MURRAY ENTERPRISE PLC

SC 82551

Annual Report 1992

Year ended 30 September

MURRAY
JOHNSTONE

Contents

Registered in Scotland — Company Number 82551

About your Company

Directors

Sir Matthew Goodwin, CBE, CA is chairman of Hewden-Stuart Plant plc and ScotCare Group Limited and a director of Murray Ventures PLC.

Sir Raymond Johnstone, CBE, BA, CA is non-executive chairman of Murray Johnstone Holdings Limited. He is also chairman of The Forestry Commission, Murray Split Capital Trust and The Summit Group PLC. He is a director of Scottish Amicable Life Assurance Society, Murray Income Trust PLC, Murray International Trust PLC, Murray Smaller Markets Trust PLC and Murray Ventures PLC.

E O J Salbu, MSEE (Stanford Univ. Ca) BSME (M.I.T. Mass) is chairman of Cargoscan A/S and a director of Cimage Corp. He is a former chairman and chief executive officer of SysScan a.s and Masstor Systems Corp. Prior to this he was with Ampex Corp. and IBM in the USA.

P K Timms, MBE is founder and managing director of Flexible Technology Limited and a director of Scottish Electronics Technology Group. He is also a member of the Highland and Islands Enterprise Board and a Visiting Professor and Chairman of the Board of Management of the University of Glasgow Business School.

Management and administration
Manager and secretary

Murray Johnstone Limited
7 West Nile Street, Glasgow G1 2PX
Telephone 041-226 3131
Fax 041-248 5420

Murray Johnstone Limited, a leading investment management company based in Glasgow, acts as manager and secretary of your company.

Murray Johnstone's specialist unlisted investment management team actively monitors the progress of the unlisted investments. The full resources of Murray Johnstone are available in support and in other areas.

The principal executives of Murray Johnstone are:

Managing director
N McAndrew

Executive directors

S R Anderson	C J Jackson
J G G Barclay	A D MacLellan
D M Briggs	M H Parlett
G D C Burns	R F Scullion
R A Eliott Lockhart	A G Stewart
A M Haddow	D H Hume
I W P Tulloch	C G H Weaver

Chairman's Statement

It is a pleasure to be able to report another year of strong performance with the fully diluted net asset value per share increasing from 89p per share at 30 September 1991 to 124.6p per share at 30 September 1992.

This performance was due mainly to the appreciation in the value of two of our North American investments, Fleet Call and Envoy, coupled with the benefits arising from the continuing purchase by the Company of Loan Stock for cancellation.

Fleet Call achieved a public listing in the United States in January 1992 at a price of $15 per share. Fleet Call shares were valued at $5 per share at 30 September 1991, after adjusting for a 10 for 1 stock split which took place prior to the listing, giving a total sterling value of the holding of 856,000 shares of £2,443,620 at that date.

In the year to 30 September 1992, 80,000 Fleet Call shares were sold by Murray Enterprise at an average price of $15.25. At 30 September 1992 the mid market share price of Fleet Call was $11.25 thus giving a sterling value of our total holding of 776,000 shares at that date of £4,914,157.

Envoy was valued at $10.35 per share at 30 September 1991 which was the market price at that date less a provision for non marketability of the shares since they were subject to a selling restriction at that time. The holding of 650,350 ordinary shares was therefore valued at £3,843,062. During the year to 30 September 1992, 150,000 shares were sold at an average price of $15.78. The remaining holding has been valued by your Directors at the mid market price of $12.75 at 30 September 1992 giving a total sterling value of the holding of £3,591,029.

As mentioned, during the year the Directors purchased £2,478,818 of nominal Loan Stock for cancellation at a cost of £2,323,943 the effect of which was to improve the fully diluted net asset value by approximately 5p per share. Following the conversion on 31 December 1992 of £327,389 of Loan Stock, £5,160,247 of Loan Stock remains in issue, and it is your Board's intention to continue to repurchase Loan Stock for cancellation, provided that it can do so at a sufficient discount to net asset value. It should be noted that Investment Trusts managed by Murray Johnstone Limited currently own 933,299 shares, being 13.44% of the ordinary share capital and £2,799,901 or 54.26% of the convertible Loan Stock. If there were no further purchases of Loan Stock and all Loan Stock holders, including the Murray Johnstone managed Investment Trusts, converted their Loan Stock into Ordinary Shares, the effect would be that these Investment Trusts would control 30.84% of the equity of Murray Enterprise.

In addition to the above transactions, the year to 30 September 1992 saw four unlisted investments being realised for a total consideration of £1,665,379 and the public listing of Centigram in the United States. In accordance with our declared strategy, no new unquoted investments were made, the policy being to continue to realise investments and thereby provide funds for the repurchase of Loan Stock. Where the opportunity did not exist to purchase Loan Stock at a sufficient discount to net asset value, proceeds from realisations were invested in blue chip UK listed equities.

Chairman's Statement
continued

The dollar weakened slightly over the period against sterling, from 1.7515 at 30 September 1991 to 1.7765 at 30 September 1992.

Valuation Policies
In 1992 the British Venture Capital Association (BVCA) introduced a series of valuation guidelines designed to bring a level of consistency to the industry. As I reported last year, the valuation principles used by the Company, which have remained largely unaltered since 1984, are broadly similar to those recommended by the BVCA, and in some cases more cautious. We recognise that the valuation of investments will always involve an element of subjectivity, but we nevertheless welcome the prospect of greater consistency among venture capital fund managers, which the new guidelines should bring about. It is to be hoped that this move will help to avoid indiscriminate widening of discounts between net asset value per share and market prices in future.

Dividend
For the 12 months to 30 September 1992 the Directors report a revenue profit of £125,919. As a result the Directors are recommending that a final dividend be paid to shareholders in the sum of £125,000. This dividend will be payable on 30 July 1993 to ordinary shareholders on the register on 2 July 1993.

