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Murray  
*International*  
Trust PLC



Income and capital growth from investing  
predominantly in equities worldwide

Interim Report  
30 June 2003

## Interim Report

### Objective

The primary aim of Murray International Trust PLC 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.

### Key Facts

	30 June 2003	30 June 2002	31 December 2002
Total assets less current liabilities*	£415,220,000	£478,942,000	£396,473,000
Equity Shareholders' interests*	£330,579,000	£372,282,000	£308,748,000
Cost of share buy-backs	–	£6,004,000	£8,023,000
Net Asset Value per Ordinary and B Ordinary share	377.5p	422.3p	352.8p
Total Return per Ordinary share	35.6p	(59.8p)	(101.7p)
Total Return per Ordinary share assuming full conversion of the B Ordinary shares	35.1p	(59.0p)	(100.4p)
Price of Ordinary share	344.0p	348.5p	298.0p
Price of B Ordinary share	300.0p	392.5p	292.5p
Discount to NAV on Ordinary shares	8.9%	17.5%	15.5%

\* These figures include the effect of the share buy-backs.

### Dividend Record for the year ending 31 December 2003

	Rate(p)	xd date	Record date	Payment date
1st interim	3.45	23 July 2003	25 July 2003	15 August 2003
2nd interim	3.45	15 October 2003	17 October 2003	17 November 2003
3rd interim	3.45	14 January 2004	16 January 2004	16 February 2004
Final dividend	Forecast maintained final dividend of 5.95p per Ordinary share payable in May 2004.			

### Share Capital as at 30 June 2003

Ordinary shares of 25p each	86,412,599
B Ordinary shares of 25p each	1,147,599

# Investment Review

For the six months ended 30 June 2003

## Background

In the early part of the year global stockmarkets remained extremely depressed. Some European markets for example declined more than 20% due partly, of course, to uncertainties surrounding the impending war with Iraq but also to disappointments on the corporate earnings front and on the signals from a variety of leading economic indicators. Rumours of forced selling by a number of market participants applied further pressure, particularly in the European and UK markets. The turning point for the markets, perhaps conditioned by their experience of the 1990 Gulf war, came a few days before the opening of hostilities in Iraq. Additional encouragement for the markets came from the highly proactive stance adopted by the US fiscal and monetary authorities, supported albeit to a significantly lesser extent by authorities in other major economies, giving rise to expectations of a powerful economic recovery in the second half of 2003. Market returns, as ever, were influenced by currency movements, most notably the strength of the euro, although the pound gained some 3% and 4% against the dollar and the yen respectively. In sterling terms, the US market returned +9.0%, the UK +5.0%, Europe +11.1%, the Pacific-ex Japan +10.0% and Japan +1.1%. On a sectoral basis there was a somewhat cyclical bias with information technology, general industrials and cyclical services all outperforming. The picture was by no means uniform, however, with resources and basic industries underperforming, whilst utilities and financials both outperformed.

## Performance

The Net Asset Value total return, with net income reinvested, for the six months to 30 June 2003 was + 9.8% compared with a return of +7.5% on the composite benchmark (40% of the FTSE World-UK and 60% of the FTSE World ex-UK indices).

Asset allocation was broadly neutral for the portfolio over the period with the negative effects of being overweight the Japanese markets and underweight the US market largely offset by overweight positions in the Pacific region and Latin America and by a slightly underweight position in the UK market. Stock selection overall was favourable, particularly in the Pacific (ex Japan) region, whilst both the European and US portfolios contributed positively. The portfolio also benefited materially from the large holding in Atrium Underwriting, where an improvement in the insurance market should lead to substantial profit increases in 2003 and 2004. In the early part of the year, continuing weakness in stock markets favoured the more defensive sectors but this changed dramatically as markets rebounded from their lows in March. In this connection it was pleasing to note that stock selection remained positive in the second quarter of the year.

