

Key Information

Total Assets*	£485.3m
Gearing*	30%
No. of Shares [†] (Ordinary 25p)	102,103,936
Discount to NAV [†]	8%
Net Asset Value [†]	361.8p
Share price*	332p
Gross Yield*	5.8%
Year end	31st January

* Source: Datastream as at 27.02.04

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 27.02.04

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 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 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 market progressed further in February, rising by 2.6%, which represented one of the best performances amongst the leading markets. Midcaps continued to lead the way but the FTSE100 element showed signs of out-performance towards the month end. The Bank of England base rate rose by 1/4% to 4% as expected, with growth data for the UK subject to further upward adjustment. The Trust's holdings in Construction, Tobacco and Property did well in the month, in particular Persimmon, BAT and Land Securities. Holdings in Oil, Food Producers and Food Retailing were less helpful. We are retaining our positive stance as company results in general are beating expectations, although the Budget on 17th March may cause some concerns. We are seeking under-valued shares, especially in the FTSE 100 area, to take advantage of the improved prospects anticipated for later in 2004. There are 65 holdings in the portfolio.*

In order to celebrate Merchants' 22 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 via the Maxi ISA, PEP/ISA Transfer or Savings Scheme and the £20 PEP/ISA Transfer Fee, will be waived.

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.

Announcement of Preliminary Results

For the year ended 31st January 2004

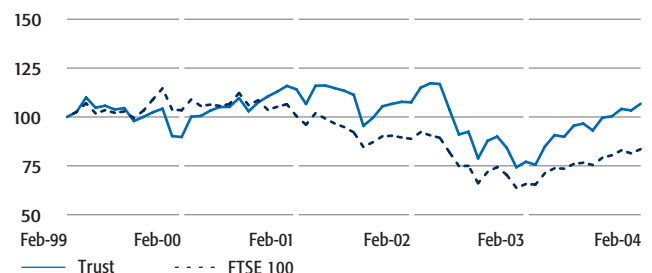
Net Asset Value

The net asset value per ordinary share at 31st January 2004 was 350.1p compared with 267.8p at 31st January 2003, an increase of 30.7%. This compares with an increase of 23.1% recorded by the FTSE 100 Index and one of 26.1% recorded by the FTSE Higher Yield Index.

Ordinary Dividend

A fourth quarterly dividend of 4.50p per share will be payable 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 has taken the view that to pay the dividend as a fourth quarterly dividend, in lieu of a final dividend, enables the payment to be made before the tax credit on PEP and ISA holdings is withdrawn on 5th April 2004. The Board believes this will 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

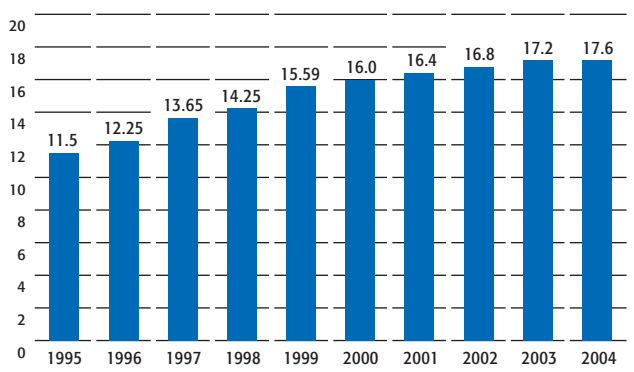


Source: Russell/Mellon/Allianz Dresdner Asset Management. 28th Feb. 99 to 27th Feb. 04, Total Return, net income reinvested, calculation indexed.

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

	%
HSBC	8.22
BP	8.08
GlaxoSmithKline	6.13
Shell Transport and Trading	4.24
Royal Bank of Scotland	4.22
Barclays	4.05
Lloyds TSB	3.10
HBOS	3.01
BT	3.01
Aviva	2.09
TOTAL	46.15

Source: Allianz Dresdner Asset Management as at 27.02.04.

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.

Share Buyback

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

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,

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.

Contacts

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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.

or changes their opinion thereon, does so entirely at their own risk. The opinions expressed are based on information which we believe to be accurate and reliable, however, these opinions may change without notice. Tax assumptions may change if the law changes and the value of tax relief will depend on individual circumstances. Allianz Dresdner Asset Management does not offer CAT Standard products, only non-CAT standard Maxi ISAs. Dresdner Kleinwort Wasserstein makes markets in Allianz Dresdner Asset Management's investment trusts.