

Key Information

Total Assets*	£479.4m
Gearing*	31%
No. of Shares [†] (Ordinary 25p)	102,103,936
Discount to NAV [†]	9%
Net Asset Value [†]	358.1p
Share price*	325.7p
Gross Yield*	5.9%
Year end	31st January

* Source: Datastream as at 31.12.03

[†] Source: Allianz Dresdner as at 31.12.03

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
Standard & Poor's Fund Stars ★★★★★

Contacts

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

The Merchants Trust PLC

Fund Manager's Review

The UK equity market ended 2003 in good form, returning 2.9% in December and 20.9% for the year. Although turnover was low in the run-up to Christmas, the market responded to positive economic indicators and company trading up-dates. Despite doubts about retail sales, the general scene remained reasonably positive for growth in 2004, backed up by the Chancellor's upbeat pre-Budget statement. The Trust was helped by its holdings in housebuilders, tobacco and by its under-weighting in pharmaceuticals. In contrast banks were dull whilst mining, where the Trust is under-weight, performed well.

Looking ahead, the economic scene looks likely to remain helpful led by the US, where growth is expected to be in the 4-5% range for 2004 as a whole. Interest rates are expected to rise this year but, possibly, by less than discounted at present. We are still actively seeking high-yielding recovery situations as well as solid earners which have under-performed.

In order to celebrate Merchants' 21 consecutive years of dividend growth, from 1st December 2003 until 5th April 2004 the 0.5% Dealing charge on all lump sum investments into Merchants (whether via Maxi ISA, PEP/ISA Transfer or Savings Scheme) and £20 PEP/ISA Transfer Fee, will be waived. Please call our Brochure Line on 0800 317 573 for a Merchants information pack.**

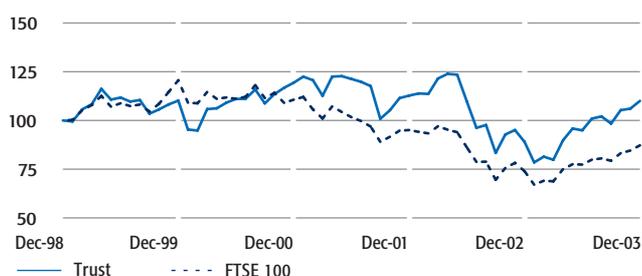
**Government Stamp Duty at 0.5% is still payable. If you take the advice of an IFA, up to 3% commission may be payable as agreed between you.

Third Quarterly Dividend

The Board has declared a third quarterly dividend per Ordinary Share of 4.50p net, payable on 17th February 2004 to holders on the register at the close of business on 23rd January 2004.

This compares with a third quarterly dividend of 4.30p for the previous year.

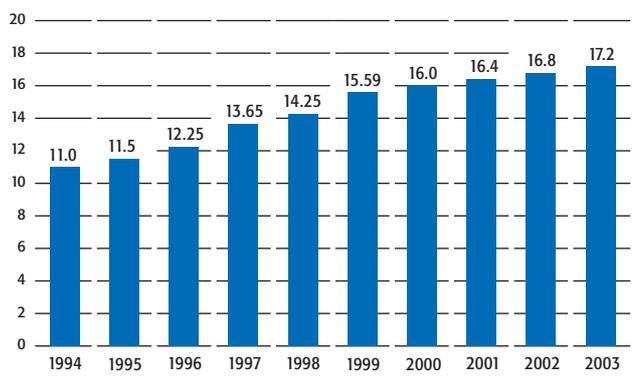
Fund Performance



Source: Russell/Mellon/Allianz Dresdner. 31st Dec. 98 to 31st Dec. 03, 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.

10 year Net Dividend Record

to year ended 31st January 2003



Source: Allianz Dresdner.

Top 10 Holdings

	%
BP	8.52
HSBC	8.30
GlaxoSmithKline	5.32
Shell Transport and Trading	4.82
Barclays	4.20
Royal Bank of Scotland	4.10
BT	3.23
Lloyds TSB	3.13
HBOS	2.56
Imperial Tobacco	2.29
TOTAL	46.47

Source: Allianz Dresdner as at 31.12.03.

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.

Merchants also borrows money and uses it to buy more investments. This is called 'gearing' and, in times when investments do well, can boost performance though losses can be magnified when investments do badly.

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AITC Sector

UK Income Growth.

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 managed by Allianz Dresdner Asset Management.

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.

lead to a higher level of income but a lower capital return. Tax assumptions may change if the law changes and the value of tax relief will depend on individual circumstances. Allianz Dresdner Asset Management (UK) Ltd. does not offer CAT Standard products, only non CAT standard Maxi ISAs. 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. ^{††}Source: Close WINS Investment Trusts (a division of Winterflood Securities Limited). Data as at 22nd January 2003. The ratings apply only to asset performance and not share price. The risk characteristics of a trust may change over time, particularly for funds 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.