

Murray
Income
Trust PLC

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



Annual Report & Financial Statements
30 June 2002

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Financial Calendar

30 October 2002	Annual General Meeting
31 October 2002	Payment of proposed final dividend for 2002
February 2003	Interim results announcement
January, April and July 2003	Payment of proposed interim dividends for 2003

Dividend Record

	Rate	xd date	Record date	Payment date
1st interim 2002	3.15p	19 December 2001	21 December 2001	16 January 2002
2nd interim 2002	3.15p	20 March 2002	22 March 2002	16 April 2002
3rd interim 2002	3.15p	19 June 2002	21 June 2002	16 July 2002
Final 2002	7.55p	2 October 2002	4 October 2002	31 October 2002
Total dividend 2002	17.00p			

Company Profile

Murray Income Trust is a UK growth and income investment trust and a constituent of the FTSE All-Share Index. Its share capital comprises 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 real earnings and dividend growth while at the same time providing an above average portfolio 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 44).

Capital structure

The Company's share capital as at 6 September 2002 consisted of 70,205,458 Ordinary shares of 25p each.

Summary Management Agreement

The Company has an agreement with Aberdeen Asset Managers Limited for the provision of management services for a fee, as detailed in Note 3 on page 30.

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 (resigned 21/8/2002)
A J M Coats
P A F Gifford
Sir David Trippier RD DL

Manager

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

Secretary

Aberdeen Asset Management PLC
One Albyn Place
Aberdeen AB10 1BY

Registered Office

123 St Vincent Street
Glasgow G2 5EA

Registered in Scotland - Company Number 12725

Website address: www.murray-income.co.uk.

Registrar

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

Custodian

J P Morgan Chase Bank

Auditors

Ernst & Young LLP

Solicitors

McGrigor Donald

Stockbrokers

UBS Warburg
Old Mutual Securities

Board Members

Chairman

Blaise Hardman (62) 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 Limited. His other directorships include The Fleming Japanese Investment Trust, Whiteaway Laidlaw Bank Limited and Invesco Perpetual European Investment Trust.

Directors

Roger Adams (63) was appointed a Director in May 1999 and resigned on 21 August 2002. He was, until 31 December 1998, executive director of closed end funds at UBS Warburg, a division of UBS AG. He was, until recently, chairman of Aurora Investment Trust, Investec High Income Trust and New Star Enhanced Income Trust. He was also, until recently a non-executive director of Gartmore Distribution 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 (47) was appointed a Director in January 1999. He is director of treasury for 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 Trustee of the ScottishPower Pension Scheme and a member of PacifiCorp's pension investment committee. He was formerly a director of Grand Metropolitan Finance.

Patrick Gifford (57) 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 Vtesse Networks. He is also a director of BFS UK Dual Return Investment Trust, The Fleming Japanese Investment Trust, JP Morgan Fleming Japanese Smaller Companies Investment Trust, The Fleming Emerging Markets Investment Trust, JP Morgan Fleming European Fledgling Investment Trust, Fleming Russia Securities Fund, Martin Currie Pacific Trust, Merrill Lynch Asset Allocator and NIB Holdings International.

Sir David Trippier RD DL (56) 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, 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 and is part of the Aberdeen Asset Management group of companies, which had £24.5 billion of funds under management as at 31 July 2002.

Financial Highlights

For the year ended 30 June 2002

Murray Income Trust had a stock market capitalisation as at 30 June 2002 of £338 million (2001 – £384 million).

	30 June 2002	30 June 2001
Total assets less current liabilities	£411,035,000	£483,145,000
Equity shareholders' interest	£380,035,000	£435,145,000
Net Asset Value per Ordinary share	541.3p*	611.9p
Net Asset Value total return for year per Ordinary share	(9.9)%	9.1%
FTSE 350 Higher Yield Index	(6.0)%	13.3%
Share Price Performance		
Share price of Ordinary shares	481.5p	540.0p
Share price of B Ordinary shares	--	610.0p
Discount to Net Asset Value on Ordinary shares	11.05%	11.75%
Share price total return for year per Ordinary share	(8.9)%	16.20%
Dividend and Earnings		
Dividend per Ordinary share	17.0p	16.2p
Revenue return per Ordinary share	18.0p	17.4p
Dividend cover	1.07 times	1.11 times
Revenue reserve	£10,641,000	£9,864,000
Operating costs		
Total Operating Costs as a percentage of Gross Assets**	0.87%	0.76%

* The comparative figure for 2001 includes B Ordinary shares in issue at 30 June 2001. At 30 June 2002 there were no B Ordinary shares in issue, following the conversions during the year.

** Operating costs for the year include investment management fees and other expenses as detailed in notes 3 and 4 on page 30. Gross assets are as at the relevant year end.

Chairman's Statement

Despite the difficult background for UK equities over the last year your Company has not changed its investment policy of investing in companies that have potential for real earnings and dividend growth. The Net Asset Value total return for the year ended 30 June 2002 was -9.9%. This was behind the benchmark FTSE 350 Higher Yield Index return of -6.0%, but was again better than the FTSE All Share Index of -14.8%. Murray Income also outperformed the majority of its peer group within the UK Growth and Income sector, ranking 6 out of 19 over the year.

I am pleased to report that Mr Ross Watson was appointed Portfolio Manager of your Company in January 2002. Ross has considerable experience in the UK equity market and has specialised in the income sector for over ten years.

Dividends

For the year under review three interim dividends each of 3.15p per share have already been paid on 16 January, 16 April and 16 July 2002. These were unchanged from the previous year. The Board now recommends a final dividend of 7.55p per share, making a total of 17.0p for the year. For the current year, the Board intends to change the balance between the interim and final dividend payments by increasing the size of the first three interim dividends and proposing a corresponding reduction in the final dividend. We anticipate that the three interim dividends commencing on 17 January 2003, followed by further interims in April and July 2003 will each be at the rate of 4.25p per share.

B Ordinary shares

Following the conversion of 8,934 B Ordinary shares on 31 December 2001, the nominal value of the B Ordinary shares was reduced below £125,000. Consequently, all B Ordinary shareholders were sent a notice of compulsory conversion on 25 January 2002 and 499,589 B Ordinary shares were converted into the same number of Ordinary shares on 28 February 2002. The conversion should reduce costs for the Company as it eliminates both the need to maintain a separate share register for the B Ordinary shares and the additional cost of the scrip dividend process.

Share Buybacks

During the year ended 30 June 2002, the Company repurchased 897,000 Ordinary shares and 21,740 B Ordinary shares (1.28% and 4.39% of the issued Ordinary and B Ordinary shares respectively at 31 October 2001) at an average price of 469.07p per Ordinary share and 585p per B Ordinary share. These repurchases contributed marginally to the Net Asset Value of the remaining Ordinary shares.

Strategy and Borrowing

Whilst the portfolio continues to be managed with regard to the structure and weightings of the FTSE 350 Higher Yield Index, investments are maintained in a range of stocks and sectors not held within this benchmark. These include pharmaceuticals, food producers and beverages as the Manager believes that companies in these sectors hold prospects of good returns.

Murray Income began the year with borrowings of £48m, but reflecting the caution of the Manager, almost all of this was repaid shortly afterwards. Since all of this bank debt was short term and flexible no breakage costs were incurred on repayment. Gearing was steadily increased later in the year to take advantage of lower equity prices. At the year end borrowings were £31m.

Chairman's Statement

Tobacco Resolution

Concern was expressed at the last Annual General Meeting by some shareholders about investment in the tobacco sector.

