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Murray International Trust PLC

Annual Report and Accounts
31 December 2004

SC6705



Contents

1 Corporate Summary

Annual Report

3	Your Board
6	Highlights
8	Historic Financial Record
9	Ten Year Record
10	Chairman's Statement
12	Summary of Investment Changes during the Year
12	Summary of Net Assets
13	Portfolio of Investments - Twenty Largest Investments
15	Portfolio of Investments
18	The Investment Process
19	Investment Manager's Report
22	Attribution Analysis
23	Distribution of Investments
25	Distribution of Equity Investments

Report and Financial Statements

28	Directors' Report
32	Directors' Remuneration Report
34	Statement of Corporate Governance
40	Statement of Directors' Responsibilities in relation to the Financial Statements
41	Independent Auditors' Report
42	Statement of Total Return
43	Balance Sheet
44	Cash Flow Statement
45	Notes to the Financial Statements

Annual General Meeting

57	Notice of Meeting
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Information

59	Information about the Manager
60	Shareholder Information
61	Marketing Strategy
62	Other ways to Invest in Murray International Trust PLC
63	Glossary of Terms and Definitions
64	Corporate Information

Financial Calendar

3 May 2005	Annual General Meeting
20 May 2005	Payment of proposed final dividend for 2004 (5.95p)
August 2005	Half yearly results announced
15 August 2005	Payment of proposed first interim dividend (3.55p)
16 November 2005	Payment of proposed second interim dividend (3.55p)
15 February 2006	Payment of proposed third interim dividend (3.55p)
February 2006	Final results announced for year ending 31 December 2005

Dividend Record

	Rate	xd date	Record date	Payment date
1st Interim 2004	3.45p	21 July 2004	23 July 2004	16 August 2004
2nd Interim 2004	3.45p	20 October 2004	22 October 2004	17 November 2004
3rd Interim 2004	3.45p	19 January 2005	21 January 2005	16 February 2005
Proposed final 2004	5.95p	20 April 2005	22 April 2005	20 May 2005
Total dividend 2004	16.30p			

Corporate Summary

The Company

Murray International Trust is an investment trust traded on the London Stock Exchange and is a constituent of the FTSE Actuaries All-Share Index. Some 25,000 of its Shareholders are private investors. Murray International Trust is differentiated from other investment trusts in that it offers the advantages of exposure to world markets while maintaining the higher income generally associated with the UK equity market. The Company will be invested in a diversified portfolio of international equities and 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.

History

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

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

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

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

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

Benchmark

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

Capital Structure

The Company's issued share capital as at 10 March 2005 consisted of 86,491,605 Ordinary shares of 25p each and 1,112,717 B Ordinary shares of 25p each. The difference between the rights of the B Ordinary Shareholders and that of the Ordinary Shareholders is contained in the glossary on page 63.

Total Assets and Net Asset Value

At 31 December 2004, the Company had Total Assets* of £495.5m and a Net Asset Value per Ordinary and B Ordinary share of 466.7p.

*See definition on page 63.

Duration

The Company does not have a fixed life.

Risk

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

Currently 70% of the investment management fee and finance costs and 100% of the performance fee are taken out of capital. This increases distributable income at the expense of capital growth, which will either be eroded or constrained. Maintaining a high level of dividend may also diminish capital value. In common with most investment trusts, Murray International Trust is able to borrow for investment purposes. The use of gearing is likely to lead to volatility in the Net Asset Value (NAV), meaning that a relatively small movement either down or up in value of the Company's total assets will result in a magnified movement in the same direction of that NAV. There is no guarantee that the market price of shares in investment trusts will fully reflect their underlying NAV.

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

Share Dealing/PEP/ISA status

Shares in Murray International Trust can be bought in the open market through a stockbroker. They can also be purchased through Aberdeen savings schemes and fully qualify for inclusion within tax-efficient ISA wrappers (see page 62).

Management Agreement Summary

The Company has an agreement with Aberdeen Asset Managers Limited, a wholly owned subsidiary of Aberdeen Asset Management PLC, for the provision of management services for a fee, as detailed in the Directors' Report on pages 30 and 31 and in Note 3 on page 47.

AITC

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

Websites

www.murray-intl.co.uk

www.aberdeen-asset.com

Company Secretary

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

Email: company.secretary@invtrusts.co.uk

Customer Services

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

Your Board

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

John Trott Chairman and Independent Non-Executive Director

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

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

Age: 67

Committee member: Management Engagement Committee (Chairman), Nomination Committee (Chairman) and Audit Committee until 24 February 2005.

Employment by the Manager: None

Other connections with Trust or Manager: None

Shared Directorships with any other Trust Directors: None

Shareholding in Company*: 15,000 Ordinary shares

Lady Balfour of Burleigh Independent Non-Executive Director

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

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

Age: 59

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

Employment by the Manager: None

Other connections with Trust or Manager: None

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

Shareholding in Company*: 1,300 Ordinary shares

David Benson *Independent Non-Executive Director*

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

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

Age: 67

Committee member: Management Engagement Committee, Nomination Committee, Remuneration Committee and Audit Committee from 24 February 2005.

Employment by the Manager: None

Other connections with Trust or Manager: None

Shared Directorships with any other Trust Directors: None

Shareholding in Company*: 4,000 Ordinary shares

Sir Raymond Johnstone *CBE Non-Executive Director*

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

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

Age: 75

Committee member: Remuneration Committee.

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

Other connections with Trust or Manager: Former chairman and Managing Director of Murray Johnstone Limited.

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

Shareholding in Company*: Beneficial – 30,627 Ordinary shares, non-beneficial – 18,191 Ordinary shares

Fred Shedden *Independent Non-Executive Director*

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

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

Age: 60

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

Employment by the Manager: None

Other connections with Trust or Manager: None

Shared Directorships with any other Trust Directors: None

Shareholding in Company*: 3,169 Ordinary shares

* All shareholdings are beneficial unless otherwise stated

Highlights

For the year ended 31 December 2004

Murray International Trust PLC is an investment trust with a stock market capitalisation as at 31 December 2004 of £382million (2003 - £339million).

	2004	2003
Total Assets	£495,500,000	£458,756,000
Equity Shareholders' funds	£408,820,000	£371,392,000
Net Asset Value per Ordinary and B Ordinary share	466.7p	424.2p
Share price per Ordinary share (mid-market)	436.5p	388.0p
Share price per B Ordinary share (mid-market)	380.0p	292.5p
Total Return for year per Ordinary share	59.6p	88.8p
Total Return for year per Ordinary share assuming conversion of the B Ordinary shares	58.8p	87.6p
Discount to Net Asset Value on Ordinary shares	6.5%	8.5%

Discount Chart

Source: Fundamental Data

Shareholder Analysis of Murray International Trust

Performance (Total Return)	1 year % return	3 years % return	5 years % return	10 years % return
Share price ¹	17.3	24.2	8.6	88.8
Net Asset Value per Ordinary and B Ordinary share	14.1	12.5	(4.8)	96.6

Source AAM/AITC

¹ mid to mid

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

Source: Fundamental Data, Russell Mellon Analytical Services.

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

Source: Fundamental Data, Russell Mellon Analytical Services.

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

Historic Financial Record

Dividend and earnings	2004	2003
Dividend per Ordinary share	16.3p	16.3p
Return per Ordinary share	15.8p	13.3p
Dividend cover	0.97 times	0.82 times
Revenue reserves	£26,080,000	£26,522,000
Operating costs		
Total operating costs as a percentage of total assets	0.7%	0.8%

Net earnings per share (p)

Net asset value per share (p)

Net dividends per share (p)

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

Ten Year Record

Year ended	Revenue £'000	Ordinary shares		Assets employed £'000	Net Asset Value £'000	Net Asset Value per Ordinary/ B Ordinary share p
		Earnings per share p	Dividend per share p			
1994	26,124	13.47	12.00	516,402	395,852	329.7
1995	26,514	13.20	12.60	591,044	475,575	395.7
1996	27,066	14.40	13.20	586,658	510,870	424.9
1997	27,925	15.10	14.00	661,351	579,216	481.6
1998	28,285	15.50	14.70	716,877	625,388	519.8
1999	23,348	14.30	15.50	810,485	653,622	584.0
2000	21,175	13.50	15.90	719,212	601,163	573.1
2001	18,301	13.50	16.30	525,340	419,479	468.1
2002	17,518	13.60	16.30	396,473	308,748	352.8
2003	16,793	13.10	16.30	446,767	371,392	424.2
2004	19,366	15.60	16.30	495,500	408,820	466.7

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 48).

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 52).

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

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

Chairman's Statement

Background

It was a measure of the degree to which equity valuations had fallen from the market peak at the end of 1999, that despite higher interest rates, rising oil prices and continuing violence in the Middle East, share prices moved further ahead in the year under review. Bond markets also achieved positive returns. Global equity markets were relatively flat in the early part of the year but good earnings growth and positive sentiment produced a strong performance from August onwards. In local currency terms regional performances were very tightly bunched but ongoing dollar weakness significantly reduced US market returns in sterling terms. The future direction of the US dollar will undoubtedly continue to exert a powerful influence over financial returns worldwide.

Performance

The total return on Net Asset Value was 14.1%, considerably ahead of the return on the benchmark index of 9.4%, whilst the Share Price total return of 17.3% reflected a slight reduction over the year in the level of discount at which the shares trade in the stock market. The Investment Managers Report contains an attribution analysis which provides detailed analysis of all factors affecting net asset performance. The key positive influences were an overweighting of euro-denominated assets, a significant overweighting in Asia and Emerging Markets and good stock selection across all regions. For the third consecutive year, a large underweighting to dollar assets also contributed positively to relative outperformance.

Dividends

The Board is conscious that the dividend paid to Shareholders has been flat for the last few years. Falling yields on fixed interest securities and cash together with the belief within parts of the corporate sector worldwide that share buy backs were somehow a substitute for dividend increases had led to a flattening out in the revenue of the Company. Our dividend has not been fully covered by earnings for the last few years but it has been maintained by using the ample revenue reserves for part of the payment. Although meeting our corporate objective of providing a high yield to our Shareholders, no growth has been seen in the dividend since 2001.

In my remarks last year I mentioned that we had switched some money from bonds to higher yielding equities as there was evidence that companies were starting to

recognise once again the importance of rising income to Shareholders.

I am pleased that we have seen the benefits of these changes in 2004 with income rising from 13.3p per Ordinary share in 2003 to 15.8p per Ordinary share. Thus the shortfall between the earnings and the proposed dividend was considerably reduced but not eliminated. The Board, with the help of the Manager, has carefully examined the income level to be expected in the current year. It seems likely that the rising trend of income will be maintained. Therefore the Board believes that there is now scope to increase the dividends to be paid to Shareholders in 2005. The proposal to be put to Shareholders at the AGM will reflect these thoughts. In respect of 2004, the Board is recommending a maintained final dividend of 5.95p per share payable on 20 May 2005 to Shareholders on the register at the close of business on 22 April 2005 making a total distribution for the year of 16.3p. The Board also proposes that three interim dividends of 3.55p per Ordinary share, an increase of 2.9%, be paid for the year to 31 December 2005, payable on 15 August 2005, 16 November 2005 and 15 February 2006. It is also the Board's intention that the final dividend for the year to 31 December 2005 will be at least maintained.

B Ordinary Shareholders will receive a capitalisation in B Ordinary shares on 20 May 2005 amounting to 3.55886 B Ordinary shares for every hundred held at the close of business on 22 April 2005, which is equivalent in Net Asset Value to the recommended final dividend and three interim dividends for the current year.

Resolutions

Last year a number of special resolutions were passed at the AGM. One such resolution allows us to buy back shares not only for cancellation but also to keep in Treasury. I emphasised that we would only use these powers if it was in the interest of Shareholders to do so. No use was made of these powers in 2004. With the discount of the share price to underlying assets remaining in single figures throughout the year a buy back programme would have been of little benefit to existing Shareholders.

Another of the special resolutions passed at last year's AGM introduced a new fee structure incorporating a reduced basic fee to the Manager but adding a performance fee provided the Manager's performance met certain criteria. An overall cap was also introduced. I am

pleased that the strong outperformance of the Company against its benchmark in 2004 meant that the Manager met the level required to receive the maximum performance fee and accordingly, this is provided for in the accounts.

Your Board

No changes took place in Board membership during 2004 but I have to report that Sir Raymond Johnstone has indicated his intention to retire at the conclusion of the forthcoming AGM. Sir Raymond has been a Director of the Company for 15 years and his wise counsel has been of great benefit throughout that period. We will certainly miss his contribution and I would like to thank him on behalf of our Shareholders and wish him a very happy retirement. We have instructed an executive search company to help to identify a successor.

Outlook

The Investment Managers Report gives their views on the outlook for stock markets around the world. My major concern is that recent economic growth in the developed world has only been achieved by large increases in Government and personal indebtedness. The fiscal and

trade positions of a number of countries, particularly the United States but also including the United Kingdom, have deteriorated to such an extent that measures will have to be taken to correct the position. Lower currencies and lower growth look as though they will have to play a part in this process. Lower growth is also likely in Europe if the euro strengthens further. However, a number of countries in the emerging world such as India and China have now grown sufficiently to see domestic consumption taking over from exports to the developed world as an important driver of growth. The Manager has taken note of these changes and has taken action to purchase shares likely to benefit from them. We will continue to emphasise high quality, financially strong companies in these high growth international markets within the risk constraint which a Company such as ours must continue to impose.

