THE MERCHANTS TRUST PLC

Final Results for the year ended 31 January 2021

The following comprises extracts from the company's Annual Report for the year ended 31 January 2021. 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

When I wrote to shareholders a year ago for the 2020 annual report, we were just beginning a journey into the unknown resulting from the burgeoning global pandemic. We already knew then that the virus itself, and the measures to control it, were likely to be a threat to financial stability and to have a huge impact on economic activity. It also looked likely that there would be significant impact on companies in many industries. That has indeed been the way the year has played out and we now find ourselves reporting on a year where superlatives seem trite and do no justice to what we have all experienced. In addition to the economic impact, in human terms, the cost to physical and mental wellbeing across society has also been dramatic.

The second quarter of the year saw the largest recorded fall in UK GDP, followed by massive stimulus from governments across the globe to buoy faltering economies. The year saw volatile markets with huge early market falls as the pandemic took hold, followed by a strong subsequent bounce-back.

In addition to pronounced market volatility, there could have been additional strains on the investment manager's operating systems and processes. Especially during the early weeks of the pandemic, the board was focused on how the manager was responding to staff working from home and the 'virtual office' and the need to protect shareholder interests made this a priority for our risk agenda. Volatility provided both a challenge but also an opportunity for Merchants and our manager reports in some detail how the investment portfolio was repositioned during the year.

By the middle of the year shareholders will recall we were reporting on a period of underperformance as the first half of the year had been particularly difficult for the company. We started 2020 with a marginally pro-cyclical leaning in the portfolio post-election and gearing in the portfolio amplified negative returns in a falling market. By the year end, the situation had significantly improved. While there is still underperformance against the benchmark, the gap has narrowed considerably. This improved performance came partly as a result of improving economic conditions – I will stop short of calling it a recovery yet due to the current fragility and sensitivity to 'events' – and partly due to active repositioning of the portfolio by our investment manager.

It was also a challenging year for income, with many companies cutting or postponing dividends either as a result of their own prudence given the uncertain environment, or under direction from the Government. However, prospects improved in the second half, as many companies had responded pro-actively to the downturn and focused on strengthening balance sheets, and many re-started dividend payments.

A year of contrasting performance

As described above this was a year of contrast between market falls and volatility in the first half of the year and signs of economic stabilisation with rapid market recovery in the second half.

For the year under review the trust's Net Asset Value total return with debt at market value (NAV) fell by 12.4% compared with a 7.5% decrease in our benchmark, the FTSE All-Share index, on a total return basis. Approximately half of the difference is accounted for by the gearing of the portfolio, which exacerbates market movements, in either direction. The board believes that over the long term, a prudent level of gearing should add value and enhance income for shareholders.

Whilst the near 5% underperformance for the 2021 financial year is disappointing, it should be viewed in the context of an extremely strong 2020 financial year where the NAV total return was 8% above the benchmark, and also in terms of the strong recovery in the second half of 2020. There are more details on the performance of the portfolio in the attribution table on page 12 of the Annual Report.

Pleasingly, against this background demand for our shares remained strong throughout the year and we were able to issue 8,106,423 new shares, or 7.2% of the issued capital, in aggregate during periods when the trust was trading at a premium to Net Asset Value. Since the year end, a further 1,575,000 new shares were issued.

A full investment report containing an analysis of the company's performance is shown on page 40 of the Annual Report, and the portfolio performance attribution is explained by our investment manager Simon Gergel from page 13 of the Annual Report. I would also encourage you to read the interesting stock stories that have been included to further illustrate some of the key themes.

A question of style

In a very challenging year, the investment manager has continued to follow a consistent and disciplined value-based investment approach, looking only for quality companies with solid prospects, on reasonable valuations. The market has for several years favoured so-called growth companies, leading to what the investment manager notes is an extreme polarisation in valuations. However, this disciplined investment style has enabled our investment manager to deliver positive stock selection results above the benchmark return, over the medium and long term, in a period where their style has been out of favour.

The continuing structural preference by investors for growth stocks over value stocks has provided both tailwinds and headwinds for the portfolio – in a positive sense there are more opportunities that the manager is able to find where the valuation does not reflect the intrinsic value of the company. On the negative side this style bias means that stocks may be slower to make progress towards a fair valuation, if indeed they can attain that at all under such conditions, and the valuation polarisation in the market remained high at the year end.

