

THE MERCHANTS TRUST PLC

Final Results for the year ended 31 January 2023

The following comprises extracts from the company's Annual Report for the year ended 31 January 2023. 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

Another positive year against a difficult backdrop

In a year when the macro-economic and geopolitical landscapes have been very challenging it is comforting to be able to write to shareholders with positive news of Merchants. We are therefore pleased to report that the Merchants has continued to deliver for our shareholders, both in terms of a rising dividend and also capital return.

Merchants' NAV total return for the period was 7.6% which was well ahead of our benchmark index (the FTSE All-Share index) return of 5.2%. Merchants was also second in its peer group (a group of twenty one Investment Trusts with similar objectives) over the year to 31 January 2023, reflecting a strong comparative year for the underlying investment strategy.

Merchants also traded close to NAV or at a small premium for much of the period under review, reflecting investor demand as a result of resilient portfolio performance and strong NAV performance against the benchmark.

2022 in general was a year where positive returns for investors were difficult to achieve as most equity and bond indices were down. Many listed closed-end funds found their discounts widening considerably as investor's risk appetite dropped overall. Indeed during 2022 collective investment vehicles under the umbrella of UK Equity Income have continued to be out of favour with investors, with some £1.5bn outflows from open-ended funds in the Investment Association UK Equity Income sector over the 12 months to 31 January 2023.

Merchants' performance also remains strong over the longer term, reflecting our consistent strategy and Merchants was also number two in the peer group over three and five years (as at 31 January 2023).

With the proposed final dividend for the financial year, we will achieve our 41st consecutive year of dividend increases, continuing our focus on striving to provide a high and rising income for shareholders.

Portfolio income

Shareholders will recall there was a sharp fall in dividends paid by companies during 2020 because of the difficult economic environment caused by the Covid pandemic. 2021 showed some signs of recovery and 2022 has continued this improving trend. While levels have not necessarily recovered to pre-pandemic levels across the board due to some companies permanently rebasing their dividend payments to lower levels, we are pleased to report that the recovery in Merchants earnings from dividends is such that in the 2023 financial year we have returned to fully covering our own dividend payment. We will therefore not need to utilise any revenue reserve this year to pay our own dividend to Merchants' shareholders.

Further details are given in the Investment Management Report on page 31 of the Annual Report. The portfolio revenue earnings per share (EPS) for the year were up 12% over the corresponding period last year to 28.7p (2022: 25.6p). Revenue reserves per share at the end of the period stood at 16.3p (2022: 16.0p).

Dividend to shareholders

The board recognises the importance of a growing dividend to shareholders in line with our objectives. Inflation also remains high which makes a reliable income stream a priority for many. As noted above the board proposes a 41st year of consecutive dividend increases and this track record of providing a reliable and rising income is, we believe, one of the major attractions of our shares to investors.

We propose a final quarterly dividend for shareholder approval of 7.0p which means for the full year to January 2023 an increased dividend of 27.6p (2022: 27.3p). The annualised growth rate of the dividend paid by the trust over 41 years stands at 6.6%, well above the rate of inflation over that period which stands at 3.5% annually as measured by the Consumer Prices Index (CPI). We are very pleased to retain our AIC Dividend Hero status and continue to provide one of the highest dividend yields in our peer group as part of an attractive overall total return for investors.

Subject to a shareholder vote at our AGM on 18 May a final dividend will be payable on 26 May 2023 to shareholders on the register at close of business on 21 April 2023. A Dividend Reinvestment Plan ('DRIP') is available for this dividend for which the relevant Election Date is 5 May 2023 and the ex-dividend date is 20 April 2023.

Issuance of new shares

Merchants' shares traded at a premium for much of the year and during that time we were able to issue 12.4m new shares, worth £69.3m. The table on page 8 of the Annual Report gives details of the benefits to shareholders and shows how Merchants has issued new shares over the past four years.

Fundamentals return (somewhat) to the fore

In some senses 2022 was a turning point for the global economy and for markets. Since the Global Financial Crisis in 2008 interest rates had remained exceptionally low, central banks had maintained an easing stance and since prior to that time, inflation remained low. Much of this changed in 2022 as inflation returned, partly due to the sharp recovery in economic activity post pandemic and partly as a consequence of Russia's invasion of Ukraine. As inflation rose, central banks responded by unwinding a decade-long quantitative easing programmes and raised interest rates to calm heated economies.