J F H Trott
Chairman
1 March 2005

Summary of Investment Changes during the Year

	Valuation		Transactions	Appreciation/ (depreciation)	Valuation	
	31 December 2003	%			31 December 2004	%
	£'000		£'000	£'000	£'000	
Equities						
United Kingdom	145,035	31.6	(13,203)	11,720	143,552	29.0
Americas	74,638	16.3	3,222	10,061	87,921	17.8
Europe & Africa	72,310	15.8	1,583	11,760	85,653	17.2
Japan	34,440	7.5	(499)	4,790	38,731	7.8
Middle East, Far East & Australasia	45,111	9.8	6,080	4,631	55,822	11.3
	371,534	81.0	(2,817)	42,962	411,679	83.1
Fixed income						
United Kingdom	45,656	10.0	15,192	1,026	61,874	12.5
Europe & Africa	38,682	8.4	(16,330)	3,127	25,479	5.2
Americas	–	–	4,858	287	5,145	1.0
Middle East, Far East & Australasia	–	–	6,968	(2,008)	4,960	1.0
	84,338	18.4	10,688	2,432	97,458	19.7
Other net current assets/(liabilities)	2,884	0.6	(10,354)	(6,167)	(13,637)	(2.8)
Total assets	458,756	100.0	(2,483)	39,227	495,500	100.0

Summary of Net Assets

	Valuation	
	31 December 2004	%
	£'000	
Equities	411,679	100.7
Fixed income	97,458	23.8
Other net liabilities	(13,637)	(3.3)
Prior charges	(86,680)	(21.2)
Equity Shareholders' funds	408,820	100.0

Portfolio of Investments – Twenty Largest Investments

Company	Valuation £'000	Total assets %
1 (1) Atrium Underwriting (UK) Atrium operates in the Lloyd's insurance market and has four revenue streams: investment returns, agency fees, underwriting returns from owned capacity on its syndicates and also from capacity owned on third party syndicates.	18,038	3.6
2 (5) March 2005 S & P Index Future (USA) The S&P Future provides exposure to the S&P 500 Index in the United States.	15,804	3.2
3 (2) GlaxoSmithKline (UK) GlaxoSmithKline is a world leader in the development, manufacture and marketing of pharmaceuticals with an emphasis on vaccines, antibiotics and cardiovascular and respiratory products.	10,937	2.2
4 (6) Vodafone Group (UK)* Vodafone Group is now the largest mobile telecommunications company in the world and one of the top ten companies by market capitalisation. Overseas acquisitions have added to strong organic growth.	10,532	2.1
5 (13) Petrobras (Brazil) Petrobras, Brazil's leading energy group, produces oil and gas from extensive reserves throughout the country. It also produces a wide range of derivative products, petrochemicals and fuel alcohol.	7,537	1.5
6 (-) Resolution Life (UK) Resolution Life was established in 2004 to act as an insurance holding company providing a run-off solution for blocks of UK life insurance policies. The company acquires life funds, that are closed to new business, at a discount to face value then provides high quality administration to existing policyholders.	7,500	1.5
7 (14) British American Tobacco (UK & Malaysia) British American Tobacco is the holding company for a group of companies that manufacture, market and sell cigarettes and other tobacco products. The group sells over 300 brands in approximately 180 markets around the world.	7,125	1.4
8 (10) Barclays (UK)* Barclays, operating in over sixty countries worldwide, offers commercial and investment banking, insurance products and related financial services to a broad range of retail and business customers. Through the acquisition of the Woolwich the company has expanded in the UK mortgage business.	6,950	1.4
9 (4) Shell Transport & Trading (UK & Netherlands) 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.	6,659	1.4
10 (3) BP (UK) BP is one of the world's largest petroleum and petrochemical 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.	6,604	1.3
Top Ten Investments	97,686	19.6

Portfolio of Investments – Twenty Largest Investments – continued

Company	Valuation £'000	Total assets %
<p>11 (12) HSBC Holdings (UK)* HSBC is one of the largest banking and financial services companies in the world. The group's international network comprises more than 5,000 offices in 80 countries, operating in the Asia Pacific region, Europe, the Americas, the Middle East and Africa. It has its headquarters in London.</p>	6,102	1.2
<p>12 (19) Tenaris (Mexico) Tenaris manufactures, markets and distributes welded and seamless pipe. The company produces casing, tubing, pipeline and mechanical tubes for the oil and gas and energy industries and for mechanical applications and distributes its products worldwide.</p>	5,387	1.1
<p>13 (15) GUS (UK)* GUS is a retail and business services group. The company provides information and customer relationship management services through Experian, general merchandise through Argos Retail Group and luxury goods through a majority shareholding in Burberry Group Plc.</p>	5,382	1.1
<p>14 (17) Aviva (UK) Aviva is an international insurance company, which provides all classes of general and life assurance, including fire, motor, marine, aviation and transport insurance. Aviva operates under Norwich Union, Delta Lloyd, CGU, Hibernian and NZI. They also supply a variety of financial services, including unit trusts, stockbroking, long-term savings and fund management.</p>	5,263	1.1
<p>15 (7) Royal Bank of Scotland (UK) The Royal Bank of Scotland is now the UK's second largest bank. Currently the Bank's main operations are based in the UK where it has 20 million customers and 2,287 branches. It has a very successful US operation called Citizens which is seen as the growth engine of the future.</p>	5,256	1.1
<p>16 (-) BT Group (UK) BT Group is the leading provider of fixed line telecommunications services in the UK. The company provides local and long distance telephony services and is rapidly expanding into higher growth products such as broadband networks and internet access.</p>	4,872	1.0
<p>17 (-) RAS (Italy) Riunione Admatica di Sicurtà (RAS) provides life, automobile, fire and health insurance and reinsurance in Italy and abroad. The company also offers credit, mutual funds and investment fund management services amongst a broad range of Financial Services.</p>	4,746	1.0
<p>18 (8) AstraZeneca (UK) AstraZeneca was formed by merger in 1999. The group is involved in pharmaceuticals, agro-chemicals and speciality chemicals. The pharmaceutical division focuses on anti-ulcer, oncology, cardiovascular and respiratory treatments.</p>	4,723	0.9
<p>19 (-) HBOS (UK)* HBOS was formed from the merger of Bank of Scotland and the Halifax Group. The company is a diversified financial services provider offering mortgages, personal loans, commercial lending, risk management and a full range of retail banking products.</p>	4,533	0.9
<p>20 (-) ICICI Bank (India) ICICI Bank operates a network of over 500 bank branches which are located throughout India. The company predominantly specialise in retail banking, but also offers foreign exchange, treasury operations and corporate lending services.</p>	4,458	0.9
Top Twenty Investments	148,408	29.9

Notes:

* Holding comprises equity and fixed income securities. Full details can be seen on pages 15-17.

The value of the 20 largest investments represents 29.9% (2003 - 32.2%) of total assets. The figures in brackets denote the position at the previous year end. (-) denotes not previously in 20 largest investments.

Portfolio of Investments

As at 31 December 2004

Company	Valuation £'000	Total assets %	Company	Valuation £'000	Total assets %
UNITED KINGDOM	141,679	28.6	Denmark	6,088	1.2
Anglo American	2,205	0.5	Danske Bank	2,561	0.5
AstraZeneca	4,723	0.9	TDC	3,527	0.7
Atrium Underwriting	18,038	3.6	Egypt	1,085	0.2
Aviva	5,263	1.1	Commercial International Bank	1,085	0.2
Barclays	5,362	1.1	France	12,233	2.5
BAE Systems 7.5% NCCRP	1,253	0.3	Casino	3,123	0.6
BG	1,353	0.3	Peugeot	1,985	0.4
BHP Billiton	3,049	0.6	Total	3,983	0.8
BOC	2,094	0.4	Valeo	3,142	0.7
BP	6,604	1.4	Germany	6,771	1.3
Britannic	1,482	0.3	E.ON	3,561	0.7
British American Tobacco	4,936	1.0	Metro	3,210	0.6
BT Group	4,872	1.0	Hungary	3,448	0.7
Cadbury Schweppes	2,212	0.5	Mataav	3,448	0.7
Centrica	2,363	0.5	Italy	18,055	3.6
GlaxoSmithKline	10,937	2.2	ENI	4,172	0.8
GUS	3,566	0.7	RAS	4,746	1.0
Hanson	1,099	0.2	San Paolo - IMI	4,129	0.8
HSBC Holdings	4,184	0.8	Snarn Rete Gas	1,211	0.2
Intercontinental Hotels	1,176	0.2	T.I.M.	3,797	0.8
Kelda	3,795	0.8	Netherlands	12,751	2.5
London Stock Exchange	2,993	0.6	Reed Elsevier	1,645	0.3
National Grid Transco	2,480	0.5	ING Group	3,762	0.7
Resolution Life	7,500	1.5	Koninklijke	3,316	0.7
Royal Bank of Scotland	5,256	1.0	Royal Dutch Petroleum	2,219	0.4
Scottish & Newcastle	1,264	0.3	TPG	1,809	0.4
Scottish Power	1,210	0.2	Spain	11,867	2.4
Scottish and Southern Energy	3,228	0.7	Altadis	3,817	0.8
Shell Transport & Trading	4,440	0.9	Iberdrola	3,287	0.7
Smiths Group	1,480	0.3	Telefonica	2,235	0.4
Standard Chartered	2,659	0.5	Union Elec Fenosa	2,528	0.5
Tate & Lyle	1,560	0.3	Sweden	4,351	0.9
Unilever	1,623	0.3	Nordea	4,351	0.9
Vodafone Group	9,040	1.8			
Weir	4,019	0.8			
Wolverhampton & Dudley Breweries	2,361	0.5			
EUROPE & AFRICA					
Belgium	2,692	0.5			
Electrabel	1,393	0.3			
Fortis	1,299	0.2			

Portfolio of Investments – continued

Company	Valuation £'000	Total assets %	Company	Valuation £'000	Total assets %
Switzerland	6,311	1.3	United States of America	58,795	11.9
Nestle	2,481	0.5	Altria Group	3,659	0.7
Roche	1,607	0.3	ChevronTexaco	1,596	0.3
Zurich Financial Services	2,223	0.5	Exxon Mobil	2,323	0.5
			Friedman Billings Ramset	2,828	0.6
JAPAN	34,214	6.9	General Electric	2,757	0.6
Aisin Seiki Company	1,555	0.3	Johnson & Johnson	3,966	0.8
Amada Company	1,070	0.2	Microsoft	3,479	0.7
Bank of Kyoto	1,417	0.3	Quest Diagnostics	3,409	0.7
Canon	1,152	0.2	S&P Index Future exp 17/03/2005	15,804	3.2
Daito Trust Construction	1,863	0.4	Servicemaster Company	3,075	0.6
Honda Motor	1,324	0.3	Southern Company	1,452	0.3
Ito-Yokado	2,371	0.5	United Health Group	3,668	0.7
Kaneka Corp	1,519	0.3	United Technologies	2,154	0.4
Kyocera	1,217	0.2	Verizon Communications	2,638	0.5
Mandom	1,343	0.3	Willis Group Holdings	3,214	0.7
Mitsubishi Tokyo Financial	1,447	0.3	Wyeth	2,773	0.6
Nippon TV Network	1,406	0.3			
Okumura Corp	1,229	0.2	MIDDLE EAST, FAR EAST & AUSTRALASIA		
Orix Corp	1,768	0.4	Australia	3,124	0.6
Ricoh	1,154	0.2	QBE Insurance Group	3,124	0.6
Rinnai Corp	1,270	0.3			
Sankyo	1,076	0.2	China	5,192	1.1
Seino Transportation	2,876	0.6	China Mobile	1,588	0.3
Takeda Pharmaceutical	1,540	0.3	Petrochina Co	3,604	0.8
Takuma Company	1,336	0.3			
Toyota Motor Corp	1,402	0.3	Hong Kong	7,141	1.4
Uni-Charm Corp	1,234	0.2	Swire Pacific B	3,862	0.8
Yamanouchi Pharmaceutical	1,645	0.3	Wing Hang Bank	3,279	0.6
AMERICAS			India	8,583	1.7
Brazil	14,985	3.0	ICICI Bank	4,458	0.9
Companhia Energetica Minas Gerais	1,304	0.3	Bharat Petrol	4,125	0.8
Petrobras	7,537	1.5			
Souza Cruz	3,509	0.7	Indonesia	2,509	0.5
Telecomunicacoes de Sao Paulo	2,635	0.5	Unilever Indonesia	2,509	0.5
Mexico	13,645	2.8	Malaysia	4,785	1.0
Aeropuertos del Sureste	4,267	0.9	British American Tobacco	2,189	0.4
Telefonos De Mexico	3,991	0.8	Public Bank Berhad	2,596	0.6
Tenaris	5,387	1.1			
			Singapore	4,280	0.9
			Overseas Chinese Banking	1,947	0.4
			Singapore Technology Engineering	1,118	0.3
			United Overseas Banks	1,215	0.2