The Board has given this matter considerable attention and decided that shareholders should have the opportunity of a formal vote. However, the unanimous opinion of the Board is that the Manager should not be constrained from investing in sectors which it believes are likely to be beneficial to shareholders and fall within the terms of the Company's investment policy. Tobacco stocks have performed particularly well during the recent difficult period for equity markets and the Company would have suffered if these stocks had not been included in the portfolio. The Board therefore recommends shareholders to vote in favour of resolution number 10.

Board Changes

It is with regret that, on 21 August 2002, the Board accepted the resignation of Roger Adams on the grounds of ill health. The Board wishes to thank him for his wise counsel over the last three years.

10 September 2002

Blaise Hardman
Chairman

Summary of Investment Changes during the year

	Valuation 30 June 2001		Transactions £'000	Appreciation (depreciation) £'000	Valuation 30 June 2002	
	£'000	%			£'000	%
United Kingdom						
Equities	481,121	99.6	(15,673)	(49,691)	415,757	101.1
Total Investments	481,121	99.6	(15,673)	(49,691)	415,757	101.1
Net current assets (liabilities)	2,024	0.4	(6,750)	4	(4,722)	(1.1)
Total assets*	483,145	100.0	(22,423)	(49,687)	411,035	100.0

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

Summary of Net Assets

As at 30 June 2002

	Valuation	
	£'000	%
Equities	415,757	109.4
Net current liabilities	(4,722)	(1.2)
Borrowings	(31,000)	(8.2)
Equity shareholders' interest	380,035	100.0

Distribution of Investments

As at 30 June 2002

	2002	2001
	Total	Total
Sector/ Area	%	%
Resources	26.3	23.8
Mining	4.8	3.7
Oil & Gas	21.5	20.1
Basic Industries	4.1	2.6
Chemicals	1.8	1.0
Construction & Building Materials	1.4	1.1
Steel & Other Metals	0.9	0.5
General Industrials	4.3	3.5
Aerospace & Defence	2.4	1.8
Electronic & Electrical Equipment	1.1	0.8
Engineering & Machinery	0.8	0.9
Cyclical Consumer Goods	-	0.2
Automobiles	-	0.2
Non-Cyclical Consumer Goods	12.5	11.2
Beverages	4.2	3.3
Food Producers & Processors	3.0	3.5
Health	0.2	0.7
Packaging	-	0.8
Pharmaceuticals	1.8	0.6
Tobacco	3.3	2.3
Cyclical Services	9.4	10.8
General Retailers	2.9	3.2
Leisure, Entertainment & Hotels	3.3	2.9
Media & Photography	1.7	2.4
Support Services	0.7	1.0
Transport	0.8	1.3
Non-Cyclical Services	3.6	3.9
Food & Drug Retailers	2.3	1.9
Telecommunication Services	1.3	2.0
Utilities	4.9	4.7
Electricity	3.3	4.1
Gas Distribution	1.0	-
Water	0.6	0.6
Financials	35.9	38.4
Banks	25.9	28.7
Insurance	1.5	1.1
Life Assurance	4.4	5.4
Investment Companies	0.7	0.9
Real Estate	2.8	1.2
Speciality & Other Finance	0.6	1.1
Information Technology	0.1	0.5
Software & Computer Services	0.1	0.5
Total Investments	101.1	99.6
Other Net Assets	(1.1)	0.4
Total Assets	100.0	100.0

Sector Comparison

Note:

The percentage distributions by sector as shown on page 8 have been rebased 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 year under review was a difficult one for equity investors with periods of very volatile trading and longer periods of relative stability. UK Equities began the year on a weak trend, reflecting concerns about economic weakness. The terrorist attacks on the USA in September 2001 led, understandably, to sharp falls in world equity prices. Helped by lower interest rates in the UK, US and Europe equity markets quickly began to recover from this shock and by the end of 2001 had regained much of the initial loss.

For the second half of the period under review, higher yielding shares initially continued to make modest upward progress as investors sought more defensive investments and the FTSE All Share Index weakened. The Tobacco sector in particular performed extremely well with the attractive yields and strong cash flows being re-rated. A value creating acquisition by Imperial Tobacco was instrumental in this sector's re-rating.

Concerns about the quality of reported earnings and a number of high profile accounting scandals in the United States failed to stop the progress of higher yielding shares until the very end of the Company's financial year. At that time equities began to fall sharply, the FTSE 350 Higher Yield Index was not immune and ended the year on a weak note.

Performance

The fall in the value of your Company's portfolio for the year ended 30 June 2002 was greater than that of the Benchmark FTSE 350 Higher Yield Index. This was in part due to investments held in telecommunications and pharmaceuticals that are not represented within the benchmark index. However, the performance was better than the average within the UK Income and Growth sector and the FTSE All Share Index. The bank sector, which has the largest weighting within the portfolio, produced a better than average performance as growth in profits and dividends again exceeded that of the market as a whole. On the other hand, the exposure of insurance and life assurance sectors to equity markets eroded their balance sheets and this was reflected in a weak price performance.

Strategy

The structure and weightings of the FTSE 350 Higher Yield Index continue to be important in determining the make up of the portfolio. During the year all but 10% of the portfolio was composed of stocks within the benchmark index. The annual re-balancing of the FTSE 350 Higher Yield Index that took place at the end of the Company's financial year has increased this percentage as the number of stocks within the benchmark was reduced and the weighting of these increased to compensate. The portfolio will continue to maintain exposure to stocks and sectors not represented within the benchmark index when the Manager believes that this will help to improve our overall return.

Activity

Changes in the level of borrowings by the Company had an important influence upon portfolio activity during the year. The Company began the year with borrowings of £48m but they were sharply reduced to only £6.5m, at their lowest point. This enabled the portfolio to avoid the worst effects of the fall in equity values that followed. The bulk of the sales required to meet this repayment came from the banks sector, realising significant profits and reducing the weighting to a level close to that of the benchmark.

The Company's borrowings were raised again towards the end of the year, taking advantage of lower equity prices to increase weightings in a range of sectors including chemicals, property and aerospace. The level of borrowings at the year end was £31m and the Company has facilities to increase this further at short notice if desired.

Investment Manager's Review

Outlook

The Company's financial year ended with UK equities falling sharply, mirroring similar movements in other major stockmarkets. The extent of the falls means that UK equities are currently enduring a serious bear market which has taken many share prices back to the level of five years ago, something not experienced for a generation. A notable feature of the recent turmoil has been the lack of protection offered by higher yielding shares. For the previous two years, higher yielding shares had significantly outperformed the FTSE All Share Index. However in recent weeks both the FTSE Higher Yield Index and the FTSE All-Share Index have fallen by a similar percentage.

The economic background has remained relatively stable compared with the current roller coaster ride being experienced by equities. The US economy continues to progress as expected and growth in the UK is also picking up helped by the significant increase in public expenditure. Equity market weakness is also likely to delay any increases in short term interest rates.

The gearing of the Company has been increased modestly as equity prices have fallen and this should benefit shareholders as sentiment towards equities recovers. Looking forward shareholders can expect that the portfolio emphasis upon companies with a higher than average yield and the potential to grow dividends will lead to good returns. We believe that UK equities now offer good value and should be reflected, in time, in valuations.

