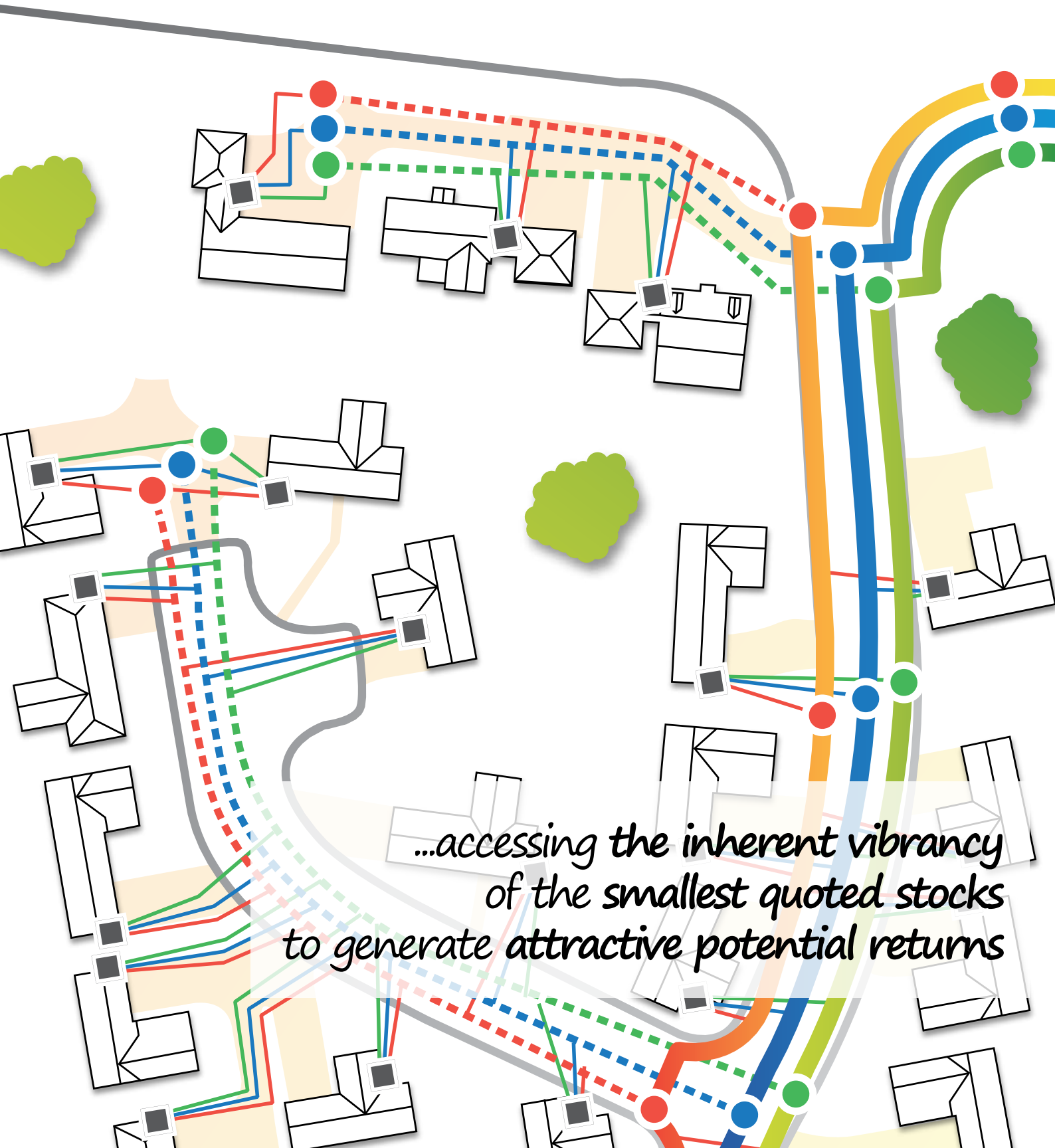


Miton UK MicroCap Trust plc

Report and Accounts

For the period 26 March 2015 to 30 April 2016



Markets performed well during the credit boom. But now that economic conditions are changing, so are market trends ...

- ☞ Normally, credit booms do not last long as extra inflationary pressures force up interest rates preventing over-extended leverage.
- ☞ This credit boom is different. It has been global in scale and has persisted for over 25 years. The period of globalisation has been with us for so long that many funds have come to treat plentiful economic growth as normal.
- ☞ Through credit, we were borrowing growth from the future, it now appears that the tide of globalisation has passed its high water mark. Very low bond yields imply that forthcoming investment returns will be modest.
- ☞ As world growth has stagnated, some of the strategies that were successful previously are starting to come through once again. For example, the dividends of many smaller companies are now growing at a faster pace than those of mainstream stocks.
- ☞ This marks a multi-decade turning point. The investment strategy of Miton UK MicroCap Trust plc has been crafted to take advantage of these changing trends. This Annual Report outlines the reasons why we believe the Company can continue to deliver premium returns for shareholders, in spite of choppy markets.

**We're at a
multi-decade turning** *point*



Miton UK MicroCap Trust plc

Report for the period to 30 April 2016

Miton UK MicroCap Trust plc is an investment trust quoted on the London Stock Exchange under the ticker code MINI, with total assets of £91m as at 30 April 2016. It is referred to as the Company, the Trust or as MINI in the text of this Report. The Company has a Board that is independent of the Investment Manager.

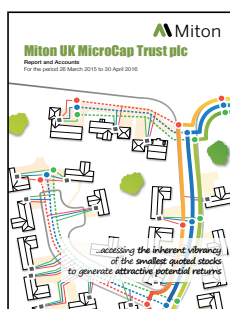
This Report covers the initial period of the Trust's life up to 30 April 2016, a time when mainstream markets were unsettled – for example, the FTSE All-Share Index was down 9.0% over the period. The net asset value ("NAV") of the Ordinary shares, however, has risen by 12.0% since issue, in spite of bearing the costs of investing the new capital.

In response to investor demand, the Trust issued an additional £5.3m of new equity during August and September 2015. On 19 February 2016, the Trust raised gross proceeds of £28m via a C share issue. Both the capital appreciation of the portfolio and the additional stock issuance has grown the scale of the Trust, with the benefit of spreading the fixed costs over a larger capital base, as well as increasing the marketability of the Trust's shares. The NAV of the C shares, which were in existence for only part of the reporting period and were not fully invested, increased by 7.4%.

Our objective

The Company invests in a portfolio of UK quoted companies. Our primary objective is to achieve capital growth by investing in a portfolio of stocks that are well-placed to generate an attractive cash payback from productivity improvements. While these types of stocks tend to pay modest dividends currently, it is anticipated that they will be able to fund a growing stream of dividend payments over the next three to five years.

Fulcrum Utility Services Limited



Source: Bloomberg 1 May 2015 to 30 April 2016.

The image on the cover relates to Fulcrum Utility Services Limited, a stock that exemplifies the characteristics of many of the stocks in the portfolio. Fulcrum offers design and installation of utility infrastructure for those who need them to be linked back to their premises to new housing estates. Over recent years it has taken its service levels to some of the best in the industry. It was recently awarded Company of the Year at the Gas Industry Awards 2016. Sales in the year to 31 March 2016 were close to £35m, and with improved efficiency and the momentum in the businesses it is well placed to continue to grow well in the next financial year. The company is prudently financed, with £8.3m net cash at the year end, so it can now fund some good growth in its dividend. Although its share price has increased steadily since purchase on 1 May 2015, the stock still does not stand on an inflated valuation, especially given that the company has recently reported a strong order book for the coming year.

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Go to www.mitongroup.com/micro

for more information



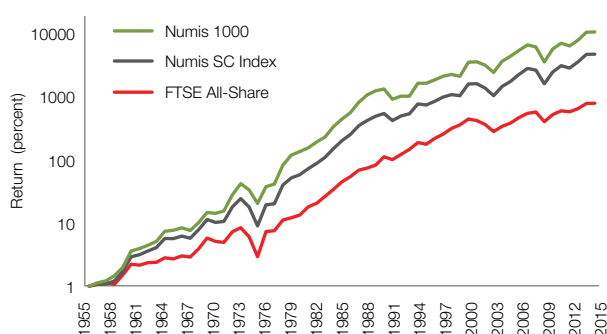
Use your phone's QR app to go to our website

What makes *MINI* distinctive?

MINI is positioned for the trends that existed prior to the credit boom

1. **Value stocks have delivered the best returns in the past** – Growth stocks typically underperform because their share prices tend to stand on more demanding valuations given the higher expectations assumed by investors, and yet few companies consistently deliver premium growth that matches or exceeds these high expectations. Conversely, value stocks (sometimes known as recovery stocks) tend to outperform because the investor expectation intrinsic in their share prices is less demanding, and thereby easier to beat, sometimes by a significant margin. A strategy that focuses on the smallest quoted companies, combined with those with the greatest recovery potential, has performed strongly in the past, and these advantages are more relevant again given that market valuations are relatively high.
2. **The smallest companies outperformed larger companies** – During the credit boom, economic growth was plentiful with both large and small companies expanding well. This was a period when all UK quoted companies, including the largest 350 quoted companies, tended to generate sizeable returns. But prior to the credit boom, when world growth was more modest, it was harder for many of the largest companies to generate decent growth. The great advantage of the vibrancy of smaller quoted companies is their greater scope to buck a softer economic trend. This helps explain why small cap stocks delivered premium returns, and progressively outperformed the largest companies in the decades prior to the credit boom. With world growth more subdued, it can be expected that corporate vibrancy from these types of stocks will be more relevant once again.
3. **Diversification can be found locally** – The mainstream indices in the UK are dominated by large financial stocks such as the banks and the insurance companies, along with some fast-moving consumer brands and some large integrated oil stocks. The problem for investors is that these sectors typically dominate many of the other mainstream markets around the world. In contrast, the industry sectors in a portfolio of smaller quoted companies range over a variety of industries. Therefore, the profile of their returns tends to be less closely correlated with the movements of mainstream markets, and investors with holdings in both large and smaller companies benefit from asset diversification.

Performance of Numis Smaller Companies Index*
v Numis 1000 v FTSE All-Share 1955 – 2015



This chart demonstrates how smaller quoted companies (in grey) have outperformed the mainstream stocks (in red). The ‘smaller company effect’ is proportional so the very smallest stocks (in green) have outperformed both the mainstream stocks and the smaller company stocks in general.

Source: Numis Securities, Elroy Dimson and Paul Marsh (London Business School). *Formerly RBS Hoare Govett Smaller Companies Index.



Performance of quadrants of big and small companies in the Numis Smaller Companies Index and Value and Growth via Book-to-Market 1955-2013

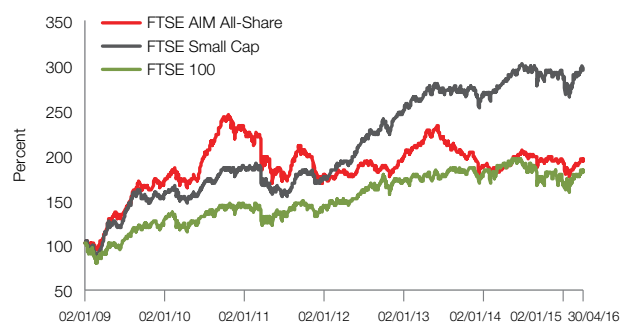


This bar chart shows how building a portfolio of recovery stocks (often known as Value in this data) overlaid with both bigger-small and smaller-small companies (denoted as Big and Small in this data) enhances the long-term returns.

Source: Dimson, E and Marsh, P (2014) Numis Smaller Companies Index 2014 Annual Review. All the stocks in the Numis Smaller Companies Index (NSCI) were classified by market capitalisation as either bigger (Big) or smaller (Small). In addition the stocks were also classified by Book-to-Market to identify those with Value or Growth characteristics.



FTSE AIM All-Share v FTSE Small Cap v FTSE 100
2 Jan 2009 – 30 Apr 2016

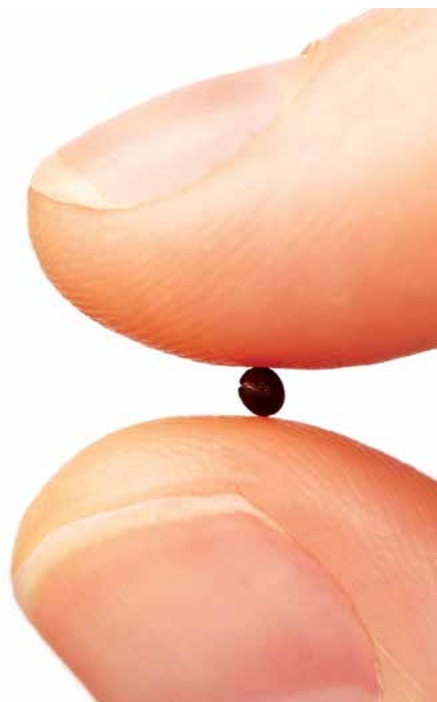


Whilst all share prices reflect the general movement of markets, it is advantageous for investors to spread this market risk through holding different groups of stocks that tend to peak and trough at different times. This chart outlines how much the market trends in smaller company stocks diverge from those of the main market, thereby adding a degree of diversification for those investors holding both.

Source: Bloomberg 1 January 2009 to 30 April 2016.



Further detail on these trends can be accessed on the Miton website using the QR codes above, which can be read using your mobile device once you have installed the appropriate app.



The vibrancy of smallness

How the credit boom boosted market returns

During the credit boom, the increasing availability of debt and progressively lower interest rates together boosted the rate of economic expansion. In fact, the boom decades were marked by a combination of both extra economic growth and a general rise in corporate profit margins. Together these factors have often combined to generate some relatively rapid earnings growth.

In tandem, globalisation also boosted the availability of low cost goods in western markets. This tide of cheap imports caused deflationary pressures which more than off-set the inflationary pressures from the extra economic growth. The result was that long term interest rates have progressively fallen over the last three decades, boosting the valuations of nearly all assets.

Overall, it was a combination of the unusually rapid earnings growth during the boom, enhanced by a general rise in equity valuations that has led to equity returns regularly exceeding the rate of inflation for an extended period.

Institutional interest in the smallest stocks

During the boom years, growth was plentiful. This was good news for both large and small companies. It was also good for local businesses as well as international companies.

With the equity markets performing well, attractive returns became commonplace. During the boom the massive gains made on the investments held in larger company portfolios have naturally greatly exceeded the scale of the gains made on the more limited sums invested in the smallest companies. Over time most institutional investors have come to believe that they do not have any great need to invest in smaller quoted companies. After all, large-cap portfolios had a history of delivering attractive returns, with the added benefits of major overlap with benchmark indices, along with easy liquidity that facilitated quick portfolio changes.

The logic looked compelling during the boom years. Most asset allocators have progressively reduced their weightings in the smallest quoted stocks. In truth, a whole generation of asset allocators have learned to overlook the fact that the very smallest stocks tend to have greater vibrancy.

The disappearance of the small cap exchanges

In general, the falling institutional allocations to the smallest quoted companies have undermined the viability of most of the small company stock exchanges in Europe over the last 20 years. Indeed, over the years, nearly all of the European smallcap exchanges have closed down, whilst NASDAQ in the US, which used to be a major smallcap exchange in the 1970's and 1980's subsequently morphed into a mega cap technology market during the credit boom.

Politicians, however, tend to have a much more positive attitude to smaller quoted companies as these types of stocks make an important contribution to new private employment in the local economy. Alongside this, smaller companies tend to pay most of their taxation to the local exchequer, rather than setting up remote financial structures to minimise their tax liability.

Therefore, politicians tend to support the stock exchanges that supply risk capital to the smaller quoted company universe. If anything it is expected that UK quoted companies will move even further up the political agenda following the Brexit decision, particularly if some of the larger multi-nationals start to scale back their operations in the UK.

And yet the AIM market remains

One of the only European exchanges dedicated to smallness that has survived in this period has been the Alternative Investment Market (known as AIM). In terms of stock market listings the UK has always had a heritage of smallness. During the credit boom years the UK Government sustained an interest in smallness through attractive tax incentives such as the EIS and VCT schemes. These incentives helped sustain a modest allocation of risk capital for the smallest quoted companies even though institutional interest continued to fall away. It is for this reason that the AIM exchange has survived when others have not.

The key advantage now is that UK investors still have a multitude of smaller quoted companies available for investment, at a time when there are few international alternatives. Specifically, there are greater opportunities to add value through stock selection in the smallest quoted stocks given that few professional investors are actively researching these stocks. In addition some of these types of companies may have greater scope to outperform, as outlined above. In particular, as a group, this universe also offers a degree of diversification from the mainstream stocks.

Whilst the share prices of some of the smallest companies may have suffered a setback after the Brexit vote, overall there are many that are beneficiaries of the weakness of Sterling. The MINI investment strategy is able to take full advantage of this overlooked universe of vibrant stocks. Most particularly the portfolio can continue to focus on participating in those that have attractive risk/reward ratios and the prospect of generating premium returns.

Strategic Report

Results for the Period to

30 April 2016

- Over the first year the Ordinary share NAV rose from 49.0p on 30 April 2015 (50p per share less the costs of the issue) to 54.91p on 30 April 2016, an appreciation of 12.0%.
- The Trust has grown during the period, in part down to the performance outlined above, and in part due to the issuance of an additional 9.99m Ordinary shares in August and September 2015 and 56m C shares in February 2016. At the end of the period, the overall assets in the core portfolio within the Trust were £60.4m. The assets within the C share portfolio were £29.5m. The net assets of the combined portfolios were £89.9m.
- The Ordinary share price appreciated from 50.0p at issue to 56.75p at the end of April 2016. This represents a 13.5% return in the period. The C share price appreciated from 50.0p at issue on 19 February 2016 to 54.0p at the end of April 2016, representing a 8.0% return over the period.

Summary of Results

	Company 30 April 2016	Ordinary Shares 30 April 2016	C Shares 30 April 2016
Total Net Assets attributable to equity shareholders (£'000)	89,867*	60,392	29,475
NAV per share		54.91p	52.63p
Share price (mid)		56.75p	54.00p
Premium to NAV		3.35%	2.60%
Revenue return per share		0.32p [†]	0.03p [‡]
Total return per share		5.64p [†]	2.63p [‡]
Ongoing charges [#]		1.76% [†]	1.47% [‡]
Shares in issue		109,990,000	56,000,000

* Investments, cash and receivables less trade and other payables.

† For the period from 26 March 2015 to 30 April 2016.

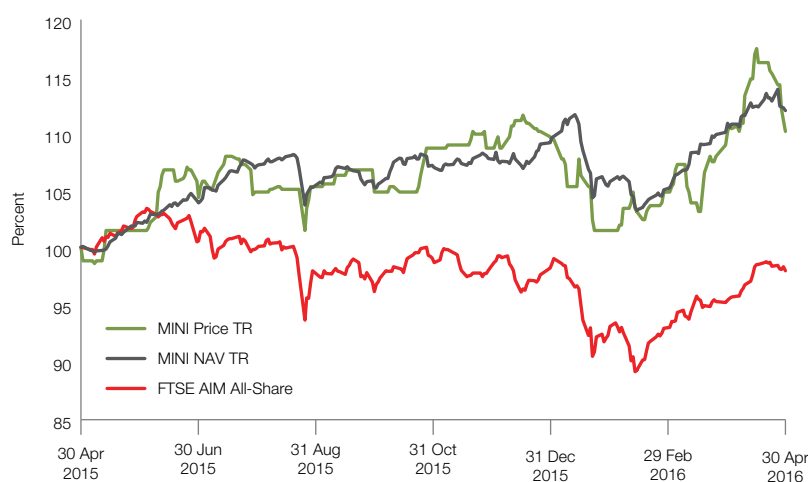
‡ For the period from 19 February 2016 to 30 April 2016.

The ongoing charges are calculated in accordance with AIC guidelines. The ratio for the C shares is indicative for the period from date of issue, 19 February 2016, to 30 April 2016 (on an annualised basis) in comparison to that for the Ordinary shares which is for the period to 30 April 2016.

Financial Performance Indicators

The data provided below relates to the Ordinary share price, NAV or portfolio.

NAV* v share price* v FTSE AIM All-Share Index

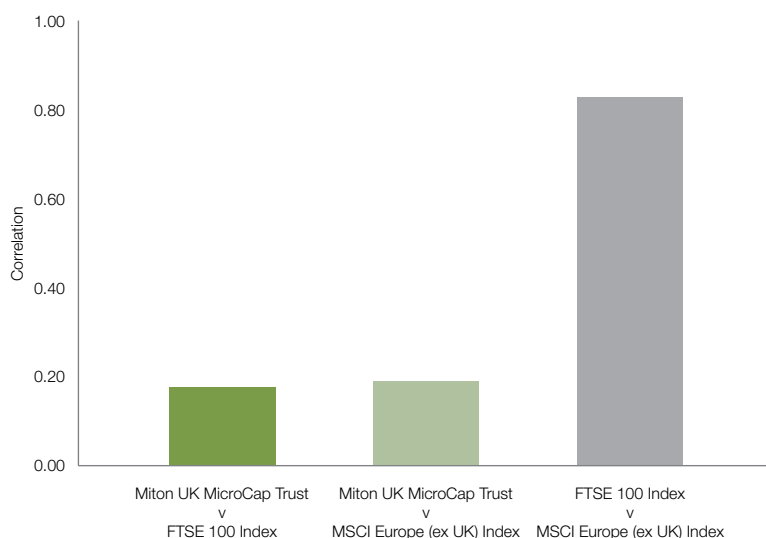


The chart details the NAV and the daily closing share price of the Company compared with that of the FTSE AIM All-Share Index. Over 80% of the Company's current investments are listed on AIM.

Source: Bloomberg and Miton 30th April 2015 to 30th April 2016.

* Of the Ordinary shares.

NAV correlation v FTSE 100 Index v MSCI Europe (ex UK) Index



It is interesting to note that many of the larger international indices comprise multi-national companies in a range of sectors that are similar in each geography. Given that a major oil company in the US or Europe is very similar to a major oil company in the UK, it is noteworthy that there is a high degree of correlation between the daily movements of the FTSE 100 and the MSCI Europe (ex UK) Indices. Although the holdings in MINI are typically quoted in the UK, the fact that the stocks are outside the mainstream indices, and operate in a wide range of industry sectors, has led to a low correlation to the FTSE 100. Please note this data only extends over the period since launch for the Ordinary shares, rather than the 36 month period which is the industry norm for this kind of data.

Source: Bloomberg 30 April 2015 to 30 April 2016.

Chairman's Statement



Andy Pomfret
Chairman

The Trust was listed on the London Stock Exchange on 30 April 2015. This is the first full year report of Miton UK MicroCap Trust plc and covers the period ended 30 April 2016.

The scale of the Trust

At launch in April 2015, the Trust raised £50m of new capital at 50p per share.

As investment trusts grow, there are advantages for shareholders as the fixed costs are spread over a larger capital base. In addition, a larger investment trust tends to have greater stock market liquidity in its shares.

So, as the initial capital became invested during the first half of the year, the Board authorised the issue of an additional 9.99m Ordinary shares at an average price of 53.5p and at a minimum premium of 2% to the relevant NAV. On 17 February 2016, during the second half of the year, the Board announced a larger £28m issue of C share capital. The C share monies were held in a separate portfolio until the new capital was at least 90% invested, and then, following an announcement by the Board on 13 July 2016, the Ordinary and C share portfolios were merged.

