The Mercantile Investment Trust plc

The home of tomorrow's UK market leaders

Annual Report & Financial Statements
for the year ended 31st January 2024

J.P.Morgan
ASSET MANAGEMENT

Contents

Structure of the Company

Established in 1884, The Mercantile Investment Trust plc (the 'Company') is an investment trust and public limited company, with a premium listing on the London Stock Exchange.

Objective

The Company aims to achieve long term capital growth from a portfolio of UK medium and smaller companies.

Investment Policy

- To emphasise capital growth from medium and smaller companies.
- To achieve long term dividend growth at least in line with inflation.
- To use long term gearing to increase potential returns to shareholders. The Company's gearing policy is to operate within a range of 10% net cash to 20% geared.

Further details on the objective and structure of the Company, together with investment restrictions and guidelines, are given in the Strategic Report on pages 25 and 26.

Benchmark

The FTSE All-Share Index, excluding constituents of the FTSE 100 Index and investment trusts, with net dividends reinvested.

Capital Structure

At 31st January 2024 the Company's share capital comprised 944,492,180 ordinary shares of 2.5p each, including 162,435,615 shares held in Treasury.

The Company has in issue a £3.85 million 4.25% perpetual debenture, a £175 million 6.125% debenture repayable on 25th February 2030 and £150 million of long-term debt through the issue of three fixed rate, senior unsecured privately placed loan notes (the 'Notes'). The Notes, which were funded on 8th September 2021, are: £55 million maturing in 2041 with a fixed coupon of 1.98%; £50 million maturing in 2051 with a fixed coupon of 2.05%; and £45 million maturing in 2061 with a fixed coupon of 1.77%.

Management Company and Company Secretary

The Company employs JPMorgan Funds Limited ('JPMF' or the 'Manager') as its Alternative Investment Fund Manager ('AIFM') and Company Secretary. JPMF is approved by the Financial Conduct Authority and delegates the management of the Company's portfolio to JPMorgan Asset Management (UK) Limited ('JPMAM' or the 'Investment Manager'). The Portfolio Managers are Guy Anderson and Anthony Lynch, who are employees of JPMAM.

Website

The Company's website, which can be found at www.mercantileit.co.uk, includes useful information on the Company, such as daily prices, factsheets, videos and half year and annual reports.

Keeping in Touch

To sign up to receive email updates from the Company, delivering regular news and views, as well as the latest performance statistics, please visit www.Mercantile-Registration.co.uk or scan the QR code on page 5 or 12.

Contact the Company

General enquiries about the Company should be directed to the Company Secretary at invtrusts.cosec@jpmorgan.com

FINANCIAL CALENDAR

Financial year end	**31st January**
Final results announced	**March/April**
Half year end	**31st July**
Half year results announced	**October**
Dividends on ordinary shares paid to shareholders	**1st August, 1st November, 1st February, 1st May***
Interest on 4.25% perpetual debenture stock paid	**1st June, 1st December**
Interest on 6.125% debenture paid	**25th February, 25th August**
Annual General Meeting	**May**

* or nearest following business day.

The Mercantile Investment Trust plc

Launched in 1884, The Mercantile Investment Trust has navigated its way through history to become one of the UK's largest UK equity investment trusts and has provided its shareholders with strong returns and income over many years. The Mercantile has a long and successful track record championing quality UK medium-sized and smaller companies.

The Mercantile in 2024

1. Targeting a higher return segment within the UK market

Seeking out exceptional medium-sized and some smaller UK companies across a range of industries, The Mercantile brings together a high-conviction portfolio of around 75 stocks that are well positioned to be tomorrow's market leaders. Investing in this area has proved a successful strategy historically by generating higher long-term returns than the UK's largest companies.

2. Discounted valuations may offer an attractive entry point

Current UK equities valuations may o er an attractive entry point to the long-term investor – domestic and geopolitical concerns have contributed towards the UK falling out of favour but there are positive signs ahead. Over the long term the UK, with its culture of innovation and relatively low equity valuations compared to global peers, could be a strong investment opportunity in the years ahead.

3. Growing dividend and strong reserves

The Mercantile aims to achieve long-term dividend growth at least in line with the rate of inflation over a five to ten year period. Careful management of income reserves has enabled it to maintain or increase its annual dividend every year since 1992.

4. Strong management team with proven track record

The Mercantile's Portfolio Managers Guy Anderson and Anthony Lynch have 20 and 15 years' investment experience respectively. Their depth of knowledge, expertise and insight enables them to navigate the prevailing market environment. The Portfolio Managers' disciplined investment approach, supported by JPMorgan's extensive research resources, is invaluable for successful stock selection in an area of the stock market that demands first-hand scrutiny.

5. Long-term performance track record

The Mercantile's long-term relative performance track record demonstrates both the successful stock selection expertise of the Portfolio Managers and appropriate use of gearing by the Company. The competitive management fee and economies of scale a orded by the size of the Company provide shareholders with an expertly managed, cost-e ective route to access the UK mid cap market.

6. A potential holding for SIPPs, Junior ISA, Lifetime ISA

Whether you are looking to invest for retirement through self-invested personal pensions, planning to get on the property ladder with the help of a Lifetime ISA or providing a nest egg for children with a Junior ISA, The Mercantile o ers a cost-e ective route to plan for your future and is available to buy across all leading UK investment platforms.

The Board views long-term as five years or more.
Past performance is not a reliable indicator of current and future results.

140 years of resilience, reassurance and returns

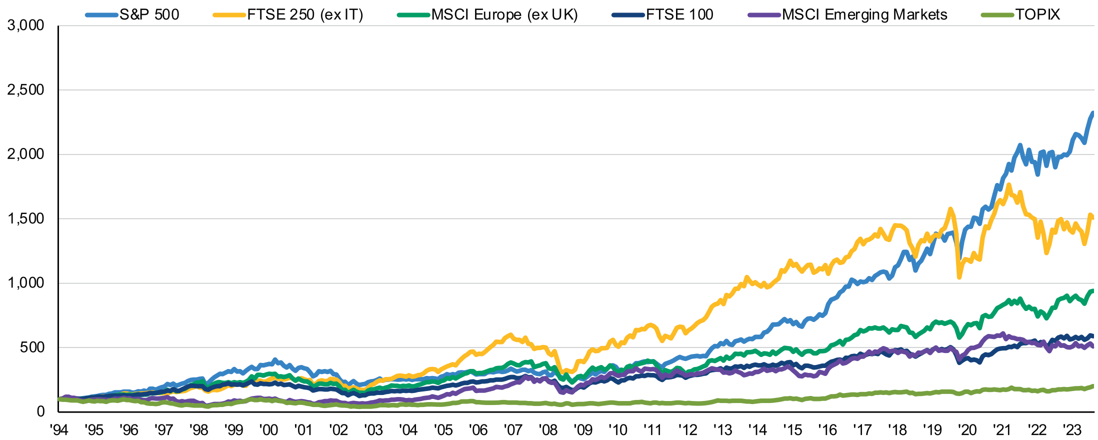
The Mercantile is as relevant today as at any time over its 140 years' lifetime and provides investors with a well-managed, high-quality investment vehicle to access a core part of the UK equity market.

Guy Anderson
Portfolio Manager

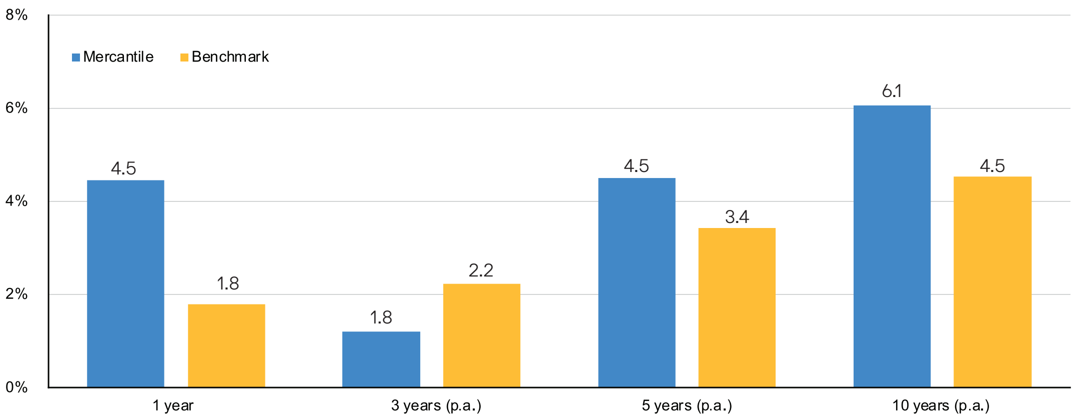
Anthony Lynch
Portfolio Manager

Long-term performance of UK mid and small caps (FTSE 250 (ex IT))

Cumulative returns



Annualised total return (with debt at par value) versus benchmark



The Mercantile offers strong long-term growth and income potential, with the reassurance that the Company is one of the largest in the UK market, is expertly managed by well-known portfolio managers and backed by the vast research resources of JPMorgan Asset Management.

Stay in touch: receive the latest Mercantile news

To keep investors informed, J.P. Morgan Asset Management offers regular email updates on the Company's progress. **The Mercantile News** delivers topical and relevant news and views directly to your inbox.

Scan this QR code on your smartphone camera or opt in via www.Mercantile-Registration.co.uk to receive regular updates on The Mercantile Investment Trust plc.

Financial Highlights

Total returns (including dividends reinvested)

	2024	2023	3 Year Cumulative	5 Year Cumulative	10 Year Cumulative
Return on net assets with debt at fair value[1,APM]	+5.4%	–8.5%	+11.3%	+34.1%	+89.4%
Return on net assets with debt at par value[1,APM]	+4.5%	–12.3%	+3.7%	+24.6%	+80.2%
Return to shareholders[2,APM]	+6.1%	–11.0%	+2.3%	+31.3%	+85.9%
Benchmark return[3]	+1.8%	–7.5%	+6.8%	+18.3%	+55.8%
Dividend increase	+7.0%	+3.6%	+14.2%	+21.4%	+91.3%
Dividend[4]	7.65p	7.15p			

[APM] Alternative Performance Measure ('APM').

[1] Source: J.P. Morgan/Morningstar, using cum income net asset value per share.

[2] Source: Morningstar.

[3] Source: FTSE Russell. The Company's benchmark is the FTSE All-Share Index, excluding constituents of the FTSE 100 Index and investment trusts, with net dividends reinvested.

[4] Includes the fourth quarterly dividend which has been declared in respect of the year ended 31st January 2024 but payable in May 2024. Further details are shown in note 10(b) to the financial statements on page 76.

A glossary of terms and APMs is provided on pages 95 to 97.

Financial Highlights

Summary of results

	2024	2023	% change
Total returns for the year ended 31st January			
Return on net assets:			
– debt at fair value[1,4,APM]	+5.4%	–8.5%	
– debt at par value[1,APM]	+4.5%	–12.3%	
Return to shareholders[2,APM]	+6.1%	–11.0%	
Benchmark return[3]	+1.8%	–7.5%	
Net asset value, share price and discount and market data at 31st January			
Shareholders' funds (£'000)	1,865,619	1,865,676	
Net asset value per share:			
– debt at fair value[4,APM]	244.8p	239.8p	+2.1
– debt at par value[APM]	238.6p	236.1p	+1.1
Share price discount to net asset value:			
– debt at fair value[4,APM]	12.6%	12.6%	
– debt at par value[APM]	10.3%	11.3%	
Market data at 31st January			
The FTSE All-Share Index excluding constituents of the FTSE 100 Index and investment trusts – capital only[5]	3911.3	3,988.3	–1.9
Share price	214.0p	209.5p	+2.1
Shares in issue (excluding shares held in Treasury)	782,056,565	790,080,662	
Revenue for the year ended 31st January			
Net revenue return available for shareholders (£'000)	71,066	56,880	+24.9
Revenue return per share	9.01p	7.19p	+25.3
Dividend per share	7.65p	7.15p	
Gearing[APM]	**13.4%**	**9.5%**	
Ongoing Charges[APM]	**0.47%**	**0.46%**	

[APM] Alternative Performance Measure ('APM').

[1] J.P.Morgan/Morningstar, using cum income net asset value per share.

[2] Source: Morningstar.

[3] Source: FTSE Russell. The Company's benchmark is the FTSE All-Share Index excluding constituents of the FTSE 100 Index and investment trusts.

[4] The current replacement or market value of the debt, which assumes it is repaid and renegotiated under current market conditions, is often referred to as the 'Debt at Fair Value'. The fair value of the Company's debentures and senior unsecured privately placed loan notes have been calculated using discounted cash flow techniques, using the yield from similarly dated gilts plus a margin based on the five year average for the AA Barclays Sterling Corporate Bond spread. The fair value is further explained in note 18 on page 80 and in the glossary of terms and APMs on page 95.

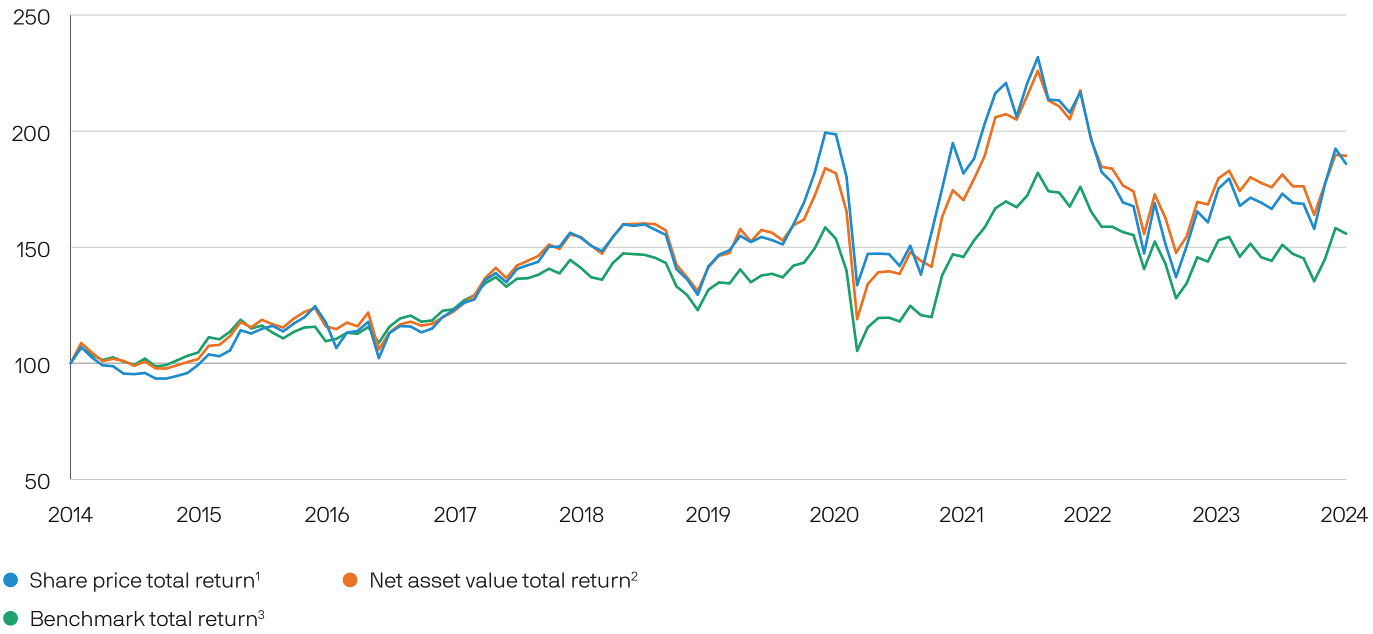
[5] Source: Refinitiv Datastream.

A glossary of terms and APMs is provided on pages 95 to 97.

Ten Year Record

Ten Year absolute performance

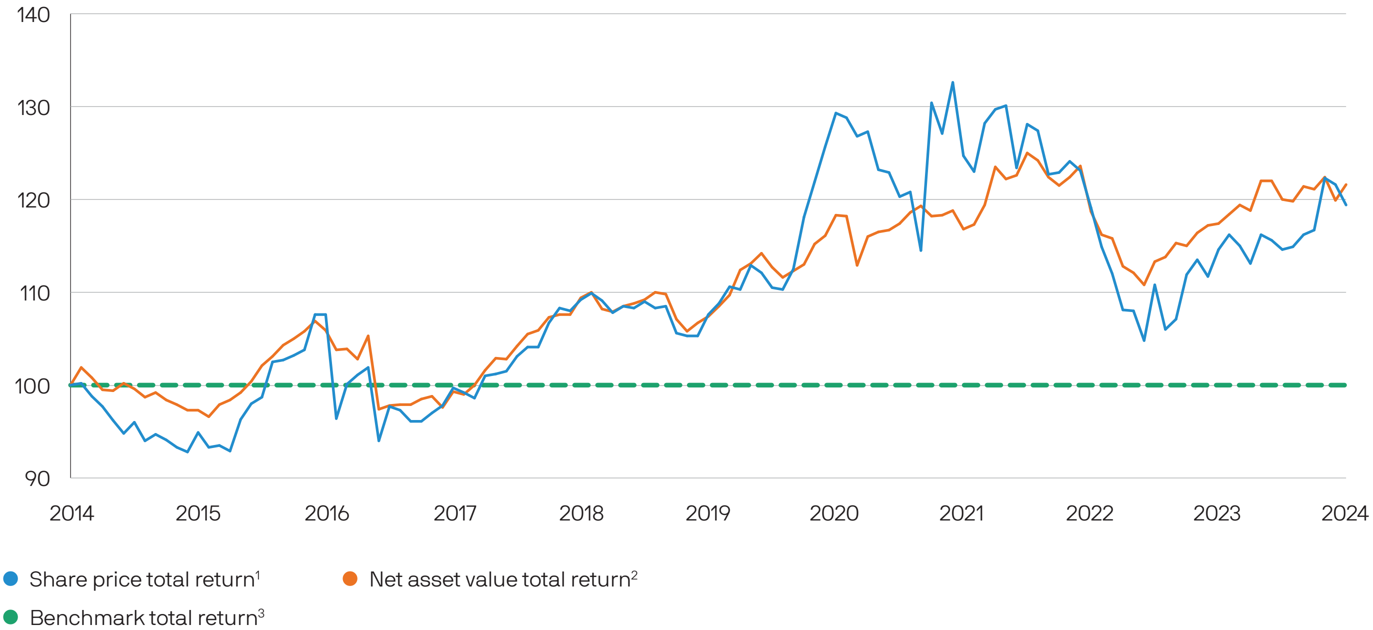
Figures have been rebased to 100 at 31st January 2014



[1] Source: Morningstar.
[2] Source: J.P .Morgan/Morningstar, using cum income net asset value per share, with debt at fair value.
[3] Source: FTSE Russell.

Ten year performance relative to benchmark

Figures have been rebased to 100 at 31st January 2014



[1] Source: Morningstar.
[2] Source: J.P .Morgan/Morningstar, using cum income net asset value per share, with debt at fair value.
[3] Source: FTSE Russell.

Ten Year Record

At 31st January	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total assets less current liabilities (£'m)	1,865.2	1,890.5	2,031.2	1,921.7	2,197.3	1,931.5	2,360.7	2,245.0	2,198.2	2,193.5	2,193.6
Net asset value per share – debt at par value (p)[1,2,APM]	171.8	175.3	193.2	200.5	246.6	221.3	275.8	251.0	277.7	236.1	238.6
Share price (p)[2]	155.0	149.8	172.7	175.5	215.0	192.0	261.0	231.0	244.0	209.5	214.0
Share price discount – debt at par value (%)[APM]	9.8	14.6	10.6	12.5	12.8	13.2	5.4	8.0	12.1	11.3	10.3
Gearing/(net cash) (%)[APM]	8.9	(0.9)	(4.2)	2.5	3.5	0.1	4.9	12.2	12.1	9.5	13.4

Year ended 31st January											
Gross revenue (£'000)	53,104	48,136	56,848	56,369	58,292	66,358	67,719	40,056	61,019	64,738	78,986
Revenue return available for shareholders (£'000)	46,646	41,352	49,580	49,296	51,292	59,750	60,510	32,465	51,478	56,880	71,066
Revenue return per share (p)[2,APM]	4.8	4.2	5.2	5.3	6.1	7.5	7.6	4.1	6.5	7.2	9.0
Dividend per share (net) (p)[2]	4.0	4.1	4.3	4.6	5.3	6.3	6.6	6.7	6.9	7.15	7.65
Ongoing Charges (%)[3,APM]	0.48	0.49	0.48	0.48	0.45	0.45	0.44	0.48	0.45	0.46	0.47

Rebased to 100 at 31st January 2014											
NAV per share – debt at par value[1,2,APM]	100.0	102.0	112.5	116.7	143.5	128.8	160.5	146.1	161.6	137.4	138.9
Total return on net assets[4,APM]	100.0	101.8	115.9	122.2	154.4	141.3	181.8	170.3	196.4	179.7	189.4
Share price[2]	100.0	96.6	111.4	113.2	138.7	123.9	168.4	149.0	157.4	135.2	138.1
Total return to shareholders[5,APM]	100.0	99.3	117.7	122.8	154.1	141.7	198.6	181.8	196.9	175.3	185.9
Benchmark total return[5]	100.0	104.6	109.5	123.2	141.1	131.6	153.6	145.8	165.4	153.0	155.8
Revenue return per share[2]	100.0	87.5	108.3	110.4	127.1	156.3	158.3	85.4	135.4	150.0	187.5
Dividend per share[2]	100.0	102.5	107.5	115.0	132.5	157.5	165.0	167.5	172.5	178.8	191.3
Consumer Price Index[6]	100.0	100.5	101.2	103.1	105.9	107.8	109.7	110.7	116.1	128.7	131.7

[APM] Alternative Performance Measure ('APM').

[1] Source: J.P. Morgan/Morningstar, using cum income net asset value per share.

[2] Comparative figures from 2013 to 2018 have been restated due to the sub-division of each Ordinary share of 25p into ten ordinary shares of 2.5p each on 25th May 2018.

[3] Ongoing Charges represent the management fee and all other operating expenses excluding finance costs, expressed as a percentage of the average of the daily net assets during the year. The ongoing charges are calculated in accordance with guidance issued by the Association of Investment Companies in May 2012.

[4] Source: J.P. Morgan/Morningstar, using cum income net asset value per share, with debt at fair value.

[5] Source: Morningstar, FTSE Russell.

[6] Source: Offic of National Statistics. Calculated on a cumulative basis, rebased to 100 as at 31st January 2014.

A glossary of terms and APMs is provided on pages 95 to 97.

Chairman's Statement

Market Background

Angus Gordon Lennox
Chairman

UK equity markets spent most of the past year worrying about stubbornly high inflation, the Bank of England's determination to restrain inflation pressures by tightening the monetary policy reins, and the risk this posed to economic activity. However, market sentiment improved somewhat towards the end of the year as inflation began to slow and investors started to foresee interest rate cuts during 2024. Nonetheless, there remains a degree of negativity priced into the market at current levels. A lack of clarity about the path of interest rates and economic outlook weighed more heavily on medium and smaller cap companies than on larger cap stocks, given that smaller businesses are usually more vulnerable to rising interest rates and economic downturns. As a result, mid and small cap stocks are trading at historically wide discounts to larger caps, giving rise to opportunities for your Company.

Performance

Despite this generally unsupportive environment, most of the Company's portfolio holdings continued to do well at an operational level, and I am pleased to report a positive performance from the Company over the year under review, on both an absolute and relative basis. For the financial year ended 31st January 2024 (FY24), the Company's net asset total return, based on debt at par value, was +4.5%; with the debt at fair, the return for the year was +5.4%; and the total return to shareholders was +6.1%. The Company showed good outperformance against its benchmark, which returned +1.8%.

The Company's average annualised return over ten years ended 31st January 2024 was +6.1% per annum on a net asset total return par value basis, and +6.4% in share price terms, comfortably ahead of the benchmark's average annual return of +4.5%. This long-term track record of high absolute returns and outperformance of the broader small and medium cap market attests to your Portfolio Managers' skill at identifying this sector's future market leaders and outperformers.

The Portfolio Managers' Report on pages 14 to 17 discusses recent performance and portfolio changes in more detail, as well as considering their outlook for the coming year.

Returns and Dividends

The Company aims to provide shareholders with long term dividend growth at least in line with the rate of inflation over a five-to-ten-year period, as detailed in the table below. The Company has paid three interim dividends of 1.45p per ordinary share in respect of the year to 31st January 2024 and the Board has declared a fourth quarterly interim dividend of 3.30p per share. This brings the total dividend for the year to 7.65p per share, an increase of 7.0% over last year.

	CPI (% per annum)	Mercantile Dividend Growth (% per annum)
Three Years	6.0%	4.5%
Five Years	4.1%	4.0%
Ten Years	2.8%	6.7%

Source: Office of tional Statistics/J.P. Morgan.

In deciding the Company's dividend payments during normal market conditions, the Board looks to pay dividends that are at least covered by current year earnings, while also allowing the Company to build revenue reserves. However, it is a great advantage of the investment trust structure that the Company has the option to partially fund dividend payments from revenue reserves, when necessary, to bolster the dividend during challenging times. The Company utilised this option in the three financial years FY20, FY21 and FY22. Then, having weathered these 'COVID years', total dividends for FY23 were fully covered by earnings, and I am pleased to report this remains the case again in FY24. Revenues per share over the past year increased by 25.3%, to 9.01p, from 7.19p in the previous year. This means that the Company has been able to increase the FY24 total dividend by a healthy margin, while also adding a meaningful amount to its reserves, to support dividends in any future lean years. After payment of the fourth interim dividend, the Company will have revenue reserves of more than 6.5p per share (2023: 4.9p).

Chairman's Statement

Discount

Although it fluctuated between 9.7% and 16.7% during the period under review, the Company's discount of 12.6% at year end was largely the same as where it began a year ago. Your Directors recognise that it is in the interests of shareholders that the Company's share price does not differ excessively from the underlying NAV under normal market conditions. With market conditions continuing to be challenging, in an effort to equalise supply and demand and support the share price, during FY24 the Board utilised the Company's authority to buy back shares, repurchasing a total of 8,024,097 shares, at a cost of £16.5 million. These shares were purchased at an average discount to NAV of 12.7%, producing a modest accretion to the NAV for continuing shareholders.

The Board closely monitors the discount and market conditions and will continue to undertake share buybacks when it deems such action to be appropriate. My fellow directors and I therefore recommend that shareholders approve the renewal of the authority to repurchase up to 14.99% of the Company's shares at the forthcoming Annual General Meeting, with repurchased shares to be cancelled or held in Treasury. The Board is again seeking shareholder approval to issue shares at a premium to NAV and to disapply pre-emption rights on any such issues. As with buying shares at a discount, issuing new shares at a premium to NAV enhances returns to existing shareholders and improves liquidity.

Gearing

It is the Board's intention that the Company continues to operate within the range of 10% net cash to 20% geared, under normal market conditions. The Company ended the year with gearing of 13.4%, up from 9.5% at the same time last year. This is the highest level of gearing in over ten years, reflecting the Portfolio Managers' positive outlook as discussed in their report.

Having gone into the downturn modestly geared – positioning which detracted from performance – the Board is especially keen to ensure that the level of gearing enhances the Company's exposure to a market upturn.

The Company's balance sheet and levels of gearing are regularly discussed by the Board and the Portfolio Managers. Gearing is achieved via the use of long-dated, fixed-rate financing, from several sources, consistent with the Board's aim to ensure diversification of the source, tenure and cost of leverage available to the Company. The Company has in place a £3.85 million perpetual debenture and a £175 million debenture repayable on 25th February 2030, together with £150 million of long-term debt raised in September 2021 via the issuance of three fixed rate, senior unsecured, privately placed notes (the 'Notes'). These Notes mature between 2041 and 2061 and were secured at a blended rate of 1.94%, at a time when interest rates were near their lows.

Marketing, Promotion and Shareholder Interaction

The Company continues to raise its profile with investors and potential investors, via targeted media and promotional campaigns, and ongoing interaction with national and investment industry journalists. It is the Board's view that enhancing the Company's profile will benefit all shareholders, by creating sustained demand for its shares, particularly from retail investors, where demand has grown steadily in recent years. We seek to undertake this promotional activity in the most cost-effective manner.

To further promote the Company to the broader investment community, the Manager follows an established marketing and investor relations programme targeting wealth managers, institutions and private client stockbrokers via video conferences, podcasts and in-person meetings.

The Board and the Investment Managers also maintain a dialogue with the Company's shareholders via regular email updates, which deliver news and views, and discuss the latest performance. If you have not already signed up to receive these communications and you wish to do so, you can opt in via www.Mercantile-Registration.co.uk or by scanning the QR code in the margin.

It is the Board's hope that these initiatives will give many more of the Company's investors and potential investors the opportunity to interact with the Board and Portfolio Managers.

Scan this QR code on your smartphone camera to sign-up to receive regular updates on The Mercantile.

Board Succession

The Board comprises six Directors. There were some changes during the 2023 calendar year, as we welcomed Julia Goh on 1st January 2023, and said goodbye to Harry Morley, who retired from the Board in May 2023.

The Board can confirm that its current composition is compliant with all applicable diversity targets for UK companies listed on the premium segment of the London Stock Exchange. It is the Board’s intention that this will continue to be the case.

The Manager

The Board, through its Management Engagement Committee, monitors the performance of the Manager, JPMorgan Funds Limited (‘JPMF’) on an ongoing basis. It is the Board’s opinion that the Manager’s performance remains strong. Based upon this, having taken all factors into account, including other services provided to the Company and its shareholders, the Board is satisfied that JPMF should continue as the Company’s Manager and that its ongoing appointment remains in the best interests of shareholders.

