

For immediate release

2 April 2014

THE MERCHANTS TRUST PLC

Final Results for the year ended 31 January 2014

The following comprises extracts from the company's Annual Report for the year ended 31 January 2014. 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

We are proud to celebrate the 125th anniversary of The Merchants Trust in 2014. Although the present day Merchants has a very different investment approach to the one of 1889, its aim of delivering growth in both income and capital for the ordinary investor is remarkably similar to the original strategy devised by the leading financiers of the late 19th century.

Results

During 2013, the net asset value per share with debt at market value increased by 12.1% or by 17.5% including dividends. Over the year, the company's share price rose by 19.1% from 412.7p to 491.5p. On a total return basis the company's share price including dividends increased by 24.8%. It is pleasing to note that the Trust's net asset value with debt at market has outperformed the FTSE 100 Index over the past three years by 8.5%. As at 31 March 2014, the Trust's ordinary shares yielded 4.7% compared with the yield on the FTSE 100 Index of 3.6%.

The investment portfolio produced a capital return of 9.1%, ahead of the 3.7% return on the FTSE 100 Index. Including income, the total return of the investment portfolio was 14.0% which was ahead of the 7.6% total return on the FTSE 100 Index.

The company has continued to benefit from the "pull to par" as the company's debt at market value has decreased. There is more detail on the major contributors to our performance in our Investment Manager's Review starting on page 16 of the annual report.

Net Revenue Return and Dividends

Net Revenue Return per share rose by 5.7% to 24.2p. The board is recommending a final ordinary dividend of 5.9p per share, payable on 23 May 2014 to shareholders on the register on 25 April 2014. This payment would give a total of 23.6p for the year, an increase of 1.7% over the total for the previous year. This year we have been able to transfer £860,898 to reserves. As at 31 January 2014 and after providing for this transfer and the dividend payment, the trust's revenue reserves amounted to £12,151,290 (11.7p per share).

The trust has now raised the annual dividend for 32 consecutive years. It is particularly pleasing that the dividend is covered by earnings once again. Since 2010, in the wake of the Global Financial Crisis and BP's dividend cut, the board has used dividend reserves to supplement income. However the trust's income per share has now recovered to the point where it is covering the dividend again. This has allowed Merchants to pay a slightly higher level of dividend growth for the year whilst still tucking away a modest amount into reserves.

We will continue to accrete reserves and under normal circumstances we would expect to hold one year's dividend in reserves.

The outlook for dividend growth in the stock market is reasonable. However with several large companies paying dividends in US dollars, the recent strength of the pound may cause a slight drag on income growth when translating dividends back to Sterling.

Strategy and the Strategic Report

The annual report this year contains a Strategic Report, starting on page 10.

At our annual strategy day we met with our advisers and considered our long term performance in relation to our sector, peer group and benchmark. We also looked at the macro environment; our investment objective; gearing; yield; reserves policies and structure. We examined our stewardship and the support from the manager. We also looked at the future of Merchants and the ways of growing the size of the company.

Issue of new shares

During the year we have seen the company's share price trade at a premium to the net asset value which has enabled Merchants to issue new shares. Our policy is 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. During the year we have issued 450,000 new shares and a further 500,000 since the year end, in total representing 9.2% of the 10,321,346 shares authorised for allotment for cash by shareholders at last year's annual general meeting.

Derivatives

As set out in the previous report, we have continued our policy of selectively writing call options on a limited number of the trust's holdings. Writing options has provided helpful additional income in a period where revenues have been under pressure. At no point in the year did the exposure to derivatives exceed 6% of the portfolio. A more detailed explanation is set out in the Investment Manager's Review.

Marketing and the Retail Distribution Review

Following the changes to the way individuals can invest in funds brought about by the Retail Distribution Review, we have continued to boost the marketing of The Merchants Trust to potential investors in the company's shares, with both online and press campaigns. This strategy has been extremely successful in raising the company's profile, with the 125th anniversary generating considerable attention. Of recent note has been a positive article in the 23rd February 2014 edition of The Mail on Sunday entitled 'Victorian trust reaches for the stars investing in new satellites'. This article highlighted the company's history and its present day investment remit. Such heightened awareness of the company's characteristics and long term performance record is welcome news as it can create sustained and ongoing demand for the company's shares, which is to the benefit of all the company's shareholders.