The dividend is payable as a result of unforeseen dividends being received from an unlisted investment and is unlikely to be repeated in future years. The dividend payment is being made to ensure that the Company continues to be recognised by the Inland Revenue as an Investment Trust. The dividend payment date of 30 July 1993 is set in order to give Loan Stock holders the opportunity of considering conversion on 30 June 1993 having received the Report and Accounts for the year to 30 September 1992 and also the half year results to 31 March 1993.

Prospects
Since 30 September 1992, the net asset position of the Company has again substantially improved and is now estimated to be around £23,663,000 mainly as a result of the strengthening of the dollar against sterling to its present level of approximately 1.42 and a significant increase in the market price of Fleet Call shares from $11.25 to today's price of $21.75. During the period 176,000 Fleet Call shares were sold at $15 per share thus further reducing our holding to 600,000 shares, giving a total sterling value of the holding today of £9,190,141.

Shareholders will appreciate that a material proportion of the Company's assets are invested in North America in Fleet Call and Envoy. Consequently future prospects will inevitably largely depend on the dollar exchange rate and the fortunes of these two investments.

The Board

It is with very real sorrow that I have to inform you of the death of Roddy MacLeod whose kindness, help and advice to the Board and myself will be sadly missed.

During the year, Ross Peters resigned from the Board, following his resignation from Murray Johnstone Limited, to pursue other interests. His contributions to our deliberations were highly valued by all the Board and we wish him well in his future career.

Matthew Goodwin
12 February 1993

Summary of investment changes
during the year

	Valuation 30 September 1991 £	%	Transfers £	Transactions £	Appreciation (depreciation) £	Valuation 30 September 1992 £	%
Equities							
United Kingdom							
listed	1,503,929	11.58	—	2,087,937	(11,154)	3,580,712	23.73
unlisted	1,196,930	9.22	—	(770,900)	305,079	731,109	4.85
North America							
listed	60,726	0.47	9,489,432	(2,278,090)	1,253,288	8,525,356	56.51
restricted	4,446,134	34.24	(2,909,946)	—	(841,572)	694,616	4.60
unlisted	4,291,455	33.05	(6,579,486)	(404,287)	3,796,262	1,103,944	7.32
	11,499,174	88.56	—	(1,365,340)	4,501,903	14,635,737	97.01
Bonds							
United Kingdom							
unlisted	943,521	7.27	—	(458,243)	(68,002)	417,276	2.77
	943,521	7.27	—	(458,243)	(68,002)	417,276	2.77
Total valuation	12,442,695	95.83	—	(1,823,583)	4,433,901	15,053,013	99.78
Net current assets	541,929	4.17	—	(507,725)	(1,029)	33,175	0.22
Total assets	12,984,624	100.00	—	(2,331,308)	4,432,872	15,086,188	100.00
Convertible unsecured loan stock	(7,380,023)		—	2,646,278	(753,891)	(5,487,636)	
Net assets	5,604,601		—	314,970	3,678,981	9,598,552	

Note:
Investments with no element of equity are classified as bonds.
Transfers arise as the result of the recategorisation of unlisted and restricted investments.

Directors' valuation of unlisted and restricted investments

as at 30 September 1992

Investment	*Country*	*% of total assets*	*Value £*	*Book cost £*	*Unrealised gain (loss) £*
Uniquest	US	4.61	694,472	223,390	471,082
Spectronics Microsystems	UK	2.83	425,750	209,022	216,728
MacDonald Dettwiler & Associates	Canada	2.61	392,757	541,895	(149,138)
Megatest Corporation	US	2.01	303,314	1,400,595	(1,097,281)
Celltech Group	UK	1.64	247,500	440,000	(192,500)
Roadcare Group	UK	1.45	219,265	238,332	(19,067)
Sock Shop Holdings	UK	1.36	205,870	411,740	(205,870)
Elantec	US	1.26	190,245	1,217,048	(1,026,803)
Star Technologies	US	1.07	161,338	1,362,607	(1,201,269)
Masstor Systems	US	0.37	56,290	85,433	(29,143)
Hotwork International	UK	0.33	50,000	200,000	(150,000)
Other investments (valued less than £50,000)			144	10,336,665	(10,336,521)
		19.54	2,946,945	16,666,727	(13,719,782)
Total of unrealised gains					687,810
Total of unrealised losses					(14,407,592)
					(13,719,782)

The portfolio of listed investments
as at 30 September 1992

Investment	*Holding*	*Country*	*Value £*	*% of total assets*
Fleet Call	776,000	US	4,914,157	32.57
Envoy Corporation	500,350	US	3,591,029	23.80
Bowater	45,333	UK	389,637	2.58
BAA	42,000	UK	309,120	2.05
First Leisure Corporation	100,000	UK	286,000	1.90
Shell Transport & Trading Company	50,000	UK	268,500	1.78
ECC Group	54,400	UK	233,920	1.55
Argyll Group	68,000	UK	227,800	1.51
British Telecommunications	58,000	UK	204,450	1.36
BTR Ordinary Shares with Warrants	43,000	UK	204,810	1.36
Royal Bank of Scotland Group	125,000	UK	202,500	1.34
Hays	105,000	UK	198,450	1.32
Cable & Wireless	30,000	UK	169,800	1.13
Grand Metropolitan	42,000	UK	165,900	1.10
SmithKline Beecham	26,000	UK	126,100	0.84
Lloyds Abbey Life	32,000	UK	110,720	0.73
Hanson	48,000	UK	102,960	0.68
Kingfisher	20,000	UK	100,000	0.66
Wellcome	10,000	UK	92,100	0.61
Vaux Group	45,000	UK	85,050	0.56
Shanks & McEwan Group	40,000	UK	70,800	0.47
Scottish Power	11,424	UK	21,020	0.14
Cardiac Control Systems	65,000	US	18,294	0.12
Scottish Hydro-Electric	5,376	UK	11,075	0.07
Teknowledge	6,667	US	1,173	0.01
Masstor Systems	2,666	US	703	—
Parkfield Group	450,000	UK	—	—
			12,106,068	80.24

Note: The above holdings are ordinary or common shares unless otherwise stated.

