31 July 2013

The **Merchants Trust** PLC

Half-Yearly Financial Report

Allianz
Global Investors

www.merchantstrust.co.uk

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Contents

The Merchants Trust aims 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.

The Trust's investment performance is assessed by comparison with other investment trusts within the UK Growth and Income sector. In addition, it is benchmarked against the FTSE 100 Index, as the primary benchmark reflecting the emphasis within the portfolio.

Highlights

Revenue	For the 6 months ended 31 July 2013	For the 6 months ended 31 July 2012	% change
Income	£16.99m	£15.24m	+11.5
Net revenue return attributable to Ordinary Shareholders	£14.59m	£12.90m	+13.1
Net revenue return per Ordinary Share	14.14p	12.50p	+13.1
Ordinary dividends per Ordinary Share	11.80p	11.60p	+1.7

Assets	At 31 July 2013	At 31 January 2013	Capital return % change	Total return % change
Total Assets less Current Liabilities	£657m	£592m	11.0	-
Net Assets	£546m	£481m	13.5	-
Net Assets (Debt at market value)	£520m	£448m	16.1	-
Net Asset Value per Ordinary Share	529.4p	466.5p	13.5	16.0*
Net Asset Value per Ordinary Share (Debt at market value)	504.2p	434.1p	16.1	18.8*
Ordinary Share Price	501.0p	412.7p	21.4	24.2
FTSE 100 Index	6,621.1	6,276.9	5.5	7.7
Discount of Ordinary Share Price to Net Asset Value	5.4%	11.5%	n/a	-
Discount (Debt at market value)	0.6%	4.9%	n/a	-

** NAV total return reflects both the change in net asset value per ordinary share and the net ordinary dividends paid.*

Performance Attribution Analysis against FTSE 100 Index	Capital Return %	Total Return %
Return of Index	5.5	7.7
Relative return from portfolio	5.8	6.5
Return of portfolio	**11.3**	**14.2**
Impact of gearing on portfolio	2.8	2.8
Expenses charged to capital	-0.8	-0.8
Other	0.2	-0.2
Change in Net Asset Value per Ordinary Share	**13.5**	**16.0**

Interim Management Report

Highlights

- Net dividends declared in the first six months of 2013/14 are 11.8p per share, a 1.7% increase in the level of payment compared to the same period last year.
- Ordinary shares yield 4.7% at 498.2p, compared with 3.6% on the FTSE 100 Index at the close of business on 17 September 2013.
- The net asset value total return per share was 16.0% at 31 July 2013, compared to the FTSE 100 Index total return of 7.7% at the same date.
- The net asset value per share rose by 13.5% compared with a rise of 5.5% in the FTSE 100 Index.

Interim Dividends

The board has declared a second quarterly dividend of 5.9p per ordinary share, payable on 12 November 2013 to shareholders on the register at close of business on 11 October 2013. The total distribution declared for the first half of 2013/14 is 11.8p net, a 1.7% increase compared with the first half-year dividends paid last year. As at 31 July 2013, the Trust's revenue reserve, after deducting the first and second interim dividends, represented 13.5p per share (2012 – 12.3p).

Net Revenue

Earnings in the first six months of the current year, to 31 July 2013, were 14.14p per ordinary share (2012 – 12.50p).

Net Asset Value

The NAV per ordinary share was 529.4p at 31 July 2013. This represents an increase of 13.5% from 31 January 2013 - the end of the last financial year. Over the same period the FTSE 100 Index rose by 5.5%. The NAV with debt at market value increased by 16.1%.

Total Return

The NAV total return, reflecting both the change in net asset value per ordinary share and the net ordinary dividends paid, increased by 16.0%, and by 18.8% with debt at market value.

Material Events and Transactions

In the six month period ended 31 July 2013 the following material events and transactions have taken place.

At the annual general meeting of the company, all the resolutions put to shareholders were passed.

The third quarterly dividend of 5.8p per share was paid on 27 February 2013 to shareholders on the register on 1 February 2013. A final dividend of 5.8p per share was paid on 15 May 2013 to shareholders on the register on 12 April 2013. The total paid and declared for the year ended 31 January 2013 was 23.2p.

There were no buy backs of shares and no related party transactions in the period.

Since the period end, the first quarterly dividend for the year ending 31 January 2014 of 5.9p per share was paid on 14 August 2013 to shareholders on the register on 12 July 2013.

