



# The Mercantile Investment Trust plc

The home of tomorrow's UK market leaders

Annual Report & Financial Statements  
for the year ended 31st January 2025



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**J.P.Morgan**  
ASSET MANAGEMENT

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## Structure of the Company

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

## Objective

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

## Investment Policy

- To emphasise capital growth from medium and smaller sized 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 31 and 32.

## 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 2025 the Company's share capital comprised 944,492,180 ordinary shares of 2.5p each, including 197,823,989 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.

## Association of Investment Companies

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

## Website

The Company's website, which can be found at [www.mercantileit.co.uk](http://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](http://www.Mercantile-Registration.co.uk) or scan the QR code on page 5 or 16.

## Contact the Company

General enquiries about the Company should be directed to the Company Secretary at [jpmam.investment.trusts@jpmorgan.com](mailto:jpmam.investment.trusts@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




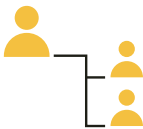


\* or nearest following business day.

## Key Features

# 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 and smaller sized companies.

## The Mercantile in 2025

		
<b>1. Targeting a higher return segment within the UK market</b>	<b>2. Discounted valuations may offer an attractive entry point</b>	<b>3. Growing dividend and strong reserves</b>
Seeking out exceptional medium and smaller sized 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.	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.	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.
		
<b>4. Strong management team</b>	<b>5. Long-term performance track record</b>	<b>6. A potential holding for SIPP, Junior ISA, Lifetime ISA</b>
The Mercantile's Portfolio Managers Guy Anderson and Anthony Lynch have over 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.	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 afforded by the size of the Company provide shareholders with an expertly managed, cost-effective route to access the UK medium and smaller sized companies market.	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 offers a cost-effective route to plan for your future and is available to buy across all leading UK investment platforms.

The Board views long-term as five to ten years.

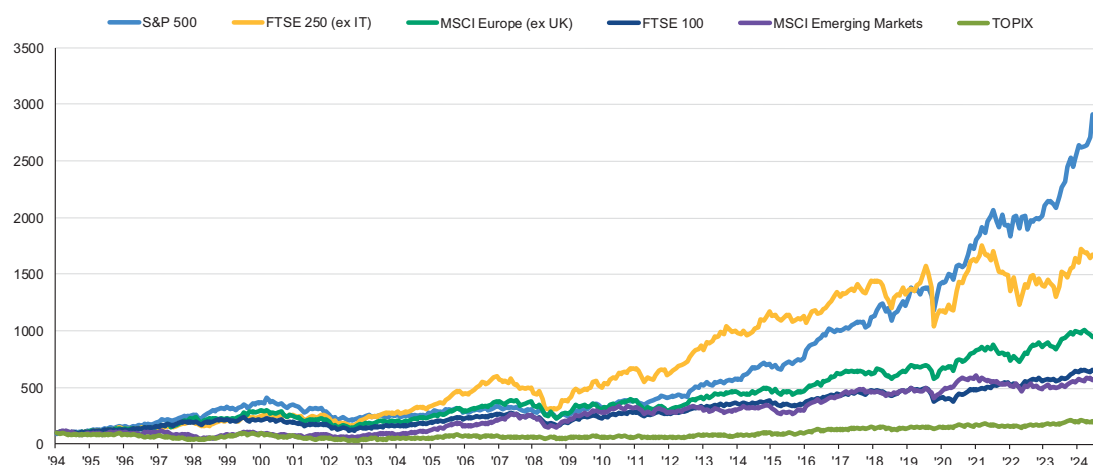
Past performance is not a reliable indicator of current and future results.

# 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.

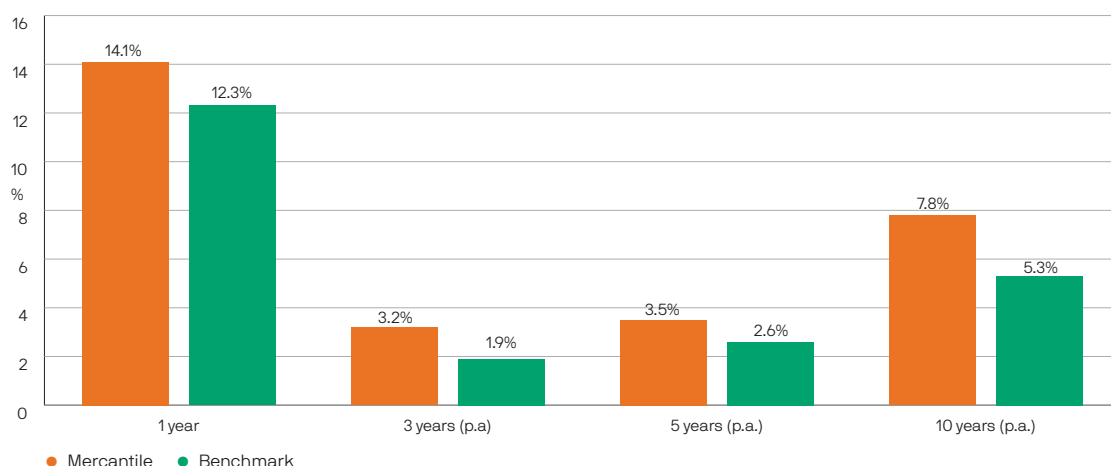
## Long-term performance of UK mid and small caps (FTSE 250 (ex IT))

### Cumulative returns



Source: J.P. Morgan Asset Management, Bloomberg. All series are rebased to 100 as at 30th June 1994. All indices in GBP and include reinvested dividends. Indices do not include fees or operating expenses and are not available for actual investment.

## Annualised return on net assets (with debt at fair value) versus benchmark return



Source: J.P. Morgan/Morningstar/FTSE Russell. The Company's performance data has been calculated on NAV to NAV basis, including ongoing charges and any applicable fees, with any income reinvested, in GBP. The Benchmark is the FTSE All-Share Index, excluding constituents of the FTSE 100 Index and investment trusts, with net dividends reinvested.

## 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](http://www.Mercantile-Registration.co.uk) to receive regular updates on The Mercantile Investment Trust plc.



**Guy Anderson**  
Portfolio Manager



**Anthony Lynch**  
Portfolio Manager

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





## Financial Highlights

## Total returns (including dividends reinvested)

	2025	2024	3 Year Cumulative	5 Year Cumulative	10 Year Cumulative
Return on net assets – with debt at fair value <sup>1,APM</sup>	+14.1%	+5.4%	+10.0%	+18.9%	+112.3%
Return on net assets – with debt at par value <sup>1,APM</sup>	+13.7%	+4.5%	+4.2%	+10.7%	+96.3%
Return on share price <sup>2,APM</sup>	+18.9%	+6.1%	+12.3%	+11.3%	+122.7%
Benchmark return <sup>3</sup>	+12.3%	+1.8%	+5.8%	+13.9%	+67.2%
Dividend increase	+3.3%	+7.0%	+14.5%	+19.7%	+92.7%
Dividend in respect of the year <sup>4</sup>	7.90p	7.65p			

<sup>1</sup> Source: J.P. Morgan/Morningstar, using cum income net asset value per share.

<sup>2</sup> Source: Morningstar.

<sup>3</sup> 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.

<sup>4</sup> Includes the fourth quarterly dividend which has been declared in respect of the year ended 31st January 2025 but payable in May 2025. Further details are shown in note 10(b) to the financial statements on page 83.

<sup>APM</sup> Alternative Performance Measure ('APM').

A glossary of terms and APMs is provided on pages 104 to 106.

## Financial Highlights

### Summary of results

	2025	2024	% change
<b>Total returns for the year ended 31st January</b>			
Return on net assets:			
– debt at fair value <sup>1,4,APM</sup>	+14.1%	+5.4%	
– debt at par value <sup>1,APM</sup>	+13.7%	+4.5%	
Return on share price <sup>2,APM</sup>	+18.9%	+6.1%	
Benchmark return <sup>3</sup>	+12.3%	+1.8%	
<b>Net asset value and discount at 31st January</b>			
Shareholders' funds (£'000)	1,965,468	1,865,619	
Net asset value per share:			
– debt at fair value <sup>4,APM</sup>	271.0p	244.8p	+10.7
– debt at par value <sup>APM</sup>	263.2p	238.6p	+10.3
Share price discount to net asset value:			
– debt at fair value <sup>4,APM</sup>	9.2%	12.6%	
– debt at par value <sup>APM</sup>	6.5%	10.3%	
<b>Market data, share price and shares in issue at 31st January</b>			
Benchmark – capital only <sup>3</sup>	4243.1	3911.3	+8.5
Share price	246.0p	214.0p	+15.0
Shares in issue (excluding shares held in Treasury)	746,668,191	782,056,565	
<b>Revenue for the year ended 31st January</b>			
Net revenue return available for shareholders (£'000)	69,066	71,066	–2.8
Revenue return per share	8.96p	9.01p	–0.6
Dividend per share	7.90p	7.65p	+3.3
<b>Gearing<sup>APM</sup></b>	<b>14.1%</b>	<b>13.4%</b>	
<b>Ongoing Charges<sup>APM</sup></b>	<b>0.48%</b>	<b>0.47%</b>	

<sup>1</sup> J.P.Morgan/Morningstar, using cum income net asset value per share.

<sup>2</sup> Source: Morningstar.

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

<sup>4</sup> 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 88 and in the glossary of terms and APMs on page 104.

<sup>APM</sup> Alternative Performance Measure ('APM').

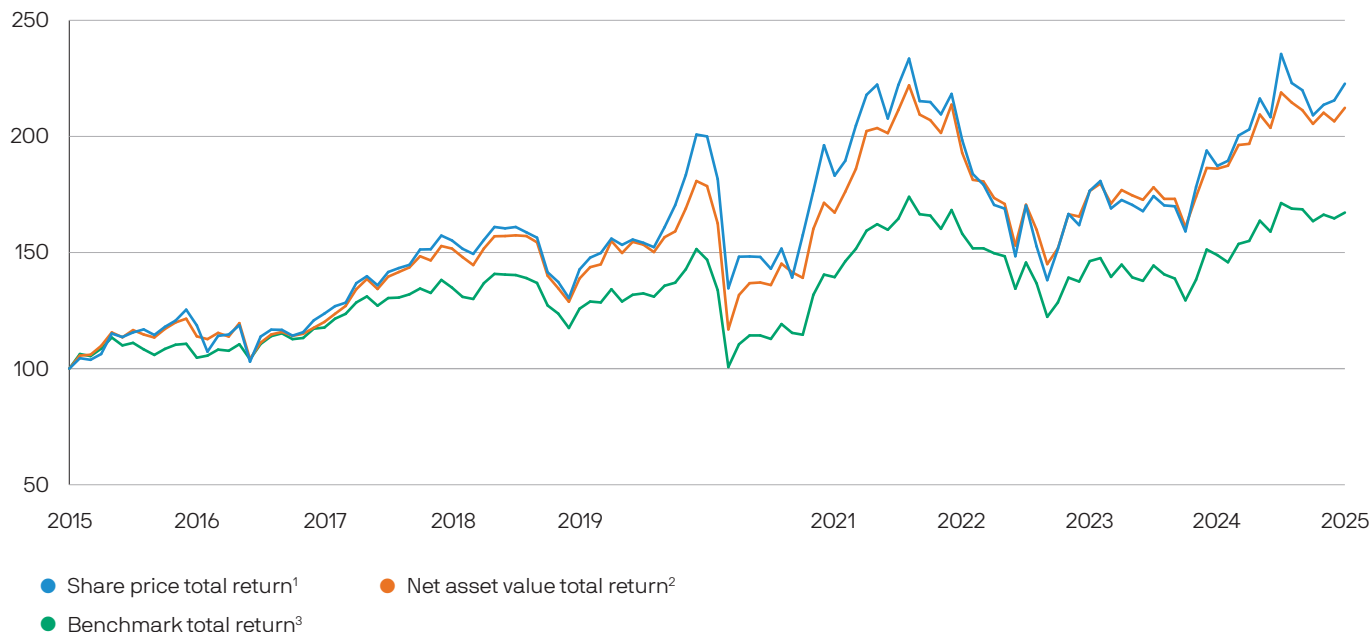
A glossary of terms and APMs is provided on pages 104 to 106.



## Ten Year Record

### Ten Year absolute performance

Figures have been rebased to 100 at 31st January 2015



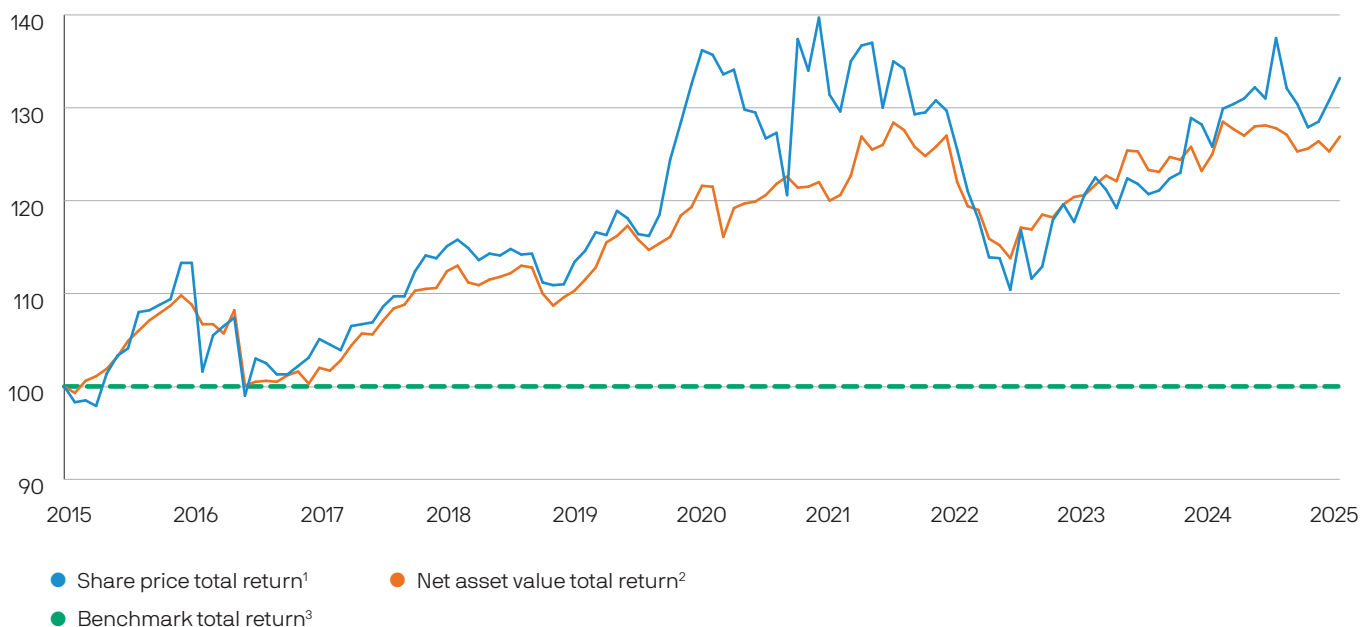
<sup>1</sup> Source: Morningstar.

<sup>2</sup> Source: J.P. Morgan/Morningstar, using cum income net asset value per share, with debt at fair value.

<sup>3</sup> Source: FTSE Russell.

### Ten year performance relative to benchmark

Figures have been rebased to 100 at 31st January 2015



<sup>1</sup> Source: Morningstar.

<sup>2</sup> Source: J.P. Morgan/Morningstar, using cum income net asset value per share, with debt at fair value.

<sup>3</sup> Source: FTSE Russell.

## Ten Year Record

At 31st January	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total assets less current liabilities (£'m)	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	2,293.5
Net asset value per share – debt at par value (p) <sup>1,2,APM</sup>	175.3	193.2	200.5	246.6	221.3	275.8	251.0	277.7	236.1	238.6	263.2
Share price (p) <sup>2</sup>	149.8	172.7	175.5	215.0	192.0	261.0	231.0	244.0	209.5	214.0	246.0
Share price discount – debt at par value (%) <sup>APM</sup>	14.6	10.6	12.5	12.8	13.2	5.4	8.0	12.1	11.3	10.3	6.5
(Net cash)/gearing (%) <sup>APM</sup>	(0.9)	(4.2)	2.5	3.5	0.1	4.9	12.2	12.1	9.5	13.4	14.1

### Year ended 31st January

Gross revenue (£'000)	48,136	56,848	56,369	58,292	66,358	67,719	40,056	61,019	64,738	78,986	78,223
Revenue return available for shareholders (£'000)	41,352	49,580	49,296	51,292	59,750	60,510	32,465	51,478	56,880	71,066	69,066
Revenue return per share (p) <sup>2,APM</sup>	4.2	5.2	5.3	6.1	7.5	7.6	4.1	6.5	7.2	9.0	9.0
Dividend per share (net) (p) <sup>2</sup>	4.1	4.3	4.6	5.3	6.3	6.6	6.7	6.9	7.15	7.65	7.9
Ongoing charges (%) <sup>3,APM</sup>	0.49	0.48	0.48	0.45	0.45	0.44	0.48	0.45	0.46	0.47	0.48

### Rebased to 100 at 31st January 2015

NAV per share – debt at par value <sup>1,2,APM</sup>	100.0	110.2	114.4	140.7	126.2	157.3	143.2	158.4	134.7	136.1	150.1
Total return on net assets <sup>4,APM</sup>	100.0	113.9	120.1	151.7	138.8	178.6	167.2	192.9	176.5	186.1	212.3
Share price <sup>2</sup>	100.0	115.3	117.2	143.5	128.2	174.2	154.2	162.9	139.9	142.9	164.2
Total return on share price <sup>5,APM</sup>	100.0	118.6	123.7	155.2	142.7	200.0	183.1	198.4	176.6	187.3	222.7
Benchmark total return <sup>5</sup>	100.0	104.7	117.7	134.9	125.8	146.9	139.4	158.1	146.3	148.9	167.2
Revenue return per share <sup>2</sup>	100.0	123.8	126.2	145.2	178.6	181.0	97.6	154.8	171.4	214.3	213.3
Dividend per share <sup>2</sup>	100.0	104.9	112.2	129.3	153.7	161.0	163.4	168.3	174.4	186.6	192.7
Consumer Price Index <sup>6</sup>	100.0	100.7	102.6	105.3	107.3	109.2	110.2	115.5	125.8	131.0	136.2

<sup>APM</sup> Alternative Performance Measure ('APM').

<sup>1</sup> Source: J.P. Morgan/Morningstar, using cum income net asset value per share.

<sup>2</sup> 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.

<sup>3</sup> 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.

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

<sup>5</sup> Source: Morningstar, FTSE Russell.

<sup>6</sup> Source: Office of National Statistics. Calculated on a cumulative basis, rebased to 100 as at 31st January 2015.

