

LONDON STOCK EXCHANGE ANNOUNCEMENT

THE MERCANTILE INVESTMENT TRUST PLC (the 'Company')

HALF YEAR REPORT & ACCOUNTS FOR THE SIX MONTHS ENDED 31ST JULY 2024

Legal Entity Identifier: 549300BGX3CJIHLP2H42

Information disclosed in accordance with DTR 4.2.2

Highlights:

The Mercantile Investment Trust plc reports strong financial performance for the half-year ended 31st July 2024. Key financial highlights include:

- **Net Asset Value (NAV) Growth:** The total return on net assets with debt at fair value increased by 17.6%, outperforming the benchmark return of 15.0%
- **Share Price Performance:** The share price total return rose by 25.8%, with the discount to NAV narrowing from 12.6% to 6.8%, as at 31st July 2024.
- **Gearing:** The Company maintained a gearing level of 13.7% as at the period end, reflecting confidence in UK mid and small cap companies.
- **Dividend Growth:** The Company declared a second quarterly interim dividend of 1.50p per share, continuing its year-on-year track record of dividend growth.

Angus Gordon Lennox, Chairman, commented:

"It is heartening to see UK equity markets benefiting from a resurgence in interest. The Company has outperformed, returning +17.6% on net assets, ahead of the benchmark return of +15.0%. The Board shares the Portfolio Managers' optimism that the rebound in the UK market is set to continue in 2024 and beyond. We also share their enthusiasm for the investment opportunities this is generating amongst mid and small cap companies."

Guy Anderson and Anthony Lynch, Portfolio Managers, commented:

"We believe we are in the early phases of a potential market recovery, with an improving domestic economic outlook and low valuations of UK-listed assets providing an exciting investment opportunity. We will maintain our focus on investing in structurally robust businesses that operate in growing end markets and possess the ability to invest capital at attractive returns while being able to adapt to the changing environments in which they operate. We believe that a portfolio of companies with these characteristics offers the best prospect of delivering compelling returns and outperformance for our shareholders over the long-term, just as it has done in the past."

CHAIRMAN'S STATEMENT

Market Background

After a long period of being out of favour with investors both in the UK and abroad, it is heartening to see UK equity markets benefiting from a resurgence in interest. This recovery began in late 2023 and has since gathered momentum, supported by several factors. Investors were relieved that the UK's economic downturn proved shallow and brief and have welcomed mounting evidence that activity is now strengthening, supported by real wage growth and an improvement in business and consumer confidence. Investor sentiment has been further supported by a steady reduction in inflation pressures, which has given the Bank of England room to begin easing interest rates. Political uncertainty has also abated now that the general election is behind us.

UK mid and small cap companies tend to thrive and outperform larger companies in periods where growth is strengthening and interest rates are declining, and true to previous form, in the six months ended 31st July 2024, this section of the market returned +15%, outpacing UK larger capitalised companies. For instance the FTSE100 returned +12% over the same period.

Performance

I am pleased to report that against this favourable background, your Company has outperformed and returned +18.0% on net assets, with debt valued at par, and +17.6% with debt at fair value over the six months to end July 2024, ahead of the benchmark return of +15.0%.

While this recent performance is certainly pleasing, the Portfolio Managers adopt a long-term perspective when implementing the investment strategy, so it is more meaningful, and appropriate, to assess their performance over a longer timeframe. On this basis, recent outperformance extends the Company's long track record of outright gains and outperformance of the benchmark. Over the ten years to end July 2024, it realised an annualised return of +8.5% in NAV terms (with debt at fair value), versus a benchmark return of +6.1%.

The Investment Manager's Report below provides details of the drivers of recent returns and portfolio changes implemented during the review period. They also discuss the market outlook over the remainder of this year and beyond.

Returns and Dividends

The dividend has increased for more than ten years in succession, and so I am pleased to report that the Company has been recognised by the AIC as a next generation dividend hero.

A first quarterly interim dividend of 1.50 pence was paid on 1st August 2024 and a second quarterly interim dividend of 1.50 pence per share has been declared by the Board, payable on 1st November 2024 to shareholders on the register at the close of business on 27th September 2024. This brings the dividend for the year so far to 3.00 pence (2023: 2.90 pence). A third quarterly interim dividend will be announced in December 2024.