Annual General Meeting

The Company’s one hundred and thirty eighth Annual General Meeting will be held at Trinity House, Tower Hill, London EC3N 4DH on Wednesday 29th May 2024 at 12.00 noon. In addition to the formal part of the meeting, there will be a presentation from the Portfolio Managers who will answer questions on the portfolio and performance. The meeting will be followed by a buffet lunch which will give shareholders an opportunity to meet the Board, the Portfolio Managers and representatives of the Manager.

Outlook

Interest rates are expected to begin falling sometime soon, and leading indicators are pointing to some strengthening in activity, so corporate earnings are also likely to improve over the coming year. These developments should add momentum to the recent upturn in market sentiment. The Board therefore shares the Portfolio Managers’ confidence in the prospects for mid and smaller cap stocks during 2024 and beyond.

The Company’s prospects are equally bright in our view. Existing portfolio holdings have been performing well despite the challenging conditions of the past year and should do even better as and when the economy strengthens. In addition, the current very attractive valuations mean new investment opportunities among mid and smaller cap stocks are numerous, and the Portfolio Managers’ track record attests to their ability to identify and capitalise on the most compelling of these opportunities. All this suggests that the scene is set for the Company to deliver further capital and dividend growth to shareholders as we head into the future.

We thank you for your ongoing support.

Angus Gordon Lennox
Chairman

11th April 2024

Portfolio Managers' Report

Guy Anderson
Portfolio Manager

Managing Director and portfolio manager within the J.P. Morgan Asset Management International Equity Group, specialising in UK equities and is Head of UK Mid and Small Caps. Prior to joining the firm in 2012, Guy was an investment analyst at Breeden European Capital and at Pendragon Capital, having started his career at Oliver Wyman. He obtained an M.Eng (Hons) in Engineering from Oxford University. Guy is a CFA charterholder.

Anthony Lynch
Portfolio Manager

Executive Director and portfolio manager within the J.P. Morgan Asset Management International Equity Group, specialising in UK equities, with a particular focus on mid and small caps. Anthony joined in 2009 as an analyst having obtained a B.A. (Hons) in Economics from Durham University. Anthony is a CFA charterholder.

Setting the scene: inflation and central banks

This has been a rather testing year for the UK market, with the direction of travel being driven to a major extent by the path of inflation, the actions of the Bank of England, and the impact of these upon expectations of future economic growth.

With high inflation and rapid, if belated, tightening of monetary policy, a deep and painful domestic recession was widely predicted. Confounding this almost uniformly negative sentiment, the economy continued to demonstrate more resilience than feared, leading the market to oscillate between bouts of optimism and then pessimism, although overall languishing for most of the year as we waited for the inevitable to bite.

While inflation in the UK had proven to be stickier than in most countries, some of this was simply mechanical due to time lags, and it began to moderate more substantially towards the end of 2023. This, combined with weakening economic indicators, gave the market a glimpse that perhaps the monetary tightening cycle could be nearing a turn, which then drove a sharp rally in UK assets through November and December. Despite this double-digit final quarter, for the year as a whole our target market of UK medium and smaller companies (the 'Benchmark') only managed a small positive return, of +1.8%.

Mercantile performance

Against this somewhat uninspiring backdrop, for the year to 31st January 2024 the Company delivered a return on net assets of +4.5% with debt valued at par, and +5.4% with debt at fair value, in both cases ahead of the Benchmark's +1.8% return. This outperformance was driven by stock selection. Gearing, which averaged 12% over the year, was additive to performance on a gross basis but not quite enough to offset its costs, which are thankfully fixed in nature. This recent performance extends the Company's track record of outperformance over the long-term: in the ten years to end January 2024, its NAV delivered an annualised total return of +6.1% with debt valued at par, and +6.6% with debt at fair value, again both ahead of the benchmark annualised return of +4.5%.

Performance attribution

For the year ended 31st January 2024

Performance attribution analyses how the Company achieved its recorded performance relative to its benchmark index.

	%	%
Contributions to total return		
Benchmark total return		**1.8%**
Allocation/Stock/Sector Effect	3.2%	
Effect of Cash & Gearing	0.5%	
Cost of Debentures and Senior Unsecured Privately Placed Loan Notes	–0.6%	
Portfolio Total Return		**4.9%**
Management Fees/Other Expenses		–0.5%
Share Buy-Back/Issuance		0.1%
Cum Par Net Asset Value Total Return[APM]		**4.5%**
Impact of Debt Valuation		0.9%
Cum Fair Net Asset Value Total Return[APM]		**5.4%**

[APM] Alternative Performance Measure ('APM').
Source: JPMAM and Morningstar. All figures are on a total return basis.
Contributions calculated using an Arithmetic methodology.

A glossary of terms and APMs is provided on pages 95 to 97.

Spotlight on stocks

Winners

Performance this year was aided by a strong outturn from several of our longer-standing investments, led by our substantial holdings in the investment banking and brokerage services sector. Private equity group **3i** continued to deliver better than expected sales growth thanks to Action, a retailer that now accounts for close to two thirds of its net assets, while the fund-raising and financial performance of **Intermediate Capital**, an alternative asset manager, remained strong despite a well-reported industry-wide softening in demand for such strategies.

Other portfolio highlights this year included our significant holdings in the software and computer services sector, in companies such as **Bytes Technology**, **Softcat** and **Computacenter**, which have benefitted from robust corporate demand for IT infrastructure. These companies have also seen gains in market share and there is scope for revenue to accelerate further as customers begin to adopt generative AI solutions.

Given the overwhelmingly bearish views of the prospects for the domestic economy, it was particularly pleasing to see a strong contribution to returns from our holdings in the household goods and home construction sector, led by our longstanding investment in **Bellway** but also from **Redrow**. The market had been quick to mark down these shares aggressively given their high economic sensitivity, but valuations had reached extreme levels, hence we increased our holdings materially, which was then well rewarded once the shares repriced more favourably as the probability of the most negative scenarios diminished through the year.

Losers

It is inevitable that not all our investments will be winners, and while this is a fact of life, it does not diminish from the frustration at times. Our holding in **Watches of Switzerland**, a luxury watch retailer, was our largest detractor this year by some margin. We had reduced our position size somewhat on the back of a moderating growth profile, but a move by their key supplier Rolex into retail, via the succession-driven acquisition of Bucherer, exacerbated market concerns. This was then compounded by a material profit warning, following weaker than expected trading over the Christmas period. While this is the first profit warning that the company has issued since its listing in 2019, it raises significant questions over the deliverability of their long-range growth targets, so we have exited the investment in full, preferring to reallocate the capital elsewhere while continuing to monitor their progress.

Our investment in **Future**, the specialist media platform, also came under pressure as audience figures and thus revenue – particularly in their important consumer technology products offering – declined, leading to a reduction in expected earnings. In addition, fears around the potential impact of AI and third-party cookies changes, combined with a management transition, placed further downward pressure on the company's share price. However, with the shares at an extreme valuation, which we do not believe gives fair credit to their Go-Compare price comparison website business, we remain shareholders, and with the new CEO now in place, we are monitoring progress closely.

Positioning the portfolio for future success

We target UK companies outside of the FTSE 100 Index that have significant opportunities for growth and which may be overlooked by other investors. We invest in the shares of companies that we believe possess the characteristics that may facilitate this growth, for example nimble business models that can innovate or disrupt their industries, or companies that occupy prime positions in rapidly growing markets.

Through the course of any individual year there are adjustments to the portfolio to reflect the changing environment, as investment hypotheses run their course or are proved invalid, or as share price moves present better opportunities elsewhere. Over the past few years there have been multiple turning points for markets as well as numerous changes to the operating environments of our portfolio companies. Despite this, portfolio turnover has remained somewhat lower than long-term averages, reflecting what we believe to be a resiliently positioned portfolio and our clear focus on the long-term prospects of holdings.

Portfolio Managers' Report

Furthermore, we have been operating in a volatile environment, with a pandemic and associated restrictions, supply chain challenges, surging then falling inflation, a drastic shift in monetary policy, war in Europe and the Middle East and an evident souring of East-West relations. We believe that this backdrop has made it even more important to focus on well-positioned and well-managed businesses that have the resilience to cope and even thrive in a variety of situations, and which may ultimately emerge with stronger competitive positions.

Over the last year there have been various changes to the portfolio's constituents and thus its overall shape, and while some of these are reasonably material, it should also be read in the context of a portfolio in which over 80% remains unaltered. While these changes are all based on single stock investment or divestment decisions, from a top-down perspective these could be summarised by stating that the portfolio today has an increased exposure to domestic compared to international end markets versus one year ago, with even more technology-related holdings, and with an increased amount of capital invested in the housebuilders and in real estate more broadly.

In the software and computer services sector, we added to our investment in **Bytes Technology**, the aforementioned value-added technology reseller. We also made a new investment in **Moneysupermarket.com**, a price comparison business seeing increased demand due to higher insurance prices and where, now that their technology re-platforming is complete, there is scope to improve profitability by increasing direct-to-site traffic and cross-sell in place of pay-per-click.

As already explained above, we made additions to our housebuilding positions through the year, adding to the pre-existing positions in **Bellway** and **Redrow**, while also adding a new investment in **Vistry**.

Having previously had a very bearish view on the outlook for real estate more broadly, this has become more nuanced over the year, as many of the negative factors that we anticipated have played out and driven share price falls: valuations came under downward pressure through an environment of rapid increases to interest rates and thus the discount rates upon which property valuations are based. While we still maintain a significant overall underweight in this sector relative to the benchmark, we have moderated its size, and last year we started our initial foray back into this space, taking positions in some of the most attractive propositions, with investments in **LondonMetric Property**, **Shaftesbury Capital** and **Tritax Big Box REIT**, each of which we believe to be exposed to end markets that will deliver robust rental growth in coming years.

Other stock specific changes include a large increase in the size of our position in **Hill & Smith**, an infrastructure engineer. This comes in response to the company's improving growth opportunity, driven primarily by an expansion of US infrastructure spending. We also made a new investment in **Bodycote**, an industrial engineer which should benefit from the continued post-pandemic recovery of the aerospace industry, and in **Jet2**, the airline and package holiday provider, which has benefitted from robust consumer demand, and which continues to generate market share gains.

These purchases were funded by various sales, including the previously mentioned **Watches of Switzerland**, a substantial reduction in the size of our position in **RS Group**, a distributor of electronics and industrial products, and exits from **Pets At Home**, a pet product retailer and services provider, and from **Spirax-Sarco**, our longstanding investment in a supplier of specialist industrial machinery, now a FTSE 100 company.

Outlook for the coming year

Financial markets continue to be heavily influenced by the inter-connected forces of inflation, monetary policy, and the impact of these upon economic growth expectations. While the domestic economy through the end of last year was undoubtedly lacklustre, and the UK may have experienced a recession, evidence thus far would suggest that this is more likely behind than ahead of us, and if so, it will have proven to have been far briefer and shallower than most were anticipating. Indeed, employment levels have remained resilient and following 13 consecutive months of real wage declines, the average consumer has now experienced over ten months of real wage growth. Coincident with this, consumer and business confidence indicators are pointing to an improving picture, which could lay the foundations for greater consumer demand, more business investment, and thus lead to a better environment for corporate earnings growth.

Any improvement in such prospects could yield healthy market gains, as the prevailing negative sentiment and uncertainty over the outlook is evidently reflected in valuations, with the UK market trading at a steep discount to both its own history and relative to other developed markets. Within the UK, given their greater economic cyclicality and sensitivity to interest rates, mid-and small-caps are trading at a discount relative to their usual level versus large caps. Furthermore, portfolio companies have, for the most part, been performing well at an operational level, as demonstrated by a gradual, but notable, increase in earnings estimates over the year. Notwithstanding the obvious geopolitical risks that surround us, or those associated with around half of the world's population – including the UK – voting in elections in the coming year, we are excited by the investment opportunities that this combination of low valuations, improving economic indicators, and strong performing portfolio companies yields. This backdrop explains our elevated level of gearing, which at the date of this report is approximately 15%. This is the highest level of gearing that we have applied in over a decade, which hopefully demonstrates most clearly our assessment of the opportunity before us.

We will maintain our focus on investing in structurally robust businesses that operate in growing end markets and possess the ability to invest capital at attractive returns and which can also adapt to the changing environments in which they operate. We believe that a portfolio of such investments offers the best prospect of delivering compelling returns and outperformance for our shareholders over the long-term, just as they have done in the past.

Guy Anderson
Anthony Lynch
Portfolio Managers

11th April 2024

Portfolio Information

Listed equity market capitalisation at 31st January (%)[1]

	2024	2023
UK FTSE 250	74.7	79.3
UK FTSE 100	16.4	10.7
UK AIM	5.2	5.8
UK FTSE Small & Fledgling	3.4	3.9
UK Unquoted	0.3	0.3
Total	**100.0**	**100.0**

[1] Based on total investments of £2,116m (2023: £2,043m).
Source: J.P. Morgan.

Sector analysis at 31st January (%)

	Portfolio 2024[1]	Benchmark 2024	Portfolio 2023[1]	Benchmark 2023
Industrials	27.2	22.9	31.4	22.4
Consumer Discretionary	24.7	20.1	26.5	21.7
Financials	19.3	19.6	18.4	17.4
Technology	11.2	5.5	8.2	4.5
Consumer Staples	7.3	5.5	6.9	5.1
Real Estate	4.7	15.2	0.6	13.7
Basic Materials	2.8	4.1	1.7	3.4
Energy	1.5	2.6	2.6	3.1
Telecommunications	1.3	0.9	2.3	1.3
Health Care	—	1.9	1.4	5.3
Utilities	—	1.7	—	2.1
Total	**100.0**	**100.0**	**100.0**	**100.0**

[1] Based on total investments of £2,116m (2023: £2,043m).
Source: J.P. Morgan.

Portfolio Information

List of investments

As at 31st January 2024

Company	Valuation £'000	%
Industrials		
Inchcape	61,605	2.9
Rotork	54,688	2.6
IMI	42,462	2.0
Diploma	41,051	1.9
Grafton	40,917	1.9
Serco	33,813	1.6
QinetiQ	32,399	1.5
Vesuvius	28,577	1.4
Balfour Beatty	28,386	1.3
Chemring	28,160	1.3
Hays	22,609	1.1
Morgan Sindall	22,537	1.1
Page	22,013	1.0
RS	21,834	1.0
SThree	21,012	1.0
Oxford Instruments	18,870	0.9
Bodycote	16,575	0.8
Mears	14,042	0.7
Weir	13,824	0.7
Judges Scientific[1]	10,252	0.5
	575,626	**27.2**
Consumer Discretionary		
Bellway	94,048	4.5
Games Workshop	58,410	2.8
Dunelm	54,600	2.6
4imprint	44,854	2.1
JET2[1]	43,420	2.1
Redrow	37,536	1.8
WH Smith	36,330	1.7
Vistry	30,711	1.5
SSP	23,032	1.1
Hollywood Bowl	22,126	1.0
Future	17,434	0.8
Next Fifteen Communications[1]	13,644	0.6
Howdens Joinery	12,842	0.6
Bloomsbury Publishing	10,810	0.5
Warpaint London[1]	9,120	0.4
Watches of Switzerland	7,205	0.3
Card Factory	6,997	0.3
	523,119	**24.7**
Financials		
Intermediate Capital	91,035	4.3
3i	62,471	3.0
OSB	48,622	2.3
Man	41,730	2.0
Paragon Banking	36,934	1.7
Beazley	32,640	1.6
Direct Line Insurance	23,709	1.1

Company	Valuation £'000	%
Financials continued		
TBC Bank	20,952	1.0
Alpha1	10,230	0.5
Bank of Georgia	9,475	0.5
XPS Pensions	9,315	0.4
Sabre Insurance	9,252	0.4
Close Brothers	6,653	0.3
Mortgage Advice Bureau[1]	5,016	0.2
	408,034	**19.3**
Technology		
Softcat	70,854	3.3
Bytes Technology	63,024	3.0
Computacenter	35,985	1.7
AutoTrader	28,059	1.3
Moneysupermarket.com	25,540	1.2
Trustpilot	7,453	0.4
Big Technologies[1]	5,904	0.3
	236,819	**11.2**
Consumer Staples		
Cranswick	54,779	2.6
Premier Foods	34,790	1.7
Greggs	34,736	1.6
Tate & Lyle	29,257	1.4
	153,562	**7.3**
Real Estate		
LondonMetric Property	36,803	1.7
Shaftesbury Capital	31,992	1.5
Tritax Big Box REIT	30,849	1.5
	99,644	**4.7**
Basic Materials		
Hill & Smith	48,724	2.3
Central Asia Metals[1]	4,985	0.2
Tennants Consolidated[2,3]	6,210	0.3
	59,919	**2.8**
Energy		
Hunting	12,464	0.6
Harbour Energy	10,873	0.5
Serica Energy[1]	8,464	0.4
	31,801	**1.5**
Telecommunications		
Telecom Plus	27,190	1.3
	27,190	**1.3**
Total Investments[4]	**2,115,714**	**100.0**

[1] AIM listed investment.
[2] Unquoted investment.
[3] Includes a fixed interest investment.
[4] The portfolio comprises investments in equity shares, and a fixed interest investment.

Portfolio Information

Ten largest investments as at 31st January

Company Name	Company Description	Holding £'000s in 2024	% of portfolio in 2024[1]	% of portfolio in 2023[1]
Bellway	Bellway is a UK based property developer focusing on smaller and first-time buyer homes, including two and three bedroom flats, semi-detached and terraced houses.	94,048	4.5	2.6
Intermediate Capital	Intermediate Capital is a private equity asset management firm operating globally in the debt, credit, bridge financing and equity markets.	91,035	4.3	3.4
Softcat	Softcat is a British technology company providing communications, software licencing, procurement and management services.	70,854	3.3	2.9
Bytes Technology[2]	Bytes is one of the UK's leading providers of software, security and cloud services.	63,024	3.0	1.2
3i[2]	3i is an investment company specialising in Private Equity and Infrastructure. It invests in mid-market companies headquartered in northern Europe and North America.	62,471	3.0	2.3
Inchcape	Inchcape is a global automotive distributor and retailer. It operates in the UK and in markets across Europe, Asia and Australasia where it acts as a vehicle and parts distributor for a focused portfolio of premium and luxury brand partners.	61,605	2.9	4.0
Games Workshop[2]	Games Workshop is a leading international specialist designer, manufacturer and multi-channel retailer of miniatures, scenery, artwork and fiction for tabletop miniature games set in its fantasy Warhammer worlds.	58,410	2.8	2.5
Cranswick[2]	Cranswick is a UK food producer and supplier of premium, fresh and added-value food products.	54,779	2.6	2.1
Rotork[2]	Rotork is a global provider of mission-critical flow control and instrumentation solutions for the industrial actuation and flow control markets. These include oil and gas, water and wastewater, power, chemical process and industrial applications.	54,688	2.6	1.9
Dunelm	Dunelm sells a broad selection of household goods and furnishing from its retail stores across the UK. It also markets its items through its online store.	54,600	2.6	2.8
Total		**665,514**	**31.6**	

All of the above investments are listed in the UK.

[1] Based on total investments of £2,116m (2023: £2,043m).

[2] Not Included in the ten largest investments at 31st January 2023.

As at 31st January 2023, the value of the ten largest investments amounted to £634.4 million representing 31.1% of the total portfolio.

Environmental, Social and Governance ('ESG') Integration at J.P. Morgan Asset Management

Why do we integrate ESG into our investment process?

In actively managed strategies deemed by J.P. Morgan Asset Management (UK) Limited ('JPMAM') to be ESG integrated under our governance process, we systematically assess financially material ESG factors (amongst other factors) in our investment analysis and investment decisions, where possible and appropriate, with the goals of managing risk and improving long-term returns. Essentially, we seek to determine whether, in our opinion, a company faces potential headwinds or tailwinds from ESG considerations which may ultimately have a significant impact on its share price.

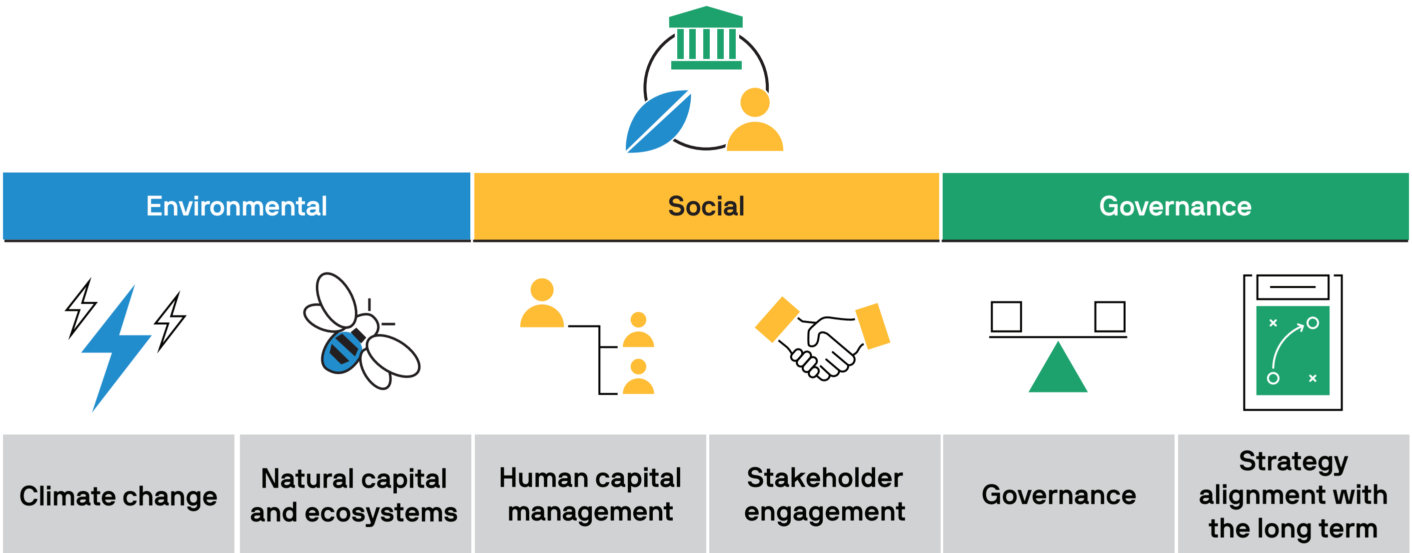
ESG Integration within the Company's portfolio

ESG integration does not change the Company's investment objective, exclude specific types of companies, or constrain the Company's investable universe. However, our assessment of financially material ESG factors may influence our investment decision. Ultimately, it may impact our decision to purchase a stock or not, or a stock's position size due to our level of conviction.

Engagement

We recognise and embrace our wider stewardship responsibilities to clients as a major asset owner. We use engagement to better understand and encourage portfolio companies to develop and adopt practices to manage their risk and create long-term shareholder value. Active ownership in the context of ESG integration allows us to manage ESG risks and to systematically incorporate insights gained from engagement into our investment decisions. For further details on our engagement processes, please see JPMAM's Annual Investment Stewardship Report https://am.jpmorgan.com/content/dam/jpm-am-aem/global/en/sustainable-investing/investment-stewardship-report.pdf).

In JPMAM's International Equity Group, corporate engagement is a collaboration between our investors and the Investment Stewardship specialists within our Global Sustainable Investing Team. Engagement driven by our Investment Stewardship team focuses on the six firm-wide priorities below.



Underlying each priority are specific themes, which are typically topical issues within the industry and with our clients. JPMAM's Investment Stewardship Team has identified a set of 'focus' companies, aligned with these themes, which we proactively target for engagement. These companies are selected because of an issue of concern, typically in reference to our six priorities, that is sufficiently material to warrant more focused engagement and where the name is held in sufficient size to make our voice effective. The list of companies will be validated as part of ongoing dialogue between the Investment Stewardship Team and the Portfolio Managers and Research Analysts.

Environmental, Social and Governance Report

Portfolio Managers and Research Analysts in the International Equity Group also directly drive engagement with the companies, addressing a broad range of financially material ESG issues as part of their bottom-up stock analysis.

Examples of our recent activity with regard to stewardship and engagement are provided on the following pages.

Dunelm

JPMAM's Investment Stewardship team met with Dunelm on its operational performance and sustainability issues. The discussion focused on the key topics of cybersecurity, living wage, gender pay gap and responsible sourcing. Having previously asked the company for full disclosure on its cybersecurity framework, they have since further developed their IT security governance and recruited to increase this capability. It was encouraging to see the progress the company has made in identifying vulnerabilities and uplifting its framework around these risks. Regarding wages and the gender pay gap, we had previously asked for additional disclosures relating to fair pay, and this has been clearly articulated within their latest sustainability report. The company also revised its pay structure and was especially sensitive to this for its lowest paid employees whose pay may be more impacted by the escalation of living costs. We also asked the company to explain progress regarding long-term targets on responsible sourcing and incorporating a decarbonisation plan, in addition to own brand cotton to be sourced as 'responsibly sourced cotton' by 2024. The company confirmed such programmes were in place and they are making progress in terms of expanding their Product Quality & Sustainability team by recruiting two environmental specialists. We were pleased to see the progress Dunelm has made with many identified issues having been solved for. We will continue engaging with the company.

Redrow

JPMAM's Investment Stewardship Team, together with IEG investors, met with the chairman of Redrow, the UK housebuilder, to discuss a variety of ESG topics including governance and executive pay. On executive compensation, we understand the company is looking to make an inflight adjustment to their Long-term-incentive-plan ('LTIP') for 2022, replacing the earnings-per-share and return-on-capital-employed measures with a relative total shareholder return ('TSR'). While we do not like to see in-flight adjustments and ask companies to refrain from making alterations during the three-year period, we do remain cognisant of the rationale behind the adjustment, given the condition of the housing market and noting the sector downgrade. With that said, LTIPs are long-term plans and housing is a cyclical market, so it is reasonable to assume that there could be some volatility in any three year period. We stated that we will consider the issue and make a voting decision at the 2024 AGM.

Proxy voting

JPMAM exercises the voting rights of shares held in client portfolios, where entrusted with this responsibility. We seek to vote in a prudent and diligent manner, based exclusively on our reasonable judgement of what will best serve the financial interests of our clients. We aim to vote at all meetings called by the companies in which we are invested unless there are any market restrictions or conflicts of interests.

Corporate governance is integral to our investment process. We examine the share structure and voting structure of the companies in which we invest, as well as the board balance, oversight functions and remuneration policy. For full details, please see JPMAM's Corporate Governance Policy & Voting Guidelines, copies of which are available on request, or to download via the links detailed on page 48.

A summary of key voting statistics and activity for the Company during the year is detailed below:

	For	Against	Abstain	Did Not Vote	Against/ Abstain Total	Total Items	% Against/ Abstain
Audit Related	139	0	0	0	0	139	0
Capitalisation	279	0	0	0	0	279	0
Company Articles	2	0	0	0	0	2	0
Compensation	133	6	0	0	6	139	4
Director Election	530	3	0	0	3	533	1
Routine Business	144	0	0	0	0	144	0
Social	32	0	0	0	0	32	0
Strategic Transactions	1	1	0	0	1	2	50
Takeover Related	56	0	0	0	0	56	0
Miscellaneous	9	0	0	0	0	9	0
TOTAL	**1,325**	**10**	**0**	**0**	**10**	**1,335**	

Examples of our proxy voting activity over the last year is provided below.

LondonMetric Property

Issue: LondonMetric Property is a UK listed real estate investment trust ('REIT'). At the company's 2023 AGM, it proposed a remuneration policy update which included an increase in the maximum limit on bonuses from 140% to 175% of base salary and an increase in LTIP opportunities from 200% to 225% of base salary. This would increase variable incentive potential to an already competitive pay quantum.

Action: Ahead of the AGM, we met with the company to discuss the proposed remuneration arrangements. The company explained the rationale behind the increase, including the need to reward outstanding performance of the management team and ensure that the remuneration arrangements reflect the strategy of the company. In addition, the company noted the need to ensure rewards reflected the importance of retaining top executives and key talent within the business.

Outcome: As a result of the company's detailed explanation, we were comfortable supporting the remuneration policy resolution at the AGM and cast our vote in favour. However, the company withdrew the resolution at the AGM and will submit a further resolution at a later date.

Beazley

Issue: Beazley PLC is a London-listed provider of insurance and reinsurance. At the company's 2023 AGM it sought approval for the remuneration report as well as the re-election of the board. We queried whether the company had made adjustments to performance achievement for the year under review. We also raised concerns around a number of financial presentation errors.

Action: We reached out to the company to understand whether the remuneration committee had made an adjustment to offset the impact of two placings undertaken, both done at a premium to NAV, therefore materially uplifting the NAV growth. The company explained that following careful consideration the remuneration committee decided that it would not be appropriate to adjust the NAV calculations to exclude the impact of the two placings. In reaching this decision the committee considered a number of factors, including the reasons for the placings which were primarily to raise funds in order to take advantage of opportunities in the market and to strengthen the balance sheet.

Outcome: As a result of our concerns, we voted against the remuneration report and the remuneration policy. In addition, we voted against the re-election of the CFO following a number of high-profile financial presentation errors.

Environmental, Social and Governance Report

Morgan Sindall

Issue: Morgan Sindall is a UK-listed construction and regeneration company. At the company's 2023 AGM, it proposed a remuneration policy update which included an increase in the maximum limit on bonuses from 125% to 150% of base salary and an increase in LTIP opportunities from 150% to 200% of base salary.

Action: Ahead of the AGM, the company sent a letter outlining the rationale for the proposed increase sought. The company noted that there were no pay increases outlined for 2023. The company further noted that any future increase would only be in the event that Morgan Sindall's performance warranted the increased opportunities and having taken into account the opinions of shareholders. We felt that the increased flexibility proposed is broadly appropriate for a company of its size and peer group.

