

03

Murray International Trust PLC

Annual Report and Accounts
31 December 2003



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Financial Calendar

29 April 2004	Annual General Meeting
21 May 2004	Payment of proposed final dividend for 2003 (5.95p)
August 2004	Half yearly results announced
16 August 2004	Payment of proposed first interim dividend (3.45p)
17 November 2004	Payment of proposed second interim dividend (3.45p)
16 February 2005	Payment of proposed third interim dividend (3.45p)
February 2005	Final results announced for year ending 31 December 2004

Dividend Record

	Rate	xd date	Record date	Payment date
1st Interim 2003	3.45p	23 July 2003	25 July 2003	15 August 2003
2nd Interim 2003	3.45p	15 October 2003	17 October 2003	17 November 2003
3rd Interim 2003	3.45p	14 January 2004	16 January 2004	16 February 2004
Proposed final 2003	5.95p	21 April 2004	23 April 2004	21 May 2004
Total dividend 2003	16.30p			

Corporate Summary

The Company

Murray International Trust is an investment trust traded on the London Stock Exchange and is a constituent of the FTSE Actuaries All-Share Index. Some 25,000 of its Shareholders are private investors. Murray International Trust is differentiated from other investment trusts in that it offers the advantages of exposure to world markets while maintaining the higher income generally associated with the UK equity market. Usually 100% of net assets will be invested in a diversified portfolio of international equities and around 25%, financed by borrowings, in a combination of lower risk fixed income securities and higher yielding equities.

Objective

The primary aim of Murray International Trust is to achieve a total return greater than its benchmark by investing predominantly in equities worldwide. Within this objective the Manager will seek to increase the Company's revenues in order to maintain an above average dividend yield.

History

Murray International Trust started its life in 1907 as The Scottish Western Investment Company Limited. The Scottish Western of the early days was very highly geared but it was mainly invested in bonds, though the international spread was just as great with countries such as Argentina, China, Japan, Canada and many others appearing in the portfolio. Although the range of currencies was much smaller, multi currency or even gold-backed bonds were all the rage, as many of the era's bond certificates show.

The big move into equities came after the 1930s slump, when bond defaults forced the purchase of higher yielding equities to fund the costs of the trust's gearing. The Managers were not slow to spot an opportunity, but it started as Hobson's choice, and was only later trumpeted as brilliant foresight.

In 1929 just under 20% of the assets were in equities, in 1940 38%, in 1948 51% of the assets, which were still only £2.65 million. After deducting the preference shares (which were repaid in 1999) and debentures, the Company was effectively over 100% geared into equities by the start of the great post war boom.

After a number of amalgamations, the Company emerged as a generalist investment trust. However, there was an excess of trusts with a similar broad remit, so towards the end of the 1970s the Board defined the investment brief more narrowly as growth in income and capital through a well diversified portfolio.

Symbolised by the name change from Murray Western to Murray International Trust in 1984, the focus has since been on a relatively high yielding portfolio of equities in a well diversified mix of overseas markets supported by a substantial UK component.

Benchmark

The Company's benchmark is a composite index made up as to 40% of the FTSE World-UK and 60% of the FTSE World ex-UK.

Capital Structure

The Company's issued share capital as at 19 March 2004 consisted of 86,412,599 Ordinary shares of 25p each and 1,147,599 B Ordinary shares of 25p each. The difference between the rights of the B Ordinary Shareholders and that of the Ordinary Shareholders is contained in the glossary on page 58.

Total Assets and Net Asset Value

At 31 December 2003, the Company had Total Assets* of £458.8m and a Net Asset Value per Ordinary and B Ordinary share of 424.2p.

*See definition on page 58

Duration

The Company does not have a fixed life.

Risk

Many of the stocks in which the Company invests are exposed to the risk of political change, exchange controls, tax or other regulations which may affect their value and marketability. Currency fluctuations may also affect the value of the Company's investments and the income derived therefrom. Companies in emerging markets are not always subject to the equivalent accounting, auditing and financial standards of those in the United Kingdom. There may therefore be less supervision and regulation in this respect.

Currently 70% of the investment trust manager's charge is taken out of capital. This increases distributable income at the expense of capital growth, which will either be eroded or constrained. Maintaining a high level of dividend may also diminish capital value. In common with most investment trusts, Murray International Trust is able to borrow for investment purposes. The use of gearing is likely to lead to volatility in the Net Asset Value (NAV), meaning that a relatively small movement either down or up in value of the Company's total assets will result in a magnified movement in the same direction of that NAV. There is no guarantee that the market price of shares in investment trusts will fully reflect their underlying NAV.

The market prices of fixed interest stocks and, to a lesser extent, convertibles may be affected by changes in interest rates.

Share Dealing/PEP/ISA status

Shares in Murray International Trust can be bought in the open market through a stockbroker. They can also be purchased through Aberdeen savings schemes and fully qualify for inclusion within tax-efficient ISA wrappers (see page 57).

Management Agreement Summary

The Company has an agreement with Aberdeen Asset Managers Limited, a wholly owned subsidiary of Aberdeen Asset Management PLC, for the provision of management services for a fee, as detailed in the Directors' Report on page 28 and in Note 3 on page 44.

AITC

Murray International Trust is a member of the Association of Investment Trust Companies.

Websites

www.murray-international.co.uk
www.aberdeen-asset.com

Company Secretary

Aberdeen Asset Management PLC, 123 St. Vincent Street, Glasgow G2 5EA.

Email: company.secretary@invtrusts.co.uk

Customer Services

Freephone: 0500 00 00 40 (open Monday - Friday 9am - 5pm) Email: inv.trusts@aberdeen-asset.com

Your Board

The Board of Directors, all of whom are non-executive and the majority of whom are independent of the Manager, supervises the management of Murray International Trust and looks after the interests of Shareholders.



John Trott *Chairman and Independent Non-Executive Director*

Relevant experience and other directorships: He is currently chairman of The Brunner Investment Trust plc and was formerly chairman of The Standard Life Assurance Company.

Length of Service: He was appointed a Director on 23 October 2000 and Chairman on 6 November 2002.

Age: 66

Committee member: Audit Committee, Management Engagement Committee (Chairman) and Nomination Committee (Chairman).

Employment by the Manager: None

Other connections with Trust or Manager: None

Shared Directorships with any other Trust Directors: None

Board Meetings attended during the year ended 31 December 2003: Five

Shareholding in Company*: 15,000 Ordinary shares



Lady Balfour of Burleigh *Independent Non-Executive Director*

Relevant experience and other directorships: She taught politics and modern history at Oxford University, before moving to the Central Policy Review Staff in the Cabinet Office. She has worked for governments in many countries and for a number of public companies. Her other current directorships are at Cable & Wireless plc; The Scottish American Investment Trust plc; The Scottish Oriental Smaller Companies Trust plc; The Nuclear Generation Decommissioning Fund Limited; BPB plc; and Stagecoach plc.

Length of Service: She was appointed a Director on 30 September 2003.

Age: 58

Committee member: Audit Committee, Management Engagement Committee, Nomination Committee and Remuneration Committee (Chairman).

Employment by the Manager: None

Other connections with Trust or Manager: None

Shared Directorships with any other Trust Directors: On the board of The Nuclear Generation Decommissioning Fund Limited with Sir Raymond Johnstone.

Board Meetings attended during the year ended 31 December 2003: Two (appointed 30 September 2003)

Shareholding in Company*: 1,300 Ordinary shares



David Benson *Independent Non-Executive Director*

Relevant experience and other directorships: He is senior adviser to Fleming Family Partners and was (until 24 March 2003) chairman of Charter European Trust plc. He is chairman of the COIF Charity Funds and a non-executive director of BG plc and Daniel Thwaites plc. He is also a director of the Rouse Company and Dover Corporation in the USA and was formerly vice-chairman of Kleinwort Benson Group Plc.

Length of Service: He was appointed a Director on 25 October 1999.

Age: 66

Committee member: Management Engagement Committee, Nomination Committee and Remuneration Committee.

Employment by the Manager: None

Other connections with Trust or Manager: None

Shared Directorships with any other Trust Directors: None

Board Meetings attended during the year ended 31 December 2003: Four

Shareholding in Company*: 4,000 Ordinary shares



Sir Raymond Johnstone *CBE Non-Executive Director*

Relevant experience and other directorships: Sir Raymond was from its incorporation in 1968 until he retired in 1988, Managing Director and from 1988 to 1992, Chairman of Murray Johnstone Limited, the Company's former Manager. Murray Johnstone was acquired by Aberdeen Asset Management PLC in December 2000. His other directorships include The Nuclear Generation Decommissioning Fund Limited.

Length of Service: He was appointed a Director in November 1989.

Age: 74

Committee member: Remuneration Committee.

Employment by the Manager: See other connections with the Trust or Manager.

Other connections with Trust or Manager: former Chairman and Managing Director of Murray Johnstone Limited

Shared Directorships with any other Trust Directors: On the board of The Nuclear Generation Decommissioning Fund Limited with Lady Balfour of Burleigh.

Board Meetings attended during the year ended 31 December 2003: Five

Shareholding in Company*: Beneficial – 19,280 Ordinary shares, 10,000 B Ordinary shares, non-beneficial – 18,191 Ordinary shares



Fred Shedden *Independent Non-Executive Director*

Relevant experience and other directorships: He is a former senior partner of McGrigor Donald (now McGrigors). He is chairman of Martin Currie Japan Investment Trust plc and Halladale Group plc and is a non-executive director of The Equitable Life Assurance Society and Iomart Group plc. He is also a Governor of Glasgow School of Art and a member of The Scottish Further Education Funding Council.

Length of Service: He was appointed a Director on 23 October 2000.

Age: 59

Committee member: Audit Committee (Chairman), Management Engagement Committee, Nomination Committee and Remuneration Committee.

Employment by the Manager: None

Other connections with Trust or Manager: None

Shared Directorships with any other Trust Directors: None

Board Meetings attended during the year ended 31 December 2003: Five

Shareholding in Company*: 2,461 Ordinary shares

* All shareholdings are beneficial unless otherwise stated

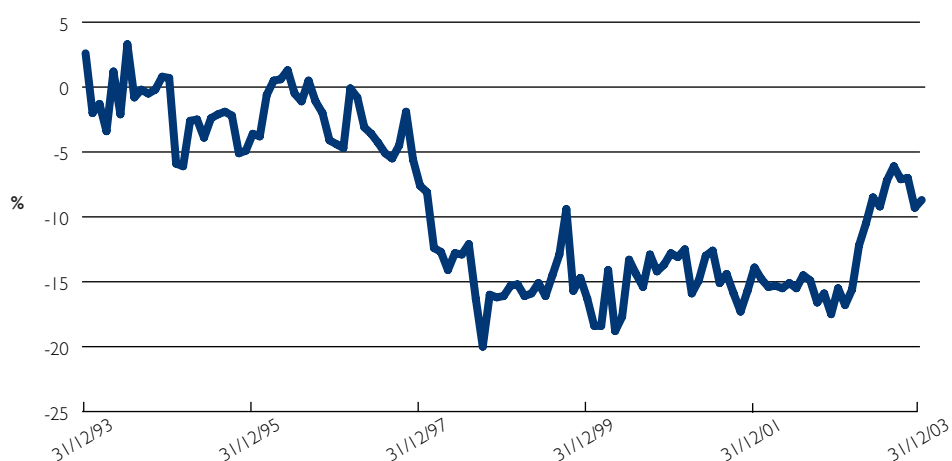
Highlights

For the year ended 31 December 2003

Murray International Trust is an investment trust with a stock market capitalisation as at 31 December 2003 of £339million (2002 – £261million).

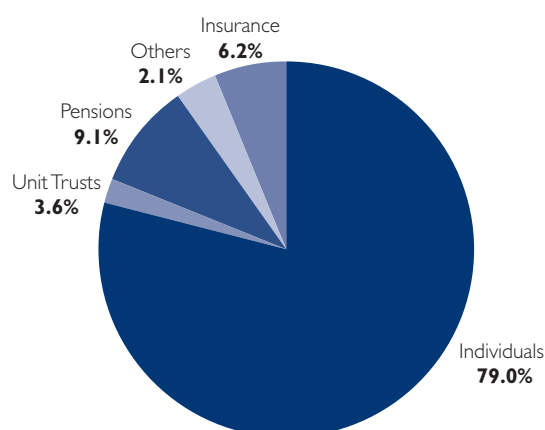
	2003	2002
Total Assets	£458,756,000	£396,473,000
Equity Shareholders' interest	£371,392,000	£308,748,000
Net Asset Value per Ordinary and B Ordinary share	424.2p	352.8p
Share Price of Ordinary shares (mid-market)	388.0p	298.0p
Share Price of B Ordinary shares (mid-market)	292.5p	292.5p
Cost of share buy backs	–	£8,023,000
Total Return for year per Ordinary share	88.8p	(101.7p)
Total Return for year per Ordinary share assuming conversion of the B Ordinary shares	87.6p	(100.4p)
Discount to Net Asset Value on Ordinary shares	8.5%	15.5%

Discount Chart



Source: Aberdeen Asset Managers Limited

Shareholder Analysis of Murray International Trust

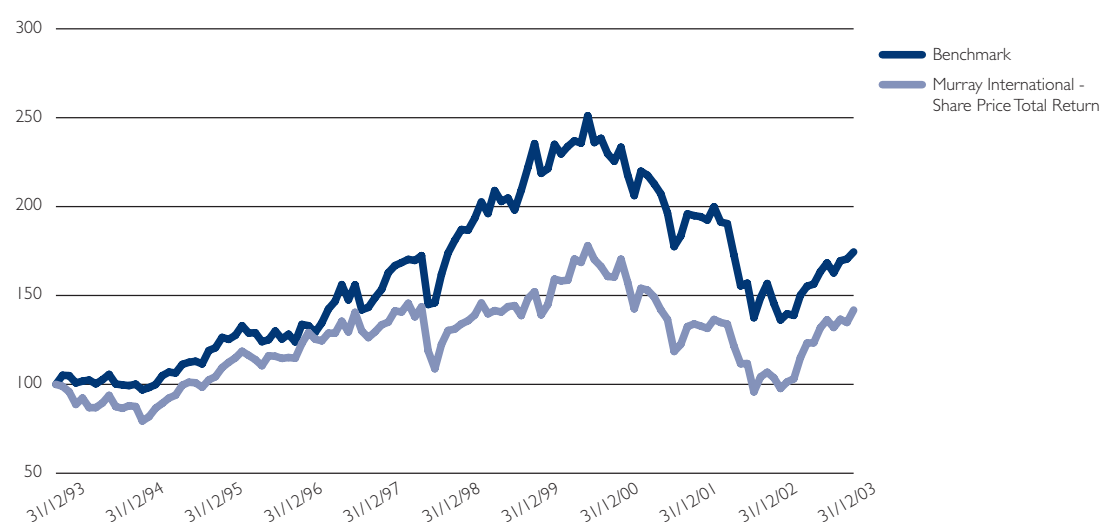


Performance (Total Return)	1 year % return	3 years % return	5 years % return	10 years % return
Share price ¹	36.5	(11.6)	7.4	40.9
Net Asset Value per Ordinary and B Ordinary share	25.5	(17.0)	(3.9)	53.2

Source AAM/AITC

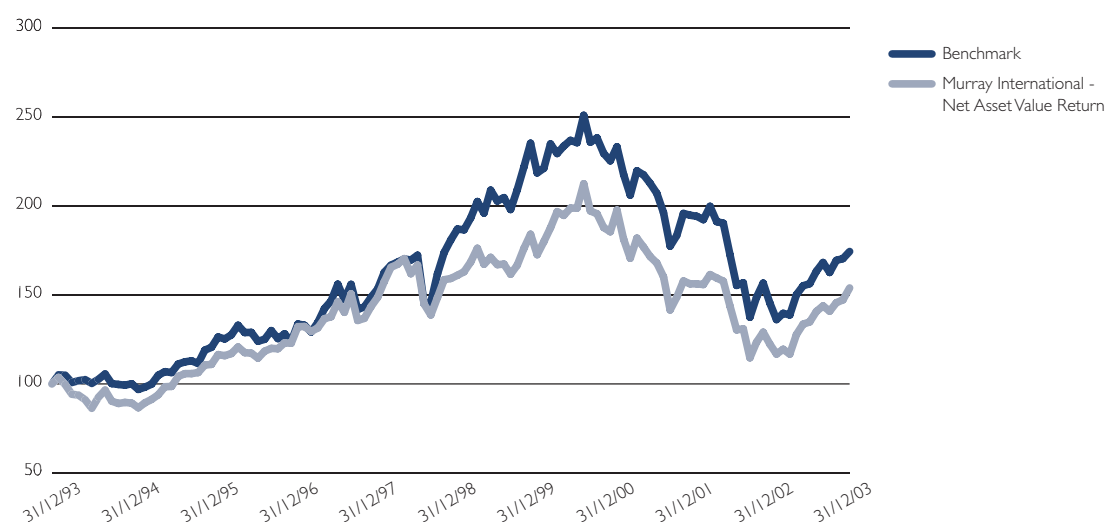
¹ mid to mid

Share Price Total Return rebased to 100 (with net dividends reinvested)



Source: Aberdeen Asset Managers Limited/AITC

Net Asset Value Total Return rebased to 100 (with net dividends reinvested)



Source: Aberdeen Asset Managers Limited/AITC

Please note that past performance is not necessarily a guide to future performance.

Historic Financial Record

Dividend and earnings

Murray International Trust has a long term record of steadily increasing dividends.

