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Martin Currie Portfolio Investment Trust plc

Annual report
Year to 31 January 2003



**martin
currie**

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www.martincurrieportfolio.com

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Welcome

Welcome to your annual report for 2003. It covers the 12-month period to the end of January.

We have placed a copy of this report on www.martincurrieportfolio.com. On this site you can also find a wealth of information including the latest share price, performance figures and a monthly update.

As ever, we welcome your views and comments on any issues relating to the trust. You can write to me via Martin Currie's Investor Services team at the address on the back of this report, or e-mail me at investorservices@martincurrie.com.



Peter Berry
Chairman

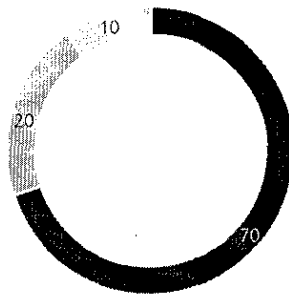
About the trust

Designed specifically for private investors, Martin Currie Portfolio Investment Trust was launched in March 1999. Its objective is to achieve long-term capital growth by investing in a diversified portfolio of UK and international stocks.

Because the trust is aimed mainly at UK-based investors, we invest principally in the UK, and measure our performance against the FTSE All-Share index.

Principal features

We seek to achieve our objective in four ways. The first three of these are summed up by our 70:20:10 investment policy:



70

Some 70% of the portfolio is invested in the UK, with a focus on blue chip companies

20

Some 20% of the portfolio is invested internationally wherever we find opportunities for better returns

10

Some 10% of the portfolio is invested in unquoted companies principally through an investment in Martin Currie Capital Return Trust

The fourth element of our strategy is that we use borrowings when we believe it will enhance investment returns.

The benefits to you

We think an investment in the trust carries three key benefits for shareholders:

By investing in a diversified selection of UK and international companies, the trust can spread your risk, while giving you access to the potential gains from stockmarkets worldwide.

Your investments are in the hands of experienced professionals. Martin Currie is a long established, independent firm dedicated solely to fund management.

You can sell back shares to the trust at net asset value (less costs)† every five years, even if the share price in the market is lower. The first opportunity to do so will be after the annual general meeting of the company in 2004.

Key facts as at 31 January 2003

Objective	Long-term capital growth
Portfolio focus	Worldwide
Benchmark	FTSE All-Share index
Total assets	£242 million
Capital structure	300,187,065 ordinary shares of 5p each entitled to one vote and two restricted voting deferred shares
Dividends paid	May and October

†As defined in Article 47 of the Articles of Association

Financial highlights

Key Data	As at 31 January 2003	As at 31 January 2002	% change
Net asset value per share	65.12p	89.88p	↓ 27.5
FTSE All-Share index	1,722.28	2,496.02	↓ 31.0
Share price	57.75p	80.50p	↓ 28.3
Discount	11.3%	10.4%	

Total returns†	Year ended 31 January 2003	Year ended 31 January 2002
Net asset value per share	(26.5%)	(21.0%)
FTSE All-Share index	(28.9%)	(15.6%)
Share price	(26.7%)	(18.8%)

†The combined effect of any dividend paid, together with the rise or fall in the share price, net asset value or FTSE All-Share index.

Income	Year ended 31 January 2003	Year ended 31 January 2002	% change
Revenue return per share	1.80p	1.47p	↑ 22.4
Dividend per share	1.55p	1.50p	↑ 3.3

Total expenses	Year ended 31 January 2003	Year ended 31 January 2002
As a percentage of total assets	1.13%	0.88%
As a percentage of shareholders' funds	1.40%	1.03%

Chairman's statement

After three years of losses, equities are, by any normal measurement showing fundamental value but, for a number of well-publicised reasons, investors' confidence has been severely damaged.

Peter Berry

In another terrible period for global stockmarkets, the company's net asset value per share (NAV) fell by 27.5% in the 12 months to 31 January 2003. It will be small comfort to shareholders that this performance was somewhat better than that of the benchmark FTSE All-Share index, which declined by 31.0%. The company's share price fell by 28.3%, as the discount widened marginally, from 10.4% to 11.3%. Since it started trading in March 1999, the company's NAV has fallen by 35.8%, compared with the benchmark's loss of 39.4%. The Manager gives more information on the market conditions and performance in his report.

Earnings per share recovered the previous year's decline, to stand 7.8% above the level achieved in 2000/01. The Board, in line with its policy of increasing the dividend modestly more than the rate of inflation, is recommending a final dividend of 1.05p per share. This makes a total of 1.55p for the year, an increase of 3.3% on last year.

An Extraordinary General Meeting will follow this year's Annual General Meeting on 20 May 2003. At this meeting we shall ask shareholders to approve the cancellation of the

company's share premium account. We are proposing this in anticipation of the opportunity shareholders will have to redeem their shares at NAV less applicable costs after the AGM in 2004.

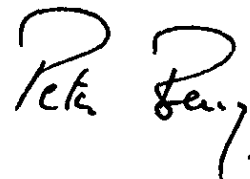
If approved, this resolution will also grant the company additional flexibility to continue a programme of share buybacks. In the 12 months to 31 January 2003, 12,392,505 shares were repurchased, some 4.0% of those outstanding at the beginning of the period. In addition to enhancing the trust's NAV, the buybacks have also reduced the volatility of the discount to NAV in the company's share price.

In my interim statement, I expressed our appreciation for the contribution of Baroness Hogg, who retired from the Board in December. We were delighted, in January, to welcome Gillian Nott to the Board as a new independent director. Gillian has extensive experience of investment trusts and of financial services more widely, particularly representing the interests of individual shareholders.

After three years of losses, equities are, by any normal measurement, showing fundamental value but, for a number of

well-publicised reasons, investors' confidence has been severely damaged and the situation in regard to the Middle East, as but one of many global uncertainties, has exacerbated negative sentiment. However as Tom Walker indicates in his review, this does present individual opportunities for us in seeking to improve returns to shareholders, but we also need a return of confidence to the markets.

I look forward to meeting shareholders at the AGM, both to conduct the formal business of the company and, more importantly, to enjoy an informal discussion of its affairs.



Peter Berry
17 March 2003

Board of directors

Douglas Kinloch Anderson

Gillian Nott

Ben Thomson

Joe Scott Plummer

Peter Berry

Peter Berry CMG

Peter (58), the Chairman, is chairman of the Crown Agents for Oversea Governments and Administrations and of its banking and asset management subsidiaries. He is a non-executive director of Henderson TR Pacific Investment Trust plc, of the construction company Kier Group plc and is a Trustee of the Charities Aid Foundation and its international chairman. He is an adviser to the government's trade development arm, Trade Partners UK, and similarly to the Corporation of London. He travels extensively in connection with these interests. Peter was appointed to the Board as a director on 28 January 1999. He was appointed Chairman on 15 May 2000.

Gillian Nott OBE

Gillian (57) was until March 1999 the chief executive of ProShare (UK) Ltd, the organisation that promotes individual share ownership and financial understanding. She is a director of the Financial Services Authority and on the board of a number of unquoted and listed companies, including F&C Pacific Investment Trust. She is also chairman of Baronsmead VCT and Sitka Health Fund VCT. Previously she

worked for BP where she managed their venture capital portfolio. Gillian was appointed to the Board on 20 January 2003.

Douglas Kinloch Anderson OBE*

Douglas (64), the senior independent director, is executive chairman of Kinloch Anderson Limited. He was national president of the Royal Warrant Holders Association, president of The Edinburgh Chamber of Commerce and Master of the Edinburgh Merchant Company. He is also a director of Fidelity Special Values plc and Martin Currie Capital Return Trust plc in which the company has a substantial shareholding. Douglas was appointed to the Board on 28 January 1999.

Joe Scott Plummer FCA

Joe (59) is chairman of Martin Currie Limited. He is a non-executive director of Candover Investments plc, and he has chaired the investment committee of the Candover 1994 UK Limited Partnership. He is also a non-executive director of The Merchants Trust plc. Joe was appointed to the Board on 28 January 1999.

John Plant FCA*

John (49) is a chartered accountant and is president and CEO of TRW Automotive. In 1991 he was made managing director of the electrical division of Lucas Industries and, following the merger to form LucasVarity, he was promoted to president, based in Michigan, USA. He joined TRW upon their acquisition of LucasVarity. John was appointed to the Board on 28 January 1999.

Ben Thomson*

Ben (40) is chief executive of the Edinburgh investment banking firm, Noble & Company and its parent, Noble Group Limited. The Group has four SFA regulated subsidiaries and is both a sponsor and broker on the London Stock Exchange. He joined Noble & Company in 1990 and became chief executive in 1996. Before that, he worked at Kleinwort Benson in London. He was previously a director of Wellington Underwriting plc, a quoted insurance company. He is also a director of Scottish Financial Enterprise. Ben was appointed to the Board on 29 January 2001.

