

The benefits of income,
the value of Merchants.



The Merchants Trust PLC

Annual Report, 31 January 2026

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Please do have a look at our deeper dive into the year under review in our online Annual Report.

Readership of hard copy Annual Reports has declined and the large majority of shareholders and other interested parties prefer to access them online. The board endeavours to make as much information as possible available in our digital format, including video presentations from both our Chairman and Portfolio Manager; case studies; and a closer look at the largest investments in our portfolio.

Please visit

tinyurl.com/MRCHar26

or use your tablet or smartphone camera to scan the QR code.

Financial highlights

For the year ended 31 January 2026

Dividend yield ¹

4.7%

2025 5.2%

Dividend growth

+1.4%

2026 29.5p
2025 29.1p

Revenue earnings
per ordinary share

+4.1%

2026 30.6p
2025 29.4p

Net Asset Value
Total Return ^{1 2}

+18.9%

2025 +13.5%

Share price
Total Return ¹

+18.2%

2025 +7.7%

Benchmark
Total Return ^{1 3}

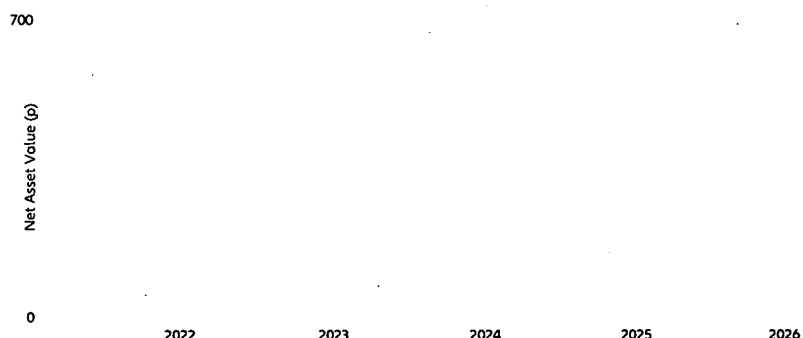
+21.1%

2025 +17.1%

Net Asset Value
per ordinary share ^{1 2}

663.5p

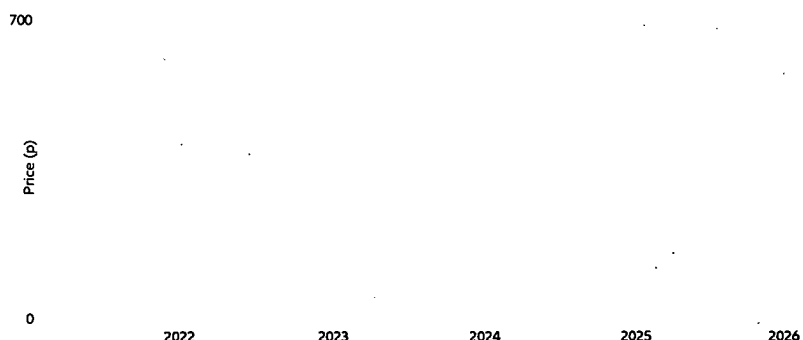
+13.9%



Share price

628.0p

+12.9%



¹ Alternative Performance Measure (APM). APMs are the board's preferred measures for the most meaningful information for shareholders. Total return figures include dividends paid at 31 January. ² Debt at fair value. ³ Benchmark is the FTSE All-Share Index. See Glossary on page 91.

44 years
of dividend growth

Merchants has grown its dividend for 44 years at an annualised growth rate above inflation.

2026
29.5p

1982
2.1p

Inflation growth of 3.8% over 44 years (rebased to 100). Retail Prices Index 1982 – 1986, Consumer Prices Index 1987 – 2026.
Total dividend: from 2.1p to 29.5p (subject to approval at the 2026 AGM) over the period, representing growth of 6.2% over 44 years.
Reserve accumulation Reserve depletion Special dividend

Dividend capacity

Dividends can be funded from revenue profits in the year and from brought forward reserves.



Revenue reserves brought forward Revenue profit for the year Dividends Source: AllianzGI, as at 31 January each year.

Chairman's Statement

Colin Clark

A strong year for UK equities

After a long period of negative sentiment and underperformance relative to many markets, during the Merchants financial year ended January 2026 the UK stock market experienced a notable resurgence, and delivered a very strong return of 21.1%. By comparison, the US market (as exemplified by the S&P 500 Index) rose a more modest 5.7% in sterling terms. The past year has provided something of a vindication for those who have maintained conviction that the UK market as a whole was undervalued and that there were well managed businesses with attractive valuations listed in the UK which could offer strong positive returns.

This resurgence in the UK stock market is welcomed by your board. In various reports to shareholders over the past few years, we have emphasised the need for patience and our manager has spoken of maintaining discipline in our investment style, confident that it would be rewarded in due course by strong returns. Our portfolio managers' investing approach is based on the belief that they can create a portfolio for shareholders of good companies which are undervalued and which can provide sustainable and growing income alongside capital growth. During this recent year, we have seen the beginning of a recognition of the genuine value available in UK equities, by both domestic and international investors, and capital has finally started to identify at least certain areas of the UK market. The Board is pleased to report that against this background Merchants has benefitted from the renewed interest

in the market and delivered strong absolute returns while continuing to grow the dividend – something that has been central to our appeal to investors for over four decades.

A twenty-year perspective

It is always valuable to place any single year's performance in a longer-term context. Our investment manager at Allianz Global Investors, Simon Gergel, this year celebrates his twentieth as the lead manager of The Merchants Trust. A shareholder who invested at the beginning of his tenure in January 2006 would have seen significant share price appreciation and consistently growing dividends, which when combined, exceeded the value of their initial investment. In other words, Merchants shareholders today who have held their initial shares for twenty years effectively now have this shareholding for free! You can read more on this in the Portfolio Managers' Report on pages 13 to 14.

Such portfolio manager longevity is not unique, but it is unusual, and it is of enormous value in creating stability and consistency for the Company. The Board would like to thank Simon for the past twenty years' service to Merchants' shareholders, and recognise his insight, skill and dedication to managing the portfolio which has provided such strong long-term returns for the benefit of our shareholders.

Strong absolute returns in a polarised market

Merchants delivered absolute returns of 18.9% during the financial year

to 31 January 2026, with three-year cumulative returns of 31.1%.

We acknowledge that in a highly polarised market environment, where returns have generally been concentrated in a narrow band of stocks such as technology, defence and banks, Merchants' relative performance has lagged the exceptionally strong index return (21.1% over the year). Whilst we have to monitor short term performance against the index and hold the manager to account, we also expect there will be periods like this from time to time. The Board continues to support our manager's commitment to a consistent, value-oriented investment approach that avoids over concentration, speculative bubbles or growth or momentum style runs. The Portfolio Managers' Report provides a more detailed explanation of the drivers of relative performance against the index, and the Board remains confident that this disciplined value-led approach, generally avoiding highly rated 'growth' stocks will deliver sustainable, long-term capital growth and income to our shareholders.

Earnings and dividend

Revenue earnings per share for the year were 30.6p, compared to 29.4p in the previous year. The Board is proposing a final dividend of 7.5p per share, payable on 27 May 2026 to shareholders on the register on 17 April 2026. The ex dividend date is 16 April 2026 and the last date for election for the Dividend Reinvestment Plan (DRIP) will be 5 May 2026. This final dividend, together with the interim dividends already paid, will

bringing the total dividend for the year to 29.5p per share. This represents an increase of 1.4% on the previous year and marks the 44th consecutive year of dividend growth for Merchants, which therefore also retains its place in the AIC's prestigious list of 'Dividend Heroes' – those investment trusts which have consistently delivered a rising dividend stream to shareholders for over twenty years. The total dividend for the year is fully covered by revenue earnings, allowing reserves to be further rebuilt. At the end of the financial year, revenue reserves stood at 20.3p per ordinary share.

Discount/premium and share buybacks

Shareholders will be aware that, like all investment trusts, Merchants shares trade at either a premium or a discount to its Net Asset Value (NAV). The board has an active programme to consider the issuance of new shares when our shares trade at a premium to NAV and a programme of share buy backs when they trade at a discount to NAV.

After many years of issuance, during this year, Merchants shares traded at an average discount of 5.7% to the net asset value per share. The discount ranged from a high of 8.7% in September 2025 to a low of 1.2% in April 2025. During the year, the board monitored this situation closely and Merchants performed a modest aggregate buyback of 792,017 shares at a total cost of £4.4 million to help reduce the discount when the UK market was particularly out of favour. Merchants ended the financial year with a discount of 5.4%, which compares favourably with many of our peers.

The resurgence of the UK market

The UK market's performance over the past year should be viewed within the context of a significant global rotation in investor sentiment. UK and European equities led global markets in early 2025, with the outperformance in the first calendar quarter marking the strongest relative performance in 25 years. International equities in aggregate significantly outperformed the United States over the reporting period, with the MSCI All Country World ex-USA Index gaining 23.3% compared to the S&P 500's 5.7% return, and this represents a notable shift after years of US market dominance. This also reflects

a fundamental shift away from the heavy concentration of returns in a small number of US technology stocks that has characterised recent years, as investors became increasingly nervous about the lofty valuations and concentrations of returns in a few companies, largely around the single central theme of AI.

Importantly though, despite this strong performance, our manager believes that the UK market continues to be significantly cheaper than its US counterpart. The valuation gap between the two markets has begun to narrow, but, as many market observers have noted, there remains a long way to go. The rotation towards value-oriented markets may have further to run, and this represents a compelling opportunity for Merchants.

The portfolio manager has long maintained that concerns about the UK's political and economic background are frequently overstated. In a market dominated by large multinational companies generating substantial revenues overseas, UK-specific issues often have less impact on underlying business performance than market pricing might suggest. This pattern was evident again over the past year. Despite the market's strong overall performance, sentiment weakened sharply in the run-up to – and immediate aftermath of – the UK's Autumn Budget, prompting a broad retreat from UK equities on a scale not seen for some time. For disciplined value investors such periods of indiscriminate selling can create compelling opportunities. As the portfolio managers highlight in their review, markets have become increasingly short-term and momentum-driven, a dynamic that can give rise to pronounced valuation anomalies. Our strategy is specifically designed to identify and capitalise on this mispricing.

Our portfolio managers have moved more of the portfolio into mid-cap stocks than has been the case before (though Merchants remains predominantly invested in large cap stocks). This move reflects his view of "a once in a generation opportunity", with the mid-cap index now yielding more than large caps, something that hasn't happened within the past twenty years, and that is an unusual scenario given the typically more growth-oriented business models of mid-caps vs. more mature large-caps.

In a market dominated by large multinational companies generating substantial revenues overseas; UK-specific issues often have less impact on underlying business performance than market pricing might suggest.

Subject to shareholder approval of our proposed final dividend, we will have now achieved 44 consecutive years of dividend growth which is a remarkable testament to the quality and resilience of our portfolio companies.

This is an interesting signal of potential under-valuation. In the short term this has been an additional headwind to Merchants' relative performance against the index, as these mid-cap stocks in general have still not gained substantial investor attention. However, our manager remains convinced this is where the most significant value in the UK market currently lies, and therefore we are confident that this positioning is a strong one for the future success of the Merchants portfolio.

The UK government has taken steps to make the London Stock Exchange (LSE) more attractive. Recently introduced capital market reforms include simplified listing procedures, faster Initial Public Offering (IPO) timelines, and new initiatives to broaden retail investor participation. These reforms, described by the LSE as "the biggest in a generation", are already showing some early signs of success. When combined with the global reassessment of the appeal of US assets, it suggests that investor interest in UK equities may be entering a new, more positive phase.

The Merchants Trust proposition: a compelling case for income and growth

The Merchants Trust offers shareholders a distinctive proposition, built on several enduring strengths.

The dividend: 44 years of unbroken growth

At the heart of Merchants' appeal is our dividend policy. Subject to shareholder approval of our proposed final dividend, we will have now achieved 44 consecutive years of dividend growth which is a remarkable testament to the quality and resilience of our portfolio companies. Merchants' yield is substantially higher than the broad market average, yet the dividend is typically fully covered by the income generated by our holdings. This is not a yield built on capital depletion; it is backed by genuine earnings growth.

A consistent and disciplined approach

Merchants' investment philosophy is built on consistency and discipline. We adopt a value-oriented, long-term focused, and high-conviction approach to stock selection. The portfolio management team is highly experienced and backed by the considerable resources of Allianz

Global Investors, ensuring world-class investment infrastructure, research, and risk management.

Scale and liquidity

Merchants' portfolio now exceeds £1 billion in value, providing the scale and liquidity necessary to serve even the largest institutional investors. Our Ongoing Charge Figure (OCF) of 0.54% is highly competitive for an actively managed equity portfolio.

The investment trust advantage

The investment trust structure provides The Merchants Trust with distinctive advantages that are particularly suited to a value-oriented strategy.

A differentiated portfolio

The permanent capital structure allows us to maintain a portfolio that could be difficult to fully replicate within an open-ended fund. Whilst the majority of our holdings are in large-cap stocks, Merchants also has a significant exposure to medium and smaller companies, which our manager believes are particularly undervalued. This part of the market is often overlooked by global investors and only modestly invested in by passive funds, creating opportunities for an active manager able to benefit from conviction. The takeovers of portfolio companies Dowlais and Assura during the year are clear examples of how this strategy can unlock value as external parties awaken to the significant value available. We also encourage the manager to invest selectively in international stocks – allowing access to themes under-represented in the UK market, or where there may simply be better opportunities available.

Enhancing returns and income

Merchants employs gearing – in the form of long-term, fixed-rate bonds and loan notes – as a tool to enhance both returns and income. When deployed prudently, gearing amplifies the returns available to shareholders. Merchants also maintains revenue reserves, which are used to smooth dividend payments, providing a predictable income stream even when underlying portfolio income fluctuates. Of course, this leverage can also exacerbate losses in a falling market but, over the long term, when the performance from the portfolio exceeds the cost of debt, the strategy is accretive to shareholder value.

Steady and increasing dividend stream

As already noted, we approach a 44-year record of consecutive dividend increases. This is a record we are proud of, both for ourselves, but also on behalf of the Board members, managers and support teams that have gone before us and contributed to this substantial achievement. It is another factor that would be largely impossible to replicate in an open-ended fund or exchange traded fund, particularly during periods like the pandemic, when market dividends were slashed. Investment trusts though can utilise revenue reserves, squirreling away small amounts of income in bountiful years, to enhance income when there is more of a drought of income from the portfolio's investments. It is this mechanism and a continual balancing act which has enabled us to achieve this outcome.

Governance and engagement

The Board takes its responsibilities to shareholders seriously, including evaluating the performance of the Manager and the wider AIFM function. In February 2026, just after the financial year end, the Board travelled to Frankfurt to meet with members of the investment and infrastructure teams (including the central trading desk, economics & strategy research, marketing, cyber security and AI) at Allianz Global Investors. This engagement allows the Board to maintain close oversight of the investment process and the considerable resources supporting Merchants.

The Board is also committed to enhancing shareholder engagement. The Annual General Meeting will once again be held in a hybrid format, and Merchants has expanded its marketing efforts, including additional webinars, videos and other activity, with a planned expansion into a wider set of distribution channels, aiming to reach a wider audience of shareholders.

Annual General Meeting (AGM)

The Annual General Meeting will be held at Grocer's Hall on 19 May 2026 at 12 noon. The Board encourages all shareholders to attend and participate. Held in a hybrid format, shareholders will be welcome to attend and vote either in person or to participate and vote electronically. Further details can be found in the Notice of Meeting on page 87 of this report.

Outlook: confident in the quality of the portfolio

Looking ahead to the remainder of 2026 and beyond, the Board remains confident in the investment approach and quality of the portfolio and the prospects for Merchants. The portfolio managers continue to believe that, despite the strong performance in 2025, many individual stocks remain significantly undervalued. The global reassessment of valuations, the recognition of the risks inherent in excessive concentration in a small number of US technology stocks, and the supportive policy environment in the UK all suggest that the conditions which have created the opportunity in UK equities may continue, although we have to be mindful of the potential impact from the evolving situation in the Middle East.

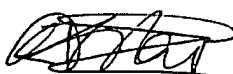
For a more detailed discussion of the market environment and portfolio positioning, I would refer you to the Portfolio Managers' Report starting on page 11.

2025/6 has been a year of strong absolute returns and of vindication for Merchants' investment philosophy. The Board is confident that The Merchants Trust remains an attractive proposition for investors seeking a combination of income, growth, and exposure to the large value opportunity available in the UK equity market.

We are grateful for the continued support of our shareholders and for the dedication of the investment team and we look forward to the year ahead with confidence and optimism.

The Board is confident that The Merchants Trust remains an attractive proposition for investors seeking a combination of income, growth, and exposure to the large value opportunity available in the UK equity market.

Colin Clark
Chairman
1 April 2026



Key Performance Indicators (KPIs)

The board uses certain financial and non-financial Key Performance Indicators (KPIs) to monitor and assess the performance of the company in achieving its strategic aims:

Increasing and sustainable dividends

- Provide a high and progressively growing income stream

Dividend	Year-on-year dividend growth
29.5p	+1.4%

Earnings per share of 30.6p fully cover the dividends, with a surplus of 1.1p being transferred to revenue reserves (2025: 0.3p transferred to revenue reserves). Revenue reserves at 31 January 2026 were 20.3p per share.

Shareholder returns and performance

- Provide long-term capital growth
- Provide a long-term total return above the benchmark and peers

5 year portfolio return	5 year NAV return
76.3%	94.3%

One year portfolio return of 18.3% was behind the index return of 21.1%. The NAV return also underperformed the benchmark after the impact of gearing (borrowings). Gearing tends to amplify portfolio returns in both directions. Over the long term, the 5 year NAV return was ahead of the benchmark return of 80.8%.

Investor appeal

- Position Merchants to outperform its peers, and to remain relevant and attractive to new and existing investor groups
- Ensure the costs of running the company remain reasonable and competitive

1 year peer group ranking	3 year peer group ranking	5 year peer group ranking
12th	14th	4th

Performance was 4th out of 19 in the peer group over five years, 14th out of 19 over 3 years and 12th out of 19 over one year. The ongoing charge has increased to 0.54% compared to 0.52% last year. The board remains focused on reducing fixed costs. Merchants' costs are below average in the peer group and the dividend yield is above average.

Dividend record per share (p)

27.3 27.6 28.4 29.1 29.5

2022 2023 2024 2025 2026

The board has a policy of paying a progressive dividend each year, taking into account inflation and subject to general earnings growth and dividends received in the portfolio. Ordinary dividends have risen in every year since 1982.

Earnings progression (p)

25.6 28.7 30.5 29.4 30.6

2022 2023 2024 2025 2026

Earnings per share (EPS) shows the income that the company generates each year which can be used to fund dividend payments to shareholders, over time.

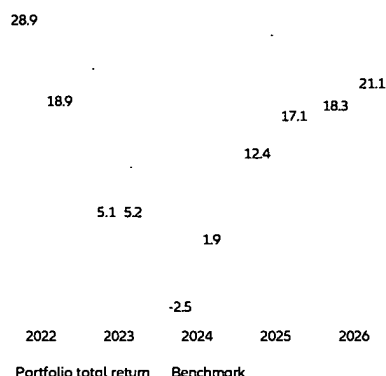
Revenue reserves per share (p)¹

16.0 16.3 18.1 18.8 20.3

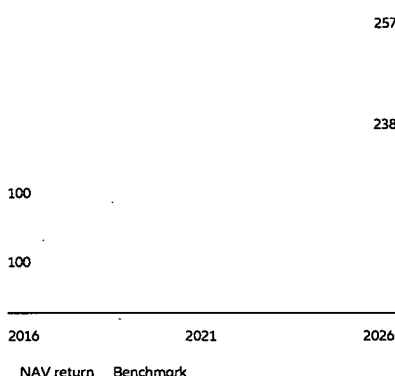
2022 2023 2024 2025 2026

Revenue reserves can be used to ensure dividend payments can be maintained through difficult market conditions. Income is put aside in good years and can be used to maintain a steady increase in dividends when income is less readily available.

Portfolio return vs benchmark (%)

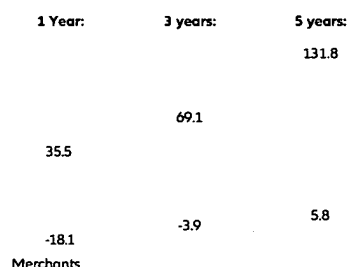


NAV return vs benchmark (%)

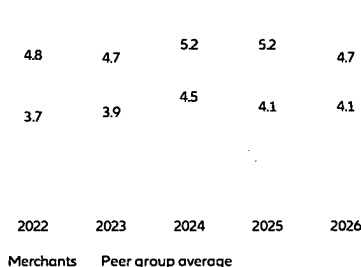


The board uses this KPI to monitor investment performance. As the company's policy is to invest mainly in higher yielding large UK companies, the FTSE All-Share Index has been chosen as the benchmark index against which we measure our performance.

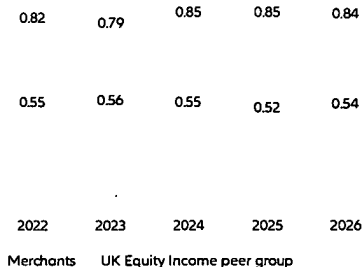
The board seeks a return that is better than the benchmark over various time periods. The benchmark was the FTSE 100 Index until 31 January 2017, but was revised to better reflect the changing structure of the portfolio over the preceding decade.

Peer rankings²

The board also monitors the performance relative to a broad range of competitor investment trusts. The chart shows Merchants' position in UK Equity Income peer group quartiles over a range of time periods.

Yield (%)³

Merchants' yield has consistently been higher than the UK Equity Income peer group average.

Ongoing charges (%)³

The board has a policy of ensuring that the company's running costs are reasonable and competitive. The ongoing charge is calculated using the AIC's recommended methodology (See Glossary on page 91).

¹ At the year end before payment of the third and final quarterly dividends. ² Source: JP Morgan Cazenove. ³ Source: Morningstar/AllianzGI. Alternative Performance Measure (APM). See Glossary on page 91.

Performance – review of the year

Revenue

	2026	2025	% change
Income (£'000s)	50,245	48,482	+3.6
Revenue earnings attributable to ordinary shareholders (£'000s)	45,314	43,671	+3.8
Revenue earnings per ordinary share	30.6p	29.4p	+4.1
Dividends per ordinary share in respect of the year ¹	29.5p	29.1p	+1.4

Assets

	2026	2025	Capital return % change	Total return ² % change
Net asset value per ordinary share with debt at par	653.3p	572.6p	+14.1	+19.2
Net asset value per ordinary share with debt at fair value (capital)	663.5p	582.4p	+13.9	+18.9
Ordinary share price	628.0p	556.0p	+12.9	+18.2
FTSE All-Share Index	5,511.5	4,710.6	+17.0	+21.1
(Discount) premium of ordinary share price to Net Asset Value (debt at par)	(3.9%)	(2.9%)	n/a	n/a
(Discount) premium of ordinary share price to Net Asset Value (debt at fair value)	(5.4%)	(4.5%)	n/a	n/a
Ongoing charges ³	0.54%	0.52%	n/a	n/a

¹ Inclusive of third and final dividends.

² NAV total return reflects both the change in Net Asset Value per ordinary share and the net ordinary dividends paid.

³ The ongoing charges percentage is calculated in accordance with the explanation given on page 92.

A Glossary of Alternative Performance Measures (APMs) can be found on page 91.

Portfolio Managers' report

Simon Gergel

Richard Knight

Andrew Koch

This has been my twentieth year as lead manager of The Merchants Trust and it has been a fantastic privilege and a great pleasure to work on behalf of shareholders and the Board. I have taken the opportunity below to talk about this in more detail. Despite the market ups and downs, returns have been healthy and Merchants has continued the long tradition of paying rising dividends, now for 44 years.

However, I am also very conscious that, whilst the last three years have seen strong total returns and continued steady dividend growth, those returns have lagged the even stronger gains of the UK stock market. In this report I look back at the last year in detail, describe the broader environment and explain why we have lagged behind our benchmark. I also explain why we remain excited about the huge opportunities in a highly unusual and polarised UK equity market, and why we believe that the portfolio can continue to deliver further significant gains and a strong income profile for shareholders for many years.

The last twenty years

It is only in an investment trust with 137 years of history that we can consider the last 20 years as the recent period. It has been eventful, and included the Great Financial Crisis (GFC), a long period of austerity, the Covid pandemic and the war in Ukraine, to name but a few events.

Time provides some perspective. The share price was 451p at the end of January 2006. Over the last 20 years, Merchants has paid 498.5p per share

in dividends, so someone buying shares back then would have received all their money back and more, whilst they would have shares worth 628p this January. The dividend per share has risen progressively from 18.9p to a proposed 29.5p, despite two periods of sharp income contraction within the portfolio during the GFC and the Covid pandemic.

Also, the average cost of debt has come down from around 8.5% in 2006 to just over 5% today. One other aspect has increased materially. The format and length of the annual report. Today's report is far more extensive, and provides much more detailed, and hopefully welcome commentary, as well as increased mandatory reporting. In 2006, the annual report had just 47 pages, in 2025 it had 118. In a separate comment we have also looked at the evolution of the stock market over the last 20 years. The market today is very different to that in the early 2000's. It provides a different set of challenges but also opportunities for the future.

Economic and market background

This was a remarkable year, in terms of geopolitical developments and financial markets. Donald Trump became US president for the second time in January 2025 and wasted no time in making an impact. He has fundamentally changed the US approach to international relations, security, and trade. His tariff announcements on so-called "Liberation Day" on 2nd April, since judged illegal by the US Supreme Court, rocked financial markets and threatened major disruption to world

trading relationships. However, after considerable volatility and spiralling threats from China in particular, the US rowed back on the more aggressive tariffs. President Trump was also active in securing the hostage releases in Gaza and a fragile peace treaty, the abduction of the Venezuelan president Maduro, and made threats to take over Greenland. His administration was interventionist in the corporate sphere, seeking and securing agreements with pharmaceutical companies, as well as receiving commitments from many other large companies to make substantial investments in the USA.

Outside of politics, the dominant theme in the year was the explosive growth of generative AI and the race by the so called "hyperscalers" including Google parent Alphabet and Microsoft, to spend hundreds of billions of dollars building vast data centres to exploit this potential opportunity. This is creating massive demand for semiconductors, electricity, copper and other equipment. The impact of AI was a powerful theme during the year. It is clear, that AI will have a profound impact on society and many businesses, though it can be hard to separate the potential winners from losers, particularly amongst the giant technology companies.

In the UK there was a sense of déjà vu, as we spent most of the year waiting for the (later than normal) budget in November. There was considerable uncertainty about how the Chancellor, Rachel Reeves, would balance the books. Various potential policy options, including tax rises, were floated over

The FTSE All-Share Index produced a total return, including dividends, of approximately 21%, well ahead of the US market's return of around 6% in sterling terms.

the summer, and almost certainly constrained activity and investment in the economy. The UK economy grew faster in 2025 than 2024, but growth was still muted and slowed in the second half of the year. As inflationary pressures reduced, the Bank of England cut interest rates four times, after two cuts in the previous year. Interest rates ended January at 3.75%. This fall in the cost of borrowing should gradually feed into the corporate and consumer sector and help to stimulate activity.

In the USA, there was a so-called "K-Shaped" economy. More affluent consumers, who had benefitted from rising financial asset prices, and were less impacted by food and energy cost inflation, were robust spenders. However, many less affluent consumers struggled to deal with inflationary pressures and had to restrict their spending. This created a tough demand environment for food and other basic consumer products. In the UK the housing market is central to consumer sentiment, especially among more affluent consumers, and recovery here has been sluggish.

Despite the geopolitical events and the economic uncertainty, equity markets had a strong year, even with a major pull-back in April. Stock markets

became increasingly resilient to policy and political announcements from the US president, although the uncertainty weighed on the currency with the US dollar falling nearly 10% against sterling. The FTSE All-Share Index produced a total return, including dividends, of approximately 21%, well ahead of the US market's return of around 6% in sterling terms. This was also ahead of the Eurostoxx 600 index of European shares which rose around 17%. The standout performers were precious metals, with gold, and particularly silver, benefitting from safe haven buying. Copper also rallied strongly on the back of tight supply and rising demand for power and electrification.

There was also a sense of déjà vu within the UK stock market last year. Investors in general rewarded companies with positive "earnings momentum", ie. seeing profits expectations rise, whilst companies seeing downgraded expectations were heavily penalised, almost irrespective of valuation. Large companies outperformed medium sized companies. The latter tend to be more domestically oriented and cyclical, with fortunes tied more closely to the UK economy, although there are plenty of internationally spread, or economically defensive, mid-caps too. Performance varied enormously between sectors,

FTSE All-Share Index for the year to 31 January 2026

5600
5,511.52

5200

4800

4400

4000

Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec Jan
2025 2026

Last Price 5,511.52
High on 15/1/26 5,518.66
Average 4,941.21
Low on 9/4/25 4,151.42

FTSE All-Share Index 31.1.25 – 31.1.26. Source: AllianzGI/Datastream.