A glossary of terms and APMs is provided on pages 104 to 106.







Chairman’s Statement



Angus Gordon Lennox  
Chairman

300+

UK companies invested in  
over the past 10 years<sup>1</sup>

4,000+

company meetings over the  
past 10 years<sup>1</sup>

This will be my last Chairman’s Statement before I step down after the Annual General Meeting (‘AGM’) in May. It has been a privilege to be a Director of the Company since 2015 and Chairman for the last seven years. I am pleased to present the Company’s annual results for the year ended 31st January 2025, especially as the year was another positive one, delivering strong gains and outperformance for shareholders.

Market Background

This performance is especially laudable given that the supportive market conditions of the first half of the financial year dissipated in the second half. The new Labour Government took office in July 2024. Its gloomy economic rhetoric, combined with October’s tougher than expected budget, undermined consumer and business confidence. In addition, the sharp declines in inflation seen since mid-2022 ceased during the summer, and a subsequent rebound in inflation pressures led investors to reassess their expectations about the pace of interest rate cuts. Together, these developments ensured the strong equity market recovery which began in late 2023 stalled in mid-2024, and some of the first half’s gains were subsequently lost. After rising by +15% in the first six months of the financial year, the Company’s Benchmark ended the year up 12.3%.

Performance

Against this backdrop, your Company outpaced its benchmark, making a return on net assets of +14.1% with debt at fair value for the year as a whole, although this was somewhat lower than the 17.8% gain seen in the first half of the year. This result further enhances the Company’s long term performance track record; in the ten years to 31st January 2025, the Company’s NAV has delivered an annualised total return of +7.8% with debt at fair value, decisively above the benchmark annualised return of +5.3%.

The Portfolio Managers’ Report on pages 20 to 23 provides further details of the drivers of recent performance and changes made to the portfolio during the review period. The report also discusses the market outlook.

<sup>1</sup> Source: J.P. Morgan Asset Management, as at 31st January 2025.

Chairman’s Statement

Return and Dividends

The Company’s dividend has grown for over ten consecutive years, making the Company an AIC next-generation dividend hero.

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. The table below illustrates how the company has fulfilled this commitment, including over the year to 31st January 2025. Over this period, the Company has paid three interim dividends of 1.50p per ordinary share and the Board has declared a fourth quarterly interim dividend of 3.40p per share. This brings the total dividend for the year to 7.90p per share, an increase of 3.3% over the previous year.

	CPI* (% per annum)	Mercantile Dividend Growth (% per annum)
Three Years	5.6%	4.6%
Five Years	4.5%	3.7%
Ten Years	3.1%	6.8%

\* Consumer Price Index (CPI). Source: Office for National Statistics.

In deciding our dividend payments, we look to pay dividends that are at least covered by current year earnings, while also allowing us to build revenue reserves. However, it is a great advantage of the investment trust structure that the Company is able to partially fund dividend payments from revenue reserves when necessary, to bolster the dividend during challenging times. During the financial year, all declared dividends were fully covered by earnings. Revenues per share during the year was 8.96p (31st January 2024: 9.01p). After payment of the fourth interim dividend, the Company will have revenue reserves of 8.0p per share (2024: 6.5p).

Discount and Share Repurchases

The discount at which the Company’s shares trade versus its NAV with debt at fair value narrowed over the review period to finish the year at 9.2% (2024: 12.6%). The Board is cognisant that it is in shareholders’ interests that the Company’s share price should not differ excessively from the underlying NAV under normal market conditions. In the Board’s view, the level of the share price’s discount to NAV is unwarranted, so during the financial year the Company repurchased 35,388,374 shares, amounting to 3.7% of the shares in issue. These shares are held in Treasury and were purchased at an average discount to NAV of 11.6%, producing a modest accretion to the NAV for continuing shareholders. Since the financial year end, the Company has purchased a further 14,447,631 shares.

The Board believes that the Company’s share buyback facility is an important tool in the management of discount volatility. Therefore, my fellow directors and I recommend that shareholders approve the renewal of the authority to repurchase up to 14.99% of the Company’s shares at the forthcoming AGM, 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 at 14.1% (compared to 13.4% on 31st January 2024). In the financial year ended 31st January 2025, gearing (net of costs) added 1.5% to the Company’s relative performance against its Benchmark.

Gearing is regularly discussed by the Board and the Portfolio Managers and is implemented via the use of long-dated, fixed-rate financing, from several sources, consistent with the Board’s aim to ensure a diversification of source, tenure and cost of leverage available to the Company. Full details of these instruments can be found on page 33.

<sup>1</sup> Source: J.P. Morgan Asset Management, as at 31st January 2025.

<sup>2</sup> This takes into account the fourth quarterly interim dividend for the financial year ended 31st January 2025. It does not include the Special Dividend paid in 2008.





The Mercantile Investment Trust plc  
Celebrating 140 years

J.P.Morgan  
ASSET MANAGEMENT

The Mercantile Investment Trust plc  
Celebrating 140 years

## 140 Years of The Mercantile Investment Trust

Your Company recently celebrated its 140th anniversary. The Company began life as The Mercantile Investment and General Trust, which was established on 8th December 1884 with the aim to deliver 'long-term capital growth from an international portfolio'. The Trust initially attracted 505 shareholders who together invested capital totalling £190,020 (about £30.6 million in today's money). As at 31st January 2025, The Mercantile Investment Trust plc has net assets of more than £1.9 billion and over 745 million shares in issue. To commemorate this special occasion, on 10th December 2024 my fellow directors and I opened that day's trading at the London Stock Exchange. We were joined by representatives from JPMorgan, the Company's advisors, journalists and ex-directors. On behalf of the entire Board, I would like to take this opportunity to thank our shareholders and other stakeholders for their ongoing support over the years and we look forward to reporting on the Company's future success.



Chairman’s Statement



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

Marketing, Promotion and Shareholder Interaction

The Company continues its efforts to raise its profile among investors and potential investors through focused media and promotional efforts, as well as via the ongoing engagement with national and investment industry journalists. The Board believes that boosting the Company’s profile will be advantageous for all shareholders by generating consistent demand for its shares, especially from retail investors, where interest has been steadily increasing in recent years. We aim to carry out these promotional activities in the most cost-effective way possible.

To further enhance the Company’s presence within the broader investment community, the Manager implements a well-established sales and investor relations programme. This programme targets wealth managers, institutions, and private client stockbrokers through video conferences and in-person meetings. As well, the Portfolio Managers attend and present at retail events such as the annual Master Investor Event.

The Board and the Portfolio 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](http://www.Mercantile-Registration.co.uk), or by scanning the QR code on this page.

It is the Board’s hope that these initiatives will give many more of the Company’s investors and potential investors the opportunity to remain well-informed about its progress and to interact with the Board and Portfolio Managers.

Board Succession

As previously announced, I will be stepping down as Chairman of the Company at the conclusion of the AGM in May 2025. I will be succeeded by Rachel Beagles, the current Senior Independent Director as Chair of the Board and the Nomination Committee. Graham Kitchen will take over the role of Senior Independent Director from Rachel Beagles at the conclusion of the AGM. More details on the selection process can be found on pages 51 and 52.

The Board reviews its composition on a regular basis, taking into account the need to refresh its membership regularly and maintain a wide and relevant range of experience and expertise. The Board can confirm that its current composition is compliant with all targets applicable to a Company listed on the London Stock Exchange. It is the Board’s intention that this will continue to be the case going forward.

The Board supports the annual re-election for all Directors, as recommended by the AIC Code of Corporate Governance, and therefore all the Directors, except for me, will stand for re-election at the forthcoming AGM.



Chairman’s Statement

The Manager

The Board, through its Management Engagement Committee, monitors the performance of the Manager, JPMorgan Funds Limited (‘JPMF’), on an ongoing basis. Given the Manager’s long term performance track record, the Company’s competitive management fee and the depth and quality of resource offered by the Manager to the Company and its shareholders, the Board is satisfied that JPMF’s ongoing appointment as the Company’s Manager remains in the best interests of shareholders.

Annual General Meeting

The Company’s one hundred and thirty ninth Annual General Meeting will be held at Trinity House, Tower Hill, London EC3N 4DH on Thursday, 22nd May 2025 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

The Board believes that investor concerns about the global growth impact of U.S. tariffs – threatened or actual – are very real. The uncertainty generated by President Trump administration’s approach to trade and international relations more generally is already damaging consumer and business confidence in the U.S., and around the world. The Board shares the Portfolio Managers’ view that the UK will be less affected by these issues than other major economies, although the near-term domestic economic growth is likely to be modest growth at best. However, the fundamental performance of most of the Company’s portfolio holdings has been healthy, and they have fared better than the market as a whole. Furthermore, as I noted in my last report, there are signs that investors are finally beginning to recognise the value that UK equities offer, both in historical terms, and relative to other developed markets. Although the market lost some momentum in the second half of last year, the interest in mergers and acquisition activity evident in the first half persisted, and has continued beyond the end of the Company’s financial year, driven by both strategic corporate buyers and private equity investors. Medium and smaller businesses have been the target for much of this activity.

As interest rates trend lower during 2025, this should prove supportive of growth and UK stocks. The medium and smaller sized companies targeted by the Portfolio Managers tend to outperform in such circumstances, as they are usually more exposed to domestic economic activity than the broader UK market.

The investment outlook is always clouded by uncertainties of some kind and the associated risk of volatility. I believe the shock and effects of the very unhelpful budget in October will wane and the entrepreneurial spirit in the UK will once again come to the fore. Most recently, widespread U.S. tariffs and retaliatory action by other countries have added a new dimension to economic uncertainty and ongoing geopolitical tensions. However, your Portfolio Managers have a long and successful track record of navigating volatility triggered by a variety of market developments, and this, combined with their disciplined investment approach, leaves the Board confident in their ability to steer the portfolio through the coming months and years. Moreover, the Board believes that market corrections that occur after unexpected shocks often present excellent buying opportunities. The present relatively cheap valuations of UK company shares makes investing in the UK equity market an attractive prospect for investors with a mid to long-term outlook. While there may be ongoing weakness and volatility, the Board is of the view that these are typically just fluctuations when viewed over a longer time horizon. Although short-term market movements are unpredictable, investing in and holding quality companies at attractive valuations, as observed now, tends to yield returns that outperform both the index and inflation.

I leave you at the AGM as Chairman, but not as a fellow shareholder. My nine years on the Board has been an absolute privilege although with both high and low points. We have been through quite a lot together. BREXIT, COVID, and a market unwilling to value UK shares as they should be. Despite these challenges in that time the share price has grown by 46.4%<sup>1</sup> and the dividend by 84%<sup>2</sup> underlining what a great investment the Company has been and I believe will continue to be. I look forward to seeing a number of you at this year’s AGM with me sitting ‘up front’, and for many years to come sitting alongside you as a fellow shareholder.

Angus Gordon Lennox  
Chairman

7th April 2025

<sup>1</sup> Period covered: 23rd September 2015 to 31st January 2025. Angus Gordon Lennox became a Director on the Board of The Mercantile Investment Trust plc on 23rd September 2015.  
<sup>2</sup> Period covered: given Angus Gordon Lennox became a Director on the Board of The Mercantile Investment Trust plc on 23rd September 2015, dividend growth is considered from the financial period ended on 31st January 2016 to 31st January 2025.

£1.9B

in net assets as at  
31st January 2025.

745M+

shares in issue as at  
31st January 2025.



The Mercantile through the years

- 1994**

The Mercantile formally amends its objective to focus on medium and smaller sized UK companies
- 1995**

The UK’s Alternative Investment Market (AIM) launches to enable small enterprises to raise capital and publicly trade their shares
- 2002**

Dot.Com bubble collapses, UK stock market sees its largest fall since 1974
- 2005**

The Mercantile completes takeover of Britannic Smaller Companies Trust plc
- 2005**

London Stock Exchange sees record number of IPOs for a single year (423 on AIM and main market)
- 2008**

Renamed The Mercantile Investment Trust plc – a move endorsed by over 99% of voting shareholders
- 2008**

Global Financial Crisis led by collapse in US subprime mortgage market
- 2012**

Guy Anderson and Anthony Lynch join The Mercantile’s investment team

The Mercantile Investment Trust plc has net assets of more than £1.9 billion<sup>1</sup> and over 745 million shares in issue<sup>1</sup>.

Growth in Share Price Return and Benchmark Return, 1994 – 2025



- 2016**

Guy Anderson becomes lead portfolio manager
- 2016**

UK votes to leave the European Union
- 2020**

COVID-19 pandemic
- 2021**

London becomes largest centre for IPOs globally outside US and China with 120 new listings
- 2021**

Winner, UK All Companies category, at the Investment Week Investment Company of the Year Awards for the third consecutive year<sup>2</sup>
- 2022**

UK ‘mini-budget’ crisis
- 2024**

New rules introduced to encourage more companies to list on the UK stock market
- 2024**

The Mercantile is recognised as a ‘next generation dividend hero’ by the AIC<sup>3</sup>

Chart: Data as at 31st January 2025. Share price & benchmark total return rebased to 100 on 30th June 1994 when The Mercantile amended its objective to focus on medium and smaller sized companies. Share price return sourced from Morningstar. Benchmark (FTSE All-Share Index, excluding constituents of the FTSE 100 Index and investment trusts, with net dividends reinvested). Sourced from J.P. Morgan Asset Management.

<sup>1</sup> As at 31st January 2025.

<sup>2</sup> Source: Investment Week.

<sup>3</sup> Source: the AIC. Past performance is not a reliable indicator of current and future performance. Dividend paid by the product may exceed the gains of the product, resulting in erosion of the capital invested. It may not be possible to maintain dividend payments indefinitely and the value of your investment could ultimately be reduced to zero. Dividend payments are not guaranteed.

Source of timeline: J.P. Morgan Asset Management.



## 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 Breedon 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: another change in narrative

Over the course of this financial year UK equities delivered healthy progress, with our target market of UK medium and smaller sized companies (the 'Benchmark') delivering a return of 12.3%. This is a substantial improvement on the 1.8% return of the previous year, but with all these gains being delivered in the first half of the year, and the second experiencing a gradual grind downwards, it has not been without its challenges.

Having been a widely reviled market for some time, it was pleasing to note a slight moderation in the narrative, as it was belatedly recognised that the domestic economy was proving to be more resilient than anticipated, with UK economic output beating expectations through much of the year. Unfortunately, some of this cheer proved short-lived as months of downbeat soundbites from the new government, alongside increases in taxation to fund spending, halted the recovery in both consumer and business confidence. Despite this poor start, with such a large albeit shallow majority, the new Labour government does at least have the potential to provide a more stable operating environment for the years ahead. However, as we are witnessing across the world, politics is rarely if ever predictable, and so we remain vigilant of the usual plethora of risks.

The expected path of inflation and monetary policy continue to drive market fluctuations, and with various inflationary forces in the UK it would be easy to assume that interest rates might remain restrictive, were it not for the current signs of weaker demand that could quickly reverse this expectation. If rates are lowered more rapidly than currently forecast, the more cyclical and domestically exposed market of our Benchmark would stand to be an outsized beneficiary compared to the broader UK equity market.

### Performance attribution

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

For the year ended 31st January 2025

	%	%
<b>Contributions to total return</b>		
<b>Benchmark total return</b>		<b>12.3</b>
Allocation/Stock/Sector Effect	-0.2	
Effect of Cash and Gearing	2.2	
Cost of Debentures and Senior Unsecured Privately Placed Loan Notes	-0.7	
<b>Portfolio Total Return</b>		<b>13.6</b>
Management Fees and Other Expenses		-0.5
Share Buy-Back		0.6
<b>Cum Par Net Asset Value Total Return<sup>APM</sup></b>		<b>13.7</b>
Impact of Debt Valuation		0.4
<b>Cum Fair Net Asset Value Total Return<sup>APM</sup></b>		<b>14.1</b>

<sup>APM</sup> 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 104 to 106.

## Portfolio Managers' Report

### Mercantile performance

Against this somewhat mixed yet overall positive backdrop, for the year to 31st January 2025 the Company delivered a return on net assets of +13.7%, with debt valued at par, and +14.1% with debt at fair value, in both cases ahead of the Benchmark's +12.3% return. This recent performance extends the Company's track record of outperformance over the long-term: in the ten years to end January 2025, its NAV delivered an annualised total return of 7.0% with debt valued at par, and 7.8% with debt at fair value, again both ahead of the benchmark annualised return of 5.3%.

### Spotlight on stocks

#### Winners

Performance this year was again aided by a strong outturn from several of our longer-standing investments, led by our substantial holdings in the financials sector. Private equity group **3i** continued to deliver better than expected results, driven by continued excellent sales and profit growth at its discount retailer Action, which now represents about 70% of its investment portfolio, while the financial performance of **Intermediate Capital**, an alternative asset manager, remained strong on the back of continued healthy fund-raising. A new holding in this sector, the trading platform operator **Plus500**, also delivered healthy gains as it successfully grew its customer base further while continuing to generate strong profitability and return cash to shareholders.

Another major highlight for the portfolio this year was our longstanding holding in Nottingham-based **Games Workshop**. This company designs, manufactures and sells war-gaming figurines and has a relentless focus on the continuous development of intellectual property to make the Warhammer hobby ever better. This has allowed the company to build a global and growing base of fans, who are passionate supporters and loyal customers. The recent agreement with Amazon to develop films and television series based upon its content illustrates just some of the potential for the future. Meanwhile the business continues to grow, and enjoys strong economics, with high profit margins and healthy cash generation.

#### Losers

On the negative side, the largest detractor from performance was the software and computer services sector, an area in which we have historically had better success. The major culprit was our holding in **Bytes Technology**, one of the UK's leading value-added technology resellers, whose shares came under pressure following the sudden and unexpected resignation of the CEO, as well as due to the weaker environment for corporate demand. Given the long-term growth opportunity from increased corporate spend on technology more broadly, alongside the potential accelerant from increased adoption of generative AI solutions, we have retained our holding. While it was pleasing to see the company just report a reacceleration in growth through the second half of the year, we will continue monitoring progress even more closely than usual.

Our next two largest individual detractors from performance came from 'sins of omission': companies that we did not hold but which performed particularly well. **St. James's Place**, the provider of financial advice, delivered a strong acceleration of net inflows, which drove the shares back up into the FTSE 100, while **Burberry**, the luxury fashion brand, was deleted from the FTSE100 but experienced a dramatic increase in its share price from a depressed base, following results that were ahead of low expectations.

From a relative performance perspective, the portfolio also suffered from the surge in the number of companies that were subject to takeover bids at substantial premia. While we benefited from this in the two instances of **Britvic** and **Redrow**, in which we held shares, there were a greater number where we had no holding, including **Direct Line**, **Hargreaves Lansdown** and **Darktrace**.