As part of the overall marketing strategy we have continued to develop our dedicated website www.merchantstrust.co.uk. We see this as the company's 'shop window' and regularly add new content. Most recently, we have introduced a Video Centre in order to build an archive of filmed material. As a board we have recently produced a short film that we hope will be informative for our investors. In it, we discuss the board's role and how we interact with the investment management team, on behalf of shareholders. The film is available on the company's home page, where you will also be able to access an interactive version of the annual report.

AIFMD

The Alternative Investment Fund Managers Directive comes into effect in July 2014. This will introduce additional regulatory oversight for investment trusts. We will be appointing an AIFM and a Depository under the requirements of the legislation.

Gearing

The company continues to have long term debt amounting to £111 million. This is all deployed in the market for investment purposes. At the end of the year our gearing level was 20.9% compared to 23.0% at the start of the year.

The Board

The current board has four directors and although it is a small board, as you will see from our biographies on page 30 of the annual report, the directors have a range of professional and industrial backgrounds and experience. We meet annually specifically to consider strategy with our managers and advisers, covering a variety of topics relevant to the company. More details can be found in the Strategic Report on page 11 of the annual report.

We are each standing for re-election this year and will continue to do this annually.

Annual General Meeting

The annual general meeting of the company will be held on Wednesday 21 May 2014 at 12.00 noon at Holborn Bars, 138-142 Holborn, London EC1N 2NQ and we look forward to seeing as many shareholders then as are able to attend.

Outlook

The economy is showing signs of recovery although this recovery is fragile with high levels of consumer and government debt and a mixed picture overseas. Over the last five years the stock market has been significantly re-rated from a very depressed level. However our managers are still able to identify strong businesses trading on attractive valuations. Merchants continues to invest in a diversified portfolio of higher yielding assets, with exposure to many different industries around the world. This broad strategy has served the Trust well in the last 125 years, through a wide variety of economic and market environments, and we believe is still appropriate for the future.

Simon Fraser
Chairman
2 April 2014

Risk

The principal risks identified by the board are set out in the table on this page, together with the actions taken to mitigate these risks. A more detailed version of this table, in the form of a Risk Matrix, is reviewed and updated by the board twice yearly. The principal risks and uncertainties faced by the company relate to the nature of its objectives and strategy as an investment company and the markets in which it operates.

Description	Mitigation
<p>Investment Activity and Strategy An inappropriate investment strategy, e.g., asset allocation or the level of gearing, may lead to under-performance against the company's benchmark index and peer group companies, and may also result in the company's shares trading on a wider discount.</p>	<p>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. Allianz Global Investors (AGI UK) provides the directors with management information including performance data and reports and shareholder analyses. The board monitors the implementation and results of the investment process with the investment manager, who attends all board meetings, and reviews data which show risk factors and how they affect the portfolio. The board reviews investment strategy, including gearing, at each board meeting.</p>
<p>Corporate Governance and Shareholder Relations Shareholder discontent could arise if there is weak adherence to best practice in corporate governance and which could result in potential reputational damage to the company.</p>	<p>The board receives reports on shareholder activity and on shareholder sentiment on a regular basis and contact is maintained with major shareholders. Details of the company's compliance with corporate governance best practice, including information on relations with shareholders, are set out in the Corporate Governance Statement which can be found on the company's website.</p>
<p>Regulatory Failure to comply with relevant regulations could damage the company and its ability to continue in business.</p>	<p>The board is guided by its advisers both within AGI UK and external to the manager on matters such as compliance with the Companies Act 2006, Accounting Standards, the Listing Rules, Disclosure and Transparency Rules and other applicable regulations, including the implementation of AIFMD.</p>
<p>Financial Failure to contain financial risks could result in losses to the company.</p>	<p>The financial risks associated with the company include market risk (price and yield), interest rate risk, liquidity risk and credit risk. The audit committee also consider these risks as part of its remit. Further analysis of these risks can be found in Note 17 on pages 66 to 71 of the Annual Report.</p>

In addition to the specific principal risks identified in the table above, the company faces risks to the provision of services from third parties and more general risks relating to compliance with accounting, tax, legal and regulatory requirements, which could have an impact on reputation and market rating. These risks are formally reviewed by the board twice each year and how these risks are managed and mitigated is discussed and agreed for recording in the Risk Matrix. The board's reviews of the risks faced by the company also include an assessment of the residual risks after mitigating action has been taken. Details of the company's compliance with Corporate Governance best practice, including information on relations with shareholders, are set out in the Corporate Governance Statement which can be found on the company's website.

