RNS **26 November 2024**

Mercia Asset Management PLC
("Mercia" or the "Group" or the "Company")

Interim results for the six months ended 30 September 2024

34% growth in EBITDA underpins a 6% increase in the interim dividend

Mercia Asset Management PLC (AIM: MERC), the regionally focused, specialist alternative asset manager with over £1.8billion of assets under management ("AuM"), is pleased to announce its interim results for the six months ended 30 September 2024.

Mark Payton, Chief Executive Officer of Mercia, commented:
"Mercia has delivered another strong first half performance with our higher funds under management driving revenue and EBITDA growth. I am pleased to say that none of the tax changes announced in the Government's Autumn Budget, will curtail Mercia's growth ambitions."

	Unaudited 30 September 2024	Unaudited 30 September 2023	Audited 31 March 2024
Statutory results			
Revenue	**£17.9m**	£15.0m	£30.4m
Realised fair value gain on sale of a direct investment	-	-	£4.5m
Unrealised fair value movement in direct investments	**£0.2m**	£(1.6)m	£(17.3)m
Profit/(loss) before taxation	**£2.4m**	£1.4m	£(8.2)m
Basic earnings/(loss) per share	**0.41p**	0.30p	(1.71)p
Interim[1]/final dividend per share	**0.37p**	0.35p	0.90p
Cash and cash equivalents	**£46.2m**	£36.5m	£46.9m
Net assets	**£187.4m**	£202.4m	£189.2m
Alternative performance measures			
AuM [2]	**£1,836.9m**	£1,461.8m	£1,818.8m
EBITDA [3]	**£3.7m**	£2.8m	£5.5m
Adjusted operating profit [4]	**£4.8m**	£5.5m	£9.7m
Net assets per share	**43.4p**	45.3p	43.4p

1 The interim dividend will be paid on 8 January 2025 to shareholders on the register at the close of business on 6 December 2024.
2 AuM is defined as the value of funds under management from which the Group earns revenues, plus the Group's consolidated net assets.
3 EBITDA is defined as operating profit/(loss), depreciation, realised fair value gains/(losses) on the sale of direct investments, unrealised fair value movement in direct investments, share-based payments charge, amortisation of intangible assets and movement in fair value of deferred consideration.
4 Adjusted operating profit is defined as EBITDA plus net finance income.

Managed fund movements

- Third-party funds under management ("FuM") increased by c.31% compared to the corresponding period end to c. £1,650million (H1 2024: c.£1,260million; FY 2024: c.£1,630million), with no redemptions
  - Venture FuM of c.£952million (H1 2024: c.£660million; FY 2024: c.£913million)
    - £29.2million successfully raised by the three Northern Venture Capital Trusts ("VCTs") in April 2024, in addition to £1.2million of shareholder dividend reinvestment inflows
    - Final dividends totalling £9.1million paid out by the three Northern VCTs in addition to shares repurchased and cancelled totalling £6.8million
    - £10.0million additional equity allocation under the Northern Powerhouse Investment Fund I
    - Two Enterprise Investment Scheme ("EIS") funds closed raising a total of £16.3million
  - Debt FuM of c.£672million (H1 2024 c.£552million; FY 2024: c.£687million)
    - Frontier Development Capital's National Tooling Loan Fund moved into its realisation phase
  - Private equity FuM of c.£26million (H1 2024: c.£48million; FY 2024: c.£30million)
    - A refinancing at Imail realised £6.4million back to fund investors

Direct investment portfolio movements

- Direct investment portfolio fair value of £120.9million (H1 2024: £142.5million; FY 2024: £116.9million)
- £3.9million net invested into four portfolio companies (H1 2024: £7.5million net invested into eight portfolio companies)
- £0.2million net fair value increase in the portfolio during the six month period (H1 2024: £1.6million decrease)

Post-period end developments

- Northern VCTs to launch a £36.0million fundraise in January 2025, with shares allotted in the 2024/25 tax year
- Mercia's most recent EIS fundraise closed in November 2024, raising a total of c.£4million
- Cash proceeds totalling £0.6million received from the realisation of the Group's direct investment in Artesian Solutions, 11% higher than its carrying value as at 30 September 2024

This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) 596/2014 which is part of UK law by virtue of the European Union (Withdrawal) Act 2018. Upon publication of this announcement, this inside information is now considered to be in the public domain.

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Investor presentation
Mercia will also provide a live management presentation and Q&A via the Investor Meet Company platform at 3.00pm today. Registration details for the online investor presentation can be accessed via:

https://www.investormeetcompany.com/mercia-asset-management-plc/register

About Mercia Asset Management PLC
Mercia is a specialist alternative asset manager focused on supporting regional SMEs to achieve their growth aspirations. Mercia provides capital across its four asset classes of venture, debt, private equity and proprietary capital: the Group's 'Complete Connected Capital'.

The Group has a strong UK footprint through its 11 regional offices, university partnerships and extensive personal networks, providing it with access to high-quality deal flow.

Mercia Asset Management PLC is quoted on AIM with the EPIC "MERC".

Chief Executive Officer's review

Our 10-year journey - significant scale profitably built
The original Mercia Fund Management business was founded in Birmingham in 2010 following the Global Financial Crisis, with a core belief that we could make a material difference through deploying capital to the best investment opportunities, irrespective of where they were located in the UK.

Mercia Asset Management PLC was admitted to trading on AIM in December 2014 (as Mercia Technologies PLC), making this our tenth anniversary as a quoted company. With a focus on growing our original hybrid model of making both direct investments (using our own capital) and managing third-party funds under management ("FuM"), our vision was to become the first choice for investees, investors and employees. We are pleased to mark this 10-year milestone with the strong results we are reporting today.

Our journey to date can be summarised as:

Timeline	Third-party FuM	Total direct investment value	Average investment size	Six month deployment rate	Six month revenue	EBITDA	FTE
At IPO	c.£23m	c.£9m	c.£0.2m	c.£2m	c.£0.4m	£0	7
H1 FY25	c.£1.6bn	c.£121m	c.£1.5m	c.£100m	c.£18m	£3.7m	138

Over this 10-year journey, we have invested over £1billion into c.800 businesses and projects, returning over £700million back to our managed fund investors to date. Over the same period, in respect of our direct investment activity, we have invested c. £168million into 44 businesses returning over £100million thus far. We have faced and overcome many external challenges during this 10-year period including Brexit, COVID, global conflicts, energy crisis, inflation, elevated interest rates and sector-wide redemption calls. I am proud of what Mercia has accomplished, because we have proven that our business model is resilient and has been able to prosper, despite a frequently turbulent economic/market backdrop. Being a diversified, specialist alternative asset manager, focused on regional private markets capital deployment, is serving us and our investors well.

Today, operating under the trading names of Mercia Ventures, Mercia Debt, Frontier Development Capital and Mercia Private Equity, we are seen as a respected and pro-active partner to those seeking investment, having also been recognised on a national and regional basis including 'Top Investor in Women-Powered Businesses' (JP Morgan and Beauhurst, 2024 Annual Report), Insiders' 'Funder of the Year for the Midlands, Yorkshire, North West, and North East', and from Sifted, who recently noted Mercia to be the 'Most Active Investor' in Q3 across Europe.

Making a positive impact through our investment activities
Mercia is committed to investing responsibly and striving for sustainable, financial growth. We continue to be signatories of, and report against, the United Nations Principles for Responsible Investing. We aim to make a positive impact through the environmental and social contributions that our investees can make, aligning the UN Sustainable Development Goals with our own guiding principles, being: sustainable economic growth, improving diversity, reducing inequalities, boosting health and wellbeing for all.

