



---

*Murray  
International  
Trust PLC*



Income and capital growth from investing predominantly in equities worldwide

Annual Report & Financial Statements  
**31 December 2002**

# Contents

<b>1</b>	Company Profile		
	<b>Annual Report</b>		
<b>2</b>	Corporate Information		
<b>3</b>	Board Members		
<b>4</b>	Financial Highlights		
<b>6</b>	Chairman's Statement		
<b>8</b>	Summary of Investment Changes during the year		
<b>8</b>	Summary of Net Assets		
<b>9</b>	Distribution of Investments		
<b>10</b>	Distribution of Equity Investments		
<b>11</b>	The Investment Process		
<b>12</b>	Investment Manager's Overview		
<b>16</b>	Twenty Largest Investments		
<b>18</b>	Portfolio of Investments		
<b>21</b>	Largest Unlisted Investment		
		<b>Report and Financial Statements</b>	
<b>22</b>	Directors' Report		
<b>26</b>	Directors' Remuneration Report		
<b>28</b>	Statement of Corporate Governance		
<b>32</b>	Statement of Directors' Responsibilities		
<b>33</b>	Independent Auditors' Report		
<b>35</b>	Statement of Total Return (incorporating the Revenue Account)		
<b>36</b>	Balance Sheet		
<b>37</b>	Cash Flow Statement		
<b>38</b>	Notes to the Financial Statements		
		<b>Annual General Meeting</b>	
<b>51</b>	Notice of Meeting		
		<b>Information</b>	
<b>54</b>	Ten Year Record		
<b>55</b>	Information about the Manager		
<b>56</b>	Marketing Strategy		

# Financial Calendar

<b>12 May 2003</b>	Annual General Meeting
<b>23 May 2003</b>	Payment of proposed final dividend for 2002 (5.95p)
<b>August 2003</b>	Half-yearly results announced
<b>15 August 2003</b>	Payment of proposed first interim dividend for 2003 (3.45p)
<b>17 November 2003</b>	Payment of proposed second interim dividend for 2003 (3.45p)
<b>February 2004</b>	Final results announced
<b>16 February 2004</b>	Payment of proposed third interim dividend for 2003 (3.45p)

# Dividend Record

	<b>Rate</b>	<b>xd date</b>	<b>Record date</b>	<b>Payment date</b>
1st interim 2002	3.45p	17 July 2002	19 July 2002	16 August 2002
2nd interim 2002	3.45p	16 October 2002	18 October 2002	15 November 2002
3rd interim 2002	3.45p	15 January 2003	17 January 2003	17 February 2003
Proposed final 2002	5.95p	23 April 2003	25 April 2003	23 May 2003
Total dividend 2002	16.30p			



---

*Murray  
International  
Trust PLC*

## Company Profile

Murray International Trust has been investing in international markets since 1907. It is an investment trust traded on the London Stock Exchange and is a constituent of the FTSE Actuaries All-Share Index. The bulk of its shareholders are private investors of which there are some 25,000. 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 is invested in a diversified portfolio of international equities and around 25%, financed by borrowings, in lower risk fixed income securities.

### **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.

### **International 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.

### **Share Dealing**

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 56).

### **Capital Structure**

The Company's issued share capital as at 14 March 2003 consisted of 86,370,984 Ordinary shares of 25p each and 1,136,666 B Ordinary shares of 25p each.

### **Summary Management Agreement**

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 pages 22 to 25 and in Note 3 on page 40.

### **Board of Directors**

A Board of Directors, the majority of whom are independent of the Investment Manager, supervises the management of the Murray International Trust and looks after the interests of shareholders.

### **AITC**

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

# Corporate Information

## Directors

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

## Secretaries

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

## Manager

Aberdeen Asset Managers Limited  
123 St Vincent Street  
Glasgow G2 5EA

Customer Services Department: 0500 00 00 40

## Registrar

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

McGrigor Donald

## Stockbroker

UBS Warburg  
Arbuthnot

## Registered Office

123 St Vincent Street  
Glasgow G2 5EA

Registered in Scotland – Company Number 6705

## Trustee of the Debenture Stockholders

The Governor and Company of the Bank of Scotland

# Board Members

## Chairman

**J F H Trott**, aged 65, was appointed a Director on 23 October 2000 and Chairman on 6 November 2002. He is currently chairman of The Standard Life Assurance Company and of The Brunner Investment Trust plc.

## Directors

**D H Benson**, aged 65, senior adviser to Fleming Family Partners and (until 24 March 2003) chairman of Charter European Trust plc was appointed a Director on 25 October 1999. 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.

**A C Shedden**, aged 58, former senior partner of McGrigor Donald, was appointed a Director on 23 October 2000. He is chairman of Halladale Group plc and is a non-executive director of The Equitable Life Assurance Society, Martin Currie Japan Investment Trust plc and iomart Group plc. He is also a Governor of Glasgow School of Art and a member of The Scottish Further Education Funding Council.

**Sir Raymond Johnstone, CBE**, aged 73, former Chairman and Managing Director of Murray Johnstone Limited, was appointed a Director in November 1989. He is chairman of Atrium Underwriting PLC and The Nuclear Generation Decommissioning Fund Limited.

*All of the Directors are non-executive and are members of the Management Engagement Committee and the Audit Committee.*

# Manager

Aberdeen Asset Managers Limited is the Manager of the Company and is part of the Aberdeen Asset Management group of companies, which had £20.1 billion of funds under management at 28 February 2003.

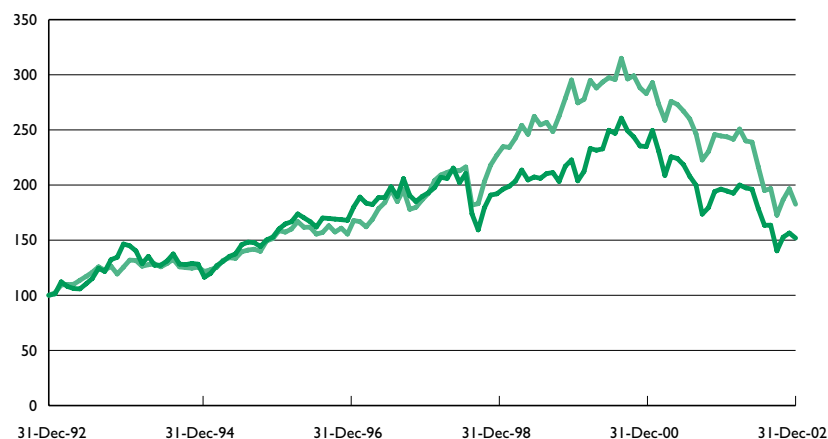
# Financial Highlights

For the year ended 31 December 2002

Murray International Trust is an investment trust with a stock market capitalisation as at 31 December 2002 of £261 million (2001 – £362 million).

	<b>2002</b>	<b>2001</b>
• Total Assets less Current Liabilities	£396,473,000	£525,340,000
• Equity Shareholders' interest	£308,748,000	£419,479,000
• Net Asset Value per Ordinary and B Ordinary share	352.8p	468.1p
• Cost of share buy-backs	£8,023,000	£77,021,000
• Total Return for year per Ordinary share	(101.7)p	(100.0)p
• Total Return for year per Ordinary share assuming conversion of the B Ordinary shares	(100.4)p	(98.6)p

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



### Return with net dividends reinvested:

Over 1 year	(22.6)%
Over 10 years	50.9%

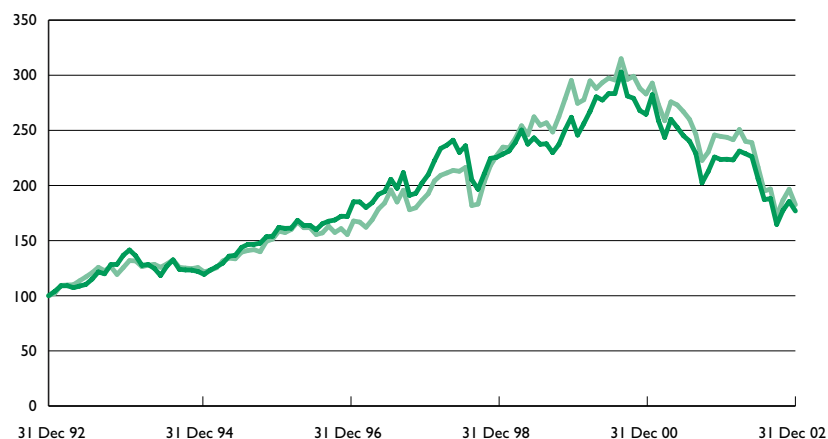
Source: AITC

— Composite Benchmark  
— Murray International - Share Price

- Year-end price of Ordinary shares
- Year-end price of B Ordinary shares
- Discount to NAV on Ordinary shares

	<b>2002</b>	<b>2001</b>
Year-end price of Ordinary shares	298p	403p
Year-end price of B Ordinary shares	292.5p	445p
Discount to NAV on Ordinary shares	15.5%	13.9%

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



### Net Asset Value total return (with net dividends reinvested):

Over 1 year	(21.6)%
Over 10 years	65.2%

Source: AITC

— Composite Benchmark  
— Murray International - NAV Total Return

\* The benchmark comprises the FTSE World Index to 31 December 1999, and thereafter a new composite benchmark made up as to 40% of the FTSE World-UK and 60% of the FTSE World ex-UK.

## Financial Highlights (continued)

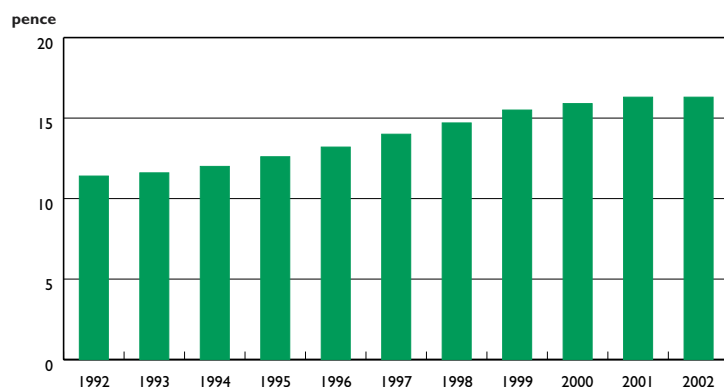
### Dividend and earnings

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

	2002	2001
• Dividend per Ordinary share	16.3p	16.3p
• Return per Ordinary share	13.8p	13.6p
• Dividend cover	0.84 times	0.82 times
• Revenue reserves	£29,096,000	£31,097,000

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

### Ten Year Dividend Growth



### Dividend Growth:

Over 1 year	nil
Over 10 years	43.0%

Source: Aberdeen Asset Managers

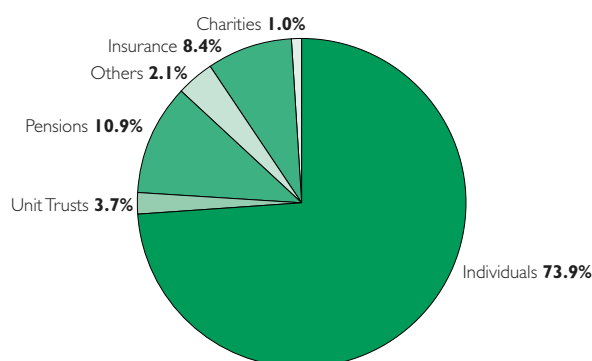
Note: In respect of the year ended 31 December 1998, there was an additional exceptional distribution of 0.8p per share to reflect the saving made from the payment of a foreign income dividend.

### Operating costs

	2002	2001
Total operating cost as a percentage of gross assets*	1.2%	1.1%

\*Operating costs include investment management fees and other expenses as detailed in notes 3 and 4 on page 40.

### Shareholder Analysis by Sector of Owner



# Chairman's Statement

## Background

At the start of the year under review it was widely expected that, following aggressive monetary easing by the US Federal Reserve throughout 2001, global economic growth would recover and thereby help to underpin rather unsettled equity markets. Our own view was that some recovery was assured but that there were structural impediments, relating mainly to high levels of indebtedness and a very large current account deficit in the United States, that would act to constrain the eventual pace of recovery. Nonetheless we had expected that economic recovery would generate some profits growth which might act to stabilize equity markets. However, in the event, global equity markets saw falls ranging from 18% for Japan and Asia to almost 30% for the United States, even though the eventual outcome in terms of economic growth rates was in line with, or even ahead of, general expectations. With hindsight, we can see that part of the problem must have lain with still high valuations at the outset, particularly in the USA, but there have also been issues relating to the true level of reported profits and, of course, the prospect of a Middle East war, with a concomitant rise in the oil price, has been a depressing factor. As if any reminder were needed, the year 2002 also served to illustrate that, in a below trend economic growth environment, corporate profits will come under pressure and this is likely to remain a relevant factor for the year ahead.

## Performance

The Net Asset Value showed a total return for the year to 31 December 2002 of -21.6% compared with a return on the benchmark index of -25.3%. The main positives from an asset allocation standpoint were the significantly underweight position in the United States and the overweight positions in Emerging Markets and in Japan. Stock selection overall was also positive with strong relative performance, in particular, from the European and Japanese portfolios as well as the Pacific (ex Japan). Another good year for bond markets also saw a positive return from the fixed interest portfolio, which largely comprises investment grade corporate bonds and is financed by borrowings in yen.

In general terms, the subdued economic background described above meant that the more defensive areas of the market-place, such as non-cyclical consumer goods, resources and utilities, fared better than the wider market and this was a helpful factor to stock selection in the overall portfolio.