10 September 2002

Ross Watson
Investment Manager

Twenty Largest Investments

As at 30 June 2002

Investment	Valuation £'000	Total assets %
1 (1) BP Amoco 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.	61,044	14.9
2 (2) HSBC Holdings 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.	31,689	7.7
3 (3) Shell Transport & Trading 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.	27,225	6.6
4 (5) Lloyds TSB Lloyds TSB, in addition to its retail and commercial banking operations, 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.	23,704	5.8
5 (6) Barclays 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.	16,781	4.1
6 (8) Diageo Diageo has operations in alcoholic beverages and food. The company is in the process of refocusing its activities to concentrate almost entirely on alcoholic beverages and has recently announced the disposal of Burger King.	12,780	3.1
7 (14) Anglo American 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.	10,158	2.5
8 (11) Sainsbury (I) Sainsbury is a major food retailer with supermarket chains in both the UK and in the USA.	9,379	2.3
9 (10) Abbey National Abbey National is 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.	9,264	2.2
10 (-) HBOS HBOS is a diversified financial services company providing retail, corporate and business banking services in the United Kingdom. The Group offers mortgages, personal loans, business loans and financing, long-term savings, consumer credit, insurance and treasury products.	9,230	2.2
Top ten investments	211,254	51.4

Twenty Largest Investments

Investment	Valuation £'000	Total assets %
11(13) Prudential Prudential is an international company which provides a wide assortment of insurance and investment products and services.	8,769	2.1
12 (15) Rio Tinto Rio Tinto is an international mining company with operations throughout the world.	8,662	2.1
13 (7) CGNU (now Aviva) 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.	8,071	2.0
14 (-) GlaxoSmithKline GlaxoSmithKline is a research based pharmaceutical group that develops, manufactures and markets vaccines, prescription and over the counter medicines as well as health related consumer products. The group specialises in treatments for respiratory, central nervous system gastro-intestinal and genetic disorders	7,312	1.8
15 (19) Standard Chartered 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.	7,280	1.8
16 (12) Unilever Unilever manufactures branded and packaged consumer goods including food, detergents, fragrances, home and personal care products. The company shares operations with Unilever N.V. The two are linked by a series of agreements and operate as a single entity as much as possible. Unilever operates on a worldwide scale, selling its products in over 100 countries.	6,700	1.6
17 (16) British American Tobacco 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.	6,521	1.6
18 (4) The Royal Bank of Scotland Group Royal Bank of Scotland Group provides a wide range of banking, insurance and finance related activities. It is one of the largest financial institutions in the UK. Subsidiaries include the Royal Bank of Scotland, National Westminster Bank, Ulster Bank and Direct Line, the UK market leader in private motor insurance.	6,040*	1.5
19 (-) Land Securities Land Securities is a property investment and management company. The group invests in a wide range of property assets including offices, shops and shopping centres, out of town retail locations, supermarkets and industrial warehouse facilities throughout the UK. The portfolio also includes hotel and leisure properties.	5,943	1.4
20 (-) Cadbury Schweppes Cadbury Schweppes manufactures and sells beverages and confectionery products. The company sells chocolates, candy, soft drinks and other beverages through wholesale and retail outlets internationally. Soft drinks include DrPepper, Squirt, Seven Up and Sunkist. Confectionery brands include Cadbury, Trebor, Bassett, Pascall Bouquet d'Or and Wedel.	5,652	1.4
Top twenty investments	282,204	68.7

Notes:

The value of the 20 largest investments represents 68.7% (2001 – 66.3%) of total assets.

The figures in brackets denote the position at the previous year end, (-) not previously in 20 largest investments.

*Holding comprises equity and fixed income securities.

Portfolio of Investments

As at 30 June 2002

Investment	Valuation £'000	Total assets %	Yield (%)
Resources			
Mining	19,968	4.8	
Anglo American	10,158	2.5	3.5
BHP Billiton	1,148	0.2	2.6
Rio Tinto	8,662	2.1	3.9
Oil & Gas	88,269	21.5	
BP Amoco	61,044	14.9	3.2
Shell Transport & Trading	27,225	6.6	3.3
Basic Industries			
Chemicals	7,545	1.8	
BOC Group	2,751	0.6	4.1
Imperial Chemical Industries	4,794	1.2	5.6
Construction & Building			
Materials	5,905	1.4	
BPB Industries	1,750	0.4	4.2
Hanson	2,342	0.6	3.3
Persimmon	828	0.2	3.8
RMC	985	0.2	5.3
Steel & Other Metals	3,486	0.9	
Corus Group	3,486	0.9	0.9
General Industrials			
Aerospace & Defence	10,124	2.4	
BAE Systems 7.75% NCCRP	3,575	0.9	4.8
Rolls-Royce	1,863	0.4	5.6
Smiths Group	4,686	1.1	3.3
Electronic & Electrical			
Equipment	4,316	1.1	
Invensys	4,316	1.1	2.5
Engineering & Machinery	3,211	0.8	
Weir Group	3,211	0.8	4.5
Non Cyclical Consumer Goods			
Beverages	17,090	4.2	
Diageo	12,780	3.1	3.0
Scottish & Newcastle	4,310	1.1	5.2
Food Producers & Processors	12,352	3.0	
Cadbury Schweppes	5,652	1.4	2.5
Unilever	6,700	1.6	2.7
Health	607	0.2	
Smith & Nephew	607	0.2	1.4

Investment	Valuation £'000	Total assets %	Yield (%)
Pharmaceuticals			
GlaxoSmithKline	7,312	1.8	3.1
Tobacco	13,596	3.3	
British American Tobacco	6,521	1.6	5.0
Gallaher Group	2,629	0.6	4.6
Imperial Tobacco	3,201	0.8	3.7
Imperial Tobacco New	1,245	0.3	0.0
Cyclical Services			
General Retailers	11,499	2.8	
Boots	4,391	1.1	4.7
Great Universal Stores	3,849	0.9	4.0
Homestyle Group	959	0.2	7.5
Kingfisher	2,300	0.6	4.2
Leisure, Entertainment & Hotels			
& Hotels	13,623	3.3	
Airtours	1,230	0.3	6.9
Hilton	3,954	1.0	4.3
Millennium & Copthorne Hotels	1,839	0.4	4.5
P&O Princess Cruises	2,075	0.5	2.1
Six Continents	4,525	1.1	5.8
Media & Photography	7,045	1.7	
Carlton Communications	1,470	0.4	4.4
EMAP	2,254	0.5	2.7
EMI	2,179	0.5	3.6
Pearson	1,142	0.3	3.8
Support Services	2,833	0.7	
Bunzl	2,076	0.5	2.2
Mears Group	757	0.2	1.0
Transport	3,058	0.7	
Arriva	1,733	0.4	5.6
P & O	1,325	0.3	6.2
Non Cyclical Services			
Food & Drug Retailers	9,379	2.3	
Sainsbury(I)	9,379	2.3	4.6
Telecommunication Services	5,233	1.3	
BT Group	1,408	0.4	0.9
Vodafone Group	3,825	0.9	1.8

