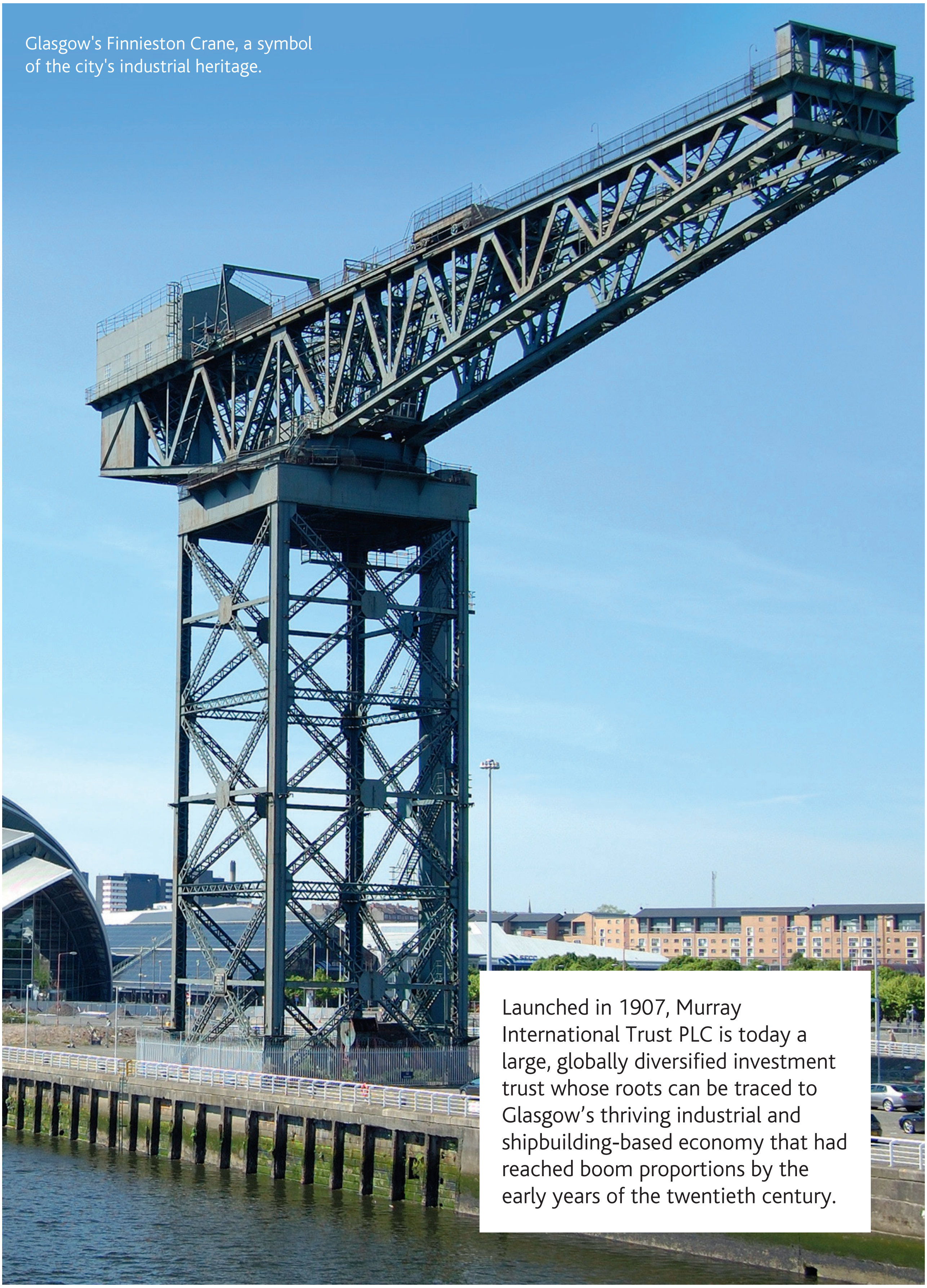
Murray International Trust PLC

A globally diversified investment trust, investing for growth and income since 1907

Annual Report
31 December 2017

Aberdeen



Glasgow's Finnieston Crane, a symbol of the city's industrial heritage.

Launched in 1907, Murray International Trust PLC is today a large, globally diversified investment trust whose roots can be traced to Glasgow's thriving industrial and shipbuilding-based economy that had reached boom proportions by the early years of the twentieth century.

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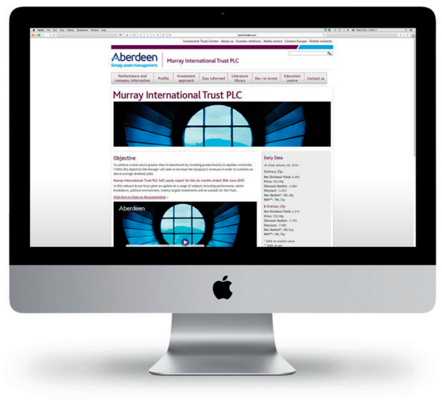

Visit our website

To find out more about Murray International Trust PLC, please visit **murray-intl.co.uk**

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Financial Highlights

Net asset value total return

+14.7%

2016 +40.3%

Benchmark total return

+12.8%

2016 +25.8%

Dividends per share[A]

50.0p

2016 47.5p

Revenue return per share

51.8p

2016 51.2p

Share price total return

+11.0%

2016 +50.5%

Premium to net asset value

1.3%

2016 4.6%

Net gearing[B]

10.7%

2016 12.5%

Ongoing charges ratio[B]

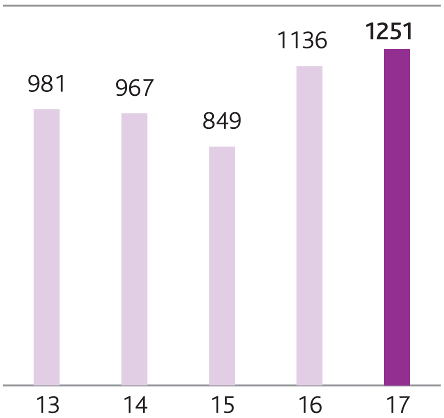
0.64%

2016 0.68%

[A] Dividends declared for the year in which they were earned.
[B] As defined on page 84.

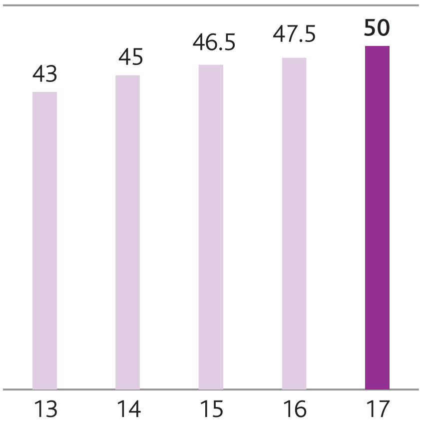
Net Asset Value per Share

At 31 December – pence



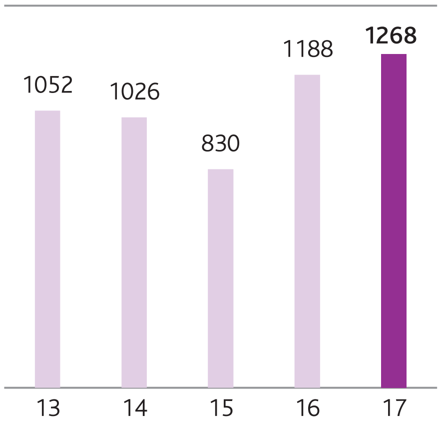
Dividends per Share

Year ended 31 December - pence



Mid-Market Price per Share

At 31 December – pence



Dividends

	Rate	Ex-dividend date	Record date	Payment date
1st interim	11.0p	6 July 2017	7 July 2017	17 August 2017
2nd interim	11.0p	5 October 2017	6 October 2017	17 November 2017
3rd interim	11.0p	4 January 2018	5 January 2018	19 February 2018
Proposed final	17.0p	5 April 2018	6 April 2018	18 May 2018
Total dividends	**50.0p**			

Strategic Report

Murray International Trust PLC is an investment company with its Ordinary shares listed on the premium segment of the London Stock Exchange. The Company is an approved investment trust and aims to achieve a total return greater than its benchmark by investing predominantly in equities worldwide.

Telus is a telecommunications company providing a variety of communication products and services. The company provides voice, data, internet and wireless services to businesses and consumers throughout Canada.

Chairman's Statement

Kevin Carter
Chairman

Performance

I am pleased to report that, during the year to 31 December 2017, the Company's net asset value (NAV) posted a total return (ie with net income reinvested) of 14.7%, a solid performance in absolute terms and ahead of the total return of 12.8% from the Company's benchmark (40% FTSE World UK Index and 60% FTSE World ex UK Index). The share price posted a total return of 11.0%, reflecting a slight narrowing of the premium to NAV. For the second consecutive year, strong returns from portfolio exposure to Latin American and Asian equities contributed significantly to overall total returns. Sterling strength, particularly against the US Dollar, proved a slight headwind for income accumulation but, in general, global diversification proved beneficial as the UK equity market once again underperformed most of its global peers.

The Manager's Review on page 15 gives further details of the performance including an attribution analysis. Not for the first time in recent years, enthusiastic investor sentiment propelled stock markets higher, a backdrop which favoured momentum investing and market leadership from low-yielding technology and growth stocks. For the Company's more income focused portfolio to outperform in this environment was very satisfactory.

Dividends and Dividend Policy

Three interim dividends of 11.0p per share (2016: three interims of 10.5p) have been declared during the year. Your Board is now recommending a final dividend of 17.0p (2016: 16.0p) which, subject to the approval of shareholders at the Annual General Meeting, will be paid on 18 May 2018 to shareholders on the register on 6 April 2018. If approved, the total Ordinary dividends for the year will amount to 50.0p, an increase of 5.3% from last year (2016: 47.5p). After accounting for the payment of the final dividend, the surplus revenue of approximately £2.3 million will be transferred to the Company's brought forward revenue reserves.

As I have alluded to in previous years, the Company's revenue is substantially derived from overseas companies, which pay dividends in local currencies that are then translated into Sterling upon receipt. The Company's revenue streams are, therefore, highly susceptible to the strength or weakness of Sterling. The Board and the Manager have previously investigated the merits of hedging expected annual revenues arising from the portfolio and found that introducing hedging strategies would add complexity and, for certain currencies, be very expensive to implement. Therefore, we have concluded that hedging would be unattractive to deploy. The inevitable consequence of this is that the annual revenue from the portfolio, when translated into Sterling, will experience volatility caused by Sterling's movements against the currencies of the underlying assets of the Company.

The Board intends to maintain a progressive dividend policy given the Company's investment objective. This means that, in some years, revenue will be added to reserves, while in others revenue may be taken from reserves to supplement earned revenue for that year, to pay the annual dividend. Shareholders should not be surprised or concerned by either outcome as, over time, the Company will aim to pay out what the underlying portfolio earns.

Management of Premium and Discount

At the Annual General Meeting held in April 2017, shareholders renewed the annual authorities to issue up to 10% of the Company's issued share capital for cash at a premium and to buy back up to 14.99% of the issued share capital at a discount. During the year, no Ordinary shares were purchased for Treasury or cancellation; however, we sold 301,642 shares from Treasury at a premium to NAV. The Board will be seeking approval from shareholders to renew both authorities in 2018. As in previous years, both new shares and shares from Treasury will only be issued at a premium to NAV and shares will only be bought back at a discount to NAV. Resolutions to this effect will be proposed at the Annual General Meeting and the Directors strongly encourage shareholders to support these proposals.

During the year, the Ordinary shares have traded at an average premium to the NAV (excluding income) of 3.4%. The Board continues to believe that it is appropriate to seek to address temporary imbalances of supply and demand for the Company's shares which might otherwise result in a recurring material discount or premium. Subject to existing shareholder permissions (given at the last AGM) and prevailing market conditions over time, the Board intends to continue to buy back shares and issue new shares (or sell shares from Treasury) if shares trade at a persistent significant discount to NAV (excluding income) or premium to NAV (including income). The Board believes that this process is in all shareholders' interests as it seeks to reduce volatility in the premium or discount to underlying NAV whilst also making a small positive contribution to the NAV. At the latest practicable date, the NAV (including income) per share was 1178.4p and the share price was 1226.0p equating to a premium of 4.0% per Ordinary share.

Gearing

At the year end, total borrowings amounted to £185 million, representing net gearing (calculated by dividing the total assets less cash by shareholders' funds) of 10.7% (2016: 12.5%) all of which is drawn in Sterling. On 31 May 2017, the Company agreed a new £60 million loan facility with The Royal Bank of Scotland plc ("RBS") which was drawn in full and fixed for five years at an all-in rate of 1.714%. The new facility has been used to repay a maturing £60 million loan with RBS. The Company also has a loan totalling £60 million that is due to mature in May 2018. The Directors are in the process of reviewing options for the replacement of this facility.

Annual General Meeting

This year's Annual General Meeting will be held in London on 26 April 2018 at 12.30 p.m. at The Mermaid Conference Centre, Puddle Dock, Blackfriars, London EC4V 3DB. As at previous AGMs, there will be a presentation from the Manager and an opportunity to meet the Directors and Manager over lunch. I should be grateful if you would confirm your attendance by completing the separate notice that will accompany the Annual Report, and returning it together with an indication of any particular questions. I hope to see as many shareholders as possible at the AGM in London.

Redemption of Debenture Stock

As anticipated in the announcement of half yearly results released in August 2017, on 22 December 2017 the Company redeemed the outstanding £150,000 of Debenture Stock at par together with a 1 per cent. premium thereon and accrued interest up to 31 December 2017. The redemption serves to further simplify the capital structure of the Company which now comprises only of Ordinary shares together with gearing from bank debt.

Directorate

Mr Best has indicated that he intends to retire from the Board at the AGM in April 2018 and I would like to offer the Board's sincere thanks to Jim for his outstanding contribution to the affairs of the Company since his appointment in 2005. The Board is in the process of seeking a new independent Director and will update shareholders in the near future when the recruitment process has been concluded.

Standard Life Aberdeen Group

The Directors receive regular updates from the Manager on the progress of integration following the merger between Aberdeen Asset Management PLC and Standard Life plc, that became effective in August 2017. The Board is reassured to note that the existing investment management and client servicing teams in Aberdeen are unaffected and remain focused on the Company's affairs. The Directors will continue to be vigilant to ensure that this remains the case.

Regulatory Changes

There have been a number of regulatory changes implemented or announced, recently. Investors should be aware that the Packaged Retail and Insurance-based Investment Products (PRIIPS) Regulation requires the Manager, as the Company's PRIIP "manufacturer," to prepare a key information document ("KID") in respect of the Company. This KID must be made available by the Manager to retail investors prior to them making any investment decision and is available via the Company's website. The Company is not responsible for the information contained in the KID and investors should note that the procedures for calculating the risks, costs and potential returns are prescribed by law. We recommend that all investors note that the figures in the KID may not reflect the expected returns for the Company and anticipated performance returns cannot be guaranteed.

The Criminal Finances Act 2017 has introduced a new corporate criminal offence of "failing to take reasonable steps to prevent the facilitation of tax evasion". The Board has confirmed that it is the Company's policy to conduct all of its business in an honest and ethical manner. The Board takes a zero-tolerance approach to facilitation of tax evasion, whether under UK law or under the law of any foreign country.

Data protection rights will shortly be harmonised across the European Union when the General Data Protection Regulation (GDPR) – first adopted by the Parliament in April 2016 - applies in full from 25 May 2018. The Board will take the necessary steps and seek the appropriate assurances from its third party service providers to ensure compliance with the new regulations.

Outlook

For some considerable time now, the dominant global economic influences of excessive debt, ultra-low bond yields and anaemic inflation have provided the catalysts for constraining returns on cash deposits and fuelling widespread asset price inflation. The calendar year just ended, in the context of the past ten years, provides yet another example of double-digit returns amongst many in recent times. After nearly a decade of unprecedented monetary policies, there are signs that the major Central Banks are going to attempt to restore some normality to monetary policy in 2018. If the objectives of the past ten years were to avoid a severe global recession, rebuild damaged commercial bank balance sheets and provide life support for distressed companies, something akin to victory can be declared.

The problem is that this cocktail has also inflated equity and bond prices to levels history would suggest are now very overvalued. How markets will respond to rising short term interest rates and the withdrawal of quantitative easing is an open question. It does seem sensible to prepare for a period of low equity returns, accompanied by increasing volatility, as investors adjust to the new environment. During the year, as BREXIT negotiations proceed, the main influence on the Company could arise from movements in Sterling. The Board and the Manager propose to navigate this period by remaining patient, ensuring the portfolio is widely diversified and focusing on companies with proven business models and strong management. In their opinion, this remains the best way to deliver the Company's long term investment objective.

Kevin Carter
Chairman
8 March 2018

Overview of Strategy

The mechanics of how the Company operates are set out below and on the following five pages.

Investment Objective

The aim of the Company 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.

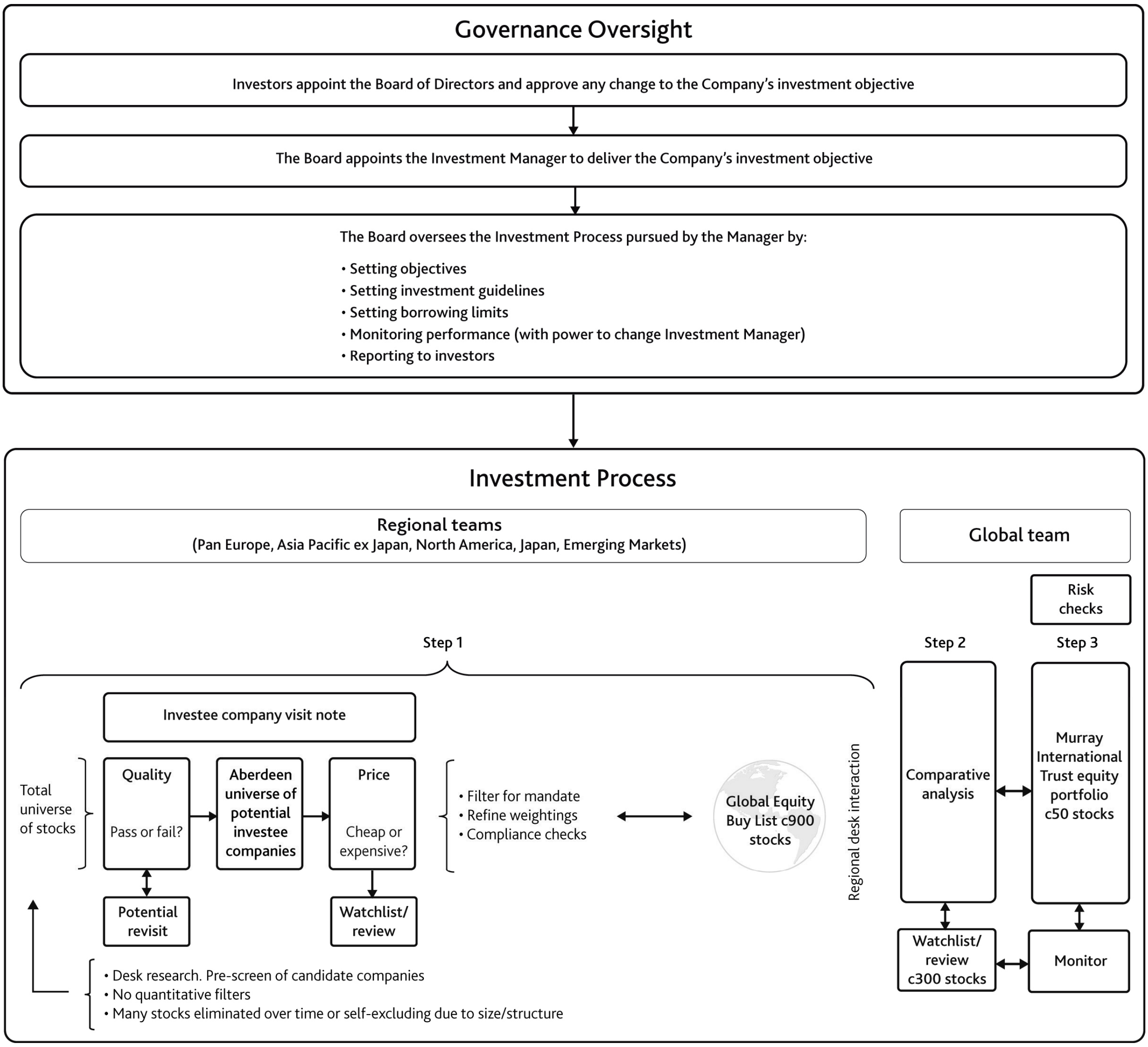
The Company's investment policy and financial highlights are shown on pages 8 and 2.

A review of the Company's activities is given in the Chairman's Statement on pages 4 to 6 and the Manager's Review on pages 14 to 19.

The Chairman's Statement and Manager's Review include an analysis of the business of the Company and its principal activities, likely future developments of the business, the recommended dividend and details of any transactions in its own securities by the Company.

Business Model

The Manager has its own investment process, which, in the case of the Company, is overseen by the Board. The process is summarised below.



Overview of Strategy continued

Investment Policy

Asset Allocation

The Company's assets are invested in a diversified portfolio of international equities and fixed income securities spread across a range of industries and economies. The Company's investment policy is flexible and it may, from time to time, hold other securities including (but not limited to) index-linked securities, convertible securities, preference shares, unlisted securities, depositary receipts and other equity-related securities. The Company may invest in derivatives for the purposes of efficient portfolio management. The Company's investment policy does not impose any geographical, sectoral or industrial constraints upon the Manager. The Board has set guidelines which the Manager is required to work within from meeting to meeting. It is the investment policy of the Company to invest no more than 15% of its gross assets in other listed investment companies (including listed investment trusts), at the time of purchase. The Company currently does not have any investments in other investment companies.

Risk Diversification

The Manager actively monitors the Company's portfolio and attempts to mitigate risk primarily through diversification. The Company is permitted to invest up to 15% of its investments by value in any single holding (at the time of purchase).

Gearing

The Board considers that returns to shareholders can be enhanced by the judicious use of borrowing. The Board is responsible for the level of gearing in the Company and reviews the position on a regular basis. Any borrowing, except for short-term liquidity purposes, is used for investment purposes or to fund the purchase of the Company's own shares. Total gearing will not in normal circumstances exceed 30% of net assets with cash deposits netted against the level of borrowings. At the year end, there was net gearing of 10.7% (calculated in accordance with Association of Investment Companies guidance) and particular care is taken to ensure that any bank covenants permit maximum flexibility in investment policy.

Changes to Investment Policy

Any material change to the investment policy will require the approval of the shareholders by way of an ordinary resolution at a general meeting. The Company will promptly issue an announcement to inform the shareholders and the public of any change of its investment policy.

Delivering the Investment Policy

Day-to-day management of the Company's assets has been delegated to the Manager. The Manager invests in a diversified range of international companies in accordance with the investment objective.

The portfolio manager, Bruce Stout, has responsibility for portfolio construction across all regional segments. As can be seen from the business model on page 7, the Aberdeen management team utilises a "Global Equity Buy List" which is constructed by each of the specialist country management teams. This list contains all buy (and hold) recommendations for each management team, which are then used by the portfolio manager as the Company's investment universe. Stock selection is the major source of added value over time.

Top-down investment factors are secondary in the Manager's portfolio construction, with stock diversification rather than formal controls guiding stock and sector weights. Market capitalisation is not a primary concern.

A detailed description of the investment process and risk controls employed by the Manager is disclosed on page 79. A comprehensive analysis of the Company's portfolio is disclosed on pages 22 to 27 including a description of the twenty largest investments, the portfolio of investments by value, distribution of investments and distribution of equity investments. The portfolio attribution analysis is on page 15.

In addition to equity exposures, the investment mandate provides the flexibility to invest in fixed income securities. The process of identifying, selecting and monitoring both sovereign and corporate bonds follows exactly the same structure and methodology as that for equity investment, fully utilising the global investment resources of the Manager. As in the case of equity exposure, the total amount, geographical preference, sector bias and specific securities will ultimately depend upon relative valuation and future prospects.

At the year end, the Company's portfolio consisted of 50 equity and 27 bond holdings. The Manager is authorised by the Board to hold between 45 and 150 holdings in the portfolio.

Management

The Company's Alternative Investment Fund Manager is Aberdeen Fund Managers Limited ("AFML") which is authorised and regulated by the Financial Conduct Authority Day to day management of the portfolio is delegated to Aberdeen Asset Managers Limited ("AAM"). AAM and AFML are collectively referred to as the "Investment Manager" or the "Manager".

Website

murray-intl.co.uk

Benchmark

The Company's Benchmark is a composite index comprising 40% of the FTSE World UK Index and 60% of the FTSE World ex-UK Index. Given the composition of the portfolio and the Manager's investment process, as explained on page 79, it is likely that the Company's investment performance will diverge from this Benchmark.

Key Performance Indicators (KPIs)

The Board uses a number of financial performance measures to assess the Company's success in achieving its objective and determine the progress of the Company in pursuing its investment policy. The main KPIs identified by the Board in relation to the Company which are considered at each Board meeting are as follows:

KPI	Description
Performance	**Absolute Performance:** The Board considers the Company's NAV total return figures to be the best indicators of performance over time and these are therefore the main indicators of performance used by the Board. **Relative Performance:** The Board also measures performance against the Benchmark and performance relative to competitor investment trusts over a range of time periods, taking into consideration the differing investment policies and objectives employed by those companies. **Share Price Performance:** The Board also monitors the price at which the Company's shares trade relative to the Benchmark on a total return basis over time A graph showing absolute, relative and share price performance is shown on page 13.
Discount/Premium to NAV	The discount/premium relative to the NAV per share represented by the share price is closely monitored by the Board. The objective is to avoid large fluctuations in the discount/premium by the use of share buy backs and the issuance of new shares or the sale of Treasury shares, subject to market conditions. A graph showing the share price premium/(discount) relative to the NAV is shown on page 13.
Dividend	The Board's aim is to seek to increase the Company's revenues over time in order to maintain an above average dividend yield. Dividends paid over the past 10 years are set out on page 13.
Gearing	The Board's aim is to ensure that gearing is kept within the Board's guidelines issued to the Manager.

Risk Management

There are a number of risks which, if realised, could have a material adverse effect on the Company and its financial condition, performance and prospects. The Board has undertaken a robust review of the principal risks and uncertainties facing the Company including those that would threaten its business model, future performance, solvency or liquidity. Those principal risks are disclosed in the table on page 10 together with a description of the mitigating actions taken by the Board. The principal risks associated with an investment in the Company's shares are published monthly on the Company's factsheet or they can be found in the pre-investment disclosure document ("PIDD") published by the Manager, both of which are available on the Company's website. Significant risks relating to the work of the Audit Committee are discussed in the Report of the Audit Committee on pages 43 and 44 and further detail on financial risks and risk management is disclosed in note 17 to the financial statements.

Overview of Strategy continued

The Board regularly reviews the risks and uncertainties faced by the Company in the form of a risk matrix and a summary of the principal risks is set out below.

