

The Mercantile Investment Trust plc

Half Year Report & Accounts for the six months ended 31st July 2011



Features

Contents

About the Company

- 1 Half Year Performance
- 2 Chairman's Statement
- 4 Investment Managers' Report

Investment Review

- 5 List of Investments
- 8 Portfolio Analyses

Accounts

- 9 Income Statement
- 10 Reconciliation of Movements in Shareholders' Funds
- 11 Balance Sheet
- 12 Cash Flow Statement
- 13 Notes to the Accounts

Shareholder Information

- 15 Interim Management Report
- 16 Glossary of Terms and Definitions
- 17 Information about the Company

Objective

Long term capital growth from a portfolio of UK medium and smaller companies.

Investment Policy

- To emphasise growth from medium and smaller companies. Long term dividend growth at least in line with inflation.
- To use long term gearing to increase potential returns to shareholders. The Company's gearing policy is to operate within a range of 90% to 120% invested.
- To invest no more than 15% of gross assets in other UK listed investment companies (including investment trusts).

Benchmark

The FTSE All-Share Index excluding constituents of the FTSE 100 Index and investment trusts.

Capital Structure

At 31st July 2011, the Company's issued share capital comprised 99,035,719 ordinary shares of 25p each.

At 31st July 2011, the Company also had in issue a £3,850,000 4.25% perpetual debenture and a £175 million 6.125% debenture repayable on 25th February 2030.

Management Company

The Company employs JPMorgan Asset Management (UK) Limited ('JPMAM') to manage its assets.

Half Year Performance

Total returns (includes dividends reinvested)

-3.9%

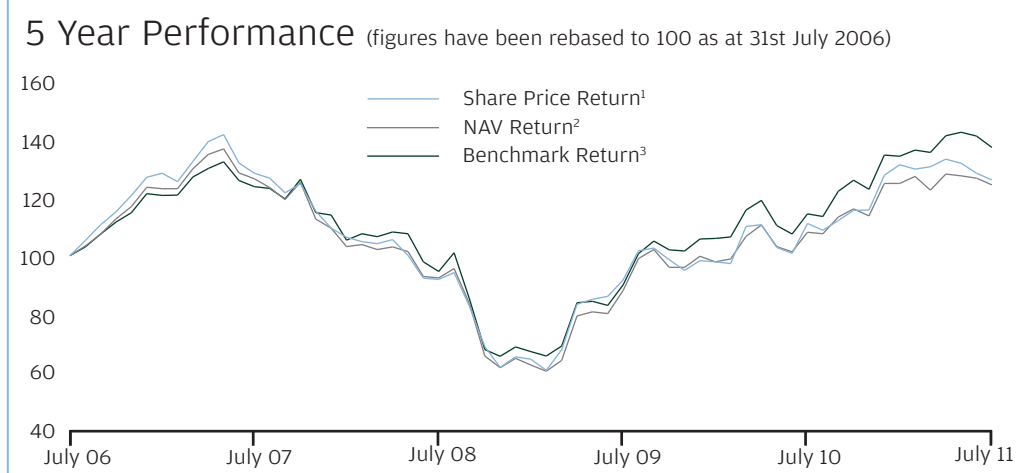
Return to shareholders¹

-0.3%

Return on net assets²

+2.2%

Benchmark return^{3,4}



Financial Data

	31st July 2011	31st January 2011	% change
Shareholders' funds (£'000)	1,197,880	1,237,266	-3.2
Number of shares in issue	99,035,719	99,035,719	0.0
Net asset value per share with debt at par value (p)	1,209.5	1,249.3	-3.2
Net asset value per share with debt at fair value ⁵ (p)	1,197.0	1,236.7	-3.2
Net asset value return with dividends reinvested	–	–	-0.3
Share price (p)	1,042.0	1,109.0	-6.0
Share price discount to net asset value per share with debt at par value	13.8%	11.2%	
Share price discount to net asset value per share with debt at fair value	12.9%	10.3%	

A glossary of terms and definitions is provided on page 16.

¹Source: Morningstar.

²Source: J.P. Morgan.

³Source: Russell/Mellon Caps.

