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Murray  
*Income*  
Trust PLC



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

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## Financial Calendar

<b>29 October 2003</b>	Annual General Meeting
<b>31 October 2003</b>	Payment of proposed final dividend for 2003
<b>February 2004</b>	Interim results announcement
<b>January, April and July 2004</b>	Payment of proposed interim dividends for 2004
<b>September 2004</b>	Final results announcement

## Dividend Record

	<b>Rate</b>	<b>xd date</b>	<b>Record date</b>	<b>Payment date</b>
1st interim 2003	4.25p	18 December 2002	20 December 2002	17 January 2003
2nd interim 2003	4.25p	19 March 2003	21 March 2003	16 April 2003
3rd interim 2003	4.50p	18 June 2003	20 June 2003	16 July 2003
Final 2003	4.75p	1 October 2003	3 October 2003	31 October 2003
Total dividend 2003	17.75p			



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## Company Profile

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

### Objective

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

### Investment policy

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

### Benchmark

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

### Share dealing

Shares in Murray Income Trust can be acquired in the open market through a stockbroker. They can also be purchased through the Aberdeen savings schemes and fully qualify for inclusion within tax-efficient ISA and PEP wrappers (see page 51).

### Capital structure

The Company's share capital as at 17 September 2003 consisted of 70,205,458 Ordinary shares of 25p each.

### Management Agreement

The Company has an agreement with Aberdeen Asset Managers Limited for the provision of management services for a fee, as detailed in the Directors' Report on page 24.

### Board of Directors

A Board of Directors, all of whom are independent of the investment manager, supervises the management of the Company and looks after the interests of Shareholders.

# Corporate Information

## Directors

B N A Hardman (Chairman)  
A J M Coats  
P A F Gifford  
M Glen (appointed 11 February 2003)  
Sir David Trippier RD DL

## Secretary

Aberdeen Asset Management PLC

## Registered Office

123 St Vincent Street  
Glasgow G2 5EA  
0141 306 7400

Registered in Scotland - Company Number 12725

## Website

[www.murray-income.co.uk](http://www.murray-income.co.uk)

## Points of Contact

### *The Chairman and/or the Company Secretary*

At the registered office of the Company

### *Manager*

Aberdeen Asset Managers Limited  
Customer Services Department: 0550 00 00 40

### *Registrar*

Capita Registrars  
The Registry  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU  
Tel 0870 162 3100

## Custodian Bankers

JP Morgan Chase Bank

## Auditors

Ernst & Young LLP

## Solicitors

McGrigor Donald

## Stockbroker

UBS Warburg Limited  
Arbuthnot Securities Limited

# Your Board

## Chairman

**Blaise Hardman**, aged 63, was appointed a Director in August 1988 and became Chairman in January 1999. He is a merchant banker and former chairman of Morgan Grenfell & Co Limited. His other directorships include The Fleming Japanese Investment Trust and Whiteaway Laidlaw Bank Limited.

### *Meetings attended during year ended 30 June 2003*

Board Meetings.....	5
Audit Committee .....	3
Management Engagement Committee.....	1
Nomination Committee .....	2
Remuneration Committee .....	1

### *Remuneration*

Year ended 30 June 2003.....	£15,000
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### *Shareholding*

Beneficial .....	10,000
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## Chairman of Audit Committee with effect from 1 July 2003

**Adrian Coats\***, aged 48, was appointed a Director in January 1999 and Chairman of the Audit Committee on 1 July 2003. He is director of treasury for Scottish Power, a director of a number of companies in the ScottishPower Group, a Trustee of the ScottishPower Pension Scheme and a member of PacifiCorp's pension investment committee. He was formerly a director of Grand Metropolitan Finance and chairman of the Scottish Branch of the Association of Corporate Treasurers.

### *Meetings attended during year ended 30 June 2003*

Board Meetings.....	5
Audit Committee .....	3
Management Engagement Committee.....	1
Nomination Committee .....	2
Remuneration Committee .....	1

### *Remuneration*

Year ended 30 June 2003.....	£10,500
------------------------------	---------

### *Shareholding*

Beneficial .....	5,000
Non-Beneficial .....	10,000

## Your Board

**Patrick Gifford, aged 58**, was appointed a Director in July 1999. He was previously a director of Robert Fleming Holdings and chairman of Fleming Investment Trust Management. He is chairman of The Fleming Leveraged Emerging Market Portfolio, 3i European Technology Trust and Vtesse Networks. He is also a director of BFS UK Dual Return Investment Trust, The Fleming Japanese Investment Trust, J P Morgan Fleming Emerging Markets Investment Trust, J P Morgan Fleming Russian Securities, Martin Currie Pacific Trust, Merrill Lynch Asset Allocator and NIB Holdings International.

### *Meetings attended during year ended 30 June 2003*

Board Meetings.....	5
Audit Committee .....	3
Management Engagement Committee.....	1
Nomination Committee .....	2
Remuneration Committee .....	1

### *Remuneration*

Year ended 30 June 2003.....	£10,500
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### *Shareholding*

Beneficial.....	8,313
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**Marian Glen\*\*, aged 43**, was appointed a Director in February 2003. She is head of Funds and Financial Services at Shepherd+Wedderburn (solicitors). She is also a director of a number of companies in the Shepherd+Wedderburn group.

### *Meetings attended during year ended 30 June 2003*

Board Meetings.....	1
Audit Committee .....	1
Management Engagement Committee.....	-
Nomination Committee .....	1
Remuneration Committee .....	1

### *Remuneration*

Year ended 30 June 2003.....	£4,005
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<i>Shareholding</i> .....	nil
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## Your Board

**Sir David Trippier RD DL\***, aged 57, was appointed a Director in October 1995. He was elected to Parliament in 1979 and held a number of Ministerial posts. He is chairman of WH Ireland & Co (Stockbrokers), Sir David Trippier Associates and Murray VCT. He is also a director of Granada Television, St Modwen Properties and Nord Anglia.

### ***Meetings attended during year ended 30 June 2003***

Board Meetings.....	4
Audit Committee .....	2
Management Engagement Committee.....	1
Nomination Committee .....	1
Remuneration Committee .....	1

### ***Remuneration***

Year ended 30 June 2003.....	£10,500
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### ***Shareholding***

Beneficial.....	1,895
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*All the Directors are non-executive and are members of the Management Engagement Committee, the Audit Committee, the Nomination Committee and the Remuneration Committee.*

### **Re-election of Directors**

*\* Directors who are retiring by rotation and offer themselves for re-election for a further period of three years.*

*\*\* Director who is standing for re-election at the first Annual General Meeting following her appointment.*

## Manager

Aberdeen Asset Managers Limited is the Manager of the Company and is part of the Aberdeen Asset Management group of companies, which had £20.8 billion of funds under management as at 29 August 2003.

# Financial Highlights

For the year ended 30 June 2003

Murray Income Trust had a stock market capitalisation as at 30 June 2003 of £292 million (2002 – £338 million).

	30 June 2003	30 June 2002
Total assets less current liabilities	£309,529,000	£411,035,000
Equity Shareholders' interest	£304,529,000	£380,035,000
Net Asset Value per Ordinary share	433.8p	541.3p
Net Asset Value total return for year per Ordinary share	(15.9)%	(9.9)%
FTSE 350 Higher Yield Index	(11.2)%	(6.0)%
<b>Share Price Performance</b>		
Share price of Ordinary shares	416.0p	481.5p
Discount to Net Asset Value on Ordinary shares	4.10%	11.05%
Share price total return for year per Ordinary share	(8.9)%	(8.9)%
<b>Dividend and Earnings</b>		
Dividend per Ordinary share	17.75p	17.0p
Revenue return per Ordinary share	18.7p	18.0p
Dividend cover	1.05 times	1.07 times
Revenue reserve	£11,301,000	£10,641,000
<b>Operating costs</b>		
Total operating costs as a percentage of net assets*	1.08%	0.94%

\* *Operating costs for the year include investment management fees and other expenses as detailed in notes 3 and 4 on pages 38 and 39. Net assets are as at the relevant year end.*

# Chairman's Statement

We have enjoyed a good recovery in the UK equity market since March but the last year as a whole was difficult and disappointing for UK equities. The Net Asset Value total return for the year ended June 2003 was -15.9%. This compares with the benchmark FTSE 350 Higher Yield Index return of -11.2% and the FTSE All-Share Index of -9.7%. At the year end, Murray Income was ranked 15 out of 17 within the UK Growth and Income sector of Investment Trusts. Attribution analysis shows that gearing cost 1.6% and stock selection 2.5%. The Manager is confident that the policy of selecting value companies outside the benchmark will be vindicated.

## Dividends

In last year's Annual Report, the Board stated its intention to change the balance between the interim and final dividend payments by increasing the size of the first three interim dividends and proposing a corresponding reduction in the final dividend. Subsequently, the first and second interim dividends were paid on 17 January 2003 and 16 April 2003 each at the rate of 4.25p per Ordinary share, with the third interim dividend being paid on 16 July 2003 at the rate of 4.5p.

The revenue flow from the portfolio continues to remain secure and, consequently, the Directors propose a final dividend payment of 4.75p, payable on 31 October 2003, making total dividends for the year ended 30 June 2003 of 17.75p. This represents an increase of 4.4% on the total dividends paid in the previous year. It is worth noting that dividends have been increased every year for more than 20 years. At 30 June 2003, Murray Income shares yielded 4.3%, which at that time was more than the redemption yield available on government bonds and much more than the yield available on cash deposits.

## Share Buy Backs

During the year ended 30 June 2003, the Company did not repurchase any Ordinary shares. The discount, at which the shares traded to their Net Asset Value, steadily improved from 11.1% to 4.1% and showed few significant fluctuations. At the Annual General Meeting on 29 October 2003, Shareholders will be asked to renew the authority to buy back shares for the following twelve months.

At present any shares that are repurchased have to be cancelled immediately. In December 2003, regulations are expected to come into force, permitting investment trusts to buyback and hold shares, with a view to reselling them on more favourable terms. The Directors are carefully considering this new and interesting opportunity.

## Strategy and Borrowing

Although the portfolio continues to be managed with regard to the structure and weightings of the benchmark FTSE 350 Higher Yield Index, approximately 20% of holdings have been in stocks and sectors outside this benchmark. In particular, the Manager has included shares in the telecommunications, pharmaceuticals, food producers and beverage sectors which are believed to offer the prospect of good returns, while also reducing the volatility and risk of a portfolio which tracks the index.

Bank borrowings, all of which are flexible and short term, began the year at £31million, peaked at £40million and ended the year at £35million. No costs other than interest and commitment commission were incurred in either drawing down or repaying any of this debt. Total committed facilities available currently amount to £60million, although the Board has decided to reduce this to £45million in October 2003, when one of the facilities is due to expire.

# Chairman's Statement

## Your Board

This year has seen the publication of various reviews that seek to improve corporate governance and reporting in quoted companies, the most visible of which has been Derek Higgs' review. Other reviews are ongoing; in July the AITC published its Code of Corporate Governance and the FSA's proposed changes to the listing rules for investment trust companies are expected shortly.

Your Board is determined to remain at the forefront of best practice in looking after Shareholder interests. It believes that a strong, experienced independent Board, with the right balance of skills, is a fundamental part of good corporate governance.

In addition to quarterly Board meetings to evaluate the performance of the Manager and the day-to-day business of the Company, we meet annually for a strategy meeting. At this year's meeting, we reviewed the strategic direction of the Company, including its objectives, relevance, structure and Shareholder communications. Also, in June, I attended, with fellow Director Patrick Gifford and the Manager, Ross Watson, an informal meeting of Shareholders and prospective Shareholders. Such meetings help the Board to develop its strategic thinking and offer a means for Shareholders to provide comment and express views, outside the formal setting of the AGM.

Following the sad death of Roger Adams, the Board appointed an independent firm of consultants to help find a new non-executive Director. Having assessed the mix of skills within the Board, we specifically briefed the consultant to identify candidates with a strong legal background. We are therefore delighted to have attracted Marian Glen, Head of Funds and Financial Services at Edinburgh-based lawyers Shepherd + Wedderburn. We greatly value her contribution and consider that her knowledge and experience of the financial services industry enhances the combined experience of the Board.