Description	Mitigating Action
Investment strategy and objectives – if the Company's investment objective becomes unattractive and the Company fails to adapt to changes in investor demand, the Company may become unattractive to investors, leading to decreased demand for its shares and a widening discount.	The Board keeps the level of discount and/or premium at which the Company's shares trade as well as the investment objective and policy under review and holds an annual strategy meeting where the Board reviews updates from the Manager, investor relations reports and the Broker reports on the market. In addition, the Board is updated at each Board meeting on the make up of and any movements in the shareholder register and the Directors attend meetings with shareholders to keep abreast of investor opinion.
Investment portfolio, investment management – investing outside of the investment restrictions and guidelines set by the Board or poor stock selection could result in poor performance and inability to meet the Company's objectives.	The Board sets and monitors its investment restrictions and guidelines and receives regular Board reports which include performance reporting on the implementation of the investment policy, the investment process and application of the guidelines. The Manager attends all Board meetings. The Board also monitors the Company's share price relative to the NAV.
Financial obligations - the ability of the Company to meet its financial obligations, or increasing the level of gearing, could result in the Company becoming over-geared or unable to take advantage of potential opportunities and result in a loss of value to the Company's shares.	The Board sets a gearing limit and receives regular updates on the actual gearing levels the Company has reached from the Manager together with the assets and liabilities of the Company and reviews these at each Board meeting. In addition, AFML, as alternative investment fund manager in conjunction with the Board, has set an overall leverage limit of 2.0x on a commitment basis (2.5x on a gross notional basis) and provides regular updates to the Board (see page 82).
Financial and Regulatory – the financial risks associated with the portfolio, including the impact of movements in foreign currency exchange rates, could result in losses to the Company. In addition, failure to comply with relevant regulation (including the Companies Act, the Corporation Taxes Act, the Alternative Investment Fund Managers Directive, Accounting Standards and the FCA's Listing Rules, Disclosure and Prospectus Rules) may have an impact on the Company.	The financial risks associated with the Company include market risk, liquidity risk and credit risk, all of which are mitigated in conjunction with the Manager. Further details of the steps taken to mitigate the financial risks associated with the portfolio are set out in note 17 to the financial statements. The Board relies upon the Standard Life Aberdeen Group to ensure the Company's compliance with applicable regulations and from time to time employs external advisers to advise on specific concerns.
Operational – the Company is dependent on third parties for the provision of all systems and services (in particular, those of the Standard Life Aberdeen Group) and any control failures and gaps in these systems and services could result in a loss or damage to the Company.	The Board receives reports from the Manager on internal controls and risk management at each Board meeting. It receives assurances from all its significant service providers including the depositary, as well as back to back assurance from the Manager at least annually. Further details of the internal controls which are in place are set out in the Directors' Report on pages 36 and 37.

Viability Statement

The Company does not have a fixed period strategic plan but the Board formally considers risks and strategy at least annually. The Board considers the Company, with no fixed life, to be a long term investment vehicle but, for the purposes of this viability statement, has decided that a period of five years is an appropriate period over which to report. The Board considers that this period reflects a balance between looking out over a long term horizon and the inherent uncertainties of looking out further than five years.

In assessing the viability of the Company over the review period, the Directors have focused upon the following factors:

- The principal risks detailed in the Strategic Report on page 10;
- The ongoing relevance of the Company's investment objective in the current environment;
- The demand for the Company's shares evidenced by the historical level of premium and/or discount;
- The level of income generated by the Company;
- The liquidity of the Company's portfolio; and
- The profile of the Company's £185 million loan facilities which mature between May 2018 and May 2022.

Accordingly, taking into account the Company's current position, the fact that the Company's investments are mostly liquid and the potential impact of its principal risks and uncertainties, the Directors have a reasonable expectation that the Company will be able to continue in operation and to meet its liabilities as they fall due for a period of five years from the date of this Report. In making this assessment, the Board has considered that matters such as significant economic or stock market volatility, a substantial reduction in the liquidity of the portfolio or changes in investor sentiment could have an impact on its assessment of the Company's prospects and viability in the future.

Promoting the Company

The Board recognises the importance of communicating the long-term attractions of your Company to prospective investors both for improving liquidity and for enhancing the value and rating of the Company's shares. The Board believes an effective way to achieve this is through subscription to and participation in the promotional programme run by the Standard Life Aberdeen Group on behalf of a number of investment companies under its management. The Company also supports the Standard Life Aberdeen Group's investor relations programme which involves regional roadshows, promotional and public relations campaigns. The purpose of these initiatives is both to communicate effectively with existing shareholders and to gain new shareholders with the aim of improving liquidity and enhancing the value and rating of the Company's shares. The Company's financial contribution to the programmes is matched by the Standard Life Aberdeen Group. The Manager reports quarterly to the Board providing an analysis of the promotional activities as well as updates on the shareholder register and any changes in the make up of that register.

Board Diversity Policy

The Board recognises the importance of having a range of skilled, experienced individuals with the right knowledge represented on the Board in order to allow the Board to fulfil its obligations. The Board also recognises the benefits and is supportive of the principle of diversity in its recruitment of new Board members. The Board will not display any bias for age, gender, race, sexual orientation, religion, ethnic or national origins, or disability in considering the appointment of its Directors. However, the Board will continue to ensure that all appointments are made on the basis of merit against the specification prepared for each appointment and, therefore, the Company does not consider it appropriate to set diversity targets. At 31 December 2017, there were four male Directors and two female Directors on the Board.

Environmental, Social and Human Rights Issues

The Company has no employees as the Board has delegated day to day management and administrative functions to Aberdeen Fund Managers Limited. There are, therefore, no disclosures to be made in respect of employees. The Company's socially responsible investment policy is outlined below and on page 39.

Due to the nature of the Company's business, being a Company that does not offer goods and services to customers, the Board considers that it is not within the scope of the Modern Slavery Act 2015 because it has no turnover. The Company, therefore, is not required to make a slavery and human trafficking statement.

Socially Responsible Investment Policy

The Company supports the UK's Stewardship Code, and seeks to play its role in supporting good stewardship of the companies in which it invests. While the delivery of stewardship activities has been delegated to the Manager, the Board acknowledges its role in setting the tone for the effective delivery of stewardship on the Company's behalf. Further details on stewardship may be found on page 39.

Global Greenhouse Gas Emissions

The Company has no greenhouse gas emissions to report from the operations of its business, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

Kevin Carter
Chairman
8 March 2018

Results

	31 December 2017	31 December 2016	% change
Total assets less current liabilities (before deducting prior charges)	£1,783.9m	£1,633.0m	+9.2
Equity shareholders' funds (Net Assets)	£1,599.1m	£1,447.9m	+10.4
Market capitalisation	£1,620.3m	£1,514.5m	+7.0
Share price – Ordinary share (mid market)	1268.0p	1188.0p	+6.7
Net Asset Value per Ordinary share	1,251.4p	1,135.7p	+10.2
Premium to Net Asset Value on Ordinary shares	1.3%	4.6%	
Gearing (ratio of borrowings less cash to shareholders' funds)			
Net gearing[A]	10.7%	12.5%	
Dividends and earnings per Ordinary share			
Revenue return per share	51.8p	51.2p	+1.2
Dividends per share[B]	50.0p	47.5p	+5.3
Dividend cover (including proposed final dividend)	1.04	1.08	
Revenue reserves[C]	£75.3m	£71.0m	
Operating costs			
Ongoing charges ratio[D]	0.64%	0.68%	

[A] Calculated in accordance with AIC guidance "Gearing Disclosures post RDR" (see definition on page 84).
[B] The figure for dividends per share reflects the years to which their declaration relates (see note 8 on pages 63 and 64) and assuming approval of the 17.0p (2016 – 16.0p) final dividend.
[C] The revenue reserve figure does not take account of the third interim and final dividends amounting to £14,056,000 and £21,729,000 respectively (2016 – £13,386,000 and £20,397,000).
[D] Ongoing charges are calculated in accordance with guidance issued by the AIC (see definition on page 84).

Performance (Total Return)

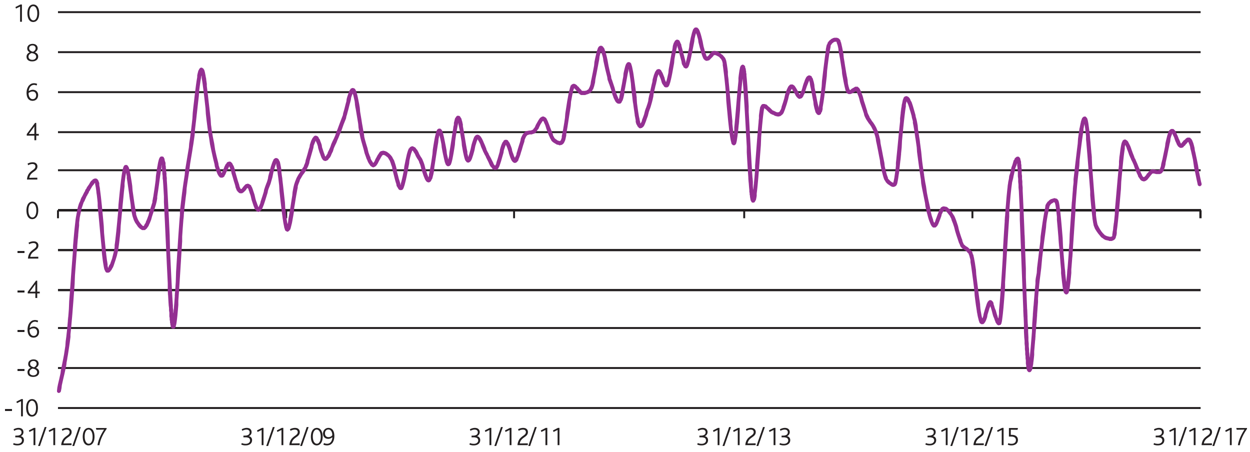
	1 year % return	3 year % return	5 year % return	10 year % return
Share price[A]	+11.0	+41.7	+50.1	+185.8
Net asset value per Ordinary share	+14.7	+48.3	+59.8	+155.9
Benchmark	+12.8	+45.5	+89.5	+122.3

[A] Mid to mid.
Total return represents the capital return plus dividends reinvested.
Source: Aberdeen Standard Investments, Morningstar & Lipper

Performance

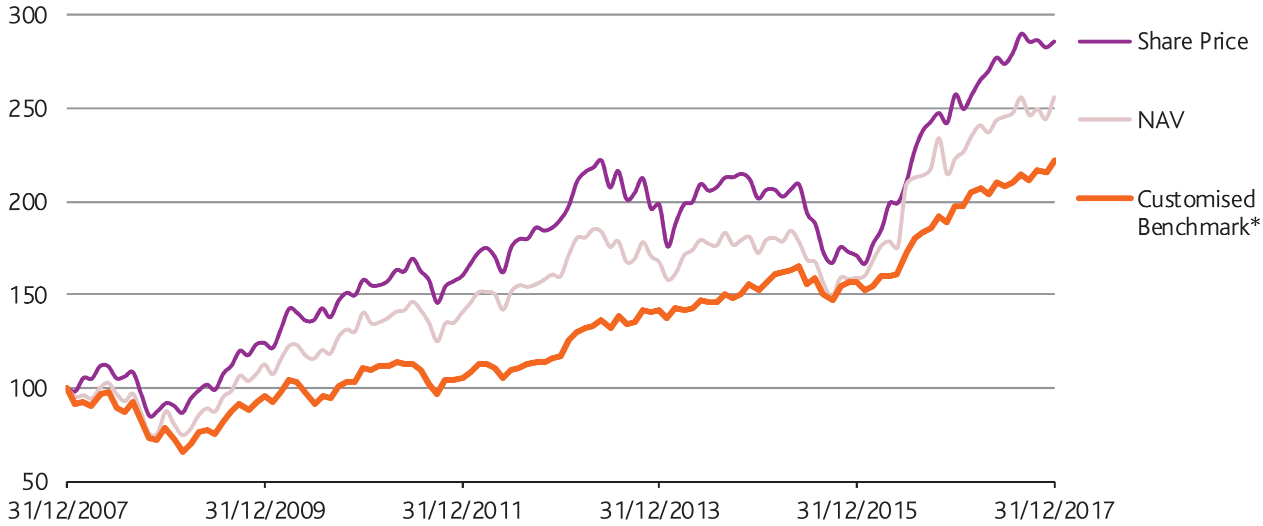
Share Price (Discount)/Premium to NAV (%)

Ten years to 31 December 2017



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

Ten years to 31 December 2017



* The Company's Benchmark is a composite index comprising 40% of the FTSE World UK Index and 60% of the FTSE World ex-UK Index.

Ten Year Financial Record

Year end	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total revenue (£'000)	32,242	36,571	46,607	55,128	55,141	63,717	62,609	67,020	77,333	79,471
Per Ordinary share (p)										
Net revenue return[A]	24.7	29.2	38.2	43.6	39.8	43.8	40.8	45.7	51.2	51.8
Dividends[B]	23.2	27.0	34.5	37.0	40.5	43.0	45.0	46.5	47.5	50.0
Net asset value	625.8	772.9	930.5	892.2	975.8	981.0	966.6	849.0	1,135.7	1,251.4
Shareholders' funds (£'000)	568,827	741,813	967,676	999,252	1,192,243	1,236,718	1,240,537	1,091,019	1,447,879	1,599,129

[A] Net revenue return per Ordinary share has 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 64).

[B] The figure for dividends per share reflects the years to which their declaration relates and not the years they were paid.

Manager's Review

Background

Addictive behaviour seldom produces positive outcomes. The enslaving nature of obsessions and compulsions essentially paralyse unfortunate victims to a life of rigid, ritualistic routines. Viewed through the dispassionate lens of economic theory, such behaviour is deemed irrational. Compulsive shopping clearly contradicts the law of diminishing marginal returns; excessive gambling rarely provides sustainable returns on investment; and obsessive self-interest consistently fails to efficiently allocate resources. Irrational it may be, but the widespread prevalence of such behaviours provides irrefutable evidence of the enormous gulf that exists between economic theory and economic reality. The most profound and predominant influence during the period under review was the widening of this chasm.

For Central Bankers, cocooned in the economic theory of how the world should work, scant attention was paid to how it actually does. Close to thirty years of constant interest rate declines have created an economic landscape addicted to cheap money and available credit. Unable and unwilling to effectively manage expectations, Central Banks spawned a debt-dependent culture now endemic throughout most of the Developed World. How ironic then that, having created such an addiction, policy intentions over the past twelve months focused on theoretical initiatives inherently precarious to global debt-dependency. The stated intention to increase interest rates dominated policy debate. The desire to normalise monetary policy mutated from pragmatic pondering to dogmatic doctrine. In the United States, three consecutive interest rate hikes by the Federal Reserve ignored frail fundamentals, exposing economic fragility to rigid conventional theory. The implicit intention was rates would rise regardless, and they did. Policy rhetoric in the UK adopted similar resonance, but the Bank of England lacked the credibility to practise what it preached. With Brexit induced uncertainty undermining confidence, one solitary quarter point rise in base rates was all that could be stomached. Unperturbed by numerous years of monetary policy failure, by the period end even the European Central Bank and the Bank of Japan had boarded the bandwagon of philosophical sycophants. Voicing intentions to end expansionary monetary policies and increasingly allow the "invisible hand" of non-interventionist economics to shape the future, the arrogance and irresponsibility of such unelected institutions beggar belief. Having orchestrated and presided over the largest debt creation in history, were such Lords of Finance seriously considering abdicating their responsibilities? According to the Institute of International Finance, by year-end total global household, government and corporate debt reached record highs of over 300% of global GDP. Up 50% over the past decade, this unsustainable debt burden was no longer just a "growing source of concern" (according to the IMF). It had quite simply become the single largest influence on current and future economic policy, an addiction of epidemic proportions that detached global policymakers misjudge at their peril.

Unperturbed by academic arguments for tightening monetary policy, global equity markets took comfort from benign bond yields and investors' insatiable appetites for growth. Asia provided the strongest regional equity market returns in Sterling terms, up +20.3% over the period. Behind the benchmark strength, Indonesia and Taiwan contributed most from a portfolio perspective, although aggregate regional performance was tempered by the exposure's income bias. Technology stocks continued to dominate positive performance in China, where the heavily weighted index returned over +40% in Sterling terms. Poor absolute yields and dividend growth unfortunately limit opportunities for income focused funds in China. Currency weakness in Latin America capped overall benchmark returns to just over 10%, but portfolio exposure delivered considerably more. Powerful performance from Mexican, Brazilian and Chilean holdings contributed most to overall absolute and relative performance. Somewhat surprisingly, European equity markets surged higher despite persistently disappointing fundamentals. Germany apart, the Continent remained mired in credit quality concerns and deflationary dynamics, but the European Central Bank's willingness to constantly print money kept liquidity flowing into equity markets. Relatively low exposure to both the UK and the US proved positive. Both stock market indices delivered low double digit returns; both portfolio exposures returned essentially in line with benchmark, so capital invested elsewhere generally produced higher relative capital and income returns. In short, diversification delivered the desired outcome in 2017. The portfolio's emerging market bond portfolio was extremely unlikely to replicate the previous year's near +50% return in Sterling terms, but the belief was that positive capital and income contributions would still be forthcoming. In the event they were, delivering high single digit gains and maintaining the objective of de-gearing the overall portfolio from equities. Current fixed income exposure will be kept around existing levels in expectation of further yield compression and currency uplift.

Performance

The NAV total return for the year to 31 December 2017 with net dividends reinvested was 14.7% compared with a return on benchmark of 12.8%. The top five and bottom stock contributors are detailed below:

Top Five Stock Contributors	%*	Bottom Five Stock Contributors	%*
Sociedad Quimica Y Minera de Chile	2.3	Inmarsat	-0.3
Taiwan Semiconductor Manufacturing	1.3	Tenaris	-0.3
Unilever Indonesia	1.0	Swire Pacific	-0.2
Aeroporto del Sureste	0.9	Verizon Communications	-0.2
Daito Trust Construction	0.8	Coca-Cola Amatil	-0.1

* % relates to the percentage contribution to gross NAV return

Attribution Analysis

The attribution analysis below details the various influences on portfolio performance. In summary, of the 3.1% (before expenses) of performance above the benchmark, asset allocation contributed 4.6% and stock selection detracted 1.5%. Structural effects, relating to the fixed income portfolio and gearing, net of borrowing and hedging costs, added a further 0.1% of relative performance.

	Company		Benchmark		Contribution from:		
	Weight	Return	Weight	Return	Asset Allocation	Stock Selection	Total
	%	%	%	%	%	%	%
UK	14.5	13.4	40.0	11.8	0.3	0.3	0.5
Europe ex UK	12.5	8.4	10.4	17.5	-	-1.1	-1.0
North America	17.3	11.1	36.8	11.3	0.1	0.1	0.2
Japan	5.1	18.5	5.8	14.4	-	0.2	0.2
Asia Pacific ex Japan	29.2	14.1	5.4	20.3	2.1	-2.1	0.0
Other International	21.4	30.4	1.6	13.6	2.1	1.1	3.2
Gross equity portfolio return	100.0	15.9	100.0	12.8	4.6	-1.5	3.1
FX instruments, fixed interest, cash and gearing effect		0.1					
Net portfolio return		16.0					
Management fees and administrative		-0.8					
Tax charge		-0.4					
Technical differences		-0.1					
Total Return		**14.7**		**12.8**			

Benchmark is 40% FTSE World UK Index and 60% FTSE World ex UK Index.
Notes to Performance Analysis
Asset Allocation effect – measures the impact of over or underweighting each asset category, relative to the benchmark weights
Stock Selection effect – measures the effect of security selection within each category
Share Issuance – the enhancement to performance of new shares being issued at premium to NAV
Technical differences – the impact of different return calculation methods used for NAV and portfolio performance
Source: Aberdeen Fund Managers Limited & BNP Paribas Securities Services Limited. Figures may appear not to add up due to rounding.

North America

Rarely in America's rich and colourful political past has a new Presidential term promised so much, yet delivered so little. Political inertia plagued an increasingly fractious legislative landscape in which gridlock prevailed. Pre-election growth-inducing commitments failed to materialise as did signature policy pledges over healthcare and employment. Whilst vacuous rhetoric relentlessly raged, domestic consumers and producers confronted harsh realities of dwindling purchasing power, declining housing affordability and intense pressure on corporate margins. The fragility of a debt-dependent economy negotiating its ninth consecutive year of expansion into a rising interest rate environment was clear for all to see, except perhaps for ever-exuberant equity investors.

An overwhelming mood of optimism spurred stock prices higher as momentum investing reigned supreme. The +11.3% rise in Sterling terms over the period was the North American index's seventh double digit return in the past nine years. Against any historical comparison, this was a truly remarkable above average return. Yet again, conservative expectations were exceeded despite evidence of corporate margin erosion and decelerating profit growth. The widely followed Dow Jones Industrial Index and Standard and Poor's 500 Index constantly surpassed historical highs throughout the year as undiscerning investors paid higher and higher prices for sometimes profitless companies. Indeed, during 2017, it was noted that one third of all constituents in the broader Russell 2000 index were not earning any money at all, the highest percentage of non-earners ever recorded in the history of the index. This was a sobering statistic that to many represents the "new normal" but which to us strikes immeasurable caution. So-called profitless prosperity has no place in capital preservation.

It is often asked why Murray International maintains such low exposure to American equities. Widely recognised as the world's most dynamic stockmarket, populated by numerous innovative companies and possessing ample trading liquidity, what is there not to like? The answer is relatively simple. Insensitive to valuation, the majority of US companies prefer to buy back equity rather than pay out rising dividends. Such indiscipline leads to extreme prices being paid to retire stock and financially engineer company balance sheets such that earnings per share significantly outpace underlying profit growth. Is such practice really in the interest of all shareholders, especially in a market of high valuations and low bond yields? Without above average dividends, investment opportunities in America remain severely limited for Murray International. Your Company has selective exposure to higher pay out companies such as the **CME Group**, **Verizon** and **PepsiCo**, but satisfying the investment mandate of capital growth and above average income requires a specific mind-set predominately absent in North American corporate culture.

Against a regional benchmark driven by low-yielding technology stocks, the North American portfolio's return of +11.1% in Sterling terms was only slightly below average, but its contribution to overall diversification and total return was within realistic expectations and was welcomed. The strongest performance came from global technology giant **Intel**, consumer products multinational **Johnson and Johnson** and financial exchange provider **CME Group**.

UK

Squabbling politicians routinely provide the backing soundtrack to international investment, but rarely take centre stage over decision making. Unfortunately the past twelve months witnessed a tangible escalation of political noise in the UK to the point where serious implications might occur. Unperturbed by witnessing a wafer-thin majority divorce of the UK from Europe the year before, Britain was back at the ballot box in June 2017 for yet another ill-timed referendum on public opinion.

A snap general election aimed at bolstering the incumbent government's majority and strengthening its negotiating position to exit the European Union succeeded in achieving the exact opposite. The resultant reduced majority and consequential hung parliament served only to exacerbate perceived loss of authority and increase the influence of unhelpful self-interest. Not surprisingly, such a petulant political backdrop made the tough task of implementing economic policy even more difficult.

Staunch conviction by policymakers, politicians and even the public that UK interest rates would match the upward path of US interest rates essentially crumbled. One quarter point rise in base rates towards the year end, despite retail price inflation accelerating through 4%, demonstrated how paralysed policymakers had become. Historically-low Base Rates have become the metaphorical defibrillator to an economy with a rapidly fading heartbeat. For such an over-indebted economy like the UK it is perfectly rational, albeit incredibly uncomfortable, why policy inactivity must prevail. The important unanswered question is whether such a stance ultimately will. Sadly lacking leadership and with credibility severely compromised through consistent miscalculation of macro-economic conditions, the Bank of England's monetary outlook continues to vacillate. Conscious that onerous debt servicing commitments already condemn consumers to further increase credit just to maintain existing purchasing power, such conditions demand careful policy judgements. Make no mistake, without the ever resilient consumer, the UK economy would already be in recession, a sobering thought given its dismal expansion of just 1.5% in 2017. Fundamental fragilities suggest that scope for improvement over the coming twelve months remains limited.

In local currency terms, the UK equity market matched the economy as being one of the poorest performers amongst developed nations. Arduous dividend pay-out commitments and aggressive competitive pressures have invariably been a feature of UK PLC trading conditions. Exceptionally low portfolio exposure to UK equities has long been based on such unattractive fundamentals. What little market presence is maintained experienced mixed fortunes over the period. **Standard Chartered Bank** and **HSBC** performed strongly, as did mining multinational **BHP Billiton** and global communications operator **Vodafone**. **Royal Dutch Shell** delivered below average returns but it provides strong, asset-backed energy exposure, whilst recently acquired communications company **Inmarsat** struggled against a backdrop of increasing capital investment commitments.

Longer term, the business has intriguing profit and cash flow dynamics, so current exposure will be maintained. Total market exposure is unlikely to rise given ongoing Brexit uncertainty and limited, appropriate, investment opportunities.

Europe

Rising civic tensions, numerous national elections, negative real interest rates and deflationary debt dynamics prevailed throughout Europe over the period. Political passions intensified as ideologically Europe continued to walk the tightrope of populism, but economic progress remained less publically apparent. Deeper scrutiny might accurately conclude that little improvement materialised whatsoever. Increasingly stretched sovereign balance sheets provided no possibility of a fiscal response to years of monetary failure. Most European governments remained hostage to a European Central Bank printing money despite overwhelming evidence that such practice becomes wholly ineffectual after prolonged periods. Declining real incomes condemned Europe to below trend growth, especially for those countries dependant on personal consumption. For an industrial, exporting heavyweight like Germany, such analysis simply doesn't apply but Germany is Europe's exception, not the norm. For the majority, structural divisions between income, wealth and opportunity widened further as did the gulf between profitable and non-profitable enterprise.

A 3% appreciation of the Euro against Sterling over the twelve month period enhanced capital returns but relative performance from European equity exposure struggled to match the regional benchmark. Avoiding European financials due to quality concerns has featured consistently in Murray International's portfolio strategy and will continue to do so. Such positioning accounted for most of the relative underperformance as European Bank stocks temporarily caught investors' imaginations, but there remains no compelling reason for long term investment in this sector. Swedish industrial supplier **Atlas Copco** and Swiss pharmaceutical company **Novartis** provided above average returns, whilst German conglomerate **Bayer** and French energy giant **Total** contributed very little. Overall European exposure, now currently at a twenty year low, is unlikely to change much in the near term as corporate fundamentals relative to stretched valuations remain relatively unattractive. The only material transaction activity in the region over the period was within Fixed Income markets, where two new holdings in Turkish Sovereign Bonds were established

Latin America

The love/hate relationship between international investors and Latin America followed its familiar tempestuous tango over the period as sentiment ebbed and flowed between optimism and pessimism. Mexico remained in the firing line of US protectionist rhetoric yet the tone tangibly softened. Externally induced peso weakness in late 2016 inflicted an expected doubling of inflation from 3% to 6%. In response, Central Bank tightening continued as interest rates were hiked to above 7%. Although credit demand and overall economic activity slowed accordingly, confidence in Mexico's longer term strategic competitive positioning remained solid. Foreign direct investment flowing inwards from Asia scarcely wavered, export demand soared, and prudent policy management witnessed further improvements in both fiscal and current account deficits.

Despite muted benchmark returns from Mexican bonds and equities, portfolio exposure in both asset classes performed well. Positive absolute mid-single digit returns in Sterling terms were recorded from Mexican bonds, with industrial conglomerate **Alfa** and leading energy producer **Pemex** standout performers. Within the equity portfolio, airport operator **Grupo Asur** and consumer products provider **Femsa** continued to prosper. Rapidly developing tourism and a weaker peso proved extremely positive for both companies. Paper producer **Kimberly Clark de Mexico** suffered slightly from reduced domestic demand, but remains well positioned for future growth. Overall Mexican equity exposure returned +12% in Sterling terms over the twelve month period.

Emerging from its longest and deepest recession in history, the Brazilian economy undoubtedly exceeded most modest expectations. Two years ago, with benchmark interest rates at 14% and inflation of 11%, the country's popularity amongst the international investment community reached another nadir. Reluctant to acknowledge improvements throughout 2016 against a backdrop of political impeachment, investors faced economic evidence in 2017 that suggested a nation back on track. Ten consecutive interest rate reductions, accelerating economic growth and welcomed relative currency stability provided support for declines in both benchmark interest rates and inflation to 7% and 3%, respectively, by year end. For the eighth largest economy in the world, such progress is remarkable. If current stability can be maintained, further economic traction can be expected this year.