⁴The Company's benchmark is the FTSE All-Share Index excluding constituents of the FTSE 100 Index and Investment trusts.

⁵The fair value of the Company's debentures have been calculated using discounted cash flow techniques, using the yield from a similarly dated gilt plus a margin based on the 5 year average for the AA Barclays Sterling Corporate Bond spread.

Chairman's Statement



Performance and Market Review

The Company's net asset value total return in the first six months to 31st July 2011 was -0.3% which was 2.5% behind the return of 2.2% from our benchmark index, the FTSE All-Share, excluding FTSE 100 constituents and investment trusts.

Whilst this is a disappointing result, it has to be viewed against the backdrop of economic and political uncertainty, which has resulted in the portfolio underperforming against the Managers' expectations. This is explained in the Investment Managers' Report. The use of gearing at times during the period was also a factor in the loss of value against the Company's benchmark.

Revenue

The income received from investments in the first half is above that of the half year ended 31st July 2010, showing a small increase overall in dividend payments.

Dividends

A second interim dividend of 6.0 pence per share has been declared by the Board, payable on 1st November 2011 to shareholders on the register at close of business on 30th September 2011. Together with the first interim dividend of 6.0 pence paid on 1st August 2011 this brings the total dividend for the year to date to 12.0 pence (2010: 12.0 pence) and the Board expects that there will be a third dividend of 6.0 pence paid in early February 2012. As ever, the Board's decision as to the quantum of the fourth interim dividend will depend on the progress of the portfolio's dividend receipts for the balance of the year. The extent to which the Board may feel able to pay a partially uncovered fourth dividend will also depend on the outlook for the future dividend receipts by the Company as well as the Company's existing revenue reserves.

Share Repurchases

During the period under review, the Board made no share repurchases. However, it continues to maintain its active monitoring of the conditions for buybacks, in order to enhance the asset value per share and minimise the absolute level and volatility of the discount on the

Company's shares. The discount, with debt at fair value, has ranged between 9.73% and 13.75% in the period from 1st February 2011 to 16th September 2011, with the average discount during the period of 11.58%.

Board Appointment

I am pleased to announce the appointment of Helen James as a Director of the Company with effect from today. As a founder of Investis, in 2000, and previously Head of Pan-European Equity Sales at Paribas, she brings a wealth of complementary experience to the Board.

Outlook

With global growth slowing, markets volatile and the European Sovereign debt problem still unresolved, we remain cautious and as at the date of this report the Company is not fully invested, taking into account amounts receivable as proceeds from cash bids for companies in the portfolio. However, the valuations of many stocks look attractive on a medium term view; generally companies' balance sheets are now strong and dividend yields attractive. The Company is well placed to take advantage of opportunities as they present themselves.

For and on behalf of the Board

Hamish Leslie Melville

Chairman

21st September 2011

Investment Managers' Report

After two years of strong recovery for small and mid cap stocks, macro-economic and geo-political uncertainties began to sap stock market confidence in the six months ended 31st July 2011. The Company's net asset value total return for the period was -0.3%, underperforming the Company's benchmark index, the FTSE All-Share excluding FTSE 100 constituents and investment trusts, which returned 2.2%. Reflecting the likelihood of markets being more volatile in response to reduced economic growth prospects and seemingly intractable Sovereign debt problems, your Company's gearing level was reduced from 109% at the year end to 106% at 31st July, but with 6% of cash due from agreed takeover bids, the effective gearing level was 100%.

The underperformance in the first half was stock specific, with Renovo, which we flagged in the Annual Report and Accounts, falling substantially in price as its lead drug failed in Phase III clinical trials, Cable and Wireless Worldwide and Cable and Wireless Communications underperforming on profit downgrades and Cove Energy underperforming as it entered a quiet period for newsflow whilst further drilling for gas got underway offshore East Africa.

During the half year, takeover approaches were received by several companies within the portfolio and cash bids at substantial premia have now been agreed by the Boards of Northumbrian Water and Hansen Transmissions.

