

This document comprises a prospectus relating to Murray International Trust PLC (the "Company") prepared in accordance with the prospectus rules and listing rules of the UK Listing Authority made under section 73A of the Financial Services and Markets Act 2000 ("FSMA"). This document has been approved by the Financial Services Authority ("FSA") in accordance with section 87A of FSMA. This document has been filed with the FSA in accordance with Rule 3.2 of the Prospectus Rules and will be made available to the public in accordance with the Prospectus Rules by being made available at www.murray-intl.co.uk.

The Directors of the Company, whose names appear on page 16 of this document, and the Company each accept responsibility for the information contained in this document. The Directors and the Company, having taken all reasonable care to ensure that such is the case, declare that the information contained in this document is, to the best of the knowledge of the Directors and the Company, in accordance with the facts and does not omit anything likely to affect the import of such information.

The Manager, whose name and address appears on page 16 of this document, accepts responsibility for the information contained in the Section of this document headed "Investment Outlook" in Part 1. The Manager, having taken all reasonable care to ensure that such is the case, declares that the information contained in the Section of this document headed "Investment Outlook" in Part 1 is, to the best of the knowledge of the Manager, in accordance with the facts and does not omit anything likely to affect the import of such information.

MURRAY INTERNATIONAL TRUST PLC

(incorporated in Scotland with registered no. SC006705 and registered as an investment company under section 833 of the Companies Act 2006)

Information relating to the prior Issue of 7,854,500 Ordinary Shares

Sponsor Oriel Securities Limited

This Prospectus does not constitute, and may not be used for the purposes of, an offer or solicitation to anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. The distribution of this Prospectus in certain jurisdictions may be restricted and accordingly persons into whose possession this document comes are required to inform themselves about and to observe such restrictions. The New Shares have not been, and will not be, registered under the United States Securities Act of 1933 (as amended) or under any of the relevant securities laws of Canada, Australia or Japan. Accordingly, the New Shares may not (unless an exemption from such Act or such laws is available) be offered, sold or delivered, directly or indirectly, in or into the USA, Canada, Australia or Japan. The Company will not be registered under the United States Investment Company Act of 1940 (as amended) and investors will not be entitled to the benefits of such Act.

Oriel Securities Limited, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is the sponsor to the Company. Oriel Securities Limited is not acting for any other person in connection with the Issue and the contents of this document and will not be responsible to anyone other than the Company for providing the protections afforded to clients of Oriel Securities Limited and is not advising any other person in relation to any transaction contemplated in or by this document. Nothing in this paragraph shall serve to exclude or limit the responsibilities and liabilities, if any, which may be imposed on Oriel Securities Limited by FSMA or the regulatory regime established thereunder.

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Potential investors should consult their stockbroker, bank manager, solicitor, accountant or other financial adviser before investing in the Company. Potential investors should also consider the risk factors relating to the Company set out on pages 8 to 11 of this document.

CONTENTS

	Page
SUMMARY	3
RISK FACTORS	8
FORWARD LOOKING STATEMENTS	12
DEFINITIONS	13
DIRECTORS, MANAGER AND OTHER ADVISERS	16
PART 1	
MURRAY INTERNATIONAL TRUST PLC	
Introduction	17
Investment Objective	17
Background to Issue of New Shares	17
Use of Issue Proceeds	17
Investment Policy	18
Investment Process	18
Investment Outlook	19
Investment Performance	19
Capital structure	20
Borrowings	20
Dividend policy	21
Discount and premium control policy	21
Directors	22
Investment Manager	22
Investment Management, Administration and Custodian Fees	23
Annual Expenses and Accounting Policies	23
Corporate Governance	23
Conflicts of Interest	25
Profile of a Typical Investor	26
Reports to Shareholders and Net Asset Value	26
Duration	26
Taxation	26
Additional Information	27
PART 2	
FINANCIAL INFORMATION (INCLUDING PORTFOLIO INFORMATION)	28
PART 3	
GENERAL INFORMATION	33

SUMMARY

This summary should be read as an introduction to the Prospectus. Any decision to invest in the New Shares should be based on consideration of the Prospectus as a whole by the investor. Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the EEA States, have to bear the costs of translating the Prospectus before the legal proceedings are initiated. Civil liability attaches to those persons who are responsible for this summary, including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus.

Introduction

Murray International Trust PLC is an investment trust which was launched in 1907. Its Shareholders consist predominantly of private investors and their representatives. The Company's share capital structure comprises Ordinary Shares and B Ordinary Shares. Its Shares are traded on the London Stock Exchange and it is a constituent of the FTSE 250 Share Index.

Investment Objective

The Company's investment objective 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 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 customised benchmark is a composite Index made up as to 40 per cent of the FTSE World-UK Index and 60 per cent of the FTSE World ex-UK Index.

Background to the Issue of New Shares

The Board has used the authority to issue New Shares granted by Shareholders at each annual general meeting in order to issue new Ordinary Shares at a premium to Net Asset Value. The Ordinary Shares of the Company have largely traded at a premium to Net Asset Value from 1 February 2009 to 16 December 2010 (the latest practicable date prior to the date of this document), and during this period the Board has issued a total of 12,491,500 new Ordinary Shares.

The FSMA and the Prospectus Rules provide that where a company issues in a twelve month period new shares representing 10 per cent or more of the company's issued share capital which are already admitted to trading on a regulated market, then the company concerned is required to issue a prospectus. In the period from 22 December 2009 to 16 December 2010 (the latest practicable date prior to the date of this document), the Company has issued 7,854,500 new Ordinary Shares in operating the Board's premium control policy, raising net proceeds of £65,670,405. These Shares represent 7.56 per cent of the Company's issued share capital as at 16 December 2010 (the latest practicable date prior to the date of this document).

To ensure that the Company retains the maximum flexibility to operate the premium control policy and to meet demand for the Ordinary Shares, the Board has decided to publish this document. Following the publication of this Prospectus, the Company will be able to disregard the 7,854,500 new Ordinary Shares issued in the period from 22 December 2009 to 16 December 2010, which the Board believes will provide the ability to issue New Shares going forward within the Prospectus Rules.

Use of Issue Proceeds

The Company has used the net proceeds of £65,670,405 in the period from 22 December 2009 to 16 December 2010 to acquire additional investments in accordance with the Company's policy of

investing in a diversified portfolio of international equities and fixed income securities spread across a range of industries and economies.

Investment Policy

The Directors are responsible for the determination of the investment policy of the Company and its overall supervision. The Board sets the Company's values and objectives and has responsibility for determining the investment policy and reviewing the investment process. The Board also ensures that the Company's obligations to its Shareholders are met.

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.

It is the investment policy of the Company to invest no more than 15 per cent of its gross assets in other listed investment companies (including listed investment trusts). 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 per cent of its investments by value in any single stock (at the time of purchase).

Gearing

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 is not in normal circumstances to exceed 30 per cent of Net Assets with cash deposits netted against the level of borrowings.

Investment Process

The Manager has developed a disciplined investment process which employs asset allocation, stock selection and risk controls to achieve and deliver the primary objective of consistent outperformance against the benchmark.

Investment Outlook

In the Manager's view, the investment outlook over the next two years will continue to be strongly influenced by the need to reduce the high fiscal deficits that persist throughout Europe particularly in Portugal, Ireland, Greece and Spain. Increasing risk aversion towards these nations, as measured by rising bond yields and widening credit default swaps, look likely to prevail until such times that credible austerity measures are introduced and improvements in Government finances begin to emerge. Against this background, rising unemployment will restrict economic growth as consumers worry about job security and the effect on future income prospects.

Companies with significant business exposure to such countries may experience difficulty in maintaining margins, profits and dividends if revenues begin to decline. Consequently, the Company will focus its exposure on companies based in Asia and Latin America, and those multinational

companies that may be domiciled in the Northern Hemisphere but have considerable business exposure to growth markets in the Southern Hemisphere.

Investment Manager

The Company is managed by Aberdeen Asset Managers Limited, a wholly owned subsidiary of Aberdeen Asset Management PLC, which was formed in 1983 and was first listed on the London Stock Exchange in 1991. As at 31 October 2010, the Aberdeen Group had approximately £178.373 billion of assets under management (*source: Aberdeen Asset Management*). It manages assets on behalf of a wide range of clients, including 17 UK-listed investment trusts and other closed-end funds, with combined total assets of approximately £4.3 billion as at 31 October 2010 (*source: Aberdeen Asset Management*).

Investment Performance

The Company has delivered strong performance to Shareholders in terms of share price and Net Asset Value growth. In terms of net asset returns, the Company has outperformed its benchmark index on a total return basis by 82.55 per cent over the period from 30 November 2000 to 30 November 2010 and has provided an annualised total return of 7.62 per cent over the same period.

Capital Structure

The Company's share capital comprises Ordinary Shares and B Ordinary Shares. Both classes of shares are listed on the Official List and admitted to trading on the London Stock Exchange. At 16 December 2010, the issued share capital of the Company comprised 103,041,856 Ordinary Shares and 833,912 B Ordinary Shares.

The B Ordinary Shares carry the same rights as the Ordinary Shares, with the B Ordinary shareholders receiving their dividends by means of a capitalisation issue as opposed to a cash dividend.

Dividend policy

The Company aims to provide Shareholders with an above average yield.

In any financial year the Company intends to make distributions to Shareholders of at least 85 per cent of eligible income. The dividends are currently paid as three interim dividends of an equal amount and a final dividend giving the total dividend payable for each financial year. For the financial year ended 31 December 2009, the Company paid three interim dividends of 5.6 pence per Ordinary Share and a final dividend of 10.2 pence per Ordinary Share, giving a total dividend for the year of 27 pence per Ordinary Share. In the current financial year ending 31 December 2010, the Company has declared three interim dividends of 6.8p per Ordinary Share.

Over the ten years to 31 December 2009, the total annual dividend paid to holders of Ordinary Shares has increased from 15.9 pence to 27.0 pence per Ordinary Share.

Whenever a cash dividend is paid on the Ordinary Shares, a bonus issue of B Ordinary Shares is made to the holders of B Ordinary Shares. This capitalisation issue will be equivalent in asset value to the dividend on the Ordinary Shares but excluding any tax credit thereon.

Borrowings

In terms of the Articles, the Company has the power to borrow an amount equivalent to the total of capital and reserves subject to a number of adjustments. However, the Board has determined that in normal circumstances, borrowings will be such that gearing will not exceed 30% of Net Assets with cash deposits netted against the level of borrowings.

At 31 October 2010 (the latest practicable date prior to the publication of this document), the Company had outstanding £150,443 nominal of the 4% Debenture Stock and unsecured bank loans

in Japanese Yen of £159.4 million or 17.7 per cent of Net Assets (without cash deposits netted against the borrowings) with ING, Barclays Bank PLC and The Royal Bank of Scotland plc. The Net Assets were £900.7 million at 31 October 2010.

Discount and Premium Control Policy

The Board considers that the Company's continuing ability to issue Shares at a premium is central to its ability to prevent a build up of excessive demand for the Shares and, more generally, to its ability to reduce the risk of volatility in the price of a Share relative to its Net Asset Value.

The Directors have the authority to allot Shares up to an aggregate nominal amount of £2,417,559 representing 10 per cent of the Company's issued share capital as at 22 February 2010. At the annual general meeting held in April 2010, Shareholders also passed a resolution to give the Directors power to allot for cash equity securities up to an aggregate nominal amount of £2,417,559 (equivalent to 9,560,662 Ordinary Shares and 109,573 B Ordinary Shares or 10 per cent of the Company's issued share capital as at 22 February 2010), as if Section 561 of the Act does not apply. Section 561 gives existing Shareholders pre-emption rights and this disapplication gives the Directors limited flexibility to issue New Shares without offering these Shares firstly to existing Shareholders. Such authority will expire at the next annual general meeting or on 30 June 2011, whichever is earlier.

The Directors intend to use this authority to issue New Shares only in circumstances where it will be clearly beneficial to Shareholders as a whole. Thus such issues will only be made where New Shares can be issued at a premium of 0.5 per cent or more to Net Asset Value.

The Directors have also been authorised by Shareholders to make market purchases of up to 14,331,433 Ordinary Shares and 164,250 B Ordinary Shares at a discount to Net Asset Value.

The decision as to whether the Company purchases any such Shares will be at the discretion of the Directors. Any purchase of the Shares will be made within guidelines established from time to time by the Board and also within the maximum price limits permitted by the UK Listing Authority and in accordance with the Act. The principal aim of a facility to purchase own shares is to enhance shareholder value by acquiring Shares at a discount to Net Asset Value.

Investment Management, Administration and Custodian fees

The total investment management (excluding performance fees) and administrative expenses of the Company for the financial year ended 31 December 2009 were £4,991,000 which resulted in a total expense ratio of 0.81 per cent.

Portfolio

As at 30 November 2010, the Company's portfolio comprised investments with an aggregate unaudited value, calculated in accordance with the Company's accounting policies, of £1,049,345,146.

Cost of this document

The Company's fixed expenses in connection with this document are estimated to amount to £125,000 (including VAT).

Risk factors

The principal risk factors relating to the Company are:

- the value of an investment in the Company, and the income derived from it, may go down as well as up;

- changes in economic conditions and other factors can substantially and adversely affect the value of investments and therefore the Company's performance and prospects;
- the past performance of the Company is not necessarily indicative of future performance;
- there is no guarantee that the Company's investment objective will be achieved;
- the Company attempts to conduct its business so as to satisfy the conditions for approval as an investment trust under Part 24 Chapter 4 of the Corporation Tax Act 2010. In respect of each accounting period for which approval is granted, the Company will be exempt from United Kingdom taxation on its capital gains. Breach of the tests that a company must meet to obtain approval as an investment trust company could lead to the Company being subject to tax on capital gains;
- the fair value of equity and other financial securities held in the Company's portfolio fluctuates with market prices;
- some of the Company's financial instruments are interest bearing. As such, the Company is exposed to interest rate risk due to fluctuations in the prevailing market rate;
- the Company has no employees and is reliant upon the performance of third party service providers; and
- any borrowings of the Company will rank ahead of the entitlements of Shareholders on a winding up.

Typical investors in the Company's Shares are private investors in the UK (including retail investors), professionally-advised private clients and institutional investors who seek income and potential for capital growth from investment in a diversified portfolio of international equities and fixed income securities. 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.

RISK FACTORS

The risk factors set out below are those which the Directors consider to be material but are not the only risks relating to the Company or the Shares. There may be additional risks that the Directors do not currently consider to be material or which are not presently known to the Directors. Before investing in the Shares, potential investors should consult their stockbroker, bank manager, solicitor, accountant or other suitably qualified and independent financial adviser authorised under the Financial Services and Markets Act 2000 if they are in the United Kingdom or, in the case of overseas investors, another appropriately authorised financial adviser.

Potential investors should carefully consider all the information in this document, including the following risk factors, before deciding to invest in the Company.

General

An investment in the Shares is only suitable for investors who are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses which may arise therefrom (which may be equal to the whole amount invested). Such an investment should be seen as long term in nature and complementary to existing investments in a range of other financial assets.

Changes in economic conditions (including, for example, interest rates and rates of inflation), industry conditions, competition, changes in the law, political and diplomatic events and trends, tax laws and other factors can substantially and adversely affect the value of investments and therefore the Company's performance and prospects.

Past performance of the Company, and of investments managed by the Manager, are not necessarily indicative of future performance.

The Shares

The market value of, and the income derived from, the Shares can fluctuate and, notwithstanding the Board's discount and premium control policy, may not always reflect the Net Asset Value per Share. There can be no guarantee that any appreciation in the value of the Company's investments will occur and investors may not get back the full value of their investment. No assurance can be given that any sale of the Company's investments would realise proceeds which would be sufficient to repay any borrowings or provide funds for any capital repayment to Shareholders. Shareholders will bear the rewards and risks of the success or otherwise of the Company's investments.

The market value of the Shares, as well as being affected by their Net Asset Value, also takes into account their dividend yield and prevailing interest rates, supply and demand for the Shares, market conditions and general investor sentiment.

Borrowing

The Company may incur borrowings for investment purposes. Whilst the use of borrowings should enhance the total return on the Shares where the return on the Company's underlying assets is rising and exceeds the cost of borrowing, it will have the opposite effect where the underlying return is falling, further reducing the total return on the Shares. As a result, the use of borrowings by the Company may increase the volatility of the Net Asset Value and market price per Share.

There is no guarantee that any borrowings of the Company would be refinanced on their maturity either at all or on terms that are acceptable to the Company.

Dividends

The Company will only pay dividends on the Ordinary Shares (and a capitalisation issue for B Ordinary Shares) to the extent that it has profits (including available reserves) available for that purpose, which will largely depend on the amount of income which the Company receives on its investments and the timing of such receipt. The amount of dividends payable by the Company may fluctuate.

If under UK law or accounting rules and standards applicable to the Company, there were to be a change to the basis on which dividends could be paid by companies, this could have a negative effect on the Company's ability to pay dividends.

Investment objective and strategy

There is no guarantee that the Company's investment objective will be achieved.

The Company may from time to time invest in other listed investment companies. As a consequence of these investments, the Company may itself be indirectly exposed to gearing through the borrowings from time to time of these other investment companies. The Company has a policy of not investing more than 15 per cent of its gross assets in other listed investment companies. The Net Asset Value, which is a factor in determining the market value of the Shares, will be linked to the underlying share price performance of any such other investment companies.

Debt instruments

The Company invests in fixed interest investments issued by corporate bodies and sovereign issuers. Bonds are subject to credit, liquidity and interest rate risks and in the event of a default there is a risk that the Net Asset Value may be adversely affected. Adverse changes in the financial position of an issuer of bonds or in general economic conditions may impair the ability of the issuer to make payments of principal and interest or may cause the liquidation or insolvency of an issuer. There can be no assurance as to the levels of default and/or recoveries that may be experienced with respect to bonds. Debt instruments held by the Company may be affected by changes in market sentiment or changes in interest rates that will, in turn, result in increases and decreases in the market value of those instruments. When interest rates decline, the value of the Company's investments in fixed rate debt obligations can be expected to rise and, when interest rates rise or are expected to rise, the value of those investments can be expected to decline.