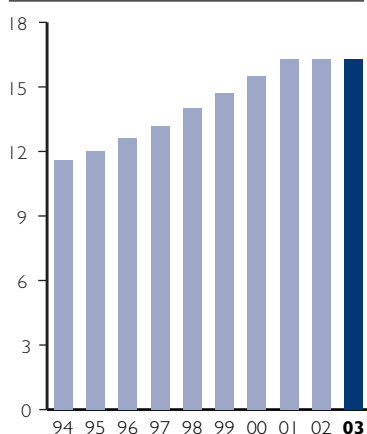
	2003	2002
Dividend per Ordinary share	16.3p	16.3p
Return per Ordinary share	13.3p	13.8p
Dividend cover	0.82 times	0.84 times
Revenue reserves	£26,522,000	£29,096,000

Operating costs

	2003	2002
Total operating costs as a percentage of gross assets	0.8%	1.2%

The chart below shows the rate of dividend paid to Ordinary Shareholders over the past ten years.

Dividend Growth (p)

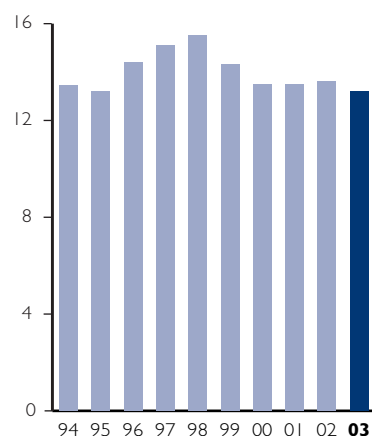


Dividend Growth

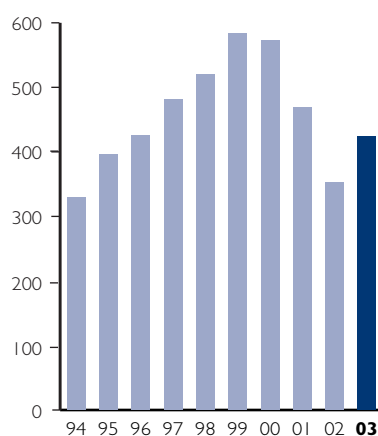
Over 1 year	nil
Over 10 years	43.0%

Note: In respect of the year ended 31 December 1998, there was an additional exceptional distribution of 0.8p per share to reflect the saving made from the payment of a foreign income dividend.

Earnings per share (p)



Net Asset Value per share (p)



Source: Aberdeen Asset Managers

Please note that past performance is not a guide to future performance.

Ten Year Record

Year ended	Revenue £'000	Ordinary shares		Assets employed £'000	Net Asset Value	
		Earnings per share p	Dividend per share p		Net Asset Value £'000	per Ordinary/ B Ordinary share p
1993	26,708	14.50	11.60	578,963	458,507	381.9
1994	26,124	13.47	12.00	516,402	395,852	329.7
1995	26,514	13.20	12.60	591,044	475,575	395.7
1996	27,066	14.40	13.20	586,658	510,870	424.9
1997	27,925	15.10	14.00	661,351	579,216	481.6
1998	28,285	15.50	14.70	716,877	625,388	519.8
1999	23,348	14.30	15.50	810,485	653,622	584.0
2000	21,175	13.50	15.90	719,212	601,163	573.1
2001	18,301	13.50	16.30	525,340	419,479	468.1
2002	17,518	13.60	16.30	396,473	308,748	352.8
2003	16,793	13.10	16.30	446,767	371,392	424.2

Earnings per Ordinary share have been based on the average Ordinary share capital during each year, including conversion of B Ordinary shares into Ordinary shares during each year (see Note 8 on page 45).

Net Asset Values per Ordinary and B Ordinary share have been calculated after deducting prior capital and loans at nominal values and have not been adjusted for the annual B Ordinary scrip issue (see Note 15 on page 49).

The revenue figures for the years prior to 1999 have not been restated to reflect the changes in relation to Financial Reporting Standard 16 "Current Tax", and have been shown gross.

In respect of the year ended 31 December 1998, there was an additional exceptional distribution of 0.8p per share to reflect the saving made from the payment of a foreign income dividend.

Chairman's Statement

Background

The year 2003 was particularly eventful. It is not often, thankfully, that we experience war, mounting terrorist risks and the threat of a serious global epidemic such as SARS, accompanied by extreme volatility in equity markets and major movements in currency markets, especially the dollar. To highlight the impact of the latter, a US investor in the German DAX Index would have seen a 65% gain on his investment, whilst a German investor in the S&P 500 would only have seen a 6% return! Most Asian currencies showed some strength against the dollar but were weak against the euro. It seems likely that the dollar would have been weaker had it not been for intervention in favour of the dollar by Asian governments, as well as the willingness of these countries to recycle their balance of payments surpluses into US Treasuries. Whether Asian countries will be prepared to continue to support the dollar on the scale needed in the future remains an open question.

Global equity markets were extremely weak in the early part of the year but rallied strongly after the eventual outbreak of hostilities in Iraq and as it became clear that the US fiscal and monetary authorities were committed to engineering economic recovery with policy easing on an almost unprecedented scale. Geo-political factors will undoubtedly retain a powerful influence on financial markets.

Performance

The Net Asset Value showed a Total Return of 25.5%, considerably ahead of the return on the benchmark index of 19.9%, whilst the share price Total Return of 36.5% also reflected a substantial, and welcome, reduction over the year in the level of discount at which the shares trade in the stock market. The Investment Manager's Report contains an attribution analysis which provides detailed analysis of all factors affecting net asset performance. The key positive influences, however, were an underweighting of dollar assets and an overweighting of euro denominated assets, combined with a significant overweighting in the Asian and emerging markets.

Investment Strategy

Since 1988 your Company has sought to provide Shareholders with an above average income whilst still providing full exposure to international equities. In a falling global interest rate environment this has been achieved by borrowing in low interest rate

currencies and investing in higher yielding fixed interest instruments.

With both long and short term interest rates now at historically low levels your Board and the Manager believe that it is appropriate to reinvest a proportion of this fixed interest portfolio in higher yielding equities to help protect the income stream and to avoid losses in the capital values of bonds which would result from a rising interest rate environment in the future. This move is designed to provide flexibility in a changing environment.

Circular

Enclosed with this Annual Report is a Circular providing more details on the following matters:

Firstly, from 1 December 2003 Investment Trusts can purchase their own shares and hold them in Treasury for subsequent resale or cancellation. Although your Board is not committed to using this new power, it considers that to allow for its use where it would be to the benefit of Shareholders, the Company's Articles of Association require to be amended to exclude shares held in Treasury from the shares in issue for the purposes of calculating the scrip dividend for B Ordinary shares. In addition, there are a number of minor changes being proposed to the Articles to ensure compliance with the listing rules and to allow voting through the CREST system.

Secondly, your Board feels that the present management fee arrangements should be reviewed and has provisionally agreed new fee arrangements with the Manager, subject to your approval at the Annual General Meeting. In summary, the proposals combine a reduction in the basic management fee from 0.6% to 0.5% per annum of the Company's total assets less unlisted investments and short-term borrowings, accompanied by the introduction of a performance related fee. The total amount of the fee earned by the Manager in any one year (comprising the basic management fee and performance fee) would be subject to a cap of 0.8% of the average value of the Company's total assets less current liabilities over the year.

Dividends

The Board believes that, after two years when the level of your Company's income was felt to be somewhat at risk from dividend reductions, the outlook for dividends in the year ahead is much improved. The extent to which our dividend payment is currently uncovered should therefore substantially

reduce which is a necessary pre-condition to the resumption of growth in our dividend pay-out.

The Directors are therefore proposing, as previously forecast, a maintained final dividend of 5.95p per share for the year ended 31 December 2003, payable on 21 May 2004 to Shareholders on the register at close of business on 23 April 2004, making a total distribution for the year of 16.3p.

Your Board also now proposes that three interim dividends of 3.45p per share be paid for the year to 31 December 2004, payable on 16 August 2004, 17 November 2004 and 16 February 2005.

B Ordinary Shareholders will receive a capitalisation in B Ordinary shares on 21 May 2004 amounting to 3.8449 B Ordinary shares for every hundred held at the close of business on 23 April 2004, which is equivalent in Net Asset Value to the recommended final dividend and three interim dividends for the current year.

Your Board

As a consequence of the sad death, last year, of the Rt Hon Viscount Younger of Leckie, the Board has carried out a search for a new Director. We were very pleased to welcome Lady Balfour of Burleigh to the Board on 30 September 2003. Janet has a wide range of knowledge and experience. She is a writer and consultant and is also on the Board of a number of companies, including two investment trusts. Further details of her directorships are included on page 3.

During the year ended 31 December 2003, changes were made to the reporting requirements of Directors under the Combined Code on Corporate Governance. Whilst Murray International Trust is not required to comply with the new Combined Code until the year ending 31 December 2004, your Board felt it was important for your Company to comply with the new provisions as soon as practicably possible. We have therefore complied or explained where we do not comply with all the recommendations, except in relation to the requirement to state how performance evaluations of the Board are carried out. We await guidance from the AITC in order to give Shareholders a meaningful report on the performance evaluation of the Board.

Shareholders will also notice, on reading the Directors' Remuneration Report, that the fees of your Directors have been increased during the year. These fees had lagged considerably behind those of others in the industry. In addition, the new Combined Code has placed increased responsibilities upon Directors and partly as a consequence, your Board has decided

to increase the number of Board Meetings held during the year from 4 to 6 and in addition to hold, annually, a separate strategy meeting.

During the year the Board conducted a thorough review of the Company's audit arrangements and concluded that they should recommend to Shareholders the re-appointment of Ernst & Young LLP as Auditors to the Company.

Management

David Briggs, who has been responsible for the day to day management of the Trust since 1988 will be retiring in June, to be succeeded by Bruce Stout, his current deputy. The Trust has benefited considerably from David's wide ranging knowledge of world economies and stock markets and I would like to thank him, on your behalf, for his dedication to the interests of the Trust. It is particularly fitting that he should be retiring after a year of excellent performance.

Outlook

After such a substantial recovery in global stock-markets in 2003, there is a clear need to meet current market expectations of growth and profits. At the time of writing, the signs seem reasonably good, as data is strong and various leading indicators, such as surveys of investment intentions, hiring plans and confidence generally, continue to improve. There are however, as dealt with more fully in the Investment Manager's Report, valid concerns over the sustainability of the growth dynamic, particularly in the United States. The issues here centre on the highly unusual starting point for this economic cycle, where the scale of current imbalances suggest a need for higher domestic savings, a tightening of fiscal policy and a weaker dollar. The clear implication of the balance of payments and budget deficits is that the current means of delivering economic growth is unsustainable and a weaker dollar is only part of the solution.

Nonetheless, monetary and fiscal policy around the world are likely to remain biased towards economic growth and these policies are not currently constrained by too many signs of inflationary pressures. It seems reasonable therefore to expect positive returns from equity markets, albeit at a more subdued level than in this past year, with a preference for areas where there are fewer imbalances and therefore fewer potential impediments to growth.

J F H Trott
Chairman
16 March 2004

Summary of Investment Changes during the Year

	Valuation		Transactions £'000	Appreciation (depreciation) £'000	Valuation	
	31 December 2002 £'000	%			31 December 2003 £'000	%
Equities						
United Kingdom	126,088	31.8	(2,090)	21,037	145,035	31.6
Americas	64,061	16.2	(186)	10,763	74,638	16.3
Europe & Africa	57,043	14.4	(221)	15,488	72,310	15.8
Japan	31,773	8.0	(296)	2,963	34,440	7.5
Middle East, Far East & Australasia	23,914	6.0	6,716	14,481	45,111	9.8
	302,879	76.4	3,923	64,732	371,534	81.0
Fixed Income						
United Kingdom	64,142	16.2	(17,313)	(1,173)	45,656	10.0
Europe & Africa	39,019	9.8	(5,601)	5,264	38,682	8.4
	103,161	26.0	(22,914)	4,091	84,338	18.4
Other net current (liabilities)/assets	(9,567)	(2.4)	14,133	(1,682)	2,884	0.6
Total Assets	396,473	100.0	(4,858)	67,141	458,756	100.0

Summary of Net Assets

	Valuation	
	31 December 2003 £'000	%
Equities	371,534	100.0
Fixed income	84,338	22.7
Other net assets	2,884	0.8
Prior charges	(87,364)	(23.5)
Equity Shareholders' interest	371,392	100.0

Portfolio of Investments – Twenty Largest Investments

Company	Valuation £'000	Total Assets %
1 (3) Atrium Underwriting (UK) Atrium operates in the Lloyd's insurance market and has four revenue streams: investment returns, agency fees, commission on returns from owned capacity on its syndicates and also from capacity owned as third party syndicates.	18,546	4.0
2 (4) GlaxoSmithKline (UK) GlaxoSmithKline is a world leader in the development, manufacture and marketing of pharmaceuticals with an emphasis on vaccines, antibiotics and cardiovascular and respiratory products.	11,456	2.5
3 (2) BP (UK) BP is one of the world's largest petroleum and petrochemicals groups. Its main activities are: exploration and production of crude oil and natural gas; refining, marketing, supply and transportation of petroleum products; and manufacturing and marketing of petrochemicals.	11,325	2.5
4 (8) Shell Transport & Trading (UK) Shell Transport and Trading owns 40% of the Royal Dutch/Shell Group which is engaged in all phases of the petroleum industry from exploration to processing and distribution. The group operates in over 130 countries. A key policy is to develop renewable energy sources.	10,624	2.3
5 (6) March 2004 S&P Index Future (USA) The S&P Future provides exposure to the S&P 500 Index in the United States.	10,392	2.3
6 (5) Vodafone Group (UK) * Vodafone Group is now the largest mobile telecommunications company in the world and one of the top ten companies by market capitalisation. Overseas acquisitions have added to strong organic growth.	10,366	2.2
7 (7) The Royal Bank of Scotland (UK) The Royal Bank of Scotland is now the UK's second largest bank. Currently the Bank's main operations are based in the UK where it has 20 million customers and 2,287 branches. It has a very successful US operation called Citizens which is seen as the growth engine of the future.	7,242	1.6
8 (10) AstraZeneca (UK) AstraZeneca was formed by merger in 1999. The group is involved in pharmaceuticals, agro-chemicals and speciality chemicals. The pharmaceutical division focuses on oncology, anti-ulcer, cardiovascular and respiratory treatments.	6,700	1.5
9 (-) Petrochina (China) Petrochina explores, develops and produces crude oil and natural gas. The company also refines, transports and distributes crude oil and petroleum products, produces and sells chemicals and transmits, markets and sells natural gas.	6,422	1.4
10 (11) Barclays (UK) * Barclays, operating in over sixty countries worldwide, offers commercial and investment banking, insurance, investment products and related financial services to a broad range of retail and business customers. Through the acquisition of the Woolwich the company has expanded in the UK mortgage business.	6,093	1.3
Top Ten Investments	99,166	21.6

Company	Valuation £'000	Total Assets %
11 (9) Abbey National (UK) * Abbey National, a demutualised building society, is now a broad based financial services provider in the UK with some 15 million customers. The group offers mortgages and personal savings schemes as well as banking, pension, investment, life and general insurance services.	6,022	1.3
12 (17) HSBC Holdings (UK) * HSBC is one of the largest banking and financial services companies in the world. The group's international network comprises more than 5,000 offices in 80 countries, operating in the Asia Pacific region, Europe, the Americas, the Middle East and Africa. It has its headquarters in London.	5,970	1.3
13 (16) Petrobras ADR (Brazil) Petrobras, Brazil's leading energy group, produces oil and gas from extensive reserves throughout the country. It also produces a wide range of derivative products, petrochemicals and fuel alcohol.	5,956	1.3
14 (18) British American Tobacco * British American Tobacco is the holding company for a group of companies that manufacture, market and sell cigarettes and other tobacco products. The group sells over 300 brands in approximately 180 markets around the world.	5,743	1.2
15 (-) GUS (UK) * GUS is a retail and business services group. The company provides information and customer relationship management services through Experian, general merchandise through Argos Retail Group and luxury goods through a majority shareholding in Burberry Group Plc.	4,725	1.0
16 (-) Volvo (Sweden) * Volvo AB manufactures trucks, buses, marine and industrial engines and aerospace equipment. The company also offers repair and maintenance, lease financing, insurance and financial services to its customers. Volvo manufactures and markets its products worldwide.	4,522	1.0
17 (-) Aviva (UK) Aviva is an international insurance company, which provides all classes of general and life assurance, including fire, motor, marine, aviation and transport insurance. Aviva operates under Norwich Union, Delta Lloyd, Commercial Union, Hibernian and NZI. They also supply a variety of financial services, including unit trusts, stockbroking, long-term savings and fund management.	4,108	0.9
18 (-) J Sainsbury (UK) J Sainsbury is a major food retailer with supermarket chains in both the UK and the USA.	3,941	0.9
19 (-) Tenaris ADR (Mexico) Tenaris manufactures, markets and distributes welded and seamless steel pipe. The company produces casing, tubing, pipeline and mechanical tubes for the oil and gas and energy industries and for mechanical applications and distributes its products worldwide.	3,918	0.9
20 (-) United Health Group (USA) United Health Group owns and manages organised health systems in the United States and internationally. The company provides employers products and resources to plan and administer employee benefit programs. United Health also serves the health needs of older Americans, provides specialised care services and provides health care information and research.	3,736	0.8
Top Twenty Investments	147,807	32.2

Notes:

* Holding comprises equity and fixed income securities

The value of the 20 largest investments represents 32.2% (2002-34.6%) of total assets. The figures in brackets denote the position at the previous year end. (-) denotes not previously in 20 largest investments.