Company	Valuation £'000	Total assets %	Company	Valuation £'000	Total assets %
South Korea	10,276	2.1	HBOS 9.75% Non Cum Irrd Pref	2,895	0.6
Hyundai Motor	3,915	0.8	Merrill Lynch 5.75% EMTN 12/12/2014	2,062	0.4
Korea Telecom	2,609	0.5	Ondeo Services UK 8.625% 28/6/2006	1,567	0.3
Samsung Electronic Pfd	3,752	0.8	Pearson 10.5% 13/6/2008	2,032	0.4
Taiwan	5,588	1.1	Scottish Power 6.625% 14/1/2010	2,130	0.5
Fubon Group	2,675	0.5	Sunamerica Inst Funding 5.375% 7/12/2009	3,544	0.7
Taiwan Cellular Corp	2,913	0.6	Transco 5.375% NTS 7/12/2009	2,541	0.5
Thailand	2,926	0.6	UK Treasury 5% 7/3/2012	2,522	0.5
PTT Exploration & Production	2,926	0.6	UK Treasury 4% 7/3/2009	2,999	0.6
FIXED INCOME			UK Treasury 5% 7/3/2008	2,986	0.6
Australian Dollar	2,498	0.5	UK Treasury 6.25% 25/11/2010	3,008	0.6
Commonwealth of Australia 6.25% 15/4/2015	2,498	0.5	UK Treasury 7.25% 7/12/2007	2,958	0.6
Mexican Peso	2,671	0.5	UK Treasury 7.5% 7/12/2006	2,946	0.6
Mexico 10.5% 14/7/2011	2,671	0.5	UK Treasury 9% Conversion	3,017	0.7
New Zealand Dollar	2,462	0.5	Union Bank of Switzerland 8% 8/1/2007	2,118	0.4
New Zealand Treasury Bill 0% 28/1/2004-23/3/2005	2,462	0.5	Europe	25,479	5.2
US Dollar	2,474	0.5	Bank of Scotland 6.125% 5/2/2013	1,638	0.3
Fed Republic of Brazil 11% 17/8/2040	2,474	0.5	Barclays Bank 5.75% 8/3/2011	1,588	0.3
Sterling	61,874	12.5	Kingdom of Belgium 8% 24/12/2012	1,484	0.3
Abbey National 10.375% Non Cum Pref	3,212	0.7	Bouygues SA 4.375% NTS 29/10/2014	2,175	0.5
Alliance & Leicester 4.625% EMTN 28/12/2006	1,989	0.4	Deutschland (Fed Rep of) 4.25% 4/7/2014	2,228	0.5
BCI US Funding Trust 8.25% - 11.0594% 15/7/2008	2,066	0.4	GUS PLC 4.125% 12/7/2007	1,816	0.4
Cattles 6.875% 17/1/2014	2,644	0.5	HSBC Capital Funding 5.3687% Fix-Float 24/12/2049	1,918	0.4
CEPME 8.5% Step-Up Perp 16/9/2003	1,436	0.3	Hungary (Government of) 6.5% 24/8/2006	2,597	0.5
Co-operative Bank 9.375%			Poland (Government of) 8.5% 12/11/2006	3,426	0.7
Callable Perpetual	2,077	0.4	Portman Building Society FRN 17/9/2009	2,120	0.4
Daily Mail & General 9.75% 23/9/2005	2,581	0.5	Royal Bank of Canada 3% 15/7/2008	1,565	0.3
Deutsche Telekom 6.25% 9/12/2010	1,569	0.3	Valentia Telecommunications 7.25% 15/8/2013	1,432	0.3
Deutsche Telekom Finance 7.125% 15/6/2005	1,569	0.3	Vodafone Group 5.75% 27/10/2006	1,492	0.3
General Accident 7.875% Cum Irrd Pref	3,406	0.7	Other investments valued at less than £1,000,000	8,304	1.8
			Total Investments	509,137	102.8

The Investment Process

Philosophy and Style

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

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

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

Asset Allocation

Based on the guidelines set by the AAM Investment Strategy Committee, and after consultation with relevant AAM area specialists, the investment manager of Murray International Trust, Bruce Stout, 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, Bruce Stout, 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 19 to the financial statements on pages 53 to 56.

Investment Manager's Report

Background

The past twelve months witnessed many significant international, economic and financial events, some of which were expected, most of which were not. The timing and magnitude of monetary tightening in the United States, which began in June and signalled an end to four years of declining interest rates, was essentially in line with expectations. The same could be said for the upward move in global price indices. Rising inflation from cyclical lows was paradoxically welcomed by most Central Banks as confirmation that the threat of worldwide deflation had finally been vanquished. However, many other events confounded expectations. Global economic growth proved much stronger than predicted, the 5% increase being the highest yearly expansion for over twenty years. Against all expectations and arguably common sense, debt laden consumers in the US and UK ignored rising debt-servicing commitments, and borrowed more. For the most part, this explained the surprisingly strong growth. Fiscal deficits, again in the US and UK, deteriorated significantly as the respective Governments spent well beyond their means, and the geopolitical uncertainty initiated in Iraq last year spread into neighbouring Middle Eastern countries. Lastly, the futility of trying to predict oil prices was demonstrated once again, when against all expectations the price per barrel surged through \$50 in the final quarter of the year.

Despite higher growth, inflation and interest rates, equity markets produced above average returns. None more so than in the Pacific and Emerging Markets, where total returns in sterling terms were 17.1% and 19.5% respectively. Conversely, for the third consecutive year, the US market return of 3.6% in sterling terms was the lowest of the major global regions.

Performance

The Net Asset Value Total Return for the year to 31 December 2004 with net dividends reinvested was 14.1% compared with a return on the benchmark index of 9.4%. A full attribution analysis is given on page 22 which details the various influences on the performance of the portfolio. It is pleasing to note that each of the main drivers of performance contributed positively to the overall results for the year. In summary, of the 650 basis points (before expenses) of performance above the index, asset allocation contributed 330, stock selection 290 and structural effects relating to the fixed interest portfolio, net of borrowing and hedging costs, 30 basis points. Within asset allocation contributions came from our significant underweighting of the United States but there were also material contributions from an overweight

position in Latin America. Stock selection within all regions was good relatively to benchmarks, and particularly so in North America and in Japan.

USA

After four years of extremely accommodative monetary policy, the US Federal Reserve began the gradual process of raising interest rates in the summer of 2004. Having invigorated the economy through extended monetary stimulus to above trend economic growth, it was deemed appropriate to begin the tightening cycle in order to guard against potential inflationary pressures and discourage excessive debt induced consumer spending. Given that consumption equates to roughly 70% of total US GDP and has constantly been the engine of growth for the past four years, the focus of such policy seemed logical. Five consecutive tightenings raised the overnight rate from 1% to 2.25% by year end but there remains scant evidence to suggest US consumers have lost their propensity to spend. However, the monetary authorities will have to tread carefully along the path towards re-establishing real interest rates. The US economy is more leveraged than ever. With a current account deficit of 6% of GDP, a fiscal deficit of 5% of GDP and a household debt mountain of record proportions, external financing from increasingly nervous overseas investors has fuelled this over consumption. Creditor confidence is key when such fundamental imbalances prevail. The continued depreciation of the US dollar suggests the world is becoming increasingly impatient with the rhetoric and progress made so far. This leaves the policy makers the task of tightening policy to some optimum level enough to cool the economy but not to an extent that would cause recession. Not only will this be tough to engineer, it may take several years to successfully implement. It remains the Manager's view that imbalances entrenched in the US economy will remain until such time as fiscal discipline and realistic expectations are restored. No country can live beyond its means forever.

The FTSE World US Index managed to rise 11.1% in dollar terms, but currency weakness substantially reduced this return to 3.6% in sterling terms. Financially strong energy and telecom stocks performed well, but traditionally defensive sectors such as Pharmaceuticals and Consumer Staples suffered a torrid twelve months, dragged down by ongoing disappointments in profitability. The overall portfolio stance of being significantly underweight the US market and dollar assets proved advantageous, and outperformance at the stock level reflected ongoing preference for high quality, well managed companies with

higher than average dividend yields and strong cash flow directed towards dividend growth. New positions established included telecom provider Verizon and property maintenance company ServiceMaster. Holdings in Bristol-Myers, Pfizer, Lexmark and Pepsico were sold outright. The Manager intends to retain this underweighting and defensive portfolio stance for the time being.

UK

The UK economy began 2004 in relatively good condition, with above trend GDP growth, muted inflation and interest rates only 25 basis points higher than the forty year low of 3.5% that prevailed in Autumn 2003. Unfortunately, the political rhetoric of 'balanced budgets, competitive industry and reduced economic vulnerability to the property cycle' now appears distinctly hollow twelve months down the line. Not only were these objectives not met, the macro economic reality proved the exact opposite. By mid year it became apparent that the UK economy was descending into a debt-dependent entity without the political will nor policy directives to change direction. Fiscal and current account deficits expanded beyond even the most negative predictions, total consumer debt surged through the £1 trillion mark and house price inflation raced upwards on a monthly basis. The MPC's response was to hike interest rates by 100 basis points to 4.75%, in order to cool overheating sectors of the economy. Consumption did moderate slightly, but additional sterling strength eroded industrial competitiveness and sucked in even more imports. Now the UK economy finds itself facing exactly the same problems that prevail in the United States. With an election only months away it is difficult to see unpopular fiscal restraint being implemented. Until a devaluation of sterling occurs, it is also difficult to see how the competitiveness issue improves. As for the mountain of consumer debt and the economy's increased vulnerability to house prices, only time will correct these imbalances. The portfolio response to such fundamentals was a reduction of total UK asset exposure plus a more defensive stance towards individual company selection. Economically sensitive sectors, particularly Banks and Retailers were further reduced and currently represent a large underweighting in the UK portfolio. Conversely, exposure to Insurance, Tobacco and Utilities was increased on greater visibility of earnings and dividend growth. The Manager will remain vigilant towards opportunities that may arise in the UK market, but the persistent over-valuation of sterling merely adds to the unattractiveness of UK assets in a global context.

Europe

Economic fundamentals in the Eurozone didn't change much over the past twelve months. Growth began the year below trend and ended the year relatively subdued. Monetary policy remained completely static with the 2% benchmark rate prevailing throughout, ignoring upward pressure on interest rates in other parts of the world. Despite this stimulative liquidity environment and respectable 5% monthly growth in monetary aggregates, the European Central Bank's public optimism about imminent economic recovery failed to materialise. Arguably, the explanation for this was relatively straight forward. Unlike the credit dependent economies of the US and UK, the Eurozone has a stricter attitude towards debt. Consumption has traditionally been financed more from savings than borrowings, with consumer confidence the key influence on domestic demand. The relationship between confidence and the labour market is also strong in Europe. Given that the pan European unemployment rate has remained stuck at around 9% for over two years, disposable income has been muted and hence confidence low. The new entrants to the EEC, and soon to be full members of the European Union, have become more than just a threat to high-cost manufacturing in Germany as jobs increasingly move East. Unfortunately, against this backdrop, it is difficult to identify a catalyst that might lead to stronger European growth over the next twelve months. Until such time, we expect current conditions to prevail.

Contrary to consensus wisdom, we remained overweight in the region throughout the year. This position was vindicated when, for the second consecutive year, Europe was the best performing global region in sterling terms over the period. Positive stock selection (as shown on page 22) enhanced returns. It has been the Manager's view for some time that the attractiveness of European markets was, and still is, primarily centred on low expectations and low stock valuations relative to overall rates of profitability and dividend growth. Companies such as Altadis, RAS, Nordea, ING Group and Matav are high quality, core holdings within the portfolio that have consistently demonstrated stringent capital management in a low growth environment whilst simultaneously returning cash to Shareholders in the form of rising dividends. In the future environment, and at the right price, this is the type of company we will continue to own.

Japan

As befits an economy emerging from over a decade of deflation, economic recovery in Japan remained very fragile. Vibrant exports of capital goods to Asia

contributed to over 4% GDP growth during the first half of 2004, but by year end the rate had slowed to 2%. A stronger labour market and improving consumer sentiment boosted retail sales growth into positive territory for only the third time in ten years, which, if sustainable, bodes well for the future. Unfortunately the Bank of Japan and the bond markets remain sceptical that this can be achieved. "Zero" interest rate policy was maintained throughout, and ten year yields remained relatively flat. For now, the eagerly anticipated return to positive inflation is being attributed to higher imports of oil rather than broad-based economic recovery, but on a longer term outlook, economic progress achieved last year is encouraging. The Japanese stock market return of +7.9% was at the lower end of regional performance, but additional gains from stock selection enhanced portfolio performance. Financial holdings such as Bank of Kyoto, Orix and Mitsubishi Tokyo Financial served the portfolio well, as did more domestic oriented companies such as retailer Ito-Yokada and property developer Daito Trust. For the coming year, we will continue to focus on high-quality, domestic growth oriented companies over more currency sensitive exporters.

Asia and Emerging Markets

Whilst economic developments in China commanded most people's attention in 2004 as the Peoples Bank of China introduced a range of monetary measures aimed at cooling the economy from double digit growth rates, the rest of Asia quietly delivered steady improvement. In the wake of a shock defeat of the incumbent BJP in India, the new Congress moved swiftly to calm business concerns. Foreign Direct Investment inflows continued unabated and ongoing economic momentum delivered the strongest growth in India for over fifteen years. Growth also continued to exceed expectations in Hong Kong, Malaysia, Singapore and Taiwan which, not surprisingly, placed increasing upward pressure on local exchange rates versus the US dollar. Although Central Banks consistently worked hard to "sterilise" capital inflows, foreign exchange reserves moved sharply higher. With over 1.5 trillion US dollars of foreign exchange "savings" currently gaining interest in Asian central banks, the regions evolving role in financing the debtor nations of the developed world should not be underestimated. The regional return from Asia was ahead of our benchmark, positively enhancing total return given the portfolio's overweight position. Stock selection was good, and dividend growth from individual companies exceeded expectations. Increasing returns of cash to Shareholders in Asia are adding to what remains a very attractive growth and investment opportunity.

The rest of the emerging world continued to contribute positively to overall capital and income returns. Despite a relatively eclectic country mix, common characteristics of good quality, strong balance sheets, significantly higher than average equity yields and visible dividend growth are found throughout the portfolio's exposure to emerging markets. The total return from holdings such as Brazilian energy giant Petrobras, Hungarian telco Matav or Mexican airport operator Aeropuertos del Sureste more than justified inclusion in an international portfolio, and such opportunities will continue to be utilised by the Manager.