To the extent that the Company invests in sub-investment grade securities, the Company may realise a higher yield than the yield offered by investment grade securities, but investment in such securities involves a greater volatility of price and a greater risk of default by the issuers of such securities, with potential loss of interest payment and principal. Sub-investment grade securities will be subject, in the judgment of a ratings agency, to uncertainties in terms of their performance in adverse conditions and will be speculative with respect to an issuer's capacity to meet interest payments and repay principal in accordance with its obligations. There can be no assurance that an issuer will not default or that the Company will be able to recover its investments in defaulted fixed interest debt instruments.

As bond investments of the Company mature, it may be difficult for the Company to obtain replacement investments having similar financial characteristics.

Market price risk

The fair value of equity and other financial securities held in the Company's portfolio fluctuates with changes in market prices. Prices are themselves affected by movements in currencies and interest rates and by other financial issues including the market perception of future risks.

Foreign currency risks

The Company's investments are principally in overseas securities. The Company accounts for its activities and reports its results in pounds sterling. The Company currently hedges most of the foreign

currency exposure in respect of the liabilities attached to its borrowings. Where the Company does not hedge its currency exposure, which is currently the case with the investment portfolio, the movement of exchange rates may have a favourable or unfavourable effect on the gains and losses experienced on investments which are made or realised in currencies other than pounds sterling.

Charges to Capital

The Company currently deducts part of the management charge from capital. This increases distributable income at the expense of capital growth, which will either be eroded or constrained. The maintenance of a high level of dividend may also diminish capital values.

Discount and premium control policy

The Company operates a discount and premium control policy as explained on page 21 of this document. The operation of the discount control element of this policy could lead to a significant reduction in the size of the Company over time, which would increase the Company's total expense ratio and prejudice the ability of the Company to pay satisfactory levels of dividend to Shareholders. While the Company intends to issue new Shares and to resell Shares held in treasury at a small premium to the Net Asset Value per Share where demand exceeds supply, this will be dependent upon the Company being able to issue new Shares and to resell Shares held in treasury at a premium, on market conditions generally at the relevant time, upon Shareholders in general meeting conferring appropriate authorities on the Board to issue further Shares and, where required under the Prospectus Rules, upon a prospectus having been approved by the Financial Services Authority and published. The ability of the Company to operate the discount control policy will depend on the Company being able to purchase its own Shares, which will be dependent upon Shareholders in general meeting conferring authority on the Board to purchase its own Shares. The Directors will seek renewal of this authority from Shareholders annually and at other times should this prove necessary. However, there can be no guarantee that requisite Shareholder approvals will be obtained.

In accordance with the Listing Rules, the extent of each buy-back authority which will be sought by the Company from Shareholders in general meeting will be limited to 14.99 per cent, of the Company's issued share capital as at the date on which such authority is granted. In order to continue purchasing its own Shares once any such authority has been exhausted, the Company would be required to seek a renewal of such authority from Shareholders in general meeting.

The ability of the Company to purchase its own shares will be subject to the Act and all other applicable legislation, rules and regulations of any government, regulatory body or market applicable to the Directors or the Company and, in particular, will be dependent on the availability of distributable reserves.

Cessation of investment trust status

The Company attempts to conduct its business so as to satisfy the conditions for approval as an investment trust under Part 24 Chapter 4 of the Corporation Tax Act 2010. In respect of each accounting period for which approval is granted, the Company will be exempt from United Kingdom taxation on its capital gains. Any breach of the tests that a company must meet to obtain approval as an investment trust company could lead to the Company being subject to tax on capital gains.

Tax and accounting

Any change in the Company's tax status or in taxation legislation or accounting practice could affect the value of the investments held by the Company, affect the Company's ability to provide returns to Shareholders or alter the post-tax returns to Shareholders. Representations in this document concerning the taxation of investors are based upon current tax law and practice which are subject to change.

Any change in accounting standards may adversely affect the value of the Company's assets in its books of account or restrict the ability of the Company to pay dividends.

Regulatory

It is expected that the Alternative Investment Fund Managers Directive designed to regulate private equity and hedge funds will be adopted early in 2011. The Directive may have significant consequences for the Company (and all similar investment companies) which might materially increase compliance and regulatory costs. The Directive is subject to further implementation measures, and the Board will continue to monitor the progress and likely implications of the Directive.

The performance of the Company is dependent upon the Manager's expertise in pursuing the investment policy and upon the Manager's key personnel

The ability of the Company to successfully pursue its investment policy is significantly dependent upon the expertise of the Manager and the principal members of its management team. The Company does not currently have employees or own any facilities and depends on the Manager for the day to day management and operation of its business. The loss of any of the Manager's management team could reduce the Company's ability to pursue successfully its planned investment policy.

The Company has no employees and is reliant on the performance of third party service providers

The Company has no employees and the Directors have all been appointed on a non executive basis. The Company is therefore reliant upon the performance of third party service providers for its executive function. In particular, the Manager and the Secretary will be performing services which are integral to the operation of the Company. The failure by any service provider to carry out its obligations to the Company in accordance with the terms of its appointment could have a materially detrimental impact on the operation of the Company and could affect the ability of the Company to pursue successfully its investment policy.

The Company may experience fluctuations in its operating results

The Company may experience fluctuations in its operating results from period to period due to a number of factors, including changes in the values of investments made by the Company, changes in the amount of distributions, dividends or interest paid in respect of investments in the portfolio, changes in the Company's operating expenses, and general economic and market conditions. Such variability may lead to volatility in the market price of the Shares and cause the Company's results for a particular period not to be indicative of its performance in a future period.

FORWARD LOOKING STATEMENTS

To the extent that this document includes "forward looking statements" concerning the Company, those statements are based on the current expectations of the Board and are naturally subject to uncertainty and changes in circumstances. Forward looking statements include, without limitation, statements typically containing words such as "intends", "expects", "anticipates", "targets", "estimates" and words of similar import.

By their nature, forward looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. Given these risks and uncertainties, potential investors should not place undue reliance on forward looking statements as a prediction of actual results.

The Company does not undertake any obligation to update publicly or revise forward looking statements, whether as a result of new information, future events or otherwise, except to the extent legally required.

Information in this document will be updated as required by the Prospectus Rules, Listing Rules and Disclosure and Transparency Rules, as appropriate.

Nothing in the preceding two paragraphs qualifies the working capital statement in paragraph 5 of Part 3 of this document.

DEFINITIONS

In this document, the words and expressions listed below have the meanings set out opposite them (except where the context otherwise requires):

"1985 Act"	the Companies Act 1985 (as amended)
"Aberdeen Group"	Aberdeen Asset Management PLC and its subsidiaries
"Act"	the Companies Act 2006 (as amended)
"Admission"	in respect of New Shares, the admission of such New Shares to the Official List and to trading on the London Stock Exchange's main market for listed securities
"Articles"	the articles of association of the Company, as amended from time to time
"Auditors"	Ernst & Young LLP
"Australia"	the Commonwealth of Australia, its territories and possessions and all areas under its jurisdiction and political sub-divisions thereof
"B Ordinary Shares"	B ordinary shares of £0.25 each in the capital of the Company
"Canada"	Canada, its provinces and territories and all areas under its jurisdiction and political sub-divisions thereof
"Combined Code"	the Combined Code on Corporate Governance issued by the Financial Reporting Council in June 2008
"Company"	Murray International Trust PLC, a company incorporated in Scotland (registered number SC006705), whose registered office is at 7 th floor, 40 Princes Street, Edinburgh, EH2 2BY
"CREST"	the system for the paperless settlement of trades in securities and the holding of uncertificated securities operated by Euroclear UK & Ireland Limited in accordance with the Uncertificated Securities Regulations 2001 (SI 2001/3755) as amended
"Custodian"	J. P. Morgan Bank (Ireland) PLC
"Directors" or "Board"	the directors of the Company
"Disclosure and Transparency Rules"	the disclosure and transparency rules made by the Financial Services Authority under Part VI of the Financial Services and Markets Act 2000 (as amended), as amended from time to time
"EEA States"	the member states of the European Economic Area
"FSA"	Financial Services Authority

"FTSE"	FTSE International Limited
"HMRC"	HM Revenue & Customs
"ISA"	an individual savings account maintained in accordance with the UK Individual Savings Account Regulations 1998 (as amended);
"Issue"	the issue of New Shares pursuant to the premium control policy outlined in Part 1 of this document
"Issue Price"	the price at which New Shares are to be issued under an Issue, which will be determined as explained in Part 1 of this document
"Japan"	Japan, its cities, prefectures, territories and possessions
"Listing Rules"	the listing rules made by the Financial Services Authority under Part VI of the Financial Services and Markets Act 2000 (as amended), as amended from time to time
"London Stock Exchange"	London Stock Exchange plc
"Management Agreement"	the management agreement between the Company and the Manager, further details of which are set out in paragraph 10.1 of Part 3 of this document
"Manager"	Aberdeen Asset Managers Limited
"Net Assets"	the prevailing net asset value of the Company, calculated in accordance with the Company's normal policies which values debt at par and includes current income
"Net Asset Value "	the prevailing net asset value per Ordinary Share or B Ordinary Share from time to time, as the context requires and unless otherwise stated, calculated in accordance with the Company's normal policies which values debt at par and includes current income
"New Shares"	the new Shares to be issued pursuant to the premium control policy
"Official List"	the official list of the UK Listing Authority
"Ordinary Shares"	ordinary shares of £0.25 each in the capital of the Company
"Overseas Investor"	a person who is not resident in, or who is outside or who has a registered address outside, the United Kingdom, the Isle of Man and the Channel Islands
"Prospectus"	this document
"Prospectus Rules"	the prospectus rules made by the Financial Services Authority under Part VI of the Financial Services and Markets Act 2000 (as amended), as amended from time to time

"Recognised Investment Exchange"	an investment exchange recognised by the Financial Services Authority under Part XVIII of the Financial Services and Markets Act 2000 (as amended)
"Regulatory Information Service"	a regulatory information service that is on the list of regulatory information services maintained by the Financial Services Authority
"RPI"	the Retail Prices Index published by the United Kingdom office for National Statistics
"Secretary"	Aberdeen Asset Management PLC
"Shares"	means the Ordinary Shares and the B Ordinary Shares
"Shareholder"	a holder of Ordinary Shares and/or B Ordinary Shares
"Strategy Committee"	strategy committee of the Aberdeen Asset Management Group
"Takeover Code"	the City Code on Takeovers and Mergers
"TCGA"	the Taxation of Chargeable Gains Act 1992
"Total Assets"	the aggregate gross value of the assets of the Company less current liabilities of the Company (but there shall not be included as current liabilities principal amounts borrowed for investment)
"UK Listing Authority"	the Financial Services Authority, acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000 (as amended)
"United States", "USA" or "US"	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia

DIRECTORS, MANAGER AND OTHER ADVISERS

Directors	<p>John Francis Henry Trott Janet Patricia Bruce (Lady Balfour of Burleigh CBE) James Douglas Best Dr Kevin James Carter Alfred Charles Shedden OBE 7th floor, 40 Princes Street Edinburgh EH2 2BY United Kingdom</p>
Registered Office	<p>7th floor, 40 Princes Street Edinburgh EH2Y 2BY United Kingdom</p> <p>Telephone: 0131 528 4000</p>
Company Secretary	<p>Aberdeen Asset Management PLC 7th floor, 40 Princes Street Edinburgh EH2 2BY United Kingdom</p>
Manager	<p>Aberdeen Asset Managers Limited 40 Princes Street Edinburgh EH2Y 2BY United Kingdom</p>
Solicitors to the Company	<p>McGrigors LLP 141 Bothwell Street Glasgow G2 7EQ United Kingdom</p>
Auditors	<p>Ernst & Young LLP Ten George Street Edinburgh EH2 2DZ United Kingdom</p>
Registrars	<p>Capita Registrars Limited The Registry 34 Beckenham Road Beckenham Kent BR3 4YU United Kingdom</p>
Principal Banker and Custodian	<p>J.P. Morgan Bank (Ireland) PLC JP Morgan House International Financial Services Centre Dublin1 Ireland</p>
Sponsor	<p>Oriel Securities Limited 125 Wood Street London EC2V 7AN United Kingdom</p>

PART 1

Murray International Trust PLC

Introduction

Murray International Trust PLC is an investment trust which was launched in 1907. Its Shareholders consist predominantly of private investors and their representatives. The Company's share capital structure comprises Ordinary Shares and B Ordinary Shares. Its Shares are traded on the London Stock Exchange and it is a constituent of the FTSE 250 Share Index.

Investment Objective

The primary 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 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 customised benchmark is a composite Index made up as to 40 per cent of the FTSE World-UK Index and 60 per cent of the FTSE World ex-UK Index.

Background to Issue of New Shares

As set out in the section entitled "Discount and Premium Control Policy" on page 21, the Board has used the authority to issue New Shares granted by Shareholders at each annual general meeting in order to issue new Ordinary Shares at a premium to Net Asset Value. The Ordinary Shares of the Company have largely traded at a premium to Net Asset Value from 1 February 2009 to 16 December 2010 (the latest practicable date prior to the date of this document), and during this period the Board has issued a total of 12,491,500 new Ordinary Shares.

The FSMA and the Prospectus Rules provide that where a company issues in a twelve month period new shares representing 10 per cent or more of the company's issued share capital which are already admitted to trading on a regulated market, then the company concerned is required to issue a prospectus. In the period from 22 December 2009 to 16 December 2010 (the latest practicable date prior to the date of this document), the Company has issued 7,854,500 new Ordinary Shares in operating the Board's premium control policy, raising net proceeds of £65,670,405. These Shares represent 7.56 per cent of the Company's issued share capital as at 16 December 2010 (the latest practicable date prior to the date of this document).

To ensure that the Company retains the maximum flexibility to operate the premium control policy and to meet demand for the Ordinary Shares, the Board has decided to publish this document. Following the publication of this Prospectus, the Company will be able to disregard the 7,854,500 new Ordinary Shares issued in the period from 22 December 2009 to 16 December 2010, which the Board believes will provide the ability to issue New Shares going forward within the Prospectus Rules.

Use of Issue Proceeds

The Company has used the net proceeds of £65,670,405 in the period from 22 December 2009 to 16 December 2010 to acquire additional investments in accordance with the Company's policy of investing in a diversified portfolio of international equities and fixed income securities spread across a range of industries and economies.

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.

It is the investment policy of the Company to invest no more than 15 per cent of its gross assets in other listed investment companies (including listed investment trusts). 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 per cent of its investments by value in any single stock (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 is not in normal circumstances to exceed 30 per cent of Net Assets with cash deposits netted against the level of borrowings.

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.

Investment Process

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 the assets of the Company, the delivery of consistent outperformance against the benchmark based on the concept of seeking growth at a reasonable price.

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

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

Asset Allocation

Based on the guidelines set by the Strategy Committee, and after consultation with relevant area specialists of the Aberdeen Group, the investment manager of the Company, Bruce Stout, recommends asset allocation to the Board. There is a strong "top down" influence to establish the economic overview and to identify potential investment themes. The approach is highly focused and

portfolios are tightly constructed to provide the greatest scope for outperformance within the agreed risk parameters.

For the Company, regional allocation of funds in line with guidelines set by the Strategy Committee is the first stage of the portfolio construction process. At this stage, house views on specific global sectors are also taken into account.

Established themes and trends are considered within the process of country allocation, which is also influenced by analysis of key data covering macroeconomic and monetary factors, value and performance.

Country selection is driven overall by short and medium term estimates of macroeconomics, politics and liquidity, and the market implications of those.

Stock Selection

The investment manager has responsibility for portfolio construction across all regional segments. Working closely with the relevant underlying desks in each case, portfolio construction is an interactive process. The Manager utilises a "Global Equity Buy List" which is constructed by each of the specialist country desks. This list contains all buy (and hold) recommendations for each desk, which are then used as the investment universe. If a stock no longer meets the criteria to be included on the Buy List, it is sold within 30 days. This process enables the investment manager to better reflect top down themes that emerge from the global equity strategy and investment theme 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, the Company 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 and currently, the Company has mostly hedged the currency exposure relating to its borrowings. Interest rate risk lies with the portfolio holdings of fixed income securities and on-call deposits.

Investment Outlook

In the Manager's view, the investment outlook over the next two years will continue to be strongly influenced by the need to reduce the high fiscal deficits that persist throughout Europe particularly in Portugal, Ireland, Greece and Spain. Increasing risk aversion towards these nations, as measured by rising bond yields and widening credit default swaps, look likely to prevail until such times that credible austerity measures are introduced and improvements in Government finances begin to emerge. Against this background, rising unemployment will restrict economic growth as consumers worry about job security and the effect on future income prospects.

Companies with significant business exposure to such countries may experience difficulty in maintaining margins, profits and dividends if revenues begin to decline. Consequently, the Company will focus its exposure on companies based in Asia and Latin America, and those multinational companies that may be domiciled in the Northern Hemisphere but have considerable business exposure to growth markets in the Southern Hemisphere.