Since the half year end, stockmarket volatility has increased substantially and in August small and mid cap stocks fell back to their level of a year ago. This reflected doubts regarding politicians' willingness and ability to tackle large budget deficits in Europe and the USA and a realisation that the austerity measures necessary will constrain growth for years to come. This downgrading of growth prospects and therefore profits estimates for companies led to a flight from equities. Your portfolio is positioned in some defensive sectors such as gold miners, utilities, household goods and non-life insurance companies to mitigate the risk of lower economic growth and your Company's gearing level has been reduced further since the half year end. This puts us in a good position to take advantage of opportunities in a volatile market, recognising that, whilst near term growth prospects have reduced, generally companies' balance sheets are now strong and dividend yields attractive.

Martin Hudson
Jane Lennard

21st September 2011

List of Investments

at 31st July 2011

Company	Sector	Value £'000	%
Northumbrian Water	Utilities	61,902	4.5
Misys	Technology	44,916	3.3
Pennon	Utilities	34,539	2.5
Jardine Lloyd Thompson	Financials	32,465	2.4
Cable & Wireless Communications	Telecommunications	31,507	2.3
Laird Group	Industrials	29,644	2.2
Cove Energy ¹	Oil & Gas	28,715	2.2
Persimmon	Consumer Goods	28,706	2.1
Meggitt	Industrials	25,166	1.8
Logica CMG	Technology	24,591	1.8
African Barrick Gold	Basic Materials	24,428	1.8
Hiscox	Financials	24,031	1.7
Go-Ahead	Consumer Services	23,545	1.7
Cable & Wireless Worldwide	Telecommunications	23,484	1.7
Travis Perkins	Industrials	21,805	1.6
Songbird Estates ¹	Financials	20,413	1.5
Petropavlovsk	Basic Materials	19,290	1.4
Mitchells & Butlers	Consumer Services	19,125	1.4
Cobham	Industrials	18,953	1.4
Berkeley	Consumer Goods	18,189	1.4
Catlin	Financials	18,043	1.3
William Hill	Consumer Services	17,736	1.3
Bovis Homes	Consumer Goods	17,700	1.3
Shaftesbury	Financials	15,278	1.1
Invensys	Technology	15,252	1.1
Marston's	Consumer Services	14,940	1.1
Phoenix Holdings	Financials	14,576	1.1
MP Evans ¹	Consumer Goods	13,668	1.0
London Stock Exchange	Financials	13,083	1.0
Imagination Technologies	Technology	12,679	1.0
Senior	Industrials	12,630	0.9
Barratt Developments	Consumer Goods	12,532	0.9
Morgan Crucible	Industrials	12,530	0.9
SIG	Industrials	11,983	0.8
Daily Mail	Consumer Services	11,809	0.8
Bellway	Consumer Goods	11,599	0.8
Hays	Industrials	11,067	0.8
Chemring	Industrials	10,896	0.8
Great Portland Estates	Financials	10,857	0.8
Sports Direct International	Consumer Services	10,835	0.8
Supergroup	Consumer Services	10,410	0.8
Ricardo	Industrials	10,207	0.7
CSR	Technology	9,965	0.7
New Britain Palm Oil	Consumer Goods	9,933	0.7
Aquarius Platinum	Basic Materials	9,272	0.7
Berendsen	Industrials	9,178	0.7
Chime Communications	Consumer Services	9,017	0.7
Vectura	Health Care	9,013	0.7
Taylor Wimpey	Consumer Goods	8,759	0.6
Cranswick	Consumer Goods	8,730	0.6
Vallares	Oil & Gas	8,704	0.6
Dunelm	Consumer Services	8,413	0.6

