Murray Income Trust PLC

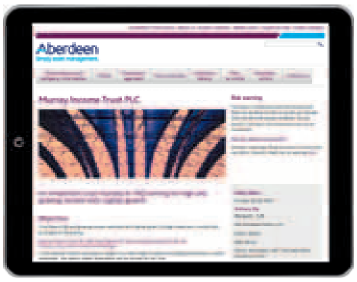
An investment trust founded in 1923 aiming for high and growing income with capital growth

Annual Report
30 June 2017

Aberdeen

Aberdeen Asset Management is a true buy and hold investor. In its view, a good company is one it can in theory hold forever. It looks to invest in good quality companies at a sensible price. It looks first for sustainable cash flows and strong balance sheets. The group invests for the long term – and only in companies it believes it understands and can add value.

Contents



Visit our website

To find out more about Murray Income Trust PLC, please visit: murray-income.co.uk

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the action you should take, you are recommended to seek your own independent financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 (as amended by the Financial Services Act 2012) if you are in the United Kingdom or, if not, from another appropriately authorised financial adviser.

If you have sold or otherwise transferred all your Ordinary shares in Murray Income Trust PLC, please forward this document, together with the accompanying documents immediately to the purchaser or transferee, or to the stockbroker, bank or agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Financial Highlights and Financial Calendar

Financial Highlights

Net asset value total return[A]

+16.7%

2016 +5.9%

Share price total return[A]

+23.5%

2016 +0.1%

Benchmark total return[A]

+18.1%

2016 +2.2%

Ongoing charges

0.72%

2016 0.76%

Earnings per share (revenue)

34.9p

2016 32.0p

Dividend per share[B]

32.75p

2016 32.25p

[B] Final dividend of 11.75p per Ordinary share is subject to shareholder approval at the Annual General Meeting.

Discount to net asset value

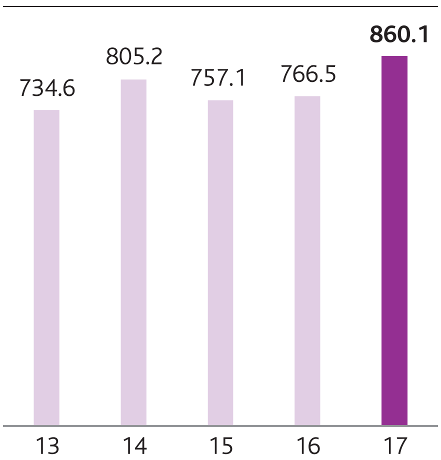
–7.6%

2016 –12.3%

[A] Total return as defined on page 77.

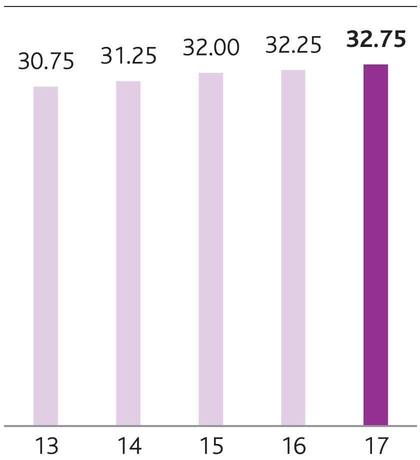
Net asset value per share

At 30 June – pence



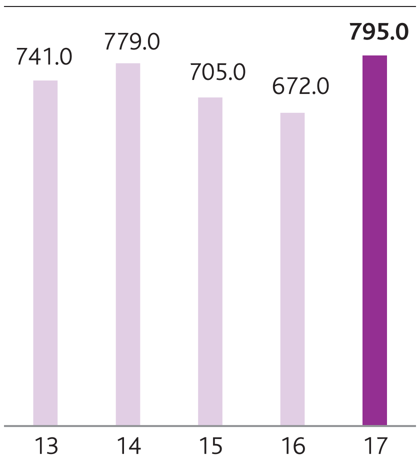
Dividends per share

pence



Mid-market price per share

At 30 June – pence



Financial Calendar

28 September 2017	Ex-dividend date of proposed final dividend for year ended 30 June 2017
29 September 2017	Record date of proposed final dividend for year ended 30 June 2017
6 November 2017	Annual General Meeting, Glasgow (12.30pm)
9 November 2017	Payment date of proposed final dividend for year ended 30 June 2017
15 December 2017, 2 March and 1 June 2018	Record dates of interim dividends for year to 30 June 2018
12 January, 30 March and 29 June 2018	Payment dates of interim dividends for year to 30 June 2018
February 2018	Half-Yearly Report published for 6 months to 31 December 2017
September 2018	Annual Report published for year to 30 June 2018

Chairman's Statement

Neil Honebon
Chairman

Highlights

- Shareholder Total Return +23.5%
- Net Asset Value Total Return +16.7%
- FTSE All-Share Index Total Return +18.1%
- Total Dividends per share increased to 32.75p (the 44th year of consecutive increase)

Performance

The year under review was a good one in absolute return terms with a Net Asset Value Total Return of 16.7% after two dull previous years. This was disappointing relative to the FTSE All-Share Index, but it was a difficult year for high yield investing. The discount to NAV narrowed such that our Share Price Total Return was 23.5%.

In my Statement last year I noted that the coming year had a lot of hard-to-predict political change afoot in the West. If anything, that proved an understatement, with Trump and Macron overcoming their political establishments to become heads of state and a surprise general election (and result) in the UK for good measure. Perhaps it is foolhardy to suggest that at least in Germany the prospect of political continuity in the form of Merkel's re-election has actually improved of late.

The main economic impact of all this politics was probably the hope of Trump reflation, encouraged by his policies to stimulate economic activity, especially construction, and to favour business through cuts in taxes and reduced regulation. Equity markets and the US dollar rose on these hopes, but then stalled as the President's inability to master the legislative machinery of government, even with Republican control of both Houses, became apparent. In the UK, the economy achieved moderate growth despite political and Brexit uncertainty, as lower Sterling helped exporters and foreign earners and as British consumers continued to outspend their incomes resulting in the lowest savings ratio for 50 years. Perhaps the most promising development was the emergence of some economic momentum at last in Europe after a decade of struggle, also strengthening the Euro.

Your investment manager Charles Luke reports fully on the portfolio on pages 15 to 19. In recent years, there have been two significant changes of emphasis in the portfolio, both achieved incrementally. The first was the build-up of overseas-listed holdings. The principal reason behind this was to improve the industrial and geographical diversity of the capital and income, which proved to be a dramatic benefit in the first half of this financial year as Sterling fell sharply. The second, more recent, change has been the increase in mid and small capitalisation company holdings. Four years ago these accounted for less than 10% of the portfolio but at this financial year end were over 24%. In the latest year such additions have included Assura, Big Yellow, Croda, Manx Telecom and Workspace. Often the initial yields of these companies are lower than the existing portfolio average, but they typically have better prospects for growth than higher yielding mega caps which can be constrained by the overall economy and by high dividend payout ratios. These two significant changes illustrate the evolving routes to find the right balance that needs to be achieved between the Company's three investment objectives - high yield, growing income and capital growth. And on the narrower issue of dividends, there is a continuing trade-off between high yield, dividend growth and dividend security (possibility of a dividend cut). It is pleasing to note that in the latest year only one of our 49 holdings (Pearson) cut its dividend.

Dividend

The Board is recommending a final dividend per share of 11.75p