Company No:
28276

THE MERCHANTS TRUST PLC

REPORT AND ACCOUNTS (unaudited)

Prepared in accordance with s838 of Companies Act 2006 for the period from 01 February 2021 to 31 May 2021

The Merchants Trust PLC

Income Statement

for the four months ended 31 May 2021

	Note	Revenue £	Capital £	Total Return £
				(Note 1)
Gains on investments held at fair value through profit or loss	7	-	89,988,944	89,988,944
Gains on foreign currencies		-	3,333	3,333
Income from investments	1	11,677,898	-	11,677,898
Other income	1	580,834	-	580,834
Investment management fee	2	(290,750)	(539,964)	(830,714)
Administrative expenses	3	(326,974)	(561)	(327,535)
Profit before finance costs and taxation		**11,641,008**	**89,451,752**	**101,092,760**
Finance costs: interest payable and similar charges	4	(391,180)	(694,827)	(1,086,007)
Profit on ordinary activities before taxation		**11,249,828**	**88,756,925**	**100,006,753**
Taxation		(183,999)	-	(183,999)
Profit after taxation attributable to ordinary shareholders		**11,065,829**	**88,756,925**	**99,822,754**
Earnings per ordinary share (basic and diluted)	6	**9.06p**	**72.68p**	**81.74p**

The Merchants Trust PLC

Balance Sheet

	Note	As at 31 May 2021 £
Investments held at fair value through profit or loss		724,091,307
Current Assets		
Derivative financial intstruments		
Other Receivables		4,484,772
Cash and cash equivalents		18,244,294
		22,729,066
Current Liabilities		
Other payables		(26,977,405)
Derivative financial intstruments		(28,375)
		(27,005,780)
Net current (liabilities)	8	(4,276,714)
Total assets less current liabilities		**719,814,593**
Creditors: amounts falling due after more than one year	8	(67,652,579)
Total net assets		**652,162,014**
Called up share capital	9	30,948,722
Share premium account		97,627,703
Capital redemption reserve		292,853
Capital reserve	10	506,695,980
Revenue reserve	11	16,596,756
Equity shareholders' funds		**652,162,014**
Net asset value per ordinary share		**526.8p**

The net asset value is based on 123,794,887 ordinary shares at 31 May 2021.

Signed on behalf of the board of directors on 2 August 2021.

Colin Clark
Chairman

The Merchants Trust PLC

Statement of Changes in Equity

	Note	Called up Share Capital £	Share Premium Account £	Capital Redemption Reserve £	Capital Reserve £	Revenue Reserve £	Total £
Four months ended 31 May 2021							
Net assets at 1 February 2021		30,246,222	84,137,103	292,853	417,939,055	22,102,171	554,717,404
Revenue profit		-	-	-	-	11,065,829	11,065,829
Dividends on ordinary shares	5	-	-	-	-	(16,571,244)	(16,571,244)
Capital profit		-	-	-	88,756,925	-	88,756,925
Shares issued during the period		702,500	13,490,600	-	-	-	14,193,100
Net assets at 31 May 2021		**30,948,722**	**97,627,703**	**292,853**	**506,695,980**	**16,596,756**	**652,162,014**

The Merchants Trust PLC

Notes to the Financial Statements
for the four months ended 31 May 2021

1 Allianz Global Investors Europe GmbH, UK Branch (AllianzGI), 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 presents its results and positions under 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102), which forms part of revised Generally Accepted Accounting Practice ('New UK GAAP') issued by the Financial Reporting Council. The financial statements and net asset value have been prepared in accordance with FRS 102 using the same policies as in the preceding annual accounts.

The condensed set of financial statements has been prepared on a going concern basis in accordance with FRS 102 and FRS 104, 'Interim Financial Reporting' and the Statement of Recommended Practice – 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' (SORP). The impact of COVID-19 has been thoroughly considered and the directors have concluded that there are no material uncertainties related to going concern. They have also been prepared on the assumption that approval as an investment trust will continue to be granted.