List of Investments continued

Company	Sector	Value £'000	%
Young & Co's Brewery ¹	Consumer Services	8,379	0.6
Smith (DS)	Industrials	8,127	0.6
United Business Media	Consumer Services	7,986	0.6
Hansteen	Financials	7,973	0.6
Colt Telecom	Telecommunications	7,770	0.6
Aegis	Consumer Services	7,602	0.5
VP	Industrials	7,043	0.5
Brewin Dolphin	Financials	6,880	0.5
LSL Property Services	Financials	6,470	0.5
AGA Rangemaster	Consumer Goods	6,470	0.5
BTG	Health Care	6,439	0.5
Ultra Electronics	Industrials	6,291	0.5
Mondi	Basic Materials	6,079	0.4
Oxford Biomedica	Health Care	5,827	0.4
Hansen Transmissions	Industrials	5,796	0.4
CVS	Consumer Services	5,795	0.4
Shore Capital ¹	Financials	5,776	0.4
Pendragon	Consumer Services	5,695	0.4
New World Resources	Basic Materials	5,648	0.4
Beazley	Financials	5,618	0.4
DTZ	Financials	5,545	0.4
Hardy	Financials	5,537	0.4
Stagecoach	Consumer Services	5,186	0.4
Yule Catto & Co	Basic Materials	5,055	0.4
Balfour Beatty	Industrials	5,005	0.4
Max Property	Financials	4,787	0.3
Horizon Acquisition	Financials	4,750	0.3
Nautical Petroleum	Oil & Gas	4,661	0.3
Marwyn Management Partners	Financials	4,600	0.3
Advanced Computer Software	Technology	4,531	0.3
Rathbone Brothers	Financials	4,397	0.3
Hochschild Mining	Basic Materials	4,370	0.3
Amlin	Financials	4,323	0.3
Close Brothers	Financials	4,322	0.3
Fenner	Industrials	4,307	0.3
London & Stamford ¹	Financials	4,278	0.3
Bayfield Energy	Oil & Gas	4,253	0.3
Vernalis	Health Care	4,247	0.3
Kalahari Minerals	Basic Materials	4,246	0.3
St Peter Port ¹	Financials	4,244	0.3
M&S Saatchi	Consumer Services	4,198	0.3
Gem Diamonds	Basic Materials	4,090	0.3
Wolfson Microelectronics	Technology	3,929	0.3
Babcock International	Industrials	3,834	0.3
Aer Lingus ³	Consumer Services	3,650	0.3
Sportech	Consumer Services	3,614	0.3
Kenmare Resources ³	Basic Materials	3,447	0.2
First Group	Consumer Services	3,391	0.2
Bloomsbury Publishing	Consumer Services	3,339	0.2
Shaft Sinkers	Industrials	3,265	0.2
Anite	Technology	3,255	0.2
Anglo-Eastern Plantations	Consumer Goods	3,079	0.2

Company	Sector	Value £'000	%
Camellia	Financials	2,972	0.2
Mountview Estates	Financials	2,970	0.2
BBA Aviation	Industrials	2,952	0.2
R.E.A.	Consumer Goods	2,869	0.2
Renovo	Health Care	2,850	0.2
Namakwa Diamonds	Basic Materials	2,812	0.2
Charter International	Industrials	2,708	0.2
Kofax	Technology	2,637	0.2
Entertainment One	Consumer Services	2,613	0.2
Tennants Consolidated ^{2,4}	Basic Materials	2,508	0.2
Helical Bar	Financials	2,421	0.2
Micro Focus International	Technology	2,391	0.2
Oxford Catalysts	Basic Materials	2,283	0.2
Topps Tiles	Consumer Services	2,242	0.2
Channel Islands Property	Financials	2,191	0.2
Faroe Petroleum	Oil & Gas	2,173	0.2
Puma Brandenburg ³	Financials	2,137	0.2
Speedy Hire	Industrials	2,096	0.2
H.R.Owen	Consumer Services	2,068	0.2
Cenkos Securities ¹	Financials	2,031	0.1
Cazenove Capital ²	Financials	2,020	0.1
ACAL	Industrials	1,987	0.1
Infrastrata	Oil & Gas	1,940	0.1
Amerisur Resources	Oil & Gas	1,909	0.1
Ashley (Laura)	Consumer Services	1,630	0.1
The Hotel Corporation ¹	Consumer Services	1,409	0.1
WH Ireland	Financials	1,364	0.1
Panmure Gordon	Financials	1,155	0.1
Renold	Industrials	848	0.1
Workspace	Financials	749	0.1
Peel Hotels ¹	Consumer Services	744	0.1
Brookwell	Financials	707	0.1
Exillon Energy	Oil & Gas	547	0.0
Genus	Health Care	328	0.0
National Express	Consumer Services	323	0.0
Vislink	Technology	283	0.0
Hamworthy	Industrials	222	0.0
NBNK Investments Warrants 2020	Financials	0	0.0
Net current assets		100,730	7.3
Total		1,374,926	100.0

¹AIM listed investment.