Portfolio summary

Portfolio distribution as at 31 January 2003

By asset class	2003	2002
Equities	103.7%	107.0%
Cash	17.0%	7.6%
Less borrowings	(20.7%)	(14.6%)
	100%	100%

*International allocation

	2003	2002
North America	7.1%	12.4%
Continental Europe	4.3%	4.6%
Japan	2.6%	2.0%
Global Emerging Markets	2.1%	0.3%
Developed Asia	1.0%	-

By region (excluding cash)	2003	2002
United Kingdom	67.0%	66.8%
International*	17.1%	19.3%
Martin Currie Capital Return Trust	15.9%	13.9%
	100%	100.0%

By sector (excluding cash)	2003 Company	FTSE All-Share	2002 Company	FTSE All-Share
Financials	23.9%	26.9%	25.7%	27.9%
Non-cyclical consumer goods	16.6%	20.4%	16.4%	19.4%
Resources	14.1%	16.5%	12.4%	15.8%
Non-cyclical services	9.8%	11.7%	8.7%	11.7%
Cyclical services	9.4%	14.1%	10.9%	14.2%
Basic industries	4.4%	3.2%	1.2%	2.8%
Utilities	3.2%	4.1%	3.0%	3.9%
General industrials	1.9%	2.1%	3.7%	2.4%
Information technology	0.8%	0.8%	3.5%	1.7%
Cyclical consumer goods	-	0.2%	0.6%	0.2%
Martin Currie Capital Return Trust	15.9%	-	13.9%	-
	100.0%	100.0%	100.0%	100.0%

Largest holdings as at 31 January 2003

	Market value £	% of investments at market value
Martin Currie Capital Return Trust	32,897	15.90
BP	15,837	7.66
GlaxoSmithKline	13,955	6.75
Vodafone	12,674	6.13
HSBC	10,727	5.19
Royal Bank of Scotland	8,774	4.24
Candover Investments	4,560	2.20
AstraZeneca	4,529	2.19
imperial Tobacco	4,162	2.01
Diageo	3,745	1.81
Anglo American	3,613	1.75
Lloyds TSB	3,335	1.61
Henderson Absolute Return Portfolio	3,330	1.61
British Sky Broadcasting	2,994	1.45
Tesco	2,979	1.44
Shell Transport and Trading	2,939	1.42
Martin Currie Absolute Return Japan Fund	2,773	1.34
National Grid Transco	2,757	1.33
Aviva	2,296	1.11
Scottish and Southern Energy	2,270	1.10

Manager's review

When confidence returns, equities should appeal more than gold, bonds, property or bank deposits.

Tom Walker

Review

Although the world economy did grow in 2002, by around 2.5%, recovery was fragile and lacked momentum. Early in 2003, compounded by threat of war, confidence in the outlook for the world's major economies remains low.

Where cash was available, investors preferred property, shopping and, at the end of the year, repayment of debt, to investment in an asset class that has, at least on paper, lost them so much money over the last three years. Corporate scandals in the US did not help. Market falls were exacerbated by insurance companies, particularly in the UK, being forced to sell equities.

This is the background to the 28% fall in the company's share price and net asset value per share decline, also of 28%, over the last 12 months. It gives me little satisfaction that the company's share price outperformed the benchmark (which fell by 31%), so I will keep my explanation of performance short.

As the year progressed, I became increasingly cautious. I raised cash and moved the portfolio into less risky sectors. Tobacco, in which the portfolio is overweight, rose by 5%. But it was one of only two industries in the FTSE All-Share index to rise over the year. The major industries fell sharply: oil and gas was down by 27%, telecoms by 31%,

banks by 32% and pharmaceuticals by 35%. The World ex-UK index fell further than the UK market. So there was no refuge in overseas markets.

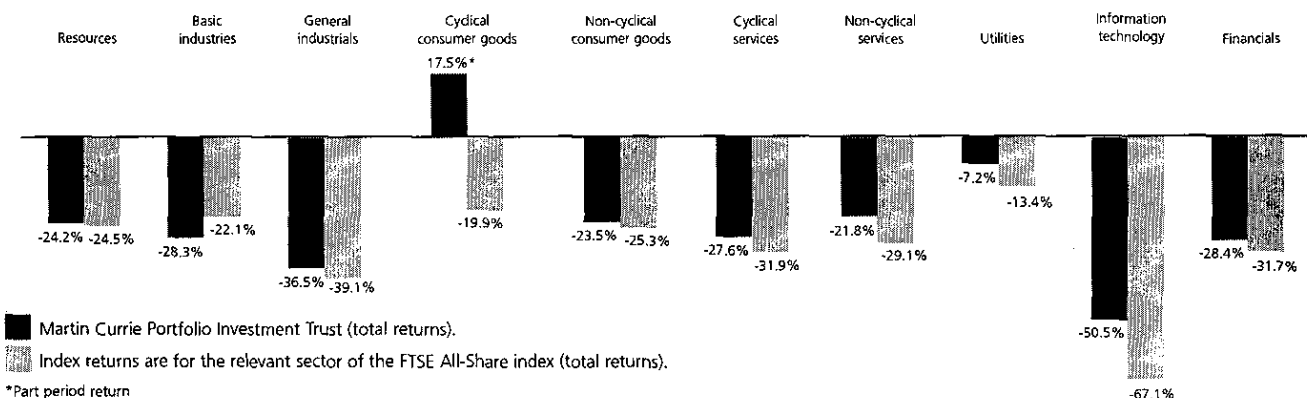
Martin Currie Capital Return Trust also fell in value, but outperformed significantly. As the company receives cash from its "A" share holding in Martin Currie Capital Return Trust, there will be an uplift in net asset value from the underlying realisations.

Outlook

The pessimism of a year ago has deepened to a level that suggests a lot of bad news is now discounted. Dividend yields are higher than bank deposit rates;

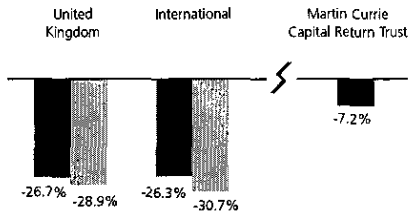
Performance summary by sector (excluding Martin Currie Capital Return Trust)

for the year ended 31 January 2003



Manager's review

Performance summary by region



for the year ended 31 January 2003

- Martin Currie Portfolio Investment Trust (total returns).
- ▨ FTSE All-Share index for United Kingdom and FTSE World (ex UK) for international (total returns).

central banks and many governments are doing their utmost to boost liquidity and confidence. That liquidity, or cash, needs to find a home. When confidence returns, equities should appeal more than gold, bonds, property or bank deposits.

With ongoing economic gloom and the possibility of war, the short-term direction of the market is difficult to forecast. The company is fully invested but has scope to utilise borrowings more fully. I will take advantage of weakness in the market to invest in companies that I believe are undervalued and in which the company can make money once the uncertainty diminishes.

Though heightened, competitive pressures are not a new phenomenon—there will always be winners and losers in all sectors. Strong cash flow, a sound balance sheet and an improving outlook are the key qualities in the companies I am targeting.

Tom Walker
17 March 2003

Portfolio holdings

United Kingdom portfolio	Market value £	% of total portfolio
BP	15,837,445	7.66
GlaxoSmithKline	13,955,164	6.75
Vodafone	12,673,783	6.13
HSBC	10,727,416	5.19
Royal Bank of Scotland	8,774,293	4.24
Candover Investments	4,560,300	2.20
AstraZeneca	4,528,912	2.19
Imperial Tobacco	4,161,920	2.01
Diageo	3,744,630	1.81
Anglo American	3,612,675	1.75
Lloyds TSB	3,334,961	1.61
Henderson Absolute Return Portfolio	3,330,000	1.61
British Sky Broadcasting	2,994,347	1.45
Tesco	2,979,000	1.44
Shell Transport and Trading	2,938,594	1.42
National Grid Transco	2,756,502	1.33
Aviva	2,295,891	1.11
Scottish and Southern Energy	2,270,180	1.10
Rio Tinto	2,187,849	1.06
Kingfisher	1,994,997	0.96
Legal and General	1,881,130	0.91
British American Tobacco	1,696,250	0.82
Persimmon	1,628,000	0.79
Barclays	1,522,425	0.74
3i	1,476,000	0.71
Wolseley	1,446,000	0.70
Schroder Ventures International	1,413,000	0.68
Electrocomponents	1,279,780	0.62
Rank	1,266,700	0.61
Provident Financial	1,249,500	0.60
Man	1,241,000	0.60
Wolverhampton and Dudley Breweries	1,170,750	0.57
Alliance Unichem	1,167,000	0.56
Six Continents	1,084,650	0.52
Shanks	1,049,750	0.51
Intermediate Capital	1,042,875	0.50
Close Brothers	945,000	0.46
WPP	937,200	0.45
Marshalls	928,250	0.45
Next	912,000	0.44
BPB	822,800	0.40
GUS	820,821	0.40
Tibbett and Britten	735,300	0.36
AMEC	646,000	0.31
Martin Currie Income and Growth Trust - capital shares	252,000	0.12
Anite	155,025	0.07
Exeter Investment	125,179	0.06
Xansa	108,456	0.04
Total United Kingdom investments	138,661,700	67.02