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 (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.
- 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.

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 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, AGI UK. 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 DTR 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, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), give a true and fair view of the assets, liabilities, financial position and net return of the company; and
- the Annual Report includes a fair review of the development and performance of the company and the position of the company, together with a description of the principal risks and uncertainties that it faces.

For and on behalf of the board

Simon Fraser
Chairman
2 April 2014

THE MERCHANTS TRUST PLC
Final Results for the year ended 31 January 2014

For further information contact:

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LISTED EQUITY HOLDINGS as at 31 January

Name	Value (£)	% of holdings	Principal Activities
Royal Dutch Shell 'B'	58,355,309	9.2	Oil & Gas Producers
GlaxoSmithKline	48,609,215	7.7	Pharmaceuticals & Biotechnology
HSBC	43,148,045	6.8	Banks
BP	40,856,892	6.5	Oil & Gas Producers
BAE Systems	22,742,034	3.6	Aerospace & Defence
Resolution	21,964,383	3.5	Life Insurance
UBM	21,255,783	3.4	Media
BHP Billiton	21,031,710	3.3	Mining
British American Tobacco	18,638,500	3.0	Tobacco
SSE	18,428,700	2.9	Electricity
Top Ten Holdings	315,030,571	49.9	
Pennon	16,843,750	2.7	Gas, Water & Multi-utilities
Inmarsat	15,790,972	2.5	Mobile Telecommunications
Centrica	15,032,015	2.4	Gas, Water & Multi-utilities
Marks & Spencer	14,594,800	2.3	General Retailers
Sainsbury (J)	13,680,620	2.2	Food & Drug Retailers
National Grid	13,072,920	2.1	Gas, Water & Multi-utilities
Carnival	13,039,375	2.1	Travel & Leisure
Britvic	12,921,526	2.0	Beverages
Balfour Beatty	12,787,090	2.0	Construction & Materials
Hammerson	12,086,500	1.9	Real Estate Investment Trusts
CRH	11,775,000	1.9	Construction & Materials
Reed Elsevier	11,477,126	1.8	Media
Vodafone	11,257,836	1.8	Mobile Telecommunications
FirstGroup	10,256,400	1.6	Travel & Leisure
Hansteen	10,135,279	1.6	Real Estate Investment Trusts
Tesco	9,994,920	1.6	Food & Drug Retailers
Smiths Group	9,412,350	1.5	General Industrials
ICAP	8,467,871	1.3	Financial Services
Ladbrokes	7,971,500	1.3	Travel & Leisure
IG Group	7,872,937	1.2	Financial Services
SThree	7,290,113	1.1	Support Services
Ashmore Group	6,832,024	1.1	Financial Services
Segro	6,734,000	1.1	Real Estate Investment Trusts
Premier Farnell	6,705,300	1.1	Support Services
William Hill	6,640,000	1.1	Travel & Leisure
Greene King	6,634,000	1.0	Travel & Leisure
BBA Aviation	6,521,181	1.0	Industrial Transportation
Daily Mail & General Trust 'A'	5,913,225	0.9	Media
De La Rue	5,772,000	0.9	Support Services
Cineworld*	5,499,773	0.9	Travel & Leisure

Name	Value (£)	% of holdings	Principal Activities
Unilever	5,028,850	0.8	Food Producers
Mothercare	4,368,000	0.7	General Retailers
Man Group	2,695,038	0.4	Financial Services
Tyman	1,089,521	0.2	Construction & Materials
Total Equities	631,224,383	100.0	

UNLISTED LISTED EQUITY HOLDINGS as at 31 January

Name	Value (£)	% of holdings	Principal Activities
First Debenture Finance	23,483	73.3	Financial Services
Fintrust Debenture	4,486	14.0	Financial Services
W&G Investments	4,063	12.7	Financial Services
Total Unlisted Equities	32,032	100.0	

Written Call Options

As at 31 January 2014, the market value of the open option positions was £(75,000), resulting in an underlying exposure to 2.7% of the portfolio (valued at strike price).