Principal Risks and Uncertainties

The principal risks and uncertainties facing the company are as follows:

Investment Activity and Strategy – an inappropriate strategy may lead to under-performance against the benchmark and peer group and also to the shares trading on a wider discount;

Corporate Governance and Shareholder Relations – weak adherence to best practice could damage reputation and cause shareholder discontent;

Regulatory – including such matters as the implementation of AIFMD.

Financial – including market risk, liquidity risk and credit risk.

Interim Management Report *(continued)*

The board's approach to mitigating these risks and uncertainties is set out in the annual financial report. In the board's view these remain the principal risks and uncertainties for the six months to 31 January 2014.

Gearing

The Trust continues to have long-term debt amounting to £111million. Due to lack of market liquidity and price transparency in the company's debt instruments, and following a board review, it was decided to move from a market value estimate to a formulaic approach to valuation. From 31 July 2013 onwards the company's debt has been valued by adding a margin, driver from the spread of BBB UK corporate bond yields over gilt yields, to the yield of the relevant reference gilt. This is all deployed in the market for investment purposes.

At the end of the period our gearing level was 20.3% compared to 23.0% at 31 January 2013. The impact of the gearing on the NAV was +2.8%. During the period the market value of debt has declined, raising the fair value NAV. Two factors have been involved. Firstly bond yields rose, causing the market value of the debt to decrease. Secondly the debt moved closer to maturity and this pull to par should continue to have a positive effect on the NAV for the next few years.

Prospects

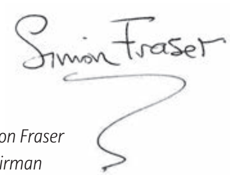
The UK economy is showing signs of recovery, boosted by the housing market. However it seems likely that medium term growth prospects at home and abroad will be constrained by the continuing debt overhang. The outlook for dividend growth in the stock market is reasonable. The portfolio managers can still find attractive investment opportunities on a selective basis, although they believe that many companies are now more fully valued. Merchants' priority remains the delivery of long term dividend growth and capital appreciation.

Responsibility Statement

The directors confirm to the best of their knowledge that:

- The condensed set of financial statements contained within the half-yearly financial report has been prepared in accordance with the Accounting Standards Board's Statement 'Half-Yearly Financial Reports'; and
- The interim management report includes a fair review of the information required by Disclosure and Transparency Rule 4.2.7 R of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- The interim management report includes a fair review of the information concerning related parties transactions as required by the Disclosure and Transparency Rule 4.2.8 R.

The half-yearly financial report was approved by the board on 18 September 2013 and the above responsibility statement was signed on its behalf by the Chairman.



Simon Fraser
Chairman

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Fund Manager's Report

Economic & Market Background

The first six months of the year were difficult for economic forecasters with many regions confounding expectations. The faster growing countries witnessed a slowdown in activity. This was clearest in emerging markets like Brazil, India and China where conditions turned down notably, but the USA also saw a modest deceleration. Conversely troubled regions saw the biggest improvements. Japan witnessed perhaps the most surprising growth turnaround under "Abenomics" policies, named after their prime minister, which included massive purchasing of financial assets by the central bank. The Euro region also saw a big improvement in the outlook for the most depressed peripheral countries late in the period.

The UK steered a middle course with a gradual improvement from a low base. Annual GDP growth picked up to 1.4% in the second quarter and future expectations have risen. Growth has been aided by a stimulative monetary policy, a stronger housing market and a continuing, albeit muted, employment recovery.

Overall however, despite variations from one region to another, the picture remained consistent with a modest economic recovery around the world since the global financial crisis. Perhaps the most notable event of the period was the statement by the US Federal Reserve Chairman, Ben Bernanke on 22nd May that the US might consider "tapering" their asset purchase programme. These purchases had directly and indirectly supported many different asset classes. Markets reacted quite sharply to this signalled change in policy.

The UK stock market made good progress, continuing a strong rally which began last June. After hitting a high ahead of Ben Bernanke's speech, the market pulled back sharply in June before recovering again in July. The FTSE 100 produced a total return of 7.7% in the period. Other developed markets saw similar trends with Japan and the USA performing particularly well, whilst emerging markets generally pulled back sharply.

FTSE 100 Price Index 31 January 2013 to 31 July 2013

(High 6840.27 on 22/5/13 , Low 6029.10 on 24/6/13)

Source: Thomson DataStream

Fund Manager's Report *(continued)*

There was a marked change in bond markets after the Federal Reserve's statement. Bond prices fell with UK and US 10 year bonds yields rising about 0.5% during the half year to c.2.5%. Currencies were also volatile with the Yen weakening against the US dollar for most of the period and emerging market currencies selling off sharply in the last few months. The pound however moved in a fairly tight range against both the US dollar and the Euro.

