

## The Merchants Trust PLC

Key Information	
<b>Total Assets<sup>†</sup></b>	£668.4m
<b>Gearing<sup>††</sup> (net)</b>	22.7%
<b>No. of Shares<sup>†</sup> (Ordinary 1p)</b>	103,284,877
<b>Net asset value<sup>†</sup></b>	541.9p
<b>Net asset value (debt at Market Value)<sup>†</sup></b>	522.3p
<b>Premium/-discount to NAV<sup>†</sup></b>	-12.2%
<b>Premium/-discount to NAV (debt at Market Value)<sup>†</sup></b>	-8.9%
<b>Share price*</b>	476p
<b>AIC Sector</b>	UK Income Growth
<b>RIC</b>	MRCH
<b>Year end</b>	31st January
<b>Reports and Accounts</b>	Final posted in April, Interim posted in September
<b>AGM</b>	May
<b>Dividends</b>	February, May, August and November
<b>Price Information</b>	Financial Times, The Daily Telegraph, www.allianzgi.co.uk
<b>Board of Directors</b>	Hugh Stevenson (Chairman), Dick Barfield, Sir Bob Reid, Joe Scott Plummer, James Sassoon
<b>Investor services</b>	020 7065 1407
<b>Brochure request</b>	0800 317 537

† Source: Allianz Global Investors as at 30.11.07

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.

A trust's net asset value (NAV) is calculated as available shareholders' funds divided by the number of shares in issue, with shareholders' funds taken to be the net value of all the company's assets after deducting liabilities. In line with current industry best practice NAVs are shown that take into account the 'fair value' of debt. This means NAVs are calculated after allowing for the valuation of debt at fair value or current market price, rather than at final repayment value. NAVs with debt at market value provide a more realistic impact of the cost of debt, and thus a more realistic discount.

†† Source: Allianz Global Investors as at 30.11.07.

Please also refer to Trust aim & characteristics, above right.

\* Source: Lipper as at 30.11.07

### Trust aim & characteristics

The Trust's objective is 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. 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

Economic news in November pointed to a slowing in the UK economy and the housing market, potentially exacerbated by a strained financial system. The stock market fell heavily on economic concerns, led by retailers and industrials, with the FTSE down 4% and the more cyclical mid-caps down 7.8%. The massive takeover bid for Rio Tinto by BHP Billiton was a key feature.

The portfolio's performance lagged the market as certain cyclicals fell back, notably Pendragon and Brit Insurance. On the positive side, GlaxoSmithKline - the largest active position - outperformed and Close Brothers received a bid approach. Looking ahead we do not expect a UK recession in 2008 but economic growth is likely to slow down. Valuations of financials and certain cyclical companies are now compelling and we continue to look for opportunities for investment.

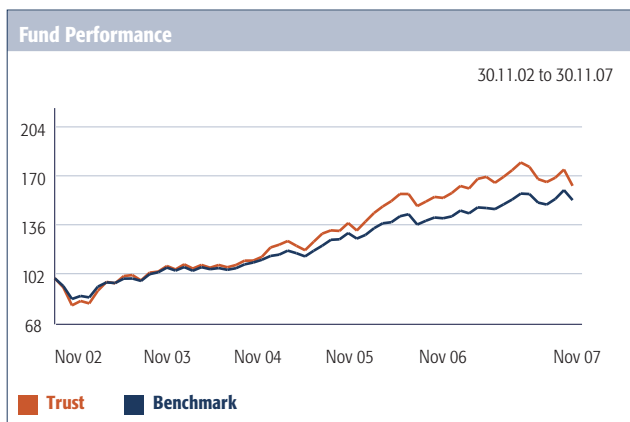


Simon Gergel

### Top 10 holdings

Name	%
GlaxoSmithKline	8.1
BP Ord	7.9
Vodafone Group	7.6
Royal Dutch Shell	7.5
HSBC	6.9
Royal Bank of Scotland	4.6
Anglo American	3.2
Scottish & Southern Energy	3.0
HBOS Ord	3.0
Rio Tinto Ord	2.9
<b>Total</b>	<b>54.7</b>

Source: Allianz Global Investors as at 30.11.07.

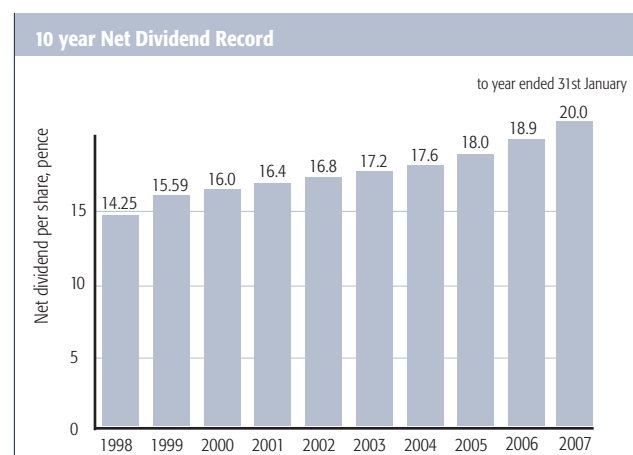


Source: Allianz Global Investors/ Mellon. 30th November 2002 to 30th November 2007. Capital only, calculation indexed. UK Sterling.

Past performance is not a reliable indicator of future performance. You should not make any assumptions on the future on the basis of performance information. The value of an investment and the income from it can fall as well as rise as a result of market 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 and 35% to revenue. This could lead to a higher level of income but a lower capital return.

Standardised Past Performance						
	From to	30/09/2002 30/09/2003	30/09/2003 30/09/2004	30/09/2004 30/09/2005	30/09/2005 29/09/2006	29/09/2006 28/09/2007
<b>Share Price</b>		<b>14.7%</b>	<b>12.9%</b>	<b>31.1%</b>	<b>23.1%</b>	<b>6.2%</b>

Source: Allianz Global Investors/Lipper Hindsight. Discrete years, mid to mid, basic rate tax, based in UK sterling. Standardised past performance figures comply with the Financial Services Authority's regulations to enable investors to compare different products from different providers.



Source: Allianz Global Investors

## History

The Trust 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.

On 30th June 2006 a further 1,655,941 Ordinary shares were issued following the reconstruction and planned winding up of Allianz Dresdner Income Growth Investment Trust plc. The increase in assets was achieved at no cost to existing shareholders.

**Launch Date:** 1889 **Wind-up Date:** None

## Share buybacks

700,000 shares have been repurchased for cancellation to date.