Portfolio of Investments

As at 31 December 2003

Company	Valuation £'000	Total Assets (%)	Company	Valuation £'000	Total Assets (%)
UNITED KINGDOM	142,609	31.1	Finland	1,571	0.3
Abbey National	1,805	0.4	Stora Enso	1,571	0.3
Anglo American	2,160	0.6	France	10,162	2.2
AstraZeneca	6,700	1.5	Schneider Electric	1,829	0.4
Atrium Underwriting	18,546	4.0	Aventis	1,506	0.3
Aviva	4,108	0.9	Sanofi-Synthelabo	1,934	0.4
BAE Systems 7.75% NCCRP	1,220	0.3	Total	2,745	0.6
Barclays	4,559	1.0	Valeo	2,148	0.5
BG	1,096	0.2	Germany	4,745	1.0
BHP Billiton	2,437	0.5	Porsche Non voting	1,983	0.4
BOC	1,799	0.4	Metro	2,762	0.6
BP	11,325	2.5	Italy	10,609	2.2
British American Tobacco	4,235	0.9	ENI	3,394	0.7
BT Group	2,447	0.5	RAS	2,477	0.5
Cadbury Schweppes	1,871	0.4	San Paolo - IMI	2,826	0.6
Centrica	1,329	0.3	T.I.M.	1,912	0.4
Diageo	3,313	0.7	Netherlands	13,708	3.1
Emap	1,028	0.2	Reed Elsevier	1,608	0.4
GlaxoSmithKline	11,456	2.5	IHC Caland	1,818	0.4
GUS	2,939	0.6	ING Group	3,110	0.7
Hanson	1,008	0.2	Royal Dutch Petroleum	2,179	0.5
HSBC Holdings	4,179	0.9	TPG	1,673	0.4
Intercontinental Hotels	1,076	0.2	Vedior	3,320	0.7
Land Securities	3,224	0.7	Spain	9,083	2.0
National Grid Transco	2,001	0.4	Altadis	2,536	0.6
Rio Tinto	1,274	0.3	Iberdrola	2,745	0.6
The Royal Bank of Scotland	7,242	1.6	Telefonica	1,869	0.4
J Sainsbury	3,941	0.9	Union Elec Fenosa	1,933	0.4
Scottish & Newcastle	1,097	0.2	Sweden	7,249	1.6
Scottish Power	1,117	0.2	Nordea	3,483	0.8
Scottish and Southern Energy	1,447	0.3	Volvo	3,766	0.8
Shell Transport & Trading	10,624	2.3	Switzerland	7,727	1.7
Slough Estates	1,801	0.4	Nestle	2,538	0.6
Smiths Group	1,190	0.3	Roche Holdings Genusscheine	1,512	0.3
Standard Chartered	2,533	0.6	Swiss Reinsurance	1,625	0.4
Tate & Lyle	1,028	0.2	Zurich Financial Services	2,052	0.4
Unilever	1,653	0.4	EUROPE		
Vodafone	8,864	1.9	Belgium	2,532	0.6
Weir	1,280	0.3	Interbrew	2,532	0.6
Wolverhampton & Dudley Breweries	1,657	0.4	Denmark	4,327	1.0
			Danske Bank	2,107	0.5
			TDC	2,220	0.5

Portfolio of Investments – continued

Company	Valuation £'000	Total Assets (%)	Company	Valuation £'000	Total Assets (%)
JAPAN	28,597	6.3	March 2004 S&P Index Future	10,392	2.3
Aisin Seiki Company	1,387	0.3	Marsh & McLennan	1,604	0.4
Alpine Electronics	1,074	0.2	Microsoft	2,850	0.6
Amada Company	1,076	0.2	Pepsico	2,996	0.7
Canon	1,064	0.2	Pfizer	1,973	0.4
Daito Trust Construction	1,256	0.3	Quest Diagnostics	2,798	0.6
Fuji Photo Film	1,205	0.3	Southern Company	1,405	0.3
Honda Motor	1,213	0.3	Transocean	1,609	0.4
Kaneka Corporation	1,402	0.3	United Health Group	3,736	0.8
Kao Corporation	1,239	0.3	United Technologies	2,117	0.5
Kyocera	1,131	0.2	Viacom	1,958	0.4
Mori Seiki Company	1,296	0.3	Willis Group Holdings	1,902	0.4
Nikko Cordial	1,090	0.2			
Nippon Meat Packer	1,053	0.2	MIDDLE EAST, FAR EAST & AUSTRALASIA		
Nippon TV Network	1,498	0.3	Australia	2,228	0.5
NTT Docomo	1,074	0.2	QBE Insurance Group	2,228	0.5
Orix Corporation	1,149	0.3			
Ricoh	1,257	0.3	China	7,965	1.7
Rinnai Corp	1,210	0.3	China Mobile	1,543	0.3
Shin-Etsu Chemical	1,274	0.3	Petrochina Co	6,422	1.4
Takeda Chem Inds	1,302	0.3			
Takuma Company	1,312	0.3	Hong Kong	4,754	1.1
Toyota Motor Corporation	1,626	0.4	Swire Pacific B	1,765	0.4
Yamanouchi Pharmaceutical	1,409	0.3	Wing Hang Bank	2,989	0.7
AMERICAS			India	6,305	1.4
Brazil	8,058	1.7	ICICI Bank	2,713	0.6
Companhia Energetica Minas			Bharat Petroleum	3,592	0.8
Gerais ADR	1,048	0.2			
Petrobras ADR	5,956	1.3	Indonesia	2,051	0.4
Telecomunicacoes de Sao Paulo ADR	1,054	0.2	Unilever Indonesia	2,051	0.4
Mexico	8,165	1.8	Singapore	4,002	0.9
Aeropuertos del Sureste ADS	1,479	0.3	Oversea Chinese Bank	1,800	0.4
Telefonos De Mexico ADR	2,768	0.6	Singapore Technology Engineering	1,004	0.2
Tenaris Spons ADR	3,918	0.9	United Overseas Banks	1,198	0.3
United States of America	56,629	12.3	Malaysia	1,017	0.2
Altria Group	2,280	0.5	British American Tobacco	1,017	0.2
American Standard Companies	1,591	0.3			
Amgen	1,381	0.3	South Korea	9,193	2.0
Bristol-Myers Squibb	1,725	0.4	Hyundai Motor	2,131	0.5
Chevrontexaco	1,408	0.3	Kookmin Bank	2,615	0.6
EOG Resources	1,032	0.2	KT Corporation	1,567	0.3
Estee Lauder	1,709	0.4	Samsung Electronic	2,880	0.6
Exxon Mobil	1,990	0.4			
Gen Electric Co America	2,507	0.5	Thailand	2,834	0.6
Home Depot	1,472	0.3	PTT Exploration & Production-Foreign	2,834	0.6
Johnson & Johnson	1,763	0.4			
Lexmark International	2,431	0.5			

Company	Valuation £'000	Total Assets (%)
FIXED INCOME		
Sterling	43,207	9.6
Abbey National 10.375% Non Cum Pref	3,102	0.7
Abbey National 7.5% 28/9/2010	1,115	0.2
BCI US Funding Trust 8.25% - 11.0594% 15/7/2008	1,643	0.4
Bombardier Cap Fund 6.75% 14/5/2009	1,517	0.3
Cattles 6.875% 17/1/2014	2,567	0.6
Credit D'Equipement (CEPME) 8.5% Step-Up Perpetual 16/9/2003	1,060	0.2
Daily Mail & General 9.75% 23/9/2005	2,687	0.6
Deutsche Telekom 6.25% 9/12/2010	1,565	0.3
Deutsche Telekom Finance 7.125% 15/6/2005	1,090	0.2
General Accident 7.875% Cum Irrd Pref	3,032	0.7
Halifax 8.75% 10/7/2006	1,088	0.2
HBOS 9.75% Non Cum Irrd Pref	2,574	0.6
Orange 8.875% 6/1/2009	2,125	0.5
Pearson 10.5% 13/6/2008	2,097	0.5
Scottish Power 6.625% 14/1/2010	2,139	0.5
Sunamerica Inst Funding 5.375% 7/12/2009	3,547	0.8
TDL Infomedia 12.125% 15/10/2009	1,658	0.4
Transco 5.375% NTS 7/12/2009	2,509	0.5
UK Treasury 4% 7/3/2009	1,112	0.2
UK Treasury 5% 7/3/2008	1,168	0.3
UK Treasury 7.25% 7/12/2007	1,643	0.4
Union Bank of Switzerland 8% 8/1/2007	2,169	0.5
Europe	34,170	7.1
American Standard Inc 7.125% 1/6/2006	1,064	0.2
Bank of Scotland 6.125% 5/2/2013	1,566	0.3
Barclays Bank 5.75% 8/3/2011	1,534	0.3
Kingdom of Belgium 8% 24/12/2012	1,436	0.3
Bunesobligation 5% 17/2/2006	1,033	0.2
Casino Guichard 6% 6/3/2008	2,266	0.5
Crown Cork & Seal Fin SA 6% 6/12/2004	2,167	0.5
Fixed-Link Finance Bv 7.85% 2/2/2009	1,533	0.3
FBG Treasury 5.75% 17/3/2005	2,189	0.5
GUS PLC 4.125% 12/7/2007	1,786	0.4
HSBC Capital Funding 5.3687% Fix-Float 24/12/2049	1,791	0.4
Government of Hungary 8.50% 12/10/2004	2,410	0.5

Company	Valuation £'000	Total Assets (%)
Jones Lang LaSalle Finance 9% 15/6/2007	1,131	0.2
Olivetti Finance 6.125% 30/7/2009	1,535	0.3
Powergen UK Plc 5% 8/7/2009	1,464	0.3
Publishing & Broadcasting Finance 6.25% 1/11/2006	1,480	0.3
Royal Bank of Canada 3% 15/7/2008	1,508	0.3
Sogerim 6.125% 20/4/2006	1,875	0.4
Valentia Telecommunications 7.25% 15/8/2013	1,363	0.3
VNU NV 6.625% 30/5/2007	1,537	0.3
Vodafone Group 5.75% 27/10/2006	1,502	0.3
Other investments valued at less than £1,000,000	22,375	5.0
Total Investments	455,872	99.4

The Investment Process

Philosophy and Style

Long term investment success demands a clear focus and a sound structure. The Aberdeen Asset Management Group (“AAM”) has, as its primary objective in managing Murray International Trust, to deliver consistent outperformance against the benchmark based on the concept of seeking growth at a reasonable price.

To achieve this, a disciplined investment process has been developed. However, to meet the different performance objectives mandated for specific funds, there is built-in flexibility.

Key decisions are implemented consistently across all funds and portfolio risk limits are set and closely monitored. A continuous watch is kept over critical factors that influence investment decisions, so that when views change, action is taken swiftly and decisively to reposition portfolios.

Asset Allocation

Based on the guidelines set by the AAM Investment Strategy Committee, and after consultation with relevant AAM area specialists, the investment manager of Murray International Trust, David Briggs, recommends asset allocation to the Board. There is a strong “top down” influence to establish the economic overview and to identify potential investment themes. The approach is highly focussed and portfolios are tightly constructed to provide the greatest scope for outperformance within the agreed risk parameters.

For Murray International Trust, regional allocation of funds in line with guidelines set by the AAM Investment Strategy Committee is the first stage of the portfolio construction process. At this stage, house views on specific global sectors are also taken into account.

Established themes and trends are considered within the process of country allocation, which is also influenced by analysis of key data covering

macroeconomic and monetary factors, value and performance. Country selection is driven overall by short and medium term estimates of macroeconomics, politics and liquidity, and the market implications of those.

Stock Selection

The investment manager, David Briggs, has responsibility for portfolio construction across all regional segments. Working closely with the relevant underlying desks in each case, portfolio construction is an interactive process. The Manager utilises a “Global Equity Buy List” which is constructed by each of the specialist country desks. This list contains all buy (and hold) recommendations for each desk, which are then used as the investment universe. If a stock no longer meets the criteria to be included on the Buy List, it is sold within 30 days. This process enables the investment manager to better reflect top down themes that emerge from the global equity strategy and investment themes meetings that take place monthly.

Risk Controls

Integral to the investment process is regular provision, by a specialised team, of performance and risk analysis data to ensure that funds are operated within the terms of their mandate.

As well as market price risk inherent in all portfolio investment, Murray International Trust is also exposed to risk from movements in foreign exchange rates and changes in interest rates. Market price risk is managed by strict adherence to parameters set for portfolio construction. The foreign exchange risk involved may be hedged by the use of forward currency contracts. Interest rate risk lies with the portfolio holdings of fixed income securities and on-call deposits. A detailed risk profile of the Company is given in Note 18 to the financial statements on pages 50 to 53.

Investment Manager's Report

Background

The very sharp rally in global stockmarkets that commenced with the onset of hostilities in Iraq broke a cycle of decline in markets which had persisted since March 2000 and rescued investors from an almost unprecedented fourth consecutive year of decline in global markets. As ever, many factors will have played a role but the key catalysts were the growing awareness that Iraq could be a largely self-contained, albeit difficult, problem and the very clear intention by the US fiscal and monetary authorities to engineer a recovery in economic growth. In the event their efforts were crowned with a greater degree of success than we had thought likely (partly due to the erroneous assumption that the consumer might be reluctant to assume ever higher levels of debt) and market returns exceeded the manager's expectations.

Currency movements played a major part in establishing overall market returns. In local currency terms most major market areas were relatively tightly bunched in a range of +18.7% for the UK to +28.4% for the USA. When expressed in sterling, however, which reflects the weakness of the dollar and the strength of the euro, a wider spread of returns was apparent in a range of +15.4% for the USA to +29.8% for Europe - ex UK.

Performance

The Net Asset Value Total Return for the year to 31 December 2003 with net dividends reinvested was +25.5% compared with a return on the benchmark index of +19.9%. A full attribution analysis is given on page 22 which details the various influences on the performance of the portfolio and it is pleasing to note that each of the main drivers of performance contributed positively to the overall results for the year. In summary, of the 690 basis points (before expenses) of performance above the index, asset allocation contributed 530, stock selection 160 and structural effects relating to the fixed interest portfolio, net of borrowing and hedging costs, 40 basis points. Within asset allocation, the largest contribution came from our significant overweighting of the Pacific - ex Japan region but there were also material contributions from an overweight position in emerging markets and in Europe (the latter in part due to currency strength). Stock selection within these regions, with the exception of Japan, was generally good and particularly so in Europe and in Asia. It should be noted that all of the stock

selection contribution in the UK came from Atrium Underwriting, which enjoyed another very good year.

USA

After an extended period of monetary easing the US economy began meaningfully to pick up pace in the third quarter. The additional catalysts for recovery will no doubt be seen to include the removal of uncertainty over Iraq, significant fiscal stimulation and the clearly expressed intention of the central bank to use unconventional monetary policy, if necessary, to stimulate recovery. It might seem churlish to question the sustainability of this recovery when it seems only just to have started, but there is no doubt that the starting point of this "recovery" is very unusual. In the past the starting point for recovery has seen a US current account that is more or less in balance and a private sector savings rate of c.5% of GDP. Currently we have a US current account deficit of 5% of GDP, a budget deficit of similar magnitude and private sector dissaving. The recession that occurred in the aftermath of the stock market and capital spending bubble was mild precisely because the consumer was able to keep going due to growth in his disposable "income" (lower interest rates leading to sharply lower borrowing costs and to mortgage refinancing gains, equity extraction from a still buoyant housing market and, latterly, to significant tax cuts). However, he enters 2004 with record levels of debt and effectively with no pent-up demand but with the prospect of the unwinding of some of these impulses to his spending power. Fortunately there are signs of a pick-up in corporate capital spending and some recovery in the employment numbers (albeit unusually subdued) which will be helpful but it is uncertain whether overall growth in incomes, which is key to sustaining growth at forecast levels, can come in at the level required to meet these forecasts.

In classical economics when the public sector goes into substantial deficit the private sector rebuilds its savings and vice-versa. The current situation is distinctly lop-sided in this regard and it is foreigners who are financing the US savings shortfalls albeit at ever declining levels of the dollar. It remains the manager's view that the medium-term implication of this situation is a slower pace of US economic growth and a continuation of the dollar's downtrend, but a weaker currency does not of itself address the fundamental imbalances of a savings short economy.

The FTSE-World US index enjoyed a significant rally of some 28.4% in dollar terms which was significantly eroded in sterling terms (to +15.4%) by dollar weakness. Expectations for economic recovery drove technology issues in particular as well as non-dividend paying and arguably lower grade companies (seen to be in some trouble e.g. for balance sheet or pension funding reasons) which was not helpful to our portfolio in the US. However, the overall portfolio stance of being significantly underweight US dollar assets was vindicated and, given the reservations expressed above on current imbalances and concerns over relative valuations, the manager intends to retain this underweighting for the time being.

UK

Recent economic numbers in the UK have tended to improve, as have forward looking surveys of confidence and intentions. In many respects, however, the UK economy bears more than a passing resemblance to some of the more concerning issues manifest in the US economy. For example, corporate balance sheet problems have been replaced by deterioration in both the household and public sector balance sheets and a growing current account deficit. The UK consumer has not been slow to avail himself of easily granted credit at ever lower interest rates or to spend the equity he can extract from rising house prices, now at very extended levels. This has allowed the UK to avoid a recession but means that many sectors are now even more indebted than when the economy entered the recent slow-down. The Chancellor will no doubt have enjoyed being able to present economic numbers close to forecast in his pre-budget statement to the House, but he may nonetheless be shifting a little uneasily in his seat. For example, to the extent that the budget deficit (some £10bn above forecast) is structural rather than cyclical this should be addressed by fiscal tightening. This however raises a number of questions. Does the electoral timetable permit? Can he do so and retain leadership aspirations?