Outlook

It is the Manager's belief that the current global growth cycle will decelerate this year, predominately due to sub-trend growth in the US economy. Although it will undoubtedly take time, US growth underperforming the rest of the world will help to correct some of that country's imbalances. Whilst economic fundamentals in the UK remain worryingly similar to those of the US, lower equity valuations and higher dividend yields provide some degree of comfort for maintaining current exposure. Europe still looks reasonably priced relative to low expectations and scope exists for dividend growth to again surprise on the upside. We still wait patiently for domestic recovery in Japan, but balance sheet strength at the company level plus experience of dealing with low growth environments makes the market an interesting diversification position at this juncture. The case for Asia to take up the slack in global growth remains on track. Internally financed domestic expansions are robust in many economies, and whilst unlikely to deliver the high growth rates witnessed in the Asian export boom of the 1990's, these will still be sufficient to support decent earnings improvements. Above all, however, the Manager will continue to focus intensely on total return. Earnings growth will prove tougher to achieve in a decelerating global economy, making dividend income an increasingly important component of total return. To maximise potential returns, your Company will focus on those companies with balance sheets strong enough to finance growing dividends and higher payout ratios. The Manager perceives a tougher environment for equity returns this year, but selective markets and quality stock picking still provide scope for adding value and delivering superior relative returns.

Bruce Stout

Investment Manager
10 March 2005

Attribution Analysis

Year ending 31 December 2004

	Murray		Benchmark		Contribution from:		
	International Trust				Asset	Stock	Total
	Weight	Return	Weight	Return	Allocation	Selection	
%	%	%	%	%	%	%	
United Kingdom	35.1	13.0	40.0	11.8	0.0	0.4	0.4
North America	14.4	10.0	36.1	4.1	1.3	0.8	2.1
Europe ex UK	19.9	20.8	12.8	13.8	0.9	0.6	1.5
Japan	9.5	17.3	5.8	7.9	0.0	0.8	0.8
Asia Pacific ex Japan	13.7	13.6	4.0	17.2	(0.2)	0.5	0.3
Emerging Europe, Middle East & Africa	1.1	77.5	0.6	37.1	0.0	0.0	0.0
Latin America	7.1	33.9	0.7	37.7	1.3	(0.2)	1.1
Fixed Interest & Capital Structure	(0.8)	–	–	–	0.3	0.0	0.3
Portfolio Return	100.0	15.9	100.0	9.4	3.6	2.9	6.5
Management fees and expenses		(1.6)					(1.6)
Technical differences		(0.2)					(0.2)
Total Return		14.1		9.4			4.7

Benchmark is 40% FTSE World - UK and 60% FTSE World ex UK

Notes to Performance Analysis

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

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

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

Management Fees and other expenses - these reduce total assets and therefore reduce performance.

Technical Differences include timing and rounding.

Source: AAM / Russell Mellon Analytical Services.

Distribution of Investments

As at 31 December 2004

Sector/Area	United	Americas	Europe &	Japan	Middle East,	2004	2003
	Kingdom		Africa		Far East &		
	%	%	%	%	%	Total	Total
						%	%
Resources	3.5	3.4	2.3	–	2.2	11.4	14.5
Mining	1.0	–	–	–	–	1.0	1.3
Oil & Gas	2.5	3.4	2.3	–	2.2	10.4	13.2
Basic Industries	0.6	–	0.3	1.1	–	2.0	2.3
Chemicals	0.4	–	0.3	0.3	–	1.0	1.0
Construction & Building Materials	0.2	–	–	0.5	–	0.7	0.7
Forestry & Paper	–	–	–	–	–	–	0.3
Steel & Other Metals	–	–	–	0.3	–	0.3	0.3
General Industrials	1.4	1.0	–	2.1	1.8	6.3	6.7
Aerospace & Defence	0.6	0.4	–	–	0.2	1.2	1.3
Diversified Industrials	–	0.6	–	–	0.8	1.4	1.3
Electronic & Electrical Equipment	–	–	–	1.1	0.8	1.9	1.9
Engineering & Machinery	0.8	–	–	1.0	–	1.8	2.2
Cyclical Consumer Goods	–	–	1.0	1.2	0.8	3.0	2.7
Automobiles & Parts	–	–	1.0	0.9	0.8	2.7	2.3
Household Goods & Textiles	–	–	–	0.3	–	0.3	0.4
Non-Cyclical Consumer Goods	5.5	4.2	1.3	1.3	0.9	13.2	16.1
Beverages	0.3	–	–	–	–	0.3	2.2
Food Producers & Processors	1.0	–	0.5	0.2	0.5	2.2	2.2
Health	–	1.4	–	–	–	1.4	1.4
Personal Care & Household Products	–	–	–	0.5	–	0.5	1.0
Pharmaceuticals & Biotechnology	3.2	1.4	–	0.6	–	5.2	7.1
Tobacco	1.0	1.4	0.8	–	0.4	3.6	2.2
Cyclical Services	1.8	1.5	1.8	0.8	–	5.9	5.8
General Retailers	0.7	–	1.1	–	–	1.8	1.8
Leisure & Hotels	0.7	–	–	–	–	0.7	1.0
Media & Entertainment	0.4	–	0.3	0.3	–	1.0	1.6
Support Services	–	0.6	0.4	–	–	1.0	1.1
Transport	–	0.9	–	0.5	–	1.4	0.3
Non-Cyclical Services	2.8	1.8	3.3	0.2	1.4	9.5	6.2
Food & Drug Retailers	–	–	–	–	–	–	0.9
Telecommunication Services	2.8	1.8	3.3	0.2	1.4	9.5	5.3
Utilities	2.7	0.6	2.2	–	–	5.5	3.0
Electricity	0.9	0.6	2.2	–	–	3.7	2.1
Other Utilities	1.8	–	–	–	–	1.8	0.9
Financials	10.7	1.4	5.0	0.9	4.2	22.2	19.6
Banks	3.5	–	2.7	0.3	2.3	8.8	9.4
Insurance	3.7	0.7	2.3	–	0.6	7.3	7.4
Life Assurance	1.4	–	–	–	–	1.4	0.9
Real Estate	–	–	–	–	0.1	0.1	1.2
Speciality & Other Finance	2.1	0.7	–	0.6	1.2	4.6	0.7

Distribution of Investments – continued

Sector/Area	United	Americas	Europe &	Japan	Middle East,	2004	2003
	Kingdom		Africa		Far East &		
	%	%	%	%	%	Total	Total
						%	%
Information Technology	–	0.7	–	0.2	–	0.9	1.5
Information Technology Hardware	–	–	–	0.2	–	0.2	0.9
Software & Computer Services	–	0.7	–	–	–	0.7	0.6
Other Equity Types	–	3.2	–	–	–	3.2	2.6
Futures & Options	–	3.2	–	–	–	3.2	2.4
Unit Trusts, Webs & Baskets	–	–	–	–	–	–	0.2
Total Equities	29.0	17.8	17.2	7.8	11.3	83.1	81.0
Fixed Income	12.5	1.0	5.2	–	1.0	19.7	18.4
Total Investments	41.5	18.8	22.4	7.8	12.3	102.8	99.4
Other net (liabilities)/assets						(2.8)	0.6
Total Assets						100.0	100.0

Distribution of Equity Investments

Total equities distribution by sector
as at 31 December 2004 (83.1% of total assets)

Total equities distribution by sector
as at 31 December 2003 (81.0% of total assets)

Total equities distribution by geographical region
as at 31 December 2004 (83.1% of total assets)

Total equities distribution by geographical region
as at 31 December 2003 (81.0% of total assets)

Note: The percentage distributions by sector as shown on pages 23 and 24 have been rebased in the sector comparison pie chart to total 100%.

Directors' Report

The Directors submit their Annual Report together with the financial statements of the Company for the year ended 31 December 2004.

Review of the Business

A review of the Company's operations and its prospects is given in the Chairman's Statement on pages 10 and 11 and in the Investment Manager's Report on pages 19 to 21.

Principal activity and status

The Company is an investment company within the meaning of Part VIII of the Companies Act 1985 and carries on business as an investment trust. In the opinion of the Directors of the Company, its affairs have been conducted in a manner to satisfy the conditions to enable it to continue to obtain approval as an investment trust under Section 842 of the Income and Corporation Taxes Act 1988. The Inland Revenue will grant Section 842 status, if requested, provided that the Company's affairs have been conducted in such a manner as to satisfy the conditions of that section. Inland Revenue approval for such status has been given for the year ended 31 December 2003.

Results and dividends

The revenue attributable to equity Shareholders for the year amounted to £13,648,000.

Three interim dividends of 3.45p each were paid on 16 August 2004, 17 November 2004 and 16 February 2005. The Directors now recommend a final dividend for the year ending 31 December 2004 of 5.95p per Ordinary share payable on 20 May 2005 to holders of Ordinary shares on the register at close of business on 22 April 2005 making a total distribution to Ordinary Shareholders of £14,090,000, as shown in Note 8. The sum of £442,000 has been deducted from the Company's revenue reserve.

The Directors also recommend:

- (1) that three interim dividends each of 3.55p per share on the Ordinary shares in the capital of the Company in issue on 24 June 2005 be paid on 15 August 2005, 16 November 2005 and 15 February 2006 to the persons who at close of business on 22 July 2005, 21 October 2005 and 20 January 2006 respectively, are the holders of such shares.
- (2) the distribution to B Ordinary Shareholders by way of capitalisation of reserves of 3.55886 B Ordinary shares created as fully paid for every 100 B Ordinary shares held at close of business on 22 April 2005. 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 20 May 2005.

Applications will be made to the UK Listing Authority for 39,600 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 23 May 2005.

Resolution No. 6 to approve the above distribution will be proposed at the Annual General Meeting, as printed in the Notice of Meeting.

The Net Asset Value per Ordinary and B Ordinary share at 31 December 2004 was 466.7p (2003 – 424.2p).

Share Repurchases and Issue of shares

At the Annual General Meeting held on 29 April 2004, Shareholders approved the renewal of the authority permitting the Company to repurchase its Ordinary shares.

The Directors wish to renew the authority given by Shareholders at the previous Annual General Meeting. 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. The purchase of shares, when they are trading at a discount to Net Asset Value per share, should result in an increase in the Net Asset Value per share for the remaining Shareholders. This authority, if conferred, will only be exercised if to do so would result in an increase in the Net Asset Value per share for the remaining Shareholders and if it is in the best interests of Shareholders generally. Any purchase of shares will be made within guidelines established from time to time by the Board. It is proposed to seek Shareholder authority to renew this facility for another year at the Annual General Meeting.

Under the Listing Rules, 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 is 25p per share. Shares which are purchased under this authority 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.

The Resolution seeking authority to buy-back shares, will permit the Company to hold shares bought back as Treasury shares rather than cancel them immediately. The Company would only sell on Treasury shares at a premium to net asset value. When shares are held in treasury, all voting rights are suspended and no distribution (either by way of dividend or by way of a winding up) is permitted in respect of Treasury shares.

Special Resolution No. 9 in the Notice of Annual General Meeting will renew the authority to purchase in the market a maximum of 14.99% of shares in issue on 10 March 2005 (amounting to 12,965,091 Ordinary shares and 166,796 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 or earlier if the authority has been exhausted.

During the year ended 31 December 2004 and from the date of renewal of the authority on 29 April 2004 to 31 December 2004, no share repurchases have taken place.

Issue of shares

In terms of the Companies Act 1985 (the "Act") the Directors may not allot unissued shares unless so authorised by the Shareholders. Resolution No. 7 in the Notice of Annual General Meeting, if passed, will therefore give the Directors the necessary authority to allot the unissued share capital up to an aggregate nominal amount of £1,095,054 (equivalent to 4,324,580 Ordinary shares and 55,635 B Ordinary shares or 5 per cent of the Company's existing issued share capital at 10 March 2005), the latest practicable date prior to the publication of this Annual Report. 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 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 Companies Act provides that existing Shareholders have pre-emption rights and that the new shares must be offered first to such Shareholders in proportion to their existing holding of 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. 8 will, if passed, also give the Directors power to allot for cash, equity securities up to an aggregate nominal amount of £1,095,054 (equivalent to 4,324,580 Ordinary shares and 55,635 B Ordinary shares or 5 per cent of the Company's existing issued share capital at 10 March 2005), the latest practicable date prior to the publication of this Annual Report, as if Section 89(1) of the Companies Act does not apply. This is the same nominal amount of share capital which the Directors are seeking the authority to allot pursuant to Resolution No. 7. This authority will also expire on the date of the next Annual General Meeting or after a period of 15 months, whichever is 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 Resolutions No. 7 and No. 8 to allot shares and disapply pre-emption rights only in circumstances where this will be clearly beneficial to Shareholders as a whole. As such, issues will only be made where shares can be issued at a premium of 2.5 per cent or more to Net Asset Value. At present, the shares are available under the savings plans operated by the Manager. In circumstances where the share price of the Company stands at a premium of 2.5 per cent or more to Net Asset Value, it may be advantageous for the Company to allot 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 general meeting.

Share Capital

The issued Ordinary share capital at 31 December 2004 and 10 March 2005 amounted to 86,491,605 Ordinary and 1,112,717 B Ordinary shares.

Directors' Report – continued

Share Interests

At 10 March 2005 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	4.54
Legal & General Investment Management	2,780,000	3.21
	2,629,189	3.04

	B Ordinary shares of 25p	Percentage of B Ordinary capital
Captain J N B Baillie Hamilton & Others MBH a/c	187,292	16.83

Directors

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

As mentioned in the Chairman's Statement, Sir Raymond Johnstone has indicated his intention to retire and does not seek re-election at this time.

Mr D H Benson whose biography appears on page 4, 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.

