For immediate release
27 March 2017

THE MERCHANTS TRUST PLC

Final Results for the year ended 31 January 2017

The following comprises extracts from the company's Annual Report for the year ended 31 January 2017. 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

I am delighted to announce that following our Annual General Meeting, The Merchants Trust will have an unbroken record of 35 years of dividend growth and that we continue to be promoted in the 'dividend heroes' list published by the Association of Investment Companies.

A high and rising dividend is a hallmark of The Merchants Trust and is widely appreciated by shareholders. We are committed to dividends and dividend growth and this was reaffirmed as a key objective at the recent annual strategy session by the board.

Net Earnings and Dividends

The board is recommending a final dividend of 6.1p (2016: 6.0p). This payment will make our total dividend for the year 24.2p (2016: 24.0p), an increase of 0.8%.

Our net earnings were unchanged this year but we have over the years retained substantial reserves to enable shareholders to be provided with high and growing income. The final dividend of 6.1p will be paid on 18 May 2017 to shareholders on the register on 21 April 2017. This dividend requires a modest contribution from revenue reserves. After providing for the final dividend payment, the company's revenue reserves amounted to £11.5m (10.6p per share).

The board also monitors the company's yield relative to other investment trusts in the UK Equity Income sector. At 31 January 2017, the company's yield of 5.3% ranked Merchants as third in the sector.

As at 27 March 2017, the company's ordinary shares yielded 5.1% compared with the 3.5% yield on the FTSE All-Share Index at that date.

Looking back over the last decade, because of the high starting yield, and due to the tough conditions for several companies paying dividends in the aftermath of the financial crisis, the rate of increase in the dividends paid by the company has not quite matched the rate of inflation.

Asset returns
In a strong year for the stock market, the company's NAV total return was +14.9%. This was behind the total return on our benchmark, the FTSE 100 Index, of +21.4% This return placed the company tenth out of twenty-two funds in its peer group. The investment manager's review describes the equity performance and attribution in more detail on page 21. Falling bond yields also held back returns as they led to an increase in the value of the company's debt. On the other hand, gearing had a positive effect in a rising market environment, even after the cost of finance.

Despite underperforming the index last year the longer term performance remains ahead of the benchmark in three of the last five years. On a cumulative basis, over five years, the NAV total return was 71.3%, the equity portfolio total return was 61.1%, whilst the benchmark return was 50.5%.

The company's share price rose by 9.3% from 414.0p to 452.5p over the year. On a total return basis (which includes net dividends) the value of the shares increased by 15.1%.

Benchmark Change
The board monitors the company's NAV total return against several comparators, including the FTSE 100 Index which was the benchmark for the year to 31 January 2017, and the peer group, the UK equity income sector. As the manager has diversified the sources of income to build sustainable growth and resilience into the income stream, the proportion of the portfolio invested outside of the FTSE 100 Index has increased from 11% to 36% during the last ten years. As a result, in January, the board decided to change the benchmark to the FTSE All-Share Index which more closely reflects the structure of the portfolio and the available investment universe. This change came into effect from the beginning of the current financial year, 1 February 2017.

The Board
During the year we welcomed Timon Drakesmith to the board. Timon joined on 1 November 2016 and took on the role of Audit Committee Chairman on appointment. His biography is on page 34 and he will be standing for election at the annual general meeting.

Mike McKeon retired from the board at the end of the financial year, on 31 January 2017. Over his nine years on the board Mike provided excellent counsel and guidance both as Chairman of the Audit Committee and as the Senior Independent Director, and made an invaluable contribution as a board colleague; we wish him well for the future.

Sybella Stanley has been appointed as the Senior Independent Director.

Strategy and the Strategic Report
The Strategic Report follows on page 12. At our annual strategy day last year we had an in-depth look at the matters we consider at each board meeting, including our position relative to our peer group and benchmark, together with a number of other topics including the gearing structure and the future of our debentures. We are looking this year at the company's debt structure and making plans for the future of the gearing as we are to repay the most expensive portion of our long term loans by the end of January 2018.