Rising interest rates had an immediate mathematical effect on the discount rate used to value future cash flows of companies. Consequently, many Growth stocks with lower near-term earnings but high valuations fell and, in some cases, fell dramatically. Having had a stellar decade, Growth stocks had the furthest to fall and strategies focused solely on high growth stocks struggled to contain losses. By contrast companies with visible near-term cash flows and lower valuations (Value stocks) were back in fashion and there was a welcome boost to some stocks which had been languishing, in many cases in spite of strong business models and robust cash flows.

A feature of this type of change in sentiment was that markets were extremely sensitive to news flow and reacted sometimes more on emotion than on rigorous analysis. A by-product of this environment is that on occasion markets misprice stocks and that can provide an opportunity for a fundamental research-based investor such as AllianzGI, the managers of the Merchants portfolio. Indeed, the fall from grace of some Growth stocks has meant they have come onto our manager's radar as their valuations become more reasonable. As he often states, our manager largely eschews the simplistic notion of Growth vs Value, but rather concentrates on aiming to own the best companies whilst not overpaying for them.

The UK performs better

The UK itself has had a slightly tumultuous year full of changes with a new monarch and three prime ministers in close succession, an emerging cost of living crisis and a winter characterised by strike action across many sectors. The stock market however fared slightly better.

Against largely lacklustre global stock market returns, the UK was for once a relative bright spot, with the FTSE All-Share outperforming major global indices such as the NASDAQ, the S&P500, the MSCI World Index and the FTSE World ex UK Index. It is perhaps surprising therefore that investors in collective investment vehicles have in aggregate reduced their exposure to the UK. The fact that Merchants' shares have remained in demand and at a modest premium to net asset value is a strong endorsement of our strategy and performance. Taking advantage of this demand from investors, we have issued 12.4m shares in the year to 31 January 2023 (2022: 6.7m) 9.7% of our share capital. This issuance was amongst the largest in peer group over the calendar year and is to the benefit of all shareholders because the fixed costs of managing and administering the trust is now spread over a wider base, NAV is enhanced due to shares only being issued at a premium to NAV and the liquidity in the company's shares is improved. More details are provided in the chart on page 8 of the Annual Report of the shares issued over the past financial years.

Environmental, Social & Governance

Consideration ESG factors by investors continues to be a rapidly developing field, which is to be welcomed. As we have mentioned in previous shareholder letters it is still a relatively new area for investors and it can be an incredibly complex landscape with its own language and metrics and sometimes conflicting narratives. Your board continues a robust dialogue with the manager AllianzGI

about its approach and the part ESG factors play in research, portfolio construction and voting. We remain confident that our manager is at the forefront of this important area of investing.

As we have outlined before, Merchants does not exclude sectors on sustainability grounds, however consideration of ESG risks is an inherent part of the investment process as is engagement and proxy voting. This year we have addressed climate risks and opportunities in a discussion between AllianzGI's Head of Sustainability Research and Stewardship in the UK, Mark Wade, and Audit Committee Chair, Timon Drakesmith. This narrative follows the framework of the Taskforce on Climate-related Financial Disclosures (TCFD) reporting and can be found on page 33 of the Annual Report.

Strategy

As part of an annual process, your board once again met this year to discuss the strategic direction of the company. In addition to a review of our manager's long term philosophy and style of investing, our long-term performance and our ESG approach, a key focus was on our relationship with our shareholders and the fact that an increasingly large portion of our shareholders are now investing through platforms rather than direct or through discretionary third party managers. Your board continues to believe that clear and informative communications with our shareholders is of paramount importance, and we will continue to give it the highest priority.

Gearing continues to be utilised. In November the board drew down the remainder of Merchants' revolving credit facility (RCF) to take gearing back up to 15%. This was as a result of the manager's view on current opportunities and general valuation level of the market. We remain comfortable with the current level of gearing (13.5% as at 31 January 2023) with the level still falling well within the bounds of our stated policy range of 10 - 25%.

Board

Whereas there have been no changes to the board to report over the period, the board has been discussing industry guidelines regarding board membership, diversity and inclusion and the range of the board's skills and experiences when considering succession planning for the next few years.

