

THE MERCHANTS TRUST PLC

Final Results for the year ended 31 January 2024

The following comprises extracts from the company's Annual Report for the year ended 31 January 2024. The full Annual Report is being made available to be viewed on or downloaded from the company's website at www.merchantstrust.co.uk. Copies will be posted to shareholders shortly.

MANAGEMENT REPORT

Chairman's Statement

Dear Shareholder

The Merchants Trust was established in 1889, so in 2024 we mark the one hundred and thirty fifth anniversary. We are all proud to be involved with a company that has not just endured for such a long time, but remains relevant to shareholders today. Merchants is one of the oldest listed investment trusts. Our name, as with some of our eldest peers, hints at our history and origins and Merchants was originally incorporated to invest in railroad assets in the burgeoning North American market. One of the most important factors in Merchants success over such an extended period of time has been its adaptability and its continued focus on the needs of investors and an ability to navigate investment markets to continue to deliver attractive investment returns.

Merchants shareholders have witnessed both World Wars, many smaller scale conflicts, and significant geopolitical and economic shifts in the world. During the past 42 years, including the proposal this year, I am proud to report that the company has managed to provide a rising dividend every year.

Whilst investing is never 'easy', the financial year to the end of January 2024 was especially challenging. Some days heralded recovery and others felt like economies and markets were falling badly backwards. The newsworthy events of 2023 could justify an article in their own right and included (overseas) bank failures, equal measures of utopian and dystopian views of a future shaped by AI, war & conflict (sadly now more than one major ongoing conflict) and natural disasters. Geopolitics often felt 'on the brink', but we seem at least to have stayed just the right side of the line for now, to avoid wider global involvement. Some events affect markets more than others and Merchants' lead portfolio manager, Simon Gergel, reflects on the noteworthy events from a financial markets perspective in his Portfolio Manager's Report starting on page 18 of the Annual Report.

The market backdrop was generally one of concern over inflation and how central banks would use interest rates to control it, but at the same time maintain growth. Bond markets reflected the volatility of investor's expectations and risk appetite oscillated during the year. In turn this drove equity market fluctuation. For global investors the year was positive, though those gains were generally narrow and led by a small number of US tech stocks, particularly on the back of 'AI fever' triggered by the launch of Chat GPT's GPT-4 model in March. A new narrative for future economic development was born at that point, and markets followed it with eagerness.

The UK market was not buoyed in the same way by Tech and AI stocks. Its returns were more muted and produced only a modest positive total return. This positive total return was a great example of how dividends can make a difference. The FTSE All-Share started the period at 4,255.7 and ended at 4,173.1 - a fall of 1.9%. Total return however, including dividends of 3.8%, produced a positive total return of 1.9%.

Performance

Even though the UK market finished the period marginally up on a total return basis as noted above, Merchants' Net Asset Value total return for the year unfortunately lagged the benchmark, recording a fall of 3.1%. This is obviously very disappointing and the board has engaged with the portfolio manager and the AllianzGI team to understand the contributions, both positive and negative, to this result. Whilst we clearly need to monitor short term performance, this disappointing result comes after two very good years when the portfolio outperformed the benchmark and we recognise that the longer term (3 and 5 year) track record of the trust is extremely strong.

Shareholders will be aware that the UK stock market is still a mix of both lowly priced stocks some of which offer 'value' and higher rated 'growth' stocks. Unfortunately, the period under review was a difficult one for the more modestly priced stocks that our manager tends to favour due to his 'value' investment style. Whilst this produced a relatively disappointing 1-year picture for Merchants shareholders, the longer-term record remains strong, with outperformance of both the industry benchmark, as well as the sector peer average, over 3 and 5 years.

For a value-oriented investor, a run of poor relative performance can often reflect simple under-pricing of particular types of companies, or certain cyclical sectors. With any disciplined, active management investment approach, there will always be periods when it is difficult to outperform the benchmark if the strongest performance comes from the areas of the market that do not meet the portfolio manager's investment criteria. It should also be remembered that a period such as the year to January 2024 can often be a time when the best new ideas for investing are generated, often ahead of any improvement in sentiment or cyclical upturn.