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

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

Directors' Interests

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

	31 December 2004		31 December 2003	
	Beneficial	Non-Beneficial	Beneficial	Non-Beneficial
J F H Trott	15,000	–	15,000	–
The Lady Balfour of Burleigh	1,300	–	1,300	–
D H Benson	4,000	–	4,000	–
Sir Raymond Johnstone	30,604	18,191	9,273	18,191
A C Shedden	3,057	–	2,337	–

Mr A C Shedden's beneficial holding increased to 3,169 Ordinary shares by the acquisition, through the Share Plan, of 46 Ordinary shares, 23 Ordinary shares and 43 Ordinary shares on 24 January 2005, 16 February 2005 and 22 February 2005 respectively. Sir Raymond Johnstone's beneficial holding increased to 30,627 Ordinary shares by the acquisition, through the Share Plan, of 23 Ordinary shares on 16 February 2005. As at 10 March 2005 there have been no other changes in the above holdings.

Directors' Fees

A report on the Directors' Remuneration is set out on pages 32 and 33.

Manager and Company Secretary

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

For the year ended 31 December 2004, the management and secretarial fees payable to the Manager were calculated and charged on the following basis:

- (a) an investment management fee payable to the Manager, Aberdeen Asset Managers Limited, of 0.5% per annum of the value of total assets, less unlisted investments and all current liabilities excluding monies borrowed to finance the investment objectives of the

Company, averaged over the six previous quarters. A fee of 1.5% per annum is charged on the value of unlisted investments. The investment management fee is chargeable 30% against revenue and 70% against realised capital reserves; and
(b) included in the charge of 0.5% in part (a) above is a secretarial fee of £100,000 per annum which is chargeable 100% to revenue.

In addition, the Manager was entitled to a performance fee on the following basis:

- (a) a fee of 5% of the first 2% of any outperformance of the Company's net asset total return over that of its benchmark.
- (b) a fee of 10% of any additional outperformance against the benchmark.

The total amount of the fee earned by the Manager in any one year (comprising the basic management fee and the performance fee) is capped at 0.8% of the average value of the Company's total assets less current liabilities. Any performance fee is paid in equal instalments over a four year period with any future underperformance offset against the fee payable.

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

The Board considers the continued appointment of the Manager on the terms agreed to be in the interests of the Shareholders as a whole because the Aberdeen Asset Management Group has the investment management, secretarial, marketing and administrative skills required for the effective operation of the Company.

Corporate Governance

The Statement of Corporate Governance is shown on pages 34 to 39.

Audit Committee

Details of the Audit Committee are contained in the Statement of Corporate Governance under the heading Audit Committee on page 36.

Directors' and officers' insurance

The Company purchases and maintains liability insurance covering the Directors and officers of the Company.

PEP and ISA Status

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

Going concern

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

Creditor payment policy

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

Annual General Meeting

The Notice of Annual General Meeting which will be held on 3 May 2005 is contained on pages 57 and 58.

Auditors

The Auditors, Ernst & Young LLP, have expressed their willingness to be continue in office. Resolution No. 4 to appoint Ernst & Young LLP as the Company's Auditor 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
18 March 2005


By order of the Board
Aberdeen Asset Management PLC
Secretaries

Directors' Remuneration Report

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

The law requires the Company's Auditors to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The Auditors' opinion is included in their report on page 41.

Remuneration Committee

The Company had five non-executive Directors. The Remuneration Committee, chaired by Lady Balfour of Burleigh, comprises the non-executive Directors, excluding the Chairman of the Company as detailed on page 37.

Policy on Directors' Remuneration

The Board's policy is that the remuneration of the Directors, all of whom are non-executive Directors, should reflect the experience of the Board as a whole, be fair and comparable to that of other investment trusts in the same AITC Sectors of Global Growth and Income and Global Growth, which also have a similar capital structure, and investment objectives. It is intended that this policy will continue for the year ended 31 December 2005 and subsequent years. Neither the Board nor the Remuneration Committee has been provided with advice or services by any person in respect of its consideration of the Directors' remuneration (although they expect, from time to time, to review the fees paid to the boards of directors of other investment trust companies).

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

During the year ended 31 December 2004 the Remuneration Committee carried out a review of the level of Directors fees and concluded that they were out of line with the fees of the Company's peer group bearing in mind the increased time commitment of 6 board meetings and a separate strategy meeting each year. Therefore, it was decided that the fees should be increased from their present level of £21,000 for the Chairman and £14,000 for each Director to £25,000 for the Chairman, £16,000 for each Director and a further £1,000 for the Chairman of the Audit Committee, with effect from 1 July 2004.

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

Directors' service contracts

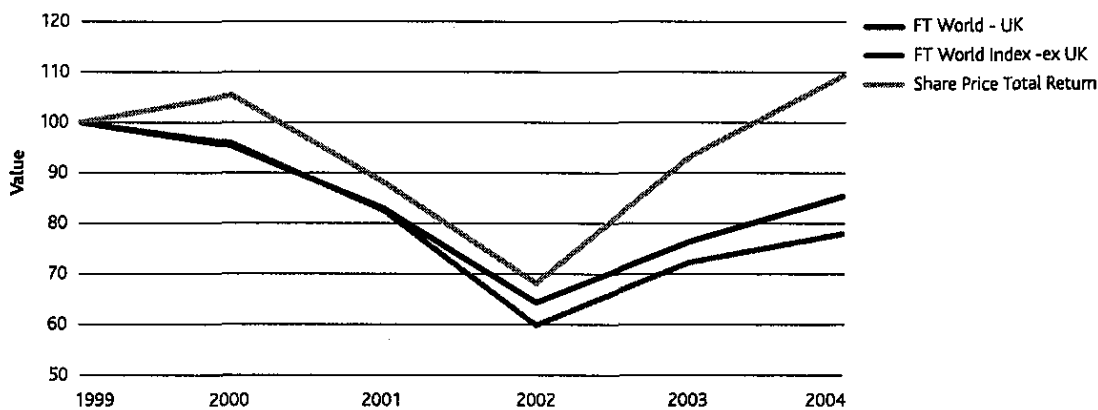
None of the Directors has a contract of service or contract for services and a Director may resign by notice in writing to the Board at any time; there are no set notice periods. All Directors are appointed for an initial period of three years; this period may be varied by mutual consent. The Articles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

Company performance

The graph opposite compares the total return (assuming all dividends are reinvested) to Ordinary Shareholders, assuming the notional investment of £100 into the Company on 31 December 1999, compared with the total Shareholder return on a notional investment made up of shares of the same kinds and number as those by reference to which the FTSE World-UK Index and FTSE World Index ex-UK are calculated. These indices were chosen for comparison purposes, as they are components of the Company's benchmark (40% FTSE World-UK and 60% FTSE World ex-UK) and are the benchmarks used for investment performance measurement purposes by most of Murray International's Trust peer group.

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

Share price versus Benchmark Indices



Directors' emoluments for the year (audited)

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

	Year ended 31 December 2004 £	Year ended 31 December 2003 £
Chairman of the Board:		
J F H Trott	23,000	18,375
Chairman of the Audit Committee:		
A C Shedden	16,000	12,750
Directors:		
Lady Balfour of Burleigh	15,000	3,500
D H Benson	15,000	12,250
Sir Raymond Johnstone	15,000	12,250
Total	84,000	59,125

Approval

The Directors' Remuneration Report on pages 32 and 33 was approved by the Board of Directors on 24 February 2005 and signed on its behalf by:


 Lady Balfour of Burleigh
 Director

18 March 2005

Statement of Corporate Governance

Introduction

The Company is committed to a high standard of corporate governance. Accordingly, 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 revised Combined Code on Corporate Governance ("Code") for listed companies published in July 2003. The Association of Investment Trust Companies (AITC) also published the AITC Code, which forms a comprehensive guide in best practice in certain areas of governance where the specific characteristics of investment trusts suggest alternative approaches that may be preferable to those set out in the Code. There is a certain amount of overlap with the Code, although the focus of attention is on the points of difference.

Application of the Code

The Board is accountable to the Company's Shareholders for good governance and this statement describes how the principles identified in the Code have been applied by the Company. Save the exceptions noted below, the Company has complied with the provisions set out in Section 1 of the Code throughout the year to 31 December 2004.

The Listing Rules of the UK Listing Authority require the Board to report on compliance with the Code provisions throughout the year. In instances where the Code and AITC Code differ, an explanation will be given as to which Code has been applied and the reason for that decision.

The exceptions to compliance with the Code, which are fully explained more fully under the headings of "The Board", "The Audit Committee" and the "Remuneration Committee" were as follows:

- a senior independent non-executive Director has not been appointed.
- the Chairman was a member of the Audit Committee until 24 February 2005.
- Sir Raymond Johnstone, who is a non-independent Director, is a member of the Remuneration Committee.

The Board

The Board consists of five non-executive Directors, all of whom, with the exception of Sir Raymond Johnstone, are considered to be independent of the Manager ("Aberdeen Asset Managers Limited" or the "Manager") and free of any relationship which could materially interfere with the exercise of their independent judgement to bear on issues of strategy, performance, resources and standards of conduct. It should be noted that:

- Sir Raymond Johnstone, who is retiring from the Board at the 2005 AGM, was, until 24 February 1992, the chairman of the former manager, Murray Johnstone Limited which, in December 2000, became a subsidiary of Aberdeen Asset Management PLC.
- although for the time being Lady Balfour of Burleigh and Sir Raymond Johnstone are on the board of The Nuclear Liabilities Fund, the Board holds the view that she displays an independent attitude and, given her wide knowledge and experience in diverse companies and governments, she should be deemed to be independent.
- the Chairman was independent on appointment and, in compliance with the AITC Code, continues to be so.

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

The Board sets the Company's values and objectives and ensures that its obligations to its Shareholders are met. During the year ended 31 December 2004 the Board met six times and also held a Strategy Meeting. The primary focus at regular Board Meetings is a review of investment performance and associated matters, including gearing, asset allocation, marketing and investor relations, peer group information and industry issues. Between these meetings, the Board maintains regular contact with the Manager. It has formally adopted a schedule of matters which are required to be brought to it for decision, thus ensuring that it maintains full and effective control over appropriate strategic, financial, operational and compliance issues.

These matters include:

- the maintenance of clear investment objectives and risk management policies.
- the monitoring of the business activities of the Company ranging from analysis of investment performance through to annual budgeting and quarterly forecasting and variance analysis.
- Companies Act requirements such as the approval of the interim and annual Financial Statements and approval and recommendation of the interim and final dividends respectively.
- setting the level of gearing in which the Manager may operate.
- Board appointments and removals and the related terms.

- appointment and removal of the Manager and the terms and conditions of the management and administration agreements relating thereto.
- terms of reference and membership of Board Committees.
- Stock Exchange/UK Listing Authority/Financial Services Authority – responsibility such as approval of all circulars, listing particulars and approval of all releases concerning matters decided by the Board.

In addition there were two meetings of the Nomination Committee, three meetings of the Audit Committee and one each of the Remuneration Committee and the Management Engagement Committee.

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. Consequently no one individual has unfettered powers of decision.

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 complied with.
- under the direction of the Chairman, for ensuring good information flows with the Board and its committees, as well as facilitating induction and assisting with professional development as required.
- for advising through the Chairman on all corporate governance matters.

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.

Directors have attended Board meetings and Committee meetings, held during the year as shown below:

	Board and Strategy Meetings attended	Audit Committees attended	Nomination Committees attended	Remuneration Committee attended	Management Engagement Committee attended
Number of meetings	7	3	2	1	1
J F H Trott	7	3	2	–	1
Lady Balfour of Burleigh	6	3	1	1	1
D H Benson	6	–	2	1	1
Sir Raymond Johnstone	6	–	–	1	–
A C Shedden	6	3	2	1	1

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. Directors have made further enquiries where necessary.

The Board and Committees have undertaken their annual performance evaluation, by means of general and individual discussion, to ensure that all its members have devoted sufficient time and contributed adequately to the work of the Board and Committees. The Chairman has been evaluated by his fellow Directors.

External agencies

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

Committees

The composition of the Committees is shown below under the headings of each Committee. Terms of reference for each Committee are available on request.

Nomination Committee

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

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

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

- the identification and nomination of candidates to fill Board vacancies as and when they arise for the approval of the Board. The identification of such candidates is carried out by an independent firm of consultants;
- plans for succession;
- the re-appointment of any non-executive Director at the conclusion of their specified term of office;
- the re-election by Shareholders of any Director under the retirement by rotation provisions in the Company's Articles of Association;
- the continuation in office of any Director at any time; and;
- the appointment of any Director to another office (e.g. Chairman of the Audit Committee) other than to the position of Chairman, the recommendation for whom would be considered at a meeting of the Board.

As a result of Sir Raymond Johnstone indicating his intention to retire at the Annual General Meeting in 2005, it was decided to appoint a search consultant to identify suitable candidates for review by the Board. In considering the appointment of a new Director, the Committee ensures that the Board continues to have the right balance of skills, experience, age and length of service.

The Committee recommended to the Board the nomination for re-election of Mr D H Benson as his knowledge and experience are greatly valued by his fellow Directors. Details of his other directorships are shown on page 4.

Details of attendance at the Nomination Committee is shown on page 35.

Audit Committee

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

Mr A C Shedden (Chairman of the Committee)
Lady Balfour of Burleigh
Mr D H Benson (appointed 24 February 2005)
Mr J F H Trott (resigned 24 February 2005)

Mr D H Benson served on a number of Audit Committees of companies in the United Kingdom and the United States where best practice is to limit the number of such appointments. For that reason, he was not a member of the Audit Committee until 24 February 2005 by which time he had given up some of his appointments in the United States. The Board concluded that it was necessary to have at least three members and, as Sir Raymond is not considered to be independent, Mr J F H Trott was a member of the Committee until 24 February 2005. The terms of reference of the Audit Committee are reviewed and re-assessed for their adequacy on an annual basis. These include:

- the review of the effectiveness of the internal control environment of the Company – to assist in this the Company receives reports from the internal and external auditors on a regular basis;
- the review of the annual accounts and interim report;
- the review of the terms of appointment of the Auditors together with their remuneration as well as the non-audit services provided by the Auditors (if applicable);
- the review of the scope and the results of the audit and the objectivity of the Auditors (it should be noted that the Auditors, Ernst & Young LLP, change the partner responsible for the audit every five years);
- the review of the Auditors management letter and the management response;
- the review of the management agreement; and
- meetings with representatives of the Manager.

