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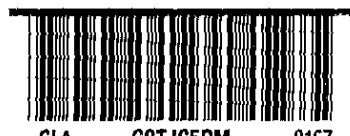


**Murray  
Income  
Trust PLC**

A high and growing income combined with capital growth  
through investment in a portfolio of UK equities



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COMPANIES HOUSE 31/10/01

Annual Report & Accounts  
**30 June 2001**

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# Financial Calendar

<b>31 October 2001</b>	Annual General Meeting
<b>1 November 2001</b>	Payment of proposed final dividend for 2001
<b>February 2002</b>	Interim results announcement
<b>January, April and July 2002</b>	Payment of proposed interim dividends for 2002

# Dividend Record

	<b>Rate</b>	<b>xd date</b>	<b>Record date</b>	<b>Payment date</b>
1st interim 2001	3.15p	11 December 2000	15 December 2000	15 January 2001
2nd interim 2001	3.15p	14 March 2001	16 March 2001	16 April 2001
3rd interim 2001	3.15p	13 June 2001	15 June 2001	16 July 2001
Final 2001	6.75p	3 October 2001	5 October 2001	1 November 2001
Total dividend 2001	16.20p			



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Murray  
*Income*  
Trust PLC

## Company Profile

Murray Income Trust is a UK income growth investment trust and a constituent of the FTSE All-share Index. Its share capital comprises Ordinary and B Ordinary shares. The company can trace its roots back to 1923. The majority of shareholders are private investors.

### **Objective**

The Company aims to achieve a high and growing income combined with capital growth through investment in a portfolio of UK equities.

### **Investment policy**

The Company pursues a policy of investing in shares of UK companies that have potential for strong earnings and dividend growth while at the same time providing an above average dividend yield.

### **Benchmark**

Murray Income's benchmark is the FTSE 350 Higher Yield index.

### **Share dealing**

Shares in Murray Income Trust can be acquired in the open market through a stockbroker. They can also be purchased through the Aberdeen savings schemes and fully qualify for inclusion within tax-efficient ISA and PEP wrappers (see page 45).

### **Capital structure**

The Company's Share capital as at 3 September 2001 consisted of 70,443,935 Ordinary Shares of 25p each and 495,435 B Ordinary Shares of 25p each.

### **Summary Management Agreement**

The Company has an agreement with Aberdeen Asset Manager's Limited for the provision of management services for a fee, as detailed in the Directors' Report on pages 16 to 19 and in Note 3 on page 31.

### **Board of Directors**

A board of directors, all of whom are independent of the investment manager, supervises the management of the Company and looks after the interests of shareholders.

# Corporate Information

## **Directors**

B N A Hardman (Chairman)  
B R Adams  
A J M Coats  
P A F Gifford  
Sir David Trippier RD DL

## **Registered Office**

123 St Vincent Street  
Glasgow G2 5EA

Registered in Scotland - Company Number 12725

## **Manager and Secretary**

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

## **Registrar**

Capita IRG Plc  
Balfour House  
390/398 High Road  
Ilford  
Essex IG1 1NQ

Tel. 020 8639 2000

## **Custodian**

The Chase Manhattan Bank  
125 London Wall  
London EC2Y 4AJ

## **Auditors**

Ernst & Young LLP  
George House  
50 George Square  
Glasgow G2 1RR

## **Solicitors**

McGrigor Donald  
Pacific House  
70 Wellington Street  
Glasgow G2 6SB

## **Stockbrokers**

UBS Warburg  
2 Finsbury Avenue  
London EC2M 2PP

Old Mutual Securities  
Old Mutual Place  
2 Lambeth Hill  
London EC4V 4GG

# Board Members

## Chairman

**Blaise Hardman** (61) was appointed a director in July 1988 and became chairman in January 1999. He is a merchant banker and former chairman of Morgan Grenfell & Co. His other directorships include The Fleming Japanese Investment Trust, Whiteaway Laidlaw Bank Limited and Perpetual European Investment Trust.

## Directors

**Roger Adams** (62) was appointed a Director in May 1999. He was, until 31 December 1998, executive director of closed end funds at UBS Warburg, a division of UBS AG. He is chairman of Aurora Investment Trust, Investec High Income Trust and New Star Enhanced Income Trust. He is also a non-executive director of Gartmore Monthly Income Trust, The Investment Trust of Investment Trusts, The Quarterly High Income Trust, North Atlantic Smaller Companies Investment Trust and Jupiter Dividend & Growth Investment Trust.

**Adrian Coats** (46) was appointed a Director in January 1999. He is group treasurer of Scottish Power and regional organiser for the Association of Corporate Treasurers. He is a director of a number of companies in the ScottishPower Group, a member of PacifiCorp's pension investment committee and was formerly a director of Grand Metropolitan Finance.

**Patrick Gifford** (56) was appointed a Director in July 1999. He was previously a director of Robert Fleming Holdings and chairman of Fleming Investment Trust Management. He is chairman of The Fleming Leveraged Emerging Market Portfolio, 3i European Technology Trust and Vitesse Networks. He is also a director of The Fleming Japanese Investment Trust, The Fleming Japanese Smaller Companies Investment Trust, The Fleming Emerging Markets Investment Trust, The Fleming European Fledgling Investment Trust, Fleming Russia Securities Fund, Martin Currie Pacific Trust, Merrill Lynch Asset Allocator and NIB Holdings International.

**Sir David Trippier** (55) RD DL was appointed a Director in October 1995. He was elected to Parliament in 1979 and held a number of Ministerial posts. Since leaving Parliament in 1992 Sir David has concentrated on his business interests. He is chairman of WH Ireland & Co (Stockbrokers), Sir David Trippier Associates and Murray VCT. He is also a director of St Modwen Properties, Lawrence Barnet & Associates, Nord Anglian and Unique Communications Group.

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

# Manager

Aberdeen Asset Managers Limited is the Manager of the Company. On 30 November 2000 Aberdeen Asset Management PLC acquired Murray Johnstone Limited, the former manager, to create an enlarged group with over £37 billion of funds under management as at 31 July 2001.

# Financial Highlights

for the year ended 30 June 2001

Murray Income Trust had a stock market capitalisation as at 30 June 2001 of £384 million.

	<b>30 June 2001</b>	<b>30 June 2000</b>
• Total assets less current liabilities	£483,145,000	£492,331,000
• Equity shareholders' interest	£435,145,000	£442,282,000
• Net Asset Value per Ordinary and B Ordinary Share	611.9p	567.0p
• Net Asset Value total return for year per Ordinary Share	9.1%	7.6%
<b>Share Price Performance</b>		
• Share price of Ordinary Shares	540.0p	479.0p
• Share price of B Ordinary Shares	610.0p	467.5p
• Discount to Net Asset Value on Ordinary Shares	11.75%	15.50%
• Share price total return for year per Ordinary Share	16.20%	6.70%
<b>Dividend and Earnings</b>		
• Dividend per Ordinary Share	16.2p	15.75p
• Revenue return per Ordinary Share	17.4p	14.7p
• Dividend cover	1.11 times	0.98 times
• Revenue reserve	£9,864,000	£8,562,000
<b>Operating costs</b>		
• Total Operating Costs as a percentage of Gross Assets*	0.76%	0.75%

\* Operating costs for the year include investment management fees and other expenses as detailed in notes 3 and 4 on page 31. Gross assets are as at the relevant year end.

# Chairman's Statement

## **Performance**

Your Company is almost totally invested in UK listed companies, focused primarily on higher yielding stocks with value characteristics. Murray Income's policy is to invest in shares that have potential for strong earnings and dividend growth, while at the same time providing an above average yield. The portfolio performed satisfactorily and I am glad to be able to tell you that we have been little affected by the collapse in value of technology and telecommunication shares. Although we failed to outperform our benchmark, the FTSE 350 Higher Yield Index, we nevertheless did rather better than many of our peer group and significantly better than the FTSE All-Share Index. The Net Asset Value total return for the year ended 30 June 2001 was 9.1% compared with the FTSE 350 Higher Yield Index benchmark return of 13.3%. Murray Income was ranked 3rd out of 19 in the UK Growth and Income sector. In recognition of the improvement of the performance of Murray Income in the recent past, your Company was awarded second place in the Most Improved Investment Trust category over the year 2000 in the What Investment Awards.

## **Our Manager and Secretary**

In November last year the merger between Murray Johnstone and Aberdeen Asset Management PLC was completed. The investment teams have now been integrated and are benefiting from the greater resources available from the combination of two leading Scottish investment managers. We have taken the opportunity presented by the merger to review our investment management agreement and to bring it into line with current best practice. As part of this process, Aberdeen Asset Management PLC has been appointed Company Secretary in place of Murray Johnstone Limited. In addition, we have altered the basis on which the management fee is calculated. Although there is no immediate effect, there will be future benefits to shareholders from a lower fee structure if the Company grows. The new arrangements consist of a fixed fee of £500,000, plus a scale of rates dependent on the size of the Company. Fees are no longer calculated on the basis of the rolling average asset values of the last six quarters, but rather on monthly asset values.

The effect of the fee change is that if the gross assets rose to £700 million the management fee would represent 0.43% of the assets, whereas a fall to £400 million would increase it to 0.56%. The current fee is 0.5%. Full details are supplied in Note 3 of the Financial Statements.

## **Share Buyback**

During the year ended 30 June 2001 the Company repurchased 6,898,000 Ordinary Shares (8.96% of the issued Ordinary Share Capital at 25 October 2000) and 14,477 B Ordinary Shares (6.65% of the issued B Ordinary Share Capital at 25 October 2000) at an average price of 542.32p per Ordinary Share and 520p per B Ordinary Share. These repurchases contributed 6.0p per Share to the Net Asset Value. At the last Annual General Meeting in October 2000 Shareholders renewed the authority of the Company to buy back up to 14.99% of its own Shares in the market. This authorisation will expire at the Annual General Meeting to be held in October 2001, at which point Shareholders will be asked to renew it. The Board believes that the continued use of the buy-back facility together with improved performance will continue to help to narrow the discount to Net Asset Value.

## **Strategy and Borrowing**

The fund continues to be managed with regard to the structure of the FTSE 350 Higher Yield Index. However, specific levels of variance from the benchmark have been adopted for certain stocks and sector groupings. At the same time, exposure has been retained to certain areas of the equity market which are not components of the benchmark, such as pharmaceuticals.

At the end of the financial year, Murray Income was geared with borrowings of £48m. However, since the year end the level of borrowings has been substantially reduced. The fixed income exposure within the portfolio, having performed particularly well against equities, was sold in the course of the year.

## Chairman's Statement *(continued)*

### **Dividends**

For the year under review three interim dividends of 3.15p per Share have already been paid on 15 January, 16 April and 16 July 2001. The Board now recommends a final dividend of 6.75p per share, making a total of 16.20p. This is equivalent to an increase of 2.8% on the total dividend for the year ending 30 June 2000. For the current year the Board recommends that the interim dividends be maintained at 3.15p per share and be paid on 16 January, 16 April and 16 July 2002.

### **Outlook**

*Economic growth in the UK has held up relatively well in comparison to the slowdown that we are witnessing in other economies.*

*We have all been deeply saddened by the dreadful destruction and loss of life following the terrorist attacks in New York and Washington. These events will have a real economic impact and your Board and the Manager will be monitoring events closely over the months ahead.*

*Looking beyond the current uncertainties and weak market sentiment, we believe that there will be opportunities to invest in strong companies providing excellent value for shareholders over the longer term.*

### **Blaise Hardman**

Chairman

12 September 2001

## Summary of Investment Changes during the year

	Valuation 30 June 2000		Transactions £'000	Appreciation (depreciation) £'000	Valuation 30 June 2001	
	£'000	%			£'000	%
<b>United Kingdom</b>						
Equities	495,839	100.7	(46,356)	31,638	481,121	99.6
Fixed income	9,972	2.0	(10,371)	399	-	-
Total Investments	505,811	102.7	(56,727)	32,037	481,121	99.6
Other net current (liabilities) assets	(13,480)	(2.7)	15,306	198	2,024	0.4
<b>Total assets*</b>	<b>492,331</b>	<b>100.00</b>	<b>(41,421)</b>	<b>32,235</b>	<b>483,145</b>	<b>100.0</b>

\* Represents total assets less current liabilities before deducting prior charges.