There were clear trends within the UK stock market. Improving confidence about the economy helped many medium sized and smaller companies which are often domestically focused. The mid and small cap indices both posted double-digit returns. This preference for UK cyclical exposure was evident at the sector level where there was a wide disparity within the consumer sectors. Consumer staples like tobacco, food producers and beverages which have globally spread operations and are relatively defensive, achieved modest gains, whilst more cyclical consumer sectors such as general retailers, travel & leisure and media outperformed significantly. Other strong performing sectors included aerospace & defence, telecommunications, pharmaceuticals and most financial sectors apart from banks. The weakest sectors were resources, both mining and oil. The miners in particular were unsettled by concerns over slowing growth in China and potentially reduced commodity demand.

Performance

The investment portfolio of the Trust produced a total return of 14.2% during the period, excluding the benefits of gearing. This was well ahead of the index return of +7.7% on the FTSE 100 index. This outperformance was driven principally by strong stock selection in the industrial, financial and consumer sectors and also by avoiding most of the pain in the mining sector where shares fell sharply and held back the index return. There were few significant negative performance drivers.

Table of Estimated Contribution to Investment Performance Relative to FTSE 100 Index 31 January 2013 to 31 July 2013

Positive Contribution	%	Over/under Weight	Negative Contribution	%	Over/under Weight
BAE Systems	0.7	+	Lloyds	-0.4	-
Rio Tinto	0.7	-	Prudential	-0.3	-
Resolution	0.6	+	United Business Media	-0.2	+
Daily Mail and General Trust	0.6	+	Rolls Royce	-0.2	-
Anglo American	0.5	-	Kingfisher	-0.2	-
Glencore Xstrata	0.5	-	BT	-0.2	-
BBA Aviation	0.4	+	AstraZeneca	-0.1	-
GlaxoSmithKline	0.4	+	Legal & General	-0.1	-
ICAP	0.4	+	ITV	-0.1	-
Standard Chartered	0.3	-	Vodafone	-0.1	-

Over/under weight: Whether proportion of portfolio in stock is higher (+) or lower (-) than its weighting in the FSTE 100 Index.

Fund Manager's Report *(continued)*

The table shows the largest individual stock performance attributions. Within the industrials sectors, aerospace and defence stocks rallied with BAE Systems and BBA Aviation performing well. Financial stock selection gains were driven by Resolution and ICAP which both recovered sharply from depressed levels. Several consumer companies rallied from initially modest valuations on signs of improving confidence. **Daily Mail & General Trust** was the most notable although others like **Britvic**, **Sainsbury**, **Cineworld** and **Greene King** were just outside the top 10 individual contributors. Elsewhere, **GlaxoSmithKline** benefitted from new drug approvals as well as generally positive sentiment to the pharmaceutical sector. The remaining top 10 positive contributors were all stocks that were not owned in the portfolio but fell sharply, holding back the index return, namely the miners **Rio Tinto**, **Anglo American** and **Glencore Xstrata**, as well as the bank **Standard Chartered**.

Nine of the top ten negative contributors were strong performing stocks that were not owned at all or where the portfolio had a lower than index weighting in the stock. These included the financials, **Lloyds**, **Prudential** and **Legal & General**, telecoms companies **BT** and **Vodafone** and also **Rolls Royce**, **Kingfisher**, **AstraZeneca** and **ITV**. The exception was a large holding in media company **UBM** which underperformed after having risen sharply last year, as first quarter results were weak.

Portfolio Changes

We were reasonably active within the portfolio during the period. The last twelve months has seen a significant revaluation of the overall market with widely divergent trends between individual stocks and sectors. This lifted certain company share prices to levels that no longer offered good value, prompting us to sell, whilst also creating other opportunities to invest in businesses offering better value. Overall we added six new companies to the portfolio, coincidentally selling out of six others completely and we made many changes to existing positions. We are mindful of transaction costs. Investment activity does not drive strong performance but strong performance can drive investment activity as we have to continuously challenge our views on shares that have risen strongly to see if they justify their higher prices.