Market evolution over twenty years

"In the short run, the market is a voting machine,
but in the long run, it is a weighing machine"

Benjamin Graham

There have been substantial changes in financial markets over the last twenty years: the rise in passive funds has been inexorable, with the Investment Association survey showing 35% of all UK managed assets were passive in 2024; the increase in computer driven trading and more recently, AI reading of results statements, leading to almost instant and sharp market reactions to news and events; the rise of Exchange Traded Funds (ETFs) and "basket" trading, where investors buy or sell a "basket" of, for example, "growth" stocks or UK consumer-exposed stocks; and, of course, the proliferation of information, including investor presentations, podcasts, videos, credit card spending trends, Google search data, consumer surveys, satellite data etc. Technology has also enabled much easier access for retail investors into stock markets, as can be seen with most shareholders in The Merchants Trust now owning shares via platforms.

In many ways, stock markets have become more efficient. They are quicker to absorb new company news, as well as any events affecting related peers or an industry. However, in other ways markets have become less efficient. The shift to passive and "basket" trading has left fewer investors thinking about the specific circumstances and attractiveness of individual companies. This is especially true at the smaller end of the market, under the radar of most global investors, and most impacted by flows out of the UK stock market in recent years. Investor, or perhaps more appropriately "trader", attention has also generally become more short term, with a huge focus on whether quarterly results have "beaten" or "missed" consensus expectations, at the expense of considering a longer-term perspective.

These factors make it very hard to have an information edge in the short term, from reading and reacting to news as it comes out. This environment has also favoured "momentum" factors within an investment strategy, such as owning companies getting earnings upgrades or where the share price has already risen. Momentum factors have become widely used within active funds and particularly among systematic strategies. However, momentum can exaggerate any positive or negative share price movements, potentially leading to share prices moving further and further away from their intrinsic value.

There are two key implications from this. First, company share prices often deviate materially from a long-term measure of fundamental or intrinsic value, creating large valuation anomalies, particularly if the company is seeing persistent positive or negative earnings momentum. Second, exploiting these valuation anomalies requires patience and a disciplined investment process, as it can take a long time or a significant event for the consensual view on a stock to change. Or to put it more succinctly, valuation doesn't matter in the short term. This can lead to wild swings in share prices as companies go from out of favour to in favour, or vice versa. Looking at the huge rally in defence stocks, banks and tobacco in the last two years shows what can happen when circumstances change.

Whilst these trends make following a value-driven investment process more challenging, they also make the potential rewards greater. Perhaps the one constant factor in investment markets over all of history has been that markets are ultimately driven by human nature, by fear and greed. People are fearful of losing money when asset prices are going down but they want to

Whilst these trends make following a value-driven investment process more challenging, they also make the potential rewards greater.

Last year Merchants performance benefitted from two companies being bid for. Dowlais and Assura were both ultimately bought by industry peers, who could see the true value of the businesses.

be fully involved when prices are going up. Even professional investors are not immune to behavioural pressures. It is not comfortable to explain why we may still hold in the portfolio a share that has fallen heavily in the last three years. But that, alone, is not a good reason for selling it, assuming it is still fundamentally sound and cheap.

Whilst passive investing should take away an investor's need to worry about individual share price oscillations, it does not remove the risk of investors en-masse over-reacting to major trends. Investors might take their money out when the market is down 20%, say, and miss a long-term rally, or they might put more money in near a market top. Passive global investors today will typically have a very high concentration of their money in large US technology companies, which provides a correlated risk that they may not be fully aware of. If those companies were to fall back, selling pressure from passive investors could amplify the selling pressure of the many active strategies that are also highly exposed to this area. The combination of passive investing and the proliferation of momentum strategies is compounding potential volatility in the market.

Our core belief is that, ultimately, fundamental value will reassert itself in individual shares. I have heard valuation being likened to a brick tied to a piece of elastic, the harder you pull it, the more stretched the elastic, the faster and further the brick will travel once it starts moving. We are often asked if valuation still works as an investment factor? We believe it does, and that the opportunities for value driven strategies are greatest when dispersion in the market is highest. Valuation can influence share prices through different mechanisms. One of the strongest performing shares in the portfolio has been Barclays. The shares tripled in price (even before counting dividends) during 2024 and 2025. The valuation moved from a very depressed price of less than one third of book value, to a more normal level of close to book value today. Two years ago, it was hard to know when the shares would move or what might be the catalyst. Whilst conditions in the sector have improved somewhat, the reason for the tripling in the price was the very low starting valuation. We didn't know when Barclays would perform but the magnitude of the move was determined largely by the undervaluation at the beginning.

Another way that valuation can work is when an outside view sees an opportunity to take advantage of a clear mispricing. Last year Merchants performance benefitted from two companies being bid for. Dowlais and Assura were both ultimately bought by industry peers, who could see the true value of the businesses.

Merchants has certain advantages to allow us to exploit the increasing long-term inefficiency of the stock market. Being an investment trust, Merchants has permanent capital that can look through the short-term noise. The trust is not forced to meet redemptions, so we can invest in companies without knowing precisely when the true value will come through. Also, the board and shareholder focus on dividend income is philosophically aligned with a value strategy. When a share price goes down, assuming there is no change in business fundamentals, the company offers better value and also a higher dividend yield. We like to enhance the portfolio income by buying more of attractive shares when they have fallen in value (with a higher yield) and selling some of the position as the shares rally (and the yield declines). This focus on the true value of businesses, and particularly their cash generation or asset value, helps us to stand back from the heightened day to day volatility of markets.

which gave the stock market a K-shape too. On the upwards arm of the K, the aerospace & defence sector was up 80%, following a gain of over 30% in the prior year, on the back of continued geopolitical tensions and an imperative for NATO nations to increase defence spending. The banks sector return of 65%, was even more remarkable as it followed a 60% return last year, as the industry saw robust profits growth and cash generation. Other strong sectors included metals & mining, electricity, life insurance and tobacco, which all returned 40% or more.

On the contrary, on the downward leg of the K, there was a savage sell off in the software and computer services sector, down 33%, on fears that AI might disrupt those business models. A number of other sectors fell by more than 10%, which represents a sharp

underperformance of the broader market. Finance & credit services, consumer services and media were all impacted, as some of their constituents were seen as potentially vulnerable to AI disruption fears. The beverages sector also fell on the back of poor trading and tariff concerns at Diageo, in particular.

Investment performance

The portfolio produced a total return of 18.3%. Whilst this was a very healthy absolute return, and there were many positive factors that we detail below, performance was behind the 21.1% return of the FTSE All-Share Index, which is Merchants' benchmark. It is not unusual to have periods when our investment approach is out of favour, particularly when markets are driven by strong narratives and themes, as has been the case in the last two or three years. Sector and stock volatility are

actually healthy as they create the very mis-pricing opportunities that we aim to exploit, by taking a longer-term view. Merchants' portfolio is very different from the benchmark composition. The focus on buying sound companies which are trading below their intrinsic value, and offering an attractive income stream, inevitably leads us to a different, somewhat contrarian positioning.

The table shows the largest positive or negative stock contributors to relative performance. These, in turn, can be broken down to stocks where Merchants has a large portfolio position, "overweight" relative to the benchmark position, and stocks that are not owned or which are "underweight" relative to the benchmark.

A few things stand out from the table. There have been quite extreme moves in a number of large companies or

Contribution to investment performance relative to the benchmark

	Overweight / underweight (%)	Total return (%)	Contribution (%)
Best			
Relx	-2.6	-34.9	1.7
Atalaya Mining	1.5	202.5	1.7
Lloyds Banking Group	3.1	83.2	1.5
London Stock Exchange Group	-2.0	-31.6	1.3
Diageo	-1.7	-27.8	1.1
Serco Group	1.4	95.3	0.8
Compass Group	-1.7	-20.0	0.8
Experian	-1.3	-30.3	0.8
SSE	1.9	53.4	0.7
Unilever	-2.6	3.5	0.6
Worst			
HSBC	-6.6	60.4	-2.3
Tate & Lyle	2.5	-40.2	-2.0
Rolls Royce	-3.2	102.4	-1.7
WPP	0.9	-43.3	-1.4
B&M	1.6	-41.1	-1.3
DCC	2.7	-13.4	-1.1
Marshalls	1.4	-38.1	-1.0
Unite Group	1.4	-30.8	-0.9
Barratt Redrow	2.0	-10.9	-0.7
BAE Systems	-2.1	64.4	-0.6

Atalaya Mining was the strongest stock that was owned in the portfolio, with the shares up an astonishing 200%.

big holdings, in either direction. The K shaped market is evident. The banks sector features on both the positive side, with **Lloyds** up over 80%, and on the negative side, with HSBC (not owned) up 60%. We did not own HSBC, as we had a preference for domestic banks on valuation grounds and due to HSBC's different risk profile. Because HSBC is such a big stock, not owning it had the largest single negative impact on relative performance. This was partly offset by owning **Lloyds**, and two banks not shown in the table, **Barclays** and **OneSavingsBank**. Other major sector moves are also evident with the strong performance from aerospace & defence companies, and weakness in software, media and data services businesses, as well as more idiosyncratic moves.

Looking at the negative contributors in more detail. In addition to HSBC, not owning aerospace & defence stocks **Rolls Royce** and **BAE Systems** held back relative performance. **Tate & Lyle** was the largest individual negative contributor and we explain the background to this, and why we retain high conviction, in a separate case study. **WPP** was also a major detractor from performance. As we explained in the interim report, this media business had continued to underperform its industry peers, despite a comprehensive turnaround strategy under the previous Chief Executive Officer. We took the difficult decision to exit the shares in July, recognising that our previous investment case had not worked and that the road ahead was challenging. **WPP** shares continued to decline after our sale.

The other negative contributors reflect stock specific challenges, but we continue to see significant upside in each. **B&M** is a discount retailer that we bought earlier in the year, seeing substantial recovery potential. Decisive action by a new chief executive to reposition the business has impacted short-term profitability, and the shares were also hit by cost accounting issues when implementing a new IT system. **DCC**, which is refocusing the group on its energy business, saw its shares underperform. The sale of **DCC's** healthcare division achieved a lower

price than had been expected and the shares have also derated materially. **Marshalls** and **Barratt Redrow** both fell back on trading disappointments and concern about the weaker than expected housing and building markets. Finally, student accommodation provider **Unite** fell heavily as the company achieved lower than expected room occupancy for the current academic year. The sharp share price fall looks like an over-reaction, in what has historically been a very reliable business, but we continue to monitor industry trends and company performance.

In terms of the positive contributors, the largest individual stock was the information services company **Relx**, which was not owned but represented a large part of the benchmark. The shares fell by over 30% as investors worried about the risks from AI disruption to the business. The extent of the fall partly reflected the elevated valuation of the stock a year ago. A similar theme also affected other large data stocks that were not owned, specifically **London Stock Exchange Group** and **Experian**, and to a lesser extent the catering company **Compass**.

Atalaya Mining was the strongest stock that was owned in the portfolio, with the shares up an astonishing 200%. We talked about the stock in a case study in last year's report and accounts. The company has clearly benefitted from a buoyant copper price as industry supply and demand conditions have been very favourable. But it has also materially improved its own operations, both by lowering its energy costs and by bringing on developments of existing and new projects. **Serco** was another strong performer, with the shares nearly doubling since our purchase earlier in the year. Like **Atalaya** the shares benefitted from a low starting valuation, solid operational performance and investor enthusiasm for its end market exposure; in this case the defence industry.

Elsewhere, the electricity distribution and renewable generator company **SSE** rose by over 50%, as investors welcomed a fund raising to support rapid growth in

CASE STUDY: PERFORMANCE

Tate & Lyle

Sector: Food Producers
Value of holding: £27.8m
Percentage of portfolio: 2.6%
Benchmark weighting: 0.0%
Contribution: -2.1%%

Though the company's name may still be associated with a brand of refined sugar, Tate & Lyle Plc has transformed itself over many decades into a business focused on specialty ingredients with a mission to make food healthier as well as tastier. Working closely with food manufacturers, Tate helps take out calories, put in fibre, and improve flavour and stability. The business operates worldwide, with a particular focus on the US market, which is over half of sales.

Our investment case recognises a little of the confusion that a supermarket shopper in the UK might have on seeing a pack of 'Tate & Lyle' sugar – divested by Tate & Lyle Plc more than 15 years ago. The market has not realised the extent of Tate & Lyle's transformation away from commodity products and traditional sweeteners. Especially much more recently than the disposal of refined packet sugar carrying the company's name in 2010.

Over a series of transactions in the last five years Tate & Lyle divested of its remaining traditional sweetener exposure – high fructose corn syrup – and added a portfolio of naturally sourced specialist ingredients through the acquisition of CP Kelco in 2024.

This transformation makes excellent strategic sense and positions the company for higher and more sustainable long-term growth. But it has

come at an unfortunate time for Tate & Lyle and helps explain the poor share price performance we have seen this year. The shares have fallen more than a third amid a very strong performance for the broader stock market. A disappointing result.

The divestments and acquisitions had the combined effect of diluting Tate's earnings per share and increasing the company's debt, making the financial results quite sensitive to smaller changes in operational performance, and to a weaker market context. The share price meanwhile is more sensitive still to a changing narrative around food ingredients, that can be exacerbated by any hint of deteriorating financials.

The business has been underperforming its growth potential for the last year, and this has been caused in part by economic pressure on the packaged food sector, particularly in the US, due to high inflation and cost of living pressures. Consumers are trading down and keeping less in their cupboards. Tate's sales have weakened, just as the business was digesting a lot of organisational change, with the financials under unusual pressure. Tate's execution has not been perfect in this difficult context, and it is possible that the transformation has resulted in a slight lack of commercial focus. We believe that if this is the case, it is

fixable for a business with such strong foundations in important areas of food technology.

We believe that Tate's share price has been largely driven by weaker than expected operational and financial performance in a stock market that has very little patience for missed expectations. The investment case has also been made more complex by interaction with emerging impacts of weight loss drugs on food consumption and the debate around ultra-processed foods. We have investigated both issues in some depth and had many discussions with management and have concluded for now that Tate & Lyle's business is unlikely to be seriously negatively impacted. There could even be benefits. More complexity however is not helpful for an investment case, and we keep these emerging themes under close review.

Whilst the Tate & Lyle investment case has been disappointing this year we retain high conviction in our position. We believe the market is over-extrapolating temporary issues, and that Tate's transformation from less healthy commodity products to more healthy specialty ingredients will be reflected in time with better financial performance, and with this a potential strong rebound in the shares.

CASE STUDY: PERFORMANCE

Serco

Sector: Industrial Support Services
Value of holding: £17.1m
Percentage of portfolio: 1.6%
Benchmark weighting: 0.1%
Contribution: 0.8%

Serco was one of the strongest performers in the portfolio during the year, with the shares nearly doubling after our purchases in March and April.

Serco is a government outsourcing company, operating in over 20 countries with more than 50,000 employees. Its main markets are the UK, US and Australia, and its activities are in areas such as justice & immigration, transport, health and increasingly, defence. Serco is well known for managing contracts such as accommodation for asylum seekers and running prisons. Serco met our criteria of being a strong business, with supportive end market structural themes, trading at an attractive valuation.

Serco has been transformed over the last decade, following a difficult period around 2014. Since then, the management team have implemented tight contract discipline and the business has delivered steady growth and rising margins and financial returns, with a robust balance sheet.

The company benefits from certain structural themes. Most governments are highly indebted, making it hard for them to invest in service transformation. They have become increasingly dependent on outsourcing to private companies to provide the skills to manage complex activities, often introducing new technology and delivering a change in

service delivery. Immigration, justice and particularly defence services are seeing strong growth, which should continue.

The above factors mean that Serco has typically been a highly valued company, not offering sufficient upside or a high enough dividend yield to meet Merchants' investment criteria. However, a few factors coincided to give us the opportunity to invest at an opportune time. The company had benefitted from some large contracts during the covid period, such as NHS track & trace which provided exceptional growth, but this was not sustainable. Just as these contracts rolled off, three of Serco's largest contracts were either reduced in scale, or in one case, not renewed. On top of this, UK employment costs spiked up, due to budget changes in late 2024. This left an unusual hiatus in growth expectations and some earnings downgrades, in an environment where investors punished companies seeing any earnings downgrades. Although the company had a growing pipeline of bid activity, particularly in the US defence area, this did not show up in a flat order book, due to the technicalities of accounting for US defence contracts. So, it appeared as if Serco was no longer growing.

These factors all led to the company being significantly de-rated, and trading

at a discount to the market and its own historic levels. This all happened as other companies in the defence sector had appreciated materially, due to rising geopolitical threats and government commitments to increase NATO defence budgets. The stock market had not appreciated the major change in the company's business mix in the last few years. Serco has made several acquisitions in the defence sector, including a large US defence purchase in 2024. This took defence up to nearly half of group profits on a pro-forma basis. Serco's defence activities also earn a higher margin than the group average. So Serco's business mix has improved in terms of both growth and margin potential.

After our purchase, the company continued to win new contracts and, later in the year, raised guidance for 2025 profits, as well as forecasting higher than expected results in 2026. Serco's defence profile also became more evident, as the management team highlighted their positioning. This combination of improving short term earnings expectations and an appreciation of the company's attractive long-term prospects led to a rapid and considerable re-rating of the shares. In December 2025 and January 2026 we reduced the position a little, as much of our expected upside had been achieved.

the electricity network business over the next five years. Finally, among the top ten positive contributors, there were two consumer brands companies. Diageo, which was not owned, fell heavily on the back of difficult trading conditions especially in the USA, exacerbated by the impact of tariffs. **Unilever**, where the portfolio has an underweight position, underperformed modestly, despite demerging its ice cream business.

Portfolio changes

The highly polarised, K-shaped stock market led to considerable changes in company valuations both upwards and downwards. This provided numerous opportunities to take profits or sell strongly performing shares that approached our assessment of fair value. It also created opportunities to make new investments in strong companies that were undervalued, and

to increase positions in other holdings at attractive levels.

In total there were 12 new additions to the portfolio, and we exited 12 holdings, leaving the portfolio at 53 holdings at the year end. This is a higher level of portfolio activity than we have seen in recent years, reflecting the extreme rotation in the market.

Eight of the new purchases were made in the first half of the year and we explained the rationale for these in the interim report. In the second half, we bought **Hikma** and **MONEY**, whilst we received shares in **Primary Health Properties** and **Magnum Ice Cream Company** following corporate actions.

Hikma is a manufacturer and distributor of branded and generic pharmaceuticals, and we have explained the investment case in a separate case study. MONEY Group, is the company

Largest net purchases and sales within the portfolio

Largest net purchases (£m)

B&M	24.6
Reckitt Benckiser Group	22.6
Hikma Pharmaceuticals	22.6
RS Group	20.1
Sodexo	16.8
Michelin	15.9
Sirius Real Estate	14.1
MONEY Group	13.6
Tate & Lyle	13.2
Whitbread	8.4

Largest net sales (£m)

British American Tobacco	-22.6
Drax Group	-20.5
Imperial Brands	-19.6
Dowla's Group	-16.1
WPP	-16.0
GSK	-13.4
Bank of Ireland Group	-12.7
Haleon	-12.3
Close Brothers Group	-11.8
Aena	-11.2

In general company profitability and cash generation has been robust... Total income generated increased to £50.2m (£48.5m), with earnings per share at 30.6p (29.4p).

which owns the MoneySuperMarket and MoneySavingExpert websites, amongst others. MONY is one of four major UK groups offering price comparisons on insurance, financial services, energy and other services. The business has faced several headwinds in recent years, such as energy price caps, which have impacted growth and led to the shares being heavily de-rated. We believe the company is an attractive business, with future growth and efficiency opportunities. It is backed by a strong balance sheet, healthy cash generation and had a 6% dividend yield at the time of purchase.

Primary Health Properties (PHP) bought Assura plc in a contested takeover. These were similar companies, both with a core portfolio of GP surgeries. GP surgeries benefit from attractive dynamics, including structural demand growth for community healthcare, as well as an element of inflation linkage in rents. These are effectively paid by the NHS, meaning there is little credit risk. Initially Assura was bid for by a private equity consortium. Whilst the bid price reflected a decent premium to the prevailing share price, we believed that it significantly undervalued the business on a medium term view. We were delighted when PHP made a counter offer, which we supported, as it allows Merchants' shareholders to retain exposure to this real estate sub-sector. The new group also has greater scale, providing cost synergies and greater liquidity for investors.

The Magnum Ice Cream Company demerged from Unilever, which is focusing on its other businesses. Magnum is the clear world leader in ice cream as well as the biggest company in most of the large individual markets. It owns four of the top 5 global brands – Walls, Magnum, Ben & Jerrys and Cornetto.

There were nine sales from the portfolio which were explained in the interim report. In the second half we sold two companies **Aena** and **Close Brothers**, and Assura was taken over, as explained above.

Aena is the owner of most Spanish airports and others in several countries, including 50% of Luton. Aena has benefitted from a tourism recovery in Spain and its favourable regulatory structure. The shares had been strong performers since our purchase and had also paid a high dividend yield. This took the shares closer to fair value. In 2025, Aena announced a major increase in capital spending to fund long term growth at several of its airports. Whilst these investments are positive for the long term, they will reduce cash flow in the medium term. We decided to exit the position at this point.

As we explained in a case study last year, the specialist bank Close Brothers had been a disappointing investment, weighed down by several problems, including compensation claims over historic motor finance commission payments. However, we believed the shares were heavily oversold a year ago and we had added to the position at depressed share prices in 2024. Subsequently, the shares more than doubled from the low point, in response to a proposed compensation ruling from the Financial Conduct Authority. At that point, we believed the Close Brothers investment case was more finely balanced so we sold the position.

As well as these new holdings and total sales, we added and reduced many other positions, in response to changing circumstances, our assessments of value and our level of confidence. The biggest additions included Tate & Lyle, DCC, Marshalls, **Whitbread** and Unite. We reduced **British American Tobacco**,

taking the tobacco exposure down materially, after selling out of **Imperial Brands** earlier in the year. Other large reductions included **GSK**, **IG**, **SCOR**, **SSE**, **Atalaya** and **Burberry**.

Income

In general company profitability and cash generation has been robust, although there have been exceptions, particularly in more cyclical industries. Total income generated increased to £50.2m (£48.5m), with earnings per share at 30.6p (29.4p). We have seen many companies prioritise returning surplus capital via share buy backs, rather than through additional ordinary or special dividends. This is a sensible capital allocation decision when share prices are depressed as companies are investing in cheap assets. However, where share prices have appreciated significantly, for example in industries like banking, we would expect company boards to review the balance of distributions between buybacks and dividends. We will be monitoring the trends through this financial year. It is interesting to note that Barclays recently announced that it plans to pay dividends of £2bn for the 2026 financial year, substantially more than the £1.2bn it declared for 2025.

The earnings per share fully covered the proposed full year dividends of 29.5p (29.1p), which represents the 44th consecutive year of dividend increases. Revenue reserves have increased to 20.3p (18.8p), representing approximately two thirds of a full year's dividends.

Within the total income, approximately £1.2m (£0.9m) was received from writing covered call options on shares that we would be willing to sell at the strike price.

CASE STUDY: NEW INVESTMENT

Hikma Pharmaceuticals

Sector: Pharmaceuticals & Biotechnology

Value of holding: £21.7m

Percentage of portfolio: 2.0%

Benchmark weighting: 0.1%

Contribution: 0.1%

Hikma Pharmaceuticals was a new investment in the year. It is a good example to highlight our investment process, as we look to buy strong businesses, with supportive structural themes, trading on low valuations.

Hikma is a manufacturer of generic, branded and specialty pharmaceutical products, operating across North America, the Middle East, North Africa, and Europe. The business operates through three divisions – Injectables, Branded and Generics (now called Hikma Rx). The company is vertically integrated, with manufacturing carried out largely in house.

Injectables is the main profit contributor with margins benefitting from this vertical integration. Products are off patent but are complex to manufacture and require a high level of technical capability and regulatory approval, which limits competition. Hikma is a top three manufacturer in the US by volume and has a strong position in Europe. The division has historically generated high margins of well over 30%, although these are expected to come down towards 30% over the medium term. This reflects higher investment, increased Research and Development (R&D) spend and a greater contribution from the lower margin regions of Europe and the Middle East & North Africa.

The Branded division provides exposure to the Middle East & North Africa, where Hikma has a strong position, supported by local manufacturing and long established distribution networks. The business sells branded generics and in-licensed products, and has leading positions across several markets. The portfolio has shifted towards treatments for chronic conditions, which has supported margins and reduced reliance on acute therapies.

The third division, Generics (now called Hikma Rx) operates in the competitive US generics market. The division has faced pricing pressure in the past. More recently, profit margins have begun to improve, as the business shifted towards more complex products and increased contract manufacturing activity. Capacity utilisation has historically been low, but management has focused on filling unused capacity through partnerships, which are becoming a more meaningful contributor to earnings. Guidance for this division has been upgraded, with margins expected to rise towards 20% over the medium term.

The company benefits from several positive structural themes. Pressure on health budgets is encouraging greater use of generics, including injectables. Demand for healthcare is growing as populations age, novel treatments are developed and, especially across the

Middle East and Africa, populations are growing and becoming wealthier.

Historically Hikma has reported strong growth in sales and profits. The company has typically traded at a high valuation, reflecting the strong competitive position and growth potential. However, several events brought the valuation down to a low level.

The pharmaceutical sector had generally de-rated, with policy uncertainty in the key US market, in particular. Hikma also had some specific issues. The company lowered guidance for the Injectables division, as it invested into R&D and new capacity. Partly related to this, the Group Chief Executive Officer and the President of the Injectables division both left the business, raising some questions over leadership. However, the Chairman, who is also the former CEO as well as being a major shareholder, stepped in to manage the business until a new CEO is appointed.

We do not believe these developments materially affect the long term value of the business. However, they caused the share price to fall heavily, and provided an opportunity to buy a strong company, with good long term growth potential at an attractive valuation. Hikma continues to generate strong cash flows, which support investment and the payment of a progressive dividend.

Despite the rally in the UK stock market, we continue to find many compelling investment opportunities, particularly among, medium sized companies. These are now a larger part of the portfolio.

Economic and market outlook

I have talked about the evolution in the stock market environment over the last twenty years, but there have been economic and geopolitical developments over that period, which are far more important. Twenty years ago, the Western world seemed like a reasonably peaceful place, with a broad consensus about the benefits of capitalism, democracy, the rule of law, independent central banks and supranational bodies like the UN, NATO and the EU. Political discourse generally took place in a narrow range around the centre, and globalisation seemed like an unstoppable force to drive efficiency and higher living standards. Since then, we have seen the Great Financial Crisis, the first and second Russian invasions of Ukraine, Brexit, Covid-19 and the first and second elections of Donald Trump, to name a few key events.

Now, according to Mark Carney, Canadian Prime Minister and former Bank of England Governor, speaking in Davos, we are in the midst of a rupture in the world order. Political debate is highly polarised, with the centre ground hollowed out. European governments, including the UK, are having difficulties implementing their policies. European peace is under very real threat and the USA is redefining its role in the world, with its new National Security Strategy, putting enormous strain on NATO. The independence of the US Central bank is being called into question. Globalisation has been put into sharp reverse with US tariffs being used as a political weapon, and there are rising trade tensions over products including Chinese electric vehicles, AI semiconductors, rare earth minerals and oil.

Against this background, it is extremely challenging to predict what is going to happen over the investment horizon. We can look at economic trends

and developments in industries and markets, but we have to be prepared for events from left-field to challenge any predictions.

Our central view is that the UK economy should start to see the benefits from lower interest rates as the year progresses. After a long hiatus, the housing market, which drives a lot of activity in the UK, should start to recover, due to cheaper mortgage costs, pent up demand and government policies to ease planning constraints. However, broader economic confidence and employment trends remain critical and confidence is fragile. Political risk is also a factor with the government internally divided, even though Labour has a large majority. A change of prime minister could lead to a different policy agenda, although the high level of government borrowing means that the bond market tends to restrict more radical tax and spending plans.

The evolving situation in the Middle East, following US and Israeli bombing in Iran, has been disrupting economic activity in the region and threatens significant disruption to the flow of oil, gas and other critical products globally. It is likely to lower economic growth forecasts and increase inflationary pressures, as well as raising interest rate expectations, at least in the short term. The duration and impact of the conflict are impossible to predict with any certainty. We continue to monitor the situation and assess the implications.

Although the portfolio would benefit from an improving macro-economic environment, our investment approach is predominantly "bottom up", focusing on individual businesses and their valuations, rather than starting "top down" and constructing the portfolio around an economic view. Despite the rally in the UK stock market, we continue

to find many compelling investment opportunities, particularly among, medium sized companies. These are now a larger part of the portfolio. The K-shaped stock market has left many sound businesses trading at attractive levels. Sectors where we have a high exposure to medium sized companies, include housebuilding and related industries, real estate, industrial services and retail. We also retain substantial investments in typically large cap sectors which still offer good value, like banks, oil & gas and pharmaceuticals. It is also important to remember that, whilst well over 90% of the portfolio is invested in UK listed companies, we estimate that nearly 60% of the underlying revenues and profits come from abroad.