## Portfolio Managers' Report

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### Positioning the portfolio for future success

We invest in medium and smaller sized UK companies that have significant opportunities for growth, focusing on those outside of the FTSE 100 Index and which may therefore be overlooked by other market practitioners. 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.

Furthermore, we have been operating in a volatile environment, with supply chain challenges coming out of the pandemic, inflation, a drastic shift in monetary policy, war in Europe and now the uncertainty from US policy gyrations and the threat of widespread tariffs. 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.

There have been a number of changes to the portfolio's constituents over the year, with a total of 19 new holdings added while we exited from 15. From a top-down perspective we have increased our exposure to the financials sector, while our technology and consumer exposure has been slightly moderated. These observations should be read in the context of a portfolio in which over 80% remains unaltered, and in which every investment decision is based upon the assessment of the prospects for the specific shares being acquired or divested. The level of gearing deployed has been reasonably constant over the course of the year, averaging around 15%.

In the financials sector, we made a new investment in **Plus500**, the retail trading platform operator, which is now a top 10 holding for the portfolio. We also initiated a new position in **IntegraFin**, which provides a range of services, including their proprietary investment platform Transact, designed to help independent financial advisers and their clients manage their assets efficiently. Finally in this sector, we bought shares in **Pollen Street**, the alternative asset manager focusing on private equity and credit, which has set out ambitious growth targets following its combination with Honeycomb Investment Trust.

Other new additions to the portfolio came from a broad range of sectors, and included **Trainline**, the online train ticket retailer, **Moonpig**, the online retailer of greetings card and gifts, **Mitie**, the facilities management company, **Volution**, the manufacturer of air ventilation products, and **Britvic**, the drinks supplier. We also invested in the building materials companies **Ibstock** and **Forterra**, two of the UK's largest brick manufacturers. As is hopefully evident from this list, we are finding many exciting opportunities from across the range of sectors and different types of businesses.

These purchases were funded by various sales, including exits from investments in **Tate & Lyle**, the ingredient supplier, and **Hays** and **PageGroup**, two recruitment businesses that have struggled given the prolonged and broad-based downturn in the level of recruitment activity across multiple geographies and fields. We sold out of our positions in **Direct Line**, the insurance provider and **RS Group**, a distributor of electronics and industrial products. We also exited from our holdings in **Weir Group**, the engineering business focusing on products and technologies that help their mining customers to operate productively, and **Howden Joinery**, the UK's leading supplier of fitted kitchens, these final two both now being FTSE 100 companies.



## Portfolio Managers' Report

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### Outlook for the coming year

As always, there are valid reasons to be apprehensive about the future: financial markets continue to be buffeted by the inter-connected forces of inflation, monetary policy, and their impact upon economic growth expectations, which in the UK could be described as lacklustre at best. Furthermore, the current geopolitical landscape appears to be primed for generating unanticipated shocks at any moment: the latest announcement from the President of the United States on tariffs is truly extraordinary, and while the UK is less directly impacted than many economies and the ultimate end game may look very different to the view today, this can only have a negative impact on global economic growth.

Despite this, and amidst the market turmoil that it is creating, there is cause for some cautious optimism. The valuation of the UK market remains at a steep discount to both its own history and relative to other developed markets. Within the UK, given their greater economic cyclical and sensitivity to interest rates, medium and smaller size companies are trading at a discount relative to their usual level versus larger companies. These facts have not gone unnoticed, as we have seen a pick-up in the number of acquisitions by corporate buyers (focusing on medium and smaller companies), while the volume of share buybacks being executed by management teams has also soared.

While the changing economic landscape will impact our portfolio companies, most have been delivering healthy financial performance while executing their growth strategies, in many cases backed by substantial capital investments. The combination of these factors, and the breadth of exciting investment ideas that we have been finding, explain our current elevated level of gearing, sitting at around 15%. This action hopefully demonstrates most clearly our assessment of the opportunity before us.

Looking ahead, 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 while being able to 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

7th April 2025

## Portfolio Information

### Equity market capitalisation at 31st January (%)

	2025 <sup>1</sup>	2024 <sup>1</sup>
UK FTSE 250	71.1	74.7
UK FTSE 100	21.4	16.4
UK AIM	3.9	5.2
UK FTSE Small & Fledgling	3.3	3.4
UK Unquoted	0.3	0.3
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

<sup>1</sup> Based on total investments of £2,243m (2024: £2,116m).

Source: J.P. Morgan.

### Sector analysis at 31st January (%)

Sector	Portfolio 2025 <sup>1</sup>	Benchmark 2025	Portfolio 2024 <sup>1</sup>	Benchmark 2024
Consumer Discretionary	25.8	21.3	24.7	20.1
Financials	25.6	20.4	19.3	19.6
Industrials	23.4	23.5	27.2	22.9
Technology	8.8	5.6	11.2	5.5
Consumer Staples	7.1	6.2	7.3	5.5
Real Estate	5.4	12.0	4.7	15.2
Basic Materials	2.4	3.7	2.8	4.1
Utilities <sup>2</sup>	1.5	2.5	—	1.7
Energy	—	2.4	1.5	2.6
Health Care	—	1.6	—	1.9
Telecommunications	—	0.8	1.3	0.9
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

<sup>1</sup> Based on total investments of £2,243m (2024: £2,116m). Excludes the investment in the JPMorgan GBP Liquidity Fund, a AAA rated money market fund held for short-term cash management purposes.

<sup>2</sup> Telecom Plus has been reclassified to the Utilities sector. Previously it was classified as Telecommunications.

Source: J.P. Morgan.

## Portfolio Information

## List of investments

As at 31st January 2025

Company	Valuation £'000	%
<b>Consumer Discretionary</b>		
Bellway	94,582	4.2
4imprint	55,986	2.5
Games Workshop	50,197	2.2
Dunelm	49,943	2.2
Inchcape	42,187	1.9
Trainline	41,040	1.8
Barratt Redrow	40,864	1.8
WH Smith	39,150	1.8
Jet2	36,744	1.7
Moonpig	25,538	1.1
Future	22,436	1.0
Bloomsbury Publishing	19,800	0.9
Hollywood Bowl	18,373	0.8
SSP	15,921	0.7
Warpaint London <sup>1</sup>	12,240	0.6
Card Factory	9,016	0.4
Next 15 <sup>1</sup>	4,846	0.2
	<b>578,863</b>	<b>25.8</b>
<b>Financials</b>		
Intermediate Capital	101,824	4.5
3i	88,598	4.0
Plus500	62,216	2.8
Beazley	50,280	2.2
Paragon Banking	48,581	2.2
Man	42,530	1.9
OSB	33,696	1.5
TBC Bank	24,012	1.1
IntegraFin	23,693	1.1
Bank of Georgia	19,713	0.9
XPS Pensions	18,738	0.8
Pollen Street	18,124	0.8
Alpha <sup>5</sup>	15,996	0.7
Sabre Insurance	9,930	0.4
CMC Markets	8,607	0.4
Pensionbee	4,950	0.2
Mortgage Advice Bureau <sup>1</sup>	3,675	0.1
	<b>575,163</b>	<b>25.6</b>

Company	Valuation £'000	%
<b>Industrials</b>		
Rotork	66,872	3.0
Serco	48,174	2.1
Balfour Beatty	46,985	2.1
IMI	45,627	2.1
Diploma	45,500	2.0
Morgan Sindall	36,666	1.6
QinetiQ	33,738	1.5
Grafton	31,145	1.4
Mitie	25,155	1.1
Volution	20,521	0.9
Chemring	18,096	0.8
Oxford Instruments	17,807	0.8
Ibstock	15,120	0.7
Mears	14,514	0.7
SThree	13,081	0.6
Bodycote	10,272	0.5
Cohort <sup>1</sup>	9,200	0.4
Vesuvius	9,192	0.4
Forterra	6,408	0.3
Keystone Law <sup>1</sup>	5,300	0.2
Judges Scientific <sup>1</sup>	4,427	0.2
	<b>523,800</b>	<b>23.4</b>
<b>Technology</b>		
Softcat	61,914	2.8
Bytes Technology	39,749	1.8
Trustpilot	27,140	1.2
Auto Trader	22,521	1.0
Computacenter	21,006	0.9
MONY	19,390	0.9
Big Technologies <sup>1</sup>	5,220	0.2
	<b>196,940</b>	<b>8.8</b>
<b>Consumer Staples</b>		
Cranswick	76,456	3.4
Premier Foods	46,011	2.1
Greggs	27,976	1.2
Applied Nutrition	8,819	0.4
	<b>159,262</b>	<b>7.1</b>

## Portfolio Information

### List of investments

As at 31st January 2025

Company	Valuation £'000	%
<b>Real Estate</b>		
LondonMetric Property	35,397	1.6
Tritax Big Box	33,580	1.5
Shaftesbury Capital	26,082	1.1
Foxtons	10,819	0.5
LSL Property Services	8,204	0.4
Property Franchise <sup>1</sup>	6,150	0.3
	<b>120,232</b>	<b>5.4</b>
<b>Basic Materials</b>		
Hill & Smith	47,609	2.1
Tennants Consolidated <sup>2,3</sup>	6,382	0.3
	<b>53,991</b>	<b>2.4</b>
<b>Utilities</b>		
Telecom Plus	34,132	1.5
	<b>34,132</b>	<b>1.5</b>
<b>Health Care</b>		
hVIVO <sup>1</sup>	301	0.0
	<b>301</b>	<b>0.0</b>
<b>Total Investments<sup>4</sup></b>	<b>2,242,684</b>	<b>100.0</b>

<sup>1</sup> AIM listed investment.

<sup>2</sup> Unquoted investment.


<sup>3</sup> Includes a fixed interest investment.

<sup>4</sup> The portfolio comprises investments in equity shares, and a fixed interest investment. Excludes the investment in the JPMorgan GBP Liquidity Fund, a AAA rated money market fund held for short-term cash management purposes.

<sup>5</sup> The security moved from FTSE AIM to the UK Listed main market.

## Portfolio Information

## Ten largest investments as at 31st January

	Company Name	Company Description	Holding £'000s in 2025	% of portfolio in 2025 <sup>1</sup>	% of portfolio in 2024 <sup>1</sup>
	Intermediate Capital	Intermediate Capital is a private equity asset management firm operating globally in the debt, credit, bridge financing and equity markets.	101,824	4.5	4.3
	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.	94,582	4.2	4.5
	3i	3i is an investment company specialising in Private Equity and Infrastructure. It invests in mid-market companies headquartered in northern Europe and North America.	88,598	4.0	3.0
	Cranswick	Cranswick is a UK food producer and supplier of premium, fresh and added-value food products.	76,456	3.4	2.6
	Rotork	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.	66,872	3.0	2.6
	Plus500 <sup>2</sup>	Plus500 operates a trading platform for investors. The Company allows users to trade financial instruments, such as shares, foreign exchange, commodities, options, indices, and ETFs through its contracts for difference (CFD) service.	62,216	2.8	—
	Softcat	Softcat is a British technology company providing communications, software licencing, procurement and management services.	61,914	2.8	3.3
	4imprint <sup>3</sup>	4imprint Group supplies imprinted promotional merchandise via the Internet and over the phone. The Company offers a wide range of imprinted products ranging from clothing and caps to pens and pencils. 4imprint Group serves customers worldwide.	55,986	2.5	2.1
	Beazley <sup>3</sup>	Beazley is a holding company of specialist insurance businesses. The company offers professional indemnity, property, marine, reinsurance, accident and life, and political risks and contingency insurance services.	50,280	2.2	1.6
	Games Workshop	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.	50,197	2.2	2.8
<b>Total</b>			<b>708,925</b>	<b>31.6</b>	

All of the above investments are listed in the UK.

<sup>1</sup> Based on total investments of £2,243m (2024: £2,116m). Excludes the investment in the JPMorgan GBP Liquidity Fund, a AAA rated money market fund held for short-term cash management purposes.

<sup>2</sup> Not Included in the list of investments at 31st January 2024.

<sup>3</sup> Not Included in the ten largest investments at 31st January 2024.

As at 31st January 2024, the value of the ten largest investments amounted to £665.5 million representing 31.6% of the total portfolio.



## Environmental, Social and Governance Report

### Manager's Approach to ESG and The Mercantile Investment Trust plc

#### How do we integrate ESG into our investment processes?

The Company is not a sustainable or environmental, social and governance ('ESG') investment vehicle. However, in actively managed strategies deemed by J.P. Morgan Asset Management ('JPMAM' or referred to as 'we' or 'us' below) 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 does not change the Company's investment objective, exclude specific types of companies<sup>1</sup>, or constrain the Company's investable universe. However, our assessment of financially material ESG factors may influence our investment decision. Ultimately, it may impact your Portfolio Managers' 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 not only to understand how companies consider issues related to ESG but also to try to influence their behaviour and encourage practices to manage their risk and create long-term shareholder value. Active ownership in the context of ESG integration allows us to manage financially material ESG risks and systematically to incorporate insights gained from engagement into our investment decisions. For further details on our engagement processes, please see our Annual Investment Stewardship Report (<https://am.jpmorgan.com/content/dam/jpm-am-aem/global/en/sustainable-investing/investment-stewardship-report.pdf>).

In the 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.



We hope the case studies set out below help illustrate how these principles and frameworks work together to create a coherent and effective approach to corporate engagement. The companies mentioned are all held in your company's portfolio and are just a couple of examples of the ongoing dialogue that we maintain with all the companies in which we invest on your behalf.

<sup>1</sup> 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.

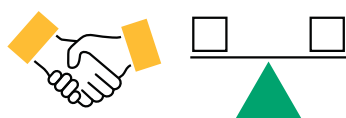
## Environmental, Social and Governance Report

### Jet2



Our Investment Stewardship Team engaged with **Jet2** to discuss its decarbonisation strategy amidst increasing regulatory pressures in the UK and Europe. Our conversation highlighted Jet2's commitment to reducing carbon intensity per revenue passenger kilometre by 35% by 2035, compared to 2019 levels. The company plans to achieve this through acquiring more fuel-efficient aircraft, increasing the use of Sustainable Aviation Fuel (SAF) to a minimum of 15% by 2035, and leveraging airspace modernisation initiatives by the UK and EU. Jet2 acknowledges the challenges posed by and the reliance on government actions for SAF availability and airspace improvements, emphasising the need for policy support. The company has invested in SAF production facilities; however, current UK production is lacking, which may require imports. The company has shifted its focus from offsetting residual emissions through the voluntary carbon market to exploring carbon removals from 2025, aligning with evolving market sentiments and regulatory frameworks. Financially, the company is cautious about disclosing detailed cost projections due to uncertainties in SAF production and potential regulatory changes. In 2024, 90% of its Scope 1 emissions were covered by the UK and EU Emissions Trading Schemes, costing approximately £125 million. The company anticipates rising costs as free allowances are phased out by 2026, potentially impacting travel affordability. We will continue to monitor Jet2's progress in obtaining the Science Based Targets initiative (SBTI) validation and encourage enhanced disclosure on decarbonisation costs over time.

### XPS Pensions



We met with UK-based **XPS Pensions**, as part of our ongoing regular engagement with the company. As a leading consultancy and administration business focused on pensions, XPS Pensions have access to large amounts of sensitive customer data that could cause the company significant financial and reputational damage should it inadvertently be accessed. We discussed the issue of cyber security and the policies and procedures the company has in place. The company confirmed they receive a high volume of phishing emails, but they are mostly unsophisticated in nature. It is however a threat they take very seriously and believe they have one of the highest security scores in the industry, so others are potentially easier targets. In addition, they purchased cyber insurance with their total insurance package. The company confirmed they undertake regular assessments of cyber risks and mandatory training for all staff. We came away comforted by the approach the company has taken and will continue to seek out updates from them on this important priority.

### Proxy voting

J.P. Morgan Asset Management 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 the J.P. Morgan Asset Management Corporate Governance Policy & Voting Guidelines, copies of which are available on request, or to download from our website.

## Environmental, Social and Governance Report

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	150	0	0	0	0	150	0.0%
Capitalisation	296	0	0	0	0	296	0.0%
Company Articles	6	0	0	0	0	6	0.0%
Compensation	118	1	0	0	1	119	0.8%
Director Election	591	2	0	0	2	593	0.3%
Routine Business	149	0	0	0	0	149	0.0%
Social	41	0	0	0	0	41	0.0%
Strategic Transactions	13	0	0	0	0	13	0.0%
Takeover Related	62	0	0	0	0	62	0.0%
Miscellaneous	0	1	0	0	1	1	100%
<b>TOTAL</b>	<b>1426</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>4</b>	<b>1430</b>	

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

### Bellway

**Issue:** At the 2024 annual general meeting for Bellway Plc, a UK-listed home building business, shareholders were asked to vote on the company's updated remuneration policy, which included moving away from performance shares in the long-term incentive plan (LTIP), towards a restricted share model.

**Action:** We noted the company's rationale that a restricted share model is better suited to its strategy and the more cyclical nature of the business. Bellway's proposal also included a corresponding reduction in the overall LTIP opportunity from 200% to 100% of the CEO's base salary. We generally expect that where companies are seeking to replace performance shares with restricted shares, there is also a reduction in the total available reward to offset the more guaranteed outcome. We also acknowledged that the restricted shares would be subject to discretionary financial and non-financial underpins, and that overall pay quantum would not be out of line with the company's comparable peer group.

**Outcome:** We supported Bellway's remuneration policy proposal, acknowledging the company's rationale and decision to reduce the overall LTIP opportunity, which is in line with our broad expectations in cases such as this. We will continue to review, ensuring alignment between pay and performance.

### Property Franchise Group

**Issue:** Property Franchise Group is a UK-based residential real estate management company. At the company's most recent annual meeting, shareholders were asked to vote on the re-election of several board directors, including the Chair, who is classified as non-independent due to their tenure exceeding nine years. Our policy and guidelines note that boards should be headed by an independent chair. In addition, the Board did not meet the FCA Listing Rules target, that at least 40% of the board are women.

**Action:** On the issue of independence, we analysed the composition of the Board and noted that the Board was putting forward a candidate for senior independent director as well as appointing a further two outside independent directors at the 2024 meeting. Regarding diversity, while we noted the company's current composition, we recognised the progress made and positive trajectory with the number of women on the Board increasing from the previous year.

**Outcome:** We voted in support of the Chair. Given the presence of a senior independent director, we were assured that there was a sufficient level of independent oversight on the Board. We were also cognisant that the Board had undergone fairly significant refreshment following the merger with Belvoir Group Plc and therefore stability and corporate memory would be beneficial for the company. We assessed that voting against the tenured Chair would be detrimental to this. With respect to gender diversity targets, while we did not assess this to be a material risk given the progress the company has made over the past year, we will continue to monitor board diversity going forward.