Outcome: As a result of the company's commitment to maintaining the current variable incentive limits and utilising the higher limit only when circumstances allowed, we were comfortable supporting the remuneration policy resolution at the AGM.

J.P. Morgan Asset Management (UK) Limited 11th April 2024

Business Review

The Directors present the Strategic Report for the Company's year ended 31st January 2024. The aim of the Strategic Report is to provide shareholders with the ability to assess how the Directors have performed their duty to promote the success of the Company for the collective benefit of shareholders. The financial highlights and ten year record together with the Chairman's Statement, Portfolio Managers' Report, Principal and Emerging Risks, Long Term Viability Statement and Section 172 Statement form part of this Strategic Report.

The Company's Purpose, Values, Strategy and Culture

The purpose of the Company, which was launched in 1884, is to provide an investment vehicle which meets the needs of investors, whether large institutions, professional advisers or individuals, who seek long term investment returns from medium and smaller UK companies in an accessible, cost effective way. Its policy is to emphasise capital growth and to achieve long term dividend growth at least in line with the rate of inflation over a five-to-ten-year period. It seeks to outperform its benchmark index over the longer term and to manage risk by investing in a diversified portfolio.

To achieve this, the Board of Directors is responsible for employing and overseeing an investment management company that has the appropriate capability, resources and controls in place to actively manage the Company's assets in order to meet its investment objective. The investment management company, J.P. Morgan Asset Management (UK) Limited ('JPMAM'), employs an investment process with a strong focus on research that integrates financially material environmental, social and governance factors and enables it to identify what it believes to be the most attractive stocks in the market.

To ensure that the Company's purpose, values, strategy and culture are aligned, the Board comprises Directors from a diverse background who have a breadth of relevant skills and experience, act with professional integrity and who contribute in an open boardroom culture that both supports and challenges the investment management company and its other third party suppliers.

Investment Objective

The Company's objective is to achieve long term capital growth from a portfolio of UK medium and smaller companies. The Company employs JPMorgan Funds Limited ('JPMF' or the 'Manager') which delegates the active management of the Company's portfolio to JPMAM.

Business Model

The Mercantile Investment Trust plc is an investment trust and public limited company, incorporated in England and Wales, limited by shares, with a premium listing on the London Stock Exchange. In seeking to achieve its objective the Company employs JPMF to actively manage the Company's assets. The Board has determined an investment policy and related guidelines and limits, as described below.

The Company is subject to UK and European legislation and regulations (where EU regulation has been 'onshored' into UK law) including UK company law, UK Financial Reporting Standards, the FCA Listing, Prospectus, Disclosure Guidance and Transparency Rules, the UK Market Abuse Regulation, taxation law and the Company's own Articles of Association. The Company is an investment company within the meaning of Section 833 of the Companies Act 2006 and has been approved by HM Revenue & Customs as an investment trust (for the purposes of Sections 1158 and 1159 of the Corporation Tax Act 2010). The Directors have no reason to believe that the Company will not continue to retain its investment trust status. The Company is not a close company for taxation purposes.

A review of the Company's activities and prospects is given in the Chairman's Statement on pages 11 to 13, and in the Portfolio Managers' Report on pages 14 to 17.

Investment Policies and Risk Management

In order to achieve its objective and to seek to manage risk, the Company's business model is to invest in a diversified portfolio and it employs a Manager with a strong focus on research that enables it to identify what it believes to be the most attractive stocks in the market.

The Board has sought to manage the Company's risk by imposing various investment limits and restrictions. These limits and restrictions may be varied at any time by the Board at its discretion. Material changes to the Company's investment policies, as defined under Chapter 15 of the Listing Rules, are subject to FCA and shareholder approval.

Investment Restrictions and Guidelines

- The Company invests in medium and smaller companies which are listed mainly on the London Stock Exchange.
- At time of purchase the maximum exposure to any individual stock is 8% of total assets. The Company may hold five positions of up to 8% each, totalling no more than 40% of the Company's gross assets. Thereafter a maximum of 3% of gross assets may be held in any one investment.
- Capital growth is emphasised, together with an aim to achieve long term dividend growth at least in line with the rate of inflation over a five-to-ten-year period.
- Gearing may be used when appropriate in order to increase potential returns to shareholders. Such gearing will be long-term in nature and will operate within a range of 10% net cash to 20% geared.
- The Company does not invest more than 15% of its gross assets in other listed closed-ended investment funds (including investment trusts).

Business Review

- The Company will not invest more than 10% of assets in companies that themselves may invest more than 15% of gross assets in UK listed investment companies.

Performance

In the year to 31st January 2024, the Company produced a total return to shareholders of +6.1% (2023: –11.0%) and a total return on net assets with debt at fair value of +5.4% (2023: –8.5%). With debt at par value, the total return on net assets was +4.5% (2023: –12.3%). This compares with the total return on the Company's benchmark of +1.8% (2023: –7.5%). At 31st January 2024, the value of the Company's investment portfolio was £2,116 million (2023: £2,043 million). The Portfolio Managers' Report on pages 14 to 17 includes a review of developments during the year as well as information on investment activity within the Company's portfolio.

The Company reports its performance (Financial Highlights, Chairman's Statement, Portfolio Managers' Report etc.) to shareholders on a cum income NAV with debt on both a fair and par value basis.

The fair value of the Company's debentures and senior unsecured privately placed loan notes is calculated using a discounted cash flow technique which applies the yield from similarly dated gilts to the debentures and senior unsecured privately placed loan notes and adds to that a margin based on the five year average for the AA Barclays Sterling Corporate Bond spread.

Total Return, Reserves and Dividends

Gross return for the year amounted to £97.7 million (2023: £252.7 million loss) and net return after deducting interest, management expenses and taxation amounted to £75.2 million (2023: £275.3 million loss). Distributable income for the year amounted to £71.1 million (2023: £56.9 million). The Directors have declared quarterly interim dividends totalling 7.65p (2023: 7.15p) per ordinary share for the year which totalled £60.0 million (2023: £56.5 million). The year end revenue reserve after allowing for these dividends will amount to £50.6 million (2023: £39.4 million).

Key Performance Indicators ('KPIs')

The Company's objective is to achieve long term capital growth from a portfolio of UK medium and smaller companies. In order to monitor performance against this objective, the Board uses a number of financial KPIs to monitor and assess the performance of the Company. The principal KPIs are:

- **Performance against the benchmark index**

  This is the most important KPI by which performance is judged. Please refer to the graph headed 'Ten Year Performance relative to benchmark' on page 9.

- **Performance against the Company's peers**

  Whilst the principal objective is to achieve capital growth relative to the benchmark, the Board also monitors the performance relative to a group of 12 comparable investment vehicles comprising three investment trusts, four open ended investment funds, three index tracking open ended funds and two ETFs. Based on the NAV return, with debt at fair value, in performance terms the Company ranked first amongst its peers in the year ended 31st January 2024, and second over three, five and ten year time frames to 31st January 2024.

- **Dividends**

  The Company pays four quarterly dividends each year and the Board's aim is to achieve long term dividend growth at least in line with inflation over a five to ten year period. Please refer to the Chairman's Statement on page 11 for more details.

- **Performance attribution**

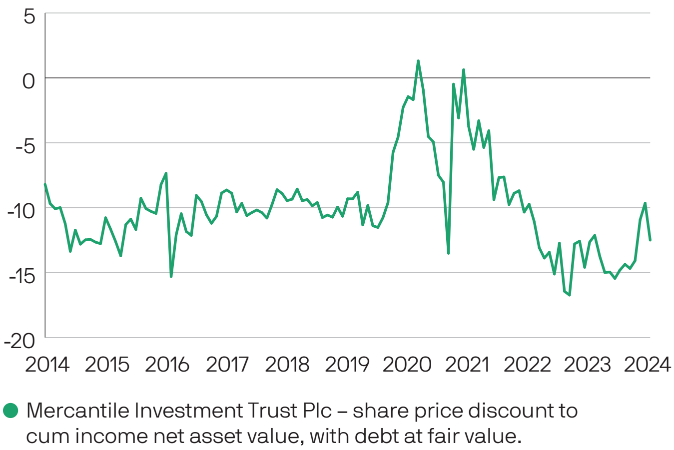
  The purpose of performance attribution analysis is to assess how the Company achieved its performance relative to its benchmark index, i.e. to understand the impact on the Company's relative performance of the various components such as stock selection and sector allocation. Details of the attribution analysis for the year ended 31st January 2024 are given in the Portfolio Managers' Report on page 14.

- **Share price discount to net asset value ('NAV') per share**

  The Board closely monitors the Company's discount. It operates a share repurchase programme that seeks to enhance value and address imbalances in supply and demand of the Company's shares within the market and thereby reduce the volatility and absolute level of the discount to NAV, with debt at fair value, at which the Company's shares trade.

Calculated on the cum income NAV with debt at fair value basis, the discount at the start and the end of the year ended 31st January 2024 was 12.6%, reaching a low of 16.7% and a high of 9.6%.

Discount (%)



Source: Morningstar.

- **Ongoing Charges**

  The ongoing charges ratio represents the Company's management fee and all other operating expenses, excluding finance costs, expressed as a percentage of the average of the daily net assets during the year. The ongoing charges ratio for the year ended 31st January 2024 was 0.47% (2023: 0.46%). The Board reviews each year an analysis which shows a comparison of the Company's ongoing charges ratio and its main expenses with those of its peers.

Borrowings

The Company has in issue a £3.85 million 4.25% perpetual debenture, a £175 million 6.125% debenture repayable on 25th February 2030 and £150 million of long-term debt through the issue of three fixed rate, senior unsecured privately placed loan notes (the 'Notes'). The Notes, which were funded on 8th September 2021, are: £55 million maturing in 2041 with a fixed coupon of 1.98%; £50 million maturing in 2051 with a fixed coupon of 2.05%; and £45 million maturing in 2061 with a fixed coupon of 1.77%.

Financial Risk Management

The principal and emerging risks facing the Company are set out on pages 29 to 32. The principal financial risks relating to financial instruments and the management of these risks are set out in note 21 of the financial statements.

Diversity and Inclusion

When recruiting a new Director, the Board's policy is to appoint individuals on merit. Diversity is important in bringing an appropriate range of skills and experience to the Board and an assessment is made of the qualities and skills of the existing Board before appointing new directors. When completing a review of the skills and experience of Directors, the Board feels that they are equipped with the necessary attributes required for the sound stewardship of the Company and that their knowledge sets allow for lively and engaging debates. Full details of the skills and experience of the Directors can be found on pages 39 and 40. At 31st January 2024, there were three male Directors and three female Directors on the Board. Please refer to pages 45 and 46 for more information on the workings of the Nomination Committee.

The following disclosures are provided in respect of the FCA Listing rules targets that: i) at least 40% of a board should be women; ii) at least one senior role should be held by a woman; and iii) at least one board member should be from a non-white ethnic background, as defined by the Office of National Statistics (ONS) criteria.

As an externally managed investment company with no chief executive officer (CEO) or chief financial officer (CFO), the roles which qualify as senior under FCA guidance are Chairman and Senior Independent Director (SID). The Board also considers the chairmanship of the Audit Committee to represent a senior role within this context.

At 31st January 2024, the Board meets the targets on gender and ethnicity diversity and female representation in a senior role. The small size of the board with only non-executive directors can provide challenges in ensuring targeted diversity in board appointments. Although the Board does not consider it appropriate to set targets, it ensures that long lists include diverse candidates of appropriate experience and merit.

In accordance with Listing Rule 9.8.6R (9), (10) and (11) the Board has provided the following information in relation to its diversity based on the position at the Company's financial year ended 31st January 2024, the reference date:

Gender	Number of Board Members	Percentage of Board Members	Number of Senior Roles
Men	3	50	2[1]
Women	3	50	1[2]
Prefer not to say	0	0	0

Ethnicity	Number of Board Members	Percentage of Board Members	Number of Senior Roles[1,2]
White British (or any other white background)	5	83.3	3
Mixed/Multiple Ethnic Groups	1	16.7	0
Prefer not to say	0	0	0

[1] Angus Gordon Lennox and Damien Maltarp in the roles of Chairman and Audit Committee Chairman respectively. Given the additional responsibilities associated with the role, the Board considers the role of the Chairman of the Audit Committee as a senior position.

[2] Rachel Beagles in the role of the Senior Independent Director.

All Board appointments are subject to a formal, rigorous and transparent procedure. The Board, through the Nomination Committee, has reviewed the Company's succession plan and it is intended that alongside finding candidates that have skills which are complementary to those of other members of the Board, gender and ethnicity considerations will be important factors when considering future Board appointments.

Employees, Social, Community, Environmental and Human Rights Issues

The Company is managed by its Manager, has no employees and all of its Directors are non-executive. The day to day activities are carried out by third parties. There are therefore no disclosures to be made in respect of employees. The Company has no direct social or community responsibilities or impact on the environment and the Company has not adopted an ESG investment strategy nor does it modify the Company's investment objective.

The Board is aware of the Investment Manager's approach to financially material ESG factors, consideration of which are

Business Review

fully integrated into the investment process with the goals of managing risk and improving long-term returns. Portfolio companies that address financially material ESG issues and adopt enduring business practices are better placed to maximise their performance and create enduring value for shareholders. Corporate governances issues have a direct bearing on the risk/reward of the Company's portfolio. The Investment Manager engages in meaningful interactions with investee companies through dedicated meetings and exercises the Company's proxy votes in a prudent and diligent manner in the interests of our shareholders. An explanation of the Investment Manager's overall approach to ESG integration and stewardship is on pages 21 to 24. The Board further notes JPMAM's global policy statements in respect of ESG issues as follows:

We seek to deliver stronger financial outcomes, including by focusing on the most financially material ESG issues that we believe impact the long-term performance of companies in which we invest. Additionally, we advocate for robust corporate governance and sound business practices. We believe that understanding financially material ESG factors plays an important role in delivering long-term value creation for our clients. Our efforts are supported through one of the largest buyside research networks of approximately 300 equity and credit analysts globally, complemented by a dedicated stewardship team.

Every year, we challenge ourselves to consider how we can better steward our clients' capital, both in terms of how we invest and how we operate. Our dialogue continues to be shaped by important medium-and longer-term material financial risks and opportunities faced by investee companies around environmental issues such as climate change and natural capital, social issues such as labor standards and diversity in the workplace, and governance issues such as board effectiveness and executive compensation plans aligned with shareholders' interests.

JPMAM is also a signatory to the United Nations Principles of Responsible Investment, which commits participants to six principles, with the aim of incorporating ESG criteria into their processes when making stock selection decisions and promoting ESG disclosure. The Manager has implemented a policy which seeks to restrict investments in securities issued by companies that have been identified by an independent third party provider as being involved in the manufacture, production or supply of cluster munitions, depleted uranium ammunition and armour and/or anti-personnel mines. Shareholders can obtain further details on the policy by contacting the Manager.

Greenhouse Gas Emissions

The Company itself has no premises, consumes no electricity, gas or diesel fuel and consequently does not have a measurable carbon footprint. As a low energy user under HMRC guidelines it is not required to disclose energy and carbon information. The Board notes the policy statements from the Investment Manager in respect of Social, Community and Environmental and Human Rights issues and Greenhouse Gas Emissions and that it is a signatory to the CDP (formerly known as the Carbon Disclosure Project).

The Company, as a closed ended investment fund, is currently exempt from complying with the Task Force on Climate-related Financial Disclosures.

The Modern Slavery Act 2015 ('the MSA')

The MSA requires companies to prepare a slavery and human trafficking statement for each financial year of the organisation. As the Company has no employees and does not supply goods and services, the MSA does not apply directly to it. The MSA requirements more appropriately relate to JPMF and JPMAM. J.P.Morgan's statement on the MSA can be found on the following website: https://www.jpmorganchase.com/about/our-business/human-rights

Corporate Criminal Offence

The Company has zero tolerance for tax evasion. Shares in the Company are purchased through intermediaries or brokers and no funds flow directly into the Company. As the Company has no employees, the Board's focus is to ensure that the risk of the Company's service providers facilitating tax evasion is also low. To this end it seeks assurance from its service providers that effective policies and procedures are in place.

Future Prospects

The Board continues to focus on maximising total returns over the longer-term. The outlook for the Company is discussed in both the Chairman's Statement and the Portfolio Managers' Report.

Principal & Emerging Risks and Uncertainties

The Board, through delegation to the Audit Committee, has undertaken a robust assessment and review of the principal risks facing the Company, together with a review of any new and emerging risks that may have arisen during the year to 31st January 2024, including those that would threaten its business model, future performance, solvency or liquidity.

With the assistance of the Manager, the Audit Committee has drawn up a risk matrix, which identifies the key risks to the Company, as well as emerging risks. The risk matrix, including emerging risks, are reviewed formally by the Audit Committee every six months or more regularly as appropriate. At each meeting, the Committee considers emerging risks which it defines as potential trends, sudden events or changing risks which are characterised by a high degree of uncertainty in terms of occurrence probability and possible effects on the Company. As the impact of emerging risks is understood, they may be entered on the Company's risk matrix and mitigating actions considered as necessary. In assessing the risks and how they can be mitigated, the Board has given particular attention to those risks that might threaten the viability of the Company. The principal risks fall broadly into the following categories:

Principal risk	Description	Mitigating activities	Movement from prior year
Investment Underperformance	Poor implementation of the investment strategy, for example as to thematic exposure, sector allocation, stock selection, undue concentration of holdings, factor risk exposure or the degree of total portfolio risk, may lead to failure to outperform the Company's benchmark index and peer companies, and could result in the Company's shares trading at a wider discount.	The Board manages these risks by examining the Manager's investment process, which integrates financially material ESG considerations, and by ensuring a diversification of investments through its investment restrictions and guidelines, which are monitored and reported on by the Manager. The Manager provides the Directors with timely and accurate management information, including performance data and attribution analysis, revenue estimates, liquidity reports and shareholder analysis. The Board monitors the implementation and results of the investment process with the Investment Manager, whose representatives attend all Board meetings, and reviews data which show statistical measures of the Company's risk profile. The Board holds a separate meeting devoted to strategy each year.	The risk remains high but unchanged from 2023 as geopolitical tensions and global economic pressures continue to have an unfavourable impact on global markets. Concentration risk, as measured by the proportion of the portfolio made up by the largest ten holdings is broadly unchanged compared with the prior year (see page 20).

Principal & Emerging Risks and Uncertainties

Principal risk	Description	Mitigating activities	Movement from prior year
Geopolitical Instability	Geopolitical Risk is the potential for political, socio-economic and cultural events and developments to have an adverse effect on the value of the Company's assets. The Company and its assets may be impacted by geopolitical instability, in particular concerns over global economic growth. The war in Ukraine immediately affected energy and commodity markets and the conflict in the Middle East as well as heightened tensions in other parts of the world may cause further damage to the global economy. These risks represent the potential loss the Company might suffer through holding investments in the face of negative market movements.	This risk is managed to some extent by diversification of investments and by regular communication with the Manager on matters of investment strategy and portfolio construction which will directly or indirectly include an assessment of these risks. The Board receives regular reports from the Manager regarding market outlook and gives the Portfolio Mangers discretion regarding acceptable levels of gearing and/or cash. Currently the Company's gearing policy is to operate within a range of 10% net cash to 20% geared. The Board considers thematic and factor risks, stock selection and levels of gearing on a regular basis and has set investment restrictions and guidelines which are monitored and reported on by the Manager. The Board can, with shareholder approval, look to amend the investment policy and objectives of the Company to gain exposure to or mitigate the risks arising from geopolitical instability.	The risk remains high but unchanged from 2023.
Cyber Crime	The threat of cyber attack, in all its guises, is regarded as at least as important as more traditional physical threats to business continuity and security.	The information technology controls around the physical security of J.P. Morgan Chase & Co's data centres, security of its networks and security of its trading applications are tested by an independent third party and reported every six months against the AAF Standard. The Board has received the cyber security policies for its key third party service providers and JPMF has assured Directors that the Company benefits directly or indirectly from all elements of J.P. Morgan Chase & Co's Cyber Security programme.	The risk remains high but unchanged from 2023. The cyber threat landscape is rapidly changing, with cyber-attacks growing ever more sophisticated and their increasing frequency and scale is well publicised. To date the Manager's cyber security arrangements have proven robust and the Company has not been impacted by any cyber attacks threatening its operations.

Principal & Emerging Risks and Uncertainties

Principal risk	Description	Mitigating activities	Movement from prior year
Discount Control	Investment trust shares often trade at discounts to their underlying NAVs; they can also trade at a premium. Discounts and premiums can fluctuate considerably leading to volatile returns for shareholders.	The Board monitors the Company's premium/discount at which the share price trades to NAV on both an absolute level and relative to its peers and the wider investment trust sector. The Board reviews sector relative performance and sales and marketing activity (considered the primary drivers of the relative discount level). The Company also has authority to repurchase its existing shares to enhance the NAV per share for remaining shareholders and to reduce the absolute level of discount and discount volatility.	The risk remains high but unchanged from 2023. The Board regularly reviews and monitors the Company's objective and investment policy and strategy, the investment portfolio and its performance, the level of discount/premium to net asset value at which the shares trade and movements in the share register. During the year the Company significantly increased the rate of buyback activity.
Legal and Regulatory Change	The Company's business model could become non-viable as a result of new or revised rules or regulations arising from, for example, policy change or financial monitoring pressure.	The Board receives regular reports from its broker, depositary, registrar and Manager as well as its legal advisers and the Association of Investment Companies on changes to regulations which could impact the Company and its industry. This year the Board invited an external legal firm to attend a Board meeting for a deep dive into regulatory matters and developments.	The risk remains medium but unchanged from 2023.

Principal & Emerging Risks and Uncertainties

Principal risk	Description	Mitigating activities	Movement from prior year
Corporate Strategy	The corporate strategy, including the investment objectives and policies, may not be of sufficient interest to current or prospective shareholders. Other factors, such as the Company not being classified as an ESG integrated investment vehicle, may also deter shareholder interest. The attractiveness of investment vehicles, including investment trusts, could be impacted by structural changes to the way investors access the market, including changes within the platform channels.	Our investment strategies aim to position The Mercantile as a clear and core investment choice available for investment through a number of channels. The Manager continues to deliver on the Company's objective and integrates ESG considerations into its investment process. The Board regularly reviews its strategy, and assesses, with its brokers, shareholder views. Marketing and investor relations campaigns continued throughout the year and we have identified appropriate promotional opportunities for the Company (including advertising, events and research coverage) in order to maintain a strong platform presence. A Mercantile 'Preference Centre' provides the Company with the ability to communicate directly and more effectively with investors.	The risk is medium and remains unchanged from 2023.
Mid and Smaller Company Investment (Liquidity risk)	Investing in mid and smaller sized companies is inherently more risky and volatile, partly due to a potential lack of liquidity in the shares, which could lead to the Portfolio Managers obtaining a lower market price in the extremely rare event of them being forced sellers.	The Board discusses these risk factors at each Board meeting with the Portfolio Managers. The Board has placed investment restrictions and guidelines to limit these risks. Ultimately the Company is protected to some extent given its closed end structure.	The risk remains medium and remains unchanged from 2023.

Emerging Risks

The Board has considered and kept under review emerging risks, including but not limited to the impact of climate change, geopolitical conflict, inflationary pressures, social dislocation and conflict and technological advances. The key emerging risks identified are as follows:

Artificial Intelligence ('AI')

While it could be a great opportunity and force for good, there is an increasing risk to business and society more widely from AI. Advances in computing power means that AI has become a powerful tool that will impact a huge range of areas and with a wide range of applications that include the potential to disrupt and even to harm. In addition the use of AI could be a significant disrupter to business processes and whole companies leading to added uncertainty in corporate valuations.

Pandemics

The emergence of COVID-19 illustrated the speed and extent of economic damage that can arise from a pandemic.

Whilst the impact of COVID-19 has now subsided, pandemics in general remain an emerging risk. Evidence suggests that the likelihood of pandemics has increased over the past century due to increased global travel and integration, urbanisation, changes in land use, and greater exploitation of the natural environment.

Long-Term Viability

The Company was established in 1884 and has been in existence for 140 years. It is an investment trust that has the objective of long term capital growth from a portfolio of UK medium and smaller companies. The Company has invested through many economic cycles and difficult market conditions. The Board is cognisant of the economic outlook and the near-term challenges facing the UK and the Company's target market of UK medium and smaller companies. Notwithstanding this backdrop, given the factors stated below, the Board expects the Company to continue for the foreseeable future and has conducted its assessment for a period of five years.

Taking account of the Company's current position, the principal and emerging risks that it faces and their potential impact on its future development and prospects, the Directors have assessed the prospects of the Company, to the extent that they are able to do so, over the next five years. They have made that assessment by considering those principal and emerging risks, the risk of breaching the covenants pursuant to the debentures and senior unsecured loan notes as a result of a material reduction in its asset base, the Company's investment objective and strategy, the investment capabilities of the Manager and the current outlook for the UK economy and equity market.

In determining the appropriate period of assessment the Directors had regard to their view that, given the Company's objective of achieving long term capital growth, shareholders should consider the Company as a long term investment proposition. This is consistent with advice provided by investment advisers that investors should consider investing in equities for a minimum of five years. Thus the Directors consider five years to be an appropriate time horizon to assess the Company's viability.

The Directors confirm that they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five year period of assessment.

By order of the Board
Alison Vincent, for and on behalf of
JPMorgan Funds Limited
Company Secretary

11th April 2024

Duty to Promote the Success of the Company

Section 172 of the Companies Act 2006 ('Companies Act') states that: A Director of a company must act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to the following six items.

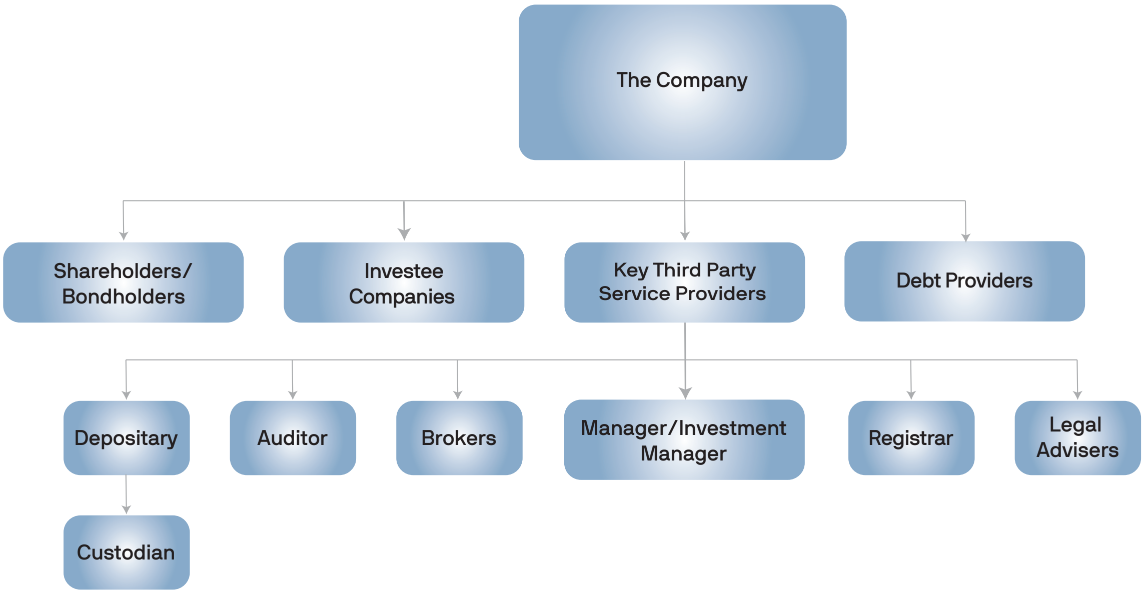
The likely consequences of any decision in the long term;	In managing the Company, the aim of both the Board and Manager is always to ensure the long-term success of the Company and, therefore, the likely long-term consequences of any decision are a key consideration. In managing the Company during the year under review, the Board acted in the way which it considered, in good faith, would be most likely to promote the Company's long-term success, and to achieve its wider objectives for the benefit of our shareholders as a whole, having had regard to our wider stakeholders and the other matters set out in section 172 of the Companies Act.
The interests of the Company's employees;	The Company does not have any employees.
The need to foster the Company's business relationships with suppliers, customers and others;	The Board's approach is described under 'Stakeholders' on the next page.
The impact of the Company's operations on the community and the environment;	The Board appoints the Manager which integrates financially material ESG considerations into the investment analysis and investment decision-making, where possible and appropriate. However, ESG integration does not modify the Company's investment objective and the Company does not have an ESG focused investment strategy. Further details are set out in the ESG report on pages 21 to 24.
The desirability of the Company maintaining a reputation for high standards of business conduct; and	The Board's approach is described under The Company's Purpose, Values, Strategy and Culture on page 25.
The need to act fairly as between members of the Company.	The Board's approach is described under 'Stakeholders' on the next page.

The Board's philosophy is that the Company should foster a culture where all parties are treated fairly and with respect and the Board recognises the importance of keeping the interests of the Company's stakeholders, and of acting fairly between them, front of mind in its key decision making.

Duty to Promote the Success of the Company

Key Stakeholders

The Board has identified the following as its key stakeholders:



The Board believes the best interests of the Company are aligned with those of these key stakeholders as all parties wish to see and ultimately benefit from the Company achieving its investment objectives, whilst carrying on business in compliance with the highest possible regulatory, legal, ethical and commercial standards.