Portfolio holdings

International portfolio	Market value £	% of total portfolio
North America		
Wellpoint Health Networks	1,857,127	0.90
Pfizer	1,754,700	0.85
Procter and Gamble	1,561,781	0.75
Southern	1,542,435	0.75
FleetBoston Financial	1,540,835	0.74
Microsoft	1,385,946	0.67
Viacom	1,377,452	0.67
Cendant	1,280,769	0.62
Target	1,167,050	0.56
Honeywell International	1,115,168	0.54
Clini-Therm	-	0.00
Total North America investments	14,583,263	7.05
Continental Europe		
ENI	1,541,051	0.74
Telecom Italia	1,488,713	0.72
Brisa Auto-Estradas	1,387,444	0.67
Portugal Telecom	1,223,841	0.59
Arcelor	1,159,424	0.56
Total Fina Elf	1,089,321	0.53
Atlas Copco	1,073,697	0.52
Total Continental Europe investments	8,963,491	4.33
Japan		
Martin Currie Absolute Return Japan Fund	2,773,105	1.34
Kyocera	1,086,153	0.52
Lawson	821,850	0.40
Sumitomo	741,179	0.36
Total Japan investments	5,422,287	2.62
Australia		
BHP Billiton	1,336,091	0.65
MIM	659,059	0.31
Total Australia investments	1,995,150	0.96
Global Emerging Markets		
Siam Cement	1,792,291	0.87
PT Telekomunikasi Indonesia	1,051,185	0.51
Kookmin Bank	832,998	0.40
Aluminium Corporation of China	687,955	0.33
Total Global Emerging Markets investments	4,364,429	2.11
Unquoted Investments		
Martin Currie Capital Return Trust - A (Realisation) shares	26,588,595	12.85
Martin Currie Capital Return Trust - B (Continuation) shares	6,308,482	3.05
	32,897,077	15.90
Total portfolio	206,887,397	100.0

Report of the directors

Shareholders as at 31 January 2003	% of shareholders	% of equity capital
Individuals and trustees	63.6	28.1
Insurance and investment companies	0.5	1.2
Banks and nominee companies	31.3	62.4
Other holders	4.6	8.3
	100.0	100.0

The company has been notified of the following interest in its ordinary share capital:

Ordinary share capital as at 24 March 2003	299,470,830 shares
Barclays Plc	4.0%
Legal and General Investment Management Limited	3.2%
DC Thomson & Company Limited	3.0%

The directors submit the financial statements for the year to 31 January 2003. During the year under review the company has followed the normal activities of an investment trust company. The chairman's statement and manager's review contain a review of the company's activities during the year.

Principal activities

The company carries on business as an investment trust. In the year under review, the directors have conducted the affairs of the company so as to enable it to qualify as an investment trust as defined in Section 842 of the Income and Corporation Taxes Act 1988 and as an investment company as defined in Section 266 of the Companies Act 1985. Under Corporation Tax Self Assessment ("CTSA") the Inland Revenue are no longer obliged to give written approval of compliance with Section 842 of the Income and Corporation Taxes Act 1988. However an agreement has been reached by the Association of Investment Trust Companies ("AITC") and the Inland Revenue that Section 842 approval may be given outwith the CTSA regime and that the Inland Revenue may grant approval in writing within three months of the application. The company is therefore in the process of seeking formal approval for the year ended 31 January 2002.

Valuation

At the year end the net assets attributable to ordinary shares were £195,481,000, compared with £280,947,000 at the end of last year. Based on these figures, the net asset

value per ordinary share was 65.12p (2002: 89.88p).

Income and dividends

Gross revenue for the year was £7,769,000 (2002: £7,014,000). The revenue return per share was 1.80p (2002: 1.47p).

An interim dividend of 0.5p per share was paid on 25 October 2002. The board now recommends a final dividend payment of 1.05p per share which makes a total for the year of 1.55p. The final dividend is payable on 23 May 2003 to shareholders on the register on 25 April 2003. After provision for the dividend, the sum of £878,000 will be transferred to the revenue reserve.

Shareholders

At 31 January 2003 there were 6,822 ordinary shareholders on the main register and a further 475 participants in Martin Currie FundsCircle (representing 8.0% of the issued share capital). These 7,297 holders are analysed in the table above.

Directors

Directors' shareholdings are shown in note 21 on page 26. The company has no service contracts with its directors.

Calum MacLeod stood down from the board on 27 May 2002.

Baroness Hogg stood down from the board on 31 December 2002.

Gillian Nott was appointed as a director on 20 January 2003 and offers herself for election at the AGM. Douglas Kinloch Anderson, being eligible, offers himself for re-election at the AGM.

Directors who held office at the year end are detailed on page 4.

Managers and secretaries

Martin Currie Investment Management Ltd (MCIM) are employed as the managers and secretaries of the company subject to 12 months' notice of termination by either party.

Under the terms of the Management Agreement, MCIM is entitled to receive a basic investment management fee, payable quarterly in arrears, at the rate of 0.6% per annum (plus VAT) of total assets (as calculated in accordance with the terms of the Management Agreement). The annual rate of 0.6% on the first £500 million of total assets falls to 0.4% for the amount of total assets above £500 million.

Assets invested in companies or funds which are managed by a member of the Martin Currie group, including the company's shareholding in Martin Currie Capital Return Trust, are excluded from total assets for the purpose of calculating the basic investment management fee.

MCIM is, in addition, entitled to a performance-related investment management fee, calculated and payable quarterly in arrears, up to a rate of 0.2% per annum (plus VAT) of total assets. The performance-related fee is calculated over the previous 12 month period on a graduated basis. The maximum performance-related fee of 0.2% per annum will only be paid if the percentage performance of Martin Currie Portfolio Investment Trust's net asset value exceeds the percentage performance of the capital return of the FTSE All-Share index by at

Report of the directors

least two percentage points over the relevant period. During the year ended 31 January 2003 MCIM earned a performance fee of £119,000 plus VAT (2002: nil).

MCIM also provides administrative and secretarial services to Martin Currie Portfolio Investment Trust under the Secretarial Agreement for which it receives an annual secretarial fee. This fee is payable quarterly at the current rate of £52,756 (plus VAT) per annum. It is subject to an increase in May each year in line with the UK Retail Prices index. The secretarial fee for the year ended 31 January 2002 was £52,495 (plus VAT).

Joe Scott Plummer is interested in the Management Agreement and the Secretarial Agreement as chairman of Martin Currie Ltd, the parent company of MCIM.

Corporate governance

Combined Code

The Company is committed to high standards of corporate governance. The UK Listing Authority requires all listed companies to disclose how they have complied with the principles of the Combined Code of Corporate Governance set out in the Listing Rules. This statement describes how the Company has applied the principles of good governance of the Combined Code and its requirements on internal control. The Board considers that throughout the year the Company has been in compliance with the provisions of the Combined Code, except where noted.

The Board

The Board consists of six non-executive

Directors, five of whom are considered to be fully independent of the Company and the Company's Investment Managers, and one is chairman of Martin Currie Investment Management Limited (the "Investment Managers") and their parent company, Martin Currie Ltd. As the Company is an investment trust, and its Board consists of non-executive Directors, it does not have a Chief Executive Officer. The senior independent Director is Douglas Kinloch Anderson. Mr Kinloch Anderson is also a director of Martin Currie Capital Return Trust plc, which is managed by the Investment Managers and in which the Company has a substantial shareholding. Biographical details of Board members are shown on page 4. The Directors have a range of business, financial or asset management skills or experience of investment trusts relevant to the direction of the Company. All Directors are appointed for an initial term covering the period from the date of their appointment until the first Annual General Meeting thereafter, at which they are required to stand for election, in accordance with the Company's Articles of Association. Thereafter, Directors retire by rotation at least every three years. Upon appointment, each Director is provided with a summary of the responsibilities and duties of directors, together with relevant background information on the Company, and continually updated through their term in office on industry and regulatory developments. Directors are elected for three-year terms. Their tenure is reviewed prior to their seeking re-election on each occasion. In the normal course of events, directors would not expect to serve more than three terms.

The Board meets at least six times each year to review the overall business of the Company and to consider the matters specifically reserved for it to decide on. These meetings are also attended by the Investment Managers. Prior to each meeting, Directors are provided with a comprehensive set of papers giving detailed information on the Company's transactions, financial position and performance. The Investment Managers also ensure that all Directors have timely access to all relevant management, financial and regulatory information.

The Board has contractually delegated to the Investment Managers the management of the investment portfolio 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 including the financial control systems in operation in so far as they relate to the affairs of the Company, and each contract is monitored on an annual basis by the Management Engagement Committee.

There is an agreed procedure for Directors to be able to take independent professional advice in the furtherance of their duties, if necessary, at the Company's expense. This is in addition to the access which every Director has to the advice and services of the corporate Company Secretaries, who are responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

Report of the directors

Board committees

A *Management Engagement Committee*, consisting of the Chairman and the senior independent Director, meets at least annually to monitor and review the Management Agreement with the Investment Managers.

The *Audit Committee* consists of three independent Directors and is chaired by Ben Thomson. The Committee has written terms of reference which clearly define its responsibilities. It meets three times a year to review the internal financial controls, accounting policies and the contents of the interim and annual reports to shareholders. The Committee meets at least annually with the external auditors, and reviews information from the Investment Managers' Legal and Compliance department.

A *Nominations Committee*, chaired by the Chairman and consisting of the Chairman and the senior independent Director, identifies prospective candidates for new Board appointments, makes recommendations for consideration by the full Board, and considers the re-appointment of those Directors retiring by rotation.

In making recommendations for new appointments, the Nominations Committee looks to maintain or enhance the balance of skills and experience of the Board. Having drawn up a broad specification, it seeks assistance in identifying suitable candidates from the Board and managers' own contacts, its professional advisers and the AITC. It will also on occasion seek the professional services of recruitment consultants.

A *Marketing Committee*, consisting of three independent Directors and chaired by the senior independent Director, met four times during the year to consider the marketing strategy for the Company and to review the Company's communications with its shareholders.

