

# Murray Income Trust PLC

An investment trust founded in 1923 aiming for high and growing income with capital growth

## Half Yearly Report

for the six months ended 31 December 2016



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## Investment Objective

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

# Financial Highlights, Performance and Financial Calendar

## Financial Highlights

	31 December 2016	30 June 2016	% Change
Total assets <sup>A</sup> (£'000)	602,952	570,036	+5.8
Equity shareholders' interests (£'000)	545,790	515,036	+6.0
Net asset value per Ordinary share	814.3p	766.5p	+6.2
Share price of Ordinary share (mid)	724.0p	672.0p	+7.7
(Discount)/premium to net asset value on Ordinary shares	(11.1)%	(12.3)%	

<sup>A</sup>Total assets as per the balance sheet less current liabilities (excluding prior charges such as bank loans).

## Performance (total return)

	Six months ended 31 December 2016	Year ended 30 June 2016
Net asset value per Ordinary share	+8.7%	+5.9%
Share price per Ordinary share	+10.5%	+0.1%
FTSE All-Share Index	+12.0%	+2.2%

## Financial Calendar

13 January 2017	First interim dividend (7.0p per share) paid for year ending 30 June 2017
10 February 2017	Announcement of Half-Yearly Results for 6 months ended 31 December 2016
March 2017	Half-Yearly Report posted to shareholders
31 March 2017	Second interim dividend (7.0p per share) payable for year ending 30 June 2017
30 June 2017	Third interim dividend (7.0p per share) payable for year ending 30 June 2017
September 2017	Announcement of Annual Results for year ending 30 June 2017 Annual Report posted to shareholders
6 November 2017	Annual General Meeting in Glasgow
8 November 2017	Final dividend payable for year ending 30 June 2017

# Chairman's Statement

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## Review of the Period

Over the six months ended 31 December 2016, the Company's net asset value ("NAV") per share rose 8.7% on a total return basis which was behind the FTSE All-Share Index ("the Index") which increased by 12.0%. Further detail on the performance in the period may be found in the Manager's Portfolio Review. The Company's share price ended the period at a discount to NAV of 11.1%, compared to 12.3% at 30 June 2016, resulting in a total return to shareholders over the period of 10.5%. As at the date of this Report, the discount to NAV had narrowed further to 9.0%.

## Revenue and Dividends

The net return on ordinary activities before tax rose to £7.7m, an increase of 9.6% year on year, primarily due to the higher level of investment income. This is partly explained by improving option writing premium and stock dividend income.

Following the decision in the June 2016 Referendum for the UK to exit the EU, the marked depreciation of Sterling against major currencies over the period has helped the income account, reflecting in particular the approximately one-third of the Company's investment income which is denominated in US dollars.

Current consensus forecasts suggest dividend growth for the market of 10.6% for calendar year 2017. However, some caution is warranted with dividend cover forecast to decline to around 1.5 times for the FTSE100 suggesting less room for manoeuvre should profits fall short of expectations.

However, the portfolio is configured across a range of different sectors to mitigate any unexpected dividend shortfalls and the income from option-writing continues to provide an additional fillip to earnings per share. Finally, the Company remains able to draw on its revenue reserves if required.

Following shareholder approval at the Annual General Meeting on 1 November 2016, a final dividend per share of 11.25p (2015 – 11.00p) was paid on 3 November 2016 to shareholders on the register as at 30 September 2016.

In relation to the year ending 30 June 2017, a first interim dividend of 7.0p per share was paid on 13 January 2017 to shareholders on the register at the close of business on 16 December 2016. A second interim dividend of 7.0p per share will be paid on 31 March 2017 to shareholders on the register at the close of business on 3 March 2017. A third interim dividend of 7.0p per share will be paid on 30 June 2017 to shareholders on the register at the close of business on 2 June 2017.

## Economic and Market Background

The UK equity market returned 12% over the six month period. This completed a very good year for the market with the index returning 16.8% and reaching a new peak (in capital terms) on the last trading day of 2016. Given the results of the European Union referendum and the US presidential election this performance might have come as a surprise. However, the weakness of Sterling and the robust performance of the UK economy together with the reflationary and potentially business-friendly aspirations of the new president and higher commodity prices have bolstered the domestic equity market which has notable overseas earnings and commodity exposure.

Over the period in question at a sector level, reversing the trends of the prior year, the more defensive areas of the market such as tobacco and pharmaceuticals underperformed while the banks, mining and oil sectors outperformed. In addition, companies exposed to the domestic economy recovered strongly after their share prices suffered following the vote to leave the European Union. Although the FTSE 100 Index performed strongly rising by 11.7%, it underperformed the Mid and Small Cap Indices which increased by 12.6% and 16.6% respectively.

The domestic economy performed ahead of expectations during the period with preliminary estimates of fourth quarter Gross Domestic Product ("GDP") suggesting 0.6% growth following the same level of expansion in the third quarter. This would represent 2.0% GDP growth during calendar 2016 as a whole compared to 2.2% in 2015. Growth was supported by the services sector maintaining its robust performance. Following the European Union referendum result, the Monetary Policy Committee decided to reduce interest rates by 25 basis points as well as agreeing to purchase up to £10bn of corporate bonds and £60bn of UK government bonds. Sterling continued to weaken during the period, falling against the dollar for example, from \$1.32 at the start of the period to \$1.23 by the end of it. And as a sign of inflation gradually picking up, the Consumer Price Index measure of inflation rose by 1.6% in the year to December compared to 0.6% in the year to July driven by the impact of the weakness of Sterling on transport and utility costs. The performance of the domestic economy this year is likely to depend on the resilience of consumer spending as higher inflation weighs down on real incomes. Personal sector debt is already rising at rates well above nominal GDP.