Ten largest holdings

Fleet Call Inc

Fleet Call was formed in April 1987 to acquire existing Specialised Mobile Radio (SMR) businesses and 900MHz licences in a limited number of selected major markets in the United States. SMR was established by the Federal Communications Commission to offer dispatch mobile services, and in 1991 the FCC authorised the company to replace its current SMR systems with six advanced digital mobile networks. Fleet Call achieved its initial public offering during January 1992.

As at 30 September	*1992*	*1991*
Market value of holdings (1991 Directors' valuation)	£4,914,157	£2,443,620
Effective equity interest	1.3%	1.4%
% of Total Assets	32.6	18.8

Year ended 31 March	*1992*	*1991*
Sales	$52,529,000	$53,902,000
Loss before tax	(18,937,000)**	(15,447,000)*
Loss after tax	(15,671,000)**	(6,951,000)*
Dividend	nil	nil

*Before an extraordinary loss of $747,000.
**Before an extraordinary loss of $12,765,000.

The net assets attributable to shareholders as at 31 March 1992 amounted to $191,108,000.

Envoy Corporation Inc

Envoy supplies transaction processing services through financial transaction processors (FTPs) which have the ability to perform both authorisation of bank and credit card transactions and electronic fund transfers through the banking network which are quick and offer cost savings to the banks. The FTP can also offer additional services such as the adjudication of claims for the pharmaceutical and health insurance industries. Envoy achieved its initial public offering during May 1991.

As at 30 September	*1992*	*1991*
Market value of holdings (1991 Directors' valuation)	£3,591,029	£3,843,062
Effective equity interest	4.1%	6.3%
% of Total Assets	23.8	29.6

Year ended 31 December	*1991*	*1990*
Sales	$30,019,000	$27,379,000
Profit before tax	6,702,000	4,132,000
Profit after tax	6,546,000	4,037,000
Dividend	nil	nil

The net assets attributable to shareholders as at 31 December 1991 amounted to $34,744,000.

The figures given on pages 9 to 13 indicate the extent of your company's investment in the major holdings at 30 September 1992 including the effective equity interest computed on the basis of notional equity capital assuming the exercise of all outstanding conversion rights at that date on the terms then current. Highlights from the last two audited accounts are shown.

Ten largest holdings
continued

Uniquest Inc
Uniquest develops and supplies application software and systems used for service management, general accounting, point of sale, security access control and other communication services. Through various acquisitions, the company has actively developed a wide range of foundation software products in addition to its customised software services. The industries served include healthcare, restaurant, supermarket, government, retail and other consumer related industries. Uniquest officially became a public corporation during March 1991.

As at 30 September	*1992*	*1991*
Directors' valuation of holding	£694,472	£598,727
Effective equity interest	2.8%	4.9%
% of Total Assets	4.6	4.6

Year ended 31 May	*1992*	*1991*
Sales	$10,865,057	$4,062,837
Loss before tax	(662,640)	(977,096)
Loss after tax	(662,640)	(977,096)
Dividend	nil	nil

The net assets attributable to shareholders as at 31 May 1992 amounted to $8,847,177.

Spectronics Microsystems Limited
Spectronics Microsystems develops and supplies mobile radio data equipment and electronic displays which are used mainly in despatching service vehicles to their next job.

As at 30 September	*1992*	*1991*
Directors' valuation of holding	£425,750	£367,500
Effective equity interest	42.3%	36.7%
% of Total Assets	2.8	2.8

Year ended 31 March	*1991*	*1990*
Sales	£2,328,000	£1,634,000
Profit before tax	189,000	168,000*
Profit after tax	189,000	168,000*
Dividend	nil	nil

* Before extraordinary income of £35,000.

The net assets attributable to shareholders as at 31 March 1991 amounted to £282,000.

Income of £33,900 was received during the year from Spectronics Microsystems Limited.

Ten largest holdings
continued

MacDonald Dettwiler and Associates Ltd.

MacDonald Dettwiler is a high-technology systems engineering company which serves the geo-information, meteorological, aviation and space and defence markets. Its major customers include the Canadian and US Governments.

As at 30 September	*1992*	*1991*
Directors' valuation of holding	£392,757	£260,302
Effective equity interest	2.4%	2.4%
% of Total Assets	2.6	2.0

Year ended 31 March	*1992*	*1991*
Sales	C$71,875,000	C$55,142,000
Profit before tax	5,347,000	4,286,000
Profit after tax	3,011,000	2,332,000
Dividend	nil	nil

The net assets attributable to shareholders as at 31 March 1992 amounted to C$21,598,000.

Bowater

Bowater has benefited from a complete change in top management since 1986/7. The spread of activities, although still quite broad, has been narrowed down considerably through disposals, whilst the core areas have been expanded through acquisitions. (Notably Rexham in 1987 and Norton Opax in 1989). Today the group is emerging as an international print, packaging and films operation, with generally strong market positions in its many different sub-sectors.

As at 30 September	*1992*	*1991*
Market value of holding	£389,637	£116,705
Effective equity interest	0.2%	0.1%
% of Total Assets	2.6	0.9

Year ended 31 December	*1991*	*1990*
Sales(£M)	1,206	1,274
Profit before tax (£M)	112.7	113.1
Profit before extra-ordinary items (£M)	73.1	72.1
Dividend (£M)	40.8	39.3

The net assets attributable to shareholders as at 31 December 1991 amounted to £446.2M.

Ten largest holdings
continued

BAA
BAA was privatised by the Government in July 1987 and is the world's leading international airport group accounting for 70% of UK passenger traffic and 85% of UK air cargo. It owns and operates eight airports including Heathrow, Gatwick and Glasgow.

As at 30 September	*1992*	*1991*
Market value of holding	£309,120	£115,000
Effective equity interest	0.01%	0.01%
% of Total Assets	2.1	0.9

Year ended 31 March	*1992*	*1991*
Sales(£M)	909	834
Profit before tax (£M)	192	247
Profit attributable to shareholders (£M)	154.0	189
Dividend (£M)	73.0	65.2

The net assets attributable to shareholders as at 31 March 1992 amounted to £1,880M.