Portfolio of Investments

Investment	Valuation £'000	Total assets %	Yield (%)
Utilities			
Electricity	13,567	3.3	
British Energy	1,987	0.5	6.7
National Grid	2,796	0.7	3.8
Scottish and Southern Energy	3,140	0.7	5.6
Scottish Power	5,644	1.4	8.6
Gas Distribution	4,104	1.0	
Lattice Group	4,104	1.0	5.9
Water	2,597	0.6	
United Utilities	2,597	0.6	8.6
Financials			
Banks	106,574	25.8	
Abbey National	9,264	2.2	7.2
Alliance & Leicester	2,586	0.5	4.9
Barclays	16,781	4.1	3.6
HBOS	9,230	2.2	4.4
HSBC Hldgs	31,689	7.7	4.3
Lloyds TSB	23,704	5.8	5.7
Royal Bank of Scotland Group	4,650	1.1	2.3
Royal Bank of Scotland			
Additional Value shares	1,390	0.4	–
Standard Chartered	7,280	1.8	4.5
Insurance			
	6,011	1.5	
Atrium Underwriting	5,047	1.2	4.0
Royal & Sun Alliance	964	0.3	7.4
Life Assurance	18,092	4.4	
Britannic	1,252	0.3	13.4
CGNU (now Aviva)	8,071	2.0	8.0
Prudential	8,769	2.1	4.7
Investment Companies	2,705	0.7	
Aberforth Smaller Companies Trust	2,705	0.7	2.8
Real Estate	11,369	2.8	
British Land	3,022	0.8	2.5
Land Securities	5,943	1.4	4.4
Slough Estates 8.25%			
Convertible Preference	2,404	0.6	5.7
Speciality & Other Finance	2,571	0.6	
Caledonia Investments	1,189	0.3	3.5
Provident Financial	1,382	0.3	4.7
Other Investments valued individually at less than £500,000			
	1,716	0.4	
Total Investments	415,757	101.1	

Directors' Report

The Directors submit their annual report together with the financial statements of the Company for the year ended 30 June 2002.

Results and dividends

The revenue attributable to equity shareholders for the year amounted to £12,639,000.

Three separate interim dividends of 3.15p each were paid on 16 January 2002, 16 April 2002 and 16 July 2002. The Directors have recommended a final dividend of 7.55p per Ordinary share payable on 31 October 2002 to holders of Ordinary Shares on the register on 4 October 2002 making a total distribution to Ordinary shareholders of £11,862,000, as shown in Note 7. A resolution in respect of the final dividend will be proposed at the forthcoming Annual General Meeting. The sum of £777,000 has been added to the Company's revenue reserve.

The Directors declared a first interim dividend, in respect of the year ended 30 June 2003, of 4.25p per Ordinary share payable on 17 January 2003 to Ordinary shareholders on the register on 20 December 2002.

Dividends are paid by means of three interim dividends and a final normally in January, April, July and October. Further details on future dividends are contained in the Chairman's Statement.

The Net Asset Value per Ordinary share at 30 June 2002 was 541.3p (2001 – 611.9p).

Share Repurchases

At the Annual General Meeting held on 31 October 2001, 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 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.

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 6 September 2002 (10,523,798 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 2002, share repurchases totalling 897,000 Ordinary shares of 25p each (1.28% of the issued Ordinary share capital at 31 October 2001 and 1.27% of the issued Ordinary share capital at

Directors' Report

30 June 2001) took place at an average price of 469.07p within the established guidelines. From the date of renewal of the authority on 31 October 2001 to 6 September 2002, 100,000 Ordinary shares of 25p each (0.14% of the issued Ordinary share Capital at 31 October 2001 and 0.14% of the issued Ordinary share capital at 30 June 2001) were bought back at an average price of 512p within the established guidelines.

During the year ended 30 June 2002, share repurchases totalling 21,740 B Ordinary shares of 25p each (4.39% of the issued B Ordinary share Capital at 31 October 2001 and 4.2% of the issued B Ordinary share Capital at 30 June 2001) took place at an average price of 585p within the established guidelines.

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 £877,568 (equivalent to 3,510,272 Ordinary shares or 5% of the Company's existing issued Ordinary share Capital as at 6 September 2002). 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 £877,568 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 Aberdeen Group. 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. 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.

Share Capital

Following the conversion of 8,934 B Ordinary of 25p each on 31 December 2001, the nominal value of B Ordinary shares was reduced to below £125,000. If immediately after a Conversion Date, the nominal value of the B Ordinary shares is less than £125,000, the Directors have the right to require the conversion of all such shares into an equivalent number of Ordinary shares. Consequently, 499,589 B Ordinary shares of 25p each were converted into 499,589 Ordinary shares on 28 February 2002.

Following the compulsory conversion and the repurchase of 897,000 Ordinary shares, the issued Ordinary share capital at 30 June 2002 and 6 September 2002 amounted to 70,205,458 Ordinary shares.

Directors' Report

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 page 36.

Mr Brian Roger Adams resigned as a Director on 21 August 2002 on the grounds of ill health.

Mr P A F Gifford and Mr B N A Hardman whose biographies appear on page 3 retire by rotation at this time and, being eligible, offer themselves for re-election. Resolutions No 3 and 4 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 services are provided to the Company by Aberdeen Asset Managers Limited. Company secretarial, accounting and administrative services are provided by Aberdeen Asset Management PLC. The details of the management and secretarial fees are shown in note 3 on page 30.

Corporate Governance

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

Directors' and officers' insurance

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

Principal activity and status

The Company is an investment company within the meaning of Part VIII of the Companies Act 1985 and carries on business as an investment trust. In the opinion of the Directors of the Company, its affairs have been conducted in a manner to satisfy the conditions to enable it to continue to obtain approval as an investment trust under Section 842 of the Income and Corporation Taxes Act 1988. The Inland Revenue will grant Section 842 status, if requested, provided that the Company's affairs have been conducted in such a manner as to satisfy the conditions of that section. Inland Revenue approval for such status has been given for the year ended 30 June 2001.

Directors' Report

Tobacco resolution

As explained in the Chairman's Statement on page 6, following concern expressed by some shareholders about investment in the tobacco sector at the last Annual General Meeting, the Board has decided to put a resolution regarding investment in tobacco stocks (numbered 10 in the Notice of Meeting) to shareholders.

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 30 October 2002, is contained on pages 39 and 40.

Auditors

The Auditors, Ernst & Young LLP, have expressed their willingness to continue in office. 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. It should be noted that the only fees paid to the Auditors over the past five years have been in respect of audit services.

123 St Vincent Street
Glasgow G2 5EA
25 September 2002



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 2002 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 2002 with the provisions set out in Section 1 of the Combined Code.

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

- a senior non-executive Director has not been appointed.
- as the Company is an investment trust and all the Directors are non-executive, the Company is not required to comply with the twenty-one provisions relating to Executive Directors' remuneration.

The Board

During the year ended 30 June 2002 the Board consisted 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. Following the resignation of Mr Brian Roger Adams on 21 August 2002, the Board consists of four Directors.

The 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.

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 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.

The Chairman of the Company is a non-executive Director. A senior non-executive Director has not been

Statement of Corporate Governance

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, all of whom are independent and free of any relationship that would interfere with impartial judgement in carrying out their responsibilities. The terms of reference of the Audit Committee are reviewed and re-assessed for their adequacy on an annual basis. This committee reviews the effectiveness of the internal control environment of the Company and receives reports from the internal and external auditors on a regular basis.

The Committee is responsible for review of the annual 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, reviewing the scope and the results of the audit and the objectivity of the Auditors (it should be noted that the Auditors, Ernst & Young LLP rotate the partner responsible for the audit every seven years). The Audit Committee also meets with representatives of the Manager.

Management engagement committee

The full Board comprises the management engagement committee and annually reviews matters concerning the management contract which exists with Aberdeen Asset Managers Limited.

Directors' terms of appointment

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

The Articles of Association state that Directors must offer themselves for re-election at least once every three years. Any Director who reaches the age of 70 is subject to annual re-election.

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 31.

Communication with shareholders

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

The Company has adopted a nominee code, which ensures that, when shares in Murray Income are held in the name of nominee companies and notification has been received in advance, nominee companies will be provided with copies of shareholder communications for distribution to their customers. Nominee investors may attend general meetings and speak at meetings when invited by the Chairman.