INCOME STATEMENT
for the year ended 31 January 2014

	Revenue £	2014 Capital £	Total Return £
			(Note C)
Net gains on investments at fair value	-	52,436,938	52,436,938
Income	29,826,684	-	29,826,684
Investment management fee	(778,416)	(1,445,631)	(2,224,047)
Administration expenses	(720,249)	(4,198)	(724,447)
Net return before finance costs and taxation	28,328,019	50,987,109	79,315,128
Finance costs: interest payable and similar charges	(3,315,171)	(6,076,873)	(9,392,044)
Net return on ordinary activities before taxation	25,012,848	44,910,236	69,923,084
Taxation	-	-	-
Net return on ordinary activities attributable to ordinary shareholders	25,012,848	44,910,236	69,923,084
Net return per ordinary share (basic and diluted) (Note B)	24.22p	43.48p	67.70p

BALANCE SHEET
at 31 January 2014

	2014 £	2014 £
Fixed Assets		
Investments held at fair value through profit or loss		631,256,415
Current Assets		
Debtors	3,742,966	
Cash at bank	8,083,385	
	11,826,351	
Creditors – amounts falling due within one year	(2,863,521)	
Derivative financial instruments	(75,000)	
	(2,938,521)	
Net current assets		8,887,830
Total assets less current liabilities		640,144,245
Creditors – amounts falling due after more than one year		(110,666,187)
Net assets		529,478,058
Capital and Reserves		
Called up share capital		25,915,866
Share premium account		10,653,450
Capital redemption reserve		292,853
Capital reserve		468,238,211
Revenue reserve		24,377,678
Total shareholders' funds		529,478,058
Net asset value per ordinary share (basic and diluted)		510.8p

INCOME STATEMENT
for the year ended 31 January 2013

	Revenue £	2013 Capital £	Total Return £
			(Note C)
Net gains on investments at fair value	-	73,990,109	73,990,109
Income	28,312,659	-	28,312,659
Investment management fee	(668,352)	(1,241,225)	(1,909,577)
Administration expenses	(683,940)	(2,943)	(686,883)
Net return before finance costs and taxation	26,960,367	72,745,941	99,706,308
Finance costs: interest payable and similar charges	(3,328,645)	(6,101,807)	(9,430,452)
Net return on ordinary activities before taxation	23,631,722	66,644,134	90,275,856
Taxation	-	-	-
Net return on ordinary activities attributable to ordinary shareholders	23,631,722	66,644,134	90,275,856
Net return per ordinary share (basic and diluted) (Note B)	22.90p	64.57p	87.47p

BALANCE SHEET
at 31 January 2013

	2013 £	2013 £
Fixed Assets		
Investments held at fair value through profit or loss		587,913,417
Current Assets		
Debtors	1,951,529	
Cash at bank	8,660,128	
	10,611,657	
Creditors – amounts falling due within one year	(5,249,381)	
Derivative financial instruments	(956,913)	
	(6,206,294)	
Net current assets		4,405,363
Total assets less current liabilities		592,318,780
Creditors – amounts falling due after more than one year		(110,854,611)
Net assets		481,464,169
Capital and Reserves		
Called up share capital		25,803,366
Share premium account		8,523,195
Capital redemption reserve		292,853
Capital reserve		423,327,975
Revenue reserve		23,516,780
Total shareholders' funds		481,464,169
Net asset value per ordinary share (basic and diluted)		466.5p