## Share Buy-backs

During the six months ended 30 June 2003, the Company did not repurchase any Ordinary shares, although it retains the authority to do so. The discount at which the shares traded to their Net Asset Value improved steadily during the six months from 15.9% to 8.9%.

## Activity

In the opinion of the Board, prospective returns from equities are likely to be more in line with their long term historical averages, and thus well below the perceived "norm" of the 1980s and 1990s. Portfolio activity during the period was largely directed towards capturing relative price movements within regions or sectors.

## Investment Review

On a geographic basis, exposure to the UK market was reduced whilst additional investments were made in the Pacific region, Emerging markets and Europe. On a sectoral basis, exposure to pharmaceuticals was increased, whilst sales were effected in the banking sector. The already over-weight position in the energy sector has been retained, as the oil price stayed well above the levels expected post the Iraqi conflict, whilst the sector continues to offer strong balance sheets and an attractive dividend yield.

### Dividends

For the current year the Board has already declared that three interim dividends of 3.45p per share be paid on 15 August and 17 November 2003 and 16 February 2004. The Board continues to believe that, given the conservative nature of the equity portfolio and the high quality characteristics of the fixed interest portfolio, the revenue stream of your Company is relatively strong. The outlook for next year is obviously dependent on the outlook for corporate profits. Consensus forecasts envisage a substantial improvement in corporate profits, which are dependent on an easier global policy stance achieving a recovery which has so far eluded the relevant authorities. Against this, however, there appears to be a growing awareness amongst companies of the importance of income to investors and this should operate to the benefit of the revenue account. In view of all the circumstances, the Board intends to recommend a maintained final dividend of 5.95p in respect of the year ending 31 December 2003, payable in May 2004.

### Outlook

Clearly after such a substantial rally predicated on a significant economic recovery in response to fiscal and monetary policy easing, as well as the possible release of pent-up demand due to geo-political uncertainties, markets will need to see a realisation of these expectations. It has to be said that, so far at any rate, the important US economy has exhibited a degree of unresponsiveness to policy easing relative to previous economic cycles which shows up in investment, industrial production, consumer spending (to a lesser degree) and the employment numbers. Most of the recently announced leading economic indicators remain mixed at best but there is cause for greater optimism for the third quarter when household incomes will feel the greatest benefit from tax cuts. The US employment data will probably be the single most important indicator going forward, if the expected economic recovery is to be sustained.

On an asset allocation basis, valuation factors favour an overweighting of both the European and (particularly) the Asian and Emerging markets over the United States. Whilst it is obviously the case that the US authorities have adopted by far the most pro-active stance in terms of fiscal and monetary policy and articulated a clear determination to avoid the pitfalls of deflation, the manager considers that there are powerful macro-economic forces constraining the ability of the US economy to act as an engine of growth, which it did so effectively in the 1990s. Thus, it may be that there will be more convergence in global growth patterns than is the current consensus expectation.

A relatively subdued outlook for growth is not necessarily harmful to equity valuations, the issue is really more to do with a reasonable level of expectations. The manager therefore remains of the view that it is strict adherence to the basic principles of valuation that will be paramount in today's markets and that undue obsession with style factors (such as large vs small capitalisation stocks, or value vs growth) or with chasing momentum (a very popular game in the late 1990s) is essentially a distraction. The portfolio will retain an emphasis on sound balance sheets, reasonable yields, achievable implied returns and will continue to be screened for accounting "deftness" on issues such as pensions, options and exceptional charges.