## Share Buybacks

The Company continued to buy back its shares in the market during the year.

At the last Annual General Meeting on 13 May 2002, Shareholders renewed the authorisation of the Company to buy back up to 14.99% of its own shares in the market. During the year ended 31 December 2002, share repurchases totalling 2,062,000 Ordinary shares (2.3% of the issued Ordinary share capital at 31 December 2001) took place at an average price of 369.1p and this benefited the Net Asset Value by 0.36%.

In addition, during the year ended 31 December 2002, 79,947 B Ordinary shares (6.7% of the issued B Ordinary share capital at 31 December 2001) were bought back at an average price of 445p.

At the Annual General Meeting on 12 May 2003 Shareholders will be asked to renew the Company's power to buy back its shares for the following twelve months.

## Chairman's Statement (continued)

### Dividends

The Directors are proposing, as forecast, a maintained final dividend of 5.95p per share for the year ended 31 December 2002, payable on 23 May 2003 to Shareholders on the register on 25 April 2003. With three interims each of 3.45p already paid, this makes a total for the year of 16.3p equal to that paid for the previous year. The equity earnings of the Company do not wholly cover this payment but the revenue reserve built up from earlier undistributed earnings is substantial, being two times the current annual dividend cost.

Your Board now proposes that three interim dividends of 3.45p per share be paid for the year to 31 December 2003, payable on 15 August 2003, 17 November 2003 and 16 February 2004.

B Ordinary Shareholders will receive a capitalisation in B Ordinary shares on 23 May 2003 amounting to 4.62299 B Ordinary shares for every hundred held at the close of business on 25 April 2003, which is equivalent in Net Asset Value to the recommended final dividend and three interim dividends for the current year.

### Your Board

It was with great sadness that we learned of the death, on 26 January 2003, of our former Chairman, the Rt Hon Viscount Younger of Leckie. Due to his ill health, he had resigned from the Board on 6 November 2002. Viscount Younger was appointed to the Board in November 1989 and became Chairman in April 1993. He served the Company well during his time in office and his leadership and involvement in the Company's affairs were greatly valued by the Board. Shareholders will be aware that he was held in the highest regard by his colleagues on the Board, the City and all who had dealings with him in his many and varied interests.

Following Viscount Younger's resignation, I became Chairman and you will find my biography on page 3.

### Outlook

At the time of writing we are witnessing a major build up of military personnel and weaponry in preparation for a war with Iraq. The markets have been weak reflecting the uncertainty. Short term, this uncertainty will remain an important factor but, in the absence of some catastrophe exacerbating the squeeze on the oil price and/or extending the range of the conflict, this is not the key issue confronting equity markets at present. The key determinants remain, as ever, the rate of economic growth, the level of corporate profits which result and the level of valuation that is placed upon those profits. Current leading indicators present a very mixed picture for the global economy with some worrying signs that the all important consumer in the US, who has sustained his levels of expenditure through mortgage refinancings and various credit mechanisms, may now be drawing in his horns. In this event, it is unlikely that consensus forecasts for economic growth will be met and a relatively cautious approach may remain appropriate.

However, with the exception of the United States, the Board and the Manager believe that markets have now reached acceptable valuations and it may not be long before a base is reached. The Board and the Manager will be looking to take advantage of any opportunities that might arise.

19 March 2003

**J F H Trott**  
Chairman

## Summary of Investment Changes during the year

	Valuation		Transactions	Appreciation (depreciation)	Valuation	
	31 December 2001				31 December 2002	
	£'000	%	£'000	£'000	£'000	%
<b>Equities</b>						
United Kingdom	171,728	32.7	(5,710)	(39,930)	126,088	31.8
Americas	103,640	19.7	(6,975)	(32,604)	64,061	16.2
Europe & Africa	74,413	14.2	(741)	(16,629)	57,043	14.4
Japan	46,432	8.8	(10,670)	(3,989)	31,773	8.0
Middle East, Far East & Australasia	25,966	4.9	(189)	(1,863)	23,914	6.0
	422,179	80.3	(24,285)	(95,015)	302,879	76.4
<b>Fixed income</b>						
United Kingdom	68,091	13.0	(2,318)	(1,631)	64,142	16.2
Europe & Africa	43,438	8.3	(8,662)	4,243	39,019	9.8
	111,529	21.3	(10,980)	2,612	103,161	26.0
Other net current liabilities	(8,368)	(1.6)	14,853	(16,052)	(9,567)	(2.4)
<b>Total Assets*</b>	<b>525,340</b>	<b>100.0</b>	<b>(20,412)</b>	<b>(108,455)</b>	<b>396,473</b>	<b>100.0</b>

\*represents total assets less current liabilities (excluding loans)

## Summary of Net Assets

	Valuation	
	31 December 2002	
	£'000	%
Equities	302,879	98.1
Fixed income	103,161	33.4
Other net current liabilities	(9,567)	(3.1)
Borrowings and prior capital	(87,725)	(28.4)
<b>Equity Shareholders' interest</b>	<b>308,748</b>	<b>100.0</b>

# Distribution of Investments

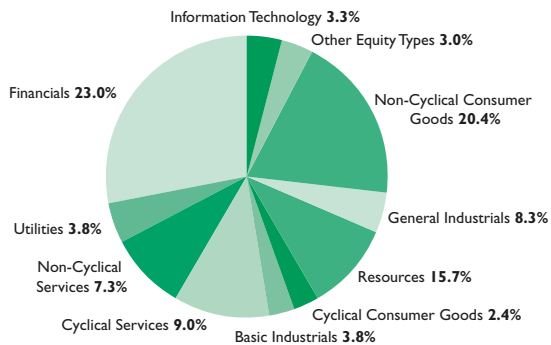
As at 31 December 2002

Sector/Area						Middle East	2002 Total %	2001 Total %
	United Kingdom %	Americas %	Europe & Africa %	Japan %	Far East & Australasia %			
<b>Resources</b>	<b>6.6</b>	<b>2.3</b>	<b>1.8</b>	<b>–</b>	<b>1.3</b>	<b>12.0</b>	<b>10.7</b>	
Mining	1.1	–	–	–	0.2	1.3	1.0	
Oil & Gas	5.5	2.3	1.8	–	1.1	10.7	9.7	
<b>Basic Industries</b>	<b>0.4</b>	<b>0.5</b>	<b>0.9</b>	<b>1.1</b>	<b>–</b>	<b>2.9</b>	<b>3.9</b>	
Chemicals	0.2	–	0.7	0.6	–	1.5	1.6	
Construction & Building Materials	0.2	–	–	0.2	–	0.4	0.4	
Forestry & Paper	–	0.5	0.2	–	–	0.7	0.7	
Steel & Other Metals	–	–	–	0.3	–	0.3	1.2	
<b>General Industrials</b>	<b>0.6</b>	<b>2.0</b>	<b>1.1</b>	<b>1.8</b>	<b>0.8</b>	<b>6.3</b>	<b>7.1</b>	
Aerospace & Defence	0.6	0.5	–	–	–	1.1	0.9	
Diversified Industrials	–	0.8	0.3	–	0.3	1.4	1.6	
Electronic & Electrical Equipment	–	0.4	0.2	1.8	0.5	2.9	3.4	
Engineering & Machinery	–	0.3	0.6	–	–	0.9	1.2	
<b>Cyclical Consumer Goods</b>	<b>–</b>	<b>–</b>	<b>0.8</b>	<b>0.7</b>	<b>0.3</b>	<b>1.8</b>	<b>0.9</b>	
Automobiles	–	–	0.8	0.5	0.3	1.6	0.9	
Household Goods & Textiles	–	–	–	0.2	–	0.2	–	
<b>Non-Cyclical Consumer Goods</b>	<b>6.5</b>	<b>3.8</b>	<b>2.6</b>	<b>2.2</b>	<b>0.5</b>	<b>15.6</b>	<b>13.4</b>	
Beverages	0.7	0.8	0.4	–	0.2	2.1	1.7	
Food Producers & Processors	0.8	–	0.6	0.3	0.3	2.0	1.5	
Health	–	0.5	–	0.3	–	0.8	1.7	
Personal Care & Household Products	–	0.3	–	0.7	–	1.0	0.7	
Pharmaceuticals	4.2	1.7	1.1	0.9	–	7.9	6.9	
Tobacco	0.8	0.5	0.5	–	–	1.8	0.9	
<b>Cyclical Services</b>	<b>2.3</b>	<b>1.6</b>	<b>1.7</b>	<b>0.9</b>	<b>0.4</b>	<b>6.9</b>	<b>9.4</b>	
General Retailers	0.7	1.3	0.4	–	0.2	2.6	1.5	
Leisure, Entertainment & Hotels	0.6	–	–	–	–	0.6	2.2	
Media & Photography	1.0	–	0.6	0.8	–	2.4	3.0	
Restaurants, Pubs & Breweries	–	–	–	–	–	–	0.2	
Support Services	–	–	0.7	0.1	–	0.8	1.7	
Transport	–	0.3	–	–	0.2	0.5	0.8	
<b>Non-Cyclical Services</b>	<b>3.3</b>	<b>0.5</b>	<b>1.5</b>	<b>0.2</b>	<b>0.1</b>	<b>5.6</b>	<b>8.9</b>	
Food & Drug Retailers	0.7	–	–	–	–	0.7	0.7	
Telecommunication Services	2.6	0.5	1.5	0.2	0.1	4.9	8.2	
<b>Utilities</b>	<b>1.4</b>	<b>0.6</b>	<b>0.9</b>	<b>–</b>	<b>–</b>	<b>2.9</b>	<b>2.6</b>	
Electricity	0.9	0.6	0.9	–	–	2.4	2.5	
Gas Distribution	0.3	–	–	–	–	0.3	–	
Water	0.2	–	–	–	–	0.2	0.1	
<b>Financials</b>	<b>10.6</b>	<b>0.7</b>	<b>3.1</b>	<b>0.6</b>	<b>2.6</b>	<b>17.6</b>	<b>19.1</b>	
Banks	5.5	–	1.7	0.1	1.8	9.1	10.1	
Insurance	3.0	0.4	1.4	–	0.5	5.3	4.2	
Life Assurance	1.2	–	–	–	–	1.2	1.5	
Investment Companies	–	0.3	–	–	–	0.3	0.8	
Real Estate	0.9	–	–	–	0.1	1.0	0.5	
Speciality & Other Finance	–	–	–	0.5	0.2	0.7	2.0	
<b>Information Technology</b>	<b>0.1</b>	<b>1.9</b>	<b>–</b>	<b>0.5</b>	<b>–</b>	<b>2.5</b>	<b>3.7</b>	
Information Technology Hardware	–	1.1	–	0.5	–	1.6	1.9	
Software & Computer Services	0.1	0.8	–	–	–	0.9	1.8	
<b>Other Equity Types</b>	<b>–</b>	<b>2.3</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2.3</b>	<b>0.6</b>	
Futures & Options	–	2.3	–	–	–	2.3	–	
Unit Trusts, Webs & Baskets	–	–	–	–	–	–	0.6	
<b>Total Equities</b>	<b>31.8</b>	<b>16.2</b>	<b>14.4</b>	<b>8.0</b>	<b>6.0</b>	<b>76.4</b>	<b>80.3</b>	
Fixed Income	16.2	–	9.8	–	–	26.0	21.3	
<b>Total Investments</b>	<b>48.0</b>	<b>16.2</b>	<b>24.2</b>	<b>8.0</b>	<b>6.0</b>	<b>102.4</b>	<b>101.6</b>	
Other Net Current (Liabilities)	–	–	–	–	–	(2.4)	(1.6)	
<b>Total Assets</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>100.0</b>	<b>100.0</b>	

# Distribution of Equity Investments

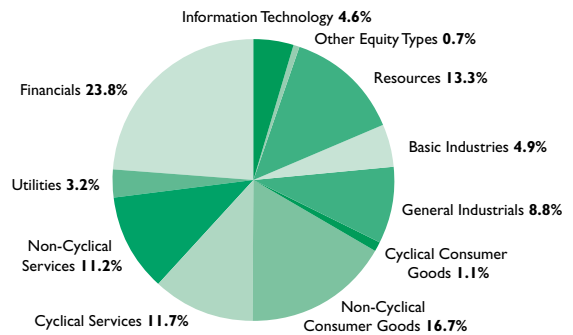
## Total equities distribution by sector

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



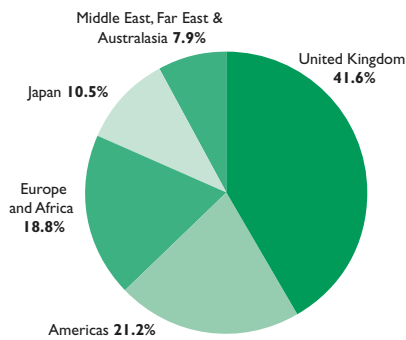
## Total equities distribution by sector

as at 31 December 2001 (80.3% of total assets)



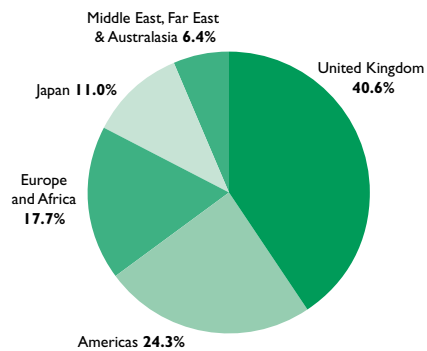
## Total equities distribution by geographical region

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



## Total equities distribution by geographical region

as at 31 December 2001 (80.3% of total assets)



Note: The percentage distributions by sector as shown on page 9 have been rebased in the sector comparison pie chart to total 100%.