The level of the fourth quarterly interim dividend will depend on income received by the Company for the full financial year. As has been stated previously, the Company aims to provide shareholders with long term dividend growth, at least in line with the rate of inflation over a five- to ten-year period.

Discount and Share Repurchases

The Company's discount to NAV at which the Company's shares trade narrowed from 12.6% at the previous financial year end to 6.8% at the half year end, in part due to the improvement in sentiment regarding UK equities and in listed investment trusts more generally.

The Board believes that it is in the interest of the shareholders that the Company's share price does not differ excessively from the underlying NAV or at a discount to NAV significantly below its peer group, under normal market conditions. This was the case at times during the period under review and the Board purchased 7,256,262 shares, to be held in Treasury, at a cost of £16.1 million. These shares were purchased at an average discount to NAV of 11.9%, producing a modest accretion to the NAV for continuing shareholders. Since the end of the review period, the Company has purchased a further 7,950,000 shares. The discount currently stands at 12.6%

Gearing

The Company's gearing policy is to operate within the range between 10% net cash and 20% gearing under normal market conditions. The Company ended the six-month reporting period with gearing at 13.7% (compared to 13.4% on 31st January 2024). This level of gearing remains a reflection of the Portfolio Managers' confidence in the outlook for UK mid and small cap companies.

The level of portfolio gearing is regularly discussed by the Board and the Portfolio Managers. Gearing is achieved via the use of long-dated, fixed-rate financing, from several sources, consistent with the Board's aim to ensure diversification of the source, tenure and cost of leverage available to the Company. The Company has in place a £3.85 million 4.25% perpetual debenture and a £175 million 6.125% debenture repayable on 25th February 2030, together with £150 million of long-term debt raised in September 2021 via the issuance of three fixed rate, senior unsecured, privately placed notes (the 'Notes'). These Notes mature between 2041 and 2061 and were secured at a blended rate of 1.94%, at a time when interest rates were near their lows.

The Board and Succession planning

After nine years on the Board, and six years as Chairman, it is my intention to retire at the conclusion of the AGM in May 2025. I am delighted to say that Rachel Beagles is to be appointed as Chair at that time. Rachel has over 15 years' of experience in the investment company sector, including being Chair of the Association of Investment Companies (the 'AIC'). She has consistently been a thoughtful and constructive contributor to the Board and I am confident that she will provide experienced leadership to the Company during the years ahead.

Graham Kitchen will assume the role of Senior Independent Director following Ms. Beagles' appointment as Chair.

Stay Informed

The Company delivers email updates on its progress with regular news and views, as well as the latest performance. If you have not already signed up to receive these communications, you can opt in via <http://tinyurl.com/MRC-Sign-Up>, or by scanning the QR code in the Half Year Report.

Outlook

The upturn in UK equity markets is certainly welcome. Perhaps the most encouraging aspect of recent developments are signs that investors are finally beginning to recognise the value that UK equities offer, both in historical terms, and relative to other developed markets. The clearest evidence of this is the increase in mergers and acquisition activity, driven by both corporate buyers and private equity investors. With economic conditions brightening and interest rates trending lower, such activity is likely to increase, providing further underlying support for the market, and the Board shares the Portfolio Managers' optimism that the rebound in the UK market is set to continue in 2024 and beyond. We also share their enthusiasm for the investment opportunities this is generating amongst mid and small cap companies.

While there are always uncertainties to dampen confidence in the investment outlook, markets have faced many unusual, unique and varied challenges over recent years. The COVID-19 pandemic, the war in Ukraine and more recently in the Middle East, resultant increases in energy and commodity prices, ensuing inflation and aggressive interest rate increases all contributed to significant levels of market volatility over recent years. The Portfolio Managers have so far successfully navigated all these challenges, and their track record over this period, combined with their long experience and disciplined investment approach, leave the Board confident in their ability to steer the portfolio through any new, unanticipated bouts of market turbulence. We believe the Company is therefore well positioned to deliver further capital and dividend growth to shareholders.