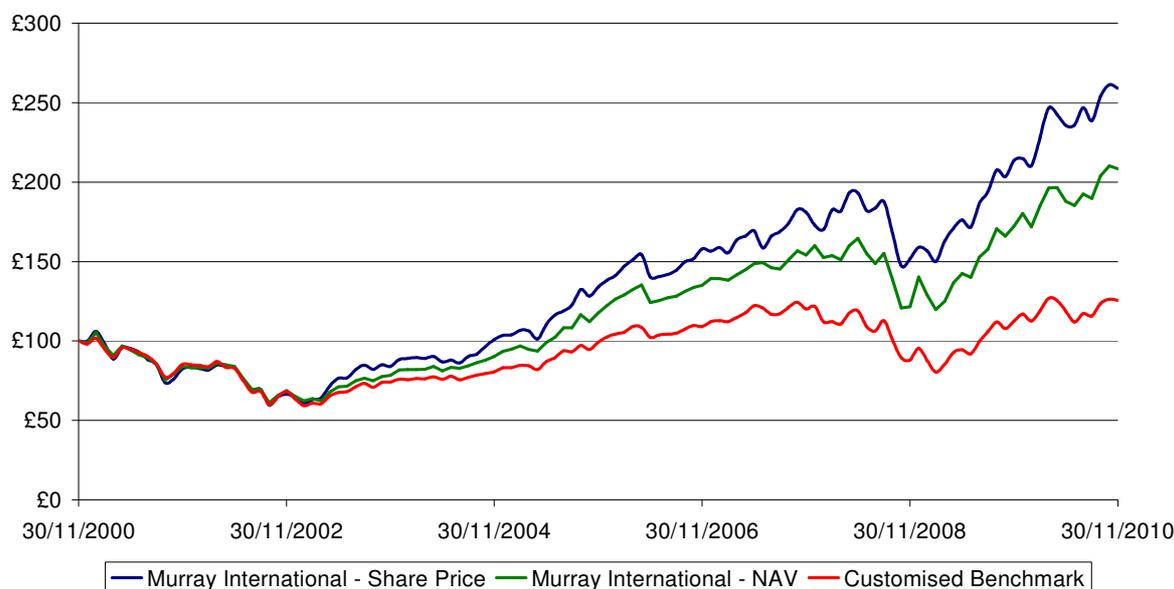
Investment Performance

The table below shows the Company's total shareholder return over the ten years to 30 November 2010 measured for share price and Net Asset Value compared with the equivalent information for the Company's benchmark index. This demonstrates the Company's strong performance delivered to

Shareholders, in terms of share price and Net Asset Value growth. In terms of net asset returns, the Company has outperformed its benchmark index on a total return basis by 82.55 per cent over the period from 30 November 2000 to 30 November 2010 and has provided an annualised total return of 7.62 per cent over the same period.

Value of £100 invested on 30/11/00, total return

Source: Aberdeen Asset Management, Morningstar, Russell Mellon



Capital Structure

The Company's share capital comprises Ordinary Shares and B Ordinary Shares. Both classes of shares are listed on the Official List and admitted to trading on the London Stock Exchange. At 16 December 2010, the issued share capital of the Company comprised 103,041,856 Ordinary Shares and 833,912 B Ordinary Shares.

The B Ordinary Shares carry the same rights as the Ordinary Shares, with the B Ordinary shareholders receiving their dividends by means of a capitalisation issue as opposed to a cash dividend. With effect from the payment of the final dividend in 2007, the capitalisation issue received by B Ordinary shareholders has been made every time a dividend is paid on the Ordinary Shares. The B Ordinary shareholders also have the right to convert their shares into Ordinary Shares once a year.

More information on the Ordinary Shares and the B Ordinary Shares is set out in paragraph 6 of Part 3 of this document.

Borrowings

In terms of the Articles, the Company has the power to borrow an amount equivalent to the adjusted total of capital and reserves. However, the Board has determined that in normal circumstances, borrowings will be such that gearing will not exceed 30 per cent of Net Assets with cash deposits netted against the level of borrowings. The current level of gearing takes the form of bank loans and the outstanding stock of a small debenture issue. Gearing will normally be employed where the Board considers that this will enhance returns for Shareholders.

At 31 October 2010 (the latest practicable date prior to the publication of this document), the Company had outstanding £150,443 nominal 4% Debenture Stock and unsecured bank loans in Japanese Yen of £159.4 million or 17.7 per cent of net assets (without cash deposits netted against

the borrowings) with ING, Barclays Bank PLC and The Royal Bank of Scotland plc. The Net Assets were £900.7 million at 31 October 2010.

Dividend Policy

The Company aims to provide Shareholders with an above average yield.

In any financial year the Company intends to make distributions to shareholders of at least 85 per cent of eligible income. The dividends are currently paid as three interim dividends of an equal amount and a final dividend giving the total dividend payable for each financial year. For the financial year ended 31 December 2009 the Company paid three interim dividends of 5.6 pence per Ordinary Share and a final dividend of 10.2 pence per Ordinary Share, giving a total dividend for the year of 27 pence per Ordinary Share. In the current financial year ending 31 December 2010, the Company has declared three interim dividends of 6.8p per Ordinary Share.

Over the ten years to 31 December 2009 the total annual dividend paid to holders of Ordinary Shares has increased from 15.9 pence to 27.0 pence per Ordinary Share.

Whenever a cash dividend is paid on the Ordinary Shares, a bonus issue of B Ordinary Shares is made to the holders of B Ordinary Shares. This capitalisation issue will be equivalent in asset value to the dividend on the Ordinary Shares but excluding any tax credit thereon.

Discount and Premium Control Policy

The Board considers that the Company's continuing ability to issue Shares at a premium is central to its ability to prevent a build up of excessive demand for the Shares and, more generally, to its ability to reduce the risk of volatility in the price of a Share relative to its Net Asset Value.

The Directors have the authority to allot Shares up to an aggregate nominal amount of £2,417,559 representing 10 per cent of the Company's issued share capital as at 22 February 2010. At the annual general meeting held in April 2010, Shareholders also passed a resolution to give the Directors power to allot for cash equity securities up to an aggregate nominal amount of £2,417,559 (equivalent to 9,560,662 Ordinary Shares and 109,573 B Ordinary Shares or 10 per cent of the Company's issued share capital as at 22 February 2010), as if Section 561 of the Act does not apply. Section 561 gives existing Shareholders pre-emption rights and this disapplication gives the Directors limited flexibility to issue New Shares without offering these Shares firstly to existing Shareholders. Such authority will expire at the next annual general meeting or on 30 June 2011, whichever is earlier.

The Directors intend to use this authority to issue New Shares only in circumstances where it will be clearly beneficial to Shareholders as a whole. Thus such issues will only be made where shares can be issued at a premium of 0.5 per cent or more to Net Asset Value.

The Directors have also been authorised by Shareholders to make market purchases of up to 14,331,433 Ordinary Shares and 164,250 B Ordinary Shares at a discount to Net Asset Value, being 14.99 per cent of the Shares of the Company in issue prior to convening the annual general meeting held on 30 April 2010. The decision as to whether the Company purchases any such Shares will be at the discretion of the Directors. Any purchase of the Shares will be made within guidelines established from time to time by the Board and also within the maximum price limits permitted by the UK Listing Authority and in accordance with the Act. The principal aim of a facility to purchase own shares is to enhance shareholder value by acquiring Shares at a discount to Net Asset Value.

Directors

The Directors, who are non executive and all of whom are independent of the Manager, are responsible for the determination of the investment policy of the Company and its overall supervision. The Board sets the Company's values and objectives and has responsibility for determining the investment policy and reviewing the investment process. The Board also ensures that the Company's obligations to its Shareholders are met.

There are regular board meetings which take place during the course of the year. The primary focus at these board meetings is a review of investment process and performance and associated matters, including gearing, asset allocation, marketing and investor relations, peer group information and industry issues. The Directors are as follows:

John Trott (Chairman): John Trott joined the Board as a non executive director in October 2000 and was appointed Chairman in November 2002. He was formerly chairman of the Standard Life Assurance Company and The Brunner Investment Trust plc. He is chairman of the Management Engagement Committee and the Nomination Committee.

Lady Balfour of Burleigh CBE: Lady Balfour joined the Board as a non executive director in September 2003. She taught politics and modern history at Oxford University, before moving to the Central Policy Review Staff in the Cabinet Office. She has worked for governments in many countries and for a number of public companies. She is chairman of the Nuclear Liabilities Fund Limited and the Nuclear Liabilities Financing Assurance Board. Her other current directorships are The Scottish Oriental Smaller Companies Trust plc and Albion Enterprise VCT PLC. She is chairman of the Remuneration Committee and a member of the Audit Committee, the Management Engagement Committee and the Nomination Committee.

James Best: James Best joined the Board as a non executive director in June 2005. He has worked in New York, London and Singapore as a banker, most notably with UBS, HSBC and earlier with Credit Suisse. He is a member of the Management Engagement Committee, the Nomination Committee, the Remuneration Committee and the Audit Committee.

Kevin Carter: Dr Carter joined the Board as a non executive director in April 2009. He was, until recently, 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 also a director of Lowland Investment Company PLC. He is a member of the Management Engagement Committee, the Nomination Committee, the Remuneration Committee and the Audit Committee.

Alfred Shedden OBE: (Senior Independent Director) Alfred Shedden joined the Board as a non executive director in October 2000. He is a former senior partner of McGrigors and is a non executive director of Iomart Group plc. He was formerly chairman of Martin Currie Japan Investment Trust PLC and was formerly a non executive director of The Equitable Life Assurance Society and The Standard Life Assurance Company. He is also a Governor of Glasgow School of Art. He is chairman of the Audit Committee and a member of the Management Engagement Committee, the Nomination Committee and the Remuneration Committee.

Investment Manager

The Company is managed by Aberdeen Asset Managers Limited, a wholly-owned subsidiary of Aberdeen Asset Management PLC, which was formed in 1983 and was first listed on the London Stock Exchange in 1991. As at 31 October 2010, the Aberdeen Group had approximately £178.373 billion of assets under management (*source: Aberdeen Asset Management*). It manages assets on behalf of a wide range of clients, including 17 UK-listed investment trusts and other closed-end funds, with combined total assets of approximately £4.3 billion as at 31 October 2010 (*source: Aberdeen Asset Management*).

Investment Management, Administration and Custodian fees

Investment Management fees

The Company's investment manager is Aberdeen Asset Managers Limited, who are appointed under the terms of the Management Agreement. The Manager receives an investment management fee of 0.5 per cent per annum, payable monthly. This is based on the value of the total assets, less unlisted investments and all current liabilities (but excluding monies borrowed to finance the investment objectives of the Company), carried out with reference to quarterly valuations averaged over the six previous quarters. A fee of 1.5 per cent per annum is charged on the value of unlisted investments. In addition the Manager is entitled to a performance fee on the following basis:

- a fee of 5 per cent of the first 2 per cent of any outperformance of the Company's net asset total return over that of its benchmark. The performance fee is applied to consolidated assets (which for this purpose are all the assets of the Company less current liabilities (but not moneys borrowed or contingent liabilities); and
- a fee of 10 per cent of any additional outperformance against the benchmark.

There is an overall cap on the management fee and performance fee of 0.8 per cent of the average value of the consolidated assets of the Company for a particular year.

Details of the Management Agreement between the Company and the Manager, pursuant to which the Manager provides management services to the Company, are set out in paragraph 10.1 of Part 3 of this document.

Administration fees

Aberdeen Asset Management PLC also provide company secretarial services to the Company. A secretarial fee of £100,000 per annum is payable by the Company, which is included in the 0.5 per cent management fee set out above.

Custodian fees

Custody arrangements are provided by J.P.Morgan Bank (Ireland) PLC. The total custodial and transactional charges for the financial year ended 31 December 2009 were £245,202.

Annual Expenses and Accounting policies

The total investment management (excluding performance fees) and administrative expenses of the Company for the financial year ended 31 December 2009 were £4,991,000, which resulted in a total expense ratio of 0.81 per cent.

All expenses are accounted for on an accruals basis and charged against revenue except that transaction costs on the acquisition and disposal of investments are charged to the capital account. Further investment management and finance costs are allocated 30 per cent to revenue and 70 per cent to realised capital reserves to reflect the Company's investment policy and prospective income and capital growth. The performance fee is charged 100 per cent to realised capital reserve, as any such fee will have arisen wholly or predominantly by virtue of the capital performance of investments.

Corporate Governance

The Company is committed to a high standard of corporate governance. Accordingly, the Board has put in place a framework for corporate governance, which it believes is appropriate for an investment trust and which enables it to comply with the Combined Code. Additionally the Board has considered the principles and recommendations of the Association of Investment Companies Code on Corporate Governance (the "AIC Code"). The AIC Code addresses all the principles set out in Section 1 of the Combined Code, as well as setting out additional principles and recommendations which are of specific relevance to investment trusts.

The Company complied in its most recent financial year, and continues to comply, with the provisions of Section 1 of the Combined Code and the recommendations of the AIC, save for the exception disclosed below.

The Board

The Board consists of five non executive Directors, all of whom are considered to be independent of the Manager and free of any relationship which could materially interfere with the exercise of their independent judgement on issues of strategy, performance, resources and standards of conduct. It should be noted that:

- the Chairman was independent on appointment and, in compliance with the AIC Code, continues to be so;
- the Company does not have an internal audit function (Combined Code Provision C3.5).

The Board sets the Company's values and objectives and has responsibility for determining the investment policy and reviewing the investment process. The Board also ensures that the Company's obligations to its Shareholders are met. There are regular board meetings which take place during the course of the year. The primary focus at these board meetings is a review of investment process and performance and associated matters, including gearing, asset allocation, marketing and investor relations, peer group information and industry issues. In between these meetings, the Board maintains regular contact with the Manager.

Alfred Shedden is the senior independent non executive Director.

There is an agreed procedure for Directors to take independent professional advice, if necessary, at the Company's expense.

External Agencies

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

Nominations Committee

The nominations committee is chaired by John Trott and comprises Lady Balfour of Burleigh, James Best, Kevin Carter and Alfred Shedden. The nominations committee makes recommendations to the Board on the following matters:

- the identification and nomination of candidates to fill Board vacancies as and when they arise for the approval of the Board. The identification of such candidates is carried out in conjunction with the Board by an independent firm of consultants;
- plans for succession;
- the re-appointment of any non executive Director at the conclusion of their specified term of office;
- the re-election by shareholders of any Director under the retirement by rotation provisions in the Articles;

- the continuation in office of any Director at any time; and
- the appointment of any Director to another office (e.g. Chairman of the Audit Committee) other than to the position of Chairman, the recommendation for whom would be considered at a meeting of the Board.

Audit Committee

The audit committee is chaired by Alfred Shedden and is comprised of Lady Balfour of Burleigh, James Best and Kevin Carter. The principal responsibilities of the audit committee are:

- the review of the effectiveness of the internal control environment of the Company – to assist in this the Company receives reports from the internal and external auditors on a regular basis;
- the review of the annual accounts and half yearly report;
- the review of the terms of appointment of the Auditors together with their remuneration as well as the non-audit services provided by the Auditors (if applicable) – although there is no fixed rotation in place for the Company’s auditors, the Company’s audit arrangements are reviewed on a periodic basis in order to confirm that the engagement terms remain in line with the market and competitive;
- the review of the scope and the results of the audit and the independence and objectivity of the Auditors (it should be noted that the Auditors, Ernst & Young LLP, change the partner responsible for the audit every five years);
- the review of the Auditors’ management letter and the management response;
- the review of the Manager’s “whistleblowing” arrangements; and
- meetings with representatives of the Manager.

Management Engagement Committee

As recommended by the AIC Code, a Management Engagement Committee has been established. The Management Engagement Committee is chaired by John Trott and comprises Lady Balfour of Burleigh, James Best, Kevin Carter and Alfred Shedden. The primary responsibility of the Management Engagement Committee is to annually review matters concerning the Management Agreement.

Remuneration Committee

The remuneration committee is chaired by Lady Balfour of Burleigh and comprises James Best, Kevin Carter and Alfred Shedden. The remuneration committee reviews the Directors’ remuneration.

Conflicts of Interest

The Manager may provide investment management and other services to other clients (including investment companies), including clients who may invest in similar securities as the Company may invest in, and, in providing such services, may use information obtained by the Manager which is used in managing the Company’s investments. In the event of a conflict of interest arising, the Manager will take reasonable steps to ensure that it is resolved fairly and if necessary, the conflict will be disclosed to the Company.

The Manager is obliged to report to the next Board Meeting any transaction involving a conflict where this is less than or equal to 2.5 per cent of net assets as determined by the last annual accounts. Where the matter involves a transaction in excess of 2.5 per cent of net assets, the matter must be approved by the Board.

Profile of a Typical Investor

The profile of the typical investor in the Shares is that of private investors in the UK (including retail investors), professionally-advised private clients and institutional investors who seek income and potential for capital growth from investment in a diversified portfolio of international equities and fixed income securities. Private investors should consider consulting an independent financial adviser who specialises in advising on the acquisition of shares and other securities before investing in the 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.

Report to Shareholders and Net Asset Value

The annual report and accounts of the Company are made up to 31 December in each year. Copies of the annual report and accounts are sent to Shareholders in March of each year and the annual general meetings of the Company are held in April of each year. Shareholders also receive an unaudited half yearly report covering the first six months of each financial year of the Company.

The Net Asset Value of the Ordinary Shares and the B Ordinary Shares is calculated by the Manager on behalf of the Company in accordance with the recommendations of the Association of Investment Companies and is published daily through a Regulatory Information Service.

A fact sheet is available on a monthly basis from the Company's website; www.murray-intl.co.uk.

The Directors may temporarily suspend the calculation, and publication, of the Net Asset Value per Share during a period when, in the opinion of the Directors:

- (a) as a result of political, economic, military or monetary events or any circumstances outside the control, responsibility or power of the Board, disposal or valuation of investments held by the Company or other transactions in the ordinary course of the Company's business are not reasonably practicable without this being materially detrimental to the interest of Shareholders or if, in the opinion of the Board, the Net Asset value cannot be fairly calculated;
- (b) there is a breakdown of the means of communication normally employed in determining the calculation of Net Asset Value; or
- (c) it is not reasonably practicable to determine the Net Asset Value on an accurate and timely basis.

Any such suspension will be communicated to investors via a Regulatory Information Service announcement.

Duration

The Company does not have a fixed life.

