

For immediate release

8 April 2025

## THE MERCHANTS TRUST PLC

LEI: 5299008VJFXCUD2EG312

### FINAL RESULTS FOR THE YEAR ENDED 31 JANUARY 2025

The following comprises extracts from the company's Annual Report for the year ended 31 January 2025. The full Annual Report is being made available to be viewed on or downloaded from the company's website at [www.merchantstrust.co.uk](http://www.merchantstrust.co.uk). Copies will be posted to shareholders shortly.

## MANAGEMENT REPORT

### Chairman's Statement

#### **UK Governance – Global Reach**

Welcome to the Merchants Trust Annual Report for the financial year ending 31 January 2025.

In a period marked by uncertainty in capital markets, I would like to take this opportunity to highlight one of the key advantages of investing in a portfolio of UK-listed shares, such as Merchants Trust, for the long term.

Many of the businesses in which we invest have substantial global exposure, generating significant revenue from markets around the world, and several are recognised global leaders in their respective sectors. While we also hold some companies with a more domestic focus, even a considerable number of mid-cap stocks have multinational operations or global distribution models. These companies derive a significant portion of their revenues — and profits — from outside the UK.

It is important to remember that being UK-listed does not mean a company's fortunes are tied solely to the UK economy. This is particularly relevant at a time, such as now, when international investors, and sometimes even UK investors, are gloomy about the domestic economic outlook.

The global exposure of our holdings is evident in the examples provided on the inside front cover of the Annual Report. While consolidated revenue data for the entire portfolio is not readily available due to the differing reporting standards of portfolio companies, the global reach of our investments is clearly shown in these examples.

Importantly, a UK listing places these companies under one of the world's most rigorous governance frameworks, which offers several advantages, including enhanced transparency, robust shareholder protection, a lower risk of corporate failure, and alignment with ESG (Environmental, Social, and Governance) principles. As illustrated on page 24 in the Annual Report, our investment manager Allianz Global Investors (AllianzGI) voted against only 6% of resolutions at UK general meetings last year, compared to over 30% in markets like the US, highlighting the strength of UK governance standards.

In summary, Merchants' shareholders get the benefit of investing in companies with a UK listing at the same time as investment exposure to some of the world's best companies with revenues from around the globe.

#### **Optimism Shifts to Uncertainty**

The past year for UK stock market investors can be characterised as a tale of two halves. The first half was marked by optimism, which buoyed market performance, only for the second half to see a retreat as investor sentiment soured due to mounting uncertainties about the business environment and global economic outlook.

The election of a new UK Government in July, which secured a strong mandate, sparked a renewed sense from domestic and international investors that the attractively priced UK market was 'investible' again. However, the new Labour government faced early setbacks, grappling with fiscal policy decisions and a series of unpopular monetary policies. This, in turn, created market jitters and reignited concerns. Furthermore, while the global economic background had been promising mid-year, the prospects for growth, inflation containment, and falling interest rates became uncertain. As is often the case, markets had priced in much of the positive news early in the year, leaving them vulnerable to negative developments.

## **Investment Performance**

The long-term performance of the Merchants Trust portfolio has remained strong, meeting shareholder objectives by delivering solid capital returns and rising income. This has been achieved through a value-based investment approach, where we seek well-managed companies with strong prospects, trading at attractive valuations. Your board is confident that, over the medium term, this approach will continue to yield solid returns.

Over the year, the FTSE All-Share Index delivered an impressive +17.1% total return. While this was a strong absolute return when compared to many regional peers, it lagged significantly behind the strong performance of the tech-heavy US market. In particular, the US technology sector produced nearly twice the returns of the UK market, albeit with greater volatility.

Merchants Trust also achieved a positive and solid return of +13.5% on a total return basis although it did not match the very strong UK market performance. In his detailed commentary on page 16, our lead portfolio manager, Simon Gergel, delves deeper into the reasons behind this, but in summary, the UK market's leadership by large-cap stocks proved challenging for our portfolio. The Merchants Trust portfolio, which is more heavily weighted towards mid- and small-cap stocks, was affected by the market's favouring of larger companies.

In particular, during the second half of the year, when inflation and interest rates did not fall as expected, concerns over government fiscal policy led UK investors to shy away from smaller companies that were seen as more exposed to domestic economic fluctuations. Instead, investors were attracted to larger companies within the index. Additionally, there was a continued trend of UK investors shifting capital out of domestic equities and into overseas markets, particularly the US.

