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Mercia Asset Management PLC
01 July 2025

RNS **1 July 2025**

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

Preliminary results for the year ended 31 March 2025

37% growth in EBITDA supports a 5% increase in the proposed final dividend and commencement of an annual share buyback policy of up to £3.0million

Mercia Asset Management PLC (AIM: MERC), the regionally focused, private capital asset manager with £2.0billion of assets under management ("AuM"), is pleased to announce its preliminary results for the year ended 31 March 2025.

Mark Payton, Chief Executive Officer of Mercia, commented:
"We are pleased to announce an excellent set of full year results. Our increasing scale is driving profitable growth and an increasing EBITDA margin. Our ambition now is to go much further and faster."

	31 March 2025	31 March 2024
Statutory results		
Revenue	**£35.2m**	£30.4m
Realised fair value (loss)/gain on sale of direct investments	**£(0.3)m**	£4.5m
Unrealised fair value movement in direct investments	**£0.3m**	£(17.3)m
Profit/(loss) before taxation	**£5.4m**	£(8.2)m
Basic earnings/(loss) per share	**0.80p**	(1.71)p
Interim dividend paid per share	**0.37p**	0.35p
Proposed final dividend per share [1]	**0.58p**	0.55p
Cash and cash equivalents	**£40.1m**	£46.9m
Net assets	**£187.9m**	£189.2m
Alternative performance measures		
AuM [2]	**£1,987.8m**	£1,818.8m
EBITDA [3]	**£7.6m**	£5.5m
EBITDA margin [4]	**22.1%**	18.2%
Adjusted operating profit [5]	**£10.2m**	£9.7m
Net assets per share	**43.6p**	43.4p

1 The proposed final dividend is subject to shareholder approval at the Company's Annual General Meeting on 25 September 2025 and if approved, will be paid on 31 October 2025 to shareholders on the register at the close of business on 3 October 2025.
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) excluding performance fees net of attributable costs, depreciation, realised fair value (loss)/gain 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 EBITDA margin is defined as EBITDA divided by revenue (excluding performance fees).
5 Adjusted operating profit is defined as EBITDA plus net finance income (excluding performance fees net of attributable costs).

Managed fund movements

- Third-party funds under management ("FuM") organically increased by c.10% in the year to c.£1,800million (2024: c. £1,630million), with no redemptions
  - Venture FuM of c.£928million (2024: c.£913million)
    - £29.2million of shares allotted by the three Northern Venture Capital Trusts ("VCTs") in April 2024, in addition to £2.4million of shareholder dividend reinvestment inflows
    - Four Enterprise Investment Scheme ("EIS") funds closed raising a total of £23.0million
    - £10.0million additional equity allocation under the Northern Powerhouse Investment Fund I
    - Award of a new £35.0million fund in the North East of England
  - Debt FuM of c.£850million (2024: c.£687million)
    - Additional £90.0million allocated to the West Midlands Combined Authority Commercial and Residential Investment Funds, managed by Frontier Development Capital ("FDC")
    - First close of the £81.5million Mercia Evolution Fund launched by FDC
  - Private equity FuM of c.£22million (2024: c.£30million)
    - £10.5million distributed back to fund investors following two fund realisations

Direct investment portfolio movements

- Direct investment portfolio fair value of £126.0million (2024: £116.9million)
- £9.7million net invested into eight portfolio companies (2024: £19.6million net invested into 11 portfolio companies)
- £0.3million net fair value increase in the portfolio during the year (2024: £17.3million net fair value decrease in the portfolio)

Post year end developments

- The Northern VCTs allotted shares totalling c.£36million on 4 April 2025, concluding their fundraise which became fully subscribed in March 2025
- Mercia's most recent Knowledge-intensive EIS fundraise closed on 4 April 2025, raising a total of c.£8million
- Significant funding rounds completed for Warwick Acoustics and Axis Spine Technologies, reflecting continued commercial progress and the potential for their respective technologies
- An initial £0.4million was received in June 2025 from the ongoing liquidation of Impression Technologies

This announcement contains inside information for the purposes of article 7 of the Market Abuse Regulation (EU) 596/2014 as it forms part of domestic law in the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 and as amended by regulation 11 of the Market Abuse (Amendment) (EU Exit) Regulations 2019/310. With the publication of this announcement, this information is now considered to be in the public domain.

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For further information, please contact:

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Investor presentation

Mercia will 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 private capital 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, extensive local adviser and personal networks, and university partnerships, providing it with access to high-quality deal flow.

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

Non-executive Chair's statement

On behalf of our Board, I am pleased to share our 2025 preliminary results with shareholders and our many other valued stakeholders. This marks our 10th anniversary as an AIM quoted company. It has been a challenging decade for the UK but despite this, Mercia has grown significantly since those early days, making meaningful strides in becoming the respected, profitable and cash generative business which it is today.

Performance against strategy

We were delighted that shareholders overwhelmingly supported our reclassification as a trading company on AIM at last September's Annual General Meeting ("AGM"). With this came the launch of our new fund management growth strategy. The year to 31 March 2025 ("FY25") is the first year of our new three-year strategy, Mercia '27, our ambitious plan to double the size and financial performance of the Group. This strategy also envisages us realising c.70% by value of the direct investment portfolio, thereby generating cash for other corporate purposes. As these FY25 financial results demonstrate, we have made a good start.

In spite of the ongoing challenges in the asset management sector, during the financial and tax year combined, the Group achieved excellent organic fund inflows across our equity investing and lending asset classes exceeding £0.3billion. This takes our total assets under management to over £2billion, doubling AuM over the last two years or so, with c.60% of the growth being organic net inflows.

In December 2022, we welcomed Frontier Development Capital Limited into our Group. I am pleased to report that the business continues to perform well. The deferred consideration, which was contingent upon the achievement of a number of financial targets has now been paid in full. This has been the case with each of the three acquisitions since our 2014 IPO, and speaks to the quality of the businesses and staff who have joined us with each of those transactions.

Capital allocation policy

In my Chair statement last year, we announced a fundamental change in our capital allocation policy. Via both organic and inorganic initiatives, we resolved to focus on accelerating growth in our fund management operations. As we divest the direct investment portfolio and continue our strategic shift to become a 'pure play' regionally focused private capital asset manager, we believe this will accelerate the creation of shareholder value and higher shareholder returns.

We adopted our progressive dividend policy in December 2020, when the Group declared its maiden interim dividend of 0.10 pence per share. Since then, Mercia's annual dividend has become firmly established with growth in each successive year's interim and final dividend. In January, the Group paid an interim dividend of 0.37 pence per share. We are now recommending a final dividend of 0.58 pence per share, representing a total dividend of 0.95 pence per share for the full year (2024: 0.90 pence per share), a c.6% increase on the prior year.

We anticipate that this rate of dividend growth will continue at similar levels. Given the Group's increasing financial performance and its continuing excellent cash position, the Board has decided to go one step further in respect of returns to shareholders. Following the Group's well received first share buyback which concluded in May last year, together with our ongoing dialogue with shareholders, we have decided to initiate an annual buyback policy. The initial value of shares to be bought back will be up to £3.0million and this amount will be kept under review. Shares re-purchased under this new policy will be cancelled. When combined with our annual dividend, this new policy will see c.£7.0million returned to shareholders annually.

As the balance sheet direct investment portfolio unwinds into cash, the Board will also consider the balance between periodic additional returns to shareholders and corporate growth opportunities for the Group, our objective always being to drive faster and greater shareholder returns.