Despite short-term headwinds, we were delighted to collect the Citywire award for Best UK Equity Income trust at their annual investment trust awards in November. The award is based around 3-year performance as well as other factors, and is therefore a welcome recognition of the returns to shareholders over the long term.

The board remains confident that the tried and tested investment strategy followed by the manager remains appropriate to meet Merchants' objectives for shareholders over the long term.

Income

In terms of the income generated by the underlying portfolio, it was a strong year with revenue earnings per ordinary share rising 6.3% to a record 30.5p (2023: 28.7p) as dividend income received by the trust has fully recovered from the impact of the pandemic. This meant the dividend declared for the year was fully covered by earnings, as well as allowing the board to add 1.8p per ordinary share to revenue reserves.

I have written before about the importance of investment trusts being able to build revenue reserves in order to provide some protection against difficult times. This was amply demonstrated during COVID years when our revenue reserves built in good years enabled the board to maintain dividends to our shareholders even though dividend receipts from the Merchants portfolio of investments were weak. Now that dividend receipts from the portfolio have recovered the board thinks it important that we should build up reserves once again, as illustrated by the chart on page 6 of the Annual Report.

At the end of the financial year, the revenue reserve stands at 18.1p per ordinary share.

Dividend

The board is pleased to propose a final dividend of 7.1p for shareholder approval at Merchants' upcoming AGM on 16 May 2024. This will be payable on 22 May 2024 to holders on the register at the close of business on 19 April 2024, with an ex-dividend date of 18 April 2024. A Dividend Reinvestment Plan (DRIP) is available for this dividend and the relevant Election Date is 3 May 2024. Subject to approval, that will mean a full year dividend of 28.4p (2023: 27.6p), a rise of 2.9%.

The annualised growth rate of the dividend paid by the trust over 42 years stands at 6.4%, remaining well above the rate of inflation over that period which stands at 3.8% annually as measured by the Consumer Prices Index (CPI) despite the particularly high inflation numbers evident over the past two years. The company continues to pay a high dividend, representing a yield of some 5.2% at the period end. This remains well above the sector average (4.5%), placing it in the top-ten yielders in the sector.

With 42 years of unbroken annual dividend rises, Merchants also retains its place on the Association of Investment Companies' (AIC) Dividend Hero list – those companies having managed to consistently raise their dividend for twenty years or more.

Shareholder demand

During the year the company's shares traded at a premium to its Net Asset Value for much of the time – averaging 0.9% for 2024 (2023: 1.0%) as demand for the shares continued to be strong. This led Merchants to have a good record of share issuance over the period (£46m) – something that was not evident amongst the majority of our sector peers or, indeed, within the wider investment trust landscape. The wider investment trust sector had an extremely difficult 2023 as average discounts hit

high levels not seen since the 2008 financial crisis. Interestingly, open ended UK Equity Income funds, continued in aggregate to suffer further significant outflows.

Once again, I have written before about the attractiveness for the shareholders of the trust of Merchants issuing the shares when they are trading at a premium. Increasing the size of the trust in this way improves the liquidity of the shares and spreads the costs of managing the portfolio (many of which are fixed costs) over a bigger pool of assets.

We attribute the success of the company in issuing shares in large part to its strong support amongst 'direct' private investors, the majority of whom now tend to purchase their shares via the UK's so-called investment platforms. There are numerous platforms, though there continue to be just a few very dominant ones (generally, as well as on the Merchants' shareholder register). During our annual strategy session we were interested to review a chart showing the growth of platforms over time, as compared to shares held in aggregate by Wealth Managers and Independent Financial Advisors and shares held in aggregate by financial institutions. We felt this was an interesting illustration of the way Merchants' shareholder register has changed over recent years and therefore we have included this as a chart on page 10 of the Annual Report.

We believe that our strong focus on providing a high and rising income stream for investors, as well as long term capital growth, is a key attraction for investors. Alongside that, Merchants retains a competitive ongoing charge of 0.55% for 2024 (2023: 0.56%).

We continue to support AllianzGI's sales and marketing efforts to introduce Merchants to as wide an investor base as possible. Part of that programme involves ensuring there are sufficient updates for existing and potential shareholders within the year, in multiple formats such as written reports, videos, podcasts, events, meetings and webinars.