²Unquoted investment.

³Listed overseas.

⁴Includes a fixed interest investment.

⁵The portfolio comprises investments in equity shares and a fixed interest investment.

Portfolio Analyses

Sector Analysis	at 31st July 2011		at 31st January 2011	
	Portfolio %	Benchmark %	Portfolio %	Benchmark %
Financials	18.1	24.1	17.6	19.6
Industrials	16.6	27.3	11.1	27.2
Consumer Services	14.3	18.7	18.0	21.5
Consumer Goods	10.3	5.2	11.1	6.7
Technology	9.1	6.5	6.2	5.8
Utilities	7.0	2.7	4.7	2.1
Basic Materials	6.8	7.8	9.0	7.3
Telecommunications	4.6	1.8	5.0	2.1
Oil & Gas	3.8	4.1	8.4	5.7
Health Care	2.1	1.8	4.2	2.0
Net current assets	7.3	–	4.7	–
Total	100.0	100.0	100.0	100.0

Based on total assets less current liabilities of £1,375m (31st January 2011: £1,414m).

Listed Equity Market Capitalisation	31st July 2011	31st January 2011
	%	%
UK FTSE Mid 250 Companies	70.7	67.5
UK Smaller Companies	21.1	25.2
UK AIM and Unquoted	0.3	0.4
UK FTSE 100	–	1.1
Overseas Companies	0.6	1.1
Net current assets	7.3	4.7
Total	100.0	100.0

Based on total assets less current liabilities of £1,375m (31st January 2011: £1,414m).

Income Statement

for the six months ended 31st July 2011

	(Unaudited) Six months ended 31st July 2011			(Unaudited) Six months ended 31st July 2010			(Audited) Year ended 31st January 2011		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Losses)/gains on investments held at fair value through profit or loss	–	(25,646)	(25,646)	–	80,313	80,313	–	249,190	249,190
Net foreign currency (losses)/gains	–	(6)	(6)	–	18	18	–	26	26
Income from investments	18,285	–	18,285	16,628	–	16,628	30,631	–	30,631
Other interest receivable and similar income	496	–	496	333	–	333	1,606	–	1,606
Gross return/(loss)	18,781	(25,652)	(6,871)	16,961	80,331	97,292	32,237	249,216	281,453
Management fee	(813)	(1,897)	(2,710)	(676)	(1,578)	(2,254)	(1,407)	(3,282)	(4,689)
Other administrative expenses	(387)	–	(387)	(370)	–	(370)	(723)	–	(723)
Net return/(loss) on ordinary activities before finance costs and taxation	17,581	(27,549)	(9,968)	15,915	78,753	94,668	30,107	245,934	276,041
Finance costs	(1,697)	(3,962)	(5,659)	(1,647)	(3,842)	(5,489)	(3,320)	(7,748)	(11,068)
Net return/(loss) on ordinary activities before taxation	15,884	(31,511)	(15,627)	14,268	74,911	89,179	26,787	238,186	264,973
Taxation (note 4)	(61)	–	(61)	(15)	–	(15)	(18)	–	(18)
Net return/(loss) on ordinary activities after taxation	15,823	(31,511)	(15,688)	14,253	74,911	89,164	26,769	238,186	264,955
Return/(loss) per share (note 5)	15.98p	(31.82)p	(15.84)p	14.27p	74.99p	89.26p	26.91p	239.48p	266.39p

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

The 'Total' column of this statement is the profit and loss account of the Company and the 'Revenue' and 'Capital' columns represent supplementary information prepared under guidance issued by the Association of Investment Companies. The Total column represents all the information that is required to be disclosed in a 'Statement of Total Recognised Gains and Losses' ('STRGL'). For this reason a STRGL has not been presented.