The table below sets out details of the Company's engagement with these stakeholders:

Stakeholder Engagement
Shareholders/Bondholders/Debt Providers
Continued shareholder engagement is critical to the continued existence of the Company and the successful delivery of its long-term strategy. The Board is focused on fostering and maintaining good working relationships with shareholders and on understanding the views of shareholders in order to incorporate them into the Board's strategic thinking and objectives. Full details on how the Board ensures it is fully appraised of shareholder views and how it engages with all shareholder groups can be found on page 46. The continued availability of debt to the Company is an important contributing factor to the delivery of the Company's strategy and returns. The Company, through its Manager, maintains the relationship with, and continued engagement with, its debt providers, which includes regular debt compliance reporting. The Board, in discussion with the Portfolio Managers, regularly reviews the Company's debt position. This process includes identifying the need for finance, the type of finance and its cost and duration.
Manager and Investment Manager
The principal supplier is the Manager, in particular the portfolio management team who are responsible for managing the Company's assets in order to achieve its stated investment objective. The Board maintains a good working relationship with the Manager, who also provides administrative support and promotes the Company through its investment trust sales and marketing teams. The Manager's investment management function is fundamental to the long term success of the Company through the pursuit of the investment objective. The Board monitors the Company's investment performance at each Board Meeting in relation to its objective and also to its investment policy and strategy. The Board also maintains strong lines of communication with the Manager via its dedicated company secretary and client director. This extends well beyond the formal business addressed at Board meetings, ensuring the Board is rapidly informed of Manager and shareholder views and of discount levels and the Manager is fully aware of the Board's views and its requirements.

Duty to Promote the Success of the Company

Investee companies

The Board actively monitors the activities of investee companies through its delegation to the Manager. The Manager has discretionary powers to exercise voting rights on all resolutions proposed by the investee companies. The Board monitors investments made and divested and questions the rationale for exposures taken and voting decisions made.

Other key service providers

The Board ensures that it promotes the success of the Company by engaging specialist third party suppliers, with appropriate capability, performance records, resources and controls in place to deliver the services that the Company requires for support in meeting relevant obligations and safeguarding the Company's assets. For this reason, the Board considers the Company's Custodian, Depositary, Auditor, Registrar and Brokers to be stakeholders. The Board maintains regular contact with its key external service providers, either directly, or via its Company Secretary, and receives regular reporting from them through the Board and Committee meetings. The Management Engagement Committee meets annually to appraise and review its key service providers.

The Directors confirm that they have considered their duty under Section 172 when making decisions during the financial year under review. Key decisions and actions during the year which have required the Directors to have regard to applicable section 172 factors include:

Key Decisions and Actions

Dividends Payable to Shareholders

Although the Company's primary objective is to deliver capital growth, the level of dividends paid is a key consideration for the Board, given the ongoing demand for income. In deciding the Company's dividend payments, the Board looks to pay dividends that are at least covered by current year earnings, while also allowing the Company to build revenue reserves. Revenues per share over the past year increased by 25.3%, to 9.01p, from 7.19p in the previous year. This means that the Company has been able to increase the FY24 total dividend by a healthy margin, while also adding a meaningful amount to its reserves, to support dividends in any future lean years.

The Board has declared a fourth quarterly interim dividend of 3.30p per share, giving a total dividend of 7.65p per share for the year, an increase of 7.0% over last year. When setting the total dividend for the year, the Board took into account long-term inflation, the level of revenue generated in the year and the importance of providing shareholders with dividend growth.

Share price rating to net asset value ('NAV') per share and share buybacks

Very few investment trusts, regardless of performance, asset class or investment approach, have been immune from discount volatility.

In response to a widening discount that reached over 16% at points during the year, the Board took the decision to increase the rate of share repurchases. This had the desired response although the discount remains at 12.6% as at 31st January 2024 (in line with where it closed the year before).

Over the long term the Board is seeking a stable discount or premium commensurate with investors' appetite for UK medium and small cap equities and the Company's various attractions, not least the quality of the investment team and the investment process, and the strong long-term performance these have delivered.

Engagement with Shareholders

In an effort to increase and maintain dialogue with the Company's existing shareholders, the Board continued with its initiative to invite investors holding their shares through platforms to sign-up to receive email updates from the Company. These updates, which are delivered on a monthly basis, deliver news and views, as well as reporting on the latest performance. A significant number of shareholders have signed up to keep themselves informed on The Mercantile's progress.

At the same time, the Company completed a programme of in-person marketing and investor engagements with wealth managers, institutions and private client stockbrokers. Alongside video and podcast content and sponsored research, the Portfolio Managers have recently completed their annual 'roadshow' visiting investors across the UK. The Chairman and Senior Independent Director have also been in attendance at a number of the meetings thus enabling direct contact between shareholders and the Board. Over a 30 day period, the Portfolio Managers met approximately 380 investors presenting the case for investing in the Company and addressing questions raised by larger shareholders face to face. The Portfolio Managers also attend and present at retail events, such as the annual Master Investor Event.

Duty to Promote the Success of the Company

Change of Registrar

As part of its review of its key service providers, the Company, through its Manager, undertook a review of its Registrar, which has been engaged by the Company for a number of years. After a thorough review and due diligence process by the Manager, and after careful consideration, the Board has resolved to move the Company's registrar services from Equiniti Limited ('Equiniti') to Computershare Investor Service Plc ('Computershare') as it believes this to be in the best interest of shareholders.

The Manager and Computershare will ensure a smooth transition of the Company's shareholder register during the current year.

Asset Reunification Exercise

During the year, the Board considered and approved an asset reunification exercise conducted by the Company's Registrar, Equiniti, which aimed to reunify long-term dormant shareholders with their Company shares, together with any unclaimed dividends attached to those shares.

Following asset reunification attempts, 14% of the Company's previously untraceable shareholders were re-engaged with their assets.

Miscellaneous

In addition, the Directors have: kept under review the competitiveness of the management fee and the Company's other operating costs; continued to hold the Manager to account on investment performance; undertaken a robust review of the principal and emerging risks faced by the Company; completed an evaluation of third-party services providers, including an assessment of value for money for each party; introduced an annual exercise to invite an external legal firm to attend a Board meeting once a year for a deep dive into regulatory matters and developments; and continued to encourage the Manager to enhance its sales and marketing efforts.

By order of the Board
Alison Vincent, for and on behalf of
JPMorgan Funds Limited
Company Secretary

11th April 2024

Board of Directors

Angus Gordon Lennox (Chairman of the Board and Nomination Committee)

A Director since September 2015.

Last reappointed to the Board: 2023.

Remuneration: £75,000.

Angus is Chairman of Aberforth Split Level Income Trust plc. He is also Executive Chairman of two private family businesses. Previously he had a 24 year career as a corporate broker, first as a partner of Cazenove & Co, and later as a Managing Director of JPMorgan Cazenove, from which he left in August 2010.

Connections with Manager: None.

Shared directorships with other Directors: None.

Shareholding in Company: 150,000 ordinary shares.

Rachel Beagles (Senior Independent Director)

Director since June 2021.

Last appointed to the Board: 2023.

Remuneration: £44,750.

Rachel has over 15 years' of experience in the investment company sector, including six years as an Association of Investment Companies (the 'AIC') board member, of which three were served as chair. She was a managing director and co-head of the pan-European banks equity research and sales team at Deutsche Bank's corporate and investment banking division. Since 2003, she has worked as a non-executive director for a range of businesses including those in the investment company, asset management and fintech sectors. Rachel is a non-executive director of Witan Investment Trust plc.

Connections with Manager: None.

Shared directorships with other Directors: None.

Shareholding in Company: 73,956 ordinary shares.

Julia Goh

A Director since January 2023.

Last reappointed to the Board: 2023.

Remuneration: £40,000.

Julia has over 25 years of broad-based financial services experience in London. She was a Managing Director at Barclays Investment Bank from 2010-2018 in various senior front office positions including from 2017 the COO of Global Markets. She was a Managing Director and the Global Head of Prime Services Risk at Credit Suisse from 1998-2009. Prior to that, she was a risk manager at Nomura International. She is a non-executive director of Schroder AsiaPacific Fund plc and Pension Insurance Corporation plc and also of its parent company, Pension Insurance Corporation Group. She is also a director of the charity, Children of the Mekong. Julia is a qualified chartered accountant and has a MSc in Quantitative Finance.

Connections with Manager: None.

Shared directorships with other Directors: None.

Shareholding in Company: 20,000 ordinary shares.

Heather Hopkins (Chair of the Marketing & Communications Committee)

A Director since July 2018.

Last reappointed to the Board: 2023.

Remuneration: £44,750.

Heather has over two decades of experience in data analytics, research, financial services and international business, with expertise in retail distribution. She is Founder and Managing Director of NextWealth Limited which provides research and consultancy to platforms, asset managers and financial advice firms on the future of retail investment distribution. She is also a Director of Orbis Investments (U.K.) Limited.

Connections with Manager: None.

Shared directorships with other Directors: None.

Shareholding in Company: 20,244 ordinary shares.

Board of Directors

Graham Kitchen (Chairman of the Management Engagement Committee)

A Director since 2018.

Last reappointed to the Board: 2023.

Remuneration: £40,000.

Graham has over 20 years experience managing UK equity funds, including OEICs, investment trusts and pension funds. He was Global Head of Equities at Janus Henderson Investors from 2011 to 2018. Formerly Head of UK Equities at Threadneedle Investments and held various positions at Invesco Asset Management. He is a CFA Charterholder and Chairman of Perpetual Asset Management UK Ltd and non-executive Chairman of AVI Global Trust plc and a non-executive director of Places for People, a provider of affordable housing.

Connections with Manager: None.

Shared directorships with other Directors: None.

Shareholding in Company: 84,180 ordinary shares.

Damien Maltarp (Chairman of the Audit Committee)

A Director since June 2021.

Last reappointed to the Board: 2023.

Remuneration: £54,000.

Damien has more than 20 years' experience across a range of financial disciplines. He is currently Group Financial Controller and Head of Tax and Treasury for London Stock Exchange Group where he also sits on the Audit Committee of LCH Ltd and the board of various subsidiary companies. He was previously at BT Group plc where he was CFO of Enterprise and, before that, CFO of Wholesale & Ventures and Investor Relations Director. He spent ten years as an equity analyst, including roles at JPMorgan Cazenove and Credit Suisse. Damien is a qualified chartered accountant.

Connections with Manager: None.

Shared directorships with other Directors: None.

Shareholding in Company: 20,000 ordinary shares.

All Directors are members of the Audit Committee, Management Engagement Committee, Marketing & Communications Committee, Nomination Committee and Remuneration Committee. All Directors are considered independent of the Manager.

The shareholdings of Directors are correct as of the date of release of this document.

Directors' Report

The Directors present their report and the audited financial statements for the year ended 31st January 2024.

Directors

The Directors of the Company who were in office during the year and up to the date of signing the financial statements are detailed on pages 39 and 40. Details of Directors' beneficial shareholdings may be found in the Directors' Remuneration Report on page 53.

All Directors will be retiring and standing for reappointment at the Company's forthcoming AGM. The Board recommends to shareholders the reappointment of those Directors. Please refer to page 44 for more information.

Director indemnification and insurance

As permitted by the Company's Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity, as defined by Section 234 of the Companies Act 2006. The indemnity was in place during the year and as at the date of this report. An insurance policy is maintained by the Company which indemnifies the Directors of the Company against certain liabilities arising in the conduct of their duties.

Management of the Company

JPMorgan Funds Limited ('JPMF') is employed as Manager and Company Secretary to the Company under a contract terminable on six months' notice, without penalty. If the Company wishes to terminate the contract on shorter notice, the balance of remuneration is payable by way of compensation.

JPMF is a wholly-owned subsidiary of JPMorgan Chase Bank which, through other subsidiaries, also provides banking, dealing and custodian services to the Company.

Through its Management Engagement Committee the Board has thoroughly reviewed the performance of JPMF in the course of the year. The review covered the performance of the Manager, its management processes, investment style, resources and risk controls and the quality of support that the Company receives from JPMF including the marketing support provided. The Board is of the opinion that the continuing appointment of the Manager is in the best interests of shareholders as a whole. Such a review is carried out on an annual basis.

Management Fee

The management fee is charged at the rate of 0.45% of the value of the Company's market capitalisation and is calculated and paid monthly in arrears. If the Company invests in funds managed or advised by JPMF, or any of its associated companies that charge an underlying fee, they are excluded from the calculation and therefore attract no fee.

Manager Evaluation

The Board continually monitors the performance of the Manager through review of regular reporting to the Board of performance data including review of performance against the Company's peer group and benchmark, stock selection, gearing and risk.

The Alternative Investment Fund Managers Directive ('AIFMD')

JPMF is the Company's alternative investment fund manager ('AIFM'). It is approved as an AIFM by the FCA. For the purposes of the AIFMD the Company is an alternative investment fund ('AIF'). JPMF has delegated responsibility for the day to day management of the Company's portfolio to JPMorgan Asset Management (UK) Limited ('JPMAM'). The Company has appointed BNY Mellon (International) Limited ('BNY') as its depositary. BNY has appointed JPMorgan Chase Bank, N.A. as the Company's custodian. BNY is responsible for the oversight of the custody of the Company's assets and for monitoring its cash flows.

The AIFMD requires certain information to be made available to investors in AIFs before they invest and requires that material changes to this information be disclosed in the annual report of each AIF. Investor Disclosure Documents, which set out information on the Company's investment strategy and policies, leverage, risk, liquidity, administration, management, fees, conflicts of interest and other shareholder information are available on the Company's website at www.mercantileit.co.uk. There have been no material changes (other than those reflected in these financial statements) to this information requiring disclosure. Any information requiring immediate disclosure pursuant to the AIFMD will be disclosed to the London Stock Exchange through a primary information provider.

The Company's leverage and JPMF's remuneration disclosures are set out on page 89.

Dividends

Details of the Company's dividend policy and payments are shown on page 26 of this Report.

Disclosure of Information to Auditors

In the case of each of the persons who are Directors of the Company at the time when this report was approved:

(a) so far as each of the Directors is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's Auditors are unaware; and

(b) each of the Directors has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information (as defined) and to establish that the Company's Auditors are aware of that information.

The above confirmation is given and should be interpreted in accordance with the provisions of Section 418(2) of the Companies Act 2006.

Directors' Report

Independent Auditor

BDO LLP have expressed their willingness to continue in office as the Auditors and a resolution to reappoint BDO LLP and authorise the Directors to determine their remuneration for the ensuing year will be proposed at the Annual General Meeting.

Companies Act 2006 Disclosures

The following disclosures are made in accordance with Section 992 of the Companies Act 2006:

Capital Structure

The Company has the authority to repurchase shares in the market for cancellation (or to be held in Treasury) and to issue new shares for cash.

During the year the Company repurchased 8,024,097 shares into Treasury (2023: 1,442,231). There were no shares re-issued from Treasury during the year.

Resolutions to renew the authorities to issue new shares or reissue shares from Treasury, and to repurchase shares for cancellation or to be held in Treasury will be put to shareholders at the forthcoming Annual General Meeting. It should be noted that the Board would only reissue shares from Treasury at a premium to NAV. It is not seeking authority to reissue shares from Treasury at a discount to NAV.

The full text of these resolutions is set out in the Notice of Meeting on pages 91 to 94.

Voting Rights in the Company's shares

Details of the voting rights in the Company's shares as at the date of this report are given in note 16 to the Notice of Annual General Meeting on page 94.

Notifiable Interests in the Company's Voting Rights

At the year end, the following had declared a notifiable interest in the Company's voting rights:

Shareholders	Number of voting rights	%[1]
Rathbone Investment Management Limited	103,353,488	13.3
Brewin Dolphin Limited	78,682,867	10.1
Quilter plc	46,553,740	6.0
Evelyn Partners	38,597,707	5.0

[1] The percentage stated reflects the percentage of the Company's total voting rights held by the shareholder at the time of the notification to the Company.

Miscellaneous Information

The rules concerning the appointment and replacement of Directors, amendment of the Articles of Association and powers to issue or buy back the Company's shares are contained in the Articles of Association of the Company and the Companies Act 2006.

There are no restrictions concerning the transfer of securities in the Company; no special rights with regard to control attached to securities; no agreements between holders of securities regarding their transfer known to the Company; no agreements which the Company is party to that affect its control following a takeover bid; and no agreements between the Company and its directors concerning compensation for loss of office.

Listing Rule 9.8.4R

Listing Rule 9.8.4R requires the Company to include certain information in an identified section of the Annual Report or a cross reference table indicating where the information is set out. The Directors confirm that there are no disclosures to be made in respect of Listing Rule 9.8.4R.

Annual General Meeting

Note: This section is important and requires your immediate attention. If you are in any doubt as to the action you should take you should seek your own personal financial advice from your stock broker, bank manager, solicitor, or other financial advisor authorised under the Financial Services and Markets Act 2000.

Resolutions relating to the following items of special business will be proposed at the forthcoming Annual General Meeting ('AGM'):

Authority to allot new shares and to disapply statutory pre-emption rights (resolutions 11 and 12)

The Directors will seek renewal of the authority at the AGM to issue up to 77,655,831 ordinary shares for cash up to an aggregate nominal amount of £1,941,395, such amount being equivalent to 10% of the issued ordinary share capital as at the last practicable date before the publication of this report. The full text of the resolutions is set out in the Notice of Meeting on pages 91 to 94. This authority will expire at the conclusion of the AGM of the Company in 2025 unless renewed at a prior general meeting.

It is advantageous for the Company to be able to issue new shares (or to sell Treasury shares) to investors when the Directors consider that it is in the best interests of shareholders to do so. As such issues are only made at prices greater than the net asset value, with debt at fair value, (the 'NAV'), they increase the NAV per share and spread the Company's administrative expenses, other than the management fee which is charged on the value of the Company's market capitalisation, over a greater number of shares. The issue proceeds are available for investment in line with the Company's investment policies.

Authority to repurchase the Company's shares (resolution 13)

At the Annual General Meeting held on 24th May 2023, shareholders gave authority to the Company to purchase up to 14.99% of its then issued share capital. This authority will expire on 23rd November 2024 unless renewed by shareholders. The Directors consider that the renewing of the authority is in the interests of shareholders as a whole, as the repurchase of shares at a discount to the underlying NAV enhances the NAV of the remaining shares. Repurchased shares may be cancelled or held in Treasury. Any shares held in Treasury will only be reissued at a premium to NAV.

Approval of dividend policy (resolution 14)

The Company pays interim dividends on its ordinary shares in order to provide shareholders with regular income. Consequently, it does not pay final dividends, which would otherwise be subject to shareholder approval at the Annual General Meeting. Therefore, in accordance with best practice, the Directors will seek approval, at the forthcoming Annual General Meeting, of the Company's dividend policy to continue to pay four quarterly interim dividends on the Company's ordinary shares.

Authority to hold general meetings (resolution 15)

Resolution 15 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 2025, at which it is intended that renewal will be sought. 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

The Board considers resolutions 11 to 15 are likely to promote the success of the Company and are in the best interests of the Company and its shareholders as a whole. The Directors unanimously recommend that you vote in favour of the resolutions as they intend to do in respect of their own beneficial holdings which amount in aggregate to 368,380 shares representing approximately 0.05% of the existing issued ordinary share capital of the Company. The full text of the resolutions is set out in the Notice of Meeting on pages 91 to 94.

Corporate Governance Statement

Compliance

The Board is committed to high standards of corporate governance. It has considered the principles and provisions of the AIC Code of Corporate Governance published in 2019 (the 'AIC Code'), which addresses the principles and provisions set out in the UK Corporate Governance Code (the 'UK Code') published in 2018, as they apply to investment trust companies. It considers that reporting against the AIC Code, therefore, provides more appropriate information to the Company's shareholders. The Board confirms that the Company has complied with the principles and provisions of the AIC Code, in so far as they apply to the Company's business, throughout the year under review. In January 2024, the Financial Reporting Council updated the UK Code. This new UK Code will apply to financial years beginning on or after 1st January 2025. The AIC continue to consider the implications of the changes to this UK Code and the Company will be reporting against this new UK Code, through the new AIC Code, when it becomes effective. As all of the Company's day-to-day management and administrative functions are outsourced to third parties, it has no executive directors, employees or internal operations and therefore has not reported in respect of the following:

- the role of the executive directors and senior management;
- executive directors' and senior management remuneration; and
- the workforce.

Role of the Board

A management agreement between the Company and JPMF sets out the matters which have been delegated to the Manager. This includes management of the Company's assets and the provision of accounting, company secretarial, administration and some marketing services.

All other matters are reserved for the approval of the Board. A formal schedule of matters reserved to the Board for decision has been approved. This includes determination and monitoring of the Company's investment objectives and policy and its future strategic direction, gearing policy, management of the capital structure, appointment and removal of third party service providers, review of key investment and financial data and the Company's corporate governance and risk control arrangements.

The Board has procedures in place to deal with potential conflicts of interest and following the introduction of The Bribery Act 2010, has adopted appropriate procedures designed to prevent bribery. It confirms that the procedures have operated effectively during the year under review.

Heather Hopkins is founder and managing director of NextWealth Limited, whose clients include JPMorgan Asset Management. The Board does not believe this connection is a conflict of interest, nor that it influences Heather's independence as a Director of the Company.

The Board meets at least quarterly during the year and additional meetings are arranged as necessary. Full and timely information is provided to the Board to enable it to function effectively and to allow Directors to discharge their responsibilities.

There is an agreed procedure for Directors to take independent professional advice if necessary and at the Company's expense. This is in addition to the access that every Director has to the advice and services of the Company Secretary, JPMF, which is responsible to the Board for ensuring that applicable rules and regulations are complied with and that Board procedures are followed.

Board Composition and Chairman

The Board, chaired by Angus Gordon Lennox, consists of six non-executive Directors, all of whom are regarded by the Board as independent, including the Chairman. The Directors

Corporate Governance Statement

have a breadth of investment, business and financial skills and experience relevant to the Company's business and brief biographical details of each Director are set out on pages 39 and 40. A review of Board composition and balance is included as part of the annual performance evaluation of the Board.

Senior Independent Director

Rachel Beagles holds the role of Senior Independent Director and as such provides a channel for any shareholder concerns that cannot be resolved through discussion with the Chairman.She also leads the annual evaluation of the performance of the Chairman, which is completed at a meeting of the Board without the Chairman present. The role and responsibilities of the Chairman and the Senior Independent Director are clearly defined and set out in writing, copies of which are available on the Company's website.

Reappointment of Directors

All Directors will stand for reappointment at the forthcoming Annual General Meeting. The skills and experience that each Director brings to the Board, and hence why their contributions are important to the long term success of the Company, are summarised below.

Resolution 4 is for the reappointment of Angus Gordon Lennox, who joined the Board in September 2015 and became Chairman in 2017. He also chairs the Nomination Committee. Angus had a 24 year career as a corporate broker, working in the investment company sector, and is a director of one other investment trust company. He brings an in-depth knowledge of the investment trust sector in general. For details of his current directorships, please refer to page 39.

Resolution 5 is for the reappointment of Rachel Beagles, who joined the Board in June 2021 and is the Company's Senior independent Director. Rachel has over 15 years' of experience in the investment company sector, including six years as an Association of Investment Companies (the 'AIC') board member, of which three were served as chair. She is a non-executive director of one other investment company. For details of her current directorships, please refer to page 39.

Resolution 6 is for the appointment of Julia Goh, who joined the Board in January 2023. Julia has significant senior front office operational experience within financial services at managing director and executive level, having been the COO for Global Markets at Barclays Investment Bank and Global Head of Prime Services Risk at Credit Suisse. She is a non-executive director of one other investment company. For details of her current directorships, please refer to page 39.

Resolution 7 is for the reappointment of Heather Hopkins, who joined the Board in July 2018 and chairs the Marketing & Communications Committee. Heather has over two decades of experience in data analytics, research, financial services and international business, with expertise in retail distribution. For details of her current directorships, please refer to page 39.

Resolution 8 is for the reappointment of Graham Kitchen, who joined the Board in July 2018 and chairs the Management Engagement Committee and Remuneration Committee. Graham brings to the Board considerable experience of the investment management industry and has over 20 years' experience managing UK equity funds, including OEICs, investment trusts and pension funds and was head of global equities at Janus Henderson Investors. He is a director of one other investment trust company and has a number of charitable roles. For details of his current directorships, please refer to page 40.

Resolution 9 is for the reappointment of Damien Maltarp, who joined the Board in June 2021 and chairs the Audit Committee. Damien has over 20 years' experience across a range of financial disciplines including operational and commercial finance, assurance, audit, investor relations and equity analysis. He was brought onto the Board for his operating company experience. For details of his current directorships, please refer to page 40.

The Board, having considered their qualifications, performance and contribution to the Board and its committees, confirms that each Director proposed for reappointment continues to be effective and demonstrates commitment to the role and the Board recommends to shareholders that they be reappointed.

Tenure

Directors are initially appointed until the following Annual General Meeting when, under the Company's Articles of Association, it is required that they be reappointed by shareholders. Thereafter, subject to the performance evaluation carried out each year, the Board will agree whether it is appropriate for each Director to seek reappointment. In accordance with corporate governance best practice, Directors continuing in office seek annual reappointment and no Directors, including the Chairman, will seek reappointment at an annual general meeting that falls after having served for nine years on the Board, unless there are exceptional circumstances for doing so.

The table below details the tenure of Directors, who are standing for reappointment, as at the forthcoming Annual General Meeting and projected forward to 2030. The average tenure of a Director is less than six years.

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Director	Appointment Date	2024 AGM	2025 AGM	2026 AGM	2027 AGM	2028 AGM	2029 AGM	2030 AGM
Angus Gordon Lennox	23rd September 2015	7 – 8 years	9+ years	9+ years	9+ years	9+ years	9+ years	9+ years
Heather Hopkins	1st July 2018	0 – 6 years	0 – 6 years	7 – 8 years	7 – 8 years	9+ years	9+ years	9+ years
Graham Kitchen	1st July 2018	0 – 6 years	0 – 6 years	7 – 8 years	7 – 8 years	9+ years	9+ years	9+ years
Rachel Beagles	1st June 2021	0 – 6 years	0 – 6 years	0 – 6 years	0 – 6 years	0 – 6 years	7 – 8 years	7 – 8 years
Damien Maltarp	1st June 2021	0 – 6 years	0 – 6 years	0 – 6 years	0 – 6 years	0 – 6 years	7 – 8 years	7 – 8 years
Julia Goh	1st January 2023	0 – 6 years	0 – 6 years	0 – 6 years	0 – 6 years	0 – 6 years	0 – 6 years	7 – 8 years

Key - Tenure
0 – 6 years   7 – 8 years   9+ years

Please note that the above table is a guide only and does not account for retirements of current Directors nor the appointment of new Directors.

The terms and conditions of Directors' appointments are set out in formal letters of appointment, copies of which are available for inspection on request at the Company's registered office and at the Annual General Meeting.

A schedule of interests for each Director is maintained by the Company and reviewed at every Board meeting. New interests are considered carefully, taking into account the circumstances surrounding them and, if considered appropriate, are approved.

Induction and Training

On appointment, the Manager and Company Secretary provide all Directors with induction training. Thereafter, regular briefings are provided on changes in law and regulatory requirements that affect the Company and the Directors. Directors are encouraged to attend industry and other seminars covering issues relevant to investment trust companies. Regular reviews of the Directors' training needs are carried out by the Nomination Committee by means of the evaluation process described below.

Meetings and Committees

The Board delegates certain responsibilities and functions to committees. Details of membership of committees are shown with the Directors' profiles on pages 39 and 40.

The table below details the number of Board and Committee meetings attended by each Director.

These meetings were supplemented by additional meetings held to cover procedural matters and formal approvals. In addition there is regular contact between the Directors and the Manager and Company Secretary throughout the year.

Meetings Attended

Director	Board Meetings Attended	Audit Committee Meetings Attended	Management Engage-ment Committee Meetings Attended	Marketing & Communi-cations Committee Meetings Attended	Nomination Committee Meetings Attended	Remuner-ation Committee Meetings Attended
Angus Gordon Lennox	6	3	1	2	1	1
Rachel Beagles	6	3	1	2	1	1
Julia Goh	6	3	1	2	1	1
Heather Hopkins	6	3	1	2	1	1
Graham Kitchen[1]	5	3	1	2	1	1
Harry Morley[2]	3	1	—	1	—	—
Damien Maltarp	6	3	1	2	1	1

[1] Missed one Board Meeting due to illness.
[2] Retired from the Board on 24th May 2023.

Board Committees

Management Engagement Committee

The Management Engagement Committee, chaired by Graham Kitchen, comprises all of the Directors and meets annually. Its main purpose is to review the performance of the Manager and its contractual terms with the Company. It also reviews the contractual terms and performance of the Company's other key suppliers.

The Management Engagement Committee conducts a formal evaluation of the performance of the Manager and the Company's contractual relationship with the Manager on an annual basis. As the Manager delegates management of the portfolio to the Investment Manager, the evaluation also includes a review of the performance of the Investment Manager and the individual Portfolio Managers.

The Committee has thoroughly reviewed the performance of the Manager and the Investment Manager in the course of the year. The evaluation included a review of the investment strategy and processes of the Investment Manager, its resources, risk controls and performance against the Benchmark over multiple periods. The evaluation further considered the support that the Company received from the Manager, including marketing and investor support, and as AIFM and Company Secretary to the Company. The latest evaluation of the Manager, Investment Manager and the Portfolio Managers was carried out at the end of 2023 by way of a questionnaire that was facilitated by an external provider this year, which provided a report on the outcome of the evaluation.

As a result of that process, the Management Engagement Committee concluded, that in its opinion, the continuing appointment of the Manager on the terms agreed was in the interests of shareholders as a whole. The Board agreed with this recommendation.

