

The Mercantile Investment Trust plc

Half Year Report & Accounts for the six months ended 31st July 2015



Features

Contents

About the Company

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

Investment Review

- 5 List of Investments
- 8 Portfolio Analyses

Financial Statements

- 9 Statement of Comprehensive Income
- 10 Statement of Changes in Equity
- 11 Statement of Financial Position
- 12 Statement of Cash Flows
- 13 Notes to the Financial Statements

Shareholder Information

- 16 Interim Management Report
- 17 Glossary of Terms and Definitions
- 18 Where to buy J.P. Morgan Investment Trusts
- 21 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 10% net cash to 20% geared.
- 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 with net dividends reinvested.

Capital Structure

At 31st July 2015, the Company's issued share capital comprised 96,248,541 ordinary shares of 25p each.

At 31st July 2015, the Company also had in issue a £3.85 million 4.25% perpetual debenture and a £175 million 6.125% debenture repayable on 25th February 2030.

Management Company

The Company employs JPMorgan Funds Limited ('JPMF' or the 'Manager') as its Alternative Investment Fund Manager and Company Secretary. JPMF is approved by the Financial Conduct Authority and delegates the management of the Company's portfolio to JPMorgan Asset Management ('JPMAM').

Website

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

FCA regulation of 'non-mainstream pooled investments'

The Company currently conducts its affairs so that the shares issued by the Company can be recommended by Independent Financial Advisers to ordinary retail investors in accordance with the FCA's rules in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future.

The shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust.

Half Year Performance

Total returns (includes dividends reinvested)

+15.6%

Return to shareholders¹

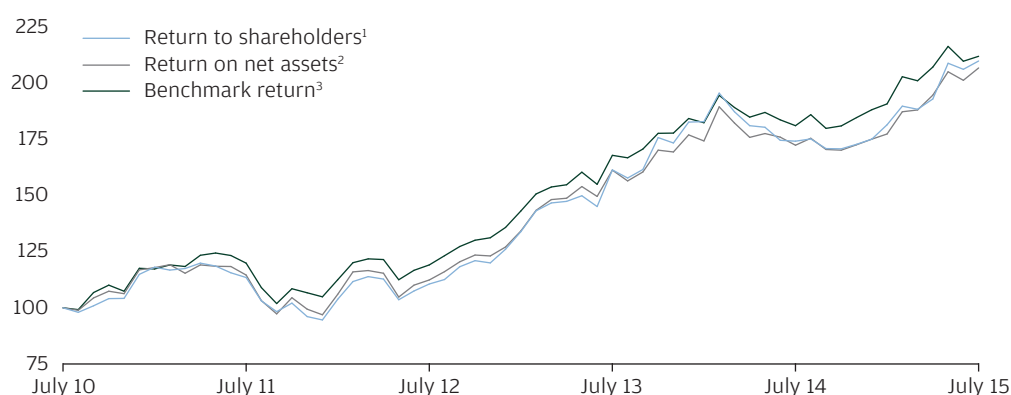
+15.0%

Return on net assets²

+11.1%

Benchmark return³

5 Year Performance (figures have been rebased to 100 as at 31st July 2010)



Financial Data

	31st July 2015	31st January 2015	% change
Shareholders' funds (£'000)	1,913,184	1,713,096	+11.7
Number of shares in issue	96,248,541	97,704,635	
Net asset value per share with debt at par value	1,987.8p	1,753.3p	+13.4
Net asset value per share with debt at fair value ⁴	1,928.2p	1,678.8p	+14.9
Net asset value return with dividends reinvested	+15.0%	+4.4%	
Share price	1,703.0p	1,498.0p	+13.7
Share price discount to net asset value per share with debt at par value	14.3%	14.6%	
Share price discount to net asset value per share with debt at fair value	11.7%	10.8%	
Gearing/(net cash)	(2.5)%	(0.9)%	
Ongoing Charges	0.47%	0.49%	

A glossary of terms and definitions is provided on page 17.

¹Source: Morningstar.

²Source: J.P. Morgan, using net asset value per share with debt at par value.

³Source: Russell/Mellon CAPS. The Company's benchmark is the FTSE All-Share Index (excluding FTSE 100 constituents and Investment trusts).

⁴The 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



The Company's net asset value total return in the six months to 31st July 2015 was 15.0%, 3.9% ahead of the return of 11.1% from our benchmark index, the FTSE All-Share, excluding FTSE 100 constituents and investment trusts. The share price return was 15.6%.

Returns and Dividends

The income from investments in the first half of the Company's current financial year reflects an increase on that of the half year ended 31st July 2014, primarily due to growth in ordinary dividend receipts from portfolio companies.