Therefore, over the year, as a result of the performance and the issue of the new shares, the value of the Trust has grown from £49m (after the

costs of the initial float had been deducted) to £90m at the end of April 2016, and this will be reflected in a lower ongoing expense ratio.

The financial statements present information on both the Ordinary shares, which were in existence throughout the reporting period, and the C shares from 19 February 2016. You will see that the Balance Sheet in the Financial Statements, page 57, shows the C shares as a liability rather than as equity. This is an unfortunate consequence of one of the International Accounting Standards which we have no choice but to follow, IAS 32, paragraph 11. We have tried to explain this in more detail in notes 1 and 4 to the accounts. We have also shown in the "Shareholders' Questions and Answers" section on page 88 the combined portfolio at the 31 July, after the conversion of the C shares into Ordinary shares which took place on 20 July 2016.

Initial returns

Generally mainstream equity markets have been unsettled over the period under review, with the FTSE All-Share Index falling by 9.0%. In contrast the FTSE SmallCap (excluding Investment Companies) Index actually rose 1.0% in the same period while the FTSE AIM All-Share Index fell just 3.4%. Smaller company share prices were more resilient in the period, in spite

“ Despite the transactional costs incurred during the investment of the initial capital, the Investment Manager has outperformed over the first period of operation with the Ordinary share NAV up 12.0% over the year. ”

of the proximity of the Brexit vote in June 2016. Despite the transactional costs incurred during the investment of the initial capital, the Investment Manager has outperformed over the first period of operation with the Ordinary share NAV up 12.0% over the year. The C share NAV increased by 7.4% over the period from 19 February 2016 to 30 April 2016.

The dividend income generated by the portfolio in the year has, as expected, been modest, and after deducting the Trust's running costs, the revenue per share amounts to 0.32p. The Board has recommended a final dividend of 0.14p per share to be paid to shareholders if approved at the AGM.

Outlook

The Company was set up because smaller quoted companies tend to have greater vibrancy than their larger competitors. During the past decades of wide-ranging economic expansion, this factor has not been especially distinctive or relevant to most investors. But, as world growth expectations have moderated over the last few years, institutional investors have shown a renewed interest in stepping up their capital allocation into the smallest quoted stocks.

Progressive improvements in productivity are often equated with long term wealth creation. So the Trust's portfolios have favoured those companies that are investing risk capital for potential productivity improvements. It is anticipated that the cashflow payback on the capital expenditure will lead to a stream of growing cash profits in time, and this will ultimately fund the growth of their dividend distributions over the coming three to five years.

No statement would be complete without a comment on the recent Brexit decision. There has obviously been much comment on this over the last few weeks, but some impacts are already being felt, and the uncertainty will continue for months if not years. Although the Investment Manager may make some changes to the portfolio as a result of Brexit, we believe the overall strategy should remain the same and that investing in small, vibrant companies (that are often ignored by larger funds) will continue to produce attractive returns.

Andy Pomfret

Chairman

8 August 2016

Investment Manager's Report

Details of the Investment Manager

The Company's Investment Manager is Miton Trust Managers Limited, a wholly owned subsidiary of Miton Group plc ("Miton").

Miton is itself a smaller quoted company, listed on AIM. Miton is a close knit team and its agility means that it can be more independent in its thinking. This is important at all times, but following Brexit when market trends may be changing more significantly, the willingness to recognise major changes in markets can be particularly relevant. Miton has a team of four fund managers researching UK quoted stocks.

The day-to-day management of the Trust's portfolio is carried out by Gervais Williams and Martin Turner, who have a particular focus on researching many of the smaller quoted stocks.

Gervais Williams

Gervais joined Miton in March 2011 as Managing Director of the group. He has been an equity portfolio manager since 1985, including 17 years as Head of UK Smaller Companies and Irish Equities at Gartmore. He won the Grant Thornton Investor of the Year Award in 2009 and 2010, and was awarded Fund Manager of the Year 2014 by What Investment?

Martin Turner

Martin joined Miton in May 2011. Martin and Gervais have had a close working relationship since 2004, and their complementary expertise and skills led to their backing a series of successful companies. Martin qualified as a Chartered Accountant with Arthur Andersen, and also has extensive experience at Rothschild, Merrill Lynch and Collins Stewart, where as Head of Small/Mid Cap Equities his role covered their research, sales and trading activities.

The overall objective of the Trust

During the credit boom many funds adopted mainstream indices as their benchmark of success.

This risks introducing a mindset where the absolute share price risk of some of the largest index weightings can be perceived as less worrying, when compared to other stocks not included in the index. A very large number of equity funds therefore have sizeable holdings in a uniform group of the largest stocks.

Miton is distinctive in that many of our funds do not use traditional benchmarks. In particular, we advocate that market participants should be very attentive to the post credit boom trends, and we often propose investment strategies anticipating forthcoming investment trends, rather than slavishly following the consensus. Overall we would like to manage this Trust so that it delivers a superior capital gain ahead of most other comparative funds. Although the dividend yield on the Trust is modest at present, we also seek to invest the portfolio so that it generates superior dividend growth.

Implementing the investment strategy

In general, we believe that companies with decent productivity improvements are likely to be amongst those that deliver attractive returns. The point is that productivity improvement typically generates a cash payback on the investment, and it is this growing cashflow that leads to these types of stocks outperforming. Businesses with strong cashflow can go on to fund yet more productivity improvements, as well as ultimately a stream of growing dividends that should lead to an increase in market value over time.

We find the following five factors particularly helpful when selecting productive investments with attractive risk/reward ratios for the Trust.

Turnover growth – Although some companies can succeed in growing their profits without turnover growth, in general the greatest long term growth comes from those that expand their turnover.

Companies investing in productivity improvement can often increase sales via an innovative new service, or through introducing a superior or improved product. Even in times of economic stagnation, this type of improvement can sometimes generate decent turnover growth.

Sustained margins – A company that generates extra turnover growth may find it does not grow its cashflow much if its profit margins fall back. The best kinds of productivity improvement should reduce the cost of goods, although some may also justify a better market price. Ideally, we are looking for companies that have the potential to improve their profit margins, though in the current competitive environment it may be that even sustaining margins could be a good result.

Management of risk – All investment carries risks, but often those going for the fastest growth are obliged to take the greatest risks. In general we aim to moderate portfolio risk by investing in companies where the management team are happy to grow at a steady rate without taking sizeable risks. Such companies still carry plenty of potential to deliver an attractive return for their shareholders over time.

Better balance sheets – Many corporates have taken on extra debt over the past decade given the exceptionally low interest rates. However, we prefer investments with net cash balances or those with modest debt relative to much higher facility headroom. In a world that is uncertain, those with under-gearred balance sheets can take advantage of any economic setback to greatly improve their market position, whereas those fully drawn on their facilities tend to have fewer options.

Low entry valuations – The upside potential on an investment is often greater when the valuation on entry is modest. In general, we favour stocks where the overall market capitalisation reflects some of the problems of the past in preference to those which are already reflecting some of the excitement about the future. With few institutional investors actively researching the smallest quoted companies, there are plenty of stocks with what we believe are low entry valuations.

Progress over the period

Equity markets were particularly unsettled during the period under review. Generally, world growth expectations declined and investor sentiment fluctuated significantly through the year. The new capital raised by the Trust at the time of the listing was progressively invested over the period. On 17 February 2016 it was announced that a further £27.4m of new capital was raised via a C share issue. In line with the prospectus, this capital was held in a separate portfolio during the period of investment, and was merged with the Ordinary shares in July 2016 when at least 90% of the capital was invested.

The Ordinary share portfolio comprised 95 stocks at the end of April. The new C share portfolio was only partially invested at the April period end, and therefore at that time held only 38 stocks. Of these, 22 were companies that were already held in the Ordinary share portfolio, with the balance representing new stocks for the portfolio.

Some of the new holdings in the C share portfolio have been scaled on the basis that the two portfolios were due to be merged. This has meant that a few of the holdings have become quite large in the context of the C share portfolio alone, especially in the case of those that have performed strongly since the time of investment.

Subsequent to the end of the period, in July, it was announced that the C share portfolio exceeded the 90% invested threshold, and the process of merging the two portfolios was completed on 19 July. The combined portfolio held 120 stocks at the time of the merger. Both portfolios were invested in a wide range of industry sectors, so the combined portfolio is well-diversified. Further details of the largest holdings in each part of the portfolio at the end of April are outlined in pages 15 to 18 of this Report.

Naturally, we have sought to be sure-footed as we have purchased new holdings for the portfolios.

Generally, most holdings have performed well, although there are a few where share prices have fallen back subsequent to purchase. Stanley Gibbons Group, which has been setting up a new online exchange for stamps and coins, suffered integration issues which impeded the profitability of some of its regular auctions. Aureus Mining, a gold miner just coming into production, reported that its new operations were suspended due to some environmental contamination. Both of these holdings were sold in the period. In contrast, Pure Wafer and Alkane Energy were sold at a good profit following

agreed bids. At the end of the period Penna Consulting (the second largest holding in the portfolio) also agreed to be acquired at a price around twice the original purchase price.

Fulcrum Utility Services (featured on the front of this Report) continued to perform well throughout the year, having grown its utilities installation operations. In addition, International Greetings continued to generate excellent cashflow from capex for productivity improvements over the last three years. This has driven additional sales at improving net margins.

Over the period the Ordinary share NAV of the Trust increased by 12.0%. This return is stated after all costs, including the costs of purchasing the holdings, and administration charges including the fund management fee.

The Trust's capital was not invested at the start of the period, so dividend receipts were not significant over the period. The Board, however, has recommended a final dividend of 0.14p per share.

The C share portfolio was only partly invested given it was only active between new capital arriving on 19 February 2016 and the end of the Trust's year on 30 April 2016 (i.e. ten weeks). The largest holdings comprised Cerillion, a promising software company for mobile billing that listed in March 2016, Brighton Pier Group, a UK entertainments business via a company placing to fund the acquisition of Brighton Pier, and Bilby, a company already represented in the Ordinary share portfolio, which issued some additional stock to fund two further acquisitions in order to accelerate their growth.

Over the ten week period, the NAV of the C share portfolio rose by 7.4%, despite the fact the portfolio was only 53% invested as at 30 April 2016.

Current market trends and outlook

During the period to April 2016, there was a growing number of dividend cuts by stocks in the FTSE 100. Whilst this included a number of companies operating in the oil and mining sector, where commodity prices have fallen sharply, it also included supermarkets, mainstream banks and engineering companies such as Rolls Royce. The overall effect of these dividend cuts reduced the aggregate dividend growth of the FTSE 100 Index, so that it was essentially flat.

“ ... we believe the superior dividend growth is a good reason for investors to increase their exposure to the universe of the smallest quoted companies.”

Although the lack of world growth is not helpful for smaller quoted companies either, there are a number of such companies where their immature market positions mean they are well placed to invest for productivity increases. Not all will be successful, but generally we are upbeat about their prospects for generating additional sales at attractive margins over the coming three years. If they achieve this then they should be in a position to pay a growing dividend stream to their shareholders. To some degree this pattern has already started coming through with the dividend growth on the AIM exchange estimated by Peel Hunt to be growing at around 10% per year. Whilst the current level of dividend yield on AIM stocks is standing at about half the level of the FTSE 100, we believe their superior dividend growth is a good reason for investors to increase their exposure to the universe of the smallest quoted companies.

The Brexit decision had immediate impacts on the markets and the exchange rate of Sterling, as discussed further on page 91. While it may be that the uncertainty regarding Brexit remains for some time, we believe that the overall strategy of the Trust, along with the wide opportunity set available, is still very well suited to a post-Brexit world, and therefore it is anticipated there are good reasons for the Trust to continue to generate premium returns in future.

Gervais Williams and Martin Turner

8 August 2016

The information on pages 15 to 18 present the two separate portfolios as at 30 April 2016. As previously noted, the merger of the two portfolios took place on 19 July 2016. A combined portfolio as at 31 July 2016 is set out on page 88 for information.

Ordinary Shares Portfolio Information

as at 30 April 2016

Rank	Company	Sector & main activity	Valuation £'000	% of the Ordinary shares net assets	Yield ¹ %
1	Fulcrum Utility Services*	Utilities	3,561	5.9	1.0
2	Penna Consulting*	Industrials	2,700	4.5	2.2
3	Atlantis Resources*	Oil & Gas	1,744	2.9	–
4	Cropper (James)*	Basic Materials	1,561	2.6	1.2
5	Bilby*	Industrials	1,533	2.5	2.1
6	Fishing Republic*	Consumer Goods	1,395	2.3	–
7	Kromek Group*	Health Care	1,191	2.0	–
8	WYG	Industrials	1,178	2.0	1.0
9	Cambria Automobiles	Consumer Services	1,174	1.9	1.1
10	Cello Group	Consumer Services	1,087	1.8	3.1
Top 10 investments			17,124	28.4	
11	Ingenta (previously Publishing Technology)	Technology	1,050	1.7	–
12	K3 Business Technology Group	Technology	1,003	1.7	0.4
13	32Red	Consumer Services	973	1.6	2.2
14	Safestay	Consumer Services	968	1.6	–
15	Constellation Health*	Health Care	938	1.5	–
16	Dekeloil Public	Consumer Goods	932	1.5	–
17	Utilitywise	Industrials	894	1.5	3.3
18	IBEX Global Solutions	Industrials	890	1.5	7.5
19	International Greetings	Consumer Goods	880	1.5	1.0
20	STM Group	Financial Services	833	1.4	2.7
Top 20 investments			26,485	43.9	
21	Charles Taylor	Industrials	789	1.3	3.8
22	CML Microsystems	Technology	787	1.3	1.8
23	Churchill China	Consumer Goods	775	1.3	2.4
24	Zotefoams	Basic Materials	768	1.3	2.0
25	Walker Crips Group	Financial Services	765	1.3	3.9
26	Character Group	Consumer Goods	752	1.2	2.6
27	Norcros	Industrials	742	1.2	3.4
28	Park Group	Financial Services	730	1.2	3.4
29	BATM Advanced Communications	Technology	726	1.2	–
30	NWF Group	Industrials	716	1.2	3.7
Top 30 investments			34,035	56.4	
31	Inland Homes	Financial Services	705	1.2	1.4
32	Finsbury Food Group	Consumer Goods	701	1.2	2.2
33	Science in Sport	Consumer Goods	692	1.1	–
34	Gateley (Holdings)	Industrials	680	1.1	–
35	Creston	Consumer Services	664	1.1	4.1
36	Proactis Holdings	Technology	658	1.1	0.9
37	Share	Financial Services	643	1.1	2.6
38	Stride Gaming	Consumer Services	625	1.0	–
39	IQE	Technology	622	1.0	–
40	Amino Technologies	Technology	614	1.0	5.1
Top 40 investments			40,639	67.3	
Balance held in 55 equity instruments			18,556	30.7	
Total investment portfolio			59,195	98.0	
Other net current assets			1,197	2.0	
Net assets			60,392²	100.0	

* These companies, together with those similarly marked on page 17, form the top 10 investments of the combined portfolio as at 30 April 2016.

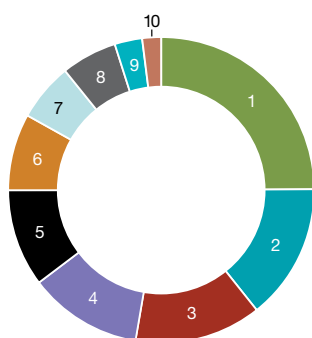
¹ Source: Interactive Data. Based on historic dividends and therefore not representative of future yield.

² As detailed in note 5 to the financial statements.

A copy of the full portfolio of investments as at 30 April 2016 is available on the Company's website, www.mitongroup.com/micro

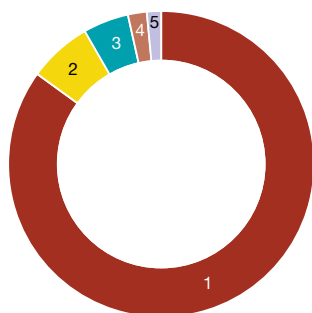
Ordinary Shares Portfolio Information

as at 30 April 2016



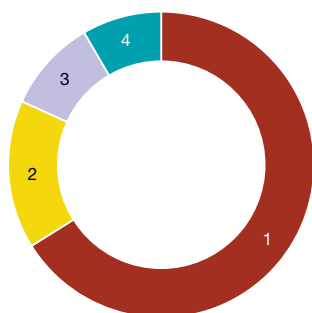
Portfolio exposure by sector

1	Industrials	24.9%	6	Basic Materials	8.1%
2	Technology	14.4%	7	Health Care	6.1%
3	Consumer Services	13.4%	8	Utilities	5.9%
4	Financial Services	12.0%	9	Oil & Gas	2.9%
5	Consumer Goods	10.3%	10	Other net current assets	2.0%



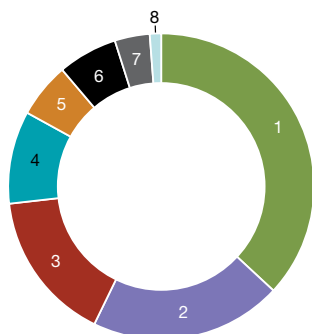
Portfolio by asset allocation

1	AIM	85.0%
2	FTSE SmallCap Index	6.7%
3	FTSE Fledgling Index	4.8%
4	Other net current assets	2.0%
5	Other UK Equities	1.5%



Portfolio by spread of investment income to 30 April 2016

1	AIM	66.1%
2	FTSE SmallCap Index	15.7%
3	Other UK Equities	9.8%
4	FTSE Fledgling Index	8.4%



Estimated annual income by sector¹

1	Industrials	36.9%	6	Consumer Goods	6.3%
2	Financial Services	20.3%	7	Utilities	3.7%
3	Consumer Services	16.0%	8	Health Care	1.2%
4	Technology	9.8%	9	Oil & Gas	0.0%
5	Basic Materials	5.8%			

¹ Projected income based on portfolio as at 30 April 2016.

Source: Interactive Data.

C Shares Portfolio Information

as at 30 April 2016

Rank	Company	Sector & main activity	Valuation £'000	% of the C shares net assets	Yield ¹ %
1	Cerillion*	Technology	2,295	7.8	–
2	Brighton Pier Group*	Consumer Services	1,429	4.8	–
3	Bilby*	Industrials	1,067	3.6	2.1
4	YU Group	Utilities	992	3.4	–
5	Medaphor Group	Health Care	990	3.4	–
6	Frontier IP Group	Industrials	784	2.7	–
7	Constellation Health*	Health Care	700	2.4	–
8	Seeing Machines	Technology	679	2.3	–
9	Atlantis Resources*	Oil & Gas	655	2.2	–
10	Totally	Health Care	540	1.8	–
Top 10 investments			10,131	34.4	
11	Distil	Consumer Goods	449	1.5	–
12	IBEX Global Solutions	Industrials	415	1.4	7.5
13	Cropper (James)*	Basic Materials	360	1.2	1.2
14	Finsbury Food Group	Consumer Goods	348	1.2	2.2
15	Kromek Group*	Health Care	341	1.2	–
16	Zotefoams	Basic Materials	332	1.1	2.0
17	Avingtrans	Industrials	326	1.1	1.9
18	Clarke (T)	Industrials	315	1.1	3.7
19	Belvoir Lettings	Financial Services	306	1.0	6.2
20	Netplay TV	Consumer Services	280	0.9	5.7
Top 20 investments			13,603	46.1	
21	Cello Group	Consumer Services	279	0.9	3.1
22	Charles Taylor	Industrials	276	0.9	3.8
23	Photonstar LED Group	Consumer Goods	275	0.9	–
24	Park Group	Financial Services	258	0.9	3.4
25	7Digital Group	Consumer Services	256	0.9	–
26	Swallowfield	Consumer Goods	251	0.9	1.8
27	Personal Group Holdings	Financial Services	227	0.8	4.1
28	STM Group	Financial Services	225	0.8	2.7
29	XLMedia	Consumer Services	191	0.6	4.9
30	Dekeloil Public	Consumer Goods	155	0.5	–
Top 30 investments			15,996	54.2	
31	Digital Globe Services	Consumer Services	134	0.4	5.1
32	Ideagen	Technology	105	0.4	0.3
33	Inspired Energy	Industrials	64	0.2	2.8
34	Martinco	Financial Services	58	0.2	4.1
35	Enteq Upstream	Oil & Gas	55	0.2	–
36	PV Crystalox Solar	Oil & Gas	49	0.2	–
37	Science in Sport	Consumer Goods	27	0.1	–
38	Superglass Holdings	Industrials	17	0.1	–
Total investment portfolio			16,505	56.0	
Other net current assets			12,970	44.0	
Net assets			29,475²	100.0	

* These companies, together with those similarly marked on page 15, form the top 10 investments of the combined portfolio as at 30 April 2016.

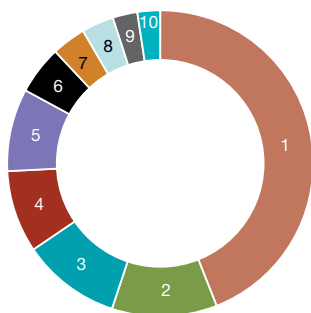
¹ Source: Interactive Data. Based on historic dividends and therefore not representative of future yields.

² As detailed in note 5 to the financial statements.

A copy of the full portfolio of investments as at 30 April 2016 is available on the Company's website, www.mitongroup.com/micro

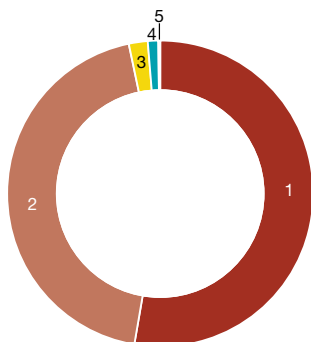
C Shares Portfolio Information

as at 30 April 2016



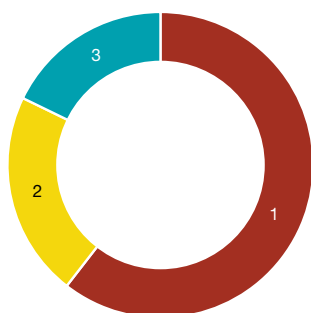
Portfolio exposure by sector

1 Other net current assets	44.0%	6 Consumer Goods	5.1%
2 Industrials	11.1%	7 Financial Services	3.6%
3 Technology	10.4%	8 Utilities	3.4%
4 Health Care	8.7%	9 Oil & Gas	2.6%
5 Consumer Services	8.7%	10 Basic Materials	2.4%



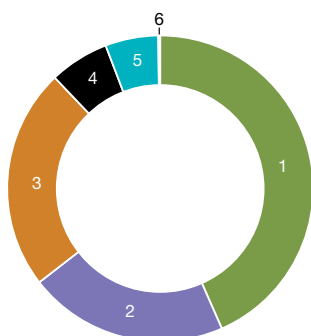
Portfolio by asset allocation

1 AIM	52.7%
2 Other net current assets	44.0%
3 FTSE SmallCap Index	2.0%
4 FTSE Fledgling Index	1.1%
5 Other UK Equities	0.2%



Portfolio by spread of investment income to 30 April 2016

1 AIM	60.5%
2 FTSE SmallCap Index	21.7%
3 FTSE Fledgling Index	17.8%
4 Other UK Equities	0.0%



Estimated annual income by sector¹

1 Industrials	43.4%	6 Technology	0.2%
2 Consumer Services	21.1%	7 Health Care	0.0%
3 Financial Services	23.4%	8 Oil & Gas	0.0%
4 Consumer Goods	6.3%	9 Utilities	0.0%
5 Basic Materials	5.6%		

¹ Projected income based on portfolio as at 30 April 2016.