Gearing

Merchants continues to employ gearing, believing it is additive to long term performance in terms of both income and capital returns, so long as the manager has confidence in being able to generate returns in excess of the cost of the debt.

Currently our gearing level of 12.3% is in the lower half of the policy range (10%-25%, see page 56 of the Annual Report) that we are happy to operate within. The manager operates gearing generally as a structural element of the portfolio management strategy, rather than a tactical allocation based on any short-term market movements. Shareholders should remember that whilst gearing can amplify returns in a rising market, it will also serve to exacerbate any negative movements. During the course of 2024 we will be considering refinancing or paying down our revolving credit facility, which expires in January 2025.

Board

As part of the normal programme of board succession, there are two retirements and two appointments which I must notify to shareholders. One of each happened within the period, and a further of each happened after the reporting period.

Having attained nine years as a non-executive director of the Company, Mary Ann Sieghart duly retired from the board on 25 January 2024, just before the end of the financial year. Mary Ann witnessed a period of real transformation for the company in terms of engagement with private shareholders – I would like to thank Mary Ann for her contribution and wish her all the very best for her future endeavours.

Sybella Stanley, who was the Senior Independent Director (SID), also attained nine years as a non-executive director of the Company. She duly retired from the board on 21 March 2024. I would like to thank Sybella for her outstanding commitment as SID for the trust, her expertise in corporate strategy and investment practice and to also wish her well for her future endeavours. Karen McKellar became SID with effect from Sybella's retirement from the board.

Lisa Edgar joined as a non-executive director of the Company on 1 January 2024. Lisa was until very recently Chief Customer Officer on the Executive Leadership Team at Saga PLC and is founder / CEO of the Big Window Consulting, a consumer and B2B insight agency with considerable expertise in financial services. Lisa became a member of the Audit Committee, Nomination Committee, Management Engagement Committee and Remuneration Committee on appointment. In a period where we look to the next stage in Merchants' development as a key holding for the retail investor, Lisa's experience in consumer marketing trends and practice will prove invaluable.

Mal Patel was appointed as a non-executive director of the Company on 1 March 2024. Mal is Head of Investor Relations at Spirax Group and has held senior roles in IR and corporate development in a number of large UK companies. Mal is a chartered accountant and he became a member of the Audit Committee, Nomination Committee, Management Engagement Committee and Remuneration Committee on appointment.

Investment manager

We first noted in 2022 that AllianzGI was pursuing an FCA authorisation for AllianzGI UK as a UK entity and reported again last year that the authorisation had been granted. The company's Alternative Investment Fund Manager (AIFM) therefore subsequently became AllianzGI UK Limited in May 2023. As noted in previous reporting, we view this change as being in the best interests of Merchants' shareholders.

There was no change to the investment process, strategy or the teams involved with managing Merchants as a result of the entity change, nor is it envisaged that this would prompt any future changes.

AGM

Last year we were pleased to host the second physical AGM, welcoming back shareholders in person, since the cessation of lockdown conditions. 2024 will once again see the AGM being held at Grocers' Hall on Thursday 16 May and full details can be found in the notice of meeting on page 126 of the Annual Report.

As usual, I would like to take the opportunity to remind shareholders that you have the right to vote on important matters that affect Merchants, such as the proposed renewal of share issuance authorities and the appointment of directors. It is an important aspect of an investment trust that shareholders can vote and all shareholders are therefore encouraged to make their voices heard by voting on all business matters, as detailed in this report.

We continue to be pleased to see moves in the investment platform industry to open up shareholder access for nominee holders. Information is being made more readily available by platforms to shareholders when companies have votes and platforms are improving the ease with which shareholders can participate in those votes. Should you be a Merchants shareholder through a platform which offers the opportunity to vote then we encourage you to take advantage of those arrangements for casting your votes and thus having your say in the running of your company.

Outlook

As ever it is difficult to predict the 'macro' direction for economies and markets. There are many factors which may influence short term sentiment and consequential market movements and returns. However, fortunately, that is of less consequence to the Merchants' investment strategy which is predicated on good stock picking with a long-term time horizon – finding individual companies which have good prospects, but which are trading below our manager's estimation of their intrinsic worth.