Portfolio exposure to both Brazilian bonds and equities contributed significantly to capital appreciation and income accrual in 2017, the second consecutive year of significant outperformance. A 10% depreciation of the Brazilian Real against Sterling restrained the overall positive impact, but only marginally. The total return of +22.8% in Sterling terms from Brazilian equities reflected strength across the board. For **Banco Bradesco** (increasing loan growth), **Telefonica** (increasing data traffic), **Wilson Sons** (increasing trade activity) and **Ultrapar** (increasing fuel consumption), strong share price performance reflected anticipation of improving domestic fundamentals. With all companies possessing powerful operating leverage to economic performance, the near-term outlook for earnings and dividend growth remains attractive.

The positive portfolio impact of Chilean lithium producer **Socquimich** and Brazilian global commodity supplier **Vale** also deserves highlighting. Both companies continue to prosper on rising global demand for lithium and higher quality iron ore, respectively. Significant investment into both during darker days in 2014/15 has delivered excellent total returns since, but such rich asset-based businesses offer compelling longer term opportunity. Current portfolio exposure to Latin American equities and bonds offers diversified growth potential and will be maintained around current levels for the foreseeable future.

Japan and Asia

The economic enigma that is Japan disappointed yet again in 2017. The Bank of Japan's eternally optimistic rhetoric constantly contradicted prevailing fundamentals. Artificially maintaining zero interest rates in pursuit of growth and inflation targets proved futile. Policymakers remain as detached from reality as ever, seemingly oblivious to historical evidence which showed Japan's Sovereign debt escalating to historical highs of 250% of GDP through stimulative monetary policies, yet still no closer to vanquishing deflation. The persistence of muted growth, stagnant wages, rapidly declining savings and essentially zero inflation strongly suggests significant structural flaws in the Bank of Japan's strategy. Where this leaves an aging Japanese population experiencing declining living standards as savings and incomes are depleted remains extremely concerning.

With the Yen losing close to a quarter of its value since Prime Minister Abe took office in late 2012, what has been bad for domestic consumption has proven a boon for exports. Such trends continued over the period. For many Japanese exporting companies, corporate profits (and indeed valuations) reached record highs. With some $1 trillion of cash sitting on Japanese company balance sheets, the "affordable" potential for dividends is immense. Unfortunately, the reality of actual dividends remains poor as share buybacks, corporate apathy, aversion and indifference still largely prevail. The portfolio's two-stock Japanese portfolio again delivered in terms of capital and income, with the total exposure up +18.5% in Sterling terms and dividend growth of +23% and +8% from **Daito Trust** and **Japan Tobacco** respectively on a blended 3% yield. Only small and selective exposure will be maintained to Japanese equities.

Parsimonious dividend pay-outs characterised most other Asian markets up until the turn of the millennium, but such criticism is no longer valid. In what proved an extremely eventful period for Asia ex Japan, strong capital gains and above average dividends provided solid portfolio returns of +14.1% in Sterling returns. The region responded predictably to macro-economic orthodoxy, with superior corporate fundamentals providing the platform for corporate profit enhancement. Indonesian exposure proved particularly influential in driving total returns, with a +36.2% total return from equity exposure in consumer goods supplier **Unilever Indonesia** and recently initiated cement producer **Indocement**. Strong dividend growth from both companies was further complemented by domestic sovereign bond exposure, where falling yields supported additional capital gains. Solid 5% growth, controlled 4% inflation and relatively stable currency dynamics, should enable accommodative monetary policy conditions in Indonesia to prevail. Technology exposure in Taiwan exceeded expectations again in terms of capital and income growth, the +8.0% exposure delivering +20.0% total return and **Taiwan Semiconductor** ending 2017 with an envious five year dividend growth record of 18% per annum. Domestic improvements in India included 7% economic growth, declining inflation towards 3% and further interest rate cuts to 6%. Whilst low yielding, expensively valued Indian equities remain unattractive at current levels, portfolio bond exposure continued to contribute positively to overall returns. Other selective exposure in the region worth highlighting include above average contributions from **Overseas Chinese Banking Corporation** in Singapore, public transport operator **MTR** in Hong Kong and **Auckland Airport** in New Zealand. Whilst relatively recent investments in Thailand (**Siam Commercial Bank** and **Tesco Lotus Retail)** detracted from overall capital performance, share price weakness was deemed an opportunity to increase exposure to both, given positive longer term prospects.

No review of Asia would be complete without some reference to China. Despite possessing neither direct bond nor equity exposure within the portfolio, Chinese influence regionally and indeed globally remains of paramount importance. Recent developments surrounding ruthlessly implemented anti-corruption campaigns, tighter monetary policy, supply side reforms, industry consolidation, clean-air initiatives and addressing an unsustainable $18 trillion corporate debt mountain have impressed most external sceptics. With impressively organised professionalism, such measures provide practical solutions to maintain order, control the pace of reforms and avoid chaos. Practical as ever within a Chinese context, such stability and leadership should ultimately positively impact the whole region. Significant exposure to Asian growth will be maintained.

Summary of Investment Changes During the Year

	Valuation 31 December 2017 £'000	%	Appreciation/ (depreciation) £'000	Transactions £'000	Valuation 31 December 2016 £'000	%
Equities						
United Kingdom	214,280	12.0	16,601	(1,703)	199,382	12.2
North America	256,216	14.4	16,438	(9,016)	248,794	15.2
Europe ex UK	168,358	9.4	12,259	(11,830)	167,929	10.3
Japan	75,765	4.3	9,723	–	66,042	4.1
Asia Pacific ex Japan	430,430	24.1	37,464	3,920	389,046	23.8
Latin America	315,531	17.7	58,300	(6,181)	263,412	16.1
Africa	17,926	1.0	1,504	–	16,422	1.0
	1,478,506	82.9	152,289	(24,810)	1,351,027	82.7
Fixed income						
United Kingdom	8,652	0.5	1,461	–	7,191	0.4
Europe ex UK	25,899	1.4	(4,126)	30,025	–	–
Asia Pacific ex Japan	81,450	4.6	(1,929)	3,863	79,516	4.9
Latin America	145,577	8.2	1,951	(18,191)	161,817	9.9
Africa	19,815	1.1	356	117	19,342	1.2
	281,393	15.8	(2,287)	15,814	267,866	16.4
Other net assets	23,965	1.3	9,829	–	14,136	0.9
Total assets[A]	**1,783,864**	**100.0**	**159,831**	**(8,996)**	**1,633,029**	**100.0**

[A] See definition on page 84.

Outlook

Economic predictions are notorious for being wrong. Different schools of thought offer mutually exclusive theories about how the world works. Hardly surprising then that the next five years could be predicted to be anything from glorious to catastrophic. For those disciples of such speculative supposition, the allure of attaching theoretical substantiation is self-evident. Specific theory dictates specific actions. Within the minds of increasingly discredited Central Bankers, theoretical justification has been the constant companion of perfunctory policy and imprudent practice for the past decade. The implicit danger of continuing such a fallacy has never been so acute.

The reality is inescapable. No comparisons from economic history or chapters in economic text books exist that might remotely clarify, demonstrate nor describe the consequences of "normalising" interest rates in a chronically, debt dependent world. Withdrawing monetary stimulus, shrinking sovereign balance sheets, maintaining confidence and re-establishing positive real savings rates whilst simultaneously trying to avoid recession and control inevitable credit quality problems is essentially what is proposed. The likelihood of achieving such an exceptionally tough balancing act is virtually zero. In the real world, the monumental debt overhang means the more the cost of money rises, be it by balance sheet contraction or by interest rate hikes, the more likely credit dependent growth evaporates. Against this backdrop, great scepticism is warranted. Investment focus will continue to emphasise strong company balance sheets and realistic profit expectations, predominately in companies operationally exposed to countries around the world with sustainable, domestic, growth dynamics.

Bruce Stout
Aberdeen Asset Managers Limited
Senior Investment Manager
8 March 2018

Portfolio

The Company maintains a diversified portfolio of investments. At the year end, the Company's portfolio consisted of 50 equity and 27 bond holdings. The Manager is authorised by the Board to hold between 45 and 150 investments in the portfolio.

Standard Chartered PLC is an international banking group operating principally in Asia, Africa and the Middle East that is currently active in 70 countries.

Twenty Largest Investments

As at 31 December 2017

Company	Country	Valuation 2017 £'000	Total assets[A] %	Valuation 2016 £'000
1 (1) Taiwan Semiconductor Manufacturing Taiwan Semiconductor Manufacturing Company is one of the largest integrated circuit manufacturers in the world. The company is involved in component design, wafer manufacturing, assembly, testing and mass production of integrated circuits which are used in the computer, communication and electronics industries.	Taiwan	85,329	4.8	72,720
2 (11) Sociedad Quimica Y Minera De Chile Quimica Y Minera produces and markets specialist fertilizers including potassium nitrate, sodium nitrate and potassium sulfate for the agricultural industry. The company also produces industrial chemicals, iodine and lithium.	Chile	76,805	4.3	40,533
3 (2) Aeroporto del Sureste ADS Grupo Aeroporto del Sureste operates airports in Mexico. The company holds long-term concessions to manage airports in leading tourist resorts such as Cancun and Cozumel, plus cities such as Oaxaca, Veracruz and Merida.	Mexico	74,107	4.1	69,869
4 (3) British American Tobacco[B] 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.	UK & Malaysia	66,935	3.7	68,068
5 (5) Unilever Indonesia Unilever Indonesia, a majority owned subsidiary of Unilever NV, manufactures soaps, detergents, margarine, oil and cosmetics. The company also produces dairy based foods, ice cream and tea beverages.	Indonesia	60,588	3.4	55,937
6 (7) Daito Trust Construction Daito Trust Construction operates building construction and property leasing businesses. The Company plans and constructs private apartments and commercial buildings mainly for land owners throughout Japan. Daito Trust also provides brokerage and maintenance services.	Japan	60,294	3.4	48,723
7 (4) Philip Morris International Spun out from the Altria Group in 2008, Philip Morris International is one of the world's leading global tobacco companies. It manufactures and sells leading recognisable brands such as Marlboro, Parliament and Virginia Slims.	USA	54,670	3.1	57,765
8 (6) Taiwan Mobile Taiwan Mobile is the leading provider of cellular telecommunications services in Taiwan. Although predominantly a wireless network operator, the company also sells and leases cellular telephony equipment.	Taiwan	53,160	3.0	54,578
9 (15) Vale do Rio Doce[C] Vale is one of the world's largest, fully-integrated, natural resources companies. Based in Brazil, the company produces iron-ore, manganese, alloys, gold, nickel, copper, aluminium, potash and numerous other minerals. In addition to its mining assets, Vale also owns and operates railways and maritime terminals.	Brazil & USA	43,993	2.5	33,429
10 (9) Total Total is a fully integrated international energy company involved in exploration, production, refining, transportation and marketing of oil and natural gas. The company also operates a chemical division which produces polypropylene, polyethylene, polystyrene, rubber, paint, ink, adhesives and resins.	France	40,875	2.3	41,519
Top ten investments		**616,756**	**34.6**	

[A] See definition on page 84.

[B] Holding comprises UK and Malaysia securities split £50,180,000 (2016 – £49,450,000) and £16,755,000 (2016 – £18,618,000).

[C] Holding comprises equity and fixed income securities split £24,071,000 (2016 – £15,892,000) and £19,922,000 (2016 – £17,537,000).

Company		Country	Valuation 2017 £'000	Total assets[A] %	Valuation 2016 £'000
11 (10)	**Telus**				
Telus is a telecommunications company providing a variety of communication products and services. The company provides voice, data, internet and wireless services to businesses and consumers throughout Canada.		Canada	39,302	2.2	41,191
12 (8)	**Verizon Communications**				
Verizon Communications is an integrated telecommunications company based in New York that provides wire line voice and data services, wireless services, internet services and published directory information. The Company also provides network services for the Federal Government.		USA	39,194	2.2	45,628
13 (12)	**Singapore Telecommunications**				
Singapore Telecommunications is a communications company providing a diverse range of communications services including fixed-line telephony, mobile, data, internet, satellite and pay television. The company operates throughout the Asia Pacific region.		Singapore	37,835	2.1	38,742
14 (13)	**Roche Holdings**				
Roche Holdings develops and manufactures pharmaceutical and diagnostic products. The company produces prescription drugs in the areas of cardiovascular, respiratory diseases, dermatology, metabolic disorders, oncology and organ transplantation.		Switzerland	37,384	2.1	37,043
15 (17)	**CME Group**				
Based in Chicago, Illinois, CME Group operates a derivatives exchange that trades futures contracts and options, interest rates, stock indexes, foreign exchange and commodities. The exchange brings together buyers and sellers of derivatives products on its trading floor, electronic trading platform and through privately negotiated transactions.		USA	34,556	1.9	29,872
16 (16)	**Royal Dutch Shell**				
Royal Dutch Shell, through numerous international subsidiaries and global partnerships, explores for and produces oil, gas and petroleum products. In addition to producing fuels, chemicals and lubricants, the company owns and operates petrol filling stations worldwide.		UK	34,116	1.9	32,014
17 (14)	**Banco Bradesco**				
Banco Bradesco is one of Brazil's leading banks. In addition to attracting deposits and making loans, the bank offers a full range of commercial banking services, including personal credit, mortgages, lease financing, mutual funds, securities brokerage and internet banking services. Bradesco also offers credit cards, insurance and pension funds.		Brazil	31,036	1.8	36,044
18 (-)	**HSBC**				
HSBC Group is one of the worlds' largest banking and financial services institutions. The Company's international network comprises of more than 5000 offices in 80 countries worldwide. The diversity of HSBC's business and exposure to faster growing regions of the world should enable it to deliver superior long-term growth.		UK	29,142	1.6	26,933
19 (18)	**Pepsico**				
Pepsico operates worldwide beverage, snack and food businesses. The Company manufactures or uses contract manufacturers, markets and sells a variety of grain-based snacks, carbonated and non-carbonated beverages and various food products. Pepsico is a global company with operations in numerous countries throughout the world.		USA	26,597	1.5	29,648
20 (-)	**Public Bank**				
Public Bank provides a broad range of banking and financial services which include leasing, stock and futures broking, financing for purchase of licensed public vehicles, and various other financial services. The group's overseas operations outside Malaysia include branches in growth markets in Hong Kong, Sri Lanka, Laos, Cambodia and Vietnam.		Malaysia	26,544	1.5	27,393
Top twenty investments			**952,462**	**53.4**	

[A] See definition on page 84.

The value of the 20 largest investments represents 53.4% (2016 – 54.4%) of total assets. The figures in brackets denote the position at the previous year end. (-) denotes not previously in 20 largest investments.

Other Investments

As at 31 December 2017

Company	Country	Valuation 2017 £'000	Total assets[A] %	Valuation 2016 £'000
Standard Chartered	UK	26,078	1.5	22,183
Telefonica Brasil	Brazil	24,869	1.4	24,562
BHP Billiton	Australia	24,360	1.4	20,904
Intel Corp	USA	23,896	1.3	–
Indocement Tunggal Prakarsa	Indonesia	23,810	1.3	–
Atlas Copco	Sweden	21,270	1.2	16,670
Vodafone Group	UK	21,150	1.2	13,990
Johnson & Johnson	USA	20,675	1.2	27,979
Oversea-Chinese Bank	Singapore	20,560	1.1	14,990
Auckland International Airport	New Zealand	20,409	1.1	17,550
Top thirty investments		**1,179,539**	**66.1**	
Siam Commercial Bank	Thailand	20,347	1.1	20,611
Kimberly Clark de Mexico	Mexico	20,275	1.1	24,936
Republic of South Africa 7% 28/02/31	South Africa	19,815	1.1	19,342
MTR	Hong Kong	19,468	1.1	17,685
Novartis	Switzerland	18,741	1.1	17,701
Fomento Economico Mexicano	Mexico	18,048	1.0	24,667
Casino	France	17,953	1.0	15,566
MTN	South Africa	17,926	1.0	16,422
Nutrien (formerly Potash Corporation of Saskatchewan)	Canada	17,326	1.0	16,711
Weir Group	UK	16,984	1.0	15,120
Top forty investments		**1,366,422**	**76.6**	
Ultrapar Participacoes	Brazil	16,803	0.9	–
Tenaris ADR	Mexico	16,481	0.9	27,538
Bayer	Germany	16,117	0.9	14,760
Swire Pacific 'B'	Hong Kong	16,019	0.9	22,112
Engie	France	16,017	0.9	13,036
Republic of Indonesia 6.125% 15/05/28	Indonesia	15,884	0.9	15,229
Tesco Lotus Retail Growth	Thailand	15,697	0.9	11,526
Japan Tobacco	Japan	15,471	0.9	17,319
Petroleos Mexicanos 6.75% 21/09/47	Mexico	15,433	0.9	15,292
Republic of Indonesia 7.0% 15/05/22	Indonesia	14,721	0.8	15,230
Top fifty investments		**1,525,065**	**85.5**	
Coca-Cola Amatil	Australia	13,908	0.8	16,584
Federal Republic of Brazil 10% 01/01/23	Brazil	13,522	0.8	14,018
United Mexican States 5.75% 05/03/26	Mexico	13,375	0.7	–
Wilson & Sons	Brazil	13,037	0.7	11,223
Republic of Turkey 9.0% 24/07/24	Turkey	12,985	0.7	–
Republic of Turkey 8.0% 12/03/25	Turkey	12,915	0.7	–
Republic of Uruguay 5.1% 18/06/50	Uruguay	12,858	0.7	11,426
Republic of Dominican 6.85% 27/01/45	Dominican Republic	12,468	0.7	11,487
Inmarsat	UK	12,270	0.7	18,788
Republic of Indonesia 8.375% 15/03/34	Indonesia	12,129	0.7	12,080

Company	Country	Valuation 2017 £'000	Total assets[A] %	Valuation 2016 £'000
Top sixty investments		**1,654,532**	**92.7**	
Alfa 6.875% 25/03/44	Mexico	11,125	0.6	11,018
America Movil Sab De 6.45% 05/12/22	Mexico	10,446	0.6	10,712
Republic of Ecuador 7.95% 20/06/24	Ecuador	10,211	0.6	–
Federal Republic of Brazil 10% 01/01/21	Brazil	9,167	0.5	9,562
Federal Republic of Brazil 10% 01/01/25	Brazil	8,889	0.5	9,226
HDFC Bank 7.95% 21/09/26	India	8,653	0.5	–
Power Finance Corp 7.63% 14/08/26	India	8,362	0.5	–
Petroleos Mexicanos 5.5% 27/06/44	Mexico	8,161	0.5	8,082
Housing Dev Finance Corp 8.43% 04/03/25	India	5,909	0.3	6,219
Power Finance Corp 8.2% 10/03/25	India	5,815	0.3	6,296
Top seventy investments		**1,741,270**	**97.6**	
Republic of Indonesia 10% 15/02/28	Indonesia	5,067	0.3	5,086
Republic of Indonesia 9.5% 15/07/23	Indonesia	4,910	0.3	5,037
Santander 10.375% Non Cum Pref	UK	4,410	0.3	3,565
General Accident 7.875% Cum Irred Pref	UK	4,242	0.2	3,626
Total investments		**1,759,899**	**98.7**	
Net current assets[A]		**23,965**	**1.3**	
Total assets[B]		**1,783,864**	**100.0**	

[A] Excluding bank loans.
[B] See definition on page 84.

Summary of Net Assets

	Valuation 31 December 2017 £'000	%	Valuation 31 December 2016 £'000	%
Equities	1,478,506	92.5	1,351,027	93.3
Fixed income	281,393	17.6	267,866	18.5
Other net assets	23,965	1.5	14,136	1.0
Prior charges[A]	(184,735)	(11.6)	(18,150)	(12.8)
Equity shareholders' funds	**1,599,129**	**100.0**	**1,447,879**	**100.0**

[A] See definition on page 84.

Sector/Geographical Analysis

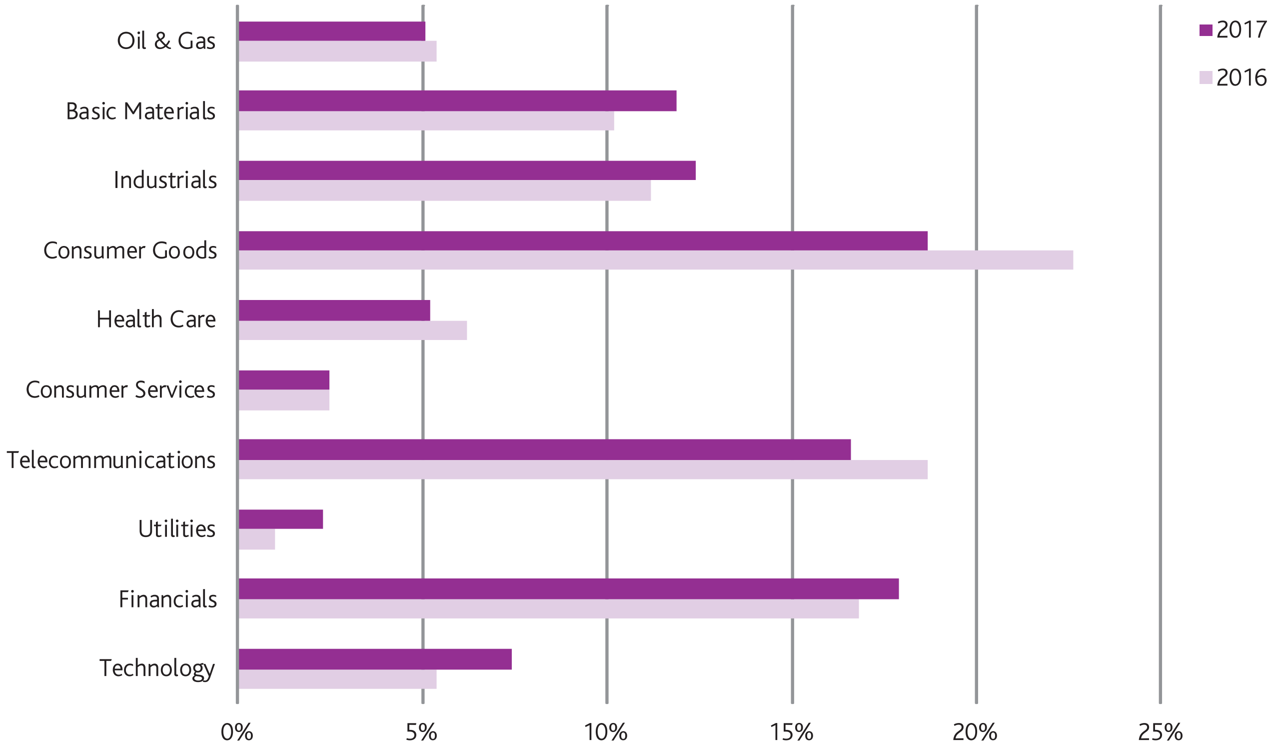
As at 31 December 2017

Distribution of Investments

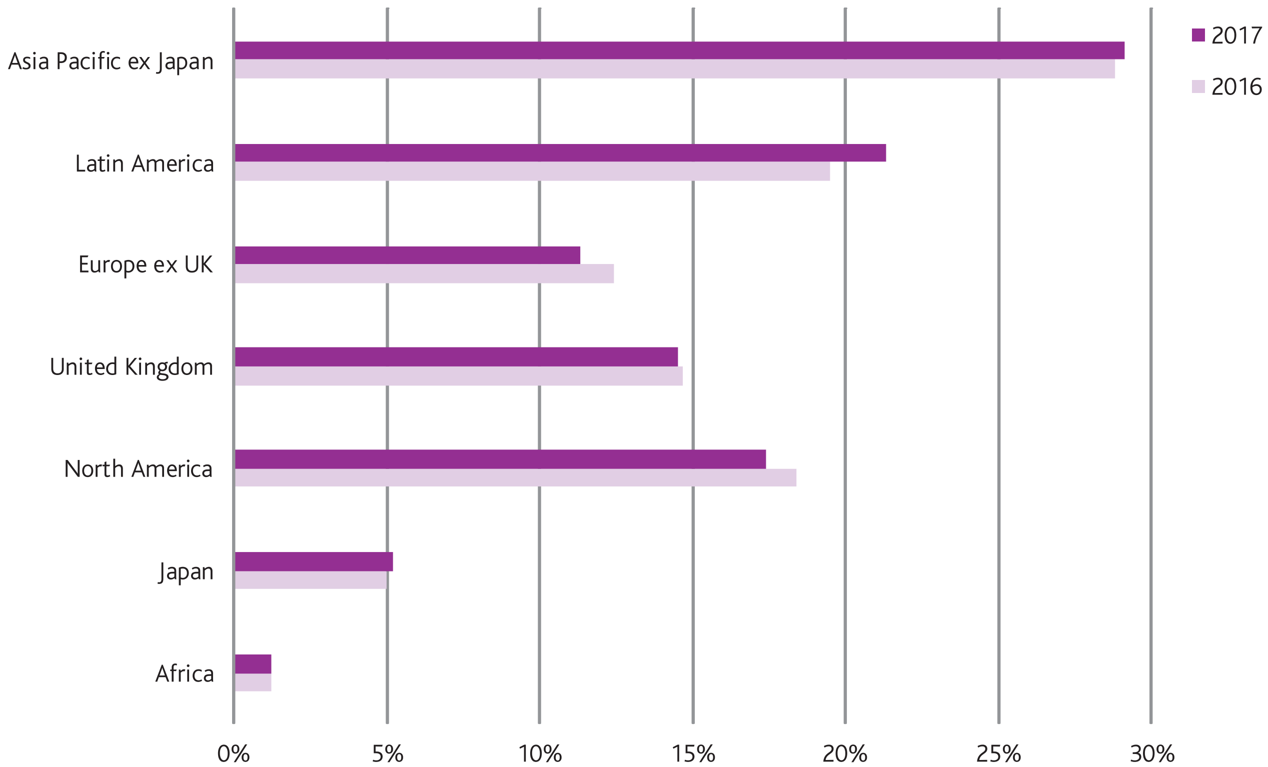
Sector/Area	United Kingdom %	North America %	Europe ex UK %	Japan %	Asia Pacific ex Japan %	Latin America %	Africa %	2017 Total %	2016 Total %
Oil & Gas	**1.9**	**–**	**2.3**	**–**	**–**	**–**	**–**	**4.2**	**4.5**
Oil & Gas Producers	1.9	–	2.3	–	–	–	–	4.2	4.5
Basic Materials	**1.4**	**1.0**	**0.9**	**–**	**–**	**6.6**	**–**	**9.9**	**8.4**
Chemicals	–	1.0	0.9	–	–	4.3	–	6.2	4.4
Industrial Metals & Mining	–	–	–	–	–	2.3	–	2.3	1.7
Mining	1.4	–	–	–	–	–	–	1.4	2.3
Industrials	**0.9**	**–**	**1.2**	**–**	**3.3**	**4.9**	**–**	**10.3**	**9.3**
Construction & Materials	–	–	–	–	1.3	–	–	1.3	–
General Industrials	–	–	–	–	0.9	–	–	0.9	1.4
Industrial Engineering	0.9	–	1.2	–	–	–	–	2.1	1.9
Industrial Transportation	–	–	–	–	1.1	4.9	–	6.0	6.0
Consumer Goods	**2.8**	**4.6**	**–**	**0.9**	**5.1**	**2.1**	**–**	**15.5**	**18.7**
Beverages	–	1.5	–	–	0.8	1.0	–	3.3	4.3
Food Producers	–	–	–	–	–	–	–	–	0.7
Personal Goods	–	–	–	–	3.4	1.1	–	4.5	4.9
Tobacco	2.8	3.1	–	0.9	0.9	–	–	7.7	8.8
Health Care	**–**	**1.2**	**3.1**	**–**	**–**	**–**	**–**	**4.3**	**5.1**
Pharmaceuticals & Biotechnology	–	1.2	3.1	–	–	–	–	4.3	5.1
Consumer Services	**–**	**–**	**1.0**	**–**	**1.1**	**–**	**–**	**2.1**	**2.1**
Food & Drug Retailers	–	–	1.0	–	–	–	–	1.0	1.0
Travel & Leisure	–	–	–	–	1.1	–	–	1.1	1.1
Telecommunications	**1.9**	**4.4**	**–**	**–**	**5.1**	**1.4**	**1.0**	**13.8**	**15.5**
Fixed Line Telecommunications	–	4.4	–	–	–	1.4	–	5.8	6.8
Mobile Telecommunications	1.9	–	–	–	5.1	–	1.0	8.0	8.7
Utilities	**–**	**–**	**0.9**	**–**	**–**	**1.0**	**–**	**1.9**	**0.8**
Gas Water & Multiutilities	–	–	0.9	–	–	1.0	–	1.9	0.8
Financials	**3.1**	**1.9**	**–**	**3.4**	**4.7**	**1.7**	**–**	**14.8**	**13.8**
Banks	3.1	–	–	–	3.8	1.7	–	8.6	8.3
Financial Services	–	1.9	–	–	–	–	–	1.9	1.8
Real Estate Investment & Services	–	–	–	3.4	–	–	–	3.4	3.0
Real Estate Investment Trusts	–	–	–	–	0.9	–	–	0.9	0.7
Technology	**–**	**1.3**	**–**	**–**	**4.8**	**–**	**–**	**6.1**	**4.5**
Technology Hardware & Equipment	–	1.3	–	–	4.8	–	–	6.1	4.5
Total equities	**12.0**	**14.4**	**9.4**	**4.3**	**24.1**	**17.7**	**1.0**	**82.9**	**82.7**
Fixed income	**0.5**	**–**	**1.4**	**–**	**4.6**	**8.2**	**1.1**	**15.8**	**16.4**
Total investments	**12.5**	**14.4**	**10.8**	**4.3**	**28.7**	**25.9**	**2.1**	**98.7**	**99.1**
Other net current assets								1.3	0.9
Total assets[A]								**100.0**	**100.0**

[A] See definition on page 84.