# 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 sole objective in managing Murray International Trust, to deliver consistent outperformance against benchmarks for all funds under its management, 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 20 to the financial statements on pages 49 and 50.

# Investment Manager's Overview

## Background

2002 saw a third consecutive annual fall in world stockmarkets with a decline of 25.3% (total return) in Murray International's benchmark index expressed in sterling terms. This is not only in itself a very unusual occurrence historically but it has occurred against a background where consensus forecasts for the major economic powers were in fact remarkably accurate, with the exception of the USA where growth substantially exceeded forecasts. The key factors afflicting markets have thus related to some aspects of valuation levels, further significant weakness in the technology arena, concerns over the true level and quality of reported profits and, of course, the seemingly inexorable drift towards a war with Iraq. The risk of war has assumed immediate importance but the fundamental issue remains that profits are the lifeblood of a market economy and have been in short supply, given a general absence of pricing power, and/or of dubious quality.

All major equity markets lost ground, with the technology heavy NASDAQ once again amongst the worst performers. The FTSE World Japan index returned -18.0%, ahead of the UK at -22.3%, with Europe-ex UK and North America bringing up the rear at -27.0% and -29.5% respectively. The smaller Pacific-ex Japan region, where Murray International is substantially overweighted, fared rather better than the benchmark at -17.6%. Asset allocation overall was thus favourable for Murray International which remained very underweight the USA, neutral in the UK, and overweight Japan, Europe and Asia.

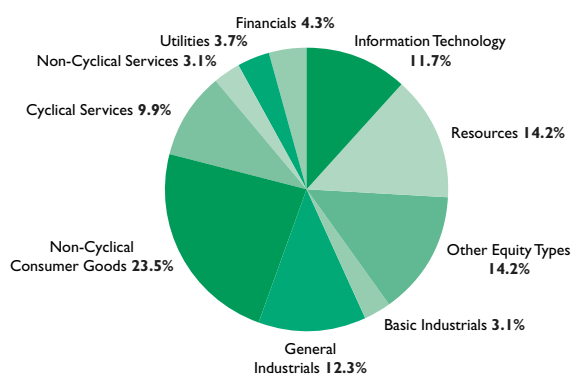
On a sectoral basis the resources area, for the second year running, was the top performer with basic industries and non-cyclical consumer goods also outperforming. As already remarked, information technology fared badly, as did telecom services albeit with signs of having reached a valuation trough in the case of the latter. This was a pattern that could be observed across all global markets.

## Performance

The Net Asset Value total return for the year to 31 December 2002 with net dividends reinvested was -21.6% compared with a return on the benchmark index of -25.3%. Asset allocation was favourable contributing approximately one third of the relative outperformance whilst stock selection was also positive overall with strong contributions from Europe, Japan and Asia. The outperformance of the UK portfolio was entirely due to the significant rise in the value of the holding in Atrium Underwriting. A positive contribution, in a good year for high quality sovereign bond markets, was also obtained from the geared bond portfolio (which largely comprises investment grade corporate paper financed by long term yen borrowings) despite a tendency for spreads, even on high grade corporate bonds, to widen during the year.

## USA

In our commentary last year we concluded that "economic recovery in some degree looks certain (given the scale of Fed. easing during 2001), but the structural imbalances which gave rise to this unintended recession are largely unchanged, so the relatively sharp bounce in activity which we should see ..... will moderate again in line with aggregate demand" and this seems to have been a reasonably accurate prediction. After a sharp bounce in growth earlier in the year, latest data has confirmed some slowdown in the rate of growth whilst leading indicators point to a continuing loss of momentum.



**Performance USA Portfolio (30.2%)  
against benchmark index of (29.5%)**

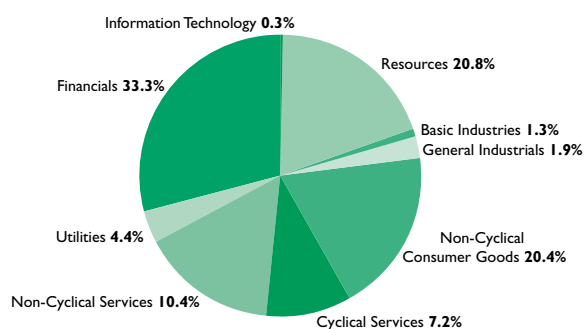
## Investment Manager's Overview (continued)

The world economy needs an engine for growth, which is a role that the US has fulfilled admirably in recent years. In the process however, a number of imbalances in the economy have developed, chief amongst which are a very low personal savings rate, a large and rising current account deficit, excess capacity post the millennium investment boom and a high level of household and corporate debt. Whilst it will undoubtedly try, the scope for the US to continue to fulfil this role therefore looks limited. The Bush fiscal package will undoubtedly help but if it is the case that fundamental imbalances exist, sooner or later they have to be addressed and their very existence almost certainly constrains the efficacy of fiscal or monetary policy measures. The Japanese experience might be a case in point.

Once again there appear to be some highly optimistic forecasts for US corporate profits in 2003. If it is the case that economic growth remains subdued, then the outlook for corporate profits becomes clouded, as is always the case when growth is below potential. In this case the expected margin improvements can only be delivered by cost cutting which in turn can threaten consumer confidence at a time when the consumer is in any case looking over-stretched.

### UK

Forecasts for the UK economy must, as with the USA, centre on the outlook for the consumer. The UK has outperformed the eurozone, largely because it has offset the sharp downturn in investment with a consumer boom, much of it on credit either through the normal credit channels or through mortgage equity withdrawal. A booming housing market is, of course, a sign of confidence but, like anything else, when carried to excess it can increase vulnerability. Most observers of the debt and house price boom phenomenon focus on affordability (which looks good because interest rates are low) but in a disinflationary environment the quantum of debt is also hugely important. Security of employment and the avoidance of a house price set-back will thus be important for the UK economy - there is, for example, little doubt that the monetary policy committee of the Bank of England would already have eased monetary conditions but for fears of stoking the fire of house price inflation. On the fiscal side the Chancellor has already announced a sharp deterioration in the public finances, due to a more subdued global environment, to the tune of £20bn over the next four years. This forecast is highly sensitive to the Chancellor's expectation that growth will rebound strongly in 2004. If consumer indebtedness, housing market vulnerability and the risk of global stagnation suppress this rebound, net borrowing would accelerate significantly. Thus the apparently widely held view that the UK economy is an oasis in a bit of a global desert is not one that the Manager shares. On the other hand, from a stock market perspective, the FTSE World - UK Index is dominated by just three sectors with oils, pharmaceuticals and banks accounting for around 50% of the index, which is sufficient reason for the Manager to wish to retain a neutral weighting.

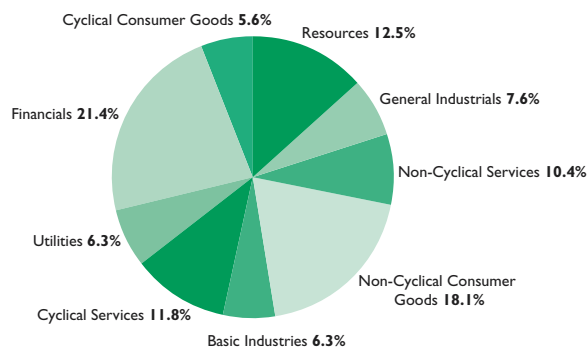


**Performance UK Portfolio (20.7%)  
against benchmark index of (22.3%)**

## Investment Manager's Overview (continued)

### Europe

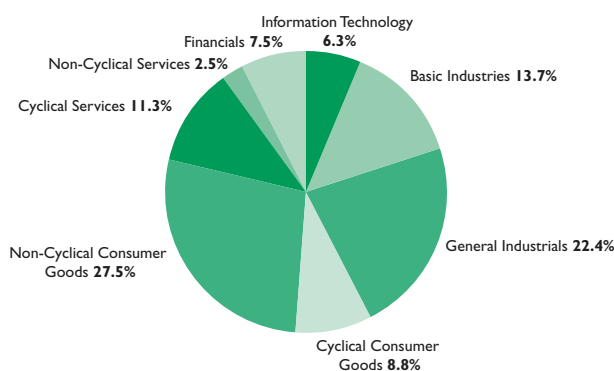
It is interesting to note that, notwithstanding a universally hostile press on almost every policy/structural variable imaginable (from the one-size-fits-all monetary policy imposed by the euro to the inability of corporates meaningfully to restructure), the euro has appreciated against the world's major currencies in 2002 - for example by 6.5% against the pound and by 17.8% against the dollar. This, unfortunately, is more a case of "faute de mieux" than evidence of global economic leadership passing to the eurozone. In fact each of the three major global currencies has reason to be weak and it is simply the preponderance of circumstances at any given moment that will determine currency market preferences. Leading indicators for the eurozone economy are very subdued, implying a low growth environment and little immediate prospect of breaking out of this rut. A probable outcome of below trend growth could be a breaching of the fiscal constraints of the growth and stability pact which would call for a pragmatic response – clearly to tighten fiscal policy into an economic slowdown might not be the wisest policy option. The solution to that particular issue lies with the member states but at least the eurozone does not suffer from the (similar, but not identical) economic imbalances that might constrain the US and the UK whilst the European Central Bank can still meaningfully ease monetary policy should it choose to do so. In terms of valuation, both in the current global context and their own historical perspective, European markets appear reasonably attractive and, despite the increasing correlation of return with the USA in recent years (which reduces diversification of risk), this leaves the Manager willing for the time being to maintain an overweight position.



**Performance: Continental Europe Portfolio (20.7%)  
against benchmark index of (27.0)%**

### Japan and Asia

Whilst it is widely averred that the Japanese deflation could not possibly occur here in the West, their experience nonetheless serves as an example of what happens when excessive debt and ultimately deflation get out of hand and when monetary policy ceases to be effective at any level of interest rates and fiscal policy merely proves wasteful. The standard supply side prescriptions, whilst no doubt an essential element of the package of measures necessary to restore economic vibrancy to the Japanese economy, look inappropriate in isolation and a recipe for massive deflation at this juncture. Japan's problem is one of a deficiency of demand, not supply, which is compounded (if not created) by an obvious need to restructure many areas of domestic industry and to resolve a massive bad debt problem within the banking system. To encourage a savings-rich, but deeply concerned, consumer to spend may now require unorthodox policy initiatives which might include monetisation, an inflation target and a safety net to ease the transition for those caught in the fall-out. At one time the election of Mr Koizumi himself as an agent for change, followed by interesting appointments to the Bank of Japan and the FSA gave the appearance of substantive changes in the wings. As so often before, however, the Japanese



**Performance: Japan Portfolio (11.5%)  
against benchmark index of (18.0)%**

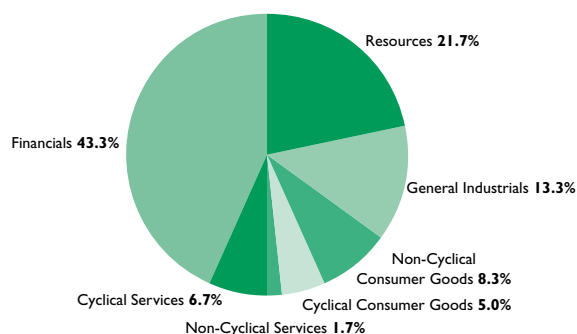
## Investment Manager's Overview (continued)

authorities have disappointed and if significant measures are in process then they remain a well-kept secret. Understandably international investors have lost patience and expectations of reform are very low. It will be interesting to see now in a more subdued international environment (on which Japan has relied for too long for such growth as there has been) whether action will be forced on the authorities. It would be unwise to hold one's breath, but the case for being overweight in Japan has rested on the current very low level of returns earned on invested capital and the current low level of expectations for the initiatives necessary to release the economy's potential.

It is much less difficult to rationalise a continued overweight position in the rest of the Pacific region, notwithstanding a second year's outperformance of the global indices and some significant sabre-rattling from North Korea. Although economic growth is slowing in the region as well, given a deteriorating external environment, the relative position is improved by better inter-regional trade, particularly with China. Asian valuations remain attractive both in absolute and relative terms, reported earnings have not disappointed and importantly are not reliant on pro forma adjustments to justify ratings.

### Outlook

There is much of a sombre nature in this overview, but this is the reality of a post bubble environment. The 1980s and 90s witnessed the largest super bull market in recorded history, both in duration and extent and, over that period, returns from equities compounded at more than twice their historic long-term average. Conditioned by this happy circumstance many market participants came to regard this as the norm and some still do, even though, when compounded to infinity, the proposition is clearly nonsensical. History tells us, however, that real returns from equities have, quite logically, a much closer relationship with the real growth rate of the economy and that the expected return from an equity can be expressed as the starting yield plus the real growth rate of that dividend. Markets seemed to lose sight of the importance of income in total return but this should no longer be the case in an environment of subdued growth and a "back to basics" mentality. It is a simple mathematical proposition that the more markets fall the more prospective returns from equities improve. Markets have now fallen a long way and the market yields in Asia, Europe and the UK are now reasonably attractive in the historical context. If growth is relatively scarce, then investors should be willing to pay for genuine growth (again not necessarily TMT), to look for sectors with at least some semblance of pricing power and for sustained growth in income. All in all, therefore, provided economic recovery can be sustained and that we therefore see some growth in profits in the main equity markets, there finally should be some prospect of positive returns from equities in the year ahead.