In short, the manager does not believe that the UK economy is quite the role model that some would have us believe. That said, the valuation and, especially, the level of yield in the global context are both relatively attractive and we have retained a weighting which is close to benchmark. As is evident from the analysis on page 22 overall performance

was ahead of benchmark but, for the second year in a row, this was due entirely to another strong performance from our large holding in Atrium Underwriting which gained 58.5% over the year. On the negative side, our overweighting of the energy sector was particularly unhelpful. Given widespread expectations that the oil price would drop to \$22 barrel after the Iraqi war (Brent is currently \$31 a barrel and will have averaged \$28 for the year) and given strong balance sheet and attractive dividend yields it is a little difficult to understand exactly why this should have been the case. Going forward the manager sees some merit in maintaining this position both on valuation/yield considerations and as a hedge against any unpleasant occurrence in a still volatile region.

Europe

Recovery to date in Europe has been more subdued, lagging the US in particular, partly because recovery has been predominantly export led (despite the strength of the Euro) and partly because the ECB was more cautious in the pace at which it reduced interest rates. However cyclical indicators suggest the recovery has gathered momentum during the fourth quarter of 2003, improving the outlook for 2004. Whether the pace of recovery in European growth can be sustained will largely depend on recovery in household consumption, for which the signs are mixed. Consumer confidence has slightly improved but a convincing recovery in retail sales or other spending data is not yet evident. At least the European consumer still has a relatively high savings rate and a relatively low debt ratio and consumer spending can be supported by modest changes to both. Of course the strength of the Euro is seen as an impediment to growth but this perhaps needs to be put in perspective. For example, ahead of the Euro's debut some five years ago, the large majority of academic and economic research, working from first principles, concluded that the currency was somewhat undervalued. Of course it then fell sharply for almost three years and is only now back to its original starting point in January 1999. Moreover the issue is much more complex at the individual company level. For global corporations what matters most is where value is added (and not the country of incorporation) as well as issues such as financing structure, outsourcing, forward contracts and currency hedging policies.

In overall stock market terms, and very much against the consensus forecast, Europe was the best performing global region in sterling terms and our overweighting of the region was thus a positive for the portfolio. Once again stock selection within Europe was positive, as shown on page 22, aided by positions in cyclical stocks, sensitive to economic recovery and with cheap valuations, such as Metro and Porsche in Germany, Vedior in the Netherlands and Volvo in Sweden. Our overweighting of the energy sector, despite cheap valuations, was an adverse factor as was our underweighting of banks although the holding in San Paulo IMI performed spectacularly well. A purchase of ING (Dutch insurer) at the peak of the Iraq crisis proved to be well timed and helped to add value. Going forward relative valuations in the global context are still supportive of our overweighting of this region.

Japan and Asia

Economic developments in Japan have been distinctly enigmatic and have promised only to deceive on several occasions. Japan has for some time been very dependent on the external environment and still appears to be following a typical export led path in a cyclical upswing. Importantly, however, it now seems that the outlook for the consumer may also be brightening with positive nominal wages growth, falling unemployment and (finally!) stabilisation in consumer prices after a long period of deflation. In this environment the growth in intra-Asian trade - Japanese exports to Asia rose c.14% and to China by 40% - could lead to a better prospect for capital spending and consumption. The Japanese stock market return of 23.3% was usefully above our benchmark, justifying our overweighting this market. Unfortunately we suffered badly from stock selection within the market as performance was heavily concentrated within sectors wholly or mainly exposed to the domestic economy. For example, Japanese banks, some of which may still be technically insolvent, soared whilst successful global corporations (including, of course, most exporters) languished at least in a relative sense. Growth in the rest of Asia continued to pick up strongly, notwithstanding a set back at the time of the SARS outbreak, partly as a natural process of recovery from the regional problems of 1997/98, partly due to dollar currency links and, to an increasing extent, to

the rapid expansion of demand in China. Whilst it is the case that the global economy is increasingly interconnected in some obvious ways ("globalisation", outsourcing, cyclical convergence) the Asian region has benefited from major strides being made by some very large "emerging" economies such as China and India, and is less dependent on the major Western economies; also importantly has significantly reduced its exposure to unpredictable short-term capital flows. The Chinese economy continues to grow at close to 9% and unsurprisingly this pace of advance brings with it concerns of overheating. The Chinese authorities have responded by implementing several measures to curb excessive lending and speculation in the property market, whilst other limiting factors, such as the availability of power, may serve to curb the rate of growth. Nonetheless growth is expected to remain strong and a positive for the region. Pressures to revalue the renminbi, largely emanating from the USA for political reasons, have increased in recent months. It is the manager's view that there are a number of structural reasons why the Chinese would resist such pressures. The optimum solution eventually might be to re-peg to a basket of currencies, thereby locking in the advantage already secured against non-dollar currencies within a more flexible framework for the future.

The Asian region performed strongly over the year and the overweighting to the region contributed positively. In addition the portfolio benefited from very strong stock selection numbers as can be seen from the attribution analysis. Of particular note were the various energy exposures (perhaps suggesting the sector is less homogeneous than generally supposed!) with Bharat Petroleum in India, PTT Exploration in Thailand and Petrochina all registering significant gains, the last by a remarkable 187% in local currency. Going forward the manager believes valuations in the region relative to growth expectations remain more attractive than for any other major region. Clearly China now assumes a much greater importance than in the past and developments there will have to be closely monitored.

Outlook

The rally that has occurred in global markets since the low point in the spring has exceeded the manager's expectations but may be fully justified if the growth rates currently observed in the USA, and

forecast for 2004, can be sustained. It will be obvious from the US section above that the manager has reservations on this score, indeed, insofar as it is possible to form a long-term view, the manager believes that the de-rating of the US market could be a multi-year event. On the other hand the Asian region appears only partly to have recovered the rating enjoyed prior to the 1997 debacle and has not enjoyed the sort of “blow-out” performance that normally precedes a problem (although some stocks have). Japan as ever remains a puzzle, but one where there may at last be some signs of an improving domestic economy. If return on an invested capital and the profits share in national income were to “normalise”, Japan would be the most attractive

market in the world, but we cannot say that we know we will reach this point in the near future. Both Europe and the UK look reasonably priced relative to expectations, but the manager has a preference for Europe partly because the euro is seen as the more attractive currency and partly because fewer imbalances within the economy afford greater flexibility. The manager thus perceives a rather mixed outlook for the year ahead but there remains scope for further improvement in some equity markets.

David Briggs
Investment Manager
16 March 2004

Attribution Analysis

Year ending 31 December 2003

	Murray		Benchmark		Contribution from:		
	International Trust				Asset	Stock	Total
	Weight	Return	Weight	Return	Allocation	Selection	
	%	%	%	%	%	%	%
UK	38.2	22.0	40.0	18.7	(0.2)	1.4	1.2
North America	15.5	13.9	37.5	16.4	0.6	(0.3)	0.3
Europe ex UK	18.7	35.4	11.9	29.8	0.7	0.9	1.6
Japan	9.3	10.9	5.7	23.0	0.3	(1.3)	(1.0)
Asia Pacific ex Japan	11.2	63.3	3.8	28.6	2.6	0.7	3.3
Emerging Europe, Middle East & Africa	0.2	19.9	0.5	34.6	(0.1)	0.0	(0.1)
Latin America	4.4	62.1	0.5	52.5	1.0	0.2	1.2
Fixed Interest & Capital Structure	2.5	–	–	–	0.4	–	0.4
Portfolio Return	100.0	26.8	100.0*	19.9	5.3	1.6	6.9
Management fees and expenses		(1.0)		–			(1.0)
Technical differences		(0.3)		–			(0.3)
Total Return		25.5		19.9			5.6

* Rounding difference

Benchmark is 40% FT World UK/60% FT World ex UK.

Selection effect – measures the effect of security selection within each category.

Allocation effect – measures the impact of over or underweighting each asset category, relative to the benchmark weights.

Fixed Interest & Capital Structure – measures the net impact of borrowing, cash and fixed interest instruments.

Management fees and expenses – these reduce total assets and therefore reduce performance.

Technical differences – include timing and rounding.

Source: AAM/Russell Mellon Analytical Services

Distribution of Investments

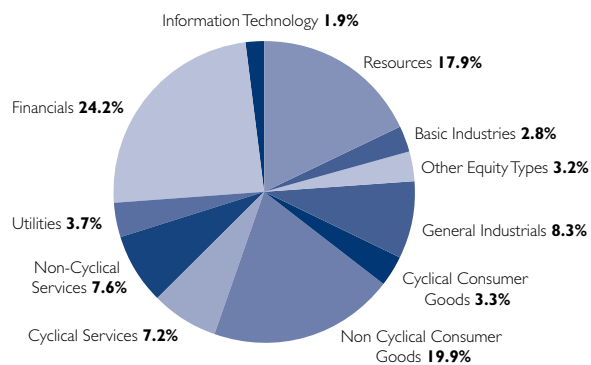
As at 31 December 2003

Sector/Area	United Kingdom	Americas	Europe & Africa	Middle East Far East & Australasia		2003 Total	2002 Total
	%	%	%	Japan %	%	%	%
Resources	6.0	3.7	1.8	–	3.0	14.5	12.0
Mining	1.0	–	–	–	0.3	1.3	1.3
Oil & Gas	5.0	3.7	1.8	–	2.7	13.2	10.7
Basic Industries	0.6	–	0.3	1.4	–	2.3	2.9
Chemicals	0.4	–	–	0.6	–	1.0	1.5
Construction & Building Materials	0.2	–	–	0.5	–	0.7	0.4
Forestry & Paper	–	–	0.3	–	–	0.3	0.7
Steel & Other Metals	–	–	–	0.3	–	0.3	0.3
General Industrials	0.9	1.3	1.6	1.7	1.2	6.7	6.3
Aerospace & Defence	0.6	0.5	–	–	0.2	1.3	1.1
Diversified Industrials	–	0.5	0.4	–	0.4	1.3	1.4
Electronic & Electrical Equipment	–	–	0.4	0.9	0.6	1.9	2.9
Engineering & Machinery	0.3	0.3	0.8	0.8	–	2.2	0.9
Cyclical Consumer Goods	–	–	0.9	1.3	0.5	2.7	1.8
Automobiles & Parts	–	–	0.9	0.9	0.5	2.3	1.6
Household Goods & Textiles	–	–	–	0.4	–	0.4	0.2
Non-Cyclical Consumer Goods	6.8	4.5	2.8	1.4	0.6	16.1	15.6
Beverages	0.9	0.7	0.6	–	–	2.2	2.1
Food Producers & Processors	1.0	–	0.6	0.2	0.4	2.2	2.0
Health	–	1.4	–	–	–	1.4	0.8
Personal Care & Household Products	–	0.4	–	0.6	–	1.0	1.0
Pharmaceuticals and Biotechnology	4.0	1.5	1.0	0.6	–	7.1	7.9
Tobacco	0.9	0.5	0.6	–	0.2	2.2	1.8
Cyclical Services	1.9	1.0	2.1	0.6	0.2	5.8	6.9
General Retailers	0.7	0.3	0.6	–	0.2	1.8	2.6
Leisure & Hotels	0.6	0.4	–	–	–	1.0	0.6
Media & Entertainment	0.6	–	0.4	0.6	–	1.6	2.4
Support Services	–	–	1.1	–	–	1.1	0.8
Transport	–	0.3	–	–	–	0.3	0.5
Non-Cyclical Services	3.3	0.8	1.3	0.2	0.6	6.2	5.6
Food & Drug Retailers	0.9	–	–	–	–	0.9	0.7
Telecommunication Services	2.4	0.8	1.3	0.2	0.6	5.3	4.9
Utilities	1.4	0.6	1.0	–	–	3.0	2.9
Electricity	0.5	0.6	1.0	–	–	2.1	2.4
Other Utilities	0.9	–	–	–	–	0.9	0.5
Financials	10.7	0.7	4.0	0.5	3.7	19.6	17.6
Banks	4.6	–	2.0	–	2.8	9.4	9.1
Insurance	4.1	0.7	2.0	–	0.6	7.4	5.3
Life Assurance	0.9	–	–	–	–	0.9	1.2
Investment Companies	–	–	–	–	–	–	0.3
Real Estate	1.1	–	–	–	0.1	1.2	1.0
Speciality & Other Finance	–	–	–	0.5	0.2	0.7	0.7
Information Technology	–	1.1	–	0.4	–	1.5	2.5
Information Technology Hardware	–	0.5	–	0.4	–	0.9	1.6
Software & Computer Services	–	0.6	–	–	–	0.6	0.9
Other Equity Types	–	2.6	–	–	–	2.6	2.3
Futures & Options	–	2.4	–	–	–	2.4	2.3
Unit Trusts, Webs & Baskets	–	0.2	–	–	–	0.2	–
Total Equities	31.6	16.3	15.8	7.5	9.8	81.0	76.4
Fixed Income	10.0	–	8.4	–	–	18.4	26.0
Total Investments	41.6	16.3	24.2	7.5	9.8	99.4	102.4
Other net assets/(liabilities)						0.6	(2.4)
Total Assets						100.0	100.0

Distribution of Equity Investments

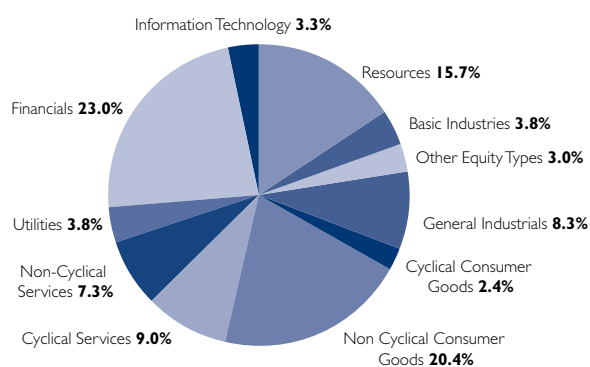
Total equities distribution by sector

as at 31 December 2003 (81.0% of total assets)



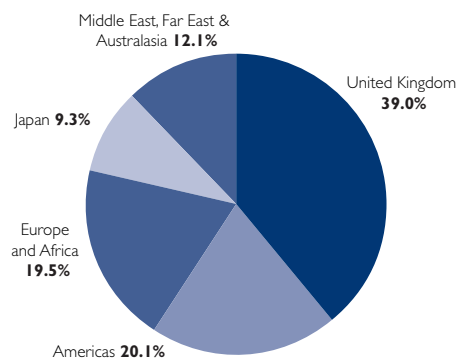
Total equities distribution by sector

as at 31 December 2002 (76.4% of total assets)



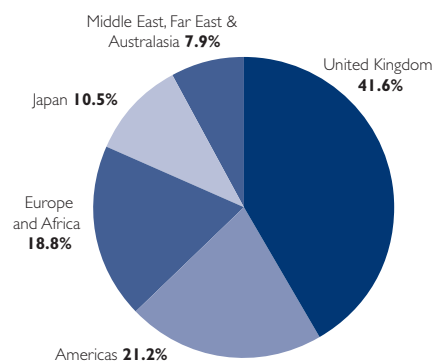
Total equities distribution by geographical region

as at 31 December 2003 (81.0% of total assets)



Total equities distribution by geographical region

as at 31 December 2002 (76.4% of total assets)



Note: The percentage distributions by sector as shown on page 23 have been rebased in the sector comparison pie chart to total 100%.

Murray International Trust PLC

Directors' Report & Financial Statements

Year ended 31 December 2003

Directors' Report

The Directors submit their Annual Report together with the financial statements of the Company for the year ended 31 December 2003.

Review of the business

A review of the Company's operations and its prospects is given in the Chairman's Statement on pages 10 and 11 and in the Investment Manager's Report on pages 19 to 22.

Notice of Meeting

As a consequence of the Board deciding to put forward to Shareholders additional resolutions in respect of proposals to change the level and basis of the Management fee and to change the Articles of Association of the Company, a Circular is enclosed with the Annual Report and Financial Statements. Therefore, the Notice of Meeting is incorporated in the Circular rather than the Annual Report, as is usually the case.

Principal activity and status

The Company is an investment company within the meaning of Part VIII of the Companies Act 1985 and carries on business as an investment trust. In the opinion of the Directors of the Company, its affairs have been conducted in a manner to satisfy the conditions to enable it to continue to obtain approval as an investment trust under Section 842 of the Income and Corporation Taxes Act 1988. The Inland Revenue will grant Section 842 status, if requested, provided that the Company's affairs have been conducted in such a manner as to satisfy the conditions of that section. Inland Revenue approval for such status has been given for the year ended 31 December 2002.

Results and dividends

The revenue attributable to equity Shareholders for the year amounted to £11,507,000.

Three interim dividends each of 3.45p per share for the year ended 31 December 2003 were paid on 15 August 2003, 17 November 2003 and 16 February 2004. The Directors now recommend a final dividend for the year ended 31 December 2003 of 5.95p per Ordinary share payable on 21 May 2004 to holders of Ordinary shares on the register at close of business on 23 April 2004 making a total distribution to Ordinary Shareholders of £14,081,000, as shown in Note 7. The sum of £2,574,000 has been deducted from the Company's revenue reserve.

The Directors also recommend:

- (1) that three interim dividends for the year ending 31 December 2004, each of 3.45p per share on the Ordinary shares in the capital of the Company in issue on 25 June 2004 be paid on 16 August 2004, 17 November 2004 and 16 February 2005 to the persons who at close of business on 23 July 2004, 22 October 2004 and 21 January 2005 respectively, are the holders of such shares.
- (2) the distribution to B Ordinary Shareholders by way of capitalisation of reserves of 3.8449 B Ordinary shares created as fully paid for every 100 B Ordinary shares held at close of business on 23 April 2004. This capitalisation issue is in accordance with the dividend provisions of the Articles of Association of the Company and is equivalent in asset value to the final and interim dividends now recommended on the Ordinary shares but excluding any tax credit thereon. Subject to the approval of Shareholders, definitive certificates in respect of the capitalisation issue will be posted on 21 May 2004.