Reconciliation of Movements in Shareholders' Funds

for the six months ended 31st July 2011 (unaudited)

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 31st January 2011	24,759	23,459	12,011	1,139,698	37,339	1,237,266
Net (loss)/return on ordinary activities	–	–	–	(31,511)	15,823	(15,688)
Dividends appropriated in the period	–	–	–	–	(23,698)	(23,698)
At 31st July 2011	24,759	23,459	12,011	1,108,187	29,464	1,197,880

Six months ended 31st July 2010 (unaudited)

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 31st January 2010	25,487	23,459	11,283	928,785	46,362	1,035,376
Repurchase and cancellation of the Company's own shares	(723)	–	723	(27,072)	–	(27,072)
Net return on ordinary activities	–	–	–	74,911	14,253	89,164
Dividends appropriated in the period	–	–	–	–	(23,906)	(23,906)
At 31st July 2010	24,764	23,459	12,006	976,624	36,709	1,073,562

Year ended 31st January 2011 (audited)

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 31st January 2010	25,487	23,459	11,283	928,785	46,362	1,035,376
Repurchase and cancellation of the Company's own shares	(728)	–	728	(27,273)	–	(27,273)
Net return on ordinary activities	–	–	–	238,186	26,769	264,955
Dividends appropriated in the year	–	–	–	–	(35,792)	(35,792)
At 31st January 2011	24,759	23,459	12,011	1,139,698	37,339	1,237,266

Balance Sheet

at 31st July 2011

	(Unaudited) 31st July 2011 £'000	(Unaudited) 31st July 2010 £'000	(Audited) 31st January 2011 £'000
Fixed assets			
Investments held at fair value through profit or loss	1,274,196	1,059,103	1,347,562
Current assets			
Debtors	28,173	20,553	4,030
Cash and short term deposits	91,563	183,193	89,530
	119,736	203,746	93,560
Creditors: amounts falling due within one year	(19,006)	(12,338)	(26,859)
Net current assets	100,730	191,408	66,701
Total assets less current liabilities	1,374,926	1,250,511	1,414,263
Creditors: amounts falling due after more than one year	(177,046)	(176,949)	(176,997)
Net assets	1,197,880	1,073,562	1,237,266
Capital and reserves			
Called up share capital	24,759	24,764	24,759
Share premium	23,459	23,459	23,459
Capital redemption reserve	12,011	12,006	12,011
Capital reserves	1,108,187	976,624	1,139,698
Revenue reserve	29,464	36,709	37,339
Shareholders' funds	1,197,880	1,073,562	1,237,266
Net asset value per share (note 6)	1,209.5p	1,083.8p	1,249.3p

Company registration number 20537

Cash Flow Statement

for the six months ended 31st July 2011

	(Unaudited) Six months ended 31st July 2011 £'000	(Unaudited) Six months ended 31st July 2010 £'000	(Audited) Year ended 31st January 2011 £'000
Net cash inflow from operating activities (note 7)	10,951	11,870	26,671
Net cash outflow from servicing of finance	(5,627)	(5,441)	(10,954)
Taxation recovered	9	–	–
Net cash inflow from capital expenditure and financial investment	35,404	188,435	82,564
Dividends paid	(23,698)	(23,894)	(35,780)
Net cash outflow from financing	(15,000)	(28,020)	(13,222)
Increase in cash in the period	2,039	142,950	49,279
Reconciliation of net cash flow to movement in net funds/debt			
Increase in cash in the period	2,039	142,950	49,279
Bank loans repaid/(drawn down) in the period	15,000	–	(15,000)
Exchange movements	(7)	18	26
Other movements	(48)	(48)	(96)
Changes in net funds/debt arising from cash flows	16,984	142,920	34,209
Net debt at the beginning of the period	(102,467)	(136,676)	(136,676)
Net (debt)/funds at the end of the period	(85,483)	6,244	(102,467)
Represented by:			
Cash and short term deposits	91,563	183,193	89,530
Bank loans falling due within one year	–	–	(15,000)
Debentures falling due after more than five years	(177,046)	(176,949)	(176,997)
Net (debt)/funds	(85,483)	6,244	(102,467)

Notes to the Accounts

for the six months ended 31st July 2011

1. Financial Statements

The information contained within the accounts in this half year report has not been audited or reviewed by the Company's auditors.

The figures and financial information for the year ended 31st January 2011 are extracted from the latest published accounts of the Company and do not constitute statutory accounts for that year. Those accounts have been delivered to the Registrar of Companies and included the report of the auditors which was unqualified and did not contain a statement under either section 498(2) or 498(3) of the Companies Act 2006.