Source: Interactive Data.

Business Model

MINI was incorporated on 26 March 2015 and its Ordinary shares were listed on the London Stock Exchange on 30 April 2015. It is registered in England as a public limited company and is an investment company in accordance with the provisions of Sections 832 and 833 of the Companies Act 2006.

The principal activity of the Company is to carry on business as an investment trust. The Company intends at all times to conduct its affairs so as to enable it to qualify as an investment trust for the purposes of Sections 1158/1159 of the Corporation Tax Act 2010 ("S1158/1159"). The Directors do not envisage any change in this activity in the foreseeable future.

The Company has been granted approval from HM Revenue & Customs ("HMRC") as an investment trust under S1158/1159 and will continue to be treated as an investment trust company, subject to there being no serious breaches of the conditions for approval.

The principal conditions that must be met for continuing approval by HMRC as an investment trust are that the Company's business should consist of "investing in shares, land or other assets with the aim of spreading investment risk and giving members of the company the benefit of the results" and the Company must distribute a minimum of 85% of all its net income as dividend payments. The Company must also not be a close company. The Directors are of the opinion that the Company has conducted its affairs for the period ended 30 April 2016 so as to be able to continue to qualify as an investment trust.

The Company's status as an investment trust allows it to obtain an exemption from paying taxes on the profits made from the sale of its investments and all other net capital gains. Investment trusts offer a number of advantages for investors, including access to investment opportunities that might not be open to private investors and to professional stock selection skills at lower cost.

Investment Policy

The Company's full investment policy is set out on page 81 and contains information on the policies which the Company follows relating to asset allocation, risk diversification and gearing, and includes maximum exposures, where relevant.

The Company invests in a portfolio of UK quoted companies with the objective of achieving capital growth by investing in a portfolio of stocks that are well-placed to generate an attractive cash payback from productivity improvements.

Performance and Risks

Key Performance Indicators

The Board reviews the Company's performance by reference to a number of Key Performance Indicators ("KPIs") and considers that the most relevant KPIs are those that communicate the financial performance and strength of the Company as a whole. The Board and the Investment Manager monitor the following KPIs:

- ☞ NAV performance, relative to the FTSE Small Cap Index and other comparable investment trusts and open-ended funds and to various UK stock market indices.

The Ordinary share NAV at 30 April 2016 was 54.91p per share, giving a total return of 12% over the period since launch on 30 April 2015. This compares favourably with the UK Investment Trust Smaller Companies sector, where the average was a 1.5% increase in total return terms over the same period. By comparison, the total return on the FTSE Small Cap Index (excluding investment companies) was 3.8% over the period, on the FTSE Fledgling Index (excluding investment companies) was 10.3% and on the Numis 1000 Index (including AIM but excluding investment companies) was 2.6%.

- ☞ NAV correlation to mainstream indices

The Company has an objective to deliver a low NAV correlation with the FTSE 100 and FTSE All-Share Indices. Correlation data is presented on page 7 of the Report.

- ☞ Movements in the Company's share price

The Company's Ordinary share price increased by 13.5% over the period on a total return basis.

- ☞ The discount/premium of the share price in relation to the NAV

The Company has an objective to keep the discount to NAV at a minimum. Over the period to 30 April 2016, the Company has maintained an average premium to Ordinary share NAV of 4.8%. The share price has ranged from a premium of 9.8% to a discount of 0.9% to the Ordinary share NAV during the period.

- ☞ Ongoing charges

The ongoing charges on the Ordinary shares for the period to 30 April 2016 amounted to 1.76% of total assets.

Principal Risks and Uncertainties

The Company is exposed to a variety of risks and uncertainties that could cause its asset price or the income from the investment portfolio to reduce, possibly by a sizeable percentage in the most adverse circumstances. The principal financial risks and the Company's policies for managing these risks and the policy and practice with regard to the financial instruments are summarised in note 17 to the financial statements.

The Board, through delegation to the Audit Committee, undertakes a robust annual assessment and review of the principal risks facing the Company, together with a review of any new risks which may have arisen during the year, including those that would threaten its business model, future performance, solvency or liquidity. These risks are formalised within the Company's risk matrix.

Listed below is a summary of the principal risks identified by the Board and actions taken to mitigate those risks.

Risk	Mitigation
<i>Investment and strategy</i>	
There can be no guarantee that the investment objective of the Company will be achieved. The Company will invest primarily in the smallest UK quoted or traded companies by market capitalisation. Smaller companies can be expected, in comparison to larger companies, to have less mature businesses, a more restricted depth of management and a higher risk profile. These companies may be less liquid and the portfolio may, when aggregated with holdings in other client funds of the Investment Manager, have a significant percentage ownership of investee companies.	The Company is reliant on its Investment Manager's investment process. The Board reviews and discusses the investment approach at each Board Meeting. The Investment Manager has long experience of managing portfolios of this nature, including dealing in smaller capitalisation companies, and deploying an approach that is designed to maximise the chances of the investment objective being achieved over longer-term time horizons. The Board looks to mitigate this risk by ensuring the Company holds a well-diversified portfolio, both by number of companies and areas of operation. This is monitored at each Board meeting. The Company is structured as a closed ended fund, which means that it is not subject to daily inflows and outflows.
<i>Reliance on third parties/Key person risk</i>	
The Company has no employees and is reliant on the performance of third party service providers. Failure by the Investment Manager or any other third party service provider to perform in accordance with the terms of its appointment could have a material detrimental impact on the operation of the Company. This could include failure of a counterparty on whom the Company is reliant. The departure of some or all of the Investment Manager's investment professionals, in particular, Gervais Williams or Martin Turner, could prevent the Company from achieving its investment objective. The past performance of the Investment Manager's investment professionals cannot be relied upon as an indication of the future performance of the Company.	The Board monitors and receives reports, where appropriate, on the performance of its key service providers. In relation to the risk of counterparty failure, the Board undertakes regular reviews of the controls applied by the Depositary. The Trust may terminate the Management Agreement should both Gervais Williams and Martin Turner cease to be employees of the Investment Manager, and if within three months of their departure a replacement or replacements are not found who the Board considers to be of equal standing. The Board may in any event terminate all key contracts on normal market terms.

Risk	Mitigation
<i>Share price volatility and liquidity/marketability risk</i>	
The market price of the Ordinary shares, as with shares in all investment trusts, may fluctuate independently of their underlying NAV and may trade at a discount or premium at different times, depending on factors such as supply and demand for the Ordinary shares, market conditions and general investor sentiment. The Company becomes too small to be attractive to a wide audience and liquidity decreases and the discount widens.	The Company has in place an annual redemption facility whereby shareholders can voluntarily tender their shares. The Board monitors the relationship between the share price and the NAV. The Company has powers to repurchase shares should there be an imbalance in the supply and demand leading to a discount. Since launch, however, the Company's shares have tended to trade at a premium to NAV.
<i>Costs of operation</i>	
As stated, the Company relies on external service providers. Many of these are paid on a basis where their fees are related to the size of the Company (an ad valorem basis). Others are for fixed monetary amounts. Therefore, if the Trust were to shrink, through redemptions, buybacks or asset performance, the cost per share of running the Trust may increase. This could make it harder to achieve the investment objective.	The Board monitors the costs of all service providers. The Board is also committed to the controlled growth of the Company which would spread the fixed costs over a larger asset base. In the event that the Trust were to decrease in size from its current level, the Board has capped the total costs at no more than 2% of the aggregate market capitalisation.
<i>Regulatory risk/change in tax status</i>	
The Company is subject to laws and regulations enacted by national and local governments. Any change in the law and regulation affecting the Company may have a material adverse effect on the ability of the Company to carry on its business and successfully pursue its investment policy.	The Board receives regular updates from its Secretary, industry representatives and its Investment Manager on significant regulatory changes that may impact the Company. The Company's ability to determine the shape of regulatory or tax changes is limited and therefore the Board aims to ensure that it is well-informed and prepared to respond to changes as required.

Share Capital

The Company was incorporated on 26 March 2015 with an issued share capital of £50,000, represented by 50,000 Management shares of £1.00 each.

On 30 April 2015 as part of its Initial Public Offering, the Company issued 100 million Ordinary shares of £0.001 each at a price of 50 pence per share in a placing, offer for subscription and intermediaries offer, raising £50 million before expenses.

Additional Share Issues

At a General Meeting held on 31 March 2015, the Directors were granted the authority to allot up to an additional 200 million Ordinary shares and/or C shares, to an aggregate nominal amount of £200,000 in Ordinary shares or £2,000,000 C shares on a non pre-emptive basis. This authority is due to expire at the Company's Annual General Meeting to be held on 29 September 2016. Proposals for its renewal are set out on page 31. The allotments made by the Directors under this authority are detailed below.

Ordinary share issues

In August 2015, the Company announced its intention to issue a maximum of 9.99 million Ordinary shares in the Company by way of tap issuance. To facilitate the share issues, an application was granted for a block listing of 1,990,000 shares, which was used in full. The details of the share issuances, which were made to institutional investors and discretionary private wealth managers, are set out below:

Date	Number of Ordinary shares of £0.001 each	Aggregate nominal value £	Price per share pence	Total amount raised before expenses £
4 August 2015	8,000,000	8,000	53.6	4,288,000.00
10 August 2015	503,687	503.69	53.7	270,479.92
19 August 2015	250,000	250	54.0	135,000.00
20 August 2015	350,000	350	54.0	189,000.00
2 September 2015	886,313	886.31	52.8	467,973.26

On 2 February 2016, the Board announced the proposed issue of up to 250 million new Ordinary and/or C shares in aggregate through a share issuance programme over the following 12 months, subject to renewing and extending its existing authority to issue Ordinary and/or C shares on a non pre-emptive basis at its first Annual General Meeting.

On 28 July 2016, the Company announced that an application for a block listing of 15,000,000 Ordinary shares in the Company had been made to the UK Listing Authority and to the London Stock Exchange. On 2 August 2016 the Company issued 850,000 Ordinary shares of £0.001 each, with an aggregate nominal value of £850, to discretionary private wealth managers, at a price of 53.75 pence per Ordinary Share, raising £456,875 before expenses.

C share issue and conversion

Pursuant to a prospectus dated 4 February 2016, 56,000,000 C shares of £0.01 each, with an aggregate nominal value of £560,000 were issued under a placing, offer for subscription and intermediaries offer at an issue price of £0.50 per C share to institutional investors, discretionary private wealth managers and UK retail investors, raising £28,000,000 of gross proceeds for the Company. Of these, 6,239,200 C shares were issued under the offer for subscription and 3,564,300 C shares were issued under the intermediaries offer. The C shares commenced trading on 19 February 2016.

On 19 July 2016, the C shares were converted into Ordinary shares at the ratio of 0.9630 Ordinary shares for every C share, resulting in the issue of 53,927,917 new Ordinary shares. The Ordinary shares were allotted to the holders of C shares, which comprised institutional investors, discretionary private wealth managers and UK retail investors.

Current Share Capital

As at the period end, there were 109,990,000 Ordinary shares, 56,000,000 C shares and 50,000 Management shares (see note 4 to the financial statements) in issue. Following the conversion of the C shares and issue of Ordinary shares on 2 August 2016, and as at the date of this report, there are 164,767,917 Ordinary shares and 50,000 Management shares in issue.

The rights attached to each share class are set out in note 4.

There are no restrictions concerning the transfer of securities in the Company or on voting rights; no special rights with regard to control attached to securities; no agreements between holders of securities regarding their transfer known to the Company; and no agreements which the Company is party to that might affect its control following a successful takeover bid.

Share Redemptions

Valid redemption requests were received under the Company's redemption facility for the 29 April 2016 Redemption Point in relation to 337,231 Ordinary shares, representing 0.20% of the issued share capital. As permitted under the Company's Articles of Association, all of these shares were matched with buyers and sold. All shareholders who validly applied to have shares redeemed received a calculated Redemption Price of 55.10p per share.

Purchase of Own Shares

At the General Meeting of the Company held on 31 March 2015, the Directors were granted the authority to buy back up to 14,990,000 Ordinary shares. No Ordinary shares have been bought back under this authority. The authority will expire at the forthcoming Annual General Meeting, when a resolution for its renewal will be proposed (see page 31 for further information).

Treasury Shares

Shares bought back by the Company may, at the Board's discretion, be held in treasury, from where they could be re-issued at a premium to NAV quickly and cost effectively. This provides the Company with additional flexibility in the management of its capital base. No shares were purchased for, or held in, treasury during the year or since the year end.

Management, Social, Environmental and Diversity Matters

Management Arrangements

The Company's investment manager is Miton Trust Managers Limited (the "Investment Manager"). The Investment Manager is responsible for the management of the Company's portfolio in accordance with the Company's investment policy and the terms of the Management Agreement dated 8 April 2015. The Investment Manager has delegated investment management to Miton Asset Management Limited. Both the Investment Manager and Miton Asset Management Limited are authorised and regulated by the FCA.

The Board has appointed Miton Trust Managers Limited as the AIFM of the Company.

Under the terms of the Management Agreement, the Investment Manager is entitled to a management fee together with reimbursement of reasonable expenses incurred by it in the performance of its duties. The management fee is payable monthly in arrears and is at the rate of 1% per annum, calculated in respect of each calendar month, of the market capitalisation at the relevant calculation date.

In addition to the basic management fee, and for so long as a Redemption Pool (see page 78 for details) is in existence, the Investment Manager is entitled to receive from the Company a fee calculated at the rate of 1% per annum of the net asset value of the Redemption Pool on the last Business Day of the relevant calendar month.

The Investment Manager has agreed that, for so long as it remains the Company's investment manager, it will rebate such part of any management fee payable to it so as to help the Company maintain an ongoing charges ratio of 2% or lower.

In accordance with the Directors' policy on the allocation of expenses between income and capital, in each financial year 75% of the management fee payable is expected to be charged to capital and the remaining 25% to income.

The Management Agreement is terminable by either the Investment Manager or the Company giving to the other not less than 12 months' written notice. The Management Agreement may be terminated earlier by the Company with immediate effect on the occurrence of certain events, including the insolvency or in the event of a material breach by the Investment Manager of the Management Agreement which is not remedied within thirty days of the receipt of notice.

The Company has given certain market standard indemnities in favour of the Investment Manager in respect of the Investment Manager's potential losses in carrying on its responsibilities under the Management Agreement.

The Board appointed Bank of New York Mellon as its Depositary and Custodian under an agreement dated 8 April 2015. The annual fee for depositary services due to Bank of New York Mellon is 0.025% per annum of gross assets, subject to a minimum fee of £15,000. The Company and the Depositary may terminate the Depositary Agreement with three months' written notice.

Company secretarial services are provided by Capita Company Secretarial Services Limited, under an agreement dated 8 April 2015 between the Company and Capita Registrars Limited. The Company Secretarial Services Agreement is for an initial period of 12 months and thereafter shall automatically renew for successive periods of six months unless or until terminated by either party on at least six months' written notice. The fee payable pursuant to the Company Secretarial Services Agreement was £45,000 for the first year of the agreement.

Administrative Services are provided by Capita Sinclair Henderson Limited under an Agreement dated 8 April 2015 for a fee of £77,000 for the first year of the agreement. The Administration Agreement may be terminated by either party on at least six months' prior written notice.

Continuing Appointment of the Investment Manager

The Board, through the Management Engagement Committee, keeps the performance of the Investment Manager under continual review, and the Management Engagement Committee conducts an annual appraisal of the Investment Manager's performance, and makes a recommendation to the Board about the continuing appointment of the Investment Manager. It is the opinion of the Directors that the continuing appointment of the Investment Manager is in the interests of shareholders as a whole. The reasons for this view are that the Investment Manager has executed the investment strategy according to the Board's expectations and has demonstrated superior risk-adjusted returns relative to the broader market and the peer group.

The Directors also believe that by paying the management fee calculated on a market capitalisation basis, rather than a percentage of assets basis, the interests of the Investment Manager are more closely aligned with those of shareholders.

Environmental, Human Rights, Employee, Social and Community Issues

The Company does not have any employees and the Board consists entirely of non-executive Directors. Day-to-day management of the business is delegated to the Investment Manager. As an investment trust, the Company has no direct impact on the community or the environment, and as such has no environmental, human rights, social or community policies. In carrying out its investment activities and in relationships with suppliers, the Company aims to conduct itself responsibly, ethically and fairly.

Modern Slavery Act

The Company is not within the scope of the Modern Slavery Act 2015 because it has insufficient turnover and is therefore not obliged to make a human trafficking statement.

Gender Diversity

The Board of Directors of the Company comprises one female and three male Directors.

On behalf of the Board

Andy Pomfret

Chairman

8 August 2016

Directors

All the Directors are non-executive and are independent of the Investment Manager.



Andrew (Andy) Pomfret – Chairman appointed 31 March 2015

Andy spent over 13 years with Kleinwort Benson as a corporate financier, venture capitalist and finance director of the investment management and private banking division. In 1999 he joined Rathbone Brothers Plc as finance director, and served as chief executive from 2004 until February 2014. He is currently a director of the Wealth Management Association, a member of the Prudential Regulation Authority's Practitioner Panel and a non-executive director of Aberdeen New Thai Investment Trust plc, Old Mutual Wealth Management Limited, Interactive Investor plc, ICG Enterprise Trust plc and Sanne Group plc.



Peter Dicks – Chairman of the Audit Committee and Senior Independent Director appointed 26 March 2015

Peter was a founder director of Abingworth plc in 1973, a venture capital investment company, mainly investing in the USA but also in the UK, where he worked from 1973 to 1991. Since then he has been a non-executive director or chairman of a number of companies. He is currently chairman of Private Equity Investor plc, Unicorn Aim VCT plc and SVM Emerging Fund plc and a non-executive director of ICG Enterprise Trust plc, Mears Group plc, and Foresight Solar Fund Limited and Interactive Investor plc.



Jeannette (Jan) Etherden appointed 31 March 2015

Jan started in 1983 as a research analyst at Confederation Life (acquired by Sun Life of Canada in 1994) and was Head of UK Equities from 1991. In 1996 she moved to Newton Investment Management Limited as a multi-asset fund manager. She was appointed a Director of Newton Investment Management Limited in 1997 and additionally was Chief Operating Officer, Investments from 1999 until her resignation in 2001. From January 2004 to January 2006 she was Business Development Manager for the Candela Fund at Olympus Capital Management. She has been a non-executive director of Ruffer Investment Company Limited since 1 July 2004 and of TwentyFour Income Fund Limited since February 2013.



Ashe Windham, CVO appointed 31 March 2015

Following 11 years service in the British Army, Ashe joined Barclays de Zoete Wedd ("BZW") in 1987 as an institutional equities salesman and was appointed a Director of BZW's Equities Division in 1991. He joined Credit Suisse First Boston in 1997 when they acquired BZW's equities business. In 2004 he joined Man Investments as Head of Internal Communications and in 2007 became Man Group's Global Head of Internal Communications. In June 2009 he resigned from Man Group plc to set up a private family office, which he continues to run. Ashe is the chairman and a non-executive director of Ruffer Investment Company Limited and a non-executive director and chairman of the Remuneration Committee of EFG Asset Management (UK) Limited.

All the Directors were appointed in March 2015, the earliest practicable point in the process of launching the Company and were fully involved in that process.

Report of the Directors

The Directors present their report and the financial statements for the financial period from incorporation on 26 March 2015 to 30 April 2016.

Directors

The Directors in office at the date of this report and the dates of their appointment are shown on page 27. Victoria Silver served as a Director from incorporation on 26 March 2015 to 31 March 2015.

In accordance with the Company's Articles of Association, all the Directors will retire and stand for election at the Company's first Annual General Meeting ("AGM").

The Board considers that, following a recent formal evaluation of the performance of the Board, the Audit Committee, Management Engagement Committee and individual Directors, each of the current Directors makes an effective contribution and has the knowledge, skills and experience required to provide effective and independent challenge, leadership and direction to the Company. The Board therefore believes that it is in the best interests of shareholders that each of the Directors is elected at the forthcoming AGM.

None of the Directors or any persons connected with them had a material interest in the transactions and arrangements of, or the agreement with, the Investment Manager during the year.

Substantial Shareholdings

So far as is known to the Company by virtue of notifications made to it pursuant to the Disclosure and Transparency Rules, the following persons held notifiable interests in the Company's voting rights as at 30 April 2016:

	Number of Ordinary shares	Number of C shares	% of voting rights
Brooks Macdonald Asset Management Limited	2,113,855	5,998,600	4.89
Milton Group plc	7,000,000	–	4.22
Brewin Dolphin Limited	6,057,250	–	3.65
Investec Wealth & Investment Limited	5,329,420	–	3.21
City of Bradford Metropolitan District Council	4,000,000	–	2.41

There have been no changes notified to the Company between 30 April 2016 and the date of this report.

Dividends

The Directors have recommended the payment of a final dividend in respect of the period of 0.14 pence per Ordinary share, payable on 7 October 2016 to shareholders who appear on the Register on 26 August 2016.

Financial Risk Management

The principal financial risks and the Company's policies for managing these risks are set out in note 17 to the financial statements.

Corporate Governance

The Corporate Governance Statement on pages 33 to 38 forms part of the Report of the Directors.

Going Concern

The Directors consider that it is appropriate to adopt the going concern basis. Cashflow projections have been reviewed and show that the Company has sufficient funds to meet its contracted expenditure. On the basis of the review and as the majority of net assets are securities which are traded on recognised stock exchanges, after making enquiries, and bearing in mind the nature of the Company's business and assets, the Directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future. In arriving at this conclusion, the Directors have considered the liquidity of the portfolio and the Company's ability to meet obligations as they fall due for a period of at least 12 months from the date that these financial statements were approved.

Viability Statement

In accordance with the AIC Code of Corporate Governance, the Board has considered the prospects for the Company.

The period assessed is the three years to April 2019. The Company is a recently formed vehicle for investment in the very smallest UK listed companies and as such the Board believes a three year period is appropriate. It balances the long term aims of the Company, the Board's view that the success of the Company is best assessed over a longer time period and the inherent uncertainty of looking out for too long a period.

As part of its assessment of the viability of the Company, the Board has considered the principal risks and uncertainties and the impact on the Company's portfolio of a significant fall in UK markets.