A second interim dividend of 10.0 pence per share has been declared by the Board, payable on 2nd November 2015 to shareholders on the register at close of business on 2nd October 2015. Together with the first interim dividend of 10.0 pence paid on 31st July 2015 this brings the total dividend for the year to date to 20.0 pence (2014: 16.0 pence). In order to even out the flow of dividends paid during the year, the Board has increased the level of the first two dividends to 10.0 pence per ordinary share. This was a rebalancing exercise and will not necessarily result in an increased total amount for the year. The Board anticipates that there will be a third interim dividend of 10.0 pence to be paid in early February 2016.

The level of the fourth interim dividend will depend on income received by the Company for the balance of the current financial year and a prudent view to be adopted by the Board, taking account of the level of the Company's Revenue Reserve.

Share Buy Backs and Discount

The Board has continued to carry out share repurchases in order to enhance the asset value and minimise the absolute level and volatility of the discount on the Company's shares. In the six months to 31st July 2015, 1,456,094 shares were repurchased for cancellation at a cost of £22,939,000. Against a backdrop of substantial market volatility, the discount to NAV, at which the Company's shares have traded during the period from 1st February to 2nd September 2015, has fluctuated between 10.6% and 16.8%. As at close of business on 22nd September 2015 the discount was 13.4% (cum income debt at par).

Board Changes

I am pleased to announce the appointment of Angus Gordon Lennox as a Director of the Company, with effect from today. Angus is Executive Chairman of two private family businesses. He is also a Non-Executive Director of Securities Trust of Scotland plc, a role he has held since 2013. Previously he had a 24 year career as a corporate broker, first as a Partner of Cazenove & Co, and later as a Managing Director of JPMorgan Cazenove, which he resigned from in August 2010.

Outlook

In contrast to many of the global equity indices the market for UK medium and small sized companies has proved resilient to recent external headwinds. The domestic economy has been a net beneficiary of lower oil prices which, coupled with a return to modest wage inflation, is resulting in improving consumer confidence. Looking forward, the UK economy is expected to continue to perform well over the medium term and this is likely to lead to further relative outperformance by UK medium and small sized companies.

For and on behalf of the Board

Hamish Leslie Melville

Chairman

23rd September 2015

Investment Managers' Report

Market background

The stock market outperformance of small and medium sized companies relative to their larger counterparts continued in the first six months of the Company's financial year. This outperformance reflected investor recognition of the better relative growth prospects of small and medium sized companies given their domestic bias and lower commodity exposure.

The EU entering a period of Quantitative Easing has driven increased demand for higher risk assets in the search for yield, and the UK market has benefitted from this trend. After an initial surge in financial markets in the first few months of 2015, the focus in the UK shifted towards the unusually uncertain outcome of the General Election. A Conservative majority was unexpected and whilst the initial reaction from the financial markets has subsequently been drowned out by increasing concerns over the level and sustainability of global growth, this result does provide a more certain environment for the next five years, with a concomitant increase in business confidence.

The price of crude oil, having fallen from the peak of \$115 per barrel of Brent crude in June 2014 to the trough of \$46 in January, staged a modest recovery through the first quarter of this fiscal year, reaching \$70 in May. However, a combination of greater than anticipated supply growth and weaker than expected global demand has seen this reverse through the second quarter, with crude prices back towards and since period end, below the levels seen in January. Other commodity prices have also been weak through this period.

Portfolio performance and positioning

Against this backdrop, your Company has had a positive six months; the return on net assets over the period was 15.0%, ahead of the 11.1% benchmark return for the FTSE All-Share Index excluding FTSE 100 constituents and Investment Trusts. Reflecting a slight tightening of the discount, the share price total return was 15.6% for the period.

This positive relative performance has been delivered despite retaining a conservative overall level of gearing and therefore exposure to market moves, with the portfolio 2.5% net cash at 31st July 2015, having been fully invested but ungeared at the start of the period. As a result, outperformance has been driven by a combination of sector allocation and stock selection. This has been achieved across a broad range of sectors and individual stocks, with the most significant contributions from the beverages sector, driven by the holding in Fever-Tree, the owner and distributor of premium brand mixers, and the mining sector, where the fund's underweight positioning has added value as the companies continue to struggle with weakening metal prices.

The overall shape and key end market exposures of the portfolio have remained substantially unchanged through the first half of the year - in aggregate the portfolio remains overweight in domestic, consumer exposed stocks whilst being underweight stocks in resources and resource exposed industries.

Transactions have been stock specific and across a range of industry sectors; the largest purchases include Betfair Group, the internet betting exchange, DS Smith, the provider of corrugated packaging solutions, and Bellway, the house builder. Significant sales have resulted from takeover situations, such as Catlin Group, TSB Banking Group and CSR, and from holdings being divested post promotion into the FTSE 100, such as Inmarsat and Hikma Pharmaceuticals.