Income remains in sharp focus

As noted, the year saw a large number of dividend cuts in the market and this has inevitably impacted earnings per share which are down more than a third to 18.5p. The board recognises the importance of a growing dividend to shareholders. We can see a path to a covered dividend in the medium term. Absent any significant further deterioration in the outlook for income, the board plans to continue with its progressive dividend policy, and is willing to consider utilising reserves, built up over many years, to cover any shortfall from earnings. We propose a final quarterly dividend for shareholder approval of 6.8p which means for 2020 an increased full-year dividend of 27.2p. This includes a contribution from reserves of 9.9p, leaving 18.3p in reserves at the year end. Whilst this dividend represents a nominal increase of 0.4% over the 2019 dividend of 27.1p, close to but not in excess of the 2020 rate of inflation, we have now grown the dividend for 39 consecutive years at an annualised growth rate of just under 7%, well above the rate of inflation over that period which stands at 3.4% annually as measured by the Consumer Prices Index (CPI).

The ability to accumulate revenue reserves for use in just such a 'rainy day' remains one of the key features of an investment trust and one that the board is happy to consider using prudently on behalf of shareholders.

We are very pleased therefore to, once again, retain our AIC Dividend Hero status. 2021 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 remain as focused on dividends as you are.

Recognition and demand…

We continue to receive generally positive coverage from investment analysts and in the media for the trust. The year has not been fully plain sailing in that respect though. Towards the middle of the year there was some negative commentary surrounding Merchants' investment approach and associated prospects given widespread dividend cuts. The investment manager made efforts to redress this in interviews with the press, giving a more optimistic view with a wider time horizon. As we saw dividends start to return towards the end of the period this started to sit better with the manager's own outlook, which had remained consistent throughout.

In the period we were awarded an AIC Shareholder Communications Award for last year's Annual Report. We hope that shareholders feel this year's report is as informative. We are also pleased to see that Merchants reached number four on the AIC's "Top 20 most viewed investment companies in 2020" list on www.theaic.co.uk.

We continue to believe that this recognises the positive performance that has been generated over the long term together with a high and rising dividend that is a key attraction for investors.

…leads to share issuance and the opportunity to grow
We have once again been in a position to issue new shares over the year. As I described last year there is advantage to be had from increasing the scale of the trust, not least from fixed costs being spread over a NAV. As scale increases, so does the attractiveness of the trust's shares to professional investors, who value liquidity in the company's shares. As issuance can only take place at a premium to NAV, it also adds value incrementally to NAV on each issuance to the additional benefit of all shareholders.

Through the year the company raised £32m with the issuance of new shares.

Due to the continuing demand we are seeing, as in previous years your board and investment manager will be seeking shareholder authority to issue up to 10% more shares in the coming year.

Gearing
Shareholders will be aware that the board of Merchants holds the view that an element of gearing of the trust can enhance investment returns and increase dividend generation and that this is consistent with a long-term investment horizon. The debt structure is now a mix of short-, medium- and long-term debt, giving a more flexible profile to the debt structure which our managers can use as needed.

In January 2020, the decision was made to reduce gearing to 15%. This was undertaken as a prudent measure as markets had had a very strong run and proved a worthwhile exercise in hindsight as it removed some of the amplification from gearing when markets fell throughout the first half of 2020. The gearing level ended the year higher at 16.8% due to the overall reduction in asset value of the portfolio however it remains within the range the board are comfortable with and we feel appropriately positioned given the market outlook.

Strategy
Our annual strategy day takes a more in-depth look at the matters we consider at each board meeting, including our objectives and key performance indicators and this took place towards the end of the year under review. The Strategic Report can be found on page 41 of the Annual Report. We reviewed the investment philosophy, including the value style of investing, and once again found this to be appropriate for our objectives. We examined the structure of the portfolio and style exposures in detail. This year we spent additional time discussing sources of income in the portfolio and alternatives available, including considering a limited amount of investment outside of the UK. The board has decided to allow the fund manager to invest up to 10% of the portfolio into shares listed overseas, in order to provide a greater diversification of investment opportunities and income, at a time when the opportunity for higher yielding shares in the UK market is more concentrated than usual, The reason we want to place additional focus here as a board is to understand the potential viability of all sources of income in a post COVID world as well as reviewing our policy towards income generation for our shareholders as a long-standing AIC dividend hero.

