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Murray International Trust PLC

Interim Report
Six months ended 30 June 2004



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 2004	30 June 2003	31 December 2003
Total assets less current liabilities*	£454,771,000	£415,220,000	£458,756,000
Equity shareholders' interests	£370,020,000	£330,579,000	£371,392,000
Net Asset Value per Ordinary and B Ordinary share	422.4p	377.5p	424.2p
Total Return per Ordinary share	8.7p	35.6p	88.8p
Total Return per Ordinary share assuming full conversion of the B Ordinary shares	8.6p	35.1p	87.6p
Price of Ordinary share	377.5p	344.0p	388.0p
Price of B Ordinary share	340.0p	300.0p	292.5p
Discount to NAV on Ordinary shares	10.6%	8.9%	8.5%

* Excluding loans due within one year.

Dividend Record for the year ending 31 December 2004

	Rate(p)	xd date	Record date	Payment date
1st interim	3.45	21 July 2004	23 July 2004	16 August 2004
2nd interim	3.45	20 October 2004	22 October 2004	17 November 2004
3rd interim	3.45	19 January 2005	21 January 2005	16 February 2005
Final dividend	Forecast maintained final dividend of 5.95p per Ordinary share payable in May 2005			

Share Capital as at 30 June 2004

Ordinary shares of 25p each	86,497,234
B Ordinary shares of 25p each	1,107,088

Investment Review

For the six months ended 30 June 2004

Background

Financial markets struggled to make much progress over the past six months. Weighed down by soaring oil prices, concerns over booming property prices and fears over the rapid pace of credit expansion, the consensus opinion became increasingly bearish about the prospects for interest rates. Government bonds suffered a difficult six months as rising commodity prices concentrated the "inflation sensitive" minds of fixed interest investors. Longer-dated bond yields moved higher as additional inflation premiums were priced into fixed income markets, causing many yield curves to steepen. Bond markets remained uncertain as to the scope and magnitude of interest rate rises deemed necessary by policy makers to reduce the amount of stimulus in the financial system. Against this backdrop, equity markets also traded nervously. Market returns, as ever, were influenced by currency movements, most notably the strength of sterling versus the euro and the yen, although the pound/US dollar exchange rate remained relatively flat over the period. In sterling terms, the US market returned 2.1%, the UK 1.9%, Europe 1.7% and the Pacific ex Japan -0.3%. The only notable returns came from Japan, where the equity market rose 9.6% over the period. On a sectoral basis there was a somewhat defensive bias with consumer staples, energy and utilities all outperforming. Sectors judged to be cyclically sensitive to rising interest rates, such as financials, technology and commodity materials, all underperformed.

Performance

The Net Asset Value total return, with net income reinvested for the six months to 30 June 2004 was 2.0% compared with a return of 2.3% on the composite benchmark (40% of the FTSE World-UK and 60% of the FTSE World ex UK indices).

Asset allocation towards equities was broadly neutral for the portfolio over the period, with the negative effects of being overweight Asian markets being offset by being overweight in Japan. Relative asset allocation positions in the US, Europe and the UK had virtually no impact. Stock selection was positive in every geographical region except for Asia, with the UK and Japan contributing significantly to outperformance. However, the total portfolio was negatively impacted by the asset allocation towards bonds. Although the fixed interest portfolio was defensively positioned in high quality, short duration bonds and therefore performed relatively well, it still experienced capital losses in what proved to be an extremely tough period for the asset class.

Share Buy-backs

During the six months ended June 2004, 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 widened slightly during the six months from 8.5% to 10.6%.

Activity

Portfolio activity during the period was directed towards capitalising on opportunities that arose during periods of increased market volatility. On a geographic basis, exposure to the Pacific region was increased during bouts of risk-aversion induced weakness, as was exposure to Emerging markets. On a sectoral basis, exposure to energy was slightly reduced having served the portfolio particularly well over the past eighteen months, but the overweight position has been retained. The process of reducing the portfolio's pro-cyclical bias towards industrials continued with the proceeds being reinvested in "late cycle" sectors such as Telecoms, where strong balance sheets and strong cash flows offer attractive yields and above-average dividend growth.

Dividends

For the current year the Board has already declared that three interim dividends of 3.45p per share be paid on 16 August and 17 November 2004 and 16 February 2005. The Board intends to recommend a maintained final dividend of 5.95p in respect of the year ending 31 December 2004, payable in May 2005.