In the first half of this financial year, we strengthened this commitment by appointing a dedicated ESG Manager to drive forward our sustainability agenda. Mercia continues to offset 100% of our corporate carbon emissions through Carbon Neutral Britain. We have also made commitments to the Investing in Women Code and the Women in Finance Charter to reinforce our beliefs, that a diverse and inclusive environment is most conducive to the success of our business and our portfolio companies, and we continue to improve the way in which we monitor this.

As a leading domestic and impactful investor across the UK, we seek opportunities that align our vision with our core values of Trusted, Growth, Responsible, Responsive and Connected, to demonstrate best-in-class ESG stewardship.

'Mercia 27': Accelerating FuM growth and doubling EBITDA
In July 2024, we set out our three year strategy to divest c.70% of our direct investment portfolio by value over the next three years, via orderly sale processes, primarily to fund the accelerated scaling of our third-party FuM to c.£3billion, whilst also doubling EBITDA. This we anticipate, will be accomplished by growing our existing strategic assets and in parallel, moving into the management of real assets. During the period, we received new fund inflows totalling c.£57million and post-period end a further c.£4million. In addition to the ongoing funds being raised via the Enterprise Investment Scheme ("EIS") and the three Northern Venture Capital Trusts ("VCTs") that we manage, we also have a number of other fund opportunities under consideration.

We are diversified by asset class, investor type and fund structure , as shown below:

	Private Venture	Private Debt	Private Equity	Intermediary Real Asset Finance	Balance Sheet (incl. direct investments)	Total
AuM:	£952m	£362m	£26m	£310m	£187m	**£1.8bn**
Asset type:	Equity as sole or syndicated provider in businesses typically seeking <£30m. Mercia will typically invest up to £10m, but can invest >£20m.	Direct lending, secondaries, leveraged loans. Often sole provider, investing up to £7.5m.	Growth equity looking at business re-engineering to drive performance.	Midlands-focused on real estate regeneration. Investing up to £20m as sole investor.	Nationally-focused on supporting existing direct assets to sale, and investing in Mercia's managed FuM as an LP.	
National and regional impact:	Real economy and job creation. Creating resilience. New business creation and expansion.	Real economy and job creation. Creating resilience. Business support and expansion.	Real economy and job creation. Creating resilience. Business expansion.	Infrastructure investment for growth and job creation. Expansion and sustainability. Brownfield remediation and regeneration. Housing, including social/affordable.	Historically invested alongside Mercia's third-party FuM in 'emerging stars'.	
Unrestricted cash:	£420m	£108m	-	£89m	£46m	**£663m**

Building for growth
We believe that our future success will be delivered from two key areas of our Group: 'Deal Origination' and 'Sales and Distribution'. Over the remainder of 'Mercia 27', these will remain our key areas of focus, as we look to broaden our managed funds into real assets, in parallel with continued growth in our strategic assets under management.

With our growth over the past 10 years, we benefit from the investment discipline exercised by our diverse investment teams across our 11 offices, originating and supporting many of the best opportunities across the UK. Whilst we expect to welcome a limited number of new colleagues for the remainder of this financial year, our focus now is on operational efficiencies and updated systems, as we seek to leverage our historic success with future opportunities, to deliver on our twin 'Mercia 27' goals.

Outlook
Mercia has delivered another strong first half performance with our higher funds under management driving revenue and EBITDA growth. I am pleased to say that none of the tax changes announced in the Government's Autumn Budget, will curtail Mercia's growth ambitions. Mercia's platform is now benefiting from its increasing scale across our investment strategies and investor client base. Our positive equity investing and SME lending track records and reputation, together with our human and financial capital, are combining to create a powerful and growing ecosystem within the UK regions, that positions us for long-term success, enabling us to proactively navigate through market cycles.

Mercia, with its investment discipline, debt-free cash position and sustainable, long-term private capital deployment business model, has a stable AuM position and a clear strategy through which to continue its growth trajectory. As institutional funds look to impactful, domestic and regional allocations, I remain confident that Mercia is well placed to benefit from this capital transition.

Since our IPO 10 years ago, Mercia's networks, liquidity and regional presence have grown significantly, positioning us for another decade of growth with the current opportunities that exist across the UK. My sincerest gratitude goes to our investees, our investors, our team here at Mercia and of course to our loyal shareholders, for your continued support.

Dr Mark Payton
Chief Executive Officer

Chief Investment Officer's review

Investment activity
During the six months to 30 September 2024, we invested c.£133millioninto 86 businesses across our funds and balance sheet, including 46 new fund portfolio companies. Compared to the corresponding period, AuM has increased c.26% to c.£1.8billion with no redemptions and the Group had c.£663million of liquidity at the end of the period to support our future investment activities.

Assets under management
A total of c.£47million of new capital was raised by our Enterprise Investment Schemes ("EIS") and Northern Venture Capital Trusts ("VCT"), alongside an additional £10.0million equity allocation to the Northern Powerhouse Investment Fund I from the British Business Bank ("BBB"), during the period.

Valuations across managed funds have remained largely flat, whilst c.£35million of distributions were made to fund investors, including dividends paid to VCT shareholders and the balance of the share buyback.

Asset class	1 April 2024 £'m	Inflows £'m	Transition to realisation phase £'m	Performance £'m	Distributions £'m	30 September 2024 £'m	Post-period end inflows £'m
Venture	**913**	57	-	1	(19)	**952**	4
Debt	**687**	-	(11)	2	(6)	**672**	-
Private equity	**30**	-	-	2	(6)	**26**	-
Total FuM	**1,630**	**57**	**(11)**	**5**	**(31)**	**1,650**	**4**

Proprietary capital	**189**	-	-	2	(4)	**187**	-
Total AuM	**1,819**	**57**	**(11)**	**7**	**(35)**	**1,837**	**4**

Asset class	**Liquidity 30 September 2024 £'m**	Liquidity 31 March 2024 £'m
Venture	**420**	404
Debt	**197**	262
Private equity	-	-
Total FuM	**617**	666
Proprietary capital	**46**	47
Total AuM	**663**	713

Investment realisations

In the six month period to 30 September 2024, our equity funds investors benefitted from 10 full and partial equity realisations (H1 2024: 19). These totalled c.£26million at a combined return of c.2x, and included a £14.8million, 4.5x return on VCT asset Gentronix and a refinancing at PE asset Imail realising £6.4million. A further £17.5million has been realised since the period end, including £7.5million from the sale of Smartgate Solutions Ltd (trading as Radar Healthcare), out of our Northern Powerhouse Investment Fund I for an enterprise value of £53.0million, returning a multiple of 4.1x. A direct investment asset, Artesian Solutions, was sold in November 2024 realising £0.6million.

<u>Third-party managed funds</u>

As at 30 September 2024, we were managing c.£1.6billion of third-party funds across multiple mandates (H1 2024: £1.3billion; FY 2024: £1.6billion). During the period we invested c.£129million across our venture and debt asset classes.

Across those funds we have c.£617million of liquidity (H1 2024: c.£346million; FY 2024: c.£666million), enabling us to both invest in new transactions and fully support our existing portfolio companies.