**Performance: Pacific (ex Japan) Portfolio (8.5%)  
against benchmark index of (17.6)%**

19 March 2003

**David Briggs**  
Investment Manager

# Twenty Largest Investments

As at 31 December 2002

Company	Valuation £'000	Total assets %
<b>1 (2) John Menzies (UK)</b> The Holding is in cumulative preference shares with a coupon of 8.58% and a maturity date of 20 June 2003. The company is a logistic support services group. The Company's distribution services division wholesales newspapers, magazines, and periodicals. Menzies Transport Services provides airport services, including air cargo handling, for over 40 airlines.	20,359	5.1
<b>2 (1) BP Amoco (UK)</b> 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.	14,275	3.6
<b>3 (8) Atrium Underwriting (UK)</b> Atrium operates in the Lloyd's insurance market and has four revenue streams: investment returns, agency fees and commission on returns from the syndicates it manages and underwriting returns on the capacity it owns on its managed and third party syndicates.	11,701	3.0
<b>4 (4) GlaxoSmithKline (UK)</b> Formed through the merger of Glaxo Wellcome and SmithKline Beecham, the group is a world leader in the development, manufacture and marketing of pharmaceuticals with an emphasis on vaccines, antibiotics and cardiovascular and respiratory products.	10,668	2.7
<b>5 (3) Vodafone Group (UK)</b> First formed in the UK fifteen years ago, the 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.	9,332	2.4
<b>6 (-) March 2003 S &amp; P Future (USA)</b> The S&P Future provides exposure to the S&P 500 Index in the United States.	9,137	2.3
<b>7 (10) Royal Bank of Scotland (UK) *</b> One of the largest banks in the UK, it acquired National Westminster creating a group with a diversified range of businesses to add to Direct Line, the UK market leader in private motor insurance, Citizens Financial in the US and Ulster Bank in Ireland.	6,772	1.7
<b>8 (7) Shell Transport &amp; Trading (UK)</b> 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.	6,573	1.7
<b>9 (9) Abbey National (UK) *</b> A demutualised building society, Abbey National 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.	5,846	1.5
<b>10 (11) AstraZeneca (UK)</b> 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.	5,550	1.4
<b>Top ten investments</b>	<b>100,213</b>	<b>25.4</b>

## Twenty Largest Investments (continued)

Company	Valuation £'000	Total assets %
<b>11 (16) Barclays (UK) *</b>	<b>4,932</b>	<b>1.2</b>
Operating in over sixty countries worldwide, Barclays 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.		
<b>12 (6) Lloyds TSB (UK)</b>	<b>4,861</b>	<b>1.2</b>
In addition to its retail and commercial banking operations, the group owns Cheltenham & Gloucester, a leading home mortgage lender. The group also has a growing investment and life and general insurance business including Abbey Life and Scottish Widows.		
<b>13 (-) Government of Hungary 8.5% Bond (Hungary)</b>	<b>4,372</b>	<b>1.1</b>
This bond is issued by the Hungarian Government and matures on 12/10/2004. Hungary is a candidate for membership of an enlarged European Union and has seen inflation decline steadily to 4.8%.		
<b>14 (19) Sunamerica 5.375% Bond (UK)</b>	<b>3,583</b>	<b>0.9</b>
The Sunamerica 5.375% bond is a triple A rated credit issued by the AIG-Sunamerica insurance group. The bond matures in 2009.		
<b>15 (-) Daily Mail and General *</b>	<b>3,502</b>	<b>0.9</b>
Daily Mail and General Trust owns and administers a wide range of media interests. The Company specialises in the publication and printing of newspapers and periodicals, and is active in television, radio, teletext, magazines, exhibitions and book publishing.		
<b>16 (12) Petrobras ADR (Brazil)</b>	<b>3,328</b>	<b>0.8</b>
Brazil's leading energy group, Petrobras produces oil and gas from extensive reserves throughout the country. It also produces a wide range of derivative products, petrochemicals and fuel alcohol.		
<b>17 (5) HSBC Holdings (UK)</b>	<b>3,268</b>	<b>0.8</b>
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 is headquartered in London.		
<b>18 (-) British American Tobacco (UK)</b>	<b>3,103</b>	<b>0.8</b>
British American Tobacco p.l.c. 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.		
<b>19 (17) Diageo (UK)</b>	<b>3,043</b>	<b>0.8</b>
One of the UK's largest consumer products companies, Diageo has operations in food, alcoholic beverages, and fast-food restaurants.		
<b>20 (-) Pepsico (USA)</b>	<b>3,016</b>	<b>0.7</b>
Pepsico, Inc. operates worldwide soft drink, juice and food businesses. The Company manufactures, sells, and distributes beverages such as Pepsi-Cola, Gatorade, and Tropicana Pure Premium, as well as foods such as Lay's potato chips, Doritos tortilla chips, and Quaker oats.		
<b>Top twenty investments</b>	<b>137,221</b>	<b>34.6</b>

### Notes:

\* Holding comprises equity and fixed income securities.

# Portfolio of Investments

As at 31 December 2002

Company	Valuation £'000	Total assets %
<b>UNITED KINGDOM</b>	<b>116,906</b>	<b>29.4</b>
Abbey National	1,761	0.4
Anglo American	1,651	0.4
AstraZeneca	5,550	1.4
Atrium Underwriting	11,701	3.0
BAE Systems 7.75% NCCRP	1,083	0.3
Barclays	3,523	0.8
BG Group	1,024	0.3
BP Amoco	14,275	3.6
British American Tobacco	3,103	0.8
British Sky Broadcasting	1,278	0.3
BT Group	2,535	0.6
Cadbury Schweppes	1,277	0.3
Centrica	1,077	0.3
Aviva	2,383	0.6
Diageo	3,043	0.8
GlaxoSmithKline	10,668	2.7
Great Universal Stores	2,193	0.6
HSBC Holdings	3,268	0.8
Land Securities	2,551	0.6
Lloyds TSB	4,861	1.2
National Grid	2,283	0.6
Prudential	2,182	0.6
Rio Tinto	1,860	0.4
Royal Bank of Scotland	6,547	1.6
Sainsbury (J)	2,672	0.7
Scottish and Southern Energy	1,462	0.4
Shell Transport & Trading	6,573	1.7
Six Continents	2,381	0.6
Smiths Group	1,252	0.3
Standard Chartered	1,765	0.4
Unilever	1,876	0.4
Vodafone	7,248	1.9
<b>EUROPE</b>		
<b>Belgium</b>	<b>1,701</b>	<b>0.4</b>
Interbrew	1,701	0.4
<b>Denmark</b>	<b>1,644</b>	<b>0.4</b>
Danske Bank	1,644	0.4
<b>France</b>	<b>8,520</b>	<b>2.1</b>
Air Liquide (L)	1,188	0.3
Aventis	1,375	0.3
Sanofi-Synthelabo	1,745	0.4
Total Fina	2,346	0.6
Valeo	1,866	0.5

Company	Valuation £'000	Total assets %
<b>Germany</b>	<b>4,687</b>	<b>1.2</b>
BASF	1,592	0.4
BMW	1,434	0.4
Metro	1,661	0.4
<b>Italy</b>	<b>11,266</b>	<b>2.8</b>
ENI	2,791	0.7
RAS	2,332	0.6
San Paolo – IMI	1,552	0.4
T.I.M	1,769	0.4
Telecom Italia Di Risparmio	2,822	0.7
<b>Netherlands</b>	<b>7,594</b>	<b>1.9</b>
Elsevier	1,759	0.4
IHC Caland	1,177	0.3
Royal Dutch Petroleum	2,023	0.5
TPG	1,288	0.3
Vedior	1,347	0.4
<b>Spain</b>	<b>6,997</b>	<b>1.7</b>
Altadis	2,067	0.5
Iberdrola	2,157	0.5
Telefonica	1,265	0.3
Union Elec Fenosa	1,508	0.4
<b>Sweden</b>	<b>4,508</b>	<b>1.1</b>
Nordea	2,273	0.6
Volvo (Ab) Ser B	2,235	0.5
<b>Switzerland</b>	<b>6,794</b>	<b>1.7</b>
Nestle	2,398	0.6
Roche Holdings Genussscheine	1,160	0.3
Swiss Reinsurance	1,755	0.4
Zurich Financial Services	1,481	0.4
<b>JAPAN</b>	<b>22,549</b>	<b>5.7</b>
Canon	1,351	0.3
Dai Nippon Printing	1,216	0.3
Fuji Photo Film	1,170	0.3
Honda Motor	1,123	0.3
Hoya Corporation	1,038	0.3
Kaneka Corporation	1,121	0.3
Kao Corporation	1,299	0.3
Kyocera	1,098	0.3
Mabuchi Motor	1,256	0.3
Nippon Meat Packers	1,191	0.3

## Portfolio of Investments (continued)

Company	Valuation £'000	Total assets %	Company	Valuation £'000	Total assets %
Olympus Optical	1,462	0.4	<b>MIDDLE EAST, FAR EAST &amp; AUSTRALASIA</b>		
Ricoh	1,168	0.3	<b>Australia</b>		
Rinnai Corp	1,297	0.3	QBE Insurance Group		
Shin-Etsu Chemical	1,133	0.3	<b>China</b>		
Takeda Chem Inds	1,113	0.3	Petrochina Co		
Terumo	1,322	0.3	<b>Hong Kong</b>		
Uni-Charm	1,398	0.3	Swire Pacific B		
Yamanouchi Pharmaceutical	1,793	0.5	<b>Indonesia</b>		
<b>AMERICAS</b>			<b>Indonesia</b>		
<b>Brazil</b>			<b>Indonesia</b>		
<b>7,022</b>			<b>1.7</b>		
Cia Vale Rio Doce ADR	1,165	0.3	PT Unilever Indonesia		
Tenaris Spons ADR	2,529	0.6	<b>Singapore</b>		
Petrobras ADR	3,328	0.8	<b>2,373</b>		
<b>Mexico</b>			<b>0.6</b>		
<b>1,075</b>			<b>0.3</b>		
Aeropuertos del Sureste ADS	1,075	0.3	Oversea Chinese Bank		
<b>United States of America</b>			Utd Overseas Banks		
<b>52,631</b>			<b>1.4</b>		
American Standard Companies	1,250	0.3	<b>South Korea</b>		
Bellsouth	1,098	0.3	<b>5,616</b>		
Boeing	1,856	0.5	Hyundai Motor		
Bristol-Myers Squib	1,554	0.4	Kookmin Bank (Post Merger)		
Chevrontexaco	1,205	0.3	Samsung Electronic Pfd		
Estee Lauder	1,281	0.3	<b>Thailand</b>		
Exxon Mobil	1,888	0.5	<b>1,030</b>		
Gen Electric Co America	2,194	0.5	PTT Exploration & Production-Foreign		
Grainger (VW)	1,600	0.4	<b>FIXED INCOME</b>		
Hewlett Packard	2,243	0.6	<b>Sterling</b>		
Home Depot	1,107	0.3	<b>63,296</b>		
Johnson & Johnson	2,039	0.5	<b>16.0</b>		
Jones Apparel	1,499	0.4	Abbey National 10.375%		
Lexmark International	2,081	0.5	Non Cum Pref		
March 2003 S&P Index Future	9,137	2.3	Abbey National 7.5%		
Marsh & McLennan	1,720	0.5	28/9/2010		
Microsoft	2,978	0.8	BCI US Funding Trust 8.25%		
Pepsico	3,016	0.7	11.0594% 15/7/2008		
Pfizer Inc	1,898	0.5	BMW (UK) Capital 6.375% 22/5/2009		
Philip Morris	1,885	0.5	Bombardier Cap Fund 6.75% 14/5/2009		
Southern Co	1,465	0.4	British Sky Broadcasting 7.75%		
Target	2,421	0.6	9/7/2009		
United Healthcare	1,790	0.5	Coca-Cola Ent Inc 6.5% 7/6/2021		
Weyerhaeuser	2,020	0.5	Credit D' Equipment (CEPME) 8.5%		
Wyeth	1,406	0.4	Step-up Perpetual 16/9/03		
			Daily Mail & General 9.75% 23/9/2005		
			Deutsche Telekom 7.125% 15/6/2005		
			General Accident 7.875%		
			Cum Irrd Pref		
			Halifax 8.75% 10/7/2006		

## Portfolio of Investments (continued)

As at 31 December 2002

Company	Valuation £'000	Total assets %	Company	Valuation £'000	Total assets %
HBOS 9.75% Non Cum Irrd Pref	2,653	0.7	Fixed-Link Finance Bv 7.85% 2/2/2009	1,740	0.5
John Menzies 8.58% Cum Red Pref	20,359	5.1	Fosters Brewing Group 5.75%		
Orange Plc 8.875% 6/1/2009	2,070	0.5	17/3/2005	2,045	0.5
Pearson 10.5% 13/6/2008	2,148	0.5	Germany 6% 4/7/2007	2,739	0.7
Scottish Power PLC 6.625%			Government of Hungary 8.50%		
14/1/2010	2,152	0.5	12/10/2004	4,372	1.1
Sunamerica Inst Funding 5.375%			Italy 8.5% 1/1/2004	2,066	0.5
7/12/2009	3,583	0.9	Olivetti Finance 6.125% 30/7/2009	1,326	0.4
TDL Infomedia 12.125% 15/10/2009	1,628	0.4	Powergen UK 5% 8/7/2009	1,325	0.3
Transco 5.375% NTS 7/12/2009	2,548	0.6	Publishing & Broadcasting Finance		
Treasury 7.25% 7/12/2007	1,704	0.4	6.25% 1/11/2006	1,372	0.3
UK Treasury 5% 7/3/2008	1,193	0.3	Sogerim 6.125% 20/4/2006	1,723	0.4
Union Bank of Switzerland 8%			Unicredito Italiano 5% 27/11/2011	1,355	0.4
8/1/2007	2,238	0.6	VNU NV 6.625% 30/5/2007	1,395	0.4
			Vodafone Finance 4.75% 27/5/2009	1,312	0.3
<b>Europe</b>	<b>36,825</b>	<b>9.3</b>	Vodafone Group 5.75% 27/10/2012	2,084	0.5
Bank of Scotland 6.125% 5/2/2013	1,442	0.4	Volvo Treasury AB 6% 9/2/2007	2,080	0.5
Barclays Bank 5.75% 8/3/2011	1,409	0.4			
Kingdom of Belgium 8% 24/12/2012	1,349	0.3	<b>Other investments valued</b>		
Casino Guichard 6% 6/3/2008	1,982	0.5	<b>at less than £1,000,000</b>	<b>36,862</b>	<b>9.3</b>
Crown Cork & Seal Fin SA 6%			<b>TOTAL INVESTMENTS</b>	<b>406,040</b>	<b>102.4</b>
6/12/2004	1,643	0.4			
Daimlerchrysler 6.125% 21/3/2006	2,066	0.5			

## Largest Unlisted Investment

### John Menzies

	<b>Results for 34 weeks ended 29 December 2001 £'000</b>	<b>Results for 52 weeks ended 5 May 2001 £'000</b>
Profit before tax*	3,400	49,900
Profit after tax*	(1,000)	35,400
Dividend on ordinary shares	8,000	12,000
Net assets attributable to ordinary shareholders	95,000	115,200
Earnings per ordinary share*	0.4p	62.8p
Ordinary dividend per share	12.1p	18.1p
Dividend cover	–	3.4 times

John Menzies is a logistic support services group. The Company's distribution services division wholesales newspapers, magazines and periodicals. Menzies Transport Services provides airport services, including air cargo handling for over 40 airlines. The ordinary shares are traded on the London Stock Exchange.