Outlook

The unequivocal improvement in global economic activity over the past six months has prompted financial markets to respond, up till now at least, in a fairly typical cyclical manner. The relative returns from equities and bonds over the period are testimony to this. However, as the current global economic cycle evolves against an uncertain backdrop of escalating terrorism, historically high oil prices and rising trade tensions, a definitive distinction between the developed and developing world is emerging as key to future prospects: namely that of debt. Forty percent of present global GDP (mainly the US and UK) is based in highly indebted economies, stretched by the burdens of credit based growth policies, debt cultures and future prospects dictated by debt servicing demands. With burgeoning budget deficits and household debt at record levels, these nations find themselves living beyond their means, dependent on foreign capital, vulnerable to exogenous shocks and pressures. Confined to an outlook of sub-trend growth, lower consumption, lack of fiscal flexibility and declining currencies, equity markets in the US and UK offer little appeal from a global perspective.

Conversely, the outlook is much brighter for the surplus savings nations of the developing world. Cyclical and secular growth improvement remain intact. Stronger domestic economies, reduced dependency on traditional export markets, robust commodity prices and supportive global liquidity remain cyclical positives. Also secular improvements, such as declining capital costs, rising real incomes, competitive currencies, high domestic savings and huge foreign exchange reserves dramatically reduce the sensitivity to global capital flows. Indeed, as major lenders to the developed world, the developing world is increasingly becoming an integral part of the global financial system. However, at the current juncture, the most compelling case for the developing world remains growth, earnings and market values. Forecast to grow at twice the rate of the developed world in 2004 and 2005, this should translate into high double-digit earnings growth. Such profitability at current market levels strongly supports the investment case for staying overweight Asian and Emerging market equities.

Finally, in addition to these structural factors, there are the basic issues of expectations and valuation. Where high expectations and high valuations prevail, as in the US market, the manager will continue to be cautious. Conversely, in markets such as Japan and Europe, where expectations remain low and valuations are attractive, the portfolio will continue its overweight stance. Moreover, the portfolio will maintain its strict adherence to those companies throughout the world, where strong balance sheets, decent dividend yields with good dividend growth, achievable returns and quality assets are dominant characteristics.

By order of the Board
Aberdeen Asset Management PLC
Secretary

5 August 2004

Summary of Investment Changes

For the six months ended 30 June 2004

	Valuation		Transactions £'000	Appreciation/ (depreciation) £'000	Valuation	
	31 December 2003 £'000	%			30 June 2004 £'000	%
Equities						
United Kingdom	145,035	31.6	3,329	627	148,991	32.8
Americas	74,638	16.3	4,321	1,282	80,241	17.6
Europe & Africa	72,310	15.8	(3,643)	989	69,656	15.3
Japan	34,440	7.5	(691)	4,329	38,078	8.4
Middle East, Far East & Australasia	45,111	9.8	1,085	(1,490)	44,706	9.8
	371,534	81.0	4,401	5,737	381,672	83.9
Fixed income						
United Kingdom	45,656	10.0	10,314	(913)	55,057	12.1
Europe & Africa	38,682	8.4	(10,652)	(1,654)	26,376	5.8
Americas	–	–	3,907	(107)	3,800	0.9
	84,338	18.4	3,569	(2,674)	85,233	18.8
Total investments	455,872	99.4	7,970	3,063	466,905	102.7
Other net assets/(liabilities)	2,884	0.6	(10,237)	(4,781)	(12,134)	(2.7)
Total assets	458,756	100.0	(2,267)	(1,718)	454,771	100.0

Summary of Net Assets

As at 30 June 2004

	Valuation	
	30 June 2004 £000	%
Equities	381,672	103.2
Fixed income	85,233	23.0
Other net liabilities	(12,134)	(3.3)
Borrowings and prior charges	(84,751)	(22.9)
Equity shareholders' interest	370,020	100.0

Twenty Largest Equity Investments

As at 30 June 2004

Security	Investment Area	Valuation £'000	% of total assetst
Atrium Underwriting	UK	18,223	4.0
September 2004 S&P Index Future *	USA	15,721	3.5
BP	UK	11,201	2.5
Shell Transport & Trading **	UK & Netherlands	10,184	2.2
GlaxoSmithKline	UK	9,988	2.2
Vodafone Group	UK	7,728	1.7
The Royal Bank of Scotland	UK	6,987	1.5
AstraZeneca	UK	6,185	1.4
British American Tobacco **	UK & Malaysia	5,869	1.3
Petrobras ADR	Brazil	5,547	1.2
Unilever **	UK & Indonesia	4,835	1.1
Aviva	UK	4,768	1.0
BT Group	UK	4,764	1.0
Barclays	UK	4,298	0.9
Volvo	Sweden	4,223	0.9
United Health Group	US	3,947	0.9
HSBC Holdings	UK	3,903	0.9
Tenaris ADR	Mexico	3,818	0.8
Land Securities	UK	3,767	0.8
San Paolo - IMI	Italy	3,665	0.8
Top twenty investments		139,621	30.6

* Provides exposure to the S&P 500 Index in the United States.

