated as the value of the investments and other assets of an investment trust, plus cash and debtors, less borrowings and any other creditors. It represents the underlying value of an investment trust at a point in time.

Net Asset Value ("NAV") per Ordinary share

This is calculated as the net assets of an investment trust divided by the number of Ordinary shares in issue, excluding those shares held in Treasury.

Ordinary shares

The main type of equity capital issued by conventional investment trusts. Shareholders are entitled to their share of both income, in the form of dividends paid by the investment trust, and any capital growth. The Company has only Ordinary shares in issue.

Share Price

The value of a share at a point in time as quoted on a stock exchange. The shares of The Company are quoted on the Main Market of the London Stock Exchange.

Statement of Recommended Practice ("SORP")

Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" issued by the AIC.

Total Assets

This is calculated as the value of the investments and other assets of an investment trust, plus cash and debtors.

Shareholder Information

Source of Further Information

Your Board is committed to shareholder engagement. To receive regular email news and updates about the Company please visit: www.montanaro.co.uk/trust/mesct.

Useful information on the Company, such as investor updates and half year and annual reports can also be found on the website.

Key Dates

31 March 2025	Company year end
7 August 2025	Payment of second interim dividend
4 September 2025	Annual General Meeting
November 2025	Bi-annual tender offer
November 2025	Interim results announced
January 2026	Payment of expected first interim dividend

Dividends

Shareholders who wish to have dividends paid directly into a bank account rather than by cheque to their registered address can complete a Mandate Form for this purpose. Mandates can be obtained from Equiniti Limited on request at the address shown on page 82.

Non-Mainstream Pooled Investment (“NMPI”) Status

The Company currently conducts its affairs so that the shares it issues can be recommended by financial advisers to retail investors in accordance with the FCA's rules in relation to non-mainstream investment products. It is intended to continue to do so for the foreseeable future. The Company's securities are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are securities in a UK listed investment trust.

Registrar Enquiries

The register for the Ordinary shares is maintained by Equiniti Limited. In the event of queries regarding your holding, please contact the registrar. You can contact the registrar by calling +44 (0)371 384 2030. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 08:30 – 17:30, Monday to Friday excluding public holidays in England and Wales. Or alternatively you may contact the registrar at shareholderenquiries@equiniti.com.

Share Price and NAV

The Company's Ordinary shares are listed on the main market of the London Stock Exchange. The market price of these shares can be found in the London Stock Exchange Daily Official List. The Company's NAV is published daily and released through the London Stock Exchange's Regulatory News Service and is available on the Company's website.

Common Reporting Standard

Under the Common Reporting Standard financial institutions, including investment trust companies, are required to provide personal information to HMRC on investors who meet certain criteria set out in the legislation. On an annual basis, the Company will provide information to the local tax authority on the tax residencies of non-UK based certificated shareholders and corporate entities. The local tax authority may exchange this information with the tax authorities of another country or countries in which the shareholder may be a tax resident, where those countries, or the tax authorities in those countries, have entered into agreements to exchange financial account information. New shareholders, excluding those whose shares are held in CREST, entered on the Company's share register, will be sent a certification form for the purposes of collecting this information.

Share Dealing

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

Data Protection

The Company is committed to protecting and respecting the confidentiality, integrity and security of the personal data it holds. For information on the processing of personal data, please see the privacy policy on the website at www.montanaro.co.uk.

Nominee Code

Where shares are held in a nominee company name, the Company undertakes:

- to provide the nominee company with multiple copies of shareholder communications, so long as an indication of quantities has been provided in advance;
- to allow investors holding shares through a nominee company to attend general meetings, provided the correct authority from the nominee company is available; and
- nominee companies are encouraged to provide the necessary authority to underlying shareholders to attend the Company's general meetings.

AIC

The Company is a member of the Association of Investment Companies.

Stocks and Shares Individual Savings Accounts ("ISA")

ISAs are a tax-efficient method of investment and the Company's shares are eligible investments for inclusion in an ISA.