Governance and Board evolution

Our commitment to the principles of the Quoted Companies Alliance Corporate Governance Code remains resolute, albeit these principles simply codify the existing integrity and transparency which are the fundamental cornerstones of the way in which we will always do business.

Succession planning is an essential element of good governance and this year is no exception. In April, Julian Viggars voluntarily relinquished his Executive Director role to enable him to concentrate all of his time on the Group's equity portfolios' investment performance. Julian's invaluable investment experience will be of continuing benefit to our equity fund investors and equity investment teams. In the coming months our Board will further evolve, with the retirement of both Dr Jonathan Pell and Caroline Plumb OBE from their Non-executive roles; Jonathan having served over seven years as our Audit and Risk Committee Chair and Caroline six years.

Julian, Jonathan and Caroline have all made a significant contribution to our strategic development and successes over the years. Both personally and on behalf of the Board, I would like to thank them all very much indeed for their dedicated service to the Group. Our Nominations Committee has commenced the search for both Jonathan's and Caroline's successors and we will make appropriate Stock Exchange announcements in due course.

At the senior operating level, we were very pleased to appoint Dean Heaney to the newly created role of Head of Institutional Distribution, underlining our commitment to significant future organic growth in our third-party funds under management, particularly with institutional investors.

Maintaining good stakeholder relationships remains critical to our future success, as does continuing to meet the investment objectives agreed with our many and varied asset class fund investors. We thank all of our investor stakeholders (and in particular the three independent Northern VCT boards, the British Business Bank, local government pension schemes and regional combined authorities), for their continuing trust in us.

Proactive engagement with all of our stakeholder groups remains particularly important to our Board. I am always pleased to meet and engage directly with shareholders, as I have done on a number of occasions during the past twelve months. As a national business with a diverse shareholder base, we have historically held our AGMs at different regional venues. Having held our previous two AGMs in London, this September for the first time, we will be holding our AGM in central Birmingham. It will be held at the offices of Frontier Development Capital Limited, 11th Floor, 45 Church Street, Birmingham, B3 2RT on 25 September 2025 at 10:00 am.

Responsible investing and culture
For Mercia, responsible investing with a clear purpose, a positive company culture and strong teamwork have always gone hand-in-hand. As set out in more detail in Mark's review, we always seek to make a commercial return for our investors, but we also aim to do so in a manner that treats all of our stakeholders with respect.

Looking forward
During our first decade as a quoted company, Mercia has met and successfully overcome many unexpected external challenges including Brexit, the COVID pandemic, high inflation and elevated interest rates. Today, the macro challenges currently come from further afield, but we do not anticipate any permanent impact on our portfolios of young venture backed businesses, nor on our portfolios of profitable SMEs and property developers, to whom our debt funds have made loans.

With guidance from our trusted advisers, our successful pivot to focus on growing our profitable fund management operations in private capital is leading to the benefits of scale now being experienced. In turn this is driving increased profitability, without compromising our ability to source good investment and lending opportunities; all whilst continuing to meet our funds investors' capital deployment and commercial return objectives.

Given the macro-economic and sector specific upheavals of the past decade, we have always managed Mercia whilst cautiously scanning the horizon, hence always maintaining a strong liquidity base. Whilst we will not endanger Mercia's long-term prosperity by deviating from this fundamental principle, our increasing financial strength now allows us to be bolder with our growth ambitions and shareholder returns.

Growth on the scale which Mercia is now consistently achieving requires extremely hard work and a daily commitment from all of our staff. They invariably work together as one team across our 11 offices. Our current financial results and the momentum this creates are as a direct result of the tireless endeavours of everyone involved. Again, both personally and on behalf of our Board, I would like to thank each and every one of our employees for their relentless efforts. I would also like to recognise and thank all of our external stakeholders and supporters, many of whom bring us exciting investment and lending opportunities, manage our investee companies and generally help us maintain our momentum.

Finally, an enormous thank you to you; our longstanding, loyal and supportive shareholders. We are all doing everything that we can to build a successful and increasingly valuable business for you.

It remains a privilege to be Chair of Mercia Asset Management PLC and I look forward to reporting to you on further progress in the years to come.

Ian R Metcalfe OBE
Non-executive Chair

Chief Executive Officer's Review

Introduction
In a year marked by continued global market volatility, inflation stubbornly above the 2% target and elevated interest rates, Mercia Asset Management PLC has demonstrated continued resilience and strategic progress. Our diversified investment approach across private capital asset classes and commitment to impactful capital deployment has enabled us to navigate these challenges effectively, resulting in continuing growth and value creation for our many stakeholders.

It is pleasing to note that since Mercia's beginning as a quoted company on AIM, we have invested over £1.2billion across the UK into over 800 businesses and projects. In this financial year alone we have invested c.£284million into 165 businesses, making Mercia a leading domestic private capital asset manager, with a focus on Place-Based Impact Investing ("PBII").

Our journey over the past ten years can be summarised as follows:

Timeline	Third-party FuM	Total direct investment value	Average investment size	Annual deployment rate	Annual revenue	EBITDA	Average headcount
At IPO - December 2014	£23m	£9m	c.£0.2m	c.£2m	£0.8m	£0m	7
31 March 2025	£1.8bn	£126m	c.£2m	c.£284m	£34.4m	£7.6m	143

Place-Based Impact Investing: the right choice for investors and society
PBII is emerging as a powerful strategy for generating both financial returns and meaningful social impact in the UK, enhanced by the government's growing narrative on the need for a growth agenda focused on small and medium-sized businesses, plus real asset investment. These government imperatives play to Mercia's regional strengths. We strongly believe that by directing capital across the UK through our physical regional presence, across our 11 offices from Bristol in the South West to Newcastle in the North East, PBII fosters economic resilience, job creation and long-term prosperity, whilst unlocking strong commercial opportunities and investment returns.

Market opportunity
In the 2024 calendar year, c.£12billion of venture capital was invested across the UK. During Mercia's financial year to 31 March 2025 we invested c.£284million, with approximately 50% of Mercia's third-party FuM being in venture capital. Today however, Mercia is not just about venture capital investing. We are also a leading regional player in the SME lending sector, with a desire to enter the 'real assets' investment space too. Over the next two years we are seeking to aggressively grow market share in each of our chosen markets and asset classes.

One of Mercia's initial targets in the real assets space will be social and affordable regional UK housing, which is currently growing at c.30% per annum, with over £3.8billion being deployed annually.

By focusing on regional venture, SME lending and local property development lending, which all play to Mercia's regional strengths and existing networks, there is a tremendous opportunity to rapidly expand our FuM in these niche sectors of the UK economy.

Financial performance: *Mercia '27*
We are now one year into our three-year strategic plan ("Mercia '27"), and even in the context of the ongoing macro-economic and market challenges, it is pleasing to report on the progress that we are making against our three-year strategic objectives, which are:

1. Grow AuM to ≥£3billion with a sustainable ≥5% net inflows per annum;
2. Grow EBITDA to ≥£10million and EBITDA margin to ≥26%;

2. Grow EBITDA to £10million and EBITDA margin to 20%;
3. Simplify the business model by divesting c.70% by value of the balance sheet direct investment portfolio.

Grow assets under management
As at 31 March 2025, Mercia's assets under management ("AuM") had grown to £2.0billion (2024: £1.8billion), of which c. £1.8billion is in third-party FuM (2024: £1.6billion). The remaining £0.2billion is Mercia's consolidated balance sheet which comprises the direct investment portfolio (c.£126million), cash (c.£40million), and intangible assets and working capital (totalling c.£22million).