The integration of ESG within the investment process is a key component and we are pleased to report that the Merchants portfolio and investment process has received an IESG (Integrated ESG) rating from AllianzGI's internal ESG oversight team. In short this means that all ESG risks are being fully considered within the investment process. This is covered by Simon Gergel in his report on page 25 of the Annual Report.

From a sales and marketing perspective the pandemic has highlighted the importance of a digital strategy and we considered various digital opportunities including the use of social media. Our strategy for distribution via wealth managers and retail investment platforms remains fit for purpose.

Post-Brexit arrangements
As we have mentioned previously, the FCA's Temporary Permissions Regime following Brexit will in due course end. We would like to assure our shareholders that the board and AllianzGI are discussing the ways in which the company might organise its contractual relationships in order that we discharge our regulatory responsibilities and our outsourced arrangements such as portfolio management, distribution, financial reporting and custody. We will be sure to update shareholders on any new arrangements in due course.

Board
Our board meetings have been virtual since March last year. We welcomed Karen McKellar to the board last May and her experience as a director of the company has been exceptional since there

have been no in-person board or shareholder meetings since then. Karen answers a few questions about her background and experience on page 9 of the Annual Report. The board effectiveness review conducted since the year end examined the impact of the pandemic on boardroom behaviour and experience. More details are reported on page 7 of the Annual Report

Annual General Meeting

In view of the current remaining restrictions in place on travel and meetings, as last year, the Annual General Meeting of the company to be held on Thursday 13 May 2021 will be held as a closed meeting and shareholders will not be able to attend in person. We are proposing a change to the Articles to permit hybrid or virtual only shareholder meetings in future. There is further information about this on pages 58 and 107 of the Annual Report. The board will always hold physical shareholder meetings when possible, however these provisions may be used when physical meetings are not possible (such as in the current pandemic circumstances) and the board will consider shareholders' best interests before deciding to hold such a hybrid or virtual-only meeting.

To give you the opportunity to communicate with the board and investment managers you are invited to view a video presentation which will be posted on the website www.merchantstrust.co.uk two weeks before the AGM and send any questions for the board and manager care of the company secretary at investment-trusts@allianzgi.com or in writing to the registered office (further details are available on page 57 of the Annual Report) and we will publish questions and answers on the website. We encourage all shareholders to exercise their votes in advance of the meeting by completing and returning the form of proxy.

Given that restrictions should be relaxed in the next few months we would ideally like to ensure the year does not pass without the opportunity to once again greet shareholders in person. Should this opportunity present itself then we will aim to create a shareholder event in the Autumn or at such time that the presiding rules and safety factors allow.

Outlook

Last year I signed off by noting the impact of the pandemic was a very present shadow. Unfortunately, a year on, while there is some light at the end of the tunnel, we are not yet completely free of that shadow. We are seeing the signs of recovery and advancing vaccination programmes will undoubtedly spur that along. However, we have already seen the demonstration of how setbacks can occur, particularly with emerging mutant strains of the virus.

Even as the recovery progresses, many factors will be in play – enlarged government debt may require taxes to be raised, economic stimulus will not simply be quickly removed and increasing inflation is also a possibility. The road ahead is unlikely to be smooth.

We have at least seen an end to uncertainty surrounding post-Brexit trading agreements with the EU – some finer points are still manifesting themselves, but the main elements of the relationship are clear in outline and give the markets much needed clarity. Uncertainty can have a much more negative impact on markets than the actual trade arrangements ever would have done regardless of direction once the market can digest. The hope is that in time this will make the UK more investible once again, and therefore drive a re-rating of many undervalued stocks.

From an investment perspective we remain focused on the long term. Although the early '20s' will likely live in our minds for a long time, we hope that in investment terms we will be able to see the period as a temporary blip and on that basis our investment manager continues the core task of seeking out strong, structurally well positioned companies, paying above-average dividend yields, and trading on attractive valuations.

I would encourage you to read on through this report. Many of the elements I have briefly outlined here are nuanced and they are given more focus in the Investment Management Report and in the other descriptive sections.