To provide this assessment, the Board has considered the Company's financial position and its ability to liquidate its portfolio to meet its expenses or other liabilities as they fall due:

- ☞ The Company invests largely in companies listed and traded on stock exchanges. These are actively traded and, whilst perhaps less liquid than larger quoted companies, the portfolio is well diversified by both number of holdings and industry sector;
- ☞ The expenses of the Company are predictable and modest in comparison with the assets in the portfolio. There are no commitments that would change that position;
- ☞ The Company has an annual Redemption facility whereby shareholders may request that their shares are redeemed at NAV. The Board has considered the possibility that shareholders holding a significant percentage of the Company's shares request redemption. Firstly, the Board has flexibility over the method of redemption so can avoid disruption to the overall operation of the Company in this situation. Secondly, the Company has a total cost cap at no more than 2% of aggregate market capitalisation, such that were there to be significant redemption, or a significant fall in the value of the portfolio, the expenses of operation would be manageable.

In addition to considering the principal risks on pages 21 and 22 and the financial position of the Company as described above, the Board has also considered the following further factors:

- ☞ the continuing relevance of the Company's investment objective in the current environment;
- ☞ the level of demand for the Company's shares and that since launch the Company has been able to issue further shares;
- ☞ the gearing policy of the Company; and
- ☞ that regulation will not increase to such an extent that the costs of running the Company become uneconomical.

Accordingly, the Directors have formed the reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the next three years.

Greenhouse Gas Emissions

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

Requirements of the Listing Rules

Listing Rule 9.8.4 requires the Company to include specified information in a single identifiable section of the Annual Report or a cross reference table indicating where the information is set out. The information required under Listing Rule 9.8.4 (7) in relation to the allotment of shares is set out on page 23. No additional disclosures are required in relation to Listing Rule 9.8.4.

Audit Information

Each of the Directors who held office at the date of approval of the Report of the Directors confirms that, so far as he/she is aware, there is no relevant audit information of which the Company's Auditor is unaware; and that he/she has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

Auditor

Ernst & Young LLP has confirmed its willingness to continue in office as Auditor of the Company and resolutions for its appointment and for the Audit Committee to determine its remuneration will be proposed at the forthcoming Annual General Meeting.

Annual General Meeting

The Notice of the Annual General Meeting to be held on 29 September 2016 (the "Notice") is set out on pages 92 to 96. Shareholders are being asked to vote on various items of business, being:

- (i) the receipt of the Strategic Report, the Reports of the Directors and Auditor and the financial statements for the financial period ended 30 April 2016;
- (ii) the receipt and approval of the Directors' Remuneration Report;
- (iii) the receipt and approval of the Directors' Remuneration Policy;
- (iv) the appointment of the Directors;
- (v) the appointment of Ernst & Young LLP as Auditor;
- (vi) the authorisation of the Audit Committee to determine the remuneration of the Auditor;
- (vii) the approval of a final dividend;
- (viii) the granting of authorities in relation to the allotment of shares;
- (ix) the disapplication of pre-emption rights for certain issues of shares;
- (x) the purchase by the Company of its own shares; and
- (xi) the holding of general meetings on not less than 14 clear days' notice.

Authority to Issue Shares and Disapplication of Pre-Emption Rights

As indicated in the Prospectus for the Share Issuance Programme published by the Company on 4 February 2016, the Company is proposing to extend the existing authority to allot Ordinary and/or C shares at the AGM in 2016.

An ordinary resolution to authorise the Directors to allot up to 250 million Ordinary and/or C shares in aggregate equal to approximately 151% of the Company's issued Ordinary share capital, will be proposed as Resolution 11, in line with the Prospectus for the Share Issuance Programme. Resolution 12, a special resolution, is being proposed to authorise the Directors to issue Ordinary and/or C shares for cash and to disapply the pre-emption rights of existing shareholders in relation to issues of Ordinary and/or C shares under Resolution 11 (being in respect of up to 151% of the Company's issued share capital as at the date of the Notice).

Where statutory pre-emption rights are disapplied, any subsequent issues of shares will be dilutive to those shareholders who cannot, or choose not to, participate in such fundraising. The voting rights may be diluted further on conversion of any C shares, depending on the applicable Conversion Ratio. However, as no Ordinary shares will be issued under the Share Issuance Programme at a price which is less than the aggregate of the NAV per Ordinary share and a premium to cover the commissions and expenses of the issue of new Ordinary shares under the Share Issuance Programme, there will be no dilution in the NAV per Ordinary share as a result of the issue of Ordinary shares under the Share Issuance Programme.

The Directors will only issue new shares if they believe it would be in the best interests of the Company's shareholders.

As at the date of the Notice, the Company holds no shares in treasury.

These authorities, if approved by shareholders, will expire at the Annual General Meeting to be held in 2017, when resolutions for their renewal will be proposed with the limit of authority adjusted as appropriate.

Purchase of Own Shares

Resolution 13, a special resolution, will renew the Company's authority to make market purchases of up to 14.99% of the Company's Ordinary shares, either for cancellation or placing into treasury at the determination of the Directors. Purchases of Ordinary shares will be made within guidelines established from time to time by the Board. Any purchase of Ordinary shares would be made only out of the available cash resources of the Company. The maximum price which may be paid for an Ordinary share must not be more than the higher of (i) 5% above the average of the mid-market values of the Ordinary shares for the five business days before the purchase is made, or (ii) the higher of the price of the last independent trade and the highest current independent bid for the Ordinary shares. The minimum price which may be paid is £0.001 per Ordinary share.

The Directors would use this authority to address any significant imbalance between the supply and demand for the Company's Ordinary shares and to manage the discount to NAV at which the Ordinary shares trade. Ordinary shares will be repurchased only at prices below the NAV per Ordinary share, which should have the effect of increasing the NAV per Ordinary share for remaining shareholders. Shares bought back by the Company may be held in treasury from where they could be re-issued at a premium to NAV quickly and cost effectively. This authority will expire at the Annual General Meeting to be held in 2017 when a resolution to renew the authority will be proposed.

Notice Period for General Meetings

Resolution 14 is a special resolution that will give the Directors the ability to convene general meetings, other than annual general meetings, on a minimum of 14 clear days' notice. The minimum notice period for annual general meetings will remain at 21 clear days. The approval will be effective until the Company's Annual General Meeting to be held in 2017, at which it is intended that renewal will be sought. The Company will have to offer facilities for all shareholders to vote by electronic means for any general meeting convened on 14 days' notice. The Directors will only call a general meeting on 14 days' notice where they consider it to be in the interests of shareholders to do so and the relevant matter is required to be dealt with expediently.

Recommendation

Full details of the above resolutions are contained in the Notice.

The Directors consider that all the resolutions to be proposed at the Annual General Meeting are in the best interests of the Company and its members as a whole. The Directors unanimously recommend that shareholders vote in favour of all the resolutions, as they intend to do in respect of their own beneficial holdings.

By order of the Board

Capita Company Secretarial Services Limited

Secretary

8 August 2016

Corporate Governance Statement

This Corporate Governance Statement forms part of the Report of the Directors.

Statement of Compliance

The Company is committed to maintaining high standards of corporate governance. The Board of the Company has considered the principles and recommendations of the AIC Code of Corporate Governance for Investment Companies ("AIC Code") by reference to the AIC Corporate Governance Guide for Investment Companies ("AIC Guide"), both as published in February 2015. The AIC Code, as explained by the AIC Guide, addresses all the principles set out in of the UK Corporate Governance Code ("UK Code"), as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company as an investment company.

The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the UK Code), will provide better information to shareholders.

The Financial Reporting Council ("FRC"), the UK's independent regulator for corporate reporting and governance responsible for the UK Code, has endorsed the AIC Code and the AIC Guide. The terms of the FRC's endorsement mean that AIC members who report against the AIC Code and the AIC Guide meet fully their obligations under the UK Code and the related disclosure requirements contained in the Listing Rules.

The Company complies with the recommendations of the AIC Code and the relevant provisions of the UK Code, except as set out below.

The UK Code includes provisions relating to: the role of the chief executive; executive directors' remuneration; and the need for an internal audit function. For the reasons set out in the AIC Guide and as explained in the UK Code, the Board considers these provisions are not relevant to the position of the Company, being an externally managed investment company. The Company does not therefore comply with these provisions and has not reported further in respect of them.

A copy of the AIC Code and the AIC Guide can be obtained via the AIC website, www.theaic.co.uk. A copy of the UK Code can be obtained at www.frc.org.uk.

The Board of Directors

The Board consists entirely of non-executive Directors, who are independent of the Investment Manager. The Board has no employees. No one individual has unfettered powers of decisions made by the Board.

The Board is accountable to shareholders for the direction and control of all aspects of the Company's affairs, notwithstanding any delegation of responsibilities to third parties. A detailed description of the role of the Board and its relationship with the Investment Manager are set out further below.

The names and responsibilities of the Directors, together with their biographies and details of their significant commitments, are set out on page 27. The Directors possess a wide range of business and financial expertise relevant to the leadership of the Company, including the ability and willingness to provide robust and objective challenge to the views and assumptions of the Investment Manager and other Directors. All of the Directors consider that they have sufficient time to devote to the Company's affairs and that they carry out their duties effectively.

No Director has a service contract with the Company, nor are any such contracts proposed, each Director having been appointed for an initial three year term, pursuant to a letter of appointment entered into with the Company. The Directors have chosen to follow the practice of annual re-election by Shareholders at the AGM. The Directors' appointments can be terminated in accordance with the Articles and without compensation. The Directors' letters of appointment are available for inspection at the Company's registered office and will be available at the Annual General Meeting.

The appointment of any new Director will be made on the basis of assessing the candidate's merits, measuring his or her skills and experience against the criteria identified by the Board as being desirable to complement the composition and qualification of the Board. The Company does not have a specific diversity policy but diversity (including, but not limited to, gender) is one of the factors that would be taken into account when making a new appointment.

The Board, or the Investment Manager upon request of the Board, shall offer induction training to new Directors about the Company, its key service providers, the Director's duties and obligations and other matters as may be relevant from time to time.

Board Responsibilities and Relationship with the Investment Manager

The main roles of the Board are to create value for shareholders, provide leadership to the Company and approve the Company's strategic objectives. Specific responsibilities in relation to investments and the Investment Manager include: determining the Company's investment policy and strategy; determining the Company's gearing policy; monitoring the controls of the Investment Manager, and reviewing the investment activity, performance and contractual arrangements with the Investment Manager. The Board is also responsible for maintaining proper internal controls and monitoring shareholders' opinions and engaging with them effectively. The Board has adopted a schedule of matters reserved for decision by the Board reflecting the above responsibilities and reviews this schedule regularly.

The Company's day-to-day functions have been subcontracted to a number of service providers, each engaged under separate legal agreements. The management of the Company's assets has been delegated to the Investment Manager, Miton Trust Managers Limited. The Investment Manager has discretion to manage the Company's assets in accordance with the Company's investment policy, subject to the overall control and supervision of the Directors. The Investment Manager has also been appointed as the Company's AIFM for the purposes of AIFMD.

With the Company's agreement, the Investment Manager has delegated the investment management activities to Miton Asset Management Limited. Both the Investment Manager and Miton Asset Management Limited are subsidiaries of Miton Group plc, an AIM-quoted asset management firm.

Chairman and Senior Independent Director

The Chairman, Andy Pomfret, is responsible for leadership of the Board and ensuring its effectiveness. The Chairman sets the Board's agenda, ensuring a particular focus on the overall strategy of the Company, and allows adequate time for discussion of all agenda items. Andy Pomfret is deemed by his fellow Board members (who are all independent themselves) to be independent and to have no conflicting relationships, in accordance with the criteria set out in the AIC Code.

Following the period end, Peter Dicks, Chairman of Audit Committee, was appointed by the Board as the Senior Independent Director of the Company. He provides a channel for any shareholder concerns regarding the Chairman and will take the lead in the annual evaluation of the Chairman by the independent Directors.

Board Operation

The Board holds regular Board meetings at least four times a year, with additional meetings arranged as necessary. The table below sets out the attendance record of individual Directors at the scheduled Board and Committee meetings held during the financial period ended 30 April 2016.

	Scheduled Board meetings		Audit Committee meetings		Management Engagement Committee meetings	
	Number entitled to attend	Number attended	Number entitled to attend	Number attended	Number entitled to attend	Number attended
Andy Pomfret	5	5	1	1	1	1
Peter Dicks	5	5	1	1	1	1
Jan Etherden	5	4	1	1	1	1
Ashe Windham	5	5	1	1	1	1

A number of additional Board meetings and Board Committee meetings were also held during the period, principally in relation to the initial public offering, Tap Issue and Bonus Issue of shares, C share issue and approval of half-year accounts.

At each Board meeting, the Chairman follows a formal agenda, circulated to the Directors in advance by the Secretary. The Secretary and Investment Manager regularly provide the Board with relevant financial information, briefing notes and papers in relation to changes in the Company's economic and financial environment, statutory and regulatory changes and corporate governance best practice. At each Board meeting, a representative from the Investment Manager is in attendance to present verbal and written reports covering the Company's activity, portfolio and investment performance over the preceding period. Communication between the Board and the Investment Manager and other service providers is maintained between formal meetings.

The Board endeavours to provide robust and objective challenge and a different perspective to the Investment Manager, to help optimise the performance of the Company. The Board and the Investment Manager operate in a fully supportive, co-operative and open environment. The Board has formalised arrangements under which the Directors, in the furtherance of their duties, may take independent professional advice at the Company's expense.

As permitted by its Articles of Association and subject to the provisions of UK legislation, the Company has granted a third-party indemnity to each Director in respect of liabilities which they may sustain or incur in connection with the discharge of their duties as a Director. The indemnity also covers reasonable legal and other defence expenses, although these would have to be repaid in the event of a conviction. Deeds of Indemnity in favour of each of the Directors were executed on behalf of the Company on their appointment and remain in force as at the date of signing of this report. There are no other qualifying third party indemnity provisions in place. In addition, Directors are covered by Directors' and Officers' liability insurance.

Board Committees

The Company has established two Board Committees: an Audit Committee and a Management Engagement Committee. The terms of reference of the Committees are available on the Company's website at www.mitongroup.com/micro.

Given the size of the Board, the Directors do not consider it appropriate to establish a Nomination Committee or Remuneration Committee. The functions that would normally be carried out by these Committees are dealt with by the full Board.

The report of the Audit Committee is set out on pages 39 to 41.

Management Engagement Committee

In accordance with the AIC Code, the Company has established a Management Engagement Committee which is chaired by Andy Pomfret and consists of all the Directors. The Committee is required to meet at least once a year or more often if required. Its principal duties are to consider the terms of appointment of the Investment Manager, to annually review the performance of the Investment Manager's obligations under the agreement between the Company and the Investment Manager and consider any variation to the terms of that agreement, and report its findings to the Board.

The Management Engagement Committee also reviews annually the performance of the Secretary, the Depositary, the Custodian and the Registrar and any matters concerning their respective agreements with the Company.

The Committee met once during the period to discuss the evaluation process of the Investment Manager and the metrics that would be used in its evaluation. Given the relatively early life of the Company, the Committee did not find it appropriate to conduct a full review of the Investment Manager and other service providers at that time and scheduled this to take place during 2016, post year end, and on an annual basis thereafter. Nevertheless, the Directors have considered the Investment Manager's performance since inception and are of the opinion that the continuing appointment of Miton Trust Managers Limited is in the best interests of the shareholders as a whole. See Continuing Appointment of the Investment Manager on page 26.

Board Evaluation

The Directors recognise the value of continually monitoring and enhancing the performance of the Board and view the regular evaluation of the Board, its Committees and individual Directors as a means of obtaining valuable feedback on areas for development.

In the financial period ended 30 April 2016, the Board opted to undertake an internal performance evaluation by way of questionnaires which addressed the areas indicated by the AIC Code. In particular, the questionnaires were designed to assess the qualifications, independence, composition, and performance of the Board, and the performance of the Board's Committees, the Chairman and individual Directors. The questionnaires were also intended to assess whether the focus of Board meetings and the information provided were appropriate and identify any training and development needs for individual Directors. The questionnaires were completed by the Directors prior to the period end.

The evaluation process and analysis of the results were carried out post year end and conducted by the Chairman. Peter Dicks led the appraisal of the Chairman. The results of the exercise revealed no significant concerns amongst the Directors about the effectiveness of the Board.

Independence of Directors

In accordance with the AIC Code, the Board evaluation included a review of the independence of each individual Director and the Board as a whole.

Mr Windham and Mr Dicks each hold less than 0.5% of the issued share capital of Miton Group plc, the parent company of the Investment Manager. The Board considers the holdings to be immaterial and of no impact to their independence.

None of the Directors have any significant shareholdings in companies where the Company has a notifiable stake or a holding which amounts to more than 1% of the Company's portfolio.

As signalled in the Directors' biographies on page 27, Mr Pomfret and Mr Dicks share common directorships in ICG Enterprise Trust plc and Interactive Investor plc and Mr Windham and Ms Etherden share a common directorship in Ruffer Investment Company Limited. The Directors outside of each cross directorship have considered the impact of the relationships and are satisfied that each Director takes an impartial and objective approach in undertaking their duties as a Director of the Company.

After consideration of the above factors, the Board is of the view that all the Directors met, and continue to meet, the independence criteria set out in the AIC Code.

Election of Directors

Under the Company's Articles of Association and in accordance with the AIC Code, Directors are required to retire at the first Annual General Meeting following their appointment and offer themselves for election. Thereafter, Directors are required to retire from office and stand for re-election at intervals of not more than three years.

The AIC Code and UK Code recommend that Directors of FTSE 350 companies should be subject to annual re-election by shareholders. The Company recognises this to be good corporate governance and has therefore chosen to follow this practice, despite not being a FTSE 350 company.

Each Director has been appointed for an initial three year term, subject to annual re-election by shareholders. The Board has not stipulated a maximum term of any directorship.

Conflicts of Interest

Under the Articles of Association of the Company, the Board must consider and, if it sees fit, may authorise situations where a Director has an interest that conflicts, or may possibly conflict, with the interests of the Company. The Board has established a formal system to consider authorising such conflicts, whereby the Directors who have no interest in the matter decide whether to authorise the conflict and any conditions to be attached to such authorisations.

Stewardship Responsibilities and the use of Voting Rights

As an externally-managed investment company, the majority of the responsibilities of the Board in relation to engagement with investee companies are delegated to the Investment Manager. The Board retains oversight of the investor stewardship exercised on its behalf by reviewing the Investment Manager's stewardship and voting policies, considering the regular updates on engagement provided by the Investment Manager and holding the Investment Manager to account. The Investment Manager has published a statement of compliance with the UK Stewardship Code, which is available on its website at www.mitongroup.com. The Board reviews this statement of compliance annually.

Company Secretary

The Board has direct access to the advice and services of the Secretary, Capita Company Secretarial Services Limited. The Secretary is responsible for ensuring that Board and Committee procedures are followed and that information and reports are delivered to the Board on a timely basis. The Secretary is also responsible for ensuring that applicable regulations are complied with and the statutory obligations of the Company are met.

Internal Controls and Risk Management Systems

The Board has overall responsibility for establishing and maintaining the Company's systems of internal controls and risk management and the reliability of the financial reporting process and for reviewing their effectiveness.

The Directors have reviewed and considered the guidance supplied by the FRC on Risk Management, Internal Control, and Related Finance and Business Reporting and an ongoing process has been established for identifying, evaluating and managing the risks faced by the Company. The Board has developed a risk matrix which consists of a detailed risk and internal control assessment and provides the basis for the Audit Committee and the Board to regularly monitor the effective operation of the controls and to update the risk matrix when new risks are identified. This process, together with key procedures established with a view to providing effective financial control, was developed during the financial period under review and was in place at the date of the signing of this report. The risk management process and Company's systems of internal control are designed to assist the Board in making better, more informed decisions with a view to creating and protecting shareholder value.

The internal control systems are designed to ensure that proper accounting records are maintained, that the financial information on which business decisions are made and which are issued for publication is reliable and that the assets of the Company are safeguarded. The purpose of risk management is to manage rather than

eliminate the risk of failure to achieving the Company's objectives and involves Directors exercising judgement. It should be recognised that such systems can only provide reasonable, not absolute, assurance against material misstatement or loss.

Internal Controls Assessment

Regular risk assessments and reviews of internal controls will be undertaken in the context of the Company's overall investment objective. The Board, through the Audit Committee, has identified risk management controls in four key areas: corporate strategy; compliance with laws and regulations and disclosure; relationships with service providers; and investment and business activities. In arriving at its judgement of what risks the Company faces, the Board has considered the Company's operations in the light of the following factors:

- ☞ the nature and extent of risks which it regards as acceptable for the Company to bear within its overall business objective;
- ☞ the threat of such risks becoming reality;
- ☞ the Company's ability to reduce the incidence and impact of risk on its performance; and
- ☞ the cost to the Company and benefits related to the Company and third parties operating the relevant controls.

The risk matrix established and maintained by the Company is structured so as to allow the Board to assess the risks against how those risks are managed. The risks are assessed on the basis of the likelihood of occurrence, the impact on the business if they were to occur and the effectiveness of the controls in place to mitigate them. The risk register is reviewed at each meeting of the Audit Committee and at other times as necessary.

The Board also reviews information provided by the Investment Manager and the Secretary on a regular basis.

Most functions for the day-to-day management of the Company are sub-contracted, and the Board therefore obtains regular assurances and information from key third party suppliers regarding the internal systems and controls operated in their organisations. In addition, each of the third parties is requested to provide a copy of its report on internal controls each year, which is reviewed by the Audit Committee.

The Board has carried out a review of the effectiveness of the risk management and systems of internal control as they have operated over the financial period under review and up to the date of approval of this report. No significant failings or weaknesses were identified from that review and there were no matters arising which required further investigation.

Shareholder Relations

The Board is committed to ensuring there is open and effective communication with the Company's shareholders and that the Directors understand the views of major shareholders on matters such as governance, strategy and performance. Accordingly, both the Board and the Investment Manager give a high priority to shareholder engagement and the Chairman and other Directors are available to enter into dialogue with shareholders. The Investment Manager and the Company's Stockbroker, Peel Hunt LLP, maintain a regular dialogue with major institutional investors and provide the Board with regular reports on feedback from shareholders.

All shareholders are encouraged to attend and vote at the Company's first AGM, to be held on 29 September 2016 at 2pm. The Board and the Investment Manager will be available during the meeting to discuss issues affecting the Company and answer any questions. Shareholders wishing to communicate directly with the Board or to lodge a question in advance of the AGM should contact the Secretary at the address on page 97. The Company always responds to letters from shareholders.

The Annual and Half-Yearly Reports of the Company are prepared by the Board and its advisers to present a full and readily understandable review of the Company's performance. Copies are released to the London Stock Exchange, and the Annual Report is despatched to shareholders by mail. They are also available from the Secretary or on the Company's website, www.mitongroup.com/micro.

Audit Committee Report

I am pleased to present the Audit Committee Report for the financial period ended 30 April 2016.

Composition and Operation of the Audit Committee.

Given the small size of the Board, it is deemed both proportionate and practical for all Directors to be on the Audit Committee, including the Chairman of the Company. The Board considers that the members of the Audit Committee have the requisite skills and experience as a result of their involvement in financial services to fulfil the responsibilities of the Audit Committee.

Under its terms of reference, the Audit Committee is required to meet twice a year, to tie in with the publication of the Company's financial statements, to the extent reasonably possible. Additional meetings will be convened as necessary.