## Summary of Net Assets

As at 30 June 2001

	Valuation	
	£'000	%
Equities	481,121	110.6
Other net current assets	2,024	0.4
Borrowings	(48,000)	(11.0)
<b>Equity Shareholders' interest</b>	<b>435,145</b>	<b>100.0</b>

# Distribution of Investments

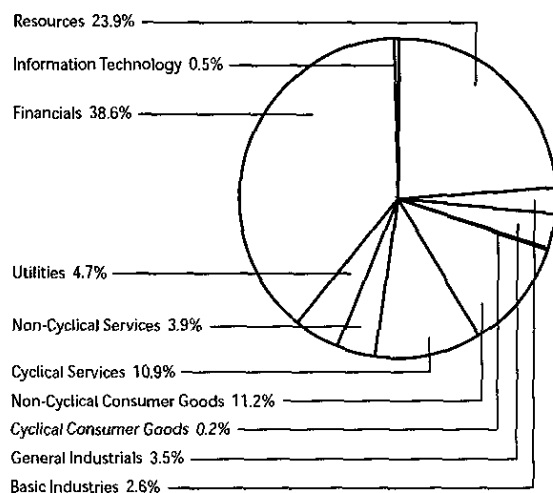
As at 30 June 2001

Sector	2001 Total %	2000 Total %
<b>Resources</b>	<b>23.8</b>	<b>24.9</b>
Mining	3.7	5.0
Oil & Gas	20.1	19.9
<b>Basic Industries</b>	<b>2.6</b>	<b>2.3</b>
Chemicals	1.0	1.3
Construction & Building Materials	1.1	0.6
Steel & Other Metals	0.5	0.4
<b>General Industrials</b>	<b>3.5</b>	<b>2.8</b>
Aerospace & Defence	1.8	0.8
Electronic & Electrical Equipment	0.8	0.8
Engineering & Machinery	0.9	1.2
<b>Cyclical Consumer Goods</b>	<b>0.2</b>	<b>0.5</b>
Automobiles	0.2	0.5
<b>Non-Cyclical Consumer Goods</b>	<b>11.2</b>	<b>6.6</b>
Beverages	3.3	1.8
Food Producers & Processors	3.5	1.0
Health	0.7	0.3
Packaging	0.8	0.7
Personal Care & Household Products	-	0.1
Pharmaceuticals	0.6	0.6
Tobacco	2.3	2.1
<b>Cyclical Services</b>	<b>10.8</b>	<b>10.6</b>
General Retailers	3.2	2.7
Leisure, Entertainment & Hotels	2.9	1.0
Media & Photography	2.4	0.8
Restaurants, Pubs & Breweries	-	3.8
Support Services	1.0	0.9
Transport	1.3	1.4
<b>Non-Cyclical Services</b>	<b>3.9</b>	<b>3.9</b>
Food & Drug Retailers	1.9	1.5
Telecommunication Services	2.0	2.4
<b>Utilities</b>	<b>4.7</b>	<b>3.0</b>
Electricity	4.1	3.0
Water	0.6	-
<b>Financials</b>	<b>38.4</b>	<b>43.2</b>
Banks	28.7	23.0
Insurance	1.1	1.0
Investment Companies	0.9	0.8
Life Assurance	5.4	5.6
Real Estate	1.2	1.6
Speciality & Other Finance	1.1	11.2
<b>Information Technology</b>	<b>0.5</b>	<b>2.9</b>
Information Technology Hardware	-	0.2
Software & Computer Services	0.5	2.7
<b>Listed Fixed Income</b>	<b>-</b>	<b>2.0</b>
<b>Total Investments</b>	<b>99.6</b>	<b>102.7</b>
Other net current assets (liabilities)	0.4	(2.7)
<b>Total Assets</b>	<b>100.0</b>	<b>100.0</b>

# Sector Comparison

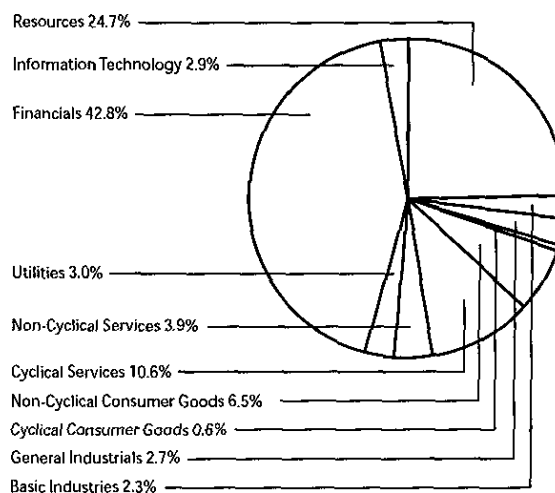
## Distribution of Investments

as at 30 June 2001



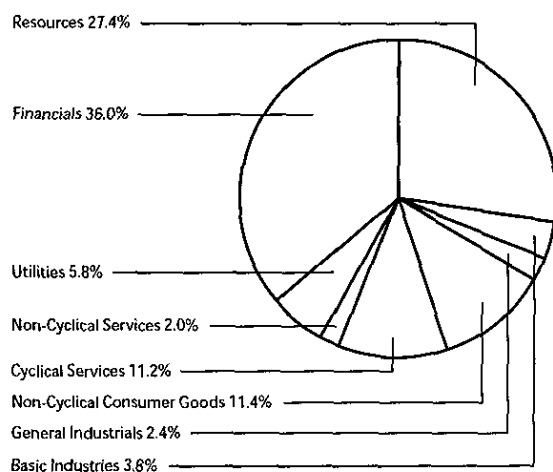
## Distribution of Investments

as at 30 June 2000



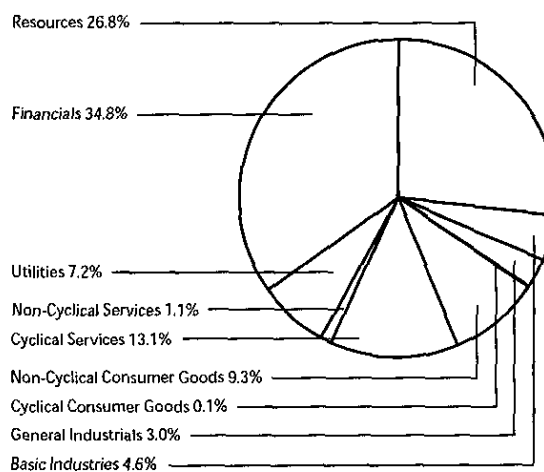
## FTSE 350 Higher Yield Index

as at 30 June 2001



## FTSE 350 Higher Yield Index

as at 30 June 2000



Note:

The percentage distributions by sector as shown on page 8 have been restated in the sector comparison pie chart to total 100% in order to enable an accurate comparison with the FTSE 350 Higher Yield Index to be made.

# Investment Manager's Review

The portfolio performed well during the year to 30 June 2001. The period under review has proved to be challenging for both the UK equity market and the economy. The Company's financial year began just as the effects of the bursting of the TMT bubble were hitting the market. The US economy has been under increasing pressure and, as a result, the Federal Reserve has been aggressively reducing interest rates since early January of this year. Our own monetary authority, the Monetary Policy Committee, has reduced rates, although on a more modest scale. In the meantime, companies on both sides of the Atlantic have updated investors with comments on how increasingly difficult the operating environment has become. Profit warnings have therefore followed and have become an all too familiar theme in recent months.

Equity market index movements over the year have continued to reflect a move to companies with greater visibility of prospects, as investors have deserted those highly rated stocks which had been the main beneficiaries of the TMT bubble. As a result, more traditional, defensive areas of the equity market have continued to be re-rated. Areas such as financials, consumer stocks and utilities have benefited significantly from their defensive characteristics.

## **Performance**

The past year has resulted in an increase in the Net Asset Value per share of your Company, which was ranked 3rd out of nineteen in the UK and Income Growth sector for both the two years and year ending 30 June 2001. We have continued to focus on blue chip stocks and have maintained our lack of belief in valuations in TMT stocks. Significant positions in both the oil and bank sectors have been of benefit. The global environment for oil stocks, such as BP and Shell has been favourable with the strong oil price providing a firm support to their profitability. For the bank stocks, economic conditions have proved very supportive, with the sector producing good growth in profits and dividends.

## **Strategy**

The fund continues to be managed with regard to the structure of the FTSE 350 Higher Yield Index. However specific levels of variance from the benchmark have been adopted for certain stocks and sector groupings. At the same time, exposure has been retained to certain areas of the equity market which are not components of the benchmark, such as pharmaceuticals.

## **Activity**

Volatility continued to be a major feature of equity markets over the past 12 months. Unlike in the previous financial year, TMT related stocks were significantly de-rated with the so called "old economy" stocks in contrast being re-rated substantially. We took advantage of the swings in market sentiment to take profits in several over-valued areas and at the same time increased exposure to undervalued areas of the market which we felt were well positioned to move higher.

The fixed income exposure within the portfolio was sold in the course of the year having performed particularly well against equities while generating only a small proportion of the total revenue within Murray Income.

In sectoral terms, the portfolio remains overweight in financials. Financials have performed well over the past 12 months with banking stocks in particular doing very well. Exposure to resource stocks also remains significant within the portfolio and in these difficult market conditions, the clear visibility of the earnings streams from the UK oil majors is likely to provide support for these stocks over the months ahead.

## Investment Manager's Review (continued)

### **Outlook**

Economic growth in the UK has held up relatively well in comparison to the slowdown that we are witnessing in other economies. We expect this trend to continue, particularly with the support of buoyant consumer spending in the UK. There continues to be scope for further interest rate reductions both here in the UK and in the US which will ultimately provide more favourable economic conditions. The recent correction that we have witnessed in the level of world equity markets has driven markets to such levels where equities currently represent good value. However, against this positive valuation backdrop there continues to be a flow of negative news from companies indicating that profit expectations are likely to be lower than those currently forecast by analysts. The atrocious events in New York and Washington will unfortunately have a negative impact on the outlook for near term economic growth expectations. This impact, as yet, is unquantified and may remain so for a period of months. The defensive bias of the portfolio will be maintained in the near term, but in the medium term we will seek out those growth companies and recovery stocks with strong potential for earnings and dividend growth. At the same time, Murray Income's level of gearing is relatively low and as markets recover, as they undoubtedly will, we would expect to already be increasing the gearing of your company to seek to enhance shareholder returns.

### **Doug Thomson**

Investment Manager

12 September 2001

# Twenty Largest Investments

As at 30 June 2001

Company	Valuation £'000	Total assets %
1 (1) BP Amoco	64,755	13.4
BP Amoco is one of the world's largest petroleum and petrochemicals groups. Its main activities are exploration and production of crude oil and natural gas; refining, marketing, supply and transportation of petroleum products; and manufacturing and marketing of petrochemicals.		
2 (3) HSBC Holdings	40,440	8.4
HSBC Holdings is one of the largest banking and financial services organisations in the world. The HSBC Group's international network comprises more than 5,000 offices in 80 countries and territories, operating in the Asia Pacific region, Europe, the Americas, the Middle East and Africa.		
3 (4) Shell Transport & Trading	32,505	6.7
Shell Transport and Trading Company owns 40% of the Royal Dutch/Shell Group which is engaged in all phases of the petroleum industry from exploration to processing and distribution. The group operates in over 130 countries. A key part of its policy is to develop renewable energy sources.		
4 (6) Royal Bank of Scotland Group	25,007	5.2
Royal Bank of Scotland Group is one of the largest banks in the UK. It recently acquired National Westminster, creating a group with a diversified range of businesses to add to DirectLine, the UK market leader in private motor insurance, Citizens Financial in the US and Ulster Bank.		
5 (10) Lloyds TSB	21,345	4.4
Lloyds TSB, in addition to its retail and commercial banking operations, the group owns Cheltenham & Gloucester, a leading home mortgage lender. The group also has a growing investment, life and general insurance business including Abbey Life and Scottish Widows.		
6 (5) Barclays	18,530	3.8
Barclays offers commercial and investment banking, insurance, financial and related services. It operates branches in over 60 countries and in its main market in the UK it operates over 1,900 branches.		
7 (7) CGNU	11,796	2.4
The merger of CGU and Norwich Union created the UK's largest insurance group and one of the top five life insurers in Europe. Principal business activities are long-term savings, general insurance and asset management with worldwide premium income and retail investment sales of £26 billion.		
8 (11) Diageo	11,700	2.4
Diageo has operations in alcoholic beverages, food and fast food restaurants through the Burger King chain. The Company is in the process of refocusing its activities to concentrate almost entirely on alcoholic beverages.		
9 (-) Halifax Group	10,686	2.2
Halifax Group provides personal financial services in the United Kingdom, including a wide range of mortgage, savings and investment products. Halifax has recently agreed to merge with Bank of Scotland.		
10 (9) Abbey National	9,960	2.1
Abbey National, a demutualised building society, is now a broad based financial services provider in the UK with some 15 million customers. The group offers mortgages and personal savings schemes as well as banking, pension, investment, life and general insurance services.		
<b>Top ten investments</b>	<b>246,724</b>	<b>51.0</b>

The figures in brackets indicate the position of the stock in the portfolio at 30 June 2000.