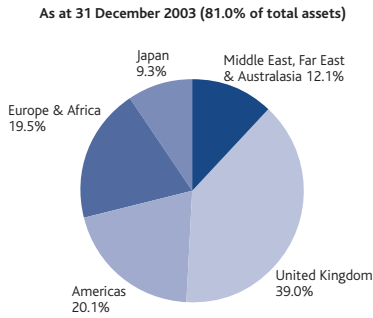
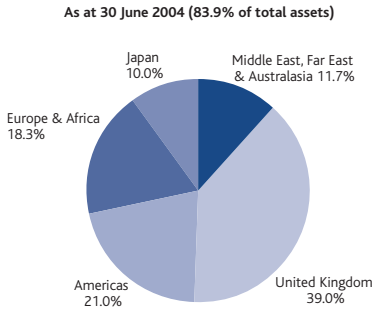
** Holding also comprises associated companies.

† Represents total assets less current liabilities.

In addition to the equity exposure detailed above, as at 30 June 2004 the portfolio also included the related fixed interest holdings detailed below:

Security	Valuation £'000	% of total assetst
HSBC Capital Funding 5.3687%	1,705	0.4
Barclays Bank PLC 5.75% 8/3/11	1,453	0.3
Vodafone Group 5.75% 27/10/06	1,419	0.3
BAT International Finance 5.75% 9/12/13	957	0.2

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) for the six months ended 30 June 2004

	Six months ended 30 June 2004 (unaudited)		
	Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on sales	–	3,331	3,331
Unrealised (losses)/gains	–	(268)	(268)
Gains on investments	–	3,063	3,063
Income from investments	10,376	–	10,376
Other income	159	–	159
Investment management fees	(329)	(768)	(1,097)
Currency (losses)/gains	–	(2,168)	(2,168)
Other expenses	(581)	–	(581)
Net return before finance costs and taxation	9,625	127	9,752
Finance costs of borrowing	(388)	(1,313)	(1,701)
Return on ordinary activities before taxation	9,237	(1,186)	8,051
Tax on ordinary activities	(1,688)	1,208	(480)
Return attributable to equity Shareholders	7,549	22	7,571
Ordinary dividends on equity shares	(8,943)	–	(8,943)
Transfer (from)/to reserves	(1,394)	22	(1,372)
Return per Ordinary share (pence)	8.7	0.0	8.7
Return per Ordinary share assuming full conversion of the B Ordinary shares (pence)	8.6	0.0	8.6

Notes

1. The revenue column of this statement represents the revenue account of the Company.
2. The results for the year to 31 December 2003 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. The interim financial information has been prepared on the same basis of accounting policies set out in the annual financial statements. The above financial information does not constitute statutory accounts within the meaning of s240 of the Companies Act 1985.

Six months ended 30 June 2003 (unaudited)			Year ended 31 December 2003 (audited)		
Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
–	(15,178)	(15,178)	–	(14,991)	(14,991)
–	39,391	39,391	–	83,814	83,814
–	24,213	24,213	–	68,823	68,823
9,708	–	9,708	16,278	–	16,278
124	–	124	515	–	515
(454)	(1,059)	(1,513)	(852)	(1,994)	(2,846)
–	571	571	–	(1,321)	(1,321)
(408)	–	(408)	(995)	–	(995)
8,970	23,725	32,695	14,946	65,508	80,454
(462)	(1,078)	(1,540)	(946)	(2,208)	(3,154)
8,508	22,647	31,155	14,000	63,300	77,300
(1,330)	944	(386)	(2,493)	1,918	(575)
7,178	23,591	30,769	11,507	65,218	76,725
(8,939)	–	(8,939)	(14,081)	–	(14,081)
(1,761)	23,591	21,830	(2,574)	65,218	62,644
8.3	27.3	35.6	13.3	75.5	88.8
8.2	26.9	35.1	13.1	74.5	87.6