\* *Figures exclude exceptional items.*

### Holding details

as at 31 December\*\*

	<b>2002 £'000</b>	<b>2001 £'000</b>
Cost of investment	20,063	20,063
Directors' valuation	20,359	20,795
Basis of valuation	Redemption Yield	Redemption Yield
Effective interest in preference issue	100%	100%
Net income received in year	1,716	1,716

\*\* 8.58% cumulative redeemable preference shares 2016/03.

# Directors' Report

The Directors submit their annual report together with the accounts of the Company for the year ended 31 December 2002.

## Results and dividends

The revenue available for equity Shareholders for the year amounted to £12,051,000.

Three interim dividends of 3.45p per share each were paid on 16 August 2002, 15 November 2002 and 17 February 2003. The Directors now recommend a final dividend of 5.95p per Ordinary share, payable on 23 May 2003 to Ordinary Shareholders on the register at close of business on 25 April 2003, making a total distribution to Ordinary Shareholders of £14,113,000. The sum of £2,001,000 has been deducted from the Company's revenue reserve.

The Directors also recommend:

- (1) that three interim dividends each of 3.45p per share on the Ordinary shares in the capital of the Company in issue on 27 June 2003 be paid on 15 August 2003, 17 November 2003 and 16 February 2004 to the persons who, at the close of business on 25 July 2003, 17 October 2003 and 16 January 2004 respectively, are the holders of such shares.
- (2) the distribution to B Ordinary Shareholders by way of capitalisation of reserves of 4.62299 B Ordinary shares created as fully paid for every 100 B Ordinary shares held at the close of business on 25 April 2003. 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 23 May 2003.

Applications will be made to the UK Listing Authority for 52,548 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 28 May 2003.

Resolution No.7 to approve the above distribution will be proposed at the Annual General Meeting, as printed in the Notice of Meeting on page 51.

The Net Asset Value per Ordinary and B Ordinary share at 31 December 2002 was 352.8p (2001 – 468.1p).

## Share repurchases

The principal aim of a share buy-back facility is to enhance shareholder value by acquiring shares at a discount to Net Asset Value, as and when the Directors consider this to be appropriate. By utilising the power to purchase shares when they are trading at a discount to Net Asset Value per share, the resulting Net Asset Value per share for the remaining Ordinary and B Ordinary Shareholders should increase. Any purchase of shares will be made within guidelines established from time to time by the Board.

Under the Listing Rules of the UK Listing Authority, the maximum price that may be paid on the exercise of this authority must not exceed 105% of the average of the middle market quotations for the shares over the five business days immediately preceding the date of purchase. The minimum price which may be paid will be 25p per share. Shares which are purchased will be cancelled.

It is currently proposed that the purchase of shares by the Company will be made from the realised capital reserve of the Company. The purchase price will normally be paid out of the cash balances held by the Company from time to time.

A Special Resolution, No. 8, in the Notice of Annual General Meeting, will be put to Shareholders for their approval to renew the authority to purchase in the market a maximum of 14.99% of shares in issue on

## Directors' Report

14 March 2003 (12,947,010 Ordinary shares and 170,386 B Ordinary shares). Such authority will expire on the date of the next Annual General Meeting or after a period of 15 months from the date of passing of the resolution, whichever is earlier. This means in effect that the authority will have to be renewed at the next Annual General Meeting.

During the year ended 31 December 2002, share repurchases totalling 2,062,000 Ordinary shares (2.3% of the issued Ordinary share capital at 31 December 2001) took place at an average share price of 369.1p within the established guidelines. From the date of renewal of the authority at the Annual General Meeting on 13 May 2002 to 14 March 2003, 845,000 Ordinary shares (0.97% of the issued Ordinary share capital at 13 May 2002 and 0.96% of the issued Ordinary share capital at 31 December 2001) were bought back at an average share price of 319.8p within the established guidelines.

In addition, during the year ended 31 December 2002, 79,947 B Ordinary shares (6.7% of the issued B Ordinary share capital at 31 December 2001) were bought back at an average share price of 445p.

Following these repurchases, the issued Ordinary share capital as at 14 March 2003 amounted to 86,370,984 Ordinary shares of 25p each and 1,136,666 B Ordinary shares of 25p each.

### Issue of shares

In terms of the Companies Act 1985 ("the Act"), the Directors may not allot unissued shares unless so authorised by the Company's Shareholders. Resolution No. 9 in the Notice of Annual General Meeting, will therefore give the Directors the necessary authority to allot the unissued share capital up to an aggregate nominal amount of £1,093,845 (equivalent to 4,375,382 Ordinary shares and B Ordinary shares or 5 per cent of the Company's existing issued Ordinary and B Ordinary share capital at 14 March 2003). Such authority will expire on the date of the next Annual General Meeting or after a period of 15 months from the date of the passing of the resolution, whichever is earlier. This means in effect that the authority will have to be renewed at the next Annual General Meeting.

When shares are to be allotted for cash, Section 89(1) of the Act provides that existing Shareholders have pre-emption rights and that the new shares are offered first to such Shareholders in proportion to their existing holding of Ordinary shares. However Shareholders can, by special resolution, authorise the Directors to allot shares otherwise than by a pro rata issue to existing Shareholders. Resolution No. 10 will, if passed, also give the Directors power to allot for cash, equity securities up to an aggregate nominal amount of £1,093,845 as if Section 89(1) did not apply. This is the same amount of share capital which the Directors are seeking the authority to allot pursuant to Resolution No.9. This authority will also expire on the date of the next Annual General Meeting or after a period of 15 months, whichever is the earlier. This authority will not be used in connection with a rights issue by the Company.

The Directors intend to use the authority given by Resolution No. 10 to disapply pre-emption rights only in circumstances where this will be clearly beneficial to Shareholders. As such, issues will only be made where shares can be issued at a premium of 2.5 per cent or over to Net Asset Value. At present, the Company's Ordinary shares are available under the Savings Schemes operated by the Aberdeen Group. In circumstances where the share price of the Company stands at a premium of 2.5 per cent or over to Net Asset Value, it may be advantageous for the Company to issue new shares directly to participants in the Savings Plans or to other prospective purchasers. As such issues would only be made at prices greater than Net Asset Value, they would increase the assets underlying each share. The issue proceeds would be available for investment in line with the Company's investment policy. No issue of shares will be made which would effectively alter the control of the Company without the prior approval of Shareholders in a general meeting.

# Directors' Report

## Review of the business

A review of the Company's operations is given in the Chairman's Statement on pages 6 and 7 and in the Investment Manager's Overview on pages 12 to 15.

## 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 components of an ISA.

## Share interests

At 14 March 2003 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
Legal & General Investment Management	2,780,000	3.22
	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	179,017	15.74

## Directors

The Directors who held office during the year under review and their interests in shares of the Company are shown in Note 19 on page 48.

Mr A C Shedden, whose biography appears on page 3, retires by rotation at this time and, being eligible, offers himself for re-election. Resolution No. 3 to this effect will be proposed at the Annual General Meeting.

The Rt Hon Viscount Younger of Leckie resigned as a Director on 6 November 2002.

The Company's Articles also provide that once a Director has passed the age of 70 he should submit himself for re-appointment each year. As Sir Raymond Johnstone is 73, Resolution No. 6 proposes an Ordinary Resolution for his re-appointment, as required by the Company's Articles. Sir Raymond's biography is also on page 3. The remaining Directors believe that re-appointment is appropriate in these circumstances due to the expertise and experience of Sir Raymond and the significant contribution he has made to Board deliberations.

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

## 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. The details of the management and secretarial fees are shown in Note 3 on page 40.

# Directors' Report

## Corporate Governance

The Statement of Corporate Governance is shown on pages 28 to 31.

## 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 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 2001.

## Going concern

The Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the financial statements, as 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 this period end.

## Annual General Meeting

The Notice of Annual General Meeting, which will be held on 12 May 2003, is contained on pages 51 to 53.

## Auditors

The Auditors, Ernst & Young LLP, have expressed their willingness to continue in office. Resolution No. 4 to re-appoint Ernst & Young LLP as the Company's Auditors will be put to the forthcoming Annual General Meeting, along with Resolution No. 5, 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  
28 March 2003

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, which applies for the first time to this financial year. 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 pages 33 and 34.

## Remuneration Committee

Until the resignation of the Rt Hon Viscount Younger of Leckie on 6 November 2002, the Company had five non-executive Directors. The whole Board fulfils the function of a Remuneration Committee. The Board has not been provided with advice or services by any person in respect of its consideration of the Directors' remuneration (although the Directors expect, from time to time, to review the fees paid to the boards of directors of other investment trust companies).

## 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. 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. It is intended that this policy will continue for the year ended 31 December 2003 and subsequent years.

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. 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.

The Remuneration Committee carried out a review of the level of Directors' fees and concluded that the amounts should increase with effect from 1 January 2002 from £15,000 per annum to £15,750 per annum for the Chairman and from £9,000 to £10,500 for each Director. The policy is to review these rates from time to time.

Directors' and officers' liability insurance cover is held by the Company in respect of the Directors.

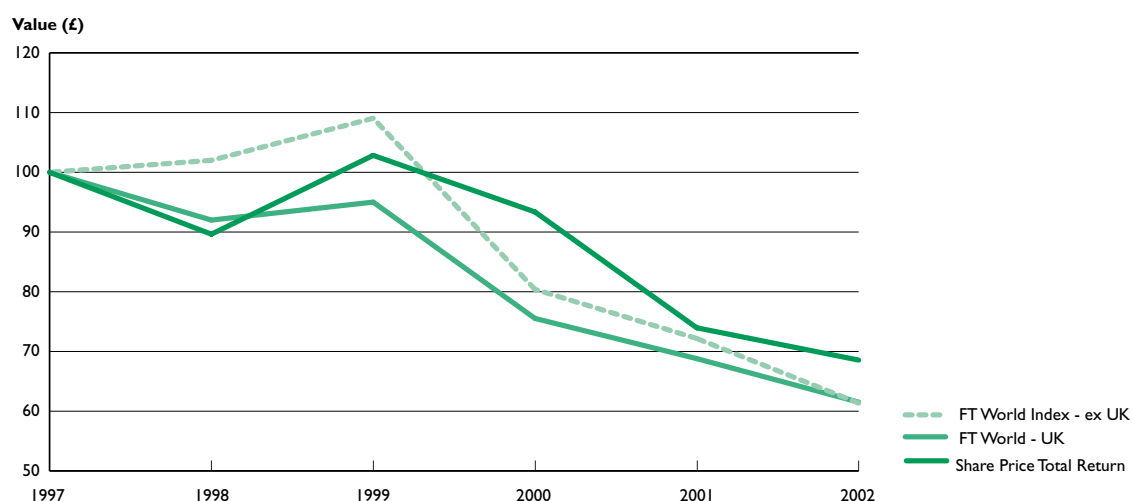
## Directors' service contracts

None of the Directors has a contract of service or 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, save any arrears of fees which may be due.

# Directors' Remuneration Report

## 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 Index on 31 December 1997, 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 peer group.



## Directors' emoluments for the year (audited)

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

	Fees Year ended 31 December 2002 £	Fees Year ended 31 December 2001 £
<b>Chairman of the Board:</b>		
The Rt Hon Viscount Younger of Leckie to 6/11/02	13,396	15,000
J F H Trott from 6/11/02	11,285	9,000
<b>Directors:</b>		
D H Benson	10,500	9,000
Sir Raymond Johnstone	10,500	9,000
A C Shedden	10,500	9,000
A D Fergusson (resigned 23/7/2001)	-	4870
Dr M S M Shea (resigned 30/4/2001)	-	3,000
<b>Total</b>	<b>56,181</b>	<b>58,870</b>

## Approval

The Directors' Remuneration Report on pages 26 and 27 was approved by the Board of Directors on 6 February 2003 and signed on its behalf by:

28 March 2003

**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 Principles of Good Governance and Code of Best Practice (“the Combined Code”) prepared by the Committee on Corporate Governance and published in June 1998. Since the year end, the Higgs Report on the Review of the role and effectiveness of non-executive directors has been published and the Board will be considering its implications.