## Twenty Largest Investments (continued)

Company	Valuation £'000	Total assets %
<b>11(13) Sainsbury (I)</b> Sainsbury is a major food retailer with supermarket chains in both the UK and in the USA. The Company has recently disposed of its DIY chain in the UK to focus on the core food retailing market.	9,175	1.9
<b>12 (-) Unilever</b> Unilever manufactures branded and packaged consumer goods, including food, detergents, fragrances, home and personal care products. The Company sells its products in over 100 countries.	8,985	1.9
<b>13 (-) Prudential</b> Prudential is an international Company which provides a wide range of insurance and investment products and services.	8,610	1.8
<b>14 (8) Anglo American</b> Anglo American is a global mining and natural resources Company, which has interests in gold, diamonds, precious metals, base metals and a wide range of industrial activities.	8,212	1.7
<b>15 (12) Rio Tinto</b> Rio Tinto is an international Company with interests in mining for a wide range of base and precious metals throughout the world.	8,203	1.7
<b>16 (19) British American Tobacco</b> British American Tobacco is the holding Company for a group of companies that manufacture, market and sell cigarettes and other tobacco products, including cigars and roll-your-own tobacco. The group sells over 300 brands in approximately 180 markets throughout the world.	6,708	1.4
<b>17 (15) Vodafone Group</b> Vodafone Group, although first formed in the UK only 15 years ago, is now the largest mobile telecommunications Company in the world and one of the top ten companies by market capitalisation. Acquisitions have added to strong organic UK growth.	6,694	1.4
<b>18 (-) Scottish Power</b> Scottish Power is an integrated power and energy group, which generates and supplies electricity in addition to providing electrical power systems in the UK and USA. Group subsidiaries also supply water and waste water services, gas and telecommunications and internet services.	5,900	1.2
<b>19 (20) Standard Chartered</b> Standard Chartered is an international banking group operating principally in Asia, Africa, Latin America and the Middle East. The Company offers its products and services to consumer and commercial customers in more than 40 countries.	5,830	1.2
<b>20 (-) Atrium Underwriting</b> Atrium operates in the Lloyd's insurance market and has four revenue streams: investment returns, agency fees and commission on returns from owned capacity on its syndicates and also from capacity owned as third party syndicates.	5,532	1.1
<b>Top twenty investments</b>	<b>320,573</b>	<b>66.3</b>

# Portfolio of Investments

As at 30 June 2001

Company	Valuation £'000	Total assets %	Yield %	Company	Valuation £'000	Total assets %	Yield %
<b>Resources</b>				<b>Pharmaceuticals</b>			
<b>Mining</b>	<b>17,553</b>	<b>3.7</b>		<b>GlaxoSmithKline</b>	<b>2,913</b>	<b>0.6</b>	<b>0.5</b>
Anglo American	8,212	1.7	3.6	<b>Tobacco</b>	<b>11,124</b>	<b>2.3</b>	
BHP Billiton	1,138	0.3	4.2	British American Tobacco	6,708	1.4	6.0
Rio Tinto	8,203	1.7	3.4	Gallaher Group	1,911	0.4	5.9
<b>Oil &amp; Gas</b>	<b>97,260</b>	<b>20.1</b>		Imperial Tobacco	2,505	0.5	4.3
BP Amoco	64,755	13.4	2.7	<b>Cyclical Services</b>			
Shell Transport & Trading	32,505	6.7	2.7	<b>General Retailers</b>			
<b>Basic Industries</b>				<b>Boots</b>	<b>15,484</b>	<b>3.2</b>	
<b>Chemicals</b>	<b>5,038</b>	<b>1.0</b>		Boots	4,057	0.8	4.9
BOC Group	3,120	0.6	4.0	Grampian	1,435	0.3	10.8
Imperial Chemical Industries	1,918	0.4	4.0	Great Universal Stores	3,651	0.8	3.8
<b>Construction &amp; Building</b>				Kingfisher	3,078	0.6	4.5
<b>Materials</b>	<b>5,371</b>	<b>1.1</b>		Marks & Spencer	1,493	0.3	3.8
BPB Industries	1,920	0.4	5.2	Signet Group	1,770	0.4	2.0
Persimmon	711	0.1	4.2	<b>Leisure, Entertainment</b>			
RMC	2,740	0.6	5.0	<b>&amp; Hotels</b>			
<b>Steel &amp; Other Metals</b>	<b>2,521</b>	<b>0.5</b>		<b>Airtours</b>	<b>13,450</b>	<b>2.9</b>	
Corus Group	2,521	0.5	1.8	Airtours	2,312	0.5	3.5
<b>General Industrials</b>				Bass	3,929	0.8	5.0
<b>Aerospace &amp; Defence</b>	<b>8,667</b>	<b>1.8</b>		Hilton	3,184	0.7	4.0
BAE Systems 7.75% Conv Pref	3,495	0.7	4.9	Millennium & Copthorne Hotels	2,175	0.5	3.8
Rolls-Royce	2,697	0.6	3.8	P&O Princess Cruises	1,850	0.4	3.2
Smiths Group	2,475	0.5	3.3	<b>Media &amp; Photography</b>			
<b>Electronic &amp; Electrical</b>				<b>Carlton Communications</b>	<b>11,492</b>	<b>2.4</b>	
<b>Equipment</b>	<b>3,713</b>	<b>0.8</b>		Carlton Communications	1,512	0.3	2.5
Invensys	3,713	0.8	6.3	EMAP	1,929	0.4	3.1
<b>Engineering &amp; Machinery</b>				EMI	2,412	0.5	4.4
Enodis	1,625	0.3	4.2	Granada	510	0.1	1.9
Weir Group	2,731	0.6	4.4	Pearson	2,051	0.4	2.1
<b>Cyclical Consumer Goods</b>				SMG	3,078	0.7	4.2
<b>Automobiles</b>	<b>1,023</b>	<b>0.2</b>		<b>Support Services</b>			
GKN	1,023	0.2	3.2	<b>Bunzl</b>	<b>4,773</b>	<b>1.0</b>	
<b>Non-Cyclical Consumer Goods</b>				Bunzl	1,944	0.4	2.2
<b>Beverages</b>	<b>16,160</b>	<b>3.3</b>		Michael Page International	864	0.2	-
Diageo	11,700	2.4	3.1	Regus PLC	1,965	0.4	-
Scottish & Newcastle	4,460	0.9	5.5	<b>Transport</b>			
<b>Food Producers &amp; Processors</b>	<b>16,599</b>	<b>3.5</b>		<b>Arriva</b>	<b>6,075</b>	<b>1.3</b>	
Cadbury Schweppes	5,514	1.1	2.4	Arriva	1,774	0.4	5.2
Tate & Lyle	2,100	0.5	7.1	British Airways	1,376	0.3	5.8
Unilever	8,985	1.9	2.4	P & O	2,925	0.6	5.6
<b>Health</b>				<b>Non-Cyclical Services</b>			
Medisys	856	0.2	-	<b>Food &amp; Drug Retailers</b>			
Smith & Nephew	2,415	0.5	1.4	<b>Sainsbury(J)</b>	<b>9,175</b>	<b>1.9</b>	<b>3.6</b>
<b>Packaging</b>				<b>Telecommunication Services</b>			
<b>Rexam</b>	<b>3,940</b>	<b>0.8</b>		<b>British Telecom</b>	<b>9,804</b>	<b>2.0</b>	
Rexam	3,940	0.8	5.4	British Telecom	2,497	0.5	-
				Energis	613	0.1	-
				Vodafone Group	6,694	1.4	1.0
				<b>Utilities</b>			
				<b>Electricity</b>			
				<b>British Energy</b>	<b>19,789</b>	<b>4.1</b>	
				British Energy	1,372	0.3	3.2
				Innogy Holdings	1,635	0.3	3.8

## Portfolio of Investments (continued)

As at 30 June 2001

<b>Company</b>	<b>Valuation £'000</b>	<b>Total assets %</b>	<b>Yield %</b>	<b>Company</b>	<b>Valuation £'000</b>	<b>Total assets %</b>	<b>Yield %</b>
International Power	4,496	0.9	-	CGNU	11,796	2.4	4.3
National Grid Group	3,144	0.7	3.2	Legal & General	3,225	0.7	3.3
Scottish and Southern Energy	3,242	0.7	5.5	Prudential	8,610	1.8	3.2
Scottish Power	5,900	1.2	5.0	<b>Investment Companies</b>	<b>4,421</b>	<b>0.9</b>	
<b>Water</b>	<b>2,862</b>	<b>0.6</b>		Aberforth Smaller Companies Trust	2,540	0.5	2.8
United Utilities	2,862	0.6	7.6	Advance UK Trust	1,355	0.3	1.2
<b>Financials</b>				Martin Currie Enhanced Income	526	0.1	10.2
<b>Banks</b>	<b>138,221</b>	<b>28.7</b>		<b>Real Estate</b>	<b>5,804</b>	<b>1.1</b>	
Abbey National	9,960	2.1	4.1	British Land	691	0.1	2.6
Alliance & Leicester	1,991	0.4	4.5	Land Securities	2,960	0.6	4.1
Bank of Scotland	3,212	0.7	2.1	Slough Estates 8.25% Conv Pref	2,153	0.4	6.4
Barclays	18,530	3.8	3.0	<b>Speciality &amp; Other Finance</b>	<b>5,246</b>	<b>1.1</b>	
Bradford & Bingley	1,220	0.3	1.3	Caledonia Investments	1,297	0.3	3.1
Halifax Group	10,686	2.2	4.0	Man Group	2,462	0.5	1.8
HSBC Holdings	40,440	8.4	3.6	Provident Financial	1,487	0.3	4.1
Lloyds TSB	21,345	4.4	4.8	<b>Information Technology</b>			
Royal Bank of Scotland				<b>Software &amp; Computer</b>			
Additional Value Shares	1,502	0.3	-	<b>Services</b>	<b>1,091</b>	<b>0.2</b>	
Royal Bank of Scotland Group	23,505	4.9	2.3	Autonomy	1,091	0.2	-
Standard Chartered	5,830	1.2	3.1	<b>Other investments valued at less than £500,000</b>	<b>2,215</b>	<b>0.4</b>	
<b>Insurance</b>	<b>5,532</b>	<b>1.1</b>		<b>Total investments</b>	<b>481,121</b>	<b>99.6</b>	
Atrium Underwriting	5,532	1.1	6.5				
<b>Life Assurance</b>	<b>26,178</b>	<b>5.4</b>					
Britannic	2,547	0.5	6.4				

# Directors' Report

The Directors submit their annual report together with the Accounts of the Company for the year ended 30 June 2001.

## Results and dividends

The revenue attributable to equity shareholders for the year amounted to £12,929,000.

Three separate interim dividends of 3.15p each were paid on 15 January 2001, 16 April 2001 and 16 July 2001. *The Directors now recommend a final dividend of 6.75p per Ordinary Share payable on 1 November 2001 making a total distribution to Ordinary Shareholders of £11,627,000. The sum of £1,302,000 has been added to the Company's revenue reserve.*

The Directors also recommend:

- (1) that three interim dividends of 3.15p each per share on the Ordinary Shares in the capital of the Company in issue on 21 December 2001 be paid, in respect of the year ended 30 June 2002, on 16 January 2002, 16 April 2002 and 16 July 2002 to the persons who, at the close of business on 21 December 2001, 22 March 2002 and 21 June 2002 respectively, are the holders of such shares.
- (2) the distribution to B Ordinary Shareholders by way of capitalisation of reserves of 2.64172 B Ordinary Shares created as fully paid for every 100 B Ordinary Shares held at the close of business on 5 October 2001. This capitalisation issue is in accordance with the dividend provisions of the Articles of Association of the Company and is equivalent in Asset Value to the final and interim dividends now recommended on the Ordinary Shares but excluding any tax credit thereon. Subject to the approval of Shareholders, definitive certificates in respect of the capitalisation issue will be posted on 1 November 2001.

Applications will be made to the UK Listing Authority for 13,088 B Ordinary Shares of 25p each to be admitted to the Official List of the UK Listing Authority and to the London Stock Exchange for admission to trading on its market for listed securities. Dealings are expected to commence on 2 November 2001.

Resolution No 6 will be proposed at the forthcoming Annual General Meeting to approve the above distribution.

The Net Asset Value per Ordinary and B Ordinary share at 30 June 2001 was 611.9p (2000 - 567.0p).