Warning to Shareholders – Beware of Share Fraud

Fraudsters use persuasive and high-pressure tactics to lure investors into scams. They may offer to sell shares that turn out to be worthless or non-existent, or to buy shares at an inflated price in return for an upfront payment.

If you receive unsolicited investment advice or requests:

- Check the Financial Services Register at www.fca.org.uk to see if the person or firm contacting you is authorised by the Financial Conduct Authority ("FCA").
- Call the FCA on **0800 111 6768** if the firm does not have contact details on the Register or you are told they are out of date.
- Search the list of unauthorised firms to avoid at www.fca.org.uk/scams.
- Consider that if you buy or sell shares from an unauthorised firm you will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme.
- Think about getting independent financial and professional advice.

If you are approached by fraudsters please tell the FCA by using the share fraud reporting form at www.fca.org.uk/scams where you can find out more about investment scams. You can also call the FCA Consumer Helpline on **0800 111 6768**.

If you have already paid money to share fraudsters you should contact Action Fraud on **0300 123 2040**.

Notice of Annual General Meeting

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about any aspect of the proposals referred to in this document or about the action which you should take, you should seek your own advice immediately from a stockbroker, solicitor, accountant or other independent professional adviser. If you have sold or otherwise transferred all of your shares, please pass this document, together with the accompanying documents, to the purchaser or transferee, or to the person who arranged the sale or transfer, so they can pass these documents to the person who now holds the shares.

Notice is hereby given that the Annual General Meeting of Montanaro European Smaller Companies Trust plc (the "Company") will be held at Montanaro Asset Management, 53 Threadneedle Street, London, EC2R 8AR, on Thursday, 4 September 2025 at 11.00am for the purposes of considering and, if thought fit, passing the following Resolutions, of which Resolutions 1 to 10 will be proposed as Ordinary Resolutions and Resolutions 11 to 13 will be proposed as Special Resolutions.

ORDINARY RESOLUTIONS

RESOLUTION 1 – ANNUAL REPORT AND ACCOUNTS

That the Annual Report and Accounts of the Company for the year ended 31 March 2025 be received.

RESOLUTION 2 – ANNUAL REPORT ON DIRECTORS' REMUNERATION

That the Annual Report on Directors' Remuneration for the year ended 31 March 2025 be approved.

RESOLUTION 3 – DIVIDEND POLICY

That the Company's Dividend Policy as set out in the Annual Report be approved.

RESOLUTION 4 – ELECTION OF DIRECTOR

To elect Ms H Williams as a Director of the Company.

RESOLUTION 5 – RE-ELECTION OF DIRECTOR

That Mr R M Curling, who retires annually, be re-elected as a Director.

RESOLUTION 6 – RE-ELECTION OF DIRECTOR

That Ms C A Roxburgh, who retires annually, be re-elected as a Director.

RESOLUTION 7 – RE-ELECTION OF DIRECTOR

That Mr G Neilly, who retires annually, be re-elected as a Director.

RESOLUTION 8 – RE-APPOINTMENT OF AUDITORS

That PricewaterhouseCoopers LLP be re-appointed as the Company's Auditors, to hold office from the conclusion of this Meeting until the conclusion of the next general meeting at which accounts are laid before the Company.

RESOLUTION 9 – AUDITOR'S REMUNERATION

That the Directors be authorised to determine the Auditor's remuneration.

RESOLUTION 10 – AUTHORITY TO ALLOT SHARES

That, in substitution for any existing authority but without prejudice to the exercise of any such authority prior to the date of the passing of this resolution, the Board of Directors of the Company (the “Board”) be and is hereby generally and unconditionally authorised pursuant to and in accordance with section 551 of the Companies Act 2006 to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £799,476, provided that this authority shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2026 or, if earlier, on 30 September 2026 save that the Company may before such expiry make an offer or enter into an agreement which would or might require shares to be allotted, or rights to subscribe for or to convert securities into shares to be granted, after such expiry and the Board may allot shares or grant such rights in pursuance of such an offer or agreement as if the authority conferred hereby had not expired. The Directors will use this authority when it is in the best interests of the Company to issue Ordinary shares for cash and will only issue new shares at a price representing a premium to the NAV per share at the time of issuance.