J.P. Morgan Asset Management (UK) Limited

7th April 2025

## Business Review

The Directors present the Strategic Report for the Company's year ended 31st January 2025. 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 sized 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 sized 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, and listed 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 12 to 19, and in the Portfolio Managers' Report on pages 20 to 23.

### 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 mainly invests in medium and smaller sized companies listed 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 2025, the Company produced a total return on share price of +18.9% (2024: +6.1%) and a total return on net assets with debt at fair value of +14.1% (2024: +5.4%). With debt at par value, the total return on net assets was +13.7% (2024: +4.5%). This compares with the total return on the Company's benchmark of +12.3% (2024: +1.8%). At 31st January 2025, the value of the Company's investment portfolio was £2,243 million (2024: £2,116 million). The Portfolio Managers' Report on pages 20 to 23 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 £265.8 million (2024: £97.7 million) and net return after deducting interest, management expenses and taxation amounted to £241.4 million (2024: £75.2 million). Distributable income for the year amounted to £69.1 million (2024: £71.1 million). The Directors have declared quarterly interim dividends totalling 7.90p (2024: 7.65p) per ordinary share for the year which totalled £60.0 million (2024: £59.9 million). The year end revenue reserve after allowing for these dividends will amount to £59.9 million (2024: £50.6 million).

### Key Performance Indicators ('KPIs')

The Company's objective is to achieve long term capital growth from a portfolio of UK medium and smaller sized 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 2025, and second over three, five and ten year time frames to 31st January 2025.

- **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 13 for more details.

- **Performance attribution**

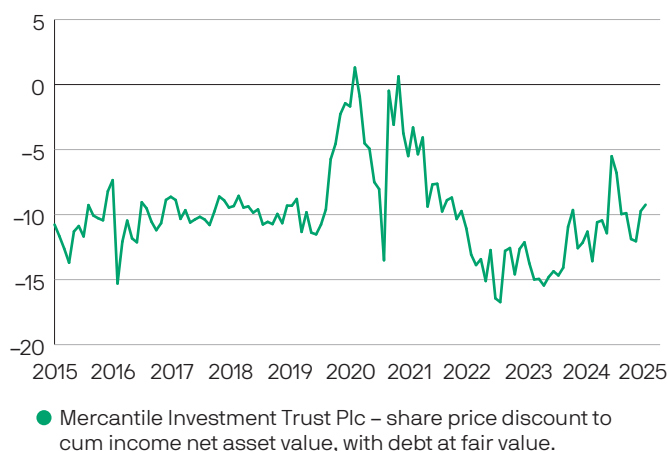
The purpose of performance attribution analysis is to assess how the Company achieved its performance relative to its benchmark index, i.e. to understand the impact on the Company's relative performance of the various components such as stock selection and sector allocation. Details of the attribution analysis for the year ended 31st January 2025 are given in the Portfolio Managers' Report on page 20.

- **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 year ended 31st January 2025 was 9.2%, reaching a low of 5.5% and a high of 13.6% during the year.

### Discount (%)



Source: Morningstar.



## Business Review

### ● 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 2025 was 0.48% (2024: 0.47%). 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 35 to 38. The principal financial risks relating to financial instruments and the management of these risks are set out in note 22 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. 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. 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 45 and 46. At 31st January 2025, there were three male Directors and three female Directors on the Board. 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. Please refer to pages 51 and 52 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 Chair and Senior Independent Director (SID). The Board also considers the chairmanship of the Audit and Risk Committee to represent a senior role within this context.

At 31st January 2025, the Board meets the targets on gender and ethnicity diversity and female representation in a senior role.

In accordance with Listing Rule 6.6.6R(9) 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 2025, the reference date:

Gender	Number of Board Members	Percentage of Board Members	Number of Senior Roles
Men	3	50	2 <sup>1</sup>
Women	3	50	1 <sup>2</sup>
Prefer not to say	—	—	—

Ethnicity	Number of Board Members	Percentage of Board Members	Number of Senior Roles <sup>1,2</sup>
White British (or any other white background)	5	83.3	3
Asian/ Asian British	1	16.7	—
Prefer not to say	—	—	—

<sup>1</sup> Angus Gordon Lennox and Damien Maltarp in the roles of Chairman and Audit and Risk Committee Chair respectively. Given the additional responsibilities associated with the role, the Board considers the role of the Chair of the Audit and Risk Committee as a senior position.

<sup>2</sup> Rachel Beagles in the role of the Senior Independent Director.

### 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 Board notes JPMAM and JPMorgan Chase's global policy statements in respect of Social, Community and Environmental and Human Rights issues, as highlighted in *italics*:

*We are committed to becoming the world's most diverse and inclusive asset manager. We know diverse perspectives create differentiated thinking. We know our client relationships are stronger when our teams mirror the*

## Business Review

*communities in which we work and invest. We reflect these beliefs in our hiring, development and promotion practices, and by nurturing a culture in which everyone is judged on their merits and empowered to hold each other accountable. Beyond our firm, we put our people and assets to work to help advance equity and economic opportunities – and influence other companies to do the same. We continually reinvest in our communities to close opportunity gaps wherever they exist.*

*We are working to support the transition to a low-carbon economy by scaling green solutions, balancing environmental, social and economic needs, and managing our operational footprint. We help clients navigate the challenges and realise the economic opportunities of the transition to a low-carbon economy. We believe supporting our clients, through advice and capital, to accelerate their low-carbon transition objectives creates positive environmental benefits and generates long-term financial returns for our shareholders.*

*JPMorgan Chase supports fundamental principles of human rights across all our lines of business and in each region of the world in which we operate. JPMorgan Chase's respect for the protection and preservation of human rights is guided by the principles set forth in the United Nations Universal Declaration of Human Rights. JPMorgan Chase believes it is the role of government in each country to protect the human rights, including the safety and security, of its citizens.*

*However, we believe we can play a constructive role in helping to promote respect for human rights by our own actions and by seeking to engage with the governments of the countries with and in which we operate.*

### 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 and Risk 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 2025, including those that would threaten its business model, future performance, solvency or liquidity.

With the assistance of the Manager, the Audit and Risk 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 and Risk 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.	<p>The risk remains high but unchanged from 2024.</p> <p>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 27).</p>

## Principal & Emerging Risks and Uncertainties

Principal risk	Description	Mitigating activities	Movement from prior year
Geopolitical Instability	<p>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.</p> <p>The growing number of geopolitical conflicts worldwide seems to pose an increasing risk to market stability and investment opportunities. U.S. trade policy under President Trump's second administration adds further complexity to the geopolitical environment. These trade tensions, along with uncertainties surrounding interest rates and inflation, the ongoing conflict between Russia and Ukraine, rising tensions in Southeast Asia and the Middle East, and increased nationalism globally could negatively impact investment performance, potentially affecting the Company's holdings and/or the demand for equity investments.</p>	<p>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 Managers 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.</p> <p>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.</p> <p>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.</p>	<p>The risk has heightened during the year due to the growing geopolitical tensions and conflicts in Europe and the Middle East, as well as from the uncertainties around the timing and impact of tariffs imposed by the U.S. The tensions can significantly impact global markets, investor sentiment, and economic stability.</p>
Cyber Crime	<p>A successful cyber attack on the Investment Manager and/or important third party suppliers could impact the Company's ability to operate efficiently. 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.</p>	<p>The information technology controls around the physical security of J.P. Morgan Chase &amp; 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.</p> <p>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 &amp; Co's Cyber Security programme.</p>	<p>The risk remains high but unchanged from 2024. The cyber threat landscape is rapidly changing, with cyber-attacks growing ever more sophisticated and their increasing frequency and scale is well publicised.</p> <p>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.</p>

## Principal &amp; 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; a wide discount could decrease the returns investors receive on their investments. Further, the greater the discount to NAV, the more likely the Company becomes appealing to an activist investor.	<p>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.</p> <p>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.</p>	<p>The risk remains high but unchanged from 2024.</p> <p>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.</p> <p>During the year the Company significantly increased the rate of buyback activity which contributed to a reduction in the discount over the year.</p>
Legal and Regulatory Change	The Company's business model could be negatively impacted by 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.	The risk remains medium but unchanged from 2024.
Corporate Strategy	<p>The corporate strategy, including the investment objectives and policies, may not be of sufficient interest to current or prospective shareholders. For instance, if the UK falls out of favour with investors, it could hinder the Company's appeal.</p> <p>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.</p>	<p>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. The Board regularly reviews its strategy, and assesses, with its brokers, shareholder views.</p> <p>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 'Preference Centre' provides the Company with the ability to communicate directly and effectively with investors.</p>	The risk has heightened during the year due to the UK being out of favour with investors, influenced by factors such as the country's current economic landscape.

## Principal & Emerging Risks and Uncertainties

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### Emerging Risks

The Board has considered and kept under review emerging risks. 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.

#### Challenges in Achieving Investment Objectives Amid Economic Downturns

A prolonged decrease in investment returns due to recession, stagnation, or other extended external factors could make the Company's investment goals and strategies less appealing or unattainable. For example, a high inflationary environment together with an economic downturn could affect the portfolio revenue generation, hindering the Company's ability to uphold its stated policy of achieving long-term dividend growth at least in line with inflation.



## 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 sized companies. The Company has invested through many economic cycles and difficult market conditions.

Taking into account the Company's current position and the principal and emerging risks it faces – including the heightened market volatility from ongoing conflicts between Ukraine and Russia, as well as in the Middle East, and the recent financial market turbulence due to uncertainties surrounding the timing and impact of tariffs imposed by the U.S. – the Directors have assessed the prospects of the Company, to the extent possible, 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  
**Sachu Saji, for and on behalf of**  
**JPMorgan Funds Limited**  
Company Secretary

7th April 2025

## 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.

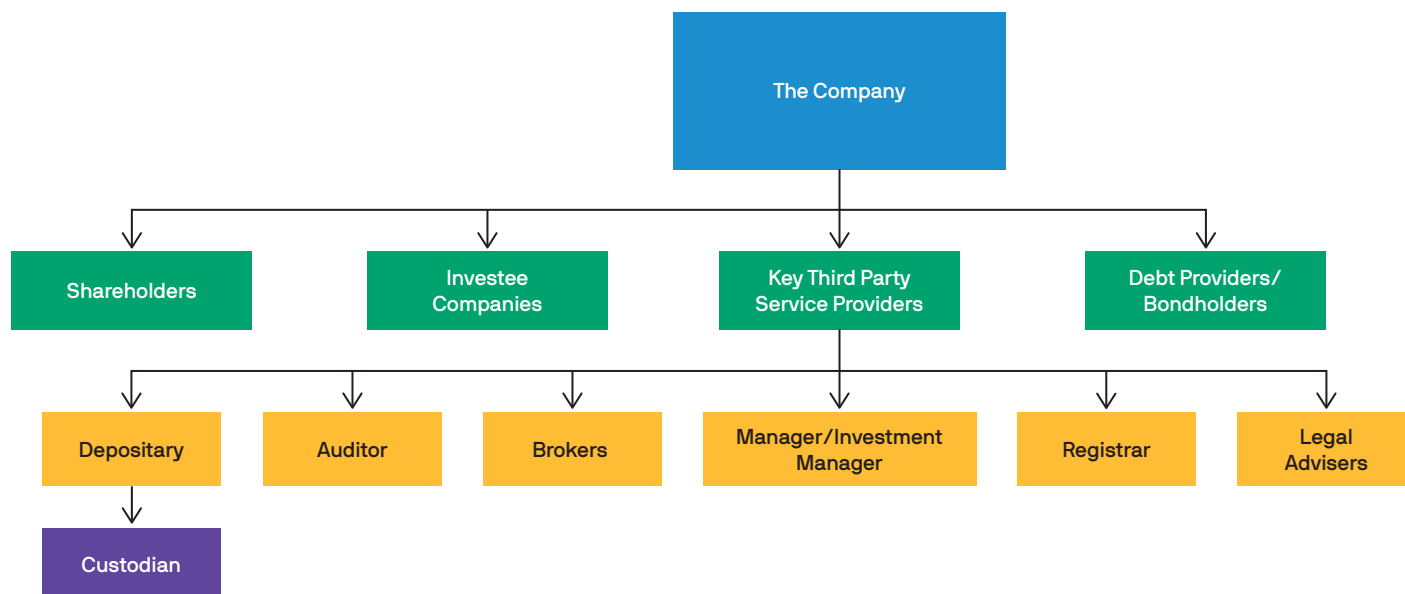
<b>The likely consequences of any decision in the long term;</b>	In managing the Company, the aim of both the Board and Manager is always to ensure the long-term success of the Company and, therefore, the likely long-term consequences of any decision are a key consideration. In managing the Company during 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.
<b>The interests of the Company's employees;</b>	The Company does not have any employees.
<b>The need to foster the Company's business relationships with suppliers, customers and others;</b>	The Board's approach is described under 'Stakeholders' on the next page.
<b>The impact of the Company's operations on the community and the environment;</b>	<p>The Company has no premises, consumes no electricity, gas or diesel fuel and consequently does not have a measurable carbon footprint. 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.</p> <p>Further details are set out in the ESG report on pages 28 to 30.</p>
<b>The desirability of the Company maintaining a reputation for high standards of business conduct; and</b>	The Board's approach is described under The Company's Purpose, Values, Strategy and Culture on page 31.
<b>The need to act fairly as between members of the Company.</b>	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 52.

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, Legal Advisors 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. Revenue per share was broadly unchanged at 9.0p in the year which meant that the Company has been able to increase the FY25 total dividend, 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 3.40p per share, giving a total dividend of 7.90p per share for the year, an increase of 3.3% 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.

### Succession Planning

During the financial year, as part of the ongoing succession planning, the Nomination Committee reviewed the balance of skills and calibre on the Board. In light of the Chairman's tenure on the Board, it has been agreed that the Chairman would retire from the Board at the conclusion of the Company's AGM in 2025 and that Rachel Beagles, the current Senior Independent Director, would assume the role of the Chair of the Board and the Nomination Committee and Graham Kitchen would take over the role of Senior Independent Director from Rachel Beagles at this time. Shareholder interests are best served by ensuring a smooth and orderly succession for the Board.

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

The Board monitors the Company's share price discount to NAV with debt at fair value closely with its advisers. Very few investment trusts, regardless of performance, asset class or investment approach, have been immune from discount volatility.

With a view to narrowing the Company's share price discount to NAV, the Board continued to consider the merits of buying back shares in line with the Company's share buyback policy. During the financial year, the Company repurchased a total of 35,388,374 shares, helping to narrow the discount to 9.2% (31st January 2024: 12.6%).

Over the long term the Board is seeking a stable discount or premium commensurate with investors' appetite for UK mid 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.



## Duty to Promote the Success of the Company

### Strategy

During the year, the directors engaged in strategic discussions to evaluate the Company's investment objectives and its investment universe, particularly in light of the UK being out of favour with investors and the increased activity from activist investors. Following discussion, it was concluded that given the Company's long and successful history of navigating volatility triggered by a variety of market developments, along with the Portfolio Managers' disciplined investment approach, the Company remained an attractive long-term investment proposition to existing and new investors.

### Engagement with Shareholders

In an effort to increase and maintain dialogue with the Company's 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.

Simultaneously, the Company executed a series of in-person marketing and investor engagements with wealth managers, institutions, and private client stockbrokers. In addition to producing video content and sponsoring research, the Portfolio Managers recently concluded their annual 'roadshow,' meeting with investors across the UK. The Chairman and Senior Independent Director participated in several of these meetings, facilitating direct interaction between shareholders and the Board. The Portfolio Managers also attend and present at retail events, such as the annual Master Investor Event.

### Marketing Initiatives

After reviewing the recommendations from the Marketing and Communications Committee, the Board approved various marketing initiatives during the financial year, aimed at enhancing the Company's appeal to both new and existing investors. These initiatives involve updating the Company's branding and messaging, as well as collaborating with marketing and PR partners to identify promotional opportunities. In particular, the Board approved the marketing programme in connection with the Company's 140 year anniversary celebration, helping to promote the Company's rich history and strong performance over the many years. The Board believes that increasing the Company's profile is beneficial for shareholders, as it helps generate ongoing demand for the Company's shares.

### 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; completed a review of the Company's financing structure; discussed growth opportunities for the Company and continued to encourage the Manager to enhance its sales and marketing efforts.

By order of the Board  
**Sachu Saji, for and on behalf of**  
**JPMorgan Funds Limited**  
 Company Secretary

7th April 2025



## Board of Directors



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

A Director since September 2015.

**Last reappointed to the Board:** 2024.

**Remuneration:** £76,500.

Angus is Chairman of Aberforth Geared Value & 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.

Angus will retire from the Board at the conclusion of the Company's AGM on 22nd May 2025.

**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 reappointed to the Board:** 2024.

**Remuneration:** £45,750.

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 Alliance Witan plc.

Rachel will become the Chair of the Board and Nomination Committee at the conclusion of the Company's AGM on 22nd May 2025.

**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:** 2024.

**Remuneration:** £41,000.

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:** 2024.

**Remuneration:** £45,750.

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.

## Board of Directors

**Shareholding in Company:** 20,244 ordinary shares.



**Graham Kitchen** (Chair of the Management Engagement Committee and Remuneration Committee )

A Director since 2018.

**Last reappointed to the Board:** 2024.

**Remuneration:** £41,000.

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 non-executive Chairman of AVI Global Trust plc and a non-executive director of Places for People, a provider of affordable housing. Graham is a CFA Charterholder.

Graham will become the Senior Independent Director at the conclusion of the Company's AGM on 22nd May 2025.

**Connections with Manager:** None.

**Shared directorships with other Directors:** None.

**Shareholding in Company:** 84,180 ordinary shares.



**Damien Maltarp** (Chair of the Audit and Risk Committee)

A Director since June 2021.

**Last reappointed to the Board:** 2024.

**Remuneration:** £55,000.

Damien has more than 25 years' experience across a range of financial disciplines. He is currently Group Financial Controller and Head of Tax 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 and Risk 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 2025.

### 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 45 and 46. Details of Directors' beneficial shareholdings may be found in the Directors' Remuneration Report on page 60.

All Directors, with the exception of Angus Gordon Lennox who will have served nine years on the Board, and is therefore not seeking reappointment, 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 50 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](http://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 98.

### Dividends

Details of the Company's dividend policy and payments are shown on page 32 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 Auditor and a resolution to reappoint BDO LLP and authorise the Directors to determine their remuneration for the ensuing year will be proposed at the AGM.

### 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 35,388,374 shares into Treasury (2024: 8,024,097). 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 AGM. 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 100 to 103.