Asset class	**FuM 30 September 2024 £'m**	**Companies in portfolio No.**	**Amount invested £'m**	**Company exits No.**
Regional venture	469	90	23	3
EIS	106	83	12	2
VCT	377	58	18	4
Debt	673	295	76	32
Private equity	25	5	-	1
Totals	**1,650**	**531**	**129**	**42**

Managed funds' portfolios

Following the c.£360million of new regional BBB fund mandates won earlier in this calendar year, we have made an encouraging start, deploying c.£20million across 24 new businesses during the first half of this financial year from these new funds.

Regional Venture

New deals from within the BBB funds include a Harrogate based manufacturer of healthy 'free-from' chilled and frozen ready meals led by female CEO Kirsty Henshaw and WareHow, a Worksop based warehouse operator which promotes a one stop ecommerce fulfilment solution for fashion retailers. Our Northern VCTs have also been active, investing in consumer focused ski breaks business Heidi and Deep Tech carbon capture technology developer, Promethean.

Debt

In March 2024, Mercia Business Loans was awarded the mandate by BBB to manage the new c.£54million NPIF II Debt Fund, with a number of launch events subsequently taking place across the region during the period. Lending activity is in line with expectations and Mercia's Northern Debt Team supported 25 businesses, lending a total of £9.5million.

During the period, Frontier Development Capital ("FDC") deployed a significant £66.4million from its diversified portfolio of funds. Its property team led the way with £54.2million in funding, whilst the growth capital team contributed £10.5million, demonstrating resilient market demand. Against a backdrop of tightening mainstream lending criteria, FDC's alternative debt offerings have emerged as increasingly attractive financing solutions, particularly in the underserved commercial property development sector. Whilst portfolio companies have faced broader economic pressures, liquidity remains strong with no current provision requirements. Market conditions proved notably favourable for new property lending, with opportunistic developers seeking funding for strategically acquired sites, whilst the new BBB-backed c.£45million Midlands Engine Investment Fund II's successful February launch, has generated consistent interest across the West Midlands' SME landscape. Heightened lending activity to support transactions was also driven by anticipated CGT changes, cementing FDC's position as a crucial player in meeting diverse market financing needs. FDC continues to be an excellent addition to Mercia, as we approach the second anniversary of its acquisition.

Private Equity

Our PE team oversaw a £6.4million refinancing of Imail alongside continued growth at Shoppertainment, Total Resources and UK Landscapes.

Proprietary capital

As at 30 September 2024, our direct investment portfolio was fair valued at £120.9million (H1 2024: £142.5million; FY 2024: £116.9million) with 21 companies in the portfolio (H1 2024: 22; FY 2024: 22). The top 10 direct investment holdings represent c.£101million or c.83% of the total value of our portfolio as at 30 September 2024.

We invested £3.9million during the first six months (H1 2024: £7.5million), with our investment efforts focused on supporting VirtTrade (trading as Avid Games), Invincibles Studio, Eyoto and our limited partner contributions, which were primarily into the new managed BBB funds.

The table below lists Mercia's top 20 direct investments by fair value as at 30 September 2024, including cash invested, fair value movements and the fully diluted equity percentage held. It is pleasing to report our first direct investment realisation following the evolution of our strategy, with disposal proceeds of £0.6million received after the period end in respect of Artesian Solutions Ltd.

	Net investment	Net cash invested	Fair value movement	**Net investment**	Percentage

	Year of first direct investment	value as at 1 April 2024 £'000	six months to 30 September 2024 £'000	six months to 30 September 2024 £'000	**value as at 30 September 2024 £'000**	held as at 30 September 2024 %
Voxpopme Ltd	**2018**	15,849	-	25	**15,874**	20.2
Netacea Group Ltd	**2022**	14,661	-	-	**14,661**	34.2
Warwick Acoustics Ltd	**2014**	11,934	-	-	**11,934**	35.8
VirtTrade Ltd *	**2015**	10,223	900	93	**11,216**	61.4
Medherant Ltd	**2016**	10,934	-	-	**10,934**	33.3
Invincibles Studio Ltd	**2015**	8,567	750	-	**9,317**	35.5
Eyoto Group Ltd	**2017**	7,142	1,500	-	**8,642**	24.7
Locate Bio Ltd	**2018**	7,837	-	-	**7,837**	19.6
Ton UK Ltd **	**2015**	6,609	-	-	**6,609**	40.4
Aonic Founder SCS	**2023**	3,784	-	-	**3,784**	0.0
Axis Spine Technologies Ltd	**2022**	3,000	-	-	**3,000**	11.5
Tozaro Ltd	**2020**	2,734	-	-	**2,734**	11.2
Pimberly Ltd	**2021**	2,612	-	-	**2,612**	4.9
sureCore Ltd	**2016**	2,416	-	-	**2,416**	22.0
Forensic Analytics Ltd	**2021**	2,264	-	-	**2,264**	7.4
Nova Pangaea (Holdings) Ltd	**2022**	2,250	-	-	**2,250**	0.0
MyHealthChecked PLC	**2016**	782	-	68	**850**	13.1
Uniphy Ltd	**2022**	727	-	-	**727**	3.9
Artesian Solutions Ltd ***	**2023**	539	-	-	**539**	0.8
Sherlock Biosciences Inc	**2023**	340	-	(12)	**328**	0.3
Other direct investments	**n/a**	1,657	736	11	**2,404**	n/a
Total		**116,861**	**3,886**	**185**	**120,932**	n/a

* Trading as Avid Games
** Trading as Intelligent Positioning
*** Trading as FullCircl

Continued investment discipline across capital allocation and planning for further realisations
This first half of the financial year was relatively quiet for our direct asset portfolio. This is to be expected, given that many of our businesses raised substantial syndicated rounds in FY24 or are nearing cash flow breakeven. The direct asset portfolio remains healthy overall and we have ample liquidity to support it.

During the six month period, we have concentrated on value-creating activities across the portfolio. New c-suite executives have been recruited or identified for eight of our direct investee companies, to support realisations within the next two to three years. Additionally, we have worked diligently to introduce appropriate advisers early, helping to identify key growth areas that potential acquirers will find attractive.

Global events over the past few years, coupled with the resulting uncertainty has particularly impacted sentiment towards technology growth businesses, reaching a low point in December 2022. Data from 2023 and 2024 indicates that technology company multiples, especially in Software/SaaS, have started to tick upwards again. We are seeing entry multiples for SaaS businesses holding up, though the overall market remains tight for attracting new external investment, particularly in the Life Science and Deep Tech sectors.

Our Software/SaaS businesses have made significant strides in reducing the customer churn rates seen across the industry in recent years, with particular progress evident at Voxpopme and Intelligent Positioning, whilst Pimberly and Forensic Analytics continue to grow their revenues. In Life Sciences, Locate Bio and Medherant remain focused on advancing their clinical trials and development programmes. Although sentiment across the digital entertainment sectors is currently subdued with some studios contracting, both VirtTrade and Invincibles Studio have maintained stable revenues. They have both been investing in new games that are set to launch in the coming months, to support their future revenue growth.

Warwick Acoustics is progressing towards the delivery of its first automotive contract for production vehicles scheduled to launch in 2025. The company is also advancing multiple proof-of-concept projects with other automotive OEMs, and continues to grow sales of its multiple award winning, high-quality headphones.

Through our efforts in 2024, including syndicated funding rounds at Warwick Acoustics, Locate Bio, and Tozaro (formerly MIP Discovery), together with the progression of other investees towards breakeven, such as Voxpopme and Intelligent Positioning, our portfolio has required relatively low levels of financial support. During the second half of this financial year we will see further capital deployment across a number of direct investee companies, including Netacea Group and Eyoto. However, total investment for this financial year as a whole will be materially lower than last year, as the portfolio continues to mature.