Taxation

The Company is an investment company in accordance with Section 833 of the Companies Act 2006 and carries on business as an investment trust. The Company has been approved by HMRC as an investment trust for the purposes of Section 842 of the Income and Corporation Taxes Act 1988 for the year ended 31 December 2008. The Directors are of the opinion that the Company has conducted its affairs for the year ended 31 December 2009 so as to be able to continue to obtain approval as an investment trust under Part 24 Chapter 4 of the Corporation Tax Act 2010 for that year, although approval for that year would be subject to review were there to be any enquiry under the Corporate Tax Self Assessment regime.

Further information on the general UK taxation position at the date of this document is set out in paragraph 12 of Part 3 of this document.

If you are in any doubt as to your taxation position, or are subject to a tax jurisdiction other than the United Kingdom, you should consult your professional adviser without delay.

Additional Information

Your attention is also drawn to the information set out in Parts 2 and 3 of this document and to the risk factors set out on pages 8 to 11.

PART 2
FINANCIAL INFORMATION (INCLUDING PORTFOLIO INFORMATION)

1 HISTORICAL FINANCIAL INFORMATION

Statutory audited accounts of the Company for the three financial years ended 31 December 2009, together with a copy of the Company's unaudited interim report and accounts for the six months ended 30 June 2010, are available for inspection during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the address set out in paragraph 14 of Part 3 of this document. The audited accounts have been prepared in accordance with applicable UK Law and Accounting Standards (UK Generally Accepted Accounting Practice) and with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" (issued in January 2009) or the previous version. The audited published annual financial reports of the Company for the year ended 31 December 2009 are available on line at www.murray-intl.co.uk (although none of the other information on such website is incorporated by reference in this document other than as set out in Part 2 of this document, or is being made available other than to existing Shareholders or should be relied upon in making any investment decision) and also for inspection at the address set out in paragraph 14 of Part 3 of this document.

Historical financial information relating to the Company on the matters referred to below is included in the published annual report and audited accounts of the Company for the three financial years ended 31 December 2009 as set out in the table below and is expressly incorporated by reference into this document.

	Statutory Accounts for Year ended		
	31 December 2007	31 December 2008	31 December 2009
Nature of Information	Page No.	Page No.	Page No.
Income Statement	37	36	36
Reconciliation of movements			
in shareholders funds	39	38	38
Balance sheet	38	37	37
Statement of cash flow	40	39	39
Accounting policies	41	40	40
Notes to the financial statements	41	40	40
Audit report	35	35	35

2 SELECTED FINANCIAL INFORMATION

The information in this paragraph 2 is information regarding the Company which has been prepared by the Company and has been extracted directly from the historical financial information referred to in paragraph 1 of this Part 2. Selected historical financial information relating to the Company which summarises the financial condition of the Company for the three years ended 31 December 2009 is set out in the following table:

	Year ended 31 December 2007	Year ended 31 December 2008	Year ended 31 December 2009
Investments (£000)	679,577	618,212	860,106
Borrowings (£000)	56,931	159,107	80,806
Net asset value			
Net assets (£'000)	646,237	568,827	741,813
Net asset value per Share (pence)	736.8p	625.8p	772.9p
Share price (pence) Ordinary	662p	589p	765.5p
Share price (pence) B Ordinary	660.9p	527p	717.5p
Income			
Revenue return after expenses and taxation (£'000)	18,400	21,898	27,290
Revenue return per Ordinary Share (pence)	21.2p	25p	29.5p
Dividend per Ordinary Share (pence)	21p	23.2p	27p
Total expenses			
Total Expense Ratio	0.70%	0.82%	0.81%
Portfolio summary			
Shareholders' funds (£000)	646,237	568,827	741,813

3 INTERIM PERIOD ENDED 30 JUNE 2010

3.1 Published unaudited interim reports and financial statements for the six months ended 30 June 2010

The Company's unaudited financial report for the six months to 30 June 2010, which is incorporated into this document by reference, is available online at www.murray-intl.co.uk (although none of the other information on such website is incorporated by reference in this document, other than is set out in Part 2 of this document, or is being made available other than to existing Shareholders or should be relied upon in making any investment decision) and also for inspection in the address set out in paragraph 14 of Part 3 of this document.

Nature of information	Six months ended 30 June 2010 (Unaudited) Page No.(s)
Income Statement	8
Reconciliation of movements in shareholders' funds	10
Balance sheet	9
Cash flow statement	11
Notes to the half-yearly financial report	12
Board Report	2

3.2 Selected financial information

The key unaudited figures that summarise the financial position of the Company in respect of the financial period from 1 January 2010 to 30 June 2010, which have been extracted without material adjustment from the historical financial information referred to in 3.1, are set out in the following table:-

Nature of information	Six months ended 30 June 2010 (Unaudited)
Investments (£000)	928,798
Borrowings (£000)	155,189
Net asset value	
Net assets (£000)	796,624
Net assets per Share (p)	786.5
Share price – Ordinary (p)	825.5
Share price – B Ordinary (p)	795.0
Income	
Revenue return after taxation (£000)	20,339
Basic revenue return per Share (p)	20.9
Dividend per Share (p)	13.6

4 OPERATING AND FINANCIAL REVIEW

A description of changes in the performance of the Company, both capital and revenue, and changes to the Company's portfolio of investments is set out in the sections headed "Chairman's Statement", "Manager's Review" and "Summary of Investment Changes" in the published statutory accounts of the Company as follows:

Statutory Accounts for Year ended

Nature of Information	31 December 2007	31 December 2008	31 December 2009	30 June 2010
	Page No.	Page No.	Page No.	Page No.
Chairman's Statement	4	4	4	n/a
Manager's Review	6	6	6	n/a
Summary of Investment Changes	15	15	16	7

5 **SIGNIFICANT CHANGE**

Since 30 June 2010 (being the end of the last financial period of the Company for which financial information has been published), there has been no significant change in the financial or trading position of the Company other than the increase in Net Asset Value which is contained in paragraph 13.6 of Part 3 of this document.

6 **ANALYSIS OF INVESTMENT PORTFOLIO**

As at 30 November 2010 (being the last practicable date prior to the publication of this document), the Company's portfolio comprised investments with an aggregate unaudited value, calculated in accordance with the Company's accounting policies, of £1,049,345,146. The following tables show the distribution of the portfolio by the twenty largest investments (which includes equities and fixed income securities) and the distribution by sector as at 30 November 2010.

By Security		% of Total Assets
Souza Cruz	Brazil	3.38
Unilever Indonesia	Indonesia	3.21
British American Tobacco	United Kingdom and Malaysia	3.10
Rio Tinto	United Kingdom	2.99
Vale Rio Doce	Brazil	2.91
Standard Chartered	United Kingdom	2.52
Aeropuerto del Sureste	Mexico	2.34
PTT Exploration	Thailand	2.34
Tenaris	Mexico	2.31
Petrobras	Brazil	2.14
Top ten investments		
Kimberly-Clark De Mexico	Mexico	2.03
Weir	United Kingdom	2.00
Nordea	Sweden	1.99
Wing Hang Bank	Hong Kong	1.98
Taiwan Mobile	Taiwan	1.96
Petrochina	China	1.80
Taiwan Manufacturing	Semiconductor Taiwan	1.73

Philip Morris International	United States	1.72
Public Bank	Malaysia	1.70
Telecomunicacoes de Paulo	Sao Paulo Brazil	1.67

Top twenty investments

By sector	Valuation (£'000s)	% of Total Assets
Consumer Goods	191,586	18.26
Financials	167,930	16.00
Oil & Gas	124,941	11.91
Telecommunications	107,267	10.22
Industrials	96,191	9.17
Health Care	80,804	7.70
Basic Materials	64,298	6.13
Utilities	59,999	5.72
Unclassified	41,582	3.96
Technology	34,151	3.25
Consumer Services	30,668	2.92
Eurobonds	25,778	2.46
Government Bonds	24,152	2.30

The information in this paragraph 6 is unaudited information on the Company, which has been extracted from internal management accounting records held by the Company and has not been reported on by an accountant.

PART 3 GENERAL INFORMATION

1 RESPONSIBILITY

- 1.1 The Directors of the Company, whose names appear on page 16 of this document, and the Company each accept responsibility for the information contained in this document. The Directors and the Company, having taken all reasonable care to ensure that such is the case, declare that the information contained in this document is, to the best of the knowledge of the Directors and the Company, in accordance with the facts and does not omit anything likely to affect the import of such information.
- 1.2 The Manager whose name, address and function appears in paragraph 2.4 below, accepts responsibility for the information contained in the Section of this document headed "Investment Outlook" in Part 1. The Manager, having taken all reasonable care to ensure that such is the case, declares that the information contained in the Section of this document headed "Investment Outlook" in Part 1 is, to the best of the knowledge of the Manager, in accordance with the facts and does not omit anything likely to affect the import of such information.

2 INCORPORATION AND GENERAL

- 2.1 The Company was incorporated and registered in Scotland on 18 December 1907 as a company limited by shares under the Companies Acts 1862 to 1900 with the registered number SC006705. The Company re-registered as a public company on 11 March 1982. Shares in the Company were first admitted to listing in 1945. The Company operates under the Act and regulations made under the Act. Its registered office is 7th Floor, 40 Princes Street, Edinburgh, EH2 2BY with telephone number +44(0)131 528 4000. Save for its compliance with the Act, the Listing Rules, the Disclosure and Transparency Rules and the Prospectus Rules, the Company is not a regulated entity.
- 2.2 The Company has no subsidiaries.
- 2.3 The Company is registered as an investment company under section 833 of the Act.
- 2.4 The Manager is a private limited company and was incorporated in Scotland under the 1985 Act with the registered number SC108419 on 23 December 1987. The Manager operates under the Act. Its registered office is 10 Queens Terrace, Aberdeen, Aberdeenshire, AB10 1YG. The Manager is authorised and regulated by the Financial Services Authority.
- 2.5 The Custodian is J.P.Morgan Bank (Ireland) PLC which is a credit institution and bank licensed by the Central Bank of Ireland.
- 2.6 Ernst & Young LLP of Ten George Street, Edinburgh EH2 2DZ have been the only auditors of the Company since 1 January 2007. Ernst & Young LLP is registered to carry out audit work by the Institute of Chartered Accountants in England and Wales.

3 SHARE CAPITAL AND INDEBTEDNESS

- 3.1 The following table shows the issued share capital (excluding treasury shares) of the Company as at 30 June 2010 (being the last date in respect of which the Company has published financial information) and as at 16 December 2010 (being the latest practicable date prior to the publication of this document):

	30 June 2010		16 December 2010	
	Nominal Value (£)	Number of Shares	Nominal Value (£)	Number of Shares
Issued Ordinary Share capital (fully paid)	25,116,839	100,467,356	25,760,464	103,041,856
Issued B Ordinary Share capital (fully paid)	204,969	819,876	208,478	833,912

As at the date of this document, no Shares are held by the Company in treasury.

3.2 The following changes have occurred in the share capital of the Company during the last three financial years and since 1 January 2010:-

Date	Ordinary Shares Issued	B Ordinary Shares Issued	Event
18/05/2007		12,572	Capitalisation issue
30/06/2007		-28,780	Conversion of B Ordinary shares
30/06/2007	28,780		Conversion of B Ordinary shares
14/08/2007		6,980	Capitalisation issue
15/11/2007		6,772	Capitalisation issue
14/02/2008		6,724	Capitalisation issue
24/04/2008	25,500		Allotment for cash
28/04/2008	50,000		Allotment for cash
01/05/2008	35,000		Allotment for cash
07/05/2008	75,000		Allotment for cash
16/05/2008		12,264	Capitalisation issue
19/06/2008	125,000		Allotment for cash
30/06/2008		- 12,770	Conversion of B Ordinary shares
30/06/2008	12,770		Conversion of B Ordinary shares
18/07/2008	50,000		Allotment for cash
21/07/2008	150,000		Allotment for cash
25/07/2008	75,000		Allotment for cash
31/07/2008	100,000		Allotment for cash
04/08/2008	70,000		Allotment for cash
06/08/2008	100,000		Allotment for cash
14/08/2008		7,696	Capitalisation issue
14/08/2008	50,000		Allotment for cash
18/08/2008	50,000		Allotment for cash
02/09/2008	50,000		Allotment for cash
02/09/2008	50,000		Allotment for cash
09/09/2008	200,000		Allotment for cash
16/09/2008	225,000		Allotment for cash
22/09/2008	125,000		Allotment for cash
02/10/2008	65,000		Allotment for cash
07/10/2008	250,000		Allotment for cash
09/10/2008	275,000		Allotment for cash
20/10/2008	150,000		Allotment for cash
28/10/2008	100,000		Allotment for cash

Date	Ordinary Shares Issued	B Ordinary Shares Issued	Event
31/10/2008	150,000		Allotment for cash
14/11/2008		7,664	Capitalisation issue
15/12/2008	50,000		Allotment for cash
16/12/2008	150,000		Allotment for cash
22/12/2008	71,587		Allotment for cash
23/12/2008	296,363		Allotment for cash
20/01/2009	300,000		Allotment for cash
27/01/2009	100,000		Allotment for cash
06/02/2009	100,000		Allotment for cash
11/02/2009	50,000		Allotment for cash
16/02/2009		8,660	Capitalisation issue
16/02/2009	100,000		Allotment for cash
18/02/2009	100,000		Allotment for cash
19/02/2009	100,000		Allotment for cash
09/03/2009	75,000		Allotment for cash
19/03/2009	25,000		Allotment for cash
16/04/2009	200,000		Allotment for cash
29/04/2009	250,000		Allotment for cash
30/04/2009	250,000		Allotment for cash
01/05/2009	25,000		Allotment for cash
15/05/2009		16,280	Capitalisation issue
15/05/2009	250,000		Allotment for cash
09/06/2009	250,000		Allotment for cash
17/06/2009	200,000		Allotment for cash
30/06/2009		- 70,632	Conversion of B Ordinary shares
30/06/2009	70,632		Conversion of B Ordinary shares
10/07/2009	500,000		Allotment for cash
16/07/2009	300,000		Allotment for cash
17/07/2009	40,000		Allotment for cash
04/08/2009	260,000		Allotment for cash
13/08/2009	30,000		Allotment for cash
14/08/2009		11,040	Capitalisation issue
25/08/2009	160,000		Allotment for cash
09/09/2009	75,000		Allotment for cash
16/09/2009	75,000		Allotment for cash
16/09/2009	35,000		Allotment for cash
17/09/2009	50,000		Allotment for cash
08/10/2009	300,000		Allotment for cash
21/10/2009	265,000		Allotment for cash
30/10/2009	150,000		Allotment for cash
06/11/2009	225,000		Allotment for cash
10/11/2009	47,000		Allotment for cash
13/11/2009		10,116	Capitalisation issue
17/11/2009	150,000		Allotment for cash
15/01/2010	25,000		Allotment for cash

Date	Ordinary Shares Issued	B Ordinary Shares Issued	Event
18/01/2010	85,000		Allotment for cash
25/01/2010	150,000		Allotment for cash
01/02/2010	50,000		Allotment for cash
03/02/2010	200,000		Allotment for cash
10/02/2010	200,000		Allotment for cash
16/02/2010		8,344	Capitalisation issue
24/02/2010	200,000		Allotment for cash
26/02/2010	300,000		Allotment for cash
01/03/2010	215,000		Allotment for cash
03/03/2010	150,000		Allotment for cash
04/03/2010	110,000		Allotment for cash
05/03/2010	275,000		Allotment for cash
09/03/2010	150,000		Allotment for cash
10/03/2010	250,000		Allotment for cash
11/03/2010	85,000		Allotment for cash
15/03/2010	100,000		Allotment for cash
16/03/2010	125,000		Allotment for cash
23/03/2010	375,000		Allotment for cash
13/04/2010	300,000		Allotment for cash
26/04/2010	100,000		Allotment for cash
05/05/2010	50,000		Allotment for cash
06/05/2010	225,000		Allotment for cash
07/05/2010	250,000		Allotment for cash
12/05/2010	200,000		Allotment for cash
14/05/2010		14,872	Capitalisation issue
14/05/2010	70,000		Allotment for cash
18/05/2010	375,000		Allotment for cash
27/05/2010	200,000		Allotment for cash
09/06/2010	265,000		Allotment for cash
17/06/2010	150,000		Allotment for cash
23/06/2010	50,000		Allotment for cash
30/06/2010		- 11,611	Conversion of B Ordinary shares
30/06/2010	11,611		Conversion of B Ordinary shares
09/07/2010		- 279,121	Conversion of B Ordinary shares
09/07/2010	279,121		Conversion of B Ordinary shares
19/07/2010	50,000		Allotment for cash
20/07/2010	500,000		Allotment for cash
21/07/2010	500,000		Allotment for cash
26/07/2010	350,000		Allotment for cash
06/08/2010	100,000		Allotment for cash
16/08/2010		6,728	Capitalisation issue
28/10/2010	125,000		Allotment for cash
29/10/2010	50,000		Allotment for cash
01/11/2010	25,000		Allotment for cash
02/11/2010	20,000		Allotment for cash

Date	Ordinary Shares Issued	B Ordinary Shares Issued	Event
04/11/2010	105,000		Allotment for cash
09/11/2010	37,000		Allotment for cash
15/11/2010	40,000		Allotment for cash
15/11/2010		7,308	Capitalisation issue
17/11/2010	104,000		Allotment for cash
18/11/2010	30,000		Allotment for cash
29/11/2010	30,000		Allotment for cash
01/12/2010	46,000		Allotment for cash
02/12/2010	200,000		Allotment for cash
07/12/2010	67,500		Allotment for cash
14/12/2010	150,000		Allotment for cash
15/12/2010	25,000		Allotment for cash
16/12/2010	20,000		Allotment for cash

- 3.3 No share or loan capital of the Company is under option or has been agreed, conditionally or unconditionally, to be put under option.
- 3.4 At the annual general meeting of the Company held on 30 April 2010, the Directors were authorised as follows:
- (i) generally and unconditionally pursuant to section 551 of the Act, to allot Shares up to an aggregate nominal amount of £2,417,559 (such authority to expire on 30 June 2011 or, if earlier, at the conclusion of the Company's next annual general meeting); and
 - (ii) pursuant to sections 570 and 573 of the Act, to allot equity securities (as defined in section 560 of the Act), wholly for cash pursuant to the authority noted in paragraph 3.4(i) above as if sub-section 561 of the Act did not apply to any such allotment, provided that this authority is to expire on 30 June 2011 or, if earlier, at the conclusion of the next annual general meeting of the Company (but so that the Company may make an offer or agreement which would or might require equity securities to be allotted after expiry of this power and the Directors may allot equity securities in pursuance of that offer or agreement as if this power had not expired) and is limited to the allotment of equity securities and the sale of treasury shares for cash up to an aggregate nominal amount of £2,417,559 and at a premium in excess of 0.5 per cent above net asset value per share.
- 3.5 The disapplication of statutory pre-emption rights in the terms provided under the special resolution noted at paragraph 3.4(ii) above, gives the Company the flexibility to resell Shares which it holds in treasury for cash without first being required to offer such Shares to existing Shareholders in proportion to their existing holdings.
- 3.6 The Company has authority to buy back up to 14,331,433 Ordinary Shares and 164,250 B Ordinary Shares, being 14.99 per cent of the Shares in issue as at 22 February 2010 (the last practicable date prior to convening the Annual General meeting held on 30 April 2010). As at 16 December 2010 (the latest practicable date prior to the publication of this document), the Company has not purchased any Shares pursuant to this authority.
- 3.7 The provisions of section 561 of the Act, which confer on Shareholders certain rights of pre-emption in respect of the allotment of equity securities which are to be paid up in cash, apply to the unissued capital of the Company except as referred to in paragraph 3.4 above.