SPECIAL RESOLUTIONS

RESOLUTION 11 – AUTHORITY TO ALLOT SHARES OTHER THAN ON A PRE-EMPTIVE BASIS

That, subject to the passing of Resolution 10 and in substitution for any existing authority, but without prejudice to the exercise of any such authority prior to the date of the passing of this resolution, the Board of Directors of the Company (the “Board”) be and is hereby generally empowered pursuant to sections 570 and 573 of the Companies Act 2006 (the “Act”) to allot equity securities (within the meaning of section 560 of the Act) (including the grant of rights to subscribe for, or to convert any securities into, Ordinary shares of 5 pence each in the capital of the Company (“Ordinary shares”)) wholly for cash either pursuant to the authority conferred on them by such Resolution 10 or by way of a sale of Treasury shares (within the meaning of section 560(3) of the Act) as if section 561(1) of the Act did not apply to any such allotment or sale, provided that this power shall be limited to the allotment of equity securities and the sale of Treasury shares:

- (i) in connection with a rights issue, open offer or other pre-emptive offer in favour of the holders of Ordinary shares who are on the register of members on a date fixed by the Board where the equity securities respectively attributable to the interests of all such holders are proportionate (as nearly as may be practicable) to the respective numbers of Ordinary shares held by them on that date (subject to such exclusions or other arrangements in connection with the rights issue, open offer or other offer as the Board deem necessary or expedient to deal with shares held in Treasury, fractional entitlements to equity securities and to deal with any legal or practical problems or issues arising in any overseas territory or under the requirements of any regulatory body or stock exchange); and
- (ii) otherwise than pursuant to sub-paragraph (i) above, up to an aggregate nominal amount of £799,476, and shall expire (unless previously renewed, varied or revoked by the Company in general meeting) at the conclusion of the Annual General Meeting of the Company to be held in 2026 or, if earlier, on 30 September 2026 save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Board may allot equity securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired. This power shall authorise the Board to issue equity securities at such issue price as the Board may determine (including, without limitation, where equity securities are being issued from Treasury at a price below the net asset value per Ordinary share of the Company at the time of the relevant issue).

Notice of Annual General Meeting continued

RESOLUTION 12 – AUTHORITY TO BUYBACK SHARES

The Company be and is hereby generally and unconditionally authorised for the purposes of section 701 of the Companies Act 2006 (the “Act”) to make one or more market purchases (as defined in section 693(4) of the Act) of ordinary shares of 5 pence each in the capital of the Company (“Ordinary shares”) on such terms and in such manner as the Board of Directors may determine provided that:

- (i) the maximum aggregate number of Ordinary shares which may be purchased is 23,968,306 (or if less, 14.99% of the number of Ordinary shares in issue (excluding Treasury shares) immediately prior to the passing of this resolution);
- (ii) the minimum price which may be paid for an Ordinary share is 5 pence (exclusive of associated expenses);
- (iii) the maximum price which may be paid for an Ordinary share (exclusive of associated expenses) is the higher of:
 - (a) 105 per cent of the average of the market value of an Ordinary share for the five business days immediately preceding the day on which the Ordinary share is purchased; and
 - (b) the value of an Ordinary share calculated on the basis of the higher price quoted for
 - (i) the last independent trade of; and
 - (ii) the highest current independent bid for any number of Ordinary shares on the trading venue where the purchase is carried out; and
- (iv) unless previously renewed, varied or revoked, this authority shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2026 or, if earlier, on 30 September 2026 save that the Company may before such expiry enter into a contract to purchase Ordinary shares which will or may be completed wholly or partly after such expiry and a purchase of Ordinary shares may be made pursuant to any such contract.