Summary
With c.£617million of managed fund capital available for deployment, we continue to support the most promising regional businesses across diverse sectors and founders, whilst aiming to deliver robust investor returns in an impactful way.

Our equity portfolios are well diversified across sectors, largely unleveraged, and maintain significant liquidity, with a number of investments structured to provide downside protection. Our lending teams are also on the front foot with capital to deploy and good levels of deal flow.

Whilst inflation and interest rates are trending in a favourable direction and political uncertainty in the UK has lessened, there remains a generally lower risk tolerance in both the business and funding communities, particularly at the SME level. Whilst SMEs, including our portfolio companies, still face a challenging environment, they are resilient and continue to make solid progress.

As always, I would like to thank all our dedicated staff for their efforts during the past six months.

Julian Viggars
Chief Investment Officer

Chief Financial Officer's review

Overall financial performance
With record fund inflows of c.£562million during the year to 31 March 2024, revenues, EBITDA and EBITDA margin all increased during the six months to 30 September 2024 compared with the corresponding prior period, as the Group continues to profitably scale its business model.

scale its business model.

Interim dividend
The continued growth and operational cash generation of the Group has enabled Mercia's Board to declare a c.6% increase in the interim dividend to 0.37 pence per share (H1 2024: 0.35 pence per share). This interim dividend will be paid on 8 January 2025 to shareholders on the register at close of business on 6 December 2024, with the total dividend payable being £1,596,000 (H1 2024: £1,563,000).

Share buyback
The £5.0million share buyback programme announced in November 2023, concluded during the period on 29 May 2024, with a total of 15,706,088 shares bought back into treasury at an average price of 31.8 pence per share.

Alternative performance measures ("APM")
The Directors believe that the reporting of both EBITDA and adjusted operating profit assist in providing insightful measures of operating performance for businesses such as Mercia and are APMs of interest to both current and potential shareholders.

EBITDA is defined as operating profit/(loss) before depreciation, realised fair value gain on the sale of direct investments, unrealised fair value movements in direct investments, share-based payments charge, amortisation of intangible assets and movement in fair value of deferred consideration.

Adjusted operating profit is defined as EBITDA plus net finance income.

Results reported on an APM basis are denoted by [1] throughout this review.

	Unaudited Six months ended 30 September 2024 £'000	Unaudited Six months ended 30 September 2023 £'000	Audited Year ended 31 March 2024 £'000
Revenue	**17,908**	15,040	30,434
Administrative expenses[1]	**(14,192)**	(12,266)	(24,897)
EBITDA[1]	**3,716**	2,774	5,537
Net finance income	**1,102**	2,690	4,160
Adjusted operating profit[1]	**4,818**	5,464	9,697
Depreciation	**(302)**	(236)	(489)
Net finance income	**(1,102)**	(2,690)	(4,160)
Realised fair value gain on sale of a direct investment	-	-	4,450
Unrealised fair value movement in direct investments	**185**	(1,619)	(17,338)
Share-based payments charge	**(478)**	(509)	(1,002)
Amortisation of intangible assets	**(1,495)**	(1,495)	(2,989)
Movement in fair value of deferred consideration	**(295)**	(218)	(540)
Operating profit/(loss)	**1,331**	(1,303)	(12,371)
Net finance income	**1,102**	2,690	4,160
Profit/(loss) before taxation	**2,433**	1,387	(8,211)
Taxation	**(657)**	(38)	626
Profit/(loss) and total comprehensive income/(expense)	**1,776**	1,349	(7,585)

A reconciliation of these results prepared in accordance with International Financial Reporting Standards ("IFRS") to those presented on an APM basis are as follows:

	Six months ended 30 September 2024		
	IFRS as reported £'000	**Depreciation £'000**	**APM basis[1] £'000**
Administrative expenses	**(14,494)**	**302**	**(14,192)**
Depreciation	**-**	**(302)**	**(302)**

	Six months ended 30 September 2023		
	IFRS as reported £'000	Depreciation £'000	APM basis[1] £'000
Administrative expenses	(12,502)	236	(12,266)
Depreciation	-	(236)	(236)

	Year ended 31 March 2024		
	IFRS as reported £'000	Depreciation £'000	APM basis[1] £'000
Administrative expenses	(25,386)	489	(24,897)
Depreciation	-	(489)	(489)

Revenue
Revenue increased 19.1% to £17,908,000 (H1 2024: £15,040,000) and comprised fund management related fees, initial management fees from equity investment rounds, arrangement fees from loans, investment director monitoring fees, sundry business services income and VCT share offer related fees.

Administrative expenses[1]
Administrative expenses, excluding depreciation, increased 15.7% to £14,192,000 (H1 2024: £12,266,000) and comprised predominantly staff-related, office, marketing, professional adviser and VCT share offer related costs.

EBITDA
EBITDA increased 34.0% to £3,716,000 (H1 2024: £2,774,000), equating to an EBITDA margin of 20.8% (H1 2024: 18.4%).

Net finance income
Total gross finance income of £1,128,000 (H1 2024: £2,720,000) arose wholly from interest receivable on cash deposits (as shown in note 8 of the summary financial information). Finance costs of £26,000 (H1 2024: £30,000) comprised interest payable on office leases and the Group's staff electric car scheme.

Unrealised fair value movement in direct investments

	Unaudited Six months ended 30 September	Unaudited Six months ended 30 September	Audited Year ended 31 March

	2024 £'000	2023 £'000	2024 £'000
Investment movements excluding cash invested and realisations:			
Unrealised gains on the revaluation of direct investments	**424**	10,171	7,877
Unrealised losses on the revaluation of direct investments	**(239)**	(11,790)	(25,215)
Net unrealised fair value movement	**185**	(1,619)	(17,338)

The net unrealised fair value movement in direct investments resulted in a £185,000 increase (H1 2024: £1,619,000 decrease) and as at 30 September 2024, the fair value of the Group's direct investment portfolio was £120,932,000 (H1 2024: £142,454,000).

Unrealised fair value gains arose in three (H1 2024: eight) of the Group's direct investments. The largest unrealised fair value gain was in respect of VirtTrade Limited, which accounted for £93,000 of the total (H1 2024: £4,450,000 unrealised fair value gain in respect of nDreams Limited).

There were two (H1 2024: four) unrealised fair value losses, the largest being £65,000 which arose in respect of Impression Technologies Limited ("ITL") (H1 2024: £8,909,000 unrealised fair value loss in ITL).

Share-based payments charge
The £478,000 non-cash charge (H1 2024: £509,000) arises from the total number of both issued and vested share options held by employees throughout the Group, ranging from 28 January 2020 to 30 September 2024.

Amortisation of intangible assets
The amortisation charge for the period of £1,495,000 (H1 2024: £1,495,000) represents amortisation of the acquired intangible assets of FDC and the VCT fund management business.

Movement in fair value of deferred consideration
The purchase price of FDC, acquired in December 2022, included an element of contingent deferred consideration which is subject to a number of targets being met. An increase in the fair value of this contingent deferred consideration during the six month period to 30 September 2024 has occurred, due to the increased probability of its achievement and this has resulted in a charge to the income statement of £295,000 (H1 2024: £218,000).

Taxation
The components of the Group's tax charge are shown in note 9 of the summary financial information. The overall tax charge for the period comprises a corporation tax charge on taxable profits, partially offset by the continued unwinding of the deferred tax liability in respect of the intangible assets which arose on the acquisition of FDC and the VCT fund management business.