3.8 Issues of New Shares will only be made in the circumstances described in the section headed "Discount and Premium Control Policy" in Part 1 of this document. Where Issues are made, it is expected that the New Shares will be issued pursuant to resolutions of the Board conditional upon admission of those New Shares to the Official List and to trading on the London Stock Exchange's main market for listed securities. All of the Ordinary Shares and B Ordinary Shares are (or, in the case of any New Shares which are issued, will be) admitted to trading on the main market of the London Stock Exchange.

3.9 The ISIN and SEDOL of the Ordinary Shares and B Ordinary Shares are set out below. The par value of each share is £0.25 and the base currency is sterling.

	Ordinary Shares	B Ordinary Shares
ISIN	GB0006111909	GB0006112089
SEDOL	0611190	0611208

3.10 New Shares will be issued fully paid and in registered form and may be held in either certificated or uncertificated form. CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by certificates and transferred otherwise than by written instruments. The Articles permit the holding of New Shares under the CREST system. CREST is a voluntary system and holders of New Shares who wish to receive and retain share certificates will be able to do so. Temporary documents of title will not be issued in respect of New Shares issued in certificated form under any Issue. Definitive certificates for such New Shares are expected to be despatched in the week following completion of the relevant Issue.

3.11 Oriel Securities Limited act as market makers in respect of the Shares and have agreed to act as market makers in respect of the New Shares.

4 CAPITALISATION AND INDEBTEDNESS

The following table sets out the capitalisation and indebtedness of the Company (distinguishing between guaranteed and unguaranteed, secured and unsecured indebtedness) as at 30 June 2010 (the last date in respect of which interim financial information on the Company has been published) and as at 31 October 2010:

	31 October 2010	30 June 2010
	£'000	£'000
Total current debt		
- Guaranteed	-	-
- Secured	-	-
- Unguaranteed/unsecured	-	-
Total Non-current debt		
- Guaranteed	-	-
- Secured	150	150
- Unguaranteed/unsecured	<u>159,381</u>	<u>155,039</u>
Total Indebtedness	159,531	155,189
- Cash and Cash Equivalents	<u>11,878</u>	<u>29,102</u>
Total Net Indebtedness	<u>147,653</u>	<u>126,087</u>

Shareholders' equity (excluding retained reserves)

- Share capital	25,742	25,322
- Share premium	106,467	92,905
- Other reserves*	<u>721,163</u>	<u>627,856</u>
Total Capitalisation	<u>853,372</u>	<u>746,083</u>

*other reserves includes the capital redemption reserve and the capital reserve but excludes revenue reserve.

5 WORKING CAPITAL

The Company is of the opinion that the working capital available to it is sufficient for its present requirements (that is, for at least the next 12 months from the date of this document).

6 ARTICLES OF ASSOCIATION

The principal business of the Company is to carry on business as an investment company. The Ordinary Shares and B Ordinary Shares (which at the date of this document are the only classes of share in issue in the Company) have attached thereto the respective rights and privileges and are subject to the respective limitations and restrictions set out in this section 6. The Articles contain provisions, inter alia, to the following effect:

6.1 Share Rights

Rights attaching to Shares

Any share in the Company may be issued with such preferred, deferred or other special rights, or subject to such restrictions, whether as regards dividend, return of capital, voting or otherwise, as the Company may from time to time by ordinary resolution determine (or, in the absence of any such determination, as the Directors may determine). Subject to the provisions of the Statutes, any share may be issued which is or is to be liable to be redeemed at the option of the Company or the holder, and the Directors may determine the terms, conditions and manner of redemption of any such share.

6.2 Allotment

Subject to the provisions of the statutes affecting companies ("**Statutes**") relating to authority to allot shares, pre-emption rights and otherwise and of any resolution of the Company in general meeting passed pursuant thereto, the Directors may allot (with or without conferring a right of renunciation), grant options over or otherwise dispose of the shares of the Company to such persons, at such times and on such terms as they think proper.

6.3 Alteration of Capital

The Company may by ordinary resolution:

- (a) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;
- (b) sub-divide its shares, or any of them, into shares of smaller amount than its existing shares; and

- (c) determine that, as between the shares resulting from such a sub-division, any of them may have any preference or advantage as compared with the others,

and where any difficulty arises in regard to any consolidation or division, the Directors may settle such difficulty as they see fit.

No reduction in capital or subdivision or consolidation of shares shall be effected which would result in the Ordinary and B Ordinary Shares ceasing to be of the same denomination as each other.

6.4 **Variation of Rights**

Subject to the provisions of the Statutes, all or any of the rights or privileges attached to any class of shares forming part of the capital for the time being of the Company may be varied, modified, dealt with or abrogated (whether or not the Company is being wound up) in any manner with the sanction of a special resolution passed at a separate general meeting of the holders of shares of the class duly convened and held in accordance with the Articles. To any such separate general meeting all the provisions of the Articles as to general meetings shall *mutatis mutandis* apply, but so that the necessary quorum shall be two persons of the class, present (in person or by proxy), holding at least one third of the nominal amount paid on the issued shares of the class (excluding Treasury Shares), provided that a person present by proxy or proxies is treated as holding only the shares in respect of which the proxies are authorised to exercise voting rights. If at any adjourned meeting of such holders a quorum as above defined is not present, one holder of shares of the class present in person or by proxy shall be a quorum. Every holder of shares of the class shall on a poll have one vote in respect of each 25p in nominal amount of the shares of the class held by him. Every holder of shares of the class (other than a holder of Treasury Shares), present in person or by proxy, may demand a poll. The foregoing provisions shall apply to the variation or abrogation of the special rights attached to some only of the shares of any class as if the shares concerned and the remaining shares of such class formed separate classes.

A member holding B Ordinary Shares shall be entitled to receive notice of any separate meeting of the holders of the Ordinary Shares but shall not by virtue of his holding of B Ordinary Shares be entitled to attend or vote at any such separate meeting.

6.5 **Deemed Variation**

The creation or issue of any shares in the capital of the Company not being either Ordinary Shares or B Ordinary Shares shall be deemed to involve a variation of the special rights attached to the Ordinary Shares and also of the special rights attached to the B Ordinary Shares. Subject as aforesaid, the special rights attached to any class of shares having preferential rights shall not unless otherwise expressly provided by the terms of issue thereof be deemed to be varied by the creation or issue of further shares ranking as regards participation in the profits or assets of the Company in some or all respects *pari passu* therewith but in no respect in priority thereto.

6.6 **Transfer Of Shares**

6.6.1 *Transfer of shares in certificated form*

The instrument of transfer of a share in certificated form may be in any usual form or in any other form which the Directors approve and shall be executed by or on behalf of the transferor and, where the share is not fully paid, by or on behalf of the transferee. Any such transferor shall remain the holder of the shares concerned until the name of the transferee is entered in the register of members in respect thereof.

6.6.2 *Transfer of shares in uncertificated form*

A member may transfer all or any of his shares held in uncertificated form by means of the relevant system concerned and subject as provided in the Uncertificated Securities Regulations. The transfer may not be in favour of more than four transferees. The Board may refuse to register a transfer of an uncertificated share in such circumstances as may be permitted or required by the Uncertificated Securities Regulations and the relevant system.

6.6.3 *Refusal to register transfers*

The Directors may, in their absolute discretion and without giving any reason, refuse to register the transfer of a share in a certificated form which is not fully paid provided that this does not prevent dealings in the shares from taking place on an open and proper basis.

The Directors may also refuse to register a transfer of shares in certificated form where it is in favour of more than four transferees, it is in respect of more than one class of share, it is not lodged for transfer at the registered office or at such other place as the Directors may appoint accompanied by the certificate for the share to which it relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer.

If the Directors refuse to register a transfer of a share, they shall as soon as practicable and in any event within two months after the date on which the transfer was lodged with the Company (in the case of a transfer of a share in certificated form) or the date on which the operator instruction was received by the Company (in the case of a transfer of shares in uncertificated form) send to the transferee notice of the refusal together with its reasons for refusal.

6.7 **Conversion Of B Ordinary Shares Into Ordinary Shares**

6.7.1 *Conversion Rights*

Any registered holder of B Ordinary Shares in the capital of the Company for the time being shall be entitled to convert all or any of the fully paid B Ordinary Shares for the time being held by him into an equivalent number of Ordinary Shares in accordance with the following provisions. A registered holder who requires so to convert must complete the notice of conversion on his share certificate ("**Notice of Conversion**") and lodge such certificate at the transfer office not more than five weeks and not less than one week before the conversion date in any year. For the purpose of the Articles, the conversion date shall mean the date which is six months after the day on which the Company's financial year ends in any year (the "**Conversion Date**"). A Notice of Conversion shall not be withdrawn without the consent of the Directors.

With effect from the Conversion Date each of the B Ordinary Shares comprised in such Notice of Conversion shall automatically be converted into a fully paid Ordinary Share and the Company shall forthwith record in the Register such conversion and shall within six weeks after the Conversion Date without charge send to the said holder in place of the certificate or certificates delivered up a share certificate for the Ordinary Shares due to him and a share certificate for the balance (if any) of the B Ordinary Shares not covered by the Notice of Conversion; and.

6.7.2 *Compulsory Conversion*

If immediately after the Conversion Date in any year the nominal value of the fully paid B Ordinary Shares in issue is less than £100,000 the Directors shall have the right to require the conversion of all such shares into an equivalent number of Ordinary Shares in accordance with the following provisions:

- (a) the Directors shall give not more than six nor less than four weeks' notice in writing to expire on a date two months after the Conversion Date (hereinafter called the "Compulsory Conversion Date") requiring all holders of B Ordinary Shares to convert their holdings of fully paid B Ordinary Shares into an equivalent number of Ordinary Shares;
- (b) a registered holder who has received notice as aforesaid must lodge his share certificate in respect of the B Ordinary Shares required to be converted at the relevant transfer office not less than one week before the Compulsory Conversion Date;
- (c) with effect from the Compulsory Conversion Date each of the B Ordinary Shares required to be converted shall automatically be converted into a fully paid Ordinary Share and the Company shall forthwith record in the register of members such conversion and shall within six weeks after the Compulsory Conversion Date without charge send to the said holder in place of the certificate or certificates delivered up a share certificate for the Ordinary Shares due to him. No holder shall be entitled to receive a certificate for the Ordinary Shares due to him until he has delivered up the certificate or certificates in respect of the B Ordinary Shares required to be converted or has given such indemnity to the Company as will satisfy the Directors.

6.7.3 *Uncertificated shares*

If any exercise of the conversion rights attaching to the B Ordinary Shares relates to shares in uncertificated form then appropriate provisions are incorporated into the Articles to allow for their conversion.

6.7.4 *Restriction on Conversion*

A person becoming entitled to any B Ordinary Share in consequence of the death or bankruptcy of a member (and who has not for the time being become registered himself as the holder thereof pursuant to the Articles) shall not be entitled to convert such B Ordinary Share into an Ordinary Share.

6.8 **General Meetings**

6.8.1 *Annual General Meetings*

The Directors shall convene and the Company shall hold general meetings as annual general meetings in accordance with the requirements of the Statutes.

6.8.2 *Convening of General Meetings*

The Directors may call general meetings whenever and at such times and places as they shall determine. If there are not within the United Kingdom sufficient Directors to call a general meeting, any Director or, if there is no Director within the United Kingdom, any two members of the Company may call a general meeting for the purpose of appointing one or more Directors. On a requisition of members pursuant to the Statutes, the Directors shall promptly convene a general meeting in accordance with the Statutes.

6.8.3 *Separate General Meetings*

The provisions of the Articles relating to general meetings shall apply, with necessary modifications including any required by the Statutes, to any separate general meeting of the holders of shares of a particular class held otherwise than in connection with the variation, modification or abrogation of the rights attached to shares of that class. The Directors may convene a meeting of the holders of any class of shares whenever they think fit and whether or not the business to be transacted involves a variation or abrogation of those rights.

6.8.4 *Notice of General Meeting*

An annual general meeting and any other general meeting shall be called by at least such minimum period of notice as is prescribed under the Statutes. The Company may determine that only those persons entered in the register at the close of business on a day determined by the Company, such day being no more than 21 days before the day that the notice of meeting is sent, shall be entitled to receive such a notice. Subject to the provisions of the Articles and to any rights and restrictions attached to any shares, notices shall be given to all members, to all persons entitled to a share in consequence of the death or bankruptcy of a member and to the Directors and auditors of the Company. References to the giving of notice include the use of communications by electronic form and publication on a website in accordance with the Statutes and the provisions of the Articles.

For the purpose of determining which persons are entitled to attend or vote at a meeting and how many votes such a person may cast, the Company may specify in the notice of meeting a time, not more than 48 hours before the time fixed for the meeting (and for this purpose no account shall be taken of any part of a day that is not a working day), by which a person must be entered on the register in order to have the right to attend or vote at the meeting.

6.9 **Proceedings At General Meetings**

6.9.1 *Quorum*

No business shall be transacted at any meeting unless a quorum is present. Two persons entitled to vote upon the business to be transacted, each being a member or a proxy for a member or a duly authorised representative of a corporation which is a member, shall be a quorum. In calculating whether a quorum is present, if two or more persons are appointed as proxies for the same member or two or more persons are appointed as corporate representatives of the same corporate member, only one of such proxies or only one of such corporate representatives shall be counted.

6.9.2 *Procedure if quorum not present*

If a quorum is not present within five minutes after the time appointed for holding the meeting, the meeting, if convened on the requisition of members, shall stand dissolved. In any other case it shall stand adjourned to such other day and at such other time and place as the Directors may determine subject to the provisions of the Act. If at the adjourned meeting a quorum is not present within five minutes from the time appointed for holding the meeting, the member(s) present in person or by proxy shall be a quorum.

6.9.3 *Entitlement to attend and speak*

A Director shall, notwithstanding that he is not a member, be entitled to attend and speak at any general meeting and at any separate meeting of the holders of any class of shares. The Chairman may invite any person to attend and speak at any general meeting of the Company where he considers that this will assist in the deliberations of the meeting.

6.9.4 *Amendments to resolutions*

If an amendment proposed to any resolution under consideration is ruled out of order by the chairman of the meeting in good faith, the proceedings on the resolution shall not be invalidated by any error in the ruling. In the case of a resolution duly proposed as a special resolution, no amendment thereto (other than a mere clerical amendment to correct a patent error) may in any event be considered or voted upon. In the case of a resolution duly proposed as an ordinary resolution no amendment thereto (other than an amendment to correct a patent error) may be considered or voted upon unless at least 48 hours prior to the time appointed for holding the meeting or adjourned meeting at which such resolution is to be proposed, notice in writing of the terms of the amendment and intention to move the same has been lodged at the registered office. If an amendment shall be proposed to any

resolution under consideration but shall in good faith be ruled out of order by the Chairman, the proceedings on the substantive resolution shall not be invalidated by any error in such ruling.

6.10 **Votes Of Members**

6.10.1 *Voting rights*

Subject to any special rights or restrictions as to voting attached to any shares on a show of hands every member who is present in person has one vote and every proxy present who has been duly appointed by one or more members entitled to vote on the resolution has one vote except that if the proxy has been duly appointed by more than one member entitled to vote on the resolution and is instructed by one or more of those members to vote for the resolution and by one or more others to vote against it, or is instructed by one or more of those members to vote in one way and is given discretion as to how to vote by one or more others (and wishes to use that discretion to vote in the other way) he has one vote for and one vote against the resolution. Every corporate representative present who has been duly authorised by a corporation has the same voting rights as the corporation would be entitled to.

On a poll every member present in person or by duly appointed proxy or corporate representative shall have 89 votes for every 25p in nominal amount of Ordinary Shares or B Ordinary Shares held by him or in respect of which his appointment as proxy or corporate representative has been made.

6.10.2 *Failure to disclose interest in shares*

If any member, or any other person appearing to be interested in shares held by such member, has been duly served with a statutory notice and is in default for the prescribed period in supplying to the Company the information thereby required, then the Directors may in their absolute discretion at any time thereafter by a notice (a "direction notice") to such member direct that, in respect of the shares in relation to which the default occurred (the "default shares", which expression shall include any further shares which are issued in respect of such shares), the member shall not be entitled to attend or vote at a general meeting or meeting of the holders of any class of shares of the Company either personally or by proxy.