Whilst the nature of the stock market has changed over the last twenty years, we believe that ultimately share prices will continue to reflect the fundamental qualities and intrinsic values of individual companies, even if over and under-valuation can persist for long periods. Merchants Trust owns a diversified portfolio of companies that trade far below our assessment of fair value and pay an above average dividend stream. We believe the portfolio is well positioned to deliver strong total returns, in line with Merchants' objectives.

Active engagement

AllianzGI's engagement activities include: monitoring strategic developments, providing feedback, challenging corporate practices and seeking change.

Engagement can take various forms including correspondence; face-to-face meetings and conference calls; proxy voting and – in rare instances – public interventions through filing shareholder resolutions; speaking at shareholder meetings; and commenting in the media. In addition, AllianzGI sees value in collaborative engagement initiatives

coordinated by investors, trade associations and other organisations, where these seek to address market or industry-wide concerns. As an active investment manager, AllianzGI sees engagement as a way to reduce investment risk, help improve corporate performance and better assure the long-term business prospects of investee companies.

Company engagements by sector and topic

	Environmental risks/impacts	Social risks/impacts	Corporate governance	Strategy/business model	Transparency and disclosure	Capital management	Operational performance	Financial performance	Risk management	Audit and accounting
Communication services										
Consumer discretionary										
Consumer staples										
Energy										
Financials										
HealthCare										
Industrials										
Materials										
Real Estate										
Utilities										

Proxy voting

1 February 2025 to 31 January 2026

Company meeting voting record

60 shareholder meetings	Number of meetings voted 100% in line with management recommendation: 59 Number of meetings with at least one vote against, withheld or abstained: 1
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Vote distribution

1,099 resolutions	Number of votes for: 95% Number of votes against: 4% Number of votes abstained: 1% Number of votes withheld: 0% Not voted: 0%
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In the year there were 60 shareholder meetings for companies in the portfolio and the manager voted on the company's behalf at 59 of these.

This represents a total of 1,099 resolutions and the company voted on 100% of these. Source: AllianzGI.

Portfolio breakdown

at 31 January 2026

Name	Principal activities	Value £'000s	% of listed holdings	Benchmark weighting
Lloyds Banking Group	Banks		6.2	2.3
GSK	Pharmaceuticals & Biotechnology	47,932	4.5	2.7
Rio Tinto	Industrial Metals & Mining	39,411	3.7	2.5
British American Tobacco	Tobacco	38,290	3.6	3.3
Shell	Oil, Gas & Coal	37,042	3.5	5.7
Barclays	Banks	31,360	3.0	2.4
DCC	Industrial Support Services	30,621	2.9	0.1
Legal & General	Life Insurance	30,515	2.9	0.5
BP	Oil, Gas & Coal	29,855	2.8	2.6
National Grid	Gas, Water & Multiutilities	29,502	2.8	2.2
Tate & Lyle	Food Producers	27,774	2.6	0.0
Whitbread	Travel & Leisure	27,094	2.6	0.2
Reckitt Benckiser Group	Personal Care, Drug & Grocery Stores	26,826	2.5	1.5
SSE	Electricity	26,631	2.5	1.0
Inchcape	Retailers	25,026	2.4	0.1
Man Group	Investment Banking & Brokerage	23,781	2.3	0.1
IG Group	Investment Banking & Brokerage	23,322	2.2	0.2
Barratt Redrow	Household Goods & Home Construction	23,238	2.2	0.2
RS Group	Industrial Support Services	23,061	2.2	0.1
Primary Health Properties	Real Estate Investment Trusts	22,632	2.1	0.1
Land Securities Group	Real Estate Investment Trusts	22,260	2.1	0.2
Unilever	Personal Care, Drug & Grocery Stores	21,928	2.1	3.8
Grafton Group	Industrial Support Services	21,780	2.1	0.1
Hikma Pharmaceuticals	Pharmaceuticals & Biotechnology	21,652	2.0	0.1
Harbour Energy	Oil, Gas & Coal	17,759	1.7	0.0
Atalaya Mining ¹	Precious Metals & Mining	17,596	1.7	-
Serco Group	Industrial Support Services	17,100	1.6	0.1
Sirius Real Estate	Real Estate Investment & Services	16,930	1.6	0.1
Unite Group	Real Estate Investment Trusts	16,725	1.6	0.1
OSB Group	Finance & Credit Services	16,278	1.5	0.1
Engean	Oil, Gas & Coal	16,018	1.5	0.0
Michelin ¹	Automobiles & Parts	15,628	1.5	-
B&M	Retailers	15,184	1.4	0.1
Bellway	Household Goods & Home Construction	14,721	1.4	0.1
Sodexo ¹	Travel & Leisure	14,298	1.4	-

INVESTMENT MANAGER'S REVIEW

Name	Principal activities	Value £'000s	% of listed holdings	Benchmark weighting
Lancashire Holdings	Non-Life Insurance		1.4	0.1
Morgan Advanced	Electronic & Electrical Equipment	14,248	1.3	0.0
Pets at Home Group	Retailers	13,920	1.3	0.0
Marshalls	Construction & Materials	12,741	1.2	0.0
MONY Group	Software & Computer Services	12,539	1.2	0.0
DFS Furniture	Retailers	12,514	1.2	0.0
Norcros	Construction & Materials	10,199	1.0	0.0
SCOR ¹	Non-Life Insurance	9,254	0.9	-
Conduit Holdings	Non-Life Insurance	9,077	0.9	-
Entain	Travel & Leisure	8,658	0.8	0.1
Burberry Group	Personal Goods	8,242	0.8	0.1
PZ Cussons	Personal Care, Drug & Grocery Stores	7,897	0.7	0.0
SThree	Industrial Support Services	7,302	0.7	0.0
XP Power	Electronic & Electrical Equipment	5,783	0.5	0.0
Begbies Traynor Group	Investment Banking & Brokerage	4,922	0.5	-
CLS Holdings	Real Estate Investment & Services	4,507	0.4	0.0
Duke Royalty	Finance & Credit Services	3,902	0.4	-
Magnum Ice Cream	Food Producers	959	0.1	-
Total invested funds		1,056,366	100.0	

¹ International stock

The portfolio has been broken down into three categories to provide shareholders with a greater insight into the investment rationale for different shareholdings. These are:

Classic value: These are valuation-driven investments. Typically, the shares of a company will trade at a substantial discount to their intrinsic value because the business is misunderstood or out of favour with the market. While there need not be long-term growth, the business model is structurally sound and financial risk is limited.

Franchise: These are business model driven investments. Our investment cases are always premised on attractive absolute valuations. However, a franchise investment has the added advantage of delivering long-term growth with the potential to compound value. These are quality companies with sustainable advantages where either the market has lost sight of the fact or has yet to recognise it.

Special situations: These are catalyst driven investments. Each business within this category will face a unique set of circumstances that has caused the value of the shares to weaken significantly. These can include business turnarounds, spin-offs or balance sheet restructurings. For us to invest in such an event, the market's perception of this weakness needs to be overstated in the share price. Conversely, the market is also likely to be slow in recognising any ensuing recovery.

Written call options

As at 31 January 2026, the market value of the open option positions was £668,000 (2025: £(238,500)), resulting in an underlying exposure to 2.6% of the portfolio (valued at strike price).

Distribution of total assets

at 31 January 2026

	2025 total %	2026 Composite benchmark sector weighting	2026 total %
Financials			
Banks	8.5	16.1	9.0
Finance & Credit Services	1.7	1.5	1.9
Investment Banking & Brokerage	4.3	3.1	4.9
Life Insurance	2.3	2.6	2.8
Non-Life Insurance	3.5	0.7	3.0
	20.3	24.0	21.6
Consumer Discretionary			
Automobiles & Parts	1.8	0.1	1.4
Consumer Services		1.3	-
Household Goods & Home Construction	3.8	0.8	3.5
Leisure Goods		0.2	-
Media	3.0	0.9	-
Personal Goods	1.5	0.2	0.8
Retailers	6.7	1.4	6.2
Travel & Leisure	3.3	1.8	4.6
	20.1	6.7	16.5
Industrials			
Aerospace & Defence		6.5	-
Construction & Materials	2.9	0.5	2.1
Electronic & Electrical Equipment	2.2	0.9	1.8
General Industries		0.7	
Industrial Engineering		0.6	
Industrial Support Services	5.6	2.5	9.2
Industrial Transportation	1.2	0.8	
	11.9	12.5	13.1
Consumer Staples			
Beverages		2.1	
Food Producers	2.9	0.5	2.7
Personal Care, Drug & Grocery Stores	3.6	6.8	5.2
Tobacco	6.9	4.1	3.5
	13.4	13.5	11.4
Energy			
Oil, Gas & Coal	10.5	8.5	9.3
Alternative Energy		0.0	
	10.5	8.5	9.3

INVESTMENT MANAGER'S REVIEW

	2025 total %	2026 Composite benchmark sector weighting	2026 total %
Real Estate			
Real Estate Investment Trusts	5.0	1.8	5.7
Real Estate Investment & Services	0.5	0.3	2.0
	5.5	2.1	7.7
Health Care			
Pharmaceuticals & Biotechnology	6.0	11.3	6.4
Health Care Providers		0.0	-
Medical Equipment & Services		0.5	-
	6.0	11.8	6.4
Basic Materials			
Chemicals		0.3	-
Precious Metals & Mining	1.0	6.2	1.6
Industrial Metals & Mining	3.0	0.7	3.7
	4.0	7.2	5.3
Utilities			
Electricity	4.6	1.2	2.5
Gas, Water & Multiutilities	2.4	3.3	2.7
	7.0	4.5	5.2
Technology			
Software & Computer Services		2.5	1.2
Technology Hardware & Equipment		0.0	-
	0.0	2.5	1.2
Telecommunications			
Telecommunications Service Providers		1.3	-
	0.0	1.3	0.0
Not classified		5.4	-
Total investments	98.7	100.0	97.7
Net current assets	1.3	0.0	2.3
Total assets*		100.0	100.0

The classifications and prior year comparatives have been updated, where required, to reflect recent changes in the Industry Classification Benchmark (ICB) standard.

* Total assets (less creditors due within one year) £1,081,310,000 (2025: 966,603,000).

Our strategy

Business model

The Merchants Trust carries on business as an investment company and follows the investment policy described below. The company is governed by an independent board of non-executive directors and has no employees or premises of its own. Like other investment companies, it outsources investment management, accounting, company secretarial and other administration services to an investment management company – Allianz Global Investors UK Limited (AllianzGI UK) – and other third parties to provide shareholders with an efficient, competitive, cost-effective way to gain wide investment exposure through a single investment vehicle.

The company's shares are listing on the Main Market of the London Stock Exchange. In addition to annual and half-yearly financial reports, the company announces Net Asset Values per share daily and provides more detailed information monthly to the Association of Investment Companies (AIC), of which the company is a member, in order for brokers and investors to compare its performance with its peer group.

A review of the company's business, activities and prospects is given in the Chairman's Statement starting on page 4, and in the Portfolio Managers' report starting on page 11.

Strategy review

Every year we hold a strategy meeting outside the regular timetable of board meetings. At the most recent meeting in November 2025 the topics covered included:

- Long-term performance review
- Discount management
- Dividend policy and market trends

At the review the board noted evolving shareholder preferences and investor sentiment and discussed with advisers the best ways to address these and align strategy accordingly. The board also considered the continuing requirement for income and the sources of revenue, aiming as always to balance shareholders' interests with the long-term growth and stability of Merchants Trust.

The board will also continue its engagement with investment platforms in the year ahead to understand its retail investor audience. This will enable Merchants to promote and stimulate retail investor demand through compelling and authentic communications from the company and reaffirm Merchants as a core income vehicle for investors in UK equities.

Investment Policy

Objective

The Merchants Trust aims to provide an above average level of income and income growth together with long-term capital growth through a policy of investing mainly in higher-yielding large UK companies.

Performance is benchmarked against the FTSE All-Share Index, reflecting the emphasis within the portfolio. The company's investment performance is also assessed by comparison with other investment trusts within the UK Equity Income sector.

Gearing

The company's policy is to remain substantially fully invested. The company has the facility to gear – borrow money – with the objective of enhancing future returns. Gearing is in the form of a short-term revolving credit facility and fixed rate longer-term borrowings. The board monitors the level of gearing and makes decisions on the appropriate action based on the advice of the manager and the future prospects of the company's portfolio.

The company's authorised borrowing powers set out in the Articles state that the company's borrowings may not exceed its called up share capital and reserves. The board's policy is to maintain gearing (borrowings as a percentage of net assets) in the range of 10 – 25%, (measured at the time that any increase in total borrowing

facilities is agreed). Gearing averaged 14.3% in the year to 31 January 2026 (2025: 14.6%).

Depending on equity market conditions, gearing may be outside this range from time to time but it is not the board's intention to increase total borrowing facilities if gearing is above the range.

Risk diversification

The company aims to achieve a spread of investments, with no single investment representing more than 15% of assets. The company seeks to diversify its portfolio into at least five market sectors, with no one sector comprising more than 35% of the portfolio.

Strategic aims

The company's aims, as reflected in the KPIs reporting on page 8, continue to be to:

Dividends

- Provide a high and progressively growing income stream. The chart on page 3 shows dividend increases every year since 1982 and the KPI chart on page 9 shows the contribution to dividend reserves in the past five years.

Shareholder return

- Provide long-term capital growth
- Provide a long-term total return above the benchmark and peers
- The KPI chart on page 9 shows the returns against the benchmark.

Investor appeal

- Position Merchants to outperform peers, ensuring that the company remains relevant and attractive to new and existing investor groups
- Manage the costs of running the company so that they remain reasonable and competitive
- The KPI charts on page 9 include a comparison of ongoing charges against the peer group.

Investment strategy

We aim to achieve our objective through a strategy of investing in a portfolio of mainly higher yielding large UK companies and by using appropriate gearing to enhance returns. This strategy is designed for those investors who require a single investment in a diversified and professionally managed portfolio.

Marketing

The company's marketing activity promotes Merchants to investors looking for exposure to capital growth from mainly large UK equities and an above average and rising dividend. The policy is to reach out to private investors managing their own investments, as well as to wealth managers and institutional fund managers. The work with our partners to do this is discussed in the table of stakeholder engagement on page 30.

The company undertakes joint marketing initiatives with a number of market-leading investment industry organisations, and this has proven to be a highly successful strategy. The portfolio managers speak at various investor conferences and events, as well as authoring articles and recording video interviews and podcasts – available through our website or a variety of partner sites such as Citywire and Asset TV.

Discount/premium

The discount/premium of the share price to Net Asset Value is closely monitored. When shares are trading at a premium, the policy is to be prepared to issue shares to meet natural demand in the market. Conversely, when shares are trading at a significant discount, shares may be bought back and cancelled or held in treasury.

Section 172 report

Engagement with key stakeholders

The company's shareholders are its primary stakeholders. Other stakeholders include service providers and the portfolio companies in which the company invests.

The board's strategy is facilitated by interacting with a wide range of stakeholders through meetings, seminars, presentations and publications and through contacts made through our suppliers and intermediaries.

Engagement with the company's stakeholders enables the company to fulfil its strategies and to promote the success of the company for the benefit of the shareholders as a whole.

Below are some examples of the ways that Merchants has interacted with stakeholders to demonstrate how the board and its agents have considered stakeholders in pursuit of the success of the company and the promotion of that success for the long term:

Shareholders

Why we engage:

Shareholders receive relevant information to enable them to evaluate whether their investment interests are aligned with the strategy of the company.

The directors get feedback and views on shareholder priorities such as sustainability of income, risks and gearing levels which inform the board's strategy discussions and decisions.

How we engage and what we do:

We communicate through the annual and half-yearly reports, monthly factsheets, website, press articles, podcasts and LinkedIn posts. Meetings are held with professional shareholder groups. The AGM provides a focus for interaction with shareholders. The AGM is a live hybrid event with the opportunity for shareholders to meet the board and managers and for live questions from shareholders both in person and online, as well as those submitted in advance.

Actions:

The board discussed and approved a budget for a marketing and communications programme which would extend information available to shareholders and potential new investors. The website was regularly updated with new podcasts and interviews with the portfolio manager. The company is working with a media partner to ensure information about Merchants is easily accessible online.

Service providers

Why we engage:

The board works with AllianzGI who provide investment management, accounting and secretarial services as well as expertise in sales and marketing for a competitive management fee. The board has appointed HSBC as depository and custodian and MUFG Corporate Markets as registrar to provide specialist services. Another key service provider is State Street who provide middle office and fund accounting services through a contractual arrangement with AllianzGI.

How we engage and what we do:

Our manager maintains regular contact and ensures service levels are satisfactory and appropriate controls are in place with Merchants' service providers. In the past year the manager has continued to report how it has adjusted the portfolio in response to the challenges of the geopolitical and economic environment.

Actions:

During the year the board worked with the manager to oversee and monitor the improved processes and controls at AllianzGI's outsourced third-party provider of middle office services and the board obtains regular updates on due diligence from the manager.

Portfolio companies

Why we engage:

The board approves the manager's active, stock picking approach and believes in good stewardship.

How we engage and what we do:

On the company's behalf the manager engages with investee companies, including on ESG matters and exercises its votes at company meetings. There are details of engagement and proxy voting on page 23.

Actions:

Merchants actively votes at portfolio company meetings. Reports on engagement and case studies are in the Portfolio Manager's Report which starts on page 11.

Distribution and media partnerships

Why we engage:

To reach a wider audience of investors, the company works with firms providing access to the underlying clients of investment platforms, and wealth managers, as well as public relations advisers. The board receives detailed feedback to confirm the ongoing level of interest in the company's shares.

How we engage and what we do:

The manager together with our distribution partners arranges presentations about Merchants at both virtual and in-person events, and has employed research and news publications to reach investors through share trading platforms, wealth managers and through a variety of financial industry websites. The board has reflected on the value of this to the end user and has been focusing resources on partnerships with financial publications and making Merchants more accessible online.

Actions:

Merchants participated in events such as the AIC Showcase 2025, a Citywire webinar and an Asset TV conference, as well as publishing podcasts and videos throughout the year and appearing in media interviews. Spikes in website hits and new investment in the company on retail platforms were evident after press coverage and distribution partner events.

Risk report

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 33.

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 55.

Investment and portfolio risks

1.1 Market decline

Risk: Macro-economic shocks to the portfolio if the board and manager 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 the dividend policy.

Response: Macro-economic and political risks are taken into account during portfolio construction, although stock selection is predominantly 'bottom up' driven. The portfolio is diversified across industries and stocks to mitigate the impact of individual share price volatility. Whilst the portfolio is mainly invested in UK listed companies, the end market exposures of these businesses are spread around the world. The portfolio is stress-tested at least monthly.

1.2 Market liquidity and pricing

Risk: Failure of investments, for example, due to poor oversight and monitoring.

Response: Detailed reports on stock selection and other investment management processes are received from the manager by the board. Liquidity is monitored closely by the manager and any concerns are raised with the board for agreed action to be taken.

1.3 Counterparty

Risk: Non-delivery of stock by a counterparty leading to an interest claim or buy-in.

Response: The manager operates on a delivery versus payment system, reducing the risk of counterparty default. Any issues or systemic problems would be discussed with the board and remedial actions agreed.

1.4 Currency

Risk: Exposure to exchange rate movements which can affect, for example, dividend income.

Response: The portfolio is mainly invested in UK-listed companies, with shares predominantly priced in sterling. Exposure is therefore primarily indirect,

Principal risks

The principal risks are now considered to be risks relating to investment strategy and investment performance. Those identified as having the highest impact and the greatest likelihood are the following:

Geopolitical

Climate

Some principal risks have been assessed as being as likely to occur as last year.

Investment strategy: for example, asset allocation or the level of gearing may lead to a failure to meet the company's objectives, such as income generation and dividend growth.

Investment performance: for example, poor stock selection for the portfolio leads to a decline in the rating and attraction of the company.

Risk Map

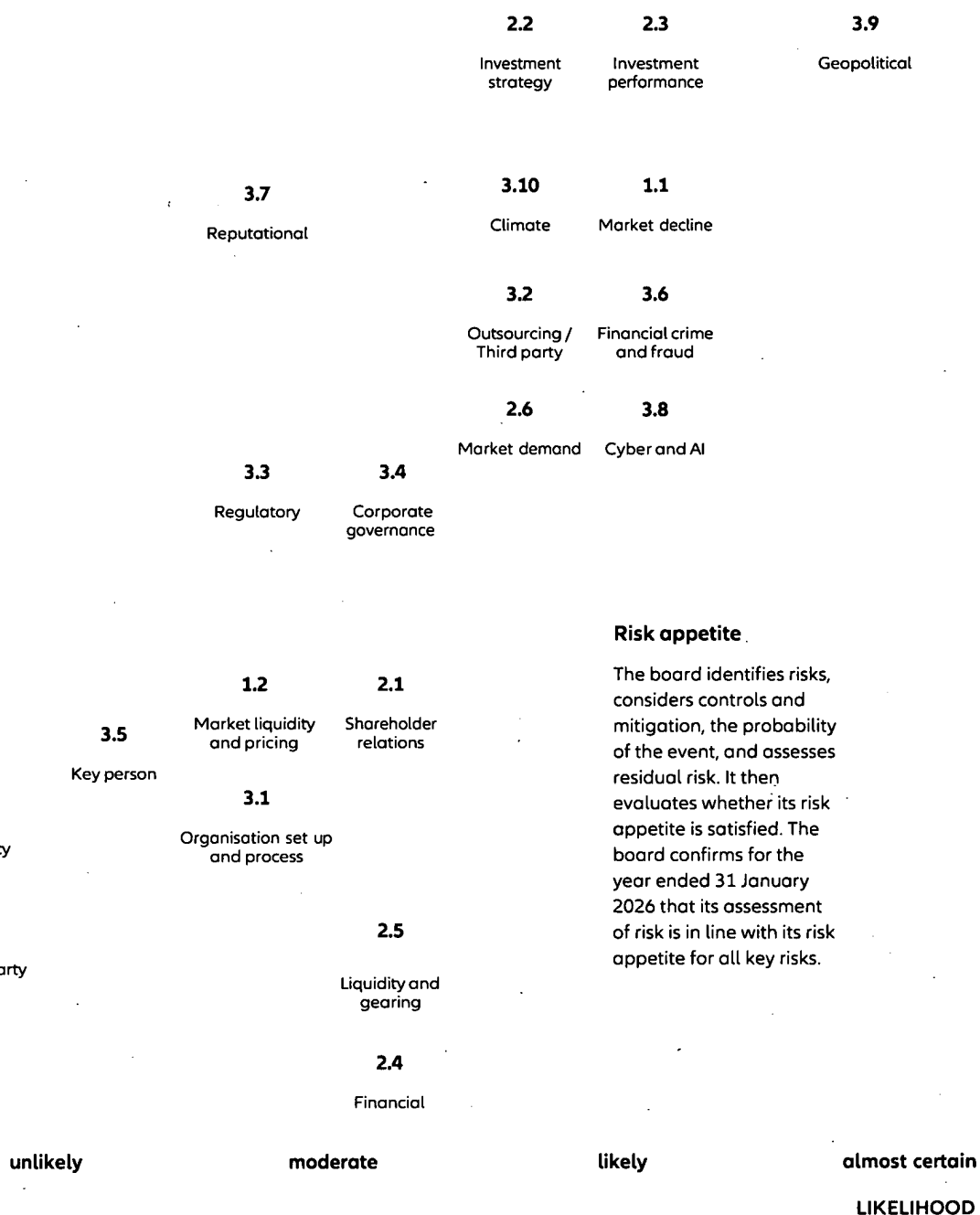
IMPACT

very high

high

moderate

low



Risk is acceptable, no additional measures needed

Risk is of concern but sufficient measures are defined and have been or are being implemented

Risk is of concern, sufficient mitigation measures not possible

but well diversified. Board papers monitor the income split by currency to assess risks to the revenue account.

Business and strategy risks

2.1 Shareholder relations

Risk: The investment objectives, or views on decisions such as gearing, discount management, dividend policy, of existing shareholders may not coincide with those of the board leading investors to sell the ordinary shares.

Response: Reports on shareholder sentiment are received from the manager and brokers and reviewed by the board. Shareholders are actively encouraged to make their views known.

2.2 Investment strategy

Risk: Inappropriate investment strategy for example asset allocation or the level of gearing may lead to a failure to meet the company's objectives, such as income generation and dividend growth, and capital growth, or lead to underperformance against the company's benchmark index or against peer group companies. This may lead to the company's shares trading on a wider discount.

Response: Board policies restrict the size of investments in individual companies and sectors. The board closely monitors the income projections for the portfolio, and the level of risk and diversification of this income, to ensure the company can meet its income objectives. The board also reviews the suitability of the investment strategy and the stock selection process regularly, and considers its gearing policy frequently. All of these topics are considered in depth at the annual strategy review.

2.3 Investment performance

Risk: Persistent poor performance against benchmark or peers leads to decline in rating and attraction of the company to investors.

Response: The portfolio manager attends all board meetings to discuss performance with the directors. The board manages these risks by giving investment guidelines which are monitored at each meeting. The board reviews the investment performance of

the company against the benchmark and peer group. The board regularly discusses composition and succession planning to ensure that sufficient board members have the appropriate background and knowledge to evaluate performance.

2.4 Financial

Risk: Various factors might include poor title to investment holdings, Net Asset Values calculated incorrectly, written options not covered, inaccurate revenue forecasts, incorrectly calculated management fees, incorrectly identified expense payments.

Response: A rolling income forecast (including special dividends), balance sheet and expenses are reviewed at every board meeting. Reporting from the custodian covering internal controls in place over custody of investments and over appointment and monitoring of sub-custodians is produced and reviewed at least annually.

The board's investment restrictions are input in trading systems to impose a pre-trade check. The manager discusses derivative activity during a monthly risk call. Any overdue dividend debtors are monitored by the manager and variance analyses of income from meeting to meeting are provided to the board. The board annually reviews and approves the accounting policy for the income/capital split.

2.5 Liquidity and gearing

Risk: Insufficient income generated by the portfolio and due to stock market falls gearing increases to levels unacceptable to shareholders and the market which in extreme circumstances results in a breach of loan covenants.

Response: The board meets with the portfolio managers and considers asset allocation, stock selection and levels of gearing on a regular basis. Investment restrictions and guidelines are monitored and reported on by AllianzGI. Regular compliance information is prepared on covenant requirements.

2.6 Market demand

Risk: The level of discount of the share price to the NAV moves to unacceptable

levels, threatening confidence in the company's shares.

Response: The board regularly reviews the level of premium and discount and new shares can be issued or existing shares bought back by the company at discounts greater than an agreed level when there is demand to do so.

Operational risks

3.1 Organisation set up and process

Risk: Failure or other issues in the operational set up of the company, through people, processes, systems or external events, examples including changes in management company structure, oversight issues, appropriate governance of processes could result in financial loss to the company or its inability to operate.

Response: The manager and the other key service providers report on business continuity plans and the resilience of their response to extreme situations. Third party internal controls reports are also received from these service providers.

3.2 Outsourcing and third party

Risk: Inadequate procedures for the identification, evaluation and management of risks at outsourced providers and roles of the third party are not clear and gaps in the service appear.

Response: The board receives formal assurance reports from all of its direct service providers and the manager carries out regular monitoring of outsourced administration functions, this includes compliance visits and risk reviews where necessary. Results of these reviews are supplied to the board.

3.3 Regulatory

Risk: Failure to be aware of or comply with legal, accounting and regulatory requirements which could result in censure, financial penalty or loss of investment company status.

Response: The board maintains close relations with its advisers and makes preparations for mitigation of these risks as and when they are known or can be anticipated.

3.4 Corporate governance

Risk: Weak adherence to best practice in corporate governance can result in shareholder discontent and potential reputational damage to the company.

Response: The board takes regular advice on best practice. The board is highly experienced and knowledgeable about corporate governance best practice, and the board includes directors who are board members of other large UK plc's and other investment companies.

3.5 Key person

Risk: Departure of the portfolio manager, certain professional individuals, and/or board members, may impact the management of the portfolio, the achievement of the company's investment objective and/or disruption to its operations.

Response: Manager and board succession plans are in place. Cover is available for core members of the relevant teams of the manager, and work can be carried out by other team members should the need arise.

3.6 Financial crime and fraud

Risk: That the company and the manager's firm, its employees, or clients are subject to financial crime or breach elements of the Bribery Act.

Response: AllianzGI has anti-fraud, anti-bribery policies and robust procedures in place. The board is alert to the risks of financial crime and reviews how third party service providers handle these. These reports confirm that all systems are secure and are updated in response to any new threats as they arise.

3.7 Reputational

Risk: Examples include unforeseen changes, oversight issues, appropriate governance of processes in the management company structure; association with poor governance in portfolio companies; and operational issues in service providers, all of which can affect the reputation of the company.

Response: Service providers are monitored and the manager provides oversight and timely and detailed information on any reputational issues

and communicates actions being taken with the board for discussion.

3.8 Cyber security and AI

Risk: Increased cyber attacks and from traditional and generative Artificial Intelligence (AI) in respect of malicious AI, its rapid growth and the lack of regulation.

Response: The board is alert to the threat of and risks from cyber attacks and reviews how third party service providers handle these threats and risks. These reports confirm that all systems are secure and are updated in response to any new threats as they arise. The board asks for and receives assurance from key suppliers on AI developments and threats.

