

THE MERCHANTS TRUST PLC

Final Results for the year ended 31 January 2022

The following comprises extracts from the company's Annual Report for the year ended 31 January 2022. 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

A positive report but dark days in Europe

I am pleased to be reporting on a positive year for the company ending 31 January 2022. Whilst that is gratifying, as I write Ukraine is in the middle of a terrible conflict and we should reflect upon the human cost, the damage it has already done and the long-term harm to peaceful life and prosperity that it has brought. The dreadful scenes we see each day on our televisions are a reminder of the costs of war, human and otherwise, and it is still somewhat shocking that it is happening in Europe in 2022. The board's thoughts are with the men, women and children caught up in this conflict and we hope for a peaceful outcome as soon as possible. In terms of our duty towards our shareholders though, I will focus on the business of reporting on the 2022 financial year, with some cautious consideration of what we might be facing in the future.

The company has enjoyed an extremely strong year. The company's NAV total return for the period was 35.7% which was comfortably ahead of the benchmark index, the FTSE All-Share Index return of 18.9%.

Performance has also been strong over the longer term – a testament to Merchants' consistent strategy and excellent portfolio management. Merchants is first in its peer group over 1 year and 3 years (as at 31 January 2022) and second over 5 years. This is a great record, as we demonstrate in the reporting on page 13 of the Annual Report, and it means that we have been able to meet our shareholders' objectives of providing a high level of income and income growth together with long term capital growth.

With the declared final dividend for the financial year, we are also hitting a landmark 40th consecutive year of dividend increases.

Portfolio income

After a very difficult year in 2020 when many dividends were cut, 2021 saw a welcome return to dividends being paid by the majority of UK companies. Many companies have returned their distributions to pre-pandemic levels, or near to, although some have taken the opportunity to rebase their dividend payments at lower levels. This return to 'near normal' has been welcomed by the Merchants board and the manager and it has enabled us during this financial year to have more visibility of our dividend receipts and greater confidence in planning our dividend policy. Further details are given in the Investment Manager's Review beginning on page 15 in the Annual Report. The portfolio revenue earnings per share (EPS) for the year were up 38.4% over the corresponding period last year to 25.6p (2021: 18.5p)

40 years of dividend growth

The board recognises the importance to shareholders of a growing dividend and this is particularly important in the current inflationary environment. We propose a final dividend for shareholder approval of 6.85p which means for 2022 an increased full-year dividend of 27.3p (2021: 27.2p). The proposed 2022 dividend would include a contribution from capital reserves of 2.3p, leaving 16.0p in capital reserves at the year end. The contribution from capital reserves is much less than was applied in 2021 (9.9p) with dividend cover being steadily rebuilt. In the medium term we hope to see a return to the dividend being fully covered and where reserves can once again be accumulated. Recent years

have been a reminder of one of the attractive features of investment trusts to long term shareholders which is the ability of the board to smooth returns through the cautious use of reserves.

Merchants has now grown its dividend for 40 consecutive years at an annualised growth rate of 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 with a landmark four decades of dividend increases. 2022 has seen us continue to provide one of the highest yields in our peer group as part of an attractive total return for investors. We focus on the dividends so that shareholders can focus on what really matters to them in their lives.

The declared final dividend will be payable, subject to a shareholder vote at the AGM, on 24 May 2022 to shareholders on the register at close of business on 19 April 2022. A Dividend Reinvestment Plan ('DRIP') is available for this dividend for which the relevant Election Date is 29 April 2022 and the ex-dividend date is 14 April 2022.

Consistent investment strategy

Merchants' aim continues to be to identify and invest in sound companies with good characteristics and to form a portfolio of those companies to meet our overall objectives. We are mindful that long term performance will be improved if we do not overpay for those investments.

Opportunities abound when markets are volatile. Over the course of the past year for example, when we have emerged from the pandemic and economic recovery looked possible, the market has seemed to hang on the coattails of earnings momentum – sending prices rocketing when earnings surged forward or retreating when earnings didn't match expectations. This environment has helped our manager to be somewhat contrarian – buying companies which they believe have good long-term prospects but where the market has overreacted to an intermediate drop in earnings. Conversely, our manager has sold companies where market exuberance has driven the stock price past the team's assessment of fundamental value.

Ultimately, holding a balanced portfolio of solid companies with different characteristics, but all viewed with a strong discipline around valuation, has seen the manager able to generate positive long-term performance at both the portfolio level and at NAV level. Whilst the recent market rotation from 'growth' to 'value' has been helpful from time to time, this style bias isn't required for the Merchants portfolio to perform, as can be seen from our long-term track record.