Megatest Corporation
Megatest was formed in 1975 to manufacture and market automatic test equipment for use in the production and testing of microprocessors and memories.

As at 30 September	*1992*	*1991*
Directors' valuation of holding	£303,314	£134,342
Effective equity interest	1.4%	1.4%
% of Total Assets	2.0	1.0

Year ended 30 August	*1992*	*1991*
Sales	$65,491,000	$59,676,000
Profit before tax	4,164,000	2,497,000
Profit after tax	3,864,000	2,226,000
Dividend	nil	nil

The net assets attributable to shareholders as at 30 August 1992 amounted to $22,532,000.

Ten largest holdings
continued

First Leisure

First Leisure operates a wide range of mass-market leisure businesses, almost entirely UK-based primarily through large-scale units and is a leading operator of UK resorts, discotheques and bowling alleys. Since flotation in 1984, the company has consistently achieved high returns from investments and remains well placed to benefit from any recovery in domestic consumer spending.

As at 30 September	*1992*	*1991*
Market value of holding	£286,000	—
Effective equity interest	0.1%	—
% of Total Assets	1.9	—

Year ended 31 October	*1991*	*1990*
Sales(£M)	109	103
Profit before tax (£M)	28.6	27.6
Profit attributable to shareholders (£M)	24.5	22.6
Dividend (£M)	7.3	5.6

The net assets attributable to shareholders as at 31 October 1991 amounted to £258M.

Shell Transport and Trading

The Royal Dutch/Shell Group is the world's largest integrated oil company, with operations worldwide. Collectively the group is responsible for 5% of the world's oil and gas production. Oil products are refined and ultimately marketed in over 100 countries.

As at 30 September	*1992*	*1991*
Market value of holding	£268,500	—
Effective equity interest	0.0015%	—
% of Total Assets	1.8	—

Year ended 31 December	*1991*	*1990*
Sales(£M)	29,774	29,575
Profit before tax (£M)	693.3	666.8
Earnings attributable to shareholders (£M)	830	1,320
Dividend per share	693	666

The net assets attributable to shareholders as at 31 December 1991 amounted to £11,561M.

Notice of meeting

The eleventh annual general meeting of Murray Enterprise PLC, will be held on 26 March 1993 at 11.00a.m. at 7 West Nile Street, Glasgow G1 2PX, to transact the following business.

1. To receive the directors' report and audited statement of accounts for the year ended 30 September 1992.
2. To re-elect Mr E O J Salbu as a director.
3. To declare a dividend.
4. To re-appoint Ernst & Young as auditors.
5. To authorise the directors to fix the remuneration of the auditors.

By order of the Board
Murray Johnstone Limited, Secretary

J D Turnbull
Authorised Signatory
7 West Nile Street, Glasgow G1 2PX
19 February 1993

No director has any contract of service with the company.
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.
A proxy need not be a member.
A reply-paid form of proxy for your use is attached on page 32.

Registered in Scotland — Company Number 82551

Report by the directors

The directors submit their report together with the accounts of the company for the year ended 30 September 1992.

Incorporation and share capital

The company was incorporated in Scotland as a public limited company on 4 April 1983 and commenced business on 13 May 1983.

On 18 August 1989 Murray Electronics PLC merged with Murray Technology Investments PLC by means of a Scheme of Arrangement approved by the Court of Session. At the same time the company changed its name to Murray Enterprise PLC and a new capital structure was introduced, designed to give shareholders the maximum flexibility in their approach to their investment by providing a continuing equity while, for the major part of their investment (represented by convertible loan stock), giving them the choice of conversion into equity or repayment after 5 years.

The authorised share capital is £7,500,000 of which £1,654,270 was allotted at 30 September 1992. Of the £8,288,789 Zero-Coupon Convertible Unsecured Loan Stock 1994 outstanding at 30 September 1991 £322,335 was converted into a like number of ordinary shares and £2,478,818 was repurchased during the year leaving £5,487,636 outstanding at 30 September 1992.

On 31 December 1992 £327,389 Zero-Coupon Convertible Unsecured Loan Stock was converted into a like number of ordinary shares leaving £5,160,247 outstanding.

Review of the business

A review of the company's activities is given in the chairman's statement on pages 4 to 5.

Results

The revenue available for ordinary shareholders for the year amounted to £125,919. The directors recommend to shareholders a final dividend in the sum of £125,000. This dividend will be payable on 30 July 1993 to ordinary shareholders on the register at 2 July 1993 and a resolution to this effect will be proposed at the annual general meeting. The dividend payment is being made to ensure that the company continues to be recognised by the Inland Revenue as an Investment Trust.

The dividend payment date is set in order to give loan stockholders the opportunity of conversion on 30 June 1993 having received the report and accounts for the year to 30 September 1992 and also the half year results to 31 March 1993.

The fully diluted net asset value per ordinary share at 30 September 1992 was 124.63p (1991 89.04p).

Substantial shareholdings

As at 12 February 1993 the following share interests in the company have been notified:

Percentage of issued ordinary shares	
London & Manchester Assurance	16.7
Murray International Trust PLC	7.6
Lloyds Bank Pension Scheme	7.3
Sun Life	5.9
The Bank of England Pension Fund	5.7
Universities Superannuation Scheme	5.7
Lazard Frères Asset Management	4.3
Murray Smaller Markets Trust PLC	3.6
Pearl Group	3.5
Co-operative Insurance	2.4

Loan stock

The substantial holders of the Zero-Coupon Convertible Unsecured Loan Stock were as follows as at 10 February 1993:

Murray International Trust PLC	30.9
Standard Life UK Larger Companies	17.4
Murray Smaller Markets Trust PLC	14.8
Pearl Group	14.2
Co-operative Insurance Society	9.9
Murray Ventures PLC	8.4

Directors

The directors who held office during the year under review and their interests in shares and loan stock of the company are shown in note 21 on page 31.

Registered in Scotland — Company Number 82551

Report by the directors
continued

Sir Roderick MacLeod died on 22 January 1993.