Issue of new shares and the buyback of shares
For much of the year to 31 January 2017 we saw the company's share price trade at a discount to the net asset value but the discount was not large enough to make buying back shares good value for shareholders. No shares were therefore bought back. At the end of the financial year the discount to NAV with debt at market value was 5.5%.

Our policy continues to be to issue shares at a premium to net asset value, cum income with debt at market value, at a price that is not dilutive to existing shareholders, to meet natural demand in the market and conversely, to buy back shares either for cancellation or for holding in treasury. Prior to such a decision, the board would need to consider the discount to be significant, taking gearing into account, and deem a buyback to be good relative value. Any shares issued or sold from treasury will be at a premium to the NAV to ensure that existing shareholders benefit from the transaction.

Marketing drives demand for Merchants Trust shares
As a board, we understand the merits of ongoing marketing activity. In particular we are keen to grow the number of individual shareholders that hold their shares directly. Our communication programme

has been instrumental in creating sustained and ongoing demand for Merchants shares through execution only platforms in recent years.

The programme also includes communication with both national and industry journalists, since positive coverage can be highly influential on retail flows. We were pleased to see that the company was featured in the Mail on Sunday's popular 'Fund Focus' column on 22 January 2017 (reproduced on page 7 and in full on the website, www.merchantstrust.co.uk), generating significant interest.

The Merchants Trust website continues to be the company's 'shop window' and contains considerable information, including the latest investment performance and commentaries, as well as video interviews, press coverage and a library of other useful materials. The site is constantly evolving and will be refreshed in 2017 to make it easier to access via mobile phones or tablets. Through the website, investors can also register to receive monthly performance updates via email.

The website also includes information on how to invest in shares, including links to a number of online trading platforms. Many platform providers offer Individual Savings Account and pension products as well as the facility to invest on a regular monthly basis. Competition amongst platform providers has grown increasingly over recent years so investing online can be a very cost-effective way to buy Merchants shares.

Gearing
The company continues to have long term debt amounting to £76 million (plus £34 million of short term debt which is to be repaid in the current financial year). This is all deployed in the market for investment purposes. Our gearing averaged 22.7% throughout the year, compared to 21.8% last year.

The maturity of the loan in 2018 gives us an opportunity to decide the best gearing structure going forward and identifying attractive borrowing opportunities is a key focus this year.

Derivatives
We have continued our policy of selectively writing call options on a limited number of the company's holdings. Writing options has provided a small amount of additional income. There are more details in the Investment Manager's Review on page 25.

Annual General Meeting
The annual general meeting of the company will be held on Tuesday 16 May 2017 at 12.00 noon at Grocers' Hall, Princes Street London EC2R 8AD, and we look forward to seeing as many shareholders then as are able to attend.

Outlook
In the next twelve months our earnings per share will continue to be supported by the translation of international dividend payments back into sterling and the maturity of our expensive loan in January 2018.

More broadly, we face many political and economic risks over the short to medium term, ranging from the impact of elections in Europe and the nature of Brexit, to the American domestic and foreign policy under President Trump. However, The Merchants Trust has navigated its way through many uncertain periods in its 128 year existence.

In these situations, it is best to focus on the competitive position and financial strength of individual companies, rather than the prospects for the stock market as a whole. Our fund managers are able to identify many opportunities to invest in businesses which offer a combination of an attractive dividend yield and the potential for capital growth. By keeping to our strategy of investing in a diversified portfolio of UK equities offering these characteristics, the board believes that the company is well positioned to meet its objectives of paying a high and growing dividend yield, and delivering attractive total returns for shareholders in the years to come.

Simon Fraser
Chairman
27 March 2017

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 are understood. The principal risks identified by the board are set out in the table on page 17, together with the actions taken to mitigate these risks. The process by which the directors monitor risk is described in the Audit Committee Report on page 45.