Thank you for your ongoing support.

Angus Gordon Lennox

Chairman

16th October 2024

PORTFOLIO MANAGERS' REPORT

Setting the scene: a change in narrative

The UK market has built further upon the early signs of recovery that we witnessed in the final quarter of last year, with our target market of UK mid and small cap companies (the 'Benchmark') delivering a return of 15.0% in the first half of this financial year.

Having been a widely reviled market for some time, it was pleasing to note some slight moderation in the narrative, as it was recognised that the long-expected 2023 recession was not of the scale imagined by many. Indeed, UK economic output has continued to beat market expectations throughout this year and has been the fastest growing of the G7 economies, with many of the lead indicators suggesting that this trend will continue. The UK election came earlier than anticipated and has resulted in the Labour party returning to government. While politics is rarely if ever predictable, this has the potential to provide a more stable operating environment for the years ahead, although we remain vigilant of the usual plethora of risks.

This combination of improving economic outlook and low valuations of UK-listed assets provides an exciting investment opportunity - as evidenced by a flurry of incoming bids for PLCs so far this year - but we are still in the early phases of the potential market recovery.

Mercantile performance

Against this improving backdrop, for the six months to 31st July 2024, the Company delivered a return on net assets of +18.0%, with debt valued at par, and +17.6% with debt at fair value, in both cases ahead of the Benchmark's +15.0% return. The Company's outperformance was driven by stock selection as well as gearing, which averaged 15% over the review period, and added 230bps to performance, net of costs. This recent run extends the Company's track record of outperformance over the long-term. In the ten years to end July 2024, NAV rose by an annualised average of +7.9% with debt valued at par, and +8.5% with debt at fair value, comfortably ahead of the benchmark return of +6.1%.

Performance in this half-year was aided by our holdings in the investment banking and brokerage services sector, with strong contributions from longstanding and substantial positions in private equity group **3i** and the alternative asset manager **Intermediate Capital**, supplemented by a pleasing performance and contribution from **Alpha Group**, the institutional brokerage services provider. The portfolio also benefitted from several other high returning investments, with four of our top 10 held contributors delivering over 50% returns during this half-year period: the aforementioned **Alpha Group**; **Warpaint London**, the cosmetics company; **Future**, the media business, and **Bloomsbury**, the publisher.

Conversely, the greatest detractors from performance were in the software and computer services sector, an area in which we have historically found success. The key detractor was our holding in **Bytes Technology**, one of the UK's leading value-added technology resellers, whose shares came under pressure following the sudden and unexpected resignation of the CEO, as well as due to the weaker environment for corporate demand. Our investment in **Computacenter**, a leading technology services provider to large corporate and public sector organisations, was also lacklustre as growth faltered due to this weaker corporate demand backdrop. Of the top three detractors from relative performance, two came from companies in which we had no holding, but which were subject to takeover bids at substantial premia - **Hargreaves Lansdown** and **Darktrace**. While this is frustrating, given the valuation of UK equities, we expect that this phenomenon will continue, and can be either in our favour, such as experienced with our holdings in **Britvic** and **Redrow**, or to our detriment as in the above.

While there has not been any material change to the overall shape of the portfolio, or indeed to the level of gearing, through the first half of this financial year there have been various stock-specific changes. In total, we have added 14 new holdings to the portfolio and exited from six. The largest new additions include investments in **Trainline**, the online train ticket retailer, **Plus500**, the retail trading platform operator, **Volution**, the manufacturer of air ventilation products, and **Britvic**, the drinks supplier. As is hopefully evident from this list, we are finding many exciting opportunities from across the range of sectors and different types of businesses. These purchases were partly funded with reductions in position sizes in **Tate & Lyle**, the ingredient supplier, and **Bytes Technology**, as well as exits from investments in **Direct Line**, the insurance provider, and **Howden Joinery**, the UK's leading supplier of fitted kitchens and now a FTSE100 company.