Outlook

The UK economy continues to perform well against a tough global backdrop, and is expected to be the fastest growing G7 economy for the second year running. Rising wages and employment combined with limited inflation continue to lift household spending power, which has positive implications for consumer facing companies, whilst continued weakness in commodity prices negatively impacts energy and related industries. Based upon our view that these changes are still not fully reflected in share prices, the portfolio remains positively exposed to such domestic, consumer related stocks whilst negatively positioned in energy and related industries.

Investment Managers' Report continued

In addition to these factors, other uncertainties such as the pace of emerging market growth, the timing and magnitude of interest rate increases and the future of Europe continue to influence our view on your Company's overall exposure to the market. The current cash position leaves significant capacity to deploy further capital into the market in the event of increased volatility presenting opportunities, as confidence in growth increases or as other risks unwind.

Despite this somewhat uncertain backdrop, we believe that the favourable dynamics of investing in small and medium-sized companies will continue to drive superior returns over the long-term.

Guy Anderson
Martin Hudson
Anthony Lynch

23rd September 2015

List of Investments

at 31st July 2015

Company	Sector	Value £'000	%
DCC	Industrials	47,652	2.6
Berkeley Group	Consumer Goods	39,551	2.1
Howden Joinery Group	Industrials	36,711	2.0
B&M European Value Retail	Consumer Services	36,487	2.0
SEGRO	Financials	36,356	2.0
Domino's Pizza	Consumer Services	34,802	1.9
Jardine Lloyd Thompson	Financials	33,480	1.8
Ricardo	Industrials	33,358	1.8
Greencore	Consumer Goods	32,712	1.8
Smith (DS)	Industrials	32,281	1.7
Derwent London	Financials	31,814	1.7
Jupiter Fund Management	Financials	31,651	1.7
Inchcape	Consumer Services	31,112	1.7
Dixons Carphone	Consumer Services	30,539	1.6
Rightmove	Consumer Services	28,566	1.5
Betfair Group	Consumer Services	28,264	1.5
Close Brothers	Financials	25,947	1.4
Card Factory	Consumer Services	25,477	1.4
Micro Focus International	Technology	23,941	1.3
Hiscox	Financials	23,530	1.3
Provident Financial	Financials	23,315	1.3
Intermediate Capital Group	Financials	23,267	1.2
Michael Page	Industrials	23,069	1.2
Amlin	Financials	22,950	1.2
IG	Financials	22,829	1.2
Auto Trader Group	Consumer Services	22,455	1.2
Bellway	Consumer Goods	22,181	1.2
HellermannTyton	Industrials	22,000	1.2
Henderson	Financials	21,833	1.2
Halma	Industrials	21,760	1.2
Beazley	Financials	21,619	1.2
Hays	Industrials	21,317	1.1
Rexam	Industrials	21,267	1.1
Moneysupermarket.com Group	Consumer Services	21,037	1.1
Fevertree Drinks ¹	Consumer Goods	20,250	1.1
Shaftesbury	Financials	19,976	1.1
WH Smith	Consumer Services	19,604	1.1
Bodycote	Industrials	19,411	1.0
Rentokil Initial	Industrials	19,079	1.0
Atkins (WS)	Industrials	19,065	1.0
Safecharge International Group ¹	Industrials	19,010	1.0
Morgan Advanced Materials	Industrials	18,155	1.0
Just Eat	Consumer Services	18,086	1.0
Go-Ahead Group	Consumer Services	18,082	1.0
Saga	Consumer Services	17,309	0.9
Stagecoach	Consumer Services	17,092	0.9
Greggs	Consumer Services	16,925	0.9
Poundland	Consumer Services	16,860	0.9
3i Group	Financials	16,575	0.9