During the year to 31 March 2025, the c.10% organic growth in FuM came from existing fund mandate increases, new fund management contracts awarded and successful VCT and EIS fund raises. The overall movements are summarised as follows:

Asset class	1 April 2024 £'m	Inflows £'m	Transition to realisation phase £'m	Performance £'m	Distributions £'m	31 March 2025 £'m	Other inflows* £'m
Venture	**913**	65	(15)	11	(46)	**928**	79
Debt	**687**	172	(7)	14	(16)	**850**	-
Private equity	**30**	-	-	3	(11)	**22**	-
Total FuM	**1,630**	**237**	**(22)**	**28**	**(73)**	**1,800**	**79**
Proprietary capital	**189**	-	-	5	(6)	**188**	-
Total AuM	**1,819**	**237**	**(22)**	**33**	**(79)**	**1,988**	**79**

* Inflows achieved/awarded during the year, but 'on fee' post year end.

Asset class	**Liquidity 31 March 2025 £'m**	Liquidity 31 March 2024 £'m
Venture	**347**	404
Debt	**253**	262
Private equity	-	-
Total FuM	**600**	666
Proprietary capital	**40**	47
Total AuM	**640**	713

During the year we invested c.£274million (2024: c.£227million) across the funds which we manage, into 162 businesses, including 87 new companies.

Asset class	FuM 31 March 2025 £'m	Companies in portfolio No.	Amount invested £'m	Company exits No.
Regional venture	439	90	56	13
VCT	379	56	44	8
EIS	110	82	21	5
Debt	850	295	152	n/a
Private equity	22	4	1	2
Totals	**1,800**	**527**	**274**	**28**

Mercia achieved another strong financial and tax year of organic increase in FuM, with total fund inflows exceeding £0.3billion. After last year's organic growth was powered by significant contributions from five new British Business Bank backed mandates, this year our growth has been driven by our SME and property lending teams at FDC, with c.£172million of new or extended mandates. Equity mandate increases, new fund management contracts awarded and successful VCT and EIS fundraises confirmed during the year totalled c.£144million. New FuM additions are only possible with the track records of deployment, performance and financial stewardship that Mercia demonstrates, driven by the long-term dedication of our equity, lending and operating teams.

As can be seen in the table above, notwithstanding our increasing annual capital deployment totals, these new inflows have replenished our financial dry powder and we maintain healthy liquidity across both our equity and lending mandates.

There were c.£101million in total AuM reductions as a result of the change of fund treatment from funds committed to portfolio valuations, fund investor distributions and shareholder dividends.

Overall, Mercia's fundraising successes have resulted in c.15% net fund inflows across the financial and tax year end.

Grow EBITDA and EBITDA margin
For FY25 we are pleased with Mercia's EBITDA growth, up from £5.5million last year to £7.6million this year, an increase of c.37%. Our EBITDA margin has also improved, from 18.2% to 22.1%, as we are now increasingly benefiting from systems efficiencies and the economies of scale.

Our long-term focus is on growing EBITDA and EBITDA margin via material expansion of our FuM. Product diversification in our niche regional private markets brings a degree of revenue insulation, whilst targeting top quartile investment performance may also result in periodic performance fees for Mercia and performance-related bonuses for our valued team members, as has occurred during this financial year via a performance fee from the Northern VCTs. We will continue to carefully manage the growth of our cost base, but not at the expense of either investor or investee client service and investment performance.

In respect of future potential non-organic growth, we continuously evaluate potential acquisition opportunities that may fit with both our culture and our Mercia '27 growth objectives and historically, approximately 50% of our FuM growth has come from carefully planned and integrated acquisitions. The return on invested capital for each of the three acquisitions completed since our December 2014 IPO have comfortably exceeded our weighted average cost of capital.

Direct investment portfolio
Approximately 6% of Mercia's AuM is made up of the balance sheet direct investment portfolio. Over the next two years we expect this to reduce to less than 2% as we seek to divest for cash up to 70% by value of the portfolio. At the start of Mercia '27

expect this to reduce to less than 2% as we seek to divest for cash up to 70% by value of the portfolio. At the start of Mercia '27 we confirmed that we would not be adding further new investments to the balance sheet portfolio and of the 20 direct investments then held, did not anticipate any exits in FY25. We have modelled up to c.£10million of exit returns in the new financial year, with the remainder of our 70% target in the following financial year. At the beginning of the three-year period to 31 March 2027, we anticipated only c.£25million in total being deployed by our balance sheet into the decreasing and maturing direct investment portfolio. We remain comfortable with this expectation.

The table below lists Mercia's 20 direct investments by fair value as at 31 March 2025, including the net cash invested, fair value movements and the fully diluted equity percentage held. It is pleasing to report that in the first year of our strategic plan, we have only invested £9.7million into the direct investment portfolio and have benefited from a modest return on the sale of our second smallest holding in Artesian Solutions for £0.6million (against a holding value of £0.5million) and post year end, a relatively small amount (£0.4million) from the ongoing liquidation of the fully provisioned Impression Technologies. Overall, Mercia's direct investment portfolio continues to make good technical and commercial progress, despite a continuing challenging market backdrop for venture investing, reflecting the strong fundamentals of the portfolio.

Whilst now not adding any new direct investments, we will ensure that we retain sufficient liquidity to continue supporting our existing portfolio companies on their journey to exit over the next few years.

	Year of first direct investment	Net investment value as at 1 April 2024 £'000	Net cash invested year to 31 March 2025 £'000	Investment realisation year to 31 March 2025 £'000	Realised gain/(loss) year to 31 March 2025 £'000	Fair value movement year to 31 March 2025 £'000	**Net investment value as at 31 March 2025 £'000**	Percentage held as at 31 March 2025 %
Netacea Group Ltd	**2022**	14,661	2,000	-	-	-	**16,661**	32.4
Voxpopme Ltd	**2018**	15,849	-	-	-	25	**15,874**	20.2
Warwick Acoustics Ltd	**2014**	11,934	-	-	-	-	**11,934**	35.8
VirtTrade Ltd *	**2015**	10,223	1,300	-	-	24	**11,547**	61.4
Medherant Ltd	**2016**	10,934	587	-	-	-	**11,521**	36.9
Eyoto Group Ltd	**2017**	7,142	2,500	-	-	-	**9,642**	24.7
Invincibles Studio Ltd	**2015**	8,567	750	-	-	-	**9,317**	35.5
Locate Bio Ltd	**2018**	7,837	-	-	-	-	**7,837**	19.4
Ton UK Ltd **	**2015**	6,609	-	-	-	-	**6,609**	40.4
Aonic Founder SCS	**2023**	3,784	-	-	-	1,916	**5,700**	0.0
Axis Spine Technologies Ltd	**2022**	3,000	1,000	-	-	-	**4,000**	11.5
Tozaro Ltd	**2020**	2,734	-	-	-	-	**2,734**	11.2
Pimberly Ltd	**2021**	2,612	-	-	-	116	**2,728**	4.9
Nova Pangaea (Holdings) Ltd	**2022**	2,250	-	-	-	-	**2,250**	0.0
Forensic Analytics Ltd	**2021**	2,264	-	-	-	(514)	**1,750**	6.7
sureCore Ltd	**2016**	2,416	250	-	-	(1,268)	**1,398**	22.0
MyHealthChecked PLC	**2016**	782	-	-	-	170	**952**	13.1
Uniphy Ltd	**2022**	727	-	-	-	-	**727**	3.9
Artesian Solutions Ltd ***	**2023**	539	-	(601)	62	-	-	0.0
Sherlock Biosciences Inc	**2023**	340	-	-	(340)	-	-	0.0
Other direct investments	**n/a**	1,657	1,317	-	-	(195)	**2,779**	n/a
Total		**116,861**	**9,704**	**(601)**	**(278)**	**274**	**125,960**	**n/a**

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

Post year end, we have led significant new rounds of £6.2million into Warwick Acoustics, and £6.6million into Axis Spine Technologies, investing £1.0million and £2.0million directly from our balance sheet cash reserves.