Outlook for the coming months

There are valid concerns around the outlook for global economic growth, with pockets of weakness evident that must not be overlooked. Furthermore, geopolitics has the potential to generate unanticipated shocks at any time, and while this has always been the case, we must manage these the best we can. Despite this, there is cause for more optimism on the domestic front. The UK economy has returned to a path of modest growth, which has the potential to accelerate given the improving health of the UK consumer, supported by robust wage growth and normalising inflation, combined with strongly recovering consumer and business confidence. Absent any unwanted shocks from the upcoming budget, this building economic momentum is likely to be further aided by monetary easing, with the Bank of England recently cutting interest rates for the first time in over four years.

Despite the encouraging first half of the year, the valuation of the UK market remains at a steep discount to both its own history and relative to other developed markets - a fact that has not gone unnoticed, as we have seen a pick-up in the number of acquisitions by corporate buyers, while the volume of share buybacks being executed by management teams has also soared.

As stated earlier, we believe that we are in the early phases of the potential market recovery, with an improving domestic economic outlook combined with low valuations of UK-listed assets providing an exciting investment opportunity. These factors, alongside the generally strong financial performance being delivered by our portfolio companies and the breadth of new investment ideas, are the key drivers behind our current elevated level of gearing, sitting at around 15%.

Looking ahead, we will maintain our focus on investing in structurally robust businesses that operate in growing end markets and possess the ability to invest capital at attractive returns while being able to adapt to the changing environments in which they operate. We believe that a portfolio of companies with these characteristics offers the best prospect of delivering compelling returns and outperformance for our shareholders over the long-term, just as it has done in the past.

Guy Anderson

Anthony Lynch

Portfolio Managers

16th October 2024

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 include, but are not limited to, investment under-performance, geopolitical instability, cyber crime, discount control, legal and regulatory change, corporate strategy and mid and small cap company investment (liquidity risk). Information on each of these is given in the Strategic Report within the Annual Report and Financial Statements for the year ended 31st January 2024.

In the view of the Board, these principal risks and uncertainties are as much applicable to the remaining six months of the financial year as they were to the six months under review.

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 operational existence for at least 12 months from the date of the approval of this half year 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

(v) the condensed set of financial statements contained within the half year financial report has been prepared in accordance with the 104 'Interim Financial Reporting' and gives a true and fair view of the state of affairs of the Company, and of the assets, liabilities, financial position and net return of the Company as at 31st July 2024 as required by the UK Listing Authority Disclosure Guidance and Transparency Rules ('DTRs') 4.2.4R; and

(ii) the interim management report includes a fair review of the information required by 4.2.7R and 4.2.8R of the DTRs.

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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- notify the Company's shareholders in writing about the use, if any, of disclosure exemptions in FRS102 in the preparation of the financial statements;

and the Directors confirm that they have done so.

For and on behalf of the Board

Angus Gordon Lennox

Chairman

16th October 2024

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	(Unaudited) Six months ended 31st July 2024			(Unaudited) Six months ended 31st July 2023			(Audited) Year ended 31st January 2024		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on investments held at fair value through profit or loss	-	293,772	293,772	-	(43,465)	(43,465)	-	18,706	18,706
Net foreign currency gains	-	39	39	-	1	1	-	2	2
Income from investments	45,420	-	45,420	43,140	-	43,140	73,269	-	73,269
Interest receivable and similar income	802	-	802	3,017	-	3,017	5,717	-	5,717
Gross return/(loss)	46,222	293,811	340,033	46,157	(43,464)	2,693	78,986	18,708	97,694
Management fee	(1,156)	(2,699)	(3,855)	(1,042)	(2,430)	(3,472)	(2,071)	(4,832)	(6,903)
Other administrative expenses	(768)	-	(768)	(785)	-	(785)	(1,536)	-	(1,536)
Net return/(loss) before finance costs and taxation	44,298	291,112	335,410	44,330	(45,894)	(1,564)	75,379	13,876	89,255
Finance costs	(2,086)	(4,864)	(6,950)	(2,088)	(4,873)	(6,961)	(4,172)	(9,734)	(13,906)
Net return/(loss) before taxation	42,212	286,248	328,460	42,242	(50,767)	(8,525)	71,207	4,142	75,349
Taxation (note 3)	(558)	-	(558)	(154)	-	(154)	(141)	-	(141)
Net return/(loss) after taxation	41,654	286,248	327,902	42,088	(50,767)	(8,679)	71,066	4,142	75,208
Return/(loss) per share (note 4)	5.36p	36.86p	42.22p	5.33p	(6.43)p	(1.10)p	9.01p	0.53p	9.54p

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 return/(loss) per share represents the profit/(loss) per share for the period/year and also the total comprehensive income per share.