RESOLUTION 13 – GENERAL MEETING NOTICE PERIOD

That the Company be and is hereby generally and unconditionally authorised to hold general meetings (other than annual general meetings) on 14 clear days’ notice, such authority to expire at the conclusion of the next Annual General Meeting of the Company.

By order of the Board

JUNIPER PARTNERS LIMITED

Company Secretary
18 June 2025

Registered office:
28 Walker Street
Edinburgh EH3 7HR

Explanation of Notice of Annual General Meeting

Resolution 1 – To receive the Annual Report and Financial Statements

The Directors are required to present the financial statements, Strategic Report, Directors' Report and Auditor's Report to the meeting. These are contained in the Company's Annual Report and Accounts for the year ended 31 March 2025 (the "Annual Report"). A resolution to receive the financial statements, together with the Strategic Report, Directors' Report and the Auditor's Report on those accounts is included as an ordinary resolution.

Resolution 2 – Remuneration Report

An advisory resolution to approve the Directors' Remuneration Report (set out in the Annual Report) is included.

Resolution 3 – Dividend Policy

The Board proposes an amendment to the Dividend Policy to include the following additional wording "Under normal market conditions the Company will pay two interim dividends per year, aligning with the release of the Annual and Interim Reports." Please refer to page 18 for further details.

As a result of the timing of the payment of the Company's dividends payments the Company's shareholders are unable to approve a final dividend. As an alternative, the Board puts the Company's dividend policy to shareholders for approval on an annual basis.

Resolutions 4 to 7 – Election/Re-election of Directors

In line with the recommendations of the 2019 AIC Corporate Governance Code, all Directors of the Company are required to retire and offer themselves for re-election at each AGM. In accordance with this requirement, Mr Curling, Ms Roxburgh and Mr Neilly will retire and offer themselves for re-election as Directors. Ms Williams will be standing for election to the Board having been appointed as a Director since the last AGM.

All of the Directors seeking re-election are recommended by the Board for re-election. Full biographies of all of the Directors are set out in the Annual Report on pages 27 and 28 and are also available for viewing on the Company's website <https://montanaro.co.uk/trust/montanaro-european-smaller-companies-trust/>. The Nomination Committee considered the Directors' performance and recommended their re election and the Board agrees that it is in the best interests of shareholders that each of the Directors be re-elected.

Resolutions 8 and 9 – Re-appointment and remuneration of Auditor

At each meeting at which the Company's financial statements are presented to its members, the Company is required to appoint an auditor to serve until the next such meeting. The Board, on the recommendation of the Audit Committee, recommends the re-appointment of PricewaterhouseCoopers LLP as Auditor to the Company. The Auditor's re-appointment will be proposed to the AGM as Resolution 8. Resolution 9 authorises the Directors to fix the Auditor's remuneration.

Resolution 10 – Authority to allot ordinary shares

Resolution 10 authorises the Board to allot Ordinary shares generally and unconditionally in accordance with Section 551 of the Companies Act 2006 (the "Act") up to an aggregate nominal value of £799,476, representing approximately 10% of the issued Ordinary share capital at the date of the Notice, excluding shares held in Treasury. This authority shall expire at the next AGM.

Resolution 11 – Authority to disapply pre-emption rights

Resolution 11 is a special resolution which is being proposed to authorise the Directors to disapply the pre-emption rights of existing Shareholders in relation to issues of Ordinary shares under Resolution 10 (being in respect of Ordinary shares up to an aggregate nominal value of £799,476, representing approximately 10% of the Company's issued Ordinary share capital, excluding Treasury shares, as at the date of the Notice). This authority shall expire at the next AGM.

The Directors will only allot new shares pursuant to the authorities proposed to be conferred by Resolutions 10 and 11 if they believe it is advantageous to the Company's shareholders to do so. The Board's policy regarding the issue of shares from Treasury is described on page 32.