Colin Clark
Chairman
13 April 2021

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 47 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 69 of the Annual Report.

Principal risks

The principal risks continue to be influenced by the impact of COVID-19. Those identified as having the highest impact are Investment strategy and Investment performance risks and the greatest likelihood are market decline and emerging risks. Investment strategy risk has been assessed as slightly more likely and with slightly more impact than before, Liquidity and gearing risk has been assessed as being slightly more likely than before and market decline and emerging risks have been assessed as having slightly lesser impact than before.

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 2021 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 56 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 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
13 April 2021

LISTED EQUITY HOLDINGS as at 31 January 2021

Name	Value (£)	% of listed holdings	Principal Activities
GSK	37,735,322	5.9	Pharmaceuticals & Biotechnology
Imperial Brands	31,752,000	5.0	Tobacco
British American Tobacco	30,428,375	4.8	Tobacco
SSE	25,599,000	4.0	Electricity
Royal Dutch Shell B	24,213,783	3.8	Oil, Gas & Coal
BP	24,075,173	3.8	Oil, Gas & Coal
Barclays	23,369,500	3.7	Banks
BAE Systems	22,152,613	3.4	Aerospace & Defence
National Grid	21,462,500	3.4	Gas, Water & Multiutilities
St. James's Place	20,527,500	3.2	Investment Banking & Brokerage
Top Ten Holdings	**261,315,766**	**41.0**	
Tate & Lyle	20,141,550	3.2	Food Producers
WPP	19,719,350	3.1	Media
Vodafone Group	18,750,460	2.9	Telecommunications Service Providers
Tyman	18,444,200	2.9	Construction & Materials
Legal & General	18,422,000	2.9	Life Insurance
IG Group Holdings	18,295,310	2.9	Investment Banking & Brokerage
Redrow	15,776,250	2.5	Household Goods & Home Construction
BHP	15,325,277	2.4	Industrial Metals & Mining
Man Group	13,964,973	2.1	Investment Banking & Brokerage
DCC	12,686,800	2.0	Industrial Support Services
Keller	12,648,000	2.0	Construction & Materials
Stock Spirits Group	12,620,800	2.0	Beverages
Meggitt	12,396,875	1.9	Aerospace & Defence
SThree	12,007,971	1.9	Industrial Support Services
Entair	11,660,266	1.8	Travel & Leisure
PZ Cussons	11,385,000	1.8	Personal Care, Drug & Grocery Stores
Bellway	11,157,750	1.7	Household Goods & Home Construction
Inchcape	10,906,000	1.7	Industrial Support Services
ITV	10,378,200	1.6	Media
Conduit Holdings	10,004,000	1.6	Non-Life Insurance
BT Group	9,792,900	1.5	Telecommunications Service Providers
DFS Furniture	9,683,133	1.5	Retailers
Landsec	8,928,093	1.4	Real Estate Investment Trusts
Diversified Gas & Oil	7,935,000	1.2	Oil, Gas & Coal
Morgan Advanced	7,656,484	1.2	Electronic & Electrical Equipment
Standard Life Aberdeen	7,374,672	1.2	Investment Banking & Brokerage
Close Brothers Group	7,332,000	1.1	Banks
Kin and Carta	6,904,747	1.1	Software & Computer Services
Next	6,570,500	1.0	Retailers
CRH	4,986,300	0.8	Construction & Materials
Norcros	4,487,230	0.7	Construction & Materials
Hammerson	3,516,970	0.6	Real Estate Investment Trusts
Antofagasta	3,287,850	0.5	Industrial Metals & Mining
M&G	1,767,795	0.3	Investment Banking & Brokerage
Total Listed Equities	**638,230,472**	**100.0**	

UNLISTED EQUITY HOLDINGS as at 31 January 2021

Name	**Value (£)**	**% of unlisted holdings**	**Principal Activities**
Fintrust Debenture*	4,486	100.0	Financial Services
Total Unlisted Equities	**4,486**	**100.0**	

Written Call Options
As at 31 January 2021, the market value of the open option positions was £(53,365) (2020: £(28,300)), resulting in an underlying exposure to 3.12% of the portfolio (valued at strike price).