CONDENSED STATEMENT OF CHANGES IN EQUITY

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserves ¹ £'000	Revenue reserve ¹ £'000	Total £'000
Six months ended 31st July 2024 (Unaudited)						
At 31st January 2024	23,612	23,459	13,158	1,729,199	76,191	1,865,619
Repurchase of shares into Treasury	-	-	-	(16,148)	-	(16,148)

Proceeds from share forfeiture ⁴	-	-	-	010	-	010
Net return	-	-	-	286,248	41,654	327,902
Dividends paid in the period (note 5)	-	-	-	-	(37,254)	(37,254)
Forfeiture of unclaimed dividends ² (note 5)	-	-	-	-	276	276
At 31st July 2024	23,612	23,459	13,158	1,999,915	80,867	2,141,011
Six months ended 31st July 2023						
(Unaudited)						
At 31st January 2023	23,612	23,459	13,158	1,741,531	63,916	1,865,676
Repurchase of shares into Treasury	-	-	-	(463)	-	(463)
Net return	-	-	-	(50,767)	42,088	(8,679)
Dividends paid in the period (note 5)	-	-	-	-	(35,949)	(35,949)
At 31st July 2023	23,612	23,459	13,158	1,690,301	70,055	1,820,585
Year ended 31st January 2024 (Audited)						
At 31st January 2023	23,612	23,459	13,158	1,741,531	63,916	1,865,676
Repurchase of shares into Treasury	-	-	-	(16,474)	-	(16,474)
Net (loss)/return	-	-	-	4,142	71,066	75,208
Dividends paid in the year (note 5)	-	-	-	-	(58,791)	(58,791)
At 31st January 2024	23,612	23,459	13,158	1,729,199	76,191	1,865,619

¹ These reserves form the distributable reserves of the Company and can be used to fund distributions to investors via dividend payments.

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

CONDENSED STATEMENT OF FINANCIAL POSITION

	(Unaudited) 31st July 2024 £'000	(Unaudited) 31st July 2023 £'000	(Audited) 31st January 2024 £'000
Fixed assets			
Investments held at fair value through profit or loss	2,434,904	2,025,766	2,115,714
Current assets			
Debtors	12,362	20,692	7,557
Cash and cash equivalents	32,018	114,135	89,530
	44,380	134,827	97,087
Current liabilities			
Creditors: amounts falling due within one year	(10,286)	(12,119)	(19,248)
Net current assets	34,094	122,708	77,839
Total assets less current liabilities	2,468,998	2,148,474	2,193,553
Creditors: amounts falling due after more than one year	(327,987)	(327,889)	(327,934)
Net assets	2,141,011	1,820,585	1,865,619
Capital and reserves			
Called up share capital	23,612	23,612	23,612
Share premium	23,459	23,459	23,459
Capital redemption reserve	13,158	13,158	13,158
Capital reserves	1,999,915	1,690,301	1,729,199
Revenue reserve	80,867	70,055	76,191
Total shareholders' funds	2,141,011	1,820,585	1,865,619
Net asset value per share (note 6)	276.3p	230.5p	238.6p