2. Accounting policies

The accounts have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice and with the Statement of Recommend Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued in January 2009.

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

The accounting policies applied to these interim accounts are consistent with those applied in the accounts for the year ended 31st January 2011.

3. Dividends

	(Unaudited) Six months ended 31st July 2011 £'000	(Unaudited) Six months ended 31st July 2010 £'000	(Audited) Year ended 31st January 2011 £'000
Unclaimed dividends refunded to the Company	(70)	—	—
Fourth quarterly dividend of 18.0p (2010: 18.0p) paid to shareholders in May	17,826	17,961	17,961
First quarterly dividend of 6.0p (2010: 6.0p) paid to shareholders in August	5,942	5,945	5,945
Second quarterly dividend of 6.0p paid to shareholders in November	n/a	n/a	5,944
Third quarterly dividend of 6.0p paid to shareholders in February	n/a	n/a	5,942
	23,698	23,906	35,792

A second quarterly dividend of 6.0p (2010: 6.0p) per share, amounting to £5,942,000 (2010: £5,943,000), has been declared payable in respect of the six months ended 31st July 2011.

4. Taxation

The Company's effective corporation tax rate is nil, as deductible expenses exceed taxable income. The tax charge comprises overseas withholding tax.

Notes to the Accounts continued

5. Return/(loss) per share

	(Unaudited) Six months ended 31st July 2011 £'000	(Unaudited) Six months ended 31st July 2010 £'000	(Audited) Year ended 31st January 2011 £'000
Return per share is based on the following:			
Revenue return	15,823	14,253	26,769
Capital (loss)/return	(31,511)	74,911	238,186
Total (loss)/return	(15,688)	89,164	264,955
Weighted average number of shares in issue	99,035,719	99,892,469	99,461,672
Revenue return per share	15.98p	14.27p	26.91p
Capital (loss)/return per share	(31.82)p	74.99p	239.48p
Total (loss)/return per share	(15.84)p	89.26p	266.39p

6. Net asset value per share

Net asset value per share is calculated by dividing shareholders' funds by the number of shares in issue at 31st July 2011 of 99,035,719 (31st July 2010: 99,055,719 and 31st January 2011: 99,035,719).

7. Reconciliation of net (loss)/return on ordinary activities before finance costs and taxation to net cash inflow from operating activities

	(Unaudited) Six months ended 31st July 2011 £'000	(Unaudited) Six months ended 31st July 2010 £'000	(Audited) Year ended 31st January 2011 £'000
Total (loss)/return on ordinary activities before finance costs and taxation	(9,968)	94,668	276,041
Less capital loss/(return) on ordinary activities before finance costs and taxation	27,549	(78,753)	(245,934)
Scrip dividends included in income	(678)	(442)	(56)
Increase in net debtors and accrued income	(3,965)	(1,941)	(32)
Decrease in accrued expenses	(68)	(53)	(34)
Management fee charged to capital	(1,897)	(1,578)	(3,282)
Overseas withholding tax	(22)	(31)	(32)
Net cash inflow from operating activities	10,951	11,870	26,671

Interim Management Report

The Company is required to make the following disclosures in its half year report.

Principal Risks and Uncertainties

The principal risks and uncertainties faced by the Company fall into the following broad categories: investment and strategy; market; accounting, legal and regulatory; corporate governance and shareholder relations; operational and financial. Information on each of these areas is given in the Directors' Report within the Annual Report and Accounts for the year ended 31st January 2011.

Related Parties Transactions

During the first six months of the current financial year, no transactions with related parties have taken place which have materially affected the financial position or the performance of the Company.

Directors' Responsibilities

The Board of Directors confirms that, to the best of its knowledge:

- (i) the condensed set of financial statements contained within the half year financial report has been prepared in accordance with the Accounting Standards Board's Statement 'Half Year Financial Reports'; and
- (ii) the interim management report includes a fair review of the information required by 4.2.7R and 4.2.8R of the UK Listing Authority Disclosure and Transparency Rules.

For and on behalf of the Board.