3.9 Geopolitical

Risk: Unpredictable consequences of political and macro-economic shocks such as the repercussions of the invasion of Ukraine by Russia, the conflict in Gaza, the evolving situation in the Middle East, US interventions and tariff impositions, ongoing inflation concerns and the threat to income and cost of gearing.

Response: The board carries out horizon scanning by keeping informed through its manager and advisers on the political, economic and legal landscape, and reviews updates received on regulatory changes that affect the company including industry and manager thematic outlook and insights as well as research publications. The board is fully engaged with its management company, AllianzGI, and its other advisers to keep informed about ongoing changes and is ready to adapt its strategies in order to achieve its objectives.

3.10 Climate

Risk: that climate change is not recognised or understood by the manager, exposing the portfolio to stocks not positioned to transition to decarbonisation.

Response: The manager has a detailed climate policy which is incorporated in the investment process, e.g., through exclusion policies and other methodologies. Its Sustainability Insights Engine (SusIE) facilitates the

consideration of climate data in the investment process. The manager engages with investee companies on climate issues and to influence transition pathways.

Viability Statement

The Merchants Trust is an investment company and has operated as an investment vehicle since 1889 with the aim of offering a return to investors over the long term. The board has confidence in the future of the company. Over its 137 year history, the company has survived numerous external crises and economic events; it has a solid portfolio of blue chip stocks and has built up substantial revenue reserves. The directors have formally assessed the company's prospects for a period longer than the one year required by the Going Concern principle. The directors believe that five years is an appropriate outlook period for this review as this is broadly equivalent to the portfolio's investment cycle. Whilst acknowledging the difficulty of forecasting prospects for markets beyond a relatively short horizon, the board believes that this should give investors assurance that there is a realistic prospect that the company will continue to be viable and continue to seek to achieve its aim to provide an above average level of income and income growth together with long term capital growth.

The board has assessed the long-term viability of the company against the principal risks faced by the company, outlined in the risk reporting within the Strategic Report. The chief risks that could pose a threat to the future prospects of the company are investment strategy, investment performance and market decline, as described in the risk reporting from page 32.

The board considered the following in its assessment:

1. The company's investment strategy and the long-term performance of the company, together with the board's view that it will continue to provide long-term returns to shareholders as well as an attractive income as it has done in the past.

- (i) The board examines performance with the investment managers at each board meeting and strategy meeting. Performance is reviewed against the company's stated strategy and the continuing relevance of the company as a provider of a vehicle for investors looking for a portfolio invested in leading companies with strong balance sheets and the ability to pay attractive dividends.
- (ii) The board receives reports at every board meeting of the transactions in the company's shares. The company is a member of the FTSE 250 and there is liquidity in its shares.

2. The financial position of the company, including the impact of foreseeable market movements on cash flows - the board monitors the financial position in detail at each board meeting and at least twice each year it stress-tests the portfolio against significant market falls. The methods used are:

- (i) Loan covenants stress testing (checking monthly on the decline in asset values needed to breach covenants).
- (ii) Stress testing the portfolio (reviewing the time it would take to sell portfolio stocks).
- (iii) The assessment of future portfolio income and the impact of the payment of dividends on reserves (reviewing rolling forecasts of income based on the current portfolio at every meeting).

3. The company's ability to meet interest payments and debt redemptions as they fall due.

The board continues to consider its gearing strategy on an ongoing basis. The next scheduled repayment of debt is in 2029 and the board continues to monitor how and when is best to fund this repayment.

4. The liquidity of the portfolio, and the company's ability to pay growing dividends and to meet the budgeted expenses of running the company, which is examined at each board meeting.

- (i) Liquidity testing is carried out on Merchants' portfolio by AllianzGI on

an ongoing basis. Stocks are listed on major exchanges. There are no unlisted investments in the portfolio.

- (ii) Portfolio income is reviewed by the board at each meeting and conservative assumptions are made in estimated revenue accounts in the board meeting papers (based on historic portfolios, assuming no dividend increases).
- (iii) Ongoing charges are operating expenses incurred in the running of the company (excluding financing costs). The ongoing charges figure is calculated by dividing operating expenses, i.e., the management fee and all administration expenses, by the company's Net Asset Value. This calculation is carried out formally each year and published in the Annual Report (in accordance with the AIC's recommendations). The expenses of running the company have been calculated at 0.54% of net assets in the latest year (2025: 0.52%). These charges are low and should be met by the company without difficulty over the five year time horizon considered for the review of viability.

5. The company's resilience in facing the risks and consequences of unanticipated macroeconomic shocks and grave geopolitical events and its ability to continue to maintain its objectives and provide the required shareholder returns.

The board has received detailed reports and periodic updates from AllianzGI and its other key service providers on the resilience of their controls environment and ability to continue to deliver their services when necessary, with usage of remote access capabilities, including for portfolio management activities. The board has received assurances that AllianzGI operates to standards for business continuity management and resilience which reflect market standards, such as ISO22301. This resulted in minimum disruption through the pandemic and in the post-pandemic environment.

The portfolio manager has provided forecasts to demonstrate the reasonable prospect of, having utilised revenue reserves previously, maintaining

a covered dividend and building reserves against future requirements. This supports the continuation of the company's objectives to provide a high level of income and income growth together with long-term capital growth for its shareholders and which supports the viability of the company for the five-year period contemplated.

The directors have evaluated the risks and consequences of global events and have considered the company's ability to maintain its objectives and provide shareholder returns in the five year horizon for viability and believe that the company is well placed to be able to achieve this.

Based on the results of this assessment and on the assumption that the risks above are managed or mitigated effectively, the directors have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the five year period of their review.

Going Concern

Following all the investigations made in the Viability review above, the directors have concluded that the company has adequate resources to continue in operational existence. The directors have also considered the risks and consequences of macroeconomic and other unanticipated shocks on the company and have concluded that the company has the ability to continue in operation and meet its objectives for at least twelve months after the approval of the Annual Report. For this reason the directors continue to adopt the going concern basis in preparing the financial statements.

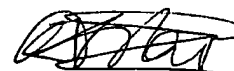
The future

As set out in my Chairman's Statement on page 6, there are many reasons to invest and stay invested in The Merchants Trust. Merchants has experience of providing active investment management through many difficult environments and over time provides long-term capital growth and an above average income and income growth to investors.

Some of the trends likely to affect the company in the future are common to many investment companies, such as the future attractiveness of investment companies as investment vehicles. The outlook for economic growth, interest rates, inflation and asset returns will also be important factors. In particular for Merchants, the availability of attractive income producing UK equities and their future returns are central to the investment proposition. The board continues to believe that the continuing evolution of the investment platforms market offers many opportunities for the self-directed investor. The longevity of the company and its importance to investors continues to be a key focus of the board. I give my view of the outlook in my Chairman's Statement on page 7 and the portfolio manager discusses his view of the outlook for the company's portfolio in his review on page 11.

On behalf of the board.

Colin Clark
Chairman
1 April 2026



Directors

Colin Clark Chairman

Joined the board in June 2019 and became Chairman in September 2019. Colin is Chairman of the board of BNP PAM UK and a non-executive director of BNP PAM Holdings SA. He is also Chairman of Aveni Plc, a leading provider of AI solutions for financial services organisations. Colin has had a 40 year career in asset and wealth management. His most recent executive roles were from 2010 at Standard Life Investments and as an executive director of Standard Life Plc. Prior to this he was with Mercury Asset Management, Merrill Lynch Investment Managers and S.G.Warburg & Co.

Experience:

Senior leadership roles in the asset management industry and an experienced chairman.

Reasons for the recommendation for re-election:

Colin's senior expertise and asset management knowledge are valued for their input into the board's governance and the response by the board to challenging external events.

Karen McKellar Senior Independent Director

Joined the board in May 2020. Karen is a non-executive director and Chair of the Management Engagement Committee of JPMorgan European Investment Trust PLC. Karen has had a long career as an investment manager at Standard Life, managing the Standard Life Equity Income Investment Trust as well as several large UK equity open-ended funds.

Experience:

An asset management professional with senior management, money management and investment trust board experience.

Reasons for the recommendation for re-election:

Karen brings to the board a deep understanding of portfolio management and current working knowledge of investment trusts.

Mal Patel Chair of the Audit Committee

Joined the board in March 2024. Mal is Head of Investor Relations at Spirax Group plc and has held senior roles in IR and corporate development in a number of large UK companies. His early career was as an equities analyst in investment banking. He is a chartered accountant.

Experience:

A senior leader in a wide range of investor relations, corporate development and finance roles across a variety of businesses.

Reasons for the recommendation for re-election:

With a strong corporate background and financial expertise, Mal brings experience and skills in many areas including transactions, corporate finance and treasury, debt and equity raising and also external reporting and investor relations.

Lisa Edgar

Joined the board in January 2024. Lisa is the founder and Chief Executive of Big Window Consulting, an international consumer and B2B insight and marketing agency, specialising in financial services.

Until January 2024, Lisa was Chief Customer Officer on the Executive Leadership Team at Saga PLC with a speciality in longevity and realising the commercial value in older consumers.

Lisa's career began as a brand planner and market research analyst at Nestle before spending the last 25 years founding and building customer insight agencies.

Experience:

A financial services consumer expert, with decades of experience of working at a senior level with large clients in the sector.

Reasons for the recommendation for re-election:

Lisa brings a wealth of retail and direct consumer experience to the board's understanding and direction of the marketing strategy and execution as well as articulation of the company's investment proposition.

Neil Galloway

Joined the board in July 2025. Neil is a Non-Executive Director of AVI Global Trust PLC.

He has extensive experience of leadership roles in large, listed multinational companies and was most recently CFO of Pepco Group N.V. Previous roles included Executive Vice President of IWG PLC, CFO of DFI Retail Group, a Commissioner of DFI Nusantara, and CFO of The Hongkong and Shanghai Hotels Limited. Prior to this he spent 18 years in a variety of investment banking roles with ABN AMRO and HSBC.

Experience:

Following a successful investment banking career, he has held senior finance and management roles across the hospitality, retail and services sectors and has current investment trust experience.

Reasons for the recommendation for re-election:

Neil has deep industry knowledge and skills from banking and finance roles and current working knowledge of investment trusts.

Committee memberships

All directors are non-executive and independent of the manager.

All directors are members of the Management Engagement Committee. All directors, with the exception of the Chairman, Colin Clark, are members of the Audit and Risk Committee. Further details can be found from page 50.

Investment Manager and advisers

The Manager or Alternative Investment Fund Manager (AIFM)

Allianz Global Investors UK Limited (AllianzGI UK) is incorporated in the UK and its registered office is at 199 Bishopsgate, London EC2M 3TY. It is authorised by the Financial Conduct Authority (FCA). AllianzGI UK delegates some functions to Allianz Global Investors GmbH (AllianzGI).

AllianzGI is an active asset manager operating across nineteen markets with specialised in-house research teams around the globe, managing assets for individuals, families and institutions worldwide.

As at 30 September 2025, AllianzGI had €580 billion of assets under management worldwide.

Through its predecessors, AllianzGI has a heritage of investment trust management expertise in the UK reaching back to the nineteenth century and as at 31 December 2025 had £3.8 billion assets under management in a range of investment trusts.

Website: www.allianzgi.co.uk

Head of Investment Trusts

Stephanie Carbonneil
Email: stephanie.carbonneil@allianzgi.com

Investment Manager

Simon Gergel, Lead Portfolio Manager,
Richard Knight, Portfolio Manager,
Andrew Koch, Portfolio Manager.
Representing Allianz Global Investors UK Limited,
199 Bishopsgate, London EC2M 3TY (the manager).

Company Secretary and Registered Office

Nira Mistry and Kirsten Salt
199 Bishopsgate, London EC2M 3TY
Telephone: 0800 389 4696
Email: investment-trusts@allianzgi.com

Registered number

28276

Bankers and Custodian

HSBC Bank plc

Depositary

HSBC Securities Services

Solicitors

Dickson Minto W.S.

Custodian

HSBC Bank plc

Independent Auditor

BDO LLP

Registrar

MUFG Corporate Markets (full details on page 86)

Stockbrokers

J.P. Morgan Securities Limited

Depositary

HSBC Securities

Directors' Report

The directors present their report and the audited financial statements of the company for the year ended 31 January 2026.

Revenue

The revenue earnings attributable to ordinary shareholders for the year amounted to £45,314,000 or 30.6p per share (2025: £43,671,000, 29.4p per share).

The first quarterly dividend of £10,835,000, or 7.3p per share, and the second quarterly dividend of £10,835,000, or 7.3p per share, were paid during the year. Since the year end the third quarterly dividend of £10,925,000, or 7.4p per share, was paid on 19 March 2026. A proposed final dividend of 7.5p will be paid on 27 May 2026 to shareholders on the register on 17 April 2026. In accordance with FRS 102 Section 32: 'Events after the end of the reporting period', the third and final quarterly dividends are not recognised as liabilities within the financial statements on the basis that at the year end the third and final quarterly dividends had not been paid.

Invested funds

Sales of investments during the year resulted in net gains based on historical costs of £35,507,000* (2025: gains of £39,889,000). Provisions contained in the Finance Act 2010 exempt approved investment trusts from corporation tax on their chargeable gains.

Share issuance and buy back

During the year no shares were issued and 792,017 shares were repurchased to be held in treasury. No further shares have been issued or brought back since the year end. Further details are on page 76.

* Alternative Performance Measure (APM). A Glossary of APMs can be found on page 91.

Statement of the Depositary's Responsibilities in Respect of the Company

The Depositary must ensure that the company is managed in accordance with the Financial Conduct Authority's Investment Funds Sourcebook, ('the Sourcebook'), the Alternative Investment Fund Managers Directive (AIFMD) (together 'the Regulations') and the company's Articles of Association.

The Depositary must in the context of its role act honestly, fairly, professionally, independently and in the interests of the company and its investors.

The Depositary is responsible for the safekeeping of the assets of the company in accordance with the Regulations.

The Depositary must ensure that:

- the company's cash flows are properly monitored and that cash of the company is booked into the cash accounts in accordance with the Regulations;

- the sale, issue, repurchase, redemption and cancellation of shares are carried out in accordance with the Regulations;
- the assets under management and the Net Asset Value per share of the company are calculated in accordance with the Regulations;
- any consideration relating to transactions in the company's assets is remitted to the company within the usual time limits;
- that the company's income is applied in accordance with the Regulations; and
- the instructions of the Alternative Investment Fund Manager ('the AIFM') are carried out (unless they conflict with the Regulations).

The Depositary also has a duty to take reasonable care to ensure that the company is managed in accordance with the Articles of Association in relation to the investment and borrowing powers applicable to the company.

Report of the Depositary to the Shareholders of The Merchants Trust PLC (the company) for the year ended 31 January 2026.

Having carried out such procedures as we consider necessary to discharge our responsibilities as Depositary of the company, it is our opinion, based on the information available to us and the explanations provided, that in all material respects the company, acting through the AIFM, has been managed in accordance with the rules in the Sourcebook, the Articles of Association of the company and as required by the AIFMD.

HSBC Bank plc
13 February 2026

Further information about the relationship with the Depositary is on page 84.

Future development

The future development of the company is dependent on the success of the company's investment strategy against the economic environment and market developments. The Chairman's Statement starting on page 4 sets out the outlook for the company and the Portfolio Managers also discuss their view of the outlook for the company's portfolio in their report starting on page 11. The future is also discussed in the Strategic Report on page 37.

Section 992 of the Companies Act 2006

The following information is disclosed in accordance with Section 992 of the Companies Act 2006.

Capital structure

The company's capital structure is summarised in Note 12 on page 76. The details of the 4% Perpetual Debenture Stock and the 3.65% Cumulative Preference Stock are provided in Notes 11(ii) and 11(iii) respectively on page 75.

Voting rights in the company's shares

The voting rights at 30 March 2026 were:

Share class	Number of shares issued	Voting rights per share	Total voting rights
Ordinary shares of 25p	147,632,870	1	147,632,870
3.65% Cumulative Preference Stock of £1	1,178,000	1	1,178,000
Total	148,810,870		148,810,870

Every member on a show of hands has one vote. On a poll every member who is present in person or by proxy or representative has one vote for every £1 in nominal amount of preference stock or one vote for every ordinary share of 25p. The Perpetual Debenture Stock and Bonds carry no voting rights.

Interests in the company's share capital

As at 30 March 2026 the company has received no declarations of notifiable interests in the company's issued share capital.

Common Reporting Standards (CRS)

CRS is a global standard for the automatic exchange of information commissioned by the Organisation for Economic Cooperation and Development and incorporated into UK law by the International Tax Compliance Regulations 2015. CRS requires the company to provide certain additional details to HMRC in relation to UK resident foreign investment holders. The registrar, MUFG Corporate Markets, has been engaged to collate such information and file the reports with HMRC on behalf of the company.

The board and gender diversity reporting

The board is supportive of the FCA's updated UK Listing Rules (UKLR 6.6.6) to encourage greater diversity on listed company boards and has implemented the FCA's disclosure requirements. The board recognises the importance of having a range of skilled, experienced individuals with the right knowledge represented on the board. The board will continue to ensure that all appointments are made on the basis of merit against the specification prepared for each appointment. The board has chosen to align its diversity reporting reference date with the company's financial year end and proposes to maintain this alignment for future reporting periods. The company has met two of the targets on board diversity and at its chosen reference date, 31 January 2026 at least 40% of the individuals on its board of directors are women and one of its directors is from a minority ethnic background. Further details on the company's appointment process can be found under 'The board' and 'Board composition' on page 1. Further detail required by UKLR 6.6.6 in respect of the targets outlined above as at 31 January 2026 is disclosed in the table below.

As an externally managed investment company, the company has no executive directors, employees or internal operations. Therefore columns relating to executive management have been removed from the tables below. The roles of chief executive and chief financial officer are not applicable to the company, however, the company considers the roles of the Senior Independent Director and Chair of the Audit Committee to be senior board positions and the following disclosure is made on this basis.

As at 31 January 2026:

	Number of board members	Percentage of the board	Number of Senior Positions on the board (CEO, CFO, SID and chair)*
Men	3	60%	2
Women	2	40%	1
Other	-	-	-
Not specified/prefer not to say	-	-	-

	Number of board members	Percentage of the board	Number of Senior Positions on the board (CEO, CFO, SID and chair)*
White British or other White (including minority-white groups)	4	80%	2
Mixed/Multiple Ethnic Groups	-	-	-
Asian/Asian British	1	20%	1
Black/African/Caribbean/Black British	-	-	-
Other ethnic group	-	-	-
Not specified/prefer not to say	-	-	-

Since the reference date and up to the date that the Annual Report was approved there have been no further changes.

* The company only has two of the senior roles specified by the UK Listing Rules, that is the position of chair and SID. One of these roles is occupied by a man and one by a woman. However, the company considers that the chair of the audit committee, nomination committee and remuneration committee is a senior position. Of these three senior roles, two are performed by a man and one by a woman.

Directors

Biographical details of the current directors at the date of the signing of this report are shown on pages 38 and 39.

All of the directors will retire at the Annual General Meeting and each offers themselves for re-election. The board considers each director to be independent of the manager and each has the full support of the board in standing for re-election.

Related party transactions

During the financial year no transactions with related parties, other than directors' fees payments, have taken place which would materially affect the financial position or the performance of the company.

Management contract and management fee

The management contract with Allianz Global Investors UK Limited (AllianzGI UK) provides for a fee of 0.35% per annum (2025: 0.35%) of the value of the assets, calculated quarterly, after deduction of current liabilities, short term loans with an initial duration of less than one year and any funds within the portfolio managed by AllianzGI. The management contract is terminable at one year's notice (2025: one year). Under the contract, other than a year's fees which may be paid in lieu of notice, there are no compensation payments due on termination.

The manager's performance under the contract and the contract terms are reviewed at least annually by the Management Engagement Committee. This committee consists of the directors not employed by the management company in the past five years and therefore includes the entire board. During the year, the committee met the manager to review the current investment framework, including the company's performance, marketing activity and ongoing charge.

The committee also reviewed the terms of the management contract and considered the level of the management fee. The committee was satisfied with its review and believes that the continuing appointment of the manager is in the best interests of shareholders as a whole.

Special rights disclosure

There are no restrictions concerning the transfer of securities in the company; no special rights with regard to control attached to securities; no agreements between holders of securities regarding their transfer known to the company; no agreements which the company is party to that might affect its control following a takeover bid; and no agreements between the company and its directors concerning compensation for loss of office.

The company is not aware of any agreements between holders of securities with regard to control of the company which may result in restrictions on voting rights.

Financial reporting

The Statement of Directors' Responsibilities in respect of the financial statements is on page 58. The Independent Auditor's Report begins on page 59.

Auditor's information

Each of the persons who is a director at the date of approval of this report confirms that:

(a) in so far as the director is aware, there is no relevant audit information of which the company's Auditor is unaware; and

(b) the director has taken all the steps he or she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's Auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Relations with shareholders

The board strongly believes that the Annual General Meeting should be an event which private shareholders are encouraged to attend. The Annual General Meeting is attended by the Chairman of the board, the Chairmen of the board's committees and the directors, and the Investment Manager makes a presentation at the Meeting. The number of proxy votes cast in respect of each resolution will be made available shortly after the conclusion of the Annual General Meeting.

The manager meets with institutional shareholders on a regular basis and reports to the board on matters raised at these meetings. The Chairman and, where appropriate, other directors, are available to meet with shareholders to discuss governance and strategy and to understand their issues and concerns. All correspondence with shareholders is reviewed by the board.

Shareholders who wish to communicate directly with the Chairman, the Senior Independent Director or other directors may write care of the Company Secretary, The Merchants Trust PLC, 199 Bishopsgate, London EC2M 3TY.

The Notice of Meeting sets out the business of the Meeting and special resolutions are explained more fully later in the Directors' Report. Separate resolutions are proposed for each substantive issue.

Social, community and human rights issues

As an investment trust, the company has no direct social or community responsibilities. However, the board shares the manager's view that it is in shareholders' interests to be aware of and consider human rights issues, together with environmental, social and governance factors when selecting and retaining investments. Details of the company's policy on socially responsible investment are set out above.

Criminal Finances Act 2017

The company has a commitment to zero tolerance towards the criminal facilitation of tax evasion.

Modern Slavery Act 2015

The company does not provide goods or services in the normal course of business, and as a financial investment vehicle does not have customers. The directors therefore consider that the company is not required to make a statement under the Modern Slavery Act 2015 in relation to slavery or human trafficking.

Bribery Act 2010

The board has a zero tolerance policy in relation to bribery and corruption and has received assurance through internal controls reporting from the company's main third party service providers that adequate safeguards are in place to protect against any such potentially

illegal behaviour by employees or agents.

Stewardship and exercise of voting powers

The company's investments are held in a nominee name. The board has delegated discretion to discharge its responsibilities in respect of investments, including the exercise of voting powers on its behalf to the manager, AllianzGI. AllianzGI monitors our portfolio holdings and proactively engages with investee companies in line with the principles set out in the UK Stewardship Code and consistent with our investment objectives. AllianzGI subscribes to the ISS Proxy Voting Services. ISS manages the voting process and recommends actions based on AllianzGI's global proxy voting policy guidelines.

Where directors hold directorships on the boards of companies in which the company is invested, they do not participate in decisions made concerning those investments.

ESG and Climate-related reporting

The integration of ESG into the portfolio management process is covered in the Investment Manager's review in detail. As an investment company with all of its activities outsourced to third parties, the company's own direct environmental impact is minimal. The company has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013. For the same reasons, the company considers itself to be a low energy user under the Streamlined Energy & Carbon Reporting (SECR) regulations and therefore is not required to disclose energy and carbon information.

As a listed investment company, Merchants is not required to provide a report under the Task Force on Climate-related Financial Disclosures (TCFD).

In accordance with the requirements of the TCFD, AllianzGI UK has issued a product level report which is available on the company's website www.merchantstrust.co.uk. The board receives a detailed report on ESG matters at every board meeting and discusses activities in the investment process:

interactions with the companies in the portfolio and the outcome of these engagements; proxy voting; and performance against industry data.

Sustainability disclosure requirements

The Financial Conduct Authority (FCA) has introduced sustainability disclosure requirements and investment labels regime (SDR) to address concerns about misleading environmental claims. The SDR has several dimensions, including an 'anti-greenwashing' rule, designed to increase trust and confidence in the sustainable investment market and to combat providers exploiting demand for sustainable products by making unsupported environmental claims.

The company's website <https://www.merchantstrust.co.uk/en-gb/about-us/esg> notes that Merchants' investment process only includes consideration of ESG factors, not Socially Responsible Investment (SRI) (i.e., building sustainable portfolios by delivering sustainable financial returns based on the assessment of ESG practices) nor impact aspects (i.e., promoting social and environmental goals and/or outcomes alongside financial returns).

Annual General Meeting

As the Chairman explains in his Statement on page 7, the Annual General Meeting (AGM) of the Company will be held at 12 noon on 19 May 2026 at Grocers' Hall, Princes Street, London, EC2R 8AD. This meeting will be held as a hybrid meeting. This means that there will be an in person meeting as well as it being streamed live for those shareholders who cannot attend in person. The formal Notice of AGM, including instructions on how to join online, starts on page 87.

Shareholders may and are strongly encouraged to participate in the business of the AGM by exercising their votes in advance of the meeting by completing and returning the form of proxy. Shareholders may also submit their proxy electronically through the website of the company's registrar at <https://uk.investorcentre.mpms.mufg.com/> or via the Investor Centre app. Further details are contained within the Notice of Meeting Notes on page 88. The deadline for you to submit your

proxy votes to the registrar is 12 noon on Friday 15 May 2026.

Shareholders are invited to 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, 199 Bishopsgate, London EC2M 3TY. Questions and answers will be published on the website.

At the AGM resolutions will be put to shareholders to cover ordinary business including the re-election and remuneration of the directors and the re-appointment of the Auditor, and special business such as the authority for the allotment and buyback of shares.

AGM special business

1. Allotment of new shares

Approval is sought in Resolution 12 for the renewal of the directors' authority to allot relevant securities, in accordance with section 551 of the Companies Act 2006, up to a maximum number of 49,474,962 ordinary shares, representing approximately one third of the existing ordinary share capital. This authority is renewable annually and will expire at the conclusion of the AGM in 2027.

2. Disapplication of pre-emption rights

A resolution was passed at the AGM held on 20 May 2025 in accordance with section 570 of the Companies Act 2006, to authorise the directors to allot ordinary shares for cash other than pro rata to existing shareholders. The authority is renewable annually and expires at the conclusion of the AGM in 2026. Special Resolution 13 is therefore proposed under special business at the forthcoming AGM to renew this authority until the conclusion of the AGM in 2027 or 18 August 2027 if earlier. This power is limited to a maximum number of 14,842,488 ordinary shares, being approximately 10% of the issued ordinary share capital of the company as at the date of this report, provided that there is no change in the issued share capital between the date of this report and the AGM to be held on 19 May 2026.

Authority will also be sought in Resolution 13, which will be proposed as a Special Resolution, to disapply pre-emption rights in respect of the allotment of shares by the sale and

reissue of shares held by the company as treasury shares. The directors may allot shares under these authorities to take advantage of opportunities in the market as they arise but only if they believe it would be advantageous to the company's existing shareholders to do so. The directors confirm that no allotment of new shares will be made unless the lowest market offer price of the ordinary shares is at least at a premium to Net Asset Value, valuing debt at fair value.

3. Purchase of own shares

The board is proposing that the company should be given renewed authority to purchase ordinary shares in the market to hold in treasury or for cancellation. The board believes that such purchases in the market at appropriate times and prices are a suitable method of enhancing shareholder value. The company would make either a single purchase or a series of purchases, when market conditions are suitable, with the aim of maximising the benefits to shareholders and within guidelines set from time to time by the board.

Under the Companies Act 2006, the company is allowed to hold its own shares in treasury following a buyback, instead of having to cancel them. This gives the company the ability to reissue treasury shares quickly and cost effectively (including pursuant to the authority under Resolution 13, see above) and provides the company with additional flexibility in the management of its capital base. Such shares may be resold for cash but all rights attaching to them, including voting rights and any right to receive dividends are suspended whilst they are in the treasury. If the board exercises the authority conferred by Resolution 14, which will be proposed as a Special Resolution, the company will have the option of either holding in treasury or of cancelling any of its shares purchased pursuant to this authority and will decide at the time of purchase which option to pursue.

Where purchases are made at prices below the prevailing Net Asset Value of the ordinary shares, this will enhance Net Asset Value for the remaining shareholders. It is therefore intended that purchases would only be made at prices below the prevailing Net Asset Value at the time of purchase, with

the purchases to be funded from the capital reserves of the company (which are currently in excess of £668 million). The rules of the UK Listing Authority (UK Listing Rules) limit the price which may be paid by the company to 105% of the average middle-market quotation for an ordinary share on the five business days immediately preceding the date of the relevant purchase. The minimum price to be paid will be 25p per ordinary share (being the nominal value). Overall, this proposed share buyback authority, if used, could help to reduce the discount to Net Asset Value when the company's shares trade at a discount.