Internal controls and risk management
The Directors acknowledge that they are responsible for the Company's systems of internal financial and risk management, and for monitoring their effectiveness. The purpose of these systems is to manage, rather than to eliminate, the risk of failure to achieve business objectives, and provide reasonable assurance as to the quality of management information and to maintain proper control over the income, expenditure, assets and liabilities of the Company.

No system of control can, however, provide absolute assurance against material misstatement or loss. Accordingly, the Directors have regard to what controls, in their judgement, are appropriate to the Company's business, to the materiality of the risks inherent in that business, and to the relative costs and benefits of implementing specific controls.

The Board has therefore established an ongoing process designed to meet the particular needs of the Company and manage the risks to which it is exposed. These procedures are consistent with the guidance provided by the Turnbull Committee.

Based principally on the Managers' existing risk-based system of internal control, this approach seeks to identify

two broad categories of risk: inherent, driven by business type, and strategic, driven by business development. These are then used to create a risk assessment matrix which identifies the key functions carried out by the Investment Managers, the individual activities undertaken within those functions, the risks associated with each activity and the controls employed to minimise those risks. A residual risk rating is then applied. The risk assessment matrix is continually updated and the Board is provided with two interim reports and an annual report, highlighting all material changes to the risk ratings and confirming the action which has been, or is being, taken. Such procedures have been in place throughout the full financial year and up to the date of approval of the annual report and the Board is satisfied with their effectiveness. The Directors monitor the investment performance of the Company in comparison to its benchmark index and to comparable investment trusts at each Board meeting. They also review the Company's activities since the last meeting to ensure that they adhere to its agreed investment policy and approved investment guidelines and, if necessary, approve changes to such policy and/or guidelines.

The Board has reviewed the need for an internal audit function and has decided that the systems and procedures employed by the Investment Managers, including their internal audit function and the work carried out by the trust's external auditors, provide sufficient assurance that a sound system of internal control, which safeguards shareholders' investment and the Company's assets, is maintained. An internal audit function,

Report of the directors

specific to the Company, is therefore considered unnecessary.

Relations with shareholders

The Company places a great deal of importance on communication with shareholders. The Investment Managers provide a dedicated client services team which maintains regular contact with the Company's shareholders, particularly major shareholders, and reports regularly to the Board. It is the Company's policy to make full use of the Annual General Meeting. As a means of communicating with its shareholders and to encourage their participation in the affairs of the Company. Following the conclusion of the Annual General Meeting, the Investment Managers generally give a presentation on the performance of the Company and deal with questions from shareholders as necessary. Shareholders and investors may obtain up-to-date information on the Company through the Company's website. The directors also meet from time to time with major and representative shareholders.

Exercise of voting powers

It is the policy of the Investment Managers to exercise the voting rights attaching to the securities in which they invest on all possible occasions, even in respect of routine resolutions. Unless they believe it to be against the best interests of shareholders to do so, it is the Investment Managers' policy to support the boards of the companies in which they invest.

Ethical investment

The Directors recognise that their duty is to act in the best financial interests of the Company's shareholders. The Directors

also acknowledge that there are long term risks to shareholders from companies which fail to conduct business in a socially responsible manner. They have asked the Investment Managers to take these issues into account, where possible, as long as the investment objectives and the performance of the Company are not compromised. The Investment Managers always consider the environmental, social and ethical aspects of every company in which they may or do invest. While, inevitably, standards vary from country to country, the Investment Managers expect companies to conform to local 'best practice' at least.

Going concern

The directors, after making suitable enquiries, are satisfied that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the financial statements.

Directors' responsibility statement

The directors are required by UK company law 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 revenue for the year. Suitable accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, have been used in the preparation of the financial statements. Applicable accounting standards have been followed.

The directors are also responsible for maintaining adequate accounting records, which enable them to ensure that they

comply with the Companies Act 1985, for safeguarding the assets of the company and for taking reasonable steps for preventing and detecting fraud and other irregularities.

Tax status

The directors have conducted the affairs of the company so as to enable it to qualify as an investment trust within the meaning of the Income and Corporation Taxes Act 1988 in the year under review.

Share capital

During the year from 1 February 2002 to 31 January 2003 the company bought back 12,392,505 ordinary shares (nominal value of £620,000, being 4.0% of the issued share capital) on the London Stock Exchange for cancellation. The total consideration for these shares was £7.8 million. Since 31 January 2003 716,235 shares have been bought back for cancellation. Buying in shares at a discount enhances the net asset value of the company and may help to reduce the discount.

Management of financial risk

The major financial risks faced by the company are funding risk, interest rate risk, currency risk and stockmarket risk.

The board of Martin Currie Portfolio Investment Trust regularly reviews these risks and approves any decisions made by the managers on how overall risks are managed.

Funding risk - the company's financial instruments comprise investments, borrowings, cash and various items, such as trade debtors, trade creditors, derivatives, etc (as identified in the notes

Report of the directors

Financial liabilities as at 31 January

Facility	Currency (000)	2003		Currency (000)	2002	
		Fixed rate	Floating rate		Fixed rate	Floating rate
Bank loan	-	-	-	¥1,232,500	0.65%	-
Bank loan	¥1,232,500	0.50%	-	-	-	-
Bank loan	£10,000	6.61%	-	£10,000	6.61%	-
Bank loan	£10,000	5.92%	-	£10,000	5.92%	-
Bank loan	£15,000	-	LIBOR + 0.6%	£15,000	-	LIBOR+0.6%
Interest rate swap	£15,000	6.86%	-	£15,000	6.86%	-

Financial assets as at 31 January

Interest rate swap	£15,000	-	LIBOR	£15,000	-	LIBOR
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to the financial statements), that arise directly from its operations. The main purpose of these financial instruments, excluding fixed asset investments, is to raise finance for the company's operations. Notes 19 and 20 to the financial statements on page 26 give further details of the company's funding.

Fixed asset investments are valued at mid-market values which equate to their fair values. The fair value of all other current assets and liabilities is represented by their carrying values in the balance sheet. The information below and the notes to the financial statements give further details of the company's financial instruments and related uses.

Interest rate risk - from time to time the company finances its operations through bank borrowings. The company has borrowed in both sterling and yen, as shown in notes 11 and 12 to the financial statements. The board believes that one of the key advantages of investment trusts (as compared with unit trusts, for example) is the ability to take on borrowings with the objective of enhancing capital returns to shareholders. The current yen and sterling loans seek to take advantage of the low level of interest rates relative to the expected returns from Japanese and UK equity investments.

The company has a £15 million sterling loan taken out at a floating rate of LIBOR plus 0.6%. This loan matures in April 2004. The floating rate on this loan is reset every quarter. In addition, the company has entered into an interest rate swap to receive floating LIBOR and pay

fixed 6.86% on a principal sum of £15 million. This swap expires in April 2004 and was entered into for the purpose of hedging the company's interest rate exposure in long-term borrowings. The valuation of the swap is shown in note 12 to the financial statements.

The company also has a £10 million multi-currency facility. A new ¥1,232.5 million loan was taken out when the previous yen loan was repaid in June 2002. This loan will mature in June 2003. The interest rate is fixed at 0.50% (2002: 0.65%).

In addition, the company has two £10 million loans. One will mature in August 2004 and has a fixed rate of interest of 5.92%. The other will mature in June 2004 and has a fixed rate of interest of 6.61%.

The fair value of these balances is not considered to be materially different to their carrying values.

There are no fixed rate securities held as at 31 January 2003.

Currency risk - although the company is based in the UK, 17.1% (2002: 19.3%) of its portfolio of investments are international stocks. As a result, the company's sterling balance sheet can be significantly affected by movements in the local currencies of these stocks.

The company's exposure to yen/sterling movements is hedged to an extent by the yen loan that is in place. In addition, the company has entered into a forward currency contract to sell US\$ and to buy

£13.8 million at a rate of 1.65. This contract matures on 8 April 2003.

The company is not speculating in currency and it is its policy that currency hedging against weakness of an investment currency is limited to the extent of the exposure to that currency and only into sterling.

As well as the overseas investments, the company also has non-sterling cash deposits. These are detailed on page 15 and are included in the cash balance in note 10 to the financial statements.

All short-term debtors and creditors are denominated in sterling, with the exception of broker payables totalling US\$nil (2002: US\$2,506,000), broker receivables of US\$nil (2002: US\$1,405,224) and the ¥1,232.5 million (2001: ¥1,252.5 million) loan referred to in note 11.

Stockmarket risk - after consideration of advice from the managers, the board decides the investment strategy required to fulfil the company's objectives.

The managers apply a global market preference to the creation of a model portfolio. It is the job of the management team associated with Martin Currie Portfolio Investment Trust to ensure that the trust's asset allocation reflects this. The Board is then provided with information from the managers to allow it to review this at each board meeting.

Auditors

Ernst & Young LLP will be proposed for re-appointment as auditors in accordance with Section 385 of the Companies Act 1985.

Report of the directors

Foreign currency exposure

	2003		2002	
	Investments £000	Cash £000	Investments £000	Cash £000
US dollar†	15,416	-	37,771	-
Euro	7,890	-	14,066	-
Japanese yen	5,422	894	5,997	1,545
Indonesian rupiah	1,051	-	1,152	-
Swedish krona	1,074	-	-	-
Australian dollar	1,995	-	-	-
Thai baht	1,792	-	-	-
Hong Kong dollar	688	-	-	-
	35,328	894	58,986	1,545

†The company has entered into a forward currency contract to sell US\$ and buy £13.8 million at a rate of 1.65. The contract matures on 8 April 2003.