Details of attendance at the Audit Committee is shown on page 35.

Management Engagement Committee

As recommended by the AITC Code, a Management Engagement Committee has been established with written terms of reference, all of whom are independent and free from any relationship that would interfere with impartial judgement in carrying out their responsibilities:

Mr J F H Trott (Chairman of the Committee)

Lady Balfour of Burleigh

Mr D H Benson

Mr A C Shedden

It annually reviews matters concerning the management agreement which exists with Aberdeen Asset Managers Limited. Details of the management agreement are shown on pages 30 and 31 of the Annual Report.

Details of attendance at the Management Engagement Committee is shown on page 35.

Remuneration Committee

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

Lady Balfour of Burleigh (Chairman of the Committee)

Mr D H Benson

Sir Raymond Johnstone

Mr A C Shedden

The new Combined Code recommends that all the members of the Committee should be independent. As there are three independent members, the Committee does not view Sir Raymond's non-independence as having an impact on its impartial judgement.

The remuneration of the Directors has been set in order to attract individuals of a calibre appropriate to the future development of the Company. The Company's policy on Directors' remuneration, together with details of the remuneration of each Director, is detailed in the Directors' Remuneration Report on pages 32 and 33.

Details of attendance at the Remuneration Committee is shown on page 35.

Directors' terms of appointment

All non-executive Directors are appointed for an initial term of three years, subject to re-election and Companies Act provisions and, in accordance with the existing Articles of Association, stand for election at the first Annual General Meeting following their appointment. The Articles of Association state that Directors must offer themselves for re-election at least once every three years. Any Director who seeks re-election beyond six years will be subject to particularly rigorous review to ensure their performance continues to be effective. Any Director who reaches the age of 70 is subject to annual re-election.

Communication with Shareholders

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

The Company has adopted a nominee code, which ensures that, when shares in Murray International Trust are held in the name of nominee companies and notification has been received in advance, nominee companies 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 Plan, whose shares are held in the nominee names of the 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 Savings Plan, who will complete a proxy on behalf of the participants and forward it to the Company's registrar for inclusion in the voting figures.

Those participants who attend the Annual General Meeting are given the opportunity to speak when invited by the Chairman. As required under the Combined Code, the Annual Report is posted to Shareholders at least twenty business days before the Annual General Meeting.

Statement of Corporate Governance – continued

The Notice of Meeting sets out the business of the meeting and the resolutions are explained more fully in the Directors' Remuneration Report on pages 32 and 33 and in the Directors' Report on pages 28 to 31.

Separate resolutions are proposed for each substantive issue.

The Board is very conscious that the Annual General Meeting is an event at which all Shareholders are encouraged to attend and participate. The Manager makes a presentation to the meeting outlining the key investment 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 Manager and the Company and the Manager responds to letters from Shareholders. The Manager meets regularly with major Shareholders and reports back to the Board on these visits. A website from which the Company's reports and other publications can be downloaded is maintained on www.murray-intl.co.uk

Accountability and audit

The Directors' Statement of Responsibilities in respect of the Financial Statements is on page 40 and the Statement of Going Concern is included in the Directors' Report on page 31.

The Independent Auditors' Report is on page 41.

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 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 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 faced by the Company and the policies and procedures by which these risks are managed.

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

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

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

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

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

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

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

Socially Responsible Investment Policy

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

Exercise of voting powers

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

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

Statement of Directors' Responsibilities in relation to the Financial Statements

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

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

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

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

We have audited the Company's financial statements for the year ended 31 December 2004 which comprise the Statement of Total Return, Balance Sheet, Cash Flow Statement and the related notes 1 to 19. These financial statements have been prepared on the basis of the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

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

Respective Responsibilities of Directors and Auditors

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

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

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

We review whether the Statement of Corporate Governance reflects the Company's compliance with the nine provisions of the 2003 FRC Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the Corporate

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

Basis of audit opinion

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

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

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the Company as at 31 December 2004 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.

Trust & Young LLP
Ernst & Young LLP
Registered Auditor
Edinburgh

18 March 2005

Statement of Total Return

(incorporating the Revenue Account of the Company*)

For the year ended 31 December 2004

	Notes	Year ended 31 December 2004			Year ended 31 December 2003		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments	10	–	45,394	45,394	–	68,823	68,823
Income from investments	2	19,088	–	19,088	16,278	–	16,278
Other income	2	278	–	278	515	–	515
Investment management fees	3	(690)	(1,610)	(2,300)	(852)	(1,994)	(2,846)
Performance fees	4	–	(1,925)	(1,925)	–	–	–
Currency losses	18	–	(4,039)	(4,039)	–	(1,321)	(1,321)
Other expenses	5	(1,184)	–	(1,184)	(995)	–	(995)
Net return before finance costs and taxation		17,492	37,820	55,312	14,946	65,508	80,454
Finance costs of borrowing	6	(774)	(2,214)	(2,988)	(946)	(2,208)	(3,154)
Return on ordinary activities before tax		16,718	35,606	52,324	14,000	63,300	77,300
Tax on ordinary activities	7	(3,070)	2,264	(806)	(2,493)	1,918	(575)
Return attributable to equity Shareholders		13,648	37,870	51,518	11,507	65,218	76,725
Ordinary dividends on equity shares	8	(14,090)	–	(14,090)	(14,081)	–	(14,081)
Transfer (from)/to reserves		(442)	37,870	37,428	(2,574)	65,218	62,644
Return per Ordinary share (pence)	9	15.8	43.8	59.6	13.3	75.5	88.8
Return per Ordinary share assuming full conversion of the B Ordinary shares (pence)	9	15.6	43.2	58.8	13.1	74.5	87.6

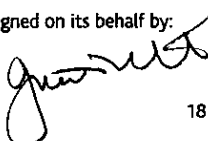
* The revenue column of this statement is the revenue account of the Company.
All revenue and capital items in the above statement derive from continuing operations.
No operations were acquired or discontinued in the year.
The accompanying notes are an integral part of the Financial Statements.

Balance Sheet

As at 31 December 2004

	Notes	As at 31 December 2004		As at 31 December 2003	
		£'000	£'000	£'000	£'000
Fixed assets					
Investments	10		509,137		455,872
Current assets					
Debtors	11	3,348		3,085	
Cash and short term deposits		9,591		22,177	
		12,939		25,262	
Creditors					
Amounts falling due within one year	12	(26,576)		(34,367)	
Net current liabilities			(13,637)		(9,105)
Total assets less current liabilities			495,500		446,767
Creditors					
Amounts falling due after more than one year	12		(86,680)		(75,375)
Net assets			408,820		371,392
Capital and reserves					
<i>Equity Shareholders' interests:</i>					
Called-up share capital	14		21,901		21,890
Share premium account	15		23		23
Capital redemption reserve	15		8,230		8,230
Capital reserve - realised	15		284,112		286,358
Capital reserve - unrealised	15		68,474		28,369
Revenue reserve	15		26,080		26,522
Equity Shareholders' funds			408,820		371,392
Net Asset Value per Ordinary and					
B Ordinary share (pence)	16		466.7		424.2

The financial statements were approved by the Board of Directors on 24 February 2005 and were signed on its behalf by:



J F H Trott
 Director
 18 March 2005

The accompanying notes are an integral part of the Financial Statements.

Cash Flow Statement

For the year ended 31 December 2004

	Notes	Year ended 31 December 2004		Year ended 31 December 2003	
		£'000	£'000	£'000	£'000
Operating activities					
Investment income received		18,400		15,961	
Deposit interest received		275		514	
Underwriting commission received		–		3	
Investment management fees paid		(2,275)		(2,800)	
Secretarial fees paid		(99)		(98)	
Cash paid to and on behalf of Directors		(78)		(51)	
Other cash movements		(989)		(1,007)	
Net cash inflow from operating activities	17		15,234		12,522
Returns on investments and servicing of finance					
Interest paid			(3,063)		(3,139)
Financial investment					
Purchases of investments		(143,536)		(86,371)	
Sales of investments		140,329		106,367	
Net cash (outflow)/inflow from financial investment			(3,207)		19,996
Equity dividends paid			(14,083)		(14,079)
Net cash (outflow)/inflow before financing			(5,119)		15,300
Financing					
Loans repaid		(11,545)		–	
Loans drawn down		11,545		–	
Net cash flow from financing			–		–
(Decrease)/increase in cash	18		(5,119)		15,300

The accompanying notes are an integral part of the Financial Statements.

Notes to the Financial Statements

For the year ended 31 December 2004

1. Accounting policies

(a) Basis of preparation

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

(b) Income

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

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

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

(c) Expenses

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

- expenses which are incidental to the acquisition of an investment are included within the cost of the investment;
- expenses which are incidental to the disposal of an investment are deducted from the disposal proceeds of the investment;
- expenses are charged to realised capital reserves where a connection with the maintenance or enhancement of the value of the investments can be demonstrated. In this respect the investment management fee has been allocated 30 per cent to revenue and 70 per cent to realised capital reserves to reflect the Company's investment policy and prospective income and capital growth. The performance fee has been charged 100% to realised capital reserves.

(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.

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 – continued

(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 2004	Year ended 31 December 2003
	£'000	£'000
2. Income		
Income from investments:		
UK dividends	6,445	6,105
UK unfranked investment income	2,255	2,356
Overseas dividends	7,852	5,481
Overseas interest	2,536	2,336
	19,088	16,278
Interest:		
Deposit interest	268	504
Other income:		
Underwriting commission	–	3
Other income	10	8
Total income	19,366	16,793
Total income comprises:		
Dividends	14,297	11,586
Interest	5,059	5,196
Other income	10	11
	19,366	16,793
Income from investments comprises:		
Listed UK	8,700	7,655
Listed overseas	10,388	7,817
Unlisted	–	806
	19,088	16,278

	Year ended 31 December 2004			Year ended 31 December 2003		
	Revenue	Capital	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000
3. Investment management fees						
Investment management fees	614	1,432	2,046	766	1,787	2,553
Irrecoverable VAT	76	178	254	86	207	293
	690	1,610	2,300	852	1,994	2,846

Details of the fee basis are contained in the Directors' Report on pages 30 and 31.

	Year ended 31 December 2004			Year ended 31 December 2003		
	Revenue	Capital	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000
4. Performance fees						
Performance fees	-	1,712	1,712	-	-	-
Irrecoverable VAT	-	213	213	-	-	-
	-	1,925	1,925	-	-	-

Details of the fee basis are contained in the Directors' Report on page 30.

	Year ended 31 December 2004			Year ended 31 December 2003		
	Revenue	Capital	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000
5. Other expenses						
Shareholders' services*	502	-	502	473	-	473
Directors' remuneration	84	-	84	59	-	59
Irrecoverable VAT	90	-	90	74	-	74
Secretarial fees (details per Directors' Report)	100	-	100	100	-	100
Auditors fees						
- statutory audit	18	-	18	18	-	18
- interim review	4	-	4	-	-	-
Other expenses	386	-	386	271	-	271
	1,184	-	1,184	995	-	995

* Includes registration, savings scheme and other wrapper administration and promotion expenses, of which £368,000 (2003 - £306,000) was paid to Aberdeen Asset Managers Limited to cover marketing activities during the year. During 2003 a rebate of £98,900 was received in respect of the charges levied during 2002 for marketing activities.

	Year ended 31 December 2004			Year ended 31 December 2003		
	Revenue	Capital	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000
6. Finance costs of borrowing						
Bank loans and overdrafts	755	1,761	2,516	927	2,162	3,089
Debenture stock	19	46	65	19	46	65
Breakage costs	-	407	407	-	-	-
	774	2,214	2,988	946	2,208	3,154

Notes to the Financial Statements – continued

	Year ended 31 December 2004			Year ended 31 December 2003		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
7. Taxation						
(a) The tax charge comprises						
Corporation tax	2,264	(2,264)	–	1,918	(1,918)	–
Overseas tax	806	–	806	575	–	575
Current tax charge	3,070	(2,264)	806	2,493	(1,918)	575

(b) Factors affecting the tax charge for the year

The tax assessed for the period is lower than the standard rate of corporation tax in the UK of 30% (2003 - 30%). The differences are explained below:

	Year ended 31 December 2004 Revenue £'000	Year ended 31 December 2003 Revenue £'000
Revenue on ordinary activities before taxation	16,718	14,000
Return on ordinary activities multiplied by the applicable rate of corporation tax of 30% (2003 - 30%)	5,015	4,200
<i>Effects of:</i>		
Non taxable UK dividends	(1,934)	(1,831)
Movement in income accruals taxable on receipt	(72)	(95)
Overseas tax written off	805	643
Prior year tax losses utilised in current year	(849)	(356)
Disallowable expenses	131	117
Tax relief on overseas tax suffered	(26)	(185)
	3,070	2,493

As a result of having unutilised management expenses and eligible unrelieved foreign tax the Company has a deferred tax asset of £4,759,000 (2003 – £4,217,000) which has not been recognised. It will only be utilised if the tax treatment of capital gains made by approved investments trusts, or the Company's investment profile, changes.