We have also undertaken a detailed planning exercise across all of our direct investments to assess shareholder alignment and set expectations around the timing of realisations over the next two years. This has included the use and retention of corporate finance advisers, exit readiness reviews and detailed value creation exercises.

Capital allocation policy

As at 31 March 2025, Mercia held c.£40million cash on hand and had no debt. As part of our forward planning approach to capital allocation, we naturally prioritise maintaining our going concern status, regulatory capital requirements, corporate taxes and support for our direct investment portfolio. Beyond that, our allocation policy is straightforward: increasing shareholder returns and, given our positive returns on invested capital, continued periodic M&A. Maintaining the right balance between taking risk and exercising caution with our shareholders' capital has always been part of Mercia's DNA and will continue to be so, whilst we drive for accelerated growth.

I am pleased to say that the Board is recommending a final dividend of 0.58 pence per share, taking the full year dividend to 0.95 pence per share, an annual increase of c.6%.

Furthermore, given the profitable and cash generative progress being made (and having already completed one successful share buyback), our Board has now decided to further increase our annual returns to shareholders, via an annual £3.0million share buyback policy. Shares bought back from now on will be cancelled and the quantum of the annual buyback will be kept under review, as our free cash flow increases over time.

In conclusion

As a UK-focused private capital asset manager quoted on AIM, we remain committed to delivering strong, sustainable returns for all our investors, through supporting the growth of our now over 500 investees. In due course, we will also begin investing in real assets through our expanding FuM, as we believe this asset class will also drive long-term shareholder value creation. Despite the continuing market challenges, our disciplined Group-wide investment approach, including our commitment to responsible investing, positions us well for future success. Looking ahead, we will continue to scale our platforms of deal origination and sales and distribution (the latter now led by Dean Heaney), to drive further growth and with it, incremental shareholder value and returns.

Our strategic progress and these financial results are a testament to the dedication of our whole team and the continuing trust of our fund investors. We remain steadfast in our mission to be the leading regionally focused private capital asset manager in the UK, providing impactful capital and support to businesses across the regions, with a key part of our future growth funded through the divestment of our direct investment portfolio, balancing increasing shareholder returns with accelerated FuM growth via M&A.

Looking back over our 10-year journey to date, we have come a long way from that c.£23million of FuM at IPO, but our ambition now is to go much further and faster, whilst always maintaining our established financial disciplines.

Dr Mark Payton
Chief Executive Officer

Chief Financial Officer's review

Overall financial performance

Mercia achieved significant growth in profitability during the year to 31 March 2025, with record EBITDA of £7,608,000, up c.37% on the prior year (2024: £5,537,000).

The continued scaling of our private capital fund management operations following record fund inflows towards the end of the previous financial year is resulting in economies of scale, which has contributed to the increase in the Group's EBITDA margin of 22.1% (2024: 18.2%). This progress was made whilst maintaining our investment commitments and support to both our investors and investees.

Proposed final dividend

The Board continues to adopt a progressive dividend policy and therefore, with the continuing cash generative growth of the Group, recommends a proposed final dividend of 0.58 pence per share (2024: 0.55 pence per share). If approved by shareholders at the Annual General Meeting in September 2025, the total dividend for the year will be 0.95 pence per share (2024: 0.90 pence per share), a year-on-year increase of c.6% (2024: increase of c.5%).

If approved by shareholders, the final dividend will be paid on 31 October 2025, to shareholders on the register at the close of business on 3 October 2025.

Share buyback programme

In November 2023, the Group launched its first share buyback programme, buying back 15,706,088 Ordinary shares into treasury at an average of 31.8 pence per share, for a total cost of £5.0million. Given Mercia's strong financial position and future prospects the Board has now decided to initiate an annual share buyback programme at a cost of up to £3.0million. The shares bought back under this new policy will be cancelled. As part of its periodic capital allocation policy review, the Board will keep the quantum of this annual buyback policy under review.

Alternative performance measures ("APM")

The Directors believe that the reporting of both EBITDA and adjusted operating profit assists 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) excluding performance fees net of costs, depreciation, realised fair value (losses)/gains on the sale of direct investments, unrealised fair value movement in direct investments, share-based payments charge, amortisation of intangible assets and movement in the 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.

	Year ended 31 March 2025 £'000	Year ended 31 March 2024 £'000
Revenue [1]	**34,416**	30,434
Administrative expenses [1]	**(26,808)**	(24,897)
EBITDA [1]	**7,608**	5,537
Net finance income	**2,570**	4,160
Adjusted operating profit [1]	**10,178**	9,697
Performance fees	**785**	-
Variable compensation attributable to performance fees	**(628)**	-
Adjusted operating profit[1] including performance fees net of costs	**10,335**	9,697
Depreciation	**(598)**	(489)
Net finance income	**(2,570)**	(4,160)
Realised fair value (loss)/gain on sale of direct investments	**(278)**	4,450
Unrealised fair value movement in direct investments	**274**	(17,338)
Share-based payments charge	**(938)**	(1,002)
Amortisation of intangible assets	**(2,989)**	(2,989)
Movement in fair value of deferred consideration	**(454)**	(540)
Operating profit/(loss)	**2,782**	(12,371)
Net finance income	**2,570**	4,160
Profit/(loss) before taxation	**5,352**	(8,211)
Taxation	**(1,897)**	626
Profit/(loss) and total comprehensive income/(expense)	**3,455**	(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:

	Year ended 31 March 2025			
	IFRS as reported £'000	**Performance fees £'000**	**Depreciation £'000**	**APM basis[1] £'000**
Revenue	**35,201**	**(785)**	**-**	**34,416**
Administrative expenses	**(28,034)**	**628**	**598**	**(26,808)**
Depreciation	**-**	**-**	**(598)**	**(598)**

	Year ended 31 March 2024			
	IFRS as reported £'000	Performance fees £'000	Depreciation £'000	APM basis[1] £'000
Revenue	30,434	-	-	30,434
Administrative expenses	(25,386)	-	489	(24,897)
Depreciation	-	-	(489)	(489)

Revenue [1]
Revenue increased 13.1% to £34,416,000 (2024: £30,434,000) and comprised fund management-related fees, initial management fees from investment rounds, arrangement fees from loans, investment director monitoring fees, sundry business services income and VCT share offer fees. 97.9% of these revenues were derived from the Group's fund management activities (2024: 96.6%).

Administrative expenses [1]
Administrative expenses, excluding depreciation, increased 7.7% to £26,808,000 (2024: £24,897,000) and comprised predominantly staff-related, office, marketing, professional adviser and VCT share offer-related costs.