Overseas, despite concern otherwise, there was virtually no evidence of the European Union referendum result impacting the global economy. Indeed, shorter term activity indicators such as the global composite purchasing managers' index improved steadily over the period. In the US, the data suggested that the economy had been relatively robust in

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the run up to the election leading the Federal Reserve to raise interest rates in December. However, future activity will likely depend on the new administration's fiscal stimulus response and broader policy actions. Emerging market currencies and economies generally suffered in the aftermath of the US election result given a stronger dollar and higher US interest rates although the full consequences should be offset by increased export demand and higher commodity prices. For some countries the specific impact might be more significant depending on US trade policy developments. Data over the period from the euro area suggests that the region's weak recovery remains on track helped by the European Central Bank's policy support for which it announced an extension to its asset purchase programme until the end of 2017. The Bank of Japan overhauled its monetary policy framework during the period with a commitment to overshoot its 2% inflation target and to maintain a 10 year government bond yield of 0% helping to sustain government infrastructure spending.

### Gearing

The Company maintained its borrowings but, beginning in September 2016, has opted to draw down its bank loan in a mixture of US dollars, euros, Swedish krona and Swiss francs, broadly matching the mix of non-UK-listed portfolio holdings.

### Outlook

Equity markets have performed strongly over the past six months as global GDP growth seems set to accelerate helped by an expansive fiscal policy in the US, strengthening labour markets in the US, UK, Europe and Japan, coupled with the emergence of Russia and Brazil from recession. That said, many uncertainties remain including the outcome of negotiations to leave the European Union, the potential impact of the new US administration coupled with a busy European political calendar. As such, we will continue to exercise investment rigour in identifying those companies that possess the best balance of diversified earnings streams, strong balance sheets and superior business models with attractive valuations and dividends as we believe this will position the portfolio most appropriately for an uncertain and potentially volatile period ahead.

### Share Capital

The Company bought back into treasury 170,000 shares during the six months under review resulting in issued share capital at 31 December 2016 consisting of 67,022,458 Ordinary shares of 25p, with voting rights, and 1,571,000 Ordinary shares of 25p held in treasury.

### Board

By the time of the next Annual General Meeting ("AGM") in November 2017, I shall have served as a Director of the Company for over twelve years and as Chairman for three years. After a process overseen by David Woods as Senior Independent Director, I am pleased to report that Neil Rogan will take over as Chairman following my retirement from the Board at the conclusion of the AGM.

### Principal Risks and Uncertainties

The Board regularly reviews the principal risks and uncertainties which it has identified, together with the delegated controls it has established to manage the risks and address the uncertainties, and these are set out in detail on pages 8 and 9 of the Company's Annual Report for the year ended 30 June 2016 ("Annual Report 2016") which is available on the Company's website. The Annual Report 2016 also contains, in note 15 to the Financial Statements, an explanation of other risks relating to the Company's investment activities, specifically market price, interest rate, liquidity and credit risk, and a note of how these risks are managed.

### Related Party Transactions

Any related party transactions during the period are disclosed in the Notes to the Financial Statements. There have been no related party transactions that have had a material effect on the financial position of the Company during the period.

### Going Concern

The factors which have an impact on the Company's status as a going concern are set out in the Going Concern section of the Directors' Report in the Company's Annual Report 2016. As at 31 December 2016, there had been no significant changes to these factors.

The Board has set limits for borrowing and regularly reviews the level of any gearing, cash flow projections and compliance with banking covenants. On 23 September 2015, the Company entered into a two-year multi-currency revolving loan facility ("the Facility") with the Royal Bank of Scotland PLC for up to £80m. As at 31 December 2016, £57.2m of the Facility had been drawn down.

The Directors are mindful of the principal risks and uncertainties disclosed above, and, having reviewed forecasts detailing revenue and liabilities, they believe that the Company has adequate financial resources to continue its operational existence for the foreseeable future. Accordingly, the Directors believe that it is appropriate to continue to adopt the going concern basis of accounting in preparing the Financial Statements.

# Chairman's Statement continued

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## Dividend Tax Allowance

Shareholders may be aware of changes to the taxation of dividends which took effect on 6 April 2016 and further information may be found in Investor Information on page 17 of this Report.

## Statement of Directors' Responsibilities

The Directors are responsible for preparing the Half-Yearly Financial Report in accordance with applicable law and regulations. The Directors confirm that to the best of their knowledge:

- the condensed set of Financial Statements has been prepared in accordance with Financial Reporting Standard 104 (Interim Financial Reporting);
- the Half-Yearly Board Report includes a fair review of the information required by rule 4.2.7R of the Disclosure and Transparency Rules (being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of Financial Statements and a description of the principal risks and uncertainties for the remaining six months of the financial year); and
- the Half-Yearly Board Report includes a fair review of the information required by 4.2.8R (being related party transactions that have taken place during the first six months of the financial year and that have materially affected the financial position of the Company during that period; and any changes in the related party transactions described in the last Annual Report that could do so).

The Half-Yearly Financial Report for the six months ended 31 December 2016 comprises the Half-Yearly Board Report, the Directors' Responsibility Statement and a condensed set of Financial Statements.

