

Key Information

Total Assets*	£563.3m
Gearing**	25%
No. of Shares [†] (Ordinary 25p)	102,103,936
Net Asset Value [†]	439.7p
Net Asset Value (debt at Market Value) [†]	404.7p
Discount to NAV [†]	10.4%
Discount to NAV (debt at Market Value) [†]	2.6%
Share price*	394p
Net yield ^{††}	4.6%
AITC Sector	UK Income Growth
ISIN	GB0005800072
Sedol	0580007
RIC	MRCH
Year end	31st January
Report and Accounts	Final posted in April, Interim posted in September
Annual General Meeting	May
Dividends	February, May, August November
Price Information	Financial Times The Daily Telegraph www.allianzgi.co.uk

* Source: Datastream as at 29.07.05

[†] Source: Allianz Global Investors as at 29.07.05

Investment trusts are quoted companies listed on the London Stock Exchange. Their share price is determined by factors including demand, or lack of, which means that the shares may trade below (at a discount to) or above (at a premium to) the underlying net asset value.

In line with industry best practice, Net Asset Values (NAVs) are now shown that take into account the 'fair value' of debt. NAVs – namely available shareholders' funds divided by the number of shares in issue, with shareholders' funds calculated as the net value of all the company's assets having deducted liabilities – are now calculated after allowing for the valuation of debt at fair value or current market price, rather than at final repayment value. Most professional advisers and institutional investors already allow for fair value of debt when assessing NAV and discount information, so this change provides private investors with information which takes into account a more realistic impact of the cost of debt and thus a more realistic discount.

**Source: Datastream as at 29.07.05

Please also refer to Trust Aim & Characteristics, above right.

^{††}Source: Close WINS as at 29.07.05

The Merchants Trust PLC

Trust Aim & Characteristics

To provide an above average level of income and income growth together with long term growth of capital through a policy of investing mainly in higher yielding UK FTSE 100 companies.

**Merchants seeks to enhance returns for its shareholders through gearing, in the form of bank borrowings, to buy more investments. Gearing can boost the Trust's returns when investments perform well, though losses can be magnified when investments do badly. You should be aware that this Trust may be subject to sudden and large falls in value and you could suffer substantial capital loss.

Fund Manager's Review



Nigel Lanning

The UK equity market made solid progress in July, rising by just over 3% to give over 10% for the year to date. Investors have continued to be optimistic over the prospects for falling interest rates in the UK, in the face of further sluggish economic news. In contrast company results have beaten expectations and dividends have remained relatively buoyant, boosted by the strength of the US dollar.

Leading sectors have included mining, aerospace and telecoms, whilst utilities and real estate have been dull following their earlier strength. The Trust has done well from holdings in Anglo

American and Hanson, as well as the new issues from RHM and Inmarsat.

There are now 57 holdings in the portfolio[†].

Top 10 Holdings

	%
BP	8.76
HSBC	7.76
Royal Dutch Shell	6.81
GlaxoSmithKline	5.17
Royal Bank of Scotland	4.24
Lloyds TSB	3.79
HBOS	3.45
BT Group	3.26
Vodafone Group	2.77
Barclays	2.47
TOTAL	48.48

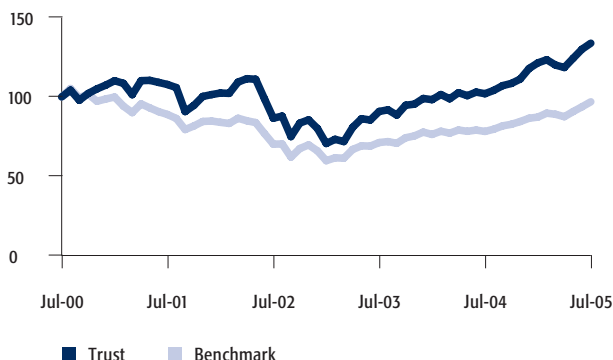
Source: Allianz Global Investors as at 29.07.05

Announcement of first quarterly dividend

The Board has declared a first quarterly dividend for the financial year ending 31st January 2006 of 4.6p net, payable on 18th August 2005 to holders of record at the close of business on 22nd July 2005. This represents a 2.2% increase over the payment for the equivalent period last year.

Fund Performance

31.07.00 to 29.07.05



Source: Russell/Mellon/Allianz Global Investors. 31st July 00 to 29th July 05, Total Return, net income reinvested, calculation indexed, UK Sterling. Please remember that past performance is not a guide to future performance. The value of an investment and the income from it can fall as well as rise as a result of market or currency fluctuations and you may not get back the amount originally invested. This investment trust charges 65% of its annual management fee to the capital account. This could lead to a higher level of income but a lower capital return.

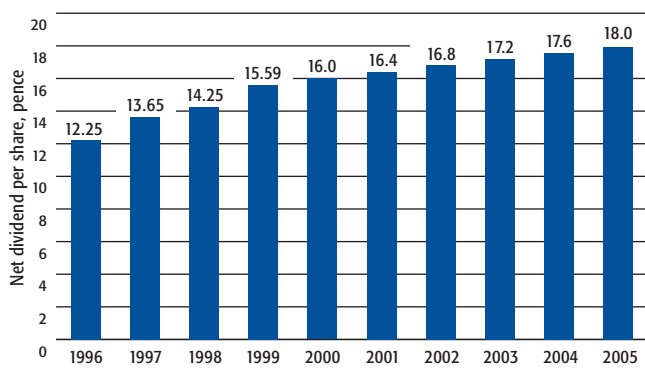
Standardised Past Performance

From to	30/06/00 to 29/06/01	29/06/01 to 28/06/02	28/06/02 to 30/06/03	30/06/03 to 30/06/04	30/06/04 to 30/06/05
Share Price	14.8%	-4.0%	-13.0%	7.1%	30.9%

Source: Allianz Global Investors/S&P Micropal. Discrete years, mid to mid, basic rate tax, based in UK sterling. These Standardised Past Performance figures are produced for the purposes of these fact sheets and are intended for existing and potential investors. The above performance table differs in its presentation from Fund Performance, and complies with the Financial Services Authority's regulations to enable investors to compare different products from different providers.

10 year Net Dividend Record

to year ended 31st January



Source: Allianz Global Investors.

History

The Merchants Trust PLC was incorporated in February 1889, making it the oldest of the investment trusts in the Allianz Global Investors stable. Initially it principally invested in the fixed interest securities of railway companies in the USA, Canada and South America; with the remainder held in Government securities and companies such as Castlemain Brewery in New South Wales. The Trust now concentrates primarily upon major UK companies with an above average rate of dividend yield.

Launch Date: February 1889.

Wind-up Date: None.

Share Buybacks

To 29th July 2005, 0.23m shares have been repurchased for cancellation to enhance shareholder value.

Board of Directors

Hugh Stevenson (Chairman), Sir John Banham, Dick Barfield, Sir Bob Reid, Joe Scott Plummer.

Contacts

This trust is available via the Allianz Global Investors Maxi ISA, PEP/ISA Transfer and Share Plan. For more information please call Investor Services or our Brochure Request line for any literature you may require.

Investor Services

020 7065 1407

Brochure Request

0800 317 573

Web Address

www.allianzgi.co.uk

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