



The Merchants Trust PLC

Interim Report for the six months ended 31st July 2002

The Merchants Trust PLC

THE BEST
INVESTMENT TRUST INFORMATION
TO SHAREHOLDERS AWARD

WINNER
Best Overall Communications
to Shareholders

25 June 2002
DATE

Anthony Townsend
CHAIRMAN

Investment Objective

To provide an above average level of income and income growth together with long-term growth of capital through a policy of investing mainly in higher yielding UK FTSE 100 companies.

Benchmark

The Trust's investment performance is assessed by comparison with other investment trusts within the UK Income Growth sector. In addition, it is benchmarked against the FTSE 100 Index, reflecting the emphasis within the portfolio, as well as the FTSE 350 Higher Yield Index, reflecting the Trust's high yield objective.

Trust Performance

Revenue	for the six months ending		% change
	31.07.02	31.07.01	
Revenue	£12.58m	£12.01m	+4.7
Available for Ordinary Dividend	£10.28m	£9.69m	+6.1
Earnings per Ordinary Share	10.07p	9.49p	+6.1
Dividend per Ordinary Share	8.60p	8.40p	+2.4
Assets	At 31.07.02	At 31.01.02	
Total Net Assets	£350.3m	£422.1m	-17.0
Net Asset Value per Ordinary Share	341.9p	412.3p	-17.1
Ordinary Share Price	348.5p	392.0p	-11.1
Premium/discount of Net Asset Value to Ordinary Share price	1.9%	-4.9%	

The premium and discount represent the difference between the share price and the Net Asset Value per share, expressed as a percentage of the Net Asset Value per share.

Interim Report

Highlights

- Earnings per ordinary share of 10.07p, up 6.1%.
- Dividends per share up 2.4% at 8.60p per share.
- Net Asset Value 341.9p per share, down 17.1% compared with 17.8% fall in the FTSE 100 Index in the Trust's first half year.
- Underlying fall in the Trust's total assets was 13.5%.
- Prospective yield of 5.3% net at 326p per share.

Interim Results

Earnings per share

In the first six months of the current year, earnings per share have risen by 6.1% to 10.07p per share. Dividend receipts are likely to be higher in the first half of the current financial year than in the second half, before taking account of any special dividends.

Interim Dividends

The Board is recommending a second quarterly dividend of 4.3p per share, payable on 7th November 2002 to shareholders on the register at close of business on 11th October 2002. The total distribution for the first half of 2002/3 is 8.6p net, an increase of 2.4% over the same period last year.

Net Asset Value

The net asset value per ordinary share was 341.9p at 31st July 2002. This represents a fall of 17.1% from the equivalent figure at 31st January 2002—the end of the last financial year. Before taking account of the impact of the Trust's borrowings, there was an underlying change in the net asset value

of -13.5%. Over the same period the FTSE 100 Index fell by 17.8%, whilst the FTSE Higher Yield Index fell by 12.2%.

Share Buy Backs

The Trust renewed its powers to buy back its ordinary shares at the last Annual General Meeting.

Summary

At the half year end, the FTSE 100 Index stood nearly 40% below its all time high recorded at the end of 1999. It is notable that over the same period the Trust's net asset value per share had fallen by just under 24%, reflecting the portfolio's defensive nature. On 13th September 2002, the NAV per ordinary share stood at 325p. Economic growth in most of the major economies remains muted, and this may continue to bear down on share values in the immediate future. The Trust will maintain its policy of seeking under-valued investments amongst larger UK companies.

By Order of the Board

K J Salt
Deputy Secretary

10 Fenchurch Street
London EC3M 3LB

17th September 2002

Twenty Largest Equity Holdings

as at 31st July 2002

	Valuation 31.07.02 £'000s	% of Total Assets*	Principal Activities
BP	33,672	7.28	Oil and Gas
HSBC	30,576	6.61	Banking
Shell Transport & Trading	24,329	5.26	Oil and Gas
GlaxoSmithkline	23,990	5.19	Pharmaceuticals
Royal Bank of Scotland	15,837	3.43	Banking
HBOS	12,420	2.69	Banking
Barclays	12,225	2.64	Banking
BT	11,788	2.55	Telecommunications
Abbey National	11,685	2.53	Banking
Gallaher	11,200	2.42	Tobacco
Imperial Tobacco	10,780	2.33	Tobacco
Lloyds TSB	10,488	2.27	Banking
Alliance & Leicester	9,720	2.10	Banking
Scottish & Newcastle	8,574	1.85	Brewing and leisure
Bradford & Bingley	7,895	1.71	Banking
Vodafone	7,469	1.61	Telecommunications
United Utilities	7,386	1.60	Utilities
Boots	7,293	1.58	Retailing
BPB	7,022	1.52	Building materials
Sainsbury	7,018	1.52	Food and drug retail
	<u>271,367</u>	<u>58.69</u>	

*Total Assets include current liabilities.