A good example of this factor was within the more stable, defensive companies like food producers and pharmaceuticals. Over recent years, investors had pushed up the share prices of these stocks as they sought companies that could grow in difficult economic conditions. We thought that many valuations were starting to look extended. Therefore, continuing a theme from the last financial year, we took profits in this area. We sold out of **Compass** and **Reckitt Benckiser**, and more recently **Imperial Tobacco**. The latter was less about valuation than about fears over the profits outlook, with sharp cigarette volume declines in certain European markets and an emerging threat from e-cigarettes. We also reduced **Unilever**, **GlaxoSmithKline**, **British American Tobacco** and other holdings.

Whilst we are still relatively cautious about the economic growth outlook in the medium term as discussed below, we became increasingly willing to buy companies with an element of economic sensitivity. This reflected the wide valuation discrepancy that had opened up between perceived safer businesses and those with more cyclicality. In addition, in a number of instances, we believed that companies were near the trough in their individual business or industry cycles and therefore the combination of recovery potential and modest valuation was attractive.

We added two new real estate companies, **Segro** and **Hansteen**, both exposed to the logistics and industrial property sectors where valuations remain depressed, with high yields, unlike many prime property sub-sectors. Both companies have active management teams, working hard to bring in tenants and develop new sites, with scope to boost portfolio income and also to see a revaluation as economic conditions improve.

We invested in **SThree**, a UK and international specialist permanent and contract staffing business. SThree is well placed to benefit from growth opportunities in new geographies and new disciplines, as well as having significant recovery potential in its main profit centres.

Fund Manager's Report *(continued)*

The company has net cash on the balance sheet and pays a 4% dividend yield. We also made a small investment in the building products company **Tyman** as it raised money to buy the US windows & doors products business **Truth Hardware** from **Melrose PLC**. Tyman's fortunes are now closely aligned to the US house-building and refurbishment market where we see scope for a prolonged recovery following four years of extremely subdued activity. Within the depressed building and construction markets we also added to existing holdings in **CRH** and **Balfour Beatty** as we see significant recovery potential.

Another new investment was the bookmaker and gaming group **Ladbrokes**. The company has had a disappointing track record in online gaming, despite having a relatively strong brand name within the industry. This business is now being restructured under new management in partnership with **Playtech** and offers significant potential, whilst a growing betting office estate should provide a more dependable profits stream. The final new investment was **First Group**. We took advantage of poor market reaction to the company's rights issue to make an investment in the bus and rail company at a depressed valuation. The business can improve its operational performance over the medium term as it now has a stronger financial position which will allow it to address past underinvestment.

In the telecommunications sector we sold out of **BT** which has been an exceptional performer over recent years and reduced the **Vodafone** exposure, whilst adding to **Inmarsat** which has stronger growth prospects. Among utilities we took profits on **National Grid** after strong performance and added to waste and water company **Pennon**. We were also active in the consumer and media sectors, adding to **Carnival** and **UBM**, whilst taking profits in **DMGT** and **Reed Elsevier** on relative valuation considerations.

The final two complete sales were **Cobham** and **Catlin**. Along with other aerospace and defence companies, Cobham had performed very well despite uncertainties over the US defence budget outlook and it no longer offered good value. The insurer Catlin had also performed well and offered limited upside with signs of pricing pressure developing in the reinsurance market.

Derivative Strategy

The Trust operates a covered call overwriting strategy on a limited proportion of the portfolio to generate additional income. In "writing" or selling an option the Trust gives the purchaser the right to buy a specific number of shares in a company at an agreed "strike" price within a fixed period. In exchange the Trust receives an option premium which is taken to the revenue account. The Trust gets the full benefit of any move in the share price up to the strike price but not beyond. If the share price rises above the strike price there is a potential "opportunity" cost (but not cash cost) to the Trust as the option holder can exercise their option to buy the shares at the strike price.

The option strategy once again delivered its primary objective of income generation, with approximately £700,000 of option premiums accrued. As there were some particularly sharp share price rises in the period the Trust had a theoretical small net opportunity cost from the strategy. This performance impact has already been reflected in the strong overall performance numbers discussed above.

Outlook

The UK economy is currently showing some of the strongest signs of recovery since the global financial crisis. The housing market is recovering, retail sales are picking up, confidence is generally improving and employment is growing modestly. However we remain wary that the high debt burden at both the government and consumer levels will restrain activity in the medium term and keep growth below the longer term trend.