CONDENSED STATEMENT OF CASH FLOWS

	(Unaudited) Six months ended 31st July 2024 £'000	(Unaudited) Six months ended 31st July 2023 £'000	(Audited) Year ended 31st January 2024 £'000
Cash flows from operating activities			
Net return/(loss) before finance costs and taxation	335,410	(1,564)	89,255
Adjustment for:			
Net (gains)/losses on investments held at fair value through profit or loss	(293,772)	43,465	(18,706)
Net foreign currency gains	(39)	(1)	(2)
Dividend income	(45,420)	(43,140)	(73,269)
Interest income	(802)	(3,017)	(5,717)
Realised loss on foreign exchange transactions	-	2	2
(Increase)/decrease in accrued income and other debtors	(46)	44	36
Increase in accrued expenses	2	71	116
Net cash outflow from operations before dividends and interest	(4,667)	(4,140)	(8,285)
Dividends received	40,382	36,503	72,142
Interest received	802	3,017	5,717
Overseas withholding tax recovered	161	55	129
Net cash inflow from operating activities	36,678	35,435	69,703
Purchases of investments	(257,266)	(202,081)	(428,193)
Sales of investments	223,137	166,486	378,822
Net cash outflow from investing activities	(34,129)	(35,595)	(49,371)
Equity dividends paid	(37,254)	(35,949)	(58,791)
Forfeiture of unclaimed dividends ¹ (note 5)	276	-	-
Repurchase of shares into Treasury	(16,802)	(462)	(15,819)
Proceeds from share forfeiture ¹	616	-	-
Loan interest paid	(6,897)	(6,900)	(13,798)
Net cash outflow from financing activities	(60,061)	(43,311)	(88,408)
Decrease in cash and cash equivalents	(57,512)	(43,471)	(68,076)
Cash and cash equivalents at start of period/year	89,530	157,606	157,606
Cash and cash equivalents at end of period/year	32,018	114,135	89,530
Cash and cash equivalents consist of:			
Cash and short term deposits	250	252	351
Cash held in JPMorgan GBP Liquidity Fund	31,768	113,883	89,179
Total	32,018	114,135	89,530

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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 31st July 2024

1. Financial statements

The information contained within these condensed 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 2024 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 and include 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 condensed 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 July 2022.

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 2024.

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 2024.

3. Taxation

The Company's effective corporation tax rate is 25%, however as the current period deductible expenses exceed taxable income, no income tax is payable. Furthermore, the Company does not pay tax on capital gains due to its status as an investment trust company. The tax charge recognised in the period comprises overseas withholding tax.

4. Return/(loss) per share

	(Unaudited) Six months ended 31st July 2024 £'000	(Unaudited) Six months ended 31st July 2023 £'000	(Audited) Year ended 31st January 2024 £'000
Return/(loss) per share is based on the following:			
Revenue return	41,654	42,088	71,066
Capital return/(loss)	286,248	(50,767)	4,142
Total return/(loss)	327,902	(8,679)	75,208
Weighted average number of shares in issue	776,683,471	790,059,889	788,846,061
Revenue return per share	5.36p	5.33p	9.01p
Capital return/(loss) per share	36.86p	(6.43)p	0.53p
Total return/(loss) per share	42.22p	(1.10)p	9.54p

5. Dividends paid

	(Unaudited) Six months ended 31st July 2024 Pence £'000		(Unaudited) Six months ended 31st July 2023 Pence £'000		(Audited) Year ended 31st January 2024 Pence £'000	
Dividend paid						
Fourth quarterly dividend paid to shareholders in May	3.30	25,626	3.10	24,493	3.10	24,493
First quarterly dividend paid to shareholders in August ¹	1.50	11,628	1.45	11,456	1.45	11,456
Second quarterly dividend paid to shareholders in November	n/a	-	n/a	-	1.45	11,451
Third quarterly dividend paid to shareholders in February ¹	n/a	-	n/a	-	1.45	11,391
Total dividends paid in the period	4.80	37,254	4.55	35,949	7.45	58,791
Forfeiture of undaimed dividends over 12 years old ²		(276)		-		-
Net dividends paid in the period		36,978		35,949		58,791

¹ The Company irrevocably transfers the funds to its Registrar in the month prior to which the dividend is paid to shareholders.

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

All dividends paid in the period/year have been funded from the revenue reserve.

The first 2025 quarterly dividend of 1.50p (2024: 1.45p) per share, amounting to £11,628,000 (2024: £11,456,000) was paid on 1st August 2024 in respect of the six months ended 31st July 2024.

A second 2025 quarterly dividend of 1.50p (2024: 1.45p) per share, amounting to £11,622,000 (2024: £11,451,000), has been declared payable in respect of the six months ended 31st July 2024.