## Share Repurchases

At the Annual General Meeting held on 25 October 2000, Shareholders approved the renewal of the authority permitting the Company to repurchase its Ordinary Shares and B Ordinary Shares.

The Directors wish to renew the authority given by Shareholders at the previous Annual General Meeting. The principal aim of a share buy-back facility is to enhance Shareholder value by acquiring shares at a discount to Net Asset Value, as and when the Directors consider this to be appropriate. By utilising the power to purchase Shares when they are trading at a discount to Net Asset Value per Share, the resulting Net Asset Value per Share for the remaining Ordinary and B Ordinary Shareholders will increase.

Any purchase of Shares will be made within guidelines established from time to time by the Board.

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

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

## Directors' Report

A special resolution, numbered 7, in the Notice of Annual General Meeting, will be put to shareholders for their approval to renew the authority to purchase in the market a maximum of 14.99 per cent of shares in issue on 3 September 2001 (10,559,545 Ordinary Shares and 74,265 B Ordinary Shares). Such authority will expire on the date of the next Annual General Meeting or after a period of 15 months from the date of passing of the Resolution, whichever is earlier. This means, in effect, that authority will have to be renewed at the next Annual General Meeting, or earlier if the authority has been exhausted.

During the year ended 30 June 2001, Share repurchases totalling 6,898,000 ordinary shares (8.96% of the issued Ordinary Share Capital at 25 October 2000 and 8.90% of the issued Ordinary Share Capital at 30 June 2000) took place at an average price of 542.32p within the established guidelines. From the date of renewal of the authority on 25 October 2000 to 3 September 2001, 6,523,000 Ordinary Shares (8.48% of the issued Ordinary Share Capital at 25 October 2000 and 8.42% of the issued Ordinary Share capital at 30 June 2000) were bought back at an average price of 545.82p within the established guidelines.

During the year ended 30 June 2001, Share repurchases totalling 14,477 B Ordinary Shares (2.66% of the issued B Ordinary Share Capital at both 25 October 2000 and 30 June 2000) took place at an average price of 520p within the established guidelines. From the date of the renewal of the authority to 3 September 2001, 36,217 B Ordinary Shares (6.65% of the issued B Ordinary Share Capital at 25 October 2000 and 30 June 2000) were bought back at an average price of 559p within the established guidelines.

Following these repurchases, the issued Ordinary Share capital as at 3 September 2001 amounted to 70,443,935 Ordinary Shares of 25p each and 495,435 B Ordinary Shares of 25p each.

### **Issue of shares**

In terms of the Companies Act 1985 ("the Act"), the Directors may not allot unissued shares unless so authorised by the Company's Shareholders. Resolution No.8 in the Notice of Annual General Meeting will, if approved by Shareholders, give the Directors the necessary authority to allot the unissued Share Capital up to an aggregate nominal amount of £886,740 (equivalent to 3,546,968 Ordinary and B Ordinary Shares or 5% of the Company's existing issued Ordinary Share Capital and B Ordinary as at 3 September 2001). Such authority will expire on the date of the next Annual General Meeting or after a period of 15 months from the date of passing of the resolution, whichever is earlier. This means, in effect, that authority will have to be renewed at the next Annual General Meeting.

When shares are to be allotted for cash, Section 89(1) of the Act provides that existing shareholders normally have pre-emption rights and that the new shares are offered first to such shareholders in proportion to their existing holdings of Ordinary Shares. However, Shareholders can, by special resolution, authorise the Directors to allot Shares otherwise than by a pro rata issue to existing Shareholders. Resolution No.9 will, if passed, also give the Directors power to allot, for cash, equity securities up to an aggregate nominal amount of £886,740 as if Section 89(1) does not apply. This is the same amount of Share Capital that the Directors are seeking the authority to allot pursuant to resolution No.8. This authority will also expire on the date of the next Annual General Meeting or after a period of 15 months, whichever is the earlier. This authority will not be used in connection with a rights issue by the Company.

The Directors intend to use the authority given by resolution No.9 to disapply pre-emption rights only in circumstances where this will be clearly beneficial to Shareholders. As such, issues will be made only where Shares can be issued at a premium to Net Asset Value of 2.5 per cent or over. At present, the Company's Ordinary Shares are available under the Savings Schemes operated by the Manager. In circumstances where the Share price of the Company stands at a premium to Net Asset Value of 2.5 per cent or over, it may be advantageous for the Company to issue new Shares directly to participants in the Savings Schemes, or to other prospective purchasers.

# Directors' Report

As such issues would be made only at prices greater than Net Asset Value, they would increase the value of assets underlying each share. The issue proceeds would be available for investment in line with the Company's investment policy. No issue of shares will be made which would effectively alter the control of the Company without the prior approval of Shareholders in a General Meeting.

## **Review of the Business**

A review of the Company's operations is given in the Chairman's Statement on pages 5 and 6 and in the Investment Manager's Review on pages 10 and 11.

## **PEP and ISA Status**

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

## **Directors**

The Directors who held office during the year under review and their interests in the Shares of the Company are shown in Note 19 on pages 37 and 38.

Mr A J M Coats and Mr B R Adams whose biographies appear on page 3 retire by rotation at this time and, being eligible, offer themselves for re-election. Resolutions No 2 and 3 to this effect will be proposed at the Annual General Meeting.

*In accordance with the Articles of Association, Directors must offer themselves for re-election at least once every three years. No director who is not seeking re-election at this time has held office for more than three years since his previous reappointment.*

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

## **Manager and Company Secretary**

Investment management, accounting, secretarial and administrative services were provided to the Company by Murray Johnstone Limited. Subsequent to the merger of Murray Johnstone Limited and Aberdeen Asset Management PLC, the opportunity was taken to review the investment management agreement and to bring it into line with current best practice. As part of this process Aberdeen Asset Management PLC has been appointed Company Secretary in place of Murray Johnstone Limited.

The basis on which the management fee is calculated has been altered. The new arrangements, which came into effect on 1 July 2001, consist of a fixed fee of £500,000, plus a scale of rates dependent on the size of the Company. Fees are no longer calculated on the basis of the rolling average asset values of the last six quarters, but rather on monthly asset values. Full details of the Management and Secretarial Fees are shown in Note 3 on page 31.

## **Corporate Governance**

*The Statement of Corporate Governance is shown on pages 20 to 23.*

# Directors' Report

## **Directors' and officers' insurance**

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

## **Principal activity and status**

In order to purchase its own shares the Company had previously revoked investment company status. However, following a change to company law, the Company was able to reinstate investment company status and buyback shares. Notification of the intent to carry on business as an investment company was therefore given on 3 November 2000, following the extraordinary general meeting on 25 October 2000 at which shareholders gave authority for the Articles and Association to be amended to permit the Company to take advantage of this change.

The Company is therefore an investment company within the meaning of Part VIII of the Companies Act 1985 and carries on business as an investment trust. In the opinion of the Directors of the Company, its affairs have been conducted in a manner to satisfy the conditions to enable it to continue to obtain approval as an investment trust under Section 842 of the Income and Corporation Taxes Act 1988. Inland Revenue approval for such status has been given for the year ended 30 June 1999.

## **Going concern**

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

## **Creditor payment policy**

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

## **Annual General Meeting**

The Notice of Annual General Meeting, which will be held on 31 October 2001, is contained on pages 40 to 42.

## **Auditors**

On 28 June 2001, Ernst & Young, the Company's Auditor, transferred its entire business to Ernst & Young LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Directors consented to treating the appointment of Ernst & Young as extending to Ernst & Young LLP with effect from 28 June 2001. A resolution to re-appoint Ernst & Young LLP as the Company's Auditor will be put to the forthcoming Annual General Meeting, along with a further resolution to authorise the Directors to fix their remuneration.

123 St Vincent Street  
Glasgow G2 5EA  
1 October 2001



By order of the Board  
**Aberdeen Asset Management PLC**  
Secretaries

# Statement of Corporate Governance

The Company is committed to a high standard of corporate governance. The Board has put in place a framework for corporate governance, which it believes is appropriate for an investment trust and which enables it to comply with the Principles of Good Governance and Code of Best Practice ("the Combined Code") prepared by the Committee on Corporate Governance and published in June 1998.

The Board is accountable to the Company's Shareholders for good governance and this Statement describes how the principles identified in the Combined Code have been applied by the Company throughout the year to 30 June 2001 except where disclosed below.

The Listing Rules of the UK Listing Authority require the Board to report on compliance with the forty-five Combined Code provisions throughout the year. Save the limited exceptions outlined below, the Company has complied throughout the year ended 30 June 2001 with the provisions set out in Section 1 of the Combined Code.

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

- a senior non-executive Director has not been appointed.
- the Company has not complied with the twenty-one provisions relating to Executive Directors' remuneration, as it is exempt from complying with those provisions under the Listing Rule 21.20(i).
- compliance with "the Turnbull guidance" on internal controls has been in place since 30 September 2000.

## **The Board**

The Board consists of five Directors, all of whom are considered to be independent of the investment manager and free of any relationship which could materially interfere with the exercise of their independent judgement. Prior to 1 July 2001 the investment manager was Murray Johnstone Limited. Since the revision of the Management Agreement, which took effect from 1 July 2001, the Manager is now Aberdeen Asset Managers Limited and the Secretary, Aberdeen Asset Management PLC.

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

The Board meets at least five times a year and between these meetings maintains regular contact with the Manager. It has formally adopted a schedule of matters which are required to be brought to it for decision, thus ensuring that it maintains full and effective control over appropriate strategic, financial, operational and compliance issues. These matters will include:

- the maintenance of clear investment objectives and risk management policies.
- the monitoring of the business activities of the Company ranging from comparable investment performance through to annual budgeting and quarterly forecasting and variance analysis.

There is an agreed procedure for Directors to take independent professional advice, if necessary, at the Company's expense. The Directors have access to the advice and services of the corporate Company Secretary through its appointed representatives who are responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

When a Director is appointed, an induction meeting is arranged by the Manager. Directors are provided, on a regular basis, with key information on the Company's policies, regulatory and statutory requirements and internal controls. Changes affecting Directors' responsibilities are advised to the Board as they arise.

## Statement of Corporate Governance (continued)

The Chairman of the Company is a non-executive Director. A senior non-executive Director has not been appointed as all the Directors are non-executive and the Board considers that each of the Directors has different qualities and areas of expertise on which they may lead.

To enable the Board to function effectively and allow Directors to discharge their responsibilities, full and timely access is given to all relevant information. In the case of board meetings, this consists of a comprehensive set of papers, including the manager's review and discussion documents regarding specific matters.

### **External agencies**

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

### **Committees**

#### **Nomination committee**

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

#### **Audit Committee**

An Audit Committee has been established with written terms of reference and comprising the full Board. This committee reviews the effectiveness of the internal control environment of the Company and receives reports from the internal and external auditors on a regular basis.

The Committee is responsible for review of the annual accounts and interim report, terms of appointment of the Auditors together with their remuneration as well as the non-audit services provided by the Auditors. It also meets with representatives of the Manager.

#### **Management engagement committee**

The full board comprises the management engagement committee and annually reviews matters concerning the management contract. Following the 2001 review, changes were made to the Management Contract, details of which are contained in the Directors' Report on page 18 and in Note 3 on page 31.

### **Directors' terms of appointment**

All non-executive Directors are appointed for an initial term of three years, subject to re-election and Companies Act provisions and, in accordance with the existing Articles of Association, stand for election at the first Annual General Meeting following their appointment.

The Articles were changed at the Annual General Meeting in 1998 to ensure that Directors offer themselves for re-election at least once every three years.

### **Directors' remuneration**

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

## Statement of Corporate Governance (continued)

*The remuneration of the Directors has been set in order to attract individuals of a calibre appropriate to the future development of the Company. The remuneration of each Director is detailed in note 5 on page 32.*

### **Communication with Shareholders**

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

The Company has adopted a nominee code, which ensures that, where notification has been received in advance, nominee operators will be provided with copies of shareholder communications for distribution to their customers. Nominee investors may attend general meetings and speak at meetings when invited by the chairman.

Participants in the Savings Schemes, whose Shares are held in the names of the scheme or plan administrator are given the opportunity to vote by means of a Letter of Directions enclosed with the Annual Report. The Letter of Directions is forwarded to the administrator of the appropriate scheme, who will complete a Proxy on behalf of the participants and forward it to the Company's registrar for inclusion in the voting figures. Those participants who attend the Annual General Meeting are given the opportunity to speak when invited by the Chairman.

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

The Notice of Meeting sets out the business of the meeting and the resolutions are explained more fully in the Directors' Report on pages 16 to 19. Separate resolutions are proposed for each substantive issue.