*The company was the lender of the company's Fixed Rate Interest Loan 2023 which was repaid during the prior year. More details are available in Note 9 on page 89 of the Annual Report.

INCOME STATEMENT
for the year ended 31 January 2021

	Revenue £	Capital £	Total Return £ Note C
Losses gains on investments held at fair value through profit or loss	-	(86,683,559)	(86,683,559)
Gains on foreign currencies	-	1,466	1,466
Income	24,909,267	-	24,909,267
Investment management fee	(703,149)	(1,305,847)	(2,008,996)
Administration expenses	(1,059,261)	(2,069)	(1,061,330)
Profit (loss) before finance costs and taxation	**23,146,857**	**(87,990,009)**	**(64,843,152)**
Finance costs: interest payable and similar charges	(1,222,439)	(2,180,161)	(3,402,600)
Profit (loss) on ordinary activities before taxation	**21,924,418**	**(90,170,170)**	**(68,245,752)**
Taxation	(76,612)	-	(76,612)
Profit (loss) after taxation attributable to ordinary shareholders	**21,847,806**	**(90,170,170)**	**(68,322,364)**
Earnings (loss) per ordinary share (basic and diluted)	**18.51p**	**(76.38p)**	**(57.87p)**

BALANCE SHEET
at 31 January 2021

	£	£
Fixed assets		
Investments held at fair value through profit or loss		638,234,958
Current assets		
Other receivables	4,043,194	
Cash and cash equivalents	6,623,461	
	10,666,655	
Current liabilities		
Other payables	(27,427,472)	
Derivative financial instruments	(53,365)	
	(27,480,837)	
Net current liabilities		(16,814,182)
Total assets less current liabilities		**621,420,776**
Creditors: amounts falling due after more than one year		(66,703,372)
Total net assets		**554,717,404**
Capital and Reserves		
Called up share capital		30,246,222
Share premium account		84,137,103
Capital redemption reserve		292,853
Capital reserve		417,939,055
Revenue reserve		22,102,171
Equity shareholders' funds		**554,717,404**
Net asset value per ordinary share		458.5p

INCOME STATEMENT
for the year ended 31 January 2020

	Revenue £	Capital £	Total Return £ Note C
Gains on investments at fair value through profit or loss	-	80,844,082	80,844,082
Gains on foreign currencies	-	21,069	21,069
Income	36,236,313	-	36,236,313
Investment management fee	(829,367)	(1,540,251)	(2,369,618)
Administration expenses	(855,489)	(1,495)	(856,984)
Profit before finance costs and taxation	**34,551,457**	**79,323,405**	**113,874,862**
Finance costs: interest payable and similar charges	(1,884,565)	(15,610,679)	(17,495,244)
Profit on ordinary activities before taxation	**32,666,892**	**63,712,726**	**96,379,618**
Taxation	(23,656)	-	(23,656)
Profit after taxation attributable to ordinary shareholders	**32,643,236**	**63,712,726**	**96,355,962**
Earnings per ordinary share (basic and diluted) (Note B)	**29.67p**	**57.90p**	**87.57p**

BALANCE SHEET
at 31 January 2020

	£	£
Fixed assets		
Investments held at fair value through profit or loss		704,446,268
Current assets		
Other receivables	4,307,985	
Cash and cash equivalents	10,546,075	
	14,854,060	
Current liabilities		
Other payables	(30,086,079)	
Derivative financial instruments	(28,300)	
	(30,114,379)	
Net current liabilities		(15,260,319)
Total assets less current liabilities		**689,185,949**
Creditors: amounts falling due after more than one year		(66,651,713)
Total net assets		**622,534,236**
Capital and Reserves		
Called up share capital		28,219,616
Share premium account		54,092,585
Capital redemption reserve		292,853
Capital reserve		508,109,225
Revenue reserve		31,819,957
Equity shareholders' funds		**622,534,236**
Net asset value per ordinary share		551.5p