The negative sentiment which has overshadowed the UK market in recent years has led to a market which is lowly-rated by international comparison and by extension, to a lowly-rated Merchants portfolio. With the manager's value 'tilt' in terms of share selection this has been a drag on recent performance as noted earlier. Our investment managers, however have a strongly held 'glass half full' attitude to the current UK market outlook. They remain optimistic for the long-term for the UK market and believe that there is considerable pent-up value in the market. That value, they believe, is both evident in the aggregate valuation of the market compared to global peers, but also between the more lowly-priced and the higher rated segments of the UK market.

We remain confident that the current investment approach is well suited to meeting Merchants' stated objectives for shareholders over the long term.

Colin Clark
Chairman
3 April 2024

Risk policy

The board operates a risk management policy to ensure that the level of risk taken in pursuit of the board's objectives and in implementing its strategy is understood. The principal risks identified by the board are listed below, together with the actions taken to mitigate them, and set out in the Risk Map on page 61 of the Annual Report.

A more detailed version of the chart is reviewed and updated by the audit committee at least twice yearly. This sets out risk types, key risks identified and their status, the controls and mitigation in place to address these risks, together with the evidence of controls and gives an assessment of the risk using a traffic-light system, as shown at the bottom of the chart, to confirm the outcome of the assessment of the risk.

The board has carried out a robust assessment of the principal and emerging risks facing the company, including those that would threaten its business model, future performance, solvency or liquidity and emerging risks and how they monitor and manage them and disclose them in the annual report. The process by which the directors monitor risk is described in the Audit Committee Report on page 84 of the Annual Report.

Principal risks

The principal risks are now considered to be emerging risks, followed by the risks relating to investment strategy and investment performance. Those identified as having the highest impact and the greatest likelihood are the following:

- Emerging risks, such as significant geopolitical and economic risks.

Some principal risks have been assessed as being as likely to occur as last year.

- Investment strategy: for example, asset allocation or the level of gearing may lead to a failure to meet the company's objectives, such as income generation and dividend growth.
- Investment performance: for example, poor stock selection for the portfolio leads to decline in the rating and attraction of the company.

Risk appetite

The board identifies risks, considers controls and mitigation, the probability of the event, and assesses residual risk. It then evaluates whether its risk appetite is satisfied. The board confirms for the year ended 31 January 2024 that its assessment of risk is in line with its risk appetite for all key risks.

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK Accounting Standards have been followed, comprising FRS 102, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors each have a duty to make themselves aware of any "relevant audit information" and ensure that the auditors have been made aware of that information. A disclosure stating that each director has complied with that duty is given in the Directors' Report on page 72 of the Annual Report.

The directors are responsible for ensuring that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position and performance, business model and strategy.

The financial statements are published on www.merchantstrust.co.uk, which is a website maintained by the company's investment manager, AllianzGI. The directors are responsible for the maintenance and integrity of the company's website. The work undertaken by the auditors does not involve consideration of the maintenance and integrity of the website and, accordingly, the auditors accept no responsibility for any changes that have occurred to the financial statements since they were initially presented on the website. Visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement under Disclosure and Transparency Rule 4.1.12

The directors at the date of approval of this report, each confirm to the best of their knowledge that:

- the financial statements, prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the company;
- the Strategic Report includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties that they face; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the company's position and performance, business model and strategy.