I have been a Director of Murray Income since 1988 and have decided to retire from the Board immediately after the AGM next year. Early in 2004 the Board will, therefore, again appoint consultants to help identify a new Director. The Board has also evaluated its options for my replacement as Chairman. The other non-executives were particularly aware of the need for continuity, independence from the Manager, and experience and understanding of the investment trust sector. Patrick Gifford was our unanimous choice and I am pleased to report that he has agreed to succeed me. Also Adrian Coats agreed to become Chairman of the Audit Committee from 1 July 2003. Biographical details of your Board, including other directorships, remuneration and their attendance records are printed on pages 3 to 5.

## Outlook

The economy is experiencing modest growth, low interest rates and, high levels of government borrowing. However, the stock market has recovered from the low levels reached earlier this year and there may be further gains, given the better background for corporate profits in 2004. In addition, the relatively high yield of Murray Income's shares and the spread of investments in quality companies offer Shareholders some protection against a downturn in the market. In the longer term, we firmly believe that a managed portfolio, based on our chosen benchmark index, will prove to be a rewarding investment.

10 September 2003

**Blaise Hardman**  
Chairman

## Summary of Investment Changes during the year

	Valuation 30 June 2002		Transactions £'000	Appreciation (depreciation) £'000	Valuation 30 June 2003	
	£'000	%			£'000	£'000
<b>United Kingdom</b>						
Equities	415,757	101.1	(857)	(74,111)	340,789	100.4
Total investments	415,757	101.1	(857)	(74,111)	340,789	100.4
Other net liabilities	(4,722)	(1.1)	3,462	–	(1,260)	(0.4)
<b>Total assets*</b>	<b>411,035</b>	<b>100.0</b>	<b>2,605</b>	<b>(74,111)</b>	<b>339,529</b>	<b>100.0</b>

\* Represents total assets less current liabilities, after excluding short-term loans of £30,000,000 as at 30 June 2003.

## Summary of Net Assets

As at 30 June 2003

	Valuation	
	£'000	%
Equities	340,789	111.9
Net current liabilities	(1,260)	(0.4)
Borrowings	(35,000)	(11.5)
<b>Equity Shareholders' interest</b>	<b>304,529</b>	<b>100.0</b>

# Distribution of Investments

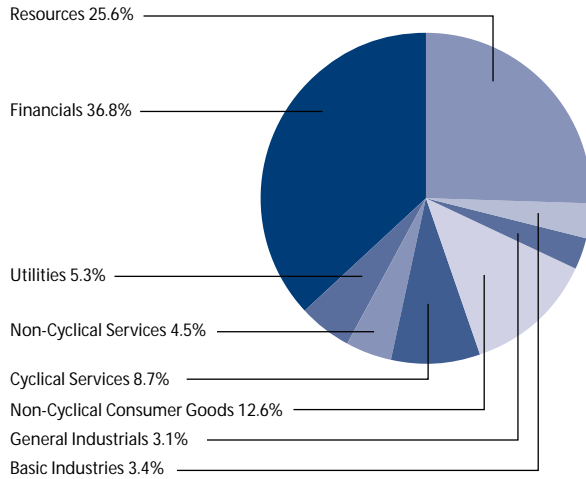
As at 30 June 2003

Sector/Area	2003 Total %	2002 Total %
<b>Resources</b>	<b>25.7</b>	<b>26.3</b>
Mining	5.3	4.8
Oil & Gas	20.4	21.5
<b>Basic Industries</b>	<b>3.4</b>	<b>4.1</b>
Chemicals	1.2	1.8
Construction & Building Materials	2.2	1.4
Steel & Other Metals	–	0.9
<b>General Industrials</b>	<b>3.1</b>	<b>4.3</b>
Aerospace & Defence	1.8	2.4
Electronic & Electrical Equipment	–	1.1
Engineering & Machinery	1.3	0.8
<b>Non-Cyclical Consumer Goods</b>	<b>12.7</b>	<b>12.5</b>
Beverages	2.9	4.2
Food Producers & Processors	2.8	3.0
Health	–	0.2
Pharmaceuticals & Biotech	2.4	1.8
Tobacco	4.6	3.3
<b>Cyclical Services</b>	<b>8.7</b>	<b>9.4</b>
General Retailers	3.5	2.9
Leisure & Hotels	2.7	3.3
Media & Entertainment	1.0	1.7
Support Services	0.5	0.7
Transport	1.0	0.8
<b>Non-Cyclical Services</b>	<b>4.5</b>	<b>3.6</b>
Food & Drug Retailers	2.0	2.3
Telecommunication Services	2.5	1.3
<b>Utilities</b>	<b>5.3</b>	<b>4.9</b>
Electricity	4.5	3.3
Utilities – Other	0.8	1.6
<b>Financials</b>	<b>37.0</b>	<b>35.9</b>
Banks	28.5	25.9
Insurance	0.2	1.5
Life Assurance	3.0	4.4
Investment Companies	0.8	0.7
Real Estate	2.8	2.8
Speciality & Other Finance	1.7	0.6
<b>Information Technology</b>	<b>–</b>	<b>0.1</b>
Software & Computer Services	–	0.1
<b>Total Investments</b>	<b>100.4</b>	<b>101.1</b>
Net liabilities	(0.4)	(1.1)
<b>Total Assets*</b>	<b>100.0</b>	<b>100.0</b>

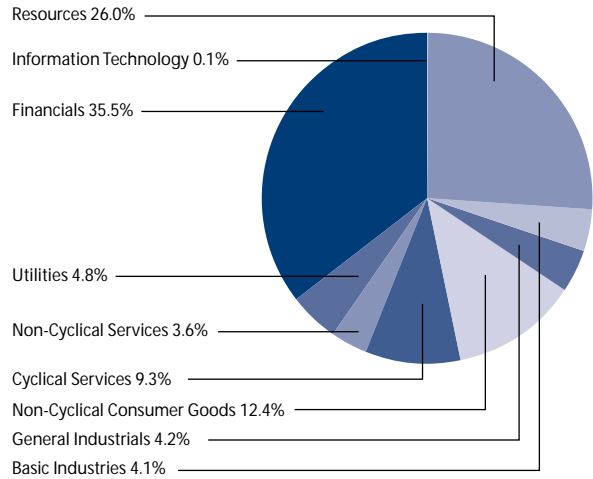
\* Represents total assets less current liabilities, after excluding short-term loans of £30,000,000 as at 30 June 2003 (2002 – £nil)

# Sector Comparison with Benchmark

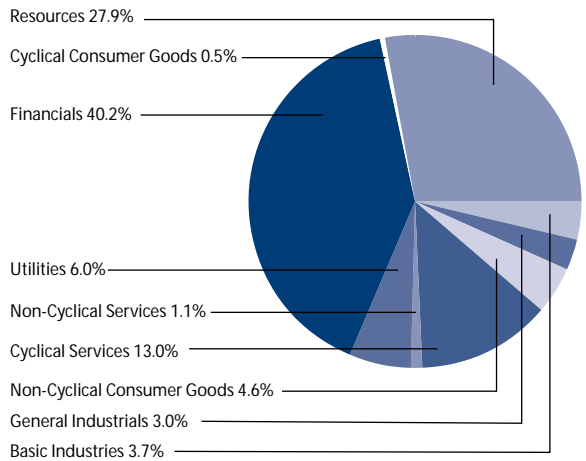
**Distribution of Investments**  
as at 30 June 2003



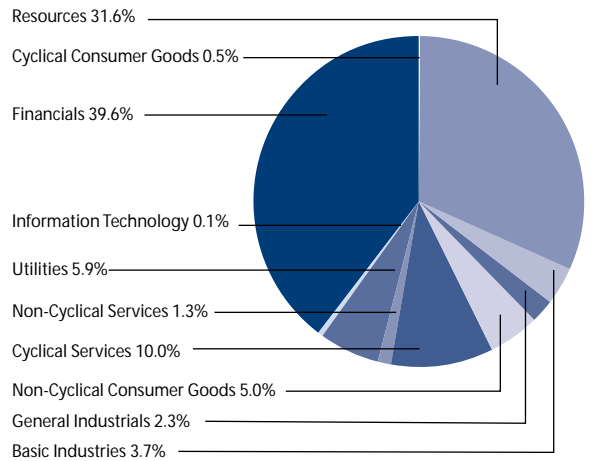
**Distribution of Investments**  
as at 30 June 2002



**FTSE 350 Higher Yield Index**  
as at 30 June 2003



**FTSE 350 Higher Yield Index**  
as at 30 June 2002



**Note:**

*The percentage distributions by sector as shown on page 10 have been rebased in the sector comparison pie chart to total 100% in order to enable an accurate comparison with the FTSE 350 Higher Yield Index to be made.*

# Investment Manager's Review

Last year's Investment Manager's Review talked of a difficult period for equity investors with high levels of volatility, a description that would also seem appropriate for the year to 30 June 2003. Once again equity investors had to endure a period of negative returns, culminating in a sell-off in March 2003. This sell-off preceded the start of the conflict in Iraq, and the prospect of hostilities is never welcome to equity investors. This was, by far, the worst bear market experienced in the UK for thirty years and even after their recent recovery, which has continued after the Company's year-end, share prices remain well below previous highs. In this rally, investors are looking through the current relatively sluggish economic background. They have increased their appetite for risk and have favoured more cyclical stocks with the potential for a recovery in profits. This has been at the expense of more defensive sectors.

Concerns about weaker economic growth and its impact upon corporate profits have never been far from the headlines during the year, contributing to the fall in equity prices. Despite a difficult economic background in many of its trading partners, the UK economy has avoided recession. The rapid increase in public sector expenditure has bolstered the performance of the economy, but, despite this, growth in GDP has recently been below its trend level. The consumer sector, in particular, is experiencing slower growth and unemployment is now stabilising, albeit at a very low level. Partly due to higher taxation, real income growth has slowed markedly. Short-term interest rates have been very stable over the last year with only one change occurring, a reduction to 3.75%. There has been a further small reduction to 3.5%. Long term interest rates fell steadily with yields on government bonds falling below 4% shortly before the Company's year end. Bond yields have subsequently risen, and are now above the levels of a year ago.

## Performance

In contrast to the previous year, the FTSE 350 Higher Yield Index did not provide a haven in difficult times, and slightly underperformed the more broadly based FTSE All-Share Index. The bulk of this underperformance came towards the end of the period when share prices began to recover from their lowest levels and investors were willing to tolerate a higher level of risk, at the expense of more defensive sectors such as utilities.

The performance of your Company's portfolio was below that of the benchmark FTSE 350 Higher Yield Index for the year to 30 June 2003. In a falling market this was exaggerated due to the effects of gearing on the Net Asset Value. The relative contribution from the important oil & gas sector was positive due to the underweight position in BP, the largest constituent of the benchmark index. There was a negative contribution from certain holdings, during the year, within the basic industries' and general industrials' sectors, as trading conditions weakened and share prices reacted adversely. Within the banks' sector, the portfolio had an underweight position in HSBC, which contributed to the underperformance.

# Investment Manager's Review

Performance Analysis	1 year %
Net Asset Value total return per Ordinary share	(15.9)
Benchmark return	(11.2)
	(4.7)
<b>Attribution</b>	
a) Stock Selection	
Resources	0.2
Basic Industries	(0.5)
General Industrials	(0.5)
Cyclical Consumer Goods	(0.1)
Non-Cyclical Consumer Goods	(0.5)
Cyclical Services	0.1
Non-Cyclical Services	(0.3)
Utilities	(0.3)
Financials	(0.6)
	(2.5)
b) Asset allocation	0.3
c) Gearing/cash effect	(1.6)
d) Management fees and other expenses	(0.9)
Total	(4.7)

Source: FTSE/AAM.

## Notes to Performance Analysis

**Selection effect** – measures the effect of security selection within each asset category.

**Allocation effect** – measures the impact of over or underweighting each asset category, relative to the benchmark weights.

**Gearing/cash effect** – measures the impact on relative returns of net borrowing.

**Management fees and other expenses** – these reduce total assets and therefore reduce performance. It is calculated by dividing expenses incurred during the year by average total assets less current liabilities.