By order of the Board  
**Aberdeen Asset Management PLC**  
Secretary

7 August 2003

## Summary of Investment Changes during the period

For the six months ended 30 June 2003

	Valuation		Transactions	Appreciation (depreciation)	Valuation	
	31 December				30 June	
	2002	%			2003	%
	£'000	%	£'000	£'000	£'000	%
<b>Equities</b>						
United Kingdom	126,088	31.8	(7,002)	5,002	124,088	29.9
Americas	64,061	16.2	3,185	5,127	72,373	17.4
Europe & Africa	57,043	14.4	851	5,150	63,044	15.2
Japan	31,773	8.0	(103)	(177)	31,493	7.6
Middle East, Far East & Australasia	23,914	6.0	734	4,147	28,795	6.9
	302,879	76.4	(2,335)	19,249	319,793	77.0
<b>Fixed income</b>						
United Kingdom	64,142	16.2	(22,315)	1,409	43,236	10.4
Europe & Africa	39,019	9.8	(2,658)	3,556	39,917	9.6
	103,161	26.0	(24,973)	4,965	83,153	20.0
Other net assets	(9,567)	(2.4)	31,079	(9,238)	12,274	3.0
<b>Total assets*</b>	<b>396,473</b>	<b>100.0</b>	<b>3,771</b>	<b>14,976</b>	<b>415,220</b>	<b>100.0</b>

\* Represents total assets less current liabilities.

## Summary of Net Assets

As at 30 June 2003

	Valuation	
	30 June 2003	%
	£000	%
Equities	319,793	96.7
Fixed income	83,153	25.2
Other net assets	12,274	3.7
Borrowings and prior capital	(84,641)	(25.6)
<b>Equity Shareholders' interest</b>	<b>330,579</b>	<b>100.0</b>

## Twenty Largest Investments

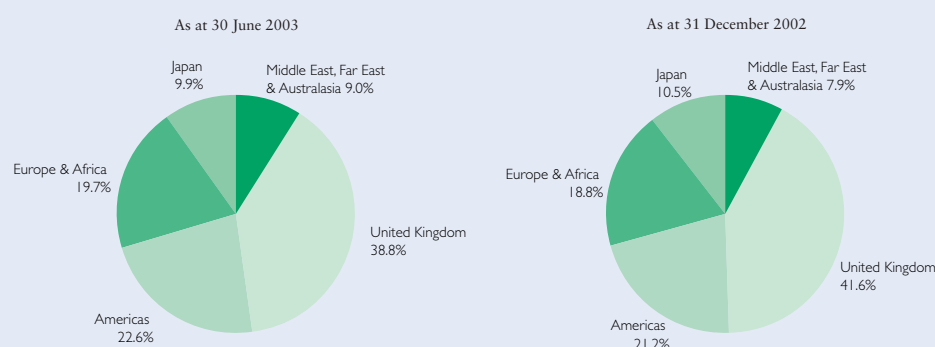
As at 30 June 2003

Investment	Investment Area	Valuation £'000	% of Total Assets†
Atrium Underwriting	UK	14,106	3.4
GlaxoSmithKline	UK	10,946	2.6
BP Amoco	UK	10,506	2.5
Shell Transport & Trading	UK	10,228	2.5
September 2003 S & P Future	USA	9,880	2.4
*Vodafone Group	UK	9,097	2.2
*Royal Bank of Scotland Group	UK	7,717	1.9
AstraZeneca	UK	6,075	1.5
*Abbey National	UK	5,890	1.4
*Barclays PLC	UK	5,672	1.4
*Volvo	Sweden	5,214	1.3
Petrobras ADR	Brazil	4,310	1.0
British American Tobacco	UK	3,781	0.9
Sunamerica Inst Funding 5.375% 7/12/2009	UK	3,681	0.9
Petrochina Co	China	3,633	0.9
Aviva	UK	3,526	0.8
*Daily Mail & General Trust	UK	3,485	0.8
HSBC Holdings	UK	3,408	0.8
Tenaris Spon ADR	Mexico	3,265	0.8
J Sainsbury	UK	3,200	0.8
		<b>127,620</b>	<b>30.8</b>

† Represents total assets less current liabilities.

\* Holding comprises equity and fixed income securities.

### Distribution of Equity Investments



Note: The percentage distributions by country as shown on page 5 have been restated in the above pie charts to total 100%.