Applications will be made to the UK Listing Authority for 44,124 B Ordinary shares of 25p each to be admitted to the Official List and to the London Stock Exchange for admission to trading. Dealings are expected to commence on 24 May 2004.

Resolution No.8 to approve the above distribution will be proposed at the Annual General Meeting, as printed in the Notice of Meeting.

The Net Asset Value per Ordinary share at 31 December 2003 was 424.2p (2002 – 352.8p).

Share Repurchases and Issue of shares

In view of the option now available, whereby the Company can purchase its own shares and hold them in Treasury for subsequent resale or cancellation, it is necessary to amend the Articles of Association of the Company to exclude shares held in Treasury from the shares in issue for the purpose of calculating the scrip dividend and to ensure compliance with the Listing Rules. Consequently details regarding share repurchases and issue of shares are contained in the Circular accompanying this Annual Report, together with the relevant resolutions thereon. There were no share repurchases during the year ended 31 December 2003.

Share capital

The issued Ordinary share capital at 31 December 2003 and 19 March 2004 amounted to 86,412,599 Ordinary and 1,147,599 B Ordinary shares.

Share interests

At 19 March 2004 the following share interests in the Company had been notified:

	Ordinary shares of 25p	Percentage of Ordinary capital
D C Thomson Pensions of which the undernoted has a holding of 3% or over:		
D C Thomson & Company Limited	3,930,000	4.55
D C Thomson & Company Limited	2,780,000	3.22
Legal & General Investment Management	2,629,189	3.04

	B Ordinary shares of 25p	Percentage of B Ordinary capital
Captain J N B Baillie Hamilton & Others MBH a/c	187,292	16.32

Directors

The Directors, who held office during the year under review, are shown on pages 3 to 5 of the Annual Report and their interests are shown below.

All the Directors held office throughout the year under review, with the exception of Lady Balfour of Burleigh, who was appointed a Director on 30 September 2003.

Lady Balfour of Burleigh, whose biography appears on page 3, retires at the Annual General Meeting, being the first Annual General Meeting following her appointment and, being eligible, offers herself for re-election. Mr J F H Trott, whose biography appears on page 3, retires by rotation at this time and, being eligible, offers himself for re-election. Resolutions numbered 4 and 3 to this effect will be proposed at the Annual General Meeting.

The Company's Articles provide that once a Director has passed the age of 70 he should submit himself for reappointment each year. As Sir Raymond Johnstone is 74, Resolution No.7 proposes an Ordinary Resolution for his reappointment. Sir Raymond's biography appears on page 4. The remaining Directors believe that Sir Raymond's reappointment is appropriate due to his expertise and experience and the significant contribution he continues to make to the Board's deliberations.

In accordance with the Articles of Association, Directors must offer themselves for re-election at least once every three years. For those Directors who are not seeking re-election at this time, it has been less than three years since their previous re-election.

No contract or arrangement significant to the Company's business and in which any of the Directors is interested has subsisted during the year.

Directors' interests

The interests of the Directors in the Ordinary share capital of the Company were as follows:

	31 December 2003		31 December 2002	
	Beneficial	Non-Beneficial	Beneficial	Non-Beneficial
J F H Trott	15,000	—	15,000	—
Lady Balfour of Burleigh*	1,300	—	—	—
D H Benson	4,000	—	4,000	—
Sir Raymond Johnstone	9,273	18,191	9,170	18,191
A C Shedden	2,337	—	1,742	—

* appointed 30 September 2003.

Mr A C Shedden's beneficial holding increased to 2,461 Ordinary shares by the acquisition, through the Share Plan, of 52 Ordinary shares, 21 Ordinary shares and 51 Ordinary shares on 22 January 2004, 16 February 2004 and 23 February 2004 respectively. Sir Raymond Johnstone's beneficial holding increased to 19,280 Ordinary shares and 10,000 B Ordinary shares by the acquisition of 10,000 B Ordinary shares and 10,000 Ordinary shares on 6 February 2004 and by the acquisition through the Share Plan, of 7 Ordinary shares on 16 February 2004. As at 19 March 2004 there have been no other changes in the above holdings.

Directors' fees

A report on the Directors' Remuneration is set out on pages 30 and 31.

Manager and Company Secretary

Investment management services are provided to the Company by Aberdeen Asset Managers Limited. Company secretarial, accounting and administrative services are provided by Aberdeen Asset Management PLC.

For the year ended 31 December 2003, the management and secretarial fees payable to the Manager were calculated and charged on the following basis:

- (a) an investment management fee payable to the Manager, Aberdeen Asset Managers Limited, of 0.6% per annum of the value of total assets, less unlisted investments and all current liabilities excluding monies borrowed to finance the investment objectives of the Company, averaged over the six previous quarters. A fee of 1.5% per annum is charged on the value of unlisted investments. The investment management fee is chargeable 30% against revenue and 70% against realised capital reserves; and
- (b) included in the charge of 0.6% in part (a) above is a secretarial fee of £100,000 per annum which is chargeable 100% to revenue.

No fees have been charged in the case of investments managed or advised by Aberdeen Asset Management Group. The management agreement may be terminated by either party on the expiry of one year's written notice. On termination, the Manager would be entitled to receive fees which would otherwise have been due up to that date.

Information on the proposals regarding changes to the Management fee are contained in the Circular accompanying the Annual Report and the Chairman's Statement on pages 10 and 11.

The Board considers the continued appointment of the Manager to be in the interests of the Shareholders because the Aberdeen Asset Management Group has the investment management, secretarial, marketing and administrative skills required for the effective operation of the Company. Further details are contained in the Circular accompanying this Annual Report.

Corporate Governance

The Statement of Corporate Governance is shown on pages 32 to 36.

Audit Committee

Details of the Audit Committee are contained in the Statement of Corporate Governance under the heading Audit Committee on page 34.

PEP and ISA Status

The Company intends to manage its affairs so as to be a fully qualifying investment trust for inclusion in a general PEP and also so that the Company's shares will be qualifying investments for the stocks and shares component of an ISA.

Going concern

The Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the financial statements. The Company has adequate financial resources to enable it to continue in operational existence for the foreseeable future.

Creditor payment policy

The Company's payment policy is to agree terms of payment before business is transacted, to ensure suppliers are aware of these terms and to settle bills in accordance with them. The Company did not have any trade creditors at the year end.

Annual General Meeting

The Annual General Meeting will be held on 29 April 2004.

Auditors

The Auditors, Ernst & Young LLP, have expressed their willingness to continue in office. Resolution No.5 to re-appoint Ernst & Young LLP as the Company's Auditor will be put to the forthcoming Annual General Meeting, along with Resolution No.6 to authorise the Directors to fix their remuneration. It should be noted that the only fees paid to the Auditors over the past five years have been in respect of audit services.

123 St Vincent Street
Glasgow G2 5EA
29 March 2004

By order of the Board
Aberdeen Asset Management PLC
Secretaries

Directors' Remuneration Report

The Board has prepared this report, in accordance with the requirements of Schedule 7A to the Companies Act 1985. An ordinary resolution for the approval of this report will be put to the members at the forthcoming Annual General Meeting.

The law requires the Company's Auditors to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The Auditors' opinion is included in their report on page 38.

Remuneration Committee

The Company had five non-executive Directors. The Remuneration Committee, chaired by Lady Balfour of Burleigh, comprises the non-executive Directors, excluding the Chairman of the Company as detailed on pages 34 and 35.

Policy on Directors' Remuneration

The Board's policy is that the remuneration of the Directors, all of whom are non-executive Directors, should reflect the experience of the Board as a whole, be fair and comparable to that of other investment trusts in the same AITC Sectors of Global Growth and Income and Global Growth, which also have a similar capital structure, and investment objectives. It is intended that this policy will continue for the year ended 31 December 2004 and subsequent years. Neither the Board nor the Remuneration Committee have been provided with advice or services by any person in respect of its consideration of the Directors' remuneration (although they expect, from time to time, to review the fees paid to the boards of directors of other investment trust companies).

The Company's policy is for the Directors to be remunerated in the form of fees, payable quarterly in arrears, to the Director personally or to a third party specified by him/her. The fees for the non-executive Directors are determined within the limits set out in the Company's Articles of Association, which limit the aggregate of the fees payable to the Directors to £100,000 per annum. The Company's policy is that fees payable to the Directors should reflect the time spent by them on the Company's affairs and should be sufficient to enable candidates of a high quality to be recruited. Non-executive Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits.

During the year ended 31 December 2003 the Remuneration Committee carried out a review of the level of Directors fees and concluded that they were out of line with the fees of the Company's peer group and did not reflect the increased responsibilities required as a result of the new Corporate Governance legislation. Therefore, it was decided that the fees should be increased from their present level of £15,750 for the Chairman and £10,500 for each Director to £21,000 for the Chairman, £14,000 for each Director and a further £1,000 for the Chairman of the Audit Committee, with effect from 1 July 2003. As a result of the increased responsibilities, the Board has decided that the number of Board Meetings held during the year should be raised from 4 per year to 6 per year and in addition, there should be a separate Strategy Meeting held.

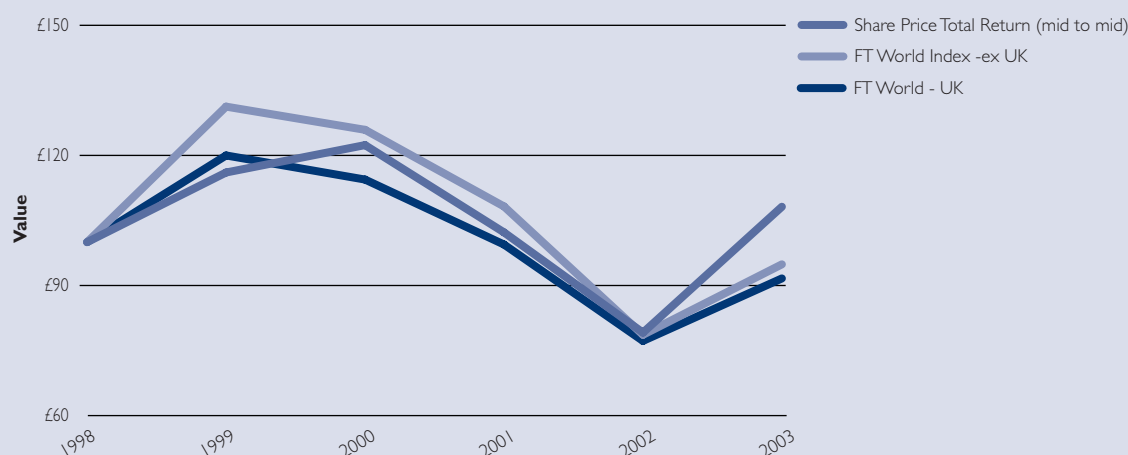
Directors' and officers' liability insurance cover is held by the Company in respect of the Directors. This insurance is neither a benefit in kind nor does it form part of the Directors' Remuneration.

Directors' service contracts

None of the Directors has a contract of service or contract for services and a Director may resign by notice in writing to the Board at any time; there are no set notice periods. All Directors are appointed for an initial period of three years; this period may be varied by mutual consent. The Articles of Association provide that, at the Annual General Meeting each year, one third of the Directors for the time being (or if their number is not a multiple of three, the number nearest to one third) shall be subject to retirement by rotation. Directors, therefore, shall retire and be subject to re-election at the first Annual General Meeting following their appointment and thereafter shall be obliged to retire by rotation, and offer themselves for re-election, at least every three years. Any Director who attains the age of 70 is subject to annual re-election. No compensation is payable for loss of office.

Company performance

The graph below compares the total return (assuming all dividends are reinvested) to Ordinary Shareholders, assuming the notional investment of £100 into the Company on 31 December 1998, compared with the total Shareholder return on a notional investment made up of shares of the same kinds and number as those by reference to which the FTSE World-UK Index and FTSE World Index ex-UK are calculated. These indices were chosen for comparison purposes, as they are components of the Company's benchmark (40% FTSE World-UK and 60% FTSE World ex-UK) and are the benchmarks used for investment performance measurement purposes by most of Murray International's Trust peer group.



Please note that past performance is not a guide to future performance

Directors' emoluments for the year (audited)

The Directors who served in the year received the following emoluments in the form of fees:

	Year ended 31 December 2003	Year ended 31 December 2002
	£	£
Chairman of the Board:		
J F H Trott *	18,375	11,285
The Rt Hon Viscount Younger of Leckie to 6/11/02	–	13,396
Directors:		
Lady Balfour of Burleigh (appointed 30/9/2003)	3,500	–
D H Benson	12,250	10,500
Sir Raymond Johnstone	12,250	10,500
A C Shedden	12,750	10,500
Total	59,125	56,181

* J F H Trott's emoluments include payment for his services as Chairman from 6 November 2002.

Approval

The Directors' Remuneration Report on pages 30 and 31 was approved by the Board of Directors on 4 February 2004 and signed on its behalf by:

29 March 2004

J F H Trott
Director

Statement of Corporate Governance

The Company is committed to a high standard of corporate governance. The Board has put in place a framework for corporate governance, which it believes is appropriate for an investment trust and which enables it to comply with the Combined Code published in 1998, which sets out the Principles of Good Governance and Code of Best Practice. The Board has also reviewed the requirements of the new Combined Code, published in July 2003, although it is not obliged to do so until the year ending 31 December 2004, as it felt it was important to comply with the provisions as soon as practicably possible. Consequently, the Board also explains where it does not comply with the provisions of the new Combined Code.

The Board is accountable to the Company's Shareholders for good governance. The Listing Rules of the UK Listing Authority require the Board to report on compliance with the provisions of the 1998 Combined Code throughout the year ended 31 December 2003. Save the exception outlined below, the Company has complied with the provisions set out in Section 1 of the Combined Code. In addition, the Board reports on the areas of non-compliance with the new Combined Code.

The exceptions to compliance with the Combined Codes, which are explained more fully under the headings of 'The Board' and Audit Committee in the Statement of Corporate Governance and in the Chairman's Statement, were as follows:

- a senior non-executive Director has not been appointed (1998 and 2003 Code Provision).
- performance evaluation of the Board – the explanation for non-compliance is given in the Chairman's Statement on page 11 (2003 Code Provision).
- the Chairman is a member of the Audit Committee – the explanation for non-compliance is given in the Audit Committee on page 34 (2003 Code Provision per Audit Committee Combined Code Appendix).

The Board

The Board consists of five Directors all of whom during the year ended 31 December 2003, with the exception of Sir Raymond Johnstone, were considered to be independent of the investment manager ("Aberdeen Asset Managers Limited" or the "Manager") and free of any relationship which could materially interfere with the exercise of their independent judgement. It should be noted that:

Whilst Lady Balfour of Burleigh has a shared directorship with Sir Raymond Johnstone on the board of The Nuclear Generation Decommissioning Fund Limited, the Board considers her to be independent.

Sir Raymond Johnstone was, until 24 February 1992, the chairman of the former Manager, Murray Johnstone Limited which, in December 2000, became a subsidiary of Aberdeen Asset Management PLC.

Biographies of the Directors appear on pages 3 to 5 of this report and indicate their high level and range of investment, industrial, commercial and professional experience, within an international perspective.

During the year ended 31 December 2003, the Board met five times. In future years, the Board will meet at least six times a year and in addition will hold a strategy meeting. Between these meetings the Board maintains contact with the Manager. It has formally adopted a schedule of matters which are required to be brought to it for decision, thus ensuring that it maintains full and effective control over appropriate strategic, financial, operational and compliance issues. These matters include:

- the maintenance of clear investment objectives and risk management policies;
- the monitoring of the business activities of the Company ranging from comparable investment performance through to annual budgeting and quarterly forecasting and variance analysis;
- Companies Act and listing rule requirements such as the approval of the interim and annual financial statements and approval and recommendation of the interim and final dividends respectively;
- Board appointments and removals and the related terms;
- Appointment and removal of the Manager and the terms and conditions of the management and administration agreements relating thereto;
- Terms of reference and membership of Board Committees; and
- Stock exchange/UK Listing Authority/Financial Services Authority – responsibility such as approval of all circulars, listing particulars and approval of all releases concerning matters decided by the Board.

There is an agreed procedure for Directors to take independent professional advice, if necessary, at the Company's expense. The Directors have access to the advice and services of the Company Secretary through its appointed representatives who are responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

When a Director is appointed, an induction meeting is arranged by the Manager. Directors are provided, on a regular basis, with key information on the Company's policies, regulatory and statutory requirements and internal controls. Changes affecting Directors' responsibilities are advised to the Board as they arise.

The Chairman of the Company is a non-executive Director. A senior non-executive Director has not been appointed as all the Directors are non-executive and the Board considers that each of the Directors has different qualities and areas of expertise on which they may lead.

To enable the Board to function effectively and allow Directors to discharge their responsibilities, full and timely access is given to all relevant information. In the case of Board meetings, this consists of a comprehensive set of papers, including the Manager's Review and discussion documents regarding specific matters. The Board Meetings attended by each Director are contained in 'Your Board' on pages 3 to 5. Lady Balfour of Burleigh has attended all meetings held since her appointment on 30 September 2003.

External agencies

The Board has contractually delegated to external agencies, including the Manager and other service providers, certain services: the management of the investment portfolio, the custodial services (which include the safeguarding of the assets), the registration services and the day to day accounting and company secretarial requirements. Each of these contracts was entered into after full and proper consideration by the Board of the quality and cost of services offered in so far as they relate to the affairs of the Company. The Board receives and considers reports from the Manager on a regular basis. In addition ad hoc reports and information are supplied to the Board as requested.