Profit and total comprehensive income for the period
The adjusted operating profit plus the net unrealised fair value increase for the period, together with other non-cash charges, have led to a consolidated total comprehensive income of £1,776,000 (H1 2024: £1,349,000). This has resulted in basic earnings per Ordinary share of 0.41 pence (H1 2024: 0.30 pence).

Summarised statement of financial position

	Unaudited As at 30 September 2024 £'000	Unaudited As at 30 September 2023 £'000	Audited As at 31 March 2024 £'000
Goodwill and intangible assets	**34,801**	37,556	36,296
Direct investment portfolio	**120,932**	142,454	116,861
Other non-current assets, trade and other receivables	**4,285**	3,497	4,810
Cash and cash equivalents	**46,214**	36,482	46,940
Total assets	**206,232**	219,989	204,907
Trade, other payables and lease liabilities	**(12,883)**	(10,165)	(9,595)
Deferred consideration	**(2,575)**	(3,223)	(2,279)
Deferred taxation	**(3,419)**	(4,168)	(3,792)
Total liabilities	**(18,877)**	(17,556)	(15,666)
Net assets	**187,355**	202,433	189,241
Net assets per share (pence) *	**43.4p**	45.3p	43.4p

* 431,292,375 Ordinary shares, excluding those held in treasury, has been used as the denominator for calculating net assets per share as at 30 September 2024. 446,679,523 Ordinary shares has been used as the denominator for calculating the comparative net assets per share as at 30 September 2023. 436,319,815 Ordinary shares, excluding those held in treasury, has been used as the denominator for calculating the comparative net assets per share as at 31 March 2024.

Intangible assets
The Group's intangible assets consist of goodwill and the intangible assets recognised on the acquisition of FDC and the VCT fund management business.

Direct investment portfolio
During the period, Mercia's direct investment portfolio increased from £116,861,000 as at 31 March 2024 (H1 2024: £136,550,000 as at 31 March 2023) to £120,932,000 as at 30 September 2024 (H1 2024: £142,454,000 as at 30 September 2023), a 3.5% increase (H1 2024: 4.3% increase).

The Group invested £3,886,000 (H1 2024: £7,523,000 net; FY 2024: £19,626,000 net) into four existing direct investments (H1 2024: seven existing and one new direct investment; FY 2024: 11 existing direct investments), with the top 10 direct investments representing c.83% of the total direct investment portfolio value (H1 2024: c.84%; FY 2024: c.83%).

Cash and cash equivalents
At the period end, Mercia had cash and cash equivalents totalling £46.2million (H1 2024: £36.5million; FY 2024: £46.9million).

The Group continues to have limited working capital needs due to the nature of its business and during the period net cash generated from operating activities totalled £4.2million (H1 2024: £3.5million; FY 2024: £7.1million).

As at 30 September 2024, the Group's cash and cash equivalents were spread across four leading United Kingdom banks and a BlackRock Sterling money market fund, earning an average overall yield of c.5%.

The summarised movements in the Group's cash and cash equivalents during the period are shown below.

	Unaudited Six months ended 30	Unaudited Six months ended 30 September	Audited Year ended 31 March

	September 2024 £'000	2023 £'000	2024 £'000
Opening cash and cash equivalents	**46,940**	37,555	37,555
Net cash generated from operating activities	**4,157**	3,533	7,084
Net cash (used in)/generated from direct investment activities	**(3,886)**	(5,312)	9,360
Deferred consideration paid in respect of the acquisition of FDC	**-**	-	(1,500)
Cash inflow from other investing activities	**1,030**	646	1,991
Purchase of own shares into treasury	**(1,834)**	-	(3,194)
Net cash used in financing activities	**(193)**	(224)	(4,356)
Closing cash and cash equivalents	**46,214**	36,198	46,940

Outlook

The Group's first-half performance continues to demonstrate Mercia's robust fundamentals with growth in revenues, EBITDA and EBITDA margin. This continued growth, alongside the cash generative nature of Mercia's fund management activities, supports a c.6% increase in the interim dividend to 0.37 pence per share.

With significant liquidity and a debt-free balance sheet, Mercia is well positioned for continuing profitable progress during the second half of this financial year.

Martin Glanfield
Chief Financial Officer

Summary Financial Information

Consolidated statement of comprehensive income

For the six months ended 30 September 2024

	Note	**Unaudited Six months ended 30 September 2024 £'000**	Unaudited Six months ended 30 September 2023 £'000	Audited Year ended 31 March 2024 £'000
Revenue	5	**17,908**	15,040	30,434
Administrative expenses	7	**(14,494)**	(12,502)	(25,386)
Realised fair value gain on sale of a direct investment	6	**-**	-	4,450
Unrealised fair value movement in direct investments	6	**185**	(1,619)	(17,338)
Share-based payments charge		**(478)**	(509)	(1,002)
Amortisation of intangible assets		**(1,495)**	(1,495)	(2,989)
Movement in fair value of deferred consideration		**(295)**	(218)	(540)
Operating profit/(loss)		**1,331**	(1,303)	(12,371)
Finance income	8	**1,128**	2,720	4,216
Finance expense		**(26)**	(30)	(56)
Profit/(loss) before taxation		**2,433**	1,387	(8,211)
Taxation	9	**(657)**	(38)	626
Profit/(loss) and total comprehensive income/(expense)		**1,776**	1,349	(7,585)
Basic earnings/(loss) per Ordinary share (pence)	10	**0.41**	0.30	(1.71)
Diluted earnings/(loss) per Ordinary share (pence)	10	**0.40**	0.30	(1.71)

All results derive from continuing operations.

Consolidated statement of financial position

As at 30 September 2024

	Note	**Unaudited As at 30 September 2024 £'000**	Unaudited As at 30 September 2023 £'000	Audited As at 31 March 2024 £'000
Assets				
Non-current assets				
Goodwill		**21,126**	20,892	21,126
Intangible assets		**13,675**	16,664	15,170
Property, plant and equipment		**183**	137	128
Right-of-use assets		**871**	790	711
Investments	12	**120,932**	142,454	116,861
Total non-current assets		**156,787**	180,937	153,996
Current assets				
Trade and other receivables		**3,231**	2,570	3,971
Short-term liquidity investments	13	**-**	284	-
Cash and cash equivalents	13	**46,214**	36,198	46,940
Total current assets		**49,445**	39,052	50,911
Total assets		**206,232**	219,989	204,907
Current liabilities				
Trade and other payables		**(12,035)**	(9,296)	(8,893)
Lease liabilities		**(403)**	(420)	(376)
Deferred consideration	14	**(2,575)**	(1,316)	(2,279)
Total current liabilities		**(15,013)**	(11,032)	(11,548)
Non-current liabilities				
Lease liabilities		**(445)**	(449)	(326)
Deferred consideration	14	**-**	(1,907)	-
Deferred taxation	15	**(3,419)**	(4,168)	(3,792)
Total non-current liabilities		**(3,864)**	(6,524)	(4,118)
Total liabilities		**(18,877)**	(17,556)	(15,666)
Net assets		**187,355**	202,433	189,241

Equity				
Issued share capital	16	**4**	4	4
Share premium	17	**83,775**	83,775	83,775
Treasury reserve	18	**(4,925)**	-	(3,188)
Other distributable reserve	19	**56,966**	60,899	59,338
Retained earnings		**45,532**	52,690	43,756
Share-based payments reserve		**6,003**	5,065	5,556
Total equity		**187,355**	202,433	189,241