While Merchants Trust does maintain a significant exposure to the larger companies in the index, our investment philosophy prioritises value. This leads to a larger allocation in mid- and small-cap stocks, which tend to be more domestically focused and cyclical in nature. As equity markets during this period were driven by momentum, growth, and technology stocks, these smaller companies underperformed.

## **Income**

Income from Merchants' investment portfolio saw a modest year-on-year decline from the record year in 2024, with revenue earnings per ordinary share at 29.4p (2024: 30.5p), representing a 3.6% reduction.

Despite this, earnings fully covered the total proposed and declared dividends for the year, allowing for a small addition to revenue reserves, which stood at 18.8p per ordinary share at year-end.

Shareholders will appreciate that one of the key advantages of the investment trust structure is its ability to smooth income distributions—drawing on reserves during challenging market conditions and replenishing them in stronger periods. It is encouraging to see that, following the Board's strategic use of reserves to sustain dividends through the COVID-19 period, we have now been able to rebuild reserves over recent years. (see chart of reserve accumulation on page 6 in the Annual Report)

## **43 years of dividend growth**

The Board proposes a final dividend of 7.3p per share for shareholder approval at Merchants' upcoming AGM on 20 May 2025. If approved, the dividend will be paid on 29 May 2025 to shareholders on the register at the close of business on 22 April 2025, with an ex-dividend date of 17 April 2025. A Dividend Reinvestment Plan (DRIP) is available, with an election deadline of 7 May 2025.

This brings the total proposed dividend for the year to 29.1p (2024: 28.4p), representing a 2.5% increase over the previous year. Notably, this marks Merchants' 43rd consecutive year of dividend growth, reinforcing our position as an Association of Investment Companies' (AIC) Dividend Hero.

We believe it is essential to highlight the critical role that income plays in overall total returns. While this year's total return fell short of the benchmark, we have delivered both a meaningful capital return and another year of consecutive dividend growth, providing shareholders with a competitive level of income. Looking ahead, we remain confident that our current positioning will generate strong total return above the benchmark. However, our commitment to delivering a high and rising income remains a core priority, as we recognise its importance to Merchants' shareholders.

### **Share price relative to Net Asset Value (NAV) and the generation of demand**

As shareholders may be aware, Merchants' shares have been trading at a discount to NAV toward the end of the reporting period and into the new financial year. This follows an extended period where the company's shares consistently traded at or above NAV, allowing us to issue additional shares in response to strong investor demand.

In light of this, we are actively working with the manager to ensure that appropriate measures are in place to promote Merchants through targeted sales and marketing efforts. The Board is aware that share buybacks can help to manage the discount and will continue to assess these options carefully.

We believe that the emergence of a discount is primarily due to the portfolio's relative short-term underperformance against the benchmark as outlined earlier, and a general lack of appetite for UK Equities. However, the Board remains confident in the manager's established investment approach, which has delivered strong long-term results for shareholders. We firmly expect that relative performance will improve over time.

Additionally, we encourage shareholders and investors to stay informed through regular updates from our Investment Management team. These include the *A Value View* podcast, available on our website as well as on major platforms such as Spotify, Apple Podcasts, and Google Podcasts.

Shareholders will be pleased to note that the Company's ongoing expenses charge has decreased to 0.52% of the average net asset value over the year (2024: 0.55%).

### **Gearing Strategy and Refinancing**

Merchants employs gearing within the portfolio, based on the belief that, as long as the manager is confident in generating returns above the cost of debt, it can enhance long-term performance in both income and capital growth.

The manager views gearing as a structural component of the portfolio management strategy rather than a tactical tool to respond to short-term market movements. While gearing can amplify gains in rising markets, it can also magnify losses during market downturns.

Currently, our gearing level stands at 11.9%, placing it in the lower half of our policy range (10%-25%, see page 50 in the Annual Report). Gearing is financed through borrowings, and with our Revolving Credit Facility (RCF) maturing towards the end of the financial year under review, we have successfully completed a refinancing process.

In December 2024, we announced the issuance of two £25 million fixed-rate, 15-year secured private placement notes at a coupon of 5.91%, raising a total of £50 million. This new borrowing extends the weighted average duration of our drawn debt from 10.6 years to 16.4 years, while the overall average cost of debt remains at 5.2%.