Risk Appetite

The directors' approach to risk is to identify where there are risks and to note mitigation actions taken and then to look at the probability of the event and consider the extent to which the resulting residual risk is acceptable, which is defined as the board's risk appetite. As a result of this exercise the risks are rated as 'red' or 'high' when the risk is of concern and sufficient mitigation measures are not possible or not yet in place; 'amber' or 'moderate' when the risk is of concern but sufficient measures are defined and have been or are being implemented; and 'green' or 'acceptable' when the risk is acceptable and no further measures are needed. The nature of the company's business means that a certain amount of risk must be taken for the objectives to be met and it is not surprising that portfolio risk types earn amber ratings.

Risk Appetite:
Green - Risk is acceptable, no additional measures needed
Amber - Risk is of concern, but sufficient measures are defined and being implemented
Red - Risk is of concern, sufficient mitigation measures not possible or not yet in place

In the risk appetite column in the table below, the board identifies risks, considers controls and mitigation, and then evaluates whether its risk appetite is satisfied. This column shows whether the residual risks, measured against the board's risk appetite, are satisfactory. This check enables the board to conclude that its assessment of risk is in line with its risk appetite.

Principal Risks identified	**Controls and mitigation**	**Risk Appetite**
Portfolio Risk Macro-economic shocks to the portfolio if economists fail to predict changes to the investment environment Significant market movements may adversely impact the investments held by the company increasing the risk of loss or challenges to the investment strategy. Reduction of dividends across the market affecting the portfolio yield and the ability to pay in line with dividend policy.	The manager reports regularly on macro-economic intelligence received from its internal and external sources. The investment process is bottom-up which manages risk of impact if predictions are inaccurate. The board meets with the portfolio managers and considers asset allocation, stock selection and levels of gearing on a regular basis and has set investment restrictions and guidelines that are monitored and reported on by AllianzGI. The board monitors yields and can modify investment parameters and consider a change to dividend policy. The board receives reports from the manager on the stress testing of the portfolio at least twice each year and contact is made with the chairman and board if necessary between board meetings.	Amber
Business Risk An inappropriate investment strategy e.g. asset allocation or the level of gearing may lead to underperformance against the company's benchmark index and peer group companies, resulting in the company's shares trading on a wider	The board manages these risks by diversification of investments through its investment restrictions and guidelines which are monitored and on which the board receives reports at every meeting. The board monitors the implementation and results of the investment process with the investment managers, who attend all board meetings, and reviews data which shows risk factors and how they affect the	Green

discount. Risk that there are insufficient liquid funds to pay back debentures on maturity.	portfolio. The manager employs the company's gearing within a strategic range set by the board. The board also meets annually specifically to discuss strategy, including investment strategy. The board has a plan to identify sufficient funds for the repayment of debenture holders.	
Operational Risk Risk of inadequate procedures for the identification, evaluation and management of risks at outsourced providers including Allianz Global Investors (AllianzGI), and AllianzGI's outsourced providers, Bank of New York (BNYM) and Northern Trust (NT).	AllianzGI carries out regular monitoring of outsourced administration functions, this includes compliance visits and risk reviews where necessary. Results of these reviews are received by the board. Agreed Service Level Agreements (SLAs) and Key Performance Indicators (KPIs) are in place and the board receives reports against these.	Green
Other Risk Regulatory, external and catastrophic risk	In addition to the principal risks above, the board has identified more general risks, for example relating to compliance with accounting, tax, legal and regulatory requirements and to the provision of services from third parties. As in all companies, the board is alert to the risks of financial crime and threat of cyber attacks and reviews how third party service providers handle these threats. After ensuring that there are appropriate measures in place, the board considers these risks are effectively mitigated.	Green
Other Risk Macro-economic and political risk	The board also considers the impact from emerging risks that are not yet known or fully identifiable, such as economic, regulatory and political risks arising from the implementation of the UK's exit from the European Union or the US election. The board maintains close relations with its advisers (lawyers and manager) as well as its auditors and will make preparations for mitigation of these risks as and when they are known or can be anticipated.	Amber

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 FRS102 "The Financial Reporting Standard applicable in the UK & Republic of Ireland" (United Kingdom Accounting Standards and applicable law). Company law also requires that 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 net return 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;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 40.