List of Investments continued

Company	Sector	Value £'000	%
Polypipe	Industrials	15,863	0.9
Laird	Technology	15,764	0.8
Man Group	Financials	15,568	0.8
Brewin Dolphin	Financials	15,373	0.8
RPC	Industrials	15,209	0.8
QinetiQ Group	Industrials	14,563	0.8
Halfords	Consumer Services	14,144	0.8
Lookers	Consumer Services	13,183	0.7
Pace	Technology	12,813	0.7
SSP Group	Consumer Services	12,652	0.7
Young & Co's Brewery ¹	Consumer Services	12,542	0.7
Daily Mail & General Trust	Consumer Services	12,118	0.6
Sophos Group	Technology	11,900	0.6
M.P. Evans ¹	Consumer Goods	11,715	0.6
Fidessa	Technology	11,654	0.6
Renishaw	Industrials	11,522	0.6
Ladbrokes	Consumer Services	11,380	0.6
VP	Industrials	11,339	0.6
Helical Bar	Financials	11,280	0.6
Playtech	Consumer Services	10,899	0.6
Great Portland Estates	Financials	10,735	0.6
Taylor Wimpey	Consumer Goods	10,719	0.6
Alent	Basic Materials	10,681	0.6
International Personal Finance	Financials	10,528	0.6
Ocado Group	Consumer Services	10,399	0.6
Pets At Home Group	Consumer Services	10,108	0.5
Arrow Global	Financials	10,098	0.5
Genus	Health Care	10,031	0.5
Renold	Industrials	10,023	0.5
Dechra Pharmaceuticals	Health Care	10,007	0.5
Cranswick	Consumer Goods	9,823	0.5
Marshalls	Industrials	9,816	0.5
Shawbrook Group	Financials	9,701	0.5
E2V Technologies	Industrials	9,356	0.5
Barratt Developments	Consumer Goods	9,198	0.5
CSR	Technology	8,975	0.5
Connect	Industrials	8,718	0.5
Mitchells & Butlers	Consumer Services	8,604	0.5
Hill & Smith Holdings	Industrials	8,262	0.4
William Hill	Consumer Services	8,248	0.4
Novae Group	Financials	8,103	0.4
Zoopla Property Group	Consumer Services	7,979	0.4
Workspace Group	Financials	7,859	0.4
Shore Capital ¹	Financials	7,816	0.4
Bowleven ¹	Oil & Gas	7,696	0.4
Aveva Group	Technology	7,494	0.4
Cenkos Securities ¹	Financials	7,350	0.4
M&C Saatchi ¹	Consumer Services	7,276	0.4
Mortgage Advice Bureau ¹	Financials	7,140	0.4

Company	Sector	Value £'000	%
Robert Walters	Industrials	7,101	0.4
Aldermore Group	Financials	6,948	0.4
Rathbone Brothers	Financials	6,831	0.4
Dunelm	Consumer Services	6,802	0.4
Charles Taylor	Industrials	6,400	0.3
Synthomer	Basic Materials	6,353	0.3
DFS Furniture	Consumer Services	6,074	0.3
Avon Rubber	Industrials	5,635	0.3
Cobham	Industrials	5,616	0.3
Trinity Mirror	Consumer Services	5,155	0.3
Tullett Prebon	Financials	4,806	0.3
National Express	Consumer Services	4,540	0.2
Northgate	Industrials	4,068	0.2
Fusionex International ¹	Technology	3,601	0.2
Anglo-Eastern Plantations	Consumer Goods	3,477	0.2
Harworth Group	Financials	3,322	0.2
Clarke (T)	Industrials	3,222	0.2
Tennants Consolidated ^{2,3}	Basic Materials	2,889	0.2
ISG ¹	Industrials	2,870	0.2
Premier Farnell	Industrials	2,291	0.1
Channel Islands Property	Financials	2,192	0.1
Johnston Press	Consumer Services	2,058	0.1
Egdon Resources ¹	Oil & Gas	1,741	0.1
ReNeuron Group ¹	Health Care	1,575	0.1
Peel Hotels ¹	Consumer Services	1,277	0.1
Panmure Gordon ¹	Financials	1,175	0.1
Market Tech ¹	Financials	600	–
Infrastrata ¹	Oil & Gas	474	–
International Ferro Metals ⁴	Basic Materials	327	–
Total⁵		1,864,253	100.0

¹AIM listed investment.

²Unquoted investment.

³Includes a fixed interest investment.

⁴Listing suspended on 26th August 2015 at the Company's request. Consequently, nil value has been applied to the security with effect from 27th August 2015.

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

Portfolio Analyses

	31st July 2015 %	31st January 2015 %
Listed Equity Market Capitalisation		
UK FTSE Mid sized	79.7	75.9
UK FTSE Smaller and Fledgling	10.2	13.3
UK AIM	6.2	7.3
UK FTSE 100	3.6	3.3
UK Unquoted	0.2	0.2
Overseas	0.1	–
Total	100.0	100.0

Based on total investments of £1,864m (31st January 2015: £1,722m).

Sector Analysis	31st July 2015		31st January 2015	
	Portfolio %	Benchmark %	Portfolio %	Benchmark %
Consumer Services	29.5	22.2	28.0	20.0
Financials	27.1	24.7	31.3	25.4
Industrials	27.0	26.8	24.8	26.6
Consumer Goods	8.6	7.2	5.9	6.8
Technology	5.1	4.2	4.1	4.0
Health Care	1.1	3.8	3.5	4.5
Basic Materials	1.1	4.0	0.5	4.6
Oil & Gas	0.5	4.3	0.6	3.9
Telecommunications	–	1.5	1.3	2.6
Utilities	–	1.3	–	1.6
Total	100.0	100.0	100.0	100.0

Based on total investments of £1,864m (31st January 2015: £1,722m).