The accounting policies applied for the condensed set of financial statements with regard to measurement and classification are as set out in the company's Annual Report for the year ended 31 January 2021. This is reflective of the Company's application of Sections 11 and 12 of FRS 102, in relation to financial instruments, in full. References to prior, individual Financial Reporting Statements (FRS) should now be taken to reference FRS 102.

2 Income – Dividends received on equity shares are accounted for on an ex-dividend basis. Foreign dividends are grossed up at the appropriate rate of withholding tax.

Special dividends are recognised on an ex-dividend basis and treated as a capital or revenue item depending on the facts and circumstances of each dividend. The Board review special dividends and their treatment at each meeting.

Where the Company has elected to receive its dividends in the form of additional shares rather than in cash, the equivalent of the cash dividend is recognised as income. Any excess in the value of the shares received over the amount of the cash dividend is recognised in capital reserves.

Deposit interest receivable is accounted for on an accruals basis.

Commissions in respect of underwriting are recognised when the underwritten issue closes and are generally recognised within the Income Statement as revenue. Where, however, the Company is required to take up a proportion of the shares underwritten, the same proportion of the commission received is recognised as capital, with the balance recognised as revenue.

3 Investment management fees and administrative expenses – The investment management fee is calculated on the basis set out in Note 2 to the financial statements and is charged to capital and revenue in the ratio 65:35 to reflect the Board's investment policy and prospective split of capital and revenue returns. The split is reviewed annually. Other administration expenses are charged in full to revenue, except custodian handling charges on investment transactions which are charged to capital. All expenses are recognised on an accrual basis.

4 Investments - As the Company's business is investing in financial assets with a view to profiting from their total return in the form of increases in fair value, financial assets are designated as held at fair value through profit or loss in accordance with FRS 102 Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments'. The Company manages and evaluates the performance of these investments on a fair value basis in accordance with its investment strategy, and information about the investments is provided on this basis to the board.

Investments held at fair value through profit or loss are initially recognised at fair value. After initial recognition, these continue to be measured at fair value, which for quoted investments is either the bid price or the last traded price depending on the convention of the exchange on which the investment is listed. Gains or losses on investments are recognised in the capital column of the Income Statement. Purchases and sales of financial assets are recognised on the trade date, being the date which the company commits to purchase or sell the assets. Unlisted investments are valued by the Directors based upon the latest dealing prices, stockbrokers' valuations, net asset values, earnings and other known accounting information in accordance with the principles set out by the International Private Equity and Venture Capital Valuation Guidelines issued in December 2018. After initial recognition unquoted stocks are valued by the board on an annual basis.

5 Derivatives - Options may be purchased or written over securities held in the portfolio for generating or protecting capital returns, or for generating or maintaining revenue returns.

Where the purpose of the option is the maintenance of capital the premium is treated as a capital item. In accordance with FRS 102 Section 12 'Other Financial Instruments', options are valued at fair value and are included in current assets or current liabilities in the balance sheet. When an option is closed out or exercised the gain or loss is accounted for as capital.

Where the purpose of the option is the generation of income, the premium is treated as a revenue item. Premiums received on written options are amortised to revenue over the period to expiry. If an option is exercised early unamortised premiums are taken to capital.

6 Finance costs – In accordance with the FRS 102 Section 11: 'Basic Financial Instruments' and Section 12 'Other Financial Instruments', long term borrowings are stated at the amortised cost being the amount of net proceeds on issue plus accrued finance costs to date. Finance costs are calculated over the term of the debt on the effective interest rate basis.

Where debt is issued at a premium, the premium is amortised over the term of the debt on the effective interest rate basis.

Finance costs net of amortised premiums are charged to capital and revenue in the ratio 65:35 to reflect the board's investment policy and prospective split of capital and revenue returns.

Dividends payable on the 3.65% cumulative preference stock are classified as an interest expense and are charged in full to revenue.

