

# The Mercantile Investment Trust plc

Half Year Report & Accounts for the six months ended 31st July 2009



# Features

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## 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

The Company has an authorised share capital of 163,875,000 ordinary shares of 25p each, of which 102,321,968 were in issue at the period end.

In addition, the Company had at the year end £3,850,000 perpetual debenture stock and a £175 million debenture.

## Management Company

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

# Half Year Performance

Total Returns (capital plus income)

**+41.9%**

Return to shareholders<sup>1</sup>

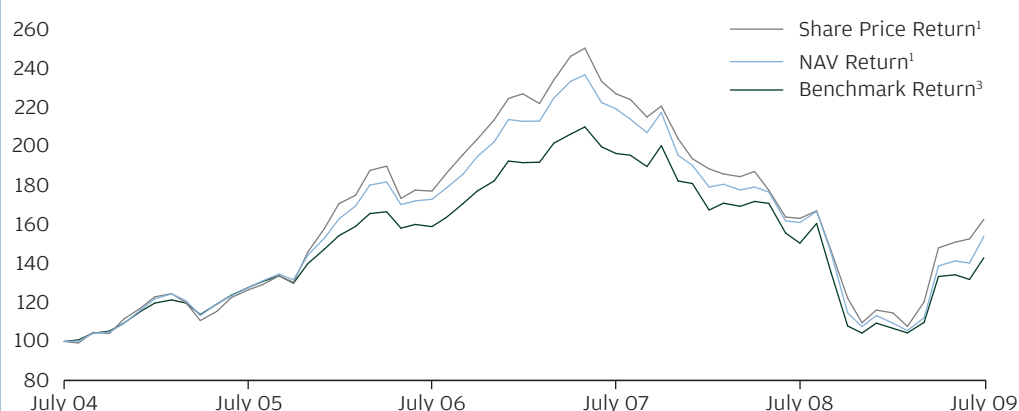
**+40.8%**

Return on net assets<sup>2</sup>

**+33.9%**

Benchmark return<sup>3,4</sup>

## 5 Year Performance (figures have been rebased to 100 as at 31st July 2004)



## Financial Data

	31st July 2009	31st January 2009	% change
Shareholders' funds (£'000)	936,119	697,298	+34.2
Number of shares in issue	102,321,968	102,321,968	–
Net asset value per ordinary share with debt at par value (p)	914.9	681.5	+34.2
Net asset value per ordinary share with debt at fair value <sup>5</sup> (p)	902.7	652.4	+38.4
Net asset value return with net income reinvested	–	–	+40.8
Share price (p)	816.0	592.5	+37.7
Share price discount to net asset value with debt at par value	10.8%	13.1%	
Share price discount to net asset value with debt at fair value	9.6%	9.2%	

A glossary of terms and definitions is provided on page 13.

<sup>1</sup>Source: Morningstar.

<sup>2</sup>Source: J.P. Morgan.

<sup>3</sup>Source: Russell/Mellon Caps.

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

<sup>5</sup>Market values have been used to determine the fair value of the perpetual debenture stock in issue. The fair value of the £175 million debenture issued by the Company has been calculated by reference to a similar dated gilt plus a margin based on the 5 year average for the AA Barclays sterling corporate bond spread.

# Interim Management Report



## Performance and Market Review

The Company's net asset value total return in the first six months to 31st July 2009 was +40.8% which was +6.9% ahead of the return of +33.9% from our benchmark index, the FTSE All Share excluding FTSE 100 constituents and investment trusts.

This represents a strong recovery in mid and small cap stocks which reached a low point in November 2008 following the precipitous fall in stockmarkets which began in July 2007.

The subsequent unprecedented co-ordinated intervention by Central Banks has steadied the global financial system. Recent data indicate the rate of decline in economic activity is moderating and, in addition, some company earnings have beaten market expectations. At the stockmarket levels seen in November 2008, which were revisited again in March this year, small and mid cap stocks had become extreme value. Having held net cash in the Company's portfolio since July 2007 in order to preserve value in a falling market, from the beginning of the year, the managers invested borrowings in the stockmarket, ending the period with gearing of 10%. This contributed to performance in a rising market, as did stock selection which concentrated on companies which had been hit too hard in the stockmarket and whose businesses had the potential to recover.

## Revenue

The income received from investments for the first half is significantly lower as a result of a substantial number of companies either reducing or passing their dividends because of the economic uncertainty. We expect the level of income to increase as companies begin to restore their profitability.