Mr E O J Salbu retires by rotation at this time and being eligible offers himself for re-election. A resolution to this effect will be proposed at the eleventh annual general meeting.

Mr R S Peters resigned as a director on 4 June 1992.

No contract or arrangement, in which any of the directors is interested and significant to the company's business has subsisted during the period under review.

Principal activity and status
The company which is not a close company is an investment company within the meaning of Part VIII of the Companies Act 1985 and qualifies as an investment trust within the meaning of the Income and Corporation Taxes Act 1988. Inland Revenue approval for such treatment has been given up to 30 September 1991. The company's affairs have been conducted in a manner to enable it to continue to obtain such approval since it was last given.

Auditors
The auditors, Ernst & Young, Chartered Accountants have expressed their willingness to continue in office. Resolutions will be proposed at the annual general meeting to re-appoint Ernst & Young as auditors and to authorise the directors to fix their remuneration.

By order of the board.
Murray Johnstone Limited, Secretary

J D Turnbull
Authorised Signatory
7 West Nile Street, Glasgow G1 2PX,
19 February 1993.

Report of the auditors

To the members of Murray Enterprise PLC

We have audited the accounts on pages 18 to 31 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the company at 30 September 1992 and of its revenue and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young

Ernst & Young
Chartered Accountants
Registered Auditor
Glasgow,
19 February 1993

Accounting policies

Dividends, interest and expenses

1. Franked and unfranked dividends, which include imputed tax credits and taxes deducted at source, receivable from securities quoted on an ex-dividend basis during the year less any provision for dividends not expected to be received are treated as revenue for the year.
2. Interest receivable from deposits and interest payable are accrued to the end of the year.
3. Expenses are charged in the year to which they relate.

Taxation

1. Advance corporation tax on dividends paid or proposed which, in the opinion of the directors, is covered by franked investment income available for set-off within the following year is not included as current taxation payable or recoverable. To the extent that any such advance corporation tax is not so covered but can be utilised against the following year's liability to corporation tax it is included in current taxation payable and its recovery provided for in the deferred taxation account.
2. Imputed tax credits on franked investment income are treated as part of the taxation charge for the year.
3. Deferred taxation is provided for by the liability method on timing differences, except where there is a reasonable probability that such liability will not arise in the foreseeable future. The provision is calculated using the rate at which it is estimated that the tax will be payable.

Investments

Listed investments are included in the accounts at market valuation and unlisted and restricted investments at a valuation determined by the directors.

Exchange rates

1. Where a forward exchange contract has been entered into to hedge a future realisation of foreign currency assets or liabilities, translation of these assets or liabilities is at that predetermined rate. In the case of other 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 forward rate and at the forward rate ruling at the year end is taken credit for as a debtor or provided for as a creditor.
2. Translation of all other foreign currency balances, foreign assets and foreign liabilities is at the middle rates of exchange at the year end.
3. Differences arising from translation are treated as capital gains or losses.
4. Transactions involving foreign currencies are converted at the rate ruling at the date of the transaction.

Loan Stock

The outstanding Loan Stock is valued at the lower of par and an amount per stock unit equal to the Net Asset Value which would be attributable to an ordinary share, assuming that all outstanding stock units had been converted into ordinary shares immediately prior to the year end.

Accounting Standards

The accounts have been prepared in accordance with applicable accounting standards.

Revenue account
for the year ended 30 September 1992

	Notes	1992 £	1992 £	1991 £	1991 £
Revenue					
Dividends and interest	1				
Franked		162,745		240,185	
Unfranked—UK		161,739		467,816	
—overseas		133,172		9,165	
			457,656		717,166
Underwriting commission			2,507		6,037
			460,163		723,203
Interest payable	2		894		—
			459,269		723,203
Administrative expenses					
Management	3	219,047		271,261	
Directors' remuneration	4	38,091		40,000	
Audit fee		8,500		12,000	
			265,638		323,261
Revenue before taxation			193,631		399,942
Taxation	5		67,712		127,556
Revenue after taxation available to ordinary shareholders			125,919		272,386
Dividend on ordinary shares					
Proposed final	6		125,000		235,000
Balance of revenue			919		37,386
Balance brought forward from last year			331,236		293,850
Balance carried forward to next year			332,155		331,236
Earnings per ordinary share	7		1.97p		4.36p
Earnings per ordinary share assuming full conversion of the loan stock	7		0.94p		1.43p

The notes on pages 22 to 31 together with the accounting policies on page 18 form part of these accounts.
Movements on reserves are set out in notes 14 to 16.

Balance sheet
as at 30 September 1992

	Notes	1992 £	1992 £	1991 £	1991 £
Fixed assets					
Investments	8		15,053,013		12,442,695
Current assets					
Debtors	10	67,739		494,664	
Cash and short term deposits		178,051		399,945	
		245,790		894,609	
Creditors					
Amounts falling due within one year	11	212,615		352,680	
Net current assets			33,175		541,929
Total assets less current liabilities			15,086,188		12,984,624
Creditors					
Amounts falling due after more than one year:					
loan stock	12		5,487,636		7,380,023
			9,598,552		5,604,601
Capital and reserves					
Called up ordinary share capital:	13		1,654,270		1,573,686
Share premium account	14		16,303,589		16,061,838
Merger reserve			2,184,368		2,184,368
Other reserves:					
realised capital losses	15	(2,110,151)		(1,825,943)	
unrealised capital losses	16	(8,765,679)		(12,720,584)	
revenue reserve		332,155		331,236	
			(10,543,675)		(14,215,291)
			9,598,552		5,604,601
Net asset value per ordinary share			145.06p		89.04p
Net asset value per ordinary share assuming full conversion of the loan stock			124.63p		89.04p

Sir Matthew Goodwin, Director

19 February 1993

The notes on pages 22 to 31 together with the accounting policies on page 18 form part of these accounts.