Committees

The constitution of the Committees changed during the year. Up until 8 December 2003, the whole of the Board were members of all the Committees. From 8 December 2003, the composition of the Committees is as shown below under the headings of each Committee. Terms of reference for the Committees are available on request.

Nomination Committee

A Nomination Committee has been established with written terms of reference and comprises the following members, all of whom are independent and free from any relationship that would interfere with impartial judgement in carrying out their responsibilities:

Mr J F H Trott (Chairman of the Committee)
Lady Balfour of Burleigh
Mr D H Benson
Mr A C Shedden

The Committee makes recommendations to the Board on the following matters:

- The identification and nomination of candidates to fill Board vacancies as and when they arise for the approval of the Board. Members of the Committee put forward candidates who are interviewed by the whole committee and then by the Board;
- Plans for succession;
- The reappointment of any non-executive Director at the conclusion of their specified term of office;
- The re-election by Shareholders of any Director under the retirement by rotation provisions in the Company's Articles of Association;
- The continuation in office of any Director at any one time; and
- The appointment of any Director to another office (e.g. a member of the Audit Committee) other than to the position of Chairman, the appointment of whom would be considered at a meeting of the Board.

The Nomination Committee considered the appointment of a new Director put forward by members of the Board. Following discussion, on 30 September 2003, the Committee recommended to the Board the appointment, as a Director, of Lady Balfour of Burleigh. Her biography and experience are detailed on page 3. It was considered that her knowledge and experience would broaden and enhance the combined experience and abilities of the Board. The appointment was unanimously agreed by the Board.

The Committee further recommended to the Board the nomination for re-election of Mr J F H Trott as his knowledge and wealth of experience and abilities as Chairman are greatly valued by his fellow Directors.

The Committee also recommended to the Board that Sir Raymond Johnstone be reappointed due to his expertise and experience and the significant contribution he continues to make to the Board's deliberations.

Two meetings of the Committee took place during the year, prior to the appointment of Lady Balfour of Burleigh. All members attended both meetings.

Audit Committee

An Audit Committee, which has held 2 meetings during the year attended by all members has been established with written terms of reference and comprises the following members, all of whom are independent and free from any relationship that would interfere with impartial judgement in carrying out their responsibilities:

Mr A C Shedden (Chairman of the Committee)

Lady Balfour of Burleigh

Mr J F H Trott

Mr Benson is a Director and serves on a number of Audit Committees of publicly listed companies in the United Kingdom and the United States where best practice is to limit the number of such appointments. He is therefore, not currently a member of the Audit Committee. The Board concluded that it was necessary to have at least three Committee members and as Sir Raymond Johnstone is not considered to be an independent non-executive Director, it was agreed that the Chairman of the Board, Mr J F H Trott should be appointed as a member of the Committee. The terms of reference of the Audit Committee are reviewed and re-assessed for their adequacy on an annual basis. This Committee reviews the effectiveness of the internal control environment of the Company and receives reports from the internal and external auditors on a regular basis.

The Committee is responsible for review of the Annual Report and Financial Statements and the interim report, terms of appointment of the Auditors together with their remuneration as well as the non-audit services provided by the Auditors, reviewing the scope and the results of the audit and the objectivity of the Auditors. (It should be noted that the Auditors, Ernst & Young LLP, rotate the partner responsible for the audit every five years). The Audit Committee also meets with representatives of the Manager. During the year the Committee conducted a thorough review of the Company's audit arrangements and concluded that the Board should recommend to Shareholders the re-appointment of Ernst & Young LLP as Auditors to the Company.

Management Engagement Committee

A Management Engagement Committee has been established with written terms of reference and comprises the following members, all of whom are independent and free from any relationship that would interfere with impartial judgement in carrying out their responsibilities:

Mr J F H Trott (Chairman of the Committee)

Lady Balfour of Burleigh

Mr D H Benson

Mr A C Shedden

It annually reviews matters concerning the management contract which exists with Aberdeen Asset Managers Limited. The number of meetings held during the year was 1, which was attended by all member of the Committee.

Remuneration Committee and Directors' remuneration

Under the UK Listing Rule 21.20(i), where an investment trust has only non-executive Directors, the code principles relating to Directors' remuneration do not apply. However, the Company does have a Remuneration Committee, comprising the following members:

Lady Balfour of Burleigh (Chairman of the Committee)

Mr D H Benson

Sir Raymond Johnstone

Mr A C Shedden

The remuneration of the Directors has been set in order to attract individuals of a calibre appropriate to the future development of the Company. The Company's policy on Directors' remuneration, together with details of the remuneration of each Director, is detailed in the Directors' Remuneration Report on pages 30 and 31. The number of meetings held during the year was 1, attended by all members.

Directors' terms of appointment

All non-executive Directors are appointed for an initial term of three years, subject to re-election and Companies Act provisions and, in accordance with the existing Articles of Association, stand for election at the first Annual General Meeting following their appointment. The Articles of Association also require that Directors offer themselves for re-election at least once every three years. Any Director who attains the age of 70 is subject to annual re-election.

Communication with Shareholders

The Company places a great deal of importance on communication with its Shareholders. The Manager has an annual programme of meetings with institutional Shareholders and reports back to the Board on these meetings.

The Company has adopted a nominee code, which ensures that, when shares in Murray International Trust are held in the name of nominee companies and notification has been received in advance, nominee operators will be provided with copies of Shareholder communications for distribution to their customers. Nominee investors may attend general meetings and speak at meetings when invited by the Chairman.

Participants in the Savings Plans, whose shares are held in the nominee names of the scheme or plan administrator, are given the opportunity to vote by means of a Letter of Directions enclosed with the Annual Report. The Letter of Directions is forwarded to the administrator of the appropriate scheme, who will complete a proxy on behalf of the participants and forward it to the Company's registrar for inclusion in the voting figures.

Those participants who attend the Annual General Meeting are given the opportunity to speak when invited by the Chairman. As required under the Combined Code, the Annual Report is posted to Shareholders at least twenty business days before the Annual General Meeting. Shareholders are also sent an Interim Report, following the publication of the interim results in August each year.

The Notice of Annual General Meeting sets out the business of the meeting and the resolutions are explained more fully in the Directors' Remuneration Report on pages 30 and 31 and the Directors' Report on pages 26 to 29.

Separate resolutions are proposed for each substantive issue.

The Board is very conscious that the Annual General Meeting is an event which private Shareholders are encouraged to attend and participate. The Manager makes a presentation to the meeting outlining the key issues that affect the Company. All Shareholders have the opportunity to put questions at the Company's Annual General Meeting. The amount of proxy votes is relayed to Shareholders at the Annual General Meeting, after each resolution has been dealt with on a show of hands.

Shareholders also have direct access to the Company via the free Shareholder information telephone service run by the parent Company of the Manager, and the Company or the Manager responds to letters from Shareholders. During the year under review, the Chairman has attended meetings with major Shareholders and will continue to do so. A website from which the Company's reports and other publications can be downloaded is maintained on www.murray-international.co.uk.

Accountability and audit

The Directors' Statement of Responsibilities in respect of the Annual Report and Financial Statements is on page 37 and the Statement of Going Concern is included in the Directors' Report on page 28. The Independent Auditors' Report is on page 38.

Internal control

The Board of Directors of Murray International Trust has overall responsibility for the Company's system of internal control and for reviewing its effectiveness. The Directors confirm that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company, which has been in place for the full year under review and up to the date of approval of the Financial Statements, and that this process is regularly reviewed by the Board and accords with the Turnbull guidance.

The Board has reviewed the effectiveness of the system of internal control, and, in particular, it has reviewed the process for identifying and evaluating the significant risks affecting the Company and the policies and procedures by which these risks are managed.

The Directors have delegated the investment management of the Company to the Manager within overall guidelines and this embraces implementation of the system of internal control, including financial, operational and compliance controls and risk management. Internal control systems are monitored and supported by an internal audit function, which undertakes periodic examination of business processes, including compliance with the terms of the management agreement, and ensures that recommendations to improve controls are implemented.

Risks are identified and documented through a risk management framework by each function within the Manager's activities. Risk is considered in the context of the Turnbull guidance and includes financial, regulatory, market operational and reputational risk. This helps the annual audit risk assessment model identify those functions for review. Any weaknesses identified are reported to the Company and timetables are agreed for implementing improvements to systems. The implementation of any remedial action required is monitored and feedback provided to the Company.

The key components designed to provide effective internal control for the year under review and up to the date of this Report are outlined below:

- The Investment Manager prepares forecasts and management accounts which allow the Board to assess the Company's activities and review its investment performance;
- The Board and Investment Manager have agreed clearly defined investment criteria, specified levels of authority and exposure limits. Reports on these issues, including performance statistics and investment valuations, are regularly submitted to the Board. The Investment Manager's evaluation procedure and financial analysis of the companies concerned include detailed appraisal and due diligence;
- As a matter of course the compliance department of AAM continually reviews the Investment Manager's operations;
- Written agreements are in place which specifically define the roles and responsibilities of the Investment Manager and other third party service providers; and
- Twice a year, at its Board meetings, the Board carry out an assessment of internal controls by considering documentation from the Manager, including its internal audit and compliance functions and taking account of events since the relevant period end.

The Head of Internal Audit of the Manager reports six monthly to the Audit Committee of the Company and has direct access to the Directors at any time.

The internal control systems are designed to meet the Company's particular needs and the risks to which it is exposed. Accordingly, the internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and by their nature can only provide reasonable and not absolute assurance against misstatement and loss.

Socially Responsible Investment Policy

The Manager votes against resolutions that it considers might damage Shareholders' rights or economic interests. Aberdeen Asset Managers Limited gives due weight to what it considers to be socially responsible investment when making investment decisions, but the overriding objective is to produce good investment returns for Shareholders.

Exercise of voting powers

The Company has operated a corporate governance voting policy which, in summary, is based on the governance recommendations of the Combined Code with the intention of voting in accordance with best practice whilst maintaining a primary focus on financial returns.

In the case of the Company's investments, the Company has given discretionary voting powers to the Investment Manager, Aberdeen Asset Managers Limited.

Statement of Directors' Responsibilities in relation to the Financial Statements

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the net revenue of the Company for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departure disclosed and explained in the financial statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditors' Report to the Members of Murray International Trust PLC

We have audited the Company's financial statements for the year ended 31 December 2003 which comprise the Statement of Total Return, Balance Sheet, Cash Flow Statement and the related notes 1 to 18. These financial statements have been prepared on the basis of the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

The Directors are responsible for preparing the Annual Report, including the financial statements which are required to be prepared in accordance with applicable United Kingdom law and accounting standards as set out in the Statement of Directors' Responsibilities in relation to the financial statements.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards and the Listing Rules of the Financial Services Authority.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding Directors' remuneration and transactions with the Company is not disclosed.

We review whether the Statement of Corporate Governance reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures. We read other information contained in the Annual Report and consider whether it is consistent with the audited

financial statements. This other information comprises the Corporate Summary, Your Board, Highlights, Historic Financial Record, Chairman's Statement, Summary of Investment Changes during the Year, Summary of Net Assets, Portfolio of Investments - Twenty Largest Investments, Portfolio of Investments, The Investment Process, Investment Manager's Report, Attribution Analysis, Distribution of Investments, Distribution of Equity Investments, Directors' Report, unaudited part of the Directors' Remuneration Report, Statement of Corporate Governance, Information about the Manager, Shareholder Information, Marketing Strategy, Other ways to Invest in Murray International Trust PLC, Glossary of Terms and Definitions and Corporate Information. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the Company as at 31 December 2003 and of its net revenue for the year then ended; and
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985.

29 March 2004

Ernst & Young LLP
Registered Auditor
Edinburgh

Statement of Total Return

(incorporating the Revenue Account of the Company*)

For the year ended 31 December 2003

	Notes	Year ended 31 December 2003			Year ended 31 December 2002		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on investments	9	–	68,823	68,823	–	(92,403)	(92,403)
Income from investments	2	16,278	–	16,278	17,310	–	17,310
Other income	2	515	–	515	208	–	208
Investment management fees	3	(852)	(1,994)	(2,846)	(1,033)	(2,410)	(3,443)
Currency losses		–	(1,321)	(1,321)	–	(4,847)	(4,847)
Other expenses	4	(995)	–	(995)	(1,226)	–	(1,226)
Net return before finance costs and taxation		14,946	65,508	80,454	15,259	(99,660)	(84,401)
Finance costs of borrowing	5	(946)	(2,208)	(3,154)	(1,067)	(2,490)	(3,557)
Return on ordinary activities before tax		14,000	63,300	77,300	14,192	(102,150)	(87,958)
Tax on ordinary activities	6	(2,493)	1,918	(575)	(2,141)	1,444	(697)
Return attributable to equity Shareholders		11,507	65,218	76,725	12,051	(100,706)	(88,655)
Ordinary dividends on equity shares	7	(14,081)	–	(14,081)	(14,052)	–	(14,052)
Transfer (from)/to reserves		(2,574)	65,218	62,644	(2,001)	(100,706)	(102,707)
Return per Ordinary share (pence)	8	13.3	75.5	88.8	13.8	(115.5)	(101.7)
Return per Ordinary share assuming full conversion of the B Ordinary shares (pence)	8	13.1	74.5	87.6	13.6	(114.0)	(100.4)

* The revenue column of this statement is the profit and loss account of the Company.
All revenue and capital items in the above statement derive from continuing operations.
No operations were acquired or discontinued in the year.
The accompanying notes form an integral part of these Financial Statements.

Balance Sheet

As at 31 December 2003

	Notes	As at 31 December 2003		As at 31 December 2002	
		£'000	£'000	£'000	£'000
Fixed assets					
Investments	9		455,872		406,040
Current assets					
Debtors	10	3,085		4,374	
Cash and short term deposits		22,177		4,298	
			25,262		8,672
Creditors					
Amounts falling due within one year	11	(34,367)		(18,239)	
Net current liabilities			(9,105)		(9,567)
Total assets less current liabilities			446,767		396,473
Creditors					
Amounts falling due after more than one year	11		(75,375)		(87,725)
Net assets			371,392		308,748
Capital and reserves					
<i>Equity shareholders' interest:</i>					
Called-up share capital	13		21,890		21,876
Share premium account	14		23		23
Capital redemption reserve	14		8,230		8,230
Capital reserve – realised	14		286,358		300,788
Capital reserve – unrealised	14		28,369		(51,265)
Revenue reserve	14		26,522		29,096
Equity shareholders' funds			371,392		308,748
Diluted Net Asset Value per Ordinary and B Ordinary share (pence)					
	15		424.2		352.8

The financial statements were approved by the Board of Directors on 4 February 2004 and were signed on its behalf by:

J F H Trott
Director
29 March 2004

The accompanying notes form an integral part of these financial statements.

Cash Flow Statement

For the year ended 31 December 2003

	Notes	Year ended 31 December 2003		Year ended 31 December 2002	
		£'000	£'000	£'000	£'000
Operating activities					
Investment income received		15,961		17,594	
Deposit interest received		514		193	
Underwriting commission received		3		17	
Investment management fees paid		(2,800)		(3,698)	
Secretarial fees paid		(98)		(106)	
Cash paid to and on behalf of Directors		(51)		(55)	
Other cash movements		(1,007)		(1,013)	
Net cash inflow from operating activities	16		12,522		12,932
Returns on investments and servicing of finance					
Interest paid			(3,139)		(3,582)
Financial investment					
Purchases of investments		(86,371)		(101,289)	
Sales of investments		106,367		146,178	
Net cash inflow from financial investment			19,996		44,889
Equity dividends paid			(14,079)		(14,244)
Net cash inflow before financing			15,300		39,995
Financing					
Loans repaid		–		(78,000)	
Loans drawn down		–		60,000	
Repurchase of Ordinary shares		–		(8,021)	
Net cash outflow from financing			–		(26,021)
Increase in cash	17		15,300		13,974

The accompanying notes form an integral part of these financial statements.

Notes to the Financial Statements

For the year ended 31 December 2003

I. Accounting policies

(a) Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies" (the SORP) issued in January 2003. The financial statements are prepared under the historical cost convention, modified to include the revaluation of fixed asset investments.

(b) Income

Dividends receivable on equity shares are treated as revenue for the year on an ex-dividend basis. Where no ex-dividend date is available dividends receivable on or before the year end are treated as revenue for the year. Provision is made for any dividends not expected to be received.

The fixed returns on debt securities and non-equity shares are recognised on a time apportionment basis so as to reflect the effective yield on the debt securities and shares.

Interest receivable from cash and short term deposits and interest payable is accrued to the end of the year.

(c) Expenses

All expenses are accounted for on an accruals basis. Expenses are charged through the revenue account except as follows:

- expenses which are incidental to the acquisition of an investment are included within the cost of the investment;
- expenses which are incidental to the disposal of an investment are deducted from the disposal proceeds of the investment;
- expenses are charged to realised capital reserves where a connection with the maintenance or enhancement of the value of the investments can be demonstrated. In this respect the investment management fee has been allocated 30 per cent to revenue and 70 per cent to realised capital reserves to reflect the Company's investment policy and prospective income and capital growth.

(d) Taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or right to pay less tax in the future have occurred at the balance sheet date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted. Timing differences are differences arising between the Company's taxable profits and its results as stated in the financial statements which are capable of reversal in one or more subsequent periods. Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The tax effect of different items of income/gain and expenditure/loss is allocated between capital reserves and revenue account on the same basis as the particular item to which it relates using the Company's effective rate of tax for the year.