#### 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 17 to the Notice of Annual General Meeting on page 103.

#### 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	% <sup>1</sup>
Rathbone Investment Management Limited	124,052,914	16.0
Brewin Dolphin Limited	69,632,004	8.9
Evelyn Partners	38,746,948	5.0

<sup>1</sup> 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 6.6.4R

Listing Rule 6.6.4R 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 6.6.4R.

### 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 AGM:

#### Authority to allot new shares and to disapply statutory pre-emption rights (resolutions 10 and 11)

The Directors will seek renewal of the authority at the AGM to issue up to 73,222,056 ordinary shares for cash up to an aggregate nominal amount of £1,830,551, 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 100 to 103. This authority will expire at the conclusion of the AGM of the Company in 2026 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 12)

At the AGM held on 29th May 2024, shareholders gave authority to the Company to purchase up to 14.99% of its then issued share capital. This authority will expire on 28th November 2025 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

## Corporate Governance Statement

cancelled or held in Treasury. Any shares held in Treasury will only be reissued at a premium to NAV.

### Approval of dividend policy (resolution 13)

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 AGM. Therefore, in accordance with best practice, the Directors will seek approval, at the forthcoming AGM, 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 14)

Resolution 14 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 AGM to be held in 2026, 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 10 to 14 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 100 to 103.

## 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. The AIC subsequently published an updated AIC Code in August 2024 (the 'new AIC Code') to reflect the changes made to the UK Code. The new AIC Code will apply to financial years beginning on or after 1st January 2025, with the exception to Provision 34 which is applicable for accounting periods beginning on or

after 1st January 2026. The Company will be reporting against 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;
- the workforce; and
- the need for an internal audit function.

Copies of the UK Code and AIC Code may be found on the respective organisations' websites: [www.frc.org.uk](http://www.frc.org.uk) and [www.theaic.co.uk](http://www.theaic.co.uk).

### 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, 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.

# Corporate Governance Statement

## 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 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 45 and 46. 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, with the exception of Angus Gordon Lennox, will stand for reappointment at the forthcoming AGM. 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 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 45.

**Resolution 5** is for the reappointment 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 45.

**Resolution 6** 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 45.

**Resolution 7** 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 46.

**Resolution 8** is for the reappointment of Damien Maltarp, who joined the Board in June 2021 and chairs the Audit and Risk Committee. Damien has over 25 years' experience across a range of financial disciplines including operational and commercial finance, financial control, 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 46.

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 AGM 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 as at the forthcoming AGM and projected forward to 2031. The average tenure of a Director is less than six years. Given Angus Gordon Lennox has served on the Board for nine years, he will be retiring from the Board at the conclusion of the AGM on 22nd May 2025.

Director	Appointment Date	2025 AGM	2026 AGM	2027 AGM	2028 AGM	2029 AGM	2030 AGM	2031 AGM
Angus Gordon Lennox	23rd September 2015							
Heather Hopkins	1st July 2018							
Graham Kitchen	1st July 2018							
Rachel Beagles	1st June 2021							
Damien Maltarp	1st June 2021							
Julia Goh	1st January 2023							

### Key - Tenure

0 – 6 years    7 – 8 years    9+ years



## Corporate Governance Statement

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 AGM.

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 45 and 46.

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	Management Marketing &					
	Board	Audit and Risk Committee	Engagement Committee	Communications Committee	Nomination Committee	Remuneration Committee
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	6	3	1	2	1	1
Damien Maltarp	6	3	1	2	1	1

### 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 2024 by way of a questionnaire.

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.

#### 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 33.

In October 2024, the Board announced that its Chairman, Angus Gordon Lennox, would be retiring as Director of the Company following the conclusion of the AGM scheduled to take place in May 2025, and that Rachel Beagles would be assuming the role of Chair of the Board and the Nomination Committee. One of the main focuses for the Nomination Committee throughout the year was to ensure an orderly

## Corporate Governance Statement

succession of Angus Gordon Lennox as Chair of the Board and the Nomination Committee.

During the selection process led by Graham Kitchen, the Board through the Nomination Committee, reviewed the characteristics and experience which it considered to be important for the Chair to possess and concluded that Ms Beagles' extensive experience of the investment trust sector as well as her detailed knowledge of both the Board and the Company's Investment Manager, JPMAM, made her a strong and well qualified candidate to be recommended as Mr Gordon Lennox's successor. Following the Nomination Committee's recommendation, the Board approved Ms Beagles' appointment as Chair of the Board and the Nomination Committee with effect from the conclusion of the 2025 AGM.

Furthermore, the Board approved the recommendation of the Nomination Committee that Graham Kitchen be Ms Beagles' successor as Senior Independent Director upon her appointment as Chair of the Board and Nomination Committee.

The Committee has put in place the necessary procedures to conduct, on an annual basis, an appraisal of the Chair, the Board, its Committees and individual Directors. In line with corporate governance best practice the Board undertook an externally facilitated evaluation of the Board, its Committees and the Directors in 2023. This exercise is repeated every three years; the Committee intends to conduct the next externally facilitated evaluation of the Board during 2026. An evaluation process consisting of questionnaires covering the Board, the Chairman and the Audit and Risk Committee was conducted in 2024. Overall, the 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, regulations and financial accounting and continues to work in a collegiate and effective manner.

### 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. The directors are all non-executive and their remuneration comprises only a flat fee. It is deemed appropriate that all Directors serve on this Committee in order to ensure a range of views and that any conflicts of interest can be managed.

### Audit and Risk Committee

The report of the Audit and Risk Committee, which includes the Directors' Going Concern assessment, is set out on page 53.

### Terms of Reference

All of the 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 AGM.

### 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 AGM 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 107 for details on how you vote on resolutions and attend the Company's AGM.

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 110. The Chairman can also be contacted through the 'Contact Us' link via the Company's website at [www.mercantileit.co.uk](http://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 AGM. 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 110.

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 business, financial, operational, compliance and risk management controls.

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.

## Corporate Governance Statement

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, internal audit and control findings provided by JPMF and its associates, to ensure they meet the Company's business objectives and risk appetite. There is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company (see Principal and Emerging Risks on pages 35 to 38). 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 and Risk 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 and Risk Committee receives regular reports from JPMorgan's Compliance department;
- the Board, through the remit of the Audit and Risk 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 and Risk 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 and Risk 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 2025 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 UK stock markets; the diversified portfolio of predominantly 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 heightened market volatility from the ongoing conflicts between Ukraine and Russia and in the Middle East, as well as the recent turbulence to financial markets as a result of the uncertainties around the timing and impact of tariffs imposed by the U.S., and 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 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 Statement

### 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 pages 33 and 34.

### Corporate Governance

*We believe that there is a strong positive correlation between high governance standards and superior shareholder returns. Governance is about ensuring the quality of the decision-making process, which can determine the success and failure of the company. Effective corporate governance features transparency, accountability, oversight and respect for shareholders. We evaluate governance starting with the board composition, structure and performance, looking for independence, relevant skillsets and board dynamics. Importantly, it is the mandate of the board to oversee whether the corporate strategy is aligned with the purpose and value of the company. The board oversees management's execution against the company's capital, liquidity, strategic and financial operating plans in achieving its set objectives. Capital allocation issues are judged in terms of alignment with long-term strategy and value creation at the applicable company. Boards are also responsible for overseeing the management of financially material environmental and social matters, which could affect the longevity of the company.*

### Proxy Voting

*We vote shares held in our clients' portfolios in a prudent and diligent manner, based on our reasonable judgement of what will best serve the long-term interests of our clients. To help ensure that proxies are voted in the best interests of clients, J.P. Morgan Asset Management has adopted detailed, regional, proxy voting guidelines that incorporate comprehensive guidelines for voting proxies on specific types of issues, and these are publicly available on our websites. We aim to keep abstentions to a minimum. In certain instances, however, it may be in a client's best interests to intentionally refrain from voting.*

### Stewardship/Engagement

*Engaging investee companies in dialogue and encouraging sound environmental, social and governance (ESG) practices is an important component of how we deliver our investment stewardship strategy. Our engagement is based on our in-depth investment research on companies, alongside our assessment of macroeconomic drivers, sector-specific factors and financially material ESG themes. This research insight enables us to act proactively and encourage investee companies to acknowledge issues and improve practices before risks are realised and opportunities are missed. This is how we seek to drive impact in our investment stewardship activity and advocate for sound practices at our investee companies. We believe this will ultimately preserve and enhance asset value.*

*Our engagement model is built on an investor-led, expert-driven approach and leverages the knowledge of more than 1,000 investment professionals around the world, working in close collaboration with investment stewardship specialists.*

*Our engagement process benefits from the longstanding relationships our investment teams have with local investee companies, through regular interactions with board directors and chairs, senior executives, and CEOs. We believe this collaborative, well-resourced approach enables us to recognise significant risks early and identify new opportunities, supporting our goal of generating attractive risk-adjusted returns. Combining our ESG research capability with the experience and skill of our investment teams and the expertise of our investment stewardship specialists gives us a deep understanding of the risks and opportunities facing different sectors, industries, and geographies. By integrating this expertise into a global common platform, we seek to maintain a consistently high standard of engagement, considering the myriad of nuances a responsible investor needs to embrace.*

*We have identified six Investment Stewardship Priorities that we believe can be broadly applied in our engagement efforts and will remain relevant through market cycles. These priorities address the ESG issues that pose the most significant long-term material financial risks to our investments, while also presenting the greatest opportunities. Engaging on these topics is therefore important to delivering value to our clients:*

- governance;
- strategy alignment with the long term;
- human capital management;
- stakeholder engagement;
- climate change; and
- natural capital and ecosystems.

*Within each priority area, we have identified related sub-themes that we are seeking to address over a shorter timeframe (18-24 months). These subthemes will evolve, over time, as we engage with investee companies to understand issues and promote best practices. This combination of priorities and evolving themes provides a structured and targeted framework for engagement for our investors and investment stewardship team globally.*

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

<https://am.jpmorgan.com/content/dam/jpm-am-aem/global/en/sustainable-investing/investment-stewardship-report.pdf>

By order of the Board  
**Sachu Saji, for and on behalf of**  
**JPMorgan Funds Limited**  
 Company Secretary

7th April 2025



## Audit and Risk Committee Report

I am pleased to present the Audit and Risk Committee Report for the year ended 31st January 2025.

### Role and Composition

The Audit and Risk 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 45, 46 and 50. 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 and Risk 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 Corporate Governance.

### Matters considered during the year

The Audit and Risk Committee met three times during the year ended 31st January 2025. At the meetings, the Committee:

- Reviewed the Company's financial statements for the half year and year end and made formal recommendations to the Board. The fairness, balance, and understandability of the Annual Report and Financial Statements were evaluated to determine if they provided shareholders with the necessary information to assess the Company's performance, business model, and strategy;
- Reviewed and, as appropriate, updated the schedule of Principal and Emerging Risks faced by the Company;
- Reviewed the Investment Manager's valuation of the unquoted investments and the classification of the special dividends;
- Examined the effectiveness of the internal controls and risk management systems of the Company and its third-party service providers, details of which are set out on pages 52 and 53;
- Reviewed the Company's going concern and viability statements;
- Assessed its own performance as a Committee and considered its own terms of reference;
- Considered the regulatory changes impacting the Company;

- Agreed the audit plan with the external auditor and reviewed its fees;
- Monitored the independence and objectivity of the external auditor and considered the effectiveness of the external audit process;
- Reviewed the engagement of the external auditor to supply non-audit services, ensuring compliance with the Company's non-audit services policy;
- Considered the need for the Company to have its own internal audit function.

### Financial Statements and Significant Accounting Matters

During its review of the Company's financial statements for the year ended 31st January 2025, the Audit and Risk 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 77. Controls are in place to ensure that valuations are appropriate and existence is verified through custodian reconciliations.
Calculation of management fees	Consideration is given to the methodology used to calculate fees, matched against the criteria set out in the Investment Management Agreement.
Recognition of investment income	The recognition of investment income is undertaken in accordance with accounting policy note 1(d) to the financial statements on page 78. The Committee regularly reviews subjective elements of income such as special dividends and agrees their accounting treatment.
Going Concern/ Long Term Viability	<p>The Committee has 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, as well as from the uncertainties around the timing and impact of tariffs imposed by the U.S. The Committee recommended that the adoption of the Going Concern basis is appropriate (see Going Concern statement on page 53).</p> <p>The Committee also assessed the Long Term Viability of the Company as detailed on page 39 and recommended to the Board its expectation that the Company would remain in operation for the five year period of the assessment.</p>
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.

## Audit and Risk Committee Report

### 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 and receives information and reports on internal controls from its key service providers, including the Manager.

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 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 and Risk 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 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 28 to 30.

### FRC's Minimum Standard for Audit Committees

During the year, the Audit and Risk Committee carried out an in-depth review of the FRC's Minimum Standard for Audit Committees (the 'Minimum Standard'). While the Minimum Standard has yet to become mandatory, the Committee has undertaken a number of actions to ensure compliance with the Minimum Standard, including updating its Terms of Reference.

### External Auditor

A formal tender exercise was undertaken in 2019, as a result of which BDO LLP ('BDO') was appointed in place of PricewaterhouseCoopers LLP. A competitive tender must be carried out by the Company at least every ten years. The Company is therefore required to carry out a tender no later than in respect of the financial year ending 31st January 2031.

The current Audit Partner, Mr. Peter Smith, has been in place since the appointment of BDO in 2019. Ethical standards generally require the rotation of the Audit Partner every five years for a listed company and preparations are being made for Mr. Smith to rotate off the audit of the Company following the conclusion of the current year's audit.

### Non-Audit Fees and the Independence and Objectivity of the Auditor

The Committee has adopted a policy on non-audit services by the auditor. It reviews the scope and nature of all proposed non-audit services before engagement, to ensure that the independence and objectivity of the Auditor is safeguarded.

Non-audit services amounting to £6,000 were provided during the year ended 31st January 2025 (2024: £6,000), relating to the review of the Company's compliance with the financial covenants in respect to the £175 million 6.125% debenture due in February 2030, which is required to be issued to the debenture trustee. The proportion of non-audit to audit fees is 12%. The Audit and Risk Committee believes that it is appropriate for the Company's Auditor to provide these services to the Company.

The Audit and Risk Committee has received assurances from the auditor that its independence is not compromised by the supply of these services. The Committee is content with the Auditor's ability to remain independent and objective.

### Effectiveness of Audit

The Audit and Risk Committee meets at least twice a year with the auditor, and outside these formal meetings, as the Chair of the Audit and Risk Committee, I also meet with the auditor separately. In advance of the annual year end audit, the auditor provides its letter of engagement alongside its presentation of the planning report highlighting the auditor's proposed audit strategy, which are both reviewed by the Audit and Risk Committee. Following the completion of the auditor's main testing, a report on the audit is provided to the Committee. The Committee has the opportunity to question and challenge the auditor in respect of the report. In addition, at least once a year, the Committee has an opportunity to discuss any aspect of the auditor's work with the auditor in the absence of the Manager.

After each audit, the Committee reviews the audit process and considers its effectiveness. The Committee has considered the principal issues identified by the audit team during the audit of the financial statements for the year. The auditor demonstrated a good understanding of the Company, and had identified and focused on the areas of greatest financial reporting risk. Its reporting to the Committee was open and comprehensive. The Committee is satisfied that the auditor has demonstrated professional scepticism and appropriately challenged management's judgements during the audit; the auditor's opinion on the financial statements can be found on pages 65 to 71. The Committee acknowledged that the audit team, including the audit partner, comprised staff with

## Audit and Risk Committee Report

appropriate levels of knowledge and experience of the investment trust sector. Additionally, the feedback collected from various parties involved in the audit, including the Manager, through the completion of a questionnaire about the audit team's performance, was positive. On the basis of these factors and assessments, the Committee has concluded that the external audit process has been effective.

### Continuing appointment of the Auditor

The Committee has the primary responsibility for making recommendations to the Board on the reappointment and the removal of the external auditor. As part of its review of the continuing appointment of the auditor, the Audit and Risk Committee considered:

- the length of tenure of the audit firm;
- its fee (details of the fees paid for audit services are included in note 6 on page 81);
- its ability to fulfil the proposed audit strategy for the annual audit;
- its independence from JPMF and the Investment Manager;
- the firm's performance in the FRC's audit quality review; and
- any matters raised during the audit.

In addition, the Committee considers 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.

Having reviewed the performance of the auditor as described above, the Committee considered it appropriate to recommend the auditor's reappointment. Resolutions to reappoint BDO as auditor to the Company, and to authorise the Directors to determine their remuneration will be proposed at the forthcoming AGM.

### The Competition and Markets Authority Order

The Company has complied throughout the year ended 31st January 2025 with the provisions of the Statutory Audit Services Order 2014, issued by the Competition and Markets Authority. There are no contractual obligations restricting the choice of Auditor. The Auditor is invited to all Audit and Risk Committee meetings and receives copies of all relevant papers and meeting minutes.

### 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 2025, 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 63.

For and on behalf of the Audit and Risk Committee

**Damien Maltarp**

Chair of the Audit and Risk Committee

7th April 2025

By order of the Board

**Sachu Saji,**

for and on behalf of  
JPMorgan Funds Limited,  
Company Secretary

7th April 2025







## Directors' Remuneration Report

The Board presents the Directors' Remuneration Report for the year ended 31st January 2025, 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 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 65 to 71.

### 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 AGM. 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 Chair of the Audit and Risk Committee, the Chair of the Marketing & 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 £76,500; Chair of the Audit and Risk Committee £55,000; Chair of the Marketing & Communications Committee £45,750; Senior Independent Director £45,750; and other Directors £41,000.

With effect from 1st February 2025 fees have been increased to £78,000, £56,000, £46,750, £46,750 and £42,000 for the Chairman, Audit and Risk Committee Chair, 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 AGM and the Company's registered office. Details of the Board's policy on tenure are set out on pages 50 and 51.

### 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 AGM. There have been no changes to the policy compared with the year ended 31st January 2024 and no changes are proposed for the year ending 31st January 2026.

At the AGM held on 29th May 2024, of the votes cast 99.85% and 99.84% were in favour of (or granted discretion to the Chairman who voted in favour of) both the Remuneration Report and the Remuneration Policy respectively and 0.15% voted against the Remuneration Report and 0.16% voted against the Remuneration Policy. Votes withheld were the equivalent of less than 0.01% of the votes cast. Similar details for the 2025 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)<sup>1</sup>

Directors' Name	2025			2024		
	Fees £	Taxable expenses <sup>2</sup> £	Total £	Fees £	Taxable expenses <sup>2</sup> £	Total £
Angus Gordon Lennox <sup>3</sup>	76,500	4,632	81,132	75,000	6,430	81,430
Rachel Beagles	45,750	—	45,750	44,750	—	44,750
Julia Goh	41,000	443	41,443	40,000	971	40,971
Heather Hopkins	45,750	—	45,750	44,750	—	44,750
Graham Kitchen	41,000	781	41,781	40,000	255	40,255
Damien Maltarp	55,000	—	55,000	49,586	—	49,586
Harry Morley <sup>4</sup>	—	—	—	17,005	81	17,086
<b>Total</b>	<b>305,000</b>	<b>5,856</b>	<b>310,856</b>	<b>311,091</b>	<b>7,737</b>	<b>318,828</b>

<sup>1</sup> 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.