Notice of Annual General Meeting continued

Resolution 12 – Purchase of own shares

Resolution 12 is a special resolution which will grant the Company authority to make market purchases of up to 23,968,306 Ordinary shares, representing 14.99% of the Ordinary shares in issue as at the date of the Notice. The Ordinary shares bought back will either be cancelled or placed into Treasury, at the determination of the Directors. The maximum price which may be paid for each Ordinary share must not be more than the higher of (i) 105 per cent of the average of the market value of an Ordinary shares for the five business days immediately preceding the day on which the purchase is made or (ii) the value of an Ordinary share calculated on the basis of the higher price quoted for: (a) the last independent trade of; and (b) the highest current independent bid for any number of Ordinary shares on the trading venue where the purchase is carried out. The minimum price which may be paid for each Ordinary share is £0.05.

This power will only be exercised if, in the opinion of the Directors, a purchase would result in an increase in the NAV per share and be in the best interests of the shareholders as a whole. The Board's intention is to apply an active discount management policy, and to consider a buyback of shares where the discount of the share price to the NAV per share is greater than 10% for a sustained period of time and is significantly wider than the average for similar trusts. Any such transaction must be value enhancing for shareholders and the Board will take into consideration the effect of the buyback on the liquidity of the Company's shares.

This authority shall expire at the next AGM, when a resolution to renew the authority will be proposed.

Resolution 13 – Notice period for general meetings

Resolution 13 is being proposed to enable general meetings to be held on 14 clear days' notice. The minimum notice period for listed company general meetings is 21 clear days, but companies have an ability to reduce this period to 14 clear days (other than for annual general meetings), provided that the company offers facilities for shareholders to vote by electronic means and that there is an annual resolution of shareholders approving the reduction in the minimum period for notice of general meetings (other than annual general meetings) from 21 clear days to 14 clear days. The Board is therefore proposing Resolution 14 as a special resolution to ensure that the minimum required period for notice of general meetings of the Company (other than annual general meetings) is 14 clear days. The Directors believe it is in the best interests of the shareholders of the Company to preserve the shorter notice period, although it is intended that this flexibility will be used only for non-routine business and where merited in the interests of shareholders as a whole. The approval will be effective until the Company's next Annual General Meeting when it is intended that a similar resolution will be proposed.

Notes

1. Attending the Annual General Meeting in Person

If you wish to attend the Annual General Meeting in person, you should arrive at the venue for the Annual General Meeting in good time to allow your attendance to be registered. It is advisable to have some form of identification with you as you may be asked to provide evidence of your identity to the Company's registrar, Equiniti Limited (the "Registrar"), prior to being admitted to the Annual General Meeting.

2. Appointment of Proxies

Members are entitled to appoint one or more proxies to exercise all or any of their rights to attend, speak and vote at the Annual General Meeting. A proxy need not be a member of the Company but must attend the Annual General Meeting to represent a member. To be validly appointed a proxy must be appointed using the procedures set out in these notes and in the notes to the accompanying proxy form.

If members wish their proxy to speak on their behalf at the meeting, members will need to appoint their own choice of proxy (not the Chairman of the Annual General Meeting) and give their instructions directly to them.

Members can only appoint more than one proxy where each proxy is appointed to exercise rights attached to different shares. Members cannot appoint more than one proxy to exercise the rights attached to the same share(s). If a member wishes to appoint more than one proxy, they should contact the Registrar on +44 (0) 371 384 2461. Lines are open from 8.30am to 5.30pm, Monday to Friday excluding public holidays in England and Wales. If calling from outside of the UK, please ensure the country code is used. A member may instruct their proxy to abstain from voting on any resolution to be considered at the meeting by marking the 'Abstain' option when appointing their proxy. It should be noted that an abstention is not a vote in law and will not be counted in the calculation of the proportion of votes 'For' or 'Against' the resolution.

The appointment of a proxy will not prevent a member from attending the Annual General Meeting and voting in person if he or she wishes.

A person who is not a member of the Company but who has been nominated by a member to enjoy information rights does not have a right to appoint any proxies under the procedures set out in these notes and should read note 8 below.

