THE MERCHANTS TRUST PLC

INTERIM ACCOUNTS
(unaudited)

for the six months ended 31st July 1995

Registered Number:- 28276

THE MERCHANTS TRUST PLC
REVENUE ACCOUNT
for the six months ended 31st July 1995

	Notes	£	£
Income from Fixed Asset Investments			
Franked Income from Listed Investments			8,085,398
Unfranked Income from Listed Investments		2,226,600	
Unfranked Income from Unlisted Investments		19,178	
	1		2,245,778
			10,331,176
Other Income			
Deposit Interest		556,880	
Underwriting Commission		123,833	
			680,713
Gross Revenue			11,011,889
Expenses of Administration	2	(834,192)	
Finance Costs of Borrowings	3	(1,606,027)	
			(2,440,219)
Revenue before Taxation			8,571,670
Taxation	4		(1,602,615)
Revenue after Taxation			6,969,055
Dividend on Preference Stock			(21,498)
Revenue available for Ordinary Shares			6,947,557
Dividends on Ordinary Shares of 25p			
3.00p per Ordinary Share paid 21st August 1995		(3,069,868)	
3.00p per Ordinary Share payable 17th November 1995		(3,069,868)	
			(6,139,736)
Undistributed Revenue			807,821
Revenue Reserve brought forward at 31 January 1995			7,888,081
Revenue Reserve carried forward	12		£8,695,902
Earnings per Ordinary Share	5		6.79p

The Notes on pages 3 to 10 form part of these accounts.

THE MERCHANTS TRUST PLC
BALANCE SHEET
at 31st July 1995

	Notes	£	£
Fixed Assets			
Investments	6		325,303,521
Current Assets			
Debtors	7	12,110,328	
Cash at bank	7	30,208,036	
		42,318,364	
Creditors			
Amounts falling due within one year	8	(14,958,104)	
Net Current Assets			27,360,260
Total Assets Less Current Liabilities			352,663,781
Creditors			
Amounts falling due after more than one year	8		(64,880,525)
Total Net Assets			£287,783,256
Capital and Reserves			
Called up share capital			
- Ordinary	11		25,582,234
- Preference	11		1,178,000
Share premium account	13		39,809
Capital Reserves			
- realised	14	186,958,362	
- unrealised	14	65,328,949	
			252,287,311
Revenue Reserve	12		8,695,902
Shareholders' Funds			£287,783,256

Approved by the Board of Directors on 13th September 1995 and signed on its behalf by:-

Director

The Notes of pages 3 to 10 form part of these accounts.

THE MERCHANTS TRUST PLC
STATEMENT OF ACCOUNTING POLICIES
for the six months ended 31st July 1995

(i) The accounts have been prepared under the historical cost convention, modified to include the revaluation of investments, and in accordance with the requirements of S272 of the Companies Act 1985.

(ii) Revenue - Dividends (including preference dividends) are accounted for on an ex-dividend basis and are grossed up at the appropriate rate of tax credit. Interest on investments is accounted for as it accrues on a daily basis. Enhanced scrip dividends are accounted for by crediting the full value to the Revenue Account. Deposit interest receivable is accounted for on an accruals basis. Underwriting commission is accounted for on a receipts basis.

(iii) Investment management fee - The investment management fee is calculated at 0.35% per annum of the value of the assets (after deduction of current liabilities, short term loans under one year and unit trusts and offshore funds managed by Kleinwort Benson Investment Management Limited), is payable quarterly and is charged to the Revenue Account in full.

(iv) Investments listed in the United Kingdom have been valued at middle market prices. Those listed abroad have been valued at closing or middle market prices as available. Unlisted investments are valued by the Directors based upon latest dealing prices, stockbrokers' valuations, net asset values, earnings and other known accounting information. Net gains or losses arising on realisation of investments together with differences between value and book cost are taken directly to Capital Reserves.

(v) Advance corporation tax attributable to dividends accrued or proposed at the balance sheet date is offset against the tax credits arising from estimated franked investment income receivable up to the date of payment of the advance corporation tax. Any unrelieved amount is included in the balance sheet as a creditor and as a debtor to the extent that it is recoverable in the short-term.

(vi) Deferred taxation is provided using the liability method on all timing differences which are expected to crystallise in the foreseeable future, calculated at the rate at which it is estimated that the tax benefit or liability will accrue.