<sup>2</sup> Taxable travel and subsistence expenses incurred in attending Board and Committee meetings.

<sup>3</sup> Taxable expenses of £6,430 paid in 2024 include expenses in respect of prior years that were not previously paid.

<sup>4</sup> Retired on 24th May 2023.

No amounts (2024: nil) were paid to third parties for making available the services of Directors.

### Directors' Shareholdings (Audited)<sup>1</sup>

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 2025	1st February 2024
Angus Gordon Lennox <sup>2</sup>	150,000	150,000
Rachel Beagles	73,956	39,668
Julia Goh	20,000	20,000
Heather Hopkins	20,244	20,244
Graham Kitchen	84,180	84,180
Damien Maltarp	20,000	20,000
<b>Total</b>	<b>368,380</b>	<b>334,092</b>

<sup>1</sup> Audited information.

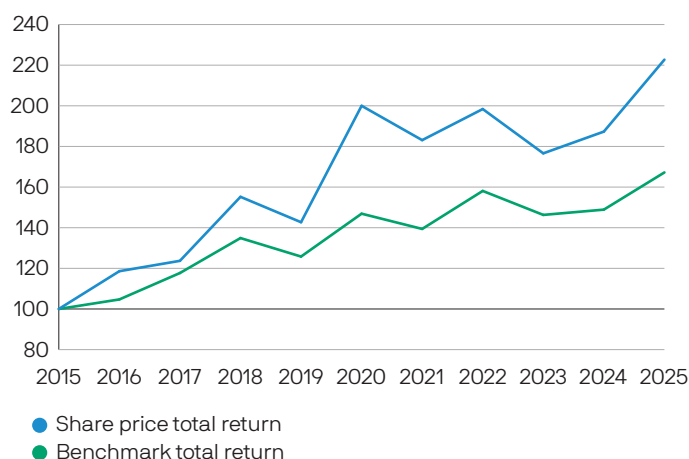
<sup>2</sup> Includes SIPP of 60,000 shares.

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 2025



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):

	% change for the year ended 31st January				
	2025	2024	2023	2022	2021
Angus Gordon Lennox <sup>1</sup>	-0.4	+13.1	+2.9	—	+1.4
Rachel Beagles <sup>2</sup>	+2.2	+16.2	+2.7	n/a	n/a
Julia Goh <sup>3</sup>	+1.2	n/a	n/a	n/a	n/a
Heather Hopkins <sup>4</sup>	+2.2	+4.1	+4.0	+10.3	+1.4
Graham Kitchen <sup>5</sup>	+3.8	-3.7	+9.8	—	+1.4
Damien Maltarp <sup>6</sup>	+10.9	+27.8	+2.7	n/a	n/a
Harry Morley <sup>7</sup>	n/a	n/a	+3.0	—	—

<sup>1</sup> Mr Gordon Lennox received taxable expenses in the year 2024, in respect of previously unclaimed expenses which has inflated the increase in 2024. Without the additional taxable expenses, the increase is +2.0%.

<sup>2</sup> Mrs Beagles assumed the role of Senior Independent Director from 1st February 2023.

<sup>3</sup> Appointed on 1st January 2023.

<sup>4</sup> 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.

<sup>5</sup> Mr Kitchen was no longer Senior Independent Director from 1st February 2023 and was therefore paid at the Director rate.

<sup>6</sup> Mr Maltarp assumed the role of Audit and Risk Committee Chair from 24th May 2023.

<sup>7</sup> Mr Morley retired on 24th May 2023.

A table showing the total remuneration for the Chairman over the five years ended 31st January 2025 is below:

### Remuneration for the Chairman over the five years ended 31st January 2025

Year ended 31st January	Fees excluding taxable expenses	Performance related benefits received as a percentage of maximum payable
2025	£76,500	n/a
2024	£75,000	n/a
2023	£72,000	n/a
2022	£70,000	n/a
2021	£70,000	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	
	2025 £	2024 £
<b>Remuneration paid to all Directors</b>	<b>310,856</b>	<b>318,828</b>
Distribution to shareholders		
— by way of dividend	60,280,000	58,791,000
— by way of share repurchases	82,121,000	16,474,000
<b>Total distribution to shareholders</b>	<b>142,401,000</b>	<b>75,265,000</b>

For and on behalf of the Board

**Angus Gordon Lennox**

Chairman

7th April 2025







## Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and 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 45 and 46 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](http://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 may 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

7th April 2025



# 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 2025 and of its *profit* for the year then ended;
- have been properly prepared in accordance with *United Kingdom Accounting Standards, including Financial Reporting Standard FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland*; 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 2025 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 and risk committee.

## Independence

Following the recommendation of the audit and risk 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 five years, covering the years ended 31st January 2021 to 31st January 2025. 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 economic and market conditions by reviewing the information used by the Directors in completing their assessment;
- Assessing the projected management fees for the going concern period to check that it was in line with the current net asset value;
- Assessing and monitoring compliance with debt covenants under base case and stressed scenarios;
- Assessing the appropriateness of the Directors' assumptions and judgements made in their base case and stress tested forecasts including consideration of the available cash resources relative to forecast expenditure and commitments; and
- Challenging the Directors' assumptions and judgements made in their forecasts including performing an independent analysis of the liquidity of the portfolio.

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

Key audit matters		2025	2024
	Valuation and ownership of listed investments	✓	✓
	Revenue Recognition of dividends	✓	✓
Materiality	Company financial statements as a whole £19.6m (2024: £18.6m) based on 1% (2024: 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
<b>Valuation and ownership of investments</b>  (Notes 1 and 11 to the financial statements)	<p>The investment portfolio at the year-end was predominantly (99.7%) comprised of listed equity investments held at fair value through profit or loss.</p> <p>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.</p> <p>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.</p> <p>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.</p>	<p>We responded to this matter by testing the valuation and ownership of the whole portfolio of listed investments. The procedures we performed included:</p> <ul style="list-style-type: none"> <li>● Confirmed the year-end bid price was used by agreeing to independently obtained, externally quoted prices;</li> <li>● Corroborated FX rates to independent sources;</li> <li>● Re-performed the calculation of investment valuations by multiplying the investment holdings with the bid price;</li> <li>● Considered if there were contra indicators, such as liquidity considerations, to suggest bid price is not the most appropriate indication of fair value by considering the realisation period for individual holdings; and</li> <li>● In respect of the ownership of investments we obtained direct confirmation from the custodian regarding the title of all investments held at the balance sheet date.</li> </ul> <p><b>Key observations</b></p> <p>Based on our procedures performed we did not identify any matters to suggest the valuation or ownership of the listed equity investments was not appropriate.</p>



## Independent Auditor's Report

Key audit matter	How the scope of our audit addressed the key audit matter
<p><b>Revenue recognition of dividends</b></p> <p>(Notes 1 and 4 to the financial statements)</p> <p>The objective of the Company is to achieve long term capital growth, but the Company is also an AIC 'next generation dividend hero' and looks to achieve dividend growth through management of its revenue reserves.</p> <p>Judgement is required in the allocation of income to revenue or capital. There is a potential incentive present to misallocate dividend income in the income statement to achieve the Company's objective.</p> <p>Based on this, we consider there to be a risk over the classification of the dividend income.</p> <p>In addition, there is also a risk of incorrect recording of the dividend income and risk of incorrect cut off in recognition of the dividend income.</p> <p>For this reason, we considered revenue recognition to be a key audit matter.</p>	<p>Our procedures included the following:</p> <p>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, through a combination of enquiry with management and our own independent research, including inspection of financial statements and public announcements of investee companies, to understand the underlying reason for the issue of the dividend and whether it could be driven by a capital event.</p> <p>We analysed the whole population of dividend receipts to identify items for further investigation that could indicate a capital distribution, for example where a dividend represents a particularly high yield. In these instances we performed a combination of enquiry with management and our own independent research, including inspection of financial statements and public announcements of investee companies, to ascertain whether the underlying event was indeed of a capital nature.</p> <p>In addition, to gain comfort over existence, completeness and cut off we derived an independent expectation of income for 100% of the portfolio based on the investment holding and distributions per independent sources and compared to that recorded by the Company.</p> <p><b>Key observations</b></p> <p>Based on our procedures performed we found the judgements made by management in determining the allocation of dividend income to revenue or capital to be appropriate. No differences above our error reporting threshold were identified in our revenue testing as a whole which covered procedures to address existence, completeness, accuracy and cut off.</p>

## 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		
	2025 £'m	2024 £'m
<b>Materiality</b>	19.6	18.6
<b>Basis for determining materiality</b>	1% of Net Assets.	1% of Net assets.
<b>Rationale for the benchmark applied</b>	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.
<b>Performance materiality</b>	14.7	13.9
<b>Basis for determining performance materiality</b>	75% of materiality.	75% of materiality.
<b>Rationale for the percentage applied for performance materiality</b>	The level of performance materiality applied was set after having considered a number of 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 a number of factors including the expected total value of known and likely misstatements and the level of transactions in the year.

### **Reporting threshold (Financial Statement Materiality)**

We agreed with the Audit and Risk Committee that we would report to them all individual audit differences in excess of £980,000 (2024: £372,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

### **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 (2024: 3,500,000), based on 5% of Revenue return before tax (2024: 5% of Revenue return before tax). We further applied a performance materiality level of 75% (2024: 75%) of specific materiality to ensure that the risk of errors exceeding specific materiality was appropriately mitigated.

### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the Annual Report 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.

<b>Going concern and longer-term viability</b>	<ul style="list-style-type: none"> <li>● 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 53); and</li> <li>● 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 39).</li> </ul>
<b>Other Code provisions</b>	<ul style="list-style-type: none"> <li>● Directors' statement on fair, balanced and understandable (set out on page 63);</li> <li>● Board's confirmation that it has carried out a robust assessment of the emerging and principal risks (set out on page 35);</li> <li>● The section of the annual report that describes the review of effectiveness of risk management and internal control systems (set out on page 56); and</li> <li>● The section describing the work of the Audit and Risk Committee (set out on pages 55 to 57).</li> </ul>

## 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.

<b>Strategic report and Directors' report</b>	<p>In our opinion, based on the work undertaken in the course of the audit:</p> <ul style="list-style-type: none"> <li>● 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</li> <li>● the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.</li> </ul> <p>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.</p>
<b>Directors' remuneration</b>	<p>In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.</p>
<b>Matters on which we are required to report by exception</b>	<p>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:</p> <ul style="list-style-type: none"> <li>● adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or</li> <li>● 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</li> <li>● certain disclosures of Directors' remuneration specified by law are not made; or</li> <li>● we have not received all the information and explanations we require for our audit.</li> </ul>

# Independent Auditor's Report

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## 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, Administrator and Audit and Risk Committee; and
- Obtaining and 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, 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:

- Agreeing the financial statement disclosures to underlying supporting documentation and performing disclosure checklists;
- Enquiries of management and those charged with governance relating to their knowledge of any non-compliance with laws and regulations;
- Reviewing minutes of meetings of those charged with governance throughout the period for evidence of instances of non-compliance with laws and regulations; and
- Reviewing the calculations in respect of Investment Trust compliance to confirm that the Company was meeting its requirements to retain Investment Trust Status.

### *Fraud*

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

Our risk assessment procedures included:

- Enquiry with the Investment Manager, the Administrator 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 meeting 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 and classification of dividends between revenue and capital.

Our procedures in respect of the above included:

- The procedures set out in the Key Audit Matters section above relating to the classification of dividends between revenue and capital; and
- In addressing the risk of management override of control, we:
  - Performed a review of estimates and judgements applied by management in the financial statements to assess their appropriateness and the existence of any systematic bias;
  - Considered the opportunity and incentive to manipulate accounting entries and target tested relevant adjustments made in the period end financial reporting process;
  - Reviewed for significant transactions outside the normal course of business; and
  - Performed a review of unadjusted audit differences, if any, for indications of bias or deliberate misstatement.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, who were deemed to have the 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](http://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

7th April 2025

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

		2025			2024		
	Notes	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments held at fair value through profit or loss	3	—	187,228	187,228	—	18,706	18,706
Net foreign currency (losses)/gains		—	(4)	(4)	—	2	2
Income from investments	4	76,726	387	77,113	73,269	—	73,269
Interest receivable	4	1,497	—	1,497	5,717	—	5,717
<b>Gross return</b>		<b>78,223</b>	<b>187,611</b>	<b>265,834</b>	<b>78,986</b>	<b>18,708</b>	<b>97,694</b>
Management fee	5	(2,385)	(5,564)	(7,949)	(2,071)	(4,832)	(6,903)
Other administrative expenses	6	(1,642)	—	(1,642)	(1,536)	—	(1,536)
<b>Net return before finance costs and taxation</b>		<b>74,196</b>	<b>182,047</b>	<b>256,243</b>	<b>75,379</b>	<b>13,876</b>	<b>89,255</b>
Finance costs	7	(4,172)	(9,735)	(13,907)	(4,172)	(9,734)	(13,906)
<b>Net return before taxation</b>		<b>70,024</b>	<b>172,312</b>	<b>242,336</b>	<b>71,207</b>	<b>4,142</b>	<b>75,349</b>
Taxation	8	(958)	—	(958)	(141)	—	(141)
<b>Net return after taxation</b>		<b>69,066</b>	<b>172,312</b>	<b>241,378</b>	<b>71,066</b>	<b>4,142</b>	<b>75,208</b>
<b>Return per share</b>	9	<b>8.96p</b>	<b>22.34p</b>	<b>31.30p</b>	<b>9.01p</b>	<b>0.53p</b>	<b>9.54p</b>

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 77 to 96 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 <sup>1</sup> £'000	Revenue reserve <sup>1</sup> £'000	Total £'000
<b>At 31st January 2023</b>	<b>23,612</b>	<b>23,459</b>	<b>13,158</b>	<b>1,741,531</b>	<b>63,916</b>	<b>1,865,676</b>
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)
<b>At 31st January 2024</b>	<b>23,612</b>	<b>23,459</b>	<b>13,158</b>	<b>1,729,199</b>	<b>76,191</b>	<b>1,865,619</b>
Repurchase of shares into Treasury	—	—	—	(82,121)	—	(82,121)
Proceeds from share forfeiture <sup>2</sup>	—	—	—	596	—	596
Net return	—	—	—	172,312	69,066	241,378
Dividends paid in the year (note 10)	—	—	—	—	(60,280)	(60,280)
Proceeds from forfeiture of unclaimed dividends <sup>2</sup> (note 10)	—	—	—	—	276	276
<b>At 31st January 2025</b>	<b>23,612</b>	<b>23,459</b>	<b>13,158</b>	<b>1,819,986</b>	<b>85,253</b>	<b>1,965,468</b>

<sup>1</sup> These reserves form the distributable reserves of the Company and may be used to fund distributions to investors.

<sup>2</sup> During the period, the Company undertook an Asset Reunification Program to reunite inactive shareholders with their shares and unclaimed dividends. Pursuant to the Company's Articles of Association, the Company has exercised its right to reclaim the shares of shareholders whom the Company, through its previous Registrar, has been unable to locate for a period of 12 years or more. These forfeited shares were sold in the open market by the Registrar and the proceeds, net of costs, were returned to the Company. In addition, any unclaimed dividends older than 12 years from the date of payment of such dividends were also forfeited and returned to the Company.

The notes on pages 77 to 96 form an integral part of these financial statements.



## Statement of Financial Position

At 31st January

	Notes	2025 £'000	2024 £'000 <sup>1</sup>
<b>Fixed assets</b>			
Investments held at fair value through profit or loss	11	2,242,684	2,115,714
<b>Current assets</b>	13		
Debtors		4,100	7,557
Current asset investments <sup>1</sup>		36,903	89,179
Cash at bank <sup>1</sup>		20,245	351
		61,248	97,087
<b>Current liabilities</b>			
<b>Creditors:</b> amounts falling due within one year	14	(10,420)	(19,248)
<b>Net current assets</b>		<b>50,828</b>	<b>77,839</b>
<b>Total assets less current liabilities</b>		<b>2,293,512</b>	<b>2,193,553</b>
<b>Non current liabilities</b>			
<b>Creditors:</b> amounts falling due after more than one year	15	(328,044)	(327,934)
<b>Net assets</b>		<b>1,965,468</b>	<b>1,865,619</b>
<b>Capital and reserves</b>			
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	1,819,986	1,729,199
Revenue reserve	17	85,253	76,191
<b>Total shareholders' funds</b>		<b>1,965,468</b>	<b>1,865,619</b>
<b>Net asset value per share</b>	18	<b>263.2p</b>	<b>238.6p</b>

<sup>1</sup> For the year ended 31st January 2024, the 'Cash and cash equivalents' line item in the Statement of Financial Position was revised to 'Cash at bank' and 'Current asset investments.' This revision separately reports the £89,179,000 investment in the JPMorgan GBP Liquidity Fund as 'Current asset investments' and £351,000 as 'Cash at bank,' in accordance with the statutory format required by the Companies Act 2006. This adjustment does not affect any other line items in the Statement of Financial Position or the total current assets.