It is possible for you to submit your proxy votes online by visiting Equiniti's Shareview website at www.shareview.co.uk and logging in to your Shareview Portfolio.

Click on the link to vote and follow the on-screen instructions. If you have not yet registered for a Shareview Portfolio, please go to www.shareview.co.uk and enter the requested information. It is important that you register for a Shareview Portfolio to allow enough time to complete the registration and authentication processes. For an electronic proxy appointment to be valid, the Registrar must receive it no later than 11.00am on 2 September 2025.

Should you complete your Form of Proxy electronically and then post a hard copy, the Form that arrives last will be counted to the exclusion of instructions received earlier, whether electronic or postal. Please refer to the terms and conditions of the service on the website.

3. Appointment of a Proxy Using a Proxy Form

A proxy form for use in connection with the Annual General Meeting is enclosed. To be valid, any proxy form or other instrument appointing a proxy, together with any power of attorney or other authority under which it is signed or a certified copy thereof, must be received by post or (during normal business hours only) by hand by the Registrar at FREEPOST RTHJ-CLLL KBKU, Equiniti, Aspect House, Spencer Road, Lancing BN99 6DA no later than 48 hours (excluding non-working days) before the time of the Annual General Meeting or any adjournment of that meeting.

If you do not have a proxy form and believe that you should have one, or you require additional proxy forms, please contact the Registrar on +44 (0) 371 384 2461. Lines are open from 8.30am to 5.30pm, Monday to Friday excluding public holidays in England and Wales. If calling from outside of the UK, please ensure the country code is used.

4. Appointment of a Proxy Through CREST

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual and by logging on to the following website: www.euroclear.com. CREST personal members or other CREST sponsored members, and those CREST members who have appointed (a) voting service provider(s), should refer to their CREST sponsor or voting service provider(s) who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it

Notice of Annual General Meeting continued

constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy, must in order to be valid, be transmitted so as to be received by the Registrar (ID RA19) no later than 48 hours (excluding non-working days) before the time of the Annual General Meeting or any adjournment of that meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the Registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means. CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that his/her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

If you are an institutional investor, you may be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to www.proxymity.io. Your proxy must be lodged by 11.00 am on 2 September 2025 in order to be considered valid. Before you can appoint a proxy via this process you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them, and they will govern the electronic appointment of your proxy.

5. Appointment of Proxy by Joint Holders

In the case of joint holders, where more than one of the joint holders purports to appoint one or more proxies, only the purported appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of joint holders appear in the Company's register of members in respect of the joint holding (the first named being the most senior).

6. Corporate Representatives

Any corporation which is a member can appoint one or more corporate representatives. Members can only appoint more than one corporate representative where each corporate representative is appointed to exercise rights attached to different shares. Members cannot appoint more than one corporate representative to exercise the rights attached to the same share(s).

7. Entitlement to Attend and Vote

To be entitled to attend and vote at the Annual General Meeting (and for the purpose of determining the votes they may cast), members must be registered in the Company's register of members at 6.30pm on 2 September 2025 (or, if the Annual General Meeting is adjourned, at 6.30pm on the day two days prior to the adjourned meeting). Changes to the register of members after the relevant deadline will be disregarded in determining the rights of any person to attend and vote at the Annual General Meeting.

8. Nominated Persons

Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the member by whom he/ she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights.

9. Voting Through the Platforms

If you hold your shares through an investment platform or other nominee services, the Board encourages you to contact your platform provider or nominee as soon as possible to make arrangements to vote in respect of your holding. Voting differs between the major platforms, and you should be aware that deadlines for voting through the platforms may be earlier than the Company's proxy voting deadline.

Further information on how to vote across the most common investment platforms is available at the following link: <http://www.theaic.co.uk/how-to-vote-your-shares>.

10. Website Giving Information Regarding the Annual General Meeting

Information regarding the Annual General Meeting, including information required by section 311A of the 2006 Act, and a copy of this notice of Annual General Meeting is available from www.montanaro.co.uk.