Cash flow statement

for year ended 30 September 1992

	Notes	1992 £	1992 £	1991 £	1991 £
Operating activities					
Cash received from investments		310,651		471,582	
Interest received		77,560		87,986	
Underwriting commission received		2,507		6,037	
Investment management fees paid		(188,249)		(239,243)	
Cash paid to and on behalf of directors		(39,591)		(37,614)	
Other cash payments		(74,106)		(73,223)	
Net cash inflow from operating activities	17		88,772		215,525
Returns on investments and servicing of finance					
Interest paid		(894)		—	
Dividends paid		(235,000)		—	
Net cash outflow from returns on investments and servicing of finance			(235,894)		—
Taxation					
UK corporation tax repaid		220,710		202,340	
Overseas tax repaid		759		2,653	
Total tax repaid			221,469		204,993
Investing activities					
Purchase of fixed interest investments		—		(3,208,104)	
Purchase of other investments		(3,444,667)		(2,830,097)	
Sale of fixed interest investments		458,243		3,335,209	
Sale of other investments		5,025,860		5,146,457	
Sale of currency option		—		103,113	
Capital charges		(10,705)		(5,437)	
Currencies		(1,029)		(93,776)	
Net cash inflow from investing activities			2,027,702		2,447,365
Net cash inflow before financing			2,102,049		2,867,883
Financing					
Repurchase of Zero-Coupon Convertible Unsecured Loan Stock 1994		2,323,943		3,252,514	
Net cash outflow from financing	18		2,323,943		3,252,514
Decrease in cash and cash equivalents	19		(221,894)		(384,631)
			2,102,049		2,867,883

The notes on pages 22 to 31 together with the accounting policies on page 18 form part of these accounts.

Notes on accounts

	1992 £	1991 £
Note 1 Dividends and interest		
Listed—dividends	130,967	108,213
—interest	699	328,154
Unlisted—dividends	157,655	131,972
—interest	93,645	61,921
Deposits	74,690	86,906
	457,656	717,166
Note 2 Interest payable		
Bank overdraft interest	894	—
Note 3 Management		
Management and secretarial fees	168,954	213,386
Irrecoverable VAT	21,842	24,703
Other fees paid to auditors	750	3,475
Other expenses	27,501	29,697
	219,047	271,261

Murray Johnstone Limited provides investment management, company secretarial and related services for a quarterly fee, calculated at the rate of 0.5% of the value of the unlisted portfolio plus 0.1% of the difference between total net assets and the unlisted portfolio. Where stocks are no longer unquoted but are subject to restrictions on trading the management fee is at a rate of 0.3% of the value of those with a resticted listing. This fee is charged under an agreement which is terminable by two years' notice on either side.

	1992 £	1991 £
Note 4 Directors' remuneration		
Fees	38,091	40,000
Emoluments of chairman	10,000	10,000
	No.	No.
The number of directors whose emoluments were within the following ranges are given below:		
£nil-£5,000	1	1
£5,001-£10,000	5	5

Notes on accounts
continued

	1992 £	1991 £
Note 5 Taxation		
Loss relief claimed against tax credits	—	(24,875)
Overseas taxation	16,814	—
Imputed tax credits	40,686	60,046
Tax relief transferred to capital	—	92,317
Irrecoverable ACT	10,176	—
Adjustments for prior years	36	68
	67,712	127,556

At 30 September 1992 the company had tax losses available for carry forward to future years of £990,162 (1991—£1,005,105).

Note 6 **Proposed final dividend**

The ordinary shares issued on the conversion of the loan stock at 31 December 1992 and 30 June 1993 will rank for payment of the proposed dividend. On 31 December 1992 327,389 ordinary shares of 25p were allotted fully paid in consideration for £327,389 of Zero-Coupon Convertible Unsecured Loan Stock. If no loan stock is converted at 30 June 1993 the dividend will be 1.8p per share, if all the loan stock is converted at 30 June 1993 the dividend will be 1.0p per share.

The proposed dividend is allowed under Section 265 of the Companies Act 1985 although the net assets are less than the called up share capital and undistributable reserves as defined in Section 264(3) of that Act.

	1992	1991
Note 7 Earnings per share		
The earnings per share have been based on the following figures:		
amount of earnings	£125,919	£272,386
Number of shares		
Ordinary	6,399,519	6,251,122
Convertible loan stock	6,947,573	12,809,996

The earnings per share have been calculated using a weighted average number of shares.

Notes on accounts
continued

	1992 £	1992 £	1991 £	1991 £
Note 8 Investments				
Cost at 1 October		26,072,045		29,325,021
Movements during year:				
purchases		3,444,667		6,038,201
sales	(5,268,250)		(8,697,521)	
realised losses	(429,770)		(593,656)	
		(5,698,020)		(9,291,177)
Cost at 30 September		23,318,692		26,072,045
Unrealised losses		(8,765,679)		(13,629,350)
Valuation at 30 September		15,053,013		12,442,695

The portfolio valuation	1992 £	1991 £
Listed on stock exchanges at market valuation:		
United Kingdom		
equities	3,580,712	1,491,207
stocks having an element of equity	—	12,722
Overseas		
equities	8,525,356	60,726
	12,106,068	1,564,655
Unlisted at directors' valuation		
equities	2,282,781	9,039,961
stocks having an element of equity	246,388	894,558
bonds	417,276	943,521
	2,946,945	10,878,040
Total	15,053,013	12,442,695

For the purpose of this note investments having no element of equity are classified as bonds.
In determining the valuation of unlisted investments the directors adopted the middle market price where a dealing facility existed and applied a discount if considered appropriate. Where no dealing facility existed the factors which the directors had regard to included 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.