Where the default shares represent at least 0.25 per cent of the class of shares concerned (calculated exclusive of shares held in treasury), then the direction notice may additionally direct that:

6.10.2.1 in respect of the default shares any dividend or part thereof (including shares issued in lieu of dividend) payable on such shares shall be retained by the Company until such time as the direction notice ceases to have effect; and/or

6.10.2.2 no transfer of any of the shares held by such member shall be registered unless:

- (a) the member is not himself in default as regards supplying the information requested and the transfer is of part only of the member's holding which, when presented for registration, is accompanied by a certificate by the member in a form satisfactory to the Directors to the effect that after due and careful enquiry the member is satisfied that no person in default as regards supplying such information is interested in any of the shares the subject of the transfer; or
- (b) the transfer is an approved transfer.

For the purpose of enforcing the provisions, the Directors may give notice to the relevant member requiring the member to change the restricted shares held in uncertificated form to certificated form by the time stated in the notice, and stating that the member may not

change any of the restricted shares held in certificated form to uncertificated form. If the member does not comply with the notice, the Directors may authorise the operator to change the restricted shares held in uncertificated form to certificated form.

Any direction notice shall have effect in accordance with its terms for so long as the default in respect of which the direction notice is issued continues and for a period of seven days thereafter (or for such shorter period as the Directors may determine) but shall cease to have effect in relation to any shares which are transferred by such member by means of an approved transfer.

6.11 **Directors**

6.11.1 *Number of Directors*

Unless otherwise determined by the Company by ordinary resolution the number of Directors (other than alternate directors) shall not be more than ten nor less than three. A Director shall not require a share qualification.

6.11.2 *Directors' fees*

Until otherwise determined by the Company by ordinary resolution, there shall be paid to the Directors (other than alternate directors) such fees for their services in the office of director as the Directors may determine (not exceeding in the aggregate an annual sum of £150,000 or such larger amount as the Company may by ordinary resolution decide) divided between the Directors as they agree, or, failing agreement, equally. The fees shall be deemed to accrue from day to day. The Directors may also be paid all travelling, hotel and other expenses properly incurred by them in connection with their attendance at meetings of the Directors or of committees of the Directors or general meetings or separate meetings of the holders of any class of shares or otherwise in connection with the discharge of their duties as Directors.

6.11.3 *Additional remuneration*

Any Director who holds an executive office or who serves on any committee of the Directors, or who otherwise performs services which in the opinion of the Directors are outside the scope of the ordinary duties of the Director, may be paid such extra remuneration by way of salary, commission or otherwise as the Directors may determine.

6.12 **Powers Of Directors**

6.12.1 *General powers vested in Directors*

The business of the Company shall be managed by the Directors who, subject to the provisions of the Statutes, the Articles and to any directions given by a special resolution of the Company, may exercise all the powers of the Company. No alteration of these Articles and no such direction shall invalidate any prior act of the Directors which would have been valid if that alteration had not been made or that direction had not been given. These general powers shall not be limited by any special power given to the Directors by the Articles and a meeting of the Directors at which a quorum is present may exercise all powers exercisable by the Directors.

6.12.2 *Borrowing powers and restrictions*

Subject as hereinafter provided the Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital and, to issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

The Directors shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiaries (if any) so as to secure (so far, as regards subsidiaries, as by such exercise they can secure) that the aggregate amount for the time being remaining undischarged of all moneys borrowed by the Group (which expression in the Articles means and includes the Company and its subsidiaries for the time being) and for the time being owing to persons outside the Group shall not at any time without the previous sanction of an ordinary resolution of the Company exceed an amount equal to the adjusted total of capital and reserves which is the share capital and reserves subject to a number of adjustments.

6.12.3 *Manner of borrowing*

The Directors may raise or secure the repayment of such moneys in such manner and upon such terms and conditions in all respects as they think fit, and in particular by the creation and issue of debenture stock, or the issue of debentures, or obligations of the Company; and in security of money so borrowed or raised may mortgage, pledge or charge all or any part of the assets, property and rights of the Company for the time being, including the uncalled capital, and may make and carry into effect any arrangements which they consider expedient for securing the repayment of any moneys so borrowed or raised, and may convey any property of the Company to trustees or otherwise, and may grant and execute all necessary deeds and writings for securing and completing such loans.

6.13 **Delegation of Directors' powers**

Subject to the provisions of the Articles, the Directors may delegate any of the powers which are conferred on them under the Articles:

- (a) to such person or committee;
- (b) by such means (including by power of attorney);
- (c) to such an extent;
- (d) in relation to such matters or territories; and
- (e) on such terms and conditions,

as they think fit.

6.14 **Appointment And Retirement Of Directors**

6.14.1 Retirement at annual general meetings

At each annual general meeting, one third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to one third) shall retire from office by rotation, provided that (i) no director holding office of chief executive or managing or joint managing director shall be subject to retirement by rotation or be taken into account in determining the number of directors to retire and (ii) notwithstanding the effect of the foregoing provision, each Director eligible for retirement by rotation, shall be required to submit himself for re-election at least once in any period of three consecutive annual general meetings.

No person other than a Director retiring by rotation shall be appointed or reappointed a Director at any general meeting unless:-

- (a) he is recommended by the Directors; or
- (b) not less than seven nor more than thirty five days before the date appointed for holding the meeting, notice executed by a member (other than the person to be

proposed) qualified to vote on the appointment or reappointment has been given to the Company stating his intention to propose such person for election and including the particulars which would, if such person were appointed or reappointed, be required to be included in the Company's register of Directors, together with notice executed by that person of his willingness to be appointed or reappointed.

6.14.2 *Power of Company to appoint Directors*

The Company may by ordinary resolution appoint a person who is willing to act to be a Director, either to fill a vacancy or as an additional Director, and may also determine the rotation in which any additional Directors are to retire.

6.14.3 *Power of Board to appoint Directors*

The Directors may appoint a person who is willing to act to be a Director, either to fill a casual vacancy or as an additional Director, provided that the appointment does not cause the number of Directors to exceed any number fixed as the maximum number of Directors. A Director so appointed shall retire at the next following Annual General Meeting, shall then be eligible for re-election and shall not be taken into account in determining the Directors who are to retire by rotation at the meeting.

6.14.4 *Conflicts of Interest*

The Articles contain detailed provisions as to the disclosure of conflicts of interest and how the Directors must act when a conflict exists.

6.14.5 *Voting*

Save as otherwise provided by the Articles, a Director shall not vote at a meeting of the Directors or any Committee thereof on any resolution concerning a matter in which he has an interest which (together with any interest of any person connected with him) is to his knowledge a material interest (other than an interest in shares, debentures or other securities of, or otherwise in or through, the Company), unless his interest arises only because the case falls within one or more of the following sub paragraphs:

- (a) the resolution relates to the giving to him of a guarantee, security, or indemnity in respect of money lent to, or an obligation incurred by him for the benefit of, the Company or any of its subsidiary undertakings;
- (b) the resolution relates to the giving to a third party of a guarantee, security, or indemnity in respect of an obligation of the Company or any of its subsidiary undertakings for which the Director has assumed responsibility in whole or part and whether alone or jointly with others under a guarantee or indemnity or by the giving of security;
- (c) his interest arises by virtue of his being, or intending to become, a participant in the underwriting or sub underwriting of an offer of any shares in or debentures or other securities of the Company for subscription, purchase or exchange;
- (d) the resolution relates to an arrangement for the benefit of the employees of the Company or any of its subsidiaries, including but without being limited to an employees' share scheme, which does not accord to any Director as such any privilege or advantage not generally accorded to the employees to whom the arrangement relates;
- (e) the resolution relates to a transaction or arrangement with any other company in which he is interested, directly or indirectly, provided that he is not the holder of or beneficially interested in one per cent or more of any class of the equity share

capital of that company (or of any other company through which his interest is derived) and not entitled to exercise one per cent or more of the voting rights available to members of the relevant company;

- (f) the resolution concerns any insurance which the Company is empowered to purchase and/or maintain for the benefit of the Directors of the Company or for persons who include Directors of the Company; and
- (g) the resolution relates to the giving to him of any other indemnity which is on substantially the same terms as indemnities given or to be given to all of the other Directors and/or to the funding by the Company of his expenditure in defending proceedings or the doing by the Company of anything to enable him to avoid incurring such expenditure where all other Directors have been given or are to be given substantially the same arrangements.

For these purposes, an interest of any person who is for any purpose of the Statutes connected with a Director shall be taken to be the interest of that Director and, in relation to an alternate director, an interest of his appointor shall be treated as an interest of the alternate director without prejudice to any interest which the alternate director has otherwise.

6.14.6 *Interested Director not part of quorum*

A Director shall not be counted in the quorum present at a meeting in relation to a resolution on which he is not entitled to vote (or when his vote cannot be counted) but shall be counted in the quorum present in relation to all other matters or resolutions considered or voted on at the meeting.

6.14.7 *Relaxation of provisions*

The Company may by ordinary resolution suspend or relax to any extent, either generally or in respect of any particular matter, any provision of the Articles prohibiting a Director from voting at a meeting of the Directors or of a committee of the Directors or ratify any transaction not duly authorised by reason of a contravention.

6.15 **Dividends and Capitalisation**

6.15.1 *Dividends*

- 6.15.1.1 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.
- 6.15.1.2 At the same time as any interim or final dividend is declared on the Ordinary Shares the Directors shall resolve to capitalise an aggregate sum (of an amount to be determined in the paragraph below) on the footing that such aggregate sum shall be applied in paying up in full at par unissued B Ordinary Shares in the Company, and that such B Ordinary Shares shall be allotted and distributed credited as fully paid up.
- 6.15.1.3 The aggregate sum resolved to be capitalised by Directors shall be such sum as will be sufficient to pay up at par such number of B Ordinary Shares to be allotted as aforesaid as will entitle each issued B Ordinary Share to the allotment of B Ordinary Shares or a fraction thereof equivalent in asset value to the proportion of the Ordinary Share dividend (as hereinafter defined) attributable to each Ordinary Share, taking the asset value of the B Ordinary Shares as the value of the net assets (ascertained as hereinafter provided) attributable to all the B Ordinary Shares in issue assuming the aforesaid allotment and distribution of B Ordinary Shares.

- 6.15.1.4 The aggregate sum referred to in paragraph 6.15.1.3 hereof shall be calculated (to the nearest pound) by multiplying the Ordinary Share dividend (as hereinafter defined) by a fraction having as its numerator the sum produced by multiplying the nominal value of the issued B Ordinary Shares by the aggregate nominal value of the issued Ordinary Shares and B Ordinary Shares and having as its denominator the sum produced by multiplying the number of issued Ordinary Shares by the B Ordinary Share asset value (as hereinafter defined) multiplied by the aggregate nominal value of the issued Ordinary Shares and B Ordinary Shares and by subtracting therefrom the sum produced by multiplying the Ordinary Share dividend by the nominal value of the issued B Ordinary Shares. For the purpose of this paragraph all references to issued shares are references to those of such shares which formed part of the issued share capital of the Company at the Determination Date (but excluding Treasury Shares). For the purposes of paragraph 6.15.1, the Determination Date in relation to any dividend is the date on which the Directors resolve to declare an interim dividend or recommend a final dividend, or a business day selected by the Directors not more than 7 days prior thereto (or if the Directors so determine such earlier date as the Directors select to ensure that the provisions of paragraph 6.15.1.3 are implemented appropriately).
- 6.15.1.5 If so required, at an annual general meeting in each year, or at a general meeting of the Company duly convened by the Directors for that purpose, the Directors shall seek authority by means of an ordinary resolution of Shareholders ("**Capitalisation Resolution**") to capitalise such sum in accordance with paragraph 6.15.1.7 below, up to a maximum figure, as will be required to allow the Directors to implement the provisions referred to at paragraph 6.15.1.3 above provided that in respect of the period from 27 April 2006, the Directors shall have power to capitalise up to £1,000,000 from the reserves specified in paragraph 6.15.1.7 below and such resolution of the Directors will have the same effect as any resolution of shareholders for this purpose. In respect of (i) any such Capitalisation Resolution; and (ii) any other resolution, recommended by the Directors, required pursuant to the Statutes or otherwise to give effect to the capitalisation, each holder of Ordinary Shares and B Ordinary Shares present in person or by proxy and entitled to vote (in respect of the votes allocated to such shares) and who votes in favour of such resolution shall on a poll have such number of votes in respect of each share held by him (including fractions of a vote) that the aggregate number of votes cast in favour of the resolution is four times the aggregate number of such shares in respect of which votes are cast against the resolution and each member present in person or by proxy and entitled to vote who votes against such resolution shall on a poll have one vote for each share held by him.
- 6.15.1.6 For the purposes of the foregoing provisions :
- (a) "The Ordinary Share dividend" means the aggregate amount of the relevant dividend (excluding tax credits) declared in accordance with paragraph 6.15.1.1 on all the Ordinary Shares in the issued capital of the Company (excluding Treasury Shares).
 - (b) "The B Ordinary Share asset value" means the value of a B Ordinary Share arrived at by dividing the value (as hereinafter provided) of the net assets of the Company attributable to the Ordinary and B Ordinary Share capital of the Company by the number of Ordinary and B Ordinary Shares in issue at the Determination Date for the interim or final dividend in question. For the purpose of this Article the value of the net assets shall be the value as determined by the Manager (or failing it by the Directors or such other agent appointed by them) and reviewed by the Auditors at the Determination Date, calculated on the same basis as the last audited balance sheet of the Company preceding the declaration of the dividend as aforesaid and without deducting any contingent liabilities not provided for in the said balance sheet, but (i) taking the value of debenture debt and other loan capital at par plus any premium payable on redemption; and (ii) after providing for the relevant dividend to be declared on the Ordinary Shares in accordance with paragraph 6.15.1.1.

- (c) The said value shall be certified by the Auditors, after making such further adjustments as they consider appropriate, before the resolution of the Directors pursuant to paragraph 6.15.1.2 above and such certificate shall be conclusive and binding.
- 6.15.1.7 Any aggregate sum resolved to be capitalised in accordance with paragraph 6.15.1.2 above shall consist of an amount for the time being standing to the credit of one of, or of respective amounts for the time being standing to the respective credits of any two or more of, the following accounts, that is to say, the revenue account of the Company and any of the reserve accounts of the Company for the time being, including its Capital Redemption Reserve Fund (if any), Share Premium Account (if any) and other capital reserve funds but excluding any provision for possible depreciation of investments or for diminution in the value of assets. The account or respective accounts, and in the case of more than one account the respective amounts aforesaid, of which any such aggregate sum is to consist shall be determined by the Directors.
- 6.15.1.8 Any Capitalisation Resolution passed in accordance with the provisions of paragraph 6.15.1.5 or the exercise by the Directors of the authority granted by paragraph 6.15.1.5 shall operate as an authorisation and direction to the Directors to apply a sum up to the maximum sum thereby resolved to be capitalised in paying up in full at par unissued B Ordinary Shares of a nominal value equivalent to such sum as is specified in paragraph 6.15.1.2, and to allot and distribute such B Ordinary Shares credited as fully paid up (and ranking for the purposes of this Section and in all other respects *pari passu* with the other B Ordinary Shares in the issued capital of the Company for the time being) to and amongst the holders, at the record date for the Ordinary Share dividend, of the B Ordinary Shares in the capital of the Company which were in issue at the record date in the proportions in which at such relevant date such holders held the B Ordinary Shares in such issued capital: Provided always that all B Ordinary Shares representing fractional entitlements of any such holders shall be allotted to such persons as the Directors may determine to be held by such persons in trust to sell the same (in such manner as such persons shall think fit) and to distribute the net proceeds of sale amongst such holders rateably in proportion to their said fractional entitlements, save that, in any case where the fractional entitlement of any one shareholder is less than 50p, or such other sum as may from time to time be agreed by the Directors in consultation with the London Stock Exchange, such entitlement shall not be distributed to such shareholder but shall be paid to the Company to be applied by the Directors for any purpose to which the capital of the Company may be applied.
- 6.15.1.9 Any dividend declared in accordance with paragraph 6.15.1.1, on the Ordinary Shares in the issued capital of the Company, shall be paid to the holders of such Ordinary Shares rateably in proportion to the numbers of such Ordinary Shares then held by them respectively. If any share is issued on terms that it ranks for dividend as from a particular date, it shall rank for the dividend accordingly.
- 6.15.1.10 Nothing in paragraph 6.15.1 shall be construed as enabling the Company to pay any dividend or to capitalise any sum in contravention of any rule of law requiring dividends to be paid out of profits.
- 6.15.1.11 For the purpose of paragraph 6.15.1, all references to issued shares shall be construed as being references to shares in the issued capital of the Company which at the relevant date ranked for dividends or for the allotment of fully paid B Ordinary Shares, as the case may be. However, for the avoidance of doubt, any references to issued shares for the purposes of the calculations required to give effect to paragraph 6.15.1.2 shall exclude shares held in treasury. The Company as the holder of shares held in treasury shall be excluded from any capitalisation issue pursuant to paragraph 6.15.1.5. Payment of dividends is subject to the provisions of the Statutes in this respect applying to shares held in treasury.
- 6.15.1.12 Nothing in the Articles shall be construed as enabling the Company to pay any dividend or to capitalise any sum in contravention of any rule of law requiring dividends to be paid out of profits.

6.15.2 *Capitalisation of reserves*

6.15.2.1 The Company in general meeting may upon the recommendation of the Directors by ordinary resolution resolve to capitalise any sum standing to the credit of the profit and loss account of the Company or any sum standing to the credit of any of the reserve accounts of the Company for the time being, including its Capital Redemption Reserve Fund (if any), Share Premium Account (if any) and other capital reserve funds but excluding any provision for possible depreciation of investments or for diminution in the value of assets and authorise and direct the Directors to apply the sum thereby resolved to be capitalised in paying up in full at par such respective numbers of unissued Ordinary Shares and unissued B Ordinary Shares (having a total nominal value equivalent to the said sum) as are required by the Articles and to allot and distribute such Ordinary Shares and B Ordinary Shares in accordance with the Articles.