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 performance, business model and strategy.

For and on behalf of the board

Simon Fraser
Chairman
27 March 2017

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LISTED EQUITY HOLDINGS as at 31 January 2017

Name	Value (£)	% of listed holdings	Principal Activities
Royal Dutch Shell 'B'	53,190,679	8.3	Oil & Gas Producers
GlaxoSmithKline	48,455,936	7.5	Pharmaceuticals & Biotechnology
HSBC	40,121,789	6.2	Banks
BP	38,052,448	5.9	Oil & Gas Producers
Lloyds Banking Group	26,227,680	4.1	Banks
UBM	25,201,628	3.9	Media
Centrica	20,023,360	3.1	Gas, Water & Multiutilities
Tate & Lyle	17,734,725	2.8	Food Producers
SSE	17,409,600	2.7	Electricity
Prudential	16,928,600	2.6	Life Insurance
Top Ten Holdings	**303,346,445**	**47.1**	
Inmarsat	15,882,462	2.5	Mobile Telecommunications
Legal & General	15,738,300	2.4	Life Insurance
BAE Systems	15,655,439	2.4	Aerospace & Defence
Kier Group	15,284,521	2.4	Construction & Materials
Standard Life	15,280,522	2.4	Life Insurance
SThree	14,240,892	2.2	Support Services
Hansteen	14,199,754	2.2	Real Estate Investment Trusts
Greene King	13,892,400	2.2	Travel & Leisure
BHP Billiton	13,249,193	2.1	Mining
Pennon	13,084,500	2.0	Gas, Water & Multiutilities
Sainsbury (J)	12,735,320	2.0	Food & Drug Retailers
Marks & Spencer	12,691,105	2.0	General Retailers
National Grid	12,466,944	1.9	Gas, Water & Multiutilities
Balfour Beatty	11,581,855	1.8	Construction & Materials
Diageo	10,794,700	1.7	Beverages
Carnival	10,788,889	1.7	Travel & Leisure
Antofagasta	9,560,750	1.5	Mining
Aviva	9,530,808	1.5	Life Insurance
Ladbrokes	9,305,400	1.4	Travel & Leisure
IG Group	9,043,166	1.4	Financial Services
Senior	8,946,089	1.4	Aerospace & Defence
NEX	8,860,844	1.4	Financial Services
Ashmore Group	8,446,189	1.3	Financial Services
CRH	8,445,450	1.3	Construction & Materials
Man Group	7,772,922	1.2	Financial Services
Equiniti	7,630,834	1.2	Support Services
TP ICAP	5,859,621	0.9	Financial Services
FirstGroup	5,766,450	0.9	Travel & Leisure
Sirius Real Estate	4,810,377	0.7	Real Estate Investment & Services
Tyman	4,655,000	0.7	Construction & Materials

Name	Value (£)	% of listed holdings	Principal Activities
British American Tobacco	4,423,307	0.7	Tobacco
Hostelworld	3,602,429	0.6	Travel & Leisure
Mothercare	2,920,680	0.5	General Retailers
St Ives	2,910,875	0.4	Support Services
Total Listed Equities	**643,404,432**	**100.0**	

UNLISTED EQUITY HOLDINGS as at 31 January 2017

Name	Value (£)	% of unlisted holdings	Principal Activities
First Debenture Finance*	23,483	84.0	Financial Services
Fintrust Debenture*	4,486	16.0	Financial Services
Total Unlisted Equities	**27,969**	**100.0**	

* These companies are the lenders of the company's Stepped Rate Loan and Fixed Rate Interest Loan; more details are available in Note 9 on page 70 of the annual report.

