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 2022 to 31 July 2022

Income Statement

for the six months ended 31 July 2022

	Note	Revenue £	Capital £	Total Return £
				(Note 1)
Losses on investments held at fair value through profit or loss	7	-	(18,645,413)	(18,645,413)
Gains on foreign currencies		-	28,449	28,449
Income from investments	1	22,997,603	-	22,997,603
Other income	1	438,875	-	438,875
Investment management fee	2	(515,078)	(956,573)	(1,471,651)
Administrative expenses	3	(691,030)	(1,505)	(692,535)
Profit (loss) before finance costs and taxation		**22,230,370**	**(19,575,042)**	**2,655,328**
Finance costs: interest payable and similar charges	4	(634,489)	(1,136,273)	(1,770,762)
Profit (loss) on ordinary activities before taxation		**21,595,881**	**(20,711,315)**	**884,566**
Taxation		(489,712)	-	(489,712)
Profit (loss) after taxation attributable to ordinary shareholders		**21,106,169**	**(20,711,315)**	**394,854**
Earnings per ordinary share (basic and diluted)	6	**16.04p**	**(15.74p)**	**0.30p**

Balance Sheet

	Note	As at 31 July 2022 £
Investments held at fair value through profit or loss		841,088,465
Current Assets		
Other Receivables	8	4,268,818
Cash and cash equivalents	8	11,483,173
		15,751,991
Current Liabilities		
Other payables	8	(27,497,131)
Derivative financial instruments	8	(7,725)
		(27,504,856)
Net current liabilities		(11,752,865)
Total assets less current liabilities		**829,335,600**
Creditors: amounts falling due after more than one year	8	(66,782,110)
Total net assets		**762,553,490**
Called up share capital	9	33,731,222
Share premium account		157,058,043
Capital redemption reserve		292,853
Capital reserve	10	547,640,788
Revenue reserve	11	23,830,584
Equity shareholders' funds		**762,553,490**
Net asset value per ordinary share		**565.2p**

The net asset value is based on 134,924,887 ordinary shares at 31 July 2022

Signed on behalf of the board of directors on 4 October 2022.

Colin Clark
Chairman

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 2022							
Net assets at 1 February 2022		31,926,222	118,047,265	292,853	568,352,103	20,431,992	739,050,435
Revenue profit		-	-	-	-	21,106,169	21,106,169
Dividends on ordinary shares	5	-	-	-	-	(17,707,577)	(17,707,577)
Capital loss		-	-	-	(20,711,315)	-	(20,711,315)
Shares issued during the period		1,805,000	39,010,778	-	-	-	40,815,778
Net assets at 31 July 2022		**33,731,222**	**157,058,043**	**292,853**	**547,640,788**	**23,830,584**	**762,553,490**

The Merchants Trust PLC

Notes to the Financial Statements
for the six months ended 31 July 2022

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 the Generally Accepted Accounting Practice ('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.

Going Concern: Following all the investigations made in the annual Viability review in accordance with FRS 102 and FRS 104, the directors have concluded that the company has adequate resources to continue in operational existence for the foreseeable future. The directors have also considered the risks and consequences of the current macroeconomic background and other unanticipated shocks on the company and have concluded that the company has the ability to continue in operation and meet its objectives in the foreseeable future. For this reason the directors continue to adopt the going concern basis in preparing the financial statements.

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 2022. 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 reviews 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 shares underwritten 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 Cash and cash equivalents – Cash comprises cash in hand and on demand deposits. Cash equivalents include bank overdrafts repayable on demand and short-term, highly liquid investments, that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.

11 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.

12 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.

13 Shares issued - Share capital is increased by the nominal value of shares issued. The proceeds in excess of the nominal value of shares net of expenses are allocated to the share premium account.

14 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.

Estimates 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 current and future periods.

The Merchants Trust PLC

Notes to the Financial Statements
for the six months ended 31 July 2022

1. Income

	2022 £
Income from Investments	
Equity dividends from UK investments	17,814,124
Unfranked dividends from UK investments	474,823
Equity dividends from overseas investments	4,708,656
	22,997,603
Other Income:	
Deposit interest	10,887
Premiums on derivative contracts	427,988
	438,875
Total income	**23,436,478**

2. *Investment Management Fee*

	2022 Revenue £	2022 Capital £	2022 Total £
Investment management fee	515,078	956,573	1,471,651
Total	**515,078**	**956,573**	**1,471,651**

3. Administrative Expenses

	2022 £
Auditors' remuneration:	
For audit services	24,243
VAT on auditor's remuneration	4,849
	29,092
Directors' fees	77,309
Marketing costs	177,228
Other administration expenses	407,401
	691,030

Transaction charges of £1,505 were charged to capital.