A UK renaissance

For many years the UK market has been out of favour and traded at a discount to global peers. However, the UK has been more resilient than global peers over recent months – a trend that could well continue. Indeed investor interest – including from overseas – has started to rise and the UK equity market has the potential to see increased demand. With many growth-oriented stocks (e.g. tech stocks in the US) falling out of favour in an environment of rising interest rates, investors are being attracted to companies on lower valuations with visible and secure cashflow that characterise the UK market.

In addition, a key attraction of the UK market remains strong governance standards. Shareholders may be interested to learn that our investment manager (AllianzGI), reported that at an aggregate company level they voted against 4% of resolutions proposed by UK companies last year, compared with between 10-40% of resolutions proposed by companies listed in the rest of the world. Furthermore, Merchants predominantly (although not solely) invests in the shares of some of the larger companies listed on the UK market. These companies' businesses are not solely UK but rather are on the whole multinationals which derive the bulk of their profits from overseas. They are therefore more exposed to the global economy and less so to the domestic UK economy. The opportunity to invest in UK companies with UK governance standards, but international business exposure is attractive for some investors.

Environmental, Social & Governance (ESG)

The board is aware that one of the biggest changes in investing over the past 5 years is the increasing importance of environmental, social and governance (ESG) factors. ESG issues are today on the agenda of most shareholders, investors, regulators and companies. As a consequence the Merchants board continues to develop its understanding and evaluate its position on sustainability and ESG more broadly. We work with the manager to understand how AllianzGI engages with its investee companies on sustainability issues and how the manager's approach as an active investor can lead to behavioural, structural and organisational change in those companies.

The board is also aware, however, that in this relatively new area of investor activity, ESG taxonomy, standards, and even definitions are emerging only now. There is certainly no shortage of research material, data and analysis on ESG, however a consensus or commonality of approach across the industry is yet to emerge. There is also a wide dispersion in how measurements and ratings are applied by various ratings agencies and other organisations.

In the light of the interest shown by many of our shareholders, we have several featured or highlighted sections in this report which explain our approach to this important emerging theme. There is also a page on the Merchants Trust website which describes the manager's Integrated ESG process in more detail. We remain confident that the right actions are being taken by our manager to ensure that ESG factors are appropriately and properly considered in the investment process. We believe that this has been part of the process for AllianzGI, the investment manager, for many years and certainly predates the current investor focus.

Demand

During the past year we have seen encouraging demand for Merchants' shares largely as a result of the company's positive near- and longer-term performance, its high yield when compared to the peer group, the ongoing Dividend Hero status and concerted shareholder communication efforts. This demand has seen us often trading at a premium to NAV and as a result we have been able to issue shares to the value of £35.6m over the financial year under review, (representing 5.6% of share capital). In addition we have issued a further £11.9m of shares issued since 31 January up to publication of this report.

Issuing new shares is only done at a premium to NAV in order that it is accretive to the NAV per share and does not disadvantage existing shareholders. Increasing the size of Merchants shareholder base is beneficial for shareholders because fixed costs are spread over a wider shareholder base and general trading liquidity of the company's shares is improved. This can become a virtuous circle since good liquidity is often a prerequisite for some wealth managers to trade in investment trust shares.

A large number of the company's shares are held by private individuals, many investing via investment platforms, and we welcome all the new shareholders who may have joined the register this year.

Strategy

As part of an annual process, the board once again met this year to discuss the strategic direction of the company. ESG was an area of focus as noted in the earlier section. The board has also spent time meeting not only with our portfolio managers, but also with senior representatives from the AllianzGI ESG team in order to understand the style and approach of AllianzGI's ESG research and the ways in which the Merchants' portfolio management benefits from it. Your board believes that the strategy adopted by the manager remains effective and appropriate at this time. We also reviewed our exposure to international investing, our gearing and aspects of our digital communications with shareholders.

Allianz Global Investors continues to pursue an FCA authorisation for AllianzGI UK as a UK entity – we communicated this process to the market in 2021. The investment manager is currently regulated by the German regulator BaFin and has a UK branch which operates under the FCA's Temporary Permissions Regime in a post-Brexit environment. We believe the authorisation of a UK entity and it becoming the company's AIFM (Alternative Investment Fund Manager) will be in the best interests of Merchants' shareholders.