For and on behalf of the board

Colin Clark
Chairman
3 April 2024

LISTED EQUITY HOLDINGS as at 31 January 2024

Name	Value (£'000)	% of listed holdings	Principal Activities
GSK	45,394	5.2	Pharmaceuticals & Biotechnology
Shell	35,579	4.1	Oil, Gas & Coal
British American Tobacco	32,973	3.8	Tobacco
BP	28,774	3.3	Oil, Gas & Coal
IG Group	27,548	3.1	Investment Banking & Brokerage
DCC	27,129	3.1	Industrial Support Services
SSE	26,539	3.0	Electricity
Barclays	25,751	2.9	Banks
Inchcape	25,347	2.9	Industrial Support Services
WPP	25,263	2.9	Media
Top Ten Holdings	300,297	34.3	
Tate & Lyle	24,215	2.8	Food Producers
Rio Tinto	24,213	2.8	Industrial Metals & Mining
Drax Group	23,659	2.7	Electricity
Redrow	23,226	2.7	Household Goods & Home Construction
Lloyds Banking Group	22,544	2.6	Banks
Imperial Brands	21,599	2.5	Tobacco
National Grid	21,364	2.4	Gas, Water & Multiutilities
Unilever	19,850	2.3	Personal Care, Drug & Grocery Stores
Energiean	19,360	2.2	Oil, Gas & Coal
Legal & General	18,870	2.2	Life Insurance
Land Securities Group	17,892	2.1	Real Estate Investment Trusts
Grafton Group	17,425	2.0	Industrial Support Services
Pets At Home Group	17,372	2.0	Retailers
Morgan Advanced	16,531	1.9	Electronic & Electrical Equipment
Man Group	16,104	1.8	Investment Banking & Brokerage
Tesco	15,763	1.8	Personal Care, Drug & Grocery Stores
Keller	15,215	1.7	Construction & Materials
Next	14,819	1.7	Retailers
Lancashire Holdings	14,774	1.7	Non-Life Insurance
SThree	13,351	1.5	Industrial Support Services
OSB Group	13,278	1.5	Finance & Credit Services
Bellway	13,156	1.5	Household Goods & Home Construction
Tyman	13,083	1.5	Construction & Materials
PZ Cussons	12,706	1.5	Personal Care, Drug & Grocery Stores
Haleon	12,378	1.4	Pharmaceuticals & Biotechnology
Conduit Holdings	12,125	1.4	Non-Life Insurance
Marshalls	11,671	1.3	Construction & Materials
Aena	10,788	1.2	Industrial Transportation
Close Brothers Group	9,919	1.1	Banks
Assura	9,799	1.1	Real Estate Investment Trusts
CRH	9,561	1.1	Construction & Materials
Entain	9,534	1.1	Travel & Leisure
SCOR	9,202	1.1	Non-Life Insurance
Atalaya Mining	7,634	0.9	Precious Metals & Mining
CLS Holdings	7,099	0.8	Real Estate Investment & Services
Admiral Group	7,030	0.8	Non-Life Insurance
DFS Furniture	6,437	0.7	Retailers
Diversified Energy Company	6,073	0.7	Oil, Gas & Coal
Norcros	5,667	0.6	Construction & Materials

XP Power	5,274	0.6	Electronic & Electrical Equipment
Duke Royalty	3,811	0.4	Investment Banking & Brokerage
Total Listed Equities	874,668	100.0	

Written Call Options

As at 31 January 2024, the market value of the open option positions was £(57,000) (2023: £(20,000)), resulting in an underlying exposure to 1.9% of the portfolio (valued at strike price).

INCOME STATEMENT
for the year ended 31 January 2024

	Revenue £'000s	Capital £'000s	Total Return £'000s Note C
Losses on investments held at fair value through profit or loss	-	(69,095)	(69,095)
Losses on derivatives	-	(20)	(20)
Losses on foreign currencies	-	(58)	(58)
Income	49,563	-	49,563
Investment management fee	(1,093)	(2,031)	(3,124)
Administration expenses	(1,229)	(4)	(1,233)
Profit (loss) before finance costs and taxation	47,241	(71,208)	(23,967)
Finance costs: interest payable and similar charges	(1,954)	(3,549)	(5,503)
Profit (loss) on ordinary activities before taxation	45,287	(74,757)	(29,470)
Taxation	(778)	-	(778)
Profit (loss) after taxation attributable to ordinary shareholders	44,509	(74,757)	(30,248)
Earnings (loss) per ordinary share (basic and diluted)	30.53p	(51.28p)	(20.75p)