There are already signs that slightly better economic conditions are causing the UK and US central banks to consider reining back on some of their more stimulative policies of quantitative easing, with much talk of the Federal Reserve "tapering" its asset purchases. Long dated government bond yields have picked up notably in the USA and the UK since the spring, raising long term borrowing costs. With many UK mortgages on variable rates, the consumer is extremely sensitive to short term rates. Whilst this sensitivity is well understood by the Bank

Fund Manager's Report *(continued)*

of England, any normal economic recovery would have to be accompanied by interest rate rises from historically low levels. Because of this sensitivity in the UK we are wary of extrapolating recent economic improvements too far into the future.

The outlook in the USA is broadly similar to the UK. In Europe, Germany has been fairly resilient and there are tentative signs of recovery in the weaker regions. However this recovery is at an earlier stage than in the UK and remains vulnerable to further stresses in the financial system. Elsewhere, Japan is performing better although it is unlikely to drive global activity. Emerging markets look particularly uncertain with Brazil and India slowing rapidly. China is also showing significant strains as it attempts to rebalance the economy from investment led to consumer led whilst pulling back on the shadow banking system. Although Chinese demand is uncertain, it remains the key to many commodity markets.

The stock market has been revalued significantly over the last year, and within the market there is now a far greater polarisation of valuations. Whilst higher quality, defensive growth stocks have been highly valued for a while, many cyclical stocks have now also risen to fuller valuations amid hopes of economic recovery. Conversely mining and oil shares have languished and trade at more depressed levels. There is a notable gap between the median share valuation and the weighted average as several "mega caps" trade at a big discount to the median. This may imply that the overall market is a little extended even if the average valuation is close to long term norms.

We remain alert to potential opportunities created by market volatility and individual company circumstances. Investments decisions are primarily driven by the merits of individual companies although sector and structural themes remain important considerations. The portfolio has large positions in "mega-caps" such as Royal Dutch Shell, GlaxoSmithKline and HSBC which offer sound value and attractive dividends.

At the sector level there is a high exposure to consumer areas like media and travel & leisure and selective industrials where we see recovery potential. We also favour utilities, specific real estate companies and financial services companies with modest balance sheet gearing. We have limited exposure to the more defensive growth sectors like food producers, beverages and household products where valuations look stretched. The portfolio also has little allocated to domestic banks or the mining industry, both sectors where risks remain high although valuations are more interesting.

Dividends

Most companies have strengthened their financial position since the financial crisis and debt levels are generally lower now. Corporate profits and cash flow are relatively robust and will be aided by economic recovery if it is sustained. The outlook for dividends look promising with average rises expected to be in the mid-single digit range this year, whilst pay-out ratios are close to the long term average.

Simon Gergel
RCM (UK) Limited

Investment Portfolio

as at 31 July 2013

Twenty Largest Equity Holdings

Security Name	Market Value £'000s	Total Assets* %	Principal Activity
Royal Dutch Shell 'B'	57,368	8.72	Oil & Gas Producers
GlaxoSmithKline	49,226	7.49	Pharmaceuticals & Biotechnology
HSBC	43,983	6.69	Banks
BP	38,848	5.91	Oil & Gas Producers
Vodafone	24,621	3.75	Mobile Telecommunications
BAE Systems	23,632	3.60	Aerospace & Defence
British American Tobacco	22,414	3.41	Tobacco
SSE	22,208	3.38	Electricity
Resolution	20,389	3.10	Life Insurance
UBM	16,937	2.58	Media
Reed Elsevier	15,906	2.42	Media
BHP Billiton	15,623	2.38	Mining
Centrica	15,386	2.34	Gas, Water & Multiutilities
Pennon Group	15,279	2.33	Gas, Water & Multiutilities
Inmarsat	15,127	2.30	Mobile Telecommunications
Sainsburys (J)	14,835	2.26	Food & Drug Retailers
Britvic	13,428	2.04	Beverages
Carnival	13,351	2.03	Travel & Leisure
National Grid	13,048	1.99	Gas, Water & Multiutilities
Balfour Beatty	10,815	1.65	Construction & Materials
	462,424	**70.37**	

** Total Assets include current liabilities*

Portfolio Analysis

Security Name	Market Value £'000s	Total Assets** %
Consumer Services	126,337	19.22
Financials	124,802	18.99
Oil & Gas	96,216	14.64
Industrials	84,480	12.86
Utilities	65,920	10.03
Health Care	49,226	7.49
Consumer Goods	41,580	6.33
Telecommunications	39,747	6.05
Basic Materials	15,623	2.38
Net Current Assets	13,209	2.01
	657,140	**100.00**

*** Total Assets include current liabilities*

As at 31 July 2013 call options were written over 3.5% of the portfolio. During the period, income generated from call options amounted to £708,775.