Interest received on bank deposits was substantially lower, owing to the sharp reduction in deposit interest rates and the level of cash held on deposit.

## Dividends

A second interim dividend of 6.0 pence per share has been declared by the Board, payable on 30th October 2009 to shareholders on the register as at the close of business on 2nd October 2009. Together with the first interim dividend of 6.0 pence paid on 31st July 2009, this brings the total dividend for the year to date to 12.0 pence (2008: 12.0 pence). This follows the Board's stated intention, in the Annual Report for the year ended 31st January 2009, of paying three dividends of 6.0 pence during the current financial year, followed by a fourth dividend based on the level of income received by the Company during the year and with regard to the Company's very strong revenue reserve.

### Share Repurchases

The Board has not made any share repurchases during the period under review. The discount, with debt at fair value, has ranged between 3.0% and 12.8% in the period from 1st February 2009 to 3rd September 2009, with the average discount during the period 6.9%.

### Board

As announced at the Annual General Meeting, it is with great regret that I must report the sad and untimely death of Richard Hambro, who, in his role as a Director, provided very considerable guidance and insight on all matters concerning the Company.

Sir Richard Beckett QC has joined the Board as a Director with effect from 1st September 2009.

### Principal Risks and Uncertainties

The principal risks and uncertainties faced by the Company fall into five broad categories: investment and strategy; accounting, legal and regulatory; corporate governance and shareholder relations; operational; and financial. Information on each of these areas is given in the Business Review within the Annual Report and Accounts for the year ended 31st January 2009.

### Related Parties' Transactions

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

### 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 yearly financial report has been prepared in accordance with the UK Accounting Standards Board's Statement 'Half-Yearly Financial Reports'; and
- (ii) the interim management report includes a fair review of the information required by DTR 4.2.7R and 4.2.8R.

### Outlook

Although the stockmarket has recovered from its lows the outlook remains difficult: the first quarter saw the worst economic performance in the UK for 50 years with a year on year contraction in GDP of 4.9%; unemployment is still rising; public sector spending will have to be cut; the high levels of indebtedness in both the public and private sectors will have to be reduced. Nevertheless, investors are right to be searching for companies which will benefit from stability or an improvement in the economic outlook and these are the sorts of stocks that the managers are concentrating on, within their balanced portfolio structure.

For and on behalf of the Board

Hamish Leslie Melville

Chairman

23rd September 2009

# Forty Largest Investments

at 31st July 2009

Company	Sector	Value £'000	% <sup>1</sup>
Taylor Wimpey	Consumer Goods	38,866	3.5
GKN	Consumer Goods	30,860	2.8
Venture Production	Oil & Gas	29,522	2.6
ITV	Consumer Services	27,530	2.5
Premier Oil	Oil & Gas	25,305	2.3
Tomkins	Industrials	22,625	2.0
Bellway	Consumer Goods	19,365	1.7
Pendragon	Consumer Services	19,092	1.7
Drax	Utilities	18,830	1.7
United Business Media	Consumer Services	17,468	1.6
Mitchells & Butlers	Consumer Services	16,780	1.5
Investec	Financials	16,763	1.5
Logica CMG	Technology	16,716	1.5
Berkeley	Consumer Goods	16,109	1.4
Misys	Technology	15,776	1.4
SIG	Industrials	15,489	1.4
Kesa Electricals	Consumer Services	15,434	1.4
Burberry	Consumer Goods	15,294	1.4
Dana Petroleum	Oil & Gas	15,261	1.4
Liberty Acquisition	Financials	15,075	1.4
William Hill	Consumer Services	14,862	1.3
Morgan Crucible	Industrials	13,503	1.2
Persimmon	Consumer Goods	13,378	1.2
BBA Aviation	Industrials	12,955	1.2
Dairy Crest	Consumer Goods	12,814	1.2
Charter International	Industrials	12,690	1.1
Informa	Consumer Services	12,460	1.1
Catlin	Financials	12,278	1.1
Heritage Oil	Oil & Gas	12,257	1.1
Amlin	Financials	11,825	1.1
John Wood	Oil & Gas	11,714	1.1
Travis Perkins	Industrials	11,676	1.0
Babcock International	Industrials	11,536	1.0
Paragon	Financials	11,038	1.0
New Britain Palm Oil	Consumer Goods	11,034	1.0
Marston's	Consumer Services	10,963	1.0
M.P. Evans	Consumer Goods	10,959	1.0
London Stock Exchange	Financials	10,610	0.9
Go-Ahead	Consumer Services	10,576	0.9
Big Yellow	Financials	9,893	0.9
<b>Total</b>		<b>647,181</b>	<b>58.1</b>

<sup>1</sup>Based on total assets less current liabilities of £1,113m.