Statement of Comprehensive Income

for the six months ended 31st July 2015

	(Unaudited) Six months ended 31st July 2015			(Unaudited) Six months ended 31st July 2014			(Audited) Year ended 31st January 2015		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains/(losses) from investments held at fair value through profit or loss	–	225,998	225,998	–	(24,696)	(24,696)	–	43,822	43,822
Net foreign currency gains	–	15	15	–	5	5	–	41	41
Income from investments	32,565	–	32,565	28,781	–	28,781	47,091	–	47,091
Other interest receivable and similar income	522	–	522	305	–	305	1,045	–	1,045
Gross return/(loss)	33,087	226,013	259,100	29,086	(24,691)	4,395	48,136	43,863	91,999
Management fee	(1,097)	(2,560)	(3,657)	(1,139)	(2,658)	(3,797)	(2,132)	(4,975)	(7,107)
Other administrative expenses	(661)	–	(661)	(439)	–	(439)	(1,180)	–	(1,180)
Net return/(loss) on ordinary activities before finance costs and taxation	31,329	223,453	254,782	27,508	(27,349)	159	44,824	38,888	83,712
Finance costs	(1,671)	(3,903)	(5,574)	(1,685)	(3,925)	(5,610)	(3,359)	(7,838)	(11,197)
Net return/(loss) on ordinary activities before taxation	29,658	219,550	249,208	25,823	(31,274)	(5,451)	41,465	31,050	72,515
Taxation (note 4)	(162)	–	(162)	(15)	–	(15)	(113)	–	(113)
Net return/(loss) on ordinary activities after taxation	29,496	219,550	249,046	25,808	(31,274)	(5,466)	41,352	31,050	72,402
Return/(loss) per share (note 5)	30.54p	227.30p	257.84p	26.27p	(31.83)p	(5.56)p	42.10p	31.61p	73.71p

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.

Statement of Changes in Equity

for the six months ended 31st July 2015 (unaudited)

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserves £'000	Revenue reserve ¹ £'000	Total £'000
At 31st January 2015	24,426	23,459	12,344	1,615,974	36,893	1,713,096
Repurchased and cancellation of the Company's own shares	(364)	–	364	(22,939)	–	(22,939)
Net return on ordinary activities	–	–	–	219,550	29,496	249,046
Dividends appropriated in the period	–	–	–	–	(26,019)	(26,019)
At 31st July 2015	24,062	23,459	12,708	1,812,585	40,370	1,913,184

Six months ended 31st July 2014 (unaudited)

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserves £'000	Revenue reserve ¹ £'000	Total £'000
At 31st January 2014	24,560	23,459	12,210	1,592,851	34,830	1,687,910
Net return on ordinary activities	–	–	–	(31,274)	25,808	(5,466)
Dividends appropriated in the period	–	–	–	–	(23,571)	(23,571)
At 31st July 2014	24,560	23,459	12,210	1,561,577	37,067	1,658,873

Year ended 31st January 2015 (audited)

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserves £'000	Revenue reserve ¹ £'000	Total £'000
At 31st January 2014	24,560	23,459	12,210	1,592,851	34,830	1,687,910
Repurchase and cancellation of the Company's own shares	(134)	–	134	(7,927)	–	(7,927)
Net return on ordinary activities	–	–	–	31,050	41,352	72,402
Dividends paid in the year	–	–	–	–	(39,289)	(39,289)
At 31st January 2015	24,426	23,459	12,344	1,615,974	36,893	1,713,096

¹This reserve forms the distributable reserve of the Company and may be used to fund distribution of profits to investors via dividend payments.

Statement of Financial Position

at 31st July 2015

	(Unaudited) 31st July 2015 £'000	(Unaudited) 31st July 2014 £'000	(Audited) 31st January 2015 £'000
Fixed assets			
Investments held at fair value through profit or loss	1,864,253	1,606,981	1,722,405
Current assets			
Debtors	13,108	28,540	2,573
Cash and short term deposits	229,600	220,594	193,167
	242,708	249,134	195,740
Creditors: amounts falling due within one year	(16,345)	(19,907)	(27,666)
Net current assets	226,363	229,227	168,074
Total assets less current liabilities	2,090,616	1,836,208	1,890,479
Creditors: amounts falling due after more than one year	(177,432)	(177,335)	(177,383)
Net assets	1,913,184	1,658,873	1,713,096
Capital and reserves			
Called up share capital	24,062	24,560	24,426
Share premium	23,459	23,459	23,459
Capital redemption reserve	12,708	12,210	12,344
Capital reserves	1,812,585	1,561,577	1,615,974
Revenue reserve	40,370	37,067	36,893
Shareholders' funds	1,913,184	1,658,873	1,713,096
Net asset value per share (note 6)	1,987.8p	1,688.6p	1,753.3p