EBITDA
EBITDA increased 37.4% to £7,608,000 (2024: £5,537,000), equating to an EBITDA margin of 22.1% (2024: 18.2%). This margin improvement demonstrates the Group's ability to derive economies of scale as it grows its funds under management.

Net finance income
Total gross finance income of £2,626,000 (2024: £4,216,000) arose largely from interest receivable on the Group's cash deposits, together with the crystallisation of convertible loan interest within the direct investment portfolio. Finance costs of £56,000 (2024: £56,000) comprised interest payable on office leases and the Group's staff electric car scheme.

Performance fees
During the second half of the year, a performance fee totalling £785,000 (2024: £nil) became payable by Northern Venture Trust PLC, Northern 2 VCT PLC and Northern 3 VCT PLC based upon the growth in their respective net asset value per share for the year to 31 March 2025. Directly related VCT investment team bonuses (including employer's National Insurance) totalling £628,000 have been accrued at the year end (2024: £nil).

Fair value movement in direct investments

	Year ended 31 March 2025 £'000	Year ended 31 March 2024 £'000
Investment movements excluding cash invested and realisations:		
Unrealised gains on the revaluation of direct investments	**2,378**	7,877
Unrealised losses on the revaluation of direct investments	**(2,104)**	(25,215)
Net unrealised fair value movements	**274**	(17,338)

The net unrealised fair value movement in direct investments resulted in a £274,000 increase (2024: £17,338,000 decrease) and as at 31 March 2025, the fair value of the Group's direct investment portfolio was £125,960,000 (2024: £116,861,000).

Unrealised fair value gains arose in five (2024: 10) of the Group's direct investments. The largest unrealised fair value gain was in respect of Aonic Founder SCS, which accounted for £1,916,000 of the total (2024: £3,973,000 unrealised fair value gain in respect of Voxpopme Limited).

There were three (2024: eight) unrealised fair value decreases, the largest being £1,268,000 which arose in respect of sureCore Limited (2024: £18,558,000 unrealised fair value decrease in Impression Technologies Limited).

Share-based payments charge
The £938,000 non-cash charge (2024: £1,002,000) arises from the total number of issued and vested share options held by employees throughout the Group, ranging from 28 January 2020 to 31 March 2025.

Amortisation of intangible assets
The amortisation charge for the year of £2,989,000 (2024: £2,989,000) 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 in December 2022 included an element of contingent deferred consideration which was subject to a number of financial targets being met. The deferred consideration was paid in full during the year.

Movement in the fair value of this contingent deferred consideration during the year to 31 March 2025 has resulted in a charge to the consolidated statement of comprehensive income of £454,000 (2024: £540,000).

Taxation
The overall tax charge for the year 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/(loss) and total comprehensive income/(expense) for the year
The overall financial performance of the Group has led to a consolidated total comprehensive income of £3,455,000 (2024: expense of £7,585,000). This has resulted in basic earnings per Ordinary share of 0.80 pence (2024: basic loss per Ordinary share of 1.71 pence).

Summarised statement of financial position

	As at 31 March 2025 £'000	As at 31 March 2024 £'000
Goodwill and intangible assets	**33,307**	36,296
Direct investment portfolio	**125,960**	116,861
Other non-current assets, trade and other receivables	**4,129**	4,810
Cash and cash equivalents	**40,093**	46,940
Total assets	**203,489**	204,907
Trade, other payables and lease liabilities	**(12,538)**	(9,595)
Deferred consideration	-	(2,279)
Deferred taxation	**(3,044)**	(3,792)
Total liabilities	**(15,582)**	(15,666)
Net assets	**187,907**	189,241
Net assets per share (pence) **	**43.6p**	43.4p

** 431,336,370 Ordinary shares, excluding those held in treasury, were in issue as at 31 March 2025 and therefore used as the denominator for calculating net assets per share. 436,319,815 Ordinary shares, excluding those held in treasury, has been used as the denominator for calculating 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 acquisitions of FDC and the VCT fund management business.

Direct investment portfolio
During the year, Mercia's direct investment portfolio increased from £116,861,000 as at 1 April 2024 (2024: £136,550,000 as at 1 April 2023) to £125,960,000 as at 31 March 2025 (2024: £116,861,000 as at 31 March 2024), a c.8% increase (2024: c.14% decrease).

The Group invested £9,704,000 net (2024: £19,626,000 net) into eight existing direct investments (2024: 11 existing direct investments).

Cash and cash equivalents
At the year end, Mercia had cash and cash equivalents totalling £40,093,000 (2024: £46,940,000).

The Group continues to have limited working capital needs due to the nature of its business and during the year, cash generated from operating activities totalled £9,409,000 (2024: £7,872,000), exceeding the Group's EBITDA.

As at 31 March 2025, 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.4%.

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

	Year ended 31 March 2025 £'000	Year ended 31 March 2024 £'000
Opening cash and cash equivalents	**46,940**	37,555
Cash generated from operating activities	**9,409**	7,872
Corporation tax paid	**(690)**	(788)
Net cash (used in)/generated from direct investment activities	**(8,516)**	9,360
Deferred consideration paid in respect of acquisitions	**(2,733)**	(1,500)
Cash inflow generated from other investing activities	**1,935**	1,991
Purchase of Ordinary shares into treasury	**(1,836)**	(3,194)
Net cash used in financing activities	**(4,416)**	(4,356)
Closing cash and cash equivalents	**40,093**	46,940

Outlook
These results exhibit the operational leverage and scalable profitability of the Group, following the significant organic growth in private capital funds at the start of 2024.

Mercia will continue to execute its strategy of growing its funds under management to drive financial performance, thereby enabling the continuation of its progressive dividend policy. Furthermore, as a component of the Group's capital allocation policy, the new share buyback programme will annually return capital back to shareholders whilst reducing the number of outstanding shares in issue.

Mercia remains debt free with strong liquidity and has entered the new financial year with good momentum towards its Mercia '27 objectives.

Martin Glanfield
Chief Financial Officer

Summary Financial Information

Consolidated statement of comprehensive income
For the year ended 31 March 2025

	Note	**Year ended 31 March 2025 £'000**	Year ended 31 March 2024 £'000
Revenue	5	**35,201**	30,434
Administrative expenses	7	**(28,034)**	(25,386)
Realised fair value (loss)/gain on sale of direct investments	6	**(278)**	4,450
Unrealised fair value movements in direct investments	6	**274**	(17,338)
Share-based payments charge		**(938)**	(1,002)
Amortisation of intangible assets	13	**(2,989)**	(2,989)
Movement in fair value of deferred consideration		**(454)**	(540)
Operating profit/(loss)		**2,782**	(12,371)
Finance income	8	**2,626**	4,216
Finance expense		**(56)**	(56)
Profit/(loss) before taxation		**5,352**	(8,211)
Taxation	9	**(1,897)**	626
Profit/(loss) and total comprehensive income/(expense)		**3,455**	(7,585)
Basic earnings/(loss) per Ordinary share (pence)	10	**0.80**	(1.71)
Diluted earnings/(loss) per Ordinary share (pence)	10	**0.80**	(1.71)

All results derive from continuing operations.