6. Net asset value per share

The net asset value per Ordinary share and the net asset value attributable to the Ordinary shares at the period/year end are shown below. These were calculated using 774,800,303 (July 2023: 789,845,662; January 2024: 782,056,565) Ordinary shares in issue at the period/year end (excluding Treasury shares).

	(Unaudited) Six months ended 31st July 2024 Net asset value attributable		(Unaudited) Six months ended 31st July 2023 Net asset value attributable		(Audited) Year ended 31st January 2024 Net asset value attributable	
	£'000	pence	£'000	pence	£'000	pence
Net asset value - debt at par	2,141,011	276.3	1,820,585	230.5	1,865,619	238.6
Add: amortised cost of £175 million 6.125% debenture stock 25th February 2030	174,452	22.5	174,355	22.1	174,404	22.3
Less: Fair value of £175 million 6.125% debenture stock 25th February 2030	(191,929)	(24.8)	(189,830)	(24.0)	(193,665)	(24.7)
Add: amortised cost of £3.85 million 4.25% perpetual debenture stock	3,850	0.5	3,850	0.5	3,850	0.5
Less: fair value of £3.85 million 4.25% perpetual debenture stock	(3,119)	(0.4)	(3,225)	(0.4)	(3,150)	(0.4)
Add: amortised cost of senior unsecured privately placed loan notes	149,685	19.3	149,684	18.9	149,680	19.1
Less: fair value of senior unsecured privately placed loan notes	(83,341)	(10.7)	(82,592)	(10.5)	(82,601)	(10.6)
Net asset value - debt at fair value	2,190,609	282.7	1,872,827	237.1	1,914,137	244.8

7. 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 2024		(Unaudited) Six months ended 31st July 2023		(Audited) Year ended 31st January 2024	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Level 1	2,428,522	-	2,019,556	-	2,109,504	-
Level 3 ¹	6,382	-	6,210	-	6,210	-
Total	2,434,904	-	2,025,766	-	2,115,714	-

¹ Consists only of holdings in Tennants Consolidated Limited (ordinary shares, A shares and preference shares) unquoted stocks, which are still held as at 31st July 2024.

A reconciliation of the fair value measurements using valuation techniques using non-observable data (Level 3) is set out below.

	Six month ended 31st July 2024 (Unaudited)			Six month ended 31st July 2023 (Unaudited)			Year ended 31st January 2024 (Audited)		
	Equity Investments £'000	Fixed Interest Investment £'000	Total £'000	Equity Investments £'000	Fixed Interest Investment £'000	Total £'000	Equity Investments £'000	Fixed Interest Investment £'000	Total £'000
Level 3									
Opening balance	6,116	94	6,210	5,080	94	5,174	5,080	94	5,174
Change in fair value of unquoted investment during the period/year	172	-	172	1,036	-	1,036	1,036	-	1,036
Closing balance	6,288	94	6,382	6,116	94	6,210	6,116	94	6,210

8. Analysis of changes in net debt

	As at 31st January 2024 £'000	Cash flows £'000	Interest and amortisation charges £'000	As at 31st July 2024 £'000
Cash	351	(101)	-	250
Cash held in JPMorgan GBP Liquidity Fund	89,179	(57,411)	-	31,768
	89,530	(57,512)	-	32,018
Borrowings				
Debentures falling due after more than five years	(178,254)	5,442	(5,490)	(178,302)
Private Placement due after more than five years	(149,680)	1,455	(1,460)	(149,685)
	(327,934)	6,897	(6,950)	(327,987)
Total net debt	(238,404)	(50,615)	(6,950)	(295,969)

Neither the contents of the Company's website nor the contents of any website accessible from hyperlinks

on the Company's website (or any other website) is incorporated into, or forms part of, this announcement.

JPMORGAN FUNDS LIMITED

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JPMorgan Funds Limited

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ENDS

A copy of the Half Year Report 2024 will shortly be submitted to the FCA's National Storage Mechanism and will be available for inspection at <https://data.fca.org.uk/#/nsm/nationalstoragemechanism>

The half year will also shortly be available on the Company's website at www.mercantileit.co.uk where up to date information on the Company, including daily NAV and share prices, factsheets and portfolio information can also be found.

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