Company registration number 20537

Statement of Cash Flows

for the six months ended 31st July 2015

	(Unaudited) Six months ended 31st July 2015 £'000	(Unaudited) Six months ended 31st July 2014 £'000	(Audited) Year ended 31st January 2015 £'000
Cash inflow from operations (note 7)	26,771	23,074	39,852
Interest paid	(5,528)	(5,528)	(11,057)
Overseas tax recovered	–	27	62
Net cash inflow from operating activities	21,243	17,573	28,857
Purchases of investments	(435,209)	(524,302)	(1,148,222)
Sales of investments	499,967	723,692	1,328,276
Other capital charges	(18)	(13)	(27)
Net cash inflow from investing activities	64,740	199,377	180,027
Dividends paid	(26,019)	(23,571)	(39,289)
Shares repurchased	(27,184)	–	(3,681)
Net cash outflow from financing activities	(53,203)	(23,571)	(42,970)
Increase in cash and cash equivalents	32,780	193,379	165,914
Cash and cash equivalents at the start of the period	193,167	27,211	27,211
Exchange movements	15	4	42
Cash and cash equivalents at the end of the period	225,962	220,594	193,167
Increase in cash and cash equivalents	32,780	193,379	165,914
Cash and cash equivalents consist of (note 9):			
Cash at bank and in hand	–	394	367
Bank overdraft	(3,638)	–	–
Short term deposits	229,600	220,200	192,800
	225,962	220,594	193,167

Notes to the Financial Statements

for the six months ended 31st July 2015

1. Financial Statements

The information contained within the financial statements 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 2015 are extracted from the latest published financial statements of the Company and do not constitute statutory accounts for that year. Those financial statements have been delivered to the Registrar of Companies including 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 financial statements have been prepared in accordance with the Companies Act 2006, FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' of the United Kingdom Generally Accepted Accounting Practice ('UK GAAP') and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' (the revised 'SORP') issued by the Association of Investment Companies in November 2014.

FRS 104 'Interim Financial Reporting', issued by the Financial Reporting Council ('FRC') in March 2015 has been applied in preparing this condensed set of financial statements for the six months ended 31st July 2015.

As a result of the first time adoption of FRS 102 and the revised SORP, comparative numbers and presentational formats have been restated where required.

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

The accounting policies applied to this condensed set of financial statements are consistent with those applied in the financial statements for the year ended 31st January 2015 with the following exceptions and amendments:

Finance costs

Finance costs are accounted for on an accruals basis using the effective interest method and in accordance with the provisions of FRS 102.

Financial instruments

Cash and cash equivalents may comprise cash (including demand deposits which are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value) as well as cash equivalents (in accordance with the requirements of the Alternative Investment Fund Managers Directive regulations, investments are regarded as cash equivalents if they meet all of the following criteria; highly liquid investments held in the sub-fund's base currency that are readily convertible to a known amount of cash, are subject to an insignificant risk of change in value and provide a return no greater than the rate of a three-month high quality government bond).

Taxation

Current tax is provided at the amounts expected to be received or paid.

Deferred tax is accounted for in accordance with FRS 102.

Foreign currency

In accordance with FRS 102 the Company is required to identify its functional currency, being the currency of the primary economic environment in which the Company operates. The Board, having regard to the currency of the Company's share capital and the predominant currency in which its shareholders operate, has determined that sterling is the functional currency. Sterling is also the currency in which the accounts are presented.

Repurchases of ordinary shares for cancellation

The cost of repurchasing ordinary shares including the related stamp duty and transactions costs is charged to capital reserves and dealt with in the Statement of Changes in Equity.

Only the relevant section of the applicable policies from the last year end accounts which have changed as a result of the application of the 2014 AIC SORP and FRS 102 have been reproduced above - all other aspects of those policies remain the same. The impact of the changes is substantially in relation to presentational, disclosure and non-quantifiable aspects.

Notes to the Financial Statements continued

for the six months ended 31st July 2015

3. Dividends¹

	(Unaudited) Six months ended 31st July 2015 £'000	(Unaudited) Six months ended 31st July 2014 £'000	(Audited) Year ended 31st January 2015 £'000
Unclaimed dividends refunded to the Company	(1)	(7)	(7)
Fourth quarterly dividend of 17.0p (2014: 16.0p) paid to shareholders in May	16,395	15,719	15,719
First quarterly dividend of 10.0p (2014: 8.0p) paid to shareholders in July	9,625	7,859	7,859
Second quarterly dividend of 8.0p paid to shareholders in October	n/a	n/a	7,859
Third quarterly dividend of 8.0p paid to shareholders in February	n/a	n/a	7,859
Total dividends paid in the period	26,019	23,571	39,289

¹All dividends paid and declared in the period have been funded from the Revenue Reserve.

A second quarterly dividend of 10.0p (2014: 8.0p) per share, amounting to £9,625,000 (2014: £7,859,000), has been declared payable in respect of the six months ended 31st July 2015.