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

For the year ended 31 January

	Called up Share Capital £	Share Premium Account £	Capital Redemption Reserve £	Capital Reserve £	Revenue Reserve £	Total £
Net assets at 1 February 2012	25,803,366	8,523,195	292,853	356,683,841	23,721,449	415,024,704
Revenue return	-	-	-	-	23,631,722	23,631,722
Dividends on ordinary shares	-	-	-	-	(23,945,524)	(23,945,524)
Unclaimed dividends over 12 years	-	-	-	-	109,133	109,133
Capital return	-	-	-	66,644,134	-	66,644,134
Net assets at 31 January 2013	25,803,366	8,523,195	292,853	423,327,975	23,516,780	481,464,169
Net assets at 1 February 2013	25,803,366	8,523,195	292,853	423,327,975	23,516,780	481,464,169
Revenue return	-	-	-	-	25,012,848	25,012,848
Dividends on ordinary shares	-	-	-	-	(24,151,950)	(24,151,950)
Capital return	-	-	-	44,910,236	-	44,910,236
Shares issued during the year	112,500	2,130,255	-	-	-	2,242,755
Net assets at 31 January 2014	25,915,866	10,653,450	292,853	468,238,211	24,377,678	529,478,058

CASH FLOW STATEMENT

For the year ended 31 January

	2014 £	2014 £	2013 £
Net cash inflow from operating activities		27,322,153	26,870,216
Returns on investment and servicing of finance			
Interest Paid	(9,537,920)		(9,553,329)
Dividends on cumulative preference stock	(42,997)		(42,997)
Net cash outflow from servicing of finance		(9,580,917)	(9,596,326)
Capital expenditure and financial investment			
Purchase of fixed asset investments	(176,561,838)		(145,822,903)
Sales of fixed asset investments	180,153,054		147,646,760
Net cash inflow from capital expenditure and financial investment		3,591,216	1,823,857
Dividends paid on ordinary shares		(24,151,950)	(23,945,524)
Unclaimed dividends over 12 years		-	109,133
Net cash outflow before financing		(2,819,498)	(4,738,644)
Financing			
Proceeds from issue of Ordinary Shares		2,247,250	-
Share issue costs		(4,495)	-
Net cash inflow from financing		2,242,755	-
Decrease in cash		(576,743)	(4,738,644)

Notes

Note A

The financial statements have been prepared under the historical cost basis, except for the measurement at fair value through profit or loss of investments and derivative financial instruments, and in accordance with applicable accounting standards, the United Kingdom Law and United Kingdom Generally Accepted Accounting Practice (UK GAAP), the Companies Act 2006 and the Statement of Recommended Practice - 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' (SORP) issued in January 2009 by the Association of Investment Companies (AIC).

Note B

The returns per ordinary share have been calculated using a weighted average number of shares in issue during the year of 103,286,752 (2013 – 103,213,464 shares).

Note C

The total return column of the Income 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 derive from continuing operations.

A Statement of Total Recognised Gains and Losses is not required as all gains and losses of the Company have been reflected in the Income Statement.

Included in the cost of investments are transaction costs and stamp duty on purchases which amounted to £1,050,202 (2013 – £972,110). Transaction costs on sales amounted to £152,904 (2013 – £147,274).

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 26 'Financial Instruments: Recognition and Measurement'. 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 directors.

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 or 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 financial assets are recognised on the trade date, being the date which the company commits to purchase or sell the assets.

Note E

	2014	2013
	£	£
Dividends on ordinary shares of 25p:		
Third interim dividend 5.8p paid 27 February 2013 (2012– 5.8p)	5,986,381	5,986,381
Final dividend 5.8p paid 15 May 2013 (2012– 5.8p)	5,986,381	5,986,381
First interim dividend 5.9p paid 14 August 2013 (2012– 5.8p)	6,089,594	5,986,381
Second interim dividend 5.9 paid 12 November 2013 (2012– 5.8p)	6,089,594	5,986,381
	24,151,950	23,945,524

Dividends payable at the year end are not recognised as a liability under FRS 21 'Events After Balance Sheet Date' (see page 55 of the Annual Report – Statement of Accounting Policies). Details of these dividends are set out below.

	2014	2013
	£	£
Third interim dividend 5.9p paid 26 February 2014 (2013 – 5.8p)	6,110,244	5,986,381
Final proposed dividend 5.9p payable 23 May 2014 (2013 – 5.8p)	6,110,244	5,986,381
	12,226,388	11,972,762

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 share issues or share buybacks settled subsequent to the year end.

Note F

The financial information for the year ended 31 January 2014 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 2013 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 on 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.