## Statement of Total Return

(Incorporating the Revenue Account of the Company)

	Six months to 30 June 2003 (unaudited)			Six months to 30 June 2002 (unaudited)			Year ended 31 December 2002 (audited)		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Losses on sales	–	(15,178)	(15,178)	–	(23,586)	(23,586)	–	(57,943)	(57,943)
Unrealised gains/(losses)	–	39,391	39,391	–	(30,032)	(30,032)	–	(34,460)	(34,460)
<b>Gains/(losses) on investments</b>	–	24,213	24,213	–	(53,618)	(53,618)	–	(92,403)	(92,403)
<b>Income</b>									
Income from investments	9,708	–	9,708	10,343	–	10,343	17,310	–	17,310
Other income	124	–	124	50	–	50	208	–	208
Management fees	(454)	(1,059)	(1,513)	(540)	(1,260)	(1,800)	(1,033)	(2,410)	(3,443)
Currency gains/(losses)	–	571	571	–	(4,424)	(4,424)	–	(4,847)	(4,847)
Other expenses	(408)	–	(408)	(574)	–	(574)	(1,226)	–	(1,226)
<b>Net return before finance costs and taxation</b>	8,970	23,725	32,695	9,279	(59,302)	(50,023)	15,259	(99,660)	(84,401)
Finance costs of borrowing	(462)	(1,078)	(1,540)	(555)	(1,296)	(1,851)	(1,067)	(2,490)	(3,557)
<b>Return on ordinary activities before taxation</b>	8,508	22,647	31,155	8,724	(60,598)	(51,874)	14,192	(102,150)	(87,958)
Taxation on ordinary activities	(1,330)	944	(386)	(1,377)	860	(517)	(2,141)	1,444	(697)
<b>Return attributable to equity Shareholders</b>	7,178	23,591	30,769	7,347	(59,738)	(52,391)	12,051	(100,706)	(88,655)
Ordinary dividends on equity shares	(8,939)	–	(8,939)	(8,944)	–	(8,944)	(14,052)	–	(14,052)
<b>Transfer (from)/to reserves</b>	<b>(1,761)</b>	<b>23,591</b>	<b>21,830</b>	<b>(1,597)</b>	<b>(59,738)</b>	<b>(61,335)</b>	<b>(2,001)</b>	<b>(100,706)</b>	<b>(102,707)</b>
<b>Return per Ordinary share (pence)</b>	<b>8.3</b>	<b>27.3</b>	<b>35.6</b>	<b>8.4</b>	<b>(68.2)</b>	<b>(59.8)</b>	<b>13.8</b>	<b>(115.5)</b>	<b>(101.7)</b>
<b>Return per Ordinary share assuming full conversion of the B Ordinary shares (pence)</b>	<b>8.2</b>	<b>26.9</b>	<b>35.1</b>	<b>8.3</b>	<b>(67.3)</b>	<b>(59.0)</b>	<b>13.6</b>	<b>(114.0)</b>	<b>(100.4)</b>

### Notes

1. The revenue column of this statement is the profit and loss account of the Company.
2. The results for the year to 31 December 2002 are abridged from the full accounts for that year, which received an unqualified report from the auditors and have been filed with the Registrar of Companies.