Balance Sheet

As at 30 June 2004

	At 30 June 2004 (unaudited)	At 30 June 2003 (unaudited)	At 31 December 2003 (audited)
	£'000	£'000	£'000
Fixed assets			
Investments	466,905	402,946	455,872
Current assets			
Debtors	4,694	3,645	3,085
Cash and short-term deposits	8,510	29,530	22,177
	13,204	33,175	25,262
Creditors			
Amounts falling due within one year	(25,338)	(20,901)	(34,367)
Net current (liabilities)/assets	(12,134)	12,274	(9,105)
Total assets less current liabilities	454,771	415,220	446,767
Creditors			
Amounts falling due after more than one year	(84,751)	(84,641)	(75,375)
Net assets	370,020	330,579	371,392
Capital and reserves			
<i>Equity shareholders' interest:</i>			
Called-up share capital	21,901	21,890	21,890
Share premium account	23	23	23
Capital redemption reserve	8,230	8,230	8,230
Capital reserve - realised	280,455	283,847	286,358
Capital reserve - unrealised	34,283	(10,746)	28,369
Revenue reserve	25,128	27,335	26,522
Equity shareholders' funds	370,020	330,579	371,392
Diluted Net Asset Value per Ordinary and B Ordinary share (pence)	422.4	377.5	424.2

Cash Flow Statement

For the six months ended 30 June 2004

	Six months ended 30 June 2004 (unaudited)	Six months ended 30 June 2003 (unaudited)	Year ended 31 December 2003 (audited)
	£'000	£'000	£'000
Operating activities			
Investment income received	8,982	9,408	15,961
Deposit interest received	156	124	514
Underwriting commission received	–	–	3
Investment management fees paid	(1,082)	(1,452)	(2,800)
Secretarial fees paid	(49)	(48)	(98)
Cash paid to and on behalf of Directors	(38)	(23)	(51)
Other cash payments	(394)	(510)	(1,007)
Net cash inflow from operating activities	7,575	7,499	12,522
Returns on investment and servicing of finance			
Interest paid	(1,383)	(1,545)	(3,139)
Break costs on repayment of loan	(407)	–	–
Financial investment			
Purchases of investments	(63,615)	(33,411)	(86,371)
Sales of investments	60,197	61,368	106,367
Net cash (outflow)/inflow from financial investment	(3,418)	27,957	19,996
Equity dividends paid	(8,121)	(8,119)	(14,079)
Net cash (outflow)/inflow before financing	(5,754)	25,792	15,300
Financing			
Loans repaid	(11,545)	–	–
Loans drawn down	11,545	–	–
Repurchase of Ordinary shares	–	(2)	–
Net cash outflow from financing	–	(2)	–
(Decrease)/increase in cash	(5,754)	25,790	15,300

Independent Review Report to Murray International Trust PLC

Introduction

We have been instructed by the Company to review the financial information for the six months ended 30 June 2004 which comprises the Statement of Total Return, Balance Sheet and Cash Flow Statement. We have read the other information contained in the Interim Report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the Company in accordance with guidance contained in Bulletin 1999/4 'Review of interim financial information' issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The Interim Report, including the financial information contained therein, is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the Interim Report in accordance with the Listing Rules of the Financial Services Authority, which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 'Review of interim financial information' issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied, unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2004.

Ernst & Young LLP

Edinburgh
5 August 2004

Corporate Information

Directors	J F H Trott (Chairman) Lady Balfour of Burleigh D H Benson Sir Raymond Johnstone, CBE A C Shedden
Secretary	Aberdeen Asset Management PLC
Registered Office	123 St Vincent Street Glasgow G2 5EA Tel: 0141 306 7400 Registered in Scotland – Company Number 6705 Website: www.murray-intl.co.uk
Points of Contact	<i>The Chairman and Company Secretary</i> At the registered office of the Company <i>Manager</i> Aberdeen Asset Managers Limited Customer Services Department: 0500 00 00 40 <i>Registrars</i> Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU Tel: 0870 162 3100
Custodian Bankers	JP Morgan Chase Bank
Auditors	Ernst & Young LLP
Solicitors	McGrigors
Stockbroker	UBS Warburg Arbuthnot
Trustee of the Debenture Stockholders	The Governor and Company of the Bank of Scotland

Aberdeen Asset Managers Limited

10 Queen's Terrace,
Aberdeen AB10 1YG
Tel 01224 631999 Fax 01224 647010

123 St. Vincent Street,
Glasgow G2 5EA
Tel 0141 306 7400 Fax 0141 306 7401

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Member of the Aberdeen Asset Management Group of Companies