Awards

We are proud to report that over the year Merchants received three industry awards. In the first half of the year we received, for the third year in a row, the AIC's best Report & Accounts (Generalist) in their Shareholder Communications Awards. A large amount of work from the board and the manager goes into producing this document. We aim to ensure that reporting is considered, appropriate and informative for shareholders and were pleased therefore to receive this award once again.

In the latter part of the year Merchants received the Winner's award in the UK Equity Income category of Citywire's 2022 Investment Trust Awards. We were also nominated in Investment Week's Investment Company of the Year Awards in the UK Equity Income category. Although we did not win that award, the judges awarded a 'Highly Commended' recognition which we were also proud to receive.

Alternative Investment Fund Manager

We noted last year that Allianz Global Investors was pursuing an FCA authorisation for AllianzGI UK as a UK entity and we are pleased to report on their behalf that the authorisation was granted during the period. The company's Alternative Investment Fund Manager (AIFM) will therefore become AllianzGI UK Limited in May 2023 and we continue to view this as being in the best interests of Merchants shareholders. There will be no change to the investment process, strategy or the teams involved with managing Merchants.

Annual General Meeting

Last year we were pleased to be able to return to holding a physical AGM and to welcome shareholders back in person. 2023 will once again be a physical event with the AGM being held at Grocers' Hall on Thursday 18 May and full details can be found in the notice of meeting on page 119 of the Annual Report.

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 and are 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 democratise shareholder access for nominee holders with information being made more readily available by platforms to shareholders when companies have votes open and giving the ability for shareholders to participate in those votes. This past year in December, one of the largest platforms, Hargreaves Lansdown, joined Interactive Investor in offering an online voting service for its clients.

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

At the time I wrote to shareholders last year, the situation in Ukraine was rapidly unfolding and the world was coming to terms with the implications, though collectively we all hoped there would be a rapid end on the horizon. Unfortunately, over a year on, that hasn't proved to be the case and the conflict continues. Closer to home we also continue to grapple with the effects of inflation and associated strain on the cost of living. The world certainly continues to be unsettled and as investors, our task is to try to find an effective way to navigate this backdrop.

It is not easy to give any robust predictions on what direction the economy might take or for that matter what short term challenges may arise, or what geopolitical issues the coming year may have in store. Whilst the issue appears to be contained, shareholders will be aware that during the first quarter of the current financial year the banking sector has come under pressure due to the collapse of Silicon Valley Bank in the USA and the takeover of Credit Suisse by UBS. Our investment manager gives a timely reminder in his investment review, though, that concentration on this type of issue is not the key focus in the investment process. Rather the concentration is on finding sound companies with attractive business models and to understand how those business models might react under different macroeconomic scenarios. As noted, sentiment-driven market volatility can be a good source of opportunity for the dedicated stock picker and a genuinely long-term investor needs to have the (not easy) skill of looking through short term pain to the potential of the mid- to long-term, whilst understanding where the risks lie to that potential for each individual business model.

Valuations in the UK market ultimately remain low compared to their own history and relative to other markets, giving our investment manager added confidence in the potential for generating long-term returns for Merchants shareholders. While Merchants' investment strategy is not dependent on any outperformance of the 'value' investment style, should we see structurally higher interest rates persisting over the coming year, that should provide a welcome tailwind for the portfolio as investors will continue to favour nearer-term tangible cash flows from companies over future potential cash flows from higher growth companies.

The board thanks our investment manager for presiding over another positive year for shareholders, while having a firm view out to the future and a staunch focus on maintaining Merchants' tried and tested investment approach.

Colin Clark
Chairman
4 April 2023

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 57 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 81 of the Annual Report.

Principal risks

The principal risks are now considered to be emerging risks, followed by the risks of market decline. During the year these risks had eased but they have now become the major risks faced and so have held their position in the risk map, with emerging risks now seen as likely to have a higher impact. Those identified as having the highest impact and the greatest likelihood are the following:

- Emerging risks, such as significant geopolitical risks and virus variant threats.