The Board is accountable to the Company’s Shareholders for good governance and this Statement describes how the principles identified in the Combined Code have been applied by the Company throughout the year to 31 December 2002.

The Listing Rules of the UK Listing Authority require the Board to report on compliance with the forty-five Combined Code provisions throughout the year. Save the limited exceptions outlined below, the Company has complied throughout the year ended 31 December 2002 with the provisions set out in Section 1 of the Combined Code.

The exceptions to compliance with the Combined Code, which are explained more fully under the headings of ‘The Board’ and ‘Directors’ remuneration’, were as follows:

- a senior non-executive Director has not been appointed.
- the Company has not complied with the twenty-one provisions relating to Executive Directors’ remuneration, as it is exempt from complying with those provisions under the Listing Rule 21.20 (i).

## The Board

Until 6 November 2002, the Board consisted of five Directors all of whom during the year ended 31 December 2002 except for 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. Following the resignation of The Rt Hon Viscount Younger of Leckie on 6 November 2002, the Board consists of four Directors. It should be noted that:

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

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

The Board meets at least four times a year and between these meetings 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 will 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.

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 Corporate 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.

## Statement of Corporate Governance (continued)

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.

### External agencies

The Board has contractually delegated to external agencies certain services, including to the Manager: 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 Chairman of the Company is the Chairman of all the Committees.

#### *Nomination Committee*

The Nomination Committee makes recommendations and considers the appointment of new Directors and comprises the full Board.

#### *Audit Committee*

An Audit Committee has been established with written terms of reference and comprising the full Board, most of whom are independent and free of any relationship that would interfere with impartial judgement in carrying out their responsibilities. 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.

#### *Management Engagement Committee*

The full Board comprises the Management Engagement Committee and annually reviews matters concerning the management contract. Following the 2002 review, Aberdeen Asset Managers Limited was appointed as Manager.

### 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

## Statement of Corporate Governance (continued)

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.

### **Directors' remuneration**

Under the UK Listing Authority Listing Rule 21.20(i) where an investment trust has only non-executive Directors the code principles relating to Directors' remuneration do not apply.

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 remuneration of each Director is detailed in the Directors' Remuneration Report on page 27.

### **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.

The Annual Report is posted to Shareholders at least twenty business days before the Annual General Meeting as required under Code Provision C2.4.

The Notice of Annual General Meeting sets out the business of the meeting and the resolutions are explained more fully in the Directors' Report on pages 22 to 25.

Separate resolutions are proposed for each substantive issue.

The Board is very conscious that the Annual General Meeting is an event in 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. A website from which the Company's reports and other publications can be downloaded is maintained on [www.murray-international.co.uk](http://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 32 and the Statement of Going Concern is included in the Directors' Report on page 25.

The Independent Auditors' Report is on pages 33 and 34.

# Statement of Corporate Governance (continued)

## Internal control

The Board of Directors of Murray International Trust PLC has overall responsibility for the Company's system of internal control and for reviewing its effectiveness. The internal control systems are designed to manage rather than eliminate the particular risks to which the Company is exposed and, by their nature, can provide reasonable but not absolute assurance against material misstatement or loss.

Following publication, in September 1999, of guidance for Directors on internal control "Internal Control: Guidance for Directors on the Combined Code" ("the Turnbull guidance"), the Directors confirm that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company, that 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 Directors have delegated the investment management of the Company to the Manager 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.

In addition, the Manager ensures that clearly documented contractual arrangements exist in respect of any activities that have been delegated to external professional organisations.

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

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 Company's Audit Committee agenda includes an item for the consideration of risk and control and receives reports thereon from the Audit Committee of the Manager.

## 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. The Manager votes against resolutions that are considered 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.

## Statement of Directors' Responsibilities in respect of 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 2002 which comprise the Statement of Total Return, Balance Sheet, Cash Flow Statement and the related notes 1 to 20. 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 that 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' responsibilities for preparing the Annual Report the Directors' Remuneration Report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the Statement of Directors' Responsibilities.

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 Service 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 Corporate Governance Statement 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 Company Profile, Corporate Information, Board Members, Financial Highlights, Chairman's Statement, Summary of Investment Changes, Summary of Net Assets, Distribution of Equity Investments, The Investment Process, Investment Manager's Overview, Twenty Largest Investments, Portfolio of Investments, Largest Unlisted Investment, Directors' Report, unaudited part of the Directors' Remuneration Report, Statement of Corporate Governance, Ten Year Record, Information about the Manager, Marketing Strategy and Notice of Meeting. 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.

# Independent Auditors' Report to the Members of Murray International Trust PLC (continued)

## **Basis of audit opinion**

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes an 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 2002 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.

28 March 2003

**Ernst & Young LLP**  
Registered Auditor  
Edinburgh

# Statement of Total Return

(incorporating the Revenue Account of the Company\*)

For the year ended 31 December 2002

	Notes	Year ended 31 December 2002			Year ended 31 December 2001		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Losses on investments	10	–	(92,403)	(92,403)	–	(103,398)	(103,398)
Income from investments	2	17,310	–	17,310	18,027	–	18,027
Other income	2	208	–	208	274	–	274
Investment management fees	3	(1,033)	(2,410)	(3,443)	(1,376)	(3,211)	(4,587)
Currency (losses)/gains	18	–	(4,847)	(4,847)	–	6,426	6,426
Other expenses	4	(1,226)	–	(1,226)	(1,344)	–	(1,344)
<b>Net return before finance costs and taxation</b>		15,259	(99,660)	(84,401)	15,581	(100,183)	(84,602)
Finance costs of borrowing	6	(1,067)	(2,490)	(3,557)	(1,404)	(3,276)	(4,680)
<b>Return on ordinary activities before tax</b>		14,192	(102,150)	(87,958)	14,177	(103,459)	(89,282)
Tax on ordinary activities	7	(2,141)	1,444	(697)	(1,914)	1,372	(542)
<b>Return attributable to equity shareholders</b>		12,051	(100,706)	(88,655)	12,263	(102,087)	(89,824)
Ordinary dividends on equity shares	8	(14,052)	–	(14,052)	(14,839)	–	(14,839)
<b>Transfer from reserves</b>		<b>(2,001)</b>	<b>(100,706)</b>	<b>(102,707)</b>	<b>(2,576)</b>	<b>(102,087)</b>	<b>(104,663)</b>
<b>Return per Ordinary share (pence)</b>	9	<b>13.8</b>	<b>(115.5)</b>	<b>(101.7)</b>	<b>13.6</b>	<b>(113.6)</b>	<b>(100.0)</b>
<b>Return per Ordinary share assuming full conversion of the B Ordinary shares (pence)</b>	9	<b>13.6</b>	<b>(114.0)</b>	<b>(100.4)</b>	<b>13.5</b>	<b>(112.1)</b>	<b>(98.6)</b>

\* The revenue column of this statement is the profit and loss account of the Company.  
The accompanying notes form an integral part of these financial statements.

# Balance Sheet

As at 31 December 2002

	Notes	As at 31 December 2002		As at 31 December 2001	
		£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Investments	10		406,040		533,708
<b>Current assets</b>					
Debtors	11	4,374		4,823	
Cash and short-term deposits		4,298		1,374	
			8,672		6,197
<b>Creditors</b>					
Amounts falling due within one year	12	18,239		14,565	
			(9,567)		(8,368)
<b>Total assets less current liabilities</b>			396,473		525,340
<b>Creditors</b>					
Amounts falling due after more than one year	13		87,725		105,861
			<b>308,748</b>		<b>419,479</b>
<b>Capital and reserves</b>					
Equity shareholders' interest:					
Called up share capital	14		21,876		22,402
Share premium account	15		23		23
Capital redemption reserve	15		8,230		7,694
Capital reserve – realised	15		300,788		378,404
Capital reserve – unrealised	15		(51,265)		(20,141)
Revenue reserve	15		29,096		31,097
			<b>308,748</b>		<b>419,479</b>
<b>Net Asset Value per Ordinary and B Ordinary share (pence)</b>					
	16		<b>352.8</b>		<b>468.1</b>

The financial statements were approved by the Board of Directors on 6 February 2003 and were signed on its behalf by:

28 March 2003

**J F H Trott**, Director

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

# Cash Flow Statement

For the year ended 31 December 2002

	Notes	Year ended 31 December 2002		Year ended 31 December 2001	
		£'000	£'000	£'000	£'000
<b>Operating activities</b>					
Investment income received		17,594		18,438	
Deposit interest received		193		227	
Underwriting commission received		17		–	
Investment management fees paid		(3,698)		(4,365)	
Secretarial fees paid		(106)		(92)	
Cash paid to and on behalf of Directors		(55)		(62)	
Other cash movements		(1,013)		(885)	
<b>Net cash inflow from operating activities</b>	17		12,932		13,261
<b>Returns on investments and servicing of finance</b>					
Interest paid			(3,582)		(4,713)
<b>Financial investment</b>					
Purchase of investments		(101,289)		(331,680)	
Sale of investments		146,178		415,371	
<b>Net cash inflow from financial investment</b>			44,889		83,691
<b>Equity dividends paid</b>			(14,244)		(14,750)
<b>Net cash inflow before financing</b>			39,995		77,489
<b>Financing</b>					
Loans repaid		(78,000)		(146,110)	
Loans drawn down		60,000		144,110	
Repurchase of Ordinary shares		(8,021)		(77,021)	
<b>Net cash outflow from financing</b>			(26,021)		(79,021)
<b>Increase/(decrease) in cash</b>	18		<b>13,974</b>		<b>(1,532)</b>

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

# Notes to the Financial Statements

For the year ended 31 December 2002

## 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). 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.

## Notes to the Financial Statements

### (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 2002 £'000	Year ended 31 December 2001 £'000
<b>2. Income</b>		
<b>Income from investments:</b>		
UK dividends	6,962	7,386
UK unfranked investment income	2,306	2,975
Overseas dividends	5,242	4,766
Overseas interest	2,800	2,527
Income from participating interests	–	373
	17,310	18,027
<b>Other income:</b>		
Deposit interest	191	221
Underwriting commission	17	–
Other Income	–	53
	208	274
<b>Total income</b>	<b>17,518</b>	<b>18,301</b>
<b>Total income comprises:</b>		
Dividends	12,204	12,525
Interest	5,106	5,502
Other income	208	274
	<b>17,518</b>	<b>18,301</b>
<b>Income from investments comprises:</b>		
Listed UK	7,547	8,676
Listed overseas	8,042	7,293
Unlisted	1,721	2,058
	<b>17,310</b>	<b>18,027</b>

## Notes to the Financial Statements

	Year ended			Year ended		
	31 December 2002			31 December 2001		
	Revenue	Capital	Total	Revenue	Capital	Total
<b>3. Investment management fees</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Investment management fees	963	2,247	3,210	1,290	3,011	4,301
Irrecoverable VAT	70	163	233	86	200	286
	<b>1,033</b>	<b>2,410</b>	<b>3,443</b>	<b>1,376</b>	<b>3,211</b>	<b>4,587</b>

For the year ended 31 December 2002, the management and secretarial fees payable have been calculated and charged on the following basis:

- 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
- 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 the Aberdeen Asset Management Group. In addition, the unlisted investment in the preference shares of John Menzies plc was treated as a listed investment for the purpose of calculating the management fee and was charged at the reduced rate of 0.6 per cent per annum. The management agreement may be terminated by either party on the expiry of one year's written notice.

	Year ended			Year ended		
	31 December 2002			31 December 2001		
	Revenue	Capital	Total	Revenue	Capital	Total
<b>4. Other expenses</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Shareholders' services *	712	–	712	842	–	842
Directors' remuneration (note 5)	56	–	56	59	–	59
Irrecoverable VAT	95	–	95	19	–	19
Secretarial fees (note 3)	100	–	100	100	–	100
Audit fees	17	–	17	16	–	16
Other expenses	246	–	246	308	–	308
	<b>1,226</b>	<b>–</b>	<b>1,226</b>	<b>1,344</b>	<b>–</b>	<b>1,344</b>

\* Includes registration, savings scheme and other wrapper administration and promotion expenses, of which £540,000 was paid to Aberdeen Asset Managers Limited to cover marketing activities during the year (2001 – £535,000). Since the year end, following a review of the marketing activities carried out during the year, a rebate of £98,900 will be set off against future charges.