# Portfolio Analyses

## Sector Analysis

	at 31st July 2009		at 31st January 2009	
	Portfolio %	Benchmark %	Portfolio %	Benchmark %
Consumer Services	22.5	21.5	18.4	20.4
Financials	19.1	18.6	22.6	17.3
Consumer Goods	18.7	10.8	9.2	8.6
Industrials	16.6	26.8	18.2	31.1
Oil & Gas	10.0	6.1	9.2	6.7
Technology	4.3	7.3	1.6	6.1
Utilities	1.7	1.4	0.8	0.8
Telecommunications	0.6	0.9	0.6	0.4
Healthcare	0.3	2.4	–	3.0
Basic Materials	0.3	4.2	1.4	5.6
Net Current Assets	5.9	–	18.0	–
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Based on total assets less current liabilities of £1,113m (31st January 2009: £874m).

## Listed Equity Market Capitalisation

	31st July 2009 %	31st January 2009 %
UK FTSE Mid 250 Companies	72.5	62.5
UK Smaller Companies	19.5	16.3
UK FTSE 100	1.0	1.4
UK Unquoted	1.0	1.7
Overseas Company	0.1	0.1
Net Current Assets	5.9	18.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

Based on total assets less current liabilities of £1,113m (31st January 2009: £874m).

# Income Statement

for the six months ended 31st July 2009

	(Unaudited) Six months ended 31st July 2009			(Unaudited) Six months ended 31st July 2008			(Audited) Year ended 31st January 2009		
	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	–	253,126	253,126	–	(158,315)	(158,315)	–	(488,753)	(488,753)
Net foreign currency losses	–	(113)	(113)	–	(21)	(21)	–	(26)	(26)
Income from investments	14,828	–	14,828	22,829	–	22,829	39,601	–	39,601
Other interest receivable and similar income	3,228	–	3,228	6,105	–	6,105	12,149	–	12,149
<b>Gross return/(loss)</b>	<b>18,056</b>	<b>253,013</b>	<b>271,069</b>	<b>28,934</b>	<b>(158,336)</b>	<b>(129,402)</b>	<b>51,750</b>	<b>(488,779)</b>	<b>(437,029)</b>
Management fee	(859)	(859)	(1,718)	(1,260)	(1,260)	(2,520)	(2,187)	(2,187)	(4,374)
VAT recoverable	–	–	–	–	–	–	1,130	1,069	2,199
Other administrative expenses	(434)	–	(434)	(397)	–	(397)	(2,144)	–	(2,144)
<b>Net return/(loss) on ordinary activities before finance costs and taxation</b>	<b>16,763</b>	<b>252,154</b>	<b>268,917</b>	<b>27,277</b>	<b>(159,596)</b>	<b>(132,319)</b>	<b>48,549</b>	<b>(489,897)</b>	<b>(441,348)</b>
Finance costs	(2,745)	(2,745)	(5,490)	(2,756)	(2,756)	(5,512)	(5,502)	(5,502)	(11,004)
<b>Net return/(loss) on ordinary activities before taxation</b>	<b>14,018</b>	<b>249,409</b>	<b>263,427</b>	<b>24,521</b>	<b>(162,352)</b>	<b>(137,831)</b>	<b>43,047</b>	<b>(495,399)</b>	<b>(452,352)</b>
Taxation (note 4)	(48)	–	(48)	(21)	–	(21)	(19)	–	(19)
<b>Net return/(loss) on ordinary activities after taxation</b>	<b>13,970</b>	<b>249,409</b>	<b>263,379</b>	<b>24,500</b>	<b>(162,352)</b>	<b>(137,852)</b>	<b>43,028</b>	<b>(495,399)</b>	<b>(452,371)</b>
<b>Return/(loss) per share (note 5)</b>	<b>13.65p</b>	<b>243.75p</b>	<b>257.40p</b>	<b>23.60p</b>	<b>(156.41)p</b>	<b>(132.81)p</b>	<b>41.73p</b>	<b>(480.45)p</b>	<b>(438.72)p</b>

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 2009 (unaudited)

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
<b>At 31st January 2009</b>	25,580	23,459	11,190	577,602	59,467	697,298
Repurchase and cancellation of the Company's own shares <sup>1</sup>	–	–	–	(1)	–	(1)
Total return from ordinary activities	–	–	–	249,409	13,970	263,379
Dividends appropriated in the period	–	–	–	–	(24,557)	(24,557)
<b>At 31st July 2009</b>	25,580	23,459	11,190	827,010	48,880	936,119

<sup>1</sup>Comprises stamp duty on shares repurchased in the preceding period.