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

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

The Notice of 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 at which all shareholders are encouraged to attend and participate. The Manager makes a presentation to the meeting outlining the key investment issues that affect the Company. All shareholders have the opportunity to put questions at the Company's Annual General Meeting. The amount of proxy votes is relayed to shareholders at the Annual General Meeting, after each resolution has been dealt with on a show of hands.

Shareholders also have direct access to the Company via the free shareholder information telephone service run by the Manager and the Company or the Manager responds to letters from shareholders. A website from which the Company's reports and other publications can be downloaded is maintained on www.murray-income.co.uk

Accountability and audit

The Directors' Statement of Responsibilities in respect of the Financial Statements is on page 23 and the statement of going concern is included in the Directors' Report on page 19.

The Independent Auditors' Report is on page 24.

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

Statement of Corporate Governance (continued)

process for identifying, evaluating and managing the significant risks faced by the Company, that has been in place for the full year under review and up to the date of approval of the Financial Statements, and that this process is regularly reviewed by the Board and accords with the Turnbull guidance.

The Directors have delegated the investment management of the Company's assets 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 internal audit risk assessment model identify those functions for review. Any weaknesses identified are reported to the Company and timetables are agreed for implementing improvements to systems. The implementation of any remedial action required is monitored and feedback provided to the Company.

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 receives reports thereon from the Audit Committee 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 keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

We have audited the Company's financial statements for the year ended 30 June 2002 which comprise the Statement of Total Return, Balance Sheet, Cash Flow Statement, and the related notes 1 to 21. These financial statements have been prepared on the basis of the accounting policies set out therein.

Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the Statement of Directors' Responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and 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 information specified by law or the Listing Rules regarding Directors' remuneration and transactions with the Company is not disclosed.

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

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the Company Profile, Corporate Information, Board Members, Financial Highlights, Chairman's Statement, Summary of Investment Changes during the year, Summary of Net Assets, Distribution of Investments, Sector Comparison, Investment Manager's Review, Twenty largest Investments, Portfolio of Investments, Directors' Report, Statement of Corporate Governance, Notice of Meeting, Ten Year Record, Information about the Aberdeen Asset Management Group, Trust Information and Marketing Strategy. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. 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 2002 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

Registered Auditor

Glasgow

25 September 2002

Ernst & Young LLP

Statement of Total Return

(incorporating the Revenue Account of the Company*)

For the year ended 30 June 2002

	Notes	Year ended 30 June 2002			Year ended 30 June 2001		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Losses) gains on investments	9	-	(49,691)	(49,691)	-	32,037	32,037
Income from investments	2	15,207	-	15,207	16,706	-	16,706
Other income	2	177	-	177	102	-	102
Investment management fees	3	(1,324)	(1,324)	(2,648)	(1,375)	(1,375)	(2,750)
Currency (loss) gain		-	(4)	(4)	-	198	198
Other expenses	4	(924)	(12)	(936)	(931)	-	(931)
Net return before finance costs and taxation		13,136	(51,031)	(37,895)	14,502	30,860	45,362
Finance costs of borrowing	6	(497)	(497)	(994)	(1,573)	(1,573)	(3,146)
Return attributable to equity shareholders		12,639	(51,528)	(38,889)	12,929	29,287	42,216
Ordinary dividends on equity shares	7	(11,862)	-	(11,862)	(11,627)	-	(11,627)
Transfer to (from) reserves		777	(51,528)	(50,751)	1,302	29,287	30,589
Return per Ordinary share (pence)	8	18.0	(73.5)	(55.5)	17.4	39.5	56.9
Return per Ordinary share assuming full conversion of the B Ordinary shares (pence)**	8	17.9	(73.2)	(55.3)	17.3	39.2	56.5

* The revenue column of this statement is the profit and loss account of the Company.

** The comparative figure for 2001 includes B Ordinary shares in issue at 30 June 2001. No B Ordinary shares were in issue at 30 June 2002, as a result of the conversions during the year.

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

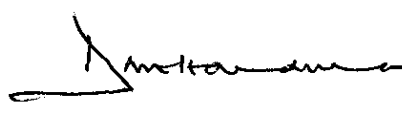
Balance Sheet

As at 30 June 2002

	Notes	As at 30 June 2002		As at 30 June 2001	
		£'000	£'000	£'000	£'000
Fixed assets					
Investments	9		415,757		481,121
Current assets					
Debtors	10	1,708		1,737	
Cash and overnight deposits		3,394		7,623	
		5,102		9,360	
Creditors					
Amounts falling due within one year	11	9,824		7,336	
Net current (liabilities) assets			(4,722)		2,024
Total assets less current liabilities			411,035		483,145
Creditors					
Amounts falling due after more than one year	12		31,000		48,000
			380,035		435,145
Capital and reserves					
Equity shareholders' interest:					
Ordinary called up share capital	13		17,551		17,778
Share premium	14		7,955		7,955
Capital redemption reserve	14		4,050		3,820
Capital reserve – realised	14		304,032		308,657
Capital reserve – unrealised	14		35,806		87,071
Revenue reserve	14		10,641		9,864
			380,035		435,145
Net Asset Value per Ordinary share (pence)*	15		541.3		611.9

* The comparative figure for 2001 includes B Ordinary shares in issue at 30 June 2001. At 30 June 2002 there were no B Ordinary shares in issue, following the conversions during the year.

The Financial Statements were approved by the Board of Directors on 10 September 2002 and were signed on its behalf by:

 **B N A Hardman**, Director
25 September 2002

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

Cash Flow Statement

For the year ended 30 June 2002

	Notes	Year ended 30 June 2002		Year ended 30 June 2001	
		£'000	£'000	£'000	£'000
Operating activities					
Investment income received		15,566		17,125	
Deposit interest received		168		83	
Underwriting commission received		26		–	
Investment management fees paid		(1,692)		(2,750)	
Secretarial fees paid		(37)		(50)	
Cash paid to and on behalf of directors		(56)		(53)	
Other cash payments		(370)		(687)	
Net cash inflow from operating activities	16		13,605		13,668
Returns on investments and servicing of finance					
Interest paid		(1,097)		(3,028)	
Net cash outflow from returns on investments and servicing of finance			(1,097)		(3,028)
Financial investment					
Purchase of investments		(75,440)		(102,144)	
Sale of investments		91,422		150,760	
Net cash inflow from financial investment			15,982		48,616
Equity dividends paid			(11,356)		(11,974)
Net cash inflow before use of financing			17,134		47,282
Financing					
Repurchase of shares		(4,359)		(38,535)	
Net repayment of loans		(17,000)		(2,049)	
Net cash outflow from financing			(21,359)		(40,584)
(Decrease) increase in cash	17		(4,225)		6,698

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

Notes to the Financial Statements

For the year ended 30 June 2002

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 (the SORP) "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.
- Legal and professional fees incurred in connection with the issue or repurchase of the Company's share capital are charged 100% to realised capital reserves.

(d) Taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or right to pay less tax in the future have occurred at the balance sheet date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted. Timing differences are differences arising between the Company's taxable profits and its results as stated in the financial statements which are capable of reversal in one or more subsequent periods. Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

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

(e) Investments

Listed investments are valued in the Financial Statements at middle-market prices and unlisted investments at a valuation determined by the Directors. In determining the valuation of unlisted investments the Directors

Notes to the Financial Statements

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

Monies borrowed to finance the investment objectives of the Company are stated at the amount of 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.