## Notes to the Financial Statements

	Year ended	Year ended
	31 December 2002	31 December 2001
<b>5. Directors' remuneration</b>	<b>£</b>	<b>£</b>
J F H Trott (Chairman)	11,285	9,000
D H Benson	10,500	9,000
Sir Raymond Johnstone, CBE	10,500	9,000
A C Shedden	10,500	9,000
The Rt Hon Viscount Younger of Leckie, KT KCVO TD DL (resigned 6/11/02)	13,396	15,000
A D Ferguson (resigned 23/7/01)	–	4,870
Dr M S M Shea, CVO (resigned 30/4/01)	–	3,000
	<b>56,181</b>	<b>58,870</b>

	Year ended			Year ended		
	31 December 2002			31 December 2001		
	Revenue	Capital	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>6. Finance costs of borrowing</b>						
Bank loans and overdrafts	1,048	2,444	3,492	1,385	3,230	4,615
Debenture stock	19	46	65	19	46	65
	<b>1,067</b>	<b>2,490</b>	<b>3,557</b>	<b>1,404</b>	<b>3,276</b>	<b>4,680</b>

	Year ended			Year ended		
	31 December 2002			31 December 2001		
	Revenue	Capital	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>7. Taxation</b>						
<b>(a) The tax charge comprises</b>						
Corporation tax	2,122	(2,122)	–	1,863	(1,863)	–
Overseas tax	19	678	697	51	491	542
Current tax charge	<b>2,141</b>	<b>(1,444)</b>	<b>697</b>	<b>1,914</b>	<b>(1,372)</b>	<b>542</b>

## Notes to the Financial Statements

### (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% (2001 – 30%). The differences are explained below:

	Year ended 31 December 2002	Year ended 31 December 2001
	Revenue £'000	Revenue £'000
Revenue on ordinary activities before taxation	14,192	14,177
Return on ordinary activities multiplied by the applicable rate of corporation tax of 30% (2001 – 30%)	4,258	4,253
<b>Effects of:</b>		
Non taxable UK dividends	(2,089)	(2,328)
Deferred tax:		
Provision on timing differences at the start of the period	44	14
Provision on timing differences at the end of the period	(55)	(44)
Overseas tax written off	813	541
Prior years' tax losses used	(773)	(508)
Disallowable expenses	195	1
Tax relief on overseas tax suffered	(252)	(15)
	<b>2,141</b>	<b>(1,914)</b>

The Company has not recognised a deferred tax asset of £5,137,000 (2001 – £5,884,000) 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.

### 8. Ordinary dividends on equity shares

	Year ended 31 December 2002	Year ended 31 December 2001
	£'000	£'000
First interim of 3.45p (2001 – 3.45p)	3,002	3,095
Second interim of 3.45p (2001 – 3.45p)	2,992	3,063
Third interim of 3.45p (2001 – 3.45p)	2,980	3,050
Proposed final of 5.95p (2001 – 5.95p)	5,139	5,261
(Over)/under accrual of previous year's proposed final dividend due to share buy-backs.	(61)	370
	<b>14,052</b>	<b>14,839</b>

### 9. Returns per share

The returns per share have been based on the following figures:

	Year ended 31 December 2002	Year ended 31 December 2001
Weighted average number of Ordinary shares	87,213,501	89,869,125
Weighted average number of B Ordinary shares	1,157,178	1,190,159
Revenue return attributable to equity shareholders	£12,051,000	£12,263,000
Capital return attributable to equity shareholders	(£100,706,000)	(£102,087,000)

# Notes to the Financial Statements

## 10. Investments

Valuation brought forward  
Unrealised losses/(gains)  
Cost brought forward

### Movements during the year:

Purchases  
Sales proceeds  
Realised losses  
Amortisation of fixed income book cost  
Cost carried forward  
Unrealised losses  
Valuation carried forward

	Year ended 31 December 2002 £'000	Year ended 31 December 2001 £'000
	533,708	720,777
	22,666	(48,894)
	556,374	671,883
	110,326	329,098
	(145,340)	(412,335)
	(57,943)	(31,838)
	(251)	(434)
	463,166	556,374
	(57,126)	(22,666)
	<b>406,040</b>	<b>533,708</b>

### The portfolio valuation

Listed on stock exchanges at market valuation:

#### United Kingdom:

– equities  
– convertible securities  
– fixed income

#### Overseas:

– equities  
– futures  
– fixed income

Unlisted at Directors' valuation:

– equities  
– fixed income

	Year ended 31 December 2002 £'000	Year ended 31 December 2001 £'000
	124,211	169,318
	1,807	2,340
	43,783	46,727
	167,654	250,451
	9,137	–
	39,019	44,007
	385,611	512,843
	70	70
	20,359	20,795
	20,429	20,865
	<b>406,040</b>	<b>533,708</b>
	(34,460)	(71,560)
	(57,943)	(31,838)
	<b>(92,403)</b>	<b>(103,398)</b>

### Total

#### Losses on investments:

Increase in unrealised depreciation  
Realised losses

### 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 page 38. 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.

## Notes to the Financial Statements

Details of material unquoted investments are as follows:

<b>Investment</b>	<b>Total cost 31 Dec 2002 £'000</b>	<b>Value 31 Dec 2002 £'000</b>	<b>Value 31 Dec 2001 £'000</b>	<b>Income from investment £'000</b>
John Menzies plc – preference shares	20,063	20,359	20,795	1,721

### Participating interests

At 31 December 2002 the Company held shares amounting to 20 per cent or more of the equity capital of the following undertaking of which the particulars are stated below:

<b>Name and country of incorporation and operation</b>	<b>Principal activity</b>	<b>Share and loan capital held</b>	<b>% of class held</b>	<b>% of equity held</b>
Scottish Technical Developments Limited, Scotland	Promotion of the development of commercial innovation	107,143 Ordinary shares of £1	42.8	42.8

Details from the latest accounts of the above company are given below:

<b>Company</b>	<b>Aggregate capital and reserves</b>	<b>Profit after tax for period</b>	<b>Latest accounts period end</b>
Scottish Technical Developments Limited	£204,000	£6,000	30 June 2001

The results of this company have not been incorporated in the revenue account except to the extent of any dividends received. The income from participating interests during the year amounted to nil (2001 – £373,000).

### Significant interests

At 31 December 2002 the Company held shares amounting to 3 per cent or more of the nominal value of any class of share capital of the companies, not being participating interests, of which the particulars are stated below:

<b>Investment</b>	<b>% of class held</b>
<b>Aberdeen Latin America Investment Trust PLC</b> <i>Principal activity: Investment Trust, England</i> 1,500,000 ordinary shares 300,000 warrants	7.50 7.50
<b>John Menzies plc</b> <i>Principal activity: Support Services, Scotland</i> 20,000,000 8.58% cum redeemable preference shares	100.00
<b>Atrium Underwriting PLC</b> <i>Principal activity: Manager of Lloyd's syndicate, England</i> 9,250,000 ordinary shares	18.61

# Notes to the Financial Statements

	<b>31 December 2002</b>	<b>31 December 2001</b>
	<b>£'000</b>	<b>£'000</b>
<b>11. Debtors</b>		
Amounts due from brokers	–	838
Current taxation	91	259
Forward contracts	1,262	–
Other debtors	117	222
Accrued income	2,904	3,504
	<b>4,374</b>	<b>4,823</b>

	<b>31 December 2002</b>	<b>31 December 2001</b>
	<b>£'000</b>	<b>£'000</b>
<b>12. Creditors</b>		
Amounts falling due within one year:		
Proposed final dividend	5,139	5,261
Interim dividend	2,980	3,050
Other creditors	9	8
Forward contracts	–	4,805
Futures	9,144	–
Amounts due to brokers	–	107
Accruals	967	1,334
	<b>18,239</b>	<b>14,565</b>
Amounts falling due after more than one year:		
Bank loans (note 13)	<b>87,725</b>	<b>105,861</b>

Accruals include £85,000 (2001 – £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 (2001 – £340,000).

	<b>31 December 2002</b>	<b>31 December 2001</b>
	<b>£'000</b>	<b>£'000</b>
<b>13. Long term loans</b>		
<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>between 1 January 2004 and 31 December 2007:</i>		
– Yen 2,300,000,000 at 5.59% – 30 September 2004	12,039	12,058
– Yen 1,600,000,000 at 4.146% – 15 May 2006	8,375	8,388
– £18,000,000 at 4.56776% – 25 October 2004	–	18,000
<i>after 31 December 2007:</i>		
– Yen 1,900,000,000 at 2.48% – 4 June 2008	9,945	9,961
– Yen 2,250,000,000 at 2.4% – 30 June 2008	11,777	11,796
– Yen 8,400,000,000 at 2.97% – 10 March 2010	43,969	44,038
	<b>87,725</b>	<b>105,861</b>

## Notes to the Financial Statements

The unsecured bank loans outstanding at 31 December 2002 are valued at the middle rates of exchange at the year end, resulting in foreign exchange gains of £4,599,000 (2001 – gains of £7,330,000) 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 financial statements to 31 December 2002 at their principal amounts.

The Company has a £50,000,000 facility to drawdown on the 25 October 2004 loan and an uncommitted facility of £40,000,000, none of which was drawn down at 31 December 2002.

14. Share capital	31 December 2002		31 December 2001	
	Number	£'000	Number	£'000
<i>Allotted, called-up and fully paid:</i>				
Ordinary shares of 25p each	86,370,984	21,592	88,412,877	22,103
B Ordinary shares of 25p each	1,136,666	284	1,195,152	299
	<b>87,507,650</b>	<b>21,876</b>	<b>89,608,029</b>	<b>22,402</b>
<i>Unissued:</i>				
Unclassified shares of 25p each	56,618,350	14,155	54,517,971	13,629
	<b>144,126,000</b>	<b>36,031</b>	<b>144,126,000</b>	<b>36,031</b>

During the year 2,062,000 Ordinary shares and 79,947 B Ordinary shares were repurchased for a total cost of £7,665,000 and £358,000 respectively.

On 24 May 2002, 41,568 B Ordinary shares were allotted by way of capitalisation of reserves in accordance with Article 131 and on 30 June 2002, 20,107 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) of the Company's Articles of Association, require the conversion of such shares into Ordinary shares.

15. Reserves	Share	Capital	Capital	Capital	Revenue
	premium	redemption	reserve -	reserve -	reserve
	£'000	£'000	realised	unrealised	£'000
At 1 January 2002	23	7,694	378,404	(20,141)	31,097
<i>Movement during the year:</i>					
Net losses on realisation of investments	–	–	(57,943)	–	–
Movement in unrealised depreciation	–	–	–	(34,453)	–
Forward contracts	–	–	(10,408)	6,067	–
Effective cash exposure on futures	–	–	–	(7)	–
Share repurchases	–	536	(8,024)	–	–
Issue of B Ordinary shares	–	–	(10)	–	–
Loans – movement in unrealised currency losses	–	–	–	(2,731)	–
Loans – realised currency gain	–	–	2,867	–	–
Capital management fees	–	–	(2,410)	–	–
Taxation	–	–	1,444	–	–
Finance cost of borrowing	–	–	(2,490)	–	–
Currency loss	–	–	(642)	–	–
Retained net loss for year	–	–	–	–	(2,001)
At 31 December 2002	<b>23</b>	<b>8,230</b>	<b>300,788</b>	<b>(51,265)</b>	<b>29,096</b>

# Notes to the Financial Statements

## 16. Net Asset Value per share

The Net Asset Value per share and the Net Asset Value attributable to the Ordinary shares and B Ordinary shares at the year end calculated in accordance with the Articles of Association were as follows:

	<b>Diluted Net Asset Value per share attributable</b>		<b>Diluted Net Asset Value</b>	
	<b>2002</b>	<b>2001</b>	<b>2002</b>	<b>2001</b>
	<b>p</b>	<b>p</b>	<b>£'000</b>	<b>£'000</b>
Ordinary and B Ordinary shares (note 14)	352.8	468.1	308,748	419,479

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

	<b>Year ended 31 December 2002</b>	<b>Year ended 31 December 2001</b>
	<b>£'000</b>	<b>£'000</b>
Opening net assets attributable	419,479	601,163
Repurchase of Ordinary shares	(8,024)	(77,021)
Dividends appropriated	(14,052)	(14,839)
Return attributable to equity shareholders	(88,655)	(89,824)
	<b>308,748</b>	<b>419,479</b>

## 17. Reconciliation of net revenue before finance costs and taxation to net cash inflow from operating activities

	<b>Year ended 31 December 2002</b>	<b>Year ended 31 December 2001</b>
	<b>£'000</b>	<b>£'000</b>
Net revenue return before finance costs	15,259	15,581
Investment management fees charged to capital	(2,410)	(3,211)
Amortisation of fixed income book cost	251	434
Decrease in accrued income	564	377
Decrease in prepayments	35	85
Decrease/(increase) in other debtors	105	(73)
Decrease in other creditors	–	(2)
Decrease/(increase) in accruals	(343)	517
Tax on unfranked income – UK	–	(9)
Tax on unfranked income – overseas	(529)	(438)
Net cash inflow from operating activities	<b>12,932</b>	<b>13,261</b>

## Notes to the Financial Statements

18. <b>Analysis of changes in net debt</b>	<b>At</b>		<b>Cash flows</b>	<b>At</b>	
	<b>31 December</b>	<b>Currency</b>		<b>31 December</b>	<b>2002</b>
	<b>2001</b>	<b>differences</b>		<b>2001</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	
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)	
	<b>(109,292)</b>	<b>(4,847)</b>	<b>31,974</b>	<b>(82,165)</b>	

	<b>At</b>		<b>Cash flows</b>	<b>At</b>	
	<b>31 December</b>	<b>Currency</b>		<b>31 December</b>	<b>2001</b>
	<b>2000</b>	<b>differences</b>		<b>2000</b>	<b>2001</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	
Cash and short-term deposits	10,075	(7,169)	(1,532)	1,374	
Forward contracts	(8,212)	3,407	–	(4,805)	
Debt due within one year	(10,000)	–	10,000	–	
Debt due after more than one year	(108,049)	10,188	(8,000)	(105,861)	
	<b>(116,186)</b>	<b>6,426</b>	<b>468</b>	<b>(109,292)</b>	

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.