**Rounding** – attribution effects have been rounded to add up to the overall relative return.

## Strategy

The portfolio continues to be run with a view to maintaining a relatively low risk and diversified spread of investments. It remains less concentrated than the Company's benchmark, the FTSE 350 Higher Yield Index, although the underlying yield of the portfolio is close to that of the benchmark. At the end of the financial year, over 20% of the portfolio was held in stocks outwith the FTSE 350 Higher Yield Index. In a period when capital values have again disappointed, it is pleasing to report that the Company's revenue account remains strong. The focus upon companies with good cash flow and dividend paying capabilities has ensured that, as well as increasing the dividend at a rate greater than inflation, there is once again a transfer to revenue reserve, which for the year ended 30 June 2003 was £660,000. The revenue forecast for the current year remains encouraging.

# Investment Manager's Review

## Activity

There was a modest increase in gearing within the portfolio during the year, with an increase in bank borrowings from £31m to a closing level of £35m. In a falling market, the gearing clearly had a negative impact upon Shareholders' Funds. It was only in the latter part of the financial year, as the stock market recovered, that the gearing began to have a beneficial effect. Portfolio turnover again remained relatively low during the year, amounting to approximately 14% of the portfolio.

One feature of the portfolio was a continued reduction in the number of holdings which totalled 61 at the year end, compared with 76 a year earlier. A similar reduction is not anticipated in the current year. The revenue flow from the portfolio remains satisfactory and the ability of portfolio constituents to maintain dividends is monitored regularly. The holdings in Britannic, Prudential and Scottish & Newcastle were sold due to concerns about the sustainability of their dividend payments. All have subsequently announced reductions in dividend payments. The holding in United Utilities was switched into Kelda, due to the latter's stronger balance sheet and dividend paying capabilities.

A new holding was established in Cattles, a provider of consumer finance which is enjoying strong growth in earnings and dividends as it expands into new market segments. Within the same sector, the existing holding in Provident Financial was increased. This company has a different strategy with its growth taking place overseas as well as in the UK. Part of the holding in BP, the largest in the portfolio, was switched into Shell as this offered better value.

The price of Hanson, a producer of building materials, fell on concerns about the earnings exposure to asbestos claims in the US. This gave the opportunity to increase the holding. The holding in Aviva, the insurance company, was increased with the proceeds of the Prudential sales. Aviva had already reduced its dividend payment. Within the Banks' sector, part of the holding in HBOS was switched into Royal Bank of Scotland which offers better growth prospects.

## Outlook

Share prices have continued their steady recovery from the trough of the bear market reached in March of this year, but remain well below their peak levels. Investors remain realistic about valuations and the prospective returns than can be expected.

The economic outlook in the UK remains unexciting, with GDP growth unlikely to meet the Government's optimistic estimate for 2003 or 2004. The weakness in demand from many European countries will not help the UK economy but both monetary and fiscal policy remains stimulative.

The current level of short-term interest rates is unlikely to be reduced significantly from here; however, in the future the mantle of growth will have to move away from consumer expenditure where growth continues to slow. The continued growth in consumer indebtedness in this country is attracting concern, particularly as real income growth slows. The interest cost of new debt is currently low, but if both interest rates and unemployment were to rise sharply there would inevitably be problems.

While prospects for growth in both profits and dividends are not particularly strong, this is recognised by share ratings. These continue to offer value and hence the prospect of further share price gains in due course.

10 September 2003

**Ross Watson**  
Investment Manager

# Attribution Analysis

Computed on a total return basis relative to the FTSE 350 Higher Yield Index.

	Portfolio		Benchmark		Net Management Effects		
	Weight	Return	Weight	Return	Asset	Stock	Total
	%	%	%	%	%	%	%
<b>Equities</b>	<b>109.8</b>	<b>(13.5)</b>	<b>100.0</b>	<b>(11.2)</b>	<b>0.3</b>	<b>(2.5)</b>	<b>(2.2)</b>
Resources	28.1	(16.8)	27.9	(18.0)	0.3	0.2	0.5
Basic Industries	3.7	(35.6)	3.7	(14.0)	(0.6)	(0.5)	(1.1)
General Industrials	3.4	(23.2)	3.0	(12.2)	(0.1)	(0.5)	(0.6)
Cyclical Consumer Goods	–	–	0.5	(5.7)	0.1	(0.1)	–
Non-Cyclical Consumer Goods	13.9	(13.1)	4.6	(7.8)	0.1	(0.5)	(0.4)
Cyclical Services	9.5	(0.0)	13.0	0.3	(0.3)	0.1	(0.2)
Non-Cyclical Services	4.9	(7.4)	1.1	(16.0)	0.5	(0.3)	0.2
Utilities	5.8	(7.4)	6.0	(1.2)	(0.1)	(0.3)	(0.4)
Information Technology	–	–	–	–	0.1	–	0.1
Financials	40.5	(11.1)	40.2	(10.1)	0.3	(0.6)	(0.3)
<b>Gearing/cash effect</b>	<b>(9.8)</b>	<b>4.6</b>	<b>–</b>	<b>–</b>	<b>(1.6)</b>	<b>–</b>	<b>(1.6)</b>
<b>Total ex management fees and expenses</b>	<b>100.0</b>	<b>(15.1)</b>	<b>100.0</b>	<b>(11.2)</b>	<b>(1.3)</b>	<b>(2.5)</b>	<b>(3.8)</b>
Management fees and expenses							(0.9)
<b>Total including management fees and expenses</b>							<b>(4.7)</b>

*Portfolio returns are sourced from Aberdeen Asset Management ; index returns are sourced from FTSE.*

# Twenty Largest Investments

As at 30 June 2003

Investment	Valuation £'000	Total* assets %
<b>1 (1) BP Amoco</b> BP Amoco is one of the world's largest petroleum and petrochemicals groups. Its main activities are exploration and production of crude oil and natural gas; refining, marketing, supply and transportation of petroleum products; and manufacturing and marketing of petrochemicals.	42,025	12.4
<b>2 (2) HSBC Holdings</b> The group is one of the largest banking and financial services organisations in the world. The HSBC Group's international network comprises more than 5,000 offices in 80 countries and territories, operating in the Asia Pacific region, Europe, the Americas, the Middle East and Africa.	30,072	8.9
<b>3 (3) Shell Transport &amp; Trading</b> Shell Transport and Trading Company owns 40% of the Royal Dutch/Shell Group, which is engaged in all phases of the petroleum industry from exploration to processing and distribution. The group operates in over 130 countries. A key part of its policy is to develop renewable energy sources.	27,280	8.0
<b>4 (4) Lloyds TSB</b> In addition to its retail and commercial banking operations the group owns Cheltenham & Gloucester, a leading home mortgage lender. The group also has a growing investment, life and general insurance business including Abbey Life and Scottish Widows.	16,048	4.7
<b>5 (5) Barclays</b> Barclays offers commercial and investment banking, insurance, financial and related services. It operates branches in over 60 countries and in its main market in the UK it operates over 1,900 branches.	14,130	4.2
<b>6 (18) The Royal Bank of Scotland Group</b> The Royal Bank of Scotland is now the UK's second largest bank. Currently the bank's main operations are based in the UK where it has 20 million customers and 2,287 branches. It has a very successful US operation called Citizens which is seen as the growth engine of the future.	13,630**	4.0
<b>7 (13) Aviva</b> The merger of CGU and Norwich Union created the UK's largest insurance group and one of the top five life insurers in Europe. Principal business activities are long-term savings, general insurance and asset management with worldwide premium income and retail investment sales of £26 billion.	10,224	3.0
<b>8 (6) Diageo</b> Diageo produces a wide range of spirits and Guinness. Its key spirits brands include Smirnoff, Johnnie Walker, Captain Morgan, Baileys and Tanqueray.	9,705	2.9
<b>9 (7) Anglo American</b> Anglo American is an international mining and natural resources company, which has interests in gold, diamonds, precious metals, base metals and a wide range of industrial activities	8,612	2.5
<b>10 (12) Rio Tinto</b> Rio Tinto is an international mining company. The Company has interests in mining for aluminium, borax, coal, copper, gold, iron ore, lead, silver, tin, uranium, zinc, titanium dioxide feedstock, diamonds, talc and zircon. Rio Tinto's various mining operations are located in Australia, New Zealand, South Africa, the United States, South America, Europe and Indonesia.	8,208	2.4
<b>Top ten investments</b>	<b>179,934</b>	<b>53.0</b>

## Twenty Largest Investments (continued)

Investment	Valuation £'000	Total* assets %
<b>11(14) GlaxoSmithKline</b> GlaxoSmithKline is a research based pharmaceutical group that develops, manufactures and markets vaccines, prescription and over the counter medicines as well as health related consumer products. The group specialises in treatments for respiratory, central nervous system gastro-intestinal and genetic disorders.	8,153	2.4
<b>12 (15) Standard Chartered</b> Standard Chartered is an international banking group operating principally in Asia, Africa and the Middle East. The company offers its products and services to consumer and commercial customers in more than 50 countries.	7,654	2.2
<b>13 (-) Imperial Tobacco</b> Imperial Tobacco Group manufactures a range of tobacco products, including cigarettes, hand rolling tobacco, cigars, pipe tobacco and snuff for the United Kingdom and International markets. The Company's UK cigarette brands are Regal, Embassy, Superkings, John Player Special and Lambert & Butler. Their international brands are Davidoff, West, Cabinet, Horizon and Prima.	6,715	2.0
<b>14 (8) J Sainsbury</b> Sainsbury is a major food retailer with supermarket chains in both the UK and in the USA. Through Sainsbury Bank, the Company offers saving accounts, mortgages and personal loans.	6,692	2.0
<b>15 (17) British American Tobacco</b> British American Tobacco is the holding company for a group of companies that manufacture, market and sell cigarettes and other tobacco products, including cigars and roll-your-own tobacco. The group sells over 300 brands in approximately 180 markets throughout the world. Key brands include State Express 555, Lucky Strikes, Kent and Benson & Hedges.	6,359	1.9
<b>16 (9) Abbey National</b> A demutualised building society, Abbey National is now a broad based financial services provider in the UK with some 15 million customers. The group offers mortgages and personal savings schemes as well as banking, pension, investment, life and general insurance services.	6,352	1.9
<b>17 (-) National Grid Transco</b> National Grid Transco owns, operates and develops electricity and gas networks. The Group's electricity transmission and gas distribution networks are located throughout the United Kingdom and in the north-eastern section of the United States.	6,165	1.8
<b>18 (-) Scottish &amp; Southern Energy</b> Scottish & Southern Energy is one of the largest energy companies in the UK. It is involved in the generation, transmission, distribution and supply of electricity to domestic, industrial and commercial customers. Additionally, it is involved in energy trading and gas marketing.	6,077	1.8
<b>19 (16) Unilever</b> Unilever manufactures branded and packaged consumer goods including food, detergents, fragrances, home and personal care products. The company shares operations with Unilever N.V. The two are linked by a series of agreements and operate as a single entity as much as possible. Unilever operates on a worldwide scale, selling its products in over 100 countries.	5,406	1.6
<b>20 (-) Great Universal Stores</b> GUS is a retail and business services group. It provides information and customer relationship management services through Experian, general merchandise through Argos, and luxury goods through a majority shareholding in Burberry Group.	5,152	1.5
<b>Top twenty investments</b>	<b>244,659</b>	<b>72.1</b>

### Notes:

*The value of the 20 largest investments represents 72.1% (2002 – 68.7%) of total assets.*

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

*\*Represents total assets less current liabilities, after excluding short-term loans of £30,000,000.*