Income Statement and Balance Sheet

Income Statement

for the six months ended 31 July 2013

	Revenue £'000s	Capital £'000s	Total Return £'000s (Note 1)
Net gains on investments held at fair value	-	66,056	66,056
Income from investments	16,120	-	16,120
Other income	870	-	870
Investment management fee	(382)	(709)	(1,091)
Administrative expenses	(355)	(3)	(358)
Net return before finance costs and taxation	**16,253**	**65,344**	**81,597**
Finance costs: interest payable and similar charges	(1,662)	(3,047)	(4,709)
Net return on ordinary activities before taxation	**14,591**	**62,297**	**76,888**
Taxation	-	-	-
Net return attributable to ordinary shareholders	**14,591**	**62,297**	**76,888**
Net return per ordinary share (Note 4)			
Basic and diluted	14.14p	60.36p	74.50p

Balance Sheet

as at 31 July 2013

	£'000s
Investments held at fair value through profit or loss	643,931
Net current assets	13,209
Total assets less current liabilities	**657,140**
Creditors: amount falling due after more than one year	(110,760)
Total net assets	**546,380**
Called up share capital	25,803
Share premium account	8,523
Capital redemption reserve	293
Capital reserve	485,625
Revenue reserve	26,136
Shareholders' funds	**546,380**
Net asset value per ordinary share	529.4p

The net asset value is based on 103,213,464 ordinary shares in issue at 31 July 2013.

for the six months ended 31 July 2012			for the year ended 31 January 2013		
Revenue £'000s	Capital £'000s	Total Return £'000s	Revenue £'000s	Capital £'000s	Total Return £'000s
		(Note 1)			(Note 1)
-	14,183	14,183	-	73,990	73,990
14,357	-	14,357	26,345	-	26,345
887	-	887	1,968	-	1,968
(325)	(604)	(929)	(669)	(1,241)	(1,910)
(353)	(2)	(355)	(684)	(3)	(687)
14,566	**13,577**	**28,143**	**26,960**	**72,746**	**99,706**
(1,665)	(3,052)	(4,717)	(3,328)	(6,102)	(9,430)
12,901	**10,525**	**23,426**	**23,632**	**66,644**	**90,276**
-	-	-	-	-	-
12,901	**10,525**	**23,426**	**23,632**	**66,644**	**90,276**
12.50p	10.20p	22.70p	22.90p	64.57p	87.47p

as at 31 July 2012	as at 31 January 2013
£'000s	£'000s
524,078	587,913
13,337	4,406
537,415	**592,319**
(110,936)	(110,855)
426,479	**481,464**
25,803	25,803
8,523	8,523
293	293
367,209	423,328
24,651	23,517
426,479	**481,464**
413.2p	466.5p

The net asset value is based on 103,213,464 ordinary shares in issue at 31 July 2012.

The net asset value is based on 103,213,464 ordinary shares in issue at 31 January 2013.

Reconciliation of Movements in Shareholders' Funds

	Called up Share Capital £'000s	Share Premium Account £'000s	Capital Redemption Reserve £'000s	Capital Reserve £'000s	Revenue Reserve £'000s	Total £'000s
Six months ended 31 July 2013						
Net assets at 31 January 2013	25,803	8,523	293	423,328	23,517	481,464
Revenue return	-	-	-	-	14,591	14,591
Dividends on ordinary shares	-	-	-	-	(11,972)	(11,972)
Capital return	-	-	-	62,297	-	62,297
Net assets at 31 July 2013	**25,803**	**8,523**	**293**	**485,625**	**26,136**	**546,380**
Six months ended 31 July 2012						
Net assets at 31 January 2012	25,803	8,523	293	356,684	23,722	415,025
Revenue return	-	-	-	-	12,901	12,901
Dividends on ordinary shares	-	-	-	-	(11,972)	(11,972)
Capital return	-	-	-	10,525	-	10,525
Net assets at 31 July 2012	**25,803**	**8,523**	**293**	**367,209**	**24,651**	**426,479**
Year ended 31 January 2013						
Net assets at 31 January 2012	25,803	8,523	293	356,684	23,722	415,025
Revenue return	-	-	-	-	23,632	23,632
Dividends on ordinary shares	-	-	-	-	(23,946)	(23,946)
Unclaimed dividends over 12 years	-	-	-	-	109	109
Capital return	-	-	-	66,644	-	66,644
Net assets at 31 January 2013	**25,803**	**8,523**	**293**	**423,328**	**23,517**	**481,464**