(e) Investments

Listed investments are valued in the financial statements at middle market prices and unlisted investments at a valuation determined by the Directors. In determining the valuation of unlisted investments the Directors adopt the middle market price where a dealing facility exists and apply a discount if considered appropriate. Where no dealing facility exists the factors to which the directors have regard include, inter alia, the earnings record and growth prospects of the security, the ratings of comparable listed companies, the yield on the security, where appropriate, and any recent transactions.

(f) Borrowings

Monies borrowed to finance the investment objectives of the company are stated at the amount of the net proceeds immediately after issue plus cumulative finance costs less cumulative payments made in respect of the debt. The finance costs of such borrowings are allocated to years over the term of the debt at a constant rate on the carrying amount and are charged 30 per cent to revenue and 70 per cent to realised capital reserves to reflect the Company's investment policy and prospective income and capital growth.

(g) Exchange rates

Transactions involving foreign currencies are converted at the rate ruling at the date of the transaction.

For unmatched forward exchange contracts entered into to hedge against fluctuating exchange rates on foreign currency assets or liabilities, the difference between the value at the contracted rate and at the forward rate ruling at the year end is taken credit for as a debtor or provided for as a creditor.

Translation of all other foreign currency balances including matched forward contracts, foreign assets and foreign liabilities is at the middle rates of exchange at the year end. Differences arising from translation are treated as capital gain or loss in the capital reserve or revenue account depending upon the nature of the gain or loss.

	Year ended 31 December 2003	Year ended 31 December 2002
	£'000	£'000
2. Income		
Income from investments:		
UK dividends	6,105	6,962
UK unfranked investment income	2,356	2,306
Overseas dividends	5,481	5,242
Overseas interest	2,336	2,800
	16,278	17,310
Other income:		
Deposit interest	504	191
Underwriting commission	3	17
Other income	8	–
	515	208
Total income	16,793	17,518
Total income comprises:		
Dividends	11,586	12,204
Interest	4,692	5,106
Other income	515	208
	16,793	17,518
Income from investments comprises:		
Listed UK	7,655	7,547
Listed overseas	7,817	8,042
Unlisted	806	1,721
	16,278	17,310

	Year ended			Year ended		
	31 December 2003			31 December 2002		
	Revenue	Capital	Total	Revenue	Capital	Total
3. Investment management fees	£'000	£'000	£'000	£'000	£'000	£'000
Investment management fees	766	1,787	2,553	963	2,247	3,210
Irrecoverable VAT	86	207	293	70	163	233
	852	1,994	2,846	1,033	2,410	3,443

Details of the fee basis are contained in the Directors' Report on page 28.

	Year ended			Year ended		
	31 December 2003			31 December 2002		
	Revenue	Capital	Total	Revenue	Capital	Total
4. Other expenses	£'000	£'000	£'000	£'000	£'000	£'000
Shareholders' services*	473	–	473	712	–	712
Directors' remuneration	59	–	59	56	–	56
Irrecoverable VAT	74	–	74	95	–	95
Secretarial fees (details per Directors' Report)	100	–	100	100	–	100
Audit fees	18	–	18	17	–	17
Other expenses	271	–	271	246	–	246
	995	–	995	1,226	–	1,226

* Includes registration, savings scheme and other wrapper administration and promotion expenses, of which £306,000 (2002 – £540,000) was paid to Aberdeen Asset Managers Limited to cover marketing activities during the year. During 2003 a rebate of £98,900 was received in respect of the charges levied during 2002 for marketing activities.

	Year ended			Year ended		
	31 December 2003			31 December 2002		
	Revenue	Capital	Total	Revenue	Capital	Total
5. Finance costs of borrowing	£'000	£'000	£'000	£'000	£'000	£'000
Bank loans and overdrafts	927	2,162	3,089	1,048	2,444	3,492
Debenture stock	19	46	65	19	46	65
	946	2,208	3,154	1,067	2,490	3,557

	Year ended			Year ended		
	31 December 2003			31 December 2002		
	Revenue	Capital	Total	Revenue	Capital	Total
6. Taxation	£'000	£'000	£'000	£'000	£'000	£'000
(a) The tax charge comprises:						
Corporation tax	1,918	(1,918)	–	1,444	(1,444)	–
Overseas tax	575	–	575	697	–	697
Current tax charge	2,493	(1,918)	575	2,141	(1,444)	697

(b) Factors affecting the tax charge for the period

The tax assessed for the period is lower than the standard rate of corporation tax in the UK of 30% (2002 – 30%). The differences are explained below:

	Year ended 31 December 2003	Year ended 31 December 2002
	Revenue £'000	Revenue £'000
Revenue on ordinary activities before taxation	14,000	14,192
Return on ordinary activities multiplied by the applicable rate of corporation tax of 30% (2002 – 30%)	4,200	4,258
<i>Effects of:</i>		
Non taxable UK dividends	(1,831)	(2,089)
Movement in income accruals taxable on receipt	(95)	(11)
Overseas tax written off	643	813
Prior year tax losses utilised in current year	(356)	(773)
Disallowable expenses	117	195
Tax relief on overseas tax suffered	(185)	(252)
	2,493	2,141

The Company has not recognised a deferred tax asset of £4,217,000 (2002 – £5,137,000) arising as a result of having unutilised management expenses. These expenses will only be utilised if the tax treatment of capital gains made by approved investments trusts, or the Company's investment profile, changes.

	Year ended 31 December 2003	Year ended 31 December 2002
	£'000	£'000
7. Ordinary dividends on equity shares		
First interim of 3.45p (2002 - 3.45p)	2,980	3,002
Second interim of 3.45p (2002 - 3.45p)	2,980	2,992
Third interim of 3.45p (2002 - 3.45p)	2,980	2,980
Proposed final of 5.95p (2002 - 5.95p)	5,141	5,139
Over accrual of previous year's proposed final dividend due to share conversions/buy backs	–	(61)
	14,081	14,052

	Year ended 31 December 2003	Year ended 31 December 2002
8. Returns per share		
The returns per share have been based on the following figures:		
Weighted average number of Ordinary shares	86,391,963	87,213,501
Weighted average number of B Ordinary shares	1,147,648	1,157,178
Revenue return attributable to equity Shareholders	£11,507,000	£12,051,000
Capital return attributable to equity Shareholders	£65,218,000	(£100,706,000)

9. Investments	Year ended	Year ended
	31 December 2003	31 December 2002
	£'000	£'000
Valuation brought forward	406,040	533,708
Unrealised losses	57,126	22,666
	<hr/>	<hr/>
Cost brought forward	463,166	556,374
Movements during the year:		
Purchases	87,660	110,326
Sales proceeds	(106,367)	(145,340)
Realised losses	(14,991)	(57,943)
Amortisation of fixed income book cost	(284)	(251)
	<hr/>	<hr/>
Cost carried forward	429,184	463,166
Unrealised gains/(losses)	26,688	(57,126)
	<hr/>	<hr/>
Valuation carried forward	455,872	406,040

The portfolio valuation	Year ended	Year ended
	31 December 2003	31 December 2002
	£'000	£'000
Listed on stock exchanges at market valuation:		
United Kingdom:		
– equities	143,742	124,211
– convertible securities	1,220	1,807
– fixed income	45,656	43,783
Overseas:		
– equities	216,107	167,654
– futures	10,392	9,137
– fixed income	38,682	39,019
	<hr/>	<hr/>
	455,799	385,611
Unlisted at Directors' valuation:		
– equities	73	70
– fixed income	–	20,359
	<hr/>	<hr/>
Total	455,872	406,040

Gains/(losses) on investments

Realised losses based on historical cost	(14,991)	(57,943)
Less: amount of loss recognised as unrealised in previous year	19,097	27,438
	<hr/>	<hr/>
Realised gain/(loss) based on carrying value brought forward	4,106	(30,505)
Net movement in unrealised appreciation	64,717	(61,898)
	<hr/>	<hr/>
	68,823	(92,403)

Unquoted investments

The principles adopted in the valuation of unlisted and restricted investments for the purposes of both interim and final accounts are outlined in the accounting policies on pages 42 and 43. Changes to the valuation of unlisted and restricted investments are normally made only at the time of interim and final accounts.

However, in certain circumstances such as:

- (i) investments where independent formal valuations are carried out and advised to the company;
- (ii) investments where arm's length transactions established a new price;
- (iii) investments where there has been a public event such as, for example, obtaining a listing on a recognised stock exchange or formal appointment of either receiver or liquidator.

A revaluation will be carried out at the relevant month end.

Significant interests

At 31 December 2003 the Company held shares amounting to 3 per cent or more of the nominal value of any class of share capital of the following companies, not being participating interests, of which the particulars are stated below:

Investment	% of class held
<i>City Natural Resources High Yield Trust plc</i>	
Principal activity: Investment Trust, England	
300,000 warrants	7.50
<i>Atrium Underwriting PLC</i>	
Principal activity: Manager of Lloyd's syndicate, England	
9,250,000 ordinary shares	18.61

	31 December 2003 £'000	31 December 2002 £'000
10. Debtors		
Current taxation	60	91
Forward contracts	–	1,262
Other debtors	55	117
Prepayments and accrued income	2,970	2,904
	3,085	4,374

	31 December 2003 £'000	31 December 2002 £'000
11. Creditors		
Amounts falling due within one year:		
Bank loans (note 12)	11,989	–
Proposed final dividend	5,141	5,139
Interim dividend	2,980	2,980
Other creditors	8	9
Forward contracts	3,279	–
Futures	10,017	9,144
Amounts due to brokers	136	–
Accruals	817	967
	34,367	18,239
Amounts falling due after more than one year:		
Bank loans (note 12)	75,375	87,725

Accruals include £nil (2002 – £85,000) of marketing fees due to Aberdeen Asset Managers Limited, the investment manager. No management fees were outstanding at the year end to Aberdeen Asset Managers Limited (2002 – £nil).

12. Bank loans	31 December 2003		31 December 2002	
		£'000		£'000
<i>Secured by floating charge and repayable other than by instalments within five years or at the Company's option:</i>				
– 4% Debenture Stock		1,620		1,620
<i>Unsecured bank loans repayable:</i>				
<i>within one year:</i>				
– Yen 2,300,000,000 at 5.59% – 30 September 2004		11,989		–
<i>in more than one year but no more than two years:</i>				
– Yen 2,300,000,000 at 5.59% – 30 September 2004		–		12,039
<i>in more than two years but no more than five years:</i>				
– Yen 1,600,000,000 at 4.146% – 15 May 2006		8,340		8,375
– Yen 1,900,000,000 at 2.48% – 04 June 2008		9,903		–
– Yen 2,250,000,000 at 2.4% – 30 June 2008		11,728		–
<i>in more than five years:</i>				
– Yen 1,900,000,000 at 2.48% – 04 June 2008		–		9,945
– Yen 2,250,000,000 at 2.4% – 30 June 2008		–		11,777
– Yen 8,400,000,000 at 2.97% – 10 March 2010		43,784		43,969
		87,364		87,725

The unsecured bank loans outstanding at 31 December 2003 are valued at the middle rates of exchange at the year end, resulting in cumulative foreign exchange gains of £4,960,000 (2002 – gains of £4,599,000) against the original book cost of these loans.

The terms of these loans permit early repayment at the borrower's option which may give rise to additional amounts being either payable or repayable in respect of fluctuations in interest rates since drawdown. Since the Directors, currently, have no intention of repaying the loans early, they have been included in the accounts to 31 December 2003 at their principal amounts.

The Company has a £50,000,000 multi currency facility which expires on the 25 October 2004 and an uncommitted facility of £25,000,000, neither of which was drawn down as at 31 December 2003.

13. Share capital	31 December 2003		31 December 2002	
	Number	£'000	Number	£'000
<i>Allotted, called up and fully paid:</i>				
Ordinary shares of 25p each	86,412,599	21,603	86,370,984	21,592
B Ordinary shares of 25p each	1,147,599	287	1,136,666	284
	87,560,198	21,890	87,507,650	21,876
<i>Unissued:</i>				
Unclassified shares of 25p each	56,565,802	14,141	56,618,350	14,155
	144,126,000	36,031	144,126,000	36,031

On 23 May 2003, 52,548 B Ordinary shares were allotted by way of capitalisation of reserves in accordance with Article 131 of the Company's Articles of Association and on 30 June 2003, 41,615 B Ordinary shares were converted into a like number of Ordinary shares of 25p in accordance with Article 47 of the Company's Articles of Association. When the nominal value of the allotted and fully paid B Ordinary shares is less than £100,000 the Directors may, under the terms of Article 47(B), require the conversion of such shares into Ordinary shares.

	Share premium account £'000	Capital redemption reserve £'000	Capital reserve - realised £'000	Capital reserve - unrealised £'000	Revenue reserve £'000
14. Reserves					
At 1 January 2003	23	8,230	300,788	(51,265)	29,096
Movement during the year:					
Net gains on realisation of investments	–	–	4,106	–	–
Transfer on disposal of investment	–	–	(19,097)	19,097	–
Movement in unrealised appreciation	–	–	–	64,710	–
Forward contracts	–	–	1,509	(4,541)	–
Effective cash exposure on futures	–	–	280	7	–
Issue of B Ordinary shares	–	–	(13)	–	–
Loans - movement in unrealised currency gains	–	–	–	361	–
Capitalised management fees	–	–	(1,994)	–	–
Taxation	–	–	1,918	–	–
Finance cost of borrowing	–	–	(2,208)	–	–
Currency gain	–	–	1,069	–	–
Net revenue deficit for the year	–	–	–	–	(2,574)
At 31 December 2003	23	8,230	286,358	28,369	26,522

15. Diluted Net Asset Value per share

The diluted Net Asset Value per share and the net asset value attributable to the Ordinary shares (including conversion of the B Ordinary shares) at the year end calculated in accordance with the Articles of Association were as follows:

	Diluted Net Asset Value per share attributable		Diluted Net Asset Value	
	2003	2002	2003	2002
	p	p	£'000	£'000
Ordinary and B Ordinary shares (note 13)	424.2	352.8	371,392	308,748

The movements during the year of the assets attributable to the Ordinary shares were as follows:

	Year ended 31 December 2003 £'000	Year ended 31 December 2002 £'000
Opening net assets attributable	308,748	419,479
Repurchase of Ordinary shares	–	(8,024)
Dividends appropriated	(14,081)	(14,052)
Return attributable to equity Shareholders	76,725	(88,655)
	371,392	308,748

16. Reconciliation of net revenue before finance costs and taxation to net cash inflow from operating activities	Year ended 31 December 2003	Year ended 31 December 2002
	£'000	£'000
Net revenue return before finance costs	14,946	15,259
Investment management fees charged to capital	(1,994)	(2,410)
Amortisation of fixed income book cost	284	251
(Increase)/decrease in accrued income	(55)	564
(Increase)/decrease in prepayments	(11)	35
Decrease in other debtors	62	105
Decrease in accruals	(166)	(343)
Tax on unfranked income - overseas	(544)	(529)
Net cash inflow from operating activities	12,522	12,932

	At 31 December 2002	Currency differences	Non-cash movements	Cash flows	At 31 December 2003
	£'000	£'000	£'000	£'000	£'000
17. Analysis of changes in net debt					
Cash and short term deposits	4,298	2,579	–	15,300	22,177
Forward contracts	1,262	(4,541)	–	–	(3,279)
Futures	–	280	–	–	280
Debt due within one year	–	51	(12,040)	–	(11,989)
Debt due after more than one year	(87,725)	310	12,040	–	(75,375)
	(82,165)	(1,321)	–	15,300	(68,186)

	At 31 December 2001	Currency differences	Non-cash movements	Cash flows	At 31 December 2002
	£'000	£'000	£'000	£'000	£'000
Cash and short term deposits	1,374	(11,050)	–	13,974	4,298
Forward contracts	(4,805)	6,067	–	–	1,262
Debt due after more than one year	(105,861)	136	–	18,000	(87,725)
	(109,292)	(4,847)	–	31,974	(82,165)

A statement reconciling the movement in the net funds to the net cash flow has not been presented as there are no differences from the above analysis.

18. Derivatives and other financial instruments

The Company's financial instruments, other than derivatives, comprise securities and other investments, cash balances, loans and debtors and creditors that arise directly from its operations: for example, in respect of sales and purchases awaiting settlement, and debtors for accrued income. The Company also has the ability to enter into derivative transactions in the form of forward foreign currency contracts, futures and options, the purpose of which is to manage currency and market risks arising from the Company's activities and bank loans and futures.

The main risks the Company faces from its financial instruments are (i) market price risk, being the risk that the value of investment holdings will fluctuate as a result of changes in market prices caused by factors other than interest rate or currency movement, (ii) interest rate risk, (iii) liquidity risk, and (iv) foreign currency risk.

The Board regularly reviews and agrees policies for managing each of these risks. The Manager's policies for managing these risks are summarised below and have been applied throughout the year. The numerical disclosures exclude short-term debtors and creditors, other than for currency disclosures.

Market price risk

Market price risk arises mainly from uncertainty about future prices of financial instruments used in the Company's operations. It represents the potential loss the Company might suffer through holding market positions as a consequence of price movements and movements in exchange rates. It is the Board's policy to hold an appropriate spread of investments in the portfolio in order to reduce the risk arising from factors specific to a particular country or sector. The allocation of assets to international markets and the stock selection process as detailed on page 18 both act to reduce market price risk. The portfolio Managers actively monitor market prices throughout the year and report to the Board, which meets regularly in order to review investment strategy.

The Manager seeks, when deemed appropriate, to manage exposure to market movements on investments by using futures as a hedge against potential adverse market movements. Futures are used to effect a change in asset allocation efficiently and quickly. On this occasion, futures were used to gain exposure to the United States.. At 31 December 2003 the Company had a future which showed an unrealised gain of £94,000 (31 December 2002 – loss of £7,000). During the year ended 31 December 2003 a gain of £1,786,000 was realised (31 December 2002 – loss of £2,155,000).