The board considers that it will be most advantageous to shareholders for the company to be able to continue to make such purchases as and when it considers the timing to be most favourable and therefore does not propose to set a timetable for making any such purchases.

Under the UK Listing Rules, the maximum number of its own shares which a listed

company may purchase through the market pursuant to a general authority such as this is equivalent to 14.99% of its issued share capital. For this reason, the company is limiting its renewed authority to make such purchases to 22,248,890 ordinary shares, representing 14.99% of the issued share capital, provided that there is no change in the issued share capital between the date of this report and the AGM to be held on 19 May 2026.

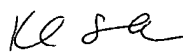
In addition to renewing its powers to buy back and cancel shares, the board is seeking shareholder authority to reissue shares from treasury.

The authority in accordance with section 701 of the Companies Act 2006, will last until the AGM of the company to be held in 2027 or the expiry of 15 months from the date of the passing of this resolution, whichever is the earlier. The authority will be subject to renewal by shareholders at subsequent AGMs.

The board and the Annual Report

The board reviewed the entire Annual Report and noted all the supporting information received. It then considered whether the Annual Report satisfactorily reflected a true picture of the company and its activities and performance in the year, with a clear link between the relevant sections of the report. The directors were then able to confirm 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.

By order of the board

Nira Mistry 
Company Secretary
1 April 2026

Corporate Governance Statement

The directors are responsible for good and effective governance and our approach is to ensure that we abide by the principles of the governance framework for investment companies and check these are embedded in our culture to give our stakeholders and the wider community confidence in our decision making and communications. In particular, the board believes in providing as much transparency for investors as is reasonably possible to ensure investors can clearly understand the prospects of the business.

The board has considered the Principles and Provisions of the AIC Code of Corporate Governance (AIC Code) issued in August 2024. The AIC Code addresses the Principles and Provisions set out in the UK Corporate Governance Code (the UK Code), as well as setting out additional Provisions on issues that are of specific relevance to the company.

The board considers that reporting against the AIC Code, which has been endorsed by the Financial Reporting Council (FRC), provides more relevant information to shareholders.

The company has complied with the Principles and Provisions of the AIC Code.

The AIC Code is available on the AIC website (www.theaic.co.uk). It includes an explanation of how the AIC Code adapts the Principles and Provisions set out in the UK Code to make them relevant for investment companies.

The board

The board is responsible for the effective stewardship of the company's affairs and aims to provide effective leadership so that the company has the platform from which it can achieve its investment objective. Its role is to guide the overall business strategy to achieve long-term success and value for the benefit of shareholders. A fuller description of the company's strategy can be found on pages 28 and 29. Strategic issues and all operational matters of a material nature are considered at its meetings.

Board composition

Both at the year end and at the date of signing this report there were five directors on the board. The optimum number of directors is five, but the number could fall to four and go as high as six to cover periods of recruitment and retirement.

The board's policy is for the Chairman to serve on the board for up to nine years, and if beyond then the company will explain why this continued appointment is in the best interests of shareholders. The chairman is to be independent and the other directors, led by the Senior Independent Director, discuss and report back on the performance and continuing independence of the Chairman on an annual basis.

The board has a plan for the tenure and retirement of directors to ensure that an orderly process of recruitment can take place and that the board's balance of skills and relevant experience is maintained. The biographies of the directors are set out on pages 38 and 39 together with the skills and experience each director brings to the board for the long-term sustainable success of the company. No contracts of significance in which directors are deemed to have been interested have subsisted during the year under review. Contracts of employment are not entered into with the directors, who hold office in accordance with the company's Articles.

All directors attended all board and relevant committee meetings during the year, as set out in the table on page 49.

Directors' and Officers' Liability insurance cover is held by the company. As permitted by the company's Articles, the company has granted indemnities to the directors.

Board effectiveness review

The board was subject to an internally facilitated formal board effectiveness review after the year end. This was conducted by means of a series of questionnaires completed by each director. The results of these surveys in

an internally facilitated report compiled by the Chairman and the Company Secretary were reviewed by the nomination committee and the outcome of the exercise was discussed by the board. Some themes for 2026 included development of the conversations about risk and peer group analysis. The Senior Independent Director received the results of the survey relating to the evaluation of the effectiveness of the Chairman and reported this to the Nomination Committee. Upon receiving the reports, the board's Nomination Committee recommended to the board that each of the directors be nominated for re-election at the forthcoming Annual General Meeting.

Training and development

On joining the board new directors receive a comprehensive programme of induction. During the year, the directors received periodic guidance and updates on regulatory and compliance changes.

Board diversity

At the year end three of the directors were male, two were female and there was one director with an ethnic minority background. This was unchanged at the date of the signing of this report. There is more information in the tables on page 43. As the company is an investment trust, all of its activities are outsourced and it does not have any employees. In its brief on board succession the board looks to add to the diversity of approach and thinking as well as taking other factors into account.

The board has noted the Parker review which looked at how to improve the ethnic and cultural diversity of UK boards. As a FTSE-250 company, Merchants responded to the request for voluntary information on its current board membership from BEIS (Department for Business, Energy, and Industrial Strategy). As an investment company Merchants does not have any employees, therefore it has nothing further to report in respect of gender and ethnic representation within the company.

Conflicts of interest

The Companies Act 2006 provides that a director must avoid a situation where he or she has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the company's interests. Directors are able to authorise these conflicts and potential conflicts. The board reports annually to shareholders on the company's procedures for ensuring that its powers of authorisation of conflicts are operated effectively and that the procedures have been followed.

Statements by the directors

Each of the directors provides a statement of all conflicts of interest and potential conflicts of interest relating to the company on appointment and subsequently in the event of any change or potential change to this statement. The statements made by each director are considered and approved by the board. The directors have undertaken to notify the Chairman and Company Secretary of any proposed new appointments and new conflicts or potential conflicts for consideration, if necessary, by the board.

The Merchants board follows good practice by having directors' interests as an agenda item at every scheduled board meeting, and a report of all directors' interests is tabled for consideration by the board. This means that any changes to the directors' interests can be noted and recorded, and any potential conflicts identified and dealt with by the board.

Procedure for assessing conflicts and potential conflicts

A director with a potential conflict might be asked to step out of the meeting room or be permitted to remain in the room but not participate in the discussion or take part in a vote on a course of action. The Merchants board composition has from time to time included directors who sit on the boards of trading companies in which the portfolio manager may be invested, and also may include directors who sit on the boards of public bodies.

The board has agreed that only directors who have no interest in the matter being considered will be able to take the relevant decision on approval of any conflicts or potential conflicts, and that in taking the decision the directors will act in a way they consider, in good faith, will be most likely to promote the company's success.

The board is able to impose limits or conditions when giving authorisation if it thinks this is appropriate, such as ensuring that a director who also serves on the board of a company in the portfolio does not participate in any discussions on the investment decision.

Directors' interests register

The Merchants directors' interests register covers directors' outside interests (e.g., directorships or significant holdings) and where the directors use the services of suppliers to the company (e.g., accountancy firms) in their own capacity. The register also contains notes of any hospitality and gifts received from service providers, including the management company.

Confirmation to shareholders

The board confirms that the detailed procedures have been followed during the year and that its powers of authorisation are operating effectively.

Board committees

Audit committee

The audit committee meets at least twice each year and is chaired by Mal Patel. The committee assists the board in relation to the reporting of financial information, the review of financial controls and the management of risk. The Audit Committee Report starts on page 55.

Nomination committee

The nomination committee meets as needed – and at least once each year – and makes recommendations on board succession planning and the appointment of new directors and considers the composition and balance of the board. The committee is chaired by Colin Clark, the Chairman of the board, and met once in the last year when it considered the contribution and effectiveness of the board and formally considered the proposal for election or re-election of each director at the Annual General Meeting and noted the progress on the board's succession plans. All directors serve on the nomination committee and consider nominations made in accordance with an agreed procedure.

It is the board's policy to use external agencies to draw up lists of candidates as part of any recruitment of new directors. The brief to any recruitment consultant includes the instruction that the shortlist should include a diverse range of candidates.

The Nomination Committee Report is on page 51.

Management engagement committee

The management engagement committee met once in the year to review the Management and Administration Agreement and the manager's performance and a report on management fees. It has defined terms of reference and consists of all the directors. It is chaired by Colin Clark the Chairman of the board.

The Management Engagement Committee Report is on page 50.

Remuneration committee

The remuneration committee met once in the year. The committee consists of all the directors and during the year was chaired by Karen McKellar. All directors serve on the committee and the Chair of the board's remuneration and the additional sum payable to the Chair of the audit committee are discussed without the involvement of the directors concerned. The committee determines the company's remuneration policy and determines the remuneration of each director within the terms of that policy. The Directors' Remuneration Report starts on page 52.

The terms of reference for each of the committees may be viewed by shareholders on request and are published on the company's website www.merchantstrust.co.uk.

Internal control

The directors have overall responsibility for the company's system of internal control. Whilst acknowledging their responsibility for the system of internal control, the directors are aware that such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable but not absolute assurance against material misstatement or loss.

The board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the company. This process has been

fully in place throughout the year under review and up to the date of the signing of this Annual Report.

The key elements of the process are as follows:

- In addition to the review of the key risks (see page 32), the directors regularly review all the risks on the Risk Map and every six months the board receives from the manager a formal report which details any known internal control failures, including those that are not directly the responsibility of the manager.
- Allianz Global Investors UK Limited (AllianzGI UK), as the appointed manager, provides investment management, accounting and company secretarial services to the company. The manager therefore maintains the internal controls associated with the day-to-day operation of the company. These responsibilities are included in the Management and Administration Agreement between the company and the manager. The manager's systems of internal control are regularly evaluated by its management and monitored by the manager's internal audit function.
- There is a regular review by the board of asset allocation and any risk implications. There are also regular and comprehensive reviews by the board of management accounting information, including revenue and expenditure projections, actual

revenue against projections and performance comparisons.

- Authorisation and exposure limits are set and maintained by the board.
- The board meets with senior representatives of AllianzGI and also receives an internal controls report from the manager, together with a report on compliance with the manager's anti-bribery policy.
- The audit committee on behalf of the board reviews the internal controls reports of other third party service providers, including those of AllianzGI and all other providers of administrative and custodian services to AllianzGI or directly to the company.

The directors confirm that the audit committee has reviewed the effectiveness of the system of internal control, which it has found to be appropriate. During the course of its review of the system of internal control, the board has not identified nor been advised of any failings or weaknesses which it has determined to be significant.

In the Annual Report for the year commencing 1 February 2027 the board will be required to report on the effectiveness of material controls. There is no expectation that making this declaration will require any significant change to the processes or procedures already performed by the board.

Board attendance

Attendance by the directors at formal board and committee meetings during the year was as follows:

Director	Board	Board strategy meeting	Audit committee	Remuneration committee	Nomination committee	Management engagement committee
Colin Clark	6/6	1/1	2/2 ¹	1/1	1/1	1/1
Timon Drakesmith ²	2/6	-	1/2	1/1	1/1	-
Lisa Edgar	5/6	1/1	2/2	1/1	1/1	1/1
Neil Galloway ³	4/6	1/1	1/2	-	-	1/1
Karen McKellar	6/6	1/1	2/2	1/1	1/1	1/1
Mal Patel	6/6	1/1	2/2	1/1	1/1	1/1

¹ Invited to attend meetings, although not a committee member.

² Retired from the board on 20 May 2025.

³ Appointed to the board 1 July 2025.

Management Engagement Committee Report

Colin Clark

Role of the committee

The management engagement committee reviews the investment management agreement and monitors the performance of the manager for the investment, secretarial, financial, administration, marketing and support services that it provides under that agreement. It also reviews the terms of the agreement including the level and structure of fees payable, the length of notice period and best practice provisions generally.

Composition of the committee

All the directors are members of the committee. The terms of reference can be found on the website at www.merchantstrust.co.uk.

Manager evaluation process

The committee met once during the year for the purpose of the formal evaluation of the manager's performance. For the purposes of its ongoing monitoring, the board receives detailed reports and views from the portfolio manager on investment policy and strategies, asset allocation, stock selection, attributions, portfolio characteristics, gearing and risk. The board also assesses the manager's performance against the investment controls set by the board.

Portfolio performance information is set out on page 15.

AIFM

Details of the current AIFM, Allianz Global Investors UK Limited ('AllianzGI UK'), are on page 84. AllianzGI UK is authorised and regulated by the Financial Conduct Authority, with its registered office at 199 Bishopsgate, London EC2M 3TY.

Manager reappointment

The annual evaluation that took place in March 2026 included the noting of a presentation from AllianzGI's Head of Investment Trusts and the portfolio manager. This covered the work done with the board on strategy and the integrated sales and marketing activity, including the work with investment platforms and wealth managers. During the year the manager also provided information on its succession plans. The evaluation of the management arrangements also considered the manager's fee in relation to the peer group.

The results of a detailed questionnaire evaluating the manager completed by the directors was also reviewed by the committee. The committee concluded that the manager was performing well against the requirements set by the board and that it was satisfied with the performance of the investment manager, the support from the management company and the interaction of the management company with the board. The committee noted that a visit by the board to AllianzGI's office in Frankfurt had been a valuable exercise to meet AllianzGI senior management and useful for due diligence.

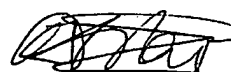
The board then met and concluded that in its opinion the continuing appointment of the manager on the terms agreed was in the interests of shareholders as a whole and recommended this to the board.

Note 2 on page 70 provides detailed information in relation to the management fee.

Committee evaluation

The activities of the management engagement committee were considered as part of the board evaluation process completed in accordance with standard governance arrangements as summarised on page 47. The conclusion from the process was that the committee was operating effectively, with the right balance of membership and skills.

Colin Clark
Chair of the management
engagement committee
1 April 2026



Nomination Committee Report

Colin Clark

Role of the committee

The nomination committee leads the process for board appointments and makes nomination recommendations to the board. The committee reviews and makes recommendations on board structure, size and composition, the balance of knowledge, experience, skill ranges and diversity and considers succession planning and tenure policy.

Composition of the committee

All directors are members of the committee, and its terms of reference can be found on the website at www.merchantstrust.co.uk. Individual directors are not involved in decisions connected with their own appointments.

Activities of the committee

The committee met during the year and considered, in accordance with its terms of reference, the structure, size and composition of the board and satisfied itself regarding succession planning, making recommendations to the board. The committee also discussed the results of the board and committee evaluation exercise, which covered the structure and size of the board and its composition particularly in terms of succession planning and the experience and skills of the individual directors and the topic of board diversity.

The committee notes that all the directors are independent of the manager. In the opinion of the board, each of the directors is independent in character and judgement and there are no relationships or circumstances relating to the company that are likely to affect their judgement.

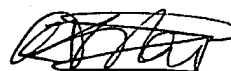
Recruitment of new directors follows procedures for board succession including the appointment of external consultants and a specification to draw as wide a shortlist as possible taking account of the wish to retain a diverse and balanced board. One new appointment was made to replace a director who retired from the board in May 2025. Sapphire Partners was appointed to conduct the search and Neil Galloway was appointed on 1 July 2025. New directors follow a detailed induction programme run by the manager.

The latest board effectiveness review exercise took place in March 2026 and was internally facilitated by the Chair and Company Secretary. An effectiveness review was last conducted in March 2025. In March 2026, detailed surveys covering a wide number of topics relating to the board, the Chairman, the directors individually and the board committees were completed by each of the directors and the outcome reported to the committee by the Chairman, except for the report relating to the Chairman which was conducted by the Senior Independent Director and reported to the committee by her. The exercise also covered a review of the relationship and interaction with the manager, AllianzGI UK. The results of this review were that the board, its directors and its committees are effective. The review identified the continuing importance of focusing on marketing challenges. The results of the review of the Chairman were reported to the committee, and this concluded that the Chairman continued to be highly rated.

Colin Clark

Chair of the nomination committee

1 April 2026



Remuneration Committee Report

Karen McKellar

I am pleased to present the report of the remuneration committee for the year ended 31 January 2026.

Composition

All the independent directors are members of the committee and its terms of reference can be found on the website at www.merchantstrust.co.uk.

Role

The committee leads the process for fixing directors' remuneration and makes recommendations to the board.

Activities

The committee's activities are set out in the report from the committee which follows.

The Directors' Remuneration Report

This is the Directors' Remuneration Report for the year. The report is submitted in accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 for the year ended 31 January 2026.

An ordinary resolution for the approval of the Directors' Remuneration Policy Report was first put to a binding shareholder vote at the Annual General Meeting (AGM) in 2014 and was placed before shareholders for approval at the AGMs in 2017, 2020 and 2023. It will next be put to shareholders at the AGM in 2026.

The results of the vote at the 2023 AGM for this resolution were: In favour 98.52%, against 1.48% and 95,270 shares were withheld (in aggregate, 14,421,950 votes).

The results of the advisory vote at the 2025 AGM for the resolution to approve the Implementation Report were as follows: In favour 98.28%, against 1.72% and 268,478 shares were noted as votes withheld (in aggregate 18,202,240 votes). The Directors' Remuneration Implementation Report is to be put to the AGM, annually, as an advisory shareholder vote.

The information provided in this part of the Directors' Remuneration Report is not subject to audit unless specified below.

The board

The board of directors is composed solely of non-executive directors and the determination of the directors' fees is guided by the remuneration policy (see below) and the recommendations of the remuneration committee which is made up of the independent directors. The board has not been provided with advice or services by any person to assist it to make its remuneration decisions, although the directors carry out reviews from time to time of the fees paid to the directors of other investment companies in the peer group and review annual data on non-executive directors' pay in the investment trust industry.

Directors' shareholdings and share interests (audited)

The interest of the directors at the year end in the ordinary share capital of the company are set out below:

	2026	2025
Colin Clark	10,000	10,000
Timon Drakesmith ¹	-	15,000
Lisa Edgar	998	998
Neil Galloway ²	8,000	-
Karen McKellar	8,000	8,000
Mal Patel	400	400

¹ Retired from the board 20 May 2025.

² Appointed to the board 1 July 2025.

The company's Articles provide for directors to hold qualifying shares in the nominal amount of £100, i.e., currently 400 shares.

Directors' remuneration policy

No director has a service contract with the company. The company's policy is for the directors to be remunerated in the form of fees, payable monthly in arrears. There are no long-term incentive schemes, bonuses, pension benefits, share options or other benefits and fees are not related to the individual director's performance, nor to the performance of the board as a whole.

The company's Articles limit the aggregate fees payable to the board of directors to a total of £250,000 per annum. Subject to this overall limit, it is the board's policy to determine the level of directors' fees having regard to the level of fees payable to non-executive directors in the investment trust industry generally, the roles that individual directors fulfil, and the time committed to the company's affairs. The board believes that levels of remuneration should be sufficient to attract and retain non-executive directors with the requisite knowledge and experience to oversee the company.

Directors are entitled to be reimbursed for any reasonable expenses properly incurred by them in connection with the performance of their duties and attendance at meetings. There are no agreements between the company and its directors concerning compensation for loss of office.

The company's Articles also provide that additional discretionary payments can be made for services which in the opinion of the directors are outside the scope of the ordinary duties of a director. In the year under review no such payments were made.

This directors' remuneration policy is the same in all material respects as that currently followed by the board and summarised in the last Directors' Remuneration Report and approved by the shareholders at the Annual General Meeting held on 18 May 2023.

The company has no employees and consequently has no policy on the remuneration of employees.

The board will consider, where raised, shareholders' views on directors' remuneration. No comments have been received on this subject in the past year.

Annual Statement and Directors' Remuneration Implementation Report

Directors' emoluments (audited)

The policy is to review directors' fee rates from time to time, but reviews will not necessarily result in a change to the rates.

In the year under review the directors were paid at a rate of £30,000 per annum, with an additional £7,000 for the Chair of the Audit Committee, and the Chairman was paid at a rate of £45,000 per annum. The current fees have applied since 1 February 2025.

The fees were reviewed in March 2026. In the context of industry data reviewed, the committee considered the current level of directors' fees and the work undertaken during the year by the directors. Having considered these factors, the committee agreed that a modest increase would be appropriate and it has been agreed to increase the fees with effect from 1 February 2026. The Chairman will be paid £47,500 p.a., the directors will be paid £32,000 p.a., and an additional fee of £7,000 p.a. will be paid to the Chair of the Audit Committee.

The directors' emoluments during the year and in the previous year, all of which were in the form of fixed remuneration with no additional variable pay in 2026 or 2025, and were in the form of fees, were as follows:

	2026 Directors' fees £	2026 Expenses ¹ £	2026 Total £	2025 Directors' fees £	2025 Expenses ¹ £	2025 Total £
Colin Clark	45,000	-	45,000	42,500	-	42,500
Timon Drakesmith ²	11,242	-	11,242	35,000	-	35,000
Lisa Edgar	30,000	1,739	31,739	28,500	1,904	30,404
Neil Galloway ³	17,500	-	17,500	-	-	-
Karen McKellar	30,000	194	30,194	28,500	-	28,500
Mal Patel	34,920	-	34,920	26,125	-	26,125
Sybella Stanley ⁴	-	-	-	4,019	-	4,019
	168,662	1,933	170,595	164,644	1,904	166,548

¹ Travel and subsistence expenses incurred in attending board and committee meetings.

² Retired from the board 20 May 2025.

³ Appointed to the board 1 July 2025.

⁴ Retired from the board 21 March 2024.

	% change from 2026 to 2025 to 2026		% change from 2025 to 2024 to 2025		% change from 2024 to 2023 to 2024		% change from 2023 to 2022 to 2023		% change from 2022 to 2021 to 2022		2021
	£		£		£		£		£		£
Chairman	45,000		42,500	1.2	42,000	3.7	40,500	1.9	39,750	0.0	39,750
Audit Chair	37,000		35,000	2.9	34,000	3.0	33,000	2.3	32,250	0.0	32,250
Independent Director	30,000		28,500	1.8	28,000	3.7	27,000	1.9	26,500	0.0	26,500

Any increase in pay was effective from 1 February in any given year.

There are no other benefits to report.

Analysis of pay against distributions

A table showing actual expenditure by the company on remuneration and distributions to shareholders for the year and the prior year is below:

Expenditure by the company on remuneration and distributions to the shareholders

	2026 £	2025 £
Remuneration paid to all directors	168,662	164,644
Distributions to shareholders	43,340,000	42,576,000

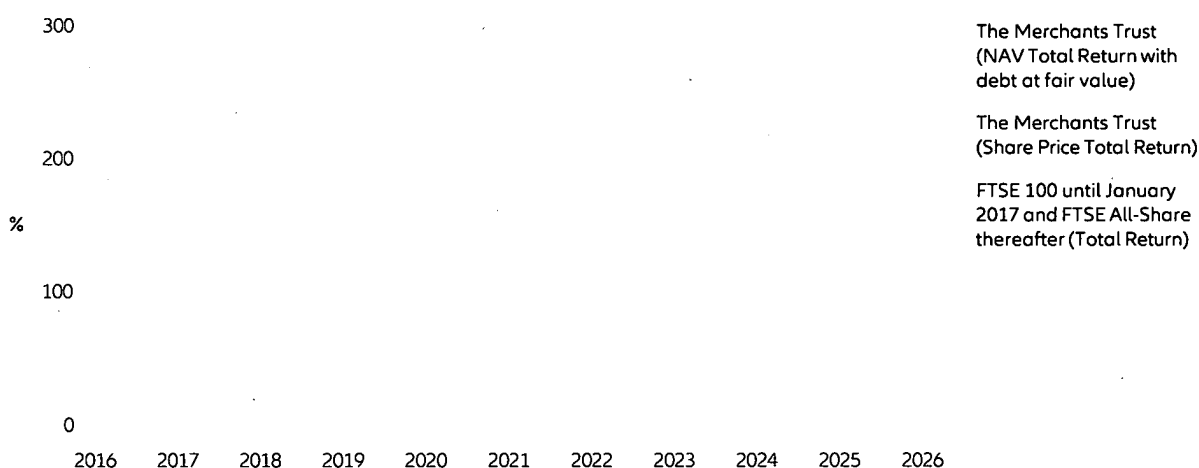
The disclosure is a statutory requirement, however the directors do not consider that the comparison of directors' remuneration with distributions to shareholders is a meaningful measure of the company's overall performance.

Performance graph

The graph below measures the company's share price and Net Asset Value performance against its benchmark index of the FTSE All-Share Index and is re-based to 100.

The company's performance is measured against the FTSE All-Share Index as this is the most appropriate comparator in respect of its asset allocation. An explanation of the company's performance is given in the Chairman's Statement and the Investment Manager's Review.

Total shareholder return for the ten years to 31 January 2026



Source: AllianzGI / Datastream in GBP. Figures have been rebased to 100 as at January 2016.

Signed on behalf of the board

Karen McKellar
Chair of the remuneration committee
1 April 2026

Audit Committee Report

Mal Patel

I am pleased to present the report of the audit committee for the year ended 31 January 2026.

Composition

I succeeded Timon Drakesmith as audit committee chair on 21 May 2025 and I would like to thank Timon for his previous leadership of the committee. Timon retired from the board and the committee at the AGM on 20 May 2025. Neil Galloway joined the committee on his appointment to the board on 1 July 2025. The audit committee consists of all of the independent non-executive directors, with the exception of the Chairman of the board. The committee considers that, collectively, its members have sufficient recent and relevant financial experience to discharge their responsibilities fully. I am a chartered accountant and have held senior finance roles across a variety of businesses.

Role

The principal role of the audit committee is to assist the board in relation to the reporting of financial information, the review of financial controls and the management of risk. The committee has defined terms of reference and duties and the terms of reference are published on the company's website. These include:

- responsibility for the review of the Annual Report and the Half-yearly Report;
- consideration of the nature and scope of the external audit and the findings therefrom; and
- consideration of the terms of appointment of the Auditor, including their remuneration and the provision of any non-audit services by them.

Activities

During the year the committee had two regular meetings during which the Annual Report and the Half-yearly Report respectively were reviewed in detail. The regular meetings were attended by representatives of the manager, including its compliance and risk departments. At each regular meeting the committee received reports on the operation of financial controls relating to the company and the proper conduct of its business in accordance with the regulatory environment in which both the company and the manager operate. At the meeting following the year end the committee also considered the Auditor's report on the audit findings, the process of the audit and the Auditor's independence and objectivity. The audit committee reviews the company's accounting policies with the manager and considers their appropriateness. The committee also reviews the terms of appointment of the Auditor together with their remuneration.

Matters considered by the audit committee in the year

Controls oversight

In the prior year we reported on the monitoring of the NAV calculations performed by a third-party service provider and the actions taken to prevent errors. During the last year AllianzGI continued to report to the board and audit committee on the due diligence performed with the service provider. The audit committee will continue to monitor this progress closely.

The risk that income from the portfolio of investments was not correctly recognised and accounted for

The committee noted that the board receives income forecasts throughout the year and is able to compare these against actual income received. The committee has also received assurances from the manager that the company's stated accounting policies, which are set out on pages 68 and 69, were noted and adhered to. For example, each special dividend is considered by the board at its meetings and is treated as a capital distribution depending on the facts or circumstances of each dividend. The board also receives reports on the impact of currency movements on the portfolio revenue.

Risks around the valuation and the ownership of investments and risks of management override

The company's assets are principally invested in UK listed equities traded on major exchanges. The committee notes that investments are valued using stock exchange prices provided by third party financial data vendors. During the year the committee reviewed internal controls reports from the manager concerning the systems and controls around the pricing and valuation of securities.

Risk

Although the board has ultimate responsibility for the management of risk, the audit committee assists by monitoring the formal reports from the manager and third party service providers' reports on internal controls.

The committee reviewed its approach to the risk management process and concluded that existing processes were adequate to ensure that its assessment of risk is robust and of sufficient frequency.

A Risk Map is reviewed at each of the committee's meetings. We consider whether new risks should be added or existing risks removed, assess their likelihood of occurring and potential scale, review the mitigating actions and assess the residual risk against what we regard as acceptable 'risk appetite'.

Assurance over mitigating actions in relation to these risks is provided in a series of reports from all the third party service providers.

Resulting from the work of the audit committee, certain key risks are identified for disclosure and discussion in our Annual Report. We have also assessed residual risks after controls and mitigating actions have been applied and have evaluated if our risk appetite has been satisfactorily addressed. The principal risks are in relation to portfolio, business and operational matters. The risks identified together with mitigating actions are set out in the Strategic Report from page 32.

Viability Statement

Based on the above review of risk, including the chief risks around investment performance and market volatility and the arrangements in place to manage and mitigate these risks, the committee reviewed a paper that supported the board's conclusion, set out on page 35 in the strategic report, of their reasonable expectation that the company is viable in the longer term, assessed as the next five years.

Internal audit and internal controls

The audit committee continues to believe that the company does not require an internal audit function of its own as it delegates its day to day operations to third parties from whom it receives internal controls reports.

AllianzGI will be transitioning its back office services to a new service provider. The committee will be receiving regular additional reporting from AllianzGI on the management and controls of the transition to gain additional assurance during this change.