Total Equities Distribution by Sector



Total Equities Distribution by Geographic Region



Taiwan Semiconductor Manufacturing Company is one of the largest integrated circuit manufacturers in the world.

Governance

The Company is committed to high standards of corporate governance and applies the principles identified in the UK Corporate Governance Code and the AIC Code of Corporate Governance.

All Directors are considered by the Board to be independent of the Company and the Manager and free of any material relationship with the Manager.

Your Board of Directors

The Directors, all of whom are non-executive and independent of the Manager, supervise the management of Murray International Trust PLC and represent the interests of shareholders.

Kevin Carter

Status: Chairman and Independent Non-Executive Director

Relevant experience and other directorships: He was previously Managing Director and Head of EMEA Pension Advisory Group at JP Morgan Securities. Prior to that Dr Carter was Head of the European Investment Consulting Practice at Watson Wyatt and formerly CEO of Old Mutual Asset Managers in both the UK and the US. He is a trustee director of the Universities Superannuation Scheme and chairman of its investment committee and performs the same roles for the BBC Pension Scheme. He is also a director of Lowland Investment Company plc, JPMorgan American Investment Trust PLC and Aspect Capital Limited.

Length of Service: He was appointed a Director on 23 April 2009

Last re-elected to the Board: 25 April 2017

Committee member: Management Engagement Committee (Chairman) and Nomination Committee (Chairman)

Employment by the Manager: None

Other connections with Trust or Manager: None

Shared Directorships with any other Trust Directors: None

Shareholding in Company: 30,000 Ordinary shares

James Best

Status: Senior Independent Non-Executive Director

Relevant experience and other directorships: He is a Partner of Arkios Limited in London and was formerly Chairman of Kalahari Energy, a Botswana company active in alternative fuel. He has worked in New York, London and Singapore as a banker, most notably with UBS, HSBC and earlier with Credit Suisse.

Length of Service: He was appointed a Director on 30 June 2005

Last re-elected to the Board: 25 April 2017

Committee member: Audit Committee, 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: 52,500 Ordinary shares

Marcia Campbell

Status: Independent Non-Executive Director

Relevant experience and other directorships: She was operations director at Ignis Asset Management having previously been group operations director and CEO Asia Pacific at Standard Life. She is Chairman of Woodford Investment Management's Oversight Board, a director of CNP Assurances in France, Charles Stanley Group PLC, Sainsbury's Bank, Canada Life Group and Canada Life International and is a member of the independent governance committee for Aviva UK and ROI.

Length of Service: She was appointed a Director on 27 April 2012

Last re-elected to the Board: 25 April 2017

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: 17,174 Ordinary shares

Peter Dunscombe

Status: Independent Non-Executive Director

Relevant experience and other directorships: He was previously head of pensions investment at the BBC Pension Trust and prior to that he was joint managing director at Imperial Investments Limited. He is a member of the investment committees of Reed Elsevier Pension Fund, The Nuffield Foundation and St James's Place plc and a director of HgCapital Trust Plc and GCP Student Living plc.

Length of Service: He was appointed a Director on 29 April 2011

Last re-elected to the Board: 25 April 2017

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: None

Shareholding in Company: 3,850 Ordinary shares

Your Board of Directors continued

David Hardie

Status: Independent Non-Executive Director

Relevant experience and other directorships: He is a corporate lawyer by background and was formerly a partner of UK law firm, Dundas & Wilson (now part of CMS Cameron McKenna), where he was a partner for over 30 years and where he previously held various positions including head of corporate, managing partner and chairman. David is also a non-executive chairman of W N Lindsay Limited.

Length of Service: He was appointed a Director on 1 May 2014

Last re-elected to the Board: 25 April 2017

Committee member: Audit Committee, 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: 12,981 Ordinary shares

Alexandra Mackesy

Status: Independent Non-Executive Director

Relevant experience and other directorships: She is a former investment equity research analyst by background having spent the majority of her executive career in Asia. She is a non executive director of The Scottish Oriental Smaller Companies Trust Plc and Schroder Asian Total Return Investment Co Plc and a former director of RENN Universal Growth Investment Trust Plc and Empiric Student Property Plc.

Length of Service: She was appointed a Director on 1 May 2016

Last re-elected to the Board: 25 April 2017

Committee member: Audit Committee, 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: nil

Directors' Report

The Directors present their report and the audited financial statements for the year ended 31 December 2017.

Results and Dividends

Details of the Company's results and proposed dividends are shown on pages 12 and 2 of this Report.

Investment Trust Status

The Company is registered as a public limited company (registered in Scotland No. SC006705) and has been accepted by HM Revenue & Customs as an investment trust subject to the Company continuing to meet the relevant eligibility conditions of Section 1158 of the Corporation Tax Act 2010 and the ongoing requirements of Part 2 Chapter 3 Statutory Instrument 2011/2999 for all financial years commencing on or after 1 January 2012. The Directors are of the opinion that the Company has conducted its affairs for the year ended 31 December 2017 so as to enable it to comply with the ongoing requirements for investment trust status.

Individual Savings Accounts

The Company has conducted its affairs so as to satisfy the requirements as a qualifying security for Individual Savings Accounts. The Directors intend that the Company will continue to conduct its affairs in this manner.

Capital Structure

The Company's capital structure is summarised in note 14 to the financial statements. At 31 December 2017, there were 127,785,880 fully paid Ordinary shares of 25p each (2016 – 127,484,238 Ordinary shares) in issue. At the year end there were an additional 764,196 Ordinary shares held in Treasury (2016 – 1,065,838).

Share Issuance and Buybacks

During the year 301,642 Ordinary shares were sold from Treasury all at a premium to the prevailing NAV per share (2016 – 155,625); no Ordinary shares were purchased in the market for Treasury or cancellation (2016 – 1,221,463 shares purchased for Treasury).

Redemption of Debenture

On 22 December 2017 (the "Redemption Date"), the Company redeemed all of the outstanding Debenture Stock at par together with a 1 per cent. premium thereon and accrued interest up to 31 December 2017 and the listing of the Debenture Stock was cancelled with effect from 27 December 2017.

Share Rights

Ordinary shareholders are entitled to vote on all resolutions which are proposed at general meetings of the Company. The Ordinary shares carry a right to receive dividends and on a winding up, after meeting the liabilities of the Company, the surplus assets will be paid to Ordinary shareholders in proportion to their shareholdings.

Borrowings

On 31 May 2017, the Company agreed a new £60 million loan facility with The Royal Bank of Scotland plc ("RBS") which was drawn in full and fixed for five years at an all-in rate of 1.714%. The new facility was used to repay a maturing £60 million loan with RBS. In May 2018 a further £60m loan with RBS is due to mature and the Directors are in the process of reviewing options to replace that facility.

Management and Secretarial Arrangements

The Company has appointed Aberdeen Fund Managers Limited ("AFML"), a wholly owned subsidiary of Standard Life Aberdeen PLC, as its alternative investment fund manager under the terms of an investment management agreement dated 14 July 2014. Under the terms of the agreement, the Company's portfolio is managed by Aberdeen Asset Managers ("AAM") by way of a group delegation agreement in place between AFML and AAM. Investment management services are provided to the Company by AFML. Company secretarial, accounting and administrative services have been delegated by AFML to Aberdeen Asset Management PLC.

With effect from 1 January 2016, the Board and the Manager agreed a new basis for calculating the Company's management fees payable to AFML. The performance fee has been discontinued and the annual management fee is now charged on net assets (ie excluding borrowings for investment purposes), averaged over the six previous quarters ("Net Assets"), on a tiered basis. The annual management fee is now charged at 0.575% of Net Assets up to £1,200 million, 0.5% of Net Assets between £1,200 million and £1,400 million, and 0.425% of Net Assets above £1,400 million. Included in the charge of 0.575% above is a secretarial fee of £100,000 per annum which is chargeable 100% to revenue. A fee of 1.5% per annum remains chargeable on the value of any unlisted investments. The investment management fee is chargeable 30% against revenue and 70% against realised capital reserves. No fees are charged in the case of investments managed or advised by the Standard Life Aberdeen Group. The management agreement may be terminated by either party on the expiry of six months' written notice. On termination, the Manager would be entitled to receive fees which would otherwise have been due up to that date. These changes to the management fee arrangements constituted a smaller related party transaction for the purpose of LR 11.1.10 R of the Financial Conduct Authority's Listing Rules.

Directors' Report continued

Prior to 1 January 2016, the management and secretarial fees payable to AFML had been calculated and charged on the basis 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, together with a performance fee. Included in the charge of 0.5% above there was a secretarial fee of £100,000 per annum and in addition, the Manager was entitled to a performance fee.

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 Standard Life Aberdeen Group has the investment management, secretarial, promotional and administrative skills and expertise required for the effective operation of the Company.

The Board

The Board currently consists of six non-executive Directors. The names and biographies of the current Directors are disclosed on pages 30 to 32 indicating their range of experience as well as length of service.

Mr Best has indicated that he intends to retire from the Board at the AGM to be held on 26 April 2018 and will not be seeking re-election. The other Directors will retire at the AGM in April 2018 and each Director will stand for re-election. The Board considers that there is a balance of skills and experience within the Board relevant to the leadership and direction of the Company and that all the Directors contribute effectively. Mr Dunscombe will become Senior Independent Director following Mr Best's retirement at the AGM in April 2018.

In common with most investment trusts, the Company has no employees. Directors' & Officers' liability insurance cover has been maintained throughout the year at the expense of the Company. The Company's Articles of Association provide an indemnity to the Directors out of the assets of the Company against any liability incurred in defending proceedings or in connection with any application to the Court in which relief is granted.

Management of Conflicts of Interest

No Director has a service contract with the Company although Directors are issued with letters of appointment upon appointment. The Directors' interests in contractual arrangements with the Company are as shown in note 20 to the financial statements. No Directors had any other interest in contracts with the Company during the period or subsequently.

The Board has a procedure in place to deal with a situation where a Director has a conflict of interest, as required by the Companies Act 2006. As part of this process, the Directors are required to disclose other positions held and all other conflict situations that may need to be authorised either in relation to the Director concerned or his or her connected persons. The Board considers each Director's situation and decides whether to approve any conflict, taking into consideration what is in the best interests of the Company and whether the Director's ability to act in accordance with their wider duties is affected. Each Director is required to notify the Company Secretary of any potential or actual conflict situations that will need authorising by the Board. Authorisations given by the Board are reviewed at each Board meeting.

The Company has a policy of conducting its business in an honest and ethical manner. The Company takes a zero tolerance approach to bribery and corruption and has procedures in place that are proportionate to the Company's circumstances to prevent them. The Manager also adopts a group-wide zero tolerance approach and has its own detailed policy and procedures in place to prevent bribery and corruption. Copies of the Manager's anti-bribery and corruption policies are available on its website.

In relation to the corporate offence of failing to prevent tax evasion, it is the Company's policy to conduct all business in an honest and ethical manner. The Company takes a zero-tolerance approach to facilitation of tax evasion whether under UK law or under the law of any foreign country and is committed to acting professionally, fairly and with integrity in all its business dealings and relationships.

Substantial Interests

The Board has been advised that the following shareholders owned 3% or more of the issued Ordinary share capital of the Company at 31 December 2017:

Shareholder	No. of Ordinary shares held	% held
Aberdeen Retail Plans [A]	9,839,152	7.7
Speirs & Jeffrey	9,482,372	7.4
Hargreaves Lansdown [A]	7,306,076	5.7
Alliance Trust Savings [A]	6,733,358	5.3
Investec Wealth & Management	6,436,572	5.0
Charles Stanley	6,143,725	4.8
Rathbones	5,710,734	4.5
Brewin Dolphin	4,767,806	3.7
Smith & Williamson Wealth Management	4,465,715	3.5

[A] Non-beneficial interests

There have been no significant changes notified in respect of the above holdings between 31 December 2017 and 8 March 2018.

Corporate Governance

The Company is committed to high standards of corporate governance. The Board is accountable to the Company's shareholders for good governance and, as required by the Listing Rules of the UK Listing Authority, has applied the principles identified in the UK Corporate Governance Code (published in April 2016) for the year ended 31 December 2017. The UK Corporate Governance Code is available on the Financial Reporting Council's website: **frc.org.uk**.

The Board has considered the principles and recommendations of the AIC Code of Corporate Governance (AIC Code) by reference to the AIC Corporate Governance Guide for Investment Companies (AIC Guide). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Corporate Governance Code, as well as setting out additional principles and recommendations on issues which are of specific relevance to the Company. Both the AIC Code and the AIC Guide are available on the AIC's website: **theaic.co.uk**.

The Company has complied throughout the accounting period with the relevant provisions contained within the AIC Code and the relevant provisions of the UK Corporate Governance Code except as set out below.

The UK Corporate Governance Code includes provisions relating to:

- the role of the chief executive (A.1.2);
- executive directors' remuneration (D.2.1 and D.2.2);
- and the need for an internal audit function (C.3.5).

For the reasons set out in the AIC Code, and as explained in the UK Corporate Governance Code, the Board considers that these provisions are not relevant to the position of the Company, being an externally-managed investment company. In particular, all of the Company's day-to-day management and administrative functions are outsourced to third parties. As a result, the Company has no executive directors, employees or internal operations. The Company has therefore not reported further in respect of these provisions. The full text of the Company's Corporate Governance Statement can be found on the Company's website, **murray-intl.co.uk**.

Directors have attended Board and Committee meetings during the year ended 31 December 2017 as follows (with their eligibility to attend the relevant meeting in brackets):

	Board	Other Board	Nom Com	Audit Com	MEC/ Rem
K J Carter [A]	6 (6)	2 (2)	1 (1)	n/a	2 (2)
J D Best	6 (6)	1 (2)	1 (1)	3 (3)	2 (2)
M Campbell	6 (6)	2 (2)	1 (1)	3 (3)	2 (2)
P W Dunscombe	6 (6)	1 (2)	1 (1)	3 (3)	2 (2)
D Hardie	6 (6)	2 (2)	1 (1)	3 (3)	2 (2)
A Mackesy	6 (6)	2 (2)	1 (1)	3 (3)	2 (2)

[A] Dr Carter is not a member of either the Audit Committee or the Remuneration Committee but attended all Committee meetings by invitation

Board Committees

Terms of Reference

The terms of reference of all the Board Committees may be found on the Company's website **murray-intl.co.uk** and copies are available from the Company Secretary upon request. The terms of reference are reviewed and re-assessed by the Board for their adequacy on an annual basis.

Audit Committee

The Report of the Audit Committee is on pages 43 to 45 of this Annual Report.

Management Engagement Committee (MEC)

The MEC comprises all of the Directors. Dr Carter is the Chairman. The Committee reviews the performance of the Manager and its compliance with the terms of the management and secretarial agreement. The terms and conditions of the Manager's appointment, including an evaluation of fees, are reviewed by the Committee on an annual basis. The Committee believes that the continuing appointment of the Manager on the terms that have been agreed is in the interests of shareholders as a whole.

Nomination Committee

All appointments to the Board of Directors are considered by the Nomination Committee which comprises the entire Board and is chaired by Dr Carter. The Board's overriding priority in appointing new Directors to the Board is to identify the candidate with the best range of skills and experience to complement existing Directors. The Board also recognises the benefits of diversity and its policy on diversity is referred to in the Strategic Report on page 11. When Board positions become available as a result of retirement or resignation, the Company ensures that a diverse group of candidates is considered.

The Committee has put in place the necessary procedures to conduct, on an annual basis, an appraisal of the Chairman of the Board, Directors' individual self evaluation and a performance evaluation of the Board as a whole. The appraisal process concluded that the Board has a good balance of experience and knowledge of investment markets and continues to work in a collegiate and effective manner.

An external evaluation was last undertaken in 2015 by Stephenson & Co. an independent external board evaluation service provider that does not have any other connections with the Company.

The Board's policy on tenure is that Directors need not serve on the Board for a limited period of time only. The Board does not consider that the length of service of a Director is as important as the contribution he or she has to make, and therefore the length of service will be determined on a case-by-case basis.

In accordance with Principle 3 of the AIC's Code of Corporate Governance which recommends that the directors of FTSE 350 companies should be subject to annual re-election by shareholders, with the exception of Mr Best, all the members of the Board will retire at the forthcoming Annual General Meeting and will offer themselves for re-election. In conjunction with the evaluation feedback, the Committee has reviewed each of the proposed reappointments and concluded that each of the Directors has the requisite high level and range of business and financial experience and recommends their re-election at the forthcoming AGM.

Remuneration Committee

The level of fees payable to Directors is considered by the Remuneration Committee which comprises the entire Board excluding Dr Carter and which is chaired by Mr Dunscombe.

The Company's remuneration policy is to set remuneration at a level to attract individuals of a calibre appropriate to the Company's future development. Further information on remuneration is disclosed in the Directors' Remuneration Report on pages 40 to 42.

Going Concern

The Directors have undertaken a robust review of the Company's viability (refer to statement on page 10) and ability to continue as a going concern. The Company's assets consist of a diverse portfolio of listed equity shares and bonds. The equities and a majority of the bond portfolio are, in most circumstances, realisable within a very short timescale.

The Company has a £60 million loan facility with RBS which is due to mature in May 2018. The Directors are currently reviewing options to replace the facility. However, at this stage it is too early to confirm that the facility will be renewed. If acceptable terms are available from the existing bankers, or any alternative, the Company expects to continue to access a similarly sized facility. However, should the Board decide not to replace the facility any maturing debt would be repaid through the proceeds of equity and/or bond sales.

The Directors are mindful of the principal risks and uncertainties disclosed on page 10 and have reviewed forecasts detailing revenue and liabilities. The Directors believe that the Company has adequate financial resources to continue its operational existence for the foreseeable future and at least 12 months from the date of this Annual Report. Accordingly, the Directors continue to adopt the going concern basis in preparing these financial statements.

Accountability and Audit

Each Director confirms that, so far as he or she is aware, there is no relevant audit information of which the Company's auditor is unaware, and he or she has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Independent Auditor

Ernst & Young LLP ("EY") has expressed its willingness to continue in office and a Resolution to re-appoint EY as the Company's auditor will be put to the forthcoming Annual General Meeting, along with a separate Resolution to authorise the Directors to fix the auditor's remuneration. Details of fees relating to non-audit services and the auditor's tenure are disclosed on page 44.

Internal Controls and Risk Management

Details of the financial risk management policies and objectives relative to the use of financial instruments by the Company are set out in note 17 to the financial statements. The Board of Directors is ultimately responsible for the Company's system of internal control and for reviewing its effectiveness. Following the Financial Reporting Council's publication of "Guidance on Risk Management, Internal Controls and Related Financial and Business Reporting" (the "FRC Guidance"), the Directors confirm that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. This process has been in place for the full year under review and up to the date of approval of the financial statements, and this process is regularly reviewed by the Board and accords with the relevant sections of the FRC Guidance.

The design, implementation and maintenance of controls and procedures to safeguard the assets of the Company and to manage its affairs properly extends to operational and compliance controls and risk management. The Board has prepared its own risk register which identifies potential risks relating to strategy, investment management, shareholders, marketing, gearing, regulatory and financial obligations, third party service providers and the Board. The Board considers the potential cause and possible impact of these risks as well as reviewing the controls in place to mitigate these potential risks. A risk is rated by having a likelihood and an impact rating and the residual risk is plotted on a "heat map" and is reviewed at least twice a year.

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 AFML 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 AFML's 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 FRC Guidance and includes financial, regulatory, market, operational and reputational risk. This helps the Manager's internal audit risk assessment model to identify those functions for review. Any relevant weaknesses identified through internal audit's review are reported to the Board and timetables are agreed for implementing improvements to systems, processes and controls. The implementation of any remedial action required is monitored and feedback provided to the Board.

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 Manager prepares forecasts and management accounts which allow the Board to assess the Company's activities and review its investment performance;
- the Board and Manager have agreed clearly defined investment criteria;
- there are specified levels of authority and exposure limits. Reports on these issues, including performance statistics and investment valuations, are regularly submitted to the Board. The Manager's investment process and financial analysis of the companies concerned include detailed appraisal and due diligence;
- as a matter of course the internal audit and compliance departments of AFML continually review the Manager's operations;
- written agreements are in place which specifically define the roles and responsibilities of the Manager and other third party service providers and monitoring reports are received from these providers when required;
- the Board has considered the need for an internal audit function but, because of the compliance and internal control systems in place at the Manager, has decided to place reliance on the Manager's systems and internal audit procedures; 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 have been delegated to external professional organisations. The Board meets annually with representatives from BNY Mellon and reviews a control report covering the activities of the depositary and custodian.

Representatives from the Internal Audit Department of the Manager report six monthly to the Audit Committee of the Company and have direct access to the Directors at any time.

The Board has reviewed the effectiveness of the Manager's system of internal control including its annual internal controls report prepared in accordance with the International Auditing and Assurance Standards Board's International Standard on Assurances Engagements ("ISAE") 3402, "Assurance Reports on Controls at a Service Organisation". The Board has also reviewed Aberdeen's process for identifying and evaluating the significant risks faced by the Company and the policies and procedures by which these risks are managed. 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.

Discount Management Policy and Special Business at Annual General Meeting

Issue of Shares

In terms of the Companies Act 2006 (the "Act"), the Directors may not allot shares unless so authorised by the shareholders. Resolution 11 in the Notice of Annual General Meeting which will be proposed as an Ordinary Resolution will, if passed, give the Directors the necessary authority to allot shares up to an aggregate nominal amount of £3,195,397 (equivalent to 12,781,588 Ordinary shares or 10% of the Company's existing issued share capital at 8 March 2018, 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 on 30 June 2019, 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 561 of the 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. Special Resolution 12 will, if passed, also give the Directors power to allot for cash equity securities up to an aggregate nominal amount of £3,195,397 (equivalent to 12,781,588 Ordinary shares or 10% of the Company's existing issued share capital at 8 March 2018, the latest practicable date prior to the publication of this Annual Report), as if Section 561 of the 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 11. This authority will also expire on the date of the 2019 Annual General Meeting or on 30 June 2019, 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 11 and 12 to allot shares and disapply pre-emption rights only in circumstances where this will be clearly beneficial to shareholders as a whole. Accordingly, issues will only be made where shares can be issued at a premium of 0.5% or more to NAV and there will never be any dilution for existing shareholders. The issue proceeds will 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. Resolution 12 will also disapply pre-emption rights on the sale of Treasury shares as envisaged above. Once again, the pre-emption rights would only be disapplied where the Treasury shares are sold at a premium to NAV of not less than 0.5%.

Share Buybacks

At the Annual General Meeting held on 25 April 2017, 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 last Annual General Meeting. The principal aim of a share buyback facility is to enhance shareholder value by acquiring shares at a discount to NAV, as and when the Directors consider this to be appropriate. The purchase of shares, when they are trading at a discount to NAV per share, should result in an increase in the NAV 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 NAV 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 be more than the higher of (i) an amount equal to 105% of the average of the middle market quotations for a share taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the share is purchased; and (ii) the higher of the last independent trade and the current highest independent bid on the trading venue where the purchase is carried out. The minimum price which may be paid is 25p per share.

It is currently proposed that any purchase of shares by the Company will be made from the 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.

Special Resolution 13 will permit the Company to buy back shares and any shares bought back by the Company may be cancelled or held as Treasury shares. The benefit of the ability to hold Treasury shares is that such shares may be resold. This should give the Company greater flexibility in managing its share capital and improve liquidity in its shares. The Company would only sell on Treasury shares at a premium to NAV. 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. If the Directors believe that there is no likelihood of re-selling shares bought back, such shares would be cancelled.

Special Resolution 13 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 at the date of the Annual General Meeting (amounting to 19,159,600 Ordinary shares as at 8 March 2018). Such authority will expire on the date of the 2019 Annual General Meeting or on 30 June 2019, 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.

Recommendation

The Directors consider that the authorities granted above are in the best interests of the shareholders taken as a whole and recommend that all shareholders vote in favour of the resolutions, as the Directors intend to in respect of their own beneficial holdings of Ordinary shares amounting in aggregate to 116,505 shares, representing approximately

0.1% of the Company's issued share capital as at 8 March 2018.

The UK Stewardship Code and Proxy Voting

Responsibility for actively monitoring the activities of portfolio companies has been delegated by the Board to the AIFM which has sub-delegated that authority to the Manager.

The full text of the Company's response to the Stewardship Code may be found on the Company's website.

Relations with Shareholders

The Directors place a great deal of importance on communication with shareholders. The Annual Report is widely distributed to other parties who have an interest in the Company's performance. Shareholders and investors may obtain up to date information on the Company through the Manager's freephone information service and the Company's website (**murray-intl.co.uk**). The Company responds to letters from shareholders on a wide range of issues.

The Board's policy is to communicate directly with shareholders and their representative bodies without the involvement of the Standard Life Aberdeen Group (either the Company Secretary or the Manager) in situations where direct communication is required and usually a representative from the Board meets with major shareholders on an annual basis in order to gauge their views.

Responsible Investment

The Board is aware of its duty to act in the interests of the Company. The Board acknowledges that there are risks associated with investment in companies which fail to conduct business in a socially responsible manner. The Manager considers social, environmental and ethical factors which may affect the performance or value of the Company's investments. The Directors, through the Company's Manager, encourage companies in which investments are made to adhere to best practice in the areas of Environmental, Social and Corporate Governance stewardship. They believe that this can best be achieved by entering into a dialogue with company management to encourage them, where necessary, to improve their policies in this area.