Consolidated statement of financial position
As at 31 March 2025

	Note	**As at 31 March 2025 £'000**	As at 31 March 2024 £'000
Assets			
Non-current assets			

Goodwill	12	**21,126**	21,126
Intangible assets	13	**12,181**	15,170
Property, plant and equipment		**153**	128
Right-of-use assets		**727**	711
Investments	14	**125,960**	116,861
Total non-current assets		**160,147**	153,996
Current assets			
Trade and other receivables		**3,249**	3,971
Cash and cash equivalents	15	**40,093**	46,940
Total current assets		**43,342**	50,911
Total assets		**203,489**	204,907
Current liabilities			
Trade and other payables		**(11,780)**	(8,893)
Lease liabilities		**(425)**	(376)
Deferred consideration	16	**-**	(2,279)
Total current liabilities		**(12,205)**	(11,548)
Non-current liabilities			
Lease liabilities		**(333)**	(326)
Deferred taxation	17	**(3,044)**	(3,792)
Total non-current liabilities		**(3,377)**	(4,118)
Total liabilities		**(15,582)**	(15,666)
Net assets		**187,907**	189,241
Equity			
Issued share capital	18	**4**	4
Share premium	19	**83,775**	83,775
Treasury reserve	20	**(4,911)**	(3,188)
Other distributable reserve	21	**55,370**	59,338
Retained earnings		**47,211**	43,756
Share-based payments reserve		**6,458**	5,556
Total equity		**187,907**	189,241

Consolidated statement of cash flows

For the year ended 31 March 2025

	Note	**Year ended 31 March 2025 £'000**	Year ended 31 March 2024 £'000
Cash flows from operating activities:			
Operating profit/(loss)		**2,782**	(12,371)
Adjustments to reconcile operating profit/(loss) to net cash generated from operating activities:			
Depreciation of property, plant and equipment		**103**	104
Depreciation of right-of-use assets		**495**	385
Realised fair value loss/(gain) on sale of direct investments	6	**278**	(4,450)
Unrealised fair value movements in direct investments	6	**(274)**	17,338
Share-based payments charge		**938**	1,002
Amortisation of intangible assets	13	**2,989**	2,989
Movement in fair value of deferred consideration	16	**454**	540
Working capital adjustments:			
(Increase)/decrease in trade and other receivables		**(26)**	800
Increase in trade and other payables		**1,670**	1,535
Cash generated from operating activities		**9,409**	7,872
Corporation tax paid		**(690)**	(788)
Net cash generated from operating activities		**8,719**	7,084
Cash flows from direct investment activities:			
Proceeds from sale of direct investments	14	**601**	26,696
Purchase of direct investments	14	**(9,704)**	(19,926)
Investee company loan repayment	14	**-**	300
Investee company loan interest received	8	**587**	2,290
Net cash (used in)/generated from direct investment activities		**(8,516)**	9,360
Cash flows from other investing activities:			
Interest received from cash and cash equivalents		**2,063**	1,813
Purchase of property, plant and equipment		**(128)**	(110)
Deferred consideration paid in respect of acquisitions	16	**(2,733)**	(1,500)
Decrease in short-term liquidity investments		**-**	288
Net cash (used in)/generated from other investing activities		**(798)**	491
Net cash (used in)/generated from total investing activities		**(9,314)**	9,851
Cash flows from financing activities:			
Dividends paid	11	**(3,968)**	(3,928)
Purchase of Ordinary shares into treasury		**(1,836)**	(3,194)
Proceeds received from the exercise of employee share options		**73**	26
Interest paid		**(56)**	(56)
Payment of lease liabilities		**(465)**	(398)
Net cash used in financing activities		**(6,252)**	(7,550)
Net (decrease)/increase in cash and cash equivalents		**(6,847)**	9,385
Cash and cash equivalents at the beginning of the year		**46,940**	37,555
Cash and cash equivalents at the end of the year	15	**40,093**	46,940

Consolidated statement of changes in equity

For the year ended 31 March 2025

	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	4	83,744	-	63,266	51,341	4,566	202,921
Purchase of Ordinary shares into treasury	-	-	(3,194)	-	-	-	(3,194)
Loss and total comprehensive expense for the year	-	-	-	-	(7,585)	-	(7,585)

Dividends paid	-	-	-	(3,928)	-	-	(3,928)
Exercise of share options	-	31	6	-	-	(12)	25
Share-based payments charge	-	-	-	-	-	1,002	1,002
As at 31 March 2024	**4**	**83,775**	**(3,188)**	**59,338**	**43,756**	**5,556**	**189,241**
Purchase of Ordinary shares into treasury	**-**	**-**	**(1,836)**	**-**	**-**	**-**	**(1,836)**
Profit and total comprehensive income for the year	**-**	**-**	**-**	**-**	**3,455**	**-**	**3,455**
Dividends paid	**-**	**-**	**-**	**(3,968)**	**-**	**-**	**(3,968)**
Exercise of share options	**-**	**-**	**113**	**-**	**-**	**(36)**	**77**
Share-based payments charge	**-**	**-**	**-**	**-**	**-**	**938**	**938**
As at 31 March 2025	**4**	**83,775**	**(4,911)**	**55,370**	**47,211**	**6,458**	**187,907**

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 summary financial information included in this announcement has been extracted from the audited financial statements of the Group for the year ended 31 March 2025, which have been approved by the Board of Directors. The summary financial information does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006 (the "Act"). The auditor's report on the financial statements for the year ended 31 March 2025 was unqualified and did not contain any statement under section 498 of the Act. The Group's Annual Report and financial statements will be delivered to the Registrar of Companies in due course.

The financial statements have been prepared on a historical cost basis, as modified by the revaluation of certain financial assets and financial liabilities in accordance with International Financial Reporting Standard ("IFRS") 9*Financial Instruments*. The accounting policies presented in this summary financial information are consistent with those set out in the audited financial statements.

3. Going concern

Based on the Group's balance sheet, including its liquidity position at the year 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 consolidated financial statements.

4. Significant accounting policies

Basis of consolidation

Subsidiary undertakings are consolidated from the date of their acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of entities held within the Group's direct investment portfolio are not included within the consolidated financial statements as the Group accounts for these in accordance with the IFRS 10 *Investment Entity* exemption.

The Group accounts for business combinations using the acquisition method from the date that control is transferred to the Group. Both the identifiable net assets and the consideration transferred in the acquisition are measured at fair value and transaction costs are expensed as incurred. Goodwill arising on acquisitions is tested annually for impairment. Deferred consideration payable to vendors is measured at fair value at acquisition and re-assessed annually, with particular reference to the conditions upon which the consideration is contingent.

New standards, interpretations and amendments effective in the current financial year

No new standards, interpretations and amendments effective in the year have had a material effect on the Group's financial statements.

Critical accounting judgements and key sources of estimation uncertainty

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 year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

The Directors have made the following judgements and estimates, which have had the most significant effect on the carrying amounts of the assets and liabilities in this summary financial information.

Fair value measurements and valuation processes

The judgements required to determine the appropriate valuation methodology of unquoted equity investments mean there is risk of a material adjustment to the carrying amounts of assets and liabilities. These judgements include a decision on whether or not to impair or uplift investment valuations.

The fair value of unlisted securities is established using the International Private Equity and Venture Capital Valuation Guidelines ("IPEVCVG") as updated in December 2022.

Investments are measured at fair value at each measurement date. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that a hypothetical transaction to sell an asset takes place in the principal market or, in its absence, the most advantageous market for the asset. For quoted investments, available market prices will be the exclusive basis for the measurement of fair value for identical instruments. For unquoted investments, the measurement of fair value requires the valuer to assume the underlying business or instrument is realised or sold at the measurement date, appropriately allocated to the various interests, regardless of whether the underlying business is prepared for sale or whether its shareholders intend to sell in the near future.