*\*\*Holding comprises equity and fixed income securities.*

# Portfolio of Investments

As at 30 June 2003

Investment	Valuation £'000	Total assets %	Yield %	Investment	Valuation £'000	Total assets %	Yield %
<b>Resources</b>				<b>Support Services</b>	<b>1,699</b>	<b>0.5</b>	
<b>Mining</b>	<b>17,911</b>	<b>5.3</b>		Bunzl	1,699	0.5	2.9
Anglo American	8,612	2.5	3.9	<b>Transport</b>	<b>3,576</b>	<b>1.0</b>	
BHP Billiton	1,091	0.4	3.0	Arriva	1,841	0.5	5.5
Rio Tinto	8,208	2.4	3.7	BBA Group	1,735	0.5	4.5
<b>Oil &amp; Gas</b>	<b>69,305</b>	<b>20.4</b>		<b>Non-Cyclical Services</b>			
BP Amoco	42,025	12.4	4.1	<b>Food &amp; Drug Retailers</b>	<b>6,692</b>	<b>2.0</b>	
Shell Transport & Trading	27,280	8.0	4.2	J Sainsbury	6,692	2.0	6.8
<b>Basic Industries</b>				<b>Telecommunication Services</b>	<b>8,534</b>	<b>2.5</b>	
<b>Chemicals</b>	<b>4,220</b>	<b>1.2</b>		BT Group	3,498	1.0	3.5
BOC Group	2,375	0.7	5.6	Vodafone Group	5,036	1.5	1.6
Imperial Chemical Industries	1,845	0.5	6.8	<b>Utilities</b>			
<b>Construction &amp; Building Materials</b>	<b>7,395</b>	<b>2.2</b>		<b>Electricity</b>	<b>15,154</b>	<b>4.5</b>	
BPB Industries	1,996	0.6	4.9	National Grid Transco	6,165	1.8	4.7
Hanson	3,715	1.1	5.1	Scottish and Southern Energy	6,077	1.8	6.2
Persimmon	991	0.3	4.2	Scottish Power	2,912	0.9	8.8
RMC	693	0.2	7.5	<b>Utilities – Other</b>	<b>2,779</b>	<b>0.8</b>	
<b>General Industries</b>				Kelda Group	2,779	0.8	6.8
<b>Aerospace &amp; Defence</b>	<b>6,247</b>	<b>1.8</b>		<b>Financials</b>			
BAE Systems 7.75% NCCRP	2,380	0.7	7.2	<b>Banks</b>	<b>96,616</b>	<b>28.5</b>	
Smiths Group	3,867	1.1	4.0	Abbey National	6,352	1.9	6.8
<b>Engineering &amp; Machinery</b>	<b>4,235</b>	<b>1.3</b>		Alliance & Leicester	3,631	1.1	5.3
FKI	1,595	0.5	12.4	Barclays	14,130	4.2	4.5
Weir Group	2,640	0.8	5.7	HBOS	5,099	1.5	4.2
<b>Non-Cyclical Consumer Goods</b>				HSBC Holdings	30,072	8.9	5.4
<b>Beverages</b>	<b>9,705</b>	<b>2.9</b>		Lloyds TSB	16,048	4.7	8.8
Diageo	9,705	2.9	4.2	The Royal Bank of Scotland			
<b>Food Producers &amp; Processors</b>	<b>9,523</b>	<b>2.8</b>		Additional Value Shares	982	0.3	0.0
Cadbury Schweppes	4,117	1.2	3.6	The Royal Bank of Scotland Group	12,648	3.7	3.0
Unilever	5,406	1.6	3.7	Standard Chartered	7,654	2.2	5.1
<b>Pharmaceuticals</b>	<b>8,153</b>	<b>2.4</b>		<b>Insurance</b>	<b>555</b>	<b>0.2</b>	
GlaxoSmithKline	8,153	2.4	3.6	Royal & Sun Alliance	555	0.2	4.8
<b>Tobacco</b>	<b>15,618</b>	<b>4.6</b>		<b>Life Assurance</b>	<b>10,224</b>	<b>3.0</b>	
British American Tobacco	6,359	1.9	5.7	Aviva	10,224	3.0	6.1
Gallaher Group	2,544	0.7	5.1	<b>Investment Companies</b>	<b>2,752</b>	<b>0.8</b>	
Imperial Tobacco	6,715	2.0	3.6	Aberforth Smaller Companies			
<b>Cyclical Services</b>				Trust	2,752	0.8	2.9
<b>General Retailers</b>	<b>11,545</b>	<b>3.4</b>		<b>Real Estate</b>	<b>9,526</b>	<b>2.8</b>	
Boots Group	4,377	1.3	6.2	British Land	2,608	0.8	3.1
Great Universal Stores	5,152	1.5	3.8	Land Securities Group	4,709	1.4	5.1
Kingfisher	2,016	0.6	4.5	Slough Estates 8.25% CP	2,209	0.6	6.2
<b>Leisure &amp; Hotels</b>	<b>9,122</b>	<b>2.7</b>		<b>Speciality &amp; Other Finance</b>	<b>6,007</b>	<b>1.7</b>	
Hilton	3,188	0.9	5.4	Cattles	2,858	0.8	3.6
Intercontinental Hotels Group	2,915	0.9	0.0	Provident Financial	3,149	0.9	5.4
Millennium & Copthorne Hotels	1,434	0.4	5.8	<b>Other Investments</b>			
Mitchells & Butlers	1,585	0.5	0.0	<b>valued individually at less</b>			
<b>Media &amp; Photography</b>	<b>3,349</b>	<b>1.0</b>		<b>than £500,000</b>	<b>347</b>	<b>0.1</b>	
EMAP	2,358	0.7	2.8	<b>Total Investments</b>	<b>340,789</b>	<b>100.4</b>	
Pearson	991	0.3	4.6				

# 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 to 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 Auditors' opinion is included in their report on pages 32 and 33.

## Remuneration Committee

The Company has five non-executive Directors, whose details are set out on pages 3 to 5. The whole Board fulfils the function of a Remuneration Committee. The Board has not been provided with advice or services by any person in respect of its consideration of the Directors' remuneration (although the Directors expect, from time to time, to review the fees paid to the boards of directors of other investment trust companies).

## Policy on Directors' Remuneration

The Board's policy is that the remuneration of the Directors, all of whom are non-executive Directors, should reflect the experience of the Board as a whole, be fair and comparable to that of other investment trusts in the same AITC UK Growth and Income Sector, which also have a similar capital structure, and investment objectives.

The Company's policy is for the Directors to be remunerated in the form of fees, payable quarterly in arrears, to the Director personally or to a third party specified by him. The fees for the non-executive Directors are determined within the limits set out in the Company's Articles of Association, which limit the aggregate of the fees payable to the Directors to £60,000 per annum. The Company's policy is that fees payable to the Directors should reflect the time spent by them on the Company's affairs and should be sufficient to enable candidates of a high quality to be recruited. Non-executive Directors are normally not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits.

The policy is to review these rates from time to time. The present level of fees is £15,000 for the Chairman and £10,500 for each Director. The Remuneration Committee carried out a review during the year ended 30 June 2003, which highlighted the fact that the fees of Murray Income were out of line with its peer group and, therefore, a Resolution numbered 9 will be put to Shareholders, at the Annual General Meeting, to propose increasing the threshold for the maximum aggregate annual fees to £100,000 from the present threshold of £60,000, which has been in place since 1 July 1994. If approved, it is the Board's intention to use £72,000 of this new limit.

Directors' and officers' liability insurance cover is held by the Company in respect of the Directors.

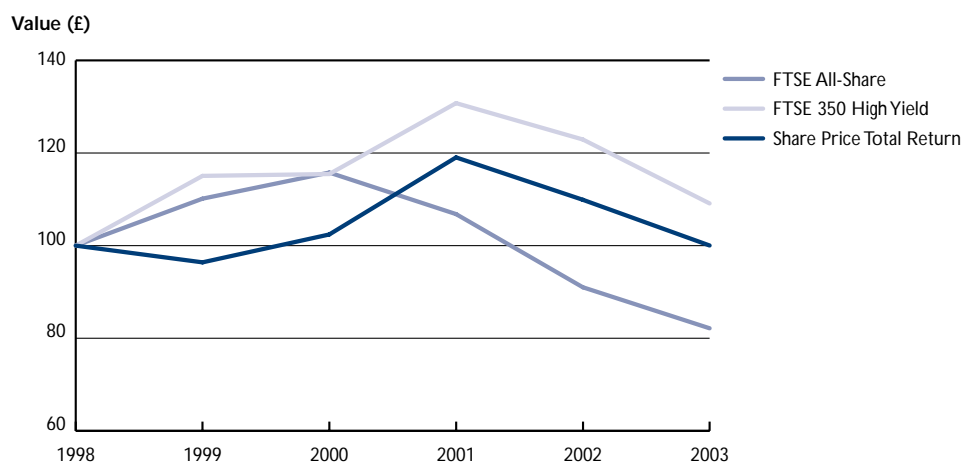
## Directors' service contracts

None of the Directors has a contract of service or services and a Director may resign by notice in writing to the Board at any time; there are no set notice periods. All Directors are appointed for an initial period of three years; this period may be varied by mutual consent. The Articles of Association provide that, at the Annual General Meeting each year, one third of the Directors for the time being (or if their number is not a multiple of three, the number nearest to one third) shall be subject to retirement by rotation. Directors, therefore, shall retire and be subject to re-election at the first Annual General Meeting following their appointment and thereafter shall be obliged to retire by rotation, and offer themselves for re-election, at least every three years. Any Director who attains the age of 70 is subject to annual re-election. No compensation is payable for loss of office, save any arrears of fees which may be due.

# Directors' Remuneration Report

## Company performance

The graph below compares the total return on an investment of £100 in Ordinary shares of Murray Income Trust PLC, assuming all dividends are reinvested, over a five year period commencing on 30 June 1998, with the total Shareholder return over the same period on a notional investment made up of shares of the same kind and number as those by reference to which the FTSE 350 Higher Yield Index and the FTSE All-Share Index are calculated. These Indices are chosen for comparison purposes, as the FTSE 350 Higher Yield Index is the Company's benchmark and it and the FTSE All-Share Index are the benchmarks used for performance measurement purposes by Murray Income's peer group.



## Directors' emoluments for the year (audited)

The table below shows the Directors, who served in the year, together with their date of appointment or resignation and the emoluments each received in the form of fees:

	Date of Appointment/ (Resignation)	Year ended 30 June 2003 £	Year ended 30 June 2002 £
<b>Chairman of the Board:</b>			
B N A Hardman	22/08/1988	15,000	15,000
<b>Directors</b>			
A J M Coats	25/01/1999	10,500	10,500
P A F Gifford	26/07/1999	10,500	10,500
M Glen*	11/02/2003	4,005	–
Sir David Trippier*	23/10/1995	10,500	10,500
B R Adams	(21/08/2002)	1,484	10,500
<b>Total</b>		<b>51,989</b>	<b>57,000</b>

\* Ms M Glen's remuneration is paid to Shepherd+Wedderburn and Sir David Trippier's is paid to Sir David Trippier Associates.

No Director has received any taxable expenses or compensation for loss of office or non-cash benefits for the year ended 30 June 2003 and 30 June 2002.

## Approval

The Directors' Remuneration Report on pages 19 and 20 was approved by the Board of Directors on 29 September 2003 and signed on its behalf by:

29 September 2003

**B N A Hardman**  
Director

# Directors' Report

The Directors submit their annual report together with the financial statements of the Company for the year ended 30 June 2003.

## Results and dividends

The revenue attributable to equity Shareholders for the year amounted to £13,121,000.

The first and second interim dividends of 4.25p per Ordinary share each were paid on 17 January 2003 and 16 April 2003 and the third interim dividend of 4.5p per Ordinary share was paid on 16 July 2003.

The Directors have recommended a final dividend of 4.75p per Ordinary share payable on 31 October 2003 to holders of Ordinary shares on the register on 3 October 2003 making a total distribution to Ordinary Shareholders of £12,461,000, as shown in Note 6. A resolution in respect of the final dividend will be proposed at the forthcoming Annual General Meeting. The sum of £660,000 has been added to the Company's revenue reserve.

Dividends are paid by means of three interim dividends and a final normally in January, April, July and October. Further details on dividends are contained in the Chairman's Statement on page 7.

The Net Asset Value per Ordinary share at 30 June 2003 was 433.8p (2002 – 541.3p).

## Share Buy-backs

At the Annual General Meeting held on 30 October 2002, Shareholders approved the renewal of the authority permitting the Company to purchase its Ordinary shares in the market.

The Directors wish to renew the authority given by Shareholders at the previous Annual General Meeting. The principal aim of a share buy-back facility is to enhance Shareholder value by acquiring shares at a discount to Net Asset Value, as and when the Directors consider this to be appropriate. By utilising the power to purchase shares when they are trading at a discount to Net Asset Value per share, the resulting Net Asset Value per share for the remaining Shareholders will increase. This authority, if conferred, will only be exercised if to do so would result in an increase in the Net Asset Value per share for the remaining Shareholders and if it is in the best interests of Shareholders generally.