By order of the Board of Murray International Trust PLC

Aberdeen Asset Management PLC
Secretary
40 Princes Street,
Edinburgh EH2 2BY

8 March 2018

Directors' Remuneration Report

The Board has prepared this report in accordance with the regulations governing the disclosure and approval of Directors' remuneration.

Remuneration Committee

As recommended by the AIC Code, a Remuneration Committee has been established with written terms of reference, copies of which are available upon request from the Company Secretary and on the Company's website. The Remuneration Committee comprises the whole Board, excluding Dr Carter, and I, Peter Dunscombe, am the Chairman.

This Remuneration Report comprises three parts:

(i) **Remuneration Policy**, which is subject to a binding shareholder vote every three years (or sooner if varied during this interval) – most recently approved at the 25 April 2017 Annual General Meeting;
(ii) **Implementation Report** which provides information on how the Remuneration Policy has been applied during the year and which is subject to an advisory vote on the level of remuneration paid during the year; and,
(iii) **Annual Statement,** of compliance with regulations.

The law requires the Company's auditor to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The auditor's opinion is included in the report on pages 47 to 52.

Remuneration Policy

This part of the Remuneration Report provides details of the Company's Remuneration Policy for Directors of the Company. This policy takes into consideration the principles of UK Corporate Governance and the AIC's recommendations regarding the application of those principles to investment companies. The Company has six independent non-executive Directors.

There have been no changes to the policy during the period of this Report nor are there any proposals for change in the foreseeable future. No shareholder views were sought in setting the remuneration policy although any comments received from shareholders are considered.

The Directors are non-executive and their fees are set within the limits of the Company's Articles of Association which limit the aggregate fees payable to the Board of Directors per annum to £225,000. The level of cap may be increased by shareholder resolution from time to time. Subject to this overall limit, the Board's policy is that the remuneration of non-executive Directors should reflect the nature of their duties, responsibilities and the value of their time spent and be fair and comparable to that of other investment trusts that are similar in size, have a similar capital structure and have a similar investment objective.

Fees are reviewed annually and, if considered appropriate, increased accordingly.

	31 December 2017 £	31 December 2016 £
Chairman	45,000	42,000
Chairman of Audit Committee	32,000	30,000
Director	26,000	24,000
Senior Independent Director	Extra 3,000	Extra 2,000

Terms of Appointment

- The Company intends only to appoint non-executive Directors.
- All the Directors are non-executive appointed under the terms of Letters of Appointment.
- Directors must retire and be subject to re-election at the first AGM after their appointment, and at least every three years thereafter. Currently the whole Board submits for annual re-election in line with best practice.
- New appointments to the Board will be placed on the fee applicable to all Directors at the time of appointment (£26,000 for the year to 31 December 2017).
- No incentive or introductory fees will be paid to encourage a Directorship.
- The Directors are not eligible for bonuses, pension benefits, share options, long term incentive schemes or other benefits.
- Directors are entitled to re-imbursement of out-of-pocket expenses incurred in connection with the performance of their duties, including travel expenses.
- The Company's Articles indemnify the Directors for all costs, charges, losses, expenses and liabilities which may be incurred in the discharge of duties, as a Director of the Company.

Performance, Service Contracts, Compensation and Loss of Office

- The Directors' remuneration is not subject to any performance related fee.
- No Director has a service contract.
- No Director was interested in contracts with the Company during the period or subsequently.
- The terms of appointment provide that a Director may be removed without notice.
- Compensation will not be due upon leaving office.
- No Director is entitled to any other monetary payment or any assets of the Company.

Directors' & Officers' liability insurance cover is maintained by the Company on behalf of the Directors. The Company's Articles of Association provide an indemnity to the Directors out of the assets of the Company against any liability incurred in defending proceedings or in connection with any application to the Court in which relief is granted.
The Remuneration Policy was approved by shareholders at the AGM on 25 April 2017.

Implementation Report

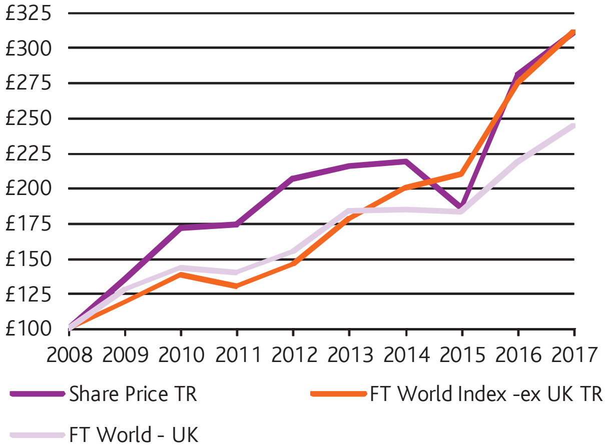
Directors' Fees Increase

The Board carried out a review of the level of Directors' fees during the year encompassing a review of fees payable to directors of peer group companies and concluded that no changes to the amounts payable to Directors would be made for the year ending 31 December 2018. There are no further fees to disclose as the Company has no employees, Chief Executive or Executive Directors. The Directors' fees were last increased in December 2016, with effect from 1 January 2017. Prior to that the Directors' fees were last increased in December 2015, with effect from 1 January 2016.

Company Performance

During the year the Board also carried out a review of investment performance. The graph below compares the total return (assuming all dividends are reinvested) to Ordinary shareholders, assuming a notional investment of £100 into the Company on 31 December 2008, 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 Index and 60% FTSE World ex-UK Index) and are the benchmarks used for investment performance measurement purposes by most of the Company's peer group.

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



Statement of Voting at General Meeting

At the Company's last AGM, held on 25 April 2017, shareholders approved the Directors' Remuneration Report (other than the Directors' Remuneration Policy) in respect of the year ended 31 December 2016 and the Directors' Remuneration Policy and the following proxy votes were received on the resolutions:

Resolution	For* %	Against %	Withheld %
(2) Receive and Adopt Directors' Remuneration Report	31.1m (99.3%)	225,587 (0.7%)	125,240
(3) Approve Directors' Remuneration Policy	31.0m (99.1%)	265,403 (0.9%)	132,150

* Including discretionary votes

Spend on Pay

As the Company has no employees, the Directors do not consider that it is relevant to present a table comparing remuneration paid to employees with distributions to shareholders. The total fees paid to Directors are shown below.

Fees Payable (Audited)

The Directors who served in the year received the following fees which exclude employers' National Insurance:

Director	2017 £	2016 £
K J Carter	45,000	42,000
M Campbell	32,000	30,000
J D Best	29,000	25,361
P W Dunscombe	26,000	24,000
D Hardie	26,000	24,000
A Mackesy [A]	26,000	16,000
Lady Balfour of Burleigh [B]	n/a	8,378
Total	**184,000**	**169,739**

[A] Appointed to the Board on 1 May 2016
[B] Retired from Board on 26 April 2016

Fees are pro-rated where a change takes place during a financial year. There were no payments to third parties from the fees referred to in the table above.

Directors' Interests in the Company (Audited)

The Directors are not required to have a shareholding in the Company. The Directors (including connected persons) at 31 December 2016 and 31 December 2015 had no interest in the share capital of the Company other than those interests, all of which are beneficial interests, shown in the following table.

Directors' Remuneration Report continued

	31 December 2017 Ordinary 25p	31 December 2016 [C] Ordinary 25p
K J Carter	30,000	30,000
M Campbell	17,174	5,726
J D Best	52,500	52,500
P W Dunscombe	3,850	3,850
D Hardie	12,866	10,771
A Mackesy [A]	-	-
Lady Balfour of Burleigh [B]	n/a	1,300

[A] Appointed to the Board on 1 May 2016
[B] Retired from Board on 26 April 2016
[C] Or date of appointment/retirement where applicable

Subsequent to the period end Mr Hardie's beneficial holding increased to 12,981 Ordinary shares following the acquisition of 115 Ordinary shares by way of dividend reinvestment on 20 February 2018. With the exception of these further disclosures, the Directors' holdings were unchanged at 8 March 2018, being the nearest practicable date prior to the signing of this Annual Report.

Annual Statement

On behalf of the Board and in accordance with Part 2 of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, I, Peter Dunscombe, Chairman of the Remuneration Committee, confirm that the Report on Remuneration Policy and the Remuneration Implementation Report summarises, as applicable, for the year to 31 December 2017:

- the major decisions on Directors' remuneration;
- any substantial changes relating to Directors' remuneration made during the year; and
- the context in which the changes occurred and decisions have been taken.

The Directors' Remuneration Report was approved by the Board of Directors on 8 March 2018 and signed on its behalf by:

Peter Dunscombe
Director
8 March 2018

Report of the Audit Committee

The Audit Committee has prepared this report in compliance with the September 2014 Competition and Markets Authority Order.

Audit Committee

As recommended by the AIC Code, an Audit Committee has been established with written terms of reference, copies of which are available upon request from the Company Secretary and on the Company's website. The Audit Committee comprises the whole Board (excluding Dr Carter) and I, Marcia Campbell, am the Chairman. The members of the Audit Committee are each independent and free from any relationship that would interfere with our impartial judgement in carrying out our responsibilities. We have satisfied ourselves that at least one of the Committee's members has recent and relevant financial experience. We met three times during the year.

The terms of reference of the Audit Committee are reviewed and re-assessed for their adequacy on an annual basis. In accordance with those terms of reference:

- we review and monitor the internal control systems and risk management systems including review of non financial risks and the Manager's policy on information security (cyber risk) on which the Company is reliant. The Directors' statement on the Company's internal controls and risk management is set out in the Directors' Report;
- we consider whether there is a need for the Company to have its own internal audit function (refer to Directors' Report);
- we monitor the integrity of the half yearly and annual financial statements of the Company by reviewing, and challenging where necessary, the actions and judgements of the Manager;
- we review, and report to the Board on, the significant financial reporting issues and judgements made in connection with the preparation of the Company's financial statements, interim reports, announcements and related formal statements;
- we review the content of the Annual Report and financial statements and make recommendations to the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy;
- we meet with the auditor to review the proposed audit programme of work and the findings of the auditor. The Directors also use this as an opportunity to assess the effectiveness of the audit process;
- we also meet in private with the auditor, without any representatives of the Manager being present, and we meet in private with a representative from the Manager's internal audit department;
- we develop and implement policy on the engagement of the auditor to supply non-audit services. Non-audit fees of £12,000 (2016 £9,000) paid to the auditor during the year under review were for (i) taxation services including one-off claims for withholding tax repayments in respect of work conducted between 2011 and 2016; and, (ii) services in connection with the electronic filing of tax returns.
- we review a statement from the Manager detailing the arrangements in place within the Standard Life Aberdeen Group whereby staff may, in confidence, escalate concerns about possible improprieties in matters of financial reporting or other matters;
- we make recommendations in relation to the appointment of the auditor and to approve the remuneration and terms of engagement of the auditor; and
- we monitor and review the auditor's independence, objectivity, effectiveness, resources and qualification.

Details of attendance at the Audit Committee meetings are shown in the Directors' Report.

The Board has received a report from EY, its auditor, which notes that EY has policies and procedures in place that instil professional values as part of its firm's culture and ensure that the highest standards of objectivity and independence and integrity are maintained.

The extent of non audit services that can be provided by EY is now very limited. The Audit Committee has reviewed and approved the level of non-audit services provided by the independent auditor during the year, together with the independent auditor's procedures in connection with the provision of such services, and remains satisfied that the auditor's objectivity and independence is being safeguarded. The Committee has approved the on-going supply by EY of services in connection with the electronic filing of tax returns and will continue to review and approve all future non audit services. The level of non audit fees payable by the Company is not material in any way for EY and the Audit Committee confirms its belief that EY is independent in accordance with the UK Corporate Governance Code. From 1 January 2017, following the implementation of the European Audit Regulation Directive, EY has no longer been able to provide any significant non audit services to the Company and Deloitte has been retained to provide local tax compliance work to the company.

Significant Risks

During our review of the Company's financial statements for the year ended 31 December 2017, we considered the following significant issues:

Valuation, Existence and Ownership of Investments

Mitigation – The Board reviews monthly management accounts that include a full breakdown of the portfolio valuation. The valuation of investments is undertaken in accordance with the accounting policies, disclosed in notes 2(a) and 2(c) to the financial statements on page 58. All investments are quoted and can be verified against daily market prices. 84% of investments are considered to be liquid and are therefore categorised as Level 1 in accordance with the FRS 102 fair value hierarchy. 16% of investments are considered to be subject to some risk of illiquidity and are therefore categorised as Level 2 within the FRS 102 fair value hierarchy. The portfolio is reviewed and verified by the Manager on a regular basis and management accounts including a full portfolio listing are prepared each month and circulated to the Board. BNY Mellon has been appointed as custodian and depositary to safeguard the assets of the Company. The depositary checks the consistency and accuracy of its records on a monthly basis and reports its findings to AFML. Separately, the investment portfolio is reconciled regularly by the Manager.

Correct Calculation of Management Fees

Mitigation - The management fees are calculated by the Manager and reviewed annually by the Board and auditor.

Recognition of Investment Income

Mitigation - The recognition of investment income is undertaken in accordance with accounting policy note 2(b) to the financial statements on page 58. Special dividends are allocated to the capital or revenue accounts according to the nature of the payment and the intention of the underlying company. The Manager provides monthly internal control reports to the Board which are reviewed together with monthly revenue forecasts and dividend schedules.

Review of Auditor and EU Audit Reforms

We have reviewed the effectiveness of the auditor including:

- **independence** - the Auditor discusses with the Audit Committee, at least annually, the steps it takes to ensure its independence and objectivity and makes the Committee aware of any potential issues, explaining all relevant safeguards;
- **quality of audit work including the ability to resolve issues in a timely manner** - identified issues are satisfactorily and promptly resolved; its communications/presentation of outputs - the explanation of the audit plan, any deviations from it and the subsequent audit findings are comprehensive and comprehensible; and working relationship with management - the auditor has a constructive working relationship with the Board, the Committee and the Manager; and
- **quality of people and service including continuity and succession plans** - the audit team is made up of sufficient, suitably experienced staff with provision made for knowledge of the investment company sector and retention or rotation of the partner.

EY, and predecessor firms, have held office as auditor since the incorporation of the Company in 1907. In accordance with present professional guidelines the Senior Statutory Auditor is rotated after no more than five years and the year ended 31 December 2017 will be the first year for which the present Senior Statutory Auditor has served. The Committee considers EY, the Company's auditor, to be independent of the Company. The Audit Committee arranged, in 2013, a tender for the Company's external audit and invited EY to participate, alongside a number of other audit firms of varying size. Following the tender, the Audit Committee recommended to the Board that the reappointment of EY as auditor be put to shareholders for approval at the AGM and shareholders approved the reappointment of EY as auditor at the AGM in April 2014. Under EU regulations, EY are required to rotate as auditor no later than the completion of the audit in respect of the year ending 31 December 2020 and, accordingly, the Board expects to hold the next tender for external audit services in 2019 at the latest.

The Committee considers EY, the Company's auditor, to be independent of the Company and therefore has recommended to the Board that the reappointment of EY be put to shareholders for approval at the AGM.

Financial Reporting Council's (FRC) Review of EY's Audit of the 31 December 2016 Annual Report

The FRC is the UK's independent regulator responsible for promoting high quality corporate governance and reporting to foster investment. Its responsibilities include independent monitoring of audits of listed and certain other public interest entities performed by firms registered to conduct audits in the UK by a Recognised Supervisory Body (further details are set out on the FRC's website). This monitoring is performed by the FRC's Audit Quality Review ('AQR') team. The reviews of individual audit engagements are intended to contribute to safeguarding and promoting improvement in the overall quality of auditing in the UK.

The FRC's AQR team has completed a review of EY's audit of the Company's Annual Report and financial statements for the year ended 31 December 2016. The resultant report to the Audit Committee set out the scope of the review, the principal findings and the actions which EY has indicated it will take in response. The FRC review covered selected aspects of the audit only and focused on identifying areas where improvements are required. It was not designed, nor would it be possible for any such review, to identify all weaknesses which may exist in the audit approach, inappropriate audit judgments or failures to follow the requirements or underlying principles of professional standards or the firm's audit methodology. It therefore cannot be relied upon for this purpose.

Scope of the Review

The FRC reviewed the audit work performed by EY in the following areas:

- Investment income;
- Investments including gains/losses; and
- The entity’s use of a service organisation.

The audit work within the scope of the FRC’s review was assessed as requiring limited improvements relating to the testing of controls operated at a service organisation and unrealised gains on investments. The FRC had no issues to report relating to the other areas reviewed.

The Audit Committee has noted EY's response to the FRC review and has liaised with EY during the audit of this Annual Report and is satisfied that EY has addressed the limited matters raised by the FRC's review in their planning report for the 2017 audit.

For and on behalf of the Audit Committee

Marcia Campbell
Audit Committee Chairman
8 March 2018

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and 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 2006. 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.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Statement of Corporate Governance that comply with that law and those regulations.

The financial statements are published on **murray-intl.co.uk** which is a website maintained by the Company's Manager. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the Directors confirms that to the best of his or her knowledge:

- the financial statements, prepared in accordance with the applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Company;
- the Strategic Report and Directors' Report include a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that the Company faces; and
- that in the opinion of the Board, the Annual Report and Financial Statements taken as a whole, is fair, balanced and understandable and it provides the information necessary to assess the Company's performance, business model and strategy.

For Murray International Trust PLC

Kevin Carter
Chairman
8 March 2018

Independent Auditor's Report to the Members of Murray International Trust PLC

Opinion

We have audited the financial statements of Murray International Trust Plc for the year ended 31 December 2017 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and the related notes 1 to 21, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:
- give a true and fair view of the Company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs(UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures as set out on pages 9 and 10 in the annual report that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation as set out on page 9 in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the Directors' statement as set out on page 36 in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the Directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation set out on pages 10 and 11 in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Independent Auditor's Report to the Members of Murray International Trust PLC continued

Overview of our audit approach

Key audit matters	• Incomplete or inaccurate income recognition through failure to recognise proper income entitlements or apply appropriate accounting treatment. • Incorrect valuation and existence of the investment portfolio.
Materiality	• Materiality of £16.0m which represents 1% of total shareholders' funds of the Company (2016: £14.5m).

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Incomplete or inaccurate income recognition through failure to recognise proper income entitlements or apply appropriate accounting treatment (as described on page 44 in the Report of the Audit Committee). The investment income receivable by the Company during the period directly drives the Company's ability to make a dividend payment to shareholders. The investment income receivable for the year to 31 December 2017 was £56.5m from dividends and £23.0m from fixed interest instrument (2016: £56.3m and £20.8m respectively) (as disclosed in Note 3 to the financial statements). Special dividends by their nature require the exercise of judgement as to whether the income receivable should be classified as 'revenue' or 'capital'. During the year, the Company received four special dividends (2016; eight), with an aggregate value of £2.2m (2016: £2.2m). Three of these special dividends were treated as revenue and one as capital. There is also a risk that inappropriate journal entries	We have performed the following procedures: We agreed a sample of dividends and fixed interest receipts to the corresponding announcement made by the investee company and agreed cash received to bank statements. We recalculated a sample of fixed interest receipts based on coupon details from an independent source and agreed cash received to bank statements. Also, we agreed, on a sample basis, investee company dividend announcements and coupon details from an independent source to the income recorded by the Company. We have recalculated, on a sample basis, the effective interest rate on fixed interest income. For all dividends accrued at year end, we reviewed the investee company announcements to assess whether the dividend obligation arose prior to 31 December 2017. Also, for all fixed interest accrued at year end, we recalculated the expected amounts based on coupon details from an independent source to assess whether the fixed interest was due as at 31 December 2017.	The results of our procedures are: We noted no issues in agreeing the sample of dividend and fixed interest receipts to an independent source, recalculating these amounts and agreeing them to the bank statements. We noted no issues in agreeing the sample of investee company announcements and coupon details to the income entitlements recorded by the Company and we are satisfied that in each case, the dividend obligation arose prior to 31 December 2017. We noted no issues in our recalculation of the effective interest rate on fixed interest income. We noted no issues in recalculating the accrued dividends and fixed interest receipts, and confirming the income obligation arose prior to 31 December 2017.

applied to the income account could result in a misstatement of income.	We reviewed the income report for material dividends and checked a sample of dividends against an independent source to determine if any were special. We also reviewed the acquisitions and disposals report for any potential special dividends treated as capital to assess if any should be treated as revenue. We reviewed the accounting treatment of all the special dividends identified. We agreed, on a sample basis, income journal entries on the journal download for the year back to the income report and the details from the income report to the corresponding announcement made by the investee company and coupon details from an independent source. We reviewed the Company's accounting policies with respect to revenue recognition including special dividends to ensure that these have been applied as stated throughout the year and are in line with FRS 102 and the AIC SORP.	We noted no issues in reviewing the accounting treatment of the special dividends identified. We noted no issues in agreeing the sample of income journal entries back to the income report and details to an independent source. We noted no issues with the application of the Company's accounting policies with respect to revenue recognition including special dividends, and ensured compliance with FRS 102 and the AIC SORP.
Incorrect valuation and existence of the investment portfolio (as described on page 43 in the Report of the Audit Committee). The valuation of the portfolio at 31 December 2017 was £1,759.9m (2016: £1,618.9m), consisting of £1,478.5m of equities (2016: £1,351.0m) and £281.4m of fixed income (2016: £267.9m). The valuation of the assets held in the investment portfolio is the key driver of the Company's net asset value and total return. Incorrect asset pricing or a failure to maintain proper legal title of the assets held by the Company could have a significant impact on the portfolio valuation and, therefore, the return generated for shareholders	We performed the following procedures: For all investments in the portfolio, we agreed the market values and exchange rates applied to an independent source. We agreed the Company's investments to the independent confirmations received from the Company's Custodian and Depositary as at 31 December 2017. We reviewed the Company's investment portfolio to confirm the correct application of the Company's accounting policy, FRS102 and the AIC SORP with respect to valuation.	The results of our procedures are: For all investments, we noted no material differences in market value or exchange rates when compared to an independent source. We noted no differences between the Custodian and Depositary confirmations and the Company's underlying financial records. We noted no issues with the application of the Company's accounting policy with respect to valuation, or compliance with FRS 102 and the AIC SORP.

Independent Auditor's Report to the Members of Murray International Trust PLC continued

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Company to be £16.0m (2016: £14.5m) which is 1% (2016: 1%) of shareholders' funds of the Company. We believe that net assets of the Company provides us the basis for setting materiality since it is the key measurement basis for the Company's performance.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 75% (2016: 75%) of our planning materiality, namely £12.0m (2016: £10.9m). We have set performance materiality at this percentage due to our past experience of the audit that indicates a lower risk of misstatements, both corrected and uncorrected.

Given the importance of the distinction between revenue and capital for the Company we also applied a separate testing threshold of £3.7m (2016: £3.6m) for the revenue column of the Income Statement being 5% of profit before tax.

Reporting threshold

An amount below which identified misstatements are considered to be clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.8m (2016: £0.7m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report as set out on pages 1 to 46 and 78 to 90, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable (set out on page 43) –** the statement given by the Directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting (set out on page 43) –** the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code (set out on page 35) –** the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.
- In our opinion, based on the work undertaken in the course of the audit:
  - the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
  - the strategic Report and the directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires use to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 46, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Independent Auditor's Report to the Members of Murray International Trust PLC continued

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor' s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit, in respect to fraud, are: to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are the Companies Act 2006, the Listing Rules, the UK Corporate Governance Code and section 1158 of the Corporation Tax Act 2010.
- We understood how the Company is complying with those frameworks through discussions with the Audit Committee and Company Secretary and review of the Company's documented policies and procedures.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements. We identified a fraud risk with respect to incomplete or inaccurate revenue recognition relating to the allocation of special dividends. Further discussion of our approach is set out in the section on key audit matters above.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of the reporting to the Directors with respect to the application of the documented policies and procedures and review of the financial statements to ensure compliance with the reporting requirements of the Company.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters we are required to address

- We were appointed by the company in 1907 to audit the financial statements for the year ending 31 December 1907 and subsequent financial periods.

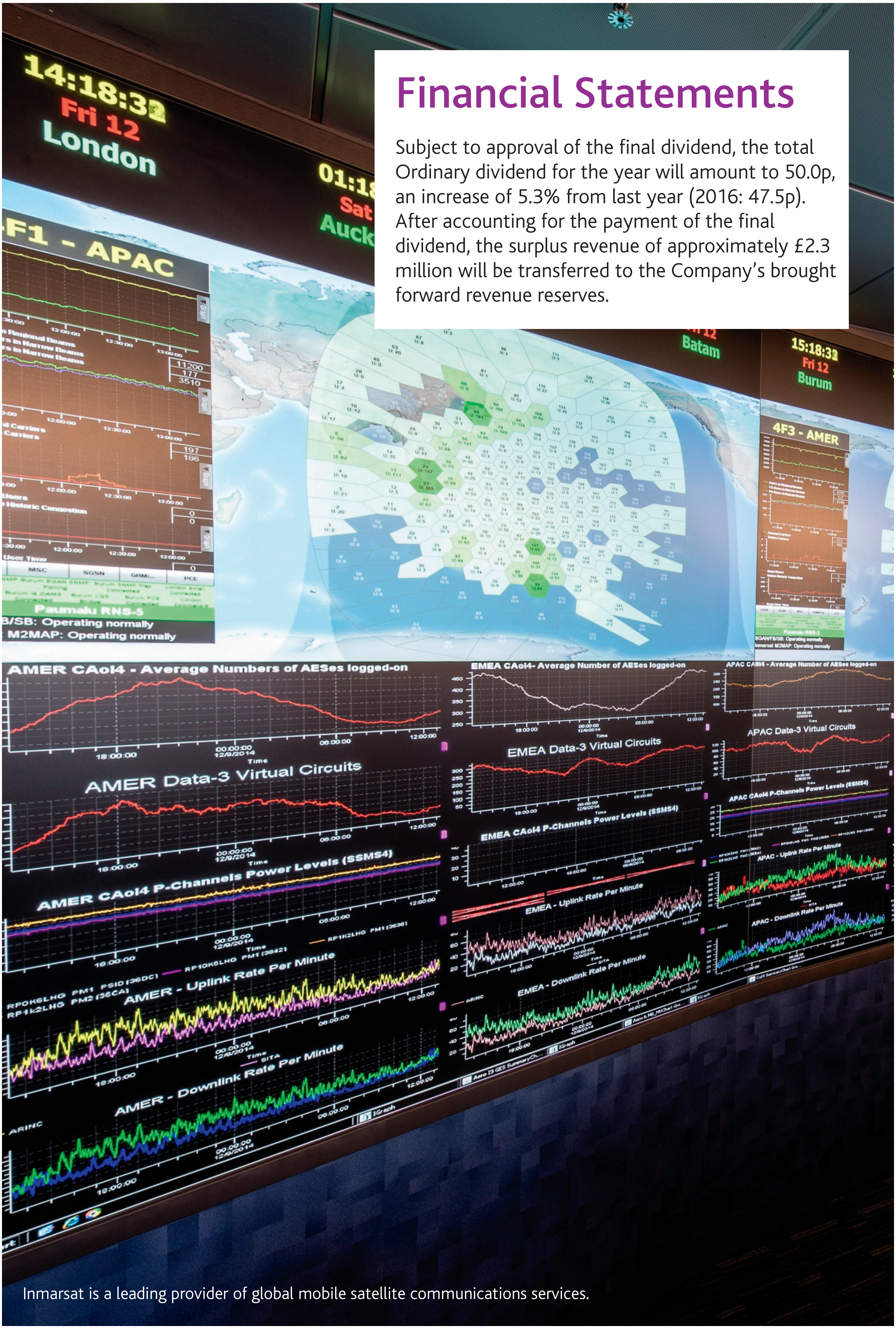
The period of total uninterrupted engagement including previous renewals and reappointments is 110 years, covering the years ending 31 December 1907 to 31 December 2017.

- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting the audit.
- The audit opinion is consistent with the additional report to the audit committee.

Matthew Price (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
London
8 March 2018

Financial Statements

Subject to approval of the final dividend, the total Ordinary dividend for the year will amount to 50.0p, an increase of 5.3% from last year (2016: 47.5p). After accounting for the payment of the final dividend, the surplus revenue of approximately £2.3 million will be transferred to the Company's brought forward revenue reserves.



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Statement of Comprehensive Income

		Year ended 31 December 2017			Year ended 31 December 2016		
		Revenue	Capital	Total	Revenue	Capital	Total
	Notes	£'000	£'000	£'000	£'000	£'000	£'000
Gains on investments	10	–	150,408	150,408	–	365,124	365,124
Income	3	79,471	–	79,471	77,333	–	77,333
Investment management fees	4	(2,392)	(5,581)	(7,973)	(2,080)	(4,853)	(6,933)
Currency (losses)/gains		–	(416)	(416)	–	1,106	1,106
Other expenses	5	(2,044)	–	(2,044)	(1,890)	–	(1,890)
Net return before finance costs and taxation		75,035	144,411	219,446	73,363	361,377	434,740
Finance costs	6	(1,262)	(2,947)	(4,209)	(1,358)	(3,168)	(4,526)
Return before taxation		73,773	141,464	215,237	72,005	358,209	430,214
Taxation	7	(7,628)	1,641	(5,987)	(6,549)	2,186	(4,363)
Return attributable to equity shareholders		**66,145**	**143,105**	**209,250**	**65,456**	**360,395**	**425,851**
Return per Ordinary share with full conversion of B Ordinary shares (pence)	9	**51.8**	**112.2**	**164.0**	**51.2**	**282.0**	**333.2**

The "Total" column of this statement represents the profit and loss account of the Company. There is no other comprehensive income and therefore the return after taxation is also the total comprehensive income for the year. The 'Revenue' and 'Capital' columns represent supplementary information prepared under guidance issued by the Association of Investment Companies.

All revenue and capital items in the above statement derive from continuing operations.

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

Statement of Financial Position

	Notes	As at 31 December 2017 £'000	As at 31 December 2017 £'000	As at 31 December 2016 £'000	As at 31 December 2016 £'000
Non-current assets					
Investments at fair value through profit or loss	10		1,759,899		1,618,893
Current assets					
Debtors	11	22,772		12,842	
Cash and short term deposits		4,296		3,897	
		27,068		16,739	
Creditors: amounts falling due within one year					
Bank loans	12,13	(60,000)		(60,000)	
Other creditors	12	(3,103)		(2,603)	
		(63,103)		(62,603)	
Net current liabilities			(36,035)		(45,864)
Total assets less current liabilities			1,723,864		1,573,029
Creditors: amounts falling due after more than one year					
Bank loans and debentures	12,13	(124,735)		(125,150)	
			(124,735)		(125,150)
Net assets			**1,599,129**		**1,447,879**
Capital and reserves					
Called-up share capital	14		32,137		32,137
Share premium account			350,681		349,581
Capital redemption reserve			8,230		8,230
Capital reserve	15		1,132,829		986,968
Revenue reserve			75,252		70,963
Equity shareholders' funds			**1,599,129**		**1,447,879**
Net Asset Value per Ordinary share (pence)	16		**1,251.4**		**1,135.7**

The financial statements were approved and authorised for issue by the Board of Directors on 8 March 2018 and were signed on its behalf by:

Kevin Carter
Director

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

Statement of Changes in Equity

For the year ended 31 December 2017

	Note	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 31 December 2016		32,137	349,581	8,230	986,968	70,963	1,447,879
Return after taxation		–	–	–	143,105	66,145	209,250
Dividends paid	8	–	–	–	–	(61,856)	(61,856)
Issue of shares from Treasury	14	–	1,100	–	2,756	–	3,856
Balance at 31 December 2017		**32,137**	**350,681**	**8,230**	**1,132,829**	**75,252**	**1,599,129**

For the year ended 31 December 2016

		Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 31 December 2015		32,128	349,338	8,230	636,556	64,767	1,091,019
Return after taxation		–	–	–	360,395	65,456	425,851
Dividends paid	8	–	–	–	–	(59,260)	(59,260)
Allotment and bonus issue of B Ordinary shares converted to Ordinary shares	14	9	–	–	(27)	–	(18)
Issue of shares from Treasury	14	–	243	–	1,262	–	1,505
Buyback of shares for Treasury	14	–	–	–	(11,218)	–	(11,218)
Balance at 31 December 2016		**32,137**	**349,581**	**8,230**	**986,968**	**70,963**	**1,447,879**

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

Statement of Cash Flows

	Notes	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Net return before finance costs and taxation		219,446	434,740
Increase in accrued expenses		305	59
Overseas withholding tax		(4,631)	(2,824)
Interest income		(1)	(241)
Dividend income		(56,451)	(56,341)
Fixed interest income		(23,019)	(20,751)
Realised losses on foreign exchange transactions		–	1,536
Fixed interest income received		21,665	17,816
Dividends received		56,820	54,537
Interest received		1	241
Interest paid		(4,494)	(4,571)
Gains on investments		(150,408)	(365,124)
Amortisation of fixed income book cost		3,169	(1,232)
Decrease in other debtors		1	20
Corporation tax paid		(1,077)	–
Net cash inflow from operating activities		61,326	57,865
Investing activities			
Purchases of investments	10	(158,423)	(202,988)
Sales of investments	10,11	155,648	223,572
Net cash (used in)/from investing activities		(2,775)	20,584
Financing activities			
Equity dividends paid	8	(61,856)	(59,260)
Issue of Ordinary shares from Treasury	14	3,856	1,487
Buyback of Ordinary shares		–	(11,218)
Debenture Stock redeemed		(152)	–
Loan repayment		(60,000)	(10,209)
Loan drawdown		60,000	–
Net cash used in financing activities		(58,152)	(79,200)
Increase/(decrease) in cash		**399**	**(751)**
Analysis of changes in cash during the year			
Opening balance		3,897	4,648
Increase/(decrease) in cash as above		399	(751)
Closing balances		**4,296**	**3,897**

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

Notes to the Financial Statements For the year ended 31 December 2017

1. Principal activity

The Company is a closed-end investment company, registered in Scotland No SC006705, with its Ordinary shares being listed on the London Stock Exchange.

2. Accounting policies

(a) Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 102 and with the AIC's Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued in November 2014 and updated in January 2017 with consequential amendments. The financial statements are prepared in sterling which is the functional currency of the Company and rounded to the nearest £'000. They have also been prepared on a going concern basis and on the assumption that approval as an investment trust will continue to be granted.

The Directors have, at the time of approving the financial statements, a reasonable expectation that approval as an investment trust will continue to be granted and that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. Further detail is included in the Directors' Report (unaudited) on page 36.

Significant accounting judgements, estimates and assumptions

The preparation of financial statements requires the use of certain significant accounting judgements, estimates and assumptions which requires management to exercise its judgement in the process of applying the accounting policies and are continually evaluated. The area requiring most significant judgement and assumption in the financial statements is the determination of the fair value hierarchy classification of quoted preference shares and bonds which have been assessed as being Level 2 due not being considered to trade in active markets.The Directors do not consider there to be any significant estimates within the financial statements.

(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 are recognised on their due date. Provision is made for any dividends not expected to be received. Special dividends are credited to capital or revenue, according to their circumstances.

In some jurisdictions, investment income and capital gains are subject to withholding tax deducted at the source of the income. The Company presents the withholding tax separately from the gross investment income in the Statement of Comprehensive Income under taxation.

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

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

(c) Expenses

All expenses are accounted for on an accruals basis and are charged to the Statement of Comprehensive Income. Expenses are charged against revenue except as follows:

– transaction costs on the acquisition or disposal of investments are charged against capital in the Statement of Comprehensive Income; and

– expenses are treated as a capital item in the Statement of Comprehensive Income and ultimately recognised in the capital reserve 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% to revenue and 70% to the capital reserve to reflect the Company's investment policy and prospective income and capital growth.

(d) Taxation

The tax expense represents the sum of tax currently payable and deferred tax. Any tax payable is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that were applicable at the Statement of Financial Position date.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the Statement of Financial Position 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 Statement of Financial Position 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 Statement of Financial Position date.

Due to the Company's status as an investment trust company and the intention to continue meeting the conditions required to obtain approval in the foreseeable future, the Company has not provided deferred tax on any capital gains and losses arising on the revaluation or disposal of investments.

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

(e) Investments

The Company has chosen to apply the recognition and measurement provisions of IAS 39 Financial Instruments: Recognition and Measurement (as adopted for use in the EU) and investments have been designated upon initial recognition at fair value through profit or loss. This is done because all investments are considered to form part of a group of financial assets which is evaluated on a fair value basis, in accordance with the Company's documented investment strategy, and information about the grouping is provided internally on that basis.

Investments are recognised and de-recognised at trade date where a purchase or sale is under a contract whose terms require delivery within the timeframe established by the market concerned, and are measured initially at fair value. Subsequent to initial recognition, investments are valued at fair value through profit or loss. For listed investments, this is deemed to be bid market prices or closing prices for SETS (London Stock Exchange's electronic trading service) stocks sourced from the London Stock Exchange.

Gains and losses arising from changes in fair value are treated in net profit or loss for the period as a capital item in the Statement of Comprehensive Income and are ultimately recognised in the capital reserve.

(f) Borrowings

Borrowings, which comprise interest bearing bank loans are recognised initially at the fair value of the consideration received, net of any issue expenses, and subsequently at amortised cost using the effective interest method. The finance costs of such borrowings are accounted for on an accruals basis using the effective interest rate method and are charged 30% to revenue and 70% to capital in the Statement of Comprehensive Income to reflect the Company's investment policy and prospective income and capital growth.

(g) Nature and purpose of reserves

Capital redemption reserve

The capital redemption reserve arose when Ordinary shares were cancelled, at which point an amount equal to the par value of the Ordinary share capital was transferred from the share capital account to the capital redemption reserve.

Capital reserve

This reserve reflects any gains or losses on investments realised in the period along with any movement in the fair value of investments held that have been recognised in the Statement of Comprehensive Income. These include gains and losses from foreign currency exchange differences. Additionally, expenses, including finance costs, are charged to this reserve in accordance with (c) and (f) above.

When the Company purchases its Ordinary shares to be held in treasury, the amount of the consideration paid, which includes directly attributable costs, is recognised as a deduction from the capital reserve. Should these shares be sold subsequently, the amount received is recognised as an increase in equity, and the resulting surplus on the transaction is transferred to the share premium account or where a deficit on the transaction then it is transferred from the capital reserve.

Revenue reserve

This reserve reflects all income and costs which are recognised in the revenue column of the Statement of Comprehensive Income. The revenue reserve represents the amount of the Company's reserves distributable by way of dividend.

(h) Exchange rates

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

Monetary assets and liabilities and financial instruments carried at fair value are translated at the rates of exchange at the Statement of Financial Position date. Differences arising from translation are treated as a gain or loss to capital or revenue within the Statement of Comprehensive Income depending upon the nature of the gain or loss.

(i) Derivative financial instruments

Financial derivatives are measured at fair value based on an appropriate model. Changes in the fair value of derivative financial instruments are recognised in the Statement of Comprehensive Income as they arise. If capital in nature, the associated change in value is presented as a capital item in the Statement of Comprehensive Income.

(j) Segmental reporting

The Directors are of the opinion that the Company is engaged in a single segment of business activity, being investment business. Consequently, no business segmental analysis is provided.

3. Income

	2017 £'000	2016 £'000
Income from investments		
UK dividend income	9,889	7,069
Overseas dividends	46,562	49,272
Overseas interest	23,019	20,751
	79,470	77,092
Other income		
Deposit interest	1	241
Total income	**79,471**	**77,333**

Income from investments comprises:	2017 £'000	2016 £'000
Listed UK	9,889	7,069
Listed overseas	69,581	70,023
	79,470	**77,092**

4. Investment management fees	2017 Revenue £'000	2017 Capital £'000	2017 Total £'000	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000
Investment management fees	**2,392**	**5,581**	**7,973**	**2,080**	**4,853**	**6,933**

The Company has an agreement with Aberdeen Fund Managers Limited ("AFML") for the provision of investment management, secretarial, accounting and administration and promotional activity services.

The annual management fee is charged on net assets (i.e. excluding borrowings for investment purposes) averaged over the six previous quarters ("Net Assets"), on a tiered basis. The annual management fee is charged at 0.575% of Net Assets up to £1,200 million, 0.5% of Net Assets between £1,200 million and £1,400 million, and 0.425% of Net Assets above £1,400 million. A fee of 1.5% per annum is chargeable on the value of any unlisted investments. The investment management fee is chargeable 30% against revenue and 70% against realised capital reserves. During the year £7,973,000 (2016 – £6,933,000) of investment management fees was payable to the Manager, with a balance of £2,085,000 (2016 – £1,766,000) being due at the year end.

Included within the management fee arrangements is a secretarial fee of £100,000 per annum which is chargeable 100% to revenue. During the year £100,000 (2016 – £100,000) of secretarial fees was payable to the Manager, with a balance of £25,000 (2016 – £25,000) being payable to AFML at the year end.

No fees are charged in the case of investments managed or advised by the Standard Life Aberdeen Group. The management agreement may be terminated by either party on the expiry of six months' written notice. On termination the Manager is entitled to receive fees which would otherwise have been due up to that date.

5. Other expenses	2017 £'000	2016 £'000
Promotional activities[A]	425	425
Registrars' fees	193	207
Directors' remuneration	184	170
Irrecoverable VAT	39	36
Secretarial fees[B]	100	100
Auditor's fees for:		
– Statutory audit	27	27
– Other assurance services	3	5
– Tax compliance[C]	9	4
Administrative expenses[D]	1,064	916
	2,044	**1,890**

[A] In 2017 £425,000 (2016 – £425,000) was payable to Aberdeen Fund Managers Limited ("AFML") to cover promotional activities during the year. At the year end £106,000 (2016 – £106,000) was due to AFML.

[B] Details of the fee basis are contained in note 4 above.

[C] Relates to non-recurring work undertaken for Swedish withholding tax claims covering the period 2011 to 2016.

[D] Includes bank charges and custody fees of £488,000 (2016 – £412,000), depositary fees of £260,000 (2016 – £225,000), stock exchange fees of £70,000 (2016 – £75,000) and printing, postage and stationery costs of £54,000 (2016 – £122,000).

6. Finance costs	2017 Revenue £'000	2017 Capital £'000	2017 Total £'000	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000
Bank loans and overdrafts	1,260	2,941	4,201	1,356	3,164	4,520
Debenture stock	2	6	8	2	4	6
	1,262	**2,947**	**4,209**	**1,358**	**3,168**	**4,526**

7. Taxation	2017 Revenue £'000	2017 Capital £'000	2017 Total £'000	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000
(a) Total tax charge						
Analysis of total tax charge for the year						
Current UK tax	2,253	–	2,253	515	–	515
Double taxation relief	(960)	–	(960)	(515)	–	(515)
Tax relief to capital	1,641	(1,641)	–	3,077	(3,077)	–
Irrecoverable overseas tax suffered	5,338	–	5,338	5,133	–	5,133
Overseas tax reclaimable	(644)	–	(644)	(1,316)	–	(1,316)
French withholding tax reclaimed	–	–	–	(345)	–	(345)
Current tax charge for the year	7,628	(1,641)	5,987	6,549	(3,077)	3,472
Deferred tax[A]	–	–	–	–	891	891
Total tax charge for the year	**7,628**	**(1,641)**	**5,987**	**6,549**	**(2,186)**	**4,363**

[A] In the year to 31 December 2016 a deferred tax asset of £891,000 was derecognised. The deferred tax asset arose during a prior period as a result of the likelihood that excess management expenses would be utilised in the following period.

(b) Factors affecting the tax charge for the year

The UK corporation tax rate was 20% until 31 March 2017 and 19% from 1 April 2017, giving an effective standard rate of 19.25% (2016 – 20%). The tax assessed for the year is lower than the effective corporation tax rate. The differences are explained below:

	2017			2016		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Return before taxation	**73,773**	**141,464**	**215,237**	**72,005**	**358,209**	**430,214**
Return multiplied by the effective standard rate of corporation tax of 19.25% (2016 – 20%)	14,201	27,232	41,433	14,401	71,642	86,043
Effects of:						
Non taxable UK dividend income	(1,904)	–	(1,904)	(1,414)	–	(1,414)
Gains on investments not taxable	–	(28,953)	(28,953)	–	(73,025)	(73,025)
Currency losses/(gains) not taxable	–	80	80	–	(221)	(221)
Non taxable overseas dividends	(8,405)	–	(8,405)	(9,395)	–	(9,395)
Irrecoverable overseas tax suffered	5,338	–	5,338	5,133	–	5,133
Overseas tax reclaimable	(644)	–	(644)	(1,316)	–	(1,316)
French withholding tax reclaimed	–	–	–	(345)	–	(345)
Double taxation relief	(960)	–	(960)	(515)	–	(515)
Tax relief to capital	–	–	–	3,077	(3,077)	–
Capital expenses utilised	–	–	–	(3,077)	3,077	–
Utilisation of unrecognised deferred tax on excess management expenses	–	–	–	–	(582)	(582)
Expenses not deductible for tax purposes	2	–	2	–	–	–
Total tax charge for the year	**7,628**	**(1,641)**	**5,987**	**6,549**	**(2,186)**	**4,363**

The Company has not provided for deferred tax on chargeable gains or losses arising on the revaluation or disposal of investments as it is exempt from corporation tax on these items because of its status as an investment trust company.

The Company has not recognised a deferred tax asset (2016 – none) arising as a result of there being no excess management expenses (2016 – none) to be utilised in future periods.

8. **Ordinary dividends on equity shares**	2017 £'000	2016 £'000
Amounts recognised as distributions paid during the year:		
Third interim for 2016 of 10.5p (2015 – 10.5p)	13,386	13,398
Final dividend for 2016 of 16.0p (2015 – 15.0p)	20,397	19,038
First interim for 2017 of 11.0p (2016 – 10.5p)	14,030	13,424
Second interim for 2017 of 11.0p (2016 – 10.5p)	14,043	13,400
	61,856	**59,260**

A third interim dividend was declared on 29 November 2017 with an ex date of 4 January 2018. This dividend of 11.0p was paid on 19 February 2018 and has not been included as a liability in these financial statements. The proposed final dividend for 2017 is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

Set out below are the total dividends paid and proposed in respect of the financial year, which is the basis on which the requirements of Sections 1158–1159 of the Corporation Tax Act 2010 are considered. The revenue available for distribution by way of dividend for the year is £66,145,000 (2016 – £65,456,000).

	2017 £'000	2016 £'000
Three interim dividends for 2017 of 11.0p (2016 – 10.5p)	42,129	40,210
Proposed final dividend for 2017 of 17.0p (2016 – 16.0p)	21,729	20,397
	63,858	**60,607**

The amount reflected above for the cost of the proposed final dividend for 2017 is based on 127,815,880 Ordinary shares, being the number of Ordinary shares in issue at the date of this Report.

9. **Return per Ordinary share**	2017 £'000	2017 p	2016 £'000	2016 p
Returns are based on the following figures:				
Revenue return	66,145	51.8	65,456	51.2
Capital return	143,105	112.2	360,395	282.0
Total return	**209,250**	**164.0**	**425,851**	**333.2**
Weighted average number of Ordinary shares		127,580,318		127,354,539
Weighted average number of B Ordinary shares		–		459,028
Weighted average number of Ordinary shares following conversion of B Ordinary shares		**127,580,318**		**127,813,567**

On 1 July 2016, all of the outstanding B Ordinary shares in issue were converted into Ordinary shares of 25p (further details are disclosed within note 14).

10. **Investments at fair value through profit or loss**	2017 £'000	2016 £'000
Opening valuation	1,618,893	1,273,121
Opening investment holdings gains	(486,113)	(160,847)
Opening book cost	1,132,780	1,112,274
Movements during the year:		
Purchases	158,423	202,988
Sales – proceeds	(164,656)	(223,572)
Sales – realised gains	67,220	39,858
(Amortisation)/accretion of fixed income book cost	(3,169)	1,232
Closing book cost	1,190,598	1,132,780
Closing investment holdings gains	569,301	486,113
Closing valuation	**1,759,899**	**1,618,893**

The portfolio valuation	2017 £'000	2016 £'000
Listed on stock exchanges:		
United Kingdom:		
– equities	214,280	199,382
– fixed income	8,652	7,191
Overseas:		
– equities	1,264,226	1,151,645
– fixed income	272,741	260,675
Total	**1,759,899**	**1,618,893**

Gains on investments	2017 £'000	2016 £'000
Realised gains based on book cost	67,220	39,858
Net movement in investment holdings gains	83,188	325,266
	150,408	**365,124**

Transaction costs

During the year expenses were incurred in acquiring or disposing of investments classified as fair value through profit or loss. These have been expensed through capital and are included within gains on investments in the Statement of Comprehensive Income. The total costs were as follows:

	2017 £'000	2016 £'000
Purchases	80	231
Sales	97	157
	177	**388**

11.	Debtors: amounts falling due within one year	2017 £'000	2016 £'000
	Overseas withholding tax	1,225	1,318
	Amounts due from brokers	9,008	–
	Other debtors	67	68
	Accrued income	12,472	11,456
		22,772	**12,842**

None of the above amounts are overdue or impaired.

12.	Creditors	2017 £'000	2016 £'000
	Amounts falling due within one year:		
	Bank loans (note 13)	60,000	60,000
	Corporation tax payable	216	–
	Accruals	2,887	2,603
		63,103	**62,603**

Notes to the Financial Statements continued

	2017 £'000	2016 £'000
Amounts falling due after more than one year:		
Bank loans and Debentures (note 13)	**124,735**	**125,150**

All financial liabilities are measured at amortised cost.

13. Bank loans and Debentures	2017 £'000	2016 £'000
Secured by floating charge and repayable other than by instalments or at the Company's option:		
– 4% Debenture Stock – Perpetual	–	150
Unsecured bank loans repayable within one year:		
– £60,000,000 at 2.21% – 31 May 2017	–	60,000
– £60,000,000 at 2.575% – 31 May 2018	60,000	–
Unsecured bank loans repayable in more than one year but no more than five years:		
– £60,000,000 at 2.575% – 31 May 2018	–	60,000
– £15,000,000 at 1.467% – 16 May 2019	15,000	15,000
– £50,000,000 at 2.4975% – 13 May 2020	50,000	50,000
– £60,000,000 at 1.714% – 31 May 2022	59,735	–
	184,735	**185,150**

During the year the Debenture Stock was redeemed in full, reducing the balance outstanding from £150,000 to £nil. The amount attributable to this redemption was £152,000.

During 2017 the Company entered into a new £60,000,000 loan facility agreement with The Royal Bank of Scotland plc ("RBS"), due on 31 May 2022, incurring an arrangement fee of £300,000. This expense will be amortised over the life of the loan.

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, then no such charges are included in the cash flows used to determine their effective interest rate.

The Company currently has four fixed rate term loan facilities with RBS, all of which are fully drawn down and have maturity dates of 31 May 2018, 16 May 2019, 13 May 2020 and 31 May 2022 respectively. Financial covenants contained within the relevant loan agreements provide, inter alia, that borrowings shall at no time exceed 40% of net assets and that the net assets must exceed £600 million. At 31 December 2017 net assets were £1,599,129,000 and borrowings were 11.6% thereof. The Company has complied with all financial covenants throughout the year.

14. Share capital	2017 Number	2017 £'000	2016 Number	2016 £'000
Allotted, called up and fully paid Ordinary shares of 25p each:				
Balance brought forward	127,484,238	31,871	127,601,952	31,900
Ordinary shares bought back for Treasury in the year	–	–	(1,221,463)	(305)
Ordinary shares issued from Treasury in the year	301,642	75	155,625	39
B Ordinary shares converted to Ordinary shares in the year	–	–	948,124	237
Balance carried forward	**127,785,880**	**31,946**	**127,484,238**	**31,871**
Allotted, called up and fully paid B Ordinary shares of 25p each:				
Balance brought forward	–	–	910,364	228
Allotment of B Ordinary shares by capitalisation	–	–	28,528	7
Bonus issue of B Ordinary shares	–	–	9,232	2
B Ordinary shares converted to Ordinary shares in the year	–	–	(948,124)	(237)
Balance carried forward	–	–	–	–
Treasury shares:				
Balance brought forward	1,065,838	266	–	–
Ordinary shares bought back for Treasury in the year	–	–	1,221,463	305
Ordinary shares issued from Treasury in the year	(301,642)	(75)	(155,625)	(39)
Balance carried forward	**764,196**	**191**	**1,065,838**	**266**

During the year no Ordinary shares were repurchased by the Company. During 2016, 1,221,463 Ordinary shares were repurchased by the Company at a total cost, including transaction costs of £11,218,000. All of these shares were placed in Treasury. Shares held in Treasury represent 0.6% of the Company's total issued share capital at 31 December 2017 (31 December 2016 – 0.8%).

During the year 301,642 (2016 – 155,625), Ordinary shares were issued from Treasury. All these shares were issued at a premium to net asset value, enhancing net assets per share for existing shareholders. The issue prices ranged from 1230p to 1309p (2016 – 948p to 1147p) and raised a total of £3,856,000 (2016 – £1,505,000) net of expenses. Following the year end a further 30,000 Ordinary shares were issued from Treasury at prices ranging from 1238p to 1254p raising £374,000 net of expenses.

B Ordinary shareholders were allotted 28,528 B Ordinary shares in 2016 by way of a capitalisation of these shares. The capitalisations were allotted at the same time as interim and final dividends to Ordinary shareholders and entitled B Ordinary shareholders to an allotment of B Ordinary shares equivalent in asset value to the proportion of the dividend attributable to Ordinary shares. On 1 July 2016, following a bonus offer of additional shares at a ratio of 101 for every 100 B Ordinary shares, all B Ordinary shares were converted into Ordinary shares of 25p.

On a winding up of the Company, any surplus assets available after payment of all debts and satisfaction of all liabilities of the Company shall be applied in repaying the Ordinary shareholders the amounts paid up on such shares. Any surplus shall be divided among the holders of Ordinary shares according to the amount paid up on such shares respectively.

Voting rights

In accordance with the Articles of Association of the Company, on a show of hands, every member (or duly appointed proxy) present at a general meeting of the Company has one vote; and, on a poll, every member present in person or by proxy shall have one vote for every 25p nominal amount of Ordinary shares held.

Notes to the Financial Statements continued

15. Capital reserve	2017 £'000	2016 £'000
At 31 December 2016	986,968	636,556
Movement in fair value gains	150,408	365,124
Capital expenses	(6,887)	(5,835)
Cost of issue of shares	–	(27)
Issue of shares from Treasury	2,756	1,262
Buyback of shares for Treasury	–	(11,218)
Currency (losses)/gains	(416)	1,106
At 31 December 2017	**1,132,829**	**986,968**

Included in the total above are investment holdings gains at the year end of £569,301,000 (2016 – £486,113,000).