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

- Market decline adversely affecting investments and returns.
- 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 2023 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 68 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
4 April 2023

LISTED EQUITY HOLDINGS as at 31 January 2023

Name	Value (£'000)	% of listed holdings	Principal Activities
Shell	39,487	4.3	Oil, Gas & Coal
Rio Tinto	34,755	3.8	Industrial Metals & Mining
GSK	33,598	3.7	Pharmaceuticals And Biotechnology
British American Tobacco	32,038	3.5	Tobacco
BP	30,883	3.4	Oil, Gas & Coal
Imperial Brands	30,668	3.4	Tobacco
DCC	29,926	3.3	Industrial Support Services
IG Group	25,287	2.8	Investment Banking & Brokerage
SSE	24,905	2.7	Electricity
WPP	24,052	2.6	Media
Top Ten Holdings	305,599	33.5	
St. James's Place	23,636	2.6	Investment Banking & Brokerage
Tate & Lyle	23,611	2.6	Food Producers
CRH	23,084	2.5	Construction & Materials
Unilever	21,816	2.4	Personal Care, Drug And Grocer
Redrow	21,611	2.4	Household Goods & Home Construction
BAE Systems	21,200	2.3	Aerospace & Defence
Barclays	20,535	2.3	Banks
Next	19,523	2.1	Retailers
Landsec	18,923	2.1	Real Estate Investment Trusts
Grafton Group	18,554	2.0	Industrial Support Services
Tesco	17,705	1.9	Personal Care, Drug & Grocery Stores
National Grid	16,144	1.8	Gas, Water & Multiutilities
Natwest	16,473	1.8	Banks
Energiean	16,063	1.8	Oil, Gas And Coal
Man Group	16,031	1.8	Investment Banking & Brokerage
Legal & General	15,240	1.7	Life Insurance
Pets At Home Group	14,792	1.6	Retailers
PZ Cussons	13,888	1.5	Personal Care, Drug & Grocery Stores
Bellway	13,809	1.5	Household Goods & Home Construction
SThree	13,707	1.5	Industrial Support Services
Haleon	13,294	1.5	Pharmaceuticals And Biotechnology
Close Brothers Group	13,130	1.4	Banks
Morgan Advanced	13,094	1.4	Electronic & Electrical Equipment
Keller	12,935	1.4	Construction & Materials
Swiss Re	12,837	1.4	Non-Life Insurance
Tyman	12,815	1.4	Construction & Materials
Drax Group	12,469	1.4	Electricity
Conduit Holdings	11,883	1.3	Non-Life Insurance
Bayerische Motoren Werke	11,756	1.3	Automobiles And Parts
Entain	11,680	1.3	Travel & Leisure
Admiral Group	11,453	1.3	Non-Life Insurance
OSB Group	11,319	1.2	Finance And Credit Services
Sanofi	11,075	1.2	Pharmaceuticals & Biotechnology
National Express Group	10,322	1.1	Travel & Leisure
Diversified Energy Company	10,074	1.1	Oil, Gas & Coal
Vodafone Group	9,721	1.1	Telecommunications Service Providers
SCOR	9,578	1.1	Non-Life Insurance
CLS Holdings	8,645	1.0	Real Estate Investment And Services
DFS Furniture	8,436	0.9	Retailers

Norcros	6,262	0.7	Construction & Materials
Ashmore Group	5,683	0.6	Investment Banking & Brokerage
Atalaya Mining	5,305	0.8	Precious Metals And Mining
Duke Royalty	3,928	0.4	Investment Banking & Brokerage
Total Listed Equities	909,638	100.0	

Written Call Options

As at 31 January 2023, the market value of the open option positions was £(20,000) (2022: £(615,000)), resulting in an underlying exposure to 2.5% of the portfolio (valued at strike price).

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	-	6,037	6,037
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 and cash equivalents	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

INCOME STATEMENT
for the year ended 31 January 2022

	Revenue £'000s	Capital £'000s	Total Return £'000s Note C
Gains on investments held at fair value through profit or loss	-	154,247	154,247
(Losses) on foreign currencies	-	(2)	(2)
Income	35,292	-	35,292
Investment management fee	(931)	(1,728)	(2,659)
Administration expenses	(933)	(2)	(935)
Profit before finance costs and taxation	33,428	152,515	185,943
Finance costs: interest payable and similar charges	(1,183)	(2,102)	(3,285)
Profit on ordinary activities before taxation	32,245	150,413	182,658
Taxation	(410)	-	(410)
Profit after taxation attributable to ordinary shareholders	31,835	150,413	182,248
Earnings per ordinary share (basic and diluted)	25.64p	121.15p	146.79p