Assessment of fair, balanced and understandable

The audit committee and then the whole board reviewed the entire Annual Report and noted all the supporting information received. It then considered whether the Annual Report satisfactorily reflected a true picture of the company and its activities and performance in the year, with a clear link between the relevant sections of the report and concluded that it did so. The directors were then able to confirm 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.

Review of disclosure and communication

At our meetings the audit committee reviews whether we are following best practice in our disclosure and whether we believe we are communicating clearly. In order to assist us we receive reports on current and future changes to regulatory and accounting reporting from the manager and Auditor.

During the year we carried out further reviews of the format and content to refresh and invigorate the Annual Report to continue to ensure it is appealing and informative to readers.

Whistleblowing

As the company has no employees it does not have a formal policy concerning the raising, in confidence, of any concerns about improprieties, whether in matters of financial reporting or otherwise, for appropriate independent investigation. The audit committee has, however, received and noted the manager's policy on this matter. Any matters concerning the company may be raised with the Chairman or the Senior Independent Director.

Financial Report and review with Auditor

The audit committee met with the Auditor at the half-year point to discuss the audit plan for the year and identify the significant issues to be dealt with in the review of the year end results. The committee then met with the Auditor following the year end to discuss the results of the audit.

These and other matters, identified as posing lesser risk, were considered and discussed with the manager and the Auditor as part of the year end process.

We also agreed the degree of materiality that the Auditor would apply in their work, which is £9.6 million, or about 1% of net assets, although the Auditor would bring to the audit committee's attention any significant misstatements below that level.

Auditor tenure and Auditor reappointment

This is BDO LLP's eighth year as the company's independent Auditor. The company is subject to mandatory Auditor rotation requirements and so will put the external audit out to tender at least every ten years and change Auditor at least every twenty years. The next tender will therefore be required no later than 2028. The Auditor is required to rotate partners every five years and Chris Meyrick has led the audit for three years as Audit Partner.

Change of Auditor

Due to the regulatory requirement for the Company to carry out an audit tender no later than 2028, the Board took the decision to undertake an audit tender process during 2025. The Committee invited four firms to tender for the audit and received presentations from three of these. These firms all had the required skills and resources. Each presented and was evaluated on a number of criteria. All members of the Audit Committee and Colin Clark were present when the audit firms presented their tender and were in agreement with regards to the choice of company to be recommended to the Board for approval. The Board subsequently approved the Committee's recommendation, and PricewaterhouseCoopers LLP will be proposed at the forthcoming AGM to be appointed as auditors of the Company for the 2027 audit.

The audit and its effectiveness

The committee reviewed the terms of appointment of the Auditor, monitored the audit process, assessed the Auditor's independence, objectivity and the effectiveness of the audit process, including the provision of non-audit services by the firm, and determined that they have had no impact on the Auditor's independence and objectivity.

As part of the review of the Auditor, the members of the committee and those representatives of the manager involved in the audit process reviewed and considered a number of areas including: the reputation and standing of the audit firm; the audit processes, evidence of partner oversight and external information about the firm; the skills, experience and specialist knowledge of the audit team, particularly relating to investment trusts; audit communication including details of planning, information on relevant accounting and regulatory developments, and recommendations on corporate reporting; the reasonableness of audit fees; and the Financial Reporting Council's Audit Quality Report on BDO LLP for 2024/25.

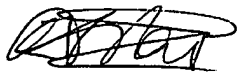
The committee was satisfied that the audit process was effective for the year under review.

The committee considered the representations made by the Auditor and sought comments from representatives of the manager on the provision of services by the Auditor and the effectiveness of the external audit. The audit committee believes that the performance of the Auditor was satisfactory.

Non-audit services

Non-audit services relate to reporting in connection with the covenants under the bond trust deeds and the audit committee agreed that it was appropriate that the company's Auditor should be asked to provide these services.

Fees accrued in the year that related to non-audit services were £6,000 (2025: £5,000). Non-audit services of £5,000 were accrued in the prior year in relation to the issue of the 2040 Loan Notes.

Mal Patel 
Chair of the audit committee
1 April 2026

Statement of directors' responsibilities in respect of the financial statements

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' (UK 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 Auditor has 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 44.

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 Auditor does not involve consideration of the maintenance and integrity of the website and, accordingly, the Auditor accepts 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.

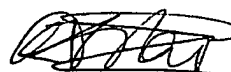
Statement under Disclosure and Transparency Rule 4.1.12

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
1 April 2026



Independent Auditor's Report to the members of The Merchants Trust PLC

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 January 2026 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of The Merchants Trust PLC (the 'Company') for the year ended 31 January 2026 which comprise Income Statement, Statement of Changes in Equity, Balance Sheet, Cash Flow Statement and Notes to the Financial Statements, including Statement of Accounting Policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting our audit.

Overview

Key audit matters

	2026	2025
Valuation and ownership of investments	✓	✓
Revenue recognition	✓	✓

Materiality

Company financial statements as a whole
£9.64m (2025: £8.49m) based on 1% (2025: 1%) of net assets

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- Evaluating the appropriateness of the Directors' method of assessing the going concern in light of economic and market conditions by reviewing the information used by the Directors in completing their assessment;
- Evaluating the sensitivity analysis applied by the Directors in their going concern assessment including the impact of a significant reduction in the fair value of investments;
- Assessing the appropriateness of the Directors' assumptions and judgements made in their base case and stress tested forecasts including consideration of the available cash and liquid assets relative to forecast expenditure and other commitments;
- Challenging the Directors' assumptions and judgements made in their forecasts by performing an independent analysis of the liquidity of the portfolio; and
- Reviewing the disclosures in the financial statements relating to going concern to assess whether they are consistent with the Company's circumstances.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

In relation to the Company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Company and its environment, the applicable financial reporting framework and the system of internal control. We identified and assessed the risks of material misstatement of the financial statements. We then applied professional judgement to focus our audit procedures on the areas that posed the greatest risk of material misstatement to the financial statements. We continually assessed risks throughout our audit, revising the risks where necessary, with the aim of reducing the risk of material misstatement to an acceptable level, to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter

Income recognition – Dividend income from investments

(Note 1 on page 70)

Revenue is a key indicator of performance of the Company. A significant portion of the Company's income relates to dividend income from investments.

Judgement may be required by management in determining the allocation of dividend income to revenue or capital for certain corporate actions or special dividends.

Taking the above into account, there may be an incentive to recognise dividend income as revenue where it is more appropriately of a capital nature.

For this reason, we considered income recognition – dividend income from investments to be a Key Audit Matter.

Valuation and ownership of investments

(Note 8 on page 74)

The investment portfolio at the year-end comprised quoted equity.

We considered the valuation and ownership of investments to be a significant audit area as investments represent the most significant balance in the financial statements and underpins the principal activity of the Company.

While we do not consider the valuation of quoted investments to involve a significant degree of estimation or judgement, there is a risk that the prices used for the quoted investments held by the Company may not reflect their fair value at the year end.

Additionally, in relation to ownership and recording, there is a risk of error in the recording of quoted investment holdings which could result in the incorrect recognition of investments by the Company.

For these reasons, and due to the materiality of the balance in the context of the financial statements as a whole, we consider this to be a Key Audit Matter.

How the scope of our audit addressed the key audit matter

We responded to this matter by considering corporate actions and special dividends identified and challenged whether these had been appropriately accounted for as revenue or capital by discussing with management and reviewing the underlying supporting documentation for the issue of the dividend and whether it could be driven by a capital event.

We analysed the population of dividend receipts to identify any unusual items that could indicate a capital distribution, for example where a dividend represents a particularly high yield. In these instances, we performed a combination of enquiry of management and our own independent research, including inspection of financial statements and dividend announcements of investee companies, to ascertain whether the underlying event may be of a capital nature.

Key observations:

Based on our procedures performed we found the judgements made by management in determining the allocation of dividend income to revenue or capital to be appropriate.

We responded to this matter by testing the valuation and ownership of 100% of the quoted investments by performing the following procedures:

- Checked that the year-end bid price has been used by agreeing to externally quoted prices;
- Recalculated the valuation by multiplying the number of shares held (as per the statement independently obtained from the custodian), by the price per share;
- Recalculated the valuation of the fixed interest instruments by multiplying the units held (as per the statement independently obtained from the custodian), by the price per unit;
- Assessed whether there were any contra indicators, such as liquidity considerations, that could suggest the bid price was not the most appropriate measure of fair value by considering the realisation period for individual holdings; and
- Obtained direct confirmation of the number of equity shares and fixed interest units held from the custodian.

Key observations:

Based on our procedures performed, we did not identify any matters to suggest that the valuation or ownership of the quoted equity and fixed income investments were not appropriate.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

Company financial statements:	2026	2025
Materiality	£9.64m	£8.49m
Basis for determining materiality	1% of Net assets	
Rationale for the benchmark applied	As an investment trust, the net asset value is the key measure of performance for users of the financial statements	
Performance materiality	£7.23m	£6.37m
Basis for determining performance materiality	75% of materiality	
Rationale for the percentage applied for performance materiality	The level of performance materiality applied was set after having considered a number of factors including the expected total value of known and likely misstatements and the level of transactions in the year.	

Specific materiality

We also determined that for Revenue return before taxation, a misstatement of less than materiality for the financial statements as a whole, specific materiality, could influence the economic decisions of users as it is a measure of the Company's performance of income generated from its investments after expenses. As a result, we determined materiality for these items to be £2.51m (2025: £2.24m), based on 5% of 'Revenue return before taxation' (2025: 5% of 'Revenue return before taxation'). We further applied a performance materiality level of 75% (2025: 75%) of specific materiality to ensure that the risk of errors exceeding specific materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit and Risk Committee that we would report to them individual audit differences in excess of £482,000 (2025: £424,000). In addition, for items impacting 'Revenue return before taxation', we agreed that we would report individual audit differences in excess of £125,000 (2025: £112,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Corporate governance statement

The UK Listing Rules sourcebook requires us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit.

Going concern and longer-term viability

- The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 37;
- The Directors' explanation as to their assessment of the Company's prospects, the period this assessment covers and why the period is appropriate set out on page 35; and
- The Directors' statement on whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities set out on page 37.

Other Code provisions

- Directors' statement on fair, balanced and understandable set out on page 56;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 56;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 49; and
- The section describing the work of the audit committee set out on page 55.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.

Directors' remuneration

In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

However, the primary responsibility for the prevention and detection of fraud rests with both Those Charged with Governance of the Company and management.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Non-compliance with laws and regulations

Based on:

- Our understanding of the Company and the industry in which it operates;
- Discussion with the Investment Manager and Those Charged with Governance; and
- Obtaining an understanding of the Company's policies and procedures regarding compliance with laws and regulations

we considered the significant laws and regulations to be the Companies Act 2006, the FCA's UK Listing and Disclosure Guidance and Transparency Rules, the principles of the AIC Code of Corporate Governance, industry practice represented by the AIC SORP, the applicable accounting framework, and qualification as an Investment Trust under UK tax legislation as any non-compliance of this would lead to the Company losing various deductions and exemptions from corporation tax.

Our procedures in respect of the above included:

- Agreement of the financial statement disclosures to underlying supporting documentation;
- Enquiries of the Investment Manager, Administrator and Those Charged with Governance relating to the existence of any non-compliance with laws and regulations;
- Reviewing minutes of meetings of Those Charged with Governance throughout the period for instances of non-compliance with laws and regulations; and
- Reviewing the calculation in relation to Investment Trust compliance to check that the Company was meeting its requirements to retain their Investment Trust status.

Fraud

We assessed the susceptibility of the financial statements to material misstatement including fraud.

Our risk assessment procedures included:

- Enquiry with the Investment Manager, Administrator and Those Charged with Governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Company's policies and procedures relating to:
 - Detecting and responding to the risks of fraud; and
 - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meetings of Those Charged with Governance for any known or suspected instances of fraud; and
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements.

Based on our risk assessment, we considered the areas most susceptible to fraud to be income recognition – dividend income from investments and management override of controls.

Our procedures in respect of the above included:

- In addressing the risk of income recognition – dividend income from investments, the procedures set out in the Key Audit Matters section in our report were performed;
- In addressing the risk of management override of controls, we:
 - Performed a review of estimates and judgements applied by the Directors in the financial statements to assess their appropriateness and the existence of any systematic bias;
 - Considered the opportunity and incentive to manipulate accounting entries and assessed the appropriateness of any post-closing adjustments made in the period end financial reporting process;
 - Reviewed for significant transactions outside the normal course of business; and
 - Performed a review of unadjusted audit differences, if any, for indications of bias or deliberate misstatement.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There

are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters which we are required to address

We were appointed by the Board of Directors on 16 May 2018 to audit the financial statements for the year ended 31 January 2019. Our total uninterrupted period of engagement is eight years, covering the years ended 31 January 2019 to 31 January 2026.

Our audit opinion is consistent with the additional report to the Audit and Risk Committee.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

In due course, as required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.15R - 4.1.18R, these financial statements will form part of the Electronic Format Annual Financial Report filed on the National Storage Mechanism of the FCA in accordance with DTR 4.1.15R – DTR 4.1.18R. This auditor's report provides no assurance over whether the Electronic Format Annual Financial Report has been prepared in compliance with DTR 4.1.15R – DTR 4.1.18R.

*Chris Meyrick (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
30 Sempole Street
Edinburgh, UK
1 April 2025*

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Income Statement

for the year ended 31 January 2026

	Notes	2026 Revenue £'000s	2026 Capital £'000s	2026 Total Return £'000s	2025 Revenue £'000s	2025 Capital £'000s	2025 Total Return £'000s
Gains on investments held at fair value through profit or loss	8	-	123,695	123,695	-	66,566	66,566
Losses on derivatives	9	-	(438)	(438)	-	(202)	(202)
(Losses) gains on foreign currencies		-	(91)	(91)	-	43	43
Income	1	50,245	-	50,245	48,482	-	48,482
Investment management fee	2	(1,212)	(2,251)	(3,463)	(1,160)	(2,153)	(3,313)
Administration expenses	3	(1,240)	(5)	(1,245)	(1,108)	(4)	(1,112)
Profit before finance costs and taxation		47,793	120,910	168,703	46,214	64,250	110,464
Finance costs: interest payable and similar charges	4	(2,098)	(3,816)	(5,914)	(2,009)	(3,648)	(5,657)
Profit on ordinary activities before taxation		45,695	117,094	162,789	44,205	60,602	104,807
Taxation	5	(381)	-	(381)	(534)	-	(534)
Profit after taxation attributable to ordinary shareholders		45,314	117,094	162,408	43,671	60,602	104,273
Earnings per ordinary share (basic and diluted)	7	30.58p	79.01p	109.59p	29.43p	40.84p	70.27p

Dividends in respect of the financial year ended 31 January 2026 total 29.50p (2025: 29.10p), amounting to £43,667,000 (2025: £43,184,000). Details are set out in Note 6 on page 73.

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.

The Statement of Accounting Policies and Notes on pages 68 to 83 form an integral part of these Financial Statements.

Statement of Changes in Equity

for the year ended 31 January 2026

	Notes	Called up share capital £'000s	Share premium account £'000s	Capital redemption reserve £'000s	Capital reserve £'000s	Revenue reserve £'000s	Total
Net assets at 1 February 2025		37,106	228,726	293	555,757	27,940	849,822
Revenue profit		-	-	-	-	45,314	45,314
Dividends on ordinary shares	6	-	-	-	-	(43,340)	(43,340)
Capital profit		-	-	-	117,094	-	117,094
Shares repurchased into treasury during the year	12	-	-	-	(4,426)	-	(4,426)
Net assets at 31 January 2026		37,106	228,726	293	668,425	29,914	964,464
Net assets at 1 February 2024		37,081	228,174	293	495,155	26,819	787,522
Revenue profit		-	-	-	-	43,671	43,671
Dividends on ordinary shares	6	-	-	-	-	(42,576)	(42,576)
Unclaimed dividends		-	-	-	-	26	26
Capital profit		-	-	-	60,602	-	60,602
Shares issued during the year	12	25	552	-	-	-	577
Net assets at 31 January 2025		37,106	228,726	293	555,757	27,940	849,822

The Statement of Accounting Policies and Notes on pages 68 to 83 form an integral part of these Financial Statements.

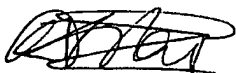
Balance Sheet

at 31 January 2026

	Notes	2026 £'000s	2026 £'000s	2025 £'000s
Fixed assets				
Investments held at fair value through profit or loss	8		1,056,366	954,514
Current assets				
Other receivables	10	1,463		1,891
Cash at bank and in hand		26,079		15,604
		27,542		17,495
Current liabilities				
Other payables	10	(1,930)		(5,167)
Derivative financial instruments	9	(668)		(239)
		(2,598)		(5,406)
Net current assets			24,944	12,089
Total assets less current liabilities			1,081,310	966,603
Creditors: amounts falling due after more than one year	11		(116,846)	(116,781)
Total net assets			964,464	849,822
Capital and reserves				
Called up share capital	12		37,106	37,106
Share premium account	13		228,726	228,726
Capital redemption reserve	13		293	293
Capital reserve	13		668,425	555,757
Revenue reserve	13		29,914	27,940
Equity shareholders' funds	14		964,464	849,822
Net asset value per ordinary share	14		653.3p	572.6p

The financial statements of The Merchants Trust PLC on pages 64 to 67 were approved and authorised for issue by the board of directors on 1 April 2026 and signed on its behalf by:

Colin Clark
Chairman



The Statement of Accounting Policies and Notes on pages 68 to 83 form an integral part of these Financial Statements.

Cash Flow Statement

for the year ended 31 January 2026

	Notes	2026 £'000s	2025 £'000s
Operating activities			
Profit before finance costs and taxation ¹		168,703	110,464
Less: gains on investments held at fair value		(123,695)	(67,746)
Add: losses on derivatives		429	182
Proceeds from special dividend credited to capital ²		-	565
Add (less): losses (gains) on foreign currency		91	(43)
Purchase of fixed asset investments held at fair value through profit or loss		(287,031)	(221,421)
Sales of fixed asset investments held at fair value through profit or loss		306,614	212,511
Transaction costs		(1,319)	(1,180)
Decrease in other receivables		388	72
Increase (decrease) in other payables		382	(184)
Less: overseas tax suffered		(381)	(534)
Net cash inflow from operating activities		64,181	32,686
Financing activities			
Interest paid		(5,806)	(5,845)
Issue costs in relation to the 5.91% Fixed Rate Notes 2040		-	(150)
Proceeds from 5.91% Fixed Rate Notes 2040 A		-	25,000
Proceeds from 5.91% Fixed Rate Notes 2040 B		-	25,000
Repayment of Revolving Credit Facility		-	(42,000)
Dividend paid on cumulative preference stock		(43)	(43)
Dividends paid on ordinary shares	6	(43,340)	(42,576)
Unclaimed dividends over 12 years		-	26
Shares repurchased into treasury during the year		(4,426)	-
Share issue proceeds		-	577
Net cash outflow from financing activities		(53,615)	(40,011)
Increase (decrease) in cash and cash equivalents		10,566	(7,325)
Cash and cash equivalents at the start of the year		15,604	22,886
Effect of changes in foreign exchange rates		(91)	43
Cash and cash equivalents at the end of the year		26,079	15,604
Comprising:			
Cash at bank and in hand		26,079	15,604

¹ Cash inflow from dividends was £47,898,000 (2025: £46,700,000) and cash inflow from interest was £403,515 (2025: £280,000).

² Tyman dividend paid in relation to the acquisition by Quanex Building Products.

The Statement of Accounting Policies and Notes on pages 68 to 83 form an integral part of these Financial Statements.

Statement of Accounting Policies

for the year ended 31 January 2026

The company is incorporated in the United Kingdom under the Companies Act 2006.

The company is a public company limited by shares and is registered in England and Wales. The address of the company's registered office is shown on page 40. The company is an investment company as defined in section 833 of the Companies Act 2006.

The principal activity of the company and the nature of its operations are set out in the Strategic Report starting on page 28. The company conducts its business so as to qualify as an investment trust company within the meaning of sub-section 1158 of the Corporation Tax Act 2010.

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year.

- 1 Basis of preparation** – The financial statements have been prepared under the historical cost convention, except for the revaluation of financial instruments held at fair value through profit or loss and in accordance with applicable United Kingdom law and UK Accounting Standards (UK GAAP), including Financial Reporting Standard 102 – the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102) and in line with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued by the Association of Investment Companies (AIC SORP) in July 2022.

Investments and derivative financial instruments are designated as held at fair value through profit or loss in accordance with FRS 102 sections 11 and 12.

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

Going concern

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

- 2 Income** – Dividends received on equity shares are accounted for on an ex-dividend basis. Foreign dividends are grossed up at the appropriate rate of withholding tax.

Special dividends are recognised on an ex-dividend basis and treated as a capital or revenue item depending on the facts and circumstances of each dividend. The board reviews special dividends and their treatment at each meeting.

Where the company has elected to receive its dividends in the form of additional shares rather than in cash, the equivalent of the cash dividend is recognised as income. Any excess in the value of the shares received over the amount of the cash dividend is recognised in capital reserves.

Deposit interest receivable is accounted for on an accruals basis.

- 3 Investment management fees and administrative expenses**

– The investment management fee is calculated on the basis set out in Note 2 to the financial statements and is charged to capital and revenue in the ratio 65:35 to reflect the board's investment policy and prospective split of capital and revenue returns. The split is reviewed annually. Other administration expenses are charged in full to revenue, except custodian handling charges on investment transactions which are charged to capital. All expenses are recognised on an accrual basis.

- 4 Investments** – 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 on 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 2025.

5 Transaction costs – In accordance with FRS 102 section 12.7, transaction costs are immediately expensed to the profit and loss account and are not included in the carrying value of investments as these are measured at fair value through the profit and loss account.

6 Derivatives – Options may be purchased or written over securities held in the portfolio for generating or protecting capital returns, or for generating or maintaining revenue returns. Where the purpose of the option is the maintenance of capital the premium is treated as a capital item. In accordance with FRS 102 Section 12: 'Other Financial Instruments', options are valued at fair value and are included in current assets or current liabilities in the balance sheet. When an option is closed out or exercised the gain or loss is accounted for as capital.

Where the purpose of the option is the generation of income, the premium is treated as a revenue item. Premiums received on written options are amortised to revenue over the period to expiry. If an option is exercised early unamortised premiums are taken to capital.

7 Finance costs – In accordance with the FRS 102 Section 11: 'Basic Financial Instruments' and Section 12 'Other Financial Instruments', long-term borrowings are stated at the amortised cost, being the amount of net proceeds on issue plus accrued finance costs to date. Finance costs are calculated over the term of the debt on the effective interest rate basis.

Where debt is issued at a premium, the premium is amortised over the term of the debt on the effective interest rate basis.

Finance costs net of amortised premiums are charged to capital and revenue in the ratio 65:35 to reflect the board's investment policy and the prospective split of capital and revenue returns.

Dividends payable on the 3.65% cumulative preference stock are classified as an interest expense and are charged in full to revenue.

8 Taxation – Where expenses are allocated between capital and revenue, any tax relief obtained in respect of those expenses is allocated between capital and revenue on the marginal basis using the company's effective rate of corporation tax for the accounting period.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax or a right to pay less tax in the future have occurred. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements.

A deferred tax asset is recognised when it is more likely than not that the asset will be recoverable. Deferred tax is measured on a non-discounted basis at the rate of corporation tax that is expected to apply when the timing differences are expected to reverse.

9 Foreign currency – In accordance with FRS 102 Section 30: 'Foreign Currency Translation', the company is required to nominate a functional currency, being the currency in which the company predominately operates and in which

its expenses are generally paid. The functional and reporting currency is pounds sterling. Transactions in foreign currencies are translated into pounds sterling at the rates of exchange ruling on the date of the transaction. Foreign currency monetary assets and liabilities are translated into sterling at the rates of exchange ruling at the balance sheet date. Profits and losses thereon are recognised in the capital column of the income statement and taken to the capital reserve.

10 Dividends – In accordance with FRS 102 Section 32: 'Events After the End of the Reporting Period', any final dividend proposed on ordinary shares is recognised as a liability when approved by shareholders. Interim dividends are recognised only when paid. Dividends are paid from the revenue reserve.

11 Cash and cash equivalents – Cash comprises cash in hand and on demand deposits. Cash equivalents include bank overdrafts repayable on demand and short-term, highly liquid investments, that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.

12 Shares repurchased for cancellation and for holding in treasury – Share capital is reduced by the nominal value of the shares repurchased, and the capital redemption reserve is correspondingly increased in accordance with section 733 Companies Act 2006. The full cost of the repurchase is charged to the capital reserve within gains (losses) on sales of investments.

For shares repurchased for holding in treasury, the full cost is charged to the capital reserve.

13 Shares sold (reissued) from treasury – Proceeds received from the sale of shares held in treasury are treated as realised profits in accordance with Section 731 of the Companies Act 2006. Proceeds equivalent to the original cost, calculated by applying a weighted average price, are credited to the capital reserve to replenish the profits available for distribution; proceeds in excess of the original cost are credited to the share premium account.

14 Shares issued – Share capital is increased by the nominal value of shares issued. The proceeds in excess of the nominal value of shares net of expenses are allocated to the share premium account.

15 Significant judgements, estimates and assumptions – In the application of the company's accounting policies, which are described above, the directors are required to make judgements, estimates, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

There are no significant judgements, estimates, and assumptions. The investment portfolio currently consists of listed investments and therefore no significant estimates have been made in valuing those securities.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Notes to the Financial Statements

for the year ended 31 January 2026

1. Income

	2026 £'000s	2025 £'000s
Income from investments*		
Equity dividends from UK investments [#]	34,758	36,041
Unfranked dividends from UK investments	3,493	2,054
Equity dividends from overseas investments	10,264	9,159
	48,515	47,254
Other income		
Deposit interest	486	337
Premiums on derivative contracts	1,244	891
	1,730	1,228
Total income	50,245	48,482

* All equity income is derived from listed investments.

[#] Includes special dividends of £1,819,000 (2025: £2,062,000).

During the year, the company received premiums totalling £1,256,000 (2025: £884,000) for writing covered call options for the purpose of revenue generation. Premium income of £1,244,000 was amortised to income (2025: £891,000). All derivatives transactions were based on FTSE 100 stocks or the related index. At the year end there were three open positions with a net liability value of £668,000 (2025: £239,000).

2. Investment management fee

	2026 Revenue £'000s	2026 Capital £'000s	2026 Total £'000s	2025 Revenue £'000s	2025 Capital £'000s	2025 Total £'000s
Investment management fee	1,212	2,251	3,463	1,160	2,153	3,313

Under the terms of the Management and Administration Agreement the company's manager is Allianz Global Investors UK Limited. On 30 May 2024 the Agreement was novated from Allianz Global Investors GmbH to Allianz Global Investors UK Limited (AllianzGI UK). The agreement was restated in July 2014, with the appointment of AllianzGI as the Alternative Investment Fund Manager. In both cases the terms of the Agreement were unchanged: it provides for a management fee based on 0.35% (2025: 0.35%) per annum of the value of the assets after deduction of current liabilities, short-term loans with an initial duration of less than one year and other funds managed by AllianzGI. Under the contract, AllianzGI provides the company with investment management, accounting, company secretarial and administration services.

3. Administration expenses

	2026 £'000s	2025 £'000s
Auditor's remuneration		
For audit services	51	48
Non-audit services – agreed upon procedures relating to loan covenants	6	5
VAT on Auditor's remuneration	11	11
	68	64
Directors' fees	161	162
Directors' NI contributions	28	21
Marketing costs	426	387
Registrars' fees	123	116
Depository fees	53	53
Professional and advisory fees	59	32
Printing and postage	96	75
Stock exchange fees	59	52
Custody fees	32	32
Other administration expenses	135	114
	1,240	1,108

- (i) The above expenses include value added tax where applicable.
- (ii) Directors' fees are set out in the Directors' Remuneration Report on page 53.
- (iii) Custody handling charges of £5,000 were charged to capital (2025: £4,000).
- (iv) AllianzGI received fees for the provision of marketing activities of £nil (2025: £371,000) during the year. At 31 January 2026 marketing costs payable were £377,000 (2025: £nil).
- (v) Non-audit services paid in the year were £6,000 (2025: £5,000).

4. Finance costs: interest payable and similar charges

	2026 Revenue £'000s	2026 Capital £'000s	2026 Total	2025 Revenue £'000s	2025 Capital £'000s	2025 Total
On 4% Perpetual Debenture Stock repayable after more than five years	19	36	55	19	36	55
On 5.875% Secured Bonds repayable after more than one year	637	1,184	1,821	637	1,182	1,819
On 3.65% Preference Stock repayable after more than five years	43	-	43	43	-	43
On 2.96% Fixed Rate Notes repayable after more than five years	365	678	1,043	365	678	1,043
On Revolving Credit Facility	-	-	-	913	1,694	2,607
On 5.91% Fixed Rate Notes A repayable after more than five years	517	959	1,476	16	29	45
On 5.91% Fixed Rate Notes B repayable after more than five years	517	959	1,476	16	29	45
	2,098	3,816	5,914	2,009	3,648	5,657

5. Taxation

	2026 Revenue £'000s	2026 Capital £'000s	2026 Total	2025 Revenue £'000s	2025 Capital £'000s	2025 Total
Overseas taxation*	381	-	381	534	-	534
Total tax	381	-	381	534	-	534
Reconciliation of tax charge						
Profit (loss) before taxation	45,695	117,094	162,789	44,205	60,602	104,807
Tax on profit at 25.00% (2025: 25.00%)	11,424	29,274	40,698	11,051	15,151	26,202
Effects of						
Non taxable income	(11,256)	-	(11,256)	(11,300)	-	(11,300)
Non taxable capital losses	-	(30,814)	(30,814)	-	(16,591)	(16,591)
Irrecoverable overseas tax	381	-	381	534	-	534
Gains (losses) on foreign currencies	-	23	23	-	(11)	(11)
Disallowable expenses	54	495	549	106	494	600
Excess of allowable expenses over taxable income	(222)	1,022	800	143	957	1,100
Total tax	381	-	381	534	-	534

* Irrecoverable overseas tax on dividends received from Aena, Atalaya Mining Copper, Michelin, SCOR and Sodexo.