In estimating fair value for an investment, the valuer should apply a methodology that is appropriate in light of the nature, facts and circumstances of the investment in the context of the total investment portfolio and should use reasonable current market data and inputs, combined with reasonable market participant assumptions.

The price of recent investment can be used to estimate the enterprise value, before allocating to the various interests. The Group believes that this is still the most relevant technique to measure fair value for early-stage investments. However, it has also taken into consideration time elapsed, performance since the investment round and external market events to help inform its judgements.

0-6 months post last funding round

The Group will apply the price of a recent investment for up to six months post the last funding round, subject to there being no material change to the investee company's prospects (which would include the prospects of drawing down the next tranche or raising the next round of funding).

7-18 months post last funding round

Beyond the six months point, the Group seeks assurance that the investee company is progressing against the development milestones which were set out in the initial assessment. Failing to hit milestones will not necessarily impact the valuation - this may simply be an indicator that incremental value will take longer to deliver, but the performance against milestones is assessed as an indicator of a potential change in value. The Group will be cautious about increasing the valuation of an early-stage investee company unless it is based on a new market price or maintainable revenues and/or earnings.

19+ months post last funding round

From this point onwards, the Group looks for additional support for the 'price of recent investment' by calibrating back to that using a discounted cash flow ("DCF") methodology. However, unless the investee company has become established with maintainable revenues and/or earnings and can be valued on an earnings basis, given the inherent risk in early-stage investing and the lack of reliability of using estimates yet to be delivered a number of years into the future, the Group is unlikely to increase the fair value, even if a DCF calculation suggests a higher value. Nevertheless, the DCF calculation helps support the proposed fair value at the valuation point.

The recent macroeconomic uncertainty has created uncertainty in the fair value of the direct investment portfolio. The Directors believe that they have reflected this uncertainty in a balanced way through the assumptions used in the valuation of each investee company. The Directors have assessed the estimates made in relation to each individual valuation and do not believe that a reasonable possible change in estimate would result in a material change in the value of each investment.

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 the Group has only one operating segment, being private capital 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:

	Year ended 31 March 2025 £'000	Year ended 31 March 2024 £'000
Fund management fees	**23,861**	19,214
Initial management fees	**5,294**	5,465
Portfolio directors' fees	**4,162**	3,933
Other revenue	**299**	341
VCT share offer fees	**800**	1,481
VCT performance fees	**785**	-
	35,201	30,434

6. Fair value movements in direct investments

	Year ended 31 March 2025 £'000	Year ended 31 March 2024 £'000
Realised fair value (loss)/gain on the sale of direct investments (note 14)	**(278)**	4,450
Unrealised fair value movements in direct investments (note 14)	**274**	(17,338)
	(4)	(12,888)

7. Operating profit/(loss)

Operating profit/(loss) is stated after charging:

	Year ended 31 March 2025 £'000	Year ended 31 March 2024 £'000
Staff costs	**20,343**	17,530
Other administrative expenses	**7,691**	7,856
Total administrative expenses	**28,034**	25,386

8. Finance income

Finance income is derived from:

	Year ended 31 March 2025 £'000	Year ended 31 March 2024 £'000
Cash deposits	**2,039**	1,917
Short-term liquidity investments	-	9
Investee company loan interest	**587**	2,290
Total interest income	**2,626**	4,216

9. Taxation

	Year ended 31 March 2025 £'000	Year ended 31 March 2024 £'000
Current tax		
UK corporation tax	**(2,645)**	(122)
Deferred tax		
Origination and reversal of temporary timing differences	**748**	748
Total tax (charge)/credit	**(1,897)**	626

The UK standard rate of corporation tax is 25% (2024: 25%). The deferred tax credit of £748,000 (2024: £748,000) represents the unwinding of the deferred tax liabilities recognised in respect of the intangible assets arising on the acquisition of the VCT fund management business and Frontier Development Capital Limited.

A reconciliation from the reported profit/(loss) to the total tax (charge)/credit is shown below:

	Year ended 31 March 2025 £'000	Year ended 31 March 2024 £'000
Profit/(loss) before taxation	**5,352**	(8,211)
Taxation at the standard rate of corporation tax in the UK of 25% (2024: 25%)	**(1,338)**	2,053
Effects of:		
Income not subject to tax	-	1,113
Expenses not deductible for tax purposes	**(388)**	(2,131)
Share of partnership profits	-	(1,134)
Other timing differences not recognised	**(171)**	725
Total tax (charge)/credit	**(1,897)**	626

The Group's deferred tax liability has been calculated at a rate of 25% as at 31 March 2025 (2024: 25%).

A total deferred tax liability of £3,044,000 (2024: £3,792,000) as at 31 March 2025 relates to the intangible assets recognised on the acquisition of FDC in December 2022 and on the acquisition of the VCT fund management business in 2019.

A potential deferred tax asset of £3,167,000 (2024: £3,392,000) for cumulative unrelieved management expenses and other tax losses has not been recognised in these consolidated financial statements as their future use is uncertain.

10. Earnings/(loss) per share

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) for the financial year by the weighted average number of Ordinary shares in issue during the year. Diluted earnings/(loss) per share is calculated by dividing the profit/(loss) for the financial year 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 year. The profit/(loss) and weighted average number of shares used in the calculations are set out below:

	Year ended 31 March 2025	Year ended 31 March 2024
Profit/(loss) for the financial year (£'000)	**3,455**	(7,585)
Basic weighted average number of Ordinary shares ('000)	**431,586**	444,716
Basic earnings/(loss) per Ordinary share (pence)	**0.80**	(1.71)
Diluted weighted average number of Ordinary shares ('000)	**434,201**	444,716
Diluted earnings/(loss) per Ordinary share (pence)	**0.80**	(1.71)

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

	Year ended 31 March 2025 '000	Year ended 31 March 2024 '000
Weighted average number of shares		
Basic	**431,586**	444,716
Dilutive impact of employee share options	**2,615**	-
Diluted weighted average number of Ordinary shares	**434,201**	444,716

11. Dividends

	Year ended 31 March 2025		Year ended 31 March 2024	
Dividends declared/proposed in respect of the year	**Pence per share**	**£'000**	Pence per share	£'000
Interim dividend declared in relation to year ended 31 March 2024	-	-	0.35	1,561
Final dividend declared in relation to year ended 31 March 2024	-	-	0.55	2,371
Interim dividend declared in relation to year ended 31 March 2025	**0.37**	**1,597**	-	-
Final dividend proposed in relation to year ended 31 March 2025	**0.58**	**2,502**	-	-
	0.95	**4,099**	0.90	3,932

	Year ended 31 March 2025		Year ended 31 March 2024	
Dividends paid during the year	**Pence per share**	**£'000**	Pence per share	£'000
Final dividend paid in relation to year ended 31 March 2023	-	-	0.53	2,367
Interim dividend paid in relation to year ended 31 March 2024	-	-	0.35	1,561
Final dividend paid in relation to year ended 31 March 2024	**0.55**	**2,371**	-	-
Interim dividend paid in relation to year ended 31 March 2025	**0.37**	**1,597**	-	-
	0.92	**3,968**	0.88	3,928

The proposed final dividend for the year ended 31 March 2025 is subject to shareholder approval at the AGMon 25 September 2025, and as such has not been included as a liability in these summary financial statements in accordance with IAS 10.

12. Goodwill

Goodwill arising on the businesses acquired to date is set out in the table below.