BALANCE SHEET
at 31 January 2022

	£'000s	£'000s
Fixed assets		
Investments held at fair value through profit or loss		814,895
Current assets		
Other receivables	2,993	
Cash and cash equivalents	18,626	
	21,619	
Current liabilities		
Other payables	(30,095)	
Derivative financial instruments	(615)	
	(30,710)	
Net current liabilities		(9,091)
Total assets less current liabilities		805,804
Creditors: amounts falling due after more than one year		(66,754)
Total net assets		739,050
Capital and Reserves		
Called up share capital		31,926
Share premium account		118,047
Capital redemption reserve		293
Capital reserve		568,352
Revenue reserve		20,432
Equity shareholders' funds		739,050
Net asset value per ordinary share		578.7p

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 January 2023

	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 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
Net assets at 1 February 2021	30,246	84,137	293	417,939	22,102	554,717
Revenue profit	-	-	-	-	31,835	31,835
Dividends on ordinary shares	-	-	-	-	(33,505)	(33,505)
Capital profit	-	-	-	150,413	-	150,413
Shares issued during the year	1,680	33,910	-	-	-	35,590
Net assets at 31 January 2022	31,926	118,047	293	568,352	20,432	739,050

CASH FLOW STATEMENT

For the year ended 31 January 2023

	2023	2022
	£'000	£'000
Operating activities		
Profit before finance costs and taxation*	44,674	185,943
Less: Gains on investments held at fair value	(7,843)	(155,443)
Add: Special dividends credited to capital**	3,472	-
Add: Losses on foreign currency	64	2
Purchase of fixed asset investments held at fair value through profit or loss	(300,664)	(230,959)
Sales of fixed asset investments held at fair value through profit or loss	208,995	215,351
Transaction costs	(1,806)	(1,196)
Decrease in other receivables	383	419
Increase in other payables	67	196
Less: Overseas tax suffered	(605)	(410)
Net cash (outflow) inflow from operating activities	(53,263)	13,903
Financing activities		
Interest paid	(3,641)	(3,229)
Drawdown on Revolving Credit Facility	16,000	-
Dividends paid on cumulative preference stock	(43)	(43)
Dividends paid on ordinary shares	(36,248)	(33,505)
Unclaimed dividends over 12 years	87	-
Share issue proceeds	70,011	34,879
Net cash inflow (outflow) from financing activities	46,166	(1,898)
(Decrease) increase in cash and cash equivalents	(7,097)	12,005
Cash and cash equivalents at the start of the year	18,626	6,623
Effect of foreign exchange rates	(64)	(2)
Cash and cash equivalents at the end of the year	11,465	18,626
Comprising:		
Cash and cash equivalents	11,465	18,626

* Cash inflow from dividends was £40,877,000 (2022: £33,412,000) and cash inflow from interest was £90,240 (2022: £nil).

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

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 April 2022.

Note B

The earnings per ordinary share is based on a weighted number of shares 134,599,189 (2022 : 124,156,079) 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.

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 2022

After initial recognition unquoted stocks are valued by the board on an annual basis.

Note E

	2023	2022
	£	£
Dividends paid on ordinary shares of 25p:		
Third interim dividend 6.85p paid 15 March 2022 (2021 - 6.8p)	8,758	8,227
Fourth quarterly dividend 6.85p paid 24 May 2022 (2021 - 6.8p)	8,950	8,345
First quarterly dividend 6.85p paid 24 August 2022 (2021 - 6.8p)	9,208	8,451
Second quarterly dividend 6.85p paid 10 November 2022 (2021 - 6.8p)	9,332	8,482
	36,248	33,505

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 98 of the Annual Report - Statement of Accounting Policies). Details of these dividends are set out below.

	2023	2022
	£	£
Third interim dividend 6.85p paid 15 March 2023 (2022: 6.85p)	9,669	8,748
Final proposed dividend 7.0p payable 26 May 2023 (2022: 6.85p)	9,809	8,748
	19,478	17,496

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 a further 2,515,000 shares have been issued, as at 31 March 2023.

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 2023 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 2022 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.