7 Taxation – Where expenses are allocated between capital and revenue, any tax relief obtained in respect of those expenses is allocated between capital and revenue on the marginal basis using the Company's effective rate of Corporation tax for the accounting period.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax or a right to pay less tax in the future have occurred. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements.

A deferred tax asset is recognised when it is more likely than not that the asset will be recoverable. Deferred tax is measured on a non-discounted basis at the rate of Corporation tax that is expected to apply when the timing differences are expected to reverse.

8 Foreign currency – In accordance with FRS 102 Section 30: 'Foreign Currency Translation', the company is required to nominate a functional currency, being the currency in which the company predominately operates and in which its expenses are generally paid. The functional and reporting currency is pounds sterling. Transactions in foreign currencies are translated into pounds sterling at the rates of exchange ruling on the date of the transaction. Foreign currency monetary assets and liabilities are translated into sterling at the rates of exchange ruling at the balance sheet date. Profits and losses thereon are recognised in the capital column of the income statement and taken to the capital reserve.

9 Dividends –In accordance with FRS 102 Section 32 ' Events After the End of the Reporting Period', any final dividend proposed on Ordinary Shares is recognised as a liability when approved by shareholders. Interim dividends are recognised only when paid. Dividends are paid from the revenue reserve.

10 Shares repurchased for cancellation and for holding in treasury - Share capital is reduced by the nominal value of the shares repurchased, and the capital redemption reserve is correspondingly increased in accordance with section 733 Companies Act 2006. The full cost of the repurchase is charged to the capital reserve within Gains (Losses) on Sales of Investments. For shares repurchased for holding in treasury, the full cost is charged to the capital reserve.

11 Shares sold (reissued) from treasury – Proceeds received from the sale of shares held in treasury are treated as realised profits in accordance with Section 731 of the Companies Act 2006. Proceeds equivalent to the original cost, calculated by applying a weighted average price, are credited to the capital reserve to replenish the profits available for distribution; proceeds in excess of the original cost are credited to the share premium account.

12 Shares issued - Share Capital is increased by the nominal value of shares issued. The proceeds net of expenses are allocated to the share premium account.

13 Significant judgements, estimates and assumptions – In the application of the company's accounting policies, which are described above, the directors are required to make judgements, estimates, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. There are no significant judgements, estimates, and assumptions. The investment portfolio currently consists of listed investments and therefore no significant estimates have been made in valuing those securities.

Estimated and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both the current and future periods.

Notes to the Financial Statements
for the four months ended 31 May 2021

1. Income

	2021 £
Income from Investments	
Equity dividends from UK investments	9,497,602
Unfranked dividends from UK investments	87,146
Equity dividends from overseas investments	2,093,150
	11,677,898
Other Income:	
Premiums on derivative contracts	580,834
	580,834
Total income	12,258,732

2. Investment Management Fee

	2021 Revenue £	2021 Capital £	2021 Total £
Investment management fee	290,750	539,964	830,714
Total	290,750	539,964	830,714

3. Administrative Expenses

	2021 £
Auditors' remuneration:	
For audit services	7,692
VAT on auditor's remuneration	1,539
	9,231
Directors' fees	50,455
Marketing costs	117,607
Other administration expenses	149,681
	326,974

Transaction charges of £561 were charged to capital.

4. Finance Costs: Interest Payable and Similar Charges

	2021 Revenue £	2021 Capital £	2021 Total £
within one year in one to five years			
On 4% Perpetual Debenture Stock repayable after more than five years	6,263	11,631	17,894
On 5.875% Secured Bonds repayable after more than five years	211,028	391,910	602,938
On 3.65% Preference Stock repayable after more than five years	13,897	-	13,897
On 2.96% Fixed Rate Notes repayable after more than five years	121,592	225,814	347,406
On Revolving Credit Facility Scotia	35,253	65,472	100,725
Broker Debit Interest	3,147	-	3,147
	391,180	694,827	1,086,007

