

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 July 2021**



The Merchants Trust PLC

Income Statement

For the six months ended 31 July 2021

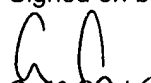
	Note	Revenue £	Capital £	Total Return £
				(Note 1)
Gains on investments held at fair value through profit or loss	7	-	88,532,858	88,532,858
Losses on foreign currencies		-	(1,544)	(1,544)
Income from investments	1	17,434,092	-	17,434,092
Other income	1	715,141	-	715,141
Investment management fee	2	(442,490)	(821,767)	(1,264,257)
Administrative expenses	3	(467,945)	(955)	(468,900)
Profit (loss) before finance costs and taxation		17,238,798	87,708,592	104,947,390
Finance costs: interest payable and similar charges	4	(590,104)	(1,048,407)	(1,638,511)
Profit (loss) on ordinary activities before taxation		16,648,694	86,660,185	103,308,879
Taxation		(288,534)	-	(288,534)
Profit (loss) after taxation attributable to ordinary shareholders		16,360,160	86,660,185	103,020,345
Earnings per ordinary share (basic and diluted) (Note 4)	6	13.33p	70.58p	83.91p

Balance Sheet

	Note	As at 31 July 2021 £
Investments held at fair value through profit or loss		741,650,447
Current Assets		
Other Receivables		5,129,480
Cash and cash equivalents		10,384,707
		15,514,187
Current Liabilities		
Other payables		(30,265,833)
Derivative financial instruments		(12,800)
		(30,278,633)
Net current liabilities	8	(14,764,446)
Total assets less current liabilities		726,886,001
Creditors: amounts falling due after more than one year	8	(66,728,350)
Total net assets		660,157,651
Called up share capital	9	31,182,472
Share premium account		102,191,999
Capital redemption reserve		292,853
Capital reserve	10	504,599,240
Revenue reserve	11	21,891,087
Equity shareholders' funds		660,157,651
Net asset value per ordinary share		529.3p

The net asset value as at 31 July 2021 is based on 124,729,887 ordinary shares.

Signed on behalf of the board of directors on 21 September 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 £
Six months ended 31 July 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		-	-	-	-	16,360,160	16,360,160
Dividends on ordinary shares (Note 5)	6	-	-	-	-	(16,571,244)	(16,571,244)
Capital profit		-	-	-	86,660,185	-	86,660,185
Shares issued during the period		936,250	18,054,896	-	-	-	18,991,146
Net assets at 31 July 2021		31,182,472	102,191,999	292,853	504,599,240	21,891,087	660,157,651

The Merchants Trust PLC

Notes to the Financial Statements

for the six months ended 31 July 2021

- 1 Allianz Global Investors Europe GmbH, UK Branch (Allianz GI), 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 six months ended 31 July 2021

1. Income

	2021 £
Income from Investments	
Equity dividends from UK investments	14,366,674
Unfranked dividends from UK investments	217,865
Equity dividends from overseas investments	2,849,553
	17,434,092
Other Income:	
Deposit interest	1
Premiums on derivative contracts	715,140
	715,141
Total income	18,149,233

2. Investment Management Fee

	2021 Revenue £	2021 Capital £	2021 Total £
Investment management fee	442,490	821,767	1,264,257
Total	442,490	821,767	1,264,257

3. Administrative Expenses

	2021 £
Auditors' remuneration:	
For audit services	12,999
VAT on auditor's remuneration	2,601
	15,600
Directors' fees	75,750
Marketing costs	161,195
Other administration expenses	215,400
	467,945

Transaction charges of £955 were charged to capital.

4. Finance Costs: Interest Payable and Similar Charges

	2021 Revenue £	2021 Capital £	2021 Total £
On 4% Perpetual Debenture Stock repayable after more than five years	9,585	17,802	27,387
On 5.875% Secured Bonds repayable after more than five years	316,543	587,865	904,408

On 3.65% Preference Stock repayable after more than five years	21,380	-	21,380
On 2.96% Fixed Rate Notes repayable after more than five years	182,388	338,721	521,109
On Revolving Credit Facility Scotia	56,010	104,019	160,029
Broker Debit Interest	4,198	-	4,198
	590,104	1,048,407	1,638,511

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

In accordance with FRS 102 section 32 'Events After the End of the Reporting Period', dividends payable at the period end have not been recognised as a liability. Details of these dividends are set out below.

	2021 £
First quarterly dividend 6.80p payable 20 August 2021 (2020 - 6.80p)	8,451,032
Second quarterly dividend 6.80p payable 11 November 2021 (2020 - 6.80p)	8,481,632
	16,932,664

The dividends above are based on the number of shares in issue at the period end. However, the dividend payable will be based upon 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.

All dividends disclosed in the tables have been paid or are payable from the revenue reserves.

6. Earnings per Ordinary Share

	2021 Revenue £	2021 Capital £	2021 Total Return £
Profit after taxation attributable to ordinary shareholders	16,360,160	86,660,185	103,020,345
Earnings per ordinary share (basic and diluted)	13.33p	70.58p	83.91p

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	107,787,947
Disposals proceeds received	(92,918,598)
Gains on investments	88,191,899
Transaction costs	394,806
Market value of investments held at 31 May 2021	741,637,647
Closing book cost	696,251,395
Closing investment holding gains	45,344,860
Closing investment holding gains- derivatives	41,392
Closing market value	741,637,647

Gains on investments	
Gains on investment	88,191,899
Loss on derivative financial instruments	(53,847)
Transaction costs	394,806
Gains on investments	88,532,858

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	
Share issue	1,007,913
Prepayments	22,927
Accrued income	4,098,640
	5,129,480

Cash and cash equivalents

	2021 £
Cash and cash equivalents	10,384,707
	10,384,707

Other payables: Amounts falling due within one year

	2021 £
Purchases for future settlement	2,833,423
Other payables	982,138
Interest on borrowings	349,913
Derivative financial instruments	12,800
Revolving Credit Facility Scotia	26,100,359
	30,278,633

Creditors: Amounts falling due after more than one year

	2021 £
5.875% Secured Bonds 2029	29,498,371
4% Perpetual Debenture Stock	1,375,000
3.65% Cumulative Preference Stock	1,178,000
Fixed Rate Notes 2052	34,676,979
	66,728,350

9. Called up Share Capital

	2021 £
Allotted and fully paid	
124,729,887 ordinary shares of 25p (2021 - 120,984,887)	31,182,472

10. Capital Reserves

	2021 £
Balance at 1 February 2021	417,939,055
Net gains on investments	88,532,858
Losses on foreign currencies Investment management fee (Note 2)	(1,544)
	(821,767)

Finance costs: interest payable and similar charges (Note 4)	(1,048,407)
Other capital charges	(955)
Balance at 31 July 2021	504,599,240

11. Revenue Reserve	2021
	£
Balance at 1 February 2021	22,102,171
Revenue retained for the period	16,360,160
Ordinary dividends paid during the period	(16,571,244)
Balance at 31 July 2021	21,891,087