We also noted during the year the adoption of a policy of investing up to 10% of the company's assets in overseas-listed investments. This was not in response to any negative view on the UK market, but rather to allow greater flexibility and diversification for the investment manager, together with the ability to invest in certain sectors which are difficult to access in the UK market. The board believes that whilst relatively recent, this has been a successful development.

Gearing continues to be utilised. We remain comfortable with the current level of gearing (12.6% as at 31 January 2022) with the level falling over the year due to performance gains in the portfolio as well as share issuance which has grown the size of the company.

Board

There are no changes to the board to report over the period.

The board was pleased to be able to return to face-to-face meetings – whilst it was effective to hold meetings virtually over the height of pandemic, it remains a positive experience to meet with colleagues in-person as well as with various representatives of the investment manager and our advisors.

As noted in the half-yearly report, the period witnessed the sad and untimely passing of the previous Merchants chairman, Simon Fraser. This was a sad time not only for the board, and his family but also for the industry at large on which Simon had such a huge impact. We were heartened by the recognition of Simon's influence from the industry and press at the time and by the very high attendance at his memorial service.

Awards

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

In the latter part of the year Merchants was recognised as Shares Magazine's 'Best Investment Trust for Income' in the annual Shares Awards. These awards are voted for entirely by the magazine's readership without guidance from any industry panel. As such it represents a focused 'consumer' award and one which we were proud to receive. We acknowledge this as recognition of Merchants' strategy and performance.

Annual General Meeting

With most Covid restrictions having been lifted we are pleased to be able to return to holding a physical AGM and to be able to welcome shareholders back in person. The AGM will be held at Grocers' Hall at 12.00 pm on Wednesday 18 May and full details can be found in the notice of meeting from page 109 in 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. It is an important feature of an investment company that shareholders can and are encouraged to make their voices heard by voting on all business matters, as detailed in this report.

Where traditionally many shareholders would have held Merchants shares 'directly', being individually named on the company's main share register, in recent years a growing number of shareholders have held shares through a platform. A potential disadvantage for the board of this arrangement is that the investor is a client of the platform and Merchants has no sight of the identity of those shareholders. In the past this has sometimes prevented some shareholders from receiving information on shareholder voting or having the option to participate. We are encouraged by moves in the industry this year to democratise shareholder access with information being made more readily available by platforms when companies have votes open and giving the ability to participate in those votes.

If a shareholder of this or any other company is not aware if they have access to this service through their investment platform we would encourage you to contact them to ask what they provide. The AIC as the industry body for investment companies is taking definitive steps to engage with the investment platforms to encourage shareholder participation in voting and the provision to shareholders of company reporting. On page 11 of the Annual Report we show how we communicate with shareholders and other investors through a number of different channels.

Outlook

As I write this statement the situation in Ukraine continues to develop. We are all aware of the potential consequences for the global economy, and in particular for energy supply and prices.

It seems that for more than a decade the world has been moving from one set of uncertainties to another. Just as the signs of an end to the pandemic had investors grappling with the idea of rising inflation, the spectre of military conflict in Europe has become a focus for markets. Beyond the humanitarian cost, which in itself is still difficult to digest, where this might drive the global economy and markets is open for debate – certainly markets are currently volatile as a result of daily news flow. Against such a backdrop we support our investment manager's philosophy of looking beyond current events as much as possible. The manager is striving to understand as far as possible the impacts of the conflict on individual companies, as this is how the portfolio is constructed: stock-by-stock rather

than at a macro level attempting to call the direction of markets or economies. That said, the current situation has the potential to have far-reaching implications that could affect many industries and the manager continues to monitor macro events closely.

The Merchants Trust will continue to strive to provide growth in capital together with a high and rising income for our shareholders, irrespective of the market or economic backdrop. The board once again thanks our investment manager for their excellent performance on behalf of our shareholders and we look forward to the future with confidence.

Colin Clark
Chairman
6 April 2022

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 51 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 74 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.
- Market decline adversely affecting investments and returns.