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

The condensed consolidated interim financial statements of Mercia Asset Management PLC were approved by the Board of Directors on 25 November 2024 and authorised for issue. They were signed on its behalf by:

Dr Mark Payton — Chief Executive Officer

Martin Glanfield — Chief Financial Officer

Consolidated statement of cash flows

For the six months ended 30 September 2024

	Note	**Unaudited Six months ended 30 September 2024 £'000**	Unaudited Six months ended 30 September 2023 £'000	Audited Year ended 31 March 2024 £'000
Cash flows from operating activities:				
Operating profit/(loss)		**1,331**	(1,303)	(12,371)
Adjustments to reconcile operating (loss)/profit to net cash generated from operating activities:				
Depreciation of property, plant and equipment		**50**	50	104
Depreciation of right-of-use assets		**252**	186	385
Realised fair value gain on sale of a direct investment	6	**-**	-	(4,450)
Unrealised fair value movement in direct investments	6	**(185)**	1,619	17,338
Share-based payments charge		**478**	509	1,002
Amortisation of intangible assets		**1,495**	1,495	2,989
Movement in fair value of deferred consideration		**295**	218	540
Working capital adjustments:				
Decrease in trade and other receivables		**740**	621	800
(Decrease)/increase in trade and other payables		**(461)**	138	1,535
Cash generated from operating activities		**3,995**	3,533	7,872
Corporation tax receipt/(payment)		**162**	-	(788)
Net cash generated from operating activities		**4,157**	3,533	7,084
Cash flows from direct investment activities:				
Sale of direct investments	12	**-**	269	26,696
Purchase of direct investments	12	**(3,886)**	(7,523)	(19,926)
Investee company loan repayments	12	**-**	-	300
Investee company loan interest and redemption premium received	8	**-**	1,942	2,290
Net cash (used in)/generated from direct investment activities		**(3,886)**	(5,312)	9,360
Cash flows from other investing activities:				
Interest received from cash and cash equivalents		**1,135**	711	1,813
Purchase of property, plant and equipment		**(105)**	(65)	(110)
Deferred consideration paid in respect of acquisitions	14	**-**	-	(1,500)
Decrease in short-term liquidity investments		**-**	-	288
Net cash generated from other investing activities		**1,030**	646	491
Net cash (used in)/generated from total investing activities		**(2,856)**	(4,666)	9,851
Cash flows from financing activities:				
Dividends paid	11	**-**	-	(3,928)
Purchase of own shares into treasury		**(1,834)**	-	(3,194)
Proceeds received from the exercise of employee share options		**66**	-	26
Interest paid		**(26)**	(30)	(56)
Payment of lease liabilities		**(233)**	(194)	(398)
Net cash used in financing activities		**(2,027)**	(224)	(7,550)
Net (decrease)/increase in cash and cash equivalents		**(726)**	(1,357)	9,385
Cash and cash equivalents at the beginning of the period		**46,940**	37,555	37,555
Cash and cash equivalents at the end of the period	13	**46,214**	36,198	46,940

Consolidated statement of changes in equity

For the six months ended 30 September 2024

	Issued share capital £'000	**Share premium £'000**	**Treasury Reserve £'000**	**Other distributable reserve £'000**	**Retained earnings £'000**	**Share-based payments reserve £'000**	**Total £'000**
As at 1 April 2023 (audited)	4	83,744	-	63,266	51,341	4,566	202,921
Profit and total comprehensive income for the period	-	-	-	-	1,349	-	1,349
Final dividend	-	-	-	(2,367)	-	-	(2,367)
Exercise of share options	-	31	-	-	-	(10)	21
Share-based payments charge	-	-	-	-	-	509	509
As at 30 September 2023 (unaudited)	4	83,775	-	60,899	52,690	5,065	202,433
Purchase of Ordinary shares into treasury	-	-	(3,194)	-	-	-	(3,194)
Loss and total comprehensive expense for the period	-	-	-	-	(8,934)	-	(8,934)
Exercise of share options	-	-	6	-	-	(2)	4
Interim dividend	-	-	-	(1,561)	-	-	(1,561)
Share-based payments charge	-	-	-	-	-	493	493
As at 31 March 2024 (audited)	**4**	**83,775**	**(3,188)**	**59,338**	**43,756**	**5,556**	**189,241**
Purchase of Ordinary shares into treasury	**-**	**-**	**(1,834)**	**-**	**-**	**-**	**(1,834)**
Profit and total comprehensive income for the period	**-**	**-**	**-**	**-**	**1,776**	**-**	**1,776**
Final dividend				[illegible]			[illegible]

Final dividend	-	-	-	(2,372)	-	-	(2,372)
Exercise of share options	-	-	97	-	-	(31)	66
Share-based payments charge	-	-	-	-	-	478	478
As at 30 September 2024 (unaudited)	4	83,775	(4,925)	56,966	45,532	6,003	187,355

1. General information
Mercia Asset Management PLC (the"Group", "Mercia") is a public limited company, incorporated and domiciled in England, United Kingdom, and registered in England and Wales with registered number 09223445. Its Ordinary shares are admitted to trading on the AIM market of the London Stock Exchange. The registered office address is Mercia Asset Management PLC, Forward House, 17 High Street, Henley-in-Arden, Warwickshire B95 5AA.

2. Basis of preparation
The financial information presented in these condensed consolidated interim financial statements constitutes the condensed consolidated financial statements of Mercia Asset Management PLC and its subsidiaries for the six months ended 30 September 2024. These condensed consolidated interim financial statements should be read in conjunction with the Group's Annual Report and consolidated financial statements for the year ended 31 March 2024, which have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, International Financial Reporting Standards ("IFRS") and the applicable legal requirements of the Companies Act 2006.

These condensed consolidated interim financial statements and the comparative financial information presented in these condensed consolidated interim financial statements for the period ended 30 September 2024 do not constitute full statutory accounts within the meaning of Section 434 of the Companies Act 2006. The Group's Annual Report and consolidated financial statements for the year ended 31 March 2024 were approved by the Board on 1 July 2024 and have been delivered to the Registrar of Companies. The Group's independent auditor's report on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting, as adopted for use in the UK.

No new or revised standards or interpretations that have become effective during the period ended 30 September 2024 have had a material effect on the financial statements of the Group.

Although not required by statute or regulation, the financial information contained in these condensed consolidated interim financial statements, which were approved by the Board on 25 November 2024 and authorised for issue, have been reviewed by the Group's independent auditor.

3. Going concern
Based on the Group's balance sheet, including its liquidity position at the period end and its forecast future operating and investment activities, the Directors have a reasonable expectation that the Group has adequate financial resources to manage business risks in the current economic environment and continue in operational existence, for a period of at least 12 months from the date of this announcement. Accordingly, the Directors continue to adopt the going concern basis in preparing these condensed consolidated interim financial statements.

4. Material accounting policies
In the application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

The principal accounting policies applied in the presentation of the condensed consolidated interim financial statements of Mercia Asset Management PLC (the "Group", "Mercia" or the "Company"), including the critical accounting judgements made by the Directors and the key sources of estimation, are consistent with those followed in the preparation of the Group's Annual Report and consolidated financial statements for the year ended 31 March 2024 and have been consistently applied throughout the period ended 30 September 2024.

5. Segmental reporting
The Group's revenue and profits are derived from its principal activity within the United Kingdom.