16. Net asset value per share

The net asset value per share and the net asset value attributable to the Ordinary shares, at the year end calculated in accordance with the Articles of Association and FRS 102 were as follows:

	As at 31 December 2017	As at 31 December 2016
Attributable net assets (£'000)	1,599,129	1,447,879
Number of Ordinary shares in issue (excluding Treasury)	127,785,880	127,484,238
Net asset value per share (pence)	1,251.4	1,135.7

17. Financial instruments and risk management

The Company's investment activities expose it to various types of financial risk associated with the financial instruments and markets in which it invests. The Company's financial instruments comprise listed equities and debt securities, 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 may enter into derivative transactions for the purpose of managing market risks arising from the Company's activities in the form of swap contracts, forward foreign currency contracts, futures and options.

The Board has delegated the risk management function to Aberdeen Fund Managers Limited ("AFML") under the terms of its management agreement with AFML (further details of which are included in the Directors' Report). The Board regularly reviews and agrees policies for managing each of the key financial risks identified with the Manager. The types of risk and the Manager's approach to the management of each type of risk, are summarised below. Such approach has been applied throughout the year and has not changed since the previous accounting period. The numerical disclosures exclude short-term debtors and creditors.

Risk management framework

The directors of AFML collectively assume responsibility for AFML's obligations under the AIFMD including reviewing investment performance and monitoring the Company's risk profile during the year.

AFML is a fully integrated member of the Standard Life Aberdeen Group, which provides a variety of services and support to AFML in the conduct of its business activities, including in the oversight of the risk management framework for the Company. The AIFM has delegated the day to day administration of the investment policy to Aberdeen Asset Managers Limited, which is responsible for ensuring that the Company is managed within the terms of its investment guidelines and the limits set out in its pre-investment disclosures to investors (details of which can be found on the Company's website). The AIFM has retained responsibility for monitoring and oversight of investment performance, product risk and regulatory and operational risk for the Company.

The Manager conducts its risk oversight function through the operation of the Group's risk management processes and systems which are embedded within the Group's operations. The Group's Risk Division supports management in the identification and mitigation of risks and provides independent monitoring of the business. The Division includes Compliance, Business Risk, Market Risk, Risk Management and Legal. The team is headed up by the Group's Head of Risk, who reports to the Chief Executive Officer of the Group. The Risk Division achieves its objective through embedding the Risk Management Framework throughout the organisation using the Group's operational risk management system ("SWORD").

The Group's Internal Audit Department is independent of the Risk Division and reports directly to the Group's joint CEO and to the Audit Committee of the Group's Board of Directors. The Internal Audit Department is responsible for providing an independent assessment of the Group's control environment.

The Group's corporate governance structure is supported by several committees to assist the board of directors of Standard Life Aberdeen plc, its subsidiaries and the Company to fulfil their roles and responsibilities. The Group's Risk Division is represented on all committees, with the exception of those committees that deal with investment recommendations. The specific goals and guidelines on the functioning of those committees are described on the committees' terms of reference.

Risk management

The main risks the Company faces from its financial instruments are (i) market risk (comprising interest rate risk, foreign currency risk and price risk), (ii) liquidity risk and (iii) credit risk.

(i) Market risk

The fair value and future cash flows of a financial instrument held by the Company may fluctuate because of changes in market prices. This market risk comprises three elements – interest rate risk, foreign currency risk and price risk.

Interest rate risk

Interest rate risk is the risk that interest rate movements will affect:

– the fair value of the investments in fixed interest rate securities; and

– the level of income receivable on cash deposits;

Management of the risk

The possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account when making investment and borrowing decisions.

The Board reviews the values of the fixed interest rate securities on a regular basis.

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 facilities, which are used to finance opportunities at low rates. Current bank covenant guidelines are detailed in note 13 on page 66.

Interest risk profile

The interest rate risk profile of the portfolio of financial assets and liabilities at the Statement of Financial Position date was as follows:

Notes to the Financial Statements continued

At 31 December 2017	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	–	–	8,652	4,158	214,280
US Dollar	24.01	6.59	90,179	135	481,808
Other	8.18	7.93	182,562	3	782,418
Total assets			**281,393**	**4,296**	**1,478,506**
Liabilities					
Bank loans	2.32	2.19	(184,735)	–	–
Total liabilities			**(184,735)**	–	–

At 31 December 2016	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	–	–	7,191	2,652	199,382
US Dollar	17.83	10.51	122,824	267	418,145
Other	8.70	8.23	137,851	978	733,500
Total assets			**267,866**	**3,897**	**1,351,027**
Liabilities					
Bank loans	1.70	2.35	(185,000)	–	–
Debenture Stock	–	4.00	(150)	–	–
Total liabilities			**(185,150)**	–	–

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.

Short-term debtors and creditors have been excluded from the above tables as they are not considered to be exposed to interest rate risk.

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the Statement of Financial Position date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates.

If interest rates had been 100 basis points higher or lower (based on current parameter used by the Manager's Investment Risk Department on risk assessment) and all other variables were held constant, the Company's:

– revenue return for the year ended 31 December 2017 would increase/decrease by £43,000 (2016 – increase/decrease by £39,000). This is mainly attributable to the Company's exposure to interest rates on its floating rate cash balances. These figures have been calculated based on cash positions at each year end.

– capital return would increase/decrease by £8,723,000 (2016 – increase/decrease by £7,560,000). This is also mainly attributable to the Company's exposure to interest rates on cash balances and its fixed interest portfolio. These figures have been calculated based on cash and fixed interest portfolio positions at each year end.

In the opinion of the Directors, the above sensitivity analyses are not representative of the year as a whole, since the level of exposure changes frequently as part of the interest rate risk management process used to meet the Company's objectives. The risk parameters used will also fluctuate depending on the current market perception.

Foreign currency risk

A significant proportion of the Company's investment portfolio is invested overseas whose values are subject to fluctuation due to changes in foreign exchange rates. In addition, the impact of changes in foreign exchange rates upon the profits of investment holdings can result, indirectly, in changes in their valuations. Consequently the Statement of Financial Position can be affected by movements in exchange rates.

Management of the risk

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. 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 2017 the Company did not have any forward foreign currency contracts. During 2016 a gain of £1,551,000 was realised on forward currency contracts.

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

Currency risk exposure

Currency risk exposure (excluding fixed interest securities and debentures) by currency of denomination:

Notes to the Financial Statements continued

	31 December 2017 UK and overseas equity investments £'000	31 December 2017 Net monetary assets[A] £'000	31 December 2017 Total currency exposure £'000	31 December 2016 UK and overseas equity investments £'000	31 December 2016 Net monetary assets[A] £'000	31 December 2016 Total currency exposure £'000
US Dollar	481,808	135	481,943	418,145	267	418,412
Taiwan Dollar	138,489	3	138,492	127,298	7	127,305
Euro	90,962	–	90,962	84,882	–	84,882
Indonesian Rupiah	84,398	–	84,398	55,937	–	55,937
Japanese Yen	75,765	–	75,765	66,042	–	66,042
Singapore Dollar	58,395	–	58,395	53,732	–	53,732
Canadian Dollar	56,628	–	56,628	57,902	–	57,902
Swiss Franc	56,126	–	56,126	66,377	–	66,377
Malaysian Ringgit	43,300	–	43,300	46,011	–	46,011
Thailand Baht	36,043	–	36,043	32,136	–	32,136
Hong Kong Dollar	35,487	–	35,487	39,798	–	39,798
Brazilian Real	13,037	9,009	22,046	11,223	971	12,194
Swedish Krone	21,270	–	21,270	16,670	–	16,670
New Zealand Dollar	20,409	–	20,409	17,550	–	17,550
Mexican Peso	20,275	–	20,275	24,936	–	24,936
South African Rand	17,926	–	17,926	16,422	–	16,422
Australian Dollar	13,908	–	13,908	16,584	–	16,584
	1,264,226	9,147	1,273,373	1,151,645	1,245	1,152,890
Sterling	214,280	(180,577)	33,703	199,382	(182,347)	17,035
Total	**1,478,506**	**(171,430)**	**1,307,076**	**1,351,027**	**(181,102)**	**1,169,925**

[A] Reflects cash, short term deposits and bank borrowings.

The asset allocation between specific markets can vary from time to time based on the Manager's opinion of the attractiveness of the individual markets.

Foreign currency sensitivity

The following table details the Company's sensitivity to a 10% decrease (in the context of a 10% increase the figures below should all be read as negative) in sterling against the major foreign currencies in which the Company has exposure (based on exposure >5% of total exposure and excludes foreign exchange contracts due to the reason their being entered into is to mitigate foreign currency risk). The sensitivity analysis includes foreign currency denominated monetary items and adjusts their translation at the year end for a 10% change in foreign currency rates.

	2017 Revenue £'000	2017 Capital[A] £'000	2016 Revenue £'000	2016 Capital[A] £'000
US Dollar	2,218	48,181	1,637	41,815
Taiwan Dollar	567	13,849	447	12,730
Euro	454	9,096	919	8,488
Indonesian Rupiah	236	8,440	107	5,594
Japanese Yen	222	7,577	190	6,604
Total	**3,697**	**87,143**	**3,300**	**75,231**

[A] Represents equity exposures to the relevant currencies.

Price risk

Other price risks (ie changes in market prices other than those arising from interest rate or currency risk) may affect the value of the quoted investments. The Company's stated objective is to achieve a total return greater than its benchmark by investing predominantly in equities worldwide.

Management of the risk

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 7, both act to reduce market 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 investments held by the Company are listed on various stock exchanges worldwide.

Price risk sensitivity

If market prices at the Statement of Financial Position date had been 10% higher or lower while all other variables remained constant, the return attributable to Ordinary shareholders for the year ended 31 December 2017 would have increased/decreased by £175,990,000 (2016 – increase/decrease of £161,889,000) and equity would have increased/decreased by the same amount.

(ii) Liquidity risk

This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities as they fall due in line with the maturity profile analysed below.

At 31 December 2017	Within 1 year £'000	Within 1-2 years £'000	Within 2-3 years £'000	Within 3-4 years £'000	Within 4-5 years £'000	More than 5 years £'000	Total £'000
Bank loans	60,000	15,000	50,000	–	59,735	–	184,735
Interest cash flows on bank loans	2,497	2,383	1,657	1,028	513	–	8,078
Cash flows on other creditors	3,103	–	–	–	–	–	3,103
	65,600	**17,383**	**51,657**	**1,028**	**60,248**	**–**	**195,916**

At 31 December 2016	Within 1 year £'000	Within 1-2 years £'000	Within 2-3 years £'000	Within 3-4 years £'000	Within 4-5 years £'000	More than 5 years £'000	Total £'000
Bank loans	60,000	60,000	15,000	50,000	–	–	185,000
Debenture Stock[A]	–	–	–	–	–	150	150
Interest cash flows on bank loans and Debenture Stock	3,016	2,245	1,364	629	6	199	7,459
Cash flows on other creditors	2,603	–	–	–	–	–	2,603
	65,619	**62,245**	**16,364**	**50,629**	**6**	**349**	**195,212**

[A] The Debenture Stock was perpetual and was therefore disclosed as maturing after more than 5 years. All outstanding Debenture Stock was redeemed on 22 December 2017.

Management of the risk

Liquidity risk is not considered to be significant as 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).

(iii) Credit risk

This is failure of the counterparty to a transaction to discharge its obligations under that transaction that could result in the Company suffering a loss.

Management of the risk

– where the Manager makes an investment in a bond, corporate or otherwise, the credit ratings of the issuer are taken into account so as to manage the risk to the Company of default;

– investments in quoted bonds are made across a variety of industry sectors and geographic markets so as to avoid concentrations of credit risk;

– transactions involving derivatives are entered into only with investment banks, the credit rating of which is taken into account so as to minimise the risk to the Company of default;

– investment transactions are carried out with a number of brokers, whose credit-standing is reviewed periodically by the Manager, and limits are set on the amount that may be due from any one broker;

– the risk of counterparty exposure due to failed trades causing a loss to the Company is mitigated by the daily review of failed trade reports. In addition, both stock and cash reconciliations to the custodian's records are performed daily to ensure discrepancies are investigated in a timely manner. The Manager's Compliance department carries out periodic reviews of the custodian's operations and reports its finding to the Manager's Risk Management Committee;

– cash is held only with reputable banks with acceptable credit quality. It is the Manager's policy to trade only with A- and above (Long Term rated) and A-1/P-1 (Short Term rated) counterparties.

Credit risk exposure

In summary, compared to the amounts in the Statement of Financial Position, the maximum exposure to credit risk at 31 December 2017 was as follows:

	2017		2016	
	Balance Sheet £'000	Maximum exposure £'000	Balance Sheet £'000	Maximum exposure £'000
Non-current assets				
Quoted preference shares and bonds at fair value through profit or loss	281,393	281,393	267,866	267,866
Current assets				
Current taxation	1,225	1,225	1,318	1,318
Amounts due from brokers	9,008	9,008	–	–
Other debtors	67	67	68	68
Accrued income	12,472	12,472	11,456	11,456
Cash and short term deposits	4,296	4,296	3,897	3,897
	308,461	**308,461**	**284,605**	**284,605**

None of the Company's financial assets is secured by collateral or other credit enhancements.

Credit ratings

The table below provides a credit rating profile using Moodys credit ratings for the quoted preference shares and bonds at 31 December 2017 and 31 December 2016:

	2017 £'000	2016 £'000
A2	–	10,712
A3	23,821	–
B1	–	11,487
Ba1	19,922	–
Ba2	31,578	42,622
Baa2	12,858	30,768
Ba3	12,468	29,389
Baa3	111,654	104,957
Non-rated	69,092	37,931
	281,393	**267,866**

At 31 December 2017 Moodys credit ratings agency did not provide a rating for Indian bonds, Turkish bonds and Irredeemable preference shares (2016 – Indian bonds, Venezuelan bonds and Irredeemable preference shares) held by the Company and were accordingly categorised as non-rated in the table above.

Fair values of financial assets and financial liabilities

The fair value of borrowings has been calculated at £186,221,000 as at 31 December 2017 (2016 – £187,136,000) compared to a carrying amount in the financial statements of £184,735,000 (2016 – £185,150,000) (note 12). The fair value of each loan is determined by aggregating the expected future cash flows for that loan discounted at a rate comprising the borrower's margin plus an average of market rates applicable to loans of a similar period of time and currency. The carrying value of all other assets and liabilities is an approximation of fair value.

18. Fair value hierarchy

FRS 102 requires an entity to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy shall have the following classifications:

Level 1: unadjusted quoted prices in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2: inputs other than quoted prices included in Level 1 that are observable (ie developed using market data) for the asset or liability, either directly or indirectly.

Level 3: inputs are unobservable (ie for which market data is unavailable) for the asset or liability.

The financial assets and liabilities measured at fair value in the Statement of Financial Position are grouped into the fair value hierarchy at the reporting date as follows:

As at 31 December 2017	Note	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit or loss					
Quoted equities	a)	1,478,506	–	–	1,478,506
Quoted preference shares	b)	–	8,652	–	8,652
Quoted bonds	b)	–	272,741	–	272,741
Total		**1,478,506**	**281,393**	–	**1,759,899**

Notes to the Financial Statements continued

As at 31 December 2016	Note	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit or loss					
Quoted equities	a)	1,351,027	–	–	1,351,027
Quoted preference shares	b)	–	7,191	–	7,191
Quoted bonds	b)	–	260,675	–	260,675
Total		**1,351,027**	**267,866**	–	**1,618,893**

a) **Quoted equities**

The fair value of the Company's investments in quoted equities has been determined by reference to their quoted bid prices at the reporting date. Quoted equities included in Fair Value Level 1 are actively traded on recognised stock exchanges.

b) **Quoted preference shares and bonds**

The fair value of the Company's investments in quoted preference shares and bonds has been determined by reference to their quoted bid prices at the reporting date. Investments categorised as Level 2 are not considered to trade in active markets.

19. Capital management policies and procedures

The investment objective of the Company is to achieve a total return greater than its benchmark by investing predominantly in equities worldwide.

The capital of the Company consists of bank borrowings and equity, comprising issued capital, reserves and retained earnings. The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The Board monitors and reviews the broad structure of the Company's capital on an ongoing basis. This review includes:

– the planned level of gearing which takes into account the Investment Manager's views on the market;

– the level of equity shares in issue; and

– the extent to which revenue in excess of that which is required to be distributed should be retained.

The Company's objectives, policies and processes for managing capital are unchanged from the preceding accounting period.

Details of the Company's gearing facilities and financial covenants are detailed in note 13 of the financial statements. The Company does not have any other externally imposed capital requirements.

20. Related party transactions

Directors' fees and interests

Fees payable during the year to the Directors and their interests in shares of the Company are disclosed within the Directors' Remuneration Report on pages 41 and 42.

Transactions with the Manager

The Company has agreements with AFML for the provision of management, secretarial, accounting and administration services and promotional activities. Details of transactions during the year and balances outstanding at the year end are disclosed in notes 4 and 5.

In the opinion of the Directors on the basis of shareholdings advised to them, the Company has no immediate or ultimate controlling party.

21. Alternative performance measures

Total return is considered to be an alternative performance measure. NAV total return involves investing the same net dividend in the NAV of the Company on the date on which that dividend was earned. Share price total return involves reinvesting the net dividend in the month that the share price goes ex-dividend.

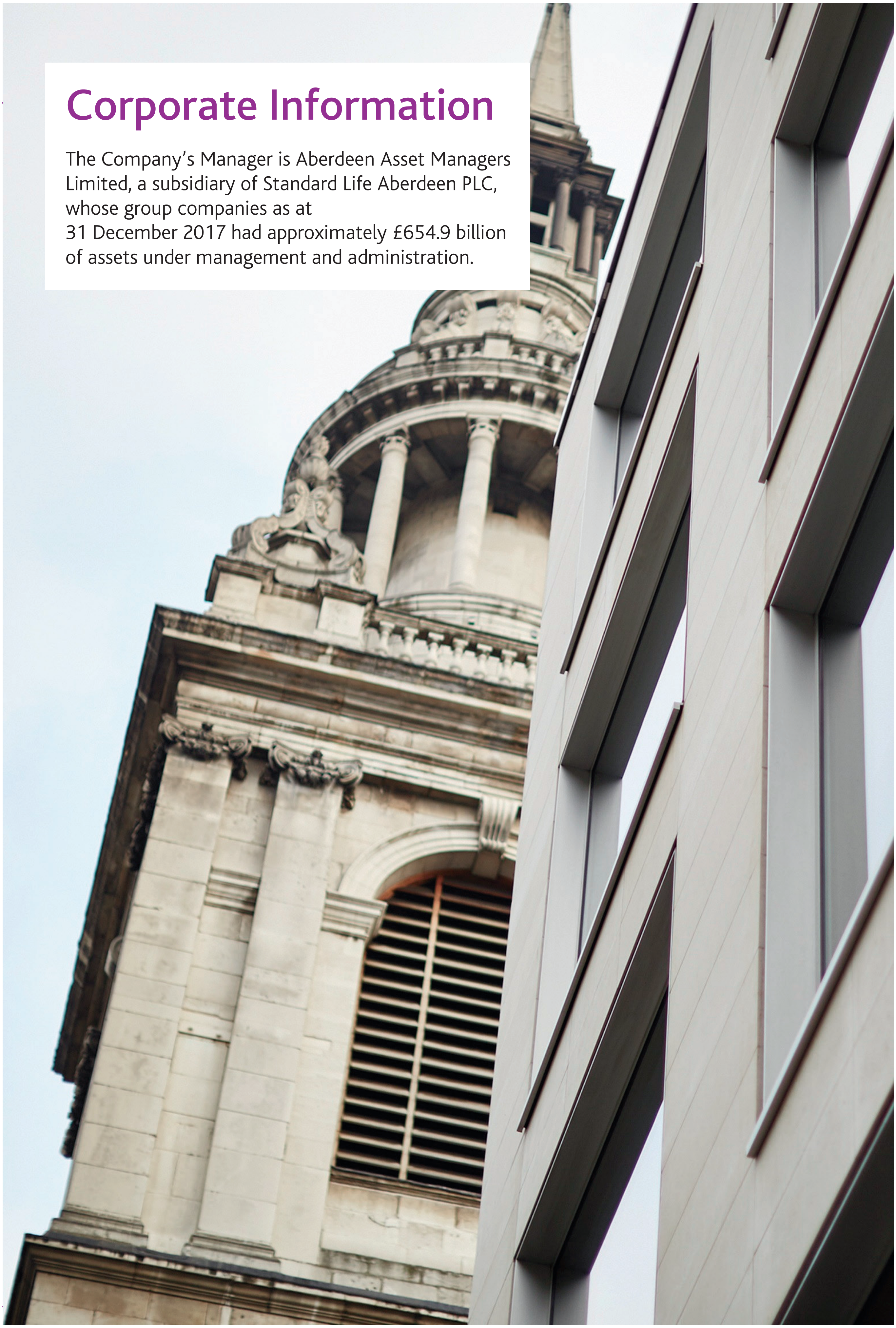
The tables below provide information relating to the NAVs and share prices of the Company on the dividend reinvestment dates during the years ended 31 December 2017 and 31 December 2016.

2017	Dividend rate	NAV	Share price
31 December 2016	N/A	1,135.73p	1,188.00p
5 January 2017	10.50p	1,145.90p	1,170.00p
6 April 2017	16.00p	1,217.37p	1,195.00p
6 July 2017	11.00p	1,203.48p	1,228.00p
5 October 2017	11.00p	1,252.79p	1,304.00p
31 December 2017	N/A	1,251.41p	1,268.00p
Total return		14.7%	11.0%

2016	Dividend rate	NAV	Share price
31 December 2015	N/A	848.96p	829.50p
7 January 2016	10.50p	805.23p	781.00p
7 April 2016	15.00p	923.54p	890.00p
7 July 2016	10.50p	1,097.00p	1,023.00p
6 October 2016	10.50p	1,150.93p	1,129.00p
31 December 2016	N/A	1,135.73p	1,188.00p
Total return		40.3%	50.5%

Corporate Information

The Company's Manager is Aberdeen Asset Managers Limited, a subsidiary of Standard Life Aberdeen PLC, whose group companies as at 31 December 2017 had approximately £654.9 billion of assets under management and administration.



Information about the Manager

Aberdeen Asset Managers Limited

The Company's Manager is Aberdeen Asset Managers Limited, a subsidiary of Standard Life Aberdeen PLC, whose group companies as at 31 December 2017 had approximately £654.9bn of assets under management and administration.

The Manager has its headquarters in Edinburgh and invests globally, operating from over 60 offices around the world. Its investment teams are generally based in the markets or regions in which they invest; in the UK its main investment centres are in London and Edinburgh.

The Senior Investment Manager

Bruce Stout and Aberdeen's Global Equity Team

Bruce Stout and Aberdeen's Global Equity team are responsible for managing Murray International Trust PLC. The investment management team is responsible for the construction of global equity portfolios. Bruce Stout is a senior investment manager on the Global Equity team. Bruce joined Aberdeen Asset Managers Limited (or acquired companies) in 1987 and has held a number of roles including investment manager on the emerging markets team. He has been directly involved in the management of the Company's assets since 1992 and Manager since 2004.

The Investment Process, Philosophy and Style

Long term investment success demands a clear focus and a sound structure. The Manager has as its primary objective in managing Murray International Trust PLC 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 as detailed on page 7. 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.

Stock Selection

The investment management team, led by 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 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 17 to the financial statements.

Investor Information

Website

Further information on the Company can be found on its own dedicated website: **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.

Investor Warning

The Board has been made aware by Aberdeen that some investors have received telephone calls from people purporting to work for Aberdeen, or third parties, who have offered to buy their investment trust shares. These may be scams which attempt to gain personal information with which to commit identity fraud or could be 'boiler room' scams where a payment from an investor is required to release the supposed payment for their shares.

These callers do not work for Aberdeen and any third party making such offers has no link with Aberdeen. Aberdeen never makes these types of offers and does not 'cold-call' investors in this way. If investors have any doubt over the veracity of a caller, they should not offer any personal information, end the call and contact Aberdeen's investor services centre using the details provided below.

Dividend Tax Allowance

The annual tax-free personal allowance on dividend income is £5,000 for the 2017/2018 tax year and £2,000 for the 2018/2019 tax year. Above this amount, individuals will pay tax on their dividend income at a rate dependent on their income tax bracket and personal circumstances. The Company will provide registered shareholders with a confirmation of dividends paid by the Company and this should be included with any other dividend income received when calculating and reporting to HMRC total dividend income received. It is the shareholder's responsibility to include all dividend income when calculating any tax liability.

Keeping You Informed

For internet users, detailed data on the Company, including price, performance information and a monthly fact sheet is available from the Company's website (**murray-intl.co.uk**) and the TrustNet website (**trustnet.co.uk**). Alternatively you can call 0808 500 0040 (free when dialling from a UK landline) for Company information.

If you have any questions about your Company, the Manager or performance, please telephone the AAM Customer Services Department (direct private investors) on 0808 500 0040. Alternatively, internet users may email AAM at inv.trusts@aberdeen-asset.com or write to Aberdeen Investment Trusts, PO Box 11020, Chelmsford, Essex CM99 2DB.

Shareholder Enquiries

In the event of queries regarding their holdings of shares, lost certificates dividend payments, registered details, etc shareholders holding their shares in the Company directly should contact the registrars, Link Asset Services (formerly Capita) at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU or Tel: 0371 664 0300 Lines are open 9.00 a.m. to 5.30 p.m. (London Time) Monday to Friday. Calls may be recorded and monitored randomly for security and training purposes.

Changes of address must be notified to the registrars in writing. Any general enquiries about the Company should be directed to the Company Secretary, Murray International Trust PLC, 40 Princes Street, Edinburgh EH2 2BY or by email company.secretary@aberdeenstandard.com.

Direct

Investors can buy and sell shares in the Company directly through a stockbroker or indirectly through a lawyer, accountant or other professional adviser. Alternatively, for retail clients, shares can be bought directly through Aberdeen's Investment Plan for Children, Aberdeen's Investment Trust Share Plan and Investment Trust ISA.

Aberdeen's Investment Plan for Children

Aberdeen runs an Investment Plan for Children (the "Children's Plan") which covers a number of investment companies under its management including the Company. Anyone can invest in the Children's Plan, including parents, grandparents and family friends (subject to the eligibility criteria as stated within the terms and conditions). All investments are free of 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 £150 per trust, while regular savers may invest from £30 per month. Investors simply pay Government Stamp Duty (currently 0.5%) on all purchases. Selling costs are £10 + VAT. There is no restriction on how long an investor need invest in the Children's 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.

Aberdeen's Investment Trust Share Plan

AAM runs a Share Plan (the "Plan") through which shares in the Company 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%). 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.

Stocks and Shares ISA

An investment of up to £15,240 can be made in the tax year 2016/2017 rising to £20,000 in 2017/2018. The annual ISA administration charge is £24 + VAT, calculated annually and applied on 31 March (or the last business day in March) and collected soon thereafter either by direct debit or, if there is no valid direct debit mandate in place, from the available cash in the Plan prior to the distribution or reinvestment of any income, or, where there is insufficient cash in the Plan, from the sale of investments held in the Plan. Investors have full voting and other rights of share ownership. Under current legislation, investments in ISAs can grow free of capital gains tax.

ISA Transfer

You can choose to transfer previous tax year investments to us which can be invested in the Company while retaining your ISA wrapper. The minimum lump sum for an ISA transfer is £1,000, subject to a minimum per trust of £250.

Literature Request Service

For literature and application forms for the Company and the Standard Life Aberdeen Group's investment trust products, please contact:

Telephone: 0808 500 4000
Email: aam@lit-request.com

For information on the Investment Plan for Children, Share Plan, ISA or ISA Transfer please contact:
Aberdeen Investment Trust Administration
PO Box 11020
Chelmsford
Essex, CM99 2DB
Telephone: 0808 500 00 40 (free from a UK landline)

Terms and conditions for the AAM managed savings products can be found under the literature section of **invtrusts.co.uk**.