6.15.2.2 The respective numbers of Ordinary Shares and B Ordinary Shares to be paid up in full at par pursuant to any ordinary resolution passed in accordance with the Articles shall be in the same ratio to each other (as near as possible disregarding however any fraction of a share) as the ratio of Ordinary Shares to B Ordinary Shares in the issued capital of the Company immediately prior to the passing of such resolution (or in such other ratio as may be approved by the ordinary resolution and at separate meetings of the holders of the Ordinary Shares and B Ordinary Shares).

6.15.2.3 All Ordinary Shares to be paid up in full at par pursuant to any such ordinary resolution shall be allotted and distributed credited as fully paid up (and ranking *pari passu* with the other Ordinary Shares in the issued capital of the Company for the time being) to and amongst the holders of the Ordinary Shares in the issued capital of the Company immediately prior to the passing of such resolution in the proportions in which such holders then held the Ordinary Shares in such issued capital, and all B Ordinary Shares to be paid up as aforesaid shall be allotted and distributed credited as fully paid up (and ranking *pari passu* with the other B Ordinary Shares in the issued capital of the Company for the time being) to and amongst the holders of the B Ordinary Shares in the issued capital of the Company immediately prior to the passing of such resolution in the proportions in which such holders then held the B Ordinary Shares in such issued capital. Provided always that all Ordinary Shares and B Ordinary Shares representing fractional entitlements of any such holders as aforesaid shall be allotted to such persons as the Directors may determine to be held by such persons in trust to sell the same (in such manner as such persons shall think fit) and to distribute the net proceeds of sale amongst such holders rateably in proportion to their said fractional entitlements.

6.15.3 *Restrictions on dividends and distributions*

No dividends or other distributions (but excluding any redemption or purchase of its own shares sanctioned by Shareholders in accordance with the Statutes) or bonus issues shall be paid on or made in respect of either the Ordinary Shares or the B Ordinary Shares, except to the respective extents (if any) permitted by and otherwise in accordance with the situations summarised in paragraph 6.15.1 above.

6.15.4 *Declaration of dividends*

Subject to the provisions of the Statutes and the Articles, the Company may by ordinary resolution declare dividends in accordance with the respective rights of members but no dividend shall exceed the amount recommended by Directors. The Directors may pay interim dividends if it appears to them that they are justified by the profits of the Company available for distribution. If the Directors act in good faith they shall not incur any liability to the holders of shares conferring preferential rights for any loss they may suffer by the lawful payment of an interim dividend on any shares having deferred or non-preferred rights.

6.15.5 *Restriction on capital profits*

No dividend shall be paid otherwise than out of profits available for distribution under the provisions of the Statutes. Any surplus over book value derived from the sale or realisation of any capital asset including investments and any other sums representing capital profits within the meaning of Section 833 of the Act or other accretions to capital assets, including in particular any sums resulting from the writing up of the book values of any capital assets, shall not be available for dividend or any other distribution within the meaning ascribed thereto by Section 829 of the Act other than a distribution by way of a redemption or purchase of the Company's own shares in accordance with Chapters 3 or 4 of Part 18 of the Act.

6.15.6 *Unclaimed dividends*

The payment by the Directors of any unclaimed dividend or other moneys payable on or in respect of a share into a separate account shall not constitute the Company a trustee in respect thereof and any dividend which has remained unclaimed for twelve years from the date when it became due for payment shall, if the Directors so resolve, be forfeited and cease to remain owing by the Company.

6.16 **Reserves**

6.16.1 *Reserves*

The Directors may from time to time set aside out of the profits of the Company and carry to reserve such sums as they think proper which, at the discretion of the Directors, shall be applicable for any purpose to which the profits of the Company may properly be applied and pending such application may either be employed in the business of the Company or be invested. The Directors may divide the reserves into such special funds as they think fit and may consolidate into one fund any special funds or any parts of any special funds into which the reserve may have been divided. The Directors may also without placing the same to reserve carry forward any profits. In carrying sums to reserve and in applying the same the Directors shall comply with the provisions of the Statutes.

6.16.2 *Capital reserve*

The Directors shall establish a reserve to be called the capital reserve. All surpluses and capital appreciation arising from the realisation or revaluation of investments and all other monies realised on or derived from the realisation, payment off of or other dealing with any capital asset in excess of the book value thereof and all other monies which are considered by the Directors to be in the nature of accretion to capital reserves shall be credited to the capital reserve. Subject to the Statutes, the Directors may determine whether any amount received by the Company is to be dealt with in the income account or capital reserve or partly one way and partly the other. Any loss realised on the realisation or payment off of or other dealing with any investments or other capital assets and, subject to the Statutes, any expenses, loss or liability (or provision therefor) which the Directors consider relate to a capital reserve item or which the Directors otherwise consider appropriate to be debited to the capital reserve shall be carried to the debit of the capital reserve. All sums carried and standing to the credit of the capital reserve may be applied for any of the purposes for which sums standing to any revenue reserve are applicable except and provided that notwithstanding any other provision of the Articles no part of the capital reserve or any other money in the nature of accretion to capital reserves shall be transferred to the revenue account or shall be available for distribution as dividend or shall be applied in paying dividends on any shares in the capital of the Company or shall be available for any other form of distribution (except as permitted below.)

For these purposes, Relevant Period means any time when the Company has given notice in the prescribed form (which has not been revoked) to the Registrar of Companies of its intention to carry on business as an investment company. During a Relevant Period,

distribution of the Company's capital profits (within the meaning of section 833(2)(c) of the Act by way of the redemption or purchase of the Company's own shares in accordance with Chapters 3 or 4 of Part 18 of the Act is permitted.

6.17 **Distribution of Assets on Winding Up**

6.17.1 *Winding up*

If the Company shall be wound up for the purpose of reorganisation, amalgamation or simple dissolution, and there shall be any surplus assets after payment of all debts and satisfaction of all liabilities of the Company, such surplus assets shall be applied, (first) in repaying to the holders of the Ordinary and B Ordinary Shares of the Company, *pari passu*, the amounts paid up, or reckoned as paid up, on such shares held by them respectively; and (second) the residue shall be divided among the holders of Ordinary and B Ordinary Shares, *pari passu*, according to the amounts paid up or reckoned as paid up on such shares held by them respectively.

7 **DIRECTORS' AND OTHER INTERESTS**

7.1 Save as disclosed in this paragraph 7, no Director has or has had any direct or indirect interest in any transaction which is or was unusual in its nature or conditions or which is or was significant to the business of the Company and which has been effected by the Company since its date of incorporation.

7.2 No loan or guarantee has been granted or provided by the Company for the benefit of any Director.

7.3 The Directors do not have any options over Shares. As at 16 December 2010 (being the latest practicable date before the publication of this document), the interests of the Directors in the issued share capital of the Company were as follows:

	No. of Ordinary Shares	Percentage of issued share capital
Director		
J F H Trott	35,000	0.034
Lady Balfour	1,300	0.001
J D Best	47,500	0.046
K J Carter	3,000	0.003
A C Shedden	8,031	0.008

7.4 **Directors' contracts with the Company**

7.4.1 All Directors have letters of appointment which are available for inspection at the registered office of the Company. The terms of the Articles provide that a Director shall retire and be subject to election at the first annual general meeting after appointment and shall be subject to re-election at least once in any period of three consecutive annual general meetings. The Articles permit a Director to be removed by the vote of three quarters of the Directors. The letters of appointment of each Director are expressly made subject to the Articles from time to time. The letter of appointment of Dr Carter also permits his appointment to be terminated on one month's notice. The Letters of Appointment of Mr Trott, Mr Shedden, Lady Balfour and Mr Best provide that no compensation is payable on loss of office.

7.4.2 The Board's policy is that the remuneration of non executive Directors should reflect the experience of the Board as a whole, comparable to that of other investment trusts in the same sector which also have a similar capital structure and investment objectives. The

maximum remuneration currently permitted by the Articles is £150,000 in aggregate per annum. The Directors are not eligible for bonuses, pension benefits, share options or other incentives or benefits.

7.4.3 In the year ended 31 December 2009, the Directors received the following emoluments in the form of fees:

Name	Remuneration £
J F H Trott	35,000
Lady Balfour	18,000
J D Best	18,000
K J Carter (appointed 23 April 2009)	13,000
A C Shedden	21,000
D H Benson (retired 22 April 2009)	6,000

With effect from 1 January 2010, the Remuneration Committee has approved the following level of Directors' fees

Name	Remuneration £
J F H Trott	38,000
Lady Balfour	20,000
J D Best	20,000
K J Carter	20,000
A C Shedden	24,000

7.4.4 No sums were paid to third parties in respect of any Director's services. The Company's policy is for the Directors to be remunerated in the form of fees, payable monthly in arrears, to the Directors personally.

7.5 As at close of business on 16 December 2010 (being the latest practicable date prior to publication of this document), the Company was aware of the following interests in three per cent or more of the issued share capital of the Company:

	No. of Ordinary Shares	Percentage of issued share capital
Brewin Dolphin	9,854,751	9.49
Speirs & Jeffrey	7,733,274	7.44
Aberdeen Asset Managers Savings Plans	6,851,252	6.60
Rathbones	6,671,079	6.42

D C Thomson Pensions	3,819,600	3.68
Legal & General Investment Management	3,722,291	3.58
Rensburg Sheppards Investment Management	3,314,935	3.19

The Directors are not aware of any person or persons who will or could, directly or indirectly, jointly or severally, exercise control over the Company. There are no different voting rights for any Shareholder.

The Directors are not aware of any arrangements, the operation of which at a subsequent date would result in a change of control of the Company.

7.6 Details of those companies (other than the Company and subsidiaries of the companies disclosed below) and partnerships of which the Directors have been a member of the administrative, management or supervisory body or a partner at any time since 22 December 2005 are as follows:

	Current Directorships	Previous Directorships
(i) J F HTrott	-	-
(ii) Lady Balfour	The Scottish Oriental Smaller Companies Trust plc Nuclear Liabilities Fund Limited (Chairman) The Nuclear Liabilities Financing Assurance Board (Chairman) Albion Enterprise VCT PLC	Stagecoach Group PLC The Scottish American Investment Company PLC BPB Limited
(iii) J D Best	Sekaname (Botswana)	Best Farms Limited Rossie Home Farms
(iv) K J Carter	Lowland Investment Company PLC Hermes GPE LLP Centrica Combined Common Investment Fund Legal and General Investment Management (Holdings) Limited.	J.P.Morgan Pension Trustees Limited Watson Wyatt LLP Ringley House LLP
(v) A C Shedden	Iomart Group plc The Glasgow School of Art The Centre for Confidence and Well- Being Limited 20:20 Group Limited	Stockland Holdings Limited (formerly Halladale Group plc) Wisdom IT Holdings Limited Martin Currie Japan Investment Trust PLC The Equitable Life Assurance Society The Coach House Trust Limited The Glasgow Housing Association Limited

- 7.7 As at the date of this document none of the Directors:
- (a) has any convictions in relation to fraudulent offences for at least the previous five years;
 - (b) has been the subject of any bankruptcies, receiverships or liquidations when acting in the capacity of a member of the administrative, management or supervisory body or a partner of the companies and/or partnerships referred to in paragraph 7.6 above, save as disclosed in paragraph 7.9 below;
 - (c) has any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies) or has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer for at least the previous five years.
- 7.8 There are no potential conflicts of interest between any duties of the Directors to the Company and their private interests and/or other duties. All of the Directors are independent of the Manager and any other company in the same group of companies as the Manager.
- 7.9 Mr. Shedden was a non executive director of Martin Currie Japan Investment Trust PLC which was placed in members' voluntary liquidation on 19 December 2005. The liquidation was carried out on a solvent basis. Mr Shedden was a non executive director of Wisdom IT Holdings Limited which was placed into a compulsory liquidation on 22 December 2005 by order of the Court of Session. Mr Shedden resigned nearly three months prior to the liquidation.

8 RELATED PARTY TRANSACTIONS

The Company was not a party to, nor had any interest in, any related party transaction (as defined in the standards adopted according to the Regulation (EC) No 1606/2002) at any time during the three financial periods ended 31 December 2009 in respect of which the Company has published statutory accounts, the six month period to 30 June 2010 in respect of which the Company has published a half-yearly report and accounts or during the period from 1 July 2010 to the date of this document.

9 MANDATORY BIDS, SQUEEZE-OUT AND SELL-OUT RULES

9.1 Mandatory bids

As a company incorporated in Scotland with shares admitted to trading on the London Stock Exchange, the Company is subject to the provisions of the Takeover Code. Under Rule 9 of the Takeover Code, any person or group of persons acting in concert with each other which, taken together with shares already held by that person or group of persons, acquires 30 per cent, or more of the voting rights of a public company which is subject to the Takeover Code or holds not less than 30 per cent, but not more than 50 per cent, of the voting rights exercisable at a general meeting and acquires additional shares which increase the percentage of their voting rights, would normally be required to make a general offer in cash at the highest price paid within the preceding 12 months for all the remaining equity share capital of the Company.

Under Rule 37 of the Takeover Code, when a company purchases its own voting shares, a resulting increase in the percentage of voting rights carried by the shareholdings of any person or group of persons acting in concert will be treated as an acquisition for the purposes of Rule 9. A shareholder who is neither a director nor acting in concert with a director will not normally incur an obligation to make an offer under Rule 9. However, under note 2 to Rule 37, where a shareholder has acquired shares at a time when it had reason to believe that a purchase by the company of its own voting shares may take place, an obligation to make a mandatory bid under Rule 9 may arise in certain circumstances. The

buying back by the Company of Ordinary Shares could, therefore, have implications for Shareholders with significant shareholdings.

9.2 **Compulsory Acquisition**

Under Sections 974 to 991 of the Act, if an offeror acquires or contracts to acquire (pursuant to a takeover offer) not less than 90 per cent of the shares (in value and by voting rights) to which such offer relates it may then compulsorily acquire the outstanding shares not assented to the offer. It would do so by sending a notice to holders of outstanding shares telling them that it will compulsorily acquire their shares and then, six weeks later, it would execute a transfer of the outstanding shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for the holders of outstanding shares. The consideration offered to the holders whose shares are compulsorily acquired under the Act must, in general, be the same as the consideration that was available under the takeover offer.

In addition, pursuant to section 983 of the Companies Act 2006, if an offeror acquires or agrees to acquire not less than 90 per cent. of the shares (in value and by voting rights) to which the offer relates, any holder of shares to which the offer relates who has not accepted the offer may require the offeror to acquire his shares on the same terms as the takeover offer.

The offeror would be required to give any holder of shares notice of his right to be bought out within one month of that right arising. Sell-out rights cannot be exercised after the end of the period of three months from the last date on which the offer can be accepted or, if later, three months from the date on which the notice is served on the holder of shares notifying them of their sell-out rights. If a holder of shares exercises his/her rights, the offeror is bound to acquire those shares on the terms of the takeover offer or on such other terms as may be agreed.

10 **MATERIAL CONTRACTS**

The following are all of the material contracts, other than contracts entered into in the ordinary course of business, to which the Company has been a party within the two years preceding the date of publication of this document and any other contract, not being a contract entered into in the ordinary course of business, that has been entered into by the Company which contains any provisions under which the Company has any obligation or entitlement which is material to the Company as at the date of this document:

10.1 **Management Agreement**

The Portfolio Management Agreement entered into among the Company, Murray Johnstone Limited (the "**Original Manager**"), The Royal Bank of Scotland Plc and Morgan Guaranty Trust Company of New York dated 1 July 1991, 27 March, 21 May and 1 November 1992 pursuant to which the Original Manager was appointed as discretionary portfolio manager and secretary to the Company to perform all duties and services performed by the secretary of a company and to manage the portfolio of the Company's assets (the "**Fund**"), on a discretionary basis. The Royal Bank of Scotland plc and Morgan Guaranty Trust Company ceased to be custodians on or around 27 May 1998.

By amendment agreement between the Company, the Original Manager and the Manager dated 22 February 2002, the Manager replaced the Original Manager under the Management Agreement on the basis it agreed to perform obligations and assume liabilities identical to those which the Original Manager owed to the Company and the Company agreed to perform obligations and assume liabilities identical to those which the Company owed to the Original Manager. Under the amendment agreement the Manager is entitled to delegate the performance of any of its functions, powers, authorities, duties and discretions and to remunerate such delegate at its own expense provided that the Manager remains responsible for all acts and omissions by any such delegate.

A further amendment agreement dated 30 June 2004 between the Company and the Manager agreed the introduction of a performance fee.

Under the Management Agreement, the Manager is entitled to be paid monthly in arrears (i) a sum as shall represent one twelfth of 0.5 per cent of the average of the value of the total assets of the Company over the six previous quarterly valuation dates (less current liabilities (but not principal monies borrowed to finance investments), investments in in-house funds and unlisted investments); and (ii) such sum as shall represent one twelfth of 1.5 per cent of the value of the unlisted investments at the previous quarterly valuation date.

The Manager is also entitled to a performance fee which the Manager shall calculate using the Company's net asset total return per Share for the financial year. The Manager shall then deduct from the net asset total return per Share, the Company's benchmark return to obtain the value of the Company's over or under performance for the financial year. The benchmark return is the total return for the Company's benchmark index.

In the event of overperformance, a performance related fee will be payable on the excess, the amount of which is dependant on whether the overperformance is less than or equal to, or greater than 2 percentage points. In the event that the overperformance is less than or equal to 2 percentage points, the Manager will be entitled to a fee of 5 per cent of the first 2 per cent of any outperformance applied to the Company's consolidated assets averaged over the year (being total assets excluding current liabilities but not monies borrowed)

In the event that the overperformance is greater than 2 percentage points, the Manager will be entitled to a fee of 10 per cent of any additional overperformance applied against the consolidated assets.