Role of the Audit Committee

The primary responsibilities of the Audit Committee are:

- ✎ to monitor the integrity of the financial statements of the Company and review the content of the Company's half-year and full year reports and any formal announcements regarding its financial performance, together with any significant financial reporting issues and areas of judgement contained within them;
- ✎ to advise the Board on whether the content of the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy;
- ✎ to monitor and keep under review the adequacy and effectiveness of the Company's internal financial controls and risk management and internal control systems;
- ✎ to make recommendations to the Board in relation to the selection, appointment, re-appointment or removal of the external auditor, following a review of their independence, objectivity, qualifications, expertise and resources;
- ✎ to approve the remuneration and terms of engagement of the external auditor for audit and non-audit services; and
- ✎ to review the scope, findings and effectiveness of the external audit process.

The Audit Committee has direct access to the Company's external auditor, Ernst & Young LLP, and provides a forum through which the external auditor reports to the Board. Representatives of the external auditor attend meetings of the Audit Committee at least annually.

Principal Activities of the Committee during the Period

The Audit Committee met once during the period under review and once post the year end. In the period from the date of the Company's launch in April 2015 to the date of this report. It has:

- ✎ reviewed the Company's Half-Yearly Report to 31 October 2015 and Report for the financial period ended 30 April 2016 and the related results announcements;
- ✎ received and discussed with the Auditors their findings from the audit of the financial period ended 30 April 2016 and the effectiveness of the external audit process;
- ✎ reviewed the effectiveness of the risk management systems and internal controls of the Company and related reports from the Investment Manager and other third party providers; and
- ✎ appointed the Auditor and agreed the Auditor's fees.

Other matters reviewed by the Committee include:

- ☞ the Committee's terms of reference;
- ☞ the Company's risk matrix;
- ☞ the Company's policy on the supply of non-audit services by the external auditor; and
- ☞ the whistleblowing policy of Miton Asset Management Limited.

The Audit Committee receives a report on internal control and compliance from the Investment Manager's Compliance Officer on a six-monthly basis and discusses this with the Investment Manager. The Investment Manager has in place a compliance monitoring plan for testing of controls as an alternative to establishing a separate internal audit function.

Following consideration of the above matters and its detailed review of the Report, the Audit Committee was of the opinion that the Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

Audit Fees and Non-Audit Services

An audit fee of £23,000 (exclusive of VAT) has been agreed in respect of the audit for the financial period ended 30 April 2016.

In relation to non-audit services, the Audit Committee reviewed the scope and nature of all proposed non-audit services before engagement, to ensure that the external auditor's independence and objectivity were safeguarded. Non-audit fees of £59,000 (exclusive of VAT) were paid to Ernst & Young LLP in the period in relation to reporting accountant services for the initial public offering and C share issue.

The Committee has reviewed and implemented a policy on the engagement of the Auditor to supply non-audit services. It was agreed that all requests for services to be provided by the External Auditor should be submitted to the Committee in order to ensure that the scope and nature of the proposed work does not affect the Auditor's independence or objectivity.

Independence and Objectivity of the Auditor

The Audit Committee has acknowledged that Ernst & Young LLP is also auditor to the Investment Manager and another investment company managed by the Investment Manager. The Committee is satisfied that by assigning different audit partners and audit teams to each of the Company and the Investment Manager, Ernst & Young LLP remains independent and objective. Following its review of the independence and objectivity of the Auditor, the Audit Committee has been reassured that no conflicts have arisen during the year. However, the Committee will continue to monitor the position.

Appointment of the Auditor

Following consideration of the performance of the Auditor, the service provided during the period and a review of their independence and objectivity, the Audit Committee has recommended to the Board the appointment of Ernst & Young LLP as Auditor to the Company at the Company's forthcoming AGM.

Ernst & Young LLP has been Auditor to the Company since launch in April 2015. Under the FRC transitional arrangements, the Company is required to re-tender, at the latest, by 2025. The Company intends to re-tender within the timeframe set by the FRC. Due to the short period of time since the Auditor was appointed, it is not considered appropriate to review the Auditor's succession at this point in time. The Audit Committee will regularly consider the level of fees and the independence and objectivity of the Auditor.

Significant Issues considered by the Audit Committee

Following discussion with the Investment Manager and Auditor, the Committee determined that the key risks in relation to the Company's financial statements and how they were addressed were:

Risk	Mitigation
Incomplete or inaccurate dividend income recognition.	The Audit Committee reviews the Investment Manager's and Administrator's control reports on procedures for the recognition and recording of income. This was discussed with the Administrator, Investment Manager and Auditor at the conclusion of the audit of the financial statements.
The valuation and ownership of the investment portfolio.	The Board relies on the Administrator and the Investment Manager to use correct listed prices and seeks comfort in the testing of this process through the internal control statements. This was discussed with the Administrator, Investment Manager and Auditor at the conclusion of the audit of the financial statements.
Maintenance of investment trust status.	The Investment Manager and Administrator have reported to the Audit Committee to confirm continuing compliance with the requirements for maintaining investment trust status. The position is also discussed with the Auditor as part of the audit process.

Peter Dicks

Audit Committee Chairman
8 August 2016

Directors' Remuneration Report

The Board has prepared this report in accordance with the requirements of the Large and Medium-Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013.

In accordance with the regulations, the Company is required to seek shareholder approval of the Directors' Remuneration Report once a year. Furthermore, the Directors are required to propose a Directors' Remuneration Policy to shareholders that will remain in place for a maximum of three years. Any change to the Directors' Remuneration Policy will require shareholder approval. The vote on the Directors' Remuneration Report is advisory, whilst the Directors' Remuneration Policy is subject to a binding vote. Accordingly, ordinary resolutions for the approval of the policy and this report will be put to members at the forthcoming AGM.

The law requires the Company's Auditor to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The Auditor's opinion is included in the Independent Auditor's Report on pages 48 to 54.

Statement from the Chairman

I am pleased to present the Directors' Remuneration Policy and Remuneration Report for the financial period ended 30 April 2016.

Given the size of the Board it is not considered appropriate for the Company to have a separate Remuneration Committee and the functions of this Committee are carried out by the Board as a whole. The Board consists entirely of independent non-executive Directors and the Company has no employees. We have not, therefore, reported on those aspects of remuneration that relate to executive Directors.

Directors' fees for the financial period ended 30 April 2016 were at a level of £35,000 per annum for the Chairman and £25,000 per annum for the other Directors. Following the appointment of the Senior Independent Director, who is also Chairman of the Audit Committee, post the period end, it was agreed by the Board to set the fee for this position at £30,000 per annum. No further changes to the Directors' fees are currently proposed.

Directors' Remuneration Policy

The level of remuneration has been set in order to attract individuals of a calibre appropriate to the future development of the Company and to reflect the specific circumstances of the Company, the duties and responsibilities of the Directors and the value and amount of time committed to the Company's affairs.

The fees for the Directors are determined within the limits (not to exceed £500,000 per year in aggregate) set out in the Company's Articles of Association, or any greater sum that may be determined by an ordinary resolution of the Company. The Chairman does not participate in any discussions relating to his own fee, which is determined by the independent Directors. Directors are not eligible for bonuses, share options or long term incentive schemes or other performance-related benefits as the Board does not believe that this is appropriate for non-executive Directors.

Under the Company's Articles of Association, if any Director is called upon to perform extra or special services of any kind, he shall be entitled to receive such sum as the Board may think fit for expenses, and also such remuneration as the Board may think fit, either as a fixed sum or as a percentage of profits or otherwise, and such remuneration may, as the Board shall determine, be either in addition to or in substitution for any other remuneration he may be entitled to receive.

Directors are entitled to be paid all reasonable expenses properly incurred in attending Board, Committee or shareholder meetings or otherwise in or with a view to the performance of their duties. There are no amounts set aside or accrued by the Company to provide pension, retirement or similar benefits to the Directors.

	Expected fees for year to 30 April 2017 £	Fees for period from 26 March 2015 to 30 April 2016 £
Chairman basic fee	35,000	38,011
Senior Independent Director and Audit Committee Chairman basic fee*	30,000	27,151
Non-executive Director basic fee	25,000	27,151
Total aggregate annual fees that can be paid	500,000	500,000

* Following the period end, and the appointment of the Senior Independent Director, the fee for this position was set at £30,000 per annum.

Fees for any new Director appointed will be on the above basis. Fees payable in respect of subsequent periods will be determined following an annual review. Any views expressed by shareholders on the fees being paid to Directors would be taken into consideration by the Board.

It is the Board's policy that Directors do not have service contracts, but Directors are provided with a letter of appointment as a non-executive Director. The terms of their appointment provide that Directors shall retire and be subject to election at the first Annual General Meeting after their appointment. Compensation will not be made upon early termination of appointment.

Assuming this policy is approved by shareholders at the forthcoming AGM, it is intended that it will be effective immediately upon the passing of the resolution.

Directors' Fees for the Period (audited)

The Directors who served in the period received the following emoluments which covered the period from incorporation on 26 March 2015 to 30 April 2016*:

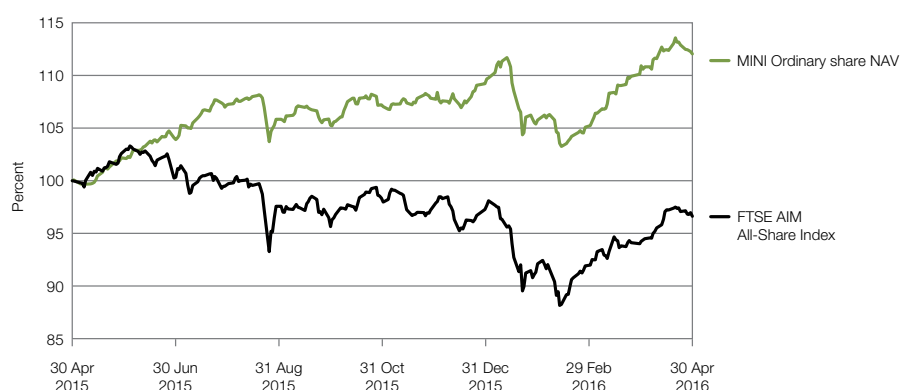
	Financial period ended 30 April 2016		
	Fees £	Expenses £**	Total £
Andrew Pomfret (Chairman)	38,011	–	38,011
Peter Dicks	27,151	–	27,151
Jan Etherden	27,151	319	27,470
Ashe Windham	27,151	317	27,468
	119,464	636	120,100

* Victoria Silver served as a Director from incorporation to 31 March 2015 and received no remuneration from the Company.

** Travel expenses for attendance at Board meetings.

Company Performance

The Company does not have a specific benchmark against which performance is measured. The graph below compares the total return (assuming all dividends are reinvested) to holders of Ordinary shares since they were first admitted to the Official List of the UK Listing Authority, compared to the total shareholder return of the FTSE AIM All-Share Index, which is the closest broad index against which to measure the Company's performance.



Source: Bloomberg & Miton 30 April 2015 to 30 April 2016

Relative Importance of Spend on Pay

The table below shows the proportion of the Company's income spent on pay.

	2016 £'000
Management fees paid in the period	645
Total remuneration paid to Directors	119

As the Company had not made any distributions to shareholders during the period, the payment of the management fee has been selected as the most significant outgoing to assist in understanding the relative importance of spend on pay. The calculation of the management fee is explained in note 7 to the financial statements. The management fee payment covers both the Ordinary and C share portfolios.

Directors' Beneficial and Family Interests (audited)

There is no requirement under the Company's Articles of Association or the terms of their appointment for Directors to hold shares in the Company.

The interests of the Directors and their families in the Ordinary shares and C shares of the Company as at 30 April 2016 are set out below:

	Number of Ordinary shares as at 30 April 2016	Number of C shares as at 30 April 2016
Andrew Pomfret (Chairman)	100,000	50,000
Peter Dicks	230,000	50,000
Jan Etherden	50,000	100,000
Ashe Windham	50,000	60,000

On 20 July 2016, following the conversion of the C shares, the new Ordinary shares from the conversion were issued and the resulting interests of the Directors in the shares of the Company were as follows:

	Number of Ordinary shares
Andrew Pomfret (Chairman)	148,150
Peter Dicks	278,150
Jan Etherden	146,300
Ashe Windham	107,780

There have been no other changes to the Directors' share interests between 30 April 2016 and the date of this report.

Approval

The Directors' Remuneration Report was approved by the Board on 8 August 2016.

On behalf of the Board

Andy Pomfret

Chairman

8 August 2016

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the Company's financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards ("IFRS") as adopted by the European Union.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with IFRS. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the Company's financial statements, the Directors are required to:

- ✎ select suitable accounting policies in accordance with IAS 8: 'Accounting Policies, Changes in Accounting Estimates and Errors' and then apply them consistently;
- ✎ present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- ✎ provide additional disclosures when compliance with specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance;
- ✎ state that the Company has complied with IFRS, subject to any material departures disclosed and explained in the financial statements; and
- ✎ make judgements and estimates that are reasonable and prudent.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Company's financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations, and for ensuring that the Annual Report includes the information required by the Listing Rules of the Financial Conduct Authority.

The financial statements are published on the Company's website, www.mitongroup.com/micro, which is maintained on behalf of the Company by the Investment Manager. Under the Management Agreement, the Investment Manager has agreed to maintain, host, manage and operate the Company's website and to ensure that it is accurate and up-to-date and operated in accordance with applicable law. The work carried out by the Auditor does not involve consideration of the maintenance and integrity of this website and accordingly, the Auditor accepts no responsibility for any changes that have occurred to the financial statements since they were initially presented on the website. Visitors to the website need to be aware that legislation in the United Kingdom covering the preparation and dissemination of the financial statements may differ from legislation in their jurisdiction.

We confirm that to the best of our knowledge:

- ☞ the Company's financial statements, prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- ☞ this 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.

The Directors consider that the Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

On behalf of the Board

Andy Pomfret

Chairman

8 August 2016

Independent Auditor's Report

Opinion on financial statements

In our opinion the financial statements:

- ☞ give a true and fair view of the state of Miton UK MicroCap Trust plc's (the 'Company') affairs as at 30 April 2016 and of its profit for the period then ended;
- ☞ have been properly prepared in accordance with International Financial Reporting Standard; and
- ☞ have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

We have audited the financial statements of the Company for the period ended 30 April 2016 which comprises:

-
- ☞ Income Statement for the period ended 30 April 2016.
 - ☞ Statement of Changes in Equity for the period ended 30 April 2016.
 - ☞ Balance sheet as at 30 April 2016.
 - ☞ Statement of Cash Flows for the period ended 30 April 2016.
 - ☞ Related notes 1 to 19 to the financial statements.

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standard ("IFRS") as adopted by the European Union.

Overview of our audit approach

Risks of material misstatement	☞ Income recognition. ☞ Valuation and existence of the investment portfolio.
Audit scope	☞ We performed an audit of the complete financial information of Miton UK MicroCap Trust plc in accordance with applicable law and International Standards on Auditing (UK & Ireland).
Materiality	☞ Overall materiality of £898k represents 1 % of equity and financial liabilities (C shares).

Our assessment of risk of material misstatement

We identified the risks of material misstatement described below as those that had the greatest effect on our overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the audit team. In addressing these risks, we have performed the procedures below which were designed in the context of the financial statements as a whole and, consequently, we do not express any opinion on these individual areas.

Risk	Our response to the risk
<i>Income recognition</i>	<i>We performed the following procedures:</i>
The Company has reported income of £955k. We focused on the recognition of revenue and its presentation in the financial statements given the importance of the total return to shareholders. We identified incomplete or inaccurate income recognition as a risk through failure to recognise proper income entitlements or apply appropriate accounting treatment.	Assessed the Manager's and Capita Asset Services ("Capita") systems and controls in this area and ascertained whether we could rely on them. Agreed a sample of dividends received from the income report to an independent pricing source. Agreed a sample of dividends paid by investee companies from an independent pricing source to the income report. Agreed 100% of accrued dividends to an independent pricing source.
<i>What we reported to the Audit Committee</i>	
We assessed the design effectiveness of the controls in this area and performed a substantive audit approach in this area.	
We noted no issues in agreeing the sample of dividend income from equity securities to and from the independent source and to the bank statement.	
We noted no issues in agreeing the accrued dividends to an independent source.	
We assessed the Manager's and Capita's systems and control in this area and ascertained that we could rely on them.	

Risk	Our response to the risk
<i>Valuation of and entitlement to investments</i>	<i>We performed the following procedures:</i>
The valuation of the portfolio of investments is comprised of listed investments in equity securities of £75.7m.	Assessed the Manager's and Capita's systems and controls in this area and ascertained whether we could rely on them.
The valuation of the assets held in the investment portfolio is the key driver of the Company's net asset value and total return.	Agreed 100% of the quoted investment valuations and exchange rates to an independent source using our proprietary pricing tool operated by our team of pricing specialists.
Incorrect asset pricing or a failure to maintain proper legal title of assets by the Company could have a significant impact on portfolio valuation and, therefore, the return generated for shareholders.	Reviewed pricing exception reports and investigated any discrepancies.
	Performed a three way reconciliation of the investments held by the Company to the records of the administrator, custodian and depositary.
	Obtained independent confirmation of all investments held from the custodian and depositary.
<i>What we reported to the Audit Committee</i>	
We assessed the design effectiveness of the controls in this area and performed a substantive audit approach in this area.	
For all listed investments we noted no material differences in the fair value of the investments and identified no exceptions or discrepancies.	
We confirmed that all investments held by the Company agreed to the independent confirmations received from the custodian and depositary and that no discrepancies arose when performing a three way reconciliation of the investments held.	

The scope of our audit

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determines our audit scope for the Company. Taken together, this enables us to form an opinion on the financial statements. We take into account size, risk profile, changes in the business environment, the organisation of the Company and effectiveness of company-wide controls, and other factors such as recent Service Organisation Control ('SOC') reporting when assessing the level of work to be performed.

Our application of materiality

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

Materiality

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

We determined materiality for the Company to be £898k, which is 1% of equity and financial liabilities (C shares). We have derived our materiality calculation on this basis as we consider this to be the most important financial metric on which shareholders would judge the performance of the Company.

Performance materiality

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

On the basis of our risk assessments, our assessment of the Company's overall control environment, our judgement was that as this is first period audit of the Company that performance materiality was 50% of our planning materiality, namely £449k.

Given the importance of the distinction between revenue and capital for the Company we have also applied a separate testing threshold of £18.3k for the revenue column of the Income statement, being 5% of the Return on ordinary activities before taxation.

Reporting threshold

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

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £44.9k, which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the financial report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Respective responsibilities of Directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 46, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- ☞ the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- ☞ the information given in the Strategic Report and the Report of the Directors for the financial period for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

ISAs (UK and Ireland)

We are required to report to you if, in our opinion, financial and non-financial information in the annual financial report is:

- ☞ materially inconsistent with the information in the audited financial statements; or
- ☞ apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or
- ☞ otherwise misleading.

In particular, we are required to report whether we have identified any inconsistencies between our knowledge acquired in the course of performing the audit and the Directors' statement that they consider the annual financial report and accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the entity's performance, business model and strategy; and whether the annual financial report appropriately addresses those matters that we communicated to the Audit Committee that we consider should have been disclosed.

We have no exceptions to report.

Companies Act 2006 reporting

We are required to report to you if, in our opinion:

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

We have no exceptions to report.

Listing Rules review requirements

We are required to review:

- ☞ the Directors' statement in relation to going concern set out on page 29, and longer term viability, set out on page 29; and
- ☞ the part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

We have no exceptions to report.

Statement on the Directors' assessment of the principal risks that would threaten the solvency or liquidity of the entity

We are required to give a statement as to whether we have anything material to add or to draw attention to in relation to:

- ☞ the Directors' confirmation in the annual financial report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- ☞ the disclosures in the annual financial report that describe those risks and explain how they 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 entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and
- ☞ the Directors' explanation in the annual financial report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing material to add or to draw attention to.

For and on behalf of Ernst & Young LLP, Statutory Auditor, London

Ashley Coups

Senior statutory auditor
8 August 2016

Notes:

1. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Income Statement

of the Company for the period 26 March 2015 to 30 April 2016

	Note	Revenue return £'000	Capital return £'000	Total £'000
Gains on investments held at fair value through profit or loss	11	–	8,174	8,174
Income	2	955	–	955
Management fee	7	(161)	(484)	(645)
Other expenses	8	(428)	–	(428)
Return on ordinary activities before finance costs and taxation		366	7,690	8,056
Finance costs	9	(15)	(1,988)	(2,003)
Return on ordinary activities before taxation		351	5,702	6,053
Taxation	10	(4)	–	(4)
Return on ordinary activities after taxation		347	5,702	6,049
Return on ordinary activities for the period analysed as follows:				
Attributable to Ordinary shares		347	5,702	6,049
Return per Ordinary share (pence)	3	0.32	5.32	5.64

For information

Attributable to C shares*		15	1,460	1,475
Return per C share (pence)*	3	0.03	2.61	2.63

* Per note 1 the C shares are classified as a financial liability prior to conversion and as such the return on ordinary activities of the C shares is charged back within finance costs.

The Company does not have any income or expense that is not included in the 'return for the period'. Accordingly, the 'return for the period' is also the Total Comprehensive Income for the period as defined in International Accounting Standard 1 (revised), and consequently no separate Statement of Comprehensive Income has been presented.

The total column of this statement is the Income Statement of the Company prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union. The supplementary revenue return and capital return columns are presented in accordance with the Statement of Recommended Practice issued by the Association of Investment Companies ("AIC SORP").

All revenue and capital items in the above statement derive from continuing operations. No operations were acquired or discontinued during the period.

The notes on pages 59 to 77 form part of these financial statements.

Statement of Changes in Equity

of the Company for the period 26 March 2015 to 30 April 2016

	Share capital £'000	Share premium account £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
As at 26 March 2015	–	–	–	–	–
Total comprehensive income:					
Net return for the period	–	–	5,702	347	6,049
Transactions with shareholders recorded directly to equity:					
Issue of Ordinary shares	110	55,240	–	–	55,350
Expenses of share issue	–	(1,057)	–	–	(1,057)
Issue of Management shares	50	–	–	–	50
As at 30 April 2016	160	54,183	5,702	347	60,392

The notes on pages 59 to 77 form part of these financial statements.

Balance Sheet

of the Company as at 30 April 2016

	Note	£'000
Non-current assets:		
Investments held at fair value through profit or loss	11	75,700
Current assets:		
Trade and other receivables	13	232
Cash at bank and cash equivalents		14,708
Total assets		90,640
Liabilities and equity		
Liabilities		
Trade and other payables	14	773
Financial liabilities (C shares)	12	29,475
Total liabilities		30,248
Equity		
Share capital		160
Share premium account		54,183
Capital reserve		5,702
Revenue reserve		347
Total equity		60,392
Total liabilities and equity		90,640

Net asset value attributable per Ordinary shares (pence)	5	54.91
Net asset value attributable per C shares (pence)	5	52.63

These financial statements were approved by the Board of Miton UK MicroCap Trust plc on 8 August 2016 and were signed on its behalf by:

Andy Pomfret

Chairman

Company No: 09511015

The notes on pages 59 to 77 form part of these financial statements.