Notes on accounts

continued

Note 8 Investments *(continued)*

Participating interests

At 30 September 1992 the company held shares amounting to 20% or more of the equity capital of the undertakings of which the particulars are stated below:

Name and country of registration and operation	*Nature of the business*	*Share and loan capital held*	*Percentage of class held*	*Percentage of equity held*	*Accounting year ending*
Imperial Software Technology Limited, England	Development, production and sale of software products	1,139,968 ordinary shares of 5p 25,000,000 'A' ordinary shares of 1p	11.09 27.54	21.60	31 March
SCS Holdings PLC, England	Sale, lease, rental and maintenance of computer equipment	26,942 5% (net) cumulative convertible participating preferred ordinary shares of £1 600,000 7.5% (net) cumulative redeemable preference shares of £1	100.00 100.00	33.33	30 June
Spectronics Microsystems Limited, England	Electronic and electrical engineers and contractors	162,150 ordinary shares of £1 20,000 redeemable preference shares of £1	42.31 100.00	42.31	31 March

The allotted share and loan capital, distributable profit and reserves of these undertakings at the end of their latest financial years were:

	Share and loan capital	£	*Reserves* £'000	*Distributable profit/(loss) for the year* £'000
Imperial Software Technology Limited	ordinary shares of 5p	513,772	(1,956)	(127)
	'A' ordinary shares of 1p	907,670		
SCS Holdings PLC	ordinary shares of £1	53,883	1,473	113
	5% (net) cumulative convertible participating preferred ordinary shares of £1	26,942		
	7.5% (net) cumulative redeemable preference shares of £1	600,000		
Spectronics Microsystems Limited	ordinary shares of £1	355,000	(93)	189
	redeemable preference shares of £1	20,000		

Notes on accounts
continued

Note 8 Investments *(continued)*

Value of participating interests

	1992	1991
	£	£
Share capital	425,750	609,943
Loan capital	—	230,558
	425,750	840,501

The income received from participating interests during the year amounted to £33,900 (1991 – £10,423).

Significant interests

At 30 September 1992 the company held shares amounting to 10% or more of the nominal value of any class of share capital of the undertakings, of which the particulars are stated below:

Name and country of registration	*Number and class of shares held*	*Percentage of class held*	*Percentage of equity held*
Hotwork International Limited, England	35,293 'A' redeemable ordinary shares of £1	11.76	9.20
	11,764 'B' redeemable ordinary shares of £1	11.76	
	152,943 cumulative redeemable preference shares of £1	11.76	

At 30 September 1992, the value of the company's holding in the following investments exceeded 10% of the total assets of the company:

Name and country of incorporation	*Number and class of shares held*	*Percentage of class held*	*Percentage of equity held*
Envoy Corporation Inc., USA	300,350 common stock of US$1.00	4.14	4.14
Fleet Call Inc., USA	776,000 class A common stock of US$0.001	1.27	1.27

Notes on accounts
continued

Note 9 Subsidiary undertaking
Group accounts have not been prepared, as in the opinion of the directors such accounts would be of no real value to the members of the company in view of the insignificant amounts involved.
Murray Enterprise PLC owns the entire issued share capital of Murray Technology Investments PLC, a company registered in Scotland, comprising 15,000,000 ordinary 25p shares. The principal activity of the company is that of an investment company.
The loss for the year to 30 September 1992 and net assets and capital and reserves of Murray Technology Investments PLC, summarised from the audited accounts at 30 September 1992, are shown below. The investment in Murray Technology Investments PLC is valued at nil at 30 September 1992.

	£
Revenue account:	
loss for the year	(380)
Net assets:	
net current assets	29,505
Capital and reserves:	
share capital	3,750,000
reserves	(3,720,495)
	29,505

	1992 £	1991 £
Note 10 Debtors		
Current taxation	29,642	227,588
Other debtors	7,202	215,855
Prepayments and accrued income	30,895	51,221
	67,739	494,664
Note 11 Creditors		
Amounts falling due within one year:		
proposed final dividend	125,000	235,000
other creditors	—	1,777
accruals	57,610	89,147
amount due to subsidiary undertaking	30,005	26,756
	212,615	352,680

Notes on accounts
continued

	1992 £	1991 £
Note 12 Loan stock		
Repayable other than by instalments within five years:		
Zero-Coupon Convertible Unsecured Loan Stock 1994		
Balance as at 1 October at par	8,288,789	14,461,693
Repurchased during the year	(2,478,818)	(6,035,951)
Converted during the year	(322,335)	(136,953)
Balance as at 30 September at par	5,487,636	8,288,789
Unrealised gain	—	(908,766)
Valuation as at 30 September	5,487,636	7,380,023

Loan stock not converted or purchased by Murray Enterprise PLC will be redeemed on 31 August 1994 at a price which is the lower of either par or an amount equal to the net asset value which would be attributable to an ordinary share on the due date for redemption assuming that all loan stock then outstanding had been converted into ordinary shares immediately prior to that date.

The loan stock is convertible on 30 June and 31 December in each year up to and including 30 June 1994 on the basis of one ordinary share for each £1 of loan stock.

	1992 Number	1992 £	1991 Number	1991 £
Note 13 Share capital				
At 30 September the authorised share capital comprised:				
allotted, issued and fully paid ordinary shares of 25p each	6,617,080	1,654,270	6,294,745	1,573,686
unissued ordinary shares of 25p each	23,382,920	5,845,730	23,705,255	5,926,314
	30,000,000	7,500,000	30,000,000	7,500,000

During the year 322,335 ordinary shares of 25p were allotted fully paid in consideration for £322,335 of Zero-Coupon Convertible Unsecured Loan Stock.