THE MERCHANTS TRUST PLC
STATEMENT OF ACCOUNTING POLICIES
for the six months ended 31st July 1995

(vii) Long term borrowings are stated at the amount of net proceeds immediately after issue plus the appropriate accrued finance costs at the balance sheet date. The finance costs of such borrowings, being the difference between the net proceeds of a borrowing and the total payments that may be required in respect of that borrowing, are allocated to periods over the term of the debt at a constant rate on the carrying amount. Finance costs on long term borrowings together with related tax relief are charged to Capital Reserves and the Revenue Account in the ratio 50:50 to reflect the Company's investment policy and prospective income and capital growth.

(vii) Transactions in foreign currencies are recorded at the rates ruling on the date of the transaction. Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date, and profits or losses arising therefrom are taken direct to Capital Reserves.

THE MERCHANTS TRUST PLC
NOTES TO THE ACCOUNTS
for the six months ended 31st July 1995

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1. Unfranked Income from Fixed Asset Investments

	£
Interest from UK fixed income stocks	1,612,281
Enhanced scrip dividends from UK equity securities	54,677
Dividends from overseas equity securities	72,557
Foreign income dividends	506,263
	£2,245,778

2. Expenses of Administration

	£
Investment management fee	702,958
Banks' safe custody & other charges	7,611
Directors' fees	31,000
Trustees' fees	352
Other administrative expenses	92,271
	£834,192

3. Finance Costs of Borrowings

	£
On Stepped Rate Interest Loan repayable after more than five years	902,742
On 4% Perpetual Debenture Stock repayable after more than five years	13,750
On Fixed Rate interest Loan repayable after more than five years	689,535
	£1,606,027

The total finance costs of the Stepped Rate Interest Loan, 4% Perpetual Debenture Stock and the Fixed Rate Interest Loan were £1,805,484, £27,500 and £1,379,070 respectively of which £902,742, £13,750 and £689,535 have been charged to Capital Reserves (Note 13).

4. Taxation

	£
Tax credit for unrelieved management expenses at 20%	(14,717)
Overseas taxation	252
Tax credits on franked investment income	1,617,080
	£1,602,615

THE MERCHANTS TRUST PLC
NOTES TO THE ACCOUNTS
for the six months ended 31st July 1995

5. Earnings per Ordinary Share

The calculation of earnings per Ordinary Share is based on net earnings of £6,947,557 and 102,328,936 Ordinary Shares of 25p in issue.

6. Fixed Asset Investments

	£
Listed at market valuation on recognised Stock Exchanges	
Great Britain	321,780,982
Abroad	2,108,522
	323,889,504
Unlisted at Directors' valuation	
Abroad	1,203,509
Subsidiary (Note 9)	210,508
	1,414,017
	£325,303,521

Market value of investments held brought forward at 31 January	316,494,392
Unrealised net appreciation brought forward at 31 January	(47,233,516)
Cost of investments held brought forward at 31 January	269,260,876
Additions at cost	70,185,909
Disposals at cost	(79,472,213)
Cost of investments held at 31st July	259,974,572
Unrealised net appreciation at 31st July	65,328,949
Market value of investments held at 31st July	£325,303,521

The Company owns more than 10% of the following companies, both of which are incorporated in Great Britain and registered in England and Wales:

Company	Class of Shares Held	% of Class Held	% Equity
First Debenture Finance PLC	'B' Shares	41.0	20.4
Fintrust Debenture PLC	Ordinary	35.3	35.3

THE MERCHANTS TRUST PLC
NOTES TO THE ACCOUNTS
for the six months ended 31st July 1995

6. cont'd

In the opinion of the Directors, the Company is not in a position to exert significant influence over the above companies. The aggregate share capital, reserves and results of these companies are immaterial and they have been accounted for as investments at nil value.

7. Current Assets

	£
Debtors	
Sales for future settlement	8,931,708
Accrued income	1,968,897
Other debtors	55,275
Taxation recoverable	1,154,448
	£12,110,328
Cash at bank	
Sterling bank balances -	
Short term deposits	30,200,000
Current accounts	8,036
	£30,208,036

8. Creditors

	£
Amounts falling due within one year	
Purchases for future settlement	7,131,812
Other creditors	1,227,615
Short-term loan	423,693
Interest on 4% Perpetual Debenture Stock	13,750
Dividend on Preference Stock	21,498
Dividends on Ordinary Shares	6,139,736
	£14,958,104

Amounts falling due after more than one year	£
4% Perpetual Debenture Stock	1,375,000
Fixed Rate Interest Loan	29,860,823
Stepped Rate Interest Loan	33,644,702
	£64,880,525

THE MERCHANTS TRUST PLC
NOTES TO THE ACCOUNTS
for the six months ended 31st July 1995

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8. cont'd

The short-term loan is interest free and is repayable on demand.