The performance fee will be divided into four equal instalments over a four year period. The first instalment of the performance fee will be payable on the first fee payment date occurring after the financial year in question and subsequent instalments will be payable on the anniversary of the first payment. Instalment payments made for succeeding years will be aggregated.

In the event of underperformance against the benchmark return (once again dependant on whether the underperformance is less than or equal to, or greater than 2 percentage points against the benchmark return), a negative performance fee will be calculated on the same basis as the positive fee. This will be set off on a pound for pound basis against any instalment of a positive performance fee attributable to a previous or subsequent financial year. The aggregate of the performance fee and the basic management fee calculated for any one year is capped at 0.8 per cent of the average value of the consolidated assets of the Company for that year. Any excess is not carried forward.

The Management Agreement may be terminated by either party giving twelve months notice to the other. The Management Agreement may be terminated by the Company without any compensation in certain specified situations relating to the solvency of the Manager, material breach by it of the contract or the Manager ceasing to be authorised to carry on regulated activities under FSMA. The Management Agreement may also be terminated on six months notice in the event of a change of control of the Manager. The Company may terminate earlier than the notice period set, but only on payment of damages based on the fee otherwise payable.

The Management Agreement contains an indemnity by the Company in favour of the Manager against claims made against it in the exercise of its duties. Such an indemnity is of a customary nature for agreements of this type.

On 22 December 2005 the Manager and the Company entered into a further amendment agreement relating to investment restrictions under the Management Agreement. The Manager may effect transactions in forward exchange contracts for the purpose of protecting the portfolio against possible adverse foreign exchange rate fluctuations. Certain

portfolio parameters in relation to investment risk for the global equity portfolio were set out as were certain asset allocation parameters. The Manager will require approval before making any changes to the portfolio parameters and/or asset allocation parameters set out.

10.2 **Global Custody Agreement**

A Global Custody Agreement has been entered into between J.P. Morgan Bank (Ireland) PLC ("**the Custodian**") and the Company under which the Company appoints the Custodian to act as its custodian in relation to the cash and securities of the Company and to provide inter alia the following services: holding cash and securities and arranging settlement of trades, collecting and processing income and redemption proceeds from securities and other services typical of services provided by a custodian to an investment company. Under the Global Custody Agreement, the Custodian is authorised to act through and hold securities with Sub-Custodians. However, the Custodian shall use reasonable care in the selection and continued appointment of such Sub-Custodians but only accepts limited responsibility for the actions of Sub-Custodians.

The Company agrees to indemnify the Custodian and its Sub-Custodians from (i) any costs, calls, losses, taxes and other matters for which the Custodian or any of its agents, Sub-Custodians or nominees become liable or arising as a direct or indirect result of their status as a holder of record of securities, (ii) any claims, losses or liabilities arising as a result of a breach of the obligations, warranties and representations of the Company (or its agent) under the Global Custody Agreement; and (iii) any other claims, losses, liabilities, costs and expenses arising under or in connection with the Global Custody Agreement (save in respect of the negligence or wilful default of the Custodian and of loss arising from the action of any Sub-Custodian for which the Custodian is liable).

The Custodian will use the degree of care, skill and diligence reasonably expected of a professional global custodian. The Custodian shall be liable for any loss resulting from the insolvency of a Sub-Custodian which is a branch or subsidiary of the Custodian or any act or omission of any Sub-Custodian where such loss results directly from the failure by the Sub-Custodian to use reasonable care in the provision of custodial services in accordance with applicable market standards.

Under the Global Custody Agreement, the Custodian is entitled to receive fees agreed with the Company together with out-of-pocket or incidental expenses. Either party may terminate this Global Custody Agreement on 60 days notice in writing to the other party.

10.3 **Loan Agreements**

10.3.1 A Facility Agreement dated 27 April and 4 May 2006 between the Company and ING Bank N.V (London Branch) ("ING") under which ING agreed to make available a 10 year fixed rate committed term loan facility of JPY 1,600,000,000. The Loan has been fully drawn down and the final maturity date is 15 May 2016. The Loan may be prepaid subject to payment of any funding breakage costs. The Company is liable to pay ING additional amounts if the funding costs increase in certain circumstances.

Interest has been fixed at a rate of 2.82 per cent for the duration of the advance plus any costs to reflect ING's mandatory costs. Interest is payable six monthly in arrears or as agreed.

The ING Facility Agreement contains various covenants of the type ordinarily found in such agreements, including an undertaking not to create any charges other than those specifically permitted. There is also a prohibition on its total borrowings exceeding 50 per cent of the Adjusted Net Asset Value at any time and an undertaking that Adjusted Net Assets will not fall below £250,000,000. The Adjusted Net Asset Value excludes unlisted investments and certain assets exceeding 7per cent of the total assets of the Company.

- 10.3.2 A Loan Agreement between the Company and The Royal Bank of Scotland plc ("RBS") dated 27 January and 3 February 2004 (as amended) under which RBS has advanced a loan of JPY 2,300,000,000. The Loan is due to be repaid on 17 February 2014. Interest has been fixed at 2.03 per cent and is payable at six monthly intervals. The Loan may be prepaid early subject to the Company compensating the bank for any costs together with an additional interest payment. The Company is liable to pay RBS additional amounts if the funding costs increase in certain circumstances.

The Loan Agreement contains various representations, warranties and covenants of the type ordinarily found in such agreements, including an undertaking not to create any charges other than those specifically permitted. The Loan Agreement in particular includes financial covenants to the effect that Net Tangible Assets will be not less than £400,000,000 and that Gross Borrowings expressed as a percentage of Adjusted Assets will not exceed 40%. Adjusted Assets excludes unlisted investments, assets quoted on certain junior markets and also assets where the Company's exposure exceeds designated levels.

The consent of RBS will be needed before the Manager is replaced or for any material change in its business.

- 10.3.3 A Loan Agreement between the Company and The Royal Bank of Scotland plc ("RBS") dated 11 May 2010 under which RBS has advanced a loan of JPY 8,400,000,000. The Loan has been drawn down in full and is due to be repaid on 13 May 2015. Interest has been fixed at 3.17 per cent and is payable at three monthly intervals or as agreed. In the event that the Loan is prepaid for whatever reason, the Company must compensate RBS for any breakage costs together with an additional interest payment. The Company is liable to pay RBS additional amounts if the funding costs increase in certain circumstances.

The Loan Agreement contains various representations, warranties and covenants of the type ordinarily found in such agreements, including an undertaking not to create any charges other than those specifically permitted. The Loan Agreement in particular includes financial covenants to the effect that Net Tangible Assets will be not less than £400,000,000 and that Gross Borrowings expressed as a percentage of Adjusted Assets will not exceed 40%. Adjusted Assets excludes unlisted investments, assets quoted on certain junior markets and also assets where the Company's exposure exceeds designated levels.

The consent of RBS will be needed before the Manager is replaced or for any material change in investment policy.

- 10.3.4 A Loan Agreement dated 3 June 2008 (as amended) between the Company and Barclays Bank PLC under which Barclays Bank agrees to make available a fixed rate committed term loan facility. The Loan has been fully drawn down in Japanese Yen to an amount of 8,225,000,000 and the final maturity date is 3 June 2013. The Loan Agreement provides for interest at LIBOR plus a margin and mandatory costs but the Company has entered into a swap arrangement which has fixed the rates for tranches of the Loan at between 1.54 and 1.55 per cent. The Loan may be prepaid subject to payment of any funding breakage costs. The Company is liable to pay Barclays additional amounts if the funding costs increase in certain circumstances.

The Loan Agreement contains various representations, warranties and covenants of the type ordinarily found in such agreements, including an undertaking not to create any charges other than those specifically permitted. The Loan Agreement in particular includes financial covenants to the effect that the minimum Adjusted Asset Value will be not less than £250,000,000 and that Consolidated Total Borrowings will not exceed 50 per cent of Adjusted Asset Value. Adjusted Asset Value excludes certain investments and the amount of the Company's liabilities. There are also restrictions on the exposure of the investment portfolio to investments exceeding a specified level and on the number of investments which must be held and sectors covered.

The consent of Barclays will be needed before the Manager is replaced or for any material change in investment policy.

11 INVESTMENT RESTRICTIONS

11.1 In accordance with the requirements of the UK Listing Authority, the Company:

- (i) will not invest more than ten per cent, in aggregate of the value of the total assets of the Company in other investment companies or investment trusts which are listed in the Official List (except to the extent that those investment companies or investment trusts have published investment policies to invest no more than 15 per cent, of their gross assets in other investment companies or investment trusts which are listed on the Official List);
- (ii) will not conduct any trading activity which is significant in the context of the Company as a whole;
- (iii) will, at all times, invest and manage its assets:
 - a) in a way which is consistent with its object of spreading investment risk; and
 - b) in accordance with its published investment policy.

11.2 As an investment trust, the Company complies with Part 24 Chapter 4 of the Corporation Tax Act 2010 which requires that the Company's income is derived wholly or mainly from shares or securities and, in general, that no holding in a company, other than another investment trust, represents more than 15 per cent by value of the Company's investments.

11.3 In accordance with the requirements of the UK Listing Authority, the Company will not make any material change to its published investment policy without the approval of its Shareholders by ordinary resolution. Such an alteration would be announced by the Company through a Regulatory Information Service.

11.4 In the event of any breach of the investment restrictions applicable to the Company, Shareholders will be informed of the actions to be taken by the Company by an announcement issued through a Regulatory Information Service approved by the UK Listing Authority.

12 TAXATION

The information contained in this document relating to taxation is a summary of the taxation matters which the Directors consider should be brought to the attention of prospective investors. The following statements are intended as a general guide only and do not constitute legal or tax advice to any Shareholder or prospective Shareholder or investor. They are based upon the United Kingdom law and HM Revenue & Customs practice currently in force, and relate only to the position of Shareholders who are beneficial owners of their Shares. They may not relate to certain categories of Shareholders, such as dealers in securities. Prospective investors should consult their own professional advisers on the potential tax consequences of acquiring, holding or setting Shares in the Company.

12.1 The Company

It is the intention of the Directors to conduct the affairs of the Company so as to satisfy the conditions for approval as an investment trust under Part 24 Chapter 4 of the Corporation Tax Act 2010 and to apply annually to HM Revenue & Customs for such approval which is granted retrospectively. In order to maintain its investment trust status for an accounting period, the Company must not, inter alia, be a close company at any time in that accounting

period. The Directors do not anticipate that the Company will be a close company. In respect of each accounting period for which approval is granted, the Company will be exempt from United Kingdom taxation on its capital gains.

The Company will, however, be liable to UK corporation tax on its income profits in the normal way, with dividend income being exempt from corporation tax. Income arising from overseas investments may be subject to foreign withholding taxes at varying rates, but double taxation relief may be available on overseas income other than dividend income.

12.2 Shareholders

12.2.1 Taxation of capital gains

Shareholders resident or ordinarily resident in the UK for taxation purposes may, depending upon their personal circumstances, be liable to UK capital gains tax or, in the case of corporations, corporation tax on chargeable gains arising from the sale or other disposal (which includes disposal upon a winding up) of their Shares for the purposes of the TCGA ("**Capital Gains Tax**"). On such a disposal by an individual Shareholder who is resident or ordinarily resident in the UK for taxation purposes, the rate of Capital Gains Tax is 18 per cent for basic rate taxpayers and 28 per cent for higher and additional rate taxpayers. An individual may be able to claim certain reliefs (including the personal allowance in respect of the first £10,100 of capital gains received in the financial year 2010/2011). Shareholders which are corporations resident in the UK will benefit from an indexation allowance which, in general terms, increases the Capital Gains Tax base cost of an asset in accordance with changes in the Retail Prices Index.

Shareholders who are not resident or ordinarily resident in the UK for taxation purposes will not normally be liable to Capital Gains Tax arising from the sale or other disposal of their Shares unless (in the case of a corporate shareholder) those Shares are held through a UK branch or agency, although they may be subject to charges to foreign taxation depending upon their personal circumstances.

12.2.2 Taxation of dividends

Under current legislation, no withholding tax will be deducted from any dividends paid by the Company to UK resident Shareholders.

Individuals resident in the UK for taxation purposes are generally liable to income tax on the aggregate amount of a dividend and a tax credit equal to one-ninth of the dividend. For example, on a dividend of £90, the tax credit would be £10, and an individual would be liable to income tax on £100. No further income tax is payable in respect of the dividend by UK resident individuals who are not liable to income tax at the higher rate or the additional rate. UK resident individuals who are subject to tax at the higher rate (currently 40 per cent), but not the additional rate, have to pay further tax on a dividend to the extent that tax at the rate applicable to dividends for such individuals (currently 32.5 per cent.) on the aggregate of the dividend and tax credit exceeds the tax credit. For example, on a dividend of £90 such a taxpayer would have to pay additional tax of £22.50. For this purpose, dividends are treated as the top slice of an individual's income.

A new additional rate of income tax of 50 per cent, applies with effect from 6 April 2010 to UK resident individuals with taxable income in excess of £150,000. From the same time, a new dividend additional rate of 42.5 per cent, applies for dividends received by such persons. Accordingly, an additional rate tax payer will be liable to income tax on the sum of the dividend plus the tax credit (to the extent that, taking that sum at the top slice of his income, it falls above the threshold for the additional rate of income tax) at the rate of 42.5 per cent against which he can offset the 10 per cent tax credit.

No repayment of the tax credit in respect of dividends can be claimed by a UK resident Shareholder.

UK resident corporate Shareholders (other than dealers and certain insurance companies) are not liable to corporation tax or income tax in respect of dividends.

Non-UK resident Shareholders may be subject to tax on dividend income under any law to which they are subject outside the UK.

12.2.3 Capitalisation of "B" Ordinary Shares

UK resident individuals who receive further B Ordinary Shares by way of capitalisation of dividends pursuant to the Articles will be treated as receiving gross income of an amount that, when reduced by income tax at the dividend ordinary rate (10 per cent) is equal to the market value of the B Ordinary Shares received. Basic rate taxpayers will not require to pay further income tax. Those paying tax at the higher rate or additional rate will be liable to pay income tax at the rate set out in paragraph 12.2.2 above as if the market value of the "B" Ordinary Shares were a cash dividend.

UK resident individuals will be treated as acquiring new B Ordinary Shares at the market value of those B Ordinary Shares for the purposes of capital gains tax.

- (a) UK resident corporate Shareholders should not be subject to UK corporation tax on receipt of B Ordinary shares by way of capitalisation of dividends pursuant to the Articles. However such issue of B Ordinary Shares will not be treated as franked investment income for corporation tax purposes.

For the purposes of corporation tax on capital gains, UK resident corporate Shareholders will be treated as having acquired any B Ordinary Shares which are issued by way of capitalisation of dividends pursuant to the Articles at the same time as their existing holding but no consideration will be treated as having been given for new shares.

12.3 Stamp duty and stamp duty reserve tax

An agreement to transfer Shares through CREST will normally be subject to stamp duty reserve tax at the rate of 0.5 per cent, or, if the transferee is a person to whom the depositary receipt or clearance service charge to stamp duty reserve tax may apply, at the rate of 1.5 per cent, of the value of the consideration paid. If an instrument of transfer of the Shares is subsequently executed (if the Shares are not transferred through CREST), it will generally be subject to stamp duty at the rate of 0.5 per cent, or, if the transferor is a person to whom the depositary receipt or clearance service charge to stamp duty may apply, at the rate of 1.5 per cent, of the value of the consideration paid, in either case rounded up to the nearest multiple of £5. When such an instrument of transfer is duly stamped and stamp duty is paid within specified time limits, the stamp duty reserve tax charge will be cancelled and any stamp duty reserve tax already paid will be refunded.

When Shares are transferred into CREST, there will be no charge to stamp duty reserve tax on the transfer (unless made for a consideration, in which case stamp duty reserve tax will be payable at the rate of 0.5 per cent, of the actual consideration paid).

Liability to pay stamp duty or stamp duty reserve tax is normally that of the transferee or purchaser.

12.4 ISAs

New Ordinary Shares will qualify for the stocks and shares component of an ISA, provided that they are acquired by an ISA manager in the market.

13 **GENERAL**

- 13.1 The Company's fixed expenses in connection with this document are estimated to amount to £125,000 (including VAT).
- 13.2 There are no governmental, legal or arbitration proceedings (and, in so far as the Company is aware, there are no governmental, legal or arbitration proceedings pending or threatened) which may have, or have had in the previous 12 months, significant effects on the Company's financial position or profitability.
- 13.3 The Company has no employees. The Company does not own any premises.
- 13.4 Oriel Securities Limited has given and not withdrawn its written consent to the issue of this document with inclusion therein of its name in the form and context in which it is included.
- 13.5 Aberdeen Asset Managers Limited has given and not withdrawn its written consent to the inclusion of the "Investment Outlook" in Part 1 of this document with inclusion therein of its name in the form and context in which it is included and has authorised that part of the Prospectus.
- 13.6 The unaudited Net Asset Value per Ordinary Share and B Ordinary Share as at 16 December 2010 was 906.93p.

14 **DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the offices of the Manager at Bow Bells House, 1 Bread Street, London, EC4M 9HT and at 7th Floor, 40 Princes Street, Edinburgh, EH2 2BY until 21 December 2011:

- (i) the articles of association of the Company;
- (ii) the annual reports and accounts of the Company for the three financial years ended 31 December 2009;
- (iii) the unaudited interim reports of the Company for the six months ended 30 June 2010; and
- (iv) this document.

15 **AVAILABILITY OF PROSPECTUS**

Copies of the Prospectus are available for inspection at the National Storage Mechanism at www.hemscott.com/nsm.do.

Dated 21 December 2010