Statement of Cash Flows

for the Company for the period 26 March 2015 to 30 April 2016

	£'000
Operating activities:	
Net return before taxation	6,053
Increase in investments	(75,700)
Increase in trade and other receivables	(232)
Increase in trade and other payables	773
Add back finance costs	2,003
Withholding tax paid	(4)
Net cash outflows from operating activities	(67,107)
Financing activities:	
Ordinary shares issued	55,350
Expenses of Ordinary share issue	(1,057)
C shares issued	28,000
Expenses of C share issue	(528)
Management shares issued	50
Net cash inflows from financing activities	81,815
Increase in cash and cash equivalents	14,708
Reconciliation of net cash flow movement in funds:	
Cash and cash equivalents at the start of the period	–
Net cash inflow from cash and cash equivalents	14,708
Cash at the end of the period	14,708
	Combined £'000
Cash received/(paid) during the period includes:	
Dividends Received	817

The notes on pages 59 to 77 form part of these financial statements.

Notes to the Financial Statements

1 Accounting Policies

Miton UK MicroCap Trust plc is a company incorporated and registered in England and Wales. The principal activity of the Company is that of an investment trust company within the meaning of Sections 1158/1159 of the Corporation Tax Act 2010.

The Company's financial statements for the period 26 March 2015 to 30 April 2016 have been prepared in conformity with IFRS as adopted by the European Union, which comprise standards and interpretations approved by the International Accounting Standards Board ("IASB"), and as applied in accordance with the provisions of the Companies Act 2006. The annual financial statements have also been prepared in accordance with the AIC SORP for the financial statements of investment trust companies and venture capital trusts, except to any extent where it is not consistent with the requirements of IFRS.

Basis of Preparation

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 Income Statement between items of a revenue and capital nature has been prepared alongside the Income Statement.

The financial statements have been prepared on a going concern basis and on the basis that approval as an investment trust company will continue to be met.

The Directors have made an assessment of the Company's ability to continue as a going concern and are satisfied that the Company has the resources to continue in business for the foreseeable future, being a period of 12 months from the date these financial statements were approved. Furthermore, the Directors are not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern, having taken into account the liquidity of the Company's investment portfolio and the Company's financial position in respect of its cash flows, borrowing facilities and investment commitments (of which there are none of significance). Therefore, the financial statements have been prepared on the going concern basis.

The financial statements are presented in sterling, which is the Company's functional currency as the UK is the primary environment in which it operates, rounded to the nearest £'000, except where otherwise indicated.

Segmental Reporting

The Directors are of the opinion that the Company is engaged in a single segment of business, being investment business. The Company primarily invests in companies listed in the UK.

Critical Accounting Judgements and Key Sources of Estimation Uncertainty

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts in the Balance Sheet, the Income Statement 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.

1 Accounting Policies continued

Critical Accounting Judgements and Key Sources of Estimation Uncertainty continued

The estimates and underlying assumptions are reviewed on an ongoing basis. 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. There were no significant accounting estimates or judgements in the current period.

Share Capital

The Company is a closed-ended investment company with an unlimited life. As defined in the Articles of Association, redemption of Ordinary shares is at the sole discretion of the Directors, therefore the Ordinary shares have been classified as equity.

The issuance, acquisition and resale of Ordinary shares are accounted for as equity transactions and no gain or loss is recognised in the Income Statement.

In accordance with paragraph 11 of IAS 32 (Financial Instruments: Presentation), the C shares are required to be classified as a financial liability prior to conversion due to the inherent variability of the number of Ordinary shares attributable to C shareholders on conversion. The income, expenses and capital gains or losses generated by the C share pool of assets during the period they are in existence, are included in the Income Statement in their respective categories and the total is charged or credited back within finance costs in the capital column of the Income Statement. The issue costs of the C shares are also recognised as a finance cost and charged to the capital column of the Income Statement.

Investments

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

Accordingly, upon initial recognition the Company designates the investments 'at fair value through profit or loss'. They are included initially at fair value, which is taken to be their cost (excluding expenses incidental to the acquisition which are written off in the Income Statement, and allocated to 'capital' at the time of acquisition). When a purchase or sale is made under a contract, the terms of which require delivery within the time-frame of the relevant market, the investments concerned are recognised or derecognised on the trade date. Subsequent to initial recognition, investments are valued at fair value through profit or loss. For listed investments this is deemed to be bid market prices or closing prices for Stock Exchange Electronic Trading Service – quotes and crosses ('SETSqx'). A listed company may apply in order to provide additional liquidity with auctions taking place at certain points during the day. Changes in fair value of investments not designated as held for trading are recognised in the Income Statement as a capital item. On disposal, realised gains and losses are also recognised in the Income Statement as capital items.

All investments for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy in note 12, described as follows, based on the lowest significant applicable input:

Level 1 reflects financial instruments quoted in an active market.

Level 2 reflects financial instruments whose fair value is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets.

Level 3 reflects financial instruments whose fair value is determined in whole or in part using a valuation technique based on assumptions that are not supported by prices from observable market transactions in the same instrument and not based on available observable market data. For investments that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorisation (based on the lowest significant applicable input) at the date of the event that caused the transfer.

Financial liabilities

In accordance with IAS 32 the financial assets attributable to the Company's C shares have been designated as a financial liability, due to the obligation to convert the C shares to Ordinary shares and the inherent variability of the number of Ordinary shares attributable to the C shareholders on conversion.

The liability to the C shareholders is recognised at amortised costs, being the net value of assets and liabilities attributable to the C class shareholders at the Balance Sheet date of the C shares.

Foreign currency

The Financial Statements have been prepared in sterling, rounded to the nearest £'000, which is the functional and reporting currency of the Company.

Transactions denominated in foreign currencies are converted to sterling at the actual exchange rate as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year-end are reported at the rate of exchange at the Balance Sheet date. Any gain or loss arising from a change in exchange rate subsequent to the date of the transaction is included as an exchange gain or loss in the capital reserve or the revenue account depending on whether the gain or loss is of a capital or revenue nature.

Cash and Cash Equivalents

For the purposes of the Balance Sheet, cash comprises cash in hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts when applicable.

Trade receivables, trade payables and short term borrowings

Trade receivables and payables are measured at amortised cost.

1 Accounting Policies continued

Income

Dividends received from UK registered companies are accounted for net of imputed tax credits. Dividends from overseas companies are shown gross of any non-recoverable withholding taxes which are described separately in the Income Statement.

Dividends receivable on quoted equity shares are taken to revenue on an ex-dividend basis. Dividends receivable on equity shares where no ex-dividend date is quoted are brought into account when the Company's right to receive payment is established. Fixed returns on non-equity shares are recognised on a time-apportioned basis.

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

When the Company has elected to receive scrip dividends in the form of additional shares rather than in cash, the amount of the cash dividend forgone is recognised as income. Any excess in the value of the cash dividend is recognised in the capital column.

All other income is accounted for on a time-apportioned accruals basis using the effective interest rate method and is recognised in the Income Statement.

Expenses and Finance Costs

All expenses and finance costs are accounted for on an accruals basis.

Expenses incurred directly in relation to placings and offers for subscription of shares are deducted from equity and charged to the share premium account.

Finance costs of the C shares issued by the Company, (which were classified as a liability) are recognised as an expense and shown in the capital column of the Income Statement.

Taxation

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date based on tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax assets are only recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of timing differences can be deducted. In line with the recommendations of the SORP, the allocation method used to calculate the tax relief on expenses charged to capital is the "marginal" basis. Under this basis, if taxable income is capable of being offset entirely by expenses charged through the revenue account, then no tax relief is transferred to the capital account.

No taxation liability arises on gains from sales of fixed asset investments by the Company by virtue of its investment trust status. However, the net revenue (excluding UK dividend income) accruing to the Company is liable to corporation tax at the prevailing rates.

Dividends Payable to Shareholders

Dividends to shareholders are recognised as a liability in the period in which they are paid or approved in general meetings and are taken to the Statement of Changes in Equity. Dividends declared and approved by the Company after the Balance Sheet date have not been recognised as a liability of the Company at the Balance Sheet date.

2 Income

	Period to 30 April 2016		
	Ordinary share £'000	C share £'000	£'000
Income from investments			
UK Dividends	723	55	778
Unfranked dividend income	177	–	177
Total income	900	55	955

3 Return per Share

Returns per share are based on the weighted average number of shares in issue during the period. Basic and diluted return per share are the same as there are no dilutive elements on share capital.

	Ordinary shares Period ended 30 April 2016			C shares Period ended 30 April 2016		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Net profit	347	5,702	6,049	15	1,460	1,475
Weighted average number of shares in issue	107,273,065			56,000,000		
Return per share (pence)	0.32	5.32	5.64	0.03	2.61	2.63

The C shares are classified as a financial liability prior to conversion and as such the return on ordinary activities of the C shares is charged back within finance costs (see note 9).

4 Called-up Share Capital

	Number of Ordinary Shares	£'000
Ordinary shares of £0.001 each		
At beginning of period	–	–
Subscriptions	109,990,000	110
Redemptions	–	–
	109,990,000	110

The Company was incorporated on 26 March 2015 with an issued share capital of £50,000 represented by 50,000 Management shares of £1.00 each.

At a General Meeting held on 31 March 2015, the Directors were granted the authority to allot up to 200 million Ordinary shares and/or C shares, to an aggregate nominal amount of £200,000 in Ordinary shares or £2,000,000 C shares on a non pre-emptive basis. This authority is due to expire at the Company's Annual General Meeting to be held on 29 September 2016. Proposals for its renewal are set out on page 31.

On 30 April 2015 as part of its Initial Public Offering, the Company issued 100 million Ordinary shares of £0.001 each at a price of 50 pence per share in a placing, offer for subscription and intermediaries offer, raising £50 million before expenses. In August and September 2015, the Company issued 9.99 million Ordinary shares by way of a tap issuance. Full details of the share issuances are set out on page 23 of this Report.

The rights attaching to each share class are set out on page 80 of this Report.

Redemption of Ordinary Shares

The Company has a redemption facility through which shareholders are entitled to request the redemption of all or part of their holding of Ordinary shares on an annual basis on 30 April in each year. As set out in the Articles of Association, the Board may, at its absolute discretion, elect not to operate the annual redemption facility in whole or in part. Accordingly, the Ordinary shares have been classified as equity.

In the year to 30 April 2016 valid redemption requests for 337,231 Ordinary shares, representing 0.20% of the issued share capital, were made. All of these shares were matched with buyers and sold on the main market. All shareholders who validly applied to have shares redeemed received a calculated Redemption Price of 55.10p per share.

C shares

On 2 February 2016, the Board announced the proposed issue of up to 250 million new Ordinary and/or C shares in aggregate through a share issuance programme over the following 12 months.

Following a placing, offer for subscription and intermediaries offer of C shares, the Company issued 56,000,000 C shares of £0.01 each at an issue price of £0.50, raising £28,000,000 of gross proceeds for the Company. These were admitted to the Official List, and commenced trading on the main market of the London Stock Exchange on 19 February 2016.

On 19 July 2016, the C shares were converted into Ordinary shares at the ratio of 0.9630 Ordinary shares for every C share, as calculated in line with the prospectus dated 4 February 2016. This resulted in the issue of 53,927,917 new Ordinary shares. The Ordinary shares were allotted to the holders of C shares, which comprised institutional investors, discretionary private wealth managers and UK retail investors. Following the conversion for the C shares the Company had 163,917,917 Ordinary shares in issue.

As the rates at which the C shares were convertible to Ordinary shares was variable per the terms of the Prospectus the C shares are required to be classified as a financial liability in the Balance Sheet as at 30 April 2016. This is in line with the provisions of IAS 32.

Management Shares

50,000 Management Shares with a nominal value of £1 each were allotted to Miton Trust Managers Limited on the date of incorporation. These shares have been fully paid up.

The Management Shares are non-voting and non-redeemable and, upon a winding-up or on a return of capital of the Company, shall only receive the fixed amount of capital paid up on such shares and shall confer no right to any surplus capital or assets of the Company.

5 Net Asset Values per Ordinary Share and C Share

The NAV's per Ordinary share and C share and the NAV's attributable at the period end were as follows:

	Ordinary share		C share	
	Net asset value per share 30 April 2016 pence	Net assets attributable 30 April 2016 £'000	Net asset value per share 30 April 2016 pence	Net assets attributable 30 April 2016 £'000
Basic and diluted	54.91	60,392	52.63	29,475

NAV per Ordinary share is based on net assets at the period end and 109,990,000 Ordinary shares, being the number of Ordinary shares in issue at the period end.

NAV per C share is based on net assets at the period end and on 56,000,000 C shares, being the number of C shares in issue at the period end.

Net assets of £1.00 per Management share is based on net assets at the year end of £50,000 and attributable to 50,000 management shares at the year end. The shareholders have no right to any surplus capital or assets of the Company.

6 Transaction Costs

During the period, expenses were incurred in acquiring or disposing of investments classified as fair value through profit or loss. These have been expensed through capital and are included within gains on investments in the Income Statement. The total costs were as follows:

	30 April 2016	
	Ordinary share £'000	C share £'000
Costs on acquisitions	107	18
Costs on disposals	5	–
	112	18

These transaction costs are dealing commissions paid to stockbrokers and stamp duty, a Government tax paid on transactions (which is zero when dealing on the AIM/ISDX exchanges). A breakdown of these costs is set out below:

	Ordinary share £'000	% of average monthly net assets in the year	C share £'000	% of average monthly net assets in the year
Costs paid in dealing commissions	75	0.13	13	0.05
Costs of stamp duty	37	0.07	5	0.02
	112	0.20	18	0.07

The average monthly net assets of the Ordinary shares for the period to 30 April 2016 was £56,282,312.

The average monthly net assets of the C shares from their launch in February 2016 to 30 April 2016 was £28,351,661.

Investments are valued at fair value which is bid value for listed securities. Certain holdings may have been acquired at a price higher than the bid price.

7 Management Fee

The AIFM is entitled to receive from the Company in respect of its services provided under the Management Agreement, a management fee, for both the Ordinary share and C share classes, payable monthly in arrears calculated at the rate of 1% per annum of the market capitalisation of each share class as at the relevant calculation date.

In addition to the basic management fee, and for so long as a Redemption Pool is in existence, the AIFM is entitled to receive from the Company a fee calculated at the rate of 1% per annum of the net asset value of the Redemption Pool on the last Business Day of the relevant calendar month.

The AIFM has agreed that, for so long as it remains the Company's investment manager, it will rebate such part of any management fee payable to it so as to help the Company maintain an ongoing charges ratio of 2% or lower. The ongoing charges ratio for the period are 1.76% for the Ordinary shares and 1.47% for the C shares, and as such are below 2%. In accordance with the Directors' policy on the allocation of expenses between income and capital, in each financial year 75% of the management fee payable is expected to be charged to capital and the remaining 25% to income.

	Ordinary share 30 April 2016			C share 30 April 2016			30 April 2016		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Management fee	147	441	588	14	43	57	161	484	645

At 30 April 2016, an amount of £104,000 for the Ordinary share pool and £49,000 for the C share pool were outstanding and due to Miton Trust Managers Limited in respect of management fees.

8 Other Expenses

	30 April 2016		
	Ordinary share £'000	C share £'000	£'000
Secretarial services	122	–	122
Auditor's remuneration for:			
Audit of the Company's financial statements	25	–	25
Other services	–	–	–
Directors' fees	119	–	119
Other expenses	136	26	162
	402	26	428

In addition to the Auditor's remuneration shown above £25,000 was charged on the Ordinary share issue and £34,000 was charged on the C share issue. These costs were capitalised in line with the prospectus. In respect of the C shares issue a £34,000 fee was incurred and was charged through finance costs. Therefore, audit remuneration for audit services was £25,000 and non audit services was £59,000 excluding VAT.

9 Finance Costs

	Ordinary share 30 April 2016			C share 30 April 2016			30 April 2016		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Finance costs:									
Net Gain allocated to C shares	–	–	–	–	–	–	15	1,460	1,475
Expenses of C share issue	–	–	–	–	528	528	–	528	528
	–	–	–	–	528	528	15	1,988	2,003

10 Taxation

	Ordinary shares 30 April 2016			C shares 30 April 2016			30 April 2016		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Overseas withholding tax suffered	4	–	4	–	–	–	4	–	4
	Ordinary shares 30 April 2016			C shares 30 April 2016			30 April 2016		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Return on ordinary activities before taxation	351	5,702	6,053	15	1,988	2,003	366	7,162	7,528
Theoretical tax at UK corporation tax rate of 20%	70	1,140	1,210	3	398	401	73	1,432	1,505
Effects of:									
– UK dividends that are not taxable	(145)	–	(145)	(11)	–	(11)	(156)	–	(156)
– Overseas dividends that are not taxable	(35)	–	(35)	–	–	–	(35)	–	(35)
– Realised dealing gains	–	–	–	–	–	–	–	–	–
– Non-taxable investment (gains)/losses	–	(1,229)	(1,229)	–	(407)	(407)	–	(1,530)	(1,530)
– Overseas taxation suffered	4	–	4	–	–	–	4	–	4
– Disallowed expenses	(2)	–	(2)	4	–	4	2	–	2
– Unrelieved expenses	112	89	201	4	9	13	116	98	214
Total tax charge	4	–	4	–	–	–	4	–	4

Factors that may affect future tax charges

At 30 April 2016, the Company had no unprovided deferred tax liabilities. At that date, based on current estimates and including the accumulation of net allowable losses, the Company had unrelieved losses of £1,061,766, that are available to offset future taxable revenue. A deferred tax asset of £211,504 has not been recognised because the Company is not expected to generate sufficient taxable income in future periods in excess of the available deductible expenses and accordingly, the Company is unlikely to be able to reduce future tax liabilities through the use of existing surplus losses.

Deferred tax is not provided on capital gains and losses arising on the revaluation or disposal of investments.

11 Investments

	30 April 2016		
	Ordinary share £'000	C share £'000	£'000
Investment portfolio summary:			
Opening book cost	–	–	–
Opening unrealised gains	–	–	–
Total investments designated at fair value	–	–	–
Analysis of investment portfolio movements			
Opening valuation	–	–	–
Movements in the period:			
Purchases at cost	57,269	14,704	71,973
Sales – proceeds	(4,217)	(230)	(4,447)
– (losses)/gains on sales	(1,042)	62	(980)
Increase in unrealised gains	7,185	1,969	9,154
Closing valuation	59,195	16,505	75,700
Closing book cost	52,010	14,536	66,546
Closing unrealised gains	7,185	1,969	9,154
	59,195	16,505	75,700

	30 April 2016		
	Ordinary share £'000	C share £'000	£'000
Analysis of capital (losses)/gains			
(Losses)/gains on sales of investments	(1,042)	62	(980)
Movement in unrealised gains	7,185	1,969	9,154
	6,143	2,031	8,174

A list of the largest portfolio holdings by their fair value is shown on pages 15 to 18.

12 Fair Value Hierarchy

Financial assets of the Company are carried in the Balance Sheet at their fair value or approximation of fair value. The fair value is the amount at which the asset could be sold in an ordinary transaction between market participants, at the measurement date, other than a forced or liquidation sale. The Company measures fair values using the following hierarchy that reflects the significance of the inputs used in making the measurements.

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

Level 1 – Valued using quoted prices, unadjusted in active markets for identical assets and liabilities.

Level 2 – Valued by reference to valuation techniques using observable inputs for the asset or liability other than quoted prices included in level 1.

Level 3 – Valued by reference to valuation techniques using inputs that are not based on observable market data for the asset or liability.

The table below sets out the fair value measurement of financial assets and liabilities in accordance with the fair value hierarchy.

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit or loss at 30 April 2016				
Equity investments				
Ordinary share portfolio	59,133	62	–	59,195
C share portfolio	16,505	–	–	16,505
	75,638	62	–	75,700
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial liabilities as at 30 April 2016				
C shares	–	–	29,475	29,475
	–	–	29,475	29,475

12 Fair Value Hierarchy continued

Reconciliation of Level 3 movements – Financial Liabilities

	Total As at 30 April 2016 Level 3 £'000
Opening fair value financial liabilities	–
C class share issue	28,000
Movement in fair value of the financial liability through profit or loss	1,475
Closing fair value of financial liabilities	29,475

13 Trade and Other Receivables

	30 April 2016		
	Ordinary share £'000	C share £'000	£'000
Amount due from brokers	67	–	67
Dividends receivable	105	33	138
Prepayment and other debtors	27	–	27
C class fee rebate	22	–	–
	221	33	232

As at 30 April 2016 £22,000 was due from the C share class to the Ordinary share class. This has been excluded from the Company's Balance Sheet as at 30 April 2016.

14 Trade and Other Payables

	30 April 2016		
	Ordinary share £'000	C share £'000	£'000
Amount due to brokers	–	546	546
Other creditors	176	51	227
C class fee rebate	–	22	–
	176	619	773

As at 30 April 2016 £22,000 was payable by the C share class to the Ordinary share class. This has been excluded from the Company's Balance Sheet as at 30 April 2016.

15 Capital Management Policies

The Company's capital management objectives are:

- to ensure that it will be able to continue as a going concern; and
- to maximise the income and capital return over the long term to its equity shareholders through an appropriate balance of equity capital and debt.

As stated in the investment policy, the Company has authority to borrow up to 15% of net asset value through a mixture of bank facilities and certain derivative instruments. There were no borrowings as at 30 April 2016 or throughout the year. Also, as a public company the minimum share capital is £50,000.

	30 April 2016 £'000
The Company's capital at 30 April comprised:	
Debt:	
Bank overdraft facility	–
Current liabilities:	
Trade and other payables	773
C shares	29,475
Equity:	
Equity share capital	160
Retained earnings and other reserves	60,232
Total shareholders' funds	90,640
Debt as a % of net assets	0.00%

The Board, with the assistance of the Investment Manager, monitors and reviews the broad structure of the Company's capital on an ongoing basis. This review includes:

- the planned level of gearing, which takes into account the Investment Manager's view of the market;
- the buy back shares for cancellation or treasury, which takes account of the difference between the NAV per share and the share price (i.e. the level of share price discount or premium);
- new issues of equity shares; and
- the extent to which revenue in excess of that which is required to be distributed should be retained.

The Company's objectives, policies and processes for managing capital have remained unchanged since its launch.

16 Reserves

Ordinary shares To 30 April 2016	Share premium account £'000	Capital reserve realised £'000	Capital reserve unrealised £'000	Revenue reserve £'000
Opening balance	–	–	–	–
Issue of Ordinary share at launch	49,900	–	–	–
Expenses of Ordinary share issue at launch	(1,000)	–	–	–
Issue of Ordinary share (Tap issue)	5,340	–	–	–
Expenses of Ordinary share issue (Tap issue)	(57)	–	–	–
Net loss on realisation of investments	–	(1,042)	–	–
Unrealised net increase in value of investments	–	–	7,185	–
Management fee charged to capital	–	(441)	–	–
Revenue return on ordinary activities after tax	–	–	–	347
	54,183	(1,483)	7,185	347

17 Analysis of Financial Assets and Liabilities

Investment Objective and Policy

The Company's investment objective and policy are detailed on page 81.

The Company's investing activities in pursuit of its investment objective involve certain inherent risks.

The Company's financial instruments can comprise:

- ☞ shares and debt securities held in accordance with the Company's investment objective and policies;
- ☞ derivative instruments for efficient portfolio management, gearing and investment purposes; and
- ☞ cash, liquid resources and short-term debtors and creditors that arise from its operations.