Corporate Governance Statement

Marketing & Communications Committee

The Marketing & Communications Committee, chaired by Heather Hopkins, comprises all of the Directors and meets twice each year. The Committee reviews the effectiveness and results of JPMAM's Sales and Marketing strategy in relation to the Company.

Nomination Committee

The Nomination Committee, chaired by Angus Gordon Lennox, comprises all the Directors and meets at least annually. It is deemed appropriate that all Directors serve on this Committee since it is important that they are all involved in director appointments and the annual evaluation process in particular. The Chairman does not participate in any discussions concerning his successor. The Committee's primary focus is to ensure that the Board has an appropriate balance of skills and experience to carry out its fiduciary duties and to select and propose suitable candidates for appointment when necessary. The appointment process takes account of the benefits of diversity, including gender. The Board's diversity policy is set out on page 27.

The Committee has put in place the necessary procedures to conduct, on an annual basis, an appraisal of the Chairman, the Board, its Committees and individual Directors. An external evaluation was undertaken in 2023 by Lintstock, an independent external board evaluation service provider that does not have any other connections with the Company or individual Directors. In 2023 questionnaires covering the Board, individual Directors, the Chairman and the Audit Committee Chairman were completed. Overall, this evaluation led the Committee to conclude that all Directors devoted sufficient time and contributed satisfactorily to the work of the Board. The exercise further highlighted that the Board has a relevant balance of experience and knowledge of investment markets, legal matters, regulation and financial accounting and continues to work in a collegiate and effective manner. The Committee intends to conduct the next externally facilitated evaluation of the Board during 2026.

Remuneration Committee

The Remuneration Committee, chaired by Graham Kitchen, comprises all of the Directors and meets annually to review Directors' fees and make recommendations to the Board as and when appropriate, in relation to remuneration policy and its implementation. Since Directors are all non-executive and their remuneration comprises only a flat fee, there are no conflicts of interest, therefore it is deemed appropriate that all Directors serve on this Committee.

Audit Committee

The report of the Audit Committee, which includes the Directors' Going Concern assessment, is set out on page 47.

Terms of Reference

All of the various Board committees have written terms of reference which define clearly their respective responsibilities, copies of which are available for inspection on the Company's website, on request at the Company's registered office and at the Company's Annual General Meeting.

Relations with Shareholders

The Board regularly monitors the shareholder profile of the Company. It aims to provide shareholders with a full understanding of the Company's activities and performance and reports formally to shareholders twice a year by way of the Annual Report and Financial Statements and Half Year Financial Report. This is supplemented by the daily publication, through the London Stock Exchange, of the net asset value of the Company's shares (with debt at fair value).

All shareholders have the opportunity, and are encouraged, to attend the Company's Annual General Meeting at which the Directors and representatives of the Manager are available in person to meet with shareholders and answer questions. In addition, a presentation is given by the Portfolio Managers who review the Company's performance. Please refer to page 98 for details on how you vote on resolutions and attend the Company's Annual General Meeting.

During the year the Company's brokers and the Investment Managers held regular discussions with larger shareholders. The Directors are made fully aware of their views. The Chairman and Directors conduct visits to larger shareholders when requested and make themselves available as and when required to address shareholder queries. The Directors may be contacted through the Company Secretary whose details are shown on page 100. The Chairman can also be contacted through the 'Contact Us' link via the Company's website at www.mercantileit.co.uk.

The Company's Annual Report and Financial Statements are published in time to give shareholders at least 20 working days' notice of the Annual General Meeting. Shareholders wishing to raise questions in advance of the meeting are encouraged to submit questions via the Company's website or write to the Company Secretary at the address shown on page 100.

Details of the proxy voting position on each resolution will be published on the Company's website shortly after the Annual General Meeting.

Risk Management and Internal Control

The AIC Code of Corporate Governance requires the Directors, at least annually, to review the effectiveness of the Company's system of risk management and internal control and to report to shareholders that they have done so. This encompasses a review of all controls, which the Board has identified as including business, financial, operational, compliance and risk management.

Corporate Governance Statement

The Directors are responsible for the Company's system of risk management and internal control which is designed to safeguard the Company's assets, maintain proper accounting records and ensure that financial information used within the business, or published, is reliable. However, such a system can only be designed to manage rather than eliminate the risk of failure to achieve business objectives and therefore can only provide reasonable, but not absolute, assurance against fraud, material mis-statement or loss.

Since investment management, custody of assets and all administrative services are provided to the Company by JPMF and its associates, the Company's system of risk management and internal control mainly consists of monitoring the services provided by JPMF and its associates, including the operating controls established by them, to ensure they meet the Company's business objectives. There is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company (see Principal and Emerging Risks on pages 29 to 32). This process, which was in place during the year under review and up to the date of approval of the Annual Report and Financial Statements, accords with the guidance of the Financial Reporting Council.

Given the foregoing, and in common with most investment trust companies, the Company does not have an internal audit function of its own. The Manager's internal audit department conducts regular and rigorous reviews of the various functions within its asset management business. Any significant findings that are relevant to the Company and/or the Manager's investment trust business are reported to the Board.

The key elements designed to provide effective risk management and internal control are as follows:

Financial Reporting – Regular and comprehensive review by the Board of key investment and financial data, including management accounts, revenue projections, analysis of transactions and performance comparisons.

Management Agreement – Appointment of a manager, depositary and custodian regulated by the Financial Conduct Authority (FCA), whose responsibilities are clearly defined in a written agreement.

Management Systems – The Manager's system of risk management and internal control includes organisational agreements which clearly define the lines of responsibility, delegated authority, control procedures and systems. These are monitored by the Manager's Compliance department which regularly monitors compliance with FCA rules.

Investment Strategy – Authorisation and monitoring of the Company's investment strategy and exposure limits by the Board.

The Board, either directly or through the Audit Committee, keeps under review the effectiveness of the Company's system of risk management and internal control by monitoring the operation of the key operating controls of the Manager and its associates as follows:

- the Board, through the Management Engagement Committee, reviews the terms of the management agreement and the Audit Committee receives regular reports from JPMorgan's Compliance department;
- the Board, through the remit of the Audit Committee, reviews a report, which is also independently reviewed, on the internal controls and the operations of its custodian, JPMorgan Chase Bank, N.A;
- the Board, through the remit of the Audit Committee, reviews every six months a report from the Company's Depositary, Bank of New York Mellon (International) Limited, which summarises the activities performed by the Depositary during the reporting period; and
- the Board, through the remit of the Audit Committee, reviews every six months an independent report on the internal controls and the operations of JPMF's investment trust department.

By the means of the procedures set out above, the Board confirms that it has carried out a robust assessment of the effectiveness of the Company's system of risk management and internal control for the year ended 31st January 2024 and to the date of approval of this Annual Report and Financial Statements.

During the course of its review of the system of risk management and internal control, the Board has not identified nor been advised of any failings or weaknesses which it has determined to be significant.

Going Concern

In accordance with The Financial Reporting Council's guidance on going concern and liquidity risk, the Directors have undertaken a rigorous review of the Company's ability to continue as a going concern. The Directors confirm their reasonable expectation that the Company has adequate resources to continue in operational existence for the 12 month period from the date of approval of the financial statements. This confirmation is based on a review of assumptions that took into account the outlook for the UK stock markets; the diversified portfolio of readily realisable securities which can be used to meet short-term funding commitments; the ability of the Company to meet all of its liabilities and ongoing expenses; and a satisfactory review of the operating models and durability of the Company's key third-party service providers.

The Board has, in particular, considered the impact of market volatility since the conflicts between Ukraine and Russia and recently heightened tensions in the Middle East, together with the surge in inflation affecting both business and individuals in the UK, but does not believe the Company's going concern status is affected. The Company's assets, the vast majority of which are investments in quoted securities which are readily

Corporate Governance Statement

realisable, exceed its liabilities significantly under a number of downside scenarios reviewed by the Board. Gearing levels and compliance with borrowing covenants are reviewed by the Manager and Board on a regular basis.

Furthermore, the Directors are satisfied that the Company's key third party service providers have in place appropriate business continuity plans to ensure their operational resilience and the performance of these service providers is reviewed at least annually by the Management Engagement Committee.

Corporate Governance and Voting Policy

The Company delegates responsibility for voting to the Manager.

The following is a summary of the Manager's policy statements on corporate governance, voting and stewardship/engagement issues, which has been reviewed and noted by the Board. Details of social and environmental issues are included in the Strategic Report on page 27.

Corporate Governance

Good corporate governance is integral to JPMAM's investment process. As part of our commitment to delivering superior investment performance to our clients, we expect and encourage the companies in which we invest to demonstrate the highest standards of corporate governance and best business practice. We examine the share structure and voting structure of the companies in which we invest, as well as the board balance, oversight functions and remuneration policy. These analyses then form the basis of our proxy voting and engagement activity.

Proxy Voting

JPMAM manages the voting rights of the shares entrusted to it as it would manage any other asset. It is the policy of JPMAM to vote in a prudent and diligent manner, based exclusively on our reasonable judgement of what will best serve the financial interests of our clients. So far as is practicable, we will vote at all of the meetings called by companies in which we are invested.

Stewardship/Engagement

JPMAM believes effective investment stewardship can materially contribute to helping build stronger portfolios over the long term for our clients. At the heart of JPMAM's approach lies a close collaboration between our portfolio managers, research analysts and investment stewardship specialists to engage with the companies in which JPMAM invests. Regular engagement with JPMAM's investee companies through investment-led stewardship has been a vital component of JPMAM's active management heritage.

JPMAM continues to exercise active ownership through regular and ad hoc meetings, and through its voting responsibilities.

JPMAM's formal stewardship structure is designed to identify risks and understand its portfolio companies' activities, in order to enhance value and mitigate risks associated with them. JPMAM has identified six main investment stewardship priorities it believes have universal applicability and will stand the test of time: governance; strategy alignment with the long term; natural capital and ecosystems; human capital management; stakeholder engagement; and climate change. Within each priority area, JPMAM identified related themes it is seeking to address over a shorter time frame. These themes will evolve as JPMAM engages with companies to understand issues and promote best practice. This combination of long-term priorities and evolving, shorter-term themes provides JPMAM with a structured and targeted framework to guide its investors and investment stewardship teams globally as JPMAM engages with investee companies around the world.

JPMAM is also committed to reporting more widely on our activities, including working to meet the practices laid out by the Financial Reporting Council ('FRC') in the UK Stewardship Code, to which JPMAM is a signatory.

JPMAM's Voting Policy and Corporate Governance Guidelines are available on request from the Company Secretary or can be downloaded from JPMAM's website:

JPMAM's Voting Poilcy

https://am.jpmorgan.com/content/dam/jpm-am-aem/americas/us/en/supplemental/proxy-information/global-procedures-and-guidelines.pdf

JPMAM's Corporate Governance Guidelines

https://www.jpmorganchase.com/about/governance/corporate-governance-principles

By order of the Board
Alison Vincent, for and on behalf of JPMorgan Funds Limited
Company Secretary

11th April 2024

Audit Committee Report

I am pleased to present the Audit Committee Report for the year ended 31st January 2024.

Role and Composition

The Audit Committee comprises of all the Directors and meets on at least three occasions each year. The members of the Committee consider that at least one member has recent and relevant financial experience and that the Committee as a whole has competency relevant to the sector in which the Company operates. For details of their qualifications see pages 39, 40 and 44. Angus Gordon Lennox, the Chairman of the Company, had a 24 year career as a corporate broker, working in the investment company sector, and thus brings an in-depth knowledge of the investment trust sector in general. It is therefore considered appropriate for Mr Gordon-Lennox to be a member of the Audit Committee as he provides a valuable contribution to its deliberations.

The Committee is responsible for monitoring and reviewing the principles, policies and practices adopted in the preparation, audit and integrity of the Company's financial statements. The Committee is also responsible for monitoring the effectiveness of the internal controls and the risk management framework. The Committee reviews the actions and judgements of the Manager in relation to the half year report and annual report and financial statements and the Company's compliance with the AIC Code of Governance.

Financial Statements and Significant Accounting Matters

During its review of the Company's financial statements for the year ended 31st January 2024, the Audit Committee considered the following significant issues, including those communicated by the Auditor during its reporting:

Significant issue	How the issue was addressed
Valuation and existence of investments	The valuation of investments is undertaken in accordance with the accounting policies disclosed in note 1(b) to the financial statements on page 70. Controls are in place to ensure that valuations are appropriate and existence is verified through custodian reconciliations.
Recognition of investment income	The recognition of investment income is undertaken in accordance with accounting policy note 1(d) to the financial statements on pages 70 and 71. The Committee regularly reviews subjective elements of income such as special dividends and agrees their accounting treatment.
Going Concern/ Long Term Viability	The Committee has also reviewed the appropriateness of the adoption of the Going Concern basis in preparing the accounts, particularly in view of the heightened market volatility resulting from ongoing conflicts in Europe and the Middle East, and the higher interest rate environment. The Committee recommended that the adoption of the Going Concern basis is appropriate (see Going Concern statement on page 47). The Committee also assessed the Long Term Viability of the Company as detailed on page 33 and recommended to the Board its expectation that the Company would remain in operation for the five year period of the assessment.
Compliance with Sections 1158 and 1159	Approval for the Company as an investment trust under Sections 1158 and 1159 has been obtained and ongoing compliance with the eligibility criteria is monitored on a regular basis.

Internal Audit

The Committee continues to believe that the Company does not require an internal audit function, as it delegates its day-to-day operations to third parties from whom it receives internal control reports. The Committee considers it sufficient to rely on the internal audit department of the Manager and the Committee obtains an understanding of the internal controls in place at the Manager by reviewing the relevant internal control reports issued by its independent auditor.

Risk Management and Internal Control

The Committee examines evidence of the effectiveness of the Company's internal control systems, receives information from the Manager and also reviews the scope and results of the external audit, its cost effectiveness and the independence and objectivity of the auditor. A risk matrix has been developed which identifies the key risks the Company faces, the likelihood of their occurrence, the potential impact on the Company if they were to occur, the monitoring of these risks, the mitigating controls in place at the Manager, Investment Manager, third-party service provider and Company level and the effectiveness of the controls in place to mitigate them. The Board has ultimate responsibility for the management of risk and the Company's systems of internal control. The Board, through the Audit Committee, has established an ongoing process for identifying, evaluating and managing these risks.

The Committee has also examined the potential risks posed by climate change to the Company's operations. As a company with no employees or physical offices, the direct risk is negligible. However, there is embedded risk in the Company's investment holdings. The Board receives ESG reports from the Manager on the portfolio and the way

Audit Committee Report

financially material ESG considerations are integrated into the investment decision process so as to mitigate this risk at the level of stock selection and portfolio construction. Furthermore, since the investments are diversified between sectors, the risk is further mitigated. Please see the ESG Report on pages 21 to 24.

Auditor Appointment and Tenure

The Committee has the primary responsibility for making recommendations to the Board on the reappointment and the removal of the external auditor. Representatives of the Company's Auditor attend the Audit Committee meeting at which the draft annual report and financial statements are considered and they also attend the half-year committee meeting to present their audit plan for the year's audit.

As part of its review of the continuing appointment of the Auditor, the Audit Committee considered the length of tenure of the audit firm, its fee, its independence from JPMF and the Investment Managers and any matters raised during the audit.

A formal tender exercise was undertaken in 2019, as a result of which BDO LLP ('BDO') was appointed in place of PricewaterhouseCoopers LLP. This is the Audit Partner's (Peter Smith) fourth year of a five year maximum term.

Auditor Objectivity and Independence

In order to safeguard the Auditor's objectivity and independence, any significant non-audit services are carried out through a partner other than the audit engagement partner where appropriate. Fees paid for audit services, audit-related services and other non-audit services are set out, where relevant, in note 6 on page 73. Except for the review of debenture covenant compliance, there were no other non-audit engagements during the year under review. The Audit Committee has assessed the impact of any non-audit work carried out and is content with the Auditor's ability to remain independent and objective.

Effectiveness of Audit

The Committee reviewed the audit planning, scope of the audit plan, materiality level and the standing, skills and experience of the firm and the audit team. The Committee also considered the independence of BDO and the objectivity of the audit process. BDO has confirmed that it is independent of the Company and has complied with relevant auditing standards. No modifications were required to the external audit approach. The Committee received a presentation of the audit plan from BDO prior to the commencement of the 2024 audit and a presentation of the results of the audit following completion of the main audit testing. Additionally, the Committee received feedback from the Manager regarding the effectiveness of the external audit process.

The Committee considers the audit fee and whether the audit provides value and cost effectiveness.

Fair, Balanced and Understandable

As a result of the work performed, the Committee has concluded that the Annual Report for the year ended 31st January 2024, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy and has reported on these findings to the Board. The Board's conclusions in this respect are set out in the Statement of Directors' Responsibilities on page 56.

Committee Evaluation

The activities and effectiveness of the Committee were considered as part of the externally facilitated Board evaluation process. The evaluation found that the Committee functioned well, with the appropriate balance of membership, skills and challenge.

For and on behalf of the Audit Committee
Damien Maltarp
Chairman of the Audit Committee

11th April 2024

By order of the Board

Alison Vincent,
for and on behalf of
JPMorgan Funds Limited,
Company Secretary

11th April 2024

Directors' Remuneration Report

The Board presents the Directors' Remuneration Report for the year ended 31st January 2024, which has been prepared in accordance with the requirements of Section 421 of the Companies Act 2006 as amended.

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 58 to 64.

Directors' Remuneration Policy

The law requires that the Directors' Remuneration Policy is subject to a triennial binding vote. However, the Board has decided to seek annual approval and therefore an ordinary resolution to approve this policy will be put to shareholders at the forthcoming Annual General Meeting. The policy subject to the vote, is set out in full below and is currently in force.

The Board's policy for this and subsequent years is that Directors' fees should properly reflect the time spent by the Directors on the Company's business and should be at a level to ensure that candidates of a high calibre are recruited to the Board. The Chairman of the Board, the Chairman of the Audit Committee, the Chairman of the Marketing and Communications Committee and the Senior Independent Director are paid higher fees than other Directors, reflecting the greater time commitment involved in fulfilling those roles.

The Remuneration Committee, comprising all Directors, reviews fees on a regular basis and makes recommendations to the Board as and when appropriate. Reviews are based on information provided by the Manager, and includes research carried out by third parties on the level of fees paid to the directors of the Company's peers and within the investment trust industry generally. The involvement of remuneration consultants has not been deemed necessary as part of this review.

All of the Directors are non-executive, there are no performance-related elements to their fees and the Company does not operate any type of incentive, share scheme, award or pension scheme and therefore no Directors receive bonus payments or pension contributions from the Company or hold options to acquire shares in the Company. Directors are not granted exit payments and are not provided with compensation for loss of office. No other payments are made to Directors, other than the reimbursement of reasonable out-of-pocket expenses incurred in attending the Company's business.

The Company's Articles of Association currently stipulate that aggregate fees must not exceed £400,000 per annum and provide that any increase in this limit requires both Board and shareholder approval.

In the year under review, Directors' fees were paid at the following annual rates: Chairman £75,000; Chairman of the Audit Committee £54,000; Chair of the Marketing & Communications Committee £44,750; Senior Independent Director £44,750; and other Directors £40,000.

With effect from 1st February 2024 fees have been increased to £76,500, £55,000, £45,750 and £41,000 for the Chairman, Audit Committee Chairman, Marketing & Communications Committee Chair, Senior Independent Director, and other Directors respectively.

The Company has no Chief Executive Officer and no employees and therefore no consultation of employees is required, and there is no comparative employee data to provide, in relation to the setting of the remuneration policy for Directors.

The Company has not sought shareholder views on its remuneration policy. The Remuneration Committee considers any comments received from shareholders on remuneration policy on an ongoing basis.

The terms and conditions of Directors' appointments are set out in formal letters of appointment which are available for review at the Company's Annual General Meeting and the Company's registered office. Details of the Board's policy on tenure are set out on pages 44 and 45.

Directors' Remuneration Policy Implementation

The Directors' Remuneration Policy Implementation Report is subject to an annual advisory vote and therefore an ordinary resolution to approve this report will be put to shareholders at the forthcoming Annual General Meeting. There have been no changes to the policy compared with the year ended 31st January 2023 and no changes are proposed for the year ending 31st January 2025.

At the Annual General Meeting held on 24th May 2023, of votes cast, 99.97% of votes cast were in favour of (or granted discretion to the Chairman who voted in favour of) both the remuneration policy and the remuneration report and 0.03% voted against. Votes withheld were the equivalent of less than 0.05% of the votes cast. Similar details for the 2024 AGM will be given in next year's Annual Report.

Details of the implementation of the Company's remuneration policy are given overleaf.

Directors' Remuneration Report

Single total figure of remuneration

The single total figure of remuneration for each Director is detailed below together with the prior year comparative.

There are no performance targets in place for the Directors of the Company and there are no benefits for any of the Directors which will vest in the future. There are no benefits, pension, bonuses, long term incentive plans, exit payments or arrangements in place on which to report.

Single total figure table (Audited)[1]

Directors' Name	2024 Fees £	2024 Taxable expenses[2] £	2024 Total £	2023 Fees £	2023 Taxable expenses[2] £	2023 Total £
Angus Gordon Lennox[3]	75,000	6,430	81,430	72,000	—	72,000
Rachel Beagles	44,750	—	44,750	38,500	—	38,500
Julia Goh[4]	40,000	971	40,971	3,208	—	3,208
Heather Hopkins	44,750	—	44,750	43,000	—	43,000
Graham Kitchen	40,000	255	40,255	41,167	619	41,786
Damien Maltarp	49,586	—	49,586	38,500	285	38,785
Harry Morley[5]	17,005	81	17,086	52,000	960	52,960
Jeremy Tigue[6]	—	—	—	12,719	—	12,719
Total	**311,091**	**7,737**	**318,828**	**301,094**	**1,864**	**302,958**

[1] Audited information. Other subject headings for the single figure table as prescribed by regulation are not included because there is nothing to disclose in relation thereto.

[2] Taxable travel and subsistence expenses incurred in attending Board and Committee meetings.

[3] Taxable expenses of £6,430 paid in the year includes expenses in respect of prior years that were not previously paid.

[4] Appointed on 1st January 2023.

[5] Retired on 24th May 2023.

[6] Retired on 17th May 2022.

No amounts (2023: nil) were paid to third parties for making available the services of Directors.

Directors' Shareholdings (Audited)[1]

The Directors' beneficial shareholdings are detailed below. The Directors have no other share interests or share options in the Company and no share schemes are available.

Directors' Name	31st January 2024	1st February 2023
Angus Gordon Lennox[2]	150,000	150,000
Rachel Beagles[3]	39,668	39,579
Julia Goh	20,000	—
Heather Hopkins	20,244	25,365
Graham Kitchen	84,180	73,180
Damien Maltarp	20,000	15,000
Total	**334,092**	**303,124**

[1] Audited information.

[2] Includes SIPP of 60,000 shares.

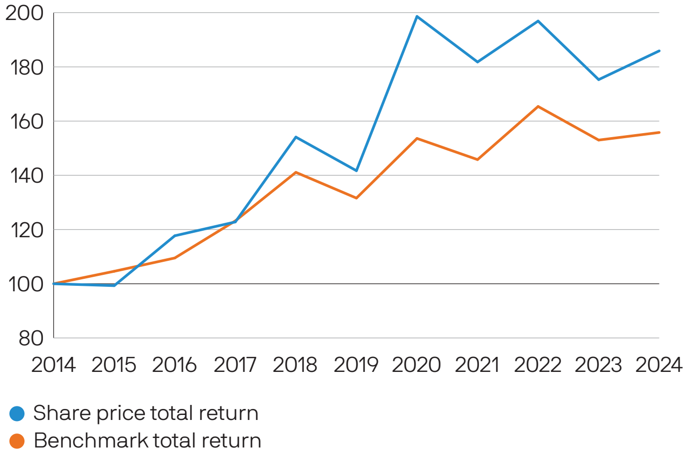
[3] On 21st February and 23rd February 2024, Mrs Beagles purchased in aggregate a total of 34,288 ordinary shares, taking her shareholding in the Company at the date of this report to 73,956 ordinary shares.

No other changes to the Directors' holdings have been recorded at the date of this report.

Directors' Remuneration Report

In accordance with the Companies Act 2006, a graph showing the Company's share price total return compared with its benchmark, the FTSE All-Share Index excluding constituents of the FTSE 100 Index and investment trusts, with net dividends reinvested, over the last ten years is shown below. The Board believes this benchmark is the most representative comparator for the Company.

Ten year share price and benchmark total return to 31st January 2024



Source: Morningstar, FTSE Russell.

Annual Percentage Change in Directors' Remuneration

The following table sets out the annual percentage change in Directors' fees (including taxable expenses):

	Percentage change for the year to 2024	Percentage change for the year to 2023	Percentage change for the year to 2022
Angus Gordon Lennox[1]	+13.1	+2.9	—
Rachel Beagles[2]	+16.2	+2.7	n/a
Julia Goh[3]	n/a	n/a	n/a
Heather Hopkins[4]	+4.1	+4.0	+10.3
Graham Kitchen[5]	–3.7	+9.8	—
Damien Maltarp[6]	+27.8	+2.7	n/a
Harry Morley[7]	n/a	+3.0	—

[1] Mr Gordon Lennox received taxable expenses in the year, in respect of previously unclaimed expenses which has inflated the increase in 2024. Without the additional taxable expenses, the increase is +4.2%.

[2] Mrs Beagles assumed the role of Senior Independent Director from 1st February 2023.

[3] Appointed on 1st January 2023.

[4] Fee increased for the year to 31st January 2022 to reflect the increased responsibilities arising from her role as Chair of the Marketing & Communications Committee.

[5] Mr Kitchen was no longer Senior Independent Director from 1st February 2023 and was therefore paid at the Director rate.

[6] Mr Maltarp assumed the role of Audit Chair from 24th May 2023.

[7] Mr Morley retired on 24th May 2023.

A table showing the total remuneration for the Chairman over the five years ended 31st January 2024 is below:

Remuneration for the Chairman over the five years ended 31st January 2024

Year ended 31st January	Fees excluding taxable expenses	Performance related benefits received as a percentage of maximum payable
2024	£75,000	n/a
2023	£72,000	n/a
2022	£70,000	n/a
2021	£70,000	n/a
2020	£69,000	n/a

The table below is provided to enable shareholders to assess the relative importance of expenditure on Directors' remuneration. It compares the remuneration with distributions to shareholders by way of dividends and share repurchases.

Expenditure by the Company on remuneration and distributions to shareholders

	Year ended 31st January 2024 £	2023 £
Remuneration paid to all Directors	**318,828**	**302,958**
Distribution to shareholders		
— by way of dividend	58,791,000	54,567,000
— by way of share repurchases	16,474,000	2,623,000
Total distribution to shareholders	**75,265,000**	**57,190,000**

For and on behalf of the Board
Angus Gordon Lennox
Chairman

11th April 2024

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland ('FRS 102'), and applicable law). Under Company law the Directors must not approve the financial statements unless they are satisfied that taken as a whole, the Annual Report and Financial Statements are fair, balanced and understandable, provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy and that they give a true and fair view of the state of affairs of the Company and of the total return or loss of the Company for that period. In order to provide these confirmations, and in preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- notify the Company's shareholders in writing about the use, if any, of disclosure exemptions in FRS 102 in the preparation of the financial statements

and the Directors confirm that they have done so.

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 to enable them to ensure that the 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 Directors' Report and Directors' Remuneration Report that comply with that law and those regulations.

Each of the Directors, whose names and functions are listed on pages 39 and 40 confirms that, to the best of his/her knowledge, the financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), give a true and fair view of the assets, liabilities, financial position and net return or loss of the Company.

The Board confirms that it is satisfied that the Annual 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 position and performance, business model and strategy.

The Board also confirms that it is satisfied that the Strategic Report and Directors' Report include a fair review of the development and performance of the business, and the Company, together with a description of the principal risks and uncertainties that it faces.

The Financial Statements are published on the www.mercantileit.co.uk website, which is maintained by the Manager. The maintenance and integrity of the website maintained by the Manager is, so far as it relates to the Company, the responsibility of the Manager. 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 accounts since they were initially presented to the website. The accounts are prepared in accordance with UK legislation, which may differ from legislation in other jurisdictions.

For and on behalf of the Board
Angus Gordon Lennox
Chairman

11th April 2024

Independent Auditor's Report

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31st January 2024 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of The Mercantile Investment Trust plc (the 'Company') for the year ended 31st January 2024 which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

Independence

Following the recommendation of the Audit Committee, we were appointed by the Board of Directors on 21st May 2020 to audit the financial statements for the year ended 31st January 2021 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is four years, covering the years ended 31st January 2021 to 31st January 2024. We remain independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Company.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- Evaluating the appropriateness of the Directors' method of assessing the going concern in light of market volatility and the present uncertainties in economic recovery created by the current economic environment of high inflation and interest rates, by reviewing the information used by the Directors in completing their assessment.
- Assessing the liquidity of the investment portfolio, which underpins the ability to meet the future obligations and operating expenses for a period of 12 months from the date of approval of these financial statements.
- Reviewing the loan agreements to identify the covenants and assessing the likelihood of them being in breach based on the Directors' forecast and sensitivity analysis.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

In relation to the Company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

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

Independent Auditor's Report

Overview

		2024	2023
Key audit matters	Valuation and ownership of quoted investments	✔	✔
	Revenue recognition.	✔	✔
Materiality	*Company financial statements as a whole* £18.6m (2023: £18.6m) based on 1% (2023: 1%) of Net assets.		