The Board is very conscious that the Annual General Meeting is an event in which private shareholders are encouraged to attend and participate. The Manager makes a presentation to the meeting outlining the key issues that affect the Company and the proxy votes will be relayed. Shareholders also have direct access to the Company via the free shareholder information telephone service run by the Manager and the Company or the Manager responds to letters from Shareholders. All Shareholders have the opportunity to put questions at the Company's Annual General Meeting.

### **Accountability and audit**

*The Directors' Statement of Responsibilities in respect of the Financial Statements is on page 24 and the statement of going concern is given on page 19.*

The report of the auditors is on page 25.

### **Internal control**

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

Following publication, in September 1999 of Guidance for Directors internal control: Internal Control Guidance for Directors on the Combined Code ("the Turnbull guidance") the Directors confirm that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company, that has been in place since September 2000, and that this process is regularly reviewed by the Board and accords with the Turnbull guidance. The Directors are unable to state that the process has been in place for the first three months of the year under review, as this period was needed to put in place the procedures which the Board agreed should be established.

## Statement of Corporate Governance (continued)

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

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

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

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

The Board has reviewed the effectiveness of the system of internal control and, in particular, it has reviewed the process for identifying and evaluating the significant risks affecting the Company and the policies and procedures by which these risks are managed. The Company's audit committee agenda includes an item for the consideration of risk and control and the Committee receives reports thereon from the internal audit function of the Manager.

### **Exercise of voting powers**

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

## Statement of Directors' Responsibilities in respect of the Financial Statements

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

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

The Directors are also responsible for ensuring that proper accounting records are maintained, which enable them to ensure that the Financial Statements comply with the Companies Act 1985, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

# Report of the Auditors to the Shareholders of Murray Income Trust PLC

We have audited the Financial Statements on pages 26 to 39, which have been prepared under the historical cost convention, as modified by the revaluation of investments, and the accounting policies set out in note 1 on page 29.

## **Respective responsibilities of directors and auditors**

The Directors are responsible for preparing the Financial Statements. As described on page 24, this includes responsibility for preparing the Financial Statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority and by our profession's ethical guidance.

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

We review whether the Corporate Governance Statement on pages 20 to 23 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of either the Company's Corporate Governance procedures or its risk and control procedures.

We read the other information contained in the Financial Statements, including the corporate governance statement, and consider whether it is consistent with the audited Financial Statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Financial Statements.

## **Basis of audit opinion**

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

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

## **Opinion**

In our opinion the Financial Statements give a true and fair view of the state of affairs of the Company as at 30 June 2001 and of its net revenue for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Ernst & Young LLP*

**Ernst & Young LLP**  
Registered Auditor  
Glasgow

1 October 2001

# Statement of Total Return

(incorporating the Revenue Account of the Company\*)

For the year ended 30 June 2001

	Notes	Year ended 30 June 2001			Year ended 30 June 2000		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments	9	-	32,037	32,037	-	12,678	12,678
Income from investments	2	16,706	-	16,706	15,117	-	15,117
Other income	2	102	-	102	93	-	93
Investment management fees	3	(1,375)	(1,375)	(2,750)	(1,358)	(1,358)	(2,716)
Currency gain		-	198	198	-	-	-
Other expenses	4	(931)	-	(931)	(1,001)	-	(1,001)
<b>Net return before finance costs and taxation</b>		14,502	30,860	45,362	12,851	11,320	24,171
Finance costs of borrowing	6	(1,573)	(1,573)	(3,146)	(700)	(700)	(1,400)
<b>Return on ordinary activities before and after tax</b>		12,929	29,287	42,216	12,151	10,620	22,771
Preference dividends		-	-	-	(8)	-	(8)
<b>Return attributable to equity shareholders</b>		12,929	29,287	42,216	12,143	10,620	22,763
Ordinary dividends on equity shares	7	(11,627)	-	(11,627)	(12,453)	-	(12,453)
<b>Transfer to (from) reserves</b>		<b>1,302</b>	<b>29,287</b>	<b>30,589</b>	<b>(310)</b>	<b>10,620</b>	<b>10,310</b>
<b>Return per Ordinary Share (pence)</b>	8	<b>17.4</b>	<b>39.5</b>	<b>56.9</b>	<b>14.7</b>	<b>12.9</b>	<b>27.6</b>
<b>Return per Ordinary Share assuming full conversion of the B Ordinary Shares (pence)</b>	8	<b>17.3</b>	<b>39.2</b>	<b>56.5</b>	<b>14.6</b>	<b>12.8</b>	<b>27.4</b>

\* The revenue column of this statement is the profit and loss account of the Company.  
The accompanying notes are an integral part of the Financial Statements.

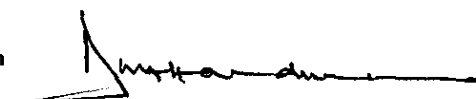
# Balance Sheet

As at 30 June 2001

	Notes	As at 30 June 2001		As at 30 June 2000	
		£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Investments	9		481,121		505,811
<b>Current assets</b>					
Debtors	10	1,737		2,043	
Cash and short term deposits		7,623		727	
		9,360		2,770	
<b>Creditors</b>					
Amounts falling due within one year	11	7,336		16,250	
<b>Net current assets (liabilities)</b>			2,024		(13,480)
<b>Total assets less current liabilities</b>			483,145		492,331
<b>Creditors</b>					
Amounts falling due after more than one year	12		48,000		50,049
			<b>435,145</b>		<b>442,282</b>
<b>Capital and reserves</b>					
Equity shareholders' interest:					
Ordinary called up share capital	13		17,778		19,502
Share premium	14		7,955		7,955
Capital redemption reserve	14		3,820		2,092
Capital reserve – realised	14		308,657		276,933
Capital reserve – unrealised	14		87,071		127,238
Revenue reserve	14		9,864		8,562
			<b>435,145</b>		<b>442,282</b>
<b>Net asset value per ordinary and B Ordinary Share (pence)</b>		15	<b>611.9</b>		<b>567.0</b>

The Financial Statements were approved by the Board of Directors on 11 September 2001 and were signed on its behalf by:

**B N A Hardman**  
Director



1 October 2001

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

# Cash Flow Statement

For the year ended 30 June 2001

	Notes	Year ended 30 June 2001		Year ended 30 June 2000	
		£'000	£'000	£'000	£'000
<b>Operating activities</b>					
Investment income received		17,125		15,707	
Deposit interest received		83		87	
Underwriting commission received		-		8	
Investment management fees paid		(2,750)		(3,179)	
Secretarial fees paid		(50)		(50)	
Cash paid to and on behalf of directors		(53)		(52)	
Other cash payments		(687)		(948)	
<b>Net cash inflow from operating activities</b>	16		13,668		11,573
<b>Returns on investments and servicing of finance</b>					
Interest paid		(3,028)		(1,400)	
Preference dividends paid		-		(30)	
<b>Net cash outflow from returns on investments and servicing of finance</b>			(3,028)		(1,430)
<b>Financial investment</b>					
Purchase of investments		(102,144)		(252,835)	
Sale of investments		150,760		262,125	
<b>Net cash inflow from financial investment</b>			48,616		9,290
<b>Equity dividends paid</b>			(11,974)		(12,878)
<b>Net cash inflow before use of financing</b>			47,282		6,555
<b>Financing</b>					
Repurchase of shares		(38,535)		(35,553)	
Repayment and cancellation of preference shares		-		(1,122)	
Loans (repaid) drawn		(2,049)		25,795	
<b>Net cash outflow from financing</b>			(40,584)		(10,880)
<b>Increase (decrease) in cash</b>	17		<b>6,698</b>		<b>(4,325)</b>

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

# Notes to the Financial Statements

For the year ended 30 June 2001

## 1. Accounting Policies

### (a) Basis of preparation

The Financial Statements have been prepared in accordance with applicable accounting standards and with the *Statement of Recommended Practice 'Financial Statements of Investment Trust Companies'*. The Financial Statements are prepared under the historical cost convention, modified to include the revaluation of fixed asset investments.

### (b) Income

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

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

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

### (c) Expenses

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

- expenses which are incidental to the acquisition of an investment are included within the cost of the investment.
- expenses which are incidental to the disposal of an investment are deducted from the disposal proceeds of the investment.
- expenses are charged to realised capital reserves where a connection with the maintenance or enhancement of the value of the investments can be demonstrated. In this respect the investment management fee has been allocated 50% to revenue and 50% to realised capital reserves to reflect the Company's investment policy and prospective income and capital growth.

### (d) Taxation

Deferred taxation is provided for by the liability method on timing differences, except where there is a reasonable probability that such liability will not arise in the foreseeable future. The provision is calculated at the rate at which it is estimated that the tax will be payable.

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

### (e) Investments

Listed investments are valued in the accounts at middle market prices and unlisted investments at a valuation determined by the Directors. In determining the valuation of unlisted investments the Directors adopt the middle market price where a dealing facility exists and apply a discount if considered appropriate. Where no dealing facility exists the factors to which the Directors have regard include, *inter alia*, the earnings record and growth prospects of the security, the ratings of comparable listed companies, the yield on the security, where appropriate, and any recent transactions.

### (f) Borrowings

Moneys borrowed to finance the investment objectives of the Company are stated at the amount of the net proceeds immediately after issue plus cumulative finance costs less cumulative payments made in respect of the debt. The finance costs of such borrowings are allocated to years over the term of the debt at a constant rate on the carrying amount and are charged 50% to revenue and 50% to realised capital reserves to reflect the Company's investment policy and prospective income and capital growth.

## Notes to the Financial Statements

### (g) Exchange rates

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

For unmatched forward exchange contracts entered into to hedge against fluctuating exchange rates on foreign currency assets or liabilities, the difference between the value at the contracted rate and at the forward rate ruling at the year end is taken credit for as a debtor or provided for as a creditor.

Translation of all other foreign currency balances including matched forward contracts, foreign assets and foreign liabilities is at the middle rates of exchange at the year end. Differences arising from translation are treated as a capital gain or loss in the capital reserve or revenue account depending upon the nature of the gain or loss.

	Year ended 30 June 2001 £'000	Year ended 30 June 2000 £'000
<b>2. Income</b>		
<b>Income from investments:</b>		
UK dividends	16,212	14,457
UK unfranked investment income	494	660
	<hr/> 16,706	<hr/> 15,117
<b>Other income:</b>		
Deposit interest	102	85
Sundry income	-	8
	<hr/> 102	<hr/> 93
<b>Total income</b>	<hr/> <b>16,808</b>	<hr/> <b>15,210</b>
<b>Total income comprises:</b>		
Dividends	16,212	14,457
Interest	494	660
Other income	102	93
	<hr/> <b>16,808</b>	<hr/> <b>15,210</b>
<b>Income from investments comprises:</b>		
Listed UK	16,615	14,191
Unlisted	91	926
	<hr/> <b>16,706</b>	<hr/> <b>15,117</b>

## Notes to the Financial Statements

3. <b>Investment management fees</b>	Year ended 30 June 2001			Year ended 30 June 2000		
	Revenue	Capital	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Investment management fees	1,170	1,170	2,340	1,156	1,156	2,312
Irrecoverable VAT	205	205	410	202	202	404
	<b>1,375</b>	<b>1,375</b>	<b>2,750</b>	<b>1,358</b>	<b>1,358</b>	<b>2,716</b>

For the year to 30 June 2001, the management and secretarial fees payable to the Manager were calculated and charged on the following basis:

- (a) an investment management fee of 0.5% per annum of the value of total assets, less unlisted investments and all current liabilities excluding monies borrowed to finance the investment objectives of the Company, averaged over the six previous quarters. The investment management fee is chargeable 50% to revenue and 50% against realised capital reserves.
- (b) included in the charge of 0.5% in part (a) above is a secretarial fee of £50,000 per annum, which is chargeable 100% to revenue.

With effect from 16 November 2000, the management contract may be terminated on twelve months' notice.

The Manager's remuneration, with effect from 1 July 2001 shall be a fixed fee of £37,500 per month and a monthly fee at the rate of one twelfth of 0.55% on the first £150 million, 0.45% on the next £150 million and 0.25% on the excess over £300 million. A secretarial fee of £50,000 per annum is also payable, which is chargeable wholly to revenue.

The fee is chargeable on the gross value of the Portfolio after deducting:-

- i) current liabilities (but excluding the amount of any long term structured debt, loan facilities or overdraft facilities drawn down)
- ii) the value of any investments managed within the Aberdeen Group.