Cash Flow Statement

	Six Months ended 31 July 2013 £'000s	Six Months ended 31 July 2012 £'000s	Year ended 31 Jan 2013 £'000s
Net cash inflow from operating activities	**15,464**	**12,990**	**26,870**
Return on investment and servicing of finance			
Interest paid	(4,788)	(3,475)	(9,553)
Dividends paid on cumulative preference stock	(21)	(21)	(43)
Net cash outflow from servicing of finance	**(4,809)**	**(3,496)**	**(9,596)**
Capital expenditure and financial investment			
Purchases of fixed asset investments	(86,484)	(66,918)	(145,823)
Sales of fixed asset investments	92,189	70,416	147,647
Net cash inflow from capital expenditure and financial investment	**5,705**	**3,498**	**1,824**
Dividends paid on ordinary shares	**(11,972)**	**(11,972)**	**(23,946)**
Unclaimed dividends over 12 years	**-**	**-**	**109**
Increase (decrease) in cash	**4,388**	**1,020**	**(4,739)**
Reconciliation of return on ordinary activities before taxation to net cash flow from operating activities			
Total return before finance costs and taxation	81,597	28,143	99,706
Net gains on investments at fair value	(66,056)	(14,183)	(73,990)
	15,541	**13,960**	**25,716**
(Increase) decrease in debtors	(537)	482	1,096
Increase (decrease) in creditors	460	(1,452)	58
Net cash inflow from operating activities	**15,464**	**12,990**	**26,870**
Reconciliation of net cash flow to movement in net debt			
Net cash inflow (outflow)	4,388	1,020	(4,739)
Decrease in long term loans	95	85	166
Movement in net funds (debt)	**4,483**	**1,105**	**(4,573)**
Net debt brought forward	(102,195)	(97,622)	(97,622)
Net debt carried forward	**(97,712)**	**(96,517)**	**(102,195)**

Notes

Note 1 – Financial Statements

The half-yearly financial report has been neither audited nor reviewed by the company's auditors. The financial information for the year ended 31 January 2013 has been extracted from the statutory financial statements for that year which have been delivered to the Registrar of Companies. The auditors' report on those financial statements was unqualified and did not contain a statement under section 498 of the Companies Act 2006.

The total return 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.

A Statement of Total Recognised Gains and Losses is not required as all gains and losses of the company have been reflected in the Income Statement.

RCM (UK) Limited ('RCM'), acts as Investment Manager to the company. Details of the services and fee arrangements are given in the latest annual financial report of the company, which is available on the company's website at www.merchantstrust.co.uk.

The company also makes limited additional and updated disclosures, mainly relating to the first and third quarters of the financial year. These Interim Management Statements are released through the Regulatory News Service and posted on the company's website www.merchantstrust.co.uk on or shortly before 19 June and 19 December each year.

Note 2 – Accounting Policies

The condensed set of financial statements has been prepared on the basis of the accounting policies as set out in the company's annual report and financial statements for the year ended 31 January 2013.

The Directors believe it is appropriate to continue to adopt the going concern basis in preparing the financial statements, as the assets of the company consist mainly of securities which are readily realisable and accordingly, that the company has adequate financial resources to continue in operational existence for the foreseeable future.

Investments are designated as held at fair value through profit or loss in accordance with FRS 26 'Financial Instruments: Recognition and Measurement'. Listed investments are valued at bid market prices.

Note 3 – Dividends on Ordinary Shares

In accordance with FRS 21 'Events after the Balance Sheet Date', the final dividend payable on ordinary shares is recognised as a liability when approved by shareholders. Interim dividends are recognised only when paid.

Notes *(continued)*

Dividends paid on ordinary shares in respect of earnings for each period are as follows:

	Six Months ended 31 July 2013 £'000s	Six Months ended 31 July 2012 £'000s	Year ended 31 Jan 2013 £'000s
First Interim dividend 5.80p paid 15 August 2012	-	-	5,987
Second Interim dividend 5.80p paid 12 November 2012	-	-	5,987
Third Interim dividend 5.80p paid 27 February 2013 (2012 – 5.80p)	5,986	5,986	5,986
Final dividend 5.80p paid 15 May 2013 (2012 – 5.80p)	5,986	5,986	5,986
	11,972	**11,972**	**23,946**

Dividends payable at the period end are not recognised as a liability under FRS 21 'Events after the Balance Sheet Date'. Details of these dividends are set out below.