Hamish Leslie Melville
Chairman

21st September 2011

Glossary of Terms and Definitions

Return to Shareholders

Total return to the investor, on a mid-market price to mid-market price basis, assuming that all dividends received were reinvested, without transaction costs, in the shares of the Company at the time the shares were quoted ex-dividend.

Return on Net Assets

Total return on net asset value ('NAV') per share, on a bid value to bid value basis, assuming that all dividends paid out by the Company were reinvested in the shares of the Company at the NAV per share at the time the shares were quoted ex-dividend.

In accordance with industry practice, dividends payable which have been declared but which are unpaid at the balance sheet date are deducted from the NAV per share when calculating the total return on net assets.

Benchmark Total Return

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

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

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

If the share price of an investment trust is lower than the NAV per share, the shares are said to be trading at a discount. The discount is shown as a percentage of the NAV per share. The opposite of a discount is a premium. It is more common for an investment trust's shares to trade at a discount than at a premium.

Information about the Company

Financial Calendar

Financial year end	31st January
Final results announced	April
Half year end	31st July
Half year results announced	September
Interim Management Statements announced	May/November
Dividends on ordinary shares paid	*1st August, 1st November, 1st February, 1st May
Interest on 4.25% perpetual debenture stock paid	1st June, 1st December
Annual General Meeting	April/May

*or nearest following business day.

History

The Mercantile Investment & General Trust Company Limited was formed in December 1884 with issued capital of £500,000. The Company merged with three other investment trusts in 1960 under a scheme of arrangement and changed its name to The Mercantile Investment Trust Limited. In 1982 the Company became The Fleming Mercantile Investment Trust plc. JPMorgan has been the Company's manager and secretary since its appointment in 1976. In April 2008, the Company adopted its present name, The Mercantile Investment Trust plc.

A publication entitled "The Mercantile Investment Trust plc 125 Years" is available from the Secretary.

Directors

Hamish Leslie Melville (Chairman)
 Sir Richard Beckett
 The Right Hon. The Earl of Halifax
 Helen James (appointed 21st September 2011)
 Sandy Nairn
 Charles Peel
 Ian Russell

Company Numbers

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

Market Information

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

Website

www.mercantileit.co.uk

Share Transactions

The Company's shares may be dealt in directly through a stockbroker or professional adviser acting on an investor's behalf. They may also be purchased and held through the J.P. Morgan Investment Account, J.P. Morgan ISA and J.P. Morgan SIPP. These products are all available on the online wealth manager service, J.P. Morgan WealthManager+ available at www.jpmorganwealthmanagerplus.co.uk

Dividend Re-investment Plan

The Company operates a dividend re-investment plan. For further information please contact the Registrars (details below).



The Association of
Investment Companies A member of the AIC

Manager and Company Secretary

JPMorgan Asset Management (UK) Limited

Company's Registered Office

Finsbury Dials
 20 Finsbury Street
 London EC2Y 9AQ
 Telephone number: 020 7742 6000

Please contact Juliet Dearlove for company secretarial and administrative matters.

Custodian

JPMorgan Chase Bank, N.A.
 125 London Wall
 London EC2Y 5AJ

Registrars

Equiniti Limited
 Reference 1101
 Aspect House
 Spencer Way
 Lancing
 West Sussex BN99 6DA
 Telephone number: 0871 384 2329

Calls to this number cost 8p per minute from a BT landline. Other providers' costs may vary. Lines open 8.30 am to 5.30 pm, Monday to Friday. The overseas helpline number is +44 (0)121 415 7047

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

Independent Auditors

PricewaterhouseCoopers LLP
 Chartered Accountants and Statutory Auditors
 7 More London Riverside
 London SE1 2RT

Brokers

Cenkos Securities plc
 6, 7, 8 Tokenhouse Yard
 London EC2R 7AS
 Oriel Securities Limited
 125 Wood Street
 London EC2V 7AN

Savings Product Administrators

For queries on the J.P. Morgan Investment Account, J.P. Morgan ISA and J.P. Morgan SIPP, see contact details on the back cover of this report.

JPMorgan Helpline
Freephone 0800 20 40 20 or +44 (0)20 7742 9995

Your telephone call may be recorded for your security

www.mercantileit.co.uk