The risks identified arising from the Company's financial instruments are market risk (which comprises market price risk, interest rate risk and foreign currency exposure risk), liquidity risk and credit and counterparty risk. The Company may enter into derivative contracts to manage risk. The Board reviews and agrees policies for managing each of these risks, which are summarised below.

These policies have remained unchanged since the beginning of the accounting period.

Market Risk

Market risk arises mainly from uncertainty about future prices of financial instruments used in the Company's business. It represents the potential loss the Company might suffer through holding market positions by way of price movements, interest rate movements and exchange rate movements. The Investment Manager assesses the exposure to market risk when making each investment decision and these risks are monitored by the Investment Manager on a regular basis and the Board at quarterly meetings with the Investment Manager.

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 Investment Manager. Investment performance and exposure are reviewed at each Board meeting.

The Company's exposure to changes in market prices as at 30 April 2016 on its equity investments held at fair value through profit or loss was £75,700,000.

A 10% increase in the market value of its listed equity investments at 30 April 2016 would have increased net assets attributable to shareholders by £7,570,000. An equal change in the opposite direction would have decreased the net assets and net profit available to shareholders by an equal and opposite amount. The analysis is based on closing balances only and is not representative of the year as a whole.

Interest rate risk

Interest rate movements may affect the level of income receivable on cash deposits. The Company's financial assets and liabilities, excluding short-term debtors and creditors, may include investment in fixed interest securities, such as UK corporate debt stock, whose fair value may be affected by movements in interest rates. The majority of the Company's financial assets and liabilities, however, are non-interest bearing. As a result, the Company's financial assets and liabilities are not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates. There was no exposure to interest bearing liabilities during the period ended 30 April 2016.

The possible effects on the fair value and cash flows that could arise as a result of changes in interest rates are taken into account when making investment decisions. The Board imposes borrowing limits to ensure gearing levels are appropriate to market conditions.

17 Analysis of Financial Assets and Liabilities continued

Interest rate risk continued

The interest rate profile of the Company (excluding short-term debtors and creditors) was as follows:

As at 30 April 2016	Weighted average interest rate %	Floating rate £'000	Fixed rate £'000
Assets and liabilities:			
Fixed interest securities	–	–	–
Cash at bank	–	14,708	–
	–	14,708	–

Foreign currency risk

Although the Company's performance is measured in sterling, a proportion of the Company's assets may be either denominated in other currencies or in investments with currency exposure. Any income denominated in a foreign currency is converted into sterling upon receipt. At the Balance Sheet date, all the Company's assets were denominated in sterling and accordingly the only currency exposure the Company has is through the trading activities of its investee companies.

Liquidity Risk

Liquidity risk is not significant as the majority of the Company's assets are investments in quoted equities and other quoted securities that are readily realisable.

The Company's liquidity risk is managed on a daily basis by the Investment Manager in accordance with established policies and procedures in place. The Investment Manager reviews daily forward-looking cash reports which project cash obligations. These reports allow it to manage its obligations. A maturity analysis is not presented as the Investment Manager does not consider this to be a material risk.

Credit and Counterparty Risk

Credit risk is the risk of financial loss to the Company if the contractual party to a financial instrument fails to meet its contractual obligations

The maximum exposure to credit risk as at 30 April 2016 was £14,940,000. The calculation is based on the Company's credit risk exposure as at 30 April 2016 and this may not be representative for the whole period.

The Company's quoted investments are held on its behalf by Bank of New York Mellon acting as the Company's custodian. Bankruptcy or insolvency of the custodian may cause the Company's rights with respect to securities held by the custodian to be delayed. The Board monitors the Company's risk by reviewing the custodian's internal controls report.

Where the Investment Manager makes an investment in a bond, corporate or otherwise, the credit rating of the issuer is taken into account so as to minimise the risk to the Company of default.

Investment transactions are carried out with a number of brokers whose creditworthiness is reviewed by the Investment Manager. Transactions are ordinarily undertaken on a delivery versus payment basis whereby the Company's custodian bank ensures that the counterparty to any transaction entered into by the Company has delivered on its obligations before any transfer of cash or securities away from the Company is completed.

Cash is only held at banks that have been identified by the Board as reputable and of high credit quality.

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

18 Related parties

The Directors who served in the year were entitled to the following emoluments in the form of fees:

Directors Fees	Directors Fees per annum £'000	Directors Fees paid for the period £'000	Outstanding as at 30 April 2016 £'000
Andrew Pomfret (Chairman)	35	38	–
Peter Dicks	25	27	–
Jan Etherden	25	27	–
Ashe Windham	25	27	–

19 Post Balance Sheet Events

The Company issued 56,000,000 C shares on 19 February 2016. Under the terms of the C share prospectus published on 4 February 2016, the C shares would be converted to Ordinary shares when at least 90% of the issue proceeds being invested by the Investment Manager. The Directors determined that the conversion ratio would be calculated on 14 July 2016 with the conversion date of 19 July 2016. The C shares were converted into Ordinary shares at a rate of 0.9630 Ordinary shares for each C share. As a result, 53,927,917 Ordinary shares were issued on 20 July 2016, resulting in a total of 163,917,917 Ordinary shares in issue. Accordingly a pro forma portfolio as at 31 July 2016 is presented on page 88 to show the combined portfolio for the enlarged Company.

The Company announced, on 28 July 2016, that an application for a block listing of 15,000,000 Ordinary shares in the Company had been made to the UK Listing Authority and to the London Stock Exchange. On 2 August 2016, the Company issued 850,000 Ordinary shares of £0.001 each at a price of 53.75 pence per Ordinary Share, a 2% premium to the closing net asset value (cum income) per Ordinary Share on 1 August 2016.

Following the issue of the Ordinary Shares, the Company's issued share capital comprises 164,767,917 Ordinary Shares and this is the total number of Ordinary Shares with voting rights in the Company.

Redemption of Ordinary Shares

The Company has a redemption facility through which shareholders are entitled to request the redemption of all or part of their holding of Ordinary shares on an annual basis. The first Redemption Point for the Ordinary shares was 29 April 2016. The next Redemption Point for Ordinary shares will be 28 April 2017. Redemption Request forms are available upon request from the Company's Registrar.

Shareholders submitting valid requests for the redemption of Ordinary shares will have their shares redeemed at the Redemption Price. The Directors may elect, at their absolute discretion, to calculate the Redemption Price applying on any redemption point by reference to the Dealing Value per Ordinary share or by reference to a separate Redemption Pool.

The Board may, at its absolute discretion, elect not to operate the annual redemption facility on any given Redemption Point, or to decline in whole or part any redemption request, although the Board does not generally expect to exercise this discretion, save in the interests of shareholders as a whole.

A redemption of Ordinary shares may be subject to either income tax and capital gains tax. In particular, private shareholders that sell their shares via the redemption mechanism could find they are subject to income tax on the gains made on the redeemed shares rather than the more usual capital gains tax on the sale of their shares in the market. However, individual circumstances do vary, so shareholders who are in any doubts about the redemption or the action that should be taken should consult their stockbroker, accountant, tax adviser or other independent financial adviser.

The relevant dates for the April 2017 Redemption Point are:

29 March 2017	Latest date for receipt of Redemption Requests and certificates for certificated shares
3.00 pm on 29 March 2017	Latest date and time for receipt of Redemption Requests and settled TTE (Transfer to Escrow) instructions for uncertificated shares via CREST
5.00 pm on 28 April 2017	Redemption Point
By 15 May 2017	Company to notify Redemption Price and dispatch redemption monies; or If the redemption is to be funded by way of a Redemption Pool, Company to notify the number of shares being redeemed. Notification of Redemption Price and dispatch of redemption monies to take place as soon as practicable thereafter
By 30 May 2017	Balance certificates to be sent to shareholders

Full details of the redemption facility are set out in the Company's prospectus dated 4 February 2016, the Company's Articles of Association or are available from the Secretary.

The Future is SMALL

Smaller companies tend to outperform over the longer term because they have extra growth potential compared with larger companies. However, during the credit boom, when growth was plentiful, this differential was not especially relevant. Investors were able to access growth in both small and large companies, in those in the UK as well as those internationally, and for those looking for exceptional growth there were a range of emerging economies.

Following the Global Financial Crisis, world growth has gradually moderated. It seems that during the credit boom we were all collectively borrowing growth from the future. Now it seems we are in something of a growth hangover. In spite of very low interest rates, sustained budget deficits run by governments and giant sums of Quantitative Easing, world growth rates have slowed over recent years.

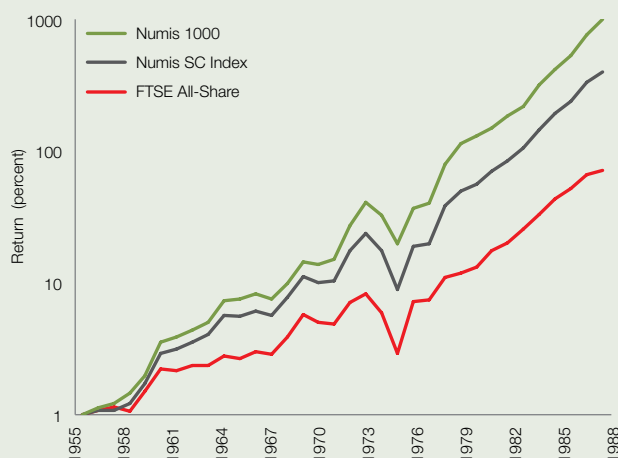
Gervais Williams has a high level of conviction that these economic trends will lead to a change of capital allocation going forward. He has set out in detail the reasoning for the change in trend in 'The Future is SMALL', a book published by Harriman House. It outlines how the generous dividend distributions by larger companies, often financed through taking on extra debt, are now becoming increasingly constrained by the absence of world growth, and the limits this places on the cashflow generated within the businesses.

Prior to the credit boom, smaller quoted companies tended to generate premium dividend growth for several decades. Despite the regular boom/bust cycles in the 1960s and 1970s, the disruptive effects of frequent currency and inflationary crises and an equity market that was far from plain sailing, smaller companies as a group outperformed progressively.

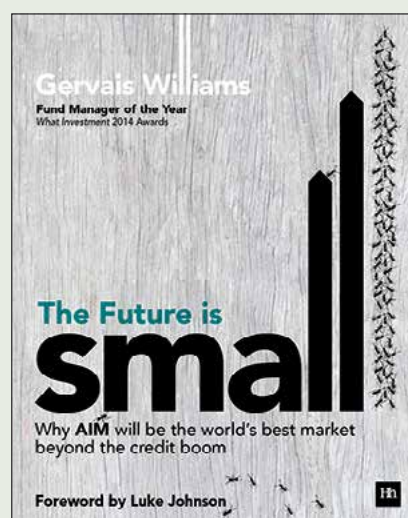
In part, that was down to their extra vitality and growth potential, but it was also down to the fact that quoted smaller companies had access to extra capital, so they were able to fund productivity improvements in spite of the unsettled economic background. This enhanced the cashflow generated by these companies and ultimately was reflected in dividend growth rather faster than their larger comparatives. And, being small, their access to extra capital also boosted their impact on domestic growth, job creation and corporate tax take.

The book has attracted several high-profile articles by leading journalists. Anthony Hilton of the Evening Standard stated "This seems as good a time as any to mention – indeed to recommend as a seasonal stocking filler – a new book called The Future is Small which is written by one of the City's most respected fund managers, Gervais Williams."

Performance of Numis Smaller Companies Index
v Numis 1000 v FTSE All Share 1955 – 1988



Source: Numis Smaller Companies Index Q3 Review 2012
(formerly Hoare Govett Smaller Companies Index).



Shareholder Information

Miton UK MicroCap Trust plc was incorporated on 26 March 2015 and its Ordinary shares were admitted to the premium segment of the Official List and to trading on the London Stock Exchange's main market for listed securities on 30 April 2015.

Capital Structure

At the period end, the Company's share capital consisted of Ordinary shares of £0.001 each ("Ordinary shares"), C shares of £0.01 each ("C shares") and non-voting management shares of £1 each ("Management shares").

The Company's shares have the following rights:

Voting: Ordinary shares and C shares have equal voting rights. At shareholder meetings, members present in person or by proxy have one vote on a show of hands and on a poll have one vote for each share held. Management shares are non-voting unless no other shares are in issue at that time.

Dividends: the assets of the Ordinary shares and C shares are separate and each class is entitled to dividends declared on their respective asset pool. The Management shares are entitled to receive, in priority to the holders of any other class of shares, a fixed cumulative dividend equal to 0.01% per annum on the nominal value.

Capital: if there are any C shares in issue, the surplus capital and assets of the Company shall on a winding-up or on a return of capital, be applied amongst the existing Ordinary shareholders and the Management shareholders pro rata according to the nominal capital paid up on their holdings, having first deducted therefrom an amount equivalent to the assets and liabilities relating to the C shares, which amount shall be applied amongst the C shareholders pro rata according to the nominal capital paid up on their holdings of C shares.

When there are no C shares in issue, any surplus shall be divided amongst the Ordinary shareholders and Management shareholders pro rata according to the nominal capital paid up on their holdings of Ordinary shares and Management shares.

In each instance, the holders of the Management shares shall only receive an amount up to the capital paid up on such Management shares and the Management shares shall not confer the right to participate in any surplus remaining following payment of such amount.

As at the date of this Report, there were 164,767,917 Ordinary shares in issue, none of which are held in treasury, and 50,000 Management shares.

The Company has a redemption facility through which shareholders are entitled to request the redemption of all or part of their holding of Ordinary shares on an annual basis, in April each year. The Board may, at its absolute discretion, elect not to operate the annual redemption facility in whole or in part, although it has indicated that it is minded to approve all requests.

Further details of the capital structure can be found in note 4 to the financial statements. Details of the redemption facility are set out on page 78.

Investment Objective

The investment objective of the Company is to provide shareholders with capital growth over the long term.

Investment Policy

The Company invests primarily in the smallest companies, measured by their market capitalisation, quoted or traded on an exchange in the United Kingdom at the time of investment. It is likely that the majority of the MicroCap companies held in the Company's portfolio will be quoted on AIM and will typically have a market capitalisation of less than £150 million at the time of investment. The Company may also invest in debt, warrants or convertible instruments issued by such companies and may invest in, or underwrite, future equity issues by such companies.

The Company may utilise derivative instruments including index-linked notes, contracts for differences, covered options and other equity-related derivative instruments for efficient portfolio management, gearing and investment purposes. Any use of derivatives for investment purposes will be made on the basis of the same principles of risk spreading and diversification that apply to the Company's direct investments, as described below. The Company will not enter into uncovered short positions.

If companies in the portfolio achieve organic growth or grow through corporate activity such as acquisitions, and consequently have a market capitalisation that would place them outside the investable universe, the Investment Manager will not be obliged to sell those holdings, but the proportion of the portfolio in such companies will be carefully monitored by the Investment Manager and the Board so that the overall investment policy to invest in the smallest quoted or traded companies is not materially altered.

The Company's portfolio is expected to be diversified by industry and market of activity. No single holding will represent more than 15% of Gross Assets at the time of investment and, when fully invested, the portfolio is expected to have over 120 holdings although there is no guarantee that will be the case and it may contain a lesser number of holdings at any time.

The Company will have the flexibility to invest up to 10% of its Gross Assets at the time of investment in unquoted or untraded companies, or in any one unquoted or untraded company.

The Company will invest no more than 10% of Gross Assets at the time of investment in other investment funds.

Borrowing

The Company may deploy borrowing to enhance long term capital growth. Gearing will be deployed flexibly up to 15% of the Net Asset Value, at the time of borrowing. In the event this limit is breached as a result of market movements, and the Board considers that borrowing should be reduced, the Investment Manager shall be permitted to realise investments in an orderly manner so as not to prejudice shareholders.

No material change will be made to the investment policy without the approval of shareholders by ordinary resolution.

Share Dealing

Shares can be traded through your usual stockbroker.

Share Register Enquiries

The register for the Ordinary shares is maintained by Capita Asset Services. In the event of queries regarding your holding, please contact the Registrar on 0871 664 0300 (calls cost 12p per minute plus network charges) or email ssd@capitaregistrars.com. Changes of name and/or address must be notified in writing to the Registrar: Capita Asset Services, Shareholder Services, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU.

Current Share Capital and Net Asset Value Information

Ordinary £0.001 shares: 164,767,917

SEDOL Number BWFGQ08.

ISIN Number GB00BWFGQ085.

The Company releases its net asset value per share to the London Stock Exchange daily.

Share Prices

The Company's shares are listed on the London Stock Exchange. The mid-market prices are quoted daily in the Financial Times under 'Investment Companies'.

Annual and Half-Yearly Reports

Copies of the Annual and Half-Yearly Reports are available from the Secretary on telephone number 01392 477 500 and are available on the Company's website, www.mitongroup.com/micro.

Investment Manager: Miton Trust Managers Limited

The Company's Investment Manager is Miton Trust Managers Limited, a wholly owned subsidiary of Miton Group plc ("Miton Group"). Miton Group is listed on the AIM market for smaller and growing companies.

As at 30 June 2016, the Miton Group had total funds under management of approximately £2.54 billion.

Members of the fund management team invest in their own funds and are significant shareholders in the Miton Group. Investor updates in the form of monthly factsheets are available from the Company's website, www.mitongroup.com/micro.

Association of Investment Companies

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

Financial Calendar

August 2016	Announcement of annual results
29 September 2016	Annual General Meeting
31 October 2016	Half-year end
December 2016	Announcement of half-yearly results
April 2017	Redemption point
April 2017	Year end

Retail Investors advised by IFAs

The Company currently conducts its affairs so that the shares issued by the Company can be recommended by IFAs to ordinary retail investors in accordance with the Financial Conduct Authority ("FCA") rules in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future. The shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust.

Alternative Investment Fund Managers' Directive Disclosures

Remuneration

Miton Trust Managers Limited (the "Firm") is required in this Report to make certain disclosures in respect of remuneration paid to its staff. The following disclosures are made in line with the Firm's interpretation of currently available regulatory guidance on remuneration disclosures. These disclosures are not audited.

The total amount of remuneration paid (or to be paid) by the Firm to its staff in respect of the financial year ending 31 December 2015 has been attributed (using an objective apportionment methodology) to Miton UK MicroCap Trust plc, for which the Firm acts as the alternative investment fund manager.

The amount of the total remuneration paid (or to be paid) by the Firm to its staff which has been attributed to Miton UK MicroCap Trust plc in respect of the financial year ending 31 December 2015 is £119,620. This figure is comprised of fixed remuneration of £104,199 and variable remuneration of £15,421.

There were a total of seven beneficiaries of the remuneration described above.

The amount of the aggregate remuneration paid (or to be paid) by the Firm to its senior management which has been attributed to Miton UK MicroCap Trust plc in respect of the financial year ending 31 December 2015 was £119,620. The Firm delegates investment management activity to Miton Asset Management Limited and therefore there are no members of staff whose actions have a material impact on the risk profile of Miton UK MicroCap Trust plc.

Remuneration Policy of the Firm

The Firm is authorised and regulated by the UK Financial Conduct Authority ("FCA") as an Alternative Investment Fund Manager ("AIFM") and as such must comply with the rules contained in the FCA's AIFM Remuneration Code within SYSC 19B in a manner that is appropriate to its size, internal organisation and the nature, scope and complexities of its activities.

Staff included in the aggregated figures disclosed above are rewarded in line with the Firm's remuneration policy (the "Remuneration Policy") which is determined and implemented by the Remuneration Committee (comprising senior executives and non-executives of Miton Group plc) and is subject to independent review. The Remuneration Policy reflects the Firm's ethos of good governance and encapsulates the following principal objectives:

- (i) to provide a clear link between remuneration and performance of the Firm and to avoid rewarding for failure;
- (ii) to promote sound and effective risk management consistent with the risk profiles of the Alternative Investment Funds ("Funds") managed by the Firm; and
- (iii) to remunerate staff in line with the business strategy, objectives, values and interests of the Firm and the Funds managed by the Firm in a manner that avoids conflicts of interest.

The Firm assesses performance for the purposes of determining payments in respect of performance-related remuneration by reference to a broad range of measures including (i) individual performance (using financial and non-financial criteria), (ii) performance of the business unit or relevant Fund for which the individual provides services and (iii) the overall performance of the Firm. Assessment of performance is set within a multi-year framework, reflecting the cycles of the relevant Fund, to ensure the process is based on longer-term performance and spread over time.

The elements of remuneration are balanced between fixed and variable and the management function sets fixed salaries at a level sufficient to ensure that variable remuneration incentivises and rewards strong performance but does not encourage excessive risk taking.

The Firm operates a discretionary bonus scheme.

The Firm is entitled to disapply the requirements of SYSC 19B in relation to deferral and payment of remuneration in instruments, therefore, due to the Firm's size, internal organisation and the nature, scope and complexities of its activities the Firm does not currently operate deferral of remuneration.

Mechanisms are in place to ensure that remuneration does not reward failure, whether on the early termination of a contract or otherwise.

No individual is involved in setting his or her own remuneration.

Leverage

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 ratio between the Company's exposure and its net asset value and is calculated under the Gross and Commitment Methods, in accordance with AIFMD. Under the Gross Method, exposure represents the sum of the Company's positions without taking account of any netting or hedging arrangements. Under the Commitment Method, exposure is calculated after certain hedging and netting positions are offset against each other.

Leverage is any method by which by which the AIFM increases the exposure of an AIF it manages whether through borrowings of cash or securities, or leverage embedded in derivative positions or by any other means.

Leverage exposure	Gross Method	Commitment Method
Maximum Level	200%	200%
Actual Level	100%	100%

A figure of 100% means that the exposure is equal to the net asset value and the AIF has no leverage.

Glossary of Terms

Discount/Premium

If the share price of an investment trust is lower than the NAV per share, the shares are said to be trading at a discount. The size of the discount is calculated by subtracting the share price from the NAV per share and is usually expressed as a percentage of the NAV per share. If the share price is higher than the NAV per share, the shares are said to be trading at a premium.

Dividend Yield

The annual dividend expressed as a percentage of the mid-market share price.

Gearing

Gearing is the process whereby changes in the total assets of a company has an exaggerated effect on the NAV of that company's Ordinary shares due to the presence of borrowings or share classes with a prior ranking entitlement to capital. Gearing is calculated by dividing total assets (as defined below) less cash or cash equivalents by shareholders' funds expressed as a percentage.

Growth Stock

A stock where the earnings are expected to grow at an above-average rate, leading to a faster than average growing share price. Growth stocks do not usually pay a significant dividend.

Net Asset Value ("NAV")

The NAV is shareholders' funds expressed as an amount per individual share. Shareholders' funds are the total value of all the Company's assets, at current market value, having deducted all liabilities and prior charges at their par value (or at their asset value).

Ongoing Charges

As recommended by the AIC in its guidance issued May 2012, ongoing charges are the Company's annualised revenue and capitalised expenses (excluding finance costs and certain non-recurring items) expressed as a percentage of the average monthly net assets of the Company during the year.

Peer Group

The Company is part of the AIC's UK Smaller Companies sector whose members invest at least 80% of their assets in UK Smaller Companies.