4. Taxation

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

5. Return per share

	(Unaudited) Six months ended 31st July 2015 £'000	(Unaudited) Six months ended 31st July 2014 £'000	(Audited) Year ended 31st January 2015 £'000
Return/(loss) per share is based on the following:			
Revenue return	29,496	25,808	41,352
Capital return/(loss)	219,550	(31,274)	31,050
Total return/(loss)	249,046	(5,466)	72,402
Weighted average number of shares in issue	96,589,828	98,240,719	98,277,527
Revenue return per share	30.54p	26.27p	42.10p
Capital return/(loss) per share	227.30p	(31.83)p	31.61p
Total return/(loss) per share	257.84p	(5.56)p	73.71p

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 2015 of 96,248,541 (31st July 2014: 98,240,719 and 31st January 2015: 97,704,635).

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

	(Unaudited) Six months ended 31st July 2015 £'000	(Unaudited) Six months ended 31st July 2014 £'000	(Audited) Year ended 31st January 2015 £'000
Net return on ordinary activities before finance costs and taxation	254,782	159	83,712
(Net capital return)/net capital loss on ordinary activities before finance costs and taxation	(223,453)	27,349	(38,888)
Scrip dividends received as income	(479)	–	–
Increase in net debtors and accrued income	(535)	(1,404)	(179)
(Decrease)/increase in accrued expenses	(565)	(61)	639
Management fee charged to capital	(2,560)	(2,658)	(4,975)
Overseas withholding tax	(419)	(311)	(457)
Net cash inflow from operating activities	26,771	23,074	39,852

8. Fair valuation of investments

The fair value hierarchy analysis for investments held at fair value at the period end is as follows:

	(Unaudited) Six months ended 31st July 2015		(Unaudited) Six months ended 31st July 2014		(Audited) Year ended 31st January 2015	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Quoted prices for identical instruments in active markets	1,861,364	–	1,603,951	–	1,769,516	–
Valuation techniques using non-observable data ¹	2,889	–	3,030	–	2,889	–
Total value of investments	1,864,253	–	1,606,981	–	1,772,405	–

¹Consists only of the holding of unquoted stock of Tennants Consolidated (31st July 2014 also includes Brookwell).

9. Net funds

	(Unaudited) Six months ended 31st July 2015 £'000	(Unaudited) Six months ended 31st July 2014 £'000	(Audited) Year ended 31st January 2015 £'000
Cash and cash equivalents	225,962	220,594	193,167
Debentures falling due after more than five years	(177,432)	(177,335)	(177,383)
Net funds	48,530	43,259	15,784

10. Subsequent event

On 26th August 2015, International Ferro Metals Limited was suspended at the company's request. Consequently, nil value has been applied to the security with effect from 27th August 2015.

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 2015.

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.

Going Concern

The Directors believe, having considered the Company's investment objectives, risk management policies, capital management policies and procedures, nature of the portfolio and expenditure projections, that the Company has adequate resources, an appropriate financial structure and suitable management arrangements in place to continue in operational existence for the foreseeable future and, more specifically, that there are no material uncertainties pertaining to the Company that would prevent its ability to continue in such operation existence for at least twelve months from the date of the approval of this half yearly financial report. For these reasons, they consider there is sufficient evidence to continue to adopt the going concern basis in preparing the accounts.

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 FRS 104 'Interim Financial Reporting'; 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.

In order to provide these confirmations, and in preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business;

and the Directors confirm that they have done so.

For and on behalf of the Board.

Hamish Leslie Melville
Chairman

23rd September 2015

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 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 'track' this index and consequently, there may be some divergence between the Company's performance and that of the benchmark.

Gearing/Net Cash

Gearing represents the excess amount above shareholders' funds of total assets expressed as a percentage of the shareholders' funds. Total assets include total investments and net current assets/liabilities less cash/cash equivalents and excluding bank loans of less than one year. If the amount calculated is negative, this is shown as a 'net cash' position.

Ongoing Charges

Management fee and all other operating expenses, excluding finance costs, expressed as a percentage of the average of the daily net assets during the period. The ongoing charges are calculated in accordance with guidance issued by the Association of Investment Companies in May 2012. The figures as at 31st July 2015 are estimated annualised figures based on the six months to 31st July 2015.

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.

Fair Value

The fair value of the Company's debentures is calculated using a discounted cash flow technique which applies the yield from a similarly dated gilt to the debentures issued by the Company and adds to that a margin based on the 5 year average for the AA Barclays Sterling Corporate Bond spread.

For the £175 million debenture, the Company takes the yield on 4.75% Treasury Gilt 07/12/2030. For the £3.85 million perpetual debenture, the Company applies the yield on 3.50% War Loan.