IFRS 8 Operating Segments defines operating segments as those activities of an entity about which separate financial information is available and which are evaluated by the Chief Operating Decision Maker to assess performance and determine the allocation of resources. The Chief Operating Decision Maker has been identified as the Board of Directors. The Directors are of the opinion that under IFRS 8 Operating Segments the Group has only one operating segment, being specialist alternative asset management, because the results of the Group are monitored on a Group-wide basis. The Board of Directors assesses the performance of the operating segment using financial information which is measured and presented in a consistent manner.

An analysis of the Group's revenue is as follows:

	Unaudited Six months ended 30 September 2024 £'000	Unaudited Six months ended 30 September 2023 £'000	Audited Year ended 31 March 2024 £'000
Fund management fees	**12,362**	9,958	19,214
Initial management fees	**2,524**	2,369	5,465
Portfolio directors' fees	**2,092**	1,926	3,933
Other revenue	**130**	158	341
VCTs share offer fees	**800**	629	1,481
	17,908	15,040	30,434

6. Realised fair value gain and unrealised fair value movement in direct investments

	Unaudited Six months ended 30 September 2024 £'000	Unaudited Six months ended 30 September 2023 £'000	Audited Year ended 31 March 2024 £'000
Realised fair value gain on sale of a direct investment (note 12)	-	-	4,450
Net unrealised fair value movements in direct investments (note 12)	**185**	(1,619)	(17,338)
	185	(1,619)	(12,888)

7. Operating profit/(loss)
Operating profit/(loss) is stated after charging:

	Unaudited Six months	Unaudited Six months	Audited Year

	ended 30 September 2024 £'000	ended 30 September 2023 £'000	ended 31 March 2024 £'000
Staff costs	**9,747**	8,578	17,530
Other administrative expenses (including VCT share offer costs)	**4,747**	3,924	7,856
Total administrative expenses	**14,494**	12,502	25,386

8. Finance income

Finance income is derived from:

	Unaudited Six months ended 30 September 2024 £'000	Unaudited Six months ended 30 September 2023 £'000	Audited Year ended 31 March 2024 £'000
Cash deposits	**1,128**	773	1,917
Short-term liquidity investments	**-**	5	9
Investee company loans (interest and redemption premium)	**-**	1,942	2,290
Total interest income	**1,128**	2,720	4,216

9. Taxation

	Unaudited Six months ended 30 September 2024 £'000	Unaudited Six months ended 30 September 2023 £'000	Audited Year ended 31 March 2024 £'000
Current tax			
UK corporation tax	**(1,030)**	(410)	(122)
Deferred tax			
Origination and reversal of temporary timing differences	**373**	372	748
Total tax (charge)/credit	**(657)**	(38)	626

The UK standard rate of corporation tax is 25% (H1 2024: 25%). The deferred tax credit of £373,000 (H1 2024: £372,000) represents the unwinding of the deferred tax liabilities which arose in respect of the intangible assets recognised on the acquisition of Frontier Development Capital Limited and the VCT fund management business.

10. Earnings/(loss) per share

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) for the financial period by the weighted average number of Ordinary shares in issue during the period. Diluted earnings/(loss) per share is calculated by dividing the profit/(loss) for the financial period by the weighted average number of Ordinary shares outstanding and, when dilutive, adjusted for the effect of all potentially dilutive shares, including share options, on an as-if-converted basis. The potential dilutive shares are included in diluted earnings/(loss) per share calculations on a weighted average basis for the period. The profit/(loss) and weighted average number of shares used in the calculations are set out below:

	Unaudited Six months ended 30 September 2024	Unaudited Six months ended 30 September 2023	Audited Year ended 31 March 2024
Profit/(loss) for the financial period (£'000)	**1,776**	1,349	(7,585)
Basic weighted average number of Ordinary shares ('000)	**431,850**	446,582	444,716
Basic earnings/(loss) per Ordinary share (pence)	**0.41**	0.30	(1.71)
Diluted weighted average number of Ordinary shares ('000)	**445,310**	454,800	444,716
Diluted earnings/(loss) per Ordinary share (pence)	**0.40**	0.30	(1.71)

The calculation of basic and diluted earnings per share is based on the following weighted average number of Ordinary shares:

	Unaudited Six months ended 30 September 2024 '000	Unaudited Six months ended 30 September 2023 '000	Audited Year ended 31 March 2024 '000
Weighted average number of shares			
Basic	**431,850**	446,582	444,716
Dilutive impact of employee share options	**13,460**	8,218	-
Diluted weighted average number of Ordinary shares	**445,310**	454,800	444,716

The dilutive impact of employee share options for the year ended 31 March 2024 has been excluded from the weighted average number of diluted Ordinary shares, as including them is anti-dilutive to diluted earnings per share.

11. Dividends

An interim dividend for the year ending 31 March 2025 of 0.37 pence per share, totalling £1,596,000, has been declared after the reporting period end and as such, has not been included as a liability in these condensed consolidated financial statements, in accordance with IAS 10.

Details of the dividends declared and paid in the comparative periods are set out in the Group's consolidated financial statements for the year ended 31 March 2024.

12. Investments

The net change in the value of investments for the period is an increase of £4,071,000 (H1 2024: increase of £5,904,000). The table below reconciles the opening to closing value of investments for both the current and comparative periods.

	Level 1 financial	**Level 3 financial**	**Total financial**

	assets £'000	assets £'000	assets £'000
As at 1 April 2023 (audited)	969	135,581	136,550
Investments made during the period	-	7,523	7,523
Unrealised fair value gains on investments	-	10,171	10,171
Unrealised fair value losses on investments	(153)	(11,637)	(11,790)
As at 30 September 2023 (unaudited)	816	141,638	142,454
Investments made during the period	-	12,403	12,403
Investee company loan repayment	-	(300)	(300)
Disposal	-	(30,211)	(30,211)
Investment received as consideration	-	3,784	3,784
Realised gain on sale of direct investment	-	4,450	4,450
Unrealised fair value gains on investments	-	(2,294)	(2,294)
Unrealised fair value losses on investments	(34)	(13,391)	(13,425)
As at 31 March 2024 (audited)	**782**	**116,079**	**116,861**
Investments made during the period	**-**	**3,886**	**3,886**
Unrealised fair value gains on investments	**68**	**356**	**424**
Unrealised fair value losses on investments	**-**	**(239)**	**(239)**
As at 30 September 2024 (unaudited)	**850**	**120,082**	**120,932**

Investments held as part of the Group's direct investment portfolio are carried at fair value in accordance with IFRS 10 Investment Entity exemption.

The measurement basis for determining the fair value of investments held at each period end is as follows:

	Unaudited As at 30 September 2024 £'000	Unaudited As at 30 September 2023 £'000	Audited As at 31 March 2024 £'000
Listed investment	**850**	816	782
Initial fair value	**6,900**	3,140	6,912
Price of recent investment round	**64,100**	55,401	79,847
Enterprise value	**49,082**	83,097	29,320
	120,932	142,454	116,861

13. Cash, cash equivalents and short-term liquidity investments

	Unaudited As at 30 September 2024 £'000	Unaudited As at 30 September 2023 £'000	Audited As at 31 March 2024 £'000
Total cash and cash equivalents	**46,214**	36,198	46,940
Total short-term liquidity investments	**-**	284	-

14. Deferred consideration

	Unaudited As at 30 September 2024 £'000	Unaudited As at 30 September 2023 £'000	Audited As at 31 March 2024 £'000
Payable within one year	**2,575**	1,316	2,279
Payable within two to five years	**-**	1,907	-
	2,575	3,223	2,279

Details of the deferred consideration which arose on the acquisition of Frontier Development Capital Limited in December 2022 are set out in the Group's consolidated financial statements for the year ended 31 March 2024.