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Company and its environment, including the Company's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

Key audit matters

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

Key audit matter		How the scope of our audit addressed the key audit matter
Valuation and ownership of investments (Note 1(b) on page 70)	The investment portfolio at the year-end comprised of 99.7% of listed equity investments held at fair value through profit or loss. There is a risk that the prices used for the listed investments held by the Company are not reflective of fair value and the risk that errors made in the recording of investment holdings result in the incorrect reflection of investments owned by the Company. Therefore, we considered the valuation and ownership of quoted investments to be the most significant audit area as the quoted investments also represent the most significant balance in the financial statements and underpin the principal activity of the entity. For these reasons and the materiality of the balance in relation to the financial statements as a whole, we considered this to be a key audit matter.	We responded to this matter by testing the valuation and ownership of the whole portfolio of quoted investments. We performed the following procedures: ● Confirmed the year-end bid price was used by agreeing to externally quoted prices; ● Assessed if there were contra indicators, such as liquidity considerations, to suggest bid price was not the most appropriate indication of fair value by considering the realisation period for individual holdings; ● Obtained direct confirmation of the number of shares held per equity investment from the custodian regarding all investments held at the balance sheet date; and ● Recalculated the valuation by multiplying the number of shares held per the statement obtained from the custodian by the valuation per share. *Key observations* Based on our procedures performed we did not identify any matters to suggest that the valuation and ownership of quoted investments was not appropriate.

Independent Auditor's Report

Key audit matter		How the scope of our audit addressed the key audit matter
Revenue Recognition (Note 1(d) on pages 70 and 71)	Dividend growth is a key indicator of performance of the Company, as such there may be an incentive to recognise income as revenue where it is more appropriately of a capital nature. Judgement may be required by management in determining the allocation of dividend income to revenue or capital for certain corporate actions or special dividends. For this reason, we considered revenue recognition to be a key audit matter.	We assessed the treatment of dividend income from corporate actions and special dividends and challenged if these had been appropriately accounted for as income or capital by reviewing the underlying reason for issue of the dividend and whether it could be driven by a capital event. We analysed the whole population of dividend receipts to identify items for further discussion that could indicate a capital distribution, for example where a dividend represents a particularly high yield. In these instances, we performed a combination of inquiry with management and our own independent research, including inspection of financial statements of investee companies, to ascertain whether the underlying event was indeed of a capital nature. In addition, we formed our own expectation of dividend income for the whole portfolio using the entity's investment holdings and dividend announcements from independent sources. We vouched a sample of dividend receipts to bank. ***Key observations*** Based on our procedures performed we found the judgements made by management in determining the allocation of income to revenue or capital to be appropriate.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Independent Auditor's Report

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

Company Financial Statements		
	2024 **£'m**	**2023** **£'m**
Materiality	18.6	18.6
Basis for determining materiality	1% of Net Assets.	1% of Net assets.
Rationale for the benchmark applied	As an investment trust, the net asset value is the key measure of performance for users of the financial statements.	As an investment trust, the net asset value is the key measure of performance for users of the financial statements.
Performance materiality	13.9	13.9
Basis for determining performance materiality	75% of materiality.	75% of materiality.
Rationale for the percentage applied for performance materiality	The level of performance materiality applied was set after having considered several factors including the expected total value of known and likely misstatements and the level of transactions in the year.	The level of performance materiality applied was set after having considered several factors including the expected total value of known and likely misstatements and the level of transactions in the year.

Specific materiality

We also determined that for Revenue return before tax, a misstatement of less than materiality for the financial statements as a whole, specific materiality, could influence the economic decisions of users as it is a measure of the Company's performance of income generated from its investments after expenses. As a result, we determined materiality for these items to be £3,500,000 (2023: 2,800,000), based on 5% of Revenue return before tax (2023: 5% of Revenue return before tax). We further applied a performance materiality level of 75% (2023: 75%) of specific materiality to ensure that the risk of errors exceeding specific materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £372,000 (2023: £370,000) for the financial statements as a whole and £175,000 (2023: £142,000) for differences in transactions and balances that impact revenue return. We also agreed to report differences below these thresholds that, in our view, warranted reporting on qualitative grounds.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report & accounts other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent Auditor's Report

Corporate governance statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit.

Going concern and longer-term viability	• The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified (set out on page 47); and • The Directors' explanation as to their assessment of the Company's prospects, the period this assessment covers and why the period is appropriate (set out on page 33).
Other Code provisions	• Directors' statement on fair, balanced and understandable (set out on page 56); • Board's confirmation that it has carried out a robust assessment of the emerging and principal risks (set out on page 29); • The section of the annual report that describes the review of effectiveness of risk management and internal control systems (set out on pages 49 and 50); and • The section describing the work of the Audit Committee (set out on pages 49 and 50).

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	In our opinion, based on the work undertaken in the course of the audit: • the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.
Directors' remuneration	In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: • adequate accounting records have not been kept, 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.

Independent Auditor's Report

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

Extent to which the audit was capable of detecting irregularities, including fraud

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

Non-compliance with laws and regulations

Based on:

- Our understanding of the Company and the industry in which it operates;
- Discussion with the investment manager and those charged with governance and the Audit Committee; and
- Obtaining an understanding of the Company's policies and procedures regarding compliance with laws and regulations.

We considered the significant laws and regulations to be Companies Act 2006, the FCA listing and DTR rules, the principles of the AIC Code of Corporate Governance, industry practice represented by the AIC SORP, the applicable accounting framework, and the Company's qualification as an Investment Trust under UK tax legislation, as any non-compliance of this would lead to the Company losing various deductions and exemptions from corporation tax.

Our procedures in respect of the above included:

- Agreement of the financial statement disclosures to underlying supporting documentation;
- Enquiries of the investment manager and those charged with governance relating to the existence of any non-compliance with laws and regulations;
- Reviewing minutes of meetings of those charged with governance throughout the period for instances of non-compliance with laws and regulations; and
- Reviewing the calculation in relation to Investment Trust compliance to check that the Company was meeting its requirements to retain its Investment Trust Status.

Fraud

We assessed the susceptibility of the financial statements to material misstatement including fraud.

Our risk assessment procedures included:

- Enquiry with the investment manager and those charged with governance regarding any known or suspected instances of fraud.
- Obtaining an understanding of the Company's policies and procedures relating to:
  - Detecting and responding to the risks of fraud; and
  - Internal controls established to mitigate risks related to fraud.

Independent Auditor's Report

- Review of minutes of meetings of those charged with governance for any known or suspected instances of fraud; and
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements.

Based on our risk assessment, we considered the area most susceptible to fraud to be management override of controls.

Our procedures in respect of the above included:

- The procedures set out above in Key Audit matter pertaining to the classification of the dividend income; and
- Considering the opportunity and incentive to manipulate accounting entries and tested relevant adjustments made in the period end financial reporting process.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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.

Peter Smith (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, United Kingdom

11th April 2024

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Statement of Comprehensive Income

For the year ended 31st January

		2024			2023		
		Revenue	Capital	Total	Revenue	Capital	Total
	Notes	£'000	£'000	£'000	£'000	£'000	£'000
Gains/(losses) on investments held at fair value through profit or loss	3	—	18,706	18,706	—	(317,548)	(317,548)
Net foreign currency gains		—	2	2	—	64	64
Income from investments	4	73,269	—	73,269	61,589	—	61,589
Interest receivable	4	5,717	—	5,717	3,149	—	3,149
Gross return/(loss)		**78,986**	**18,708**	**97,694**	**64,738**	**(317,484)**	**(252,746)**
Management fee	5	(2,071)	(4,832)	(6,903)	(2,072)	(4,835)	(6,907)
Other administrative expenses	6	(1,536)	—	(1,536)	(1,413)	—	(1,413)
Net return/(loss) before finance costs and taxation		**75,379**	**13,876**	**89,255**	**61,253**	**(322,319)**	**(261,066)**
Finance costs	7	(4,172)	(9,734)	(13,906)	(4,245)	(9,906)	(14,151)
Net return/(loss) before taxation		**71,207**	**4,142**	**75,349**	**57,008**	**(332,225)**	**(275,217)**
Taxation	8	(141)	—	(141)	(128)	—	(128)
Net return/(loss) after taxation		**71,066**	**4,142**	**75,208**	**56,880**	**(332,225)**	**(275,345)**
Return/(loss) per share	9	**9.01p**	**0.53p**	**9.54p**	**7.19p**	**(42.02)p**	**(34.83)p**

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

The 'Total' column of this statement is the profit and loss account of the Company and the 'Revenue' and 'Capital' columns represent supplementary information prepared under guidance issued by the Association of Investment Companies.

Net return/(loss) after taxation represents the profit/(loss) for the year and also total comprehensive income/(loss).

The notes on pages 70 to 87 form an integral part of these financial statements.

Statement of Changes in Equity

For the year ended 31st January

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserves[1] £'000	Revenue reserve[1] £'000	Total £'000
At 31st January 2022	**23,612**	**23,459**	**13,158**	**2,076,379**	**61,603**	**2,198,211**
Repurchase of shares into Treasury	—	—	—	(2,623)	—	(2,623)
Net (loss)/return	—	—	—	(332,225)	56,880	(275,345)
Dividends paid in the year (note 10)	—	—	—	—	(54,567)	(54,567)
At 31st January 2023	**23,612**	**23,459**	**13,158**	**1,741,531**	**63,916**	**1,865,676**
Repurchase of shares into Treasury	—	—	—	(16,474)	—	(16,474)
Net return	—	—	—	4,142	71,066	75,208
Dividends paid in the year (note 10)	—	—	—	—	(58,791)	(58,791)
At January 2024	**23,612**	**23,459**	**13,158**	**1,729,199**	**76,191**	**1,865,619**

[1] These reserves form the distributable reserves of the Company and may be used to fund distributions to shareholders.

The notes on pages 70 to 87 form an integral part of these financial statements.

Statement of Financial Position

At 31st January

	Notes	2024 £'000	2023 £'000
Fixed assets			
Investments held at fair value through profit or loss	11	**2,115,714**	**2,042,758**
Current assets	13		
Debtors		7,557	2,737
Cash and cash equivalents		89,530	157,606
		97,087	160,343
Current liabilities			
Creditors: amounts falling due within one year	14	(19,248)	(9,599)
Net current assets		**77,839**	**150,744**
Total assets less current liabilities		2,193,553	2,193,502
Non current liabilities			
Creditors: amounts falling due after more than one year	15	(327,934)	(327,826)
Net assets		**1,865,619**	**1,865,676**
Capital and reserves			
Called up share capital	16	23,612	23,612
Share premium	17	23,459	23,459
Capital redemption reserve	17	13,158	13,158
Capital reserves	17	1,729,199	1,741,531
Revenue reserve	17	76,191	63,916
Total shareholders' funds		**1,865,619**	**1,865,676**
Net asset value per share	18	**238.6p**	**236.1p**

The financial statements on pages 66 to 69 were approved and authorised for issue by the Directors on 11th April 2024 and are signed on their behalf by:

Damien Maltarp
Audit Committee Chairman

The notes on pages 70 to 87 form an integral part of these financial statements.

Registered in England, company registration number 20537.

Statement of Cash Flows

For the year ended 31st January

	2024 £'000	Restated 2023 £'000[1]
Cash flows from operating activities		
Net return/(loss) before finance costs and taxation	89,255	(261,066)
Net (gains)/losses on investments held at fair value through profit or loss	(18,706)	317,548
Net foreign currency gains	(2)	(64)
Dividend income	(73,269)	(61,589)
Interest income	(5,717)	(3,149)
Realised loss on foreign exchange transactions	2	46
Decrease in accrued income and other debtors	36	9
Increase in accrued expenses	116	93
Net cash outflow from operations before dividends and interest	**(8,285)**	**(8,172)**
Dividends received	72,142	62,063
Interest received	5,717	3,149
Overseas withholding tax recovered	129	604
Net cash inflow from operating activities	**69,703**	**57,644**
Purchases of investments	(428,193)	(507,308)
Sales of investments	378,822	612,839
Net cash (outflow)/inflow from investing activities	**(49,371)**	**105,531**
Equity dividends paid	(58,791)	(54,567)
Repurchase of shares into Treasury	(15,819)	(2,623)
Interest paid	(13,798)	(14,058)
Net cash outflow from financing activities	**(88,408)**	**(71,248)**
(Decrease)/increase in cash and cash equivalents	**(68,076)**	**91,927**
Cash and cash equivalents at start of year	157,606	65,661
Exchange movements	—	18
Cash and cash equivalents at end of year	**89,530**	**157,606**
Cash and cash equivalents consist of:		
Cash and short term deposits	351	386
Cash held in JPMorgan GBP Liquidity LVNAV Fund	89,179	157,220
Total	**89,530**	**157,606**

[1] The accounting policy of the Company changed in respect of the presentation of the Statement of Cash Flows, as permitted under FRS 102, to present the reconciliation of 'net return/(loss) before finance costs and taxation' to 'net cash inflow from operating activities' on the Statement of Cash Flows. Previously, this was shown by way of a note. Interest paid has also been reclassified from operating activities to financing activities as it relates to interest paid on the overdraft, bank loan, debentures and loan notes. Other than changes in presentation of certain cash flow items from the previously shown 'reconciliation of net return/(loss) before finance costs and taxation to net cash outflow from operations before dividends and interest', there is no change to the cash flows as presented in previous periods.

Analysis of Changes in Net Debt

Analysis of changes in net debt

	As at 31st January 2023 £'000	Cash flows £'000	Interest and amortisation charges £'000	As at 31st January 2024 £'000
Cash and cash equivalents				
Cash and short term deposits	386	(35)	—	351
Cash held in JPMorgan GBP Liquidity LVNAV Fund	157,220	(68,041)	—	89,179
	157,606	(68,076)	—	89,530
Borrowings:				
Debentures falling due after more than five years	(178,157)	10,882	(10,979)	(178,254)
Private Placement due after more than five years	(149,669)	2,910	(2,921)	(149,680)
Bank loan and overdraft	—	6	(6)	—
	(327,826)	13,798	(13,906)	(327,934)
Net debt	**(170,220)**	**(54,278)**	**(13,906)**	**(238,404)**

The notes on pages 70 to 87 form an integral part of these financial statements.

Notes to the Financial Statements

For the year ended 31st January 2024

General Information

The Company is a closed-ended investment company incorporated in accordance with the Companies Act 2006.

The address of its registered office is 60 Victoria Embankment, London EC4Y 0JP.

The principal activity of the Company is investing in securities as set out in the Company's Objective and Investment Policies.

1. Accounting policies

(a) Basis of accounting

The financial statements have been prepared in accordance with the Companies Act 2006, FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' of the United Kingdom Generally Accepted Accounting Practice ('UK GAAP') and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' (the 'SORP') issued by the Association of Investment Companies in July 2022.

All of the Company's operations are of a continuing nature.

The financial statements have been prepared on a going concern basis. The disclosures on going concern on page 47 of the Directors' Report form part of these financial statements.

As permitted under FRS 102, the presentation of the Statement of Cash Flows was changed during the year so as to present the reconciliation of 'net return/(loss) before finance costs and taxation' to 'net cash inflow from operating activities' on the Statement of Cash Flows. Previously this was shown by way of note to the financial statements. As a result the comparative year to 31st January 2023 has been restated accordingly and further details of this change are shown on the Statement of Cash Flows on page 68.

Except for the change in the Statement of Cash Flows as noted above, the policies applied in these financial statements are consistent with those applied in the preceding year.

(b) Valuation of investments

The Company has chosen to apply the provisions of Sections 11 and 12 of FRS 102 in respect of financial instruments. 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. The portfolio of financial assets is managed and its performance evaluated on a fair value basis, in accordance with the documented investment strategy and information is provided internally on that basis to the Company's Board of Directors.

Accordingly, upon initial recognition the investments are measured by the Company as 'held at fair value through profit or loss'. They are included initially at fair value which is taken to be their cost. Subsequently the investments are valued at fair value, which are quoted bid prices for investments traded in active markets. For investments which are not traded in active markets, as well as unlisted and restricted investments, the Board takes into account the latest traded prices, other observable market data and asset values based on the latest published accounts of the investee company.

All purchases and sales are accounted for on a trade date basis.

(c) Accounting for reserves

Capital reserve – realised gains and losses

Gains and losses on sales of investments including the related foreign exchange gains and losses, realised gains and losses on cash and cash equivalents, realised gains and losses on foreign currency contracts, management fee and finance costs allocated to capital and any other capital charges, are included in the Statement of Comprehensive Income and recognised in capital reserves within 'Realised gains and losses'.

Capital reserve – investment holding gains and losses

Increases and decreases in the valuation of investments held at the year end including the related foreign exchange gains and losses, are included in the Statement of Comprehensive Income and dealt with in capital reserves within 'Investment holding gains and losses'.

(d) Income

Dividends receivable from equity shares are recognised on ex-dividend date and are included in revenue except where, in the opinion of the Board, the dividend is capital in nature, in which case it is included in capital.

UK dividends are included net of tax credits. Overseas dividends are included gross of any withholding tax.

Special dividends are looked at individually to ascertain the reason behind the payment. This will determine whether they are treated as revenue or capital.

Where the Company has elected to receive scrip dividends in the form of additional shares rather than in cash, the amount of the cash dividend foregone is recognised in revenue. Any excess in the value of the shares received over the amount of the cash dividend is recognised in capital.

Interest receivable from debt securities together with any premiums or discounts on purchase are allocated to revenue on a time apportionment basis so as to reflect the effective interest rate of those securities.

Deposit interest receivable is taken to revenue on an accruals basis.

Underwriting commission is recognised in revenue where it relates to shares that the Company is not required to take up.

Where the Company is required to take up a proportion of the shares underwritten, the same proportion of commission received is deducted from the cost of the shares taken up, with the balance taken to revenue.

(e) Expenses

All expenses are accounted for on an accruals basis. Expenses are allocated wholly to the revenue classification with the following exceptions:

- The management fee is allocated 30% to revenue and 70% to capital, in line with the Board's expected long term split of revenue and capital return from the Company's investment portfolio.
- Expenses incidental to the purchase of an investment are included within the cost of the investment and those incidental to the sale are deducted from the sale proceeds. These expenses are commonly referred to as transaction costs and comprise brokerage commission and stamp duty. Details of transaction costs are given in note 11 on pages 76 and 77.

(f) Finance costs

Finance costs are accounted for on an accruals basis using the effective interest method.

Finance costs are allocated 30% to revenue and 70% to capital, in line with the Board's expected long term split of revenue and capital return from the Company's investment portfolio.

(g) Financial instruments

Cash and cash equivalents may comprise cash (including demand deposits which are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value) as well as cash equivalents. Investment in the JPMorgan GBP Liquidity LVNAV Fund is considered as cash equivalents as it is readily available and is not subject to significant changes in value. It is held for cash management purposes as an alternative to cash and the portfolio consists of short dated deposits and commercial paper, with a maturity profile of less than three months and low volatility net asset value (LVNAV).

Other debtors and creditors do not carry any interest, are short term in nature and are accordingly stated at nominal value, with debtors reduced by appropriate allowances for estimated irrecoverable amounts.

The debentures and senior unsecured privately placed loan notes in issue are classified as a financial liability at amortised cost. They were initially measured at the proceeds net of direct issue costs and subsequently measured at amortised cost. The amortisation of direct issue costs are accounted for on an accruals basis in the Statement of Comprehensive Income using the effective interest rate method.

Interest paid in relation to loans, debentures and senior unsecured privately placed loan notes are classified under operating activities in the Statement of Cash Flows. Drawdowns and repayments are classified under financing activities in the Statement of Cash Flows.

Derivative transactions which the Company may enter into comprise forward exchange contracts, the purpose of which is to manage currency risk arising from the Company's investing activities. The Company does not use derivative financial instruments for speculative purposes.

The Company does not apply hedge accounting.

(h) Taxation

The Company is an approved investment trust and is therefore exempt from tax on capital gains. Current tax is provided at the amounts expected to be paid or recovered.

Deferred tax is provided on all timing differences that have originated but not reversed by the balance sheet date. Deferred tax liabilities are recognised for all taxable timing differences, but deferred tax assets are only recognised to the extent that it is more likely than not that taxable profits will be available against which those timing differences can be utilised.

Notes to the Financial Statements

1. Accounting policies (continued)

(h) Taxation (continued)

Tax relief is allocated to expenses charged to capital on the 'marginal basis'. On this basis, if taxable income is capable of being entirely offset by revenue expenses, then no tax relief is transferred to the capital column.

Deferred tax is measured at the tax rate which is expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is measured on an undiscounted basis.

(i) Value Added Tax ('VAT')

Expenses are disclosed inclusive of the related irrecoverable VAT. Recoverable VAT is calculated using the partial exemption method based on the proportion of zero rated supplies to total supplies.

(j) Foreign currency

The Company is required to identify a functional currency, being the currency of the primary economic environment in which the Company operates. The Board, having regard to the currency of the Company's share capital and the predominant currency in which its shareholders operate, has determined that sterling is the functional currency. Sterling is also the currency in which the financial statements are presented.

Transactions denominated in foreign currencies are converted at actual exchange rates as at the date of the transaction. Monetary assets, liabilities and equity investments held at fair value, denominated in foreign currencies at the year end are translated at the rates of exchange prevailing at the year end.

Gains and losses on investments arising from a change in exchange rates are included in net change in unrealised losses and gains on investments, recognised under 'Investment holding gains and losses' for investments still held at year end, and in 'Gains and losses on sales of investments' for investments sold during the year.

(k) Dividends payable

Dividends are included in the financial statements in the year in which they are paid.

(l) Repurchase of ordinary shares for cancellation

The cost of repurchasing ordinary shares including the related stamp duty and transactions costs is charged to 'Capital reserves' and dealt with in the Statement of Changes in Equity. Share repurchase transactions are accounted for on a trade date basis.

The nominal value of ordinary share capital repurchased and cancelled is transferred out of 'Called up share capital' and into 'Capital redemption reserve'.

(m) Repurchase of shares into Treasury

The cost of repurchasing shares into Treasury, including the related stamp duty and transaction costs is charged to 'Capital reserves' and dealt with in the Statement of Changes in Equity. Share repurchase transactions are accounted for on a trade date basis. Where shares held in Treasury are subsequently cancelled, the nominal value of those shares is transferred out of 'Called up share capital' and into 'Capital redemption reserve'.

Should shares held in Treasury be reissued, the sales proceeds up to the amount of the purchase price of those shares will be recognised within realised capital reserves, and the excess of the sales proceeds over the purchase price will be recognised in share premium.

2. Significant accounting judgements and key sources of estimation uncertainty

The preparation of the Company's financial statements on occasion requires the Directors to make judgements, estimates and assumptions that affect the reported amounts in the primary financial statements and the accompanying disclosures. These assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of affected assets or liabilities in the current and future periods, depending on circumstance.

The Directors exercise judgement in determining whether special dividends are classified as capital or revenue based upon an assessment of the prevailing factors that led to the distribution of the special dividend.

The Directors do not believe that any other significant accounting judgements or estimates have been applied to this set of financial statements, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

Notes to the Financial Statements

3. Gains/(losses) on investments held at fair value through profit or loss

	2024 £'000	2023 £'000
Realised losses on sale of investments	(1,236)	(42,747)
Net change in unrealised gains/(losses) on investments[1]	19,956	(274,787)
Other capital charges	(14)	(14)
Total capital gains/(losses) on investments held at fair value through profit or loss	**18,706**	**(317,548)**

[1] Includes £nil (2023: £4,761,000) of special dividends classified as Capital.

4. Income

	2024 Revenue £'000	2024 Capital £'000	2024 Total £'000	2023 Revenue £'000	2023 Capital £'000	2023 Total £'000
Income from investments:						
UK dividends	60,588	—	60,588	50,557	—	50,557
Special dividends	7,638	—	7,638	3,592	—	3,592
Overseas dividends	3,852	—	3,852	7,440	—	7,440
Property income distribution from UK REITS	1,191	—	1,191	—	—	—
	73,269	**—**	**73,269**	**61,589**	**—**	**61,589**
Interest receivable and similar income:						
Deposit interest	26	—	26	113	—	113
Interest from JPMorgan GBP Liquidity LVNAV Fund	5,691	—	5,691	3,036	—	3,036
	5,717	**—**	**5,717**	**3,149**	**—**	**3,149**
Total income	**78,986**	**—**	**78,986**	**64,738**	**—**	**64,738**

5. Management fee

	2024 Revenue £'000	2024 Capital £'000	2024 Total £'000	2023 Revenue £'000	2023 Capital £'000	2023 Total £'000
Management fee	2,071	4,832	6,903	2,072	4,835	6,907

Details of the management fee are given in the Directors' Report on page 41.

6. Other administrative expenses

	2024 £'000	2023 £'000
Administration expenses	598	642
Auditor's remuneration for audit services[1]	45	42
Auditor's remuneration for other services in respect of debt covenant compliance[1]	6	6
Directors' fees[2]	319	303
Depositary fees[3]	219	217
Marketing fees[4]	349	203
Total	**1,536**	**1,413**

[1] Auditor's remuneration is shown excluding VAT and the irrecoverable VAT thereof has been included within administration expenses.
[2] Full disclosure is given in the Directors' Remuneration Report on pages 52 to 54.
[3] Includes £37,000 (2023: £36,000) irrecoverable VAT.
[4] Includes £58,000 (2023: £34,000) irrecoverable VAT.

Notes to the Financial Statements

7. Finance costs

	2024 Revenue £'000	2024 Capital £'000	2024 Total £'000	2023 Revenue £'000	2023 Capital £'000	2023 Total £'000
Debenture interest	3,265	7,617	10,882	3,260	7,606	10,866
Private placement loan interest	873	2,037	2,910	873	2,037	2,910
Amortisation of debenture and private placement loan notes issue costs	32	76	108	32	75	107
Interest on Bank of Nova Scotia loan	—	—	—	80	188	268
Overdraft interest	2	4	6	—	—	—
	4,172	**9,734**	**13,906**	**4,245**	**9,906**	**14,151**

8. Taxation

(a) Analysis of tax charge for the year

	2024 Revenue £'000	2024 Capital £'000	2024 Total £'000	2023 Revenue £'000	2023 Capital £'000	2023 Total £'000
Overseas withholding tax	141	—	141	128	—	128
Total tax charge for the year	**141**	**—**	**141**	**128**	**—**	**128**

(b) Factors affecting total tax charge for the year

The tax charge for the year is lower (2023: higher) than the Company's applicable effective rate of corporation tax of 24.03% (2023: 19%). The factors affecting the total tax charge for the year are as follows:

	2024 Revenue £'000	2024 Capital £'000	2024 Total £'000	2023 Revenue £'000	2023 Capital £'000	2023 Total £'000
Net return/(loss) before taxation	71,207	4,142	75,349	57,008	(332,225)	(275,217)
Net return/(loss) before taxation multiplied by the Company's applicable rate of corporation tax of 24.03% (2023: 19%)	17,111	995	18,106	10,832	(63,123)	(52,291)
Effects of:						
Non taxable UK dividends	(16,394)	—	(16,394)	(11,019)	—	(11,019)
Non taxable Overseas dividends	(926)	—	(926)	(683)	—	(683)
Non taxable capital (gains)/losses	—	(4,495)	(4,495)	—	60,322	60,322
Tax attributable to expenses and finance costs charged to capital	(2,459)	2,459	—	(1,091)	1,091	—
Overseas withholding tax	141	—	141	128	—	128
Deferred tax not recognised	2,222	—	2,222	1,961	—	1,961
Disallowed interest	446	1,041	1,487	—	1,710	1,710
Total tax charge for the year	**141**	**—**	**141**	**128**	**—**	**128**

(c) Deferred taxation

The Company has an unrecognised deferred tax asset of £98,860,000 (2023: £78,538,000) based on a prospective corporation tax rate of 25% (2023: 25%). The deferred tax asset has arisen due to cumulative deductible expenses in excess of taxable income of £387,430,000 (2023: £314,153,000).

Given the composition of the Company's portfolio, it is not likely that this asset will be utilised in the foreseeable future and therefore no asset has been recognised in the financial statements.

Given the Company's status as an approved investment trust company and the intention to maintain approval, the Company has not provided for deferred tax on any capital gains or losses arising on the revaluation or disposal of investments.

9. Return/(loss) per share

	2024 £'000	2023 £'000
Revenue return	71,066	56,880
Capital return/(loss)	4,142	(332,225)
Total return/(loss)	**75,208**	**(275,345)**
Weighted average number of shares in issue during the year	788,846,061	790,696,064
Revenue return per share	9.01p	7.19p
Capital return per share	0.53p	(42.02)p
Total return/(loss) per share	**9.54p**	**(34.83)p**

The total return/(loss) per share represents both basic and diluted return per share as the Company has no dilutive shares.

10. Dividends

(a) Dividends paid and declared

	2024 £'000	2023 £'000
Dividends paid		
2023 fourth quarterly dividend of 3.10p (2022: 2.85p) paid to shareholders in May 2023	24,493	22,558
First quarterly dividend of 1.45p (2023: 1.35p) paid to shareholders in August 2023	11,456	10,677
Second quarterly dividend of 1.45p (2023: 1.35p) paid to shareholders in November 2023	11,451	10,666
Third quarterly dividend of 1.45p (2023: 1.35p) paid to shareholders in February 2024[1]	11,391	10,666
Total dividends paid in the year	**58,791**	**54,567**

	2024 £'000	2023 £'000
Dividend declared		
Fourth quarterly dividend declared of 3.30p (2023: 3.10p) payable to shareholders in May 2024[1]	25,626	24,493

[1] The Company irrevocably transfers the funds to its Registrar in the month prior to which the dividend is paid to shareholders. The third quarterly dividend in February 2024 is therefore recognised as paid prior to the year end.