4. <b>Other expenses</b>	Year ended 30 June 2001			Year ended 30 June 2000		
	Revenue	Capital	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Shareholders' services*	563	-	563	607	-	607
Irrecoverable VAT	107	-	107	135	-	135
Directors' remuneration (note 5)	55	-	55	54	-	54
Secretarial fees (note 3)	50	-	50	50	-	50
Audit fees	12	-	12	11	-	11
Other expenses	144	-	144	144	-	144
	<b>931</b>	<b>-</b>	<b>931</b>	<b>1,001</b>	<b>-</b>	<b>1,001</b>

\* Includes registration, savings scheme and other wrapper administration and promotion expenses.

## Notes to the Financial Statements

	Year ended 30 June 2001	Year ended 30 June 2000
	£'000	£'000
<b>5. Directors' remuneration</b>		
B N A Hardman (Chairman)	15	15
B R Adams	10	9
A J M Coats	10	9
P A F Gifford	10	8
Sir David Trippier	10	9
Sir Raymond Johnstone, CBE (retired 25/10/99)	-	4
	<b>55</b>	<b>54</b>

	Year ended 30 June 2001			Year ended 30 June 2000		
	Revenue	Capital	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>6. Finance costs of borrowing</b>						
Bank loans and overdrafts	1,573	1,573	3,146	700	700	1,400
	<b>1,573</b>	<b>1,573</b>	<b>3,146</b>	<b>700</b>	<b>700</b>	<b>1,400</b>

	Year ended 30 June 2001	Year ended 30 June 2000
	£'000	£'000
<b>7. Ordinary dividends on equity shares</b>		
First interim of 3.15p (2000 – 3.15p)	2,410	2,617
Second interim of 3.15p (2000 – 3.15p)	2,247	2,532
Third interim of 3.15p (2000 – 3.15p)	2,224	2,456
Proposed final of 6.75p (2000 – 6.30p)	4,765	4,880
Over accrual of previous years proposed final dividend due to share buybacks	(19)	(32)
	<b>11,627</b>	<b>12,453</b>

	Year ended 30 June 2001	Year ended 30 June 2000
	<b>8. Returns per share</b>	
The returns per share have been based on the following figures:		
Weighted average number of Ordinary Shares	74,229,818	82,432,307
Weighted average number of B Ordinary Shares	533,525	570,474
Revenue return attributable to equity shareholders	£12,929,000	£12,143,000
Capital return attributable to equity shareholders	£29,287,000	£10,620,000



## Notes to the Financial Statements

### Participating interests

At 30 June 2001 the Company held shares amounting to 20 per cent or more of the equity capital of the following undertaking of which the particulars are stated below:

Investment	% of class held	% of equity held	Latest accounts period end	Aggregate	Profit
				capital and reserves £'000	after tax for period £'000
Scottish Technical Developments Ltd <i>Principal activity: Holding Company</i> 71,429 Ordinary Shares of £1					
Scotland	28.6	28.6	30 June 2000	198	6

The results of the Company have not been incorporated in the revenue account except to the extent of any dividends received. No income was received during the year (2000 – Enil). Scottish Technical Developments is managed by Murray Johnstone Limited.

### Significant interests

At 30 June 2001 the Company held shares amounting to 3% or more of the nominal value of any class of share capital of the companies, not being participating interests, of which the particulars are stated below:

Name and country of incorporation and operation	Principal activity	Share capital held	% of class held
Atrium Underwriting PLC, England	Manager of Lloyd's syndicates	6,470,000 ordinary shares of £1	13.0

	30 June 2001 £'000	30 June 2000 £'000
<b>10. Debtors</b>		
Current taxation	169	70
Amounts due from brokers	101	–
Prepayments and accrued income	1,467	1,973
	<b>1,737</b>	<b>2,043</b>

	30 June 2001 £'000	30 June 2000 £'000
<b>11. Creditors</b>		
Amounts falling due within one year:		
Amounts due to brokers	20	8,003
Interim dividend	2,224	2,456
Proposed final dividend	4,765	4,880
Other creditors	–	813
Accruals	327	98
	<b>7,336</b>	<b>16,250</b>
Amounts falling due after more than one year:		
Loans (note 12)	<b>48,000</b>	<b>50,049</b>

## Notes to the Financial Statements

12. Long term loans	30 June 2001		30 June 2000	
	£'000		£'000	
Wholly repayable within five years:				
£30,000,000 committed revolving bank credit facility				
25 October 2003	30,000		30,000	
£30,000,000 committed revolving bank credit facility				
3 October 2004	18,000		20,049	
	<b>48,000</b>		<b>50,049</b>	

Under the terms of the agreements of the revolving bank credit facilities, advances from the facility may be made for periods of up to six months or for such longer periods agreed by the lender. Interest is charged at a variable rate for the relevant period of the advance and was 5.62% at 30 June 2001. The facilities expire on 25 October 2003 and 3 October 2004 respectively by which time all advances must be repaid.

13. Share capital	30 June 2001		30 June 2000	
	Number	£'000	Number	£'000
Allotted, called-up and fully-paid:				
Ordinary shares of 25p each	70,593,935	17,649	77,464,151	19,366
B Ordinary Shares of 25p each	517,175	129	544,356	136
	71,111,110	17,778	78,008,507	19,502
Unissued:				
Unclassified shares of 25p each	31,730,890	7,932	24,833,493	6,208
	<b>102,842,000</b>	<b>25,710</b>	<b>102,842,000</b>	<b>25,710</b>

During the year 6,898,000 Ordinary Shares were repurchased for a total cost of £37,651,204 and 14,477 B Ordinary Shares were repurchased for a total cost of £75,431. On 27 October 2000 15,080 B Ordinary Shares were allotted by way of capitalisation of reserves in accordance with article 131 and on 31 December 2000 27,784 B Ordinary Shares were converted into a like number of Ordinary Shares of 25p in accordance with article 47. When the nominal value of the allotted and fully paid B Ordinary Shares is less than £100,000 the directors may, under the terms of article 47(B), require the conversion of such shares into Ordinary Shares.

Since the year end and up to 3 September 2001, 150,000 Ordinary Shares and 21,740 B Ordinary Shares were repurchased for a total cost of £842,000 and £127,179 respectively. Following these repurchases the issued share capital as at 3 September 2001 amounts to 70,443,935 Ordinary Shares and 495,435 B Ordinary Shares. Further details of the share repurchases are contained in the Chairman's Statement on page 5 and the Directors' Report on pages 16 and 17.

## Notes to the Financial Statements

	Share premium £'000	Capital redemption reserve £'000	Capital reserve- realised £'000	Capital reserve- unrealised £'000	Revenue reserve £'000
<b>14. Reserves</b>					
At 1 July 2000	7,955	2,092	276,933	127,238	8,562
Movement during the year:					
Net gain on realisation of investments	-	-	72,204	-	-
Movement in unrealised depreciation	-	-	-	(40,167)	-
Repurchase of Ordinary Shares	-	1,725	(37,651)	-	-
Repurchase of B Ordinary Shares	-	3	(75)	-	-
Capital management fees	-	-	(1,375)	-	-
Finance costs of borrowing	-	-	(1,569)	-	-
Other capital charges	-	-	(4)	-	-
Issue of B Ordinary Shares	-	-	(4)	-	-
Currency gain	-	-	198	-	-
Retained revenue for the year	-	-	-	-	1,302
<b>At 30 June 2001</b>	<b>7,955</b>	<b>3,820</b>	<b>308,657</b>	<b>87,071</b>	<b>9,864</b>

### 15. Net Asset Value per Share

The Net Asset Value per Share and the Net Asset Value attributable to the Ordinary and B Ordinary Shares at the year end calculated in accordance with the articles of association were as follows:

	Net Asset Value per share attributable		Net Asset Value attributable	
	2001 p	2000 p	2001 £'000	2000 £'000
Ordinary and B Ordinary Shares (Note 13)	611.9	567.0	435,145	442,282

The movements during the year of the assets attributable to the Ordinary and B Ordinary Shares is shown in note 18.

	Year ended 30 June 2001 £'000	Year ended 30 June 2000 £'000
<b>16. Reconciliation of net revenue return before finance costs and taxation to net cash inflow from operating activities</b>		
Net revenue return before finance costs and taxation	14,502	12,851
Investment management fees charged to capital	(1,375)	(1,358)
Amortisation of fixed income book cost	27	66
Decrease in accrued income	475	490
Decrease (increase) in prepayments	31	(42)
(Increase) decrease in other debtors	(101)	36
(Decrease) increase in accruals	109	(470)
<b>Net cash inflow from operating activities</b>	<b>13,668</b>	<b>11,573</b>

## Notes to the Financial Statements

17. <b>Analysis of changes in net debt</b>	At	Currency	Cash	At
	1 July 2000	differences	flows	30 June 2001
	£'000	£'000	£'000	£'000
Cash and overnight deposits	727	198	6,698	7,623
Debt due after one year	(50,049)	-	2,049	(48,000)
	<b>(49,322)</b>	<b>198</b>	<b>8,747</b>	<b>(40,377)</b>

	At	Currency	Cash	At
	1 July 1999	differences	flows	30 June 2000
	£'000	£'000	£'000	£'000
Cash and overnight deposits	5,052	-	(4,325)	727
Debt due after one year	(24,254)	-	(25,795)	(50,049)
	<b>(19,202)</b>	<b>-</b>	<b>(30,120)</b>	<b>(49,322)</b>

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

18. <b>Reconciliation of movements in shareholders' funds</b>	Year ended	Year ended
	30 June 2001	30 June 2000
	£'000	£'000
Opening shareholders' funds	442,282	469,461
Movements during the year:		
Total recognised gains	42,216	22,771
Dividends appropriated	(11,627)	(12,461)
Repurchase and cancellation of preference shares	-	(1,122)
Repurchase of Ordinary and B Ordinary Shares	(37,726)	(36,367)
<b>Closing shareholders' funds</b>	<b>435,145</b>	<b>442,282</b>

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

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

	30 June 2001	30 June 2000
	Ordinary	Ordinary
B N A Hardman (chairman)	10,000	10,000
B R Adams	2,000	2,000
A J M Coats	5,000	5,000
- non-beneficial	10,000	10,000
P A F Gifford	2,530	209
Sir David Trippier	1,153	690

# Notes to the Financial Statements

Unless otherwise stated all holdings are beneficial. On 20 July 2001, Mr P A F Gifford acquired 208 Ordinary Shares bringing his total holding to 2,738 Ordinary Shares. On 20 July 2001, Sir David Trippier acquired 41 Ordinary Shares bringing his total holding to 1,194 Ordinary Shares.

## 20. Derivatives and other financial instruments

The Company's financial instruments, other than derivatives, comprise securities and other investments, cash balances, loans and debtors and creditors that arise directly from its operations, for example, in respect of sales and purchases awaiting settlement, and debtors for accrued income. The Company also has the ability to enter into derivative transactions in the form of forward foreign currency contracts, futures and options. The Company undertook no derivative transactions during the current year or the previous year.

The purpose of these financial instruments is efficient portfolio management.

The main risks the Company faces from having its financial instruments are (i) market price risk, being the risk that the value of the investment holdings will fluctuate as a result of changes in market prices caused by factors other than interest or currency movement, (ii) interest rate risk and (iii) liquidity risk. In line with the Company's investment objective, the portfolio comprises UK securities and therefore has no exposure to foreign currency risk.

To mitigate risk, the investment strategy is to select investments for their fundamental value. Stock selection is therefore based on disciplined accounting, market and sector analysis. The Investment Manager actively monitors market prices throughout the year and reports to the Board, which meets regularly in order to consider investment strategy. Current strategy is detailed in the Chairman's Statement on page 5. The manager's policies for managing these risks are summarised below and have been applied throughout the current and previous year. The numbers in the table listed below exclude short-term debtors and creditors.

### (i) Market price risk

The Company's investment portfolio is exposed to market price fluctuations, which are monitored by the manager in pursuance of the investment objective as set out on page 1. Adherence to investment guidelines and to investment and borrowing powers set out in the Management Agreement mitigates the risk of exposure to any particular type of security or issuer. Further information on the investment portfolio is set out in the investment manager's review on pages 10 and 11.

### (ii) Interest rate risk

#### Financial Assets

The interest rate risk of the portfolio of financial assets at the balance sheet date was as follows:

	Fixed Interest		Floating Rate		Non-Interest Bearing	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Sterling	-	9,972	6,649	727	481,121	495,839
US dollar	-	-	974	-	-	-

There were no fixed interest rate assets at the year end (2000 – weighted average life 6.94 years and weighted average yield 7.09% per annum).

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

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

# Notes to the Financial Statements

## *Financial liabilities*

The Company has borrowings by way of a long term loan facility, details of which are in note 12. The fair value of these loans has been calculated at £48 million as at 30 June 2001 (2000 – £50 million). There is no difference between the value stated in the Financial Statements for the loans and their fair value due to the minimal repayment penalties of the loan facilities.

