

The Merchants Trust PLC

| Key Information | |
|---|--|
| Total Assets [†] | £692.1m |
| Gearing ^{††} (net) | 20.4% |
| No. of Shares [†] (Ordinary 1p) | 103,284,877 |
| Net asset value [†] | 560.5p |
| Net asset value (debt at Market Value) [†] | 537.1p |
| Premium/-discount to NAV [†] | -10.6% |
| Premium/-discount to NAV (debt at Market Value) [†] | -6.7% |
| Share price * | 501p |
| AIC Sector | UK Income Growth |
| RIC Sector | 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, James Sassoon |
| Investor services | 020 7065 1407 |
| Brochure request | 0800 317 537 |

† Source: Allianz Global Investors as at 28.09.07

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 28.09.07.

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

* Source: Lipper as at 28.09.07

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 six-monthly review

In the six months since April 2007 tightening credit markets, problems in the US housing market and the run on Northern Rock dominated sentiment. However, despite volatility, the stockmarket managed a 4% overall total return in that six month period, with the portfolio benefiting from takeover bids for Reuters and Xansa, as well as a strong contribution from Vodafone. On the flipside, holdings in Bradford & Bingley and Pendragon hit performance, as well as not owning BHP Billiton which rose sharply.

We believe that market volatility may remain high in the short term as the credit market resolves liquidity issues; the key question this poses is whether it will affect the wider economy. However, on balance, we believe the outlook for corporate profits and dividend growth remains reasonably positive, and we will look to take advantage of any volatility in the market to buy into strong businesses at cheap valuations.

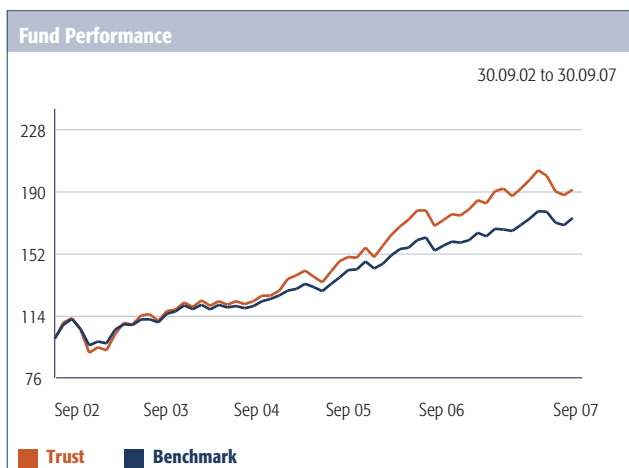


Simon Gergel

Top 10 holdings

| Name | % |
|------------------------------|-------------|
| GlaxoSmithKline | 7.9 |
| Royal Dutch Shell | 7.5 |
| BP | 7.3 |
| HSBC Holdings | 7.3 |
| Vodafone | 7.1 |
| Royal Bank of Scotland Group | 5.1 |
| HBOS | 3.3 |
| Anglo American | 3.1 |
| Reed Elsevier | 2.6 |
| AVIVA | 2.5 |
| Total | 53.7 |

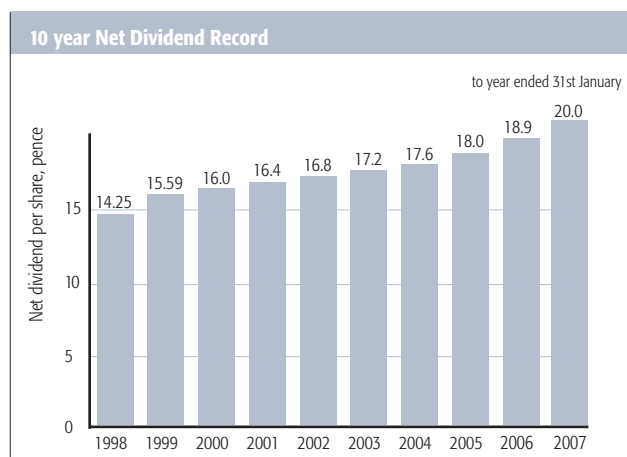
Source: Allianz Global Investors as at 28.09.07.



Source: Allianz Global Investors/ Mellon. 30th September 2002 to 30th September 2007. Capital only, 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 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 to 30/09/2003 | 30/09/2003 to 30/09/2004 | 30/09/2004 to 30/09/2005 | 30/09/2005 to 29/09/2006 | 29/09/2006 to 28/09/2007 |
| Share Price | 14.7% | 12.9% | 31.1% | 23.1% | 6.2% |

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.