## Balance Sheet

	<b>At 30 June 2003 (unaudited) £'000</b>	<b>At 30 June 2002 (unaudited) £'000</b>	<b>At 31 December 2002 (audited) £'000</b>
<b>Fixed assets</b>			
Investments	402,946	478,681	406,040
<b>Current assets</b>			
Debtors	3,645	3,555	4,374
Cash and short-term deposits	29,530	19,302	4,298
	33,175	22,857	8,672
<b>Creditors</b>			
Amounts falling due within one year	(20,901)	(22,596)	(18,239)
<b>Net current assets/(liabilities)</b>	12,274	261	(9,567)
<b>Total assets less current liabilities</b>	415,220	478,942	396,473
<b>Creditors</b>			
Amounts falling due after more than one year	(84,641)	(106,660)	(87,725)
<b>Net assets</b>	<b>330,579</b>	<b>372,282</b>	<b>308,748</b>
<b>Capital and reserves</b>			
<i>Equity shareholders' interest:</i>			
Ordinary called up share capital	21,890	22,041	21,876
Share premium account	23	23	23
Capital redemption reserve	8,230	8,066	8,230
Capital reserve - realised	283,847	342,684	300,788
Capital reserve - unrealised	(10,746)	(30,032)	(51,265)
Revenue reserve	27,335	29,500	29,096
<b>Shareholders' funds</b>	<b>330,579</b>	<b>372,282</b>	<b>308,748</b>
<b>Net Asset Value per Ordinary and 'B' Ordinary share (pence)</b>	<b>377.5</b>	<b>422.3</b>	<b>352.8</b>

## Cash Flow Statement

	Six months to 30 June 2003 (unaudited)	Six months to 30 June 2002 (unaudited)	Year ended 31 December 2002 (audited)
	£'000	£'000	£'000
<b>Operating activities</b>			
Investment income received	9,408	10,392	17,594
Deposit interest received	124	43	193
Underwriting commission received	–	10	17
Investment management fees paid	(1,452)	(1,267)	(3,698)
Secretarial fees paid	(48)	(33)	(106)
Cash paid to and on behalf of Directors	(23)	(26)	(55)
Other cash payments	(510)	(80)	(1,013)
<b>Net cash inflow from operating activities</b>	<b>7,499</b>	<b>9,039</b>	<b>12,932</b>
<b>Returns on investment and servicing of finance</b>			
Interest paid	(1,545)	(1,828)	(3,582)
<b>Financial investment</b>			
Purchases of investments	(33,411)	(48,996)	(101,289)
Sales of investments	61,368	81,441	146,178
<b>Net cash inflow from financial investment</b>	<b>27,957</b>	<b>32,445</b>	<b>44,889</b>
Equity dividends paid	(8,119)	(8,311)	(14,244)
<b>Net cash inflow before use of liquid resources and financing</b>	<b>25,792</b>	<b>31,345</b>	<b>39,995</b>
<b>Financing</b>			
Loans repaid	–	(53,000)	(78,000)
Loans received	–	50,000	60,000
Repurchase of Ordinary shares	(2)	(6,548)	(8,021)
<b>Net cash outflow from financing</b>	<b>(2)</b>	<b>(9,548)</b>	<b>(26,021)</b>
<b>Increase in cash</b>	<b>25,790</b>	<b>21,797</b>	<b>13,974</b>

## Corporate Information

<b>Directors</b>	J F H Trott (Chairman) D H Benson Sir Raymond Johnstone, CBE A C Shedden
<b>Secretary</b>	Aberdeen Asset Management PLC
<b>Registered Office</b>	123 St Vincent Street Glasgow G2 5EA 0141 306 7400 Registered in Scotland – Company Number 6705 Website: <a href="http://www.murray-international.co.uk">www.murray-international.co.uk</a>
<b>Points of Contact</b>	<i>The Chairman and Company Secretary</i> At the registered office of the Company  <i>Manager</i> Aberdeen Asset Managers Limited Customer Services Department: 0550 00 00 40  <i>Registrars</i> Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU Tel: 020 8639 2000
<b>Custodian Bankers</b>	JP Morgan Chase Bank
<b>Auditors</b>	Ernst & Young LLP
<b>Solicitors</b>	McGrigor Donald
<b>Stockbroker</b>	UBS Warburg Arbuthnot
<b>Trustee of the Debenture Stockholders</b>	The Governor and Company of the Bank of Scotland





Aberdeen

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Member of the Aberdeen Asset Management Group of Companies*