(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 2002 £'000	Year ended 30 June 2001 £'000
2. Income		
Income from investments:		
UK dividends	15,207	16,212
UK unfranked investment income	—	494
	<u>15,207</u>	<u>16,706</u>
Other income:		
Deposit interest	145	102
Sundry income	32	—
	<u>177</u>	<u>102</u>
Total income	15,384	16,808
Total income comprises:		
Dividends	15,207	16,212
Interest	—	494
Other income	177	102
	<u>15,384</u>	<u>16,808</u>
Income from investments comprises:		
Listed UK	15,207	16,615
Unlisted	—	91
	<u>15,207</u>	<u>16,706</u>

Notes to the Financial Statements

3. Investment management fees	Year ended 30 June 2002			Year ended 30 June 2001		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fees	1,127	1,127	2,254	1,170	1,170	2,340
Irrecoverable VAT	197	197	394	205	205	410
	1,324	1,324	2,648	1,375	1,375	2,750

For the year ended 30 June 2002, the management and secretarial fees payable to the Manager were calculated and charged on the following basis:

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. The investment management fee is chargeable 50% to revenue and 50% against realised capital reserves. A secretarial fee of £50,000 per annum is also payable, which is chargeable 100% to revenue.

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

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

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

- 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 was chargeable 50% to revenue and 50% against realised capital reserves.
- included in the charge of 0.5% in part a) above is a secretarial fee of £50,000 per annum, which was chargeable 100% to revenue.

The management contract may be terminated on twelve months' notice.

4. Other expenses	Year ended 30 June 2002			Year ended 30 June 2001		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Shareholders' services*	508	–	508	563	–	563
Irrecoverable VAT	103	2	105	107	–	107
Directors' remuneration (note 5)	55	–	55	55	–	55
Secretarial fees (note 3)	50	–	50	50	–	50
Audit fees	13	–	13	12	–	12
Other expenses	195	10	205	144	–	144
	924	12	936	931	–	931

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

Notes to the Financial Statements

	Year ended 30 June 2002	Year ended 30 June 2001
	£'000	£'000
5. Directors remuneration		
B N A Hardman (Chairman)	15	15
B R Adams (resigned 21/8/2002)	10	10
A J M Coats	10	10
P A F Gifford	10	10
Sir David Trippier	10	10
	55	55

	Year ended 30 June 2002			Year ended 30 June 2001		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
6. Finance costs of borrowing						
Bank loans and overdrafts	497	497	994	1,573	1,573	3,146
	497	497	994	1,573	1,573	3,146

	Year ended 30 June 2002	Year ended 30 June 2001
	£'000	£'000
7. Ordinary dividends on equity shares		
First interim of 3.15p (2001 – 3.15p)	2,199	2,410
Second interim of 3.15p (2001 – 3.15p)	2,195	2,247
Third interim of 3.15p (2001 – 3.15p)	2,195	2,224
Proposed final of 7.55p (2001 – 6.75p)	5,301	4,765
Over accrual of previous years proposed final dividend due to share buybacks	(28)	(19)
	11,862	11,627

	Year ended 30 June 2002	Year ended 30 June 2001
8. Returns per share		
The returns per share have been based on the following figures:		
Weighted average number of Ordinary shares	70,107,902	74,229,818
Weighted average number of B Ordinary shares	336,115	533,525
Revenue return attributable to equity shareholders	£12,639,000	£12,929,000
Capital return attributable to equity shareholders	(£51,528,000)	£29,287,000

Notes to the Financial Statements

9. Investments	Year ended 30 June 2002		Year ended 30 June 2001	
	£'000	£'000	£'000	£'000
Valuation brought forward	481,121		505,811	
Unrealised gains	(87,071)		(127,238)	
Cost brought forward		394,050		378,573
Movements during the year:				
Purchases		76,096		94,161
Sales	(91,769)		(150,861)	
Realised gains	1,574		72,204	
		(90,195)		(78,657)
Amortisation of fixed income investment book cost		–		(27)
Cost carried forward		379,951		394,050
Unrealised gains		35,806		87,071
Valuation carried forward		415,757		481,121
<i>The portfolio valuation</i>				
<i>Listed on stock exchanges at market valuation:</i>				
United Kingdom:				
equities		409,731		475,428
convertible securities		5,979		5,648
		415,710		481,076
<i>Unlisted at director's valuation:</i>				
equities		47		45
Total		415,757		481,121
(Losses)/gains on investments				
Realised gains on sales		1,574		72,204
Decrease in unrealised appreciation		(51,265)		(40,167)
		(49,691)		32,037

Unquoted investments

The principles adopted in the valuation of unlisted and restricted investments for the purposes of both interim and final accounts are outlined in the accounting policies in note 1. Changes to the valuation of unlisted and restricted investments are normally made only at the time of interim and final accounts. However, in certain circumstances such as:

- (i) investments where independent formal valuations are carried out and advised to the Company;
- (ii) investments where arms length transactions established a new price;
- (iii) investments where there has been a public event such as, for example, obtaining a listing on a recognised stock exchange or formal appointment of either receiver or liquidator;

a revaluation will be carried out at the relevant month end.

Notes to the Financial Statements

Participating interests

At 30 June 2002 the Company held shares amounting to 20 per cent or more of the equity capital of the following undertaking of which the particulars are stated below:

Investment	% of class held	% of equity held	Latest accounts period end	Aggregate capital and reserves £'000	Profit after tax for period £'000
Scottish Technical Developments Ltd					
<i>Principal activity: Holding company</i>					
71,429 ordinary shares of £1	28.6	28.6	30 June 2001	204	6
Scotland					

The results of the above Company have not been incorporated in the revenue account except to the extent of any dividends received. No income was received during the current year or the prior year. Scottish Technical Developments is managed by the Aberdeen Asset Management Group.

Significant interests

At 30 June 2002 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 2002 £'000	30 June 2001 £'000
10. Debtors		
Current taxation	–	169
Amounts due from brokers	448	101
Prepayments and accrued income	1,260	1,467
	1,708	1,737

	30 June 2002 £'000	30 June 2001 £'000
11. Creditors		
Amounts falling due within one year:		
Amounts due to brokers	676	20
Interim dividend	2,195	2,224
Proposed final dividend	5,301	4,765
Accruals	1,652	327
	9,824	7,336

Amounts falling due after more than one year:

Loans (note 12)	31,000	48,000
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Accruals include £968,000 (2001 – £nil) of management and secretarial fees due to Aberdeen Asset Managers Limited, the investment manager.

Notes to the Financial Statements

	30 June 2002 £'000	30 June 2001 £'000
12. Long term loans		
Wholly repayable within five years:		
£30,000,000 committed revolving bank credit facility		
25 October 2003	5,000	30,000
£30,000,000 committed revolving bank credit facility		
3 October 2004	26,000	18,000
	31,000	48,000

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 4.3% at 30 June 2002. The facilities expire on 25 October 2003 and 3 October 2004 respectively by which time all advances must be repaid.