Six months ended 31st July 2008 (unaudited)

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
<b>At 31st January 2008</b>	26,075	23,459	10,695	1,090,587	57,334	1,208,150
Repurchase and cancellation of the Company's own shares	(422)	–	422	(15,438)	–	(15,438)
Total (loss)/return from ordinary activities	–	–	–	(162,352)	24,500	(137,852)
Dividends appropriated in the period	–	–	–	–	(28,601)	(28,601)
<b>At 31st July 2008</b>	25,653	23,459	11,117	912,797	53,233	1,026,259

Year ended 31st January 2009 (audited)

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
<b>At 31st January 2008</b>	26,075	23,459	10,695	1,090,587	57,334	1,208,150
Repurchase and cancellation of the Company's own shares	(495)	–	495	(17,586)	–	(17,586)
Total (loss)/return from ordinary activities	–	–	–	(495,399)	43,028	(452,371)
Dividends appropriated in the year	–	–	–	–	(40,895)	(40,895)
<b>At 31st January 2009</b>	25,580	23,459	11,190	577,602	59,467	697,298

# Balance Sheet

at 31st July 2009

	(Unaudited) 31st July 2009 £'000	(Unaudited) 31st July 2008 £'000	(Audited) 31st January 2009 £'000
<b>Fixed assets</b>			
Investments held at fair value through profit or loss	1,047,151	903,748	716,891
<b>Current assets</b>			
Debtors	10,445	40,127	1,786
Derivative financial instruments	–	3,064	–
Cash and short term deposits	72,114	263,619	171,392
	82,559	306,810	173,178
<b>Creditors: amounts falling due within one year</b>	(16,737)	(7,542)	(15,966)
<b>Net current assets</b>	65,822	299,268	157,212
<b>Total assets less current liabilities</b>	1,112,973	1,203,016	874,103
<b>Creditors: amounts falling due after more than one year</b>	(176,854)	(176,757)	(176,805)
<b>Total net assets</b>	936,119	1,026,259	697,298
<b>Capital and reserves</b>			
Called up share capital	25,580	25,653	25,580
Share premium	23,459	23,459	23,459
Capital redemption reserve	11,190	11,117	11,190
Capital reserves	827,010	912,797	577,602
Revenue reserve	48,880	53,233	59,467
<b>Shareholders' funds</b>	936,119	1,026,259	697,298
<b>Net asset value per share (note 6)</b>	914.9p	1,000.1p	681.5p

# Cash Flow Statement

for the six months ended 31st July 2009

	(Unaudited) Six months ended 31st July 2009 £'000	(Unaudited) Six months ended 31st July 2008 £'000	(Audited) Year ended 31st January 2009 £'000
Net cash inflow from operating activities (note 7)	13,054	23,971	54,483
Net cash outflow from servicing of finance	(5,441)	(5,457)	(10,898)
Taxation recovered	—	16	16
Net cash (outflow)/inflow from capital expenditure and financial investment	(82,220)	574	(101,687)
Dividends paid	(24,557)	(28,601)	(40,895)
Net cash outflow from financing	(1)	(14,844)	(17,586)
<b>Decrease in cash for the period</b>	<b>(99,165)</b>	<b>(24,341)</b>	<b>(116,567)</b>
<b>Reconciliation of net cash flow to movement in net (debt)/funds</b>			
Decrease in cash for the period	(99,165)	(24,341)	(116,567)
Exchange movements	(113)	(25)	(26)
Other movements	(49)	(48)	(96)
Changes in net (debt)/funds arising from cash flows	(99,327)	(24,414)	(116,689)
Net (debt)/funds at the beginning of the period	(5,413)	111,276	111,276
<b>Net (debt)/funds at the end of the period</b>	<b>(104,740)</b>	<b>86,862</b>	<b>(5,413)</b>
<b>Represented by:</b>			
Cash and short term deposits	72,114	263,619	171,392
Debt due after more than five years	(176,854)	(176,757)	(176,805)
<b>Net (debt)/funds</b>	<b>(104,740)</b>	<b>86,862</b>	<b>(5,413)</b>

# Notes to the Accounts

for the six months ended 31st July 2009

## 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 2009 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 Recommended Practice 'Financial Statements of Investment Trust Companies' 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 2009.