Key Information Document ("KID")

The KID relating to the Company and published by the Manager can be found on the Manager's website: invtrusts.co.uk/en/investmenttrusts/literature-library.

Online dealing

There are a number of online dealing platforms for private investors that offer share dealing, ISAs and other means to invest in the Company. Real-time execution-only stockbroking services allow you to trade online, manage your portfolio and buy UK listed shares. These sites do not give advice. Some comparison websites also look at dealing rates and terms. Some well-known online providers, which can be found through internet search engines, include:

AJ Bell You Invest; Alliance Trust Savings; Barclays Stockbrokers; Charles Stanley Direct; Halifax Share Dealing; Hargreave Hale; Idealing; Interactive Investor; Selftrade; The Share Centre; Stocktrade; Hargreaves Lansdown; TD Direct

Discretionary Private Client Stockbrokers

If you have a large sum to invest, you may wish to contact a discretionary private client stockbroker. They can manage your entire portfolio of shares and will advise you on your investments. To find a private client stockbroker visit the Wealth Management Association at **thewma.co.uk**.

Independent Financial Advisers

To find an adviser who recommends on investment trusts, visit **unbiased.co.uk**.

Regulation of Stockbrokers

Before approaching a stockbroker, always check that they are regulated by the Financial Conduct Authority:
Tel: 0800 111 6768 or at www.fca.org.uk/firms/systems-reporting/register/search or email: register@fca.org.uk

Suitable for Retail/NMPI Status

The Company's securities are intended for investors primarily in the UK (including retail investors), professional-advised private clients and institutional investors who are wanting to benefit from the growth prospects of global companies by investment in a relatively risk averse investment trust and who understand and are willing to accept the risks of exposure to equities. Investors should consider consulting a financial adviser who specialises in advising on the acquisition of shares and other securities before acquiring shares. Investors should be capable of evaluating the risks and merits of such an investment and should have sufficient resources to bear any loss that may result.

The Company currently conducts its affairs so that its securities can be recommended by a financial adviser to ordinary retail investors in accordance with the Financial Conduct Authority's (FCA) rules in relation to non-mainstream pooled investments (NMPIs) and intends to continue to do so for the foreseeable future. The Company's shares are excluded from the FCA's restrictions which apply

Investor Information continued

to non-mainstream investment products because they are shares in an investment trust.

Note

Please remember that past performance is not a guide to the future. Stock market and currency movements may cause the value of shares and the income from them to fall as well as rise and investors may not get back the amount they originally invested.

As with all equity investments, the value of investment trusts purchased will immediately be reduced by the difference between the buying and selling prices of the shares, the market maker's spread.

Investors should further bear in mind that the value of any tax relief will depend on the individual circumstances of the investor and that tax rates and reliefs, as well as the tax treatment of ISAs may be changed by future legislation.

AIFMD Disclosures (unaudited)

The Company has appointed Aberdeen Fund Managers Limited as its alternative investment fund manager and BNY Mellon as its depositary under the AIFMD. Aberdeen and the Company are required to make certain disclosures available to investors in accordance with the Alternative Investment Fund Managers Directive ("AIFMD"). Those disclosures that are required to be made pre-investment are included within a pre-investment disclosure document ("PIDD") which can be found on the Company's website **murray-intl.co.uk**. There have been no material changes to the disclosures contained within the PIDD since its last publication in March 2017.

The periodic disclosures as required under the AIFMD to investors are made below:

- Information on the investment strategy, geographic and sector investment focus and principal stock exposures are included in the Strategic Report.
- None of the Company's assets are subject to special arrangements arising from their illiquid nature.
- The Strategic Report, note 17 to the Financial Statements and the PIDD together set out the risk profile and risk management systems in place. There have been no changes to the risk management systems in place in the period under review and no breaches of any of the risk limits set, with no breach expected.
- There are no new arrangements for managing the liquidity of the Company or any material changes to the liquidity management systems and procedures employed by AFML.
- all authorised Alternative Investment Fund Managers are required to comply with the AIFMD Remuneration Code. In accordance with the Remuneration Code, the AIFM's remuneration policy is available from the Company Secretaries, Aberdeen Asset Management PLC on request (see contact details on page 80) and the remuneration disclosures in respect of the AIFM's reporting period for the period ended 30 September 2017 are available on the Company's website.

Leverage

The table below sets out the current maximum permitted limit and actual level of leverage for the Company:

	Gross Method	Commitment Method
Maximum level of leverage	2.50:1	2.00:1
Actual level at 31 December 2017	1.10:1	1.10:1

There have been no breaches of the maximum level during the period and no changes to the maximum level of leverage employed by the Company. There is no right of re-use of collateral or any guarantees granted under the leveraging arrangement. Changes to the information contained either within this Annual Report or the PIDD in relation to any special arrangements in place, the maximum level of leverage which AFML may employ on behalf of the Company; the right of use of collateral or any guarantee granted under any leveraging arrangement; or any change to the position in relation to any discharge of liability by the Depositary will be notified via a regulatory news service without undue delay in accordance with the AIFMD.

The information on pages 79 to 82 has been approved for the purposes of Section 21 of the Financial Services and Markets Act 2000 (as amended by the Financial Services Act 2012) by Aberdeen Fund Managers Limited which is authorised and regulated by the Financial Conduct Authority

Glossary of Terms and Definitions

AFML	Aberdeen Fund Managers Limited is a wholly owned subsidiary of Standard Life Aberdeen PLC and acts as the Alternative Investment Fund Manager for the Company. AFML is authorised and regulated by the Financial Conduct Authority.
AAM	Aberdeen Asset Managers Limited has been delegated responsibility for day to day management. AAM is authorised and regulated by the Financial Conduct Authority.
AIC	The Association of Investment Companies - the AIC is the trade body for closed-ended investment companies (**theaic.co.uk**).
AIFMD	The Alternative Investment Fund Managers Directive - The AIFMD is European legislation which created a European-wide framework for regulating managers of 'alternative investment funds' (AIFs). It is designed to regulate any fund which is not a UCITS (Undertakings for Collective Investments in Transferable Securities) fund and which is managed/marketed in the EU. The Company has been designated as an AIF.
Benchmark	The Company's benchmark is a composite index comprising 40% of the FTSE World UK Index and 60% of the FTSE World ex-UK Index.
Common Reporting Standards or CRS	Under CRS the Company is required to provide personal information to HMRC on certain investors that purchase shares in the Company. This information will be provided annually to the local tax authority of the tax residencies of a number of non UK based certificated shareholders and corporate entities.
Discount	The amount by which the market price per share of an investment trust is lower than the NAV per share. The discount is normally expressed as a percentage of the NAV per share.
Disclosure Guidance and Transparency Rules or DTRs	The DTRs contain requirements for publishing and distributing annual financial reports, half-yearly financial reports and other regulatory statements, and are applicable to investment companies which are listed on the main market of the London Stock Exchange.
Dividend Cover	Revenue return per share divided by dividends per share expressed as a ratio.
Dividend Entitlements	The Ordinary shares carry the right to receive the revenue profits (including accumulated revenue reserves) of the Company available for distribution as dividend and determined to be distributed by way of interim and/or final dividend and at such times as the Directors may determine.
Electronic Communications	The Directors are keen to encourage the use of electronic communications. Any registered shareholders wishing to receive future communications from the Company electronically should contact Link Asset Services at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU or Tel: 0371 664 0300 (lines are open 9.00am-5.30pm Mon-Fri).
Gearing	Investment Trusts can 'gear' or borrow money to invest but unit trusts are limited in this respect. Gearing can magnify a fund's return, however, a geared investment is riskier because of the borrowed money.
Financial Conduct Authority or FCA	The FCA issues the Listing Rules and is responsible for the regulation of AFML.
Investment Manager or Manager	The Company's Alternative Investment Fund Manager is Aberdeen Fund Managers Limited ("AFML") which is authorised and regulated by the Financial Conduct Authority Day to day management of the portfolio is delegated to Aberdeen Asset Managers Limited ("AAM"). AAM and AFML are collectively referred to as the "Investment Manager" or the "Manager".
Key Information Document or KID	The Packaged Retail and Insurance-based Investment Products (PRIIPS) Regulation requires the Manager, as the Company's PRIIP "manufacturer," to prepare a key information document ("KID") in respect of the Company. This KID must be made available by the Manager to retail investors prior to them making any investment decision and is available via the Company's website. The Company is not responsible for the information contained in the KID and investors should note that the procedures for calculating the risks, costs and potential returns are prescribed by law. The figures in the KID may not reflect the expected returns for the Company and anticipated performance returns cannot be guaranteed.
Listing Rules	The FCA's Listing Rules are a set of regulations that are applicable to all companies that are listed on the London Stock Exchange.

Glossary of Terms and Definitions continued

MiFID	The Markets in Financial Instruments Directive 2004/39/EC (MiFID)is a European Union law that provides harmonised regulation for investment services across the 31 member states of the European Economic Area.
Net Asset Value or NAV	The value of total assets less liabilities. Liabilities for this purpose includes current and long-term liabilities. The NAV divided by the number of shares in issue produces the NAV per share.
Net Gearing/(Cash)	Net gearing/(cash) is calculated by dividing total assets (as defined below) less cash or cash equivalents by shareholders' funds expressed as a percentage.
Ongoing Charges	Ratio of expenses as percentage of average daily shareholders' funds calculated as per the AIC's industry standard method.
PIDD	Pre-Investment Disclosure Document. Aberdeen and the Company are required to make certain disclosures available to investors in accordance with the AIFMD. Those disclosures that are required to be made pre-investment are included within a pre-investment disclosure document ('PIDD'), a copy of which can be found on the Company's website.
Premium	The amount by which the market price per share of an investment trust exceeds the NAV per share. The premium is normally expressed as a percentage of the NAV per share.
Prior Charges	The name given to all borrowings including debentures, long term loans and short term loans and overdrafts 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 and the income shares of split capital trusts, irrespective of the time until repayment.
Total assets	The total assets less current liabilities as shown on the Balance Sheet with the addition of Prior Charges (as defined above).
Total Return	Total Return involves reinvesting the net dividend in the month that the share price goes xd. 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.
Voting Rights	In accordance with the Articles of Association of the Company, on a show of hands, every member (or duly appointed proxy) present at a general meeting of the Company has one vote; and, on a poll, every member present in person or by proxy shall have one vote for every 25p nominal amount of Ordinary shares held.
Winding-Up Entitlements	On a winding up of the Company, any surplus assets available after payment of all debts and satisfaction of all liabilities of the Company shall be applied in repaying the Ordinary shareholders the amounts paid up on such shares. Any surplus shall be divided among the holders of Ordinary shares pari passu according to the amount paid up on such shares respectively.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the one hundred and tenth Annual General Meeting of Murray International Trust PLC (registered in Scotland under company number SC006705) will be held at 12.30 pm on 26 April 2018 at The Mermaid Conference Centre, Puddle Dock, Blackfriars, London EC4V 3DB for the following purposes:

Ordinary Business

As ordinary business to consider and, if thought fit, pass the following resolutions as Ordinary Resolutions:

1. To receive the Directors' Report, the Auditor's Report and audited financial statements for the year ended 31 December 2017.
2. To receive and adopt the Directors' Remuneration Report for the year ended 31 December 2017 (other than the Directors' Remuneration Policy).
3. To re-elect Mrs A Mackesy* as a Director of the Company.
4. To re-elect Mr P W Dunscombe* as a Director of the Company.
5. To re-elect Ms M Campbell* as a Director of the Company.
6. To re-elect Mr D Hardie* as a Director of the Company.
7. To re-elect Dr K J Carter* as a Director of the Company.
8. To re-appoint Ernst & Young LLP as auditor of the Company.
9. To authorise the Directors to fix the remuneration of the auditor.
10. THAT a final dividend of 17.0p per Ordinary share in respect of the year ended 31 December 2017 be paid on 18 May 2018 to holders of the Ordinary shares of 25p in the capital of the Company on the register at close of business on 6 April 2018.

Special Business

As special business to consider and, if thought fit, pass the following resolutions in the case of resolution 11 as an Ordinary Resolution and in the case of resolutions 12 and 13 as Special Resolutions:

Authority to Allot

11. THAT the Directors be generally and unconditionally authorised in accordance with Section 551 of the Act to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company up to an aggregate nominal amount of £3,195,397 (representing 10% of the total Ordinary share capital of the Company in issue on 8 March 2018) during the period expiring on the date of the next Annual General Meeting of the Company or on 30 June 2019, whichever is the earlier, but so that this authority, unless previously revoked, varied or renewed, shall allow the Company to make offers or agreements before the expiry of this authority which would or might require shares to be allotted or rights to be granted after such expiry and the Directors may allot shares and grant rights in pursuance of such an offer or agreement as if such authority had not expired.

Disapplication of Pre-emption Rights

12. THAT the Directors be and they are hereby empowered, pursuant to Sections 570 and 573 of the Act, to allot equity securities (as defined in Section 560 of the Act) for cash pursuant to the authority given in accordance with Section 551 of the Act by Resolution Number 11 as if Section 561 of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:-
    (i) during the period expiring on the date of the next Annual General Meeting of the Company or on 30 June 2019, whichever is earlier, but so that this power shall, unless previously revoked, varied or renewed, enable the Company to make offers or agreements before the expiry of this power which would or might require equity securities to be allotted after the expiry of this power and the Directors may allot equity securities in pursuance of such an offer or agreement as if such power had not expired;
    (ii) up to an aggregate nominal amount of £3,195,397 (representing 10% of the total Ordinary share capital of the Company in issue on 8 March 2018); and
    (iii) in the circumstances detailed in the section headed "Issue of Shares" on pages 37 and 38 of the Annual Report and at a price not less than 0.5% above the net asset value per share from time to time (as determined by the Directors and excluding Treasury shares).

Notice of Annual General Meeting continued

This power applies to a sale of Treasury shares which is an allotment of equity securities by virtue of Section 560(3) of the Act as if in the first paragraph of this Resolution the words "pursuant to the authority given in accordance with Section 551 of the Act by Resolution Number 11" were omitted.

Authority to Make Market Purchases of Shares

13. THAT the Company be generally and, subject as hereinafter appears, unconditionally authorised in accordance with Section 701 of the Act to make market purchases (within the meaning of Section 693(4) of the Act) of fully paid Ordinary shares of 25p each in the capital of the Company on such terms and in such manner as the Directors from time to time determine, PROVIDED ALWAYS THAT:

    (i) the maximum number of shares hereby authorised to be purchased shall be an aggregate of 19,159,600 Ordinary shares or, if less, the number representing 14.99% of the respective class of shares in issue (excluding shares already held in Treasury) as at the date of the passing of this Resolution;

    (ii) the minimum price which may be paid for a share shall be 25p;

    (iii) the maximum price (exclusive of expenses) which may be paid for a share shall be the higher of (i) 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; and (ii) the higher of the price of the last independent trade and the highest current independent bid at the time the purchase is carried out;

    (iv) any purchase of shares will be made in the market for cash at prices below the prevailing net asset value per share (as determined by the Directors);

    (v) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company or on 30 June 2019, whichever is earlier, unless such authority is previously revoked, varied or renewed prior to such time; and

    (vi) the Company may make a contract or contracts 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 or contracts notwithstanding such expiry above.

* The biographies of the Directors are detailed on pages 30 to 32 of this Annual Report.

40 Princes Street
Edinburgh
EH2 2BY
19 March 2018

By order of the Board
Aberdeen Asset Management PLC
Secretary

NOTES:

(i) Only those shareholders registered in the register of members of the Company at close of business on 24 April 2018 shall be entitled to attend and/or vote at the Annual General Meeting in respect of the number of shares registered in their name at that time ("the specified time"). If the Meeting is adjourned to a time not more than 48 hours after the specified time applicable to the original Meeting, that time will also apply for the purpose of determining the entitlement of shareholders to attend and/or vote at the adjourned meeting. If the Meeting is adjourned for a longer period, the time by which a person must be entered on the register of members of the Company in order to have the right to attend and/or vote at the adjourned meeting is the close of business two days (excluding non working days) prior to the time of the adjourned meeting. Changes to entries on the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend and/or vote at the Annual General Meeting.

(ii) Holders of Ordinary shares are entitled to attend and vote at the Annual General Meeting or any adjournment thereof. If you wish to attend, there will be a members' register to sign on arrival.

(iii) As at 8 March 2018 (being the last practicable day prior to the publication of this Notice), the Company's issued share capital consisted of 127,815,880 Ordinary shares carrying one vote each on a poll. Therefore, the total voting rights in the Company as at 8 March 2018 are 127,815,880.

(iv) A shareholder entitled to attend and vote at the Annual General Meeting is entitled to appoint one or more proxies to attend, speak and vote instead of him or her, provided that if two or more proxies are appointed, each proxy must be appointed to exercise the rights attaching to different shares. A Form of Proxy is enclosed with this Notice. A proxy need not be a shareholder of the Company. Completion and return of the Form of Proxy will not preclude shareholders from attending or voting at the Annual General Meeting, if they so wish. Details of how to appoint the Chairman of the Meeting or another person as your proxy using the Form of Proxy are set out in the note to the Form of Proxy. If you wish your proxy to speak on your behalf at the Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to the proxy. In the event that a Form of Proxy is returned without an indication as to how the proxy shall vote on the resolutions, the proxy will exercise his or her discretion as to whether, and if so how, he or she votes. You may also submit your proxy electronically using The Share Portal service at **signalshares.com**. Shareholders can use this service to vote or appoint a proxy online. The same voting deadline of 48 hours (excluding non-working days) before the time of the meeting applies as if you were using your Personalised Voting Form to vote or appoint a proxy by post to vote for you. Shareholders will need to use the unique personal identification Investor Code printed on the posted Proxy card. Shareholders should not show this information to anyone unless they wish to give proxy instructions on their behalf.

(v) To be valid, the Form of Proxy, together with the power of attorney or other authority, if any, under which it is executed (or a notarially certified copy of such power or authority) must be deposited with the Company's Registrar, for this purpose being PXS, 34 Beckenham Road, Beckenham BR3 4TU, as soon as possible, but in any event not later than 12.30 pm on 24 April 2018. If you have any queries relating to the completion of the Form of Proxy, please contact Link Asset Services on 0371 664 0300 (lines are open 9.000am to 5.30pm Mon-Fri). Link Asset Services cannot provide advice on the merits of the business to be considered nor give any financial, legal or tax advice. Alternatively, if the shareholder holds his or her shares in uncertificated form (i.e. in CREST) they may vote using the CREST System (see note (xi) below).

(vi) A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or insanity of the principal or revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the share in respect of which the proxy is given, provided that no intimation in writing of such death, insanity, revocation or transfer as aforesaid shall have been received by the Company at its registered office or the address specified in note (v) above before the commencement of the meeting or adjourned meeting at which the proxy is used.

(vii) Where there are joint holders of any share, any one of such persons may vote at any meeting, and if more than one of such persons is present at any meeting personally or by proxy, the vote of the senior holder who tenders the vote shall be accepted to the exclusion of the votes of other joint holders and, for this purpose, seniority will be determined by the order in which the names stand in the register of members of the Company.

(viii) Any person to whom this notice is sent who is a person nominated under Section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights. Nominated Persons should also remember that their main point of contact in terms of their investment in the Company remains the shareholder who nominated the Nominated Person to enjoy information rights (or, perhaps the custodian or broker who administers the investment on their behalf). Nominated Persons should continue to contact that shareholder, custodian or broker (and not the Company) regarding any changes or queries relating to the Nominated Person's personal details and interests in the Company (including any administrative matter). The statement of the rights of shareholders in relation to the appointment of proxies in notes (iv) to (vi) does not apply to Nominated Persons. The rights described in these notes can only be exercised by shareholders of the Company.

(ix) Any corporation which is a shareholder may authorise such person as it thinks fit to act as its representative at this meeting. Any person so authorised shall be entitled to exercise on behalf of the corporation which he represents the same powers (other than to appoint a proxy) as that corporation could exercise if it were an individual shareholder (provided, in the case of multiple corporate representatives of the same corporate shareholder, they are appointed in respect of different shares owned by the corporate shareholder or, if they are appointed in respect of the same shares, they vote the shares in the same way). To be able to attend and vote at the Annual General Meeting, corporate representatives will be required to produce prior to their entry to the Meeting evidence satisfactory to the Company of their appointment.

(x) To allow effective constitution of the Annual General Meeting, if it is apparent to the Chairman that no shareholders will be present in person or by proxy, other than by proxy in the Chairman's favour, then the Chairman may appoint a substitute to act as proxy in his stead for any shareholder, provided that such substitute proxy shall vote on the same basis as the Chairman.

(xi) Notes on CREST Voting.

1. CREST Members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual, which is available to download from the Euroclear UK & Ireland ("Euroclear") website (www.euroclear.com/CREST). CREST personal members or other CREST sponsored members, and those CREST members who have appointed voting service provider(s) should contact their CREST sponsor or voting service provider(s) who will be able to take the appropriate action on their behalf.
2. In order for a proxy appointment or instruction made using the CREST system to be valid, the appropriate CREST message (a "CREST proxy instruction") must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST Manual. To appoint a proxy or to give or amend an instruction to a previously appointed proxy via the CREST system, the CREST message must be received by the issuer's agent RA10 by 12.30 pm on 24 April 2018. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST applications Host) from which the issuer's agent is able to retrieve the message.

   CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST proxy instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or CREST sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) takes(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by a particular time. For further information on CREST procedures, limitations and system timings please refer to the CREST Manual.

The Company may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001. In any case, a proxy form must be received by the Company's registrars no later than 12.30 pm on 24 April 2018.

(xii) The attendance at the Meeting of shareholders and their proxies and representatives is understood by the Company to confirm their agreement to receive any communications made at the Meeting.

(xiii) Shareholders are advised that unless otherwise provided, the telephone numbers and website addresses which may be set out in this Notice or the Form of Proxy/Letter of Direction are not to be used for the purpose of serving information or documents on the Company including the service of information or documents relating to proceedings at the Company's Annual General Meeting. If the Chairman, as a result of any proxy appointments, is given discretion as to how the votes the subject of those proxies are cast and the voting rights in respect of those discretionary proxies, when added to the interests in the Company's shares already held by the Chairman, result in the Chairman holding such number of voting rights that he has a notifiable obligation under the Disclosure and Transparency Rules, the Chairman will make the necessary notifications to the Company and the Financial Conduct Authority. As a result any person holding 3% or more of the voting rights in the Company who grants the Chairman a discretionary proxy in respect of some or all of those voting rights and so would otherwise have a notification obligation under the Disclosure and Transparency Rules, need not make a separate notification to the Company and the Financial Conduct Authority.

(xiv) In accordance with Section 311A of the Companies Act 2006, the contents of this notice of Meeting, details of the total number of shares in respect of which members are entitled to exercise voting rights at the Annual General Meeting and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this notice will be available on the Company's website **murray-intl.co.uk**.

(xv) Pursuant to Section 319A of the Companies Act 2006, the Company must cause to be answered at the Annual General Meeting any question relating to the business being dealt with at the Annual General Meeting which is put by a shareholder attending the Meeting, except in certain circumstances, including if it is undesirable in the interests of the Company or the good order of the Meeting that the question be answered or if to do so would involve the disclosure of confidential information.

(xvi) Shareholders should note that it is possible that, pursuant to requests made by shareholders of the Company under Section 527 of the Companies Act 2006, the Company may be required to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid out before the Meeting; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with Section 437 of the Companies Act 2006, that the shareholders propose to raise at the Meeting. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with Sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under Section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later that the time when it makes the statement available on the website. The business which may be dealt with at the Meeting includes any statement that the Company has been required under Section 527 of the Companies Act 2006 to publish on the website.

(xvii) Participants in the Aberdeen Share Plan, ISA are entitled to vote by completing the enclosed Letter of Direction and returning it to the Company's registrars.

(xviii) Details of resolutions 2 to 13 are shown in the Annual Report as follows:-

Resolution 2	Pages 40 to 42	Directors' Remuneration Report
Resolutions 3 – 7	Pages 34 to 36	Directors
Resolutions 8 & 9	Page 36	Auditor
Resolution 10	Page 4	Final dividend
Resolutions 11 - 13	Pages 37 and 38	Authority to issue and effect buy backs of shares

Shareholder Information

Stock Exchange Codes

Stock Exchange Codes	SEDOL	ISIN
Ordinary shares of 25p each	0611190	GB0006111909

Annual General Meeting

The Annual General Meeting will be held on 26 April 2018 at 12.30 p.m. at the The Mermaid Conference Centre, Puddle Dock, Blackfriars, London EC4V 3DB.

Recent Ordinary Share Capital History

Year ended 31 December	Shares Issued Ordinary 25p	Share Buybacks Ordinary 25p	Shares in Issue Ordinary 25p
2010	7,975,500	n/a	103,162,856
2011	7,966,775	n/a	111,131,628
2012	10,145,888	n/a	121,283,242
2013	3,840,500	n/a	125,126,207
2014	2,232,500	n/a	127,361,901
2015	130,000	n/a	127,601,952
2016	155,625	1,081,463	127,484,238
2017	301,642	n/a	127,785,880

Financial Calendar

26 April 2018	Annual General Meeting at The Mermaid Conference Centre, Puddle Dock, Blackfriars, London EC4V 3DB at 12.30 p.m.
18 May 2018	Payment of proposed final dividend for 2017 (17.0p)
August 2018	Half yearly results to 30 June 2018 announced
17 August 2018	Payment of first interim dividend for 2018
19 November 2018	Payment of second interim dividend for 2018
19 February 2019	Payment of third interim dividend for 2018

History

Murray International Trust PLC 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 resembled today's, 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 commonplace, 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 Company's gearing. The Managers were not slow to spot an opportunity, but it started as Hobson's choice, and was only later hailed 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 the achievement of growth in income and capital through a well diversified portfolio. Symbolised by the name change from Murray Western to Murray International Trust PLC in 1984, the focus has since been on a relatively high yielding portfolio of equities in a well diversified mix of world markets.

In 2008 the Board circulated to all shareholders a short booklet to commemorate the centenary of the incorporation of the Company on 18 December 1907. Further copies are available on the website: www.murray-intl.co.uk/en/itmurrayinternational/literature or from the Company Secretary.

General

Contact Addresses

Directors

K J Carter (Chairman)
J D Best
M Campbell
P W Dunscombe
D Hardie
A Mackesy

Secretaries and Registered Office

Aberdeen Asset Management PLC
40 Princes Street
Edinburgh EH2 2BY

Registered in Scotland as an investment company
Company Number SC006705

Website

murray-intl.co.uk

Points of Contact

The Chairman, the Senior Independent Director and the Company Secretary at the registered office of the Company

Manager

Aberdeen Asset Managers Limited
Customer Services Department: 0808 500 00 40 (free when dialling from a UK landline)

AIFM

Aberdeen Fund Managers Limited

Broker

Stifel Nicolaus Europe Limited

Registrars

Link Asset Services
(*formerly Capita Asset Services)*
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Tel: 0371 664 0300
(lines are open 9.00am-5.30pm Mon-Fri)
Tel International: (+44 208 639 3399)
e-mail: enquiries@linkgroup.co.uk
signalshares.com

Depositary

BNY Mellon Trust & Depositary (UK) Limited
BNY Mellon Centre
160 Queen Victoria Street
London EC4V 4LA

Auditor

Ernst & Young LLP ("EY")

United States Internal Revenue Service FATCA Registration Number (GIIN)

8Y8Z2N.99999.SL.826

Legal Entity Identifier (LEI)

549300BP77JO5Y8LM5

Aberdeen