The financial statements on pages 73 to 76 were approved and authorised for issue by the Directors on 7th April 2025 and are signed on their behalf by:

**Damien Maltarp**

Audit and Risk Committee Chair

The notes on pages 77 to 96 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

	Notes	2025 £'000	2024 £'000
<b>Cash flows from operating activities</b>			
Net return before finance costs and taxation		256,243	89,255
Adjustment for:			
Net gains on investments held at fair value through profit or loss	3	(187,228)	(18,706)
Net foreign currency losses/(gains)		4	(2)
Dividend income	4	(77,113)	(73,269)
Interest income	4	(1,497)	(5,717)
Realised (losses)/gains on foreign exchange transactions		(4)	2
(Increase)/decrease in accrued income and other debtors		(39)	36
Increase in accrued expenses		263	116
<b>Net cash outflow from operations before dividends, interest and taxation</b>		<b>(9,371)</b>	<b>(8,285)</b>
Dividends received		75,567	72,142
Interest received		1,497	5,717
Overseas withholding tax recovered		448	129
<b>Net cash inflow from operating activities</b>		<b>68,141</b>	<b>69,703</b>
Purchases of investments	11	(437,321)	(428,193)
Sales of investments	11	491,572	378,822
<b>Net cash inflow/(outflow) from investing activities</b>		<b>54,251</b>	<b>(49,371)</b>
Equity dividends paid	10	(60,280)	(58,791)
Proceeds from forfeiture of unclaimed dividends <sup>1</sup>		276	—
Repurchase of shares into Treasury	16	(81,569)	(15,819)
Proceeds from share forfeiture <sup>1</sup>		596	—
Loan interest paid	7	(13,797)	(13,798)
<b>Net cash outflow from financing activities</b>		<b>(154,774)</b>	<b>(88,408)</b>
<b>Decrease in cash and cash equivalents</b>		<b>(32,382)</b>	<b>(68,076)</b>
Cash and cash equivalents at start of year		89,530	157,606
<b>Cash and cash equivalents at end of year</b>		<b>57,148</b>	<b>89,530</b>
<b>Cash and cash equivalents consist of:</b>			
Cash at bank		20,245	351
Current asset investment in JPMorgan GBP Liquidity Fund		36,903	89,179
<b>Total</b>		<b>57,148</b>	<b>89,530</b>

<sup>1</sup> During the period, the Company undertook an Asset Reunification Programme to reunite inactive shareholders with their shares and unclaimed dividends. Pursuant to the Company's Articles of Association, the Company has exercised its right to reclaim the shares of shareholders whom the Company, through its previous Registrar, has been unable to locate for a period of 12 years or more. These forfeited shares were sold in the open market by the Registrar and the proceeds, net of costs, were returned to the Company. In addition, any unclaimed dividends older than 12 years from the date of payment of such dividends were also forfeited and returned to the Company.

The notes on pages 77 to 96 form an integral part of these financial statements.

# Notes to the Financial Statements

For the year ended 31st January 2025

## 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 are prepared under the historical cost convention, modified to include fixed asset investments at fair value, and in accordance with the Companies Act 2006, United Kingdom Generally Accepted Accounting Practice ('UK GAAP'), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' 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 53 of the Directors' Report form part of these financial statements.

### (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 at bank and current asset investments, 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'.

#### ***Share premium***

Amounts received in excess of the par value of issued shares are held in Share premium. For shares that have been reissued from Treasury, the excess amount of the sales proceeds over the purchase price of those shares, will be transferred to 'Share premium'.

#### ***Capital redemption reserve***

The par value of ordinary shares repurchased and cancelled by the Company are transferred from 'Called up share capital' to the 'Capital redemption reserve'.

#### ***Revenue reserve***

Net revenue return after taxation for the year is accounted for in the 'Revenue reserve'.

## Notes to the Financial Statements

### 1. Accounting policies (continued)

#### (d) Income

Dividends receivable from equity shares are recognised on the 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 page 84.

#### (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 at bank comprises cash held with the custodian and demand deposits, which are short term.

Current asset investments include highly liquid short term investments that are subject to an insignificant risk of change in value. The Company invests in the JPMorgan GBP Liquidity Fund, a money market fund, which is considered a current asset investment or cash equivalent. This investment features a low volatility net asset value, is held for short-term cash management purposes as an alternative to cash, and can be readily converted into a known amount of cash.

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 financing 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.



## Notes to the Financial Statements

### (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.

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 gains and losses on investments, recognised under 'Investment holding gains and losses' for investments still held at year end, and in 'Realised gains and losses on sale 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 par value of ordinary shares 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.

## Notes to the Financial Statements

### 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.

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

	2025 £'000	2024 £'000
Realised gains/(losses) on sale of investments	34,714	(1,236)
Net change in unrealised gains on investments	152,535	19,956
Other capital charges	(21)	(14)
<b>Total capital gains on investments held at fair value through profit or loss</b>	<b>187,228</b>	<b>18,706</b>

### 4. Income

	2025			2024		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
<b>Income from investments:</b>						
UK dividends	60,335	—	60,335	60,588	—	60,588
Special dividends	7,221	387	7,608	7,638	—	7,638
Overseas dividends	5,249	—	5,249	3,852	—	3,852
Property income distribution from UK REITS	3,921	—	3,921	1,191	—	1,191
	<b>76,726</b>	<b>387</b>	<b>77,113</b>	<b>73,269</b>	<b>—</b>	<b>73,269</b>
<b>Interest receivable and similar income:</b>						
Deposit interest	14	—	14	26	—	26
Interest from JPMorgan GBP Liquidity Fund	1,483	—	1,483	5,691	—	5,691
	<b>1,497</b>	<b>—</b>	<b>1,497</b>	<b>5,717</b>	<b>—</b>	<b>5,717</b>
<b>Total income</b>	<b>78,223</b>	<b>387</b>	<b>78,610</b>	<b>78,986</b>	<b>—</b>	<b>78,986</b>

### 5. Management fee

	2025			2024		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Management fee	2,385	5,564	7,949	2,071	4,832	6,903

Details of the management fee are given in the Directors' Report on page 47.

## Notes to the Financial Statements

## 6. Other administrative expenses

	2025 £'000	2024 £'000
Administration expenses	707	606
Auditor's remuneration for audit services <sup>1</sup>	50	45
Auditor's remuneration for other services in respect of debt covenant compliance <sup>1</sup>	6	6
Directors' fees <sup>2</sup>	305	311
Depository fees <sup>3</sup>	226	219
Marketing fees <sup>4</sup>	348	349
<b>Total</b>	<b>1,642</b>	<b>1,536</b>

<sup>1</sup> Auditor's remuneration is shown excluding VAT and the irrecoverable VAT thereof has been included within administration expenses. Included in 2025, is an additional one-off cost of £3,000 in respect of the 2024 audit.

<sup>2</sup> Full disclosure is given in the Directors' Remuneration Report on pages 59 to 61. Excludes taxable expenses paid to the Directors which are included in administration expenses.

<sup>3</sup> Includes £38,000 (2024: £37,000) irrecoverable VAT.

<sup>4</sup> Includes £58,000 (2024: £58,000) irrecoverable VAT.

## 7. Finance costs

	2025			2024		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Debenture interest	3,265	7,618	10,883	3,265	7,617	10,882
Private placement loan notes interest	873	2,037	2,910	873	2,037	2,910
Amortisation of debenture and private placement loan notes issue costs	33	77	110	32	76	108
Overdraft interest	1	3	4	2	4	6
	<b>4,172</b>	<b>9,735</b>	<b>13,907</b>	<b>4,172</b>	<b>9,734</b>	<b>13,906</b>

## 8. Taxation

## (a) Analysis of tax charge for the year

	2025			2024		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Overseas withholding tax	958	—	958	141	—	141
<b>Total tax charge for the year</b>	<b>958</b>	<b>—</b>	<b>958</b>	<b>141</b>	<b>—</b>	<b>141</b>

## Notes to the Financial Statements

### 8. Taxation (continued)

#### (b) Factors affecting total tax charge for the year

The tax charge for the year is lower (2024: lower) than the Company's applicable effective rate of corporation tax of 25% (2024: 24.03%). The factors affecting the total tax charge for the year are as follows:

	2025			2024		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Net return before taxation	70,024	172,312	242,336	71,207	4,142	75,349
Net return before taxation multiplied by the Company's applicable rate of corporation tax of 25% (2024: 24.03%)	17,506	43,078	60,584	17,111	995	18,106
Effects of:						
Non taxable UK dividends	(16,585)	(97)	(16,682)	(16,394)	—	(16,394)
Non taxable Overseas dividends	(1,616)	—	(1,616)	(926)	—	(926)
Non taxable capital (gains)/losses	—	(46,806)	(46,806)	—	(4,495)	(4,495)
Tax attributable to expenses and finance costs charged to capital	(2,003)	2,003	—	(2,459)	2,459	—
Overseas withholding tax	958	—	958	141	—	141
Deferred tax not recognised	1,917	—	1,917	2,222	—	2,222
Disallowed interest	781	1,822	2,603	446	1,041	1,487
<b>Total tax charge for the year</b>	<b>958</b>	<b>—</b>	<b>958</b>	<b>141</b>	<b>—</b>	<b>141</b>

#### (c) Deferred taxation

The Company has an unrecognised deferred tax asset of £82,768,000 (2024: £98,860,000) in respect of cumulative excess management expenses and loan relationships of £331,070,000 (2024: £387,430,000), based on a prospective corporation tax rate of 25% (2024: 25%) as enacted by the Finance Act 2021. The deferred tax asset has arisen due to the cumulative excess of deductible expenses over taxable income.

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 per share

	2025 £'000	2024 £'000
Revenue return	69,066	71,066
Capital return	172,312	4,142
<b>Total return</b>	<b>241,378</b>	<b>75,208</b>
Weighted average number of shares in issue during the year	771,172,156	788,846,061
Revenue return per share	8.96p	9.01p
Capital return per share	22.34p	0.53p
<b>Total return per share</b>	<b>31.30p</b>	<b>9.54p</b>

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



## Notes to the Financial Statements

## 10. Dividends

## (a) Dividends paid and declared

	2025		2024	
	Pence	£'000	Pence	£'000
<b>Dividends paid</b>				
Fourth quarterly dividend in respect of prior year	3.30	25,626	3.10	24,493
First quarterly dividend	1.50	11,628	1.45	11,456
Second quarterly dividend	1.50	11,622	1.45	11,451
Third quarterly dividend <sup>1</sup>	1.50	11,404	1.45	11,391
<b>Total dividends paid in the year</b>	<b>7.80</b>	<b>60,280</b>	<b>7.45</b>	<b>58,791</b>
Forfeiture of unclaimed dividends over 12 years old <sup>2</sup>	n/a	(276)	—	—
<b>Net dividends</b>	<b>7.80</b>	<b>60,004</b>	<b>7.45</b>	<b>58,791</b>
<b>Dividends declared</b>				
Fourth quarterly dividend declared	3.40	25,387	3.30	25,626

<sup>1</sup> 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 2025 is therefore recognised as paid prior to the year end.

<sup>2</sup> The unclaimed dividends were forfeited following an extensive exercise which attempted to reunite the dividends with owners.

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 2025. In accordance with the accounting policy of the Company, this dividend will be reflected in the financial statements for the year ending 31st January 2026.

## (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 £69,066,000 (2024: £71,066,000).

The maximum amount of income that the Company is permitted to retain under Section 1158 is £11,733,000 (2024: £11,848,000), calculated as 15% of gross revenue. Therefore the minimum distribution required by way of dividend is £57,333,000 (2024: £59,218,000).

	2025		2024	
	Pence	£'000	Pence	£'000
First quarterly dividend	1.50	11,628	1.45	11,456
Second quarterly dividend	1.50	11,622	1.45	11,451
Third quarterly dividend	1.50	11,404	1.45	11,391
Fourth quarterly dividend	3.40	25,387	3.30	25,626
<b>Total dividends for Section 1158 purposes</b>	<b>7.90</b>	<b>60,041</b>	<b>7.65</b>	<b>59,924</b>

## Notes to the Financial Statements

### 11. Investments held at fair value through profit or loss

	2025 £'000	2024 £'000
Investments listed on a recognised stock exchange	2,148,199	1,998,468
Investments listed on AIM	88,103	111,036
Unlisted investments	6,382	6,210
	<b>2,242,684</b>	<b>2,115,714</b>

	Listed UK £'000	AIM and Unlisted £'000	Total £'000
Opening book cost	1,633,691	118,012	1,751,703
Opening investment holding gains/(losses)	364,777	(766)	364,011
Opening valuation	1,998,468	117,246	2,115,714
Movements in the year:			
Transfer from AIM to Listed UK <sup>3</sup>	12,027	(12,027)	—
Purchases at cost <sup>1</sup>	398,226	29,449	427,675
Sales proceeds <sup>2</sup>	(451,475)	(36,479)	(487,954)
Gains/(losses) on investments	190,953	(3,704)	187,249
<b>Closing valuation</b>	<b>2,148,199</b>	<b>94,485</b>	<b>2,242,684</b>
Closing book cost	1,633,065	93,073	1,726,138
Closing investment holding gains	515,134	1,412	516,546
<b>Total investments held at fair value through profit or loss</b>	<b>2,148,199</b>	<b>94,485</b>	<b>2,242,684</b>

<sup>1</sup> £437,321,000 (2024 : £428,193,000) was recorded as a cash purchase in the Statement of Cash Flows. The difference is due to the timing of cash flow movements in respect of securities purchased awaiting settlement.

<sup>2</sup> £491,572,000 (2024 : £378,822,000) was recorded as a cash sale in the Statement of Cash Flows. The difference is due to the timing of cash flow movements in respect of securities sold awaiting settlement and other capital charges.

<sup>3</sup> There has been one transfer of security from FTSE AIM to Listed UK during the year.

The Company received £487,954,000 (2024: £382,834,000) from investments sold in the year. The book cost of these investments when they were purchased was £453,240,000 (2024: £384,070,000). 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 £1,654,000 (2024: £2,238,000) and £299,000 (2024: £249,000) respectively. Brokerage commission on sales during the year amounted to £268,000 (2024: £214,000). These amounts are included within purchases at cost and sales proceeds as shown above.

## Notes to the Financial Statements

### 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
Foxtons	UK	Ordinary	5.3
Mears	UK	Ordinary	4.6
SThree	UK	Ordinary	3.8
Hollywood Bowl	UK	Ordinary	3.8
Pollen Street	UK	Ordinary	3.8
Bloomsbury Publishing	UK	Ordinary	3.7
Bytes Technology	UK	Ordinary	3.6
Moonpig	UK	Ordinary	3.3
4imprint	UK	Ordinary	3.3
Warpaint London	UK	Ordinary	3.1
Bellway	UK	Ordinary	3.0
Serco	UK	Ordinary	3.0
Plus500	UK	Ordinary	3.0

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 2025 was £448,426,000 (2024: £178,049,000).

### 13. Current assets

	2025 £'000	2024 £'000
<b>Debtors</b>		
Dividends and interest receivable	3,175	2,419
Overseas tax recoverable	342	958
Securities sold awaiting settlement	516	4,152
Other debtors	67	28
	<b>4,100</b>	<b>7,557</b>

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

#### Cash at bank and current asset investments

Cash at bank may comprise bank balances and demand deposits which are short term. Current asset investments comprise of holdings in the JPMorgan GBP Liquidity Fund, a money market fund. The carrying amount of these represents their fair value. Please refer to the Statement of Cash Flows for further details.

## Notes to the Financial Statements

### 14. Current liabilities

	2025 £'000	2024 £'000
<b>Creditors: amounts falling due within one year</b>		
Senior unsecured privately placed loan notes interest	1,156	1,156
Debenture stock interest	4,714	4,714
Other creditors and accruals	684	418
Repurchases of the Company's own shares awaiting settlement	1,207	655
Securities purchased awaiting settlement	2,659	12,305
	<b>10,420</b>	<b>19,248</b>

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

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

	2025 £'000	2024 £'000
£175 million 6.125% debenture stock <sup>1</sup>	174,501	174,404
£3.85 million 4.25% perpetual debenture stock <sup>2</sup>	3,850	3,850
Senior unsecured privately placed loan notes <sup>3</sup>	149,693	149,680
	<b>328,044</b>	<b>327,934</b>

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> £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 2025, the Company had drawn down £150.0 million on these Notes (2024: £150.0 million).

### 16. Called up share capital

	2025		2024	
	Number of Shares	£'000	Number of Shares	£'000
<b>Authorised ordinary shares allotted and fully paid:</b>				
Opening balance of Ordinary shares excluding shares held in Treasury	782,056,565	19,551	790,080,662	19,752
Repurchase of Ordinary shares into Treasury	(35,388,374)	(885)	(8,024,097)	(201)
Closing balance of Ordinary shares of 2.5p each excluding shares held in Treasury	746,668,191	18,666	782,056,565	19,551
Shares held in Treasury	197,823,989	4,946	162,435,615	4,061
<b>Closing balance of Ordinary shares of 2.5p each including shares held in Treasury</b>	<b>944,492,180</b>	<b>23,612</b>	<b>944,492,180</b>	<b>23,612</b>



## Notes to the Financial Statements

## 17. Capital and reserves

	Capital reserves <sup>1</sup>						Total £'000
	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Realised gains and losses £'000	Investment holding gains and losses £'000	Revenue reserve <sup>1</sup> £'000	
<b>For the year ended 31st January 2025</b>							
Opening balance	23,612	23,459	13,158	1,365,188	364,011	76,191	1,865,619
Net foreign currency losses on cash at bank and current asset investments	—	—	—	(4)	—	—	(4)
Realised gains on sale of investments	—	—	—	34,714	—	—	34,714
Net change in unrealised gains and losses on investments	—	—	—	—	152,535	—	152,535
Repurchase of shares into Treasury	—	—	—	(82,121)	—	—	(82,121)
Management fee and finance costs charged to capital	—	—	—	(15,299)	—	—	(15,299)
Capital special dividend received	—	—	—	387	—	—	387
Proceeds from share forfeiture	—	—	—	596	—	—	596
Other capital charges	—	—	—	(21)	—	—	(21)
Forfeiture of unclaimed dividends	—	—	—	—	—	276	276
Retained revenue for the year	—	—	—	—	—	69,066	69,066
Dividends paid in the year	—	—	—	—	—	(60,280)	(60,280)
<b>Closing balance</b>	<b>23,612</b>	<b>23,459</b>	<b>13,158</b>	<b>1,303,440</b>	<b>516,546</b>	<b>85,253</b>	<b>1,965,468</b>

<sup>1</sup> These reserves form the distributable reserves of the Company and may be used to fund distributions to shareholders.

	Capital reserves <sup>1</sup>						Total £'000
	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Realised gains and losses £'000	Investment holding gains and losses £'000	Revenue reserve <sup>1</sup> £'000	
<b>For the year ended 31st January 2024</b>							
Opening balance	23,612	23,459	13,158	1,397,476	344,055	63,916	1,865,676
Net foreign currency gains on cash at bank and current asset investments	—	—	—	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)
<b>Closing balance</b>	<b>23,612</b>	<b>23,459</b>	<b>13,158</b>	<b>1,365,188</b>	<b>364,011</b>	<b>76,191</b>	<b>1,865,619</b>

<sup>1</sup> 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 746,668,191 (2024: 782,056,565) Ordinary shares in issue at the year end (excluding Treasury shares).

	2025		2024	
	Net asset value attributable £'000	pence	Net asset value attributable £'000	pence
<b>Net asset value – debt at par</b>	<b>1,965,468</b>	<b>263.2</b>	<b>1,865,619</b>	<b>238.6</b>
Add: amortised cost of £175 million 6.125% debenture stock 25th February 2030	174,501	23.4	174,404	22.3
Less: fair value of £175 million 6.125% debenture stock 25th February 2030	(188,209)	(25.2)	(193,665)	(24.7)
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	(2,854)	(0.4)	(3,150)	(0.4)
Add: amortised cost of senior unsecured privately placed loan notes	149,693	20.1	149,680	19.1
Less: fair value of senior unsecured privately placed loan notes	(78,706)	(10.6)	(82,601)	(10.6)
<b>Net asset value – debt at fair value</b>	<b>2,023,743</b>	<b>271.0</b>	<b>1,914,137</b>	<b>244.8</b>

### 19. Contingent liabilities and capital commitments

At the balance sheet date there were no contingent liabilities or capital commitments (2024: same).