For and on behalf of the Board

**N A Honebon**

Chairman

10 February 2017



# Manager's Portfolio Review

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Despite a healthy absolute return, the portfolio underperformed the benchmark during the period. Indeed, calendar 2016 as a whole has been a difficult period for the relative performance of many companies within the UK Equity Income sector. The portfolio is mostly populated by holdings that combine attractive dividend yields and a relatively high degree of income security through diversified geographical earnings streams. Unfortunately, these characteristics did not position the portfolio well in relative terms for the trends that influenced performance during the period. Firstly, oil and mining companies performed strongly as commodity prices recovered. Secondly, the domestic economy failed to suffer the collapse that some had predicted and as a result the share prices of those companies reliant on the strength of the UK economy rebounded from an oversold position in the immediate aftermath of the European Union referendum result. Thirdly, companies with defensive growth characteristics, which some people describe as 'bond proxies', underperformed and more cyclically exposed companies outperformed as interest rate and inflation expectations rose over the period. In addition, Capita issued a disappointing trading update in September citing delays in client decision-making, one-off costs on a contract and a weaker performance in a couple of the company's trading businesses. The company later announced changes to its management and business structure coupled with a small disposal programme to provide greater focus.

We added five new holdings during the period. The first was Diageo, the global spirits company, with an unrivalled portfolio of brands across geographies and price points. The company enjoys a particularly strong position in Scotch whisky where, through their stable of brands including Johnnie Walker, they can command strong pricing power and as a result generate good margins and returns. CEO Ivan Menezes has been implementing a strategy over the past couple of years of moving away from large acquisitions and instead focusing on internal improvements in marketing and operational efficiency and this is starting to bear fruit, with organic growth and improvement in the US being notable features of recent reports. The second purchase was Aveva, a £1.2bn market capitalisation software company providing engineering design and information management systems for process industries. Attractions of the business include significant recurring revenues, long term customer relationships, a global footprint and a net cash balance sheet. The next new holding was Manx Telecom, the incumbent telecoms operator on the Isle of Man, which benefits from a relatively benign regulatory backdrop. The company's strategy is to focus on its core business which includes mobile, fixed line and data centres but also leverage its expertise to grow off-island revenues in its 'global solutions' division. We also purchased a holding in Essentra which supplies packaging and specialist components, and cigarette filters. Weakness in the share price given some contract difficulties in its filters business and integration problems following an acquisition provided an opportunity to introduce the company. Finally, a holding in Croda the specialty chemicals company, was purchased. The company benefits from long-standing customer relationships,

attractive intellectual property and a robust balance sheet. The company's products tend to be the active ingredient in an end-product and although relatively small in terms of cost makes up a more significant share of the value-add allowing good pricing power.

We increased the exposure to a number of companies with attractive valuations including BBA Aviation, as it continues to make good progress with its acquisition of its competitor Landmark Aviation, and Scandinavian Tobacco Group where the company is pursuing its efficiency drive. In addition, weakness in the share prices of Schroders and Provident Financial at the start of the period caused by the European Union referendum result provided an opportunity to top up these two holdings. Furthermore, the assignment of put options resulted in small increases to the holdings in Capita and Inmarsat.

We sold two holdings: Centrica and Schneider Electric. We exited the position in Centrica due to worries about the likelihood of the success of the company's strategy to focus on the 'connected home', the high degree of competition in the downstream supply market and potential political interference. Schneider Electric had performed well and we believed that the valuation no longer reflected an attractive future return.

We reduced the weight in Royal Dutch Shell and recycled the proceeds into BP in order to manage the stock-specific income risk of Shell, which was the portfolio's largest income producer. Other reductions included taking profits in Unilever and British American Tobacco after their strong performance post the European Union referendum and we substantially lowered the exposure to GKN which we believe had fully rebuilt its margins following the financial crisis and offered limited upside. The assignment of call options also led to the marginal reductions of a number of holdings including AstraZeneca, Sage and HSBC.

As indicated above, in order to increase and diversify the income available to the Company, we continued our judicious option-writing programme, selling both puts and calls on a variety of companies where we have sought to reduce or add to holdings at particular price levels.

**Charles Luke**  
Aberdeen Asset Managers Limited  
Investment Manager

10 February 2017

# Investment Portfolio

As at 31 December 2016

Investment	Sector	Valuation £'000	Total assets %
British American Tobacco	Tobacco	27,498	4.5
Unilever	Personal Goods	26,406	4.4
GlaxoSmithKline	Pharmaceuticals & Biotechnology	26,398	4.4
AstraZeneca	Pharmaceuticals & Biotechnology	23,474	3.9
BP	Oil & Gas Producers	22,058	3.7
Royal Dutch Shell ('B' Shares)	Oil & Gas Producers	21,598	3.6
Prudential	Life Assurance	20,913	3.5
HSBC	Banks	20,807	3.5
Roche	Pharmaceuticals & Biotechnology	19,947	3.3
Compass	Travel & Leisure	18,481	3.1
<b>Top ten investments</b>		<b>227,580</b>	<b>37.9</b>
Nordea Bank	Banks	17,821	3.0
Imperial Brands	Tobacco	17,287	2.9
BHP Billiton	Mining	17,050	2.8
Vodafone	Mobile Telecommunications	16,192	2.7
Microsoft	Software & Computer Services	16,095	2.7
Aberforth Smaller Companies Trust	Equity Investment Instruments	15,859	2.6
Sage Group	Software & Computer Services	13,893	2.3
BBA Aviation	Industrial Transportation	13,853	2.3
Provident Financial	Financial Services	13,504	2.2
Pearson	Media	13,407	2.2
<b>Top twenty investments</b>		<b>382,541</b>	<b>63.6</b>
Inmarsat	Mobile Telecommunications	13,198	2.2
Close Brothers	Financial Services	12,615	2.1
National Grid	Gas, Water & Multi-utilities	11,962	2.0
Verizon Communications	Mobile Telecommunications	11,881	2.0
Elementis	Chemicals	10,458	1.7
Hiscox	Non-life Insurance	9,570	1.6
John Wood Group	Oil Equipment & Services	9,540	1.6
Schroder	Financial Services	8,773	1.5
Nestlé	Food Producers	8,725	1.4
Rotork	Industrial Engineering	8,584	1.4
<b>Top thirty investments</b>		<b>487,847</b>	<b>81.1</b>
Ultra Electronics	Aerospace & Defence	8,435	1.4
Standard Chartered	Banks	8,133	1.3
Essentra	Support Services	7,994	1.3
Diageo	Beverages	7,649	1.3
Rolls Royce	Aerospace & Defence	7,465	1.2
Linde	Chemicals	6,149	1.0
Scandinavian Tobacco	Tobacco	6,120	1.0
Associated British Foods	Food Producers	6,094	1.0
Land Securities	Real Estate Investment Trusts	6,091	1.0
Hansteen	Real Estate Investment Trusts	6,070	1.0
<b>Top forty investments</b>		<b>558,047</b>	<b>92.6</b>