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

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

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

A special resolution, numbered 10, in the Notice of Annual General Meeting, will be put to Shareholders for their approval to renew the authority to purchase in the market a maximum of 14.99 per cent of shares in issue on 17 September 2003 (10,523,798 Ordinary shares). Such authority will expire on the date of the next Annual General Meeting or after a period of 15 months from the date of passing of the Resolution, whichever is earlier. This means, in effect, that authority will have to be renewed at the next Annual General Meeting, or earlier if the authority has been exhausted.

During the year ended 30 June 2003, there were no share buybacks.

# Directors' Report

## Issue of shares

In terms of the Companies Act 1985 ("the Act"), the Directors may not allot unissued shares unless so authorised by the Company's Shareholders. Resolution No.11 in the Notice of Annual General Meeting will, if approved by Shareholders, give the Directors the necessary authority to allot the unissued share capital up to an aggregate nominal amount of £877,568 (equivalent to 3,510,272 Ordinary shares or 5 per cent of the Company's existing issued Ordinary share capital as at 17 September 2003). Such authority will expire on the date of the next Annual General Meeting or after a period of 15 months from the date of passing of the resolution, whichever is earlier. This means, in effect, that authority will have to be renewed at the next Annual General Meeting.

When shares are to be allotted for cash, Section 89(1) of the Act provides that existing Shareholders normally have pre-emption rights and that the new shares are offered first to such Shareholders in proportion to their existing holdings of Ordinary shares. However, Shareholders can, by special resolution, authorise the Directors to allot shares otherwise than by a pro rata issue to existing Shareholders. Resolution No.12 will, if passed, give the Directors power to allot, for cash, equity securities up to an aggregate nominal amount of £877,568 (equivalent to 3,510,272 Ordinary shares or 5 per cent of the Company's existing issued Ordinary share capital as at 17 September 2003) as if Section 89(1) does not apply. This is the same amount of share capital that the Directors are seeking the authority to allot pursuant to Resolution No.11. This authority will also expire on the date of the next Annual General Meeting or after a period of 15 months, whichever is the earlier. This authority will not be used in connection with a rights issue by the Company.

The Directors intend to use the authority given by Resolution No.12 to allot shares on a non-pre-emptive basis only in circumstances where this will be clearly beneficial to Shareholders. Issues will, therefore, be made only where shares can be issued at a premium to Net Asset Value of 2.5 per cent or more, which would increase the value of assets underlying each share. At present, the Company's Ordinary shares are available under the Savings Plans operated by the Aberdeen Group. In circumstances where the share price of the Company stands at a premium to Net Asset Value of 2.5 per cent or over, it may be advantageous for the Company to issue new shares directly to participants in the Savings Plans, or to other prospective purchasers. The issue proceeds would be available for investment in line with the Company's investment policy. No issue of shares will be made which would effectively alter the control of the Company without the prior approval of Shareholders in a General Meeting.

## Share Capital

The issued Ordinary share capital at 30 June 2003 and 17 September 2003 amounted to 70,205,458 Ordinary shares.

## Review of the Business

A review of the Company's operations is given in the Chairman's Statement on pages 7 and 8 and in the Investment Manager's Review on pages 12 and 14.

## PEP and ISA Status

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

# Directors' Report

## Directors

The Directors, who held office during the year under review, are shown on page 3 to 5 of the Annual Report and their interests are shown below.

All the Directors held office throughout the year under review, with the exception of Ms M Glen, who was appointed a Director on 11 February 2003, and Mr B R Adams who served as a Director until 21 August 2002, when he resigned on the grounds of ill health.

Ms M Glen whose biography appears on page 4 retires at the Annual General Meeting, being the first Annual General Meeting following her appointment and, being eligible, offers herself for re-election. Resolution No.6 to this effect will be proposed at the Annual General Meeting.

Sir David Trippier and Mr A J M Coats, whose biographies appear on pages 5 and 3 respectively, retire by rotation at this time and, being eligible, offer themselves for re-election. Resolutions No.4 and 5 to this effect will be proposed at the Annual General Meeting.

The re-election of Ms Glen, Sir David Trippier and Mr Coats were considered and approved by the Nomination Committee. The reasons for the Committee's recommendation for their re-election and the subsequent approval of those recommendations by the Board are set out on page 28 of the Statement of Corporate Governance.

In accordance with the Articles of Association, Directors must offer themselves for re-election at least once every three years. For those Directors who are not seeking re-election at this time, it has been less than three years since their previous re-election.

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

## Directors' Interests

The interests of the Directors in the ordinary share capital of the Company were as follows:

	30 June 2003		30 June 2002 or at date of appointment	
	Beneficial	Non-Beneficial	Beneficial	Non-Beneficial
B N A Hardman	10,000	–	10,000	–
A J M Coats	5,000	10,000	5,000	10,000
P A F Gifford	8,313	–	5,031	–
M Glen	–	–	–*	–
Sir David Trippier	1,895	–	1,652	–

\* appointed 11 February 2003.

Mr P A F Gifford's beneficial holding increased to 8,861 Ordinary shares by the acquisition, through the Share Plan, of 85 Ordinary shares, 236 Ordinary shares and 227 Ordinary shares on 16 July 2003, 22 July 2003 and 22 August 2003 respectively. Sir David Trippier's beneficial holding increased to 1,908 Ordinary shares by the acquisition, through the Share Plan, of 13 Ordinary shares on 16 July 2003. As at 17 September 2003 there have been no other changes in the above holdings.

## Directors' Fees

A report on the Directors' Remuneration is set out on pages 19 and 20.

# Directors' Report

## Manager and Company Secretary

Investment management services are provided to the Company by Aberdeen Asset Managers Limited. Company secretarial, accounting and administrative services are provided by Aberdeen Asset Management PLC.

For the year ended 30 June 2003, the management and secretarial fees payable to the Manager were calculated and charged on the following basis:

A fixed fee of £37,500 per month and a monthly fee at the rate of one twelfth of 0.55% on the first £150 million, 0.45% on the next £150 million and 0.25% on the excess over £300 million. The investment management fee is chargeable 50% to revenue and 50% against realised capital reserves. A secretarial fee of £50,000 per annum is also payable, which is chargeable 100% to revenue.

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

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

The management and administration contracts may be terminated by either the Company or the Manager on the expiry of three months' written notice.

The details of the management and secretarial fees paid during the year ended 30 June 2003 are shown further in note 3 on page 38.

The Board considers the continued appointment of the Manager to be in the interests of the Shareholders because the Aberdeen Asset Management Group has the investment management, marketing and associated secretarial and administrative skills required for the effective operation of the Company.

## Corporate Governance

The Statement of Corporate Governance is shown on pages 26 to 30.

## Audit Committee

Details of the Audit Committee are contained in the Statement of Corporate Governance under the heading Audit Committee on page 28.

## Directors' and officers' insurance

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

## Principal activity and status

The Company is an investment company within the meaning of Part VIII of the Companies Act 1985 and carries on business as an investment trust. In the opinion of the Directors of the Company, its affairs have been conducted in a manner to satisfy the conditions to enable it to continue to obtain approval as an investment trust under Section 842 of the Income and Corporation Taxes Act 1988. The Inland Revenue will grant Section 842 status, if requested, provided that the Company's affairs have been conducted in such a manner as to satisfy the conditions of that section. Inland Revenue approval for such status has been given for the year ended 30 June 2002.

# Directors' Report

## **Going concern**

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

## **Creditor payment policy**

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

## **Annual General Meeting**

The Notice of Annual General Meeting, which will be held on 29 October 2003, is contained on pages 46 and 47.

## **Auditors**

The Auditors, Ernst & Young LLP, have expressed their willingness to continue in office. Resolution No.7 to re-appoint Ernst & Young LLP as the Company's Auditor will be put to the forthcoming Annual General Meeting, along with Resolution No.8 to authorise the Directors to fix their remuneration. It should be noted that the only fees paid to the Auditors over the past five years have been in respect of audit services.

123 St Vincent Street  
Glasgow G2 5EA  
29 September 2003

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

# Statement of Corporate Governance

The Company is committed to a high standard of corporate governance. The Board has put in place a framework for corporate governance, which it believes is appropriate for an investment trust and which enables it to comply with the Principles of Good Governance and Code of Best Practice (“the Combined Code”).

The Board is accountable to the Company’s Shareholders for good governance and this Statement describes how the principles identified in the Combined Code have been applied by the Company throughout the year to 30 June 2003 except where disclosed below.

The Listing Rules of the UK Listing Authority require the Board to report on compliance with the forty-five Combined Code provisions throughout the year. Apart from the exceptions outlined below, the Company has complied throughout the year ended 30 June 2003 with the provisions set out in Section 1 of the Combined Code.

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

- a senior non-executive Director has not been appointed.
- as the Company is an investment trust and all the Directors are non-executive, the Company is exempt from complying with the twenty-one provisions relating to Executive Directors’ remuneration under Listing Rule 21.20 (i).

## The Board

The Board consists of five Directors, all of whom are considered to be independent of the investment manager and free of any relationship which could materially interfere with the exercise of their independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

The biographies of the Directors appear on pages 3 to 5 of this report and indicate their range of investment, industrial, commercial and professional experience.

The Board meets at least five times a year and between these meetings maintains regular contact with the Manager. The primary focus at regular Board meetings is a review of investment performance and associated matters including gearing, asset allocation, marketing and investor relations, peer group information and industry issues. The Board sets the Company’s values and objectives and ensures that its obligations to its Shareholders are met.

The Board has formally adopted a schedule of matters which are required to be brought to it for decision, thus ensuring that it maintains full and effective control over appropriate strategic, financial, operational and compliance issues.

These matters include:

- the maintenance of clear investment objectives and risk management policies.
- the monitoring of the business activities of the Company ranging from analysis of investment performance through to annual budgeting and quarterly forecasting and variance analysis.
- Companies Act requirements such as the approval of the interim and annual financial statements and approval and recommendation of the interim and final dividends respectively.
- Board appointments and removals and the related terms.
- Appointment and removal of the Manager and the terms and conditions of the management and administration agreements relating thereto.
- Terms of reference and membership of Board Committees
- Stock Exchange/UK Listing Authority/Financial Services Authority – responsibility such as approval of all circulars, listing particulars and approval of all releases concerning matters decided by the Board.

# Statement of Corporate Governance

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

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

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

All Directors have attended every Board meeting and Committee meeting held during the year with the following exceptions:

Ms Marian Glen was appointed a Director on 11 February 2003 and has attended all meetings held since her appointment.

Sir David Trippier was unable to attend one Meeting of the Board, the Audit Committee and the Nomination Committee due to illness.

Mr Roger Adams attended one Meeting of the Board, prior to his resignation in August 2002.

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

## External agencies

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

## Committees

### *Nomination Committee*

A Nomination Committee has been established with written terms of reference and comprises the full Board, all of whom are independent and free of any relationship that would interfere with impartial judgement in carrying out their responsibilities. The chairman of the Committee is the Chairman of the Company. The number of meetings held during the year was 2.

The Committee makes recommendations to the Board on the following matters:

- The identification and nomination of candidates to fill Board vacancies as and when they arise for the approval of the Board. The identification of such candidates is carried out by an independent firm of consultants;
- Plans for succession;
- The re-appointment of any non-executive Director at the conclusion of their specified term of office;

# Statement of Corporate Governance

- The re-election by Shareholders of any Director under the retirement by rotation provisions in the Company's Articles of Association;
- The continuation in office of any Director at any time; and;
- The appointment of any Director to another office (e.g. Chairman of the Audit Committee) other than to the position of Chairman, the recommendation for which would be considered at a meeting of the Board.

As a result of the resignation of Mr Roger Adams, on the grounds of ill health, it was decided to appoint a new Director to the Board.

The Committee approved the appointment as a Director, on 11 February 2003, of Ms Marian Glen. As Head of Funds and Financial Services at Shepherd + Wedderburn (solicitors) Edinburgh, the Committee considered that her knowledge and experience of the financial services industry would enhance the combined experience of the Board.