### 20. Transactions with the Manager and related parties

Details of the management contract are set out in the Directors' Report on page 47. The management fee payable to the Manager for the year was £7,949,000 (2024: £6,903,000) of which £nil (2024: £nil) was outstanding at the year end.

Included in administration expenses in note 6 on page 81 are safe custody fees amounting to £38,000 (2024: £32,000) payable to JPMorgan Chase Bank N.A. of which £9,000 (2024: £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 (2024: £nil) was payable to JPMorgan subsidiaries of which £nil (2024: £nil) was outstanding at the year end.

Other capital charges on dealing transactions amounting to £21,000 (2024: £14,000) were payable to JPMorgan Chase Bank N.A. during the year of which £6,000 (2024: £3,000) was outstanding at the year end.

At the year end, cash at bank of £20,245,000 (2024: £351,000) was held with JPMorgan Chase Bank N.A. A net amount of interest of £14,000 (2024: £26,000) was earned by the Company during the year from JPMorgan Chase Bank N.A. of which £nil (2024: £nil) was outstanding at the year end.

The Company also invests in the JPMorgan GBP Liquidity Fund, a money market fund managed by JPMorgan Asset Management (Europe) S.à r.l. At the year end this was valued at £36.9 million (2024: £89.2 million). Interest income amounting to £1,483,000 (2024: £5,691,000) was receivable during the year, of which £nil (2024: £nil) was outstanding at the year end.

Full details of Directors' remuneration and shareholdings can be found on page 60 and in note 6 on page 81.

## Notes to the Financial Statements

**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 77.

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

	2025		2024	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Level 1	2,236,302	—	2,109,504	—
Level 3 <sup>1</sup>	6,382	—	6,210	—
<b>Total</b>	<b>2,242,684</b>	<b>—</b>	<b>2,115,714</b>	<b>—</b>

<sup>1</sup> Consists only of a holding in Tennants Consolidated Limited (ordinary and preference shares), an unquoted stock, which is still held at 31st January 2025.

There were no transfers between levels 1, 2 and 3 during the year (2024: none). A reconciliation of the fair value measurements using valuation techniques using non-observable data is set out below.

	2025		
	Equity Investments £'000	Fixed Interest Investment £'000	Total £'000
<b>Level 3</b>			
Opening balance	6,116	94	6,210
Change in fair value of unquoted investment during the year	172	—	172
<b>Closing balance</b>	<b>6,288</b>	<b>94</b>	<b>6,382</b>

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

## 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 in the 'Key Features' section. 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;
- investment in 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 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).



## Notes to the Financial Statements

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:

	2025 £'000	2024 £'000
Exposure to floating interest rates:		
Cash at bank	20,245	351
Current asset investment in the JPMorgan GBP Liquidity Fund	36,903	89,179
<b>Net exposure</b>	<b>57,148</b>	<b>89,530</b>

Interest receivable on cash balances, or paid on overdrafts, is at a margin below or above SONIA respectively (2024: same). The target interest earned on the JPMorgan GBP Liquidity Fund, a AAA rated money market fund, is the prevailing money market rate on GBP.

### Interest rate sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to a 1% (2024: 1%) 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 movements 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.

	2025		2024	
	1% increase in rate £'000	1% decrease in rate £'000	1% increase in rate £'000	1% decrease in rate £'000
Statement of Comprehensive Income – return after taxation				
Revenue return	571	(571)	895	(895)
Total return after taxation for the year	571	(571)	895	(895)
<b>Net assets</b>	<b>571</b>	<b>(571)</b>	<b>895</b>	<b>(895)</b>

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 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:

	2025 £'000	2024 £'000
Investments held at fair value through profit or loss	2,242,684	2,115,714

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 24. 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 ongoing situation in the Middle East, along with the current conflict between Russia and Ukraine and any existing or potential sanctions, could negatively impact the global economy, as well as the economies of specific nations and individual issuers, potentially affecting the market adversely.

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% (2024: 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.

	2025		2024	
	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	(303)	303	(286)	286
Capital return	223,562	(223,562)	210,905	(210,905)
Total return after taxation	223,259	(223,259)	210,619	(210,619)
<b>Net assets</b>	<b>223,259</b>	<b>(223,259)</b>	<b>210,619</b>	<b>(210,619)</b>

#### (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.

## Notes to the Financial Statements

## Liquidity risk exposure

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

	2025			
	Three months or less £'000	More than three months but less than one year £'000	One year or more £'000	Total £'000
<b>Creditors: amounts falling due within one year</b>				
Securities purchased awaiting settlement	2,659	—	—	2,659
Other creditors and accruals	684	—	—	684
Repurchases of the Company's own shares awaiting settlement	1,207	—	—	1,207
Senior unsecured privately placed loan notes – interest <sup>1</sup>	1,874	2,192	—	4,066
Debenture stock – interest <sup>1</sup>	5,441	5,441	—	10,882
<b>Creditors: amounts falling due after more than one year</b>				
Debenture stock – principal <sup>1,2</sup>	—	—	178,850	178,850
Debenture stock – interest <sup>1</sup>	—	—	49,250	49,250
Senior unsecured privately placed loan notes – principal <sup>1</sup>	—	—	150,000	150,000
Senior unsecured privately placed loan notes – interest <sup>1</sup>	—	—	71,641	71,641
	<b>11,865</b>	<b>7,633</b>	<b>449,741</b>	<b>469,239</b>
	2024			
	Three months or less £'000	More than three months but less than one year £'000	One year or more £'000	Total £'000
<b>Creditors: amounts falling due within one year</b>				
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 <sup>1</sup>	1,874	2,192	—	4,066
Debenture stock – interest <sup>1</sup>	5,441	5,441	—	10,882
<b>Creditors: amounts falling due after more than one year</b>				
Debenture stock – principal <sup>1,2</sup>	—	—	178,850	178,850
Debenture stock – interest <sup>1</sup>	—	—	60,132	60,132
Senior unsecured privately placed loan notes – principal <sup>1</sup>	—	—	150,000	150,000
Senior unsecured privately placed loan notes – interest <sup>1</sup>	—	—	74,559	74,559
	<b>20,693</b>	<b>7,633</b>	<b>463,541</b>	<b>491,867</b>

<sup>1</sup> The liabilities shown above represent future contractual payments and therefore differ from the amounts shown in the Statement of Financial Position.

<sup>2</sup> 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 at bank and current asset investments

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.

###### 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, cash at bank and current asset investments 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.

	2025		2024	
	Carrying value £'000	Fair value £'000	Carrying value £'000	Fair value £'000
£175 million 6.125% debenture stock 25th February 2030	174,501	188,209	174,404	193,665
£3.85 million 4.25% perpetual debenture stock	3,850	2,854	3,850	3,150
Senior unsecured privately placed loan notes <sup>1</sup>	149,693	78,706	149,680	82,601
	<b>328,044</b>	<b>269,769</b>	<b>327,934</b>	<b>279,416</b>

<sup>1</sup> £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:

	2025 £'000	2024 £'000
<b>Debt:</b>		
£175 million 6.125% debenture stock 25th February 2030	174,501	174,404
£3.85 million 4.25% perpetual debenture stock	3,850	3,850
Senior unsecured privately placed loan notes	149,693	149,680
	328,044	327,934
<b>Equity:</b>		
Called up share capital	23,612	23,612
Reserves	1,941,856	1,842,007
	1,965,468	1,865,619
<b>Total debt and equity</b>	<b>2,293,512</b>	<b>2,193,553</b>

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

	2025 £'000	2024 £'000
Investments held at fair value through profit or loss	2,242,684	2,115,714
Net assets	1,965,468	1,865,619
<b>Gearing</b>	<b>14.1%</b>	<b>13.4%</b>

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.

## Notes to the Financial Statements

### 24. Analysis of changes in net debt

	As at 31st January 2024 £'000	Cash flows £'000	Interest and amortisation charges £'000	As at 31st January 2025 £'000
<b>Cash and cash equivalents</b>				
Cash at bank	351	19,894	—	20,245
Current asset investments <sup>1</sup>	89,179	(52,276)	—	36,903
	89,530	(32,382)	—	57,148
<b>Borrowings:</b>				
Debentures falling due after more than five years	(178,254)	10,883	(10,980)	(178,351)
Private Placement due after more than five years	(149,680)	2,910	(2,923)	(149,693)
Bank Overdraft interest	—	4	(4)	—
	(327,934)	13,797	(13,907)	(328,044)
<b>Net debt</b>	<b>(238,404)</b>	<b>(18,585)</b>	<b>(13,907)</b>	<b>(270,896)</b>

<sup>1</sup> JPMorgan GBP Liquidity Fund, a money market fund.

The notes on pages 77 to 96 form an integral part of these financial statements.

### 25. 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 2025 are shown below:

	Gross Method	Commitment Method
<b>Leverage exposure</b>		
Maximum limit	200%	200%
Actual	115.6%	116.6%

#### 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 2024 Performance Year in July 2024 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 2024 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 Asset Under Management ('AUM') weighted basis.

Due to the Firm's 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 24 Alternative Investment Funds (with 4 sub-funds) and 2 UCITS (with 42 sub-funds) as at 31st December 2024, with a combined AUM as at that date of £25,574 million and £21,277 million respectively.

	Fixed remuneration	Variable remuneration	Total remuneration	Number of beneficiaries
All staff of the Management Company (US\$'000s)	25,131	17,434	42,565	150

The aggregate 2024 total remuneration paid to AIFMD Identified Staff was US\$143,431,000 of which US\$7,910,000 relates to Senior Management and US\$135,521,000 relates to other Identified Staff<sup>1</sup>.

<sup>1</sup> 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 2025.







## Notice of Annual General Meeting

Notice is hereby given that the one hundred and thirty ninth Annual General Meeting of The Mercantile Investment Trust plc will be held at Trinity House, Tower Hill, London EC3N 4DH on Thursday, 22nd May 2025 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 2025.
2. To approve the Company's Remuneration Policy.
3. To approve the Directors' Remuneration Report for the year ended 31st January 2025.
4. To reappoint Rachel Beagles as a Director of the Company.
5. To reappoint Julia Goh as a Director of the Company.
6. To reappoint Heather Hopkins as a Director of the Company.
7. To reappoint Graham Kitchen as a Director of the Company.
8. To reappoint Damien Maltarp as a Director of the Company.
9. 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

10. 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 £1,830,551 representing approximately 10% of the Company's issued share capital (excluding shares held in Treasury) as at 7th April 2025, provided that this authority shall expire at the conclusion of the Annual General Meeting of the Company held in 2026 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

11. THAT subject to the passing of Resolution 10 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 10 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 7th April 2025 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 10 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

12. 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 20th November 2026 unless the authority is renewed at the Company's Annual General Meeting in 2026 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

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

### Authority to hold general meetings – Special Resolution

14. 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

**Sachu Saji, for and on behalf of JPMorgan Funds Limited,**  
Company Secretary

7th April 2025

### 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 with the instructions given on the proxy form no later than 12.00 p.m. two business days prior to the Meeting (i.e. excluding weekends and bank holidays).
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.

## Notice of Annual General Meeting

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 6.00 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 6.00 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. Entry to the Meeting will be restricted to shareholders and their proxy or proxies.
8. 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.
9. 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.
10. 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.
11. 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.
12. 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.



## Notice of Annual General Meeting

13. 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>.
14. 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.
15. 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.
16. As an alternative to completing a hard copy Form of Proxy/Voting Instruction Form, you can appoint a proxy or proxies electronically by visiting [www.investorcentre.co.uk/eproxy](http://www.investorcentre.co.uk/eproxy). You will need the Control Number, Shareholder Reference Number and PIN which are set out on your proxy form or the electronic broadcast you received from Computershare.
17. As at 7th April 2025 (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 212,271,620 Treasury shares. Therefore the total voting rights in the Company are 732,220,560.

### 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.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & International Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's Registrar (CREST ID is 3RA50) by the latest time(s) for receipt of proxy appointments specified in the notice of the meeting.

For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the Company's agent is liable to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means. If you are an institutional investor you may be able to appoint a proxy electronically via the Proxymity platform. For further information regarding Proxymity, please go to [www.proxymity.io](http://www.proxymity.io). Before you can appoint a proxy via this process you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy.

## 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 where relevant, is set out below.

### Net Asset Value ('NAV')

Also described as shareholders' 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 88). 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)

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.

The Company's debt (debentures and senior unsecured privately placed loan notes) is valued in the Statement of Financial Position on page 75 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'. The difference between fair and par values of the debt is subtracted from the NAV to derive the NAV with debt at fair value. 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.

		Year ended 31st January 2025	Year ended 31st January 2024	
Total return calculation	Page			
Opening cum-income NAV per share with debt at fair value (p)	8	244.8	239.8	(a)
Closing cum-income NAV per share with debt at fair value (p)	8	271.0	244.8	(b)
Total dividend adjustment factor <sup>1</sup>		1.030085	1.032776	(c)
Adjusted closing cum-income NAV per share (p) (d=bxc)		279.2	252.8	(d)
<b>Total return on net assets with debt at fair value (e=(d/a)-1)</b>		<b>14.1%</b>	<b>5.4%</b>	<b>(e)</b>

<sup>1</sup> 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.

		Year ended 31st January 2025	Year ended 31st January 2024	
Total return calculation	Page			
Opening cum-income NAV per share with debt at par value (p)	8	238.6	236.1	(a)
Closing cum-income NAV per share with debt at par value (p)	8	263.2	238.6	(b)
Total dividend adjustment factor <sup>1</sup>		1.030917	1.033755	(c)
Adjusted closing cum-income NAV per share (p) (d = b x c)		271.3	246.7	(d)
<b>Total return on net assets with debt at par value (e=(d/a)-1)</b>		<b>13.7%</b>	<b>4.5%</b>	<b>(e)</b>

<sup>1</sup> 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 on share price (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.

		Year ended 31st January 2025	Year ended 31st January 2024	
Total return calculation	Page			
Opening share price (p)	8	214.0	209.5	(a)
Closing share price (p)	8	246.0	214.0	(b)
Total dividend adjustment factor <sup>1</sup>		1.034383	1.038360	(c)
Adjusted closing share price (p) (d = b x c)		254.5	222.2	(d)
<b>Total return on share price (e=d/a-1)</b>		<b>18.9%</b>	<b>6.1%</b>	<b>(e)</b>

<sup>1</sup> 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.

		31st January 2025 £'000	31st January 2024 £'000	
Gearing calculation	Page			
Investments held at fair value through profit or loss	75	2,242,684	2,115,714	(a)
Net assets	75	1,965,468	1,865,619	(b)
<b>Gearing (c=(a/b)-1)</b>		<b>14.1%</b>	<b>13.4%</b>	<b>(c)</b>

### Ongoing charges ratio (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.

		Year ended 31st January 2025 £'000	Year ended 31st January 2024 £'000	
Ongoing charges calculation	Page			
Management Fee	73	7,949	6,903	
Other administrative expenses	73	1,642	1,536	
Total management fee and other administrative expenses		9,591	8,439	(a)
Average daily cum-income net assets		1,979,036	1,784,760	(b)
<b>Ongoing charges ratio (c=a/b)</b>		<b>0.48%</b>	<b>0.47%</b>	<b>(c)</b>

## Glossary of Terms and Alternative Performance Measures (Unaudited)

### Share price discount/premium to 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 company's shares to trade at a discount than at a premium (page 8).

	Page	31st January 2025	31st January 2024	
Share price (p)	8	246.0	214.0	(a)
Net assets value per share with debt at fair value (p)	8	271.0	244.8	(b)
<b>Discount to net asset value with debt at fair value (c=(a-b)/b)</b>		<b>(9.2)%</b>	<b>(12.6)%</b>	<b>(c)</b>

	Page	31st January 2025	31st January 2024	
Share price (p)	8	246.0	214.0	(a)
Net assets value per share with debt at par value (p)	8	263.2	238.6	(b)
<b>Discount to net asset value with debt at par value (c=(a-b)/b)</b>		<b>(6.5)%</b>	<b>(10.3)%</b>	<b>(c)</b>

### Consumer Price Index (CPI)

The Consumer Price Index measures the average change in prices paid by consumers over time for a basket of goods and services.

### Medium and smaller sized companies

Medium companies are defined as companies in the FTSE 250 (the Mid Cap Index). Smaller sized companies are defined as companies in the FTSE SmallCap Index.

### 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](http://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](http://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 101 to 103 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](http://www.theaic.co.uk/aic/shareholder-voting-consumer-platforms) for information on which platforms support these services and how to utilise them.

## Share Fraud Warning

## 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](http://www.actionfraud.police.uk)



**Be ScamSmart and visit**  
**[www.fca.org.uk/scamsmart](http://www.fca.org.uk/scamsmart)**

## Information about the Company

### Financial Conduct Authority ('FCA') Regulation of 'non-mainstream pooled investments', 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 instruments' 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.

### Task Force on Climate-related Financial Disclosures

As a listed Investment Trust, the Company is exempt from Task Force on Climate-related Financial Disclosures ('TCFD') disclosures. However, in accordance with the requirements of the TCFD, on 30th June 2024, the Investment Manager published its UK TCFD Report for the Company in respect of the year ended 31st December 2023. The report discloses estimates of the portfolio's climate-related risks and opportunities according to the FCA Environmental, Social and Governance Sourcebook and the TCFD Recommendations. The report is available on the Company's website: [www.mercantileit.co.uk](http://www.mercantileit.co.uk).

## 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: 00020537

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](http://www.mercantileit.co.uk), where the share price is updated every 15 minutes during trading hours.

### Website

[www.mercantileit.co.uk](http://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: [jpmam.investment.trusts@jpmorgan.com](mailto:jpmam.investment.trusts@jpmorgan.com)

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

### Depository

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

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

### Registrar

Computershare Investor Services PLC  
The Pavilions,  
Bridgwater Road,  
Bristol BS99 6ZZ

The Registrar's helpline: +44 (0) 370 707 1432

Lines open 8.30 a.m. to 5.30 p.m. Monday to Friday. Notifications of changes of address and enquiries regarding share certificates or dividend cheques should be made in writing to the Registrar. Registered shareholders can obtain further details on individual holdings on the internet by visiting [www.investorcentre.co.uk/eproxy](http://www.investorcentre.co.uk/eproxy).

### 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



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



## CONTACT

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