All other financial assets and liabilities of the Company are included in the balance sheet at fair value.

## (iii) Liquidity risk

The Company's assets comprise readily realisable securities which can be sold to meet funding commitments if necessary. Short term flexibility is achieved through the use of uncommitted loan and overdraft facilities.

## **21. Taxation**

There is no taxation charge in either the current or the prior year as a result of management expenses being greater than the taxable income in both years.

# Notice of Meeting

The seventy-eighth annual general meeting of Murray Income Trust PLC will be held on Wednesday 31 October 2001 at 12.30 p.m. in the Exhibition Hall, Glasgow Royal Concert Hall, 2 Sauchiehall Street, Glasgow G2 3NY, to transact the following business.

1. To receive the Directors' report and audited statement of accounts for the year ended 30 June 2001.
2. To re-elect Mr A J M Coats\* as a Director
3. To re-elect Mr B R Adams\* as a Director
4. To re-appoint Ernst & Young LLP as Auditors.
5. To authorise the Directors to fix the remuneration of the Auditors.

## Special Business

To consider and, if thought fit, pass the following resolution as a special resolution:

6. That in terms of Article 131 of the Articles of Association of the Company,
  - (a) a final dividend of 6.75p per share in respect of the year ended 30 June 2001 be paid on 1 November 2001 to holders of Ordinary Shares in the capital of the Company on the register at the close of business on 5 October 2001 and subject to having appropriate distributable reserves, three interim dividends in respect of the year ended 30 June 2002 be declared on the Ordinary Shares of the Company in issue on 21 December 2001, and paid as follows:
    - 1) an interim dividend of 3.15p be paid on 16 January 2002 to those persons who at the close of business on 21 December 2001, are the holders of such share;
    - 2) an interim dividend of 3.15p be paid on 16 April 2002 to those persons who at the close of business on 22 March 2002, are the holders of such shares;
    - 3) an interim dividend of 3.15p be paid on 16 July 2002 to the persons who, at the close of business on 21 June 2002, are the holders of such shares.
  - (b) the sum of £3,272 being part of the sum standing at credit of the realised capital gains account of the Company, be capitalised and that the Directors be and are hereby authorised and directed to apply the same, not later than 14 November 2001 in paying up in full at par 13,088 unissued and unclassified shares of 25p each in the capital of the Company which are hereby classified as B Ordinary Shares of 25p each, and to appropriate and distribute such B Ordinary Shares credited as fully paid to and amongst those persons who, at the close of business on 5 October 2001, were the registered holders of B Ordinary Shares of the Company, in the proportion of 2.64172 B Ordinary Shares for every 100 B Ordinary Shares then held by them, such Shares when issued to rank *pari passu* in all respects with the then existing B Ordinary Shares of the Company; provided always that *all B Ordinary Shares representing fractional entitlements of such registered holders shall be allotted to such persons as the Directors may determine to be held by them in trust to sell the same and to distribute the net proceeds of sale among such registered holders in proportion to their said fractional entitlement, save that, in any case where the fractional entitlement of any one Shareholder is less than 50p, such entitlement shall not be distributed but shall be paid to the Company to be applied by the Directors for any purpose to which the capital of the Company may be applied.*

7. To consider and, if thought fit, pass the following resolution as a special resolution:

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

PROVIDED ALWAYS THAT


- i. the maximum number of Shares hereby authorised to be repurchased shall be 10,559,545 Ordinary Shares and 74,265 B Ordinary Shares representing 14.99 per cent of the shares in issue as at 3 September 2001;
- ii. the minimum price which may be paid for a share shall be 25p;

## Notice of Meeting

- iii. The maximum price (exclusive of expenses) which may be paid for each class of shares shall be an amount equal to 105 per cent of the average of the middle - market quotations for a share taken from, and calculated by reference to, the Daily Official List of the London Stock Exchange for the five business days immediately preceding the day on which the share is purchased;
  - iv. any purchase of shares will be made in the market for cash at prices below the prevailing Net Asset Value per share as (determined by the Directors);
  - v. the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2002 or, if earlier, on 31 January 2003 unless such authority is previously varied, revoked or renewed prior to such time; and
  - vi. the Company may make a contract to purchase Shares under the authority hereby conferred prior to the expiry of such authority and may make a purchase of Shares pursuant to any such contract notwithstanding such expiry above.
8. To consider and, if thought fit, pass the following resolution as an ordinary resolution:
- That the Directors be generally and unconditionally authorised in accordance with Section 80 of the Companies Act 1985 ('the Act') to exercise all the powers of the Company to allot relevant securities (as defined in that section) up to an aggregate nominal amount of £886,740 (5 per cent of the total Ordinary Share Capital in issue on 3 September 2001) during the period expiring on the date of the next Annual General Meeting or 31 January 2003, whichever is the earlier, but so that this authority shall allow the Company to make offers or agreements before the expiry of this authority which would or might require relevant securities to be allotted after such expiry.
9. To consider and, if thought fit, pass the following resolution as a special resolution :
- That, subject to the passing of Resolution Number 8 set out above, the Directors be and they are hereby empowered, pursuant to Section 95 of the Companies Act 1985 ('the Act'), to allot equity securities (as defined in Section 94 of the Act) pursuant to the authority given in accordance with Section 80 of the Act by the said Resolution Number 8 as if Section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities,
- a) during the period expiring on the date of the next Annual General Meeting of the Company or 31 January 2003, whichever is the earlier, but so that this power shall enable the Company to make offers or agreements which would or might require equity securities to be allotted after the expiry of this power;
  - b) up to an aggregate nominal amount of £886,740 (5 per cent of the total ordinary and B Ordinary Share capital in issue on 3 September 2001).
  - c) in the circumstances detailed in the section headed 'Issue of Shares' in the Directors' Report on pages 17 and 18 of the Annual Report for the year ended 30 June 2001, and at a price not less than 2.5 per cent above the Net Asset Value per Share.

\* The biographies of Mr A J M Coats and Mr B R Adams are detailed on page 3.

123 St Vincent Street  
Glasgow G2 5EA  
1 October 2001

  
By order of the Board  
**Aberdeen Asset Management PLC**  
Secretaries

# Notice of Meeting

## Notes:

1. No Director has any contract of service with the Company.
2. The Company, pursuant to Regulation 34 of the Uncertificated Securities Regulations 1995, has specified that only those Shareholders registered on the Register of Members of the Company as at 12.30 p.m. on 29 October 2001 shall be entitled to attend or vote at the aforesaid General Meeting in respect of the number of Shares registered in their name at that time. Changes to entries on the relevant Register of Members after 12.30 p.m. on 31 October 2001 shall be disregarded when determining the rights of any person to attend or vote at the meeting.
3. A member entitled to attend and vote is entitled to appoint a Proxy or Proxies to attend and on a poll to vote instead of him/her.  
  
A proxy need not be a member. Appointment of a proxy need not preclude a member from attending and voting at the meeting should he/she subsequently decide to do so. Instruments of Proxy and the power of attorney or other authority should be sent to the registrar, Capita IRG Plc, Balfour House, 390 High Road, Ilford Essex IG1 1NQ, so as to arrive not less than forty eight hours before the time fixed for the meeting.
4. The Register of Directors' Interests is kept by the Company in accordance with Section 325 of the Companies Act and will be open for inspection at the meeting.

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

Details of resolutions 2 to 8 are shown in the Directors' Report as follows:

Resolutions 2 and 3	Page 18	Directors
Resolutions 4 and 5	Page 19	Auditors
Resolution 6	Pages 16	Dividends and B Share Capitalisation Issue
Resolutions 7 and 8	Pages 16 and 17	Share repurchases
Resolutions 8 and 9	Pages 17 and 18	Issue of Shares

Registered in Scotland - Company Number 12725

## Ten year record

Year ended	Ordinary Shares				Assets employed £'000	Net Asset Value p	Net Asset Value per ordinary/B Ordinary Share p	Total Expense Ratio %
	Revenue £'000	Return or Earnings per Share p	Dividend per Share p					
1991	12,609	10.37	9.90	214,129	213,090	254.4	0.72	
1992	13,069	10.64	10.60	219,080	218,040	260.2	0.74	
1993	12,651	10.49	10.90	266,684	265,644	316.9	0.69	
1994	13,882	11.42	11.30	290,344	268,668	314.4	0.77	
1995	14,903	12.14	12.00	297,763	296,723	344.0	0.74	
1996	16,055	13.60	13.20	329,344	328,308	380.3	0.71	
1997	16,667	14.00	13.90	383,655	382,615	443.3	0.63	
1998	17,775	14.60	14.60	523,210	477,279	552.8	0.56	
1999	16,390	15.70	15.35	493,715	468,421	542.4	0.68	
2000	15,210	14.73	15.75	492,331	442,282	567.0	0.75	
2001	16,808	17.42	16.20	483,145	435,145	611.9	0.76	

1. Earnings per Ordinary Share have been based on the average number of Ordinary Shares during each year (see note 8 on page 32).
2. Net Asset Values per ordinary and B Ordinary Share have been calculated after deducting prior capital at nominal values and have been adjusted for the annual B Ordinary scrip issues (see note 8 on page 32).
3. The figures for years prior to 1996 have not been re-stated to reflect the changes in relation to the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies'.
4. The revenue figures for the years prior to 1999 have not been restated to reflect the changes in relation to Financial Reporting Standard 16 'Current Tax', and have been shown gross.
5. The 1999 dividend per Share does not include the special component of 0.75p to compensate for lack of tax credit on the first interim dividend.
6. The total expense ratio is calculated on average gross asset value. Prior to 1999, the ratios were calculated using the gross asset value at the year end.

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

5% cumulative preference shares of £1	68.75p
Ordinary shares of 25p (adjusted for scrip issue)	11.875p

### Market prices of allotted capital at 31 March 1982

5% cumulative preference shares of £1	35p
Ordinary shares of 25p (adjusted for 1 for 2 scrip issues in April 1983)	52p
B Ordinary Shares of 25p (adjusted for 1 for 2 scrip issue in April 1983)	50p

## B Ordinary Shares

B Ordinary Shares may be converted into Ordinary Shares of the Company on 31 December in each year, by return of the B Ordinary Share certificates, duly completed on the reverse no later than 24 December and no earlier than 26 November in any year, to the Company's registrar, Capita IRG Plc, Balfour House, 390/398 High Road, Ilford, Essex IG1 1NQ. Uncertificated Shareholders will require to give a stock withdrawal instruction, and advise the Company's registrar, Capita IRG Plc, of the request to convert, no less than one week and no more than five weeks prior to the relevant conversion date.

### **Income and Corporation Taxes Act 1988 Section 251 (2)**

The values for tax purposes to be placed on B Ordinary Shares issued in lieu of cash dividends are:

24 October 1980	62.5p	02 November 1990	204.0p
23 October 1981	61.5p	25 October 1991	236.5p
01 November 1982	80.5p	30 October 1992	238.5p
30 November 1983	72.5p	29 October 1993	342.5p
29 October 1984	93.5p	28 October 1994	321.5p
04 November 1985	122.5p	27 October 1995	358.6p
31 October 1986	153.5p	11 November 1996	356.8p
06 November 1987	167.0p	31 October 1997	410.0p
28 October 1988	177.5p	30 October 1998	412.5p
27 October 1989	202.0p	29 October 1999	432.5p
		28 October 2000	502.5p

# Investment Trust Information

If you would like details of any of the following investment trusts managed by AAM, or copies of Share Plan or ISA brochures please telephone AAM's Brochureline on 0500 00 40 00 or write to Aberdeen Asset Managers Limited, One Albyn Place, Aberdeen AB10 1YG, or email on [inv.trusts@aberdeen-asset.com](mailto:inv.trusts@aberdeen-asset.com). Details are also available by accessing the internet on pages <http://www.aberdeen-asset.com>

**Aberdeen Asian Smaller Companies Investment Trust PLC** Invests in Asian companies with a market capitalisation less than US\$250m at launch.

**Aberdeen Convertible Income Trust PLC** High income from convertibles.

**Aberdeen Development Capital PLC** Development capital.

**Aberdeen Emerging Economies Investment Trust PLC** Long term capital growth from global emerging markets.

**Aberdeen High Income Trust PLC** High income from UK split-capital investment trusts.

**Aberdeen Latin American Investment Trust PLC** Long term capital growth from Latin America.

**Aberdeen New Dawn Investment Trust PLC** Above-average capital growth from Asia's emerging markets.

**Aberdeen New Thai Investment Trust PLC** Single-country trust.

**Aberdeen Preferred Income Trust PLC** High income with exposure to the UK equity market.

**Aberdeen Preferred Securities PLC** Capital growth from zero dividend preference shares.

**Broadgate Investment Trust PLC** Income and capital growth from a portfolio of blue chip and high yielding securities.

**Danae Investment Trust PLC** Capital and income growth split-capital trust from a higher yielding portfolio of securities.