The Committee further recommended to the Board the nomination for re-election of Sir David Trippier and Mr Adrian Coats for the following reasons:

Sir David Trippier - Sir David, who has been a Director since October 1995, was an MP from 1979 to 1992. During that time he held a number of ministerial posts. Since leaving Parliament, Sir David has concentrated on his business interests, which include W H Ireland & Co (Stockbrokers). His experience both as an MP and as a stockbroker are greatly valued by the Committee and are considered to help in broadening and enhancing the combined experience of the Board.

Mr Adrian Coats - Mr Adrian Coats, who has been a Director since January 1999, is a chartered accountant and director of treasury for Scottish Power. His experience in financial matters is greatly valued by his fellow Directors and consequently he was appointed Chairman of the Audit Committee with effect from 1 July 2003.

## ***Audit Committee***

An Audit Committee has been established with written terms of reference and comprising the full Board, all of who are independent and free of any relationship that would interfere with impartial judgement in carrying out their responsibilities. Mr A J M Coats has been Chairman of the Audit Committee since 1 July 2003. Prior to that date, Mr Blaise Hardman was the Chairman of the Committee as well as the Chairman of the Company. The number of meetings held during the year was three. The terms of reference of the Audit Committee are reviewed and re-assessed for their adequacy on an annual basis. This Committee reviews the effectiveness of the internal control environment of the Company and receives reports from the internal and external auditors on a regular basis.

The Committee is responsible for review of the annual accounts and interim report, terms of appointment of the Auditors together with their remuneration as well as the non-audit services provided by the Auditors, reviewing the scope and the results of the audit and the objectivity of the Auditors (it should be noted that the Auditors, Ernst & Young LLP rotate the partner responsible for the audit every five years). The Audit Committee also meets with representatives of the Manager.

## ***Management Engagement Committee***

The full Board comprises the Management Engagement Committee, the Chairman of which is the Chairman of the Company. It annually reviews matters concerning the management contract which exists with Aberdeen Asset Managers Limited.

## **Remuneration Committee and Directors' remuneration**

Under the UK Listing Authority's Listing Rule 21.20(i), where an investment trust has only non-executive Directors, the code principles relating to Directors' remuneration do not apply. However, the Company does have a Remuneration Committee, comprising the full Board and whose Chairman is the Chairman of the Company. The Committee met once during the year ended 30 June 2003.

# Statement of Corporate Governance

The remuneration of the Directors has been set in order to attract individuals of a calibre appropriate to the future development of the Company. The Company's policy on Directors' remuneration, together with details of the remuneration of each Director, is detailed in the Directors' Remuneration Report on pages 19 and 20.

## Directors' terms of appointment

All non-executive Directors are appointed for an initial term of three years, subject to re-election and Companies Act provisions and, in accordance with the existing Articles of Association, stand for election at the first Annual General Meeting following their appointment. The Articles of Association state that Directors must offer themselves for re-election at least once every three years. Any Director who reaches the age of 70 is subject to annual re-election.

## Communication with Shareholders

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

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

Participants in the Savings Plan, whose shares are held in the nominee names of the plan administrator are given the opportunity to vote by means of a Letter of Directions enclosed with the Annual Report. The Letter of Directions is forwarded to the administrator of the Savings Plan, who will complete a proxy on behalf of the participants and forward it to the Company's registrar for inclusion in the voting figures.

Those participants who attend the Annual General Meeting are given the opportunity to speak when invited by the Chairman.

As required under the Combined Code, the Annual Report is posted to Shareholders at least twenty business days before the Annual General Meeting.

The Notice of Meeting sets out the business of the meeting and the resolutions are explained more fully in the Directors' Remuneration Report on pages 19 and 20 and in the Directors' Report on pages 21 to 25.

Separate resolutions are proposed for each substantive issue.

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

Shareholders also have direct access to the Company via the free Shareholder information telephone service run by the Manager and the Company and the Manager responds to letters from Shareholders. A website from which the Company's reports and other publications can be downloaded is maintained on [www.murray-income.co.uk](http://www.murray-income.co.uk)

## Accountability and audit

The Directors' Statement of Responsibilities in respect of the Financial Statements is on page 31 and the statement of going concern is included in the Directors' Report on page 25.

The Independent Auditors' Report is on pages 32 and 33.

# Statement of Corporate Governance

## Internal control

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

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

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

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

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

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

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

## Socially Responsible Investment Policy

The Directors are aware of their duty to act in the best financial interests of the Company's Shareholders. They acknowledge that there are risks associated with investment in companies which fail to conduct business in a socially responsible manner and the Directors, therefore, ensure that the Company takes regular account of the social environment and ethical factors, which may affect the performance or value of particular investments. It assesses the risks and opportunities associated with such holdings.

## Exercise of voting powers

The Directors believe that the exercise of voting rights at company meetings lies at the heart of the regulation and promotion of corporate governance. The Board has, therefore, instructed the Manager to vote its portfolio shareholdings at all general meetings, in accordance with the ABI guidelines.

# Statement of Directors' Responsibilities in relation to the Financial Statements

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

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

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

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

We have audited the Company's financial statements for the year ended 30 June 2003 which comprise the Statement of Total Return, Balance Sheet, Cash Flow Statement, and the related notes 1 to 19. 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 Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's 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 are responsible for preparing the Annual Report, including the financial statements which are required to be prepared in accordance with applicable United Kingdom law and accounting standards as set out in the Statement of Directors' Responsibilities in relation to the financial statements.

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 Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding Directors' remuneration and transactions with the Company is not disclosed.

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

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the Company Profile, Corporate Information, Board Members, Financial Highlights, Chairman's Statement, Summary of Investment Changes during the year, Summary of Net Assets, Distribution of Investments, Sector Comparison with Benchmark, Investment Managers' Review, Attribution Analysis, Twenty Largest Investments, Portfolio of Investments, unaudited part of the Directors' Remuneration Report, Directors' Report, Statement of Corporate Governance, Statement of Directors' Responsibilities in relation to the Financial Statements, Notice of Meeting, Ten Year Record, Information about the Aberdeen Asset Management Group and Investor Relations. 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.

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

## Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements 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 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 30 June 2003 and of its net return 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.

29 September 2003

**Ernst & Young LLP**  
Registered Auditor  
Glasgow

# Statement of Total Return

(incorporating the Revenue Account of the Company\*)

For the year ended 30 June 2003

	Notes	Year ended 30 June 2003			Year ended 30 June 2002		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Losses on investments	8	–	(74,111)	(74,111)	–	(49,691)	(49,691)
Income from investments	2	15,854	–	15,854	15,207	–	15,207
Other income	2	187	–	187	177	–	177
Investment management fees	3	(1,210)	(1,210)	(2,420)	(1,324)	(1,324)	(2,648)
Currency loss		–	–	–	–	(4)	(4)
Other expenses	4	(865)	–	(865)	(924)	(12)	(936)
<b>Net return before finance costs and taxation</b>		<b>13,966</b>	<b>(75,321)</b>	<b>(61,355)</b>	<b>13,136</b>	<b>(51,031)</b>	<b>(37,895)</b>
Finance costs of borrowing	5	(845)	(845)	(1,690)	(497)	(497)	(994)
<b>Return attributable to equity Shareholders</b>		<b>13,121</b>	<b>(76,166)</b>	<b>(63,045)</b>	<b>12,639</b>	<b>(51,528)</b>	<b>(38,889)</b>
Ordinary dividends on equity shares	6	(12,461)	–	(12,461)	(11,862)	–	(11,862)
<b>Transfer to/(from) reserves</b>		<b>660</b>	<b>(76,166)</b>	<b>(75,506)</b>	<b>777</b>	<b>(51,528)</b>	<b>(50,751)</b>
<b>Return per Ordinary share (pence)</b>	7	<b>18.7</b>	<b>(108.5)</b>	<b>(89.8)</b>	<b>18.0</b>	<b>(73.5)</b>	<b>(55.5)</b>
<b>Return per Ordinary share assuming full conversion of the B Ordinary shares (pence)</b>		<b>18.7</b>	<b>(108.5)</b>	<b>(89.8)</b>	<b>17.9</b>	<b>(73.2)</b>	<b>(55.3)</b>

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

The accompanying notes are an integral part of the financial statements.

All revenue and capital items in the above statement derive from continuing operations.

No operations were acquired or discontinued in the year.

# Balance Sheet

As at 30 June 2003

	Notes	As at 30 June 2003 £'000	As at 30 June 2002 £'000
<b>Fixed assets</b>			
Investments	8	340,789	415,757
<b>Current assets</b>			
Debtors	9	1,049	1,708
Cash and overnight deposits		4,652	3,394
		5,701	5,102
<b>Creditors</b>			
Amounts falling due within one year	10	(36,961)	(9,824)
<b>Net current liabilities</b>		(31,260)	(4,722)
<b>Total assets less current liabilities</b>		309,529	411,035
<b>Creditors</b>			
Amounts falling due after more than one year	11	(5,000)	(31,000)
<b>Total net assets</b>		<b>304,529</b>	<b>380,035</b>
<b>Capital and reserves</b>			
<i>Equity Shareholders' interest:</i>			
Called-up share capital	12	17,551	17,551
Share premium account	13	7,955	7,955
Capital redemption reserve	13	4,050	4,050
Capital reserve – realised	13	266,475	304,032
Capital reserve – unrealised	13	(2,803)	35,806
Revenue reserve	13	11,301	10,641
<b>Total Shareholders' funds</b>		<b>304,529</b>	<b>380,035</b>
<b>Net Asset Value per Ordinary share (pence)</b>		<b>433.8</b>	<b>541.3</b>

The financial statements were approved by the Board of Directors on 9 September 2003 and were signed on it behalf by:

**B N A Hardman**, Director  
29 September 2003

*The accompanying notes are an integral part of the financial statements.*

# Cash Flow Statement

For the year ended 30 June 2003

	Notes	Year ended 30 June 2003		Year ended 30 June 2002	
		£'000	£'000	£'000	£'000
<b>Operating activities</b>					
Investment income received		16,061		15,566	
Deposit interest received		164		168	
Underwriting commission received		26		26	
Investment management fees paid		(3,206)		(1,692)	
Secretarial fees paid		(63)		(37)	
Cash paid to and on behalf of Directors		(51)		(56)	
Other cash payments		(1,190)		(370)	
<b>Net cash inflow from operating activities</b>	15		11,741		13,605
<b>Servicing of finance</b>					
Bank and loan interest paid		(1,705)		(1,097)	
<b>Net cash outflow from servicing of finance</b>			(1,705)		(1,097)
<b>Financial investment</b>					
Purchase of investments		(50,471)		(75,440)	
Sale of investments		51,157		91,422	
<b>Net cash inflow from financial investment</b>			686		15,982
<b>Equity dividends paid</b>			(13,464)		(11,356)
<b>Management of liquid resources</b>					
Cash placed on short term deposit		(3,684)		-	
<b>Net cash outflow from management of liquid resources</b>			(3,684)		-
<b>Net cash (outflow)/inflow before financing</b>			(6,426)		17,134
<b>Financing</b>					
Repurchase of shares		-		(4,359)	
Drawdown/(repayment) of loans		4,000		(17,000)	
<b>Net cash inflow/(outflow) from financing</b>			4,000		(21,359)
<b>Decrease in cash</b>	16		<b>(2,426)</b>		<b>(4,225)</b>

*The accompanying notes are an integral part of the financial statements.*

# Notes to the Financial Statements

For the year ended 30 June 2003

## 1. Accounting policies

### (a) Basis of preparation

The financial statements have been prepared in accordance with applicable Accounting Standards and with the Statement of Recommended Practice ('SORP') for "Financial Statements of Investment Trust Companies" issued in January 2003. The Financial Statements are prepared under the historical cost convention as modified to include the revaluation of fixed asset investments.

### (b) Income

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

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

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

### (c) Expenses

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

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

### (d) Taxation

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

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

# Notes to the Financial Statements

## (e) Investments

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

## (f) Borrowings

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

## (g) Exchange rates

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

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

	Year ended 30 June 2003 £'000	Year ended 30 June 2002 £'000
<b>2. Income</b>		
<b>Income from investments:</b>		
UK dividends (all listed)	15,854	15,207
<b>Other income:</b>		
Deposit interest	161	145
Underwriting commission	26	32
	187	177
<b>Total income</b>	<b>16,041</b>	<b>15,384</b>

	Year ended 30 June 2003			Year ended 30 June 2002		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
<b>3. Investment management fees</b>						
Investment management fees	1,030	1,030	2,060	1,127	1,127	2,254
Irrecoverable VAT	180	180	360	197	197	394
	<b>1,210</b>	<b>1,210</b>	<b>2,420</b>	<b>1,324</b>	<b>1,324</b>	<b>2,648</b>

Details of the fee basis are contained in the Directors' Report on page 24.