Portfolio Analysis

as at 31st July 2002

	UK %	Total %
Listed equities	100.3	100.3
Net Current Liabilities	(0.3)	(0.3)
Total Assets	<u>100.0</u>	<u>100.0</u>

Statement of Total Return

	For the six months ended 31st July 2002		
	Revenue £'000s	Capital £'000s	Total £'000s
	(Note 2)		
Net losses on investments	–	(69,698)	(69,698)
Income from fixed asset investments	12,470	–	12,470
Other income	112	–	112
Investment management fee	(377)	(700)	(1,077)
Other expenses	(293)	–	(293)
Net return before finance costs and taxation	11,912	(70,398)	(58,486)
Finance costs of borrowings	(1,608)	(2,976)	(4,584)
Return before taxation	10,304	(73,374)	(63,070)
Taxation			
UK corporation tax	–	–	–
Return after taxation	10,304	(73,374)	(63,070)
Dividends on Preference Stock	(21)	–	(21)
Return attributable to Ordinary Shareholders	10,283	(73,374)	(63,091)
Dividends on Ordinary Shares:			
First Interim	4.3p (4,390)	–	(4,390)
Second Interim	4.3p (4,391)	–	(4,391)
Third Interim	–	–	–
Final	–	–	–
	8.6p (8,781)	–	(8,781)
Transfer to (from) Reserves	1,502	(73,374)	(71,872)
Return per Ordinary Share (Note 1)	10.07p	(71.86)p	(61.79)p

Net Asset Statement

	as at 31st July 2002 £'000s
Fixed asset investments	463,778
Net current liabilities	(1,397)
	462,381
Less: Creditors – amounts falling due after more than one year	(112,093)
Total Net Assets	350,288
Called up Share Capital: Ordinary	25,526
: Preference	1,178
Share Premium Account	40
Capital Redemption Reserve	56
Capital Reserves : Realised	373,772
: Unrealised	(61,915)
Revenue Reserve	11,631
Shareholders' Funds	350,288
Net asset value per Ordinary Share	341.9p

The net asset value is based on 102,103,936 shares in issue at 31st July 2002.

The net asset value per share at 31st July 2001 is based on 102,153,936 shares in issue and at 31st January 2002 is based on 102,103,936 shares in issue.

For the six months ended 31st July 2001		
Revenue £'000s	Capital £'000s	Total £'000s
(Note 2)		
-	(15,252)	(15,252)
11,830	-	11,830
182	-	182
(422)	(784)	(1,206)
(254)	-	(254)
11,336	(16,036)	(4,700)
(1,599)	(2,942)	(4,541)
9,737	(18,978)	(9,241)
(25)	25	-
9,712	(18,953)	(9,241)
(21)	-	(21)
9,691	(18,953)	(9,262)
4.2p (4,289)	-	(4,289)
4.2p (4,289)	-	(4,289)
-	-	-
-	-	-
8.4p (8,578)	-	(8,578)
1,113	(18,953)	(17,840)
9.49p	(18.55)p	(9.06)p

For the year ended 31st January 2002		
Revenue £'000s	Capital £'000s	Total £'000s
(Note 2)		
-	(45,097)	(45,097)
21,317	-	21,317
279	-	279
(806)	(1,496)	(2,302)
(588)	-	(588)
20,202	(46,593)	(26,391)
(3,068)	(5,683)	(8,751)
17,134	(52,276)	(35,142)
(39)	39	-
17,095	(52,237)	(35,142)
(43)	-	(43)
17,052	(52,237)	(35,185)
4.2p (4,289)	-	(4,289)
4.2p (4,289)	-	(4,289)
4.2p (4,289)	-	(4,289)
4.2p (4,289)	-	(4,289)
(17,156)	-	(17,156)
(104)	(52,237)	(52,341)
16.70p	(51.15)p	(34.45)p

as at 31st July 2001 £'000s	
	569,564
	(620)
	568,944
	(112,084)
	456,860
	25,538
	1,178
	40
	44
	388,302
	30,411
	11,347
	456,860
	446.1p

as at 31st January 2002 £'000s	
	546,772
	(12,524)
	534,248
	(112,088)
	422,160
	25,526
	1,178
	40
	56
	385,653
	(422)
	10,129
	422,160
	412.3p