Written Call Options

As at 31 January 2017, the market value of the open option positions was £(85,100), (2016: £(214,350) resulting in an underlying exposure to 2.8% of the portfolio (valued at strike price).

INCOME STATEMENT

for the year ended 31 January 2017

	Revenue £	Capital £	Total Return £ (Note C)
Gains on investments held at fair value through profit or loss	-	54,569,087	54,569,087
Gains on foreign currencies	-	10,785	10,785
Income	31,123,179	-	31,123,179
Investment management fee	(773,904)	(1,437,251)	(2,211,155)
Administration expenses	(868,194)	(1,410)	(869,604)
Profit before finance costs and taxation	**29,481,081**	**53,141,211**	**82,622,292**
Finance costs: interest payable and similar charges	(3,320,438)	(6,085,717)	(9,406,155)
Profit on ordinary activities before taxation	**26,160,643**	**47,055,494**	**73,216,137**
Taxation	-	-	-
Profit after taxation attributable to ordinary shareholders	**26,160,643**	**47,055,494**	**73,216,137**
Earnings per ordinary share (basic and diluted)	**24.06p**	**43.28p**	**67.34p**

BALANCE SHEET

at 31 January 2017

	£	£
Fixed Assets		
Investments held at fair value through profit or loss		643,432,401
Current Assets		
Others receivables	504,132	
Cash and cash equivalents	14,484,822	
	14,988,954	
Current Liabilities		
Other payables	(36,996,999)	
Derivative financial instruments	(85,100)	
	(37,082,099)	
Net current liabilities		**(22,093,145)**
Total assets less current liabilities		**621,339,256**
Creditors: amounts falling due after more than one year		(76,021,706)
Total Net assets		**545,317,550**
Capital and Reserves		
Called up share capital		27,182,116
Share premium account		33,717,572
Capital redemption reserve		292,853
Capital reserve		459,359,570
Revenue reserve		24,765,439
Equity shareholders' funds		**545,317,550**
Net asset value per ordinary share		501.5p

INCOME STATEMENT
for the year ended 31 January 2016

	Revenue £	Capital £	Total Return £ (Note C)
Losses on investments at fair value through profit or loss	-	(56,416,352)	(56,416,352)
Gains on foreign currencies	-	-	-
Income	30,984,794	-	30,984,794
Investment management fee	(795,370)	(1,477,115)	(2,272,485)
Administration expenses	(739,253)	(44)	(739,297)
Profit (loss) before finance costs and taxation	**29,450,171**	**(57,893,511)**	**(28,443,340)**
Finance costs: interest payable and similar charges	(3,304,965)	(6,057,941)	(9,362,906)
Profit (loss) on ordinary activities before taxation	**26,145,206**	**(63,951,452)**	**(37,806,246)**
Taxation	-	-	-
Profit (loss) after taxation attributable to ordinary shareholders	**26,145,206**	**(63,951,452)**	**(37,806,246)**
Earnings (loss) per ordinary share (basic and diluted)	**24.05p**	**(58.82p)**	**(34.77p)**

BALANCE SHEET
at 31 January 2016

	£	£
Fixed Assets		
Investments held at fair value through profit or loss		603,369,373
Current Assets		
Others receivables	946,814	
Cash and cash equivalents	6,457,992	
	7,404,806	
Current Liabilities		
Other payables	(2,189,728)	
Derivative financial instruments	(214,350)	
	(2,404,078)	
Net current assets		**5,000,728**
Total assets less current liabilities		**608,370,101**
Creditors: amounts falling due after more than one year		(110,262,236)
Total Net assets		**498,107,865**
Capital and Reserves		
Called up share capital		27,182,116
Share premium account		33,717,572
Capital redemption reserve		292,853
Capital reserve		412,304,076
Revenue reserve		24,611,248
Equity shareholders' funds		**498,107,865**
Net asset value per ordinary share		458.1p