The margin applied on the 5 year average for the AA Barclays Sterling Corporate Bond spread at 31st January 2015 was 1.288%.

Where to buy J.P. Morgan Investment Trusts

Savings Plan

The Company participates in the J.P. Morgan Investment Trusts Savings Plan, which facilitates both regular monthly investments and occasional lump sum investments in the Company's ordinary shares. Shareholders who would like information on the Savings Plan should call J.P. Morgan Asset Management free on 0800 731 1111 or visit its website at <https://am.jpmorgan.co.uk/investor/guidance-and-planning/guides/regular-savings-made-simple-guide.aspx>

Stocks & Shares Individual Savings Accounts (ISA)

The Company's shares are eligible investments within J.P. Morgan's Stocks & Shares ISA. For the 2015/16 tax year, from 6th April 2015 and ending 5th April 2016, the total ISA allowance is £15,240. Details are available from J.P. Morgan Asset Management free on 0800 731 1111 or via its website at <https://am.jpmorgan.co.uk/investor/isas/what-is-a-stocks-and-shares-isa.aspx>.

There are a number of ways that you can buy shares in investment trust companies; you can invest through J.P. Morgan WealthManager+ or on the following:

Fund supermarkets:

AJ Bell	Interactive Investor
Alliance Trust	James Brearley
Barclays Stockbrokers	James Hay
Bestinvest	Selftrade
Charles Stanley Direct	TD Direct
Halifax Share Dealing Service	The Share Centre
Hargreaves Lansdown	Transact

Alternatively you can invest through an Investment Professional (e.g. a Financial Adviser) on the following 3rd party platforms:

Ascentric	Nucleus
Avalon	Praemium
Axa Elevate	Transact
Novia	

Please note that these websites are third party websites and J.P. Morgan Asset Management does not endorse or recommend any of them. This list is not exhaustive and is subject to change. Please observe each site's privacy and cookie policies as well as their platform charges structure.

You can also buy investment trusts through stockbrokers, wealth managers and banks.

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

Financial Conduct Authority

Beware of share fraud



In association with:
icsa.
 Registrars
 Group

Fraudsters use persuasive and high-pressure tactics to lure investors into scams. They may offer to sell shares that turn out to be worthless or non-existent, or to buy shares at an inflated price in return for an upfront payment. While high profits are promised, if you buy or sell shares in this way you will probably lose your money.

How to avoid share fraud

- 1 Keep in mind that firms authorised by the FCA are unlikely to contact you out of the blue with an offer to buy or sell shares.
- 2 Do not get into a conversation, note the name of the person and firm contacting you and then end the call.
- 3 Check the Financial Services Register from www.fca.org.uk to see if the person and firm contacting you is authorised by the FCA.
- 4 Beware of fraudsters claiming to be from an authorised firm, copying its website or giving you false contact details.
- 5 Use the firm's contact details listed on the Register if you want to call it back.
- 6 Call the FCA on **0800 111 6768** if the firm does not have contact details on the Register or you are told they are out of date.
- 7 Search the list of unauthorised firms to avoid at www.fca.org.uk/scams.
- 8 Consider that if you buy or sell shares from an unauthorised firm you will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme.
- 9 Think about getting independent financial and professional advice before you hand over any money.
- 10 **Remember:** if it sounds too good to be true, it probably is!

Report a scam

If you are approached by fraudsters please tell the FCA using the share fraud reporting form at www.fca.org.uk/scams, where you can find out more about investment scams.

You can also call the FCA Consumer Helpline on **0800 111 6768**.

If you have already paid money to share fraudsters you should contact Action Fraud on **0300 123 2040**.

5,000 people contact the Financial Conduct Authority about share fraud each year, with victims losing an average of £20,000

Notes

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
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	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 Company Secretary.

Directors

Hamish Leslie Melville (Chairman)
 Angus Gordon Lennox
 Helen James
 Harry Morley
 Sandy Nairn
 Ian Russell
 Jeremy Tighe

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 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 and J.P. Morgan ISA. 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).

Manager and Company Secretary

JPMorgan Funds Limited

Company's Registered Office

60 Victoria Embankment
 London EC4Y 0JP
 Telephone number: 020 7742 4000
 Please contact Juliet Dearlove for company secretarial and administrative matters.

Depository

BNY Mellon Trust and Depository (UK) Limited
 BNY Mellon Centre
 160 Queen Victoria Street
 London EC4V 4LA
 The Depository has appointed JPMorgan Chase Bank, NA, as the Company's custodian.

Registrars

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

Calls to this number cost 10p per minute plus network charges. 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 0225

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	Winterflood Securities Limited The Atrium Building Canon Bridge House 25 Dowgate Hill London EC4R 2GA
---	---

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.



The Association of
Investment Companies

A member of the AIC

J.P. Morgan 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