	1992 £	1991 £
Note 14 Share premium account		
Balance at 1 October	16,061,338	15,959,123
Loan stock converted to ordinary shares during the year	241,751	102,715
Balance at 30 September	16,303,589	16,061,338

Notes on accounts
continued

	1992 Gains £	1992 Losses £	1991 Gains £	1991 Losses £
Note 15 Realised capital losses				
At 1 October	14,609,101	(16,435,044)	10,273,198	(14,147,162)
Movements during year:				
listed investments	1,331,313	(357,784)	1,216,732	(420,468)
unlisted investments	514,148	(1,917,447)	247,274	(1,637,194)
currencies	—	(1,029)	—	(93,777)
taxation	—	(3,448)	88,460	—
currency option	—	—	—	(125,930)
capital charges	—	(4,836)	—	(10,513)
discount on repurchase of loan stock	154,875	—	2,783,437	—
	16,609,437	(18,719,588)	14,609,101	(16,435,044)
Net realised capital losses at 30 September		(2,110,151)		(1,825,943)
Note 16 Unrealised capital losses				
At 1 October	4,087,642	(16,808,226)	6,082,667	(18,025,718)
Movements during year:				
investments	3,258,432	1,605,239	1,788,593	1,001,793
currency option	—	—	—	215,699
loan stock (note 12)	(908,766)	—	(3,783,618)	—
	6,437,308	(15,202,987)	4,087,642	(16,808,226)
Net unrealised capital losses at 30 September		(8,765,679)		(12,720,584)
Constituted:				
listed investments	5,749,498	[illegible]	213,714	(888,766)
unlisted investments	687,810	(14,407,5[illegible])	2,965,162	(15,919,460)
revaluation of loan stock	—	—	908,766	—
	6,437,308	(15,202,987)	4,087,642	(16,808,226)
Net unrealised capital losses at 30 September		(8,765,679)		(12,720,584)

Notes on accounts
continued

	1992 £	1991 £
Note 17 Reconciliation of operating profit to net cash inflow from operating activities		
Income before interest payable and taxation	194,525	399,942
Decrease in accrued income	21,790	7,092
Increase in prepayments	(1,464)	(1,867)
(Increase) decrease in other debtors	(7,980)	7,041
Decrease in accruals	(28,336)	(42,102)
Increase in other creditors	1,472	1,777
Tax on franked income	(40,686)	(60,046)
Tax on unfranked income – UK	(22,177)	(96,149)
– overseas	(28,372)	(163)
Net cash inflow from operating activities	88,772	215,525

	Share capital £	Share premium £	Loan stock £
Note 18 Analysis of changes in financing during the year			
1992			
Balance at 1 October 1991	1,573,686	16,061,838	7,380,023
Net cash outflow from financing	—	—	(2,323,943)
Discount on loan stock repurchased during year	—	—	(154,875)
Loan stock converted during year	80,584	241,751	(322,335)
Movement on unrealised gains on loan stock during year	—	—	908,766
Balance at 30 September 1992	1,654,270	16,303,589	5,487,636
1991			
Balance at 1 October 1990	1,539,448	15,959,123	9,769,309
Net cash outflow from financing	—	—	(3,252,514)
Discount on loan stock repurchased during year	—	—	(2,783,437)
Loan stock converted during year	34,238	102,715	(136,953)
Movement on unrealised gains on loan stock during year	—	—	3,783,618
	1,573,686	16,061,838	7,380,023

	1992 £	1991 £
Note 19 Analysis of changes in cash and cash equivalents during the year		
Balance at 1 October	399,945	784,576
Net cash outflow	(221,894)	(384,631)
Balance at 30 September	178,051	399,945

The balance for cash and cash equivalents is shown in the balance sheet as 'Cash and short term deposits'.

Notes on accounts
continued

	1992 £	1991 £
Note 20 Contingent liabilities		
Uncalled and contingent liabilities on investments	11,760	45,520

Note 21 Directors' share interests
The interests of the directors in the share capital and Zero-Coupon Convertible Unsecured Loan Stock 1994 of the company under the terms of the Companies Act 1985, are as follows:

	30 September 1992		*30 September 1991*	
	ordinary	*loan stock*	*ordinary*	*loan stock*
Sir Matthew Goodwin	33,882	—	30,970	2,912
Sir Raymond Johnstone	9,827	—	2,456	7,371
Sir Roderick MacLeod (died 22 January 1993)	2,062	—	515	1,547
R S Peters (resigned 4 June 1992)	—	—	1,181	3,543
E O J Salbu	2,062	—	515	1,547
P K Timms	—	—	—	—

Unless otherwise designated all holdings are beneficial. There have been no changes in the above interests since the end of the financial year.

Note 22 Date of approval
The accounts set out on pages 18 to 31 were approved by the directors at their meeting of 2 December 1992.

For registrar's use only. ....

....

....

PROXY FORM

MURRAY ENTERPRISE PLC

Annual General Meeting

I/We ....

of ....

being (a) member(s) of Murray Enterprise PLC hereby appoint the chairman of the meeting, (note 3)..... ....
as my/our proxy to vote for me/us on my/our behalf at the eleventh annual general meeting of the company to be held on 26 March 1993 and at every adjournment thereof.
The proxy will vote on the resolutions set out in the notice convening the annual general meeting as follows:

Ordinary resolution	For	Against
1. Receipt of directors' report and accounts		
2. Re-election of Mr E O J Salbu as a director		
3. To declare a dividend		
4. Re-appointment of Ernst & Young as auditors		
5. Authorisation of the directors to fix the auditors' remuneration		

Please indicate how you wish your proxy to vote by placing a tick in the appropriate space. Unless otherwise indicated the proxy will vote on the foregoing resolutions, or abstain from voting, as he/she thinks fit, as he/she will at any other issue arising at the meeting.

Signed this .... day of 1993

Signature ....

Notes

1. To be valid this form of proxy must reach Clydesdale Bank PLC, PO Box 124, Corporate Investment Services Department, 150 Buchanan Street, Glasgow G1 2BR 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 names mentioned 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.

Directors and officers

Directors

Sir Matthew Goodwin CBE, Chairman
Sir Raymond Johnstone CBE
E O J Salbu
P K Timms MBE

Manager and Secretary

Murray Johnstone Limited
7 West Nile Street, Glasgow G1 2PX

Registrar

Clydesdale Bank PLC
PO Box 124
Corporate Investment Services,
150 Buchanan Street
Glasgow G1 2JS

Bankers

The Royal Bank of Scotland plc
Morgan Guaranty Trust Company of New York
Robert Fleming & Co Limited

Auditors

Ernst & Young
Chartered Accountants

Solicitors

McGrigor Donald

Trustee of the Zero-Coupon Convertible Unsecured Loan Stock

The Governor and Company of the Bank of Scotland

Registered Office

7 West Nile Street, Glasgow G1 2PX

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