4. Finance Costs: Interest Payable and Similar Charges

	2022 Revenue £	2022 Capital £	2022 Total £
On 4% Perpetual Debenture Stock repayable after more than five years	9,520	17,679	27,199
On 5.875% Secured Bonds repayable after more than five years	317,043	588,796	905,839
On 3.65% Preference Stock repayable after more than five years	20,905	-	20,905
On 2.96% Fixed Rate Notes repayable after more than five years	182,421	338,782	521,203
On Revolving Credit Facility Scotia	103,042	191,016	294,058
On Sterling overdraft	268	-	268
Broker Debit Interest	1,290	-	1,290
	634,489	**1,136,273**	**1,770,762**

5. Dividends on Ordinary Shares

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

	2022 £
Dividends on Ordinary Shares of 25p:	
Third interim dividend 6.85p paid 15 March 2022 (2021 - 6.8p)	8,758,060
Final dividend 6.85p paid 24 May 2022 (2021 - 6.8p)	8,949,517
	17,707,577

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.

	2022 £
First interim dividend 6.85p payable 24 August 2022 (2021 - 6.8p)	9,208,105
Second interim dividend 6.85p payable 10 November 2022 (2021 - 6.8p)	9,242,355
	18,450,460

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

	2022 Revenue £	2022 Capital £	2022 Total Return £
Profit after taxation attributable to ordinary shareholders	21,106,169	(20,711,315)	394,854
Earnings per ordinary share (basic and diluted)	**16.04p**	**(15.74p)**	**0.30p**

The weighted average number of shares in issue during the period was 131,625,080

7. Fixed Asset Investments

	2022
	£
Opening book cost	735,055,520
Opening investments holding (loss)	79,695,594
Opening investments holding gains - derivatives	(471,214)
Opening market value	**814,279,900**
Additions at cost	174,562,070
Disposals proceeds received	(130,119,638)
Losses on investments	(17,641,592)
Market value of investments held at 31 July 2022	**841,080,740**
Closing book cost	794,864,742
Closing investment holding gains	46,151,417
Closing investment holding gains- derivatives	64,581
Closing market value	**841,080,740**

Losses on investments	
Losses on investments	(17,641,592)
Losses on derivative financial instruments	(15,076)
Transaction costs	(994,107)
CSDR penalties	5,362
Losses on investments	**(18,645,413)**

8. Other Receivables and Other Payables

	2022
	£
Other receivables	
Shares Issued	418,106
Prepayments	27,732
Accrued income	3,822,980
	4,268,818

Cash and cash equivalents

	2022
	£
Cash and cash equivalents	11,483,173
	11,483,173

Other payables: Amounts falling due within one year

	2022
	£
Other payables	1,079,147
Interest on borrowings	349,883
Derivative financial instruments	7,725
Revolving Credit Facility	26,068,101
	27,504,856

Creditors: Amounts falling due after more than one year

	2022 £
5.875% Secured Bonds 2029	29,545,819
4% Perpetual Debenture Stock	1,375,000
3.65% Cumulative Preference Stock	1,178,000
Fixed Rate Notes 2052	34,683,291
	66,782,110

9. Called up Share Capital

	2022 £
Allotted and fully paid	
134,924,887 ordinary shares of 25p (31 July 2021 - 124,729,887)	33,731,222

10. Capital Reserves

	2022 £
Balance at 1 February 2022	568,352,103
Net losses on investments	(18,645,413)
Gains on foreign currencies	28,449
Investment management fee (Note 2)	(956,573)
Finance costs: interest payable and similar charges (Note 4)	(1,136,273)
Other capital charges	(1,505)
Balance at 31 July 2022	**547,640,788**

11. Revenue Reserve

	2022 £
Balance at 1 February 2022	20,431,992
Revenue retained for the period	21,106,169
Ordinary dividends paid during the period	(17,707,577)
Balance at 31 July 2022	**23,830,584**