	Year ended 31 December 2004 £'000	Year ended 31 December 2003 £'000
8. Ordinary dividends on equity shares		
First interim of 3.45p (2003 - 3.45p)	2,981	2,980
Second interim of 3.45p (2003 - 3.45p)	2,981	2,980
Third interim of 3.45p (2003 - 3.45p)	2,981	2,980
Proposed final of 5.95p (2003 - 5.95p)	5,147	5,141
	14,090	14,081

	Year ended 31 December 2004	Year ended 31 December 2003
9. Returns per share		
The returns per share have been based on the following figures:		
Weighted average number of Ordinary shares	86,452,318	86,391,963
Weighted average number of B Ordinary shares	1,134,885	1,147,648
Revenue return attributable to equity Shareholders	£13,648,000	£11,507,000
Capital return attributable to equity Shareholders	£37,870,000	£65,218,000

	Year ended 31 December 2004	Year ended 31 December 2003
	£'000	£'000
10. Investments		
Valuation brought forward	455,872	406,040
Unrealised (gains)/losses	(26,688)	57,126
Cost brought forward	429,184	463,166
<i>Movements during the year:</i>		
Purchases	148,604	87,660
Sales proceeds	(140,329)	(106,367)
Realised gains/(losses)	9,154	(14,991)
Amortisation of fixed income book cost	(404)	(284)
Cost carried forward	446,209	429,184
Unrealised gains	62,928	26,688
Valuation carried forward	509,137	455,872
	Year ended	Year ended
	31 December 2004	31 December 2003
	£'000	£'000
The portfolio valuation		
Listed on stock exchanges at market valuation:		
United Kingdom:		
– equities	134,799	143,742
– convertible securities	1,253	1,220
– fixed income	61,874	45,656
Overseas:		
– equities	252,323	216,107
– futures	15,804	10,392
– fixed income	35,584	38,682
	501,637	455,799
Unlisted at Directors' valuation:		
– equities	7,500	73
Total	509,137	455,872
Gains on investments		
Realised gains/(losses) based on historical cost	9,154	(14,991)
Less: amount of (loss)/gain recognised as unrealised in previous year	(7,446)	19,097
Realised gain based on carrying value brought forward	1,708	4,106
Net movement in unrealised appreciation	43,686	64,717
	45,394	68,823

Notes to the Financial Statements – continued

Significant interests

At 31 December 2004 the Company held shares amounting to 3 per cent or more of the nominal value of any class of share capital of the following companies, not being participating interests, of which the particulars are stated below:

Investment	% of class held
City Natural Resources High Yield Trust plc	
<i>Principal activity: Investment Trust, England</i>	
300,000 warrants	7.50
Atrium Underwriting PLC	
<i>Principal activity: Manager of Lloyd's syndicate, England</i>	
9,250,000 ordinary shares	18.26

	31 December 2004	31 December 2003
	£'000	£'000
11. Debtors		
Current taxation	113	60
Other debtors	24	55
Prepayments and accrued income	3,211	2,970
	3,348	3,085

	31 December 2004	31 December 2003
	£'000	£'000
12. Creditors		
<i>Amounts falling due within one year:</i>		
Bank loans (note 13)	–	11,989
Proposed final dividend	5,147	5,141
Interim dividend	2,981	2,980
Other creditors	8	8
Forward contracts	1,504	3,279
Futures	15,697	10,017
Amounts due to brokers	–	136
Accruals	1,239	817
	26,576	34,367
<i>Amounts falling due after more than one year:</i>		
Bank loans (note 13)	85,236	75,375
Accruals	1,444	–
	86,680	75,375

A performance fee of £1,712,000 (+ irrecoverable vat) was outstanding at the year end to AAM (2003 – £nil).

	31 December 2004	31 December 2003
	£'000	£'000
13. Bank loans		
<i>Secured by floating charge and repayable other than by instalments within five years or at the Company's option:</i>		
– 4% Debenture Stock	1,620	1,620
<i>Unsecured bank loans repayable:</i>		
<i>within one year</i>		
– Yen 2,300,000,000 at 5.59% - 30 September 2004	–	11,989
<i>in more than one year but no more than two years</i>		
– Yen 1,600,000,000 at 4.146% - 15 May 2006	8,133	–
<i>in more than two years but no more than five years:</i>		
– Yen 1,600,000,000 at 4.146% - 15 May 2006	–	8,340
– Yen 1,900,000,000 at 2.48% - 4 June 2008	9,658	9,903
– Yen 2,250,000,000 at 2.4% - 30 June 2008	11,437	11,728
<i>in more than five years</i>		
– Yen 8,400,000,000 at 2.97% - 10 March 2010	42,697	43,784
– Yen 2,300,000,000 at 2.03% - 16 February 2014	11,691	–
	85,236	87,364

The unsecured bank loans outstanding at 31 December 2004 are valued at the middle rates of exchange at the year end, resulting in cumulative foreign exchange gains of £7,245,000 (2003 - gains of £4,960,000) against the original book cost of these loans.

The terms of these loans permit early repayment at the borrower's option which may give rise to additional amounts being either payable or repayable in respect of fluctuations in interest rates since drawdown. Since the Directors, currently, have no intention of repaying the loans early, they have been included in the accounts to 31 December 2004 at their principal amounts.

The Company has a £50,000,000 multi currency facility which expires on 10 March 2010 and an uncommitted facility of £25,000,000. JPY8,400,000,000 (approx £42,697,000) of the £50,000,000 facility has been drawn down. None of the £25,000,000 facility has been drawn down.

	31 December 2004		31 December 2003	
	Number	£'000	Number	£'000
14. Share capital				
<i>Allotted, called up and fully paid:</i>				
Ordinary shares of 25p each	86,491,605	21,623	86,412,599	21,603
B Ordinary shares of 25p each	1,112,717	278	1,147,599	287
	87,604,322	21,901	87,560,198	21,890
<i>Unissued:</i>				
Unclassified shares of 25p each	56,521,678	14,130	56,565,802	14,141
	144,126,000	36,031	144,126,000	36,031

On 21 May 2004, 44,124 B Ordinary shares were allotted by way of capitalisation of reserves in accordance with Article 131 of the Company's Articles of Association and on 30 June 2004, 79,006 B Ordinary shares were converted into a like number of Ordinary shares of 25p in accordance with Article 47 of the Company's Articles of Association. When the nominal value of the allotted and fully paid B Ordinary shares is less than £100,000 the Directors may, under the terms of Article 47(B), require the conversion of such shares into Ordinary shares.

Notes to the Financial Statements – continued

	Share premium account £'000	Capital redemption reserve £'000	Capital reserve - realised £'000	Capital reserve - unrealised £'000	Revenue reserve £'000
15. Reserves					
At 1 January 2004	23	8,230	286,358	28,369	26,522
Net gains on realisation of investments	-	-	1,708	-	-
Transfer on disposal of investment	-	-	7,446	(7,446)	-
Movement in unrealised appreciation	-	-	-	43,686	-
Forward contracts	-	-	(6,680)	1,775	-
Issue of B Ordinary shares	-	-	(11)	-	-
Performance fee	-	-	(1,925)	-	-
Capitalised management fees	-	-	(1,610)	-	-
Taxation	-	-	2,264	-	-
Finance cost of borrowing	-	-	(2,214)	-	-
Loans - movement in unrealised currency gains	-	-	-	2,128	-
Transfer on realisation of loans	-	-	(157)	157	-
Loss on realisation of futures	-	-	(280)	-	-
Effective cash exposure on futures	-	-	-	(195)	-
Currency loss	-	-	(787)	-	-
Net revenue deficit for the year	-	-	-	-	(442)
At 31 December 2004	23	8,230	284,112	68,474	26,080

16. Diluted Net Asset Value per share

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

	Diluted Net Asset Value per share attributable		Diluted Net Asset Value attributable	
	2004	2003	2004	2003
	p	p	£000	£000
Ordinary and B Ordinary shares (note 14)	466.7	424.2	408,820	371,392

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

	Year ended 31 December 2004	Year ended 31 December 2003
	£'000	£'000
Opening net assets attributable	371,392	308,748
Dividends appropriated	(14,090)	(14,081)
Return attributable to equity Shareholders	51,518	76,725
	408,820	371,392

17. Reconciliation of net revenue before finance costs and taxation to net cash inflow from operating activities	Year ended	Year ended
	31 December 2004	31 December 2003
	£'000	£'000
Net revenue return before finance costs	17,492	14,946
Investment management fees charged to capital	(1,610)	(1,994)
Performance fee charged to capital	(1,925)	-
Amortisation of fixed income book cost	404	284
Increase in accrued income	(237)	(55)
Increase in prepayments	(4)	(11)
Decrease in other debtors	31	62
Increase/(decrease) in accruals	1,942	(166)
Tax on unfranked income - overseas	(859)	(544)
	15,234	12,522

18. Analysis of changes in net debt	At	Currency	Non-cash	Cash	At
	31 December 2003	differences	movements	flows	31 December 2004
	£'000	£'000	£'000	£'000	£'000
Cash and short term deposits	22,177	(7,467)	-	(5,119)	9,591
Forward contracts	(3,279)	1,775	-	-	(1,504)
Futures	280	(475)	-	-	(195)
Debt due within one year	(11,989)	444	-	11,545	-
Debt due after more than one year	(75,375)	1,684	-	(11,545)	(85,236)
	(68,186)	(4,039)	-	(5,119)	(77,344)

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

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

19. 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.

Notes to the Financial Statements – continued

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

Market price risk

Market price risk arises mainly from uncertainty about future prices of financial instruments used in the Company's operations. It represents the potential loss the Company might suffer through holding market positions as a consequence of price movements and movements in exchange rates. It is the Board's policy to hold an appropriate spread of investments in the portfolio in order to reduce the risk arising from factors specific to a particular country or sector. The allocation of assets to international markets and the stock selection process as detailed on page 18 both act to reduce market price risk. The Manager actively monitors market prices throughout the year and reports 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. During the year, futures were used to gain exposure to the United States. At 31 December 2004 the fund had a future which showed an unrealised gain of £303,000 (31 December 2003 - gain of £94,000). During the year ended 31 December 2004 a gain of £1,384,000 was realised (31 December 2003 - £1,786,000).

Interest rate risk

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 Yen facilities are 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 31 December 2004 are shown in note 13 on page 51.

Interest risk profile

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

At 31 December 2004	Weighted average period for which rate is fixed Years	Weighted average interest rate* %	Fixed rate £'000	Floating rate £'000	Non- interest bearing £'000
Assets					
Sterling	3.43	7.27	61,874	3,984	143,552
US dollar	35.65	11.00	2,474	1,471	85,497
Euro	6.69	4.95	19,456	4,134	64,370
Other	3.98	7.73	13,654	2	118,260
Total assets	–	–	97,458	9,591	411,679
Liabilities - due after one year					
Bank loans - Japanese Yen	4.94	2.82	(83,616)	–	–
Debenture Stock	–	4.00	(1,620)	–	–
Accruals	–	–	–	–	(1,444)
Total liabilities	–	–	(85,236)	–	(1,444)

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

* The weighted average interest rate is based on the current yield of each asset, weighted by its market value. The weighted average interest rate on bank loans is based on the interest rate payable, weighted by the total value of the loans. The maturity dates of the Company's loans are shown in note 13 to the financial statements.

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

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

Fair values of financial assets and financial liabilities

The fair value of borrowings has been calculated at £90,489,000 as at 31 December 2004 (2003 - £95,026,000) compared to an accounts value in the financial statements of £85,236,000 (2003 - £87,364,000) (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 page 51, are in foreign currency as at 31 December 2004. 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 2004 the Company had foreign currency contracts, details of which are listed on page 56. During the year a loss of £6,684,000 (2003 - £1,509,000) was realised.

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

Notes to the Financial Statements – continued

Foreign currency risk exposure by currency of denomination:

Currency	31 December 2004			31 December 2003		
	Overseas	Net	Total	Overseas	Net	Total
	investments £'000	monetary assets £'000	currency exposure £'000	investments £'000	monetary assets £'000	currency exposure £'000
US Dollar	87,971	1,471	89,442	74,464	1,142	75,606
Euro	83,826	4,134	87,960	88,684	10,360	99,044
Japanese Yen	38,731	–	38,731	34,440	–	34,440
Hong Kong Dollar	12,333	–	12,333	13,527	–	13,527
Korean Won	10,275	–	10,275	9,194	–	9,194
Indian Rupee	8,583	–	8,583	6,305	–	6,305
Taiwan Dollar	6,453	–	6,453	1,384	–	1,384
Swiss Franc	6,311	–	6,311	7,727	30	7,757
Danish Krone	6,088	–	6,088	4,327	–	4,327
Hungarian Forint	6,045	–	6,045	2,410	–	2,410
Australian Dollar	5,622	–	5,622	3,502	–	3,502
Malaysian Dollars	4,785	–	4,785	1,803	–	1,803
Swedish Krone	4,351	–	4,351	7,249	–	7,249
Singapore Dollar	4,280	–	4,280	4,002	–	4,002
Brazilian Real	3,509	–	3,509	–	–	–
Polish Zloty	3,426	–	3,426	–	–	–
Thailand Baht	2,926	–	2,926	2,834	–	2,834
Mexican Peso	2,670	2	2,672	–	–	–
Indonesian Rupiah	2,509	–	2,509	2,051	–	2,051
New Zealand Dollar	2,462	–	2,462	–	–	–
Philippine Peso	555	–	555	510	–	510
Total	303,711	5,607	309,318	264,413	11,532	275,945

Forward exchange contracts

The following forward exchange contracts to buy Japanese Yen were outstanding at the Balance Sheet date:

Date of contract	Settlement date	Amount JPY '000	Contracted rate	Unrealised loss at 31 December 2004 £'000
25 November 2004	12 January 2005	14,418,525	192.247	1,410
8 December 2004	12 January 2005	1,001,850	200.370	94

Notice of Meeting

NOTICE IS HEREBY GIVEN that the ninety-seventh Annual General Meeting of the Company will be held at 12.30pm on 3 May 2005 in the Strathclyde Suite, Glasgow Royal Concert Hall, 2 Sauchiehall Street, Glasgow, G2 3NY, for the purpose of considering and if thought fit passing the following resolutions:-

Ordinary Business

1. To receive the Directors' Report and audited statement of accounts for the year ended 31 December 2004.
2. To approve the Directors' Remuneration Report for the year ended 31 December 2004.
3. To re-elect Mr D H Benson as a Director of the Company.
4. To reappoint Ernst & Young LLP, as Auditors of the Company.
5. To authorise the Directors to fix the remuneration of the Auditors.