15. Deferred taxation

	Unaudited As at 30 September 2024 £'000	Unaudited As at 30 September 2023 £'000	Audited As at 31 March 2024 £'000
Deferred tax liability	**3,419**	4,168	3,792

Under IAS 12 Income Taxes, provision is made for the deferred tax liability associated with the recognition of intangible assets arising as part of the acquisitions of Frontier Development Capital Limited and the VCT fund management contracts.

As at 30 September 2024, the deferred tax liability has been calculated using the tax rate of 25%.

16. Issued share capital

	Unaudited Six months ended 30 September 2024		Unaudited Six months ended 30 September 2023		Audited Year ended 31 March 2024	
	Number	**£'000**	Number	£'000	Number	£'000
Allotted and fully paid						
As at the beginning of the period	**446,679,523**	**4**	446,581,202	4	446,581,202	4
Issue of share capital during the period	**-**	**-**	98,321	-	98,321	-
As at the end of the period	**446,679,523**	**4**	446,679,523	4	446,679,523	4

During the period, 5,326,380 Ordinary shares were repurchased into a treasury reserve, see note 18. The outstandingOrdinary shares as at 30 September 2024, being 431,292,375, are entitled to one vote each and have equal rights as to dividends. The Ordinary shares are not redeemable.

17. Share premium

	Unaudited Six months ended 30 September 2024 £'000	Unaudited Six months ended 30 September 2023 £'000	Audited Year ended 31 March 2024 £'000
As at the beginning of the period	**83,775**	83,744	83,744
Premium arising on the issue of Ordinary shares	**-**	31	31
As at the end of the period	**83,775**	83,775	83,775

18. Treasury reserve

	Unaudited 30 September 2024		Unaudited 30 September 2023		Audited 31 March 2024	
	Number	**£'000**	Number	£'000	Number	£'000
As at the beginning of the period	**10,359,708**	**3,188**	-	-	-	-
Purchase of own shares into treasury	**5,326,380**	**1,834**	-	-	10,379,708	3,194
Satisfaction of employee share options	**(298,940)**	**(97)**	-	-	(20,000)	(6)
As at the end of the period	**15,387,148**	**4,925**	-	-	10,359,708	3,188

19. Other distributable reserve

	Unaudited Six months ended 30 September 2024 £'000	Unaudited Six months ended 30 September 2023 £'000	Audited Year ended 31 March 2024 £'000
As at the beginning of the period	**59,338**	63,266	63,266
Dividends	**(2,372)**	(2,367)	(3,928)
As at the end of the period	**56,966**	60,899	59,338

20. Fair value measurements

The fair values of the Group's financial assets and liabilities are considered a reasonable approximation to the carrying values shown in the consolidated statement of financial position. Subsequent to their initial recognition at fair value, measurements of movements in fair values of financial instruments are grouped into Levels 1 to 3, based on the degree to which the fair value is observable. The fair value hierarchy used is outlined in more detail in note 2 to these consolidated financial statements.

The following table gives information about how the fair values of these financial assets and financial liabilities are determined and presents the Group's assets measured at fair value as at 30 September 2024. There have been no movements in financial assets or financial liabilities between levels during the current or comparative periods. The table in note 12 sets out the movement in the Level 1 and 3 financial assets from the start to the end of the period.

	Unaudited As at 30 September 2024 £'000	Unaudited As at 30 September 2023 £'000	Audited As at 31 March 2024 £'000
Assets:			
Financial assets at fair value through profit or loss - direct investment portfolio			
Level 1	**850**	816	782
Level 2	**-**	-	-
Level 3	**120,082**	141,638	116,079
	120,932	142,454	116,861

	Unaudited As at 30 September 2024 £'000	Unaudited As at 30 September 2023 £'000	Audited As at 31 March 2024 £'000
Liabilities:			
Financial liabilities at fair value through profit or loss - deferred consideration			
Level 1	**-**	-	-
Level 2	**-**	-	-
Level 3	**2,575**	3,223	2,279
	2,575	3,223	2,279

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate to their fair values.

Financial instruments in Level 1

The Group had one direct investment quoted on the AIM market of the London Stock Exchange, MyHealthChecked PLC, which is valued using the closing bid price as at 30 September 2024.

Financial instruments in Level 3

If one or more of the significant inputs required to fair value an instrument is not based on observable market data, the instrument is included in Level 3. Apart from the one investment classified in Level 1, all other investments held in the Group's direct investment portfolio have been classified in Level 3 of the fair value hierarchy and the individual valuations for each of the companies have been arrived at using appropriate valuation techniques.

The Group has adopted the International Private Equity and Venture Capital Valuation Guidelines for determining its valuation techniques, which specify that the price of a recent investment represents one of a number of inputs used to arrive at fair value and uses a single classification for all Level 3 investments. Note 2 of the Group's consolidated financial statements for the year ended 31 March 2024 provides further information on the Group's valuation methodology, including a detailed explanation of the valuation techniques used for Level 3 financial instruments.

A reconciliation of the movement in Level 1 and 3 financial assets is disclosed in note 12.

INDEPENDENT REVIEW REPORT TO MERCIA ASSET MANAGEMENT PLC

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2024 is not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34 and the London Stock Exchange AIM Rules for Companies.

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2024 which comprises the consolidated statement of comprehensive income, consolidated statement of financial position, consolidated cash flow statement, consolidated statement of changes in equity and notes to the condensed interim financial statements.

Basis for conclusion
We conducted our review in accordance with Revised International Standard on Review Engagements (UK) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" ("ISRE (UK) 2410 (Revised)"). A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with UK adopted International Accounting Standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with UK adopted International Accounting Standard 34, "Interim Financial Reporting".

Conclusions relating to going concern
Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for Conclusion section of this report, nothing has come to our attention to suggest that the Directors have inappropriately adopted the going concern basis of accounting or that the Directors have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410 (Revised), however future events or conditions may cause the Group to cease to continue as a going concern.

Responsibilities of directors
The Directors are responsible for preparing the half-yearly financial report in accordance with the London Stock Exchange AIM Rules for Companies which require that the half-yearly report be presented and prepared in a form consistent with that which will be adopted in the Company's annual accounts having regard to the accounting standards applicable to such annual accounts.

In preparing the half-yearly financial report, 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 review of the financial information
In reviewing the half-yearly report, we are responsible for expressing to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report. Our conclusion, including our Conclusions Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report
Our report has been prepared in accordance with the terms of our engagement to assist the Company in meeting the requirements of the rules of the London Stock Exchange AIM Rules for Companies and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

BDO LLP
Chartered Accountants
London, UK
Date: 25 November 2024

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

Directors, secretary and advisers

Directors

Ian Roland Metcalfe OBE	(Non-executive Chair)
Dr Mark Andrew Payton	(Chief Executive Officer)
Martin James Glanfield	(Chief Financial Officer)
Julian George Viggars	(Chief Investment Officer)
Diane Seymour-Williams	(Senior Independent Director)
Dr Jonathan David Pell	(Non-executive Director)
Caroline Bayantai Plumb OBE	(Non-executive Director)

Company secretary
Sarah-Louise Anne Williams

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