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 January

	Called up Share Capital £	Share Premium Account £	Capital Redemption Reserve £	Capital Reserve £	Revenue Reserve £	Total Shareholders Funds £
Net assets at 1 February 2020	28,219,616	54,092,585	292,853	508,109,225	31,819,957	622,534,236
Revenue profit	-	-	-	-	21,847,806	21,847,806
Dividends on ordinary shares	-	-	-	-	(31,612,732)	(31,612,732)
Unclaimed dividends	-	-	-	-	47,140	47,140
Capital loss	-	-	-	(90,170,170)	-	(90,170,170)
Shares issued during the year	2,026,606	30,044,518	-	-	-	32,071,124
Net assets at 31 January 2021	**30,246,222**	**84,137,103**	**292,853**	**417,939,055**	**22,102,171**	**554,717,404**
Net assets at 1 February 2019	27,182,116	33,717,572	292,853	444,396,499	28,337,693	533,926,733
Revenue profit	-	-	-	-	32,643,236	32,643,236
Dividends on ordinary shares	-	-	-	-	(29,160,972)	(29,160,972)
Capital profit	-	-	-	63,712,726	-	63,712,726
Shares issued during the year	1,037,500	20,375,013	-	-	-	21,412,513
Net assets at 31 January 2020	**28,219,616**	**54,092,585**	**292,853**	**508,109,225**	**31,819,957**	**622,534,236**

CASH FLOW STATEMENT

For the year ended 31 January

	2021 £	2020 £
Operating activities		
(Loss) profit before finance costs and taxation*	(64,843,152)	113,874,862
Less: Losses (gains) on investments held at fair value	87,838,052	(80,003,262)
Less: Gains on foreign currency	(1,466)	(21,069)
Purchase of fixed asset investments held at fair value through profit or loss	(266,727,521)	(183,903,663)
Sales of fixed asset investments held at fair value through profit or loss	242,385,324	184,945,332
Transaction costs	(1,154,493)	(840,820)
Increase in other receivables	(562,908)	(1,004,094)
(Decrease) increase in other payables	(68,114)	155,284
Less: Overseas tax suffered	(76,612)	(23,656)
Net cash (outflow) inflow from operating activities	**(3,210,890)**	**33,178,914**
Financing activities		
Interest paid	(3,345,812)	(6,040,184)
Repayment of Fixed Rate Interest Loan 2023	-	(42,000,000)
Premium paid on Fixed Rate Interest Loan 2023	-	(13,603,800)
Proceeds from Revolving Credit Facility	-	42,000,000
Repayment of Revolving Credit Facility	-	(16,000,000)
Dividends paid on cumulative preference stock	(42,997)	(42,997)
Dividends paid on ordinary shares	(31,612,732)	(29,160,972)
Unclaimed dividends over 12 years	47,140	-
Share issue proceeds	34,241,211	21,412,513
Share issue proceeds receivable	-	(2,170,087)
Net cash outflow from financing activities	**(713,190)**	**(45,605,527)**
Decrease in cash and cash equivalents	**(3,924,080)**	**(12,426,613)**
Cash and cash equivalents at the start of the year	10,546,075	22,951,619
Effect of foreign exchange rates	1,466	21,069
Cash and cash equivalents at the end of the year	6,623,461	10,546,075
Comprising:		
Cash and cash equivalents	6,623,461	10,546,075

* Cash inflow from dividends was £23,099,828 (2020: £34,785,104) and cash inflow from interest was £5,357 (2020: £161,352).

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 October 2019.

Note B

The earnings per ordinary share is based on a weighted number of shares 118,050,092 (2020: 110,037,230) 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

	2021 £	2020 £
Dividends paid on ordinary shares of 25p:		
Third interim dividend 6.8p paid 11 March 2020 (2019 - 6.5p)	7,648,536	7,067,350
Fourth interim dividend 6.8p paid 29 May 2020 (2019 - 6.6p)	7,794,492	7,205,779
First interim dividend 6.8p paid 19 August 2020 (2019 - 6.7p)	8,084,852	7,371,907
Second interim dividend 6.8p paid 12 November 2020 (2019 - 6.8p)	8,084,852	7,515,936
	31,612,732	**29,160,972**

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

	2021 £	2020 £
Third interim dividend 6.8p paid 16 March 2021 (2020: 6.8p)	8,226,972	7,675,736
Final proposed dividend 6.8p payable 18 May 2021 (2020: 6.8p)	8,226,972	7,675,736
	16,453,944	**15,351,472**

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, 23 April 2021, 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 1,575,000 shares have been issued, as of 12 April 2021.

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 2021 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 2020 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.