		Valuation	Total assets
Investment	Sector	£'000	%
Svenska Handelsbanken	Banks	6,037	1.0
Weir Group	Industrial Engineering	4,967	0.8
Capita	Support Services	4,498	0.7
Croda	Chemicals	4,267	0.7
GKN	Automobiles & Parts	3,960	0.7
Dunedin Smaller Companies Investment Trust	Equity Investment Instruments	3,640	0.6
XP Power	Electronic & Electrical Equipment	2,969	0.5
Manx Telecom	Fixed Line Telecommunications	2,909	0.5
Aveva	Software & Computer Services	2,569	0.4
Total investments		593,863	98.5
Net current assets <sup>A</sup>		9,089	1.5
Total assets		602,952	100.0

<sup>A</sup> excludes bank loan of £57,162,000

## Condensed Statement of Comprehensive Income

	Notes	Six months ended 31 December 2016 (unaudited)			Six months ended 31 December 2015 (unaudited)		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on investments		–	39,631	39,631	–	(12,054)	(12,054)
Currency losses		–	(2,196)	(2,196)	–	(9)	(9)
Income	3	9,083	–	9,083	8,451	–	8,451
Investment management fees		(694)	(694)	(1,388)	(657)	(657)	(1,314)
Administrative expenses		(567)	–	(567)	(590)	–	(590)
<b>Net return before finance costs and taxation</b>		<b>7,822</b>	<b>36,741</b>	<b>44,563</b>	<b>7,204</b>	<b>(12,720)</b>	<b>(5,516)</b>
Finance costs of borrowing		(122)	(122)	(244)	(176)	(176)	(352)
<b>Net return on ordinary activities before taxation</b>		<b>7,700</b>	<b>36,619</b>	<b>44,319</b>	<b>7,028</b>	<b>(12,896)</b>	<b>(5,868)</b>
Taxation on ordinary activities	4	(85)	–	(85)	(51)	–	(51)
<b>Net return on ordinary activities after taxation</b>		<b>7,615</b>	<b>36,619</b>	<b>44,234</b>	<b>6,977</b>	<b>(12,896)</b>	<b>(5,919)</b>
<b>Return per Ordinary share (pence)</b>	5	<b>11.3</b>	<b>54.6</b>	<b>65.9</b>	<b>10.2</b>	<b>(18.9)</b>	<b>(8.7)</b>

The total column of the Condensed Statement of Comprehensive Income is the profit and loss account of the Company.

A Statement of Total Recognised Gains and Losses has not been prepared as all gains or losses are recognised in the Condensed Statement of Comprehensive Income.

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

## Condensed Statement of Financial Position

	Notes	As at 31 December 2016 (unaudited) £'000	As at 30 June 2016 (audited) £'000
<b>Non-current assets</b>			
Investments at fair value through profit or loss		593,863	553,527
<b>Current assets</b>			
Other debtors and receivables		1,451	7,203
Cash and short term deposits		8,619	10,270
		10,070	17,473
<b>Creditors: amounts falling due within one year</b>			
Other payables		(981)	(964)
Bank loans		(57,162)	(55,000)
<b>Net current liabilities</b>		(48,073)	(38,491)
<b>Net assets</b>		<b>545,790</b>	<b>515,036</b>
<b>Share capital and reserves</b>			
Called-up share capital		17,148	17,148
Share premium account		24,020	24,020
Capital redemption reserve		4,997	4,997
Capital reserve	6	475,993	440,595
Revenue reserve		23,632	28,276
<b>Equity shareholders' funds</b>		<b>545,790</b>	<b>515,036</b>
<b>Net asset value per Ordinary share (pence)</b>	7	<b>814.3</b>	<b>766.5</b>

## Condensed Statement of Changes in Equity

### Six months ended 31 December 2016 (unaudited)

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 1 July 2016	17,148	24,020	4,997	440,595	28,276	515,036
Return on ordinary activities after taxation	–	–	–	36,619	7,615	44,234
Buyback of Ordinary shares for Treasury	–	–	–	(1,221)	–	(1,221)
Dividends paid	–	–	–	–	(12,259)	(12,259)
<b>Balance at 31 December 2016</b>	<b>17,148</b>	<b>24,020</b>	<b>4,997</b>	<b>475,993</b>	<b>23,632</b>	<b>545,790</b>