	Six Months ended 31 July 2013 £'000s	Six Months ended 31 July 2012 £'000s	Year ended 31 Jan 2013 £'000s
Third interim dividend 5.80p paid 27 February 2013	-	-	5,986
Final dividend 5.80p paid 15 May 2013	-	-	5,986
First interim dividend 5.90p paid 14 August 2013 (2012 - 5.80p)	6,089	5,987	-
Second interim dividend 5.90p payable 12 November 2013 (2012 - 5.80p)	6,089	5,987	-
	12,178	**11,974**	**11,972**

The second interim dividend noted above is based on the number of shares at the period end. However, the dividend subsequently paid will be based on the number of shares in issue on the record date and will reflect any purchase or cancellation of shares by the company settled subsequent to the period end.

Note 4 – Return per Ordinary Share

The returns per ordinary share have been calculated using a weighted average number of shares in issue during the period of 103,213,464 shares (31 July 2012 – 103,213,464 shares; 31 January 2013 – 103,213,464 shares).

Note 5 – Status of the Company

The company has applied for and has been accepted as an approved investment trust for accounting periods commencing on or after 1 February 2013, subject to it continuing to meet eligibility conditions at section 1158 Corporation Taxes Act 2010 and the on-going requirements for approved companies in Chapter 3 Part 2 Investment Trust (Approved Company) (Tax) Regulations 2011 (Statutory Instrument 2011/2999).

Note 6 – Transactions with the Investment Manager and related parties

As disclosed in the annual financial report, the only related parties are the Investment Manager and the directors. Other than fees payable in the ordinary course of business as described in the disclosures in that report, there have been no material transactions with related parties affecting the financial position or performance of the company in the six months under review.

Investor Information

Directors

Simon Fraser (Chairman)
Mike McKeon (Chairman – Audit Committee)
Henry Staunton
Paul Yates

Managers

RCM (UK) Limited, 155 Bishopsgate, London EC2M 3AD.
Telephone: 020 7859 9000.
Represented by Simon Gergel.
Allianz Global Investors is the marketing name of RCM (UK) Limited, which is authorised and regulated by the Financial Conduct Authority.

Secretary and Registered Office

Kirsten Salt BA (Hons) ACIS, 155 Bishopsgate, London EC2M 3AD. Telephone: 020 7065 1513.
Registered Number: 28276.

Registrars

Capita Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.
Telephone (if calling from within the UK):
0871 664 0300 (calls cost 10p per minute plus network extras).
Lines are open 8.30 a.m. - 5.30 p.m. Mon - Fri.
Telephone (if calling from overseas):
+44 20 8639 3399.
Email: ssd@capita.co.uk

Results

Half year announced in September.
Full year announced in March.
Annual Financial Report posted to shareholders in April.
Annual General Meeting held in May.

Ordinary Dividends 2013/2014

	Dividend	Payment Date
First interim	5.90p	14 August 2013
Second interim	5.90p	12 November 2013
Third interim		February 2014
Final		May 2014

Website

Further information about the Company is available on the website: www.merchantstrust.co.uk.

Net Asset Value

The Net Asset Value of the Ordinary Shares is calculated daily and the top ten holdings are announced monthly. They are published through the London Stock Exchange Regulatory News Service. The Company's share price is published in the Daily Telegraph and Financial Times. The net asset values and share prices are also available from Allianz Global Investors, via Investor Services on 0800 389 4696 or on the Managers' website: www.allianzgi.co.uk.

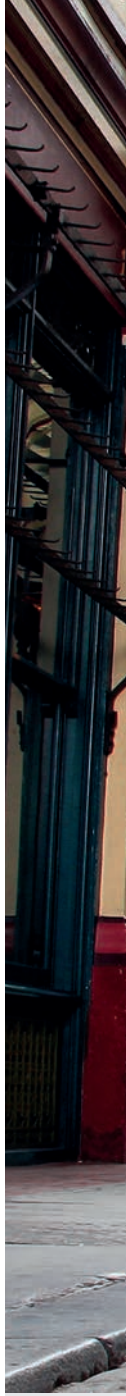
Shareholders' Enquiries

Capita Registrars maintain the share register. In the event of queries regarding shareholdings, lost certificates, registered details, etc., shareholders should contact the registrars

Any general enquiries about the Company should be directed to the Company Secretary, at the Registered Office.

AIC Membership

The Company is a member of the Association of Investment Companies. Category: UK Growth & Income.



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