The 4% Perpetual Debenture Stock is secured by a floating charge on the assets of the Company.

The Stepped Rate Interest Loan comprises adjustable Stepped Rate Interest Loan Notes of £5,133,520 and Stepped Rate Interest Bonds of £20,534,079 issued at 97.4% and repayable at a premium of £8,366,513. Interest is payable on the Bonds in July and January at an initial rate of 7.16% per annum until maturity on 2nd January 2018. Interest on the Loan Notes is variable by the lender in accordance with the terms of the agreement. The accounting treatment adopted in respect of the stepped rate interest and redemption premium is set out in the Statement of Accounting Policies.

The Fixed Rate Interest Loan is stated at net proceeds being the principal amount of £30,000,000 less issue costs of £141,053 plus accrued finance costs. The loan carries interest at the rate of 9.25125% per annum on the principal amount payable in arrears by equal half yearly instalments on 20th May and 20th November in each year. The Company has granted a floating charge over all its undertakings, property and assets in favour of the lender, Fintrust Debenture PLC. This charge ranks pari passu with the floating charges created by the Company to secure its obligations in relation to the 11.125% Severally Guaranteed Debenture Stock 2018 of First Debenture Finance PLC and in relation to the 4% Perpetual Debenture Stock.

9. Contingent Liabilities and Guarantees

At 31st July 1995 there were outstanding contingent liabilities of £1,344,245 in respect of underwriting commitments.

The Company has guaranteed the repayment of £34,034,112 11.125% Severally Guaranteed Debenture Stock 2018 issued by First Debenture Finance PLC as part of the terms of its Stepped Rate Loan and there is a floating charge on all the Company's present and future assets to secure this obligation.

THE MERCHANTS TRUST PLC
NOTES TO THE ACCOUNTS
for the year six months ended 31st July 1995

10. Investment in Subsidiary

Surrey Investments Inc is a wholly owned subsidiary registered in the State of Delaware, U.S.A. with an issued share capital of US$300,000. It was formed to act as a Limited Partner in JW O'Connor Associates LP and a shareholder in JW O'Connor & Co Inc, both of which are engaged in property development in the US. It has no other material assets or liabilities. There were no balances outstanding between the Company and Surrey Investments Inc at 31st July 1995 nor have there been any transactions between them during the period ended at that date.

In the opinion of the Directors it would be of no real value to the members of the Company to produce consolidated accounts in view of the immaterial amounts involved.

11. Share Capital

Authorised	£
1,178,000 3.65% Cumulative Preference Stock	1,178,000
107,431,248 Ordinary Shares of 25p	26,857,812
	£28,035,812

Allotted and fully paid	£
1,178,000 3.65% Cumulative Preference Stock	1,178,000
102,328,936 Ordinary Shares of 25p	25,582,234
	£26,760,234

12. Revenue Reserve

	£
Balance at 31 January 1995	7,888,081
Retained profit	807,821
Balance at 31 July 1995	£8,695,902

13. Share Premium

Balance at 31 January 1995 and 31 July 1995	£39,809

THE MERCHANTS TRUST PLC
NOTES TO THE ACCOUNTS
for the six months ended 31st July 1995

14. Capital Reserves

	£	£
Realised		
Balance brought forward at 31 January		171,682,478
Net gains and losses on realisation of investments		16,881,911
Finance costs of borrowings -		
Stepped Rate Interest Loan	(902,742)	
Fixed Rate Interest Loan	(689,535)	
4% Perpetual Debenture Stock	(13,750)	
		(1,606,027)
Balance at 31 July		£186,958,362
Unrealised		
Invested funds at 31st July		
At valuation		325,303,521
At book value (cost less amounts written off)		(259,974,572)
Balance at 31st July		£65,328,949

15. Reconciliation of Movements in Shareholders' Funds

	£
Distributable profits	
Revenue profit available for distribution	6,947,557
Dividends	6,139,736
Transfer to distributable reserves	807,821
Non-distributable profits	
Recognised capital gains and losses transferred to non-distributable reserves	33,371,317
Net increase in Shareholders' Funds	34,179,138
Opening Shareholders' Funds at 31 January	253,604,118
Closing Shareholders' Funds at 31 July	£287,783,256