All dividends paid and declared in the period have been funded from the Revenue Reserve.

The fourth quarterly dividend has been declared in respect of the year ended 31st January 2024. In accordance with the accounting policy of the Company, this dividend will be reflected in the financial statements for the year ending 31st January 2025.

Notes to the Financial Statements

10. Dividends (continued)

(b) Dividends for the purposes of Section 1158 of the Corporation Tax Act 2010 ('Section 1158')

The requirements of Section 1158 are considered on the basis of dividends declared in respect of the financial year as shown below. The revenue available for distribution by way of dividend for the year is £71,066,000 (2023: £56,880,000).

The maximum amount of income that the Company is permitted to retain under Section 1158 is £11,848,000 (2023: £9,711,000), calculated as 15% of gross revenue. Therefore the minimum distribution required by way of dividend is £59,218,000 (2023: £47,169,000).

	2024 £'000	2023 £'000
First quarterly dividend of 1.45p (2023: 1.35p) paid to shareholders in August 2023	11,456	10,677
Second quarterly dividend of 1.45p (2023: 1.35p) paid to shareholders in November 2023	11,451	10,666
Third quarterly dividend of 1.45p (2023: 1.35p) paid to shareholders in February 2024[1]	11,391	10,666
Fourth quarterly dividend declared of 3.30p (2023: 3.1p) payable in May 2024	25,626	24,493
	59,924	**56,502**

[1] The Company irrevocably transfers the funds to its Registrar in the month prior to which the dividend is paid to shareholders and the dividend is therefore recognised as paid prior to the year end.

11. Investments

	2024 £'000	2023 £'000
Investments listed on a recognised stock exchange	1,998,468	1,919,245
Investments listed on AIM	111,036	118,339
Unlisted investments	6,210	5,174
	2,115,714	**2,042,758**

	Listed UK £'000	AIM and Unlisted £'000	Total £'000
Opening book cost	1,582,075	116,628	1,698,703
Opening investment holding gains	337,170	6,885	344,055
Opening valuation	1,919,245	123,513	2,042,758
Movements in the year:			
Purchases at cost[1]	393,281	43,789	437,070
Sales proceeds[2]	(346,404)	(36,430)	(382,834)
Gains/(losses) on investments	32,346	(13,626)	18,720
	1,998,468	**117,246**	**2,115,714**
Closing book cost	1,633,691	118,012	1,751,703
Closing investment holding gains	364,777	(766)	364,011
Total investments held at fair value through profit or loss	**1,998,468**	**117,246**	**2,115,714**

[1] Of this total, £428,193,000 (2023 : £507,308,000) was recorded as a cash purchase in the Statement of Cash Flows.
[2] Of this total, £378,822,000 (2023 : £612,839,000) was recorded as a cash sale in the Statement of Cash Flows.

The Company received £382,834,000 (2023: £612,537,000) from investments sold in the year. The book cost of these investments when they were purchased was £384,070,000 (2023: £655,284,000). These investments have been revalued over time and until they were sold any unrealised gains/losses were included in the fair value of the investments.

Stamp duty and brokerage commission on purchases during the year amounted to £2,238,000 (2023: £2,276,000) and £249,000 (2023: £327,000) respectively. Brokerage commission on sales during the year amounted to £214,000 (2023: £359,000).

12. Significant interests

Details of investments in which the Company has an interest of 3% or more of the nominal value of the allotted shares of any class and which are valued in the portfolio in excess of £10 million, are as follows:

Name of company	Country of registration	Class of share	% of class held
Hollywood Bowl	UK	Ordinary	4.3
Mears Group	UK	Ordinary	4.0
Bytes Technology Group	UK	Ordinary	4.0
SThree	UK	Ordinary	3.8
Hill & Smith	UK	Ordinary	3.2
Warpaint London	UK	Ordinary	3.1

The Company does not exercise significant influence over the operating and financial policies of the above mentioned companies which are therefore not considered to be associated companies. The total value of investments in which the Company had an interest of 3% or more at 31st January 2024 was £178,048,500 (2023: £204,260,000).

13. Current assets

	2024 £'000	2023 £'000
Debtors		
Dividends and interest receivable	2,419	1,587
Overseas tax recoverable	958	933
Securities sold awaiting settlement	4,152	153
Other debtors	28	64
	7,557	**2,737**

The Directors consider that the carrying amount of debtors approximates to their fair value.

Cash and cash equivalents

Cash and cash equivalents comprise bank balances, short term deposits and JPMorgan GBP Liquidity LVNAV fund. The carrying amount of these represents their fair value.

14. Current liabilities

	2024 £'000	2023 £'000
Creditors: amounts falling due within one year		
Senior unsecured privately placed loan notes interest	1,156	1,156
Private placement loan interest	4,714	4,714
Other creditors and accruals	418	301
Repurchases of the Company's own shares awaiting settlement	655	—
Securities purchased awaiting settlement	12,305	3,428
	19,248	**9,599**

The Directors consider that the carrying amount of creditors falling due within one year approximates to their fair value.

Notes to the Financial Statements

15. Creditors: amounts falling due after more than one year

	2024 £'000	2023 £'000
£175 million 6.125% debenture stock[1]	174,404	174,307
£3.85 million 4.25% perpetual debenture stock[2]	3,850	3,850
Senior unsecured privately placed loan notes[3]	149,680	149,669
	327,934	**327,826**

[1] The £175 million 6.125% debenture stock is repayable at par on 25th February 2030 and is secured by a floating charge over the assets of the Company.

[2] The £3.85 million 4.25% debenture stock is irredeemable and secured by a floating charge over the assets of the Company. The debenture is repayable at 105% if the Company goes into default and the security is enforced.

[3] £150 million of long-term debt through the issue of three fixed rate, senior unsecured privately placed loan notes (the 'Notes'). The Notes, which were funded on 8th September 2021, are:

- £55 million with a fixed coupon of 1.98%, repayable on 8th September 2041.
- £50 million with a fixed coupon of 2.05%, repayable on 8th September 2051.
- £45 million with a fixed coupon of 1.77%, repayable on 8th September 2061.

As at 31st January 2024, the Company had drawn down £150.0 million on these Notes (2023: £150.0 million).

16. Called up share capital

	2024		2023	
	Number of Shares	£'000	Number of Shares	£'000
Authorised ordinary shares allotted and fully paid:				
Opening balance of Ordinary shares excluding shares held in Treasury	790,080,662	19,752	791,522,893	19,788
Repurchase of Ordinary shares into Treasury	(8,024,097)	(201)	(1,442,231)	(36)
Closing balance of Ordinary shares of 2.5p each excluding shares held in Treasury	782,056,565	19,551	790,080,662	19,752
Shares held in Treasury	162,435,615	4,061	154,411,518	3,860
Closing balance of Ordinary shares of 2.5p each including shares held in Treasury	**944,492,180**	**23,612**	**944,492,180**	**23,612**

Notes to the Financial Statements

17. Capital and reserves

For the year ended 31st January 2024	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserves[1] Realised gains and losses £'000	Capital reserves[1] Investment holding gains and losses £'000	Revenue reserve[1] £'000	Total £'000
Opening balance	23,612	23,459	13,158	1,397,476	344,055	63,916	1,865,676
Net foreign currency gains on cash and cash equivalents	—	—	—	2	—	—	2
Realised losses on sale of investments	—	—	—	(1,236)	—	—	(1,236)
Net change in unrealised gains and losses on investments	—	—	—	—	19,956	—	19,956
Repurchase of shares into Treasury	—	—	—	(16,474)	—	—	(16,474)
Management fee and finance costs charged to capital	—	—	—	(14,566)	—	—	(14,566)
Other capital charges	—	—	—	(14)	—	—	(14)
Retained revenue for the year	—	—	—	—	—	71,066	71,066
Dividends paid in the year	—	—	—	—	—	(58,791)	(58,791)
Closing balance	**23,612**	**23,459**	**13,158**	**1,365,188**	**364,011**	**76,191**	**1,865,619**

[1] These reserves form the distributable reserves of the Company and may be used to fund distributions to shareholders.

For the year ended 31st January 2023	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserves[1] Realised gains and losses £'000	Capital reserves[1] Investment holding gains and losses £'000	Revenue reserve[1] £'000	Total £'000
Opening balance	23,612	23,459	13,158	1,457,537	618,842	61,603	2,198,211
Net foreign currency gains on cash and cash equivalents	—	—	—	64	—	—	64
Realised losses on sale of investments	—	—	—	(42,747)	—	—	(42,747)
Net change in unrealised gains and losses on investments	—	—	—	—	(274,787)	—	(274,787)
Repurchase of shares into Treasury	—	—	—	(2,623)	—	—	(2,623)
Management fee and finance costs charged to capital	—	—	—	(14,741)	—	—	(14,741)
Other capital charges	—	—	—	(14)	—	—	(14)
Retained revenue for the year	—	—	—	—	—	56,880	56,880
Dividends paid in the year	—	—	—	—	—	(54,567)	(54,567)
Closing balance	**23,612**	**23,459**	**13,158**	**1,397,476**	**344,055**	**63,916**	**1,865,676**

[1] These reserves form the distributable reserves of the Company and may be used to fund distributions to shareholders.

Notes to the Financial Statements

18. Net asset value per share

The net asset value per Ordinary share and the net asset value attributable to the Ordinary shares at the year end are shown below. These were calculated using 782,056,565 (2023: 790,080,662) Ordinary shares in issue at the year end (excluding Treasury shares).

	2024		2023	
	Net asset value attributable		Net asset value attributable	
	£'000	pence	£'000	pence
Net asset value – debt at par	**1,865,619**	**238.6**	**1,865,676**	**236.1**
Add: amortised cost of £175 million 6.125% debenture stock 25th February 2030	174,404	22.3	174,307	22.1
Less: fair value of £175 million 6.125% debenture stock 25th February 2030	(193,665)	(24.7)	(201,864)	(25.5)
Add: amortised cost of £3.85 million 4.25% perpetual debenture stock	3,850	0.5	3,850	0.5
Less: fair value of £3.85 million 4.25% perpetual debenture stock	(3,150)	(0.4)	(3,791)	(0.5)
Add: amortised cost of senior unsecured privately placed loan notes	149,680	19.1	149,669	18.9
Less: fair value of senior unsecured privately placed loan notes	(82,601)	(10.6)	(93,602)	(11.8)
Net asset value – debt at fair value	**1,914,137**	**244.8**	**1,894,245**	**239.8**

19.Contingent liabilities and capital commitments

At the balance sheet date there were no contingent liabilities or capital commitments (2023: same).

20. Transactions with the Manager and related parties

Details of the management contract are set out in the Directors' Report on page 41. The management fee payable to the Manager for the year was £6,903,000 (2023: £6,907,000) of which £nil (2023: £nil) was outstanding at the year end.

Included in administration expenses in note 6 on page 73 are safe custody fees amounting to £32,000 (2023: £32,000) payable to JPMorgan Chase Bank N.A. of which £7,000 (2023: £7,000) was outstanding at the year end.

The Manager may carry out some of its dealing transactions through group subsidiaries. These transactions are carried out at arm's length.

During the year, brokerage commission on dealing transactions amounting to £nil (2023: £1,000) was payable to JPMorgan subsidiaries of which £nil (2023: £nil) was outstanding at the year end.

The Company also holds cash in the JPMorgan GBP Liquidity LVNAV Fund, managed by JPMorgan. At the year end this was valued at £89.2 million (2023: £157.2 million). Interest income amounting to £5,691,000 (2023: £3,036,000) was receivable during the year of which £nil (2023: £nil) was outstanding at the year end.

Handling charges on dealing transactions amounting to £14,000 (2023: £14,000) were payable to JPMorgan Chase Bank N.A. during the year of which £3,000 (2023: £2,000) was outstanding at the year end.

At the year end, total cash of £351,000 (2023: £386,000) was held with JPMorgan Chase Bank N.A. A net amount of interest of £26,000 (2023: £113,000) was receivable by the Company during the year from JPMorgan Chase Bank N.A. of which £nil (2023: £nil) was outstanding at the year end.

Full details of Directors' remuneration and shareholdings can be found on page 53 and in note 6 on page 73.

21. Disclosures regarding financial instruments measured at fair value

The Company's financial instruments within the scope of FRS 102 that are held at fair value comprise its investment portfolio and derivative financial instruments.

The investments are categorised into a hierarchy consisting of the following three levels:

Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly

Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability

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.

Details of the valuation techniques used by the Company are given in note 1(b) on page 70.

The following table sets out the fair value measurements using the FRS 102 hierarchy at 31st January.

	2024		2023	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Level 1	2,109,504	—	2,037,584	—
Level 3[1]	6,210	—	5,174	—
Total	**2,115,714**	**—**	**2,042,758**	**—**

[1] Consists only of a holding in Tennants Consolidated Limited (ordinary and preference shares), an unquoted stock, which is still held at 31st January 2024.

There were no transfers between levels 1, 2 and 3 during the year (2023: none). A reconciliation of the fair value measurements using valuation techniques using non-observable data is set out below.

	2024		
	Equity Investments £'000	Fixed Interest Investment £'000	Total £'000
Level 3			
Opening balance	5,080	94	5,174
Change in fair value of unquoted investment during the year	1,036	—	1,036
Closing balance	**6,116**	**94**	**6,210**

	2023		
	Equity Investments £'000	Fixed Interest Investment £'000	Total £'000
Level 3			
Opening balance	5,046	94	5,140
Change in fair value of unquoted investment during the year	34	—	34
Closing balance	**5,080**	**94**	**5,174**

Notes to the Financial Statements

22. Financial instruments' exposure to risk and risk management policies

As an investment trust, the Company invests in equities for the long term so as to secure its investment objective stated on the 'Key Features' page. In pursuing this objective, the Company is exposed to a variety of financial risks that could result in a reduction in the Company's net assets or a reduction in the profits available for dividends.

These financial risks include market risk (comprising interest rate risk and market price risk), liquidity risk and credit risk. The Directors' policy for managing these risks is set out below. The Company has no significant direct exposure to foreign exchange risk. A proportion of the dividends received by the Company are paid in currencies other than sterling. Therefore a significant movement in exchange rates could impact the portfolio yield, however the Board considers this to be a relatively low risk.

Over the year the Company had in place a £3.85 million perpetual debenture and a £175 million debenture repayable on 25th February 2030, together with £150 million of Senior Unsecured Notes (the 'Notes').

The Company's indebtedness brings with it a number of covenants. The Notes include the following covenants, which represent the most onerous constraints:

- Net borrowings as a % of adjusted assets cannot exceed 35%; and
- Minimum NAV of £725,000,000.

The Company has been compliant with all its covenants throughout the year and continues to be compliant.

The Company Secretary, in close co-operation with the Board and the Manager, co-ordinates the Company's risk management strategy. The objectives, policies and processes for managing the risks and the methods used to measure the risks that are set out below, have not changed from those applied in the comparative year.

The Company's classes of financial instruments are as follows:

- investments in UK equity shares and other securities, which are held in accordance with the Company's investment objective;
- cash held within a liquidity fund;
- short term debtors, creditors and cash arising directly from its operations; and
- debentures issued by the Company and senior unsecured privately placed loan notes, the purpose of which is to finance the Company's operations.

(a) Market risk

The fair value or future cash flows of a financial instrument held by the Company may fluctuate because of changes in market prices. This market risk comprises two elements – interest rate risk and market price risk. Information to enable an evaluation of the nature and extent of these two elements of market risk is given in parts (i) and (ii) of this note, together with sensitivity analysis where appropriate. The Board reviews and agrees policies for managing these risks and these policies have remained unchanged from those applying in the comparative year. The Manager assesses the exposure to market risk when making each investment decision and monitors the overall level of market risk on the whole of the investment portfolio on an ongoing basis.

(i) Interest rate risk

Interest rate movements may affect the level of income receivable on cash deposits and the JPMorgan GBP Liquidity LVNAV fund, and the interest payable on variable rate borrowings when interest rates are reset. There is no 'fair value' interest rate risk attached to the Company's fixed rate debentures and senior unsecured privately placed loan notes in issue, as they are carried in the accounts at amortised cost.

Liquidity and gearing

Liquidity and borrowings are managed with the aim of increasing returns to shareholders. The Company's gearing policy is to limit gearing within the range of 10% net cash to 20% geared where gearing is defined as investments expressed as a percentage of total net assets.

Interest rate exposure

The two series of debentures issued by the Company and the senior unsecured privately placed loan notes carry fixed rates of interest. The debentures and the privately placed loan notes are carried in the Company's Statement of Financial Position at amortised cost rather than fair value. Hence movement in interest rates will not affect equity but may have an impact on the share price and discount (at fair value).

The Company has no significant holdings of fixed interest rate securities whose fair value would be affected by interest rate movements.

The exposure of financial assets and financial liabilities to floating interest rates, giving rise to cash flow interest rate risk when rates are reset, is shown below:

	2024 £'000	2023 £'000
Exposure to floating interest rates:		
Cash and short term deposits	351	386
JPMorgan GBP Liquidity LVNAV Fund	89,179	157,220
Net exposure	**89,530**	**157,606**

Interest receivable on cash balances, or paid on overdrafts, is at a margin below or above SONIA respectively (2023: same).

Interest rate sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to a 1% (2023: 4%) increase or decrease in interest rates in regards to the Company's monetary financial assets and financial liabilities. This level of change is considered to be a reasonable illustration based on observation of current market conditions and interest rate increases in the past year. The sensitivity analysis is based on the Company's monetary financial instruments held at the balance sheet date with all other variables held constant.

	2024		2023	
	1% increase in rate £'000	1% decrease in rate £'000	4% increase in rate £'000	4% decrease in rate £'000
Statement of Comprehensive Income – return after taxation				
Revenue return	895	(895)	6,304	(6,304)
Total return after taxation for the year	895	(895)	6,304	(6,304)
Net assets	**895**	**(895)**	**6,304**	**(6,304)**

In the opinion of the Directors, this sensitivity analysis may not be representative of the Company's future exposure to interest rate changes due to fluctuations in the level of cash balances, cash held in the JPMorgan GBP Liquidity LVNAV fund and amounts drawn down on the Company's loan and overdraft facilities.

The Company's portfolio is not directly exposed to interest rate risk.

(ii) Other price risk

Other price risk includes changes in market prices, other than those arising from interest rate risk, which may affect the value of equity investments.

Management of other price risk

The Board meets on at least four occasions each year to consider the asset allocation of the portfolio and the risk associated with particular industry sectors. The investment management team has responsibility for monitoring the portfolio, which is selected in accordance with the Company's investment objective and seeks to ensure that individual stocks meet an acceptable risk/reward profile.

Notes to the Financial Statements

22. Financial instruments' exposure to risk and risk management policies (continued)

(a) Market risk (continued)

(ii) Other price risk (continued)

Other price risk exposure

The Company's total exposure to changes in market prices at 31st January comprises its holdings in total investments as follows:

	2024 £'000	2023 £'000
Investments held at fair value through profit or loss	2,115,714	2,042,758

The above data is broadly representative of the exposure to other price risk during the year.

Concentration of exposure to other price risk

An analysis of the Company's investments is given on page 18. This shows that the majority of the investments' value is in the UK. Accordingly there is a concentration of exposure to that country. However it should be noted that an investment may not be entirely exposed to the economic conditions in its country of domicile or of listing. The current conflict between Russia and Ukraine and any related sanctions that have, and might be imposed, may result in the global economy being adversely affected, along with the economies of certain nations and individual issuers, all of which may negatively impact the market.

Exposure to currency risk is limited as the investments' value is predominantly denominated in sterling.

Other price risk sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to an increase or decrease of 10% (2023: 10%) in the fair values of the Company's equities. This level of change is considered to be a reasonable illustration based on observation of normal market conditions. The sensitivity analysis is based on the Company's equities, adjusting for changes in the management fee but with all other variables held constant.

	2024		2023	
	10% increase in fair value £'000	10% decrease in fair value £'000	10% increase in fair value £'000	10% decrease in fair value £'000
Statement of Comprehensive Income – return after taxation				
Revenue return	(286)	286	(276)	276
Capital return	210,905	(210,905)	203,632	(203,632)
Total return after taxation	210,619	(210,619)	203,356	(203,356)
Net assets	**210,619**	**(210,619)**	**203,356**	**(203,356)**

(b) Liquidity risk

This is the risk that the Company will encounter difficulty in meeting its obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Management of the risk

Liquidity risk is not significant as the Company's assets comprise mainly readily realisable securities, which can be sold to meet funding requirements if necessary. Short term flexibility is achieved through the use of overdraft facilities.

The Board's policy is for the Company to be fully invested in normal market conditions and that short term borrowings be used to manage short term liabilities and working capital requirements and to gear the Company as appropriate.

Liquidity risk exposure

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

	2024			
	Three months or less £'000	More than three months but less than one year £'000	One year or more £'000	Total £'000
Creditors: amounts falling due within one year				
Securities purchased awaiting settlement	12,305	—	—	12,305
Other creditors and accruals	418	—	—	418
Repurchases of the Company's own shares awaiting settlement	655	—	—	655
Senior unsecured privately placed loan notes – interest[1]	1,874	2,192	—	4,066
Debenture stock – interest[1]	5,441	5,441	—	10,882
Creditors: amounts falling due after more than one year				
Debenture stock – principal[1,2]	—	—	178,850	178,850
Debenture stock – interest[1]	—	—	60,132	60,132
Senior unsecured privately placed loan notes – principal[1]	—	—	150,000	150,000
Senior unsecured privately placed loan notes – interest[1]	—	—	74,559	74,559
	20,693	**7,633**	**463,541**	**491,867**

	2023			
	Three months or less £'000	More than three months but less than one year £'000	One year or more £'000	Total £'000
Creditors: amounts falling due within one year				
Securities purchased awaiting settlement	3,428	—	—	3,428
Other creditors and accruals	301	—	—	301
Repurchases of the Company's own shares awaiting settlement	—	—	—	—
Senior unsecured privately placed loan notes – interest[1]	1,874	2,192	—	4,066
Debenture stock – interest[1]	5,441	5,441	—	10,882
Creditors: amounts falling due after more than one year				
Debenture stock – principal[1,2]	—	—	178,850	178,850
Debenture stock – interest[1]	—	—	71,014	71,014
Senior unsecured privately placed loan notes – principal[1]	—	—	150,000	150,000
Senior unsecured privately placed loan notes – interest[1]	—	—	77,469	77,469
	11,044	**7,633**	**477,333**	**496,010**

[1] The liabilities shown above represent future contractual payments and therefore differ from the amounts shown in the Statement of Financial Position.
[2] Includes £3,850,000 4.25% debenture stock which is irredeemable and secured by a floating charge over the assets of the Company.

The outflow of cash in connection with the debentures could occur earlier if the Company were to repurchase debentures for cancellation or if the Company goes into default and the security is enforced.

Notes to the Financial Statements

22. Financial instruments' exposure to risk and risk management policies (continued)

(c) Credit risk

Credit risk is the risk that a counterparty to a transaction fails to discharge its obligations under that transaction, which could result in loss to the Company.

Management of credit risk

Portfolio dealing

The Company invests in markets that operate Delivery Versus Payment ('DVP') settlement. The process of DVP mitigates the risk of losing the principal of a trade during the settlement process. The Manager continuously monitors dealing activity to ensure best execution, a process that involves measuring various indicators including the quality of trade settlement and incidence of failed trades. Counterparty lists are maintained and adjusted accordingly.

Cash and cash equivalents

Counterparties are subject to regular credit analysis by the Manager and deposits can only be placed with counterparties that have been approved by JPMAM's Counterparty Risk Group. The Board regularly reviews the counterparties used by the Manager.

Exposure to JPMorgan Chase Bank

JPMorgan Chase Bank is the custodian of the Company's assets. The custody agreement grants a general lien over the securities credited to the Company's securities account. The Company's assets are segregated from JPMorgan Chase Bank's own trading assets and are therefore protected from creditors in the event that JPMorgan Chase Bank were to cease trading. However, no absolute guarantee can be given to investors on the protection of all of the assets of the Company.

Credit risk exposure

The amounts shown in the Statement of Financial Position under debtors and cash and cash equivalents represent the maximum exposure to credit risk at the current and comparative year ends.

(d) Fair values of financial assets and financial liabilities

All financial assets and liabilities, other than the debentures and the senior unsecured privately placed loan notes, are carried in the Statement of Financial Position at fair value or the Statement of Financial Position amount is a reasonable approximation of fair value. The fair value of the debentures and the senior unsecured privately placed loan notes have been calculated using discounted cash flow techniques, using the yield on similarly dated gilts plus a margin based on the five year average for the AA Barclays Sterling Corporate Bond spread.

	2024		2023	
	Carrying value £'000	Fair value £'000	Carrying value £'000	Fair value £'000
£175 million 6.125% debenture stock 25th February 2030	174,404	193,665	174,307	201,864
£3.85 million 4.25% perpetual debenture stock	3,850	3,150	3,850	3,791
Senior unsecured privately placed loan notes[1]	149,680	82,601	149,669	93,602
	327,934	**279,416**	**327,826**	**299,257**

[1] £150 million of long-term debt through the issue of three fixed rate, senior unsecured privately placed loan notes (the 'Notes'). The Notes, which were funded on 8th September 2021, are:
- £55 million with a fixed coupon of 1.98%, repayable on 8th September 2041.
- £50 million with a fixed coupon of 2.05%, repayable on 8th September 2051.
- £45 million with a fixed coupon of 1.77%, repayable on 8th September 2061.

Notes to the Financial Statements

23. Capital management policies and procedures

The Company's debt and capital structure comprises the following:

	2024 £'000	2023 £'000
Debt:		
£175 million 6.125% debenture stock 25th February 2030	174,404	174,307
£3.85 million 4.25% perpetual debenture stock	3,850	3,850
Senior unsecured privately placed loan notes	149,680	149,669
	327,934	327,826
Equity:		
Called up share capital	23,612	23,612
Reserves	1,842,007	1,842,064
	1,865,619	1,865,676
Total debt and equity	**2,193,553**	**2,193,502**

The Board's gearing policy is to operate within a range of 10% net cash to 20% geared in normal market conditions.

	2024 £'000	2023 £'000
Investments held at fair value through profit or loss	2,115,714	2,042,758
Net assets	1,865,619	1,865,676
Gearing	**13.4%**	**9.5%**

The Board, with the assistance of the 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 Manager's views on the market;

– the potential to buy back equity shares, either for cancellation or to hold in Treasury, which takes into account the share price discount or premium;

– the opportunity for issues of new shares, including issues from Treasury; and

– the level of dividend distributions in excess of that which is required to be distributed.

24. Subsequent events

The Directors' have evaluated the period since the year end and have not noted any subsequent events.

Regulatory Disclosures

Alternative Investment Fund Managers Directive ('AIFMD') Disclosures (Unaudited)

Leverage

For the purposes of the Alternative Investment Fund Managers Directive ('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 on both a gross and a commitment method in accordance with the AIFMD. Under the gross method, exposure represents the sum of the Company's positions without taking into account any hedging and netting arrangements. Under the commitment method, exposure is calculated after certain hedging and netting positions are offset against each other.

The Company's maximum and actual leverage levels at 31st January 2024 are shown below:

	Gross Method	Commitment Method
Leverage exposure		
Maximum limit	200%	200%
Actual	118%	118%

AIFMD Remuneration Disclosures

JPMorgan Funds Limited (the '**Management Company**') is the authorised manager of The Mercantile Investment Trust plc (the '**Company**') and is part of the J.P. Morgan Chase & Co. group of companies. In this section, the terms 'J.P. Morgan' or 'Firm' refer to that group, and each of the entities in that group globally, unless otherwise specified.

This section of the annual report has been prepared in accordance with the AIFMD, the European Commission Delegated Regulation supplementing the AIFMD, and the 'Guidelines on sound remuneration policies' issued by the European Securities and Markets Authority under the AIFMD. The information in this section is in respect of the most recent complete remuneration period ('**Performance Year**') as at the reporting date.

This section has also been prepared in accordance with the relevant provisions of the Financial Conduct Authority Handbook (FUND 3.3.5).

JPMF Remuneration Policy

A summary of the Remuneration Policy currently applying to the Management Company (the '**Remuneration Policy Statement**') can be found at https://am.jpmorgan.com/gb/en/asset-management/gim/per/legal/emea-remuneration-policy. This Remuneration Policy Statement includes details of how remuneration and benefits are calculated, including the financial and non-financial criteria used to evaluate performance, the responsibilities and composition of the Firm's Compensation and Management Development Committee, and the measures adopted to avoid or manage conflicts of interest. A copy of this policy can be requested free of charge from the Management Company.

The Remuneration Policy applies to all employees of the Management Company, including individuals whose professional activities may have a material impact on the risk profile of the Management Company or the Alternative Investment Funds it manages ('**AIFMD Identified Staff**'). The AIFMD Identified Staff include members of the Board of the Management Company (the '**Board**'), senior management, the heads of relevant Control Functions, and holders of other key functions. Individuals are notified of their identification and the implications of this status on at least an annual basis.

The Board reviews and adopts the Remuneration Policy on an annual basis, and oversees its implementation, including the classification of AIFMD Identified Staff. The Board last reviewed and adopted the Remuneration Policy that applied for the 2023 Performance Year in July 2023 with no material changes and was satisfied with its implementation.

Quantitative Disclosures

The table below provides an overview of the aggregate total remuneration paid to staff of the Management Company in respect of the 2023 Performance Year and the number of beneficiaries. These figures include the remuneration of all staff of JP Morgan Asset Management (UK) Ltd (the relevant employing entity) and the number of beneficiaries, both apportioned to the Management Company on an Assets Under Management ('AUM') weighted basis.

