

The Merchants Trust PLC

| Key Information | |
|--|--|
| Total Assets[†] | £602.6m |
| Gearing^{††} (net) | 20.3% |
| No. of Shares[†] (Ordinary 1p) | 102,813,464 |
| Net asset value[†] | 475.3p |
| Net asset value (debt at Market Value)[†] | 459.3p |
| Premium/-discount to NAV[†] | -12.1% |
| Premium/-discount to NAV (debt at Market Value)[†] | -9.0% |
| Share price* | 417.75p |
| AIC Sector | UK Income Growth |
| RIC | MRCH |
| Year end | 31st January |
| Reports and Accounts | Final posted in April, Interim posted in September |
| AGM | May |
| Dividends | February, May, August and November |
| Price Information | Financial Times, The Daily Telegraph, www.allianzgi.co.uk |
| Board of Directors | Hugh Stevenson (Chairman), Dick Barfield, Sir Bob Reid, Joe Scott Plummer, Sir James Sassoon |
| Investor services | 020 7065 1407 |
| Brochure request | 0800 317 537 |

† Source: Allianz Global Investors as at 30.05.08

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 30.05.08.

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

* Source: Lipper as at 30.05.08

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

May saw high inflation figures in the UK, buoyed by record oil prices, which reduced the scope for interest rate cuts. The stock market fell modestly over the month after a strong start, led down by domestic concerns over the banks, real estate and leisure sectors. The Trust's performance lagged the index with rights issues hitting HBOS and Bradford & Bingley and also a derating of Meggitt. On the positive side, underweight positions in Lloyds TSB and RBS helped performance with Scottish & Southern Energy also strong.

Without an easing of the credit crunch or interest rate cuts the economic outlook is likely to continue deteriorating. However, much of the expected poor newsflow is already priced into shares and a few bargains are appearing. We continue to favour strong companies with reasonable growth prospects but we are also actively looking for out-of-favour opportunities.

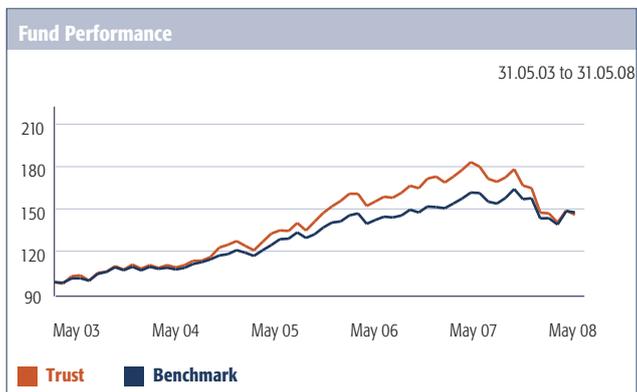


Simon Gergel

Top 10 holdings

| Name | % |
|------------------|-------------|
| RoyalDutch Shell | 9.0 |
| BP | 7.8 |
| GlaxoSmithKline | 7.6 |
| Vodafone Group | 7.6 |
| HSBC | 7.1 |
| Aviva | 3.2 |
| Anglo American | 3.2 |
| HBOS | 3.0 |
| Rio Tinto | 3.0 |
| BT Group | 3.0 |
| Total | 54.5 |

Source: Allianz Global Investors as at 30.05.08.

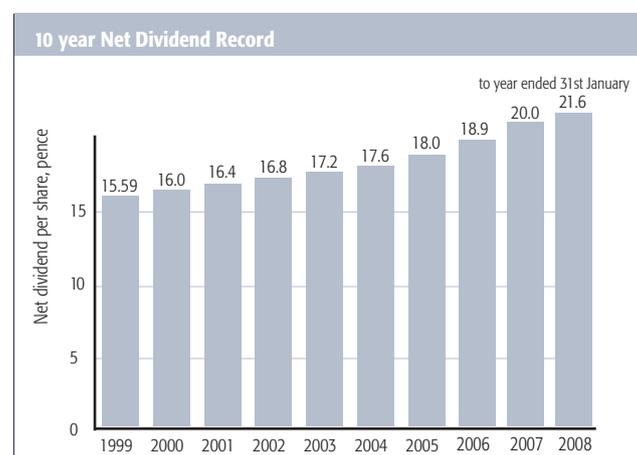


Source: Allianz Global Investors/ Mellon. 30th May 2003 to 30th May 2008. Capital only, calculation indexed. UK Sterling.

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 capital growth will be constrained as a result. Your capital could also decrease if income paid out of capital exceeds the growth rate of the trust.

| Standardised Past Performance | | | | | |
|-------------------------------|--------------|--------------|--------------|--------------|---------------|
| From | 31/03/2003 | 31/03/2004 | 31/03/2005 | 31/03/2006 | 30/03/2007 |
| to | 31/03/2004 | 31/03/2005 | 31/03/2006 | 30/03/2007 | 31/03/2008 |
| Share Price | 41.8% | 18.5% | 36.3% | 15.1% | -18.7% |

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

1,171,413 shares have been repurchased for cancellation to date.