

Key Information

Total Assets*	£481.6m
Gearing*	31%
No. of Shares [†] (Ordinary 25p)	102,103,936
Discount to NAV [†]	6%
Net Asset Value [†]	360.5p
Share price*	339p
Gross Yield*	5.8%
Year end	31st January

* Source: Datastream as at 30.04.04

This Trust seeks to enhance returns for its shareholders through gearing, in the form of bank borrowings. Gearing can boost the Trust's returns when investments perform well, though losses can be magnified when investments do badly.

[†] Source: Allianz Dresdner Asset Management as at 30.04.04
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.

INCOME ✓

GROWTH ✓

Investment Scheme Availability

ISA ✓

SS ✓

PEP ✓

Fund Manager



Nigel Lanning

Ratings

We have commissioned independent risk ratings for all our investment trusts, to help investors assess their potential volatility.

Close WINS Risk Rating

Slightly Above Average Risk

Source: Close WINS Investment Trusts (a division of Winterflood Securities Limited). Data as at 21st April 2004. The ratings apply only to asset performance and not share price. The risk characteristics of a trust may change over time, particularly for trusts with gearing, complex capital structures or with assets invested in volatile asset classes. These risk ratings are made available without responsibility on the part of Close WINS, who neither assumes nor accepts any responsibility or liability (including for negligence) in relation thereto. No action should be taken or omitted to be taken in reliance upon this information.

The Merchants Trust PLC

Fund Manager's Review

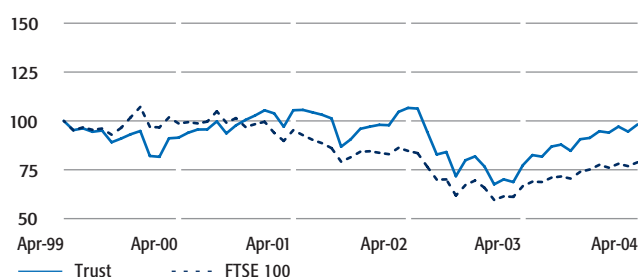
The UK equity market made steady progress in April, recovering from a downward correction in March. Although there has been some cautionary news on growth so far in 2004, company results have vindicated the earlier rise in security values. The Trust had a good month, out-performing the major indices, partly through a pick-up from the large sectors such as oil, but also through the weakness of a number of more cyclical elements. In particular, the portfolio has gained through being over-weight in tobacco and beverages whilst being under-weight in mining. The recovery in pharmaceuticals was a minor negative. At the stock level, gaming stocks continued to do well, with Hilton joining Rank amongst the top performers.

The forthcoming strategy is to concentrate on defensive, blue chip, lowly rated companies where the financial structure can support good dividend growth.

Ordinary Dividend

A fourth quarterly dividend of 4.50p per share was paid on 2nd April 2004 to holders of record at the close of business on 19th March 2004. This gives a total of 17.60p for the year ended 31st January 2004, an increase of 2.3% when compared with the total distribution of 17.20p paid during the previous year. The Board took the view that to pay the dividend as a fourth quarterly dividend, in lieu of a final dividend, would enable the payment to be made before the tax credit on PEP and ISA holdings is withdrawn on 5th April 2004. The Board believed this would benefit a significant number of shareholders, as well as advancing the receipt of this dividend for all shareholders. The Trust has now recorded an unbroken record of dividend increases over the last twenty-two years.

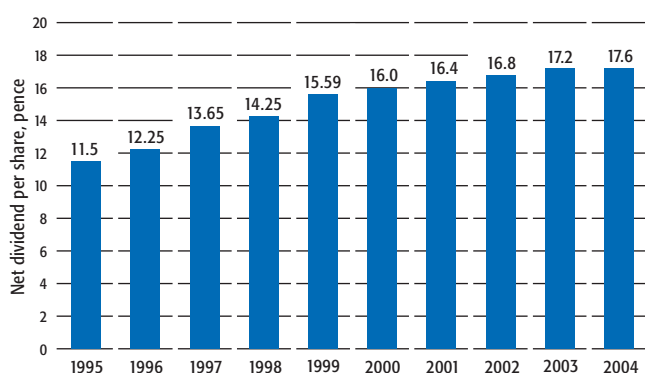
Fund Performance



Source: Russell/Mellon/Allianz Dresdner Asset Management. 30th Apr. 99 to 30th Apr. 04, Total Return, net income reinvested, calculation indexed, UK Sterling. Please remember that past performance is not necessarily 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.

10 year Net Dividend Record

to year ended 31st January 2004



Source: Allianz Dresdner Asset Management.

Top 10 Holdings

	%
BP	8.94
HSBC	6.47
GlaxoSmithKline	6.27
Royal Bank of Scotland	4.65
Shell Transport & Trading	4.40
Barclays	4.18
HBOS	3.41
BT	2.98
Lloyds TSB	2.87
Aviva	2.01
TOTAL	46.18

Source: Allianz Dresdner Asset Management as at 30.04.04

Share Price Performance

01/04/03 to 31/03/04	01/04/02 to 31/03/03	01/04/01 to 31/03/02	01/04/00 to 31/03/01	01/04/99 to 31/03/00
41.8%	40.6%	20.0%	13.6%	-15.0%

Source: Allianz Dresdner Asset Management/ S&P Micropal. Discrete years. Mid to mid, based in UK sterling. Please remember that past performance is not necessarily a guide to future performance. These performance figures are produced for the purposes of these fact sheets and are intended for existing investors.

Aim

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.

AITC Sector

UK Income Growth.

Allianz Dresdner Asset Management is the marketing name of RCM (UK) Ltd., which is authorised and regulated by the Financial Services Authority. Issued by RCM (UK) Ltd. Registered office: 155 Bishopsgate, London, EC2M 3AD. Registered in England No. 2014586. Member of the Allianz Dresdner Asset Management Marketing Group. Member of the Allianz Group. The information contained herein including any expression of opinion is for information purposes only and is given on the understanding that it is not a recommendation and anyone who acts on it,

Share Buyback

0.23m shares have been repurchased for cancellation to enhance shareholder value.

History

The Merchants Trust PLC was incorporated in February 1889, making it the oldest of the investment trusts in the Allianz Dresdner Asset Management stable. Initially it invested mostly 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: 1889.

Wind-up Date: None.

Price Information

Financial Times and The Daily Telegraph
www.allianzdresdneram.co.uk

Trust Codes

ISIN – GB0005800072

Sedol – 0580007

RIC – MRCH

Shareholder Communications

Report and Accounts –	Final posted in April, and Interim posted in October.
Annual General Meeting –	May.
Dividends –	February, May, August and November.

Board of Directors

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

Contacts

Investor Services	020 7065 1407
Brochure Line	0800 317 573
Web Address	www.allianzdresdneram.co.uk

For our mutual protection, calls are recorded and may be used for quality control and training purposes. We reserve the right to use such recordings in the event of a dispute.

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