BALANCE SHEET
at 31 January 2024

	£'000s	£'000s
Fixed assets		
Investments held at fair value through profit or loss		874,668
Current assets		
Other receivables	1,923	
Cash at bank and in hand	22,886	
	<u>24,809</u>	
Current liabilities		
Other payables	(45,032)	
Derivative financial instruments	(57)	
	<u>(45,089)</u>	
Net current liabilities		<u>(20,280)</u>
Total assets less current liabilities		854,388
Creditors: amounts falling due after more than one year		(66,866)
Total net assets		<u>787,522</u>
Capital and Reserves		
Called up share capital		37,081
Share premium account		228,174
Capital redemption reserve		293
Capital reserve		495,155
Revenue reserve		26,819
Equity shareholders' funds		<u>787,522</u>
Net asset value per ordinary share		530.9p

INCOME STATEMENT
for the year ended 31 January 2023

	Revenue £'000s	Capital £'000s	Total Return £'000s Note C
Gains on investments held at fair value through profit or loss	-	5,499	5,499
Gains on derivatives		538	538
Losses on foreign currencies	-	(64)	(64)
Income	42,821	-	42,821
Investment management fee	(1,031)	(1,915)	(2,946)
Administration expenses	(1,171)	(3)	(1,174)
Profit before finance costs and taxation	40,619	4,055	44,674
Finance costs: interest payable and similar charges	(1,388)	(2,495)	(3,883)
Profit on ordinary activities before taxation	39,231	1,560	40,791
Taxation	(605)	-	(605)
Profit after taxation attributable to ordinary shareholders	38,626	1,560	40,186
Earnings per ordinary share (basic and diluted)	28.70p	1.16p	29.86p

BALANCE SHEET
at 31 January 2023

	£'000s	£'000s
Fixed assets		
Investments held at fair value through profit or loss		909,638
Current assets		
Other receivables	1,899	
Cash at bank and in hand	11,465	
	<u>13,364</u>	
Current liabilities		
Other payables	(43,798)	
Derivative financial instruments	(20)	
	<u>(43,818)</u>	
Net current liabilities		<u>(30,454)</u>
Total assets less current liabilities		879,184
Creditors: amounts falling due after more than one year		(66,809)
Total net assets		<u>812,375</u>
Capital and Reserves		
Called up share capital		35,034
Share premium account		184,239
Capital redemption reserve		293
Capital reserve		569,912
Revenue reserve		22,897
Equity shareholders' funds		<u>812,375</u>
Net asset value per ordinary share		579.7p

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 January 2024

	Called up Share Capital £'000	Share Premium Account £'000	Capital Redemption Reserve £'000	Capital Reserve £'000	Revenue Reserve £'000	Total £'000
Net assets at 1 February 2023	35,034	184,239	293	569,912	22,897	812,375
Revenue profit	-	-	-	-	44,509	44,509
Dividends on ordinary shares	-	-	-	-	(40,638)	(40,638)
Unclaimed dividends	-	-	-	-	51	51
Capital loss	-	-	-	(74,757)	-	(74,757)
Shares issued during the year	2,047	43,935	-	-	-	45,982
Net assets at 31 January 2024	37,081	228,174	293	495,155	26,819	787,522
Net assets at 1 February 2022	31,926	118,047	293	568,352	20,432	739,050
Revenue profit	-	-	-	-	38,626	38,626
Dividends on ordinary shares	-	-	-	-	(36,248)	(36,248)
Unclaimed dividends	-	-	-	-	87	87
Capital profit	-	-	-	1,560	-	1,560
Shares issued during the year	3,108	66,192	-	-	-	69,300
Net assets at 31 January 2023	35,034	184,239	293	569,912	22,897	812,375

CASH FLOW STATEMENT

For the year ended 31 January 2024

	2024	2023
	£'000	£'000
Operating activities		
(Loss) profit before finance costs and taxation*	(23,967)	44,674
Add (Less): Losses (gains) on investments held at fair value	67,949	(7,305)
Add (Less): Losses (gains) on derivatives	20	(538)
Add: Special dividends credited to capital**	-	3,472
Add: Losses on foreign currency	58	64
Purchase of fixed asset investments held at fair value through profit or loss	(242,189)	(300,664)
Sales of fixed asset investments held at fair value through profit or loss	211,377	208,995
Transaction costs	(1,146)	(1,806)
(Increase) decrease in other receivables	(24)	383
Increase in other payables	60	67
Less: Overseas tax suffered	(778)	(605)
Net cash inflow (outflow) from operating activities	11,360	(53,263)
Financing activities		
Interest paid	(5,233)	(3,641)
Drawdown on Revolving Credit Facility***	-	16,000
Dividends paid on cumulative preference stock	(43)	(43)
Dividends paid on ordinary shares	(40,638)	(36,248)
Unclaimed dividends over 12 years	51	87
Share issue proceeds	45,982	70,011
Net cash inflow from financing activities	119	46,166
Increase (decrease) in cash and cash equivalents	11,479	(7,097)
Cash and cash equivalents at the start of the year	11,465	18,626
Effect of foreign exchange rates	(58)	(64)
Cash and cash equivalents at the end of the year	23,886	11,465
Comprising:		
Cash at bank and in hand	23,886	11,465