## Notes to the Financial Statements

	Year ended 30 June 2003			Year ended 30 June 2002		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
<b>4. Other expenses</b>						
Shareholders' services*	506	–	506	508	–	508
Irrecoverable VAT	113	–	113	103	2	105
Directors' remuneration	52	–	52	57	–	57
Secretarial fees	50	–	50	50	–	50
Audit fees	11	–	11	13	–	13
Other expenses	133	–	133	193	10	203
	<b>865</b>	<b>–</b>	<b>865</b>	<b>924</b>	<b>12</b>	<b>936</b>

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

	Year ended 30 June 2003			Year ended 30 June 2002		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
<b>5. Finance costs of borrowing</b>						
Bank loans and overdrafts	845	845	1,690	497	497	994

	Year ended 30 June 2003	Year ended 30 June 2002
	£'000	£'000
<b>6. Ordinary dividends on equity shares</b>		
First interim of 4.25p (2002 – 3.15p)	2,984	2,199
Second interim of 4.25p (2002 – 3.15p)	2,984	2,195
Third interim of 4.50p (2002 – 3.15p)	3,159	2,195
Proposed final of 4.75p (2002 – 7.55p)	3,334	5,301
Over accrual of previous years proposed final dividend due to share buybacks	–	(28)
	<b>12,461</b>	<b>11,862</b>

	Year ended 30 June 2003	Year ended 30 June 2002
	<b>7. Returns per share</b>	
<b>The returns per share have been based on the following figures:</b>		
Weighted average number of Ordinary shares	70,205,458	70,107,902
Weighted average number of B Ordinary shares	–	336,115
Revenue return attributable to equity Shareholders	£13,121,000	£12,639,000
Capital return attributable to equity Shareholders	(£76,166,000)	(£51,528,000)

As at 30 June 2003 and 30 June 2002, there were no B Ordinary shares in issue.

# Notes to the Financial Statements

	Year ended 30 June 2003 £'000	Year ended 30 June 2002 £'000
<b>8. Investments</b>		
Valuation brought forward	415,757	481,121
Unrealised losses	(35,806)	(87,071)
Cost brought forward	379,951	394,050
<b>Movements during the year:</b>		
Purchases	49,852	76,096
Sales proceeds	(50,709)	(91,769)
Realised (losses)/gains	(35,502)	1,574
Cost carried forward	343,592	379,951
Unrealised (losses)/gains	(2,803)	35,806
Valuation carried forward	<b>340,789</b>	<b>415,757</b>
<b>The portfolio valuation:</b>		
<i>Listed on stock exchanges at market valuation:</i>		
UK equities	336,152	409,731
UK convertible securities	4,589	5,979
	340,741	415,710
<i>Unlisted at Director's valuation:</i>		
Equities	48	47
Total	<b>340,789</b>	<b>415,757</b>
<b>Losses on investments</b>		
Realised (losses)/gains on sales	(35,502)	1,574
Decrease in unrealised appreciation	(38,609)	(51,265)
	<b>(74,111)</b>	<b>(49,691)</b>

## Unquoted investments

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

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

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

# Notes to the Financial Statements

## Participating interests

At 30 June 2003 the Company held shares amounting to 20 per cent or more of the equity capital of the following undertaking of which the particulars are stated below:

Investment	% of class held	% of equity held	Latest accounts period end	Aggregate	Profit
				capital and reserves £'000	after tax for period £'000
<b>Scottish Technical Developments Ltd</b>					
<i>Principal activity: Holding company</i>					
71,429 ordinary shares of £1 Scotland	28.6	28.6	30 June 2002	207	4

The results of the above Company have not been incorporated in the revenue account except to the extent of any dividends received. No income was received during the year (2002 – £nil). Scottish Technical Developments is managed by the Aberdeen Asset Management Group.

	<b>30 June 2003 £'000</b>	<b>30 June 2002 £'000</b>
<b>9. Debtors</b>		
Amounts due from brokers	–	448
Prepayments and accrued income	1,049	1,260
	<b>1,049</b>	<b>1,708</b>

	<b>30 June 2003 £'000</b>	<b>30 June 2002 £'000</b>
<b>10. Creditors</b>		
<b>Amounts falling due within one year:</b>		
Amounts due to brokers	57	676
Third interim dividend	3,159	2,195
Proposed final dividend	3,334	5,301
Loans due in less than one year	30,000	–
Accruals	411	1,652
	<b>36,961</b>	<b>9,824</b>
<b>Amounts falling due after more than one year:</b>		
Loans (note 11)	<b>5,000</b>	<b>31,000</b>

Accruals include £171,000 plus VAT (2002 – £968,000) of management fees due to Aberdeen Asset Managers Limited, the investment manager.

# Notes to the Financial Statements

	<b>30 June 2003 £'000</b>	<b>30 June 2002 £'000</b>
<b>11. Long term loans</b>		
<b>Wholly repayable within five years:</b>		
£30,000,000 committed revolving bank credit facility 25 October 2003	30,000	5,000
£30,000,000 committed revolving bank credit facility 3 October 2004	5,000	26,000
	<hr/> 35,000	<hr/> 31,000
Amount due within one year	(30,000)	–
	<hr/> <b>5,000</b>	<hr/> <b>31,000</b>

Under the terms of the agreements of the revolving bank credit facilities, advances from the facility may be made for periods of up to six months or for such longer periods agreed by the lender. Interest is charged at a variable rate for the relevant period of the advances and were 4.03% and 4.08% at 30 June 2003. The facilities expire on 25 October 2003 and 3 October 2004 respectively by which time all advances must be repaid.

	<b>30 June 2003</b>		<b>30 June 2002</b>	
	<b>Number</b>	<b>£'000</b>	<b>Number</b>	<b>£'000</b>
<b>12. Share capital</b>				
<b>Allotted, called-up and fully-paid:</b>				
Ordinary shares of 25p each	70,205,458	17,551	70,205,458	17,551
<b>Unissued:</b>				
Unclassified shares of 25p each	32,636,542	8,159	32,636,542	8,159
	<hr/> <b>102,842,000</b>	<hr/> <b>25,710</b>	<hr/> <b>102,842,000</b>	<hr/> <b>25,710</b>

	<b>Share premium account £'000</b>	<b>Capital redemption reserve £'000</b>	<b>Capital reserve- realised £'000</b>	<b>Capital reserve- unrealised £'000</b>	<b>Revenue reserve £'000</b>
<b>13. Reserves</b>					
At 1 July 2002	7,955	4,050	304,032	35,806	10,641
Net loss on realisation of investments	–	–	(35,502)	–	–
Movement in unrealised appreciation	–	–	–	(38,609)	–
Management fees allocated to capital	–	–	(1,210)	–	–
Finance costs of borrowing allocated to capital	–	–	(845)	–	–
Retained revenue for the year	–	–	–	–	660
At 30 June 2003	<hr/> <b>7,955</b>	<hr/> <b>4,050</b>	<hr/> <b>266,475</b>	<hr/> <b>(2,803)</b>	<hr/> <b>11,301</b>

## 14. Net Asset Value per share

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

	<b>Net Asset Value per share attributable</b>		<b>Net Asset Value attributable</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	<b>p</b>	<b>p</b>	<b>£'000</b>	<b>£'000</b>
Ordinary shares (Note 12)	<hr/> <b>433.8</b>	<hr/> <b>541.3</b>	<hr/> <b>304,529</b>	<hr/> <b>380,035</b>

The movements in the assets attributable to the Ordinary shares during the year are shown in note 17.

# Notes to the Financial Statements

	Year ended 30 June 2003 £'000	Year ended 30 June 2002 £'000
<b>15. Reconciliation of net revenue return before finance costs and taxation to net cash inflow from operating activities</b>		
Net revenue return before finance costs and taxation	13,966	13,136
Investment management fees charged to capital	(1,210)	(1,324)
Other expenses charged to capital	–	(12)
Decrease in accrued income	210	208
Decrease in prepayments	1	–
UK Income tax deducted at source	–	168
(Decrease)/increase in accruals	(1,226)	1,429
Net cash inflow from operating activities	<b>11,741</b>	<b>13,605</b>

	At 1 July 2002 £'000	Currency differences £'000	Non cash movements £'000	Cash flows £'000	At 30 June 2003 £'000
<b>16. Analysis of changes in net debt</b>					
Cash and overnight deposits	3,394	–	–	(2,426)	968
Cash placed on deposit	–	–	–	3,684	3,684
Debt due within one year	–	–	(30,000)	–	(30,000)
Debt due after one year	(31,000)	–	30,000	(4,000)	(5,000)
	<b>(27,606)</b>	<b>–</b>	<b>–</b>	<b>(2,742)</b>	<b>(30,348)</b>

	At 1 July 2001 £'000	Currency differences £'000	Non cash movements £'000	Cash flows £'000	At 30 June 2002 £'000
Cash and overnight deposits	7,623	(4)	–	(4,225)	3,394
Debt due after one year	(48,000)	–	–	17,000	(31,000)
	<b>(40,377)</b>	<b>(4)</b>	<b>–</b>	<b>12,775</b>	<b>(27,606)</b>

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

	30 June 2003 £'000	30 June 2002 £'000
<b>17. Reconciliation of movements in Shareholders' funds</b>		
Opening Shareholders' funds	380,035	435,145
Movements during the year:		
Total recognised losses	(63,045)	(38,889)
Repurchase of Ordinary and B Ordinary shares	–	(4,359)
Dividends appropriated	(12,461)	(11,862)
Closing Shareholders' funds	<b>304,529</b>	<b>380,035</b>

# Notes to the Financial Statements

## 18. Derivatives and other financial instruments

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

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

To mitigate risk, the investment strategy is to select investments for their fundamental value. Stock selection is therefore based on disciplined accounting, market and sector analysis. The Investment Manager actively monitors market prices throughout the year and reports to the Board, which meets regularly in order to consider investment strategy. Current strategy is detailed in the Chairman's Statement on page 7, and in the Investment Manager's Review on page 13. The Board regularly reviews and agrees policies for managing each of the risks. The Manager's policies for managing these risks are summarised below and have been applied throughout the current and previous year. The numbers in the table listed below exclude short-term debtors and creditors.

### Market price risk

The Company's investment portfolio is exposed to market price fluctuations, which are monitored by the Manager in pursuance of the investment objective as set out on page 1. Adherence to investment guidelines and to investment and borrowings powers set out in the management agreement mitigates the risk of exposure to any particular type of security or issuer. Further information on the investment portfolio is set out in the Investment Manager's Review on pages 12 to 14.

Market price risk arises mainly from uncertainty about future prices of financial instruments used in the Company's operations. It represents the potential loss the Company might suffer through holding market positions as a consequence of price movements. It is the Board's policy to hold equity investments in the portfolio in a broad spread of sectors in order to reduce the risk arising from factors specific to a particular sector. A summary of investment changes during the year under review is on page 9 and an analysis of the equity portfolio by industrial classification is on pages 10 and 11.

### Interest rate risk

#### Financial assets

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

	Floating Rate		Non-Interest Bearing	
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
Sterling	4,651	3,393	340,789	415,757
US Dollar	1	1	–	–
	<b>4,652</b>	<b>3,394</b>	<b>340,789</b>	<b>415,757</b>

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

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

# Notes to the Financial Statements

## *Financial liabilities*

The Company has borrowings by way of loan facilities, details of which are in note 11. The fair value of these loans has been calculated at £35 million as at 30 June 2003 (2002 – £31 million). There is no difference between the value stated in the Financial Statements for the loans and their fair value due to current loan rates being similar to those applied. As at 30 June 2003 the Company also had an additional committed facility of £25 million.

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

## **Liquidity risk**

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

## **19. Taxation**

There is no taxation charge for the year.