5. Dividends on Ordinary Shares

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

	2021 £
Dividends on Ordinary Shares of 25p:	
Third quarterly dividend 6.80p paid 16 March 2021 (2020 - 6.80p)	8,226,972
Fourth quarterly dividend 6.80p paid 18 May 2021 (2020 - 6.80p)	8,344,272
	16,571,244

6. Earnings per Ordinary Share

	2021 Revenue £	2021 Capital £	2021 Total Return £
Profit after taxation attributable to ordinary shareholders	11,065,829	88,756,925	99,822,754
Earnings per ordinary share (basic and diluted)	9.06p	72.68p	81.74p

7. Fixed Asset Investments

	2021 £
Opening book cost	669,241,759
Opening investments holding (loss)	(31,131,236)
Opening investments holding gains - derivatives	71,070
Opening market value	**638,181,593**
Additions at cost	77,660,561
Disposals proceeds received	(81,900,107)
Gains on investments	*89,868,193*
Transaction costs	252,692
Market value of investments held at 31 May 2021	**724,062,932**
Closing book cost	673,165,762
Closing investment holding gains	50,766,195
Closing investment holding gains- derivatives	130,975
Closing market value	**724,062,932**
Gains on investments	
Gains on investment	89,868,193
Loss on derivative financial instruments	(131,941)
Transaction costs	252,692
Gains on investments	**89,988,944**

The company held more than 3% of the share capital of the following companies, both of which are incorporated in Great Britain and registered in England and Wales:

Company	**Class of Shares held**	**Fair Value £**	**% Equity**
Fintrust Debenture PLC (Fintrust)	Ordinary Shares	4,486	50.0
Total		**4,486**	

In the opinion of the directors, the company is not in a position to exert significant influence over the financial operating policies of Fintrust, either through voting rights or through agreement with the company's other shareholders, due to provisions in Fintrust's Articles of Association and in certain contracts between the company and Fintrust. Accordingly, Fintrust is not considered to be an Associate Undertaking as per FRS 102 Section 14 and is therefore included in the Balance Sheet at the director's valuation. Fintrust was the lender of the company's Fixed Rate Interest Loan 2023. The Fixed Rate Interest Loan 2023 was repaid on 7 August 2019. Fintrust was placed into liquidation on 25 November 2019. The company continues to own share capital in Fintrust and will continue to pay its share of any additional expenses borne out of the liquidation process.

8. Other Receivables and Other Payables

	2021 £
Other receivables	
Sales for future settlement	805,647
Prepayments	32,512
Accrued income	3,646,613
	4,484,772

Cash and cash equivalents

	2021 £
Cash and cash equivalents	18,244,294
	18,244,294

Other payables: Amounts falling due within one year

	2021 £
Purchases for future settlement	43,185
Other payables	526,761
Interest on borrowings	354,436
Derivative financial instruments	28,375
Revolving Credit Facility Scotia	26,053,023
	27,005,780

Creditors: Amounts falling due after more than one year

	2021 £
5.875% Secured Bonds 2029	30,078,303
4% Perpetual Debenture Stock	1,375,000
3.65% Cumulative Preference Stock	1,178,000
Fixed Rate Notes 2052	35,021,276
	67,652,579

9. Called up Share Capital

	2021 £
Allotted and fully paid	
123,794,887 ordinary shares of 25p (2021 - 120,984,887)	30,948,722

10. Capital Reserves	2021 £
Balance at 1 February 2021	417,939,055
Net gains on investments	89,988,944
Gains on foreign currencies	3,333
Investment management fee (Note 2)	(539,964)
Finance costs: interest payable and similar charges (Note 4)	(694,827)
Other capital charges	(561)
Balance at 31 May 2021	**506,695,980**

11. Revenue Reserve	2021 £
Balance at 1 February 2021	22,102,171
Revenue retained for the period	11,065,829
Ordinary dividends paid during the period	(16,571,244)
Balance at 31 May 2021	**16,596,756**