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 2016	27,182,116	33,717,572	292,853	412,304,076	24,611,248	498,107,865
Revenue profit	-	-	-	-	26,160,643	26,160,643
Dividends on ordinary shares	-	-	-	-	(26,094,832)	(26,094,832)
Unclaimed Dividends	-	-	-	-	88,380	88,380
Capital profit	-	-	-	47,055,494	-	47,055,494
Net assets at 31 January 2017	**27,182,116**	**33,717,572**	**292,853**	**459,359,570**	**24,765,439**	**545,317,550**
Net assets at 1 February 2015	27,182,116	33,717,572	292,853	476,255,528	24,560,874	562,008,943
Revenue profit	-	-	-	-	26,145,206	26,145,206
Dividends on ordinary shares	-	-	-	-	(26,094,832)	(26,094,832)
Capital loss	-	-	-	(63,951,452)	-	(63,951,452)
Net assets at 31 January 2016	**27,182,116**	**33,717,572**	**292,853**	**412,304,076**	**24,611,248**	**498,107,865**

CASH FLOW STATEMENT

For the year ended 31 January

	2017 £	2016 £
Operating activities		
Profit (loss) before finance costs and taxation*	82,622,292	(28,443,340)
Less: (Gains) losses on investments at fair value	(54,569,087)	56,416,352
Less: Gains on foreign currency	(10,785)	-
Purchase of fixed asset investments held at fair value through profit or loss	(115,799,369)	(138,769,318)
Sales of fixed asset investments held at fair value through profit or loss	130,849,550	144,260,526
Decrease in other receivables	442,682	105,064
Increase (decrease) in other payables	87,656	(80,030)
Net cash inflow from operating activities	**43,622,939**	**33,489,254**
Financing activities		
Interest paid	(9,557,445)	(9,547,920)
Dividends paid on cumulative preference stock	(42,997)	(42,997)
Dividends paid on ordinary shares	(26,094,832)	(26,094,832)
Unclaimed dividends	88,380	-
Net cash outflow from financing activities	**(35,606,894)**	**(35,685,749)**
Increase (decrease) in cash and cash equivalents	**8,016,045**	**(2,196,495)**
Cash and cash equivalents at the start of the year	6,457,992	8,654,487
Effect of foreign exchange rates	10,785	-
Cash and cash equivalents at the end of the year	14,484,822	6,457,992
Comprised of:		
Cash at bank	14,484,822	6,457,992

* Cash inflow from dividends was £30,624,230 (2016: £30,074,093) and cash inflow from interest was £6,433 (2016: £99).

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 November 2014.

Note B

The earnings per ordinary share have been calculated using a weighted average number of shares in issue during the year of 108,728,464 (2016: 108,728,464 shares).

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 profit for the year disclosed above represents the company’s total comprehensive income.

Included in the cost of investments are transaction costs and stamp duty on purchases which amounted to £651,785 (2016: £779,462). Transaction costs on sales amounted to £93,688 (2016: £119,929).

Note D

Valuation – 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 2015.

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

Note E

	2017 £	2016 £
Dividends on ordinary shares of 25p:		
Third interim dividend 6.0p paid 24 February 2016 (2016: 6.0p)	6,523,708	6,523,708
Final dividend 6.0p paid 26 May 2016 (2016: 6.0p)	6,523,708	6,523,708
First interim dividend 6.0p paid 12 August 2016 (2016: 6.0p)	6,523,708	6,523,708
Second interim dividend 6.0p paid 10 November 2016 (2016: 6.0p)	6,523,708	6,523,708
	26,094,832	**26,094,832**

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

	2017 £	2016 £
Third interim dividend 6.1p paid 23 February 2017 (2016: 6.0p)	6,632,436	6,523,708
Final proposed dividend 6.1p payable 18 May 2017 (2016: 6.0p)	6,632,436	6,523,708
	13,264,872	**13,047,416**

The proposed 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

The financial information for the year ended 31 January 2017 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 2016 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.

The full Annual Report is 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.