### Six months ended 31 December 2015 (unaudited)

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 1 July 2015	17,148	24,020	4,997	441,383	28,340	515,888
Return on ordinary activities after taxation	–	–	–	(12,896)	6,977	(5,919)
Dividends paid	–	–	–	–	(12,266)	(12,266)
<b>Balance at 31 December 2015</b>	<b>17,148</b>	<b>24,020</b>	<b>4,997</b>	<b>428,487</b>	<b>23,051</b>	<b>497,703</b>

# Condensed Statement of Cash Flows

	Six months ended 31 December 2016 (unaudited) £'000	Six months ended 31 December 2015 (unaudited) As re-presented (note 1) £'000
<b>Net return before finance costs and taxation</b>	44,563	(5,516)
Increase in accrued expenses	452	174
Overseas withholding tax	117	118
Dividend income	(8,120)	(7,786)
Dividends received	8,987	8,650
Interest income	(5)	(30)
Interest received	1	30
Interest paid	(217)	(338)
(Gains)/losses on investments	(39,631)	12,054
Foreign exchange losses on loans	2,162	–
Decrease in other debtors	4,687	4,752
Stock dividends included in investment income	(1,107)	(407)
<b>Net cash inflow from operating activities</b>	11,889	11,701
<b>Investing activities</b>		
Purchases of investments	(44,484)	(26,095)
Sales of investments	44,424	19,254
<b>Net cash outflow from investing activities</b>	(60)	(6,841)
<b>Financing activities</b>		
Dividends paid	(12,259)	(12,266)
Buyback of Ordinary shares	(1,221)	–
<b>Net cash outflow from financing activities</b>	(13,480)	(12,266)
<b>Decrease in cash</b>	<b>(1,651)</b>	<b>(7,406)</b>
<b>Analysis of changes in cash during the period</b>		
Opening balance	10,270	17,874
Decrease in cash as above	(1,651)	(7,406)
<b>Closing balance</b>	<b>8,619</b>	<b>10,468</b>

# Notes to the Financial Statements

## 1. Accounting policies

### Basis of preparation

The condensed financial statements have been prepared in accordance with Financial Reporting Standard 104 (Interim Financial Reporting) and with the Statement of Recommended Practice for 'Financial Statements of Investment Trust Companies and Venture Capital Trusts'. They have also been prepared on a going concern basis and on the assumption that approval as an investment trust will continue to be granted.

The Condensed Statement of Cash Flows for the six months ended 31 December 2015 has been re-presented to comply with the requirements of FRS 102.

The interim financial statements have been prepared using the same accounting policies as the preceding annual financial statements.

## 2. Ordinary dividends

Ordinary dividends paid on equity shares deducted from reserves:

	Six months ended 31 December 2016 £'000	Six months ended 31 December 2015 £'000
2015 third interim dividend – 7.00p	–	4,770
2015 final dividend – 11.00p	–	7,496
2016 third interim dividend – 7.00p	4,705	–
2016 final dividend – 11.25p	7,554	–
	<b>12,259</b>	<b>12,266</b>

A first interim dividend for 2017 of 7.00p (2016 – 7.00p) was paid on 13 January 2017 to shareholders on the register on 16 December 2016. The ex-dividend date was 15 December 2016.

A second interim dividend for 2017 of 7.00p (2016 – 7.00p) will be paid on 31 March 2017 to shareholders on the register on 3 March 2017. The ex-dividend date is 2 March 2017.

A third interim dividend for 2017 of 7.00p (2016 – 7.00p) will be paid on 30 June 2017 to shareholders on the register on 2 June 2017. The ex-dividend date is 1 June 2017.

## 3. Income

	Six months ended 31 December 2016 £'000	Six months ended 31 December 2015 £'000
<b>Investment income</b>		
UK dividends	6,236	6,555
Overseas dividends	777	824
Stock dividends	1,107	407
	<b>8,120</b>	<b>7,786</b>



	Six months ended 31 December 2016 £'000	Six months ended 31 December 2015 £'000
<b>Other income</b>		
Deposit interest	5	30
Underwriting commission	–	30
Traded option premiums	958	605
	963	665
<b>Total income</b>	<b>9,083</b>	<b>8,451</b>

#### 4. Taxation

The taxation charge for the period represents withholding tax suffered on overseas dividend income.

	Six months ended 31 December 2016 p	Six months ended 31 December 2015 p
<b>5. Return per share</b>		
Revenue return	11.3	10.2
Capital return	54.6	(18.9)
<b>Total return</b>	<b>65.9</b>	<b>(8.7)</b>

The figures are based on the following:

	Six months ended 31 December 2016 £'000	Six months ended 31 December 2015 £'000
Revenue return	7,615	6,977
Capital return	36,619	(12,896)
<b>Total return</b>	<b>44,234</b>	<b>(5,919)</b>
<b>Weighted average number of Ordinary shares in issue</b>	<b>67,101,132</b>	<b>68,142,458</b>

During the six months ended to 31 December 2016, 170,000 Ordinary shares (31 December 2015 – nil) were repurchased to be held in Treasury at a cost of £1,221,000 (31 December 2015 – £nil).

As at 31 December 2016, 1,571,000 (31 December 2015 – 451,000) Ordinary shares were held in treasury.

#### 6. Capital reserve

The capital reserve reflected in the Balance Sheet at 31 December 2016 includes gains of £181,644,000 (30 June 2016 – £148,930,000) which relate to the revaluation of investments held at the reporting date.