11. Audit Concerns

Members should note that it is possible that, pursuant to requests made by members of the Company under section 527 of the 2006 Act, the Company may be required to publish on a website a statement setting out any matter relating to: (a) the audit of the Company's accounts (including the Auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting; or (b) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the 2006 Act. The Company may not require the members requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the 2006 Act. Where the Company is required to place a statement on a website under section 527 of the 2006 Act, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under section 527 of the 2006 Act to publish on a website.

12. Members resolution

Under Section 338 and Section 338A of the Companies Act 2006, members meeting the threshold requirements in those sections have the right to require the Company (a) to give to members of the Company entitled to receive notice of meeting, notice of any resolution which may properly be moved and is intended to be moved at the meeting and/or (b) to include in the business to be dealt with at the meeting any matter (other than a proposed resolution) which may be properly included in the business.

A resolution may properly be moved or a matter may properly be included in the business unless (a) (in the case of resolution only) it would, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise), (b) it is defamatory of any person, or (c) it is frivolous or vexatious. Such a request may be in hard copy form or in electronic form, must identify the resolution of which notice is to be given or the matter to be included in the business, must be authorised by the person or persons making it, must be received by the Company not later than 24 July 2025, being the date six weeks before the meeting, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.

13. Voting Rights

As at 17 June 2025 (being the latest practicable date prior to the publication of this notice) the Company had 159,895,306 Ordinary shares in issue of £0.05 each. Each Ordinary share (other than those held in Treasury) carries one vote. The total voting rights in the Company as at 17 June 2025 were 159,895,306 votes.

14. Notification of Shareholdings

Any person holding 3% or more of the total voting rights of the Company who appoints a person other than the Chairman of the Annual General Meeting as his/her proxy will need to ensure that both he/she, and his/her proxy, comply with their respective disclosure obligations under the UK Disclosure Guidance and Transparency Rules.

15. Further Questions and Communication

Under section 319A of the 2006 Act, the Company must cause to be answered any question relating to the business being dealt with at the Annual General Meeting put by a member attending the meeting unless answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, or the answer has already been given on a website in the form of an answer to a question, or it is undesirable in the interests of the Company or the good order of the meeting that the question be answered. Members who have any queries about the Annual General Meeting should contact the Company Secretary, Juniper Partners Limited at 28 Walker Street, Edinburgh EH3 7HR. Members may not use any electronic address provided in this notice or in any related documents (including the Annual Report and Accounts and proxy form) to communicate with the Company for any purpose other than those expressly stated.

16. Documents Available for Inspection

The following documents will be available for inspection at the registered office of the Company during normal business hours on any weekday (Saturdays, Sundays and English public holidays excepted) from the date of this notice until the conclusion of the Annual General Meeting:

- copies of the Directors' letters of appointment; and
- copies of the Directors' deeds of indemnity.

None of the Directors has a service contract with the Company.

17. Personal data

Personal data provided by shareholders at or in relation to the Meeting will be processed in line with the Company's privacy policy.

Advisers

INVESTMENT MANAGER AND ALTERNATIVE INVESTMENT
FUND MANAGER ("AIFM")

Montanaro Asset Management Limited

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Fax: 020 7448 8601
enquiries@montanaro.co.uk
www.montanaro.co.uk

ADMINISTRATOR

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Edinburgh EH3 7HR
Tel: 0131 378 0500

COMPANY SECRETARY

Juniper Partners Limited

28 Walker Street
Edinburgh EH3 7HR
Tel: 0131 378 0500
Email: cosec@junipartners.com

REGISTERED OFFICE

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Edinburgh EH3 7HR

REGISTRAR

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Registrar's Shareholder Helpline
Tel: +44 (0)371 384 2030*

Registrar's Broker Helpline
Tel: 0906 559 6025

* Lines are open 8.30am to 5.30pm, Monday to Friday.

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CUSTODIAN

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Montanaro European Smaller Companies Trust plc

Registered in Scotland No. SC074677

An investment company as defined under Section 833
of the Companies Act 2006.

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