* Cash inflow from dividends was £47,137,000 (2023: £40,877,000) and cash inflow from interest was £409,000 (2023: £90,000).

** Tate and Lyle Special dividend paid following the sale of a subsidiary.

*** Revolving Credit Facility drawdowns and repayments are presented on a net basis.

Notes

Note A

The financial statements have been prepared under the historical cost convention, except for the revaluation of financial instruments held at fair value through profit or loss and in accordance with applicable United Kingdom law and UK Accounting Standards (UK GAAP), including Financial Reporting Standard 102 – the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102) and in line with the Statement of Recommended Practice “Financial Statements of Investment Trust Companies and Venture Capital Trusts” issued by the Association of Investment Companies (AIC SORP) in July 2022.

Note B

The earnings per ordinary share is based on a weighted number of shares 145,769,940 (2023: 134,599,189) ordinary shares in issue.

Note C

The total return column of this statement is the profit and loss account of the company. The supplementary revenue return and capital return columns are both prepared under the guidance published by the Association of Investment Companies.

All revenue and capital items in the above statement derive from continuing operations. No operations were acquired or discontinued in the year.

The net profit for the year disclosed above represents the company's total comprehensive income.

Note D

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 the financial assets are recognised on the trade date, being the date which the company commits to purchase or sell the assets.

Note E

	2024	2023
	£	£
Dividends paid on ordinary shares of 25p:		
Third interim dividend 6.9p paid 15 March 2023 (2022 - 6.85p)	9,669	8,758
Final dividend 7.0p paid 26 May 2023 (2022 - 6.85p)	10,115	8,950
First dividend 7.1p paid 24 August 2023 (2022 - 6.85p)	10,412	9,208
Second dividend 7.1p paid 10 November 2023 (2022 - 6.85p)	10,442	9,332
	40,638	36,248

Dividends payable at the year end are not recognised as a liability under FRS 102 Section 32 'Events After the End of the Reporting Period' (see page 103 of the Annual Report - Statement of Accounting Policies). Details of these dividends are set out below.

	2024	2023
	£	£
Third interim dividend 7.1p paid 14 March 2024 (2023: 6.9p)	10,531	9,669
Final proposed dividend 7.1p payable 22 May 2024 (2023: 7.0p)	10,531	9,809
	21,062	19,478

The declared final dividend accrued is based on the number of shares in issue at the year end. However, the dividend payable will be based on the numbers of shares in issue on the record date and will reflect any changes in the share capital between the year end and the record date. All dividends disclosed in the tables above have been paid or are payable from the revenue reserves.

Note F

Post Balance Sheet events:

Since the year end no further shares have been issued, as at 3 April 2024.

Note G

The full annual report will shortly be available to be viewed or downloaded from the company's website at www.merchantstrust.co.uk. Neither the contents of the company's website nor the contents of any website accessible from hyperlinks on the company's website (or any other website) is incorporated into, or forms part of this announcement.

The financial information for the year ended 31 January 2024 has been extracted from the statutory accounts for that year. The auditor's report on these accounts was unqualified and did not contain a statement under either Section 498(2) or (3) of the Companies Act 2006. The annual report has not yet been delivered to the Registrar of Companies.

The financial information for the year ended 31 January 2023 has been extracted from the statutory accounts for that year which have been delivered to the Registrar of Companies. The auditor's report on these accounts was unqualified and did not contain a statement under either Section 498(2) or (3) of the Companies Act 2006.