The company's taxable income is exceeded by its tax allowable expenses, which include both the revenue and capital elements of the management fee and finance costs. As at 31 January 2026, the company had accumulated surplus expenses of £246.0 million (2025: £242.9 million).

The company has not recognised a deferred tax asset of £61.5 million (2025: £60.7 million) in respect of these expenses, based on a prospective corporation tax rate of 25% (2025: 25%) because there is no reasonable prospect of recovery. Provided the company continues to maintain its current investment profile, it is unlikely that these expenses will be utilised and that the company will obtain any benefit from this asset.

In May 2013 the company received confirmation from HM Revenue & Customs of its status as an approved investment trust for accounting periods commencing on or after 1 February 2012, subject to the company continuing to meet the eligibility conditions in Section 1158 Corporation Tax Act 2010 and the ongoing requirements for approved companies in Chapter 3 of Part 2 Investment Trust (Approved Company) Tax Regulations 2011 (Statutory Instrument 2011/2999). The company intends to retain this approval and self-assesses compliance with the relevant conditions and requirements and will continue to do so on an annual basis.

6. Dividends on ordinary shares

	2026 £'000s	2025 £'000s
Dividends paid on ordinary shares		
Third interim dividend 7.3p paid 19 March 2025 (2024: 7.1p)	10,835	10,531
Final dividend 7.3p paid 29 May 2025 (2024: 7.1p)	10,835	10,531
First interim dividend 7.3p paid 22 August 2025 (2024: 7.2p)	10,835	10,679
Second interim dividend 7.3p paid 20 November 2025 (2024: 7.3p)	10,835	10,835
	43,340	42,576

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 69 – Statement of Accounting Policies). Details of these dividends are set out below.

	2026 £'000s	2025 £'000s
Third interim dividend 7.4p paid 19 March 2026 (2025: 7.3p)	10,925	10,835
Final proposed dividend 7.5p payable 27 May 2026 (2025: 7.3p)	11,072	10,835
	21,997	21,670

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 number 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.

7. Earnings per ordinary share

	2026 Revenue £'000s	2026 Capital £'000s	2026 Total	2025 Revenue £'000s	2025 Capital £'000s	2025 Total
Profit after taxation attributable to ordinary shareholders	45,314	117,094	162,408	43,671	60,602	104,273
Earnings after taxation attributable to ordinary shareholders	30.58p	79.01p	109.59p	29.43p	40.84p	70.27p

The earnings per ordinary share is based on the weighted average number of shares in issue of 148,198,321 (2025: 148,372,564).

Basic and diluted earnings per share are the same as the company has no dilutive instruments.

8. Fixed asset investments

	2026 £'000s	2025 £'000s
Opening book cost	932,498	878,851
Opening investment holding gains (losses)	22,016	(4,183)
Opening market value	954,514	874,668
Additions at cost	283,412	225,171
Disposals proceeds received*	(306,574)	(213,071)
Realised gains on investments	35,507	40,454
Movement in unrealised gains	89,507	27,292
Market value of investments held at 31 January	1,056,366	954,514
Closing book cost	945,977	932,498
Closing investment holding gains	110,389	22,016
Closing market value	1,056,366	954,514

* Prior year figure includes Tyman special dividend of £565,000 credited to capital.

The company received £307,060,000 (2025: £222,887,000) from investments sold in the year. The book cost of these investments when they were purchased was £271,067,000 (2025: £183,040,000). These investments have been revalued over time and until they were sold any unrealised gains/losses were included in the fair value of the investments.

Transaction costs and stamp duty on purchases amounted to £1,240,000 (2025: £1,135,000) and transaction costs on sales amounted to £80,000 (2025: £45,000).

	2026 £'000s	2025 £'000s
Gains on investments		
Gains on investments held at fair value through profit or loss	125,014	67,181
Transaction costs	(1,319)	(1,180)
Special dividends credited to capital	-	565
	123,695	66,566

9. Derivatives financial instruments

	2026 £'000s	2025 £'000s
Opening book cost: derivative financial instruments	(64)	(42)
Opening investment holding losses: derivative financial instruments	(175)	(15)
Opening market value	(239)	(57)
Premiums recognised in current year	(1,146)	(787)
Realised gains on derivative financial instruments	961	765
Movement in unrealised losses on derivative financial instruments	(244)	(160)
Market value of investments held at 31 January	(668)	(239)
Closing book cost: derivative financial instruments	(249)	(64)
Closing investment holding losses: derivative financial instruments	(419)	(175)
Closing market value	(668)	(239)
Losses on derivatives		
Gains on derivative financial instruments	717	605
Option premiums and fees	(1,155)	(807)
	(438)	(202)

10. Other receivables and other payables

	2026 £'000s	2025 £'000s
Other receivables		
Sales for future settlement	-	40
Prepayments	54	36
Accrued income	1,409	1,815
	1,463	1,891
Other payables: amounts falling due within one year		
Purchases for future settlement	-	3,619
Other payables	1,491	1,109
Interest on borrowings	439	439
	1,930	5,167
Interest on outstanding borrowing consists of:		
5.875% Secured Bonds 2029	207	207
4% Perpetual Debenture Stock	14	14
2.96% Fixed Rate Notes 2052	128	128
5.91% Fixed Rate Notes 2040 A	45	45
5.91% Fixed Rate Notes 2040 B	45	45
	439	439

11. Creditors: amounts falling due after more than one year

		2026 £'000s	2025 £'000s
5.875% Secured Bonds 2029	(i)	29,736	29,678
4% Perpetual Debenture Stock	(ii)	1,375	1,375
3.65% Cumulative Preference Stock	(iii)	1,178	1,178
2.96% Fixed Rate Notes 2052	(iv)	34,707	34,700
5.91% Fixed Rate Notes 2040 A	(v)	24,925	24,925
5.91% Fixed Rate Notes 2040 B	(vi)	24,925	24,925
		116,846	116,781

- (i) The £30,000,000 of 5.875% Secured Bonds is stated at £29,736,000 (2025: £29,678,000), being the net proceeds of £28,943,000 plus accrued finance costs of £793,000 (2025: £735,000). The Bonds are repayable on 20 December 2029 and carry interest at 5.875% per annum on the principal amount. Interest is payable in June and December each year. The effective interest rate of this loan is 6.23% per annum.
- (ii) The 4% perpetual debenture stock of £1,375,000 is secured by a floating charge on the assets of the company, which ranks prior to any other floating charge. Interest is payable on 1 May and 1 November each year.
- (iii) The 3.65% Cumulative Preference Stock is recognised as a creditor due after more than one year under the provisions of FRS 102 Section 11: 'Basic Financial Instruments' and Section 12: 'Other Financial Instruments'. The right of the preference stock holders to receive payments is not calculated by reference to the company's net return and, in the event of a return of capital is limited to a specific amount, being £1,178,000. Dividends on the preference stock are payable on 1 February and 1 August each year. The preference stock is non-redeemable.
- (iv) The £35,000,000 of Fixed Rate Notes is stated at £34,707,000 (2025: £34,700,000), being the net proceeds of £34,656,000 plus finance costs of £51,000 (2025: £44,000). The Bonds are repayable on 18 December 2052 and carry interest at 2.96% per annum on the principal amount. Interest is payable in June and December each year. The effective interest rate of this loan is 3.03% per annum.
- (v) The £25,000,000 of Fixed Rate Notes is stated at £24,925,000 (2024: £nil), being the net proceeds of £24,295,000 plus finance costs of £nil (2025: £nil). The Bonds are repayable on 21 January 2040 and carry interest at 5.91% per annum on the principal amount. Interest is payable in January and July each year. The effective interest rate of this loan is 5.91% per annum.
- (vi) The £25,000,000 of Fixed Rate Notes is stated at £24,925,000 (2024: £nil), being the net proceeds of £24,925,000 plus finance costs of £nil (2025: £nil). The Bonds are repayable on 21 January 2040 and carry interest at 5.91% per annum on the principal amount. Interest is payable in January, April, July and October each year. The effective interest rate of this loan is 5.91% per annum.

12. Called up share capital

	2026 £'000s	2025 £'000s
Allotted and fully paid*		
148,424,887 ordinary shares of 25p (2025: 148,424,887)	37,106	37,106

* Including 792,017 (2025: nil) Ordinary shares held in treasury for reissuance into the market or cancellation at a future date. Shares held in treasury are non-voting and not eligible for receipt of dividend.

During the year 792,017 Ordinary shares were repurchased to be held in treasury (2025: nil). The aggregate purchase price of the shares amounting to £4,426,000 (2025: £nil) was charged to the capital reserve within gains on sales of investments (see note 13). During the year no Ordinary Shares were reissued from treasury (2025: nil). Since the year end no further shares have been bought back up to and including 30 March 2026.

	2026 Number	2026 £'000s	2025 Number	2025 £'000s
Allotted 25p ordinary shares				
Brought forward	148,424,887	37,106	148,324,887	37,081
Shares issued during the year	-	-	100,000	-
Shares repurchased into treasury during the year	(792,017)	(198)	-	-
Carried forward	147,632,870	36,908	148,424,887	37,106
Treasury shares				
Brought forward	-	-	-	-
Shares repurchased into treasury during the year	792,017	-	-	-
Carried forward	792,017	-	-	-

Total ordinary shares in issue and in treasury at the end of the period	148,424,887	148,424,887
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During the year no shares were issued (2025: 100,000) for a total consideration of £nil (2025: £577,000), net of issues costs of £nil (2025: £1,000). The directors are seeking authority at the AGM on 19 May 2026 for an ordinary resolution to be passed to allot relevant securities, in accordance with section 551 on the Companies Act 2006, up to a maximum of 49,474,962 ordinary shares of 25p each.

13. Reserves

	Share premium account £'000s	Capital redemption reserve £'000s	Gains (losses) on sales of investments £'000s	Capital Reserve Investment holding gains (losses)	Revenue reserve £'000s
Balance at 1 February 2025	228,726	293	464,410	91,347	27,940
Gains on sales of fixed asset investments	-	-	35,507	-	-
Losses on derivative financial instruments	-	-	(194)	-	-
Net movement in fixed asset investment holding losses	-	-	-	89,507	-
Movement in derivative holding losses	-	-	-	(244)	-
Transaction costs	-	-	-	(1,319)	-
Losses on foreign currencies	-	-	-	(91)	-
Transfer on sale of investments	-	-	(111,615)	111,615	-
Shares repurchased into treasury during the year	-	-	(4,426)	-	-
Investment management fee	-	-	(2,251)	-	-
Finance costs of borrowings	-	-	(3,816)	-	-
Other capital expenses	-	-	(5)	-	-
Dividends appropriated in the year	-	-	-	-	(43,340)
Profit retained for the year	-	-	-	-	45,314
Balance at 31 January 2026	228,726	293	377,610	290,815	29,914

The share premium and capital redemption reserve are not distributable reserves under the Companies Act 2006. In accordance with the Articles of Association, distributions can be made from both the revenue reserve and capital reserves to the extent they are realised. All paid or payable dividends for the year are payable from the revenue reserve (2025: same).

14. Net Asset Value per share

The net asset value total return for the year is the percentage movement from the capital net asset value as at 31 January 2025 to the net asset value, on a total return basis as at 31 January 2026. The net asset value total return with debt at fair value is 18.9% (2025: 13.5%) and the net asset value total return with debt at par is 19.2% (2025: 13.3%).

The net asset value per ordinary share is based on 147,632,870 ordinary shares in issue at the year end (2025: 148,424,887). The method of calculation of the Net Asset Value with debt at fair value is described in Note 16(c) on page 81.

The Net Asset Value per ordinary share was as follows:

	Debt at fair value 2026	Debt at par 2026	Debt at fair value 2025	Debt at par 2025
Net Asset Value per ordinary share attributable	663.5p	653.3p	582.4p	572.6p
Dividends paid in the year	29.2p	29.2p	28.7p	28.7p
Net Asset Value total return	692.7p	682.5p	611.1p	601.3p
Net Asset Value attributable £'000s	979,476	964,464	864,485	849,822

15. Contingent liabilities, capital commitments and guarantees

At 31 January 2026 there were no contingent liabilities, capital commitments or guarantees (2025: £nil).

16. Financial risk management policies and procedures

The company invests in equities and other investments in accordance with its investment objective as stated in the Strategic Report on page 28. In pursuing its investment policy, the company is exposed to certain inherent risks that could result in either a reduction in the company's net assets or a reduction in the profits available for distribution by way of dividends.

The main risks arising from the company's financial instruments are: market risk (comprising market price risk, market yield risk, foreign currency risk and interest rate risk), liquidity risk and credit risk. The directors' approach to the management of these risks is set out below. The directors determine the objectives and agree policies for managing each of these risks, as set out below. The manager, in close cooperation with the directors, implements the company's risk management policies. The company's policy allows the use of derivative financial instruments to moderate risk exposure and to generate additional revenue. These policies have remained substantially unchanged during the current and preceding period.

(a) Market risk

The manager assesses the exposure to market risk when making each investment decision, and monitors the risk on the investment portfolio on an ongoing basis. Market risk comprises market price risk (price and yield), foreign currency risk and interest rate risk.

(i) Market price risk

Market price risk arises mainly from the uncertainty about future prices of financial instruments held. It represents the potential loss the company might suffer through holding market positions in the face of price movements. An analysis of the company's portfolio is shown on pages 24 and 25.

Changes in stock market valuations lead to changes in gearing ratios. The board's procedure for monitoring the gearing of the company is set out in Note 17 on page 82. This takes into account the investment manager's view on the market, covenant requirements and the future prospects of the company's performance.

Market price risk sensitivity

The value of the company's listed investments (i.e., fixed asset investments, excluding unlisted equities) which were exposed to market price risk as at 31 January 2026 was as follows:

	2026 £'000s	2025 £'000s
Listed investments held at fair value through profit or loss	1,056,366	954,514
Derivative financial instruments – written call options	(668)	(239)
Total listed investments	1,055,698	954,275

The following illustrates the sensitivity of the return and the net assets to an increase or decrease of 20% and 50% (2025: 20% and 50%) in the fair values of the company's listed investments. The 20% level of change is considered to be reasonably possible based on observation of market conditions in recent years. The 50% level demonstrates the impact in extreme conditions. The sensitivity analysis on the net return after tax is based on the impact of a 20% and 50% increase or decrease in the value of the company's listed equity investments at each balance sheet date and the consequent impact on the investment management fees for the year, with all other variables held constant.

	2026 20% increase in fair value £'000s	2026 20% decrease in fair value £'000s	2026 50% increase in fair value £'000s	2026 50% decrease in fair value £'000s	2025 20% increase in fair value £'000s	2025 20% decrease in fair value £'000s	2025 50% increase in fair value £'000s	2025 50% decrease in fair value £'000s
Revenue earnings								
Investment management fees	(259)	259	(647)	647	(234)	234	(585)	585
Capital earnings								
Gains (losses) on investments at fair value	211,140	(211,140)	527,849	(527,849)	190,855	(190,855)	477,138	(477,138)
Investment management fees	(481)	481	(1,202)	1,202	(434)	434	(1,086)	1,086
Change in net earnings and net assets	210,400	(210,400)	526,000	(526,000)	190,187	(190,187)	475,467	(475,467)

Management of market price risk

The directors meet regularly to consider the asset allocation of the portfolio in order to minimise the risk associated with particular industry sectors. A dedicated fund manager has the responsibility for monitoring the existing portfolio selection in accordance with the company's investment objectives and to ensure that individual stocks meet an acceptable risk reward profile. Call options are only written on stocks owned by the company within the portfolio with a maximum exposure of 15% of gross assets at the time of writing the call option.

(ii) Market yield risk

Market yield risk arises from the uncertainty about the company's ability to maintain its income objectives due to systematic decline in corporate dividend levels.

Where call options are sold (written), in all cases a sufficient position is maintained in the underlying equity to cover any potential option exercise. Whilst the option value can be volatile, price movements should to some extent be offset by opposing movements in the value of the underlying equity. If options are retained until expiry they will either expire worthless or be exercised. The effect of any option exercise is to sell the underlying shares at the strike price of the option. A schedule of the company's listed holdings is shown on pages 24 and 25. Where put options are purchased, the market value of such options can be volatile but the maximum loss on any contract is limited to the original investment cost. No put options were purchased in the year (see Note 1 on page 70 for details of income received).

Further explanation of the derivatives strategy is included in the Glossary on page 91.

Management of market yield risk

The directors regularly review the current and projected yield of the investment portfolio, and discuss with the manager the extent to which it will enable the company to meet its investment income objective.

(iii) Foreign currency risk

Foreign currency risk is the risk of movement in the values of overseas financial instruments as a result of fluctuations in exchange rates.

Management of foreign currency risk

The company invests predominantly in UK listed equities and although there is no direct impact from changes in exchange rates, there is implicit exposure as some of the companies in the portfolio generate income and cashflows in foreign currencies. (2025: same).

Any income denominated in a foreign currency is converted into sterling on receipt. The company does not hedge against foreign currency exposure.

(iv) Interest rate risk

Interest rate risk is the risk of movements in the value of financial instruments as a result of fluctuations in interest rates.

Interest rate exposure

The table below summarises in sterling terms the financial assets and financial liabilities whose values are directly affected by changes in interest rates.

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	2026 Fixed rate interest £'000s	2026 Floating rate interest	2026 Nil interest £'000s	2026 Total	2025 Fixed rate interest £'000s	2025 Floating rate interest	2025 Nil interest £'000s	2025 Total
Financial assets	-	26,079	1,057,829	1,083,908	-	15,604	956,405	972,009
Financial liabilities	(116,846)	-	(2,598)	(119,444)	(116,781)	-	(5,406)	(122,187)
Net financial (liabilities) assets	(116,846)	26,079	1,055,231	964,464	(116,781)	15,604	950,999	849,822

As at 31 January 2026, the interest rates received on cash balances or paid on bank overdrafts, was 2.60% and 5.00% per annum respectively (2025: 2.55% and 5.75% per annum).

The fixed rate interest bearing liabilities bear the following coupon and effective rates as at 31 January 2026 and 31 January 2025:

	Maturity date	Amount borrowed £'000s	Coupon rate	Effective rate since inception*
5.875% Secured Bonds 2029	20/12/2029	30,000	5.875%	6.23%
Fixed Rate Notes 2052	18/12/2052	35,000	2.96%	3.03%
4% Perpetual Debenture Stock	n/a	1,375	4.00%	4.00%
3.65% Cumulative Preference Stock	n/a	1,178	3.65%	3.65%
5.91% Fixed Rate Notes 2040 A	21/01/2040	25,000	5.91%	6.03%
5.91% Fixed Rate Notes 2040 B	21/01/2040	25,000	5.91%	6.07%
		117,553		

* The effective rates are calculated in accordance with FRS 102 Section 12: 'Other Financial Instruments' as detailed in the Statement of Accounting Policies on page 69.

The weighted average effective rate of the company's fixed interest bearing liabilities (excluding the 3.65% Cumulative Preference Stock and the 4% Perpetual Debenture Stock) is 5.18% (2025: 5.18%) and the weighted average period to maturity of these liabilities is 15.2 years (2025: 16.2 years).

The above year end amounts are reasonably representative of the exposure to interest rates during the year, as the level of exposure does not change materially. Therefore, the company's net return and net assets are not significantly affected by changes in interest rates.

Management of interest rate risk

The company invests predominantly in equities, the values of which are not directly affected by changes in prevailing market interest rates. In the year to 31 January 2026, the company held no fixed interest securities. The company's policy is to remain substantially fully invested and thus does not expect to hold significant cash balances. The financial assets have minimal exposure to interest rate risk.

The company finances its operations through a mixture of share capital, retained earnings and long-term borrowings which are subject to fixed rates. Movement in interest rates will not have a material effect on the finance costs and financial liabilities of the company as all of the borrowings of the company are subject to fixed rates of interest.

(b) Liquidity risk

Liquidity risk relates to the capacity to meet liabilities as they fall due and is dependent on the liquidity of the underlying assets.

Maturity of financial liabilities

The table below presents the future cash flows payable by the company in respect of its financial liabilities.

Cash flows in respect of the principal and interest on the Fixed Rate Notes 2052, Fixed Rate Notes 2024 and 5.875% Secured Bonds 2029 reflect the maturity dates as set out in Notes 10 and 11 on page 75. The loans are each governed by a trust deed. Only if the covenants are breached would early repayment be enforced. Therefore, their repayment is not considered to be a likely short term liquidity issue. Cash flows in respect of the 4% Perpetual Debenture Stock and 3.65% Cumulative Preference Stock, which have no fixed repayment date, assumes maturity of 20 years from the balance sheet date. Cash flows have not been discounted.

	Three months or less £'000s	Between three months and one year £'000s	Between one and five years £'000s	More than five years	Total
2026					
Other payables					
Finance costs of borrowing	391	5,461	-	-	5,852
Other payables	1,491	-	-	-	1,491
Derivative financial instruments	668	-	-	-	668
Creditors: amounts falling due after more than one year					
Amounts payable on maturity of borrowings	-	-	30,000	87,553	117,553
Finance cost of borrowings	-	-	21,644	50,871	72,515
	2,550	5,461	51,644	138,424	198,079

2025					
Other payables					
Finance costs of borrowing	391	5,461	-	-	5,852
Other payables	4,728	-	-	-	4,728
Derivative financial instruments	239	-	-	-	239
Creditors: amounts falling due after more than one year					
Amounts payable on maturity of borrowings	-	-	30,000	87,553	117,553
Finance costs of borrowing	-	-	23,407	54,862	78,269
	5,358	5,461	53,407	142,415	206,641

Management of liquidity risk

Liquidity risk is not significant as the company's assets mainly comprise realisable securities, which can be sold to meet funding requirements if necessary. Short term flexibility can be achieved through the use of overdraft facilities, where necessary. As at 31 January 2026, the company had an undrawn committed borrowing facility of £nil (2025: £nil).

(c) Credit risk

Credit risk is the risk of default by a counterparty in discharging its obligations under transactions that could result in the company suffering a loss. There were no impaired assets as of 31 January 2026 (2025: nil). The counterparties that the company engages with are regulated entities and are of high credit quality.

Management of credit risk

Outstanding settlements are subject to credit risk. Credit risk is mitigated by the company through its decision to transact with counterparties of high credit quality. The company only buys and sells investments through brokers which are approved counterparties, thus minimising the risk of default during settlement. The credit ratings of brokers are reviewed quarterly by the manager.

The company is also exposed to credit risk through the use of banks for its cash position. Bankruptcy or insolvency of banks may cause the company's rights with respect to cash held by banks to be delayed or limited. The company's cash balances are held by HSBC Bank PLC, rated A1 by Moody's rating agency and UBS, rated A3 by Moody's rating agency. The directors believe that the counterparties which the company has chosen to transact with are of high credit quality, therefore the company has minimal exposure to credit risk.

The table below summarises the credit risk exposure of the company as at 31 January:

	2026 £'000s	2025 £'000s
Other receivables:		
Outstanding settlements	-	40
Accrued income	1,409	1,815
Cash and cash equivalents	26,079	15,604
	27,488	17,459

Fair values of financial assets and financial liabilities

With the exception of those financial liabilities measured at amortised cost, the financial assets and financial liabilities are either carried at their fair value, or the balance sheet amount is a reasonable approximation of their fair value. The financial liabilities measured at amortised cost, including interest on outstanding borrowings due within one year, have the following fair values:*

	2026 Book value £'000s	2026 Fair value £'000s	2025 Book value £'000s	2025 Fair value £'000s
5.875% Secured Bonds 2029	29,943	31,704	29,885	31,353
4% Perpetual Debenture Stock	1,389	1,011	1,389	1,067
3.65% Cumulative Preference Stock	1,178	801	1,178	845
2.96% Fixed Rate Notes 2052	34,835	19,719	34,828	19,999
5.91% Fixed Rate Notes 2040 A	24,970	24,520	24,970	24,648
5.91% Fixed Rate Notes 2040 B	24,970	24,518	24,970	24,645
	117,285	102,273	117,220	102,557

The Net Asset Value per ordinary share, with debt at fair value is calculated as follows:

	2026 £'000s	2025 £'000s
Net assets per balance sheet	964,464	849,822
Add: financial liabilities at book value [#]	117,285	117,220
Less: financial liabilities at fair value*	(102,273)	(102,557)
Net assets (debt at fair value)	979,476	864,485
Net Asset Value per ordinary share (debt at fair value)	663.5p	582.4p

[#] Book value, par value and amortised cost are used interchangeably throughout the Annual Report.

* The fair value has been derived from the closing market value as at 31 January 2026 and 31 January 2025. Fair value and market value are used interchangeably throughout the Annual Report.

The fair value of the long-term debt is calculated with reference to the nearest relevant gilt based on repayment date. A margin is added to the yield of the relevant reference gilt to calculate the fair value. This margin is derived from the excess of UK corporate bond yields over gilt yields.

The Net Asset Value per ordinary share is based on 147,632,870 ordinary shares in issue at 31 January 2026 (2025: 148,424,887).

The company's investments and derivative financial instruments, as disclosed in the company's Balance Sheet, are valued at fair value.

The company has chosen to adopt sections 10 and 11 from FRS 102 to account for its financial instruments.

Investments are designated as held at fair value through profit or loss in accordance with FRS 102 sections 10 and 11.

FRS 102 sets out three fair value levels.

Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e., developed using market data) for the asset or liability, either directly or indirectly.

Level 3: Inputs are unobservable (i.e., for which market data is unavailable) for the asset or liability.

With the exception of those financial liabilities measured at amortised cost, all other financial assets and financial liabilities are either carried at their fair value or the balance sheet amount is a reasonable approximation of their fair value.

As at 31 January the financial assets at fair value through profit and loss are categorised as follows:

	Level 1 £'000s	Level 2 £'000s	Level 3 £'000s	Total
2026				
Financial instruments at fair value through profit or loss	-			
Equity investments	1,056,366	-	-	1,056,366
Derivative financial instruments: written call options	-	(668)	-	(668)
	1,056,366	(668)	-	1,055,698

2025

Financial instruments at fair value through profit or loss

Equity investments	954,514	-	-	954,514
Derivative financial instruments: written call options	-	(239)	-	(239)
	954,514	(239)	-	954,275

For exchange listed equity investments the quoted price is either the bid price or the last traded price depending on the convention of the relevant exchange. For written options the value of the option is marked to market based on traded prices. Financial instruments valued using valuation techniques in level 3 have, in the absence of relevant trading prices or market data, been valued based on the directors' best estimate.

There were no transfers between levels for financial assets and financial liabilities during the year recorded at fair value as at 31 January 2026 and 31 January 2025.

17. Capital management policies and procedures

The company's objective is to provide an above average level of income and income growth together with long-term capital growth. It invests in high yielding stocks and receives premium income from options.

The company's capital at 31 January comprises:

	2026 £'000s	2025 £'000s
Debt		
Creditors: amounts falling due after more than one year	116,846	116,781
	116,846	116,781
Equity		
Called up share capital	37,106	37,106
Share premium account and other reserves	927,358	812,716
	964,464	849,822
Total capital	1,081,310	966,603
Debt as a percentage of total capital	10.8%	12.1%

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	Debt at par		Debt at fair value	
	2026 £'000s	2025 £'000s	2026 £'000s	2025 £'000s
Debt				
Creditors: amounts falling due after more than one year	117,285	117,220	102,273	102,557
Gross debt	117,285	117,220	102,273	102,557
Total net assets	964,464	849,822	979,476	864,485
Gross gearing	12.2%	13.8%	10.4%	11.9%
 Gross debt	117,285	117,220	102,273	102,557
Less: cash	(26,079)	(15,604)	(26,079)	(15,604)
Net debt	91,206	101,616	76,194	86,953
Total net assets	964,464	849,822	979,476	864,485
Net gearing	9.5%	12.0%	7.8%	10.1%

The board, with the assistance of the investment manager, monitors and reviews the broad structure of the company's capital on an ongoing basis. The level of gearing is monitored, taking into account the investment manager's view on the market and the future prospects of the company's performance. Capital management also involves reviewing the difference between the Net Asset Value per share and the share price (i.e. the level of share price discount or premium) to assess whether to issue shares or repurchase shares for cancellation or for holding in treasury. Further details on the Fixed Rate Loan Notes 2040 and 2052 can be found in Notes 10 and 11.