	30 June 2002		30 June 2001	
	Number	£'000	Number	£'000
13. Share capital				
Allotted, called-up and fully-paid:				
Ordinary shares of 25p each	70,205,458	17,551	70,593,935	17,649
B Ordinary shares of 25p each	–	–	517,175	129
	70,205,458	17,551	71,111,110	17,778
Unissued:				
Unclassified shares of 25p each	32,636,542	8,159	31,730,890	7,932
	102,842,000	25,710	102,842,000	25,710

During the year 897,000 Ordinary shares and 21,740 B Ordinary shares were repurchased for a total cost including transaction costs of £4,231,000 and £128,000 respectively. On 1 November 2001 13,088 B Ordinary shares were allotted by way of capitalisation of reserves in accordance with Article 131. On 31 December 2001 8,934 B Ordinary shares were converted in accordance with Article 47A and on 28 February 2002, as a result of the nominal value of the B Ordinary shares falling below £125,000, 499,589 B Ordinary shares were compulsorily converted into Ordinary Shares in accordance with Article 47B. Further details of the share repurchases are contained in the Chairman's Statement on pages 5 and 6 and the Directors' Report on pages 16 to 19.

Notes to the Financial Statements

14. Reserves	Share premium account	Capital redemption reserve	Capital reserve—realised	Capital reserve—unrealised	Revenue reserve
	£'000	£'000	£'000	£'000	£'000
At 1 July 2001	7,955	3,820	308,657	87,071	9,864
Movement during the year:					
Net gain on realisation of investments	—	—	1,574	—	—
Movement in unrealised depreciation	—	—	—	(51,265)	—
Repurchase of Ordinary shares	—	224	(4,231)	—	—
Repurchase of B Ordinary shares	—	6	(128)	—	—
Capital management fees	—	—	(1,324)	—	—
Finance costs of borrowing	—	—	(497)	—	—
Other capital charges	—	—	(12)	—	—
Issue of B Ordinary shares	—	—	(3)	—	—
Currency loss	—	—	(4)	—	—
Retained revenue for the year	—	—	—	—	777
At 30 June 2002	7,955	4,050	304,032	35,806	10,641

15. Net asset value per share

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

	Net asset value per share attributable		Net asset value attributable	
	2002	2001	2002	2001
	p	p	£'000	£'000
Ordinary shares (Note 13)	541.3	611.9	380,035	435,145

The comparative figure for 2001 includes B Ordinary shares in issue at 30 June 2001. At 30 June 2002 there were no B Ordinary shares in issue, following the conversions during the year.

The movements in the assets attributable to the Ordinary shares during the year are shown in note 18.

16. Reconciliation of net revenue return before finance costs and taxation to net cash inflow from operating activities	Year ended 30 June 2002	Year ended 30 June 2001
	£'000	£'000
Net revenue return before finance costs and taxation	13,136	14,502
Investment management fees charged to capital	(1,324)	(1,375)
Other expenses charged to capital	(12)	—
Amortisation of fixed income book cost	—	27
Decrease in accrued income	208	475
Decrease in prepayments	—	31
Taxation on unfranked income	168	(101)
Increase in accruals	1,429	109
Net cash inflow from operating activities	13,605	13,668

Notes to the Financial Statements

17. Analysis of changes in net debt	At	Currency	At
	1 July 2001	differences	30 June 2002
	£'000	£'000	£'000
Cash and overnight deposits	7,623	(4)	3,394
Debt due after one year	(48,000)	–	(31,000)
	(40,377)	(4)	(27,606)

	At	Currency	At
	1 July 2000	differences	30 June 2001
	£'000	£'000	£'000
Cash and overnight deposits	727	198	7,623
Debt due after one year	(50,049)	–	(48,000)
	(49,322)	198	(40,377)

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. Reconciliation of movements in shareholders' funds	30 June 2002 £'000	30 June 2001 £'000
Opening shareholders' funds	435,145	442,282
Movements during the year:		
Total recognised gains and losses	(38,889)	42,216
Dividends appropriated	(11,862)	(11,627)
Repurchase of Ordinary and B Ordinary shares	(4,359)	(37,726)
Closing shareholders' funds	380,035	435,145

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 2002 Ordinary	30 June 2001 Ordinary
B N A Hardman (Chairman)	10,000	10,000
B R Adams (resigned 21/8/2002)	2,000	2,000
A J M Coats	5,000	5,000
non-beneficial	10,000	10,000
P A F Gifford	5,031	2,530
Sir David Trippier	1,652	1,153

Unless otherwise stated all holdings are beneficial. On 16 and 22 July 2002 and 22 August 2002 Mr P A F Gifford acquired 35 Ordinary shares, 238 Ordinary shares and 217 Ordinary shares respectively bringing his total holding to 5,521 Ordinary shares. On 16 and 22 July 2002 and 22 August 2002, Sir David Trippier acquired 7 Ordinary shares, 47 Ordinary shares and 43 Ordinary shares respectively bringing his total holding to 1,749 Ordinary shares. As at 12 September 2002, there have been no other changes in the above share interests since the end of the financial year.

Notes to the Financial Statements

20. Derivatives and other financial instruments

The Company's financial instruments, other than derivatives, comprise securities and other investments, cash balances, liquid resources, 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 pages 5 and 6 and in the Investment Manager's Review on pages 10 and 11. The Board regularly reviews and agrees policies for managing each of the risks. 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 and over the page exclude short-term debtors and creditors.

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 borrowings 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.

Market price risk arises mainly from uncertainty about future prices of financial instruments used in the Company's operations. It represents the potential loss the Company might suffer through holding market positions as a consequence of price movements. It is the Board's policy to hold equity investments in the portfolio in a broad spread of sectors in order to reduce the risk arising from factors specific to a particular sector. A summary of investment changes during the year under review is on page 7 and an analysis of the equity portfolio by industrial classification is on pages 8 and 9.

Interest rate risk

Financial assets

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

	Floating Rate		Non-Interest Bearing	
	2002	2001	2002	2001
	£'000	£'000	£'000	£'000
Sterling	3,393	6,649	415,757	481,121
US dollar	1	974	–	–
	3,394	7,623	415,757	481,121

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 facilities, details of which are in note 12. The fair value of these loans has been calculated at £31 million as at 30 June 2002 (2001 – £48 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.

As at 30 June 2002 the Company also had an uncommitted loan facility amounting to £30,000,000, none of which had been drawn down.

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

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 for the year.

Approved investment trusts are exempt from tax on gains made within the fund.

The tax assessed for the period is lower than the standard rate of corporation tax in the UK of 30% (2001 – 30%).

The differences are explained below:

	2002	2001
	£'000	£'000
Revenue on ordinary activities before taxation.	12,639	12,929
Return on ordinary activities multiplied by the applicable rate of corporation tax of 30% (2001 – 30%)	3,792	3,879
Effects of:		
Non taxable UK dividends	(4,562)	(4,864)
Unutilised loan relationships	104	293
Unutilised management expenses	657	690
Disallowable expenses	9	2
	-	-

No provision for deferred tax has been made in the current or prior accounting period.

The Company has not recognised a deferred tax asset of £6,826,000 (2001 – £5,515,000) arising as a result of having unutilised management expenses. These expenses will only be utilised if the tax treatment of capital gains made by approved investments trusts, or the Company's investment profile, changes.

Notice of Meeting

The seventy-ninth annual general meeting of Murray Income Trust PLC will be held on Wednesday 30 October 2002 at 12.30 p.m. in the registered office of the Company at 123 St Vincent Street, Glasgow G2 5EA, to transact the following business.

1. To receive the Directors' report and audited statement of accounts for the year ended 30 June 2002.
2. To declare a final dividend
3. To re-elect Mr P A F Gifford* as a Director
4. To re-elect Mr B N A Hardman* as a Director
5. To re-appoint Ernst & Young LLP as Auditors.
6. To authorise the Directors to fix the remuneration of the Auditors.