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 2022 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 60 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
6 April 2022

LISTED EQUITY HOLDINGS as at 31 January 2022

Name	Value (£)	% of listed holdings	Principal Activities
GlaxoSmithKline	39,600	4.9	Pharmaceuticals & Biotechnology
British American Tobacco	37,956	4.7	Tobacco
Imperial Brands	37,307	4.6	Tobacco
Shell	32,023	3.9	Oil, Gas & Coal
BP	31,839	3.9	Oil, Gas & Coal
Vodafone Group	29,608	3.6	Telecommunications Service Providers
WPP	27,912	3.4	Media
SSE	27,298	3.3	Electricity
BAE Systems	25,656	3.1	Aerospace & Defence
National Grid	25,641	3.1	Gas, Water & Multiutilities
Top Ten Holdings	314,840	38.5	
Legal & General	23,711	3.0	Life Insurance
Drax Group	23,199	2.8	Electricity
Tate & Lyle	21,157	2.6	Food Producers
IG Group Holdings	20,833	2.6	Investment Banking & Brokerage
Barclays	20,018	2.6	Banks
Redrow	19,958	2.5	Household Goods & Home Construction
St. James's Place	19,348	2.4	Investment Banking & Brokerage
DCC	19,177	2.4	Industrial Support Services
HomeServe	18,846	2.3	Non-Life Insurance
Rio Tinto	18,147	2.2	Industrial Metals & Mining
Tyman	16,477	2.0	Construction & Materials
Next	15,746	1.9	Retailers
Tesco	15,741	1.9	Personal Care, Drug & Grocery Stores
Land Securities Group	15,507	1.9	Real Estate Investment Trusts
Keller	15,484	1.9	Construction & Materials
Man Group	14,812	1.8	Investment Banking & Brokerage
SCOR	14,089	1.7	Non-Life Insurance
TotalEnergies	13,844	1.7	Oil, Gas & Coal
SThree	13,369	1.6	Industrial Support Services
Bellway	12,961	1.6	Household Goods & Home Construction
DFS Furniture	11,795	1.4	Retailers
Close Brothers Group	11,401	1.4	Banks
Conduit Holdings	10,965	1.3	Non-Life Insurance
Diversified Energy Company	10,939	1.3	Oil, Gas & Coal
Sanofi	10,848	1.3	Pharmaceuticals & Biotechnology
Ashmore Group	10,560	1.3	Investment Banking & Brokerage
Swiss Re	10,197	1.3	Non-Life Insurance
ITV	10,089	1.2	Media
RELX	9,979	1.2	Media
PZ Cussons	9,466	1.2	Personal Care, Drug & Grocery Stores
GVC Holdings	8,909	1.1	Travel & Leisure
Morgan Advanced	8,405	1.0	Electronic & Electrical Equipment
Norcros	8,339	1.0	Construction & Materials
Energiean	6,133	0.8	Oil, Gas And Coal
Duke Royalty	3,975	0.6	Investment Banking & Brokerage
Antofagasta	3,465	0.4	Industrial Metals & Mining
M&G	2,166	0.3	Investment Banking & Brokerage
Total Listed Equities	814,895	100.0	

Written Call Options

As at 31 January 2022, the market value of the open option positions was £(615,050) (2021: £(53,365)), resulting in an underlying exposure to 2.94% of the portfolio (valued at strike price).

INCOME STATEMENT
for the year ended 31 January 2022

	Revenue £'000s	Capital £'000s	Total Return £'000s Note C
Gains (losses) on investments held at fair value through profit or loss	-	154,247	154,247
(Losses) gains on foreign currencies	-	(2)	(2)
Income	35,292	-	35,292
Investment management fee	(931)	(1,728)	(2,659)
Administration expenses	(933)	(2)	(935)
Profit (loss) 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 (loss) on ordinary activities before taxation	32,245	150,413	182,658
Taxation	(410)	-	(410)
Profit (loss) after taxation attributable to ordinary shareholders	31,835	150,413	182,248
Earnings (loss) 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

INCOME STATEMENT
for the year ended 31 January 2021

	Revenue £'000s	Capital £'000s	Total Return £'000s Note C
Losses gains on investments held at fair value through profit or loss	-	(86,684)	(86,684)
Gains on foreign currencies	-	2	2
Income	24,909	-	24,909
Investment management fee	(703)	(1,306)	(2,009)
Administration expenses	(1,059)	(2)	(1,061)
Profit (loss) before finance costs and taxation	23,147	(87,990)	(64,843)
Finance costs: interest payable and similar charges	(1,222)	(2,180)	(3,402)
Profit (loss) on ordinary activities before taxation	21,925	(90,170)	(68,245)
Taxation	(77)	-	(77)
Profit (loss) after taxation attributable to ordinary shareholders	21,848	(90,170)	(68,322)
Earnings (loss) per ordinary share (basic and diluted)	18.51p	(76.38p)	(57.87p)