**European Growth and Income Trust PLC** Income and capital growth from Continental European equities and high yielding securities.

**Jersey Phoenix Trust Limited** Capital and income growth split-capital trust from a portfolio of mainly equity investments.

**Jove Investment Trust PLC** Capital and income growth split-capital trust from a portfolio of high yielding securities.

**Leveraged Income Fund Limited** Income and capital growth split-capital trust.

**Murray Emerging Growth and Income Trust PLC** Income and capital growth through investment in global emerging markets and high yielding securities.

**Murray Extra Return Investment Trust PLC** Capital appreciation, high and growing income in UK equities.

**Murray Global Return Trust PLC** Capital income and growth in UK & international equities, and fixed interest securities.

**Murray Income Trust PLC** A high and growing income combined with capital growth from a portfolio of UK equities.

**Murray International Trust PLC** Investing for income and growth in international equities.

**Murray Japan and Growth Income Ltd** Income and capital growth through investment in Japanese equities and high yielding securities.

**Murray tmt PLC** Capital growth by investing in quoted technology, media, telecommunications and technology-related investments drawn from a global investment universe.

**St. David's Investment Trust PLC** Income and capital growth principally through investment in UK blue-chip and investment trust income shares and euro-denominated securities.

**The American Monthly Income Trust Limited** Investing in quoted US companies and high yielding securities for a monthly income.

**The Enhanced Zero Trust PLC** Capital growth primarily from zero dividend preference shares.

**The European Monthly Income Trust Limited** Income and capital growth from European equities and high yielding securities.

**The European Technology and Income Company Limited** Income and capital growth from a portfolio of high yielding and European technology stocks.

**The Income & Growth Trust PLC** Long term capital and income growth from investments primarily in higher yielding securities.

**Income & Growth Securities PLC** Capital growth from zero dividend preference shares.

**The Media and Income Trust PLC** Investing for income and growth in the media industry.

**Media Zeros PLC** Capital growth from zero dividend preference shares.

**The Smaller Companies Investment Trust PLC** Capital and income growth from a portfolio of UK-quoted smaller companies.

**The Taverners Trust PLC** Capital growth from the brewing and licensed retailing industry.

**The Technology and Income Trust Limited** Income and capital growth from a portfolio of high yielding and technology securities.

**Themis FTSE All-Small Index Trust PLC** Tracks capital growth of the FTSE All-Small Index (excluding investment Companies).

*All trusts are available within the Aberdeen Share Plan, Aberdeen PEP and Aberdeen ISA.*

*The information on pages 45 and 46 is issued and has been approved for the purposes of the Financial Services Act 1986 by Aberdeen Asset Managers Limited, One Bow Churchyard, Cheapside, London EC4M 9HH which is regulated by IMRO.*

# Marketing Strategy

Murray Income Trust PLC has agreed to contribute to the Marketing Programme run by the Manager, Aberdeen Asset Managers Limited (Aberdeen) on behalf of a number of investment trusts and companies under the management of the Aberdeen Group.

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

These aims can be met in several ways:

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

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

**Direct response advertising** Aberdeen has advertised the packaged product availability of the Company in selected surveys in national broadsheets as well as the specialist financial press.

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

**Newsletter** The 'Bulletin' newsletter, an informed commentary on markets and investment trusts managed by Aberdeen is distributed free of charge quarterly.

**Public relations** Aberdeen undertakes to brief journalists, write regularly through placed articles and ensure Company results and any corporate activity are brought to public attention.

**Shareholder services** Aberdeen runs an investment help desk for retail enquirers and investors with a staff of more than 80. Enquirers or investors will be sent any relevant literature on request and have queries answered immediately. The Marketing Programme is under the direction of Aberdeen's Investment Trust Marketing Director, who has fifteen years experience in the marketing and communication of investment products. He is supported by a team of three marketing professionals.

**Internet** The Aberdeen Investment Trusts web site contains a link to Trustnet, which allows web users to access real time information on the Company's share price performance and yield, as well as historical data. The site is continuously being evaluated for improvement. The site is <http://www.aberdeen-asset.com>

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

The Company is committed to a close monitoring of the Marketing Programme. The Marketing Director reports to the Board twice a year, and provides a written summary quarterly.

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

# Proxy

(For the use of Ordinary and B Ordinary Shareholders holding shares in their own name)

Please complete in block capitals

I/we.....

of.....

being (a) Member(s) of Murray Income Trust PLC hereby appoint (Note 3) the Chairman of the meeting/

.....  
as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 31 October 2001 and at any adjournment thereof.

I/we direct my/our Proxy to vote on the resolutions as set out in the notice convening the Annual General Meeting as follows:

Resolution	For	Against
1. To receive the Directors' Report and Accounts		
2. To re-elect Mr A J M Coats* as a Director		
3. To re-elect Mr B R Adams* as a Director		
4. To re-appoint Ernst & Young LLP as auditors		
5. To authorise the Directors to fix the Auditors' Remuneration		
6. To approve the payment of dividends and B share capital capitalisation issue		
7. To authorise the Company to purchase its own shares		
8. To authorise the Directors to allot shares		
9. To authorise the Directors to disapply pre-emption rights		

Please indicate how you wish your Proxy to vote by placing a tick in the appropriate space. Unless otherwise indicated the Proxy will vote, or abstain from voting, as thought fit.

Signed ..... this ..... day of ..... 2001

\* The biographies of Mr A J M Coats and Mr B R Adams are shown on page 3 of the annual report.

## Notes

1. To be valid this form of proxy must reach Capita IRG Plc, Balfour House, 390/398 High Road, Ilford, Essex, IG1 1NQ, not later than 48 hours before the time of the meeting.
2. Where this form of proxy is executed by a corporation it must be either under its seal or under the hand of an officer or attorney duly authorised.
3. If any other proxy be desired strike out the words "the chairman of the meeting" and insert the name or names preferred. Any alteration must be initialled. Appointment of a proxy will not preclude a member from attending the meeting and voting in person. A proxy need not be a member of the Company.
4. In the case of joint holders, the signature of any one holder will be sufficient but the names of all the joint holders should be stated.

Third Fold and Tuck In

BUSINESS REPLY SERVICE  
Licence No. ANG 1468



**Capita IRG Plc  
Balfour House  
390/398 High Road  
Ilford  
Essex  
IG1 1BR**

First Fold

Second Fold

# Murray Investment Trusts Information

Two investment schemes enable investors to enjoy the benefits of long-term savings through Murray Investment Trusts.

## **Murray Investment Trust Savings Scheme**

The Murray Investment Trust Savings Scheme is low-cost and highly flexible. Savers can choose any combination of the seven investment trusts and companies listed below. It is designed to allow small monthly investments and small lump sums invested on an occasional basis.

## **Murray Investment Trust ISA/PEP**

This combines the full tax benefits of an ISA with a choice of investments from the full range of Murray Investment Trusts. No new PEPs can be opened since 5 April 1999 but existing PEPs will continue to enjoy tax advantages and it is possible to transfer your existing General PEP into a Murray Investment Trust PEP.

## **Enquiries**

Aberdeen Asset Management has a dedicated and friendly Client Relations team to answer all your queries. This team can provide full details of the investment schemes available and send you application forms and interim reports of any of the trusts.

To talk to Aberdeen's Client Relations Department phone free on 0800 289 978 or visit our website at [www.aberdeen-asset.com](http://www.aberdeen-asset.com)

### **Murray Extra Return Investment Trust PLC**

To achieve both capital appreciation and a high and growing income, principally from a portfolio of UK equities.

### **Murray Global Return Trust PLC**

To achieve both capital and income growth from a portfolio comprised principally of listed UK and international equities and fixed interest securities.

### **Murray Income Trust PLC**

To achieve a high growing income combined with capital growth through investment in a portfolio of UK equities.

### **Murray Emerging Growth and Income Trust PLC**

To achieve capital appreciation and a high income with the prospect of growth over the life of the company primarily through investment in quoted equities in global emerging markets and in a diversified portfolio of quoted higher yielding securities.

### **Murray International Trust PLC**

To achieve a total return greater than its benchmark by investing predominantly in international equities, while maintaining an above average yield.

### **Murray Japan Growth & Income Limited\***

To achieve a high total return over the long term through investment in Japanese equities and a diversified portfolio of higher yielding securities. (Domiciled in Guernsey and listed on the London Stock Exchange.)

### **Murray tmt PLC**

To achieve capital growth by investing primarily in quoted technology, media, telecommunications and technology-related companies drawn from a global investment universe.

*All trusts are available within the Murray Investment Trust Saving Scheme and within the Murray Investment Trust ISA and all are fully ISA qualifying. All trusts are fully PEP qualifying except where indicated\*.*

Murray Johnstone Limited  
123 St Vincent Street, Glasgow, G2 5EA  
Telephone: 0141 306 7400 Fax: 0141 306 7401  
Regulated by IMRO

Member of the Aberdeen Asset Management Group of Companies



*Danae*  
Investment Trust PLC

## Corporate Summary

### **Investment Objective**

The investment objective of the Company is to achieve long term capital and income growth from a portfolio of high yielding securities.

### **Risk**

The maintenance of dividend levels will depend on the receipt of revenue from the securities in which the Company invests. The level of dividend payable is also dependent on the Company's liquidity. Changes in interest rates will affect the market prices of fixed interest stocks and, to a lesser extent, convertibles and investment trust income shares.

### **Duration**

The Company shall have a fixed life and will be voluntarily wound-up between 1 January 1998 and 31 December 2002.

### **Capital Structure**

The Company's share capital consists of Income shares and Capital shares. The rights attaching to the share capital can be found on the inside back cover of this Annual Report.

### **PEP and ISA Status**

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

### **Summary Management Agreement**

The Manager has agreed to provide investment management services for a fee calculated every six months based on 0.3% of the value of the Group's assets, excluding other funds managed by the Manager. The Management Agreement is terminable upon two years' notice.



Aberdeen  
*High Income*  
Trust PLC

## Corporate Summary

### **Investment Objective and Benchmark Index**

The investment objective of the Company is to provide shareholders with a high level of income payable quarterly, together with potential for capital and income growth. It is intended that the majority of the Company's portfolio will consist of high-yielding shares in UK investment trusts which will be selected to give a *well-balanced and diversified portfolio with the aim of providing an exposure to a range of UK and overseas equities*. For the purposes of performance comparisons within this Report, the UK Datastream Investment Trust Split Capital Income Shares Index has been used.

### **Risk**

*The market price of the Company's shares and of ordinary shares, fixed interest stocks and, to a lesser extent, geared ordinary income shares of investment trusts or other investments, will be affected by changes in general interest rates. Upward movements in interest rates are likely to lead to reductions in such market prices.*

The maintenance of dividend levels on the Company's shares depends on the receipt of revenue from the securities in which the Company invests. The use of gearing is likely to lead to volatility in the net asset value of the Company's shares in that a relatively small movement in the Company's total assets may result in a magnified movement in the net asset value.

### **Capital Structure**

The Company has a capital structure comprising Ordinary shares and Units of 7.1% Debenture Stock 2008.

### **Share Buy-back Authority**

*On 7 January 1997 shareholders approved the general authority for the Company to buy-back up to 14.99% of its Ordinary shares. The Directors will seek shareholder approval at the forthcoming Annual General Meeting to renew this authority for a further 12 months.*

### **Duration**

It is not intended that the Company should have a limited life, but the Directors consider it desirable that shareholders should have the opportunity to review the future of the Company at appropriate intervals. Accordingly, the Articles of Association of the Company contain provisions requiring the Directors to put a proposal for the continuation of the Company to shareholders at the Company's Annual General Meeting in respect of the financial year ending 30 September 2004 and thereafter at five yearly intervals.

### **PEP and ISA Status**

The Company intends to manage its affairs so that the Ordinary shares and Units of 7.1% Debenture Stock 2008 will be fully qualifying investments for inclusion in a general PEP and also so that the Company's securities will be qualifying investments for the stocks and shares components in an ISA.

### **Summary Management Agreement**

*The Company has an agreement with Aberdeen Asset Managers Limited for the provision of management services. The management fee is payable every month based on 0.08% (exclusive of Value Added Tax) of the value of the Company's assets (including holdings in other Aberdeen managed investments) less short term liabilities up to £30 million; 0.07% per month between £30 million and £50 million; 0.06% per month between £50 million and £70 million; and 0.05% per month on the excess over £70 million. The agreement is terminable on one year's notice.*