### **Board**

As shareholders are aware, the board plays a vital role in overseeing the governance of the company. This includes overseeing our investment manager AllianzGI, ensuring effective communication with shareholders, maintaining robust financial processes and reporting, and fulfilling our responsibilities related to the stock exchange listing. The Merchants Trust has been fortunate over the years to attract a high calibre of directors who have contributed significantly to its success.

In keeping with good governance practices, our directors typically serve a maximum of nine years on the board. Later in 2025, Timon Drakesmith will reach this milestone, and he will therefore step down at the AGM on 20 May 2025. The board has already initiated the process of identifying a new director to replace him and has appointed an independent executive search firm to assist in this important task.

I would like to take this opportunity to express my sincere thanks to Timon for his valuable contribution over the years. His excellent leadership Chairman of the Audit Committee and his guidance and support to me personally have been greatly appreciated. Timon's insightful and constructive input to the board will be sorely missed. Mal Patel, who has served on the board since March 2024, has agreed to become Chairman of the Audit Committee when Timon steps down.

### **2025 Annual General Meeting**

The 2025 Annual General Meeting (AGM) of the Company will be held at Grocers' Hall on Tuesday, 20 May. Full details can be found in the Notice of Meeting on page 113 in the Annual Report. This year marks a significant

milestone for Merchants, as it will be the first AGM where shareholders can choose to attend either in person or online. Further details on the event and how to register for online participation are available in the Notice of Meeting on page 116 in the Annual Report.

As always, I would like to remind shareholders of their right to vote on key matters affecting Merchants, such as the renewal of share issuance authorities and the appointment of directors. Shareholder voting is a fundamental aspect of an investment trust, and I strongly encourage all shareholders to exercise this right and have their voices heard. Please note that voting at the AGM will be conducted by poll, and there will be no live voting functionality for those attending online. Shareholders are therefore encouraged to submit their votes in advance using the proxy voting process.

There have been ongoing improvements in how investment platforms facilitate shareholder voting for nominee holders. Many platforms now provide better access to voting information and have made the process more straightforward. If you hold your Merchants shares through a platform that offers voting opportunities, we strongly encourage you to take advantage of this and participate in the decision-making process.

Additionally, for shareholders investing via a platform who may be unaware, it is possible to attend the AGM in person. To do so, you simply need to request a 'Letter of Representation' from your platform, which will enable you to register for in-person or online attendance.

We also commend and fully support the AIC *My Share, My Vote* campaign, which aims to improve voting rights for retail shareholders holding shares through investment platforms or nominee services. The campaign advocates for changes in company law to enhance shareholder enfranchisement. More details can be found at [www.theaic.co.uk/my-share-my-vote](http://www.theaic.co.uk/my-share-my-vote).

## **Outlook**

As ever, it remains challenging to predict when investor interest will return to the UK stock market, when UK valuations will re-rate to more "normal" levels, or where markets will stand in 12 months' time. In theory, the recent sharp sell-off in equity markets, led by the high-growth and technology stocks in the US, could serve as a catalyst, prompting investors to broaden their horizons and seek out quality and value — themes we believe would benefit our portfolio's performance. However, we approach this possibility with humility, as we have made similar observations before. Investing is never straightforward, and it is rarely predictable.

The new US administration marks a significant shift, not only in global geopolitics, with Ukraine and the Middle East continuing to dominate headlines, but also in areas requiring the close attention of our manager. These include radical changes in trade and tariff policies, which will have implications for inflation and interest rate decisions, and global growth and profit outlooks. Domestically, following a Labour government's first budget, which many commentators viewed as challenging for UK businesses, the market will be keenly focused on the fiscal and monetary policy actions of the UK Chancellor throughout 2025.

So, is this the right time to be a patient contrarian investor? Our manager believes that many opportunities exist to invest in well-managed, financially strong companies on attractive valuations. This approach lies at the heart of our investment strategy which has delivered solid long-term returns and rising dividends for shareholders over the years. Your board continues to believe that Merchants is currently well placed and we are optimistic regarding our potential to continue meeting Merchants' long-term objectives for shareholders.

Thank you, as always, for your continued support. I look forward to seeing many of you at our AGM in May.  
Colin Clark  
Chairman

8 April 2025

## **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 55 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 77 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:

- Geopolitical.
- Climate.