	Mercia Fund Management £'000	**Enterprise Ventures Group £'000**	**VCT fund management business £'000**	**Frontier Development Capital £'000**	**Total £'000**
Cost					
As at 1 April 2023, 31 March 2024 and 31 March 2025	**2,455**	**7,873**	**6,314**	**4,484**	**21,126**

Goodwill for each business acquired has been assessed for impairment as at 31 March 2025. Recoverable amounts for each cash generating unit ("CGU") are based on the higher of value in use and fair value, less costs of disposal ("FVLCD").

The value in use calculations are based on future expected cash flows generated by each CGU, as derived from the approved budget for the year ending 31 March 2026. Key assumptions are post-tax discount rates of 12.0% and 15.0% (pre-tax discount rates of 17.8% and 20.6% respectively) and the growth rates used in forecasting future operating results. Where the fund management contracts are 'evergreen', a value into perpetuity has been used based on a zero growth rate beyond a five-year forecast period.

The review concluded that the value in use of each CGU exceeds its carrying value. The Directors do not consider that a reasonably possible change in a key assumption would reduce the recoverable amount of the CGUs to below their carrying value.

13. Intangible assets

The net book value of intangible assets represents contractual arrangements in respect of the acquisition of the VCT fund management business in 2019 and the acquisition of FDC in December 2022, where it is probable that the future economic benefits that are attributable to those assets will flow to the Group and the fair value of the assets can be measured reliably.

	£'000
Cost	
As at 1 April 2023, 31 March 2024 and 31 March 2025	**26,618**
Accumulated amortisation	
As at 1 April 2023	8,459
Charge for the year	2,989
As at 31 March 2024	11,448
Charge for the year	**2,989**
As at 31 March 2025	**14,437**

Net book value	
As at 1 April 2023	18,159
As at 31 March 2024	15,170
As at 31 March 2025	**12,181**

14. Investments

The net change in the value of investments for the year is an increase of £9,099,000 (2024: decrease of £19,689,000). The table below reconciles the opening to closing value of investments for both the current and prior years.

	Level 1 financial assets £'000	**Level 3 financial assets £'000**	**Total financial assets £'000**
As at 1 April 2023	969	135,581	136,550
Investments made during the year	-	19,926	19,926
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	-	7,877	7,877
Unrealised fair value losses on investments	(187)	(25,028)	(25,215)
As at 31 March 2024	**782**	**116,079**	**116,861**
Investments made during the year	**-**	**9,704**	**9,704**
Disposal	**-**	**(601)**	**(601)**
Realised loss on sale of direct investments	**-**	**(278)**	**(278)**
Unrealised fair value gains on investments	**170**	**2,208**	**2,378**
Unrealised fair value losses on investments	**-**	**(2,104)**	**(2,104)**
As at 31 March 2025	**952**	**125,008**	**125,960**

In November 2024, the Group sold its investment in Artesian Solutions Limited, generating a realised gain of £62,000. Total cash proceeds of £601,000 were received upon completion.

In December 2024, the Group sold its minority investment in Sherlock Biosciences Inc., generating a £340,000 realised loss. No cash proceeds were received on completion.

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

The measurement basis for determining the fair value of investments held as at 31 March is as follows:

	As at 31 March 2025 £'000	As at 31 March 2024 £'000
Listed investment	**952**	782
Price of recent investment round	**65,670**	79,847
Enterprise value - multiple	**57,088**	29,320
Cost - price of initial investment	**2,250**	6,912
	125,960	116,861

15. Cash and cash equivalents

	As at 31 March 2025 £'000	As at 31 March 2024 £'000
Total cash and cash equivalents	**40,093**	46,940

16. Deferred consideration

	As at 31 March 2025 £'000	As at 31 March 2024 £'000
Deferred consideration - payable within one year	**-**	2,279

In the year ended 31 March 2025, the second and third deferred consideration conditions were met, resulting in payments totalling £2,500,000 to the vendors of FDC. A further free cash amount of £233,000 was also paid to the vendors during the year. Movement in the fair value of the FDC deferred consideration during the year resulted in a charge to the consolidated statement of comprehensive income of £454,000.

17. Deferred taxation

	As at 31 March 2025 £'000	As at 31 March 2024 £'000
Deferred tax liability	**3,044**	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 the VCT fund management contracts and FDC.

As at 31 March 2025, the deferred tax liability has been calculated using a 25% tax rate.

18. Issued share capital

	31 March 2025		31 March 2024	
	Number	**£'000**	Number	£'000
Allotted and fully paid				
As at the beginning of the year	**446,679,523**	**4**	446,581,202	4
Issue of share capital during the year	**-**	**-**	98,321	-
As at the end of the year	**446,679,523**	**4**	446,679,523	4

During the year, 5,326,380 Ordinary shares were repurchased into a treasury reserve (note 20). The outstanding Ordinary shares as at 31 March 2025, being 431,336,370, are entitled to one vote each and have equal rights as to dividends. The Ordinary shares are not redeemable.

19. Share premium

	As at 31 March 2025 £'000	As at 31 March 2024 £'000

As at the beginning of the year	**83,775**	83,744
Premium arising on the issue of Ordinary shares	-	31
As at the end of the year	**83,775**	83,775

20. Treasury reserve

	31 March 2025		31 March 2024	
	Number	**£'000**	Number	£'000
Allotted and fully paid				
As at the beginning of the year	**10,359,708**	**3,188**	-	-
Purchase of Ordinary shares into treasury	**5,326,380**	**1,836**	10,379,708	3,194
Satisfaction of employee share options exercise	**(342,935)**	**(113)**	(20,000)	(6)
As at the end of the year	**15,343,153**	**4,911**	10,359,708	3,188

21. Other distributable reserve

	As at 31 March 2025 £'000	As at 31 March 2024 £'000
As at the beginning of the year	**59,338**	63,266
Dividends paid (note 11)	**(3,968)**	(3,928)
As at the end of the year	**55,370**	59,338

22. 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.

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 31 March 2025. There have been no movements in financial assets or financial liabilities between levels during the current or prior years. The table in note 14 sets out the movement in the Level 1 and 3 financial assets from the start to the end of the year.

	As at 31 March 2025 £'000	As at 31 March 2024 £'000
Assets:		
Financial assets at fair value through profit or loss - direct investment portfolio		
Level 1	**952**	782
Level 2	-	-
Level 3	**125,008**	116,079
	125,960	116,861

	As at 31 March 2025 £'000	As at 31 March 2024 £'000
Liabilities:		
Financial liabilities at fair value through profit or loss - deferred consideration		
Level 1	-	-
Level 2	-	-
Level 3	-	2,279
	-	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 listed on the AIM market of the London Stock Exchange, MyHealthChecked PLC, which is valued using the closing bid price as at 31 March 2025.

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 IPEVCVG 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 4 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 from 1 April to 31 March is disclosed in note 14.

23. Availability of Annual Report

The Annual Report of Mercia Asset Management PLC will be made available to all shareholders on 25 July 2025. An electronic copy will be available on Mercia Asset Management PLC's website at www.mercia.co.uk.

24. Annual General Meeting

The Annual General Meeting of Mercia Asset Management PLC will be held at the offices of Frontier Development Capital Limited, 11th Floor, 45 Church Street, Birmingham, B3 2RT on 25 September 2025 at 10:00 am.

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)
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

Company registration number
09223445

Sarah Louise Anne Williams

09223445

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