Special Business

As special business to consider and, if thought fit, pass the following resolutions, in the case of numbers 6 and 7 as Ordinary Resolutions and in the case of numbers 8 and 9 as Special Resolutions.

6. THAT in terms of Article 130 of the Articles of Association of the Company,
 - 6.1 Dividend

a final dividend of 5.95p per share in respect of the year ended 31 December 2004 be paid on 20 May 2005 to holders of Ordinary shares in the capital of the Company on the register at the close of business on 22 April 2005 and, subject to having appropriate distributable revenue reserves, three interim dividends in respect of the year ended 31 December 2005 be declared on the Ordinary shares of the Company in issue on 24 June 2005 as follows:

 - (a) an interim dividend of 3.55p be paid on 15 August 2005 to those persons who, at close of business on 22 July 2005, are the holders of such shares;
 - (b) an interim dividend of 3.55p be paid on 16 November 2005 to those persons who, at close of business on 26 October 2005, are the holders of such shares;
 - (c) an interim dividend of 3.55p be paid on 15 February 2006 to those persons who, at the close of business on 20 January 2006, are the holders of such shares.
 - 6.2 the sum of £9,900, being part of the sum standing at the 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 10 June 2005, in paying up in full at par 39,600 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 close of business on 22 April 2005, were the registered holders of B Ordinary shares of the Company, in the proportion of 3.55886 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.
7. Authority to Allot shares

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 £1,095,054 (representing 5 per cent of the total Ordinary and B Ordinary share capital in issue on 10 March 2005) during the period expiring on the date of the next Annual General Meeting of the Company or 3 August 2006, 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.
8. Disapplication of Pre-emption Rights

THAT, subject to the passing of Resolution Number 7 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) for cash pursuant to the authority given in accordance with Section 80 of the Act by Resolution Number 7 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 3 August 2006, 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;
 - (b) up to an aggregate nominal amount of £1,095,054 (representing 5 per cent of the total Ordinary and B Ordinary share capital in issue on 10 March 2005);
 - (c) in the circumstances detailed in the section headed "Issue of shares" in the Directors' Report on page 29 of the Annual Report for the year ended 31 December 2004 and at a price not less than 2.5 per cent above the net asset value per share.

Notice of Meeting – continued

This power applies in relation to a sale of shares which is an allotment of equity securities by virtue of Section 94(3A) of the Act as if in the first paragraph of this resolution the words "pursuant to the authority given in accordance with Section 80 of the Act by Resolution Number 7" were omitted.

9. Authority to Make Market Purchases of shares

- 9.1 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:

- 9.1.1 the maximum number of shares hereby authorised to be purchased shall be an aggregate of 12,965,091 Ordinary and 166,796 B Ordinary shares representing 14.99% of the shares in issue as at 10 March 2005;
- 9.1.2 the minimum price which may be paid for a share shall be 25p;
- 9.1.3 the maximum price (exclusive of expenses) which may be paid for a share shall be an amount equal to 105% 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;
- 9.1.4 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);
- 9.1.5 the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company to be held in the year 2006 or, if earlier, on 3 August 2006 unless such authority is previously varied, revoked or renewed prior to such time;
- 9.1.6 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; and
- 9.1.7 any shares so purchased shall be cancelled or if the Directors so determine and subject to the provisions of the Act (as amended) and any applicable regulations of the United Kingdom Listing Authority, be held or otherwise dealt with as permitted by the Act as Treasury shares.

123 St Vincent Street
Glasgow G2 5EA
18 March 2005


By order of the Board
Aberdeen Asset Management PLC
Secretaries

Notes:

- No Director has any contract of service with the Company.
- 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 pm on 1 May 2005 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 pm on 1 May 2005 shall be disregarded when determining the rights of any person to attend or vote at the meeting.
- A member entitled to attend and vote is entitled to appoint a proxy or proxies to attend and, on a poll, vote in his place. A proxy need not be a member of the Company. The appointment of a proxy will not prevent a member from subsequently attending and voting at the meeting in person.
- A reply paid form of proxy for your use is enclosed. Forms of Proxy and any power of attorney or other authority under which it is signed (or a copy of such authority certified notari ally or in some other way approved by the Directors), should be sent to the Company's registrar, 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 or adjourned meeting or (in the case of a poll taken more than 48 hours after it was demanded) not less than 24 hours before the time appointed for the taking of the poll at which it is to be used. Alternatively, if you hold your shares in uncertificated form (i.e in CREST) you may vote using the CREST system (please see note 6 below).
- 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.
- Notes on CREST Voting
If you submit your proxy electronically through CREST, to be valid the appropriate CREST message, (regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy) must be transmitted so as to be received by the Company's registrar, Capita Registrars, (ID RA10) by no later than 12.30 pm on 1 May 2005. The time of receipt will be taken to be the time from which the Registrars are able to retrieve the message by enquiry to CREST.
CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
CREST members and, where applicable, their CREST sponsors or voting service providers should note that CRESTCo does not make available special procedures in CREST for any particular messages and the normal system timings and limitations apply to the input of CREST Proxy Instructions. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001 (SI 2001/3755).
- Details of resolutions 2 to 9 are shown in the Annual Report as follows:-

Resolution 2	Pages 32 and 33	Directors' Remuneration Report
Resolutions 3	Page 30	Directors
Resolutions 4 and 5	Page 31	Auditors
Resolution 6	Page 28	Dividends
Resolutions 7 and 8	Page 29	Issue of shares
Resolution 9	Page 28	Share repurchases and Issue of shares

Information about the Manager

The Company's Manager is Aberdeen Asset Managers Limited, a wholly-owned subsidiary of Aberdeen Asset Management PLC ("Aberdeen"), whose Group companies as at 31 January 2005 managed a combined £24.2 billion of funds of UK institutions, investment trusts, closed-end funds, unit trusts, private clients and offshore funds.

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

The Group now has 40 investment trusts and other closed-end funds under management. They adhere closely to the Group's investment style which is that of fundamental investors, with an emphasis on company visits and original research.

Shareholder Information

Capital Structure

The Company's issued share capital as at 31 December 2004 consisted of 86,491,605 Ordinary shares of 25p each and 1,112,717 B Ordinary shares of 25p each.

Net Asset Value and Share Price

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

Stock Exchange Codes

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

Annual General Meeting

The Annual General Meeting will be held on 3 May 2005 at 12.30 p.m. in the Strathclyde Suite, Glasgow Royal Concert Hall, 2 Sauchiehall Street, Glasgow G2 3NY.

Market prices of allotted capital at 6 April 1965

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

Market prices of allotted capital at 31 March 1982

4 ¹ / ₂ % cumulative preference shares of £1	32p
Ordinary shares of 25p (adjusted for 1 for 2 scrip issue in April 1983)	54 ¹ / ₂ p
B Ordinary shares of 25p (adjusted for 1 for 2 scrip issue in April 1983)	53 ¹ / ₂ p
3 ¹ / ₄ % debenture stock 1967 or after	£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	28 May 1993	282.5p
09 April 1981	77.5p	31 May 1994	328.5p
16 April 1982	74.5p	31 May 1995	343.5p
08 April 1983	82.5p	28 May 1996	415.5p
06 April 1984	85.2p	27 May 1997	448.0p
26 April 1985	112.5p	22 May 1998	502.0p
02 May 1986	162.5p	26 May 1999	439.9p
02 May 1987	182.5p	22 May 2000	490.0p
03 June 1988	162.5p	25 May 2001	469.5p
02 June 1989	213.5p	24 May 2002	427.5p
25 June 1990	235.5p	23 May 2003	297.5p
31 May 1991	217.5p	21 May 2004	340.0p
29 May 1992	232.5p		

Marketing Strategy

Murray International Trust contributes to the Marketing Programme run by Aberdeen Asset Managers Limited ("AAM"), on behalf of a number of investment trusts under its management. This agreement sees the Company's contribution matched by AAM and is now £330,000 (plus VAT) a year, reviewed on an annual basis.

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

These aims can be met in several ways:

Investor relations programme

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

Group Schemes

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

Direct response advertising

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

Direct mail

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

Newsletter

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

Public relations

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

Shareholder services

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

Internet

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

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

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

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

Other ways to Invest in Murray International Trust PLC

Aberdeen Investment Trust Share Plan

AAM runs a Share Plan (the "Plan") through which shares in Murray International Trust can be purchased. There are no dealing charges on the initial purchase of shares, although investors will suffer the bid-offer spread, which can, on some occasions, be a significant amount. Lump sum investments start at £250, while regular savers may invest from £100 per month. Investors simply pay Government Stamp Duty (currently 0.5%) on entry. Selling costs are £10 + VAT. There is no restriction on how long an investor need invest in a Plan, and regular savers can stop or suspend participation by instructing AAM in writing at any time. In common with other schemes of this type, all investments are held in nominee accounts. Investors have full voting and other rights of share ownership.

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

Maxi ISA

An investment of up to £7,000 in Murray International Trust can be made in the tax year 2004/2005 and 2005/2006.

Mini ISA

AAM offers a Mini ISA which will enable investors to invest up to £3,000 in the tax year 2004/2005 and 2005/2006.

There are no brokerage or initial charges for the ISA, although investors will suffer the bid-offer spread, which can be a significant amount. Investors only pay Government Stamp Duty (currently 0.5%) on purchases. Selling costs are £15 + VAT. The annual ISA management charge is £24 + VAT, calculated monthly and deducted from income half yearly. Under current legislation, investments in ISAs can grow free of income or capital gains tax.

PEP Transfer

PEPs are an easy way to make medium and long term tax efficient investments in the stock markets. All income and capital gains are free of tax. Since 5 April 1999 no further subscriptions can be made into a PEP. You can however transfer existing PEPs to AAM. The minimum lump sum for a PEP transfer is £1,000 and is subject to a minimum per trust of £250.

Trust Information

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

Glossary of Terms and Definitions

Actual Gearing	Total Assets (as below) less all cash and fixed interest assets (excluding convertibles) divided by Shareholders' funds.
Asset Cover	The value of a company's net assets available to repay a certain security. Asset cover is usually expressed as a multiple and calculated by dividing the net assets available by the amount required to repay the specific security.
Assets Employed	Total assets less current liabilities.
B Ordinary shares	B Ordinary shares carry the same rights as the Ordinary shares. The difference is that B Ordinary Shareholders receive their dividend by means of a capitalisation issue as opposed to a cash dividend. B Ordinary Shareholders have the right to convert their shares into Ordinary shares once a year. More details regarding this are shown on page 60. As the capitalisation issue received by B Ordinary Shareholders each year represents the final dividend for the year plus the current year's interim, the first dividend to which the converted Ordinary shares will be entitled will be the final dividend for the current year.
Discount	The amount by which the market price per share of an investment trust is lower than the net asset value per share. The discount is normally expressed as a percentage of the net asset value per share.
Dividend Cover	Earnings per share divided by Dividends per share expressed as a ratio.
Dividend Yield	The annual dividend expressed as a percentage of the share price.
Earnings per share	Revenue attributable to equity Shareholders divided by the weighted average number of Ordinary shares and/or B Ordinary shares in the period.
Net Asset Value	The value of total assets less liabilities. Liabilities for this purpose included current and long-term liabilities. The net asset value divided by the number of shares in issue produces the net asset value per share.
Operating Costs	All costs charged to revenue and capital, excluding performance fees, taxation, finance costs, the costs of purchases of share capital and the costs of buying and selling investments.
Potential Gearing	Total Assets including all debt being used for investment purposes divided by Shareholders' funds.
Premium	The amount by which the market price per share of an investment trust exceeds the net asset value per share. The premium is normally expressed as a percentage of the net asset value per share.
Price/Earnings Ratio	The ratio is calculated by dividing the middle-market price per share by the earnings per share. The calculation assumes no change in earnings but in practice the multiple reflects the stock market's view of a company's prospects and profit growth potential.
Prior Charges	The name given to all borrowings including debentures, long and short term loans and overdrafts that are to be used for investment purposes, reciprocal foreign currency loans, currency facilities to the extent that they are drawn down, index-linked securities, and all types of preference or preferred capital.
Redemption Yield	The measure of the annualised total return on the current price of a security up to the date of its repayment. The calculation is based on aggregated income and capital returns, no account being taken of taxation.
Total Assets	Total Assets less current liabilities, excluding any short term loans (£11,989,000 as at 31 December 2003).
Total Return	Total Return involves reinvesting the net dividend in the month that the share price goes up. The NAV Total Return involves investing the same net dividend in the NAV of the Company on the date to which that dividend was earned, eg quarter end, half year or year end date.

Corporate Information

Directors

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

Secretaries and Registered Office

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

Points of Contact

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

Manager

Aberdeen Asset Managers Limited
Customer Services Department: 0500 00 00 40

Registrars

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

Custodian Bankers

JP Morgan Chase Bank

Auditors

Ernst & Young LLP

Solicitors

McGrigors

Stockbroker

UBS Warburg
Arbuthnot

Trustee of the Debenture Stockholders

The Governor and Company of the Bank of Scotland

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*Authorised and regulated by The Financial Services Authority
Member of the Aberdeen Asset Management Group of Companies*