The company is subject to several externally imposed capital requirements; the bank borrowings under the overdraft facility are not to exceed £10m, and as a public company the minimum share capital is £50,000. The company's objective, policies and processes for managing capital are unchanged from the preceding accounting period, and the company has complied with them throughout the year under review and intends to continue to do so. The terms of the loan trust deeds have various covenants which prescribe that moneys borrowed should not exceed the adjusted total value of the capital and reserves. These are measured in accordance with the policies used in the Annual Report. The company has complied with these.

18. Transactions with the Investment Manager and related parties

The amounts paid to the Investment Manager together with details of the investment management contract are disclosed in Note 2 on page 70. The existence of an independent board of directors demonstrates that the company is free to pursue its own financial and operating policies and therefore, under FRS102 Section 33: Related Party Disclosures, the Investment Manager is not considered to be a related party.

The company's related parties are its directors. Fees paid to the company's board are disclosed in the Directors' Remuneration Report on page 53.

There are no other identifiable related parties at the year end, and as of 30 March 2026.

19. Post Balance Sheet events

As at 30 March 2026, no further shares have been issued or brought back since the year end. The escalating conflict in the Middle East has impacted global economies and heightened stock market volatility. Since the year end, Merchants' NAV has decreased by 7.9% as at close of business on 30 March 2026.

Investor information

AIFM and Depositary

Allianz Global Investors UK Limited (AllianzGI UK) is designated the Alternative Investment Fund Manager (AIFM). AllianzGI UK is authorised to act as an AIFM and to conduct its activities by the Financial Conduct Authority (FCA) in accordance with AIFMD and FCA requirements. The management fee and the notice period are unchanged in the restated management and administration agreement (details in Note 2 on page 70).

The company appointed HSBC Bank PLC as its depositary and custodian in accordance with AIFMD under an agreement between the company, AllianzGI and HSBC. Depositary fees are charged in addition to custody fees and are calculated on the basis of net assets.

Leverage and risk policies under AIFMD

Details of leverage and risk policies required under AIFMD are published on the website www.merchantstrust.co.uk under Literature/Trust Documents/Disclosures to Investors under AIFMD. These policies represent no change to the board's policies in existence prior to AIFMD and are in place to ensure that these limits would not be breached under any foreseeable circumstances.

Remuneration Disclosure of the AIFM

The following table shows the total amount of remuneration granted to the employees of Allianz Global Investors UK Ltd ('Management Company' or also called 'AllianzGI') for the past financial year divided into fixed and variable components. It is also broken down by members of management/Senior Management Function holders and other risk takers.

Number of employees: 291

	All employees	thereof Material Risk Takers	thereof Board Members/ SMF	thereof Other Material Risk Takers
Fixed compensation	36,580,256	3,801,890	1,942,667	1,859,223
Variable compensation	44,330,753	9,632,797	2,790,518	6,842,280
Total compensation	80,911,010	13,434,688	4,733,185	8,701,503

Note: Risk Takers are assigned to the specific category based on the classification on 31 December 2025 or the last active working day. The information on employee remuneration does not include remuneration paid by delegated managers to their employees. The Management Company does not pay remuneration to employees of delegated companies directly from the fund it manages.

Setting the remuneration

Allianz Global Investors UK Ltd is subject to certain requirements applicable to investment management companies with regard to structuring the remuneration system.

The Board of Directors of the Management Company has set up a remuneration committee. It has the overall responsibility for overseeing the implementation of the Remuneration Policy and practices. Working in close cooperation with Control Functions as well as with external advisers and in conjunction with management, the Human Resources department has developed the Management Company's remuneration policy. The Remuneration Committee ensures that on a regular basis the implementation of the Remuneration Policy is subject to a central and independent internal review.

Remuneration structure

The primary components of monetary remuneration are the basic salary, which typically reflects the scope, responsibilities and experience required in a particular role, and an annual variable remuneration. The total amount of the variable remuneration payable throughout the Management Company depends on the performance of the business and on the company's risk position and will therefore vary every year. In this respect, the allocation of specific amounts to particular employees will depend on the performance of the employee and their departments during the period under review. Variable remuneration includes an annual bonus paid in cash following the end of the financial year. In the case of employees whose variable remuneration exceeds a certain threshold, a substantial portion of the annual variable remuneration is deferred for a period of three years. The deferred portions increase in line with the level of variable remuneration. Half of the deferred amount is linked to the performance of AllianzGI, and the other half is invested in certain funds managed by AllianzGI. The amounts ultimately distributed depend on the company's business performance or the performance of shares in certain investment funds over several years. In addition, the deferred remuneration elements may be withheld under the terms of the plan. Certain employees are also eligible for a Carried Interest Award. The remuneration overview includes the Carried Interest grant which is awarded in the fiscal year for the previous performance year.

Performance evaluation

The level of pay awarded to employees is linked to both quantitative and qualitative performance indicators. For investment managers, whose decisions make a real difference in achieving our clients' investment goals, quantitative indicators are geared towards sustainable investment performance. For portfolio managers in particular, the quantitative element is aligned with the benchmark of the client portfolios they manage or with the client's expected return, measured over a period of one year and three years. For client-facing employees, goals also include client satisfaction, which is measured independently. The remuneration of employees in controlling functions is not directly linked to the business performance of individual departments monitored by the controlling function.

Risk takers

The following groups of employees were qualified as risk takers: members of management/Senior Management Function holders and other risk takers.

Risk avoidance

AllianzGI UK has comprehensive risk reporting in place, which covers both current and future risks of its business activities. Risks which exceed the organisation's risk appetite are presented to the global remuneration committee, which will decide, if necessary, on the adjustments to the total remuneration pool. Individual variable compensation may also be reduced or withheld in full if employees violate our compliance policies or take excessive risks on behalf of AllianzGI UK.

Annual review and material changes to the remuneration system

The board of AllianzGI UK approved the remuneration policy which had been implemented in accordance with the remuneration regulations.

Key Information Document (KID)

The Key Information Document (KID) is a standardised pan-European document that contains product, risk, charges and other information. It is a regulatory requirement that you are provided with a KID before you invest, and you will be required to declare that you have seen the latest KID when you make your investment.

Merchants' KID is available from the Information/Documents pages at www.merchantstrust.co.uk. However, your chosen platform provider or stockbroker should provide you with a copy before accepting your investment instructions. Please note that existing investors do not need to review the KID unless planning to add to an investment. The KID's standardised format is intended to allow potential investors to compare funds easily, on a like-for-like basis.

The KID now includes the same ongoing charge figure as we disclose in this report (in line with the AIC methodology described in the Glossary at the back of this document). There is also now a narrative statement within that document, as well as on our monthly factsheets, which reminds prospective investors and shareholders that the 'charges' disclosed are already accounted for in the NAV and therefore also the price paid – investors do not have to pay any further charges to their investment trust or its manager after purchasing shares.

Financial calendar

Year end 31 January.

Full year results announced and Annual Report posted to shareholders in April.

Annual General Meeting held in May.

Half-Yearly Report posted to shareholders in September.

Ordinary dividends

It is anticipated that dividends will be paid as follows:

1st interim	August
2nd interim	November
3rd interim	March
Final	May

Preference dividends

Payable half-yearly 1 February and 1 August.

Benchmark

The company's benchmark is the FTSE All-Share Index.

Market and portfolio information

The company's ordinary shares are listed on the London Stock Exchange. The market price range, gross yield and Net Asset Value are shown daily in the Financial Times and The Daily Telegraph under the headings 'Investment Companies' and 'Investment Trusts', respectively. The Net Asset Value of the ordinary shares is calculated daily and published on the London Stock Exchange Regulatory News Service. The ten largest holdings are published monthly on the London Stock Exchange Regulatory News Service. They are also available from the manager's Investors' Helpline on 0800 389 4696 or via the company's website: www.merchantstrust.co.uk.

Website

Further information about The Merchants Trust PLC, including monthly factsheets, daily share price and performance, is available on the company's website: www.merchantstrust.co.uk.

How to invest

Information is available from Allianz Global Investors either via Investor Services on 0800 389 4696 or on the company's website: www.merchantstrust.co.uk.

A list of providers can be found at the company's website: www.merchantstrust.co.uk/about-us/how-to-invest.

Dividend

The board is proposing a final dividend of 7.5p per ordinary share payable on 27 May 2026 to shareholders on the Register of Members at the close of business on 17 April 2026, making a total distribution of 29.5p per share for the year ended 31 January 2026, an increase of 1.4% over last year's distribution. The ex-dividend date is 16 May 2026. A Dividend Reinvestment Plan (DRIP) is available for this dividend and the relevant Election Date is 5 May 2026. Cash dividends will be sent by cheque to first-named shareholders at their registered address. Dividends may be paid directly into shareholders' bank accounts. Details of how this may be arranged can be obtained from MUFG Corporate Markets. Dividends mandated

in this way are paid via Bankers' Automated Clearing Services (BACS).

Registrar

MUFG Corporate Markets, Central Square, 29 Wellington Street, Leeds, LS1 4DL. Lines are open 9.00 am to 5.30 pm (UK time) Monday to Friday.

Website: <https://eu.mpms.mufg.com>

Email: shareholderenquiries@cm.mpms.mufg.com

Telephone: 0371 664 0300.

Shareholder enquiries

In the event of queries regarding their holdings of shares, lost certificates, dividend payments, registered details, etc., shareholders should contact the registrar by email at shareholderenquiries@cm.mpms.mufg.com or by calling 0371 664 0300. Lines are open 9.00 am to 5.30 pm (UK time) Monday to Friday. Calls to the helpline number from outside the UK are charged at applicable international rates. Different charges may apply to calls made from mobile telephones and calls may be recorded and monitored randomly for security and training purposes.

Changes of name and address must be notified to the registrar in writing. Any general enquiries about the company should be directed to the Company Secretary, The Merchants Trust PLC, 199 Bishopsgate, London EC2M 3TY. Telephone: 020 3246 7513.

Dividend Reinvestment Plan for ordinary shareholders (DRIP)

The registrar offers a DRIP which gives ordinary shareholders the opportunity to use their cash dividend to buy further shares in the company under a low-cost dealing arrangement. Terms and Conditions and an application form are enclosed with each dividend payment. For more information please email shares@cm.mpms.mufg.com or call 0371 664 0381.

Share dealing services

MUFG Corporate Markets operates an online and telephone dealing facility for UK resident shareholders with share certificates. Stamp duty and commission may be payable on transactions.

For further information on these services please contact: sharedeal@cm.mpms.mufg.com for online dealing or 0371 664 0445 for telephone dealing. Lines are open 8.00 am to 4.30 pm Monday to Friday (UK time). Calls to the helpline number from outside the UK are charged at applicable international rates. Different charges may apply to calls made from mobile telephones and calls may be recorded and monitored randomly for security and training purposes.

Investor Centre

Shareholders can vote electronically via the Investor Centre, a free app for smartphone and tablet provided by MUFG Corporate Markets (the company's registrar). It allows you to securely manage and monitor your shareholdings in real time, take part in online voting, keep your details up to date, access a range of information including payment history and much more. The app is available to download on both the Apple App Store and Google Play, or by scanning the relevant QR code on page 89. Alternatively, you may access the Investor Centre via a web browser at: <https://uk.investorcentre.mpms.mufg.com/>.

International payment services

MUFG Corporate Markets operates an international payment service for shareholders, whereby they can elect either for their dividend to be paid by foreign currency draft or they can request an international bank mandate. This service is only available for dividend payments of £10 or more and a small administration fee per dividend payment applies.

For further information on these services please contact: 0371 664 0300. Lines are open between 9.00 am and 5.30 pm, (UK time) Monday to Friday.

Shareholder proxy voting

Shareholders may submit their proxy electronically using the Investor Centre app or at <https://uk.investorcentre.mpms.mufg.com/>. Further details on voting via the Investor Centre or by post using the personalised proxy card provided, are contained within the Notice of Meeting Notes on page 88.

CREST proxy voting

Shares held in uncertificated form (i.e., in CREST) may be voted through the CREST proxy voting service in accordance with the procedures set out in the CREST manual. Voting via the Proxymity platform is also available to institutional shareholders. Further details are contained within the Notice of Meeting Notes on page 88.

Association of Investment Companies (AIC)

The company is a member of the AIC, the trade body of the investment trust industry, which provides a range of literature including fact sheets and a monthly statistical service. Copies of these publications can be obtained from the AIC, 9th Floor, 24 Chiswell Street, London, EC1Y 4YY, or at www.theaic.co.uk.

AIC Category: UK Equity Income.

Notice of Meeting (unaudited)

Notice is hereby given that the Annual General Meeting of The Merchants Trust PLC will be held at Grocers' Hall, Princes Street, London, EC2R 8AD, on Tuesday 19 May 2026 at 12 noon to transact the following business.

The AGM will be held in person and voting will be conducted on a poll. However, shareholders will be able to view and listen to a live webcast of the AGM and submit questions to the meeting electronically. Those attending virtually will not be able to vote for the purposes of the business transacted at the AGM and are therefore encouraged to vote ahead of the meeting. Instructions on how to join the meeting virtually are contained on page 116.

AGM Voting

Shareholders are encouraged to vote by proxy. Details of how to vote, either electronically by proxy form or through CREST or Proxymity, can be found on pages 88 and 89.

The results of the AGM will be announced via the London Stock Exchange and placed on the Company's website as soon as practicable after the conclusion of the AGM.

Ordinary business

1. To receive and adopt the Directors' Report and the Financial Statements for the year ended 31 January 2026 together with the Auditor's Report thereon.
2. To declare a final dividend of 7.5p per ordinary share.
3. To re-elect Colin Clark as a director.
4. To re-elect Lisa Edgar as a director.
5. To elect Neil Galloway as a director.
6. To re-elect Karen McKellar as a director.
7. To re-elect Mal Patel as a director.
8. To approve the Directors' Remuneration Policy.
9. To approve the Directors' Remuneration Implementation Report.
10. To appoint PricewaterhouseCoopers LLP as Auditor of the company, to hold office until the conclusion of the next general meeting at which financial statements are laid before the company.
11. To authorise the directors to determine the remuneration of the Auditor.

Special business

To consider and, if thought fit, to pass the following resolutions. Resolution 12 will be proposed as an ordinary resolution and Resolutions 13 and 14 as special resolutions:

12. That for the purposes of section 551 of the Companies Act 2006 the directors be generally and unconditionally authorised to exercise all the powers of the company to allot relevant securities (within the meaning of the said section) up to a maximum number of 49,474,962 ordinary shares provided that:
 - (i) the authority granted shall expire at the conclusion of the next Annual General Meeting of the company after this resolution is passed, or 18 August 2027 if earlier, but may be revoked or varied by the company in a general meeting and may be renewed by the company in a general meeting for a further period not exceeding fifteen months; and
 - (ii) the authority shall allow and enable the directors to make an offer or agreement before the expiry of that authority which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of any such offer or agreement as if that authority had not expired.
13. That the directors be empowered in accordance with section 570 of the Companies Act 2006 (the Act) to allot equity securities (within the meaning of section 560 of the Act) either for cash pursuant to the authority conferred by Resolution 12 or by way of a sale of treasury shares as if sub-section (1) of section 561 of the Act did not apply to any such allotment provided that:
 - (i) the power granted shall be limited to the allotment of equity securities wholly for cash up to a maximum number of 14,842,488 ordinary shares;
 - (ii) the power granted shall (unless previously revoked or renewed) expire at the conclusion of the next Annual General Meeting of the company after this resolution is passed, or 18 August 2027 if earlier; and
 - (iii) the said power shall allow and enable the directors to make an offer or agreement before the expiry of that power which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if that power had not expired.
14. That the company be and is hereby generally and unconditionally authorised in accordance with section 701 of the Companies Act 2006 (the Act) to make market purchases (within the meaning of section 693(4) of the Act) of ordinary shares of 25p each in the capital of the company (ordinary shares), either for retention as treasury shares or for cancellation provided that:
 - (i) the maximum number of ordinary shares hereby authorised to be purchased shall be 22,248,891;
 - (ii) the minimum price which may be paid for an ordinary share is 25p;
 - (iii) the maximum price which may be paid for an ordinary share is an amount equal to 105% of the average of the

middle-market quotations for an ordinary share taken from the London Stock Exchange Official List for the five business days immediately preceding the day on which the ordinary share is purchased or such other amount as may be specified by the London Stock Exchange from time to time;

- (iv) the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the company in 2027 or, if earlier, on the expiry of 15 months from the passing of this resolution, unless such authority is renewed prior to such time; and
- (v) the company may make a contract to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of ordinary shares pursuant to any such contract.

By order of the board

Nira Mistry

Company Secretary

199 Bishopsgate, London, EC2M 3TY

1 April 2026



Notes:

The following notes explain your general rights as a shareholder and your right to attend and vote at this Meeting or to appoint someone else to vote on your behalf.

1. To be entitled to attend and vote at the Meeting (and for the purpose of the determination by the company of the number of votes that they may cast), shareholders must be registered in the Register of Members of the company at close of trading on Friday 15 May 2026 (the record date). Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the Meeting.
2. Shareholders are entitled to appoint another person as a proxy to exercise all or part of their rights to attend and to speak and vote on their behalf at the Meeting. A shareholder may appoint more than one proxy in relation to the Meeting provided that each proxy is appointed to exercise the rights attached to a different ordinary share or ordinary shares held by that shareholder. A proxy need not be a shareholder of the company.
3. A personalised form of proxy which may be used to make such appointment and give proxy instructions accompanies this Notice. If you do not have a form of proxy and believe that you should have one, or if you require additional forms, please contact the registrar of the company whose contact details are provided in note 6 below.
4. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the company's Register of Members in respect of the joint holding (the first named being the most senior).
5. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.
6. To be valid, any form of proxy or other instrument appointing a proxy, must be returned by no later than 12 noon on Friday 15 May 2026 through any one of the following methods:
 - (i) by post, courier or (during normal business hours only) hand to the Company's registrar at: MUFG Corporate Markets, PXS 1, Central Square, 29 Wellington Street, Leeds, LS1 4DL
 - (ii) electronically through the website of the Company's registrar at <https://uk.investorcentre.mpms.mufg.com/> (see note 8 below).
 - (iii) via Proxymity (see note 10 below).
 - (iv) in the case of shares held through CREST, via the CREST system (see note 13 below).
7. If you return more than one proxy appointment, either by paper or electronic communication, the appointment received last by the registrar before the latest time for the receipt of proxies will take precedence. You are advised to

- read the terms and conditions of use carefully. Electronic communication facilities are open to all shareholders and those who use them will not be disadvantaged.
8. Shareholders can vote electronically via the Investor Centre, a free app for smartphone and tablet provided by MUFG Corporate Markets (the company's registrar). It allows you to securely manage and monitor your shareholdings in real time, take part in online voting, keep your details up to date, access a range of information including payment history and much more. The app is available to download on both the Apple App Store and Google Play, or by scanning the relevant QR code below. Alternatively, you may access the Investor Centre via a web browser at: <https://uk.investorcentre.mpms.mufg.com/>.
 9. If you are an institutional investor, you may be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the company and approved by the registrar. For further information regarding Proxymity, please go to www.proxymity.io. Your proxy must be lodged by 12 noon on Friday 15 May 2026 in order to be considered valid or, if the Meeting is adjourned, by the time which is 48 hours before the time of the adjourned Meeting. Before you can appoint a proxy via this process you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy. An electronic proxy appointment via the Proxymity platform may be revoked completely by sending an authenticated message via the platform instructing the removal of your proxy vote.
 10. The return of a completed form of proxy, electronic voting on the Investor Centre or any CREST Proxy Instruction (as described in note 13 below) or the appointment of a proxy via Proxymity will not prevent a shareholder from attending the Meeting and voting in person if he/she wishes to do so.
 11. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Meeting (and any adjournment of the Meeting) by using the procedures described in the CREST manual (available from www.euroclear.com). CREST personal members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
 12. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a 'CREST proxy instruction') must be properly authenticated in accordance with Euroclear UK & International Limited's specifications and must contain the information required for such instructions, as described in the CREST manual. The message must be transmitted so as to be received by the issuer's agent (ID RA10) by 12 noon on Friday 15 May 2026. For this purpose, the time of receipt will be taken to mean the time (as determined by the timestamp applied to the message by the CREST application host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
 13. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & International Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST proxy instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that the CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST manual concerning practical limitations of the CREST system and timings. The company may treat as invalid a CREST proxy instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
 14. Unless otherwise indicated on the form of proxy, CREST voting, Proxymity or any other electronic voting channel instruction, the proxy will vote as they think fit or, at their discretion, withhold from voting.
 15. Corporate representatives are entitled to vote on behalf of the corporate member in accordance with section 323 of the Companies Act 2006. Pursuant to the Companies (Shareholders' Rights) Regulations 2009 (SI 2009/1632), multiple corporate representatives appointed by the same corporate member can vote in different ways provided that they are voting in respect of different shares.
 16. Members have a right under section 319A of the Companies Act 2006 to require the company to answer any question raised by a member at the Meeting, which relates to the business being dealt with at the Meeting, although no answer need be given (a) if to do so would interfere unduly with the preparation of the Meeting or involve disclosure of confidential information; (b) if the answer has already been given on the company's website; or (c) it is undesirable in the best interests of the company or the good order of the Meeting.
 17. Members satisfying the thresholds in section 527 of the Companies Act 2006 can require the company, at its expense, to publish a statement on the company website setting out any matter which relates to the audit of the company's accounts that are to be laid before the Meeting.

Any such statement must also be sent to the company's Auditor no later than the time when it is made available on the website and must be included in the business of the Meeting.

18. As at 31 March 2026, the latest practicable date before this notice is given, the total number of ordinary shares and preference stock in the company in respect of which members are entitled to exercise voting rights was 147,632,870 ordinary shares of 25p each and 1,178,000 3.65% cumulative preference stock of £1 each. Each carries the right to one vote and therefore, the total number of voting rights in the company is 148,810,870.
19. Further information regarding the Meeting which the company is required by section 311A of the Companies Act 2006 to publish on a website in advance of the Meeting (including this notice), can be accessed at www.merchantstrust.co.uk.
20. Contracts of service are not entered into with the directors, who hold office in accordance with the company's Articles.

Instructions for electronic attendance at the Annual General Meeting

We are pleased to be able to provide a facility for shareholders to follow the AGM remotely and submit questions to the Board on the business of the Meeting.

How to join the virtual meeting

You will need to visit <https://webcast.openbriefing.com/mrchtrst-26agm/> using your smartphone, tablet or computer. You will then be prompted to enter your unique 11 digit Investor Code (IVC) including any leading zeros and 'PIN'. Your PIN is the last 4 digits of your IVC. This will authenticate you as a shareholder.

You will need to log into your Investor Centre account or register if you have not previously done so. Once you have setup your account you will need to add your shareholding by clicking 'Add Holding' in the 'Portfolio' section and following the on-screen instructions. You will require your Investor Code (IVC) to add your shareholding. You can find your IVC on your share certificate or by contacting our Registrar, MUFG Corporate Markets. Access to the AGM will be available from 30 minutes before the start of the event, although you will not be able to submit questions until you are logged in.

If you wish to appoint someone to attend the virtual meeting on your behalf, please contact MUFG Corporate Markets on +44 (0) 371 277 1020* in order to obtain their IVC and PIN. It is suggested that you do this as soon as possible and at least 48 hours (excluding non-business days) before the meeting.

If your shares are held by a nominee and you wish to attend the electronic meeting, you will need to contact your nominee as soon as possible. Your nominee will need to present a corporate letter of representation to MUFG Corporate Markets, our registrar, as soon as possible and at least 72 hours (excluding non-business days) before the meeting, in order that they can obtain for you your unique IVC and PIN to enable you to attend the electronic meeting.

* Lines are open from 9.00 a.m. to 5.30 p.m. Monday to Friday, calls are charged at the standard geographic rate and will vary by provider. Calls outside the UK will be charged at the applicable international rate.

Glossary

UK GAAP performance measures

Earnings per ordinary share is the profit after taxation, divided by the weighted average number of shares in issue for the period. For the year ended 31 January 2026 earnings per ordinary share was 30.6p (2025: 29.4p), calculated by taking the profit after tax of £45,314,000 (2025: £43,671,000), divided by the weighted average shares in issue of 148,198,321 (2025: 148,372,564).

Net Asset Value is the value of total assets less all liabilities. The Net Asset Value, or NAV, per ordinary share is calculated by dividing this amount by the total number of ordinary shares in issue. The debt in the company used in the calculation is measured at par value, that is, the net proceeds on issue plus accrued finance costs to date. As at 31 January 2026, the NAV with debt at par value was £964,464,000 (2025: £849,822,000) and the NAV per share was 653.3p (2025: 572.6p).

Derivatives

The company operates a covered call overwriting strategy on a limited proportion of the portfolio to generate additional income. In 'writing' or selling an option, Merchants gives the purchaser the right to buy a specific number of shares in a company at an agreed 'strike' price within a fixed period. In exchange Merchants receives an option premium, which is taken to the revenue account.

Merchants gets the full benefit of any move in the share price up to the strike price but not beyond. If the share price rises above the strike price, there is a potential 'opportunity' (but not cash) cost, as the option holder can exercise their option to buy the shares at the strike price.

Merchants' selective approach to option writing is driven by the investment fundamentals on each stock we hold, rather than by a separate derivatives rationale. We write calls on portions of shareholdings that we are happy to sell at the strike price, provided that the premium income received is sufficiently attractive. The options written are typically short dated with most being less than four months duration. The total exposure is closely monitored and is limited to 15% of the portfolio value with all option positions 'covered' by shares owned. From a holistic view, it can be argued that the overall strategy slightly reduces the company's gearing to the equity market, neutralising a small part of the financial leverage. The technique of covered option writing tends to be more profitable in sideways or downwards markets but less profitable in rising markets.

Alternative Performance Measures (APMs)

Benchmark Total Return is the return on the benchmark, on a closing market price basis, assuming that all dividends received were reinvested into the shares of the underlying companies on the days on which their shares were quoted ex dividend (see page 2).

Discount or premium is the amount by which the stock market price per ordinary share is lower (discount) or higher (premium) than the Net Asset Value, or NAV, with either debt at par or debt at fair value, per ordinary share. The discount/premium is normally expressed as a percentage of the NAV per ordinary share (see page 10).

Dividend yield represents dividends declared in the past year as a percentage of the share price. This is shown as 4.7% at 31 January 2026 in the highlights on page 2.

	2026	2025
Dividends declared for the year	29.5p	29.1p
Share price at year end	628.0p	556.0p
Annual dividend as a percentage of share price	4.7%	5.2%

Gearing is the amount of debt as a percentage of the net assets (see Note 16 on page 82).

Net Asset Value, debt at fair value is the value of total assets less all liabilities, with the company's debt measured at fair value at the time of calculation. The Net Asset Value, or NAV, per ordinary share with debt at fair value is calculated by dividing this amount by the total number of ordinary shares in issue (see page 81). As at 31 January 2026, the NAV with debt at fair value was £979,476,000 (2025: £864,485,000) and the NAV per share with debt at fair value was 663.5p (2025: 582.4p). (Further details can be found in Note 16(c) on page 80).

Net Asset Value per ordinary share, total return represents the theoretical return on NAV per ordinary share, assuming that dividends paid to shareholders were reinvested at the NAV per ordinary share at the close of business on the days on which the shares were quoted ex dividend (see Note 14 on page 77).

Net gains/losses based on historical costs are gains/losses from sales of investments of £35,507,000 (2025: £39,889,000) less transaction costs on sales of £80,000 (2025: £45,000).

Ongoing charges are operating expenses incurred in the running of the company, whether charged to revenue or capital, but excluding financing costs. These are expressed as a percentage of the average Net Asset Value during the year and this is calculated in accordance with guidance issued by the Association of Investment Companies (see page 9).

	2026 £'000s	2025 £'000s
Management fee	3,463	3,313
Administration expenses	1,240	1,108
Total expenses (A)	4,703	4,421
Average Net Asset Value with debt at fair value (B)	863,263	844,251
Ongoing charge (A/B)	0.54%	0.52%

Revenue reserve per ordinary share of 20.3p (2025: 18.8p) is the revenue reserve per the balance sheet of £29,914,000 (2025: £27,940,000) divided by the total number of ordinary shares in issue of 147,632,870 (2025: 148,424,887).

Share price Total Return is the theoretical return to a shareholder, on a closing market price basis, assuming that all dividends received were reinvested, without transaction costs, into the ordinary shares of the company at the close of business on the days on which the shares were quoted ex dividend (see page 2). The share price as at 31 January 2026 was 628.0p, an increase of 72.0p from the price of 556.0p as at 31 January 2025. The change in share price of 72.0p plus the dividends paid in the year of 29.2p are divided by the opening share price of 628.0p to arrive at the share price total return for the year ended 31 January 2026 of +18.2% (2025: +7.7%).

The Merchants Trust PLC

199 Bishopsgate
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EC2M 3TY

Freephone (UK calls only): 0800 389 4696

Email: investment-trusts@allianzgi.com

www.merchantstrust.co.uk

www.linkedin.com/company/the-merchants-trust-plc