BALANCE SHEET
at 31 January 2021

	£'000s	£'000s
Fixed assets		
Investments held at fair value through profit or loss		638,235
Current assets		
Other receivables	4,043	
Cash and cash equivalents	6,623	
	<u>10,666</u>	
Current liabilities		
Other payables	(27,427)	
Derivative financial instruments	(53)	
	<u>(27,480)</u>	
Net current liabilities		<u>(16,814)</u>
Total assets less current liabilities		621,421
Creditors: amounts falling due after more than one year		(66,704)
Total net assets		<u>554,717</u>
Capital and Reserves		
Called up share capital		30,246
Share premium account		84,137
Capital redemption reserve		293
Capital reserve		417,939
Revenue reserve		22,102
Equity shareholders' funds		<u>554,717</u>
Net asset value per ordinary share		458.5p

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 January 2022

	Called up Share Capital £	Share Premium Account £	Capital Redemption Reserve £	Capital Reserve £	Revenue Reserve £	Total Shareholders Funds £
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
Net assets at 1 February 2020	28,220	54,092	293	508,109	31,820	622,534
Revenue profit	-	-	-	-	21,848	21,848
Dividends on ordinary shares	-	-	-	-	(31,613)	(31,613)
Unclaimed dividends	-	-	-	-	47	47
Capital loss	-	-	-	(90,170)	-	(90,170)
Shares issued during the year	2,026	30,045	-	-	-	32,071
Net assets at 31 January 2021	30,246	84,137	293	417,939	22,102	554,717

CASH FLOW STATEMENT

For the year ended 31 January 2022

	2022 £	2021 £
Operating activities		
Profit (loss) before finance costs and taxation*	185,943	(64,843)
Less: (gains) losses on investments held at fair value	(155,443)	87,838
Less: losses (gains) on foreign currency	2	(2)
Purchase of fixed asset investments held at fair value through profit or loss	(230,959)	(266,727)
Sales of fixed asset investments held at fair value through profit or loss	215,351	242,385
Transaction costs	(1,196)	(1,154)
Decrease (increase) in other receivables	419	(563)
Increase (decrease) in other payables	196	(68)
Less: Overseas tax suffered	(410)	(77)
Net cash inflow (outflow) from operating activities	13,903	(3,211)
Financing activities		
Interest paid	(3,229)	(3,345)
Dividends paid on cumulative preference stock	(43)	(43)
Dividends paid on ordinary shares	(33,505)	(31,613)
Unclaimed dividends over 12 years	-	47
Share issue proceeds	34,879	34,241
Net cash outflow from financing activities	(1,898)	(713)
Increase (decrease) in cash and cash equivalents	12,005	(3,924)
Cash and cash equivalents at the start of the year	6,623	10,546
Effect of foreign exchange rates	(2)	1
Cash and cash equivalents at the end of the year	18,626	6,623
Comprising:		
Cash and cash equivalents	18,626	6,623

* Cash inflow from dividends was £33,412,000 (2021: £23,100,000) and cash inflow from interest was £nil (2021: £nil).

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 2021.

Note B

The earnings per ordinary share is based on a weighted number of shares 124,156,079 (2021: 118,050,092) 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 2018.

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

Note E

	2022 £	2021 £
Dividends paid on ordinary shares of 25p:		
Third quarterly dividend 6.8p paid 16 March 2021 (2020: 6.8p)	8,227	7,649
Fourth quarterly dividend 6.8p paid 18 May 2021 (2020: 6.8p)	8,345	7,794
First quarterly dividend 6.8p paid 20 August 2021 (2020: 6.8p)	8,451	8,085
Second quarterly dividend 6.8p paid 11 November 2021 (2020: 6.8p)	8,482	8,085
	33,505	31,613

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 89 - Statement of Accounting Policies). Details of these dividends are set out below.

	2022 £	2021 £
Third interim dividend 6.85p paid 15 March 2022 (2020: 6.8p)	8,748	8,227
Final proposed dividend 6.85p payable 24 May 2022 (2020: 6.8p)	8,748	8,227
	17,496	16,454

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 2,120,000 shares have been issued, as at 6 April 2022. As described within the report, there is uncertainty surrounding the consequences for global markets from current geo-political events and the macro-economic implications. Merchants does not invest directly in any Russian stocks. Since the year end, Merchants NAV has increased by 0.6%, as at close of business on 5 April 2022. However, the board continues to monitor the geo-political situation closely and its impact on the NAV.

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 2022 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 2021 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.