Cash Flow Statement

for the six months ended 31st July 2002
and comparative periods

	Six months ended 31st July 2002 £'000s	Six months ended 31st July 2001 £'000s	Year ended 31st January 2002 £'000s
Net cash inflow from operating activities	10,039	11,408	19,433
Servicing of finance			
Interest paid	(4,389)	(4,380)	(8,746)
Dividends paid on preference stock	(21)	(21)	(43)
Net cash outflow on servicing of finance	(4,410)	(4,401)	(8,789)
Taxation			
UK income tax paid	–	(661)	(661)
Financial Investment			
Purchase of fixed asset investments	(75,610)	(99,698)	(221,292)
Sale of fixed asset investments	84,002	107,287	227,689
Net cash inflow from financial activities	8,392	7,589	6,397
Equity dividends paid	(8,577)	(8,379)	(16,960)
Net cash inflow (outflow) before financing	5,444	5,556	(580)
Financing			
Increase (Decrease) in short term loans	1,010	(391)	(802)
Purchase of Ordinary Shares for cancellation	–	(207)	(405)
Net cash inflow (outflow) from financing	1,010	(598)	(1,207)
Increase (decrease) in cash	6,454	4,958	(1,787)

Note 1

The Returns per Ordinary Share have been calculated using a weighted average number of shares in issue during the period of 102,103,936 shares (31st July 2001 – 102,155,870 shares; 31st January 2002 – 102,131,744 shares).

Note 2

The revenue column of this statement is the profit and loss account of the Company.

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

Note 3

This interim statement has been neither audited nor reviewed by the Company's auditors. The interim statement has been prepared using the same accounting policies as those adopted in the annual accounts for the year ended 31st January 2002.

The non-statutory accounts for the year to 31st January 2002 are an extract from the latest published accounts of the Company which have been delivered to the Registrar of Companies. The auditors' opinion on those accounts was unqualified and did not contain a statement under Section 237(2) or (3) of the Companies Act 1985.

Investor Information

Directors

H A Stevenson (Chairman)
P J Scott Plummer (Chairman –
Audit Committee)
Sir John Banham
R A Barfield
Sir Bob Reid

Managers

Dresdner RCM Global Investors (UK) Ltd
(regulated by the FSA)
Represented by Nigel Lanning
Telephone: 020 7475 2700

Secretary and Registered Office

Nicola Schragger von Altshofen ACIS
10 Fenchurch Street,
London EC3M 3LB
Registered Number: 28276

Registrars

Capita IRG plc
Bourne House, 34 Beckenham Road,
Beckenham, Kent BR3 4TU.
Telephone: 0870 1623100 or, if
telephoning from overseas, 00 44 20
8639 2157

Results

Half-yearly announced September.
Full-year announced in March.
Report and Accounts posted to
shareholders in April.
Annual General Meeting held in May.

Ordinary Dividends 2002/2003

	Payment	
Dividend		Date
First interim	4.3p	9.08.02
Second interim	4.3p	7.11.02
Third interim		Feb 03
Final		May 03

Website

Further information about the Trust is
available on the Dresdner RCM website:
www.dresdnerrcm-its.co.uk

Net Asset Values

The Net Asset Values of the Ordinary
Shares are calculated weekly and the top
ten holdings are announced monthly.
They are published on the London Stock
Exchange TOPIC service and they are
also available from the Investment Trust
Helpline on request.

Savings Scheme

Through the Dresdner RCM Investment
Trust Savings Scheme shareholders are
able to make additional investments in
the Trust at low cost. Investments can be
in the form of a regular monthly payment
or an individual lump sum. A selling
facility is also available.

Investment Trust Maxi ISA

Shares in the Trust are also available
through the Dresdner RCM Investment
Trust Individual Savings Account (ISA).
Full details of both plans are available
from the Managers on request.
Investment Trust Helpline:
020 7475 6151.

Shareholders' Enquiries

Capita IRG maintain the share register. In
the event of queries regarding their
holdings of shares, lost certificates,
dividend cheques, registered details,
etc., shareholders should contact the
registrars. Any general enquiries about
the Company should be directed to the
Company Secretary.

A member of the Association of Investment
Trust Companies.

Category: UK Growth & Income.