Special Business

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 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 10,523,798 shares representing 14.99 per cent of the shares in issue as at 6 September 2002;
 - ii. the minimum price which may be paid for a share shall be 25p;
 - iii. The maximum price (exclusive of expenses) which may be paid for a share shall be an amount equal to 105 per cent of the average of the middle – market quotations for a share taken from, and calculated by reference to, the Daily Official List of the London Stock Exchange for the five business days immediately preceding the day on which the share is purchased;
 - iv. any purchase of shares will be made in the market for cash at prices below the prevailing Net Asset Value per share (as determined by the Directors);
 - v. the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company or 30 January 2004, whichever is the earlier, 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 £877,568 (5 per cent of the total ordinary share capital in issue on 6 September 2002) during the period expiring on the date of the next Annual General Meeting or 30 January 2004, whichever is the earlier, but so that this authority shall allow the Company to make offers or agreements before the expiry of this authority which would or might require relevant securities to be allotted after such expiry.

Notice of Meeting

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 30 January 2004, whichever is the earlier, but so that this power shall enable the Company to make offers or agreements which would or might require equity securities to be allotted after the expiry of this power;
- b) up to an aggregate nominal amount of £877,568 (5 per cent of the total ordinary share capital in issue on 6 September 2002).
- c) in the circumstances detailed in the section headed 'Issue of shares' in the Directors' Report on page 17 of the Annual Report for the year ended 30 June 2002, and at a price not less than 2.5 per cent above the Net Asset Value per share.

10. To consider, and if thought fit, pass the following resolution as an ordinary resolution :

That the Company should not be restricted from investing in tobacco stocks.

* *The biographies of Mr P A F Gifford and Mr B N A Hardman are detailed on page 3.*

123 St Vincent Street
Glasgow G2 5EA
25 September 2002


By order of the Board
Aberdeen Asset Management PLC
Secretaries

Notes:

1. No Director has any contract of service with the Company.
2. The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, has specified that only those shareholders registered on the Register of Members of the Company as at 12.30 p.m. on 28 October 2002 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 28 October 2002 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 10 are shown in the Directors' Report as follows:

Resolution 2	Page 16	Dividend
Resolutions 3 and 4	Page 18	Directors
Resolutions 5 and 6	Page 19	Auditors
Resolutions 7 and 8	Pages 16 and 17	Share repurchases
Resolutions 8 and 9	Page 17	Issue of shares
Resolution 10	Page 19	Tobacco stocks

Registered in Scotland - Company Number 12725

Ten year record

Year ended	Ordinary shares						
	Revenue £'000	Return or Earnings per share	Dividend per share	Assets employed	Net Asset Value	Net Asset Value per ordinary/B Ordinary share	Total Expense
		p	p	£'000	p	p	Ratio %
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
2002	15,384	18.03	17.00	411,035	380,035	541.3*	0.87

* All B Ordinary Shares were converted to Ordinary shares during the year ended 30 June 2002.

1. Earnings per Ordinary share have been based on the average number of Ordinary shares during each year (see note 8 on page 31).
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 31).
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

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	25 October 1991	236.5p
23 October 1981	61.5p	30 October 1992	238.5p
01 November 1982	80.5p	29 October 1993	342.5p
30 November 1983	72.5p	28 October 1994	321.5p
29 October 1984	93.5p	27 October 1995	358.6p
04 November 1985	122.5p	11 November 1996	356.8p
31 October 1986	153.5p	31 October 1997	410.0p
06 November 1987	167.0p	30 October 1998	412.5p
28 October 1988	177.5p	29 October 1999	432.5p
27 October 1989	202.0p	28 October 2000	502.5p
02 November 1990	204.0p	01 November 2001	522.5p

Compulsory conversion of the B Ordinary shares took place on 28 February 2002 when the entire B Ordinary share capital was converted to an equivalent number of Ordinary shares.

Information about the Aberdeen Asset Management Group

Aberdeen Asset Management

The Company's Manager is Aberdeen Asset Managers Limited, a wholly-owned subsidiary of Aberdeen Asset Management PLC ("AAM") whose Group companies managed a combined £24.5 billion of funds for UK institutions, investment trusts, closed-end funds, unit trusts, private clients and offshore funds as at 31 July 2002.

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

Over the past dozen years the Group has grown rapidly through a combination of acquisition and organic growth. The Group now has 43 investment trusts and other closed-end funds under management. They adhere closely to the Group's investment style which is that of fundamental investors, with an emphasis on company visits and original research.

Aberdeen Managed Investment Trusts

The Group manages investment trusts and closed-end funds which have combined total assets of over £5 billion. *The funds cover a wide range of markets and sectors, including the UK, Europe, the Far East, emerging markets and the technology sector.* As well as portfolio management, company secretarial, administrative and marketing services to the individual funds are also provided.

Trust Information

Trust Information

If you would like details of any of the following trusts managed by AAM, or copies of AAMs Shareplan and 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. Details are also available by accessing the internet on pages <http://www.invtrusts.co.uk>

Aberdeen Asian Smaller Companies Investment Trust PLC Invests in Asian companies with a market capitalisation less than US\$600m at launch.

Aberdeen Convertible Income Trust PLC High income from convertibles.

Aberdeen Development Capital PLC Development capital.

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.

British Empire Securities and General Trust PLC Capital growth through a focused portfolio of investments, particularly in companies whose share prices stood at a discount to underlying net asset value.

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.

Murray Emerging Growth and Income Trust PLC Aiming to achieve income and capital growth through investment in global emerging markets and high yielding securities.

Murray Extra Return Investment Trust PLC Aiming to achieve capital appreciation, high and growing income in UK equities.

Murray Global Return Trust PLC Aiming to achieve capital and income growth from UK and International equities and fixed income securities.

Murray Income Trust PLC Aiming for 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 tmt PLC Aiming for 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 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 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 Broadly matches capital growth of the FTSE All-Small Index (excluding Investment Companies).

The information on pages 43 and 44 is issued and has been approved for the purposes of the Financial Services and Markets Act 2000 by Aberdeen Asset Managers Limited, One Bow Churchyard, Cheapside, London EC4M 9HH which is regulated by the FSA.

Marketing Strategy

Murray Income Trust PLC contributes to the Marketing Programme run by the Manager, Aberdeen Asset Managers Limited, on behalf of a number of investment trusts under its management. This agreement will see the Company's contribution matched by Aberdeen over its three-year length and is now £384,000 (plus VAT) a year.

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

These aims can be met in several ways:

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

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

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

Newsletter The 'Bulletin' newsletter, an informed commentary on markets and investment trusts managed by Aberdeen is distributed free of charge at least three times a year.

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

Shareholder services Aberdeen runs an investment help desk for retail enquirers and investors with a staff of more than 50. 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 sixteen years experience in the marketing and communications of investment products. He is supported by a team of three marketing professionals.

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

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

The Company is committed to a close monitoring of the Marketing Programme. The Marketing Director 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 or write to us at One Albyn Place, Aberdeen AB10 1YG.

Proxy

(For the use of 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 30 October 2002 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 declare a dividend		
3. To re-elect Mr P A F Gifford as a Director		
4. To re-elect Mr B N A Hardman as a Director		
5. To re-appoint Ernst & Young LLP as Auditors		
6. To authorise the Directors to fix the Auditors' Remuneration		
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		
10. To approve that the Company should not be restricted from investing in tobacco stocks		

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 on any resolution on which you do not give a specific instruction and, unless otherwise stated on any other business (including amendments to resolutions) which may properly come before the meeting.

Signed this day of 2002

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

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Regulated by the FSA

Member of the Aberdeen Asset Management Group of Companies