Due to the Firm's operational structure, the information needed to provide a further breakdown of remuneration attributable to the Company is not readily available and would not be relevant or reliable. However, for context, the Management Company manages 27 Alternative Investment Funds (with 4 sub-funds) and 2 UCITS (with 44 sub-funds) as at 31st December 2023, with a combined AUM as at that date of £23.99 billion and £20.03 billion respectively.

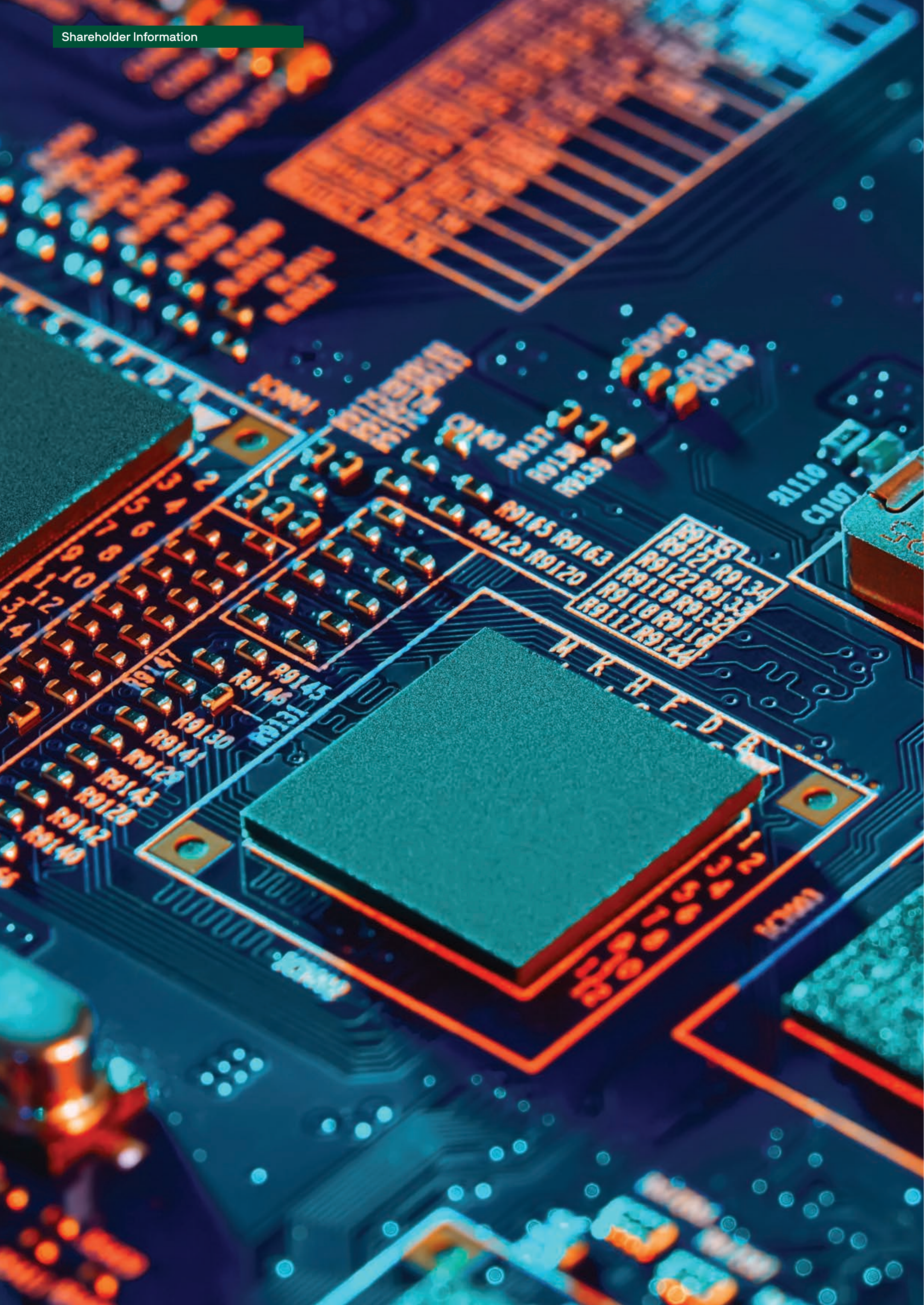
	Fixed remuneration	Variable remuneration	Total remuneration	Number of beneficiaries
All staff of the Management Company (US$'000s)	23,549	15,069	38,618	149

The aggregate 2023 total remuneration paid to AIFMD Identified Staff was US$119,473,000, of which US$1,636,000 relates to Senior Management and US$117,837,000 relates to other Identified Staff.[1]

[1] For 2023, the AIFMD identified staff disclosures include employees of the companies to which portfolio management has been formally delegated in line with the latest ESMA guidance.

Securities Financing Transactions Regulation Disclosure (Unaudited)

The Company does not engage in Securities Financing Transactions (as defined in Article 3 of Regulation (EU) 2015/2365, securities financing transactions include repurchase transactions, securities or commodities lending and securities or commodities borrowing, buy-selling back transactions or sell-buy back transactions and margin lending transactions) or Total Return Swaps. Accordingly, disclosures required by Article 13 of the Regulation are not applicable for the year ended 31st January 2024.



Notice of Annual General Meeting

Notice is hereby given that the one hundred and thirty eighth Annual General Meeting of The Mercantile Investment Trust plc will be held at Trinity House, Tower Hill, London EC3N 4DH on Wednesday, 29th May 2024 at 12.00 noon for the following purposes:

1. To receive the Directors' Report, the Annual Accounts and the Auditors' Report for the year ended 31st January 2024.
2. To approve the Company's Remuneration Policy.
3. To approve the Directors' Remuneration Report for the year ended 31st January 2024.
4. To reappoint Angus Gordon Lennox as a Director of the Company.
5. To reappoint Rachel Beagles as a Director of the Company.
6. To appoint Julia Goh as a Director of the Company.
7. To reappoint Heather Hopkins as a Director of the Company.
8. To reappoint Graham Kitchen as a Director of the Company.
9. To reappoint Damien Maltarp as a Director of the Company.
10. THAT BDO LLP be reappointed as Auditors of the Company to hold office until the conclusion of the next general meeting at which accounts are laid before the Company and that their remuneration be fixed by the Directors.

Special Business

To consider the following resolutions:

Authority to allot new shares – Ordinary Resolution

11. THAT the Directors of the Company be and they are hereby generally and unconditionally authorised (in substitution of any authorities previously granted to the Directors) pursuant to and in accordance with Section 551 of the Companies Act 2006 (the 'Act') to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company ('rights') up to an aggregate nominal amount of £1,941,395 representing approximately 10% of the Company's issued share capital (excluding shares held in Treasury) as at 11th April 2024, provided that this authority shall expire at the conclusion of the Annual General Meeting of the Company held in 2025 unless renewed at a general meeting prior to such time, save that the Company may before such expiry make offers or agreements which would or might require shares to be allotted or rights to be granted after such expiry and so that the Directors of the Company may allot shares and grant rights in pursuance of such offers or agreements as if the authority conferred hereby had not expired.

Authority to disapply pre-emption rights on allotment of relevant securities – Special Resolution

12. THAT subject to the passing of Resolution 11 set out above, the Directors of the Company be and they are hereby empowered pursuant to Sections 570 and 573 of the Act to allot equity securities (within the meaning of Section 560 of the Act) for cash pursuant to the authority conferred by Resolution 11 or by way of the sale of treasury shares as if Section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities for cash up to an aggregate nominal amount of £2,361,230, representing approximately 10% of the issued share capital as at 11th April 2024 at a price of not less than the net asset value per share and shall expire upon the expiry of the general authority conferred by Resolution 11 above, save that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and so that the Directors of the Company may allot equity securities in pursuance of such offers or agreements as if the power conferred hereby had not expired.

Authority to repurchase the Company's shares – Special Resolution

13. THAT the Company be generally and, subject as hereinafter appears, unconditionally authorised in accordance with Section 701 of the Act to make market purchases (within the meaning of Section 693 of the Act) of its issued shares on such terms and in such manner as the Directors may from time to time determine.

    PROVIDED ALWAYS THAT

    (i) the maximum number of ordinary shares hereby authorised to be purchased shall be that number of ordinary shares which is equal to 14.99% of the Company's issued share capital as at the date of the passing of this resolution;

    (ii) the minimum price which may be paid for an ordinary share shall be the nominal value;

    (iii) the maximum price which may be paid for an ordinary share shall be an amount equal to the highest of: (a) 105% of the average of the middle market quotations for an ordinary share taken from and calculated by reference to the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the ordinary share is contracted to be purchased; or (b) the price of the last independent trade; or (c) the highest current independent bid;

Notice of Annual General Meeting

(iv) any purchase of ordinary shares will be made in the market for cash at prices below the prevailing net asset value per ordinary share (as determined by the Directors);

(v) the authority hereby conferred shall expire on 28th November 2025 unless the authority is renewed at the Company's Annual General Meeting in 2025 or at any other general meeting prior to such time; and

(vi) the Company may make a contract to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which contract will or may be executed wholly or partly after the expiry of such authority and may make a purchase of ordinary shares pursuant to any such contract.

Approval of dividend policy – Ordinary Resolution

14. THAT the shareholders approve the Company's dividend policy to continue to pay four quarterly interim dividends.

Authority to hold general meetings – Special Resolution

15. THAT, a general meeting, other than an Annual General Meeting, may be called on not less than 14 clear days' notice.

By order of the Board
Alison Vincent, for and on behalf of JPMorgan Funds Limited,
Company Secretary

18th April 2024

Notes

These notes should be read in conjunction with the notes on the reverse of the proxy form.

1. If law or Government guidance so requires at the time of the Meeting, the Chairman of the Meeting will limit, in his sole discretion, the number of individuals in attendance at the Meeting. In addition, the Company may still impose entry restrictions on certain persons wishing to attend the AGM in order to secure the orderly and proper conduct of the Meeting.

2. A member entitled to attend and vote at the meeting may appoint another person(s) (who need not be a member of the Company) to exercise all or any of his or her rights to attend, speak and vote at the meeting. A member can appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attaching to different shares held by him or her.

3. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Your proxy could be the Chairman, another Director of the Company or another person who has agreed to attend to represent you. Details of how to appoint the Chairman or another person(s) as your proxy or proxies using the proxy form are set out in the notes to the proxy form. If a voting box on the proxy form is left blank, the proxy or proxies will exercise his/their discretion both as to how to vote and whether he/they abstain(s) from voting. Your proxy must attend the Meeting for your vote to count. Appointing a proxy or proxies does not preclude you from attending the Meeting and voting in person.

4. Any instrument appointing a proxy, to be valid, must be lodged in accordance with the instructions given on the proxy form.

5. You may change your proxy instructions by returning a new proxy appointment. The deadline for receipt of proxy appointments (see above) also applies in relation to amended instructions. Any attempt to terminate or amend a proxy appointment received after the relevant deadline will be disregarded. Where two or more valid separate appointments of proxy are received in respect of the same share in respect of the same meeting, the one which is last received (regardless of its date or the date of its signature) shall be treated as replacing and revoking the other or others as regards that share. If the Company is unable to determine which was last received, none of them shall be treated as valid in respect of that share.

6. 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 as at 6.30 p.m. two business days prior to the meeting (the 'specified time'). If the meeting is adjourned to a time not more than 48 hours after the specified time applicable

to the original meeting, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned meeting. If however the meeting is adjourned for a longer period then, to be so entitled, members must be entered on the Company's register of members as at 6.30 p.m. two business days prior to the adjourned meeting or, if the Company gives notice of the adjourned meeting, at the time specified in that notice. Changes to entries on the register after this time shall be disregarded in determining the rights of persons to attend or vote at the meeting or adjourned meeting.

7. A corporation, which is a shareholder, may appoint individuals to act as its representatives and to vote in person at the meeting (see instructions given on the proxy form). In accordance with the provisions of the Companies Act 2006, each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual member of the company, provided that they do not do so in relation to the same shares. It is therefore no longer necessary to nominate a designated corporate representative.

   Representatives should bring to the meeting evidence of their appointment, including any authority under which it is signed.

8. Members that satisfy the thresholds in Section 527 of the Companies Act 2006 can require the Company to publish a statement on its website setting out any matter relating to: (a) the audit of the Company's accounts (including the Auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting ('AGM'); or (b) any circumstances connected with the Auditor of the Company ceasing to hold office since the previous AGM, which the members propose to raise at the Meeting. The Company cannot require the members requesting the publication to pay its expenses. Any statement placed on the website must also be sent to the Company's Auditor no later than the time it makes its statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required to publish on its website pursuant to this right.

9. Pursuant to Section 319A of the Companies Act 2006, the Company must cause to be answered at the AGM any question relating to the business being dealt with at the AGM which is put by a member attending the Meeting except in certain circumstances, including if it is undesirable in the interests of the Company or the good order of the Meeting or if it would involve the disclosure of confidential information.

10. Under Sections 338 and 338A of the 2006 Act, members meeting the threshold requirements in those sections have the right to require the Company: (i) to give, to members of the Company entitled to receive notice of the Meeting, notice of a resolution which those members intend to move (and which may properly be moved) at the Meeting; and/or (ii) to include in the business to be dealt with at the Meeting any matter (other than a proposed resolution) which may properly be included in the business at the Meeting. A resolution may properly be moved, or a matter properly included in the business unless: (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of any inconsistency with any enactment or the Company's constitution or otherwise); (b) it is defamatory of any person; or (c) it is frivolous or vexatious. 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 or the matter to be included in the business, must be accompanied by a statement setting out the grounds for the request, must be authenticated by the person(s) making it and must be received by the Company not later than the date that is six clear weeks before the Meeting, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.

11. A copy of this notice has been sent for information only to persons who have been nominated by a member to enjoy information rights under Section 146 of the Companies Act 2006 (a 'Nominated Person'). The rights to appoint a proxy can not be exercised by a Nominated Person: they can only be exercised by the member. However, a Nominated Person may have a right under an agreement between him and the member by whom he was nominated to be appointed as a proxy for the Meeting or to have someone else so appointed. If a Nominated Person does not have such a right or does not wish to exercise it, he may have a right under such an agreement to give instructions to the member as to the exercise of voting rights.

12. In accordance with Section 311A of the Companies Act 2006, the contents of this notice of meeting, details of the total number of shares in respect of which members are entitled to exercise voting rights at the AGM, the total voting rights members are entitled to exercise at the AGM and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this notice will be available on the Company's website http://www.mercantileit.co.uk.

13. The register of interests of the Directors and connected persons in the share capital of the Company and the Directors' letters of appointment are available for inspection at the Company's registered office during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted). They will also be available for inspection at the AGM. No Director has any contract of service with the Company.

Notice of Annual General Meeting

14. You may not use any electronic address provided in this Notice of Meeting to communicate with the Company for any purposes other than those expressly stated.
15. As an alternative to completing a hard copy Form of Proxy, you can appoint a proxy or proxies electronically by visiting www.sharevote.co.uk. You will need your Voting ID, Task ID and Shareholder Reference Number (this is the series of numbers printed under your name on the Form of Proxy). Alternatively, if you have already registered with Equiniti Limited's online portfolio service, Shareview, you can submit your Form of Proxy at www.shareview.co.uk. Full instructions are given on both websites.
16. As at 11th April 2024 (being the latest business day prior to the publication of this Report), the Company's issued share capital consists of 944,492,180 shares, including of 167,933,867 Treasury shares. Therefore the total voting rights in the Company are 776,558,313.

Electronic appointment – CREST members

CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual. See further instructions on the proxy form.

Glossary of Terms and Alternative Performance Measures (Unaudited)

Alternative Performance Measure (APM)

Alternative Performance Measures (APMs) are numerical measures of current, historical or future financial performance, financial position or cash flow that are not GAAP measures. APMs are intended to supplement the information in the financial statements, providing useful industry-specific information that can assist shareholders to better understand the performance of the Company.

Where a measure is labelled as an APM, a definition and reconciliation to a GAAP measure is set out below.

Net Asset Value ('NAV')

Also described as shareholder's funds the NAV is the value of total assets less liabilities. Liabilities for this purpose include current and long-term liabilities. The NAV per ordinary share is calculated by dividing the net assets by the number of ordinary shares in issue (see note 18 on page 80). For accounting purposes assets are valued at fair (usually market) value and liabilities are valued at par (amortised cost).

Cum-income NAV includes the current year's undistributed income.

Return on net assets with debt at fair value (APM)

The Company's debt (debentures and senior unsecured privately placed loan notes) is valued in the Statement of Financial Position (on page 67) at amortised cost, which is materially equivalent to the repayment value of the debt on the assumption that it is held to maturity. This is often referred to as 'Debt at Par Value'.

The current replacement or market value of the debt, which assumes it is repaid and renegotiated under current market conditions, is often referred to as the 'Debt at Fair Value'. This fair value is explained in note 18 (on page 80) of the accounts. The difference between fair and par values of the debt is subtracted from the NAV to derive the NAV with debt at fair value which is shown in note 18 (on page 80). The fair values of the £3.85 million perpetual debenture, the £175 million debenture and the £150 million senior unsecured privately placed loan notes have been calculated using discounted cash flow techniques, using the yield from similar dated gilts plus a margin based on the five year average for the AA Barclays Sterling Corporate Bond spread.

Total return calculation	**Page**	**Year ended 31st January 2024**	**Year ended 31st January 2023**	
Opening cum-income NAV per share with debt at fair value (p)	8	239.8	270.3	(a)
Closing cum-income NAV per share with debt at fair value (p)	8	244.8	239.8	(b)
Total dividend adjustment factor[1]		1.032776	1.031470	(c)
Adjusted closing cum-income NAV per share (d = b x c)		252.8	247.3	(d)
Total return on net assets with debt at fair value (e = d / a – 1)		**5.4%**	**–8.5%**	(e)

[1] The dividend adjustment factor is calculated on the assumption that the dividends paid out by the Company are reinvested into the shares of the Company at the cum-income NAV at the ex-dividend date.

Return on net assets with debt at par value (APM)

Total return on net asset value ('NAV') per share, on a bid value to bid value basis, assuming that all dividends paid out by the Company were reinvested, without transaction costs, into the shares of the Company at the NAV per share at the time the shares were quoted ex-dividend.

Total return calculation	**Page**	**Year ended 31st January 2024**	**Year ended 31st January 2023**	
Opening cum-income NAV per share with debt at par value (p)	8	236.1	277.7	(a)
Closing cum-income NAV per share with debt at par value (p)	8	238.6	236.1	(b)
Total dividend adjustment factor[1]		1.033755	1.031312	(c)
Adjusted closing cum-income NAV per share (p) (d = b x c)		246.7	243.5	(d)
Total return on net assets (e = d / a – 1)		**4.5%**	**–12.3%**	(e)

[1] The dividend adjustment factor is calculated on the assumption that the dividends paid out by the Company are reinvested into the shares of the Company at the cum-income NAV at the ex-dividend date.

Glossary of Terms and Alternative Performance Measures (Unaudited)

Return to Shareholders (APM)

Total return to the shareholders, on a last traded price to last traded price basis, assuming that all dividends received were reinvested, without transaction costs, into the shares of the Company at the time the shares were quoted ex-dividend.

Total return calculation	Page	Year ended 31st January 2024	Year ended 31st January 2023	
Opening share price (p)	8	209.5	244.0	(a)
Closing share price (p)	8	214.0	209.5	(b)
Total dividend adjustment factor[1]		1.038360	1.036721	(c)
Adjusted closing share price (p) (d = b x c)		222.2	217.2	(d)
Total return to shareholders (e = d / a – 1)		**6.1%**	**–11.0%**	(e)

[1] The dividend adjustment factor is calculated on the assumption that the dividends paid out by the Company are reinvested into the shares of the Company at the last traded price quoted at the ex-dividend date.

Benchmark total return

Total return on the benchmark, on a closing-market value to closing-market value basis, assuming that all dividends received were reinvested, without transaction costs, in the shares of the underlying companies at the time the shares were quoted ex-dividend.

The benchmark is a recognised index of stocks which should not be taken as wholly representative of the Company's investment universe. The Company's investment strategy does not follow or 'track' this index and consequently, there may be some divergence between the Company's performance and that of the benchmark.

Gearing/(Net Cash) (APM)

Gearing represents the excess amount above shareholders' funds of total investments, expressed as a percentage of the shareholders' funds. If the amount calculated is negative, this is shown as a 'net cash' position.

Gearing calculation	Page	31st January 2024	31st January 2023	
Investments held at fair value through profit or loss	67	2,115,714	2,042,758	(a)
Net assets	67	1,865,619	1,865,676	(b)
Gearing/(net cash) (c = a / b – 1)		**13.4%**	**9.5%**	(c)

Ongoing Charges (APM)

The ongoing charges represent the Company's management fee and all other operating expenses excluding finance costs payable, expressed as a percentage of the average of the daily cum-income net assets during the year and is calculated in accordance with guidance issued by the Association of Investment Companies.

Ongoing charges calculation	Page	Year ended 31st January 2024	Year ended 31st January 2023	
Management Fee	66	6,903	6,907	
Other administrative expenses	66	1,536	1,413	
Total management fee and other administrative expenses		8,439	8,320	(a)
Average daily cum-income net assets		1,784,760	1,811,935	(b)
Ongoing charges ratio (c = a / b)		**0.47%**	**0.46%**	(c)

Glossary of Terms and Alternative Performance Measures (Unaudited)

Share Price Discount/Premium to Net Asset Value ('NAV') per Share (APM)

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 discount is shown as a percentage of the NAV per share. The opposite of a discount is a premium. It is more common for an investment trust's shares to trade at a discount than at a premium (page 8).

	Page	31st January 2024	31st January 2023	
Share price (p)	8	214.0	209.5	(a)
Net assets value per share with debt at fair value (p)	8	244.8	239.8	(b)
Discount to net asset value with debt at fair value (c = (a – b) / b)		**(12.6)%**	**(12.6)%**	(c)

	Page	31st January 2024	31st January 2023	
Share price (p)	8	214.0	209.5	(a)
Net assets value per share with debt at par value (p)	8	238.6	236.1	(b)
Discount to net asset value with debt at par value (c = (a – b) / b)		**(10.3)%**	**(11.3)%**	(c)

Performance attribution

Analysis of how the Company achieved its recorded performance relative to its benchmark.

Performance Attribution Definitions:

Sector Allocation

Measures the impact of allocating assets differently from those in the benchmark, via the portfolio's weighting in different sectors or asset types.

Stock Selection

Measures the effect of investing in securities to a greater or lesser extent than their weighting in the benchmark, or of investing in securities which are not included in the benchmark.

Gearing/(net cash)

Measures the impact on returns of borrowings or cash balances on the Company's relative performance.

Management fee/Other expenses

The payment of fees and expenses reduces the level of total assets, and therefore has a negative effect on relative performance.

Repurchase of shares

Measures the effect on relative performance of repurchasing the Company's own shares at a price which is less than the net asset value per share.

Investing in The Mercantile Investment Trust plc

You can invest in The Mercantile Investment Trust plc through the following:

Via a third party provider

Third party providers include:

AJ Bell	Hargreaves Lansdown
Barclays Smart investor	iDealing
Bestinvest	IG
Charles Stanley Direct	Interactive investor
Close Brothers A.M. Self Directed Service	IWeb
Fidelity Personal Investing	ShareDeal active
Freetrade	Willis Owen
Halifax Share Dealing	X-O.co.uk

Please note this list is not exhaustive and the availability of individual trusts may vary depending on the provider. These are third party providers and the Company does not endorse or recommend any. Please observe each provider's privacy and cookie policies as well as their platform charges structure.

Through a professional adviser

Professional advisers are usually able to access the products of all the companies in the market and can help you find an investment that suits your individual circumstances. An adviser will let you know the fee for their service before you go ahead. You can find an adviser at www.unbiased.co.uk

You may also buy the shares of investment trusts through stockbrokers, wealth managers and banks.

To familiarise yourself with the Financial Conduct Authority (FCA) adviser charging and commission rules, visit www.fca.org.uk

Voting on Company Business and Attending the AGM

The Board encourages all of its shareholders to exercise their rights by voting at general meetings and attending if able to do so. If you hold your shares on the Company's main register, please refer to the notes to the AGM on pages 92 to 94 and your form of proxy. If your shares are held through a platform, platform providers often provide shareholders with the ability to receive company documentation, to vote their shares and to attend general meetings, at no cost. Please refer to your investment platform for more details, or visit the Association of Investment Companies' ('AIC') website at www.theaic.co.uk/aic/shareholder-voting-consumer-platforms for information on which platforms support these services and how to utilise them.

Investment and pension scams are often sophisticated and difficult to spot

Be a ScamSmart investor and spot the warning signs

Fraudsters will often:

- contact you out of the blue
- apply pressure to invest quickly
- downplay the risks to your money
- promise tempting returns that sound too good to be true
- say that they're only making the offer available to you or even ask you to not tell anyone else about it

How to avoid investment and pension scams

1 Reject unexpected offers
Scammers usually cold call, but contact can also come by email, post, word of mouth or at a seminar. If you've been offered an investment out of the blue, chances are it's a high risk investment or a scam.

2 Check the FCA Warning List
Use the FCA Warning List to check the risks of a potential investment – you can also search to see if the firm is known to be operating without our authorisation.

3 Get impartial advice
Get impartial advice before investing – don't use an adviser from the firm that contacted you.

If you're suspicious, report it

You can report the firm or scam to us by contacting our **Consumer Helpline** on **0800 111 6768** or using our reporting form using the link below.

If you've lost money in a scam, contact Action Fraud on 0300 123 2040 or www.actionfraud.police.uk

Be ScamSmart and visit www.fca.org.uk/scamsmart

Information about the Company

History

The Mercantile Investment & General Trust Company Limited was formed in December 1884 with issued capital of £500,000. The Company merged with three other investment trusts in 1960 under a scheme of arrangement and changed its name to The Mercantile Investment Trust Limited. In 1982 the Company became The Fleming Mercantile Investment Trust plc. In April 2008, the Company adopted its present name, The Mercantile Investment Trust plc.

A publication entitled 'The Mercantile Investment Trust plc 125 years' is available from the Company Secretary.

Company Numbers

Company Registration number: 20537
London Stock Exchange number: 0579403
ISIN: GB0005794036
Bloomberg ticker: MRC LN
LEI: 549300BGX3CJIHLP2H42

Market Information

The Company's shares are listed on the London Stock Exchange. The market price is shown daily in the Financial Times, The Guardian, The Times, The Daily Telegraph, The Scotsman and on the JPMorgan internet site at www.mercantileit.co.uk, where the share price is updated every 15 minutes during trading hours.

Website

www.mercantileit.co.uk

Share Transactions

The Company's shares may be dealt in directly through a stockbroker or professional adviser acting on an investor's behalf.

Dividend Reinvestment Plan

The Company operates a dividend reinvestment plan. For further information please contact the Registrars (details on this page).

Manager and Company Secretary

JPMorgan Funds Limited

Company's Registered Office

60 Victoria Embankment
London EC4Y 0JP
Telephone: 0800 20 40 20 or +44 1268 44 44 70
email: **invtrusts.cosec@jpmorgan.com**

For Company Secretarial issues and administrative matters, please contact Alison Vincent via the details above, or via the Company's website through the 'Contact Us' link.

Depositary

The Bank of New York Mellon (International) Limited
160 Queen Victoria Street
London EC4V 4LA

The Depositary has appointed JPMorgan Chase Bank, N.A. as the Company's custodian.

aic
The Association of Investment Companies

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

Registrar

Equiniti Limited
Reference 1101
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA
Telephone: +44 (0)371 384 2945

Lines open 8.30 a.m. to 5.30 p.m. Monday to Friday. Calls to the helpline will cost no more than a national rate call to a 01 or 02 number. If calling from outside of the UK, please ensure the country code is used.

Notifications of changes of address and enquiries regarding share certificates or dividend cheques should be made in writing to the Registrar quoting reference 1101. Registered shareholders can obtain further details on their holdings by visiting **www.shareview.co.uk**.

Please Note: Computershare Investor Services Plc will be replacing Equiniti as the Company's Registrar later this year. Further information including full contact details will be made available to shareholders nearer the time and will be incorporated into all future shareholder communications following the transition.

Independent Auditors

BDO LLP
Chartered Accountants and Statutory Auditors
55 Baker Street
London W1U 7EU

Brokers

Cavendish Financial PLC
One Bartholomew Close
London EC1A 7BL

Winterflood Securities Limited
Riverbank House
2 Swan Lane
London EC4R 3GA

Financial Conduct Authority ('FCA') Regulation of 'non-mainstream pooled investments' and MiFID II 'complex investments'

The Company currently conducts its affairs so that the shares issued by the Company can be recommended by independent financial advisers to ordinary retail investors in accordance with the FCA's 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. The Company's ordinary shares are not considered to be 'complex investments' under the FCA's 'Appropriateness' rules and guidance in the Conduct of Business sourcebook.

Consumer Duty Value Assessment

JPMF has conducted an annual Value Assessment on the Company in line with Financial Conduct Authority ('FCA') rules set out in the Consumer Duty regulation. The Assessment focuses on the nature of the product, including benefits received and its quality, limitations that are part of the product, expected total costs to clients and target market considerations. Within this, the assessment considers quality of services, performance of the trust (against both benchmark and peers), total fees (including management fees and entry and exit fees as applicable to the Company), and also considers whether vulnerable consumers are able to receive fair value from the product. JPMF has concluded that the Company is providing value based on the above assessment.

CONTACT

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Calls from outside the UK: +44 1268 44 44 70
Website: www.mercantileit.co.uk

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J.P.Morgan
ASSET MANAGEMENT