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

The tax assessed for the period is lower than the standard rate of corporation tax in the UK of 30% (2002 – 30%).

The differences are explained below:

	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>
Revenue on ordinary activities before taxation	<b>13,121</b>	<b>12,639</b>
Return on ordinary activities multiplied by the applicable rate of corporation tax of 30% (2002 – 30%)	3,936	3,792
<b>Effects of:</b>		
Non taxable UK dividends	(4,756)	(4,562)
Unutilised loan relationships	205	104
Unutilised management expenses	492	657
Disallowable expenses	123	9
	<b>-</b>	<b>-</b>

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

The Company has not recognised a deferred tax asset of £8,022,000 (2002 – £6,826,000) arising as a result of having unutilised management expenses. These expenses will only be utilised if the tax treatment of capital gains made by approved investments trusts, or the Company's investment profile, changes.

# Notice of Meeting

The eightieth annual general meeting of Murray Income Trust PLC will be held on Wednesday 29 October 2003 at 12.30 p.m. in the registered office of the Company at 123 St Vincent Street, Glasgow G2 5EA, to transact the following business.

1. To receive the Directors' Report and audited statement of accounts for the year ended 30 June 2003.
2. To approve the Directors' Remuneration Report for the year ended 30 June 2003.
3. To declare a final dividend.
4. To re-elect Sir David Trippier\* as a Director.
5. To re-elect Mr A J M Coats\* as a Director.
6. To re-elect Ms M Glen\* as a Director.
7. To re-appoint Ernst & Young LLP as Auditors.
8. To authorise the Directors to fix the remuneration of the Auditors.

## Special Business

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

THAT, with effect from the financial year commencing 1 July 2003, the maximum aggregate annual fees payable to the Directors be increased to £100,000 per annum, pursuant to Article 81 of the Company's articles of association.

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

THAT in substitution for any existing authority under section 166 of the Companies Act 1985 (the 'Act'), but without prejudice to the exercise of any such authority prior to the date hereof, the Company be generally and, subject as hereinafter appears, unconditionally authorised in accordance with section 166 of the Act to make market purchases (within the meaning of section 163(3) of the Act) of Ordinary shares of 25p each in the capital of the Company ('shares');

PROVIDED ALWAYS THAT:

- i. the maximum number of shares hereby authorised to be purchased shall be 10,523,798 shares representing 14.99 per cent of the shares in issue as at 17 September 2003;
  - ii. the minimum price which may be paid for a share shall be 25p;
  - iii. the maximum price (exclusive of expenses) which may be paid for a share shall be an amount equal to 105 per cent of the average of the middle-market quotations for a share taken from, and calculated by reference to, the Daily Official List of the London Stock Exchange for the five business days immediately preceding the day on which the share is purchased;
  - iv. any purchase of shares will be made in the market for cash at prices below the prevailing Net Asset Value per share (as determined by the Directors);
  - v. the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company or on 29 January 2005, whichever is the earlier, unless such authority is previously varied, revoked or renewed prior to such time; and
  - vi. the Company may make a contract to purchase shares under the authority hereby conferred prior to the expiry of such authority and may make a purchase of shares pursuant to any such contract notwithstanding such expiry above.
11. To consider and, if thought fit, pass the following resolution as an ordinary resolution:  
THAT, in substitution for any existing authority under Section 80 of the Companies Act 1985 (the 'Act'), but without prejudice to the exercise of such authority prior to the date hereof, the Directors be generally and unconditionally authorised in accordance with Section 80 of the Act to exercise all the powers of the Company to allot relevant securities (as defined in that section) up to an aggregate nominal amount of £877,568 (5 per cent of the total Ordinary share capital in issue on 17 September 2003) during the period expiring on the date of the next Annual General Meeting or 29 January 2005, whichever is the earlier, unless previously revoked, varied or extended by the Company in general meeting, but so that this authority shall allow the Company to make offers or agreements before the expiry of this authority which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such an offer or agreement as if such authority had not expired.

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

THAT, subject to the passing of Resolution Number 11 set out above, in substitution for any existing power under Section 95 of the Companies Act 1985 (the 'Act'), but without prejudice to the exercise of any such power prior to the date hereof, the Directors be and they are hereby empowered, pursuant to Section 95 of the Act, to allot equity securities (as defined in Section 94 of the Act) for cash pursuant to the authority given in accordance with Section 80 of the Act by the said Resolution Number 11 as if Section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities,

# Notice of Meeting

- a) during the period expiring on the date of the next Annual General Meeting of the Company or 29 January 2005, whichever is the earlier, but so that this power shall enable the Company to make offers or agreements which would or might require equity securities to be allotted after the expiry of this power and the Directors may allot equity securities in pursuance of such an offer or agreement as if such power had not expired;
- b) up to an aggregate nominal amount of £877,568 (5 per cent of the total Ordinary share capital in issue on 17 September 2003); and
- c) in the circumstances detailed in the section headed 'Issue of shares' in the Directors' Report on page 22 of the Annual Report for the year ended 30 June 2003, and at a price not less than 2.5 per cent above the Net Asset Value per share; unless previously revoked, varied or extended by the Company in general meeting.

\* *The biographies of Sir David Trippier, Mr A J M Coats and Ms M Glen are detailed on pages 5, 3 and 4.*

123 St Vincent Street  
Glasgow G2 5EA  
29 September 2003

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

## Notes:

1. No Director has any contract of service with the Company.
2. The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, has specified that only those Shareholders registered on the Register of Members of the Company as at 12.30 p.m. on 27 October 2003 shall be entitled to attend or vote at the aforesaid General Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant Register of Members after 12.30 p.m. on 27 October 2003 shall be disregarded when determining the rights of any person to attend or vote at the meeting.
3. A member entitled to attend and vote is entitled to appoint a proxy or proxies to attend and on a poll to vote instead of him/her. A proxy need not be a member. Appointment of a proxy need not preclude a member from attending and voting at the meeting should he/she subsequently decide to do so.
4. Instruments of Proxy and any power of attorney or other authority under which they are executed, should be sent to the registrar, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, so as to arrive not less than forty eight hours before the time fixed for the meeting. A form of proxy is enclosed. Alternatively, if you hold your shares in uncertificated form (i.e., in CREST) you may vote using the CREST system (please see note 6 below).
5. The Register of Directors' Interests is kept by the Company in accordance with Section 325 of the Companies Act 1985 and will be open for inspection at the meeting.
6. Notes on CREST Voting

If you submit your proxy electronically through CREST, to be valid the appropriate CREST message, (regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy) must be transmitted so as to be received by our Registrars, Capita Registrars, (ID RA10) by no later than 12.30pm on 27 October 2003. The time of receipt will be taken to be the time from which the Registrars are able to retrieve the message by enquiry to CREST.

CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that CRESTCo does not make available special procedures in CREST for any particular messages and the normal system timings and limitations apply to the input of CREST Proxy Instructions.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001 (SI 2001/3755).

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

Details of Resolutions 2 and 9 are shown in the Directors' Remuneration Report on pages 19 and 20.

Details of Resolutions 3 to 8 and 10 to 12 are shown in the Directors' Report as follows:

Resolution 3	Page 21	Dividend
Resolutions 4, 5 and 6	Page 23	Directors
Resolutions 7 and 8	Page 25	Auditors
Resolution 10	Page 21	Share buybacks
Resolutions 11 and 12	Page 22	Issue of shares

Registered in Scotland - Company Number 12725

## Ten year record

Year ended	Ordinary shares				Assets employed £'000	Net Asset Value p	Net Asset Value per Ordinary/B Ordinary share p	Total Expense Ratio %
	Revenue £'000	Return or Earnings per share p	Dividend per share p					
1993	12,651	10.49	10.90	266,684	265,644	316.9	0.69	
1994	13,882	11.42	11.30	290,344	268,668	314.4	0.77	
1995	14,903	12.14	12.00	297,763	296,723	344.0	0.74	
1996	16,055	13.60	13.20	329,344	328,304	380.3	0.71	
1997	16,667	14.00	13.90	383,655	382,615	443.3	0.63	
1998	17,775	14.60	14.60	523,210	477,279	552.8	0.60	
1999	16,390	15.70	15.35	493,715	468,421	542.4	0.74	
2000	15,210	14.73	15.75	492,331	442,282	567.0	0.84	
2001	16,808	17.42	16.20	483,145	435,145	611.9	0.85	
2002	15,384	18.03	17.00	411,035	380,035	541.3*	0.94	
2003	16,041	18.69	17.75	309,529	304,529	433.8	1.08	

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

- Earnings per Ordinary share have been based on the average number of Ordinary shares during each year (see note 7 on page 39).
- Net Asset Values per Ordinary and B Ordinary share have been calculated after deducting prior capital at nominal values and have been adjusted for the annual B Ordinary scrip issues. As at 30 June 2003 and 30 June 2002, there were no B Ordinary shares in issue.
- The figures for years prior to 1996 have not been re-stated to reflect the changes in relation to the Statement of Recommended Practice "Financial Statements of Investment Trust Companies".
- The revenue figures for the years prior to 1999 have not been restated to reflect the changes in relation to Financial Reporting Standard 16 "Current Tax", and have been shown gross.
- The 1999 dividend per share does not include the special component of 0.75p to compensate for lack of tax credit on the first interim dividend.
- The total expense ratio is calculated on the net asset value at the year end.

Market prices of allotted capital at 6 April 1965		Market prices of allotted capital at 31 March 1982	
5% cumulative preference shares of £1	68.750p	5% cumulative preference shares of £1	35p
Ordinary shares of 25p (adjusted for scrip issue)	11.875p	Ordinary shares of 25p (adjusted for 1 for 2 scrip issues in April 1983)	52p
		B Ordinary shares of 25p (adjusted for 1 for 2 scrip issue in April 1983)	50p

## B Ordinary shares

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

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

24 October 1980	62.5p	25 October 1991	236.5p
23 October 1981	61.5p	30 October 1992	238.5p
01 November 1982	80.5p	29 October 1993	342.5p
30 November 1983	72.5p	28 October 1994	321.5p
29 October 1984	93.5p	27 October 1995	358.6p
04 November 1985	122.5p	11 November 1996	356.8p
31 October 1986	153.5p	31 October 1997	410.0p
06 November 1987	167.0p	30 October 1998	412.5p
28 October 1988	177.5p	29 October 1999	432.5p
27 October 1989	202.0p	28 October 2000	502.5p
02 November 1990	204.0p	1 November 2001	522.5p

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

# Information about the Aberdeen Asset Management Group

## **Aberdeen Asset Management**

The Company's Manager is Aberdeen Asset Managers Limited, a wholly-owned subsidiary of Aberdeen Asset Management PLC ("AAM") whose Group companies managed a combined £20.8 billion of funds for UK institutions, investment trusts, closed-end funds, unit trusts, private clients and offshore funds as at 31 August 2003.

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

Over the past dozen years the Group has grown rapidly through a combination of acquisition and organic growth. The Group now has 36 investment trusts and other closed-end funds under management. They adhere closely to the Group's investment style which is that of fundamental investors, with an emphasis on company visits and original research.

## **Aberdeen Managed Investment Trusts**

The Group manages investment trusts and closed-end funds which have combined total assets of around £4.0 billion. The funds cover a wide range of markets and sectors, including the UK, Europe, the Far East, emerging markets and the technology sector. The Group provides portfolio management, company secretariat, administration and marketing.

# Investor Relations

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

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

These aims can be met in several ways:

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

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

**Direct response advertising** The Manager advertises the packaged product availability of the Company in selected national broadsheets as well as the specialist financial press.

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

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

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

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

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

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

The Company is committed to a close monitoring of the Investor Relations Programme. The Head of Investor Relations (Investment Trusts) reports to the Board twice a year, and provides a written summary on a quarterly basis.

If you have any questions about your Company, the Manager or performance, please telephone our Customer Services Department (direct private investors) on **0500 00 00 40** or the Broker Desk on **0800 592 487** (Institutions and IFAs). Alternatively, internet users may e-mail us on [inv.trusts@aberdeen-asset.com](mailto:inv.trusts@aberdeen-asset.com) or write to us at 10 Queen's Terrace, Aberdeen AB10 1YG.





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*Authorised and regulated by the Financial Services Authority*  
*Member of the Aberdeen Asset Management Group of Companies*