## 3. Dividends

	(Unaudited) Six months ended 31st July 2009 £'000	(Unaudited) Six months ended 31st July 2008 £'000	(Audited) Year ended 31st January 2009 £'000
Unclaimed dividends refunded to the Company	–	(10)	(10)
Fourth quarterly dividend of 18.0p (2008: 17.50p) paid to shareholders in May	18,418	18,253	18,253
Special dividend of nil (2008: 4.0p) paid to shareholders in May	–	4,172	4,172
First quarterly dividend of 6.0p (2008: 6.0p) paid to shareholders in August	6,139	6,186	6,186
Second quarterly dividend of 6.0p paid to shareholders in November	n/a	n/a	6,147
Third quarterly dividend of 6.0p paid to shareholders in February	n/a	n/a	6,147
	24,557	28,601	40,895

A second quarterly dividend of 6.0p (2008: 6.0p) per share, amounting to £6,136,000 (2008: £6,147,000), has been declared payable in respect of the six months ended 31st July 2009.

## 4. Effective Tax Rate

The Company's effective tax rate is nil, as deductible expenses exceed taxable income.

## 5. Return/(loss) per share

	(Unaudited) Six months ended 31st July 2009 £'000	(Unaudited) Six months ended 31st July 2008 £'000	(Audited) Year ended 31st January 2009 £'000
Return/(loss) per share is based on the following:			
Revenue return	13,970	24,500	43,028
Capital return/(loss)	249,409	(162,352)	(495,399)
<b>Total return/(loss)</b>	<b>263,379</b>	<b>(137,852)</b>	<b>(452,371)</b>
Weighted average number of shares in issue	102,321,968	103,793,098	103,110,703
Revenue return per share	13.65p	23.60p	41.73p
Capital return/(loss) per share	243.75p	(156.41)p	(480.45)p
<b>Total return/(loss) per share</b>	<b>257.40p</b>	<b>(132.81)p</b>	<b>(438.72)p</b>

## 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 2009 of 102,321,968 (31st July 2008: 102,610,765; and 31st January 2009: 102,321,968).

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

	(Unaudited) Six months ended 31st July 2009 £'000	(Unaudited) Six months ended 31st July 2008 £'000	(Audited) Year ended 31st January 2009 £'000
Net return/(loss) before finance costs and taxation	268,917	(132,319)	(441,348)
Add back capital (return)/loss before finance costs and taxation	(252,154)	159,596	489,897
(Increase)/decrease in debtors and accrued income	(1,303)	(1,541)	150
Decrease in VAT recoverable	–	–	5,843
(Decrease)/increase in accrued expenses	(1,499)	(505)	1,059
Expenses charged to capital	(859)	(1,260)	(1,118)
Tax on unfranked investment income	(48)	–	–
<b>Net cash inflow from operating activities</b>	<b>13,054</b>	<b>23,971</b>	<b>54,483</b>

# 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.

## Directors

Hamish Leslie Melville (Chairman)  
 Sir Richard Beckett  
 Lord Halifax  
 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](http://www.mercantileit.co.uk), where the share price is updated every fifteen minutes during trading hours.

## Website

[www.mercantileit.co.uk](http://www.mercantileit.co.uk)

## Share Transactions

The shares may be dealt in directly through a stockbroker or through a professional adviser acting on an investor's behalf. They may also be purchased and held through the JPMorgan Investment Trust Share Plan, Individual Savings Account (ISA) and Pension Account.

## Manager and 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.

## Registrars

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

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](http://www.shareview.co.uk).

## Auditors

PricewaterhouseCoopers LLP  
 Hay's Galleria  
 1 Hay's Lane  
 London SE1 2RD

## Brokers

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## Savings Product Administrators

For queries on the JPMorgan ISA, Share Plan or Pension Plan, see contact details on the back cover of this report.



# Glossary of Terms

## **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 in the shares of the Company at the time the shares were quoted ex-dividend. Transaction costs of reinvestment are not taken into account.

## **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 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 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**

If the share price of an investment company 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. The opposite of a discount is a premium. It is more common for an investment trust company's shares to trade at a discount than at a premium.

JPMorgan Helpline  
Freephone 0800 20 40 20 or 020 7742 9999  
9.00 am to 5.30 pm Monday to Friday

Your telephone call may be recorded for your security

[www.mercantileit.co.uk](http://www.mercantileit.co.uk)