## Notes to the Financial Statements *continued*

	As at 31 December 2016	As at 30 June 2016
<b>7. Net asset value</b>		
Attributable net assets (£'000)	545,790	515,036
Number of Ordinary shares in issue	67,022,458	67,192,458
Net asset value per Ordinary share (p)	814.3	766.5

### 8. Transaction costs

During the period, expenses were incurred in acquiring or disposing of investments classified as fair value through profit or loss. These have been expensed through capital and are included within gains/(losses) on investments in the Condensed Statement of Comprehensive Income. The total costs were as follows:

	Six months ended 31 December 2016 £'000	Six months ended 31 December 2015 £'000
Purchases	208	109
Sales	33	19
	<b>241</b>	<b>128</b>

### 9. Fair value hierarchy

FRS 102 requires an entity to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The Company has early adopted Amendments to FRS 102 – Fair value hierarchy disclosures issued by the Financial Reporting Council in March 2016. This has not resulted in any reclassifications in levelling and the prior year comparative has been disclosed under the new hierarchy. The fair value hierarchy has the following levels:

Level 1: unadjusted quoted prices in an active market for identical assets or liabilities that the entity can access at the measurement date;

Level 2: inputs other than quoted prices included within Level 1 that are observable (ie developed using market data) for the asset or liability, either directly or indirectly; and

Level 3: inputs are unobservable (ie for which market data is unavailable) for the asset or liability.

The financial assets and liabilities measured at fair value in the Condensed Statement of Financial Position are grouped into the fair value hierarchy at the reporting date as follows:

	Note	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>As at 31 December 2016</b>					
<b>Financial assets at fair value through profit or loss</b>					
Quoted equities	a)	593,863	–	–	593,863
<b>Financial liabilities at fair value through profit or loss</b>					
Derivatives	b)	(241)	–	–	(241)
<b>Net fair value</b>		<b>593,622</b>	<b>–</b>	<b>–</b>	<b>593,622</b>

As at 30 June 2016	Note	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Financial assets at fair value through profit or loss</b>					
Quoted equities	a)	553,527	–	–	553,527
<b>Financial liabilities at fair value through profit or loss</b>					
Derivatives	b)	–	–	–	–
<b>Net fair value</b>		<b>553,527</b>	<b>–</b>	<b>–</b>	<b>553,527</b>

**a) Quoted equities**

The fair value of the Company's investments in quoted equities has been determined by reference to their quoted bid prices at the reporting date. Quoted equities included in Fair Value Level 1 are actively traded on recognised stock exchanges.

**b) Derivatives**

The fair value of the Company's investments in Exchange Traded Options has been determined using observable market inputs on an exchange traded basis and therefore has been included in Fair Value Level 1.

## 10. Transactions with the Manager

The Company has agreements with Aberdeen Fund Managers Limited ("AFML" or the "Manager") for the provision of investment management, secretarial, accounting and administration and promotional services.

The management fee for the six months ended 31 December 2016 is calculated, on a monthly basis, at 0.55% on the first £400 million, 0.45% on the next £150 million and 0.25% on amounts over £550 million per annum of the net assets of the Company, with debt at par and excluding commonly managed funds. The management fee is chargeable 50% to revenue and 50% to capital. During the period £1,388,000 (31 December 2015 – £1,314,000) of investment management fees were earned by the Manager, with a balance of £461,000 (31 December 2015 – £217,000) being payable to AFML at the period end. There was one commonly managed fund held in the portfolio during the 6 months to 31 December 2016 (2015 – one).

No fees are charged in the case of investment managed or advised by the Aberdeen Asset Management Group. The management agreement may be terminated by either party on the expiry of 3 months written notice. On termination the Manager would be entitled to receive fees which would otherwise have been due up to that date.

The promotional activities fee is based on a current annual amount of £480,000, payable quarterly in arrears. During the period £240,000 (31 December 2015 – £243,000) of fees were due, with a balance of £120,000 (31 December 2015 – £121,000) being payable to AFML at the period end.

The secretarial activities fee is based on a current annual amount of £90,000, payable quarterly in arrears. During the period £45,000 (31 December 2015 – £45,000) of fees were due, with a balance of £23,000 (31 December 2015 – £23,000) being payable to AFML at the period end.

## 11. Segmental Information

The Company is engaged in a single segment of business, which is to invest in equity securities. All of the Company's activities are interrelated, and each activity is dependent on the others. Accordingly, all significant operating decisions are based on the Company as one segment.

## Notes to the Financial Statements *continued*

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12. The financial information in this Report does not comprise statutory accounts within the meaning of Section 434 – 436 of the Companies Act 2006. The financial information for the year ended 30 June 2016 has been extracted from published accounts that have been delivered to the Registrar of Companies and on which the report of the auditors was unqualified and contained no statement under Section 498 (2), (3) or (4) of the Companies Act 2006. The interim financial statements have been prepared using the same accounting policies as contained within the preceding annual financial statements.
13. This Half-Yearly Financial Report was approved by the Board on 10 February 2017.

# Investor Information

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## AIFMD and Pre-Investment Disclosure Report

The Company has appointed Aberdeen Fund Managers Limited as its alternative investment fund manager ("AIFM") and BNP Paribas Securities, London Branch as its depositary under the AIFMD. The AIFMD requires Aberdeen Fund Managers Limited, as the Company's AIFM, to make available to investors certain information prior to such investors' investment in the Company, including details of the leverage and risk policies. The Company's Pre-Investment Disclosure Document is available for viewing at the Company's website, [murray-income.co.uk](http://murray-income.co.uk)

## Benchmark

The Company's benchmark is the FTSE All-Share Index.

