

Key Information

Total Assets*	£580.3m
Gearing**	24%
No. of Shares [†] (Ordinary 25p)	102,103,936
Net Asset Value [†]	456.6p
Net Asset Value (debt at Market Value) [†]	423.7p
Discount to NAV [†]	8.9%
Discount to NAV (debt at Market Value) [†]	1.8%
Share price*	416p
Net yield ^{††}	4.4%
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.allianzglobalinvestors.co.uk

* Source: Datastream as at 30.09.05

[†] Source: Allianz Global Investors as at 30.09.05

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 30.09.05

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

^{††}Source: Close WINS as at 30.09.05

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 Six-Month Review



Nigel Lanning

The last six months have produced another positive showing for UK equities with the FTSE All Share Index rising by 11.7%; over the last 12 months the appreciation has been 20.9%. Paradoxically it has become increasingly clear that UK economic growth has become more sluggish in the face of higher interest rates, rising oil prices and slower growth elsewhere, especially in Europe. The first sign of a policy response to this was seen in August with the Monetary Policy Committee cutting UK base rates from 4.75% to 4.5%. Companies have performed well in general and improved cash flows have led to overall dividend growth of about 10%.

Take-over activity has also had a positive impact on sentiment.

The Trust's asset value has progressed well with high yielding shares continuing to beat the market, albeit more modestly than in the past. The Trust's holdings in oils, tobaccos and utilities have been very helpful, whilst banks have constrained returns despite good dividend payments. The strength in pharmaceuticals, where the Trust is underweight, has also been a factor. The portfolio gained from the long expected bid for Allied Domecq as well as widespread take-over speculation.

For the outlook, dividends are forecast to grow well from here and lower interest rates are expected, at the very least, to support market values at current levels. It would appear that there will be a number of opportunities to invest in attractive high yielding companies in the coming months.

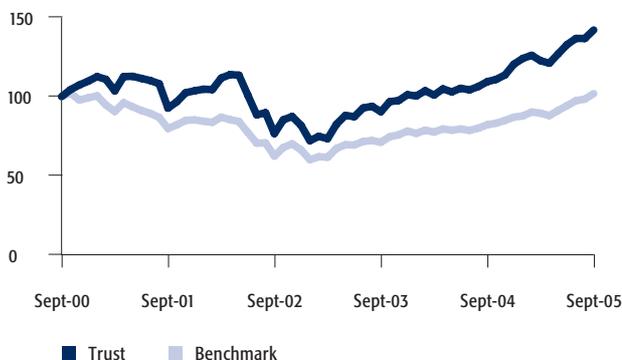
Top 10 Holdings

	%
BP	9.04
HSBC	7.44
Royal Dutch Shell	7.12
GlaxoSmithKline	5.71
Royal Bank of Scotland	3.89
Lloyds TSB	3.54
HBOS	3.29
BT Group	3.08
Vodafone Group	2.68
Barclays	2.45
TOTAL	48.24

Source: Allianz Global Investors as at 30.09.05

Fund Performance

30.09.00 to 30.09.05



Source: Russell/Mellon/Allianz Global Investors. 30th September 00 to 30th September 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.

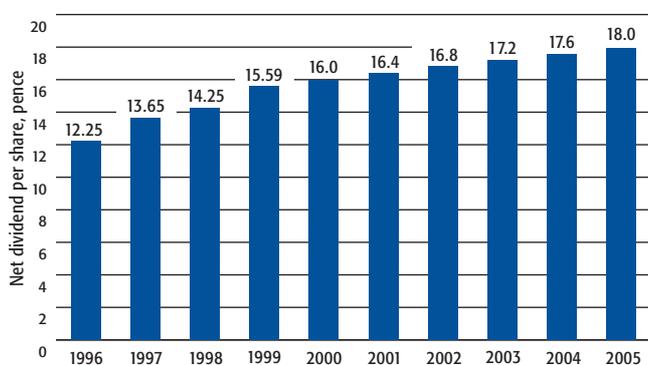
Standardised Past Performance

From to	30/09/00 to 30/09/01	30/09/01 to 30/09/02	30/09/02 to 30/09/03	30/09/03 to 30/09/04	30/09/04 to 30/09/05
Share Price	-3.2%	-7.5%	14.7%	12.9%	31.1%

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.

Interim Results as at 31st July 2005

Earnings per share

In the first six months of the current year, earnings have risen by 8.6 % to 11.10 p per share. As in previous years, we expect dividend receipts to have been weighted towards the first half of the current financial year.

Interim Dividends

The Board has declared a second quarterly dividend of 4.70p per share, payable on 10th November 2005 to shareholders on the register at close of business on 7th October 2005. The total distribution declared for the first half of 2005/6 is 9.3 p net, an increase of 3.3 % when compared with the same period last year.

Net Asset Value

The net asset value per ordinary share was 450.2p at 31st July 2005. This represents an increase of 8.3% when compared with the equivalent figure at 31st January 2005 - the end of the last financial year. Before taking account of the beneficial impact of the Trust's borrowings, the underlying rise in the Trust's total assets, excluding expenses allocated to capital, was 7.3 %. Over the same period the FTSE 100 Index rose by 8.9 %, whilst the FTSE Higher Yield Index rose by 8.2 %.

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 30th September 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

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Brochure Request

0800 317 573

Web Address

www.allianzglobalinvestors.co.uk

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