### 19. **Directors' share interests**

The interests of the Directors in the shares of the Company under the terms of the Companies Act 1985, are as follows:

	<b>31 December 2002</b>	<b>31 December 2001</b>
	<b>Ordinary</b>	<b>Ordinary</b>
J F H Trott (Chairman)	15,000	15,000
D H Benson	4,000	4,000
Sir Raymond Johnstone, CBE	9,170	9,064
non-beneficial	18,191	18,191
A C Shedden	1,742	1,373

Unless otherwise stated all holdings are beneficial. On 22 January, 8 February and 17 February 2003, Mr A C Shedden's interest was increased by the acquisition of 34 Ordinary shares, 8 Ordinary shares and 33 Ordinary shares respectively, bringing his total beneficial interest to 1,817 Ordinary shares. On 22 January and 17 February 2003, Sir Raymond Johnstone's beneficial interest was increased by the acquisition of 5 Ordinary shares and 25 Ordinary shares, bringing his total beneficial interest to 9,200 Ordinary shares. As at 14 March 2003, there have been no other changes in the above share interests since the end of the financial year.

# Notes to the Financial Statements

## 20. 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.

### 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 11 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. The futures are replaced by physical stock in due course. At 31 December 2002 the Company had a future which showed an unrealised loss of £7,000 (31 December 2001 – nil). During the year ended 31 December 2002 a loss of £2,155,000 was realised (31 December 2001 – nil).

### 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 at the 31 December 2002 are shown in Note 13 on pages 45 and 46.

### Interest risk profile

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

	Weighted average maturity on fixed interest bonds	Weighted average yield on fixed interest bonds	Fixed interest	Floating rate	Non- Interest bearing
At 31 December 2002	Years	%	£'000	£'000	£'000
Sterling	5.700	7.710	64,142	3,064	127,390
US Dollar	–	–	–	706	63,305
Euro	5.070	6.540	34,647	138	42,984
Other	1.780	8.500	4,372	390	69,200

## Notes to the Financial Statements

	<b>Weighted average maturity on fixed interest bonds</b>	<b>Weighted average yield on fixed interest bonds</b>	<b>Fixed interest</b>	<b>Floating rate</b>	<b>Non- Interest bearing</b>
<b>At 31 December 2001</b>	<b>Years</b>	<b>%</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Sterling	7.200	7.250	68,091	1,565	171,728
US Dollar	–	–	–	27	89,462
Euro	6.440	6.480	43,438	81	52,438
Other	–	–	–	(299)	108,551

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 £97,293,000 as at 31 December 2002 (2001 – £111,656,000) compared with an accounts value in the financial statements of £87,725,000 (2001 – £105,861,000) (note 13). 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 13).

### *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 13 on pages 45 and 46, are in foreign currency as at 31 December 2002. 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 currency movements. At 31 December 2002 the Company had foreign currency contracts to buy 16,450,000,000 yen in exchange for sterling, which were showing an unrealised gain of £1,262,000 (2001 – £4,805,000). During the year a loss was realised of £2,867,000 (2001 – £8,355,000).

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

## Notice of Meeting

The ninety-fifth Annual General Meeting of Murray International Trust PLC will be held on Monday, 12 May 2003 at 12.30 p.m. in the registered office of the Company at 123 St Vincent Street, Glasgow G2 5EA, to transact the following business.

1. To receive the Directors' Report and audited statement of accounts for the year ended 31 December 2002.
2. To approve the Directors' Remuneration Report for the year ended 31 December 2002.
3. To re-elect Mr A C Shedden\* as a Director.
4. To re-appoint Ernst & Young LLP as Auditors.
5. To authorise the Directors to fix the remuneration of the Auditors.

### Special Business

6. To consider and, if thought fit, pass the following resolution as an Ordinary resolution:  
THAT Sir Raymond Johnstone\*, who attained the age of 73 on 27 October 2002, be reappointed as a Director of the Company.
7. To consider and, if thought fit, pass the following resolution as an Ordinary resolution:  
THAT in terms of article 130 of the Articles of Association of the Company,
  - (a) a final dividend of 5.95p per share in respect of the year ended 31 December 2002 be paid on 23 May 2003 to holders of Ordinary shares in the capital of the Company on the register at the close of business on 25 April 2003 and, subject to having appropriate distributable revenue reserves, three interim dividends in respect of the year ended 31 December 2003 be declared on the Ordinary shares of the Company in issue on 27 June 2003 as follows:
    - (1) an interim dividend of 3.45p be paid on 15 August 2003 to those persons who, at close of business on 25 July 2003, are the holders of such shares;
    - (2) an interim dividend of 3.45p be paid on 17 November 2003 to those persons who, at close of business on 17 October 2003, are the holders of such shares;
    - (3) an interim dividend of 3.45p be paid on 16 February 2004 to those persons who, at the close of business on 16 January 2004, are the holders of such shares.
  - (b) the sum of £13,137 being part of the sum standing at credit of the realised capital gains account of the Company, be capitalised and that the Directors be and are hereby authorised and directed to apply the same, not later than 11 June 2003, in paying up in full at par 52,548 unissued and unclassified shares of 25p each in the capital of the Company which are hereby classified as B Ordinary shares of 25p each, and to appropriate and distribute such B Ordinary shares credited as fully paid to and amongst those persons who, at the close of business on 25 April 2003, were the registered holders of B Ordinary shares of the Company, in the proportion of 4.62299 B Ordinary shares for every 100 B Ordinary shares then held by them, such shares when issued to rank *pari passu* in all respects with the then existing B Ordinary shares of the Company; provided always that all B Ordinary shares representing fractional entitlements of such registered holders shall be allotted to such persons as the Directors may determine to be held by them in trust to sell the same and to distribute the net proceeds of sale among such registered holders in proportion to their said fractional entitlement, save that, in any case where the fractional entitlement of any one shareholder is less than 50p, such entitlement shall not be distributed but shall be paid to the Company to be applied by the Directors for any purpose to which the capital of the Company may be applied.

## Notice of Meeting

8. To consider and, if thought fit, pass the following resolution as a Special resolution:

THAT the Company be generally and, subject as hereinafter appears, unconditionally authorised in accordance with Section 166 of the Companies Act 1985 (the “Act”) to make market purchases (within the meaning of Section 163(3) of the Act) of Ordinary shares of 25p each and B Ordinary shares of 25p each in the capital of the Company (“Shares”);

PROVIDED ALWAYS THAT

- (i) the maximum number of Shares hereby authorised to be purchased shall be an aggregate of 12,947,010 Ordinary and 170,386 B Ordinary shares representing 14.99 per cent of the shares in issue as at 14 March 2003;
  - (ii) the minimum price which may be paid for a Share shall be 25p;
  - (iii) the maximum price (exclusive of expenses) which may be paid for a Share shall be an amount equal to 105 per cent of the average of the middle market quotations for a Share taken from, and calculated by reference to, the Daily Official List of the London Stock Exchange for the five business days immediately preceding the day on which the Share is purchased;
  - (iv) any purchase of Shares will be made in the market for cash at prices below the prevailing Net Asset Value per Share (as determined by the Directors);
  - (v) the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company to be held in year 2004 or, if earlier, on 11 August 2004 unless such authority is previously varied, revoked or renewed prior to such time; and
  - (vi) the Company may make a contract to purchase Shares under the authority hereby conferred prior to the expiry of such authority and may make a purchase of Shares pursuant to any such contract notwithstanding such expiry above.
9. To consider and, if thought fit, pass the following resolution as an Ordinary resolution:

THAT the Directors be generally and unconditionally authorised in accordance with Section 80 of the Companies Act 1985 (“the Act”) to exercise all the powers of the Company to allot relevant securities (as defined in that section) up to an aggregate nominal amount of £1,093,845 (representing 5 per cent of the total Ordinary and B Ordinary share capital in issue on 14 March 2003) during the period expiring on the date of the next Annual General Meeting or 11 August 2004, whichever is the earlier, but so that this authority shall allow the Company to make offers or agreements before the expiry of this authority which would or might require relevant securities to be allotted after such expiry.

10. To consider and, if thought fit, pass the following resolution as a Special resolution:

THAT, subject to the passing of Resolution Number 9 set out above, the Directors be and they are hereby empowered, pursuant to Section 95 of the Companies Act 1985 (“the Act”), to allot equity securities (as defined in Section 94 of the Act) pursuant to the authority given in accordance with Section 80 of the Act by the said Resolution Number 9 as if Section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities,

- a) during the period expiring on the date of the next Annual General Meeting of the Company or 11 August 2004, whichever is the earlier, but so that this power shall enable the Company to make offers or agreements which would or might require equity securities to be allotted after the expiry of this power;

# Notice of Meeting

- b) up to an aggregate nominal amount of £1,093,845 (representing 5 per cent of the total Ordinary and B Ordinary share capital in issue on 14 March 2003);
- c) in the circumstances detailed in the Section headed “Issue of Shares” in the Directors’ Report on page 23 of the Annual Report for the year ended 31 December 2002 and at a price not less than 2.5 per cent above the Net Asset Value per share.

By order of the Board  
123 St Vincent Street,  
Glasgow G2 5EA  
28 March 2003

**Aberdeen Asset Management PLC**  
Secretaries

*\* The biographies of Mr A C Shedden and Sir Raymond Johnstone are detailed on page 3.*

## Notes

1. No Director has any contract of service with the Company.
2. The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, has specified that only those shareholders registered on the Register of Members of the Company as at 12.30 p.m. on 10 May 2003 shall be entitled to attend or vote at the aforesaid general meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant Register of Members after 12.30 p.m. on 10 May 2003 shall be disregarded when determining the rights of any person to attend or vote at the meeting.
3. A member entitled to attend and vote is entitled to appoint a proxy or proxies to attend and on a poll to vote instead of him/her. A proxy need not be a member. Appointment of a proxy does not preclude a member from attending and voting at the meeting should he/she subsequently decide to do so. A reply-paid form of proxy for your use is enclosed.
4. Instruments of proxy and the power of attorney or other authority should be sent to the Registrar of the Company, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to arrive not less than forty eight hours before the time fixed for the meeting.
5. The Register of Directors’ Interests is kept by the Company in accordance with Section 325 of the Companies Act 1985 and will be open for inspection at the meeting.

**A reply paid form of Proxy for your use is enclosed.**

## Notice of Meeting

Details of resolutions 2 to 10 are shown in the Report by the Directors as follows:

Resolution 2	Pages 26 and 27	Directors’ Remuneration Report
Resolutions 3 and 6	Page 24	Directors
Resolutions 4 and 5	Page 25	Auditors
Resolution 7	Page 22	Dividends
Resolution 8	Pages 22 and 23	Share repurchases
Resolutions 9 and 10	Page 23	Issue of shares

## Ten year record

Year ended	Revenue £'000	Ordinary shares		Assets employed £'000	Net Asset Value £'000	Net Asset Value per Ordinary/ B Ordinary share p
		Earnings per share p	Dividend per share p			
1992	25,721	10.90	11.40	460,139	351,375	293.0
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

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 9 on page 42).

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 16 on page 47).

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.

### Market prices of allotted capital at 6 April 1965

4 1/2% cumulative preference shares of £1	62 1/2p
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 1/2p
B ordinary shares of 25p (adjusted for 1 for 2 scrip issue in April 1983)	53 1/2p
3 1/4% debenture stock 1967 or after	£22 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		

## Information about the Manager

### **Aberdeen Asset Managers Limited**

The Company's Manager is Aberdeen Asset Managers Limited, a wholly-owned subsidiary of Aberdeen Asset Management PLC whose Group companies manage a combined £20.1 billion of funds for UK institutions, investment trusts, closed-end funds, unit trusts, private clients and offshore funds as at 28 February 2003.

Aberdeen Asset Management PLC 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 London, Edinburgh, Inverness, Glasgow, Singapore, Fort Lauderdale, Luxembourg, Hong Kong, Sydney and Jersey.

Over the past dozen years the Group has grown rapidly through a combination of acquisition and organic growth. The Group now has 27 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.

### **Aberdeen Managed Investment Trusts**

The Group manages investment trusts and closed-end funds which have combined total assets of around £4 billion as at 28 February 2003. The funds cover a wide range of markets and sectors, including the UK, Europe, the Far East, emerging markets and the technology sector. The group provides portfolio management, company secretarial, administrative and marketing services.

## Marketing Strategy

Murray International Trust PLC contributes to the Marketing Programme run by Aberdeen Asset Managers Limited, on behalf of a number of investment trusts under its management. The Company's contribution is matched by Aberdeen 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. Aberdeen'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 Aberdeen, can be a cost-effective way of gaining new investors.

These aims can be met in several ways:

**Investor relations programme** Aberdeen 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** The Manager runs a Share Plan, PEP and ISA. These schemes allow investment free of dealing costs and with only nominal exit charges, and 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 Aberdeen investment trusts as well as known buyers of investment trusts.

**Newsletter** The "Bulletin" newsletter, an informed commentary on markets and investment trusts managed by Aberdeen 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** Aberdeen 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 Aberdeen's Investment Trust Marketing Director, who has seventeen years experience in the marketing and communications of investment products. He is supported by a team of three marketing professionals.

**Internet** Murray International Trust PLC has its own dedicated web site, the site is <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.

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](mailto:inv.trusts@aberdeen-asset.com) or write to us at One Albyn Place, Aberdeen AB10 1YG.



Aberdeen Asset Managers Limited  
123 St Vincent Street, Glasgow, G2 5EA  
Telephone: 0141 306 7400 Fax: 0141 306 7401

*Regulated by the FSA  
Member of the Aberdeen Asset Management Group of Companies*