## Keeping You Informed

Information may be found on the Company's website, including the Company's share price, net asset value and performance data as well as London Stock Exchange announcements, current and historic Annual and Half-Yearly Reports and the latest monthly factsheet issued by the Manager.

## Shareholder Enquiries

In the event of queries regarding shareholdings, lost certificates, dividend payments, registered details, etc shareholders holding their shares directly in the Company should contact the registrars, Capita Asset Services (see Corporate Information for details). Changes of address must be notified to the registrars in writing.

If you have any general questions about your Company, the Manager or performance, please telephone the AAM Customer Services Department (see Corporate Information for details), send an email to [inv.trusts@aberdeen-asset.com](mailto:inv.trusts@aberdeen-asset.com) or write to Aberdeen Investment Trusts, PO Box 11020, Chelmsford, Essex CM99 2DB.

## Dividend Tax Allowance

From 6 April 2016 dividend tax credits have been replaced by an annual £5,000 tax-free allowance on dividend income. Above this amount, individuals will pay tax on their dividend income at a rate dependent on their income tax bracket and personal circumstances. The Company will continue to provide registered shareholders with a confirmation of dividends paid by the Company and this should be included with any other dividend income received when calculating and reporting to HMRC total dividend income received. It is the shareholder's responsibility to include all dividend income when calculating any tax liability.

## Investor Warning: Be alert to share fraud and boiler room scams

Aberdeen Group has been contacted by investors informing us that they have received telephone calls and emails from people who have offered to buy their investment company shares, purporting to work for Aberdeen Asset Management or for third party firms. Aberdeen Group has also been notified of emails claiming that certain investment companies under our management have issued claims in the courts against individuals. These may be scams which attempt to gain your personal information with which to commit identity fraud or could be 'boiler room' scams where a payment from you is required to release the supposed payment for your shares. These callers/senders do not work for Aberdeen Group and any third party making such offers/claims has no link with Aberdeen Group.

Aberdeen Group does not 'cold-call' investors in this way. If you have any doubt over the veracity of a caller, do not offer any personal information, end the call and contact our Customer Services Department using the details on page 20.

The Financial Conduct Authority provides advice with respect to share fraud and boiler room scams:  
<http://www.fca.org.uk/consumers/scams>

## How to buy shares in Murray Income Trust PLC

### Direct

Investors can buy and sell shares in the Company directly through a stockbroker or indirectly through a lawyer, accountant or other professional adviser. Alternatively, for retail clients, shares can be bought directly through Aberdeen's Investment Plan for Children, Investment Trust Share Plan or Investment Trust ISA.

### Aberdeen's Investment Plan for Children

Aberdeen Asset Managers Limited ("AAM") operates an Investment Plan for Children (the "Children's Plan") which covers a number of investment companies under its management including Murray Income Trust PLC. Anyone can invest in the Children's Plan, including parents, grandparents and family friends (subject to the eligibility criteria as stated within terms and conditions). All investments are free of dealing charges on the initial purchase of shares, although investors will suffer the bid-offer spread, which can, on some occasions, be a significant amount. Lump sum investments start at £150 per trust, while regular savers may invest from £30 per month. Investors simply pay Government Stamp Duty (currently 0.5%) on entry. Selling costs are £10 + VAT. There is no restriction on how long an investor need invest in the Children's Plan, and regular savers can stop or suspend participation by instructing AAM in writing at any time.

### Aberdeen Investment Trust Share Plan

AAM operates a Share Plan (the "Plan") through which shares in the Company can be purchased. There are no dealing charges on the initial purchase of shares, although investors will suffer the bid-offer spread, which can, on some occasions, be a significant amount. Lump sum investments start at £250, while regular savers may invest from £100 per month. Investors only pay Government Stamp Duty (currently 0.5%) on purchases. Selling costs are £10 + VAT. There is no restriction on how long an investor need invest in a Plan, and regular savers can stop or suspend participation by instructing AAM in writing at any time.

### Aberdeen Investment Trust ISA

AAM offers an Investment Trust ISA ("ISA") through which an investment may be made of up to £15,240 in tax year 2016/2017 and up to £20,000 in tax year 2017/2018.

There are no brokerage or initial charges for the ISA, although investors will suffer the bid-offer spread, which can, on some occasions, be a significant amount. Investors only pay Government Stamp Duty (currently 0.5%) on purchases. Selling costs are £15 + VAT. The annual ISA administration charge is £24 + VAT, calculated annually and applied on 31 March (or the last business day in March) and collected soon thereafter either by direct debit or, if there is no valid direct debit mandate in place, from the available cash in the ISA prior to the distribution or reinvestment of any income, or, where there is insufficient cash in the ISA, from the sale of investments held under the ISA. Under current legislation, investments in ISAs can grow free of capital gains tax.

### ISA Transfer

You can choose to transfer previous tax year investments to us which can be invested in the Company while retaining your ISA wrapper. The minimum lump sum for an ISA transfer is £1,000 and is subject to a minimum per investment trust of £250.

### Nominee Accounts and Voting Rights

In common with other schemes of this type, all investments in AAM's Children's Plan, Investment Trust Share Plan and Investment Trust ISA are held in nominee accounts and investors have full voting and other rights of share ownership.