Tap Issue

Investment trusts can issue new shares when the share price is at a premium to NAV. Tap issues are issues of new shares, using the broad powers that the Company and other trusts take to issue up to 10% of their share capital without the need for an open offer or C share, and have the benefit of enabling the trust to invest in attractive investment opportunities and to issue new shares on a flexible and cost-effective basis.

Total Assets

Total assets less current liabilities (before deducting prior charges and all borrowings).

Total Return

The combined effect of any dividends paid, together with the rise or fall in the share price or NAV. Total return statistics enable the investor to make performance comparisons between trusts with different dividend policies. Any dividends (after tax) received by a shareholder are assumed to have been reinvested in either additional shares of the trust at the time the shares go ex-dividend (the share price total return) or in the assets of the trust at its NAV per share (the NAV total return).

Yield Stock

Yield stocks pay above-average dividends to shareholders. If the dividend grows, and the yield on the share remains constant, the share price will increase. Companies which grow their dividends faster than average are capable of delivering faster share price growth.

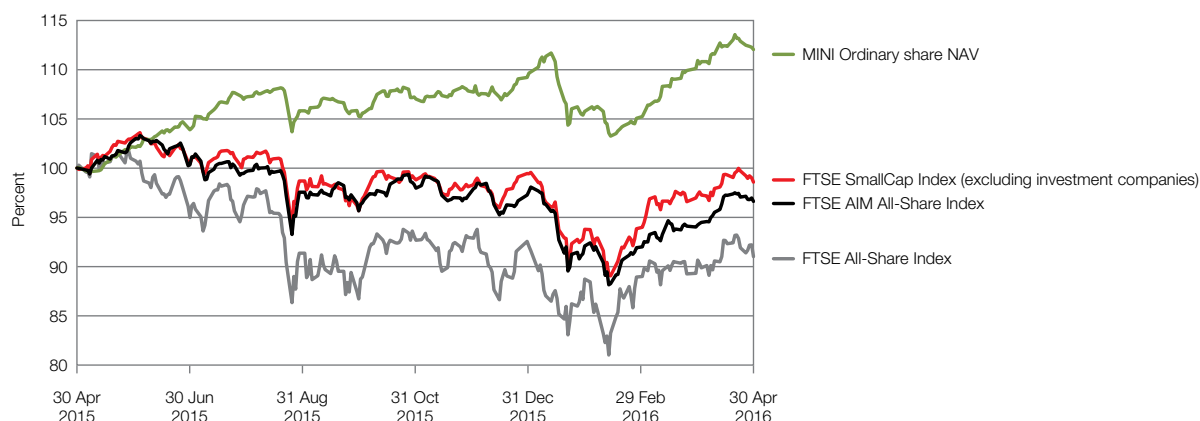
Shareholders' Questions and Answers

How has the Company performed in its first year?

The Trust started the year with a cash balance on 30 April 2015 following its IPO and admission to trading on the London Stock Exchange. During the year the new capital was progressively invested in a portfolio of 111 quoted companies with promising prospects of generating an attractive stream of cashflow in the coming three to five years.

The portfolio of the Trust is valued using the share price that market makers are willing to buy shares from sellers, known as the bid price, rather than the more usual mid-market prices that are used for most other unitised funds. In spite of this conservative policy, and the transaction costs incurred investing the new capital, the NAV of the Ordinary shares of the Trust rose 12.0% over the period to 30 April 2016.

Equity markets were generally unsettled over the year so most stock market indices have been weak, with the FTSE All-Share Index falling 9.0% in the same period for example. The share prices of smaller quoted companies were more resilient with the FTSE AIM All-Share Index falling just 3.4% over the same period, and the FTSE SmallCap Index (excluding Investment Companies) actually rising 1.0%.



Source: Bloomberg & Miton 30 April 2015 to 30 April 2016

The Trust has announced that more than 90% of the new C share capital has been invested after the Trust's year end. What are the largest holdings in the combined portfolio?

On 13 July 2016, the Company announced that more than 90% of the £27.4m of new capital raised in the form of a C share placing had been invested, and therefore the arrangements for the merger of the original portfolio and the C share portfolio was being initiated. The process of merging the two portfolios concluded on 20 July 2016.

As at 31 July 2016, the combined portfolio comprised of 119 holdings, with the largest 40 holdings outlined below.

Rank	Company	Sector & main activity	Valuation £'000	% of net assets
1	Fulcrum Utility Services	Utilities	3,330	3.9
2	Fishing Republic	Consumer Goods	2,103	2.5
3	Cerillion	Technology	1,983	2.3
4	Bilby	Industrials	1,972	2.3
5	Cropper (James)	Basic Materials	1,929	2.2
6	Atlantis Resources	Oil & Gas	1,668	1.9
7	Constellation Health	Health Care	1,661	1.9
8	Kromek Group	Health Care	1,656	1.9
9	WYG	Industrials	1,600	1.9
10	Cello Group	Consumer Services	1,410	1.6
Top 10 investments			19,312	22.4
11	Conygar Investment Company	Financial Services	1,323	1.5
12	Brighton Pier Group	Consumer Services	1,312	1.5
13	Zotefoams	Basic Materials	1,302	1.5
14	Science in Sport	Consumer Goods	1,283	1.5
15	Sepura	Technology	1,257	1.5
16	Amino Technologies	Technology	1,223	1.4
17	Frontier IP Group	Industrials	1,223	1.4
18	Walker Crips Group	Financial Services	1,183	1.4
19	Finsbury Food Group	Consumer Goods	1,121	1.3
20	Charles Taylor	Industrials	1,113	1.3
Top 20 investments			31,652	36.7
21	IBEX Global Solutions	Industrials	1,100	1.3
22	Totally	Health Care	1,096	1.3
23	IG Design Group (formerly International Greetings)	Consumer Goods	1,088	1.3
24	Dekeloil Public	Consumer Goods	1,084	1.3
25	Ingenta	Technology	1,041	1.2
26	CML Microsystems	Technology	1,017	1.2
27	Caledonia Mining	Basic Materials	958	1.1
28	Character Group	Consumer Goods	951	1.1
29	YU Group	Utilities	911	1.0
30	Park Group	Financial Services	902	1.0
Top 30 investments			41,800	48.5
31	K3 Business Technology Group	Technology	890	1.0
32	Swallowfield	Consumer Goods	887	1.0
33	Cambria Automobiles	Consumer Services	866	1.0
34	Rotala	Consumer Services	864	1.0
35	Medaphor Group	Health Care	858	1.0
36	Avingtrans	Industrials	852	1.0
37	Gateley (Holdings)	Industrials	796	0.9
38	Utilitywise	Industrials	796	0.9
39	NWF Group	Industrials	790	0.9
40	Safestay	Consumer Services	790	0.9
Top 40 investments			50,189	58.1
Balance held in 79 equity instruments			30,012	34.8
Total investment portfolio			80,201	92.9
Other net current assets			6,118	7.1
Net assets			86,319	100.0

How does the Company manage the limited market liquidity of genuinely small company stocks?

Terminology can be misleading. Although the companies in the portfolio are described as microcaps, in fact most of them are considerably larger than the small businesses most of us have come into contact with in our daily lives. The companies in the portfolio are typically well-established businesses with turnover running into many millions of pounds each year. Many, though not all, are also generating sizeable profits and we anticipate this will be reflected in an attractive stream of cashflow following a period of capital investment. However given the modest scale of genuinely small companies compared to the largest quoted companies, it is often more difficult to buy or sell their shares easily when compared with the mainstream stocks.

In order to address this challenge, the portfolio tends to hold a longer list of stocks than many other trusts, with the overall scale of holding infrequently rising much above 2.5% of the overall assets in the Trust at the time of purchase. Alongside this, one of the advantages of being quoted is that many microcap stocks are well financed. Even those with debt are normally selected on the basis that they have plenty of unutilised borrowing facilities that they could draw upon if necessary.

The problem of limited market liquidity is managed through investing in a portfolio that is spread over a wider number of holdings, with a broad range of industrial sectors represented. Even so it should be recognised that the problem of limited market liquidity in microcap stocks can become more difficult during market setbacks. Therefore the scale of this Trust is unlikely to become very large.

What factors determined the modest level of the Final Dividend paid to shareholders?

The portfolio was always envisaged to comprise a proportion of companies that would pay out dividends, although it was known that the dividend income would build up over time since many of the investee companies are investing for an attractive cash-payback over the coming three to five years. For this reason there was no stated dividend target in the prospectus at its issue.

The capital from the launch of the Trust was progressively invested over the first year, and therefore the Trust did not receive all of the dividends that the portfolio holdings have paid over the year.

The Company also announced a C share issue in February, with at least 90% of that capital invested on 13 July 2016. The C share portfolio was then merged with the Ordinary share portfolio, with the appropriate number of new Ordinary shares issued in exchange for the C shares. This occurred after the period end, but prior to the Annual General Meeting, so the number of Ordinary shares in the Company increased by approximately one third in this period. The net effect has been that the revenues of the Trust (after costs) available to pay a dividend have been spread over a larger number of Ordinary shares. This factor also reduced the dividend payable to Ordinary shareholders had the number of Ordinary shares been more static over the period.

What are the prospects for dividend growth in the coming years?

Being an Investment Trust, the Company will normally pay out most of its income (as calculated for UK tax purposes) in accordance with regulation 19 of the Investment Trust (Approved Company) (Tax) Regulations 2011.

Over recent years, many of the largest stocks have continued to grow their dividends even though their earnings were growing at a slower pace. This has led to a progressive reduction in dividend cover, to the extent that the margin of safety is now at the bottom end of the historic range.

At a time of slowing world growth, this factor will naturally impede the prospects for forthcoming dividend growth, a challenge for both large and smaller quoted companies. In addition the UK's decision to withdraw from the EU may impede economic growth a little further. However the greater vibrancy of smaller companies means that they are often better positioned than larger companies to generate growth when economic conditions are unsettled. One of the key reasons for setting up the Trust was that it was anticipated that this factor would come through in greater dividend growth amongst smaller companies compared with larger companies going forward.

During the credit boom, the extra vibrancy of smaller companies was not especially distinctive as both larger and smaller companies generally expanded with their markets. However now that world growth is more modest, we believe this factor could become more important.

Following the UK's decision to withdraw from the EU, what impact is this likely to have on the prospects for the Trust?

Following Brexit the Government will need to agree a series of new trade agreements that will come into place in future years, and prior to those agreements the exact level of tariffs on trade are uncertain. In the meantime it is expected that capital investment decisions in the UK will be delayed. In addition there is an expectation that some corporates may choose to close their EU headquarters in the UK and relocate them to the EU in another country.

The Brexit decision had an immediate effect on the exchange rate of Sterling, since the uncertainty has also led some of the current investors in the UK to consider withdrawing their capital to invest elsewhere. As a nation, the UK tends to spend rather more than it earns, so without ongoing inward investment it may be that the value of Sterling could gradually move lower again in future.

A devaluing currency tends to lead to an increase in the prices of imported goods like fuel, clothing and food and therefore consumers may find their disposable income is more constrained. For these reasons it is expected that consumer stocks may not perform as well after Brexit. However, in contrast, the prospects for those companies that are selling their goods and services overseas may be improved at a time when Sterling is weak. In addition UK corporates that are competing against imported goods and services may also find their competitive position improves.

It may be that the uncertainty regarding Brexit remains for some time, but the Investment Manager will continue to select for those investments with the best prospects for good and growing dividends going forward. This change in economic trends may lead to a slightly higher level of portfolio turnover in the current year, and share prices have been fluctuating over a greater range since the Brexit decision. However, the overall strategy of the Trust, along with the wide opportunity set available, is still very well suited to a post-Brexit world, and therefore it is anticipated there are good reasons for the Trust to continue to generate premium returns in future.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the first ANNUAL GENERAL MEETING of Miton UK MicroCap Trust plc (the "Company") will be held on 29 September 2016 at 2pm at the offices of Stephenson Harwood LLP, 1 Finsbury Circus, London EC2M 7SH to consider and vote on the Resolutions below.

Resolutions 1 to 11 (inclusive) will be proposed as Ordinary Resolutions and Resolutions 12 to 14 (inclusive) will be proposed as Special Resolutions.

Resolution on Ordinary Business		Resolution on form of proxy
1.	To receive and adopt the Strategic Report, Reports of the Directors and Auditor and the audited financial statements for the financial period ended 30 April 2016.	Resolution 1
2.	To receive and approve the Directors' Remuneration Report for the financial period ended 30 April 2016.	Resolution 2
3.	To receive and approve the Directors' Remuneration Policy.	Resolution 3
4.	To elect Andy Pomfret as a Director of the Company.	Resolution 4
5.	To elect Peter Dicks as a Director of the Company.	Resolution 5
6.	To elect Jan Etherden as a Director of the Company.	Resolution 6
7.	To elect Ashe Windham as a Director of the Company.	Resolution 7
8.	To appoint Ernst & Young LLP as Auditor of the Company to hold office from the conclusion of the meeting until the conclusion of the next meeting at which financial statements are laid before the Company.	Resolution 8
9.	To authorise the Audit Committee to determine the remuneration of the Auditor of the Company.	Resolution 9
10.	To declare a final dividend of 0.14p per Ordinary share for the period ended 30 April 2016.	Resolution 10
11.	THAT: The Directors be and are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 ("the Act") to exercise all the powers of the Company to allot up to 250 million Ordinary shares and/or C shares in the capital of the Company in aggregate, such authority to expire at the conclusion of the Annual General Meeting of the Company to be held in 2017 (unless previously renewed, varied or revoked by the Company in general meeting) (the "Section 551 period"), but so that the Company may, at any time prior to the expiry of the Section 551 period, make offers or agreements which would or might require the allotment of shares in pursuance of such offers or agreements as if the authority had not expired.	Resolution 11

**Resolution on
form of proxy**

12. THAT:
Subject to the passing of Resolution 11, the Directors be and they are hereby empowered, in accordance with Sections 570 and 573 of the Act, to allot Ordinary shares and C shares and to sell Ordinary shares and C shares from treasury for cash pursuant to the authority referred to in Resolution 11 as if Section 561(1) of the Act did not apply to any such allotment or sale, such power to expire at the conclusion of the Annual General Meeting of the Company to be held in 2017 (unless previously renewed, varied or revoked by the Company in general meeting) save that the Company may, at any time prior to the expiry of such power, make an offer or enter into an agreement which would or might require Ordinary shares and/or C shares to be allotted or sold from treasury equity securities in pursuance of such an offer or agreement as if such power had not expired.
- Resolution 12
13. THAT:
The Company is hereby generally and unconditionally authorised in accordance with Section 701 of the Act to make market purchases (within the meaning of Section 693(4) of the Act) of Ordinary shares of £0.001 each in the capital of the Company ("Ordinary shares") provided that:
- a) the maximum number of Ordinary shares hereby authorised to be purchased is 24,698,710 (representing 14.99% of the Ordinary shares in issue at the date of this Notice);
 - b) the minimum price which may be paid for each Ordinary share is £0.001;
 - c) the maximum price which may be paid for each Ordinary share shall not be more than the higher of: (i) an amount equal to 105% of the average of the middle market quotations of Ordinary shares taken from the Daily Official List of the London Stock Exchange for the five business days immediately preceding the day on which the contract of purchase is made; and (ii) the higher of the price of the last independent trade in the Ordinary shares and the highest then current independent bid for the Ordinary shares on the London Stock Exchange;
 - d) this authority will (unless previously renewed, varied or revoked by the Company in general meeting) expire at the conclusion of the Annual General Meeting of the Company to be held in 2017;
 - e) the Company may make a contract of purchase for Ordinary shares under this authority before this authority expires which will or may be executed wholly or partly after its expiration; and
 - f) any Ordinary shares bought back under the authority hereby granted may, at the discretion of the Directors, be cancelled or held in treasury and if held in treasury may be resold from treasury or cancelled at the discretion of the Directors.
- Resolution 13
14. THAT:
A general meeting other than an annual general meeting may be called on not less than 14 clear days' notice.
- Resolution 14

On behalf of the Board

Capita Company Secretarial Services Limited

Registered Office: Beaufort House, 51 New North Road, Exeter EX4 4EP
8 August 2016

Explanatory Notes to the Notice of Meeting

As a shareholder, you have the right to attend, speak and vote at the forthcoming Annual General Meeting or at any adjournment(s) thereof. In order to exercise all or any of these rights, you should read the following explanatory notes to the business of the Annual General Meeting.

Note 1: To be entitled to attend and vote at the meeting (and for the purpose of the determination by the Company of the number of votes they may cast) members must be entered on the Company's register of members at close of business on 27 September 2016 (or in the event that the meeting is adjourned, only those shareholders registered on the register of members of the Company as at close of business on the day which is 48 hours prior to the adjourned meeting). Changes to entries on the register of members after that time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

Note 2: A member entitled to attend and vote at this meeting may appoint one or more persons as his/her proxy to attend, speak and vote on his/her behalf at the meeting. A proxy need not be a member of the Company. If multiple proxies are appointed they must not be appointed in respect of the same shares. To appoint more than one proxy, members will need to complete a separate proxy form in relation to each appointment (you may photocopy the proxy form).

To be effective, the enclosed personalised form of proxy, together with any power of attorney or other authority under which it is signed or a certified copy thereof, should be lodged at the office of the Company's Registrar, Capita Asset Services, PXS1, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4ZF not later than 2pm on 27 September 2016. The appointment of a proxy will not prevent a member from attending the meeting and voting in person if he/she so wishes. A member present in person or by proxy shall have one vote on a show of hands and on a poll every member present in person or by proxy shall have one vote for every share of which he/she is the holder. The termination of the authority of a person to act as proxy must be notified to the Company in writing.

In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the vote or votes of the other joint holder or holders, and seniority shall be determined by the order in which the names of the holders stand in the register.

Any question relevant to the business of the Annual General Meeting may be asked at the meeting by anyone permitted to speak at the meeting. You may alternatively submit your question in advance by letter addressed to the Secretary at the registered office.

Note 3: A 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 shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

Note 4: The statements of the rights of members in relation to the appointment of proxies in Note 2 above do not apply to a Nominated Person. The rights described in this Note can only be exercised by registered members of the Company.

Note 5: As at 5 August 2016 (being the last business day prior to the publication of this notice) the Company's total number of voting rights amounted to 164,767,917, comprising 164,767,917 Ordinary shares carrying one vote each.

- Note 6: Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
- Note 7: Shareholders should note that it is possible that, pursuant to requests made by shareholders of the Company under Section 527 of the Companies Act 2006, the Company may be required to publish on a website a statement setting out any matter relating to: (i) 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 (ii) any circumstances 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 Companies Act 2006. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with Sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under Section 527 of the Companies Act 2006, it must forward the statement to the Company's Auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under Section 527 of the Companies Act 2006 to publish on a website.
- Note 8: In accordance with Section 319A of the Companies Act 2006, the Company must cause any question relating to the business being dealt with at the meeting put by a member attending the meeting to be answered. No such answer need be given if:
- a) to do so would interfere unduly with the preparation for the meeting; or involve the disclosure of confidential information;
 - b) the answer has already been given on a website in the form of an answer to a question; or
 - c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
- Note 9: CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for this meeting by following the procedures described in the CREST Manual. 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 by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, in order to be valid, must be transmitted so as to be received by the Company's agent ID RA10 by the latest time for receipt of proxy appointments specified in Note 2 above. 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 Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service 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.

- Note 10: Members satisfying the thresholds in Section 338 of the Companies Act 2006 may require the Company to give, to members of the Company entitled to receive notice of the Annual General Meeting, notice of a resolution which those members intend to move (and which may properly be moved) at the Annual General Meeting. A resolution may properly be moved at the Annual General Meeting unless (i) it would, if passed, be ineffective (whether by reason of any inconsistency with any enactment or the Company's constitution or otherwise); (ii) it is defamatory of any person; or (iii) it is frivolous or vexatious. A request made pursuant to this right may be in hard copy or electronic form, must identify the resolution of which notice is to be given, must be authenticated by the person(s) making it and must be received by the Company not later than six weeks before the date of the Annual General Meeting.
- Note 11: Members satisfying the thresholds in Section 338A of the Companies Act 2006 may request the Company to include in the business to be dealt with at the Annual General Meeting any matter (other than a proposed resolution) which may properly be included in the business at the Annual General Meeting. A matter may properly be included in the business at the Annual General Meeting unless (i) it is defamatory of any person or (ii) it is frivolous or vexatious. A request made pursuant to this right may be in hard copy or electronic form, must identify grounds for the request, must be authenticated by the person(s) making it and must be received by the Company not later than six weeks before the date of the Annual General Meeting.
- Note 12: The Report incorporating this Notice of Annual General Meeting and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the dates of this Notice will be available on the Company's website, www.mitongroup.com/micro.
- Note 13: None of the Directors has a contract of service with the Company. A copy of the letters of appointment of the Directors will be available for inspection at the registered office of the Company during usual business hours on any weekday (except weekends and public holidays) until the date of the meeting and at the place of the meeting for a period of fifteen minutes prior to and during the meeting.

Contact Details of the Advisers

Secretary and Registered Office

Capita Company Secretarial Services Limited
Beaufort House
51 New North Road
Exeter EX4 4EP

Telephone: 01392 477 500

Investment Manager and Alternative Investment Fund Manager

Miton Trust Managers Limited
Paternoster House
65 St Paul's Churchyard
London EC4M 8AB

Company website

www.mitongroup.com/micro

Auditor

Ernst & Young LLP
25 Churchill Place
Canary Wharf
London E14 5EY

Company Administrator

Capita Sinclair Henderson Limited
Beaufort House
51 New North Road
Exeter EX4 4EP

Depository

BNY Mellon Trust & Depository (UK) Limited
BNY Mellon Centre
160 Queen Victoria Street
London EC4V 4LA

Registrar and Transfer Office

Capita Asset Services
Shareholder Services Department
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Telephone: 0871 664 0300

(calls will cost 12p per minute plus network charges)

Email: shareholderenquiries@capita.co.uk

Website: www.capitaassetservices.com

Solicitor

Stephenson Harwood LLP
1 Finsbury Circus
London EC2M 7SH

Stockbroker

Peel Hunt LLP
Moor House
120 London Wall
London EC2Y 5ET

Shareholder warning

Many companies are aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These calls typically come from fraudsters operating in 'boiler rooms' offering investors shares that often turn out to be worthless or non-existent, or an inflated price for shares they own. While high profits are promised, those who buy or sell shares in this way usually lose their money. These fraudsters can be very persistent and extremely persuasive. Shareholders are therefore advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports.

It is very unlikely that either the Company or the Company's Registrar would make unsolicited telephone calls to shareholders and that any such calls would relate only to official documentation already circulated to shareholders and never in respect of investment 'advice'.

If you have been contacted by an unauthorised firm regarding your shares, you can report this using the FCA helpline on 0800 111 6768 or by using the share fraud reporting form at www.fca.org.uk/consumers/scams.

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Company performance since launch on 30 April 2015



Source: Bloomberg & Miton 30 April 2015 to 30 April 2016.



www.mitongroup.com

Paternoster House
65 St Paul's Churchyard
London EC4M 8AB



Use the QR app on your phone to go to Miton UK MicroCap Trust plc website.