Interest rate risk

The Company finances its operations through bank borrowings in the desired currencies. The Board imposes borrowing limits to ensure gearing levels are appropriate to market conditions and reviews these on a regular basis. Borrowings comprise fixed rate, revolving and uncommitted facilities. The fixed rate is used to finance opportunities at low rates and, the revolving and uncommitted facilities to provide flexibility in the short-term. Current guidelines state that the total borrowings will not exceed 30 per cent of the net assets of the Company. Details of borrowings as at 31 December 2003 are shown in note 12 on page 48.

Interest risk profile

The interest rate risk of the portfolio of financial assets at the Balance Sheet date was as follows:

	Weighted average period for which rate is fixed Years	Weighted average interest rate* %	Fixed rate £'000	Floating rate £'000	Non- interest bearing £'000
At 31 December 2003					
Assets					
Sterling	5.31	7.49	45,656	10,644	145,804
US Dollar	–	–	–	1,142	74,464
Euro	4.59	6.19	36,272	10,360	52,412
Other	0.78	8.50	2,410	31	98,854
Total assets	–	–	84,338	22,177	371,534
Liabilities					
Bank loans – Japanese Yen	4.63	3.32	(85,744)	–	–
Debenture stock	–	4.00	(1,620)	–	–
Total liabilities	–	–	(87,364)	–	–

At 31 December 2002	Weighted average period for which rate is fixed Years	Weighted average interest rate* %	Fixed rate £'000	Floating rate £'000	Non- interest bearing £'000
Assets					
Sterling	5.70	7.71	64,142	3,064	127,390
US Dollar	–	–	–	706	63,305
Euro	5.07	6.54	34,647	138	42,984
Other	1.78	8.50	4,372	390	69,200
Total assets	–	–	103,161	4,298	302,879
Liabilities					
Bank loans – Japanese Yen	5.63	3.32	(86,105)	–	–
Debenture stock	–	4.00	(1,620)	–	–
Total liabilities	–	–	(87,725)	–	–

* The weighted average interest rate is based on the current yield of each asset, weighted by its market value. The weighted average interest rate on bank loans is based on the interest rate payable, weighted by the total value of the loans.

The maturity dates of the Company's loans are shown in note 12 to the financial statements.

The floating rate assets consist of cash deposits on call earning interest at prevailing market rates.

The non-interest bearing assets represent the equity element of the portfolio.

Fair values of financial assets and financial liabilities

The fair value of borrowings, taking account of potential penalties on early repayment, has been calculated at £95,026,000 as at 31 December 2003 (2002 – £97,293,000) compared to an accounts value in the financial statements of £87,364,000 (2002 – £87,725,000) (note 12). The fair value of forward foreign currency contracts is based on forward exchange rates at the Balance Sheet date. All other assets and liabilities of the Company are included in the Balance Sheet at fair value.

Liquidity risk

The Company's assets comprise mainly readily realisable securities, which can be sold to meet funding commitments if necessary. Short-term flexibility is achieved through the use of loan and overdraft facilities (note 12).

Foreign currency risk

A significant proportion of the Company's investment portfolio is invested in overseas securities and the Balance Sheet can be significantly affected by movements in foreign exchange rates. It is not the Company's policy to hedge this risk on a continuing basis but the Company may, from time to time, match specific overseas investment with foreign currency borrowings. A significant proportion of the Company's borrowings, as detailed in note 12 on page 48, are in foreign currency as at 31 December 2003. The Manager seeks, when deemed appropriate, to manage exposure to currency movements on borrowings by using forward foreign currency contracts as a hedge against potential foreign exchange rate movements. At 31 December 2003 the Company had foreign currency contracts, details of which are listed below. During the year a loss of £1,509,000 (2002 – £2,867,000) was realised.

The revenue account is subject to currency fluctuation arising on overseas income. The Company does not hedge this currency risk.

Foreign currency risk exposure by currency of denomination:

Currency	2003			2002		
	Overseas investments	Net monetary assets	Total currency exposure	Overseas investments	Net monetary assets	Total currency exposure
	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec
	£'000	£'000	£'000	£'000	£'000	£'000
Euro	88,684	10,360	99,044	77,631	138	77,769
US Dollar	74,464	1,142	75,606	63,305	706	64,011
Japanese Yen	34,440	–	34,440	31,773	–	31,773
Hong Kong Dollar	13,527	–	13,527	6,592	–	6,592
Korean Won	9,194	–	9,194	5,615	–	5,615
Swiss Franc	7,727	30	7,757	7,361	9	7,370
Swedish Krone	7,249	–	7,249	4,508	–	4,508
Indian Rupee	6,305	–	6,305	1,635	–	1,635
Danish Krone	4,327	–	4,327	1,644	–	1,644
Singapore Dollar	4,002	–	4,002	2,386	–	2,386
Australian Dollar	3,502	–	3,502	3,091	–	3,091
Thai Baht	2,834	–	2,834	1,030	–	1,030
Hungarian Forint	2,410	–	2,410	4,372	–	4,372
Indonesian Rupiah	2,051	–	2,051	1,075	–	1,075
Malaysian Dollars	1,803	–	1,803	586	–	586
Taiwan Dollar	1,384	–	1,384	1,271	381	1,653
Philippine Peso	510	–	510	633	–	633
Total	264,412	11,533	275,945	214,509	1,233	215,742

Forward exchange contracts

The following Japanese Yen forward exchange contract was outstanding at the balance sheet date:

Date of contract	Settlement date		Amount	Contracted rate	Unrealised loss
			JPY '000		at 31 December 2003
£'000					
20 November 2003	20 January 2004	Buy	13,732,500	184.318	(3,279)

Information about the Manager

The Company's Manager is Aberdeen Asset Managers Limited ("AAM"), a wholly-owned subsidiary of Aberdeen Asset Management PLC ("Aberdeen"), whose Group companies as at 31 January 2004 managed a combined £22.8 billion of funds of UK institutions, investment trusts, closed-end funds, unit trusts, private clients and offshore funds.

Aberdeen has been listed on the London Stock Exchange since 1991, although its origins go back to an investment company founded in 1876 to assist Scottish farmers to set up in the Canadian prairies. It has its headquarters in Aberdeen with offices in Fort Lauderdale, Glasgow, Edinburgh, Hong Kong, Inverness, Jersey, London, Luxembourg, Singapore and Sydney.

The Group now has 36 investment trusts and other closed-end funds under management. They adhere closely to the Group's investment style which is that of fundamental investors, with an emphasis on company visits and original research.

Shareholder Information

Capital Structure

The Company's issued share capital as at 31 December 2003 consisted of 86,412,599 Ordinary shares of 25p each and 1,147,599 B Ordinary shares of 25p each.

Net Asset Value and Share Price

The Net Asset Value of the Company's Ordinary and B Ordinary shares can be obtained daily by contacting Aberdeen Asset Managers Limited on 0500 00 00 40 or by e-mail at inv.trusts@aberdeen-asset.com. The Company's Ordinary and B Ordinary share prices are also available in selected national broadsheets and by accessing the internet at <http://www.murray-international.co.uk>.

Stock Exchange Codes

Class of security	SEDOL Number	ISIN Code
Ordinary shares of 25p each	0611190	GB0006111909
B Ordinary shares of 25p each	0611208	GB0006112089

Annual General Meeting

The Annual General Meeting will be held on 29 April 2004 at 12.30 p.m. in the Strathclyde Suite, the Glasgow Royal Concert Hall, 2 Sauchiehall Street, Glasgow G2 3NY.

Market prices of allotted capital at 6 April 1965

4 ¹ / ₂ % cumulative preference shares of £1	62 ¹ / ₂ p
Ordinary shares of 25p (adjusted for scrip issue)	18.965p
3 ¹ / ₄ % debenture stock 1967 or after	£46 ¹ / ₂ %

Market prices of allotted capital at 31 March 1982

4 ¹ / ₂ % cumulative preference shares of £1	32p
Ordinary shares of 25p (adjusted for 1 for 2 scrip issue in April 1983)	54 ¹ / ₂ p
B ordinary shares of 25p (adjusted for 1 for 2 scrip issue in April 1983)	53 ¹ / ₂ p
3 ¹ / ₄ % debenture stock 1967 or after	£221 ¹ / ₂ %

B Ordinary Shares

B Ordinary shares may be converted into Ordinary shares of the Company on 30 June in each year, by return of the B Ordinary share certificates, duly completed on the reverse no later than 23 June and no earlier than 26 May in any year, to the Company's registrar, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. Uncertificated shareholders will require to give stock withdrawal instruction, and advise the Company's registrar, Capita Registrars, of the request to convert, no less than one week and no more than five weeks prior to the relevant conversion date.

Income and Corporation Taxes Act 1988 Section 251(2)

The values for tax purposes to be placed on B Ordinary shares issued in lieu of cash dividends are:

11 April 1980	50.5p	29 May 1992	232.5p
09 April 1981	77.5p	28 May 1993	282.5p
16 April 1982	74.5p	31 May 1994	328.5p
08 April 1983	82.5p	31 May 1995	343.5p
06 April 1984	85.2p	28 May 1996	415.5p
26 April 1985	112.5p	27 May 1997	448.0p
02 May 1986	162.5p	22 May 1998	502.0p
02 May 1987	182.5p	26 May 1999	439.9p
03 June 1988	162.5p	22 May 2000	490.0p
02 June 1989	213.5p	25 May 2001	469.5p
25 June 1990	235.5p	24 May 2002	427.5p
31 May 1991	217.5p	23 May 2003	297.5p

Marketing Strategy

Murray International Trust contributes to the Marketing Programme run by Aberdeen Asset Managers Limited (“AAM”), on behalf of a number of investment trusts under its management. This agreement sees the Company’s contribution matched by AAM and is now £405,000 (plus VAT) a year, reviewed on an annual basis (calendar year).

The purpose of the Programme is to communicate effectively with existing Shareholders and gain more new Shareholders, thus improving liquidity and thereby enhancing the value and rating of the Company’s shares. AAM’s experience has also shown that well-targeted marketing of the Company’s investment merits through packaged products, whether singly, or in conjunction with other trusts run by AAM, can be a cost-effective way of gaining new investors.

These aims can be met in several ways:

Investor relations programme

AAM runs an investor relations programme to existing and prospective institutional investors in investment trusts. Each month, institutional investors and prospects receive a Manager’s report on your Company that includes detailed performance analysis.

Group Schemes

AAM runs a group Share Plan, PEP and ISA. These schemes allow investment free of dealing costs and with only nominal exit charges, have proved popular with private investors.

Direct response advertising

The Manager advertises the packaged product availability of the Trust in selected national broadsheets as well as the specialist financial press.

Direct mail

Periodic mail shots of information packs inviting named addressees to respond is a low-cost method of building awareness and investor databases. Target groups include existing holders of other AAM investment trusts as well as known buyers of investment trusts.

Newsletter

The “Bulletin” newsletter, an informed commentary on markets and investment trusts managed by AAM is distributed free of charge.

Public relations

The Manager undertakes to brief journalists, write regularly through placed articles and ensure Company results and any corporate activity are brought to public attention.

Shareholder services

AAM runs an investment help desk for retail enquirers and investors. Enquirers or investors will be sent any relevant literature on request and have queries answered immediately. The Marketing Programme is under the direction of AAM’s Investment Trust Marketing Director, who has eighteen years experience in the marketing and communications of investment products. He is supported by a team of three marketing professionals.

Internet

Murray International Trust has its own dedicated website: <http://www.murray-international.co.uk>. This allows web users to access information on the Company’s share price performance, capital structure, stock exchange announcements and monthly reports. The site is continuously being evaluated for improvement.

It is intended that ongoing Programme activities in these various fields, both proactive and supportive, will assist the Company to increase and maintain its Shareholder base, improve liquidity and sustain ratings.

The Company is committed to a close monitoring of the Marketing Programme. The Marketing Director provides a written summary quarterly to the Board.

If you have any questions about your Company, the Manager or performance, please telephone our Customer Services Department (direct private investors) on 0500 00 00 40 or our Broker Desk on 0800 592 487 (Institutions and IFAs). Alternatively, internet users may e-mail us on inv.trusts@aberdeen-asset.com or write to us at 10 Queen’s Terrace, Aberdeen AB10 1YG.

Other ways to Invest in Murray International Trust PLC

Aberdeen Investment Trust Share Plan

AAM runs a Share Plan (the "Plan") through which shares in Murray International Trust can be purchased. There are no dealing charges on the initial purchase of shares, although investors will suffer the bid-offer spread, which can, on some occasions, be a significant amount. Lump sum investments start at £250, while regular savers may invest from just £50 per month. Investors simply pay Government Stamp Duty (currently 0.5%) on entry. Selling costs are £10 + VAT. There is no restriction on how long an investor need invest in a Plan, and regular savers can stop or suspend participation by instructing AAM in writing at any time. In common with other schemes of this type, all investments are held in nominee accounts. Investors have full voting and other rights of share ownership.

AAM offers both a Mini and Maxi stocks and shares ISA, through which shares in Murray International Trust can be purchased.

Maxi ISA

An investment of up to £7,000 in Murray International Trust can be made in the tax year 2003/2004.

Mini ISA

AAM offers a Mini ISA which will enable investors to invest up to £3,000 in the tax year 2003/2004.

There are no brokerage or initial charges for the ISA, although investors will suffer the bid-offer spread, which can be a significant amount. Investors only pay Government Stamp Duty (currently 0.5%) on purchases. Selling costs are £15 + VAT. The annual ISA management charge is 0.5% + VAT, calculated monthly and deducted from income half yearly. Under current legislation, investments in ISAs can grow free of income or capital gains tax. In the case of dividends from equity assets held within an ISA, a 10% tax credit will be reclaimed until April 2004, when the tax credit will be abolished.

Trust Information

If investors would like details of Murray International Trust or information on the Share Plan or ISA please telephone 0500 00 00 40 or write to Aberdeen Asset Managers Limited, 10 Queen's Terrace, Aberdeen AB10 1YG or e-mail at inv.trusts@aberdeen-asset.com. Details are also available by accessing the internet on the following page:
<http://www.aberdeen-asset.com>

Glossary of Terms and Definitions

Actual Gearing	Total Assets (as below) less all cash and fixed interest assets (excluding convertibles) divided by shareholders' funds.
Asset Cover	The value of a company's net assets available to repay a certain security. Asset cover is usually expressed as a multiple and calculated by dividing the net assets available by the amount required to repay the specific security.
Assets Employed	Total assets less current liabilities.
B Ordinary shares	B Ordinary shares carry the same rights as the Ordinary shares. The difference is that Ordinary Shareholders receive their dividend by means of a capitalisation issue as opposed to a cash dividend. B Ordinary Shareholders have the right to convert their shares into Ordinary shares once a year. More details regarding this are shown on page 55. As the capitalisation issue received by B Ordinary Shareholders each year represents the final dividend for the year plus the current year's interim, the first dividend to which the converted Ordinary Shares will be entitled will be the final dividend for the current year.
Discount	The amount by which the market price per share of an investment trust is lower than the net asset value per share. The discount is normally expressed as a percentage of the net asset value per share.
Dividend Yield	The annual dividend expressed as a percentage of the share price.
Dividend Cover	Earnings per share divided by Dividends per share expressed as a ratio.
Earnings per share	Revenue attributable to equity Shareholders divided by the weighted average number of Ordinary shares and/or B Ordinary shares in the period.
Net Asset Value	The value of total assets less liabilities. Liabilities for this purpose included current and long-term liabilities. The net asset value divided by the number of shares in issue produces the net asset value per share.
Operating Costs	All costs charged to revenue and capital, excluding taxation, finance costs, the costs of purchases of share capital and the costs of buying and selling investments.
Potential Gearing	Total Assets including all debt being used for investment purposes divided by shareholders' funds.
Premium	The amount by which the market price per share of an investment trust exceeds the net asset value per share. The premium is normally expressed as a percentage of the net asset value per share.
Price/Earnings Ratio	The ratio is calculated by dividing the middle-market price per share by the earnings per share. The calculation assumes no change in earnings but in practice the multiple reflects the stock market's view of a company's prospects and profit growth potential.
Prior Charges	The name given to all borrowings including debentures, long and short term loans and overdrafts that are to be used for investment purposes, reciprocal foreign currency loans, currency facilities to the extent that they are drawn down, index-linked securities, and all types of preference or preferred capital.
Redemption Yield	The measure of the annualised total return on the current price of a security up to the date of its repayment. The calculation is based on aggregated income and capital returns, no account being taken of taxation.
Total Assets	Total Assets less current liabilities, after excluding short-term loan of ¥2,300,000,000 (£11,989,000).
Total Return	Total Return involves reinvesting the net dividend in the month that the share price goes up. The NAV Total Return involves investing the same net dividend in the NAV of the Company on the date to which that dividend was earned, eg quarter end, half year or year end date.

Corporate Information

Directors

J F H Trott (Chairman)
Lady Balfour of Burleigh
D H Benson
Sir Raymond Johnstone, CBE
A C Shedden

Secretaries and Registered Office

Aberdeen Asset Management PLC
123 St Vincent Street
Glasgow G2 5EA
Registered in Scotland – Company Number 6705

Points of Contact

The Chairman and Company Secretary
At the registered office of the Company

Manager

Aberdeen Asset Managers Limited
Customer Services Department: 0550 00 00 40

Registrars

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU
Shareholder Helpline: 0870 162 3100

Custodian Bankers

JP Morgan Chase Bank

Auditors

Ernst & Young LLP

Solicitors

McGrigors

Stockbroker

UBS Warburg
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