### Literature Request Service

For literature and application forms for the Aberdeen Group's Investment Plan for Children, Share Plan, ISA or ISA Transfer please contact:

Aberdeen Investment Trust Administration  
PO Box 11020  
Chelmsford  
Essex CM99 2DB

Email: [aam@lit-request.com](mailto:aam@lit-request.com)

Telephone: 0808 500 4000

(free when dialling from a UK landline)

Terms and conditions for the Aberdeen Group's managed savings products can also be found under the 'Literature' section of [invtrusts.co.uk](http://invtrusts.co.uk)

### Suitable for Retail/NMPI status

The Company's shares are intended for investors, primarily in the UK, including retail investors, professionally-advised private clients and institutional investors who are seeking a high and growing income combined with capital growth through investment in a portfolio principally of UK equities, and who understand and are willing to accept the risks of exposure to equities. Investors should consider consulting a financial adviser who specialises in advising on the acquisition of shares and other securities before acquiring shares. Investors should be capable of evaluating the risks and merits of such an investment and should have sufficient resources to bear any loss that may result.

The Company currently conducts its affairs, and intends to continue to do so for the foreseeable future, so that the shares issued by Murray Income Trust PLC can be recommended by a financial adviser to ordinary retail investors in accordance with the Financial Conduct Authority's rules in relation to non-mainstream pooled investments ("NMPIs").

The Company's shares are excluded from the Financial Conduct Authority's restrictions which apply to NMPIs because they are shares in an investment trust.

### Online Dealing details

There are a number of other ways in which you can buy and hold shares in this investment company.

#### Online dealing

There are a number of online dealing platforms for private investors that offer share dealing, ISAs and other means to invest in the company. Real-time execution-only stockbroking services allow you to trade online, manage your portfolio and buy UK listed shares. These sites do not give advice. Some comparison websites also look at dealing rates and terms. Some well-known online providers may be found through internet search engines.

#### Discretionary private client stockbrokers

If you have a large sum to invest, you may wish to contact a discretionary private client stockbroker. They can manage your entire portfolio of shares and will advise you on your



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investments. To find a private client stockbroker visit the Wealth Management Association at [thewma.co.uk](http://thewma.co.uk)

#### **Regulation of stockbrokers**

Before approaching a stockbroker, always check that they are regulated by the Financial Conduct Authority:

Tel: 0800 111 6768 or at [fca.org.uk/firms/systems-reporting/register/search](http://fca.org.uk/firms/systems-reporting/register/search)

Email: [register@fca.org.uk](mailto:register@fca.org.uk)

#### **Note**

Please remember that past performance is not a guide to the future. Stock market and currency movements may cause the value of shares and the income from them to fall as well as rise and investors may not get back the amount they originally invested.

As with all equity investments, the value of investment trusts purchased will immediately be reduced by the difference between the buying and selling prices of the shares, the market maker's spread.

Investors should further bear in mind that the value of any tax relief will depend on the individual circumstances of the investor and that tax rates and reliefs, as well as the tax treatment of ISAs, may be changed by future legislation.

*The information on pages 17 to 19 has been approved for the purposes of Section 21 of the Financial Services and Markets Act 2000 (as amended by the Financial Services Act 2012) by Aberdeen Asset Managers Limited which is authorised and regulated by the Financial Conduct Authority in the United Kingdom.*

# Corporate Information

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## Directors

N A Honebon (Chairman)  
D E Woods (Senior Independent Director)  
J C Park (Audit Committee Chairman)  
D A J Cameron  
N A H Rogan  
M W Balfour

## Secretaries, Registered Office and Company Number

Aberdeen Asset Management PLC  
7<sup>th</sup> Floor, 40 Princes Street  
Edinburgh EH2 2BY

Registered in Scotland under Company Number SC012725

## Website

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

## Legal Entity Identifier (LEI)

549300IRNFGVQIHUI13

## United States Internal Revenue Service FATCA Registration Number (GIIN)

8Q8ZFE.99999.SL.826

## Points of Contact

The Chairman or Company Secretaries at the Registered Office of the Company

## Customer Services and AAM Children's Plan/Share Plan/ISA enquiries

Aberdeen Investment Trusts  
PO Box 11020  
Chelmsford  
Essex CM99 2DB

Freephone: 0808 500 0040  
(open Monday – Friday, 9am – 5pm)  
Email: [inv.trusts@aberdeen-asset.com](mailto:inv.trusts@aberdeen-asset.com)

## Alternative Investment Fund Manager \*

Aberdeen Fund Managers Limited  
Authorised and regulated by the Financial Conduct Authority

(\* appointed as required by EU Directive 2011/61/EU)

## Investment Manager

Aberdeen Asset Managers Limited  
Authorised and regulated by the Financial Conduct Authority

## Registrars (for direct shareholders)

The Share Portal, operated by Capita Asset Services, is a secure online website where shareholdings can be managed quickly and easily, including changing address or arranging to pay dividends directly into a bank account or receive electronic communications:

[capitashareportal.com](http://capitashareportal.com)

Alternatively, please contact the registrars -

By phone -

Tel: 0371 664 0300  
(UK calls cost 10p per minute plus network extras)  
From overseas: +44 208 639 3399  
Lines are open 9.00am to 5.30pm Monday to Friday, excluding public holidays)

By email -

[shareholderenquiries@capita.co.uk](mailto:shareholderenquiries@capita.co.uk)

By post -

Capita Asset Services  
The Registry  
34 Beckenham Road  
Beckenham  
Kent  
BR3 4TU

## Independent Auditor

Ernst & Young LLP

## Depository and Custodian

BNP Paribas Securities, London Branch

## Solicitors

Dickson Minto W.S.

## Stockbrokers

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