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 2025 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 66 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](http://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  
8 April 2025

#### PORTFOLIO BREAKDOWN at 31 January 2025

Name	Principal Activities	Value £'000s	% of listed holdings	Benchmark weighting
British American Tobacco	Tobacco	47,284	4.9	2.6
GSK	Pharmaceuticals & Biotechnology	46,576	4.9	2.3
Shell	Oil, Gas & Coal	35,644	3.7	6.7
Lloyds Banking Group	Banks	35,522	3.7	1.5
BP	Oil, Gas & Coal	32,372	3.4	2.7
DCC	Industrial Support Services	30,380	3.2	0.2
WPP	Media	28,770	3.0	0.3
Rio Tinto	Industrial Metals & Mining	28,612	3.0	2.1
Tate & Lyle	Food Producers	28,120	2.9	0.1
Inchcape	Retailers	27,000	2.8	0.1
Barclays	Banks	25,691	2.7	1.7
SSE	Electricity	25,362	2.7	0.7
National Grid	Gas, Water & Multiutilities	23,425	2.5	1.9
IG Group	Investment Banking & Brokerage	23,386	2.5	0.1
Legal & General	Life Insurance	22,037	2.3	0.6
Barratt Redrow	Construction	22,006	2.3	0.2
Pets at Home Group	Retailers	21,677	2.3	0.0
Drax Group	Electricity	19,637	2.1	0.1
Whitbread	Travel & Leisure	19,410	2.0	0.2
Imperial Brands	Tobacco	18,904	2.0	0.9
Man Group	Investment Banking & Brokerage	18,488	1.9	0.1
Land Securities Group	Real Estate Investment Trusts	17,910	1.9	0.2

Dowlais Group	Automobiles & Parts	17,278	1.8	0.0
Harbour Energy	Oil, Gas & Coal	17,176	1.8	0.1
Energiean	Oil, Gas & Coal	16,926	1.8	0.1
Unilever	Personal Care, Drug & Grocery Stores	16,675	1.7	4.6
Morgan Advanced	Electronic & Electrical Equipment	16,411	1.7	0.0
Grafton Group	Industrial Support Services	15,841	1.7	0.1
Assura	Real Estate Investment Trusts	15,725	1.6	0.0
Unite Group	Real Estate Investment Trusts	15,032	1.6	0.1
Burberry Group	Personal Goods	14,900	1.6	0.2
Bellway	Household Goods & Home Construction	14,462	1.5	0.1
OSB Group	Finance & Credit Services	12,747	1.3	0.1
Marshalls	Construction & Materials	12,570	1.3	0.0
Entain	Travel & Leisure	12,390	1.3	0.2
Aena <sup>1</sup>	Industrial Transportation	11,333	1.2	-
SCOR <sup>1</sup>	Non-Life Insurance	11,309	1.2	-
Bank of Ireland Group <sup>1</sup>	Banks	11,277	1.2	-
Haleon	Pharmaceuticals & Biotechnology	11,238	1.2	1.2
Lancashire Holdings	Non-Life Insurance	11,176	1.2	0.1
Conduit Holdings	Non-Life Insurance	10,783	1.1	-
Atalaya Mining	Precious Metals & Mining	10,062	1.1	-
PZ Cussons	Personal Care, Drug & Grocery Stores	9,327	1.0	0.0
Next	Retailers	8,957	0.9	0.5
Tesco	Personal Care, Drug & Grocery Stores	8,747	0.9	1.0
Close Brothers Group	Banks	8,704	0.9	0.0
Keller	Construction & Materials	8,546	0.9	0.0
SThree	Industrial Support Services	8,312	0.9	0.0
DFS Furniture	Retailers	7,395	0.8	0.0
Norcros	Construction & Materials	6,675	0.7	0.0
CLS Holdings	Real Estate Investment & Services	5,184	0.5	0.0
XP Power	Electronic & Electrical Equipment	4,917	0.5	0.0
Duke Royalty	Finance & Credit Services	4,226	0.4	-
<b>Total Invested Funds</b>		<b>954,514</b>	<b>100.0</b>	

<sup>1</sup> International stock

### Written Call Options

As at 31 January 2025, the market value of the open option positions was £(238,500) (2024: £(56,825)), resulting in an underlying exposure to 1.48% of the portfolio (valued at strike price).