The resolution for their re-appointment is set out in the notice of AGM.

Special business Authorisation to issue shares

At the annual general meeting of the company held on 27 May 2002 resolutions were passed which permitted the directors generally to allot equity shares and to allot such shares as if Section 89(1) of the Companies Act 1985 did not apply. (This Section requires where new shares are allotted by cash, such new shares are first offered to existing shareholders in proportion to their existing holding of shares, this entitlement to be known as "pre-emption rights".) The renewal of this authority for allotment without the application of pre-emption rights is now sought by means of a special resolution at the forthcoming annual general meeting.

Allotment of shares pursuant to this authority would enable the directors to issue shares for cash to take advantage of changes in market conditions that may arise in order to increase the amount of the company's issued share capital. The purpose of such an increase would be to improve the liquidity of the market in the company's shares and to spread the fixed cost of administering the company over a wider base. The directors believe that this would increase the investment attractions of the company to the benefit of existing shareholders. They have no present intention of using this authority, if granted and no issue of shares would be made except in accordance with the articles of association.

The resolution required to allot the shares in this way is set out as resolution 8 in the

notice of meeting. The resolution, if passed will give the directors power to allot for cash equity securities of the company up to a maximum of £750,467 (being an amount equal to 5% of the issued share capital of the company as at 31 January 2003) without the application of pre-emption rights described above. The calculation of the above figure is in accordance with the limits laid down in the UK Listing Authority and Investment Protection Committee guidelines and the directors will not use this authority other than in accordance with the above guidelines.

The authority contained in resolution 8 will continue until the annual general meeting of the company in 2004 at which time the directors envisage seeking renewal of this authority in 2004 and in each succeeding year subject to such renewals again being in accordance with the above guidelines.

Authorisation to purchase own shares

At the annual general meeting of the company held on 27 May 2002, a resolution was passed which authorised the company to purchase its own shares in the market. This authority will expire at the conclusion of the forthcoming annual general meeting.

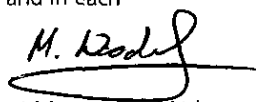
The directors consider that the reasons for asking shareholders to approve such authority still apply. The main purpose of any share buy-backs will be to enhance the net asset value of the remaining ordinary shares, as the shares will only be acquired at a cost which is less than their net asset value. Purchases should also provide liquidity for shareholders wishing to sell their ordinary shares and may have a beneficial effect on the discount at

which the ordinary shares currently trade to their net asset value.

The resolution to authorise the company to purchase its own shares is set out in resolution 9. This resolution, if passed, will give the company the authority to purchase its own shares within guidelines established from time to time by the directors. Purchases will only be made for cash at a cost which is below the prevailing net asset value per ordinary share. Under the rules of the UK Listing Authority, the maximum price which may be paid is five per cent above the average of the market values of the ordinary shares for the five business days before the purchase is made. The minimum price payable will be 5p, being the nominal value of an ordinary share. Ordinary shares which are purchased will be cancelled. Purchases will be funded either by using available cash resources, by selling investments in the portfolio or by borrowings.

No ordinary shares will be purchased by the company during periods when the company would be prohibited from making such purchases by the rules of the UK Listing Authority.

The authority contained in resolution 9 will continue until the annual general meeting of the company in 2004 and the directors envisage seeking the renewal of this authority in 2004 and in each succeeding year.

By order of the board

 Martin Currie Investment Management Ltd
 Secretaries
 Edinburgh
 17 March 2003

Directors' remuneration report

The Board has prepared this report in accordance with the requirements of Schedule 7A to the Companies Act 1985, which applies for the first time for this financial year. An ordinary resolution for the approval of this report will be put to the members at the forthcoming annual general meeting.

The law requires the Company's auditors to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The auditor's opinion is included in their report on page 17.

Remuneration committee

The Company has six non-executive directors. The Nominations Committee fulfils the function of a Remuneration Committee in addition to its nominations function. The Board has appointed the Company Secretary, Martin Currie Investment Management Limited, to provide advice when the Nominations Committee considers the level of directors' fees.

The Nominations Committee carried out a review of the level of directors' fees during the year, and recommended that directors' fees be increased to £16,000 and the Board independently increased the Chairman's fee to £26,500 per annum with effect from 1 February 2003. The fees were last changed in February 2001. The directors who were members of the Nominations Committee at the time of the review were Peter Berry and Douglas Kinloch Anderson.

Policy on directors' fees

The Board's policy is that the remuneration of non-executive directors should reflect the experience of the Board as a whole, be fair and comparable to that of other investment trusts that are similar in size (net assets £200 million to £500 million), have a similar capital structure (ordinary shares and bank borrowings), and have similar investment objectives (principally global capital growth). It is intended that this policy will continue for the year ending 31 January 2004 and subsequent years.

The fees for the non-executive directors are determined within the limits set out in the Company's Articles of Association. Non-executive directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits.

Directors' service contracts

It is the Board's policy that none of the directors has a service contract. All directors are appointed for an initial term covering the period from the date of that appointment until the first Annual General Meeting at which they are requested to stand for election in accordance with the Company's Articles of Association. Thereafter the directors retire by rotation at least every three years.

Company performance

The graph below compares the total return (assuming all dividends are reinvested) to ordinary shareholders compared to the total shareholder return on the FTSE All-Share Index. This index was chosen for comparison purposes, as it is the benchmark used for investment performance measurement purposes.

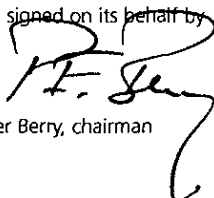
Directors emoluments for the year (audited)

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

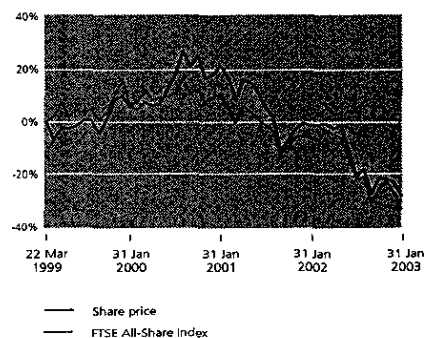
	Fees 2002/2003 £'000	Fees 2001/2002 £'000
Peter Berry (Chairman of the Board)	25	25
Calum MacLeod (stood down as a director on 27 May 2002)	6	20
Baroness Hogg (stood down as a director on 31 December 2002)	14	15
Douglas Kinloch Anderson	15	15
Gill Nott (appointed 20 January 2003)	1	-
John Plant	15	15
Joe Scott Plummer	15	15
Ben Thomson	15	15
	106	120

Approval

The Directors' Remuneration Report was approved by the Board of directors on 17 March 2003 and signed on its behalf by


Peter Berry, chairman

Benchmark comparison



Report of the directors

Foreign currency exposure

	2003		2002	
	Investments £000	Cash £000	Investments £000	Cash £000
US dollar†	15,416	-	37,771	-
Euro	7,890	-	14,066	-
Japanese yen	5,422	894	5,997	1,545
Indonesian rupiah	1,051	-	1,152	-
Swedish krona	1,074	-	-	-
Australian dollar	1,995	-	-	-
Thai baht	1,792	-	-	-
Hong Kong dollar	688	-	-	-
	35,328	894	58,986	1,545

†The company has entered into a forward currency contract to sell US\$ and buy £13.8 million at a rate of 1.65. The contract matures on 8 April 2003.

The resolution for their re-appointment is set out in the notice of AGM.

Special business

Authorisation to issue shares

At the annual general meeting of the company held on 27 May 2002 resolutions were passed which permitted the directors generally to allot equity shares and to allot such shares as if Section 89(1) of the Companies Act 1985 did not apply. (This Section requires where new shares are allotted by cash, such new shares are first offered to existing shareholders in proportion to their existing holding of shares, this entitlement to be known as "pre-emption rights".) The renewal of this authority for allotment without the application of pre-emption rights is now sought by means of a special resolution at the forthcoming annual general meeting.

Allotment of shares pursuant to this authority would enable the directors to issue shares for cash to take advantage of changes in market conditions that may arise in order to increase the amount of the company's issued share capital. The purpose of such an increase would be to improve the liquidity of the market in the company's shares and to spread the fixed cost of administering the company over a wider base. The directors believe that this would increase the investment attractions of the company to the benefit of existing shareholders. They have no present intention of using this authority, if granted and no issue of shares would be made except in accordance with the articles of association.

The resolution required to allot the shares in this way is set out as resolution 8 in the

notice of meeting. The resolution, if passed will give the directors power to allot for cash equity securities of the company up to a maximum of £750,467 (being an amount equal to 5% of the issued share capital of the company as at 31 January 2003) without the application of pre-emption rights described above. The calculation of the above figure is in accordance with the limits laid down in the UK Listing Authority and Investment Protection Committee guidelines and the directors will not use this authority other than in accordance with the above guidelines.

The authority contained in resolution 8 will continue until the annual general meeting of the company in 2004 at which time the directors envisage seeking renewal of this authority in 2004 and in each succeeding year subject to such renewals again being in accordance with the above guidelines.

Authorisation to purchase own shares

At the annual general meeting of the company held on 27 May 2002, a resolution was passed which authorised the company to purchase its own shares in the market. This authority will expire at the conclusion of the forthcoming annual general meeting.