## INCOME STATEMENT

for the year ended 31 January 2025

	2025 Revenue £'000s	2025 Capital £'000s	2025 Total Return £'000s	2024 Revenue £'000s	2024 Capital £'000s	2024 Total Return £'000s
Gains (losses) on investments held at fair value through profit or loss	-	66,566	66,566	-	(69,095)	(69,095)
Losses on derivatives	-	(202)	(202)	-	(20)	(20)
Gains (losses) on foreign currencies	-	43	43	-	(58)	(58)
Income	48,482	-	48,482	49,563	-	49,563
Investment management fee	(1,160)	(2,153)	(3,313)	(1,093)	(2,031)	(3,124)
Administration expenses	(1,108)	(4)	(1,112)	(1,229)	(4)	(1,233)
<b>Profit (loss) before finance costs and taxation</b>	<b>46,214</b>	<b>64,250</b>	<b>110,464</b>	<b>47,241</b>	<b>(71,208)</b>	<b>(23,967)</b>
Finance costs: interest payable and similar charges	(2,009)	(3,648)	(5,657)	(1,954)	(3,549)	(5,503)
<b>Profit (loss) on ordinary activities before taxation</b>	<b>44,205</b>	<b>60,602</b>	<b>104,807</b>	<b>45,287</b>	<b>(74,757)</b>	<b>(29,470)</b>
Taxation	(534)	-	(534)	(778)	-	(778)
<b>Profit (loss) after taxation attributable to ordinary shareholders</b>	<b>43,671</b>	<b>60,602</b>	<b>104,273</b>	<b>44,509</b>	<b>(74,757)</b>	<b>(30,248)</b>
<b>Earnings (loss) per ordinary share (basic &amp; diluted)</b>	<b>29.43p</b>	<b>40.84p</b>	<b>70.27p</b>	<b>30.53p</b>	<b>(51.28p)</b>	<b>(20.75p)</b>

Dividends in respect of the financial year ended 31 January 2025 total 29.10p (2024: 28.40p), amounting to £43,184,000 (2024: £41,916,000). Details are set out in Note 6 on page 97 in the Annual Report.

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.



## STATEMENT OF CHANGES IN EQUITY

for the year ended 31 January 2025

	Called up Share Capital £'000s	Share Premium Account £'000s	Capital Redemption Reserve £'000s	Capital Reserve £'000s	Revenue Reserve £'000s	Total £'000s
Net assets at 1 February 2024	37,081	228,174	293	495,155	26,819	787,522
Revenue profit	-	-	-	-	43,671	43,671
Dividends on ordinary shares	-	-	-	-	(42,576)	(42,576)
Unclaimed dividends	-	-	-	-	26	26
Capital profit	-	-	-	60,602	-	60,602
Shares issued during the year	25	552	-	-	-	577
<b>Net assets at 31 January 2025</b>	<b>37,106</b>	<b>228,726</b>	<b>293</b>	<b>555,757</b>	<b>27,940</b>	<b>849,822</b>
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
<b>Net assets at 31 January 2024</b>	<b>37,081</b>	<b>228,174</b>	<b>293</b>	<b>495,155</b>	<b>26,819</b>	<b>787,522</b>

## BALANCE SHEET

at 31 January 2025

	2025 £'000s	2025 £'000s	2024 £'000s
<b>Fixed assets</b>			
Investments held at fair value through profit or loss		954,514	874,668
<b>Current Assets</b>			
Other receivables	1,891		1,923
Cash at bank and in hand	15,604		22,886
	<b>17,495</b>		<b>24,809</b>
<b>Current Liabilities</b>			
Other payables	(5,167)		(45,032)
Derivative financial instruments	(239)		(57)
	<b>(5,406)</b>		<b>(45,089)</b>
Net current assets (liabilities)		12,089	(20,280)
<b>Total assets less current liabilities</b>		<b>966,603</b>	<b>854,388</b>
Creditors: amounts falling due after more than one year		(116,781)	(66,866)
<b>Total net assets</b>		<b>849,822</b>	<b>787,522</b>
<b>Capital and Reserves</b>			
Called up share capital		37,106	37,081
Share premium account		228,726	228,174
Capital redemption reserve		293	293
Capital reserve		555,757	495,155
Revenue reserve		27,940	26,819
<b>Equity shareholders' funds</b>		<b>849,822</b>	<b>787,522</b>
<b>Net asset value per Ordinary share</b>		<b>572.6p</b>	<b>530.9p</b>

The financial statements of The Merchants Trust PLC on pages 88 to 91 in the Annual Report were approved and authorised for issue by the board of directors on 8 April 2025 and signed on its behalf by:

Colin Clark  
Chairman

## CASH FLOW STATEMENT

For the year ended 31 January 2025

	<b>2025</b>	<b>2024</b>
	<b>£'000s</b>	<b>£'000s</b>
<b>Operating activities</b>		
Profit (loss) before finance costs and taxation <sup>1</sup>	110,464	(23,967)
(Less) add: (gains) losses on investments held at fair value	(67,746)	67,949
Add: losses on derivatives	182	20
(Less) add: (gains) losses on foreign currency	(43)	58
Proceeds from special dividend credited to capital <sup>2</sup>	565	-
Purchase of fixed asset investments held at fair value through profit or loss	(221,421)	(242,189)
Sales of fixed asset investments held at fair value through profit or loss	212,511	211,377
Transaction costs	(1,180)	(1,146)
Decrease (increase) in other receivables	72	(24)
(Decrease) increase in other payables	(184)	60
Less: Overseas tax suffered	(534)	(778)
<b>Net cash inflow from operating activities</b>	<b>32,686</b>	<b>11,360</b>
<b>Financing activities</b>		
Interest paid	(5,845)	(5,233)
Issue costs in relation to the 5.91% Fixed Rate Notes 2040	(150)	-
Proceeds from 5.91% Fixed Rate Notes 2040 A	25,000	-
Proceeds from 5.91% Fixed Rate Notes 2040 B	25,000	-
Repayment of Revolving Credit Facility <sup>3</sup>	(42,000)	-
Dividends paid on cumulative preference stock	(43)	(43)
Dividends paid on ordinary shares	(42,576)	(40,638)
Unclaimed dividends over 12 years	26	51
Share issue proceeds	577	45,982
<b>Net cash (outflow) inflow from financing activities</b>	<b>(40,011)</b>	<b>119</b>
<b>(Decrease) increase in cash and cash equivalents</b>	<b>(7,325)</b>	<b>11,479</b>
Cash and cash equivalents at the start of the year	22,886	11,465
Effect of foreign exchange rates	43	(58)
Cash and cash equivalents at the end of the year	15,604	22,886
<b>Comprising:</b>		
Cash at bank and in hand	15,604	22,886

<sup>1</sup> Cash inflow from dividends was £46,700,000 (2024: £47,137,000) and cash inflow from interest was £280,000 (2024: £409,000).

<sup>2</sup> Tyman dividend paid in relation to the acquisition by Quanex Building Products.

<sup>3</sup> 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 148,372,564 (2024: 145,769,940) ordinary shares in issue.

### Note C

In order to better reflect the activities of an investment trust company, and in accordance with guidance issued by the AIC, supplementary information which analyses the Income Statement between items of revenue and capital nature has been presented alongside the Income Statement. In accordance with the company’s Articles of Association, net capital returns may be distributed by way of dividend.

### Note D

The directors believe that it is appropriate to continue to adopt the going concern basis in preparing the financial statements as the assets of the company consist mainly of securities, which are readily realisable and significantly exceed liabilities. Accordingly, the directors believe that the company has adequate financial resources, to continue in operational existence for the foreseeable future. The directors have also considered the risks and consequences of unanticipated shocks on the company, including geopolitical and macroeconomic events and have concluded that the company has the ability to continue in operation and meet its objectives for twelve months after the approval of the financial statements.

### Note E

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 F

	<b>2025</b>	<b>2024</b>
	<b>£'000s</b>	<b>£'000s</b>
<b>Dividends paid on ordinary shares</b>		
Third interim dividend 7.1p paid 14 March 2024 (2023 – 6.9p)	10,531	9,669
Final dividend 7.1p paid 22 May 2024 (2023 – 7.0p)	10,531	10,115
First interim dividend 7.2p paid 22 August 2024 (2023 – 7.1p)	10,679	10,412
Second dividend 7.3p paid 15 November 2024 (2023 – 7.1p)	10,835	10,442
	<b>42,576</b>	<b>40,638</b>

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.

	<b>2025</b>	<b>2024</b>
	<b>£'000s</b>	<b>£'000s</b>
Third interim dividend 7.3p paid 19 March 2025 (2024: 7.1p)	10,835	10,531
Final proposed dividend 7.3p payable 29 May 2025 (2024: 7.1p)	10,835	10,531
	<b>21,670</b>	<b>21,062</b>

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 G

Post Balance Sheet events:

Since the year end no further shares have been issued, as at 8 April 2025.

Note H

The full annual report will shortly be available to be viewed or downloaded from the company's website at [www.merchantstrust.co.uk](http://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 2025 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 2024 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.