The directors consider that the reasons for asking shareholders to approve such authority still apply. The main purpose of any share buy-backs will be to enhance the net asset value of the remaining ordinary shares, as the shares will only be acquired at a cost which is less than their net asset value. Purchases should also provide liquidity for shareholders wishing to sell their ordinary shares and may have a beneficial effect on the discount at

which the ordinary shares currently trade to their net asset value.

The resolution to authorise the company to purchase its own shares is set out in resolution 9. This resolution, if passed, will give the company the authority to purchase its own shares within guidelines established from time to time by the directors. Purchases will only be made for cash at a cost which is below the prevailing net asset value per ordinary share. Under the rules of the UK Listing Authority, the maximum price which may be paid is five per cent above the average of the market values of the ordinary shares for the five business days before the purchase is made. The minimum price payable will be 5p, being the nominal value of an ordinary share. Ordinary shares which are purchased will be cancelled. Purchases will be funded either by using available cash resources, by selling investments in the portfolio or by borrowings.

No ordinary shares will be purchased by the company during periods when the company would be prohibited from making such purchases by the rules of the UK Listing Authority.

The authority contained in resolution 9 will continue until the annual general meeting of the company in 2004 and the directors envisage seeking the renewal of this authority in 2004 and in each succeeding year.

By order of the board
Martin Currie Investment Management Ltd
Secretaries
Edinburgh
17 March 2003

Independent auditor's report

To the Members of Martin Currie Portfolio Investment Trust plc

We have audited the company's financial statements for the year ended 31 January 2003, which comprise the Statement of total return, Balance sheet, Statement of cash flow and the related notes 1 to 22. These financial statements have been prepared on the basis of the accounting policies set out therein. We have also audited the information in the Directors' remuneration report that is described as having been audited.

This report is made solely to the company's members, as a body, in accordance with s235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters that we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report, the Directors' remuneration report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the Directors' responsibilities statement.

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

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the

Directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Report of the directors 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 Corporate governance statement 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 About the trust, Financial highlights, Chairman's statement, Board of directors, Portfolio summary, Manager's review, Portfolio holdings, Report of the directors, the unaudited part of the Directors' remuneration report, Investor information, Glossary of investment trust terms and Notice of meeting. 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 an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' remuneration report to be audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion:

- ◆ The financial statements give a true and fair view of the state of affairs of the company as at 31 January 2003 and of its net revenue for the year then ended; and
- ◆ The financial statements and the part of the Directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered auditor
Edinburgh
17 March 2003

Statement of total return

	Note	Year to 31 January 2003			Year to 31 January 2002		
		Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Net losses on investments							
- realised	16	-	(26,248)	(26,248)	-	(35,031)	(35,031)
- unrealised	16	-	(55,333)	(55,333)	-	(43,357)	(43,357)
Net currency gains	16	-	224	224	-	612	612
Income - franked	2	6,038	5,909	11,947	5,333	185	5,518
- unfranked	2	1,731	-	1,731	1,681	-	1,681
Investment management fee		(677)	(1,354)	(2,031)	(769)	(1,538)	(2,307)
Performance fee		-	(138)	(138)	-	-	-
Other expenses	4	(562)	-	(562)	(599)	-	(599)
Net return before finance costs and taxation		6,530	(76,940)	(70,410)	5,646	(79,129)	(73,483)
Interest payable and similar charges	3	(796)	(1,592)	(2,388)	(841)	(1,682)	(2,523)
Return on ordinary activities before taxation		5,734	(78,532)	(72,798)	4,805	(80,811)	(76,006)
Taxation on ordinary activities	5	(167)	-	(167)	(213)	86	(127)
Return on ordinary activities after taxation for the financial year		5,567	(78,532)	(72,965)	4,592	(80,725)	(76,133)
Dividends in respect of equity shares: 1.55p per share (2002: 1.50p per share)	6	(4,689)	-	(4,689)	(4,689)	-	(4,689)
Transfer to/(from) reserves		878	(78,532)	(77,654)	(97)	(80,725)	(80,822)
Return per ordinary share	7	1.80p	(25.40p)	(23.60p)	1.47p	(25.83p)	(24.36p)

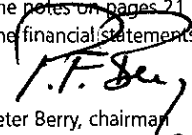
The revenue column of this statement is the profit and loss account of the company.
All revenue and capital items in the above statement derive from continuing operations.
No operations were acquired or discontinued in the year.
The notes on pages 21 to 26 form part of these financial statements.

Balance sheet

	Note	As at 31 January 2003		As at 31 January 2002	
		£000	£000	£000	£000
Fixed assets					
Investments at market value					
Listed on The Stock Exchange in the UK			171,559		246,235
Listed on stock exchanges abroad			35,328		58,986
	8		206,887		305,221
Current assets					
Debtors	9		907		4,845
Cash at bank	10		33,882		21,622
			34,789		26,467
Creditors					
Amounts falling due within one year	11		(10,642)		(15,166)
Net current assets			24,147		11,301
Total assets less current liabilities			231,034		316,522
Creditors					
Amounts falling due after one year	12		(35,553)		(35,575)
Net assets			195,481		280,947
Capital and reserves					
Called-up ordinary capital	13		15,009		15,629
Share premium account			159,208		159,208
Capital redemption reserve	15		1,008		388
Special distributable reserve	14		135,167		142,979
Realised capital reserve	16		(57,242)		(34,043)
Unrealised capital reserve	16		(59,915)		(4,582)
Revenue reserve	16		2,246		1,368
Equity shareholders' funds			195,481		280,947
Net asset value ordinary share	7		65.12p		89.88p

The notes on pages 21 to 26 form part of these financial statements.

The financial statements were approved by the board on 17 March 2003, and signed on its behalf by


Peter Berry, chairman

Statement of cash flow

	Note	Year to 31 January 2003		Year to 31 January 2002	
		£000	£000	£000	£000
Operating activities					
Net dividends and interest received from investments		12,515		6,756	
Underwriting commission received		27		-	
Interest received from deposits		845		735	
Investment management fee		(2,115)		(2,558)	
Cash paid to and on behalf of directors		(139)		(162)	
Bank charges		(35)		(53)	
Net taxation recovered		70		22	
Other cash payments		(929)		(660)	
Net cash inflow from operating activities	18		10,239		4,080
Servicing of finance					
Interest paid		(2,776)		(2,196)	
Net cash outflow from servicing of finance			(2,776)		(2,196)
Capital expenditure and financial investment					
Payments to acquire investments		(89,584)		(119,964)	
Receipts from disposal of investments		106,802		128,088	
Net cash inflow from capital expenditure and financial investment			17,218		8,124
Equity dividends paid			(4,663)		(4,595)
Net cash inflow before financing			20,018		5,413
Financing					
Repurchase of ordinary share capital		(7,758)		-	
Movement in short-term borrowings		-		(12,478)	
Movement in long-term borrowings		-		10,000	
Net cash outflow from financing			(7,758)		(2,478)
Increase in cash for the period	19		12,260		2,935

The notes on pages 21 to 26 form part of these financial statements.

Notes to the financial statements

1 Accounting policies

- a) The financial statements have been prepared in accordance with applicable accounting standards and the Statement of Recommended Practice for Financial Statements of Investment Trust Companies (SORP) issued during January 2003.
- b) Income from equity investments is determined on the date on which the investments are quoted ex-dividend, or where no ex-dividend date is quoted, when the company's right to receive payment is established. Franked investment income is stated net of the relevant tax credit. Other income includes any taxes deducted at source. Gains or losses arising from the translation of income denominated in foreign currencies are recognised in the revenue reserve. Scrip dividends are treated as unfranked investment income; any excess in value of the shares received over the amount of the cash dividend is recognised in capital reserves.
- c) Interest receivable and payable and management expenses are treated on an accruals basis.
- d) The management fee and finance costs are allocated two-thirds to capital and one-third to revenue in accordance with the board's expected long-term split of returns in the form of capital gains and income, respectively. The performance fee is allocated 100% to capital as it relates entirely to the capital performance of the trust.
- e) Realised and unrealised gains and losses on investments and exchange adjustments to overseas currencies are taken to capital reserve.
- f) Investments are valued at mid-market prices. These valuations also represent the fair value of the investments. Foreign currencies are translated at the rates of exchange ruling on the balance sheet date. Investments are recognised initially as at the trade date of the transaction. Subsequent to this, the disposal of an investment is accounted for once again as at the trade date of the transaction.
- g) Revenue received and interest paid in foreign currencies are translated at the rates of exchange ruling on the transaction date.
- h) All financial assets and liabilities are recognised in the financial statements. Short term debtors and creditors have been excluded from the disclosures, other than the currency disclosures, as allowed by FRS13.
- i) The valuation of interest rate swaps and forward currency contracts are included on the balance sheet. Periodic changes to these valuations are recognised as unrealised gains or losses in the statement of total return. Net interest payments or receipts arising from interest rate swaps are accounted for as finance costs.
- j) In accordance with the provisions of FRS19, the company does not recognise deferred tax liabilities on unrealised investment gains. In addition the company has adopted the marginal method for allocating tax between revenue and capital. Previously the semi-proportional method was adopted.

	2003 £000	2002 £000
2 Income from investments		
From listed investments		
Equities	6,863	6,279
Interest on deposits	879	735
Underwriting commission	27	-
	7,769	7,014

In addition, during the year ended 31 January 2003, the company received a capital dividend of £5,909,000. This related to a capital distribution from Martin Currie Capital Return Trust. During the previous financial year, the company received a capital dividend of £185,000. This arose from the capital reorganisation of AstraZeneca and the creation of a new stand-alone subsidiary - Syngenta.

	Revenue £000	2003 Capital £000	Total £000	Revenue £000	2002 Capital £000	Total £000
3 Interest payable and similar charges						
Interest payable on bank loans and overdrafts	796	1,592	2,388	841	1,682	2,523

Notes to the financial statements

	2003 £000	2002 £000
4 Administrative expenses		
Auditors' fee	17	19
Bank charges	27	59
Directors' fees	123	123
FundsCircle administration	75	89
Irrecoverable VAT	26	9
Legal fees	9	4
Marketing	46	80
Printing and postage	58	88
Registration fees	24	26
Secretarial fee	57	56
Other	100	46
	562	599

Details of the Management and Secretarial Agreements are provided on pages 10 and 11.

	Revenue £000	2003 Capital £000	Total £000	Revenue £000	2002 Capital £000	Total £000
5 Taxation on ordinary activities						
Foreign tax	167	-	167	213	(86)	127

In accordance with the SORP issued in January 2003, the company has adopted the marginal method for allocating tax relief between income and capital. Previously the company applied the semi-proportional method. Under the previous method the overall tax charge would have been £167,000. However, in addition there would have been a re-allocation of £66,000 from revenue to capital. This reflects the impact of capitalised expenses.

For the year ended 31 January 2003, the company had unutilised management expenses of £3.5 million (2002: £3.8 million).

The revenue account tax charge for the year is lower than the standard rate of corporation tax in the UK for an investment trust company (30%). The differences are explained below.

	2003 £000	2002 £000
Return on ordinary activities before tax	5,734	4,805
Corporation tax at standard rate of 30%	1,720	1,442
Adjustments:		
UK dividends not taxable	(1,812)	(1,560)
Expenses not deductible	36	23
Overseas income taxed on receipts basis	-	(1)
Overseas tax written off	109	127
Relief for capital expenses	114	182
Current year tax charge	167	213

Notes to the financial statements

	2003 £000	2002 £000
6 Dividends on ordinary shares		
Interim of 0.50p (2002: 0.50p)	1,537	1,563
Proposed final of 1.05p (2002: 1.00p)	3,152	3,126
Total 1.55p (2002: 1.50p)	4,689	4,689

7 Returns and net asset value

The returns and net asset value per ordinary share are based on the following figures:

Revenue return	£5,567,000	£4,592,000
Capital return	(£78,532,000)	(£80,725,000)
Net assets attributable to equity shareholders	£195,481,000	£280,947,000
Number of ordinary shares in issue as at 31 January	300,187,065	312,579,570
Average number of ordinary shares in issue during year	309,120,470	312,579,570

	Year ended 31 January 2003 £000	Year ended 31 January 2002 £000
8 Investments		
Opening cost	309,228	355,568
Purchases at cost	86,100	117,140
Disposals at cost	(128,654)	(163,480)
Closing cost	266,674	309,228
Unrealised losses	(59,787)	(4,007)
Valuation as at 31 January	206,887	305,221

There were no capital commitments relating to investments as at 31 January 2003 (2002: nil).

There were no fixed interest securities held as at 31 January 2003 (2002: nil).

For interest rate risk and currency risk analyses in respect of investments refer to page 14.

	2003 £000	2002 £000
9 Debtors		
Dividends receivable	322	232
Due by brokers	21	4,417
Taxation recoverable	37	87
Forward currency contracts	425	-
Other debtors	102	109
	907	4,845

10 Cash at bank

Sterling bank account	32,927	20,077
Yen bank account	895	1,545
	33,822	21,622

Notes to the financial statements

	2003 £000	2002 £000
11 Creditors		
Amounts falling due within one year:		
Proposed final dividend	3,152	3,126
Interest accrued	409	797
Due to brokers	42	3,951
Due to MCIM	597	558
Other creditors	190	215
Bank loan ¥1,232.5m - repaid June 2002 (interest rate fixed at 0.65%)	-	6,519
Bank loan ¥1,232.5m - repayable June 2003 (interest rate fixed at 0.50%)	6,252	-
	10,642	15,166

For interest rate risk and currency risk analyses in respect of bank borrowings refer to page 14.

12 Creditors		
Amounts falling due after one year:		
Bank loan £10m - repayable June 2004 (interest rate fixed at 6.61%)	10,000	10,000
Bank loan £10m - repayable August 2004 (interest rate fixed at 5.92%)	10,000	10,000
Bank loan £15m - repayable April 2004 (interest rate - incorporating effect of swap - fixed at 7.46%)	15,000	15,000
Interest rate swap	553	575
	35,553	35,575

	Year ended 31 January 2003 £000	Year ended 31 January 2002 £000
13 Called-up share capital		
Ordinary share 5p		
Authorised	50,000	50,000
Issued		
Opening ordinary shares - 312,579,570 (2002: 312,579,570)	15,629	15,629
Ordinary shares bought back during the year - 12,392,505 (2002: nil)	(620)	-
Closing ordinary shares - 300,187,065 (2002: 312,579,570)	15,009	15,629
14 Special distributable reserve		
Opening special distributable reserve	142,979	142,979
Ordinary shares bought back during the year - 12,392,505 (2002: nil)	(7,812)	-
Closing special distributable reserve	135,167	142,979
15 Capital redemption reserve		
Opening capital redemption reserve	388	388
Ordinary shares bought back during the year - 12,392,505 (2002: nil)	620	-
Closing capital redemption reserve	1,008	388

Notes to the financial statements

	Year ended 31 January 2003			Year ended 31 January 2002		
	Realised £000	Unrealised £000	Total £000	Realised £000	Unrealised £000	Total £000
16 Movement in reserves						
Capital reserve						
Opening capital reserve	(34,043)	(4,582)	(38,625)	3,325	38,775	42,100
Net realised losses on investments during the period	(26,248)	-	(26,248)	(35,031)	-	(35,031)
Net realised gain on currencies during the period	224	-	224	612	-	612
Net unrealised depreciation on investments and swap	-	(55,333)	(55,333)	-	(43,357)	(43,357)
Franked income	5,909	-	5,909	185	-	185
Capitalised expenses	(3,084)	-	(3,084)	(3,134)	-	(3,134)
Closing capital reserve	(57,242)	(59,915)	(117,157)	(34,043)	(4,582)	(38,625)

Capitalised expenses include two-thirds of the basic management fee and finance costs which are allocated to capital reserve, net of associated tax relief and the performance bonus which is allocated entirely to capital.

	Year ended 31 January 2003 £000	Year ended 31 January 2002 £000
Opening revenue reserve	1,368	1,465
Transfer to/(from) revenue reserve for period	878	(97)
	2,246	1,368
	2003 £000	2002 £000

17 Reconciliation of movements in shareholders' funds

Revenue available for distribution	5,567	4,592
Dividends	(4,689)	(4,689)
	878	(97)
Other recognised losses for the year	(78,532)	(80,725)
Net reduction to shareholders' funds	(77,654)	(80,822)
Opening shareholders' funds	280,947	361,769
Repurchase of ordinary shares in the period	(7,812)	-
Closing shareholders' funds	195,481	280,947

18 Reconciliation of net revenue before interest payable and taxation to net cash inflow from operating activities

Net revenue before interest payable and taxation	6,530	5,646
(Increase)/decrease in dividends receivable and other debtors	(508)	432
Decrease in other operating creditors and accruals	(6)	(379)
Capitalised management expenses	(1,546)	(1,538)
Capitalised income	5,909	185
Net taxation recovered	70	22
Exchange differences	(43)	(161)
Tax withheld from income on investments	(167)	(127)
Net cash inflow from operating activities	10,239	4,080

Notes to the financial statements

	2003			2002				
	As at 31 Jan 2002 £000	Cash flow £000	Exchange movement £000	As at 31 Jan 2003 £000	As at 31 Jan 2001 £000	Cash flow £000		Exchange movement £000
19 Analysis of net debt								
Cash at bank and in hand	21,622	12,260	-	33,882	18,687	2,935	-	21,622
Bank borrowings								
- falling due within one year	(6,519)	-	267	(6,252)	(19,770)	12,478	773	(6,519)
- falling due after one year	(35,000)	-	-	(35,000)	(25,000)	(10,000)	-	(35,000)
	(19,897)	12,260	267	(7,370)	(26,083)	5,413	773	(19,897)

	2003 £000	2002 £000
20 Reconciliation of net cash flow to movement in net debt		
Increase in cash in period	12,260	2,935
Cash inflow from increase in debt	-	2,478
Exchange differences	267	773
Movement in net during period	12,527	6,186
Opening net debt	(19,897)	(26,083)
Closing net debt	(7,370)	(19,897)

21 Directors' shareholdings

Peter Berry	13,800	13,800
Gillian Nott	11,040	-
Douglas Kinloch Anderson	180,482	178,214
John Plant	-	-
Joe Scott Plummer	115,907	115,142
Ben Thomson	6,700	6,700

Directors who held office at the end of the period and their shareholdings are shown above.

Holdings include beneficial and family interests. Douglas Kinloch Anderson has a non-beneficial interest in 30,223 (2002: 30,223) shares.

There have been no other changes in these holdings up to 25 March 2003

	Principal activity	Description of shares held	Issued capital £000	Proportion of class held %	Reserves £000	Transfer to revenue reserve £000
22 Participating interests						
Martin Currie Capital Return Trust plc (accounts to 31/7/02)	Investment trust	Realisation (A) Continuation (B)	671 392	46.4 20.0	107,468	6

The market capitalisation of Martin Currie Capital Return Trust as at 31 January 2003 was £88.9 million.

Mr Kinloch Anderson is a director of Martin Currie Capital Return Trust plc.

Investor information

There are a number of ways in which you can hold shares in Martin Currie Portfolio Investment Trust. Of course, investment trusts - like any listed company - can be bought and sold through a stockbroker, shareshop or bank. But there are other ways too:

Martin Currie FundsCircle

If you want to buy more shares in the trust, then FundsCircle offers a simple way of doing so:

- ◆ Invest lump sums from **£500** - or save from **£50** a month
- ◆ Top-up from **£250** for existing investors
- ◆ **No** initial charge - apart from stamp duty
- ◆ **No** annual charge

Share exchange service

If you have shareholdings – large or small – in companies listed on the London Stock Exchange, you can exchange them for shares in Martin Currie Portfolio Investment Trust through Martin Currie FundsCircle or FundsCircle ISA.

With a low charge for selling your existing shares and no charge - except stamp duty - to buy shares through FundsCircle, we believe the share exchange service offers excellent value. And it's a good way of tidying up your portfolio.

For more details about all of these products, call free on **0808 100 21 25**.

Martin Currie FundsCircle ISA

If you want tax-free returns, then FundsCircle ISA could be right for you:

- ◆ **Low cost** and **tax efficient** way to hold shares in the trust
- ◆ Invest lump sums from **£1,000** - or save from **£50** a month
- ◆ **No** initial charge - apart from stamp duty
- ◆ **Low** annual charge of 1%

Keeping you informed...

We want to make it easy for you to follow your investment and to keep up to date with news on the trust.

We publish annual and interim reports each year. We know many of you want to monitor the price of your shares on a more regular basis. You can find the company's share price listed in:

- ◆ The Times
- ◆ The Daily Telegraph
- ◆ The Scotsman
- ◆ The Herald
- ◆ Financial Times

Or you can call the FT City Line on **0906 843 1748** for real-time prices.

Martin Currie FundsCircle PEP

You can transfer existing PEPs with other managers to the trust through the FundsCircle PEP Transfer Service:

- ◆ **Low cost** and **tax efficient** way to hold shares in the trust
- ◆ **No** initial charge - apart from stamp duty
- ◆ **Low** annual charge of £30

...and online

There's a website specifically for the trust. It includes price and performance statistics, online versions of the trust's annual and interim reports and ways in which you can invest.

You will find this on

www.martincurrieportfolio.com.

You can also find information about the trust on Martin Currie's website - **www.martincurrie.com/its**.

Tell us what you think

We also value your views and comments. You can write to Martin Currie's Investor Services team at the address on the back of this report or e-mail:

investorservices@martincurrie.com.

Investor information

May Annual general meeting Final dividend payment date	Jun	Jul	Aug
Sep Interim results announced	Oct Interim report issued Interim dividend payment date	Nov	Dec
Jan	Feb	Mar Year-end results announced	Apr Annual report issued

Key Dates 2003/2004

Directors

Peter Berry (Chairman)
Douglas Kinloch Anderson
Gillian Nott
John Plant
Joe Scott Plummer
Ben Thomson

Manager and secretaries

Martin Currie Investment Management Ltd
Saltire Court
20 Castle Terrace
Edinburgh EH1 2ES
Telephone 0808 100 21 25
Fax 0131 222 2532
website www.martincurrie.com

Regulated by the FSA and a member of the Investment Management Association.

Registered office

Martin Currie Portfolio Investment Trust plc
Saltire Court
20 Castle Terrace
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Registered in Scotland, No 192761

Registrars and transfer office

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Auditors

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Bankers

The Northern Trust Company
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Canary Wharf
London E14 5NT

Brokers

Cazenove and Co
12 Tokenhouse Yard
London EC2R 7AN

Association of Investment Trust Companies (AITC)

AITC
Durrant House
8-13 Chiswell Street
London EC1Y 4YY
Telephone 020 7282 5555
Website www.itsonline.co.uk

Martin Currie Portfolio Investment Trust is a member of the AITC.

Capital gains tax

The company itself pays no capital gains tax. Individual investors might have a liability to tax on disposal of their shares.

Other investment trusts

Martin Currie manages nine other investment trusts:

Martin Currie Capital Return Trust
Martin Currie Enhanced Income Trust
Martin Currie European Investment Trust
Martin Currie High Income Trust
Martin Currie Income & Growth Trust
Martin Currie Japan Investment Trust
Martin Currie Pacific Trust
Premium Trust
Securities Trust of Scotland

Glossary of investment trust terms

Net asset value

The net asset value of an investment trust, usually expressed on a 'per share' basis, is the value of all its assets, less its liabilities. You arrive at the net asset value per share by *dividing* that figure of assets less liabilities by the number of shares. So the net asset value of a trust with assets of £10 million, liabilities of £2 million and 16 million ordinary shares would be 50 pence per share.

Discount and premium

An investment trust is a company listed on the London Stock Exchange. By their nature, stockmarkets and share prices fluctuate. *That's why an investment trust's share price is rarely the same as its net asset value per share. When the share price is below the net asset value it is trading at a discount. Share prices above the net asset value are at a premium.*

Gearing

At its simplest, gearing is borrowing. Just like any other public company, an investment trust can borrow money to invest in additional investments for its portfolio. The effect of the borrowing on the shareholders' assets is called 'gearing'. If the trust's assets grow, the shareholders' assets grow proportionately more because the debt remains the same. But if the value of the trust's assets falls, the situation is reversed. So gearing has to be finely judged if it is to enhance, and not reduce, performance.

Hedging

Adverse exchange rate movements can have a dramatic effect on the value of an overseas investment portfolio. Protecting against that risk - by locking into a fixed exchange rate - is known as hedging.

Total return

The combined effect of any dividend paid, together with the rise or fall in the share price or net asset value. Performance comparisons can then be made between trusts with different dividend policies. Any dividends (after tax) received by a shareholder are assumed to have been re-invested in either additional shares (ie share price total return) or the trust's assets (ie net asset value total return).

Notice of meeting

Ordinary business

Notice is hereby given that the fourth annual general meeting of Martin Currie Portfolio Investment Trust plc will be held at Saltire Court, 20 Castle Terrace, Edinburgh EH1 2ES, on Tuesday 20 May 2003 at 12.30pm to transact the following business:

- 1 To receive the report of the directors and the financial statements for the year ended 31 January 2003;
- 2 That the directors' remuneration report for the year ended 31 January 2003 be and is hereby approved;
- 3 To elect Gillian Nott as a director;
- 4 To re-elect Douglas Kinloch Anderson as a director;
- 5 To declare a dividend;
- 6 To re-appoint Ernst & Young LLP as auditors;
- 7 To authorise the directors to fix the remuneration of the auditors for the year ending 31 January 2004;

and to transact any other ordinary business of the company.

Special business

To consider and, if thought fit, to pass the following resolutions:

- 8 Special resolution
That 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 conferred upon them at the annual general meeting of the company in 2002 as if section 89(1) of the Act did not apply to any such allotment provided that the power conferred by this resolution shall be limited to the allotment of equity securities having a nominal amount not exceeding in aggregate £750,467. Unless previously varied, revoked or renewed, the authority hereby conferred shall expire at the conclusion of the annual general meeting of the company in 2004, save that the company may, before the expiry of any power contained in this resolution make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired. Provided that any allotment of securities pursuant to this resolution shall be at a price higher than the net asset value of the security concerned.

- 9 Special resolution
That the company be and it is hereby authorised in accordance with section 166 of the Companies Act 1985 to make market purchases (within the meaning of section 163 of the said Act) of ordinary shares provided that:
 - (i) the maximum number of ordinary shares hereby authorised to be purchased is 45,028,059;
 - (ii) the minimum price which may be paid for an ordinary share shall be 5 pence;
 - (iii) the maximum price which may be paid for an ordinary share shall be not more than 5 per cent. above the average of the market value of the ordinary shares for the 5 business days before the purchase is made; and
 - (iv) unless renewed, the authority hereby conferred shall expire at the conclusion of the annual general meeting of the company in 2004 save that the company may, prior to such expiry, enter into a contract to purchase ordinary shares which will or may be completed or executed wholly or partly after such expiry.

By order of the board

Martin Currie Investment Management Ltd
Secretaries
Registered office
Saltire Court
20 Castle Terrace
Edinburgh EH1 2ES
17 March 2003

Notes

The report and financial statements are circulated to ordinary shareholders and shareholders only are entitled to attend or vote at the meeting.

A member entitled to attend and vote may appoint a proxy or proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the company. To be valid, proxies must be lodged at the office of the registrars of the company not less than 48 hours before the time of the meeting. A form of proxy is enclosed. Appointment of a proxy will not preclude a member from attending and voting in person.

There are no contracts between the company and the directors. A copy of the management and secretarial contracts with Martin Currie Investment Management Ltd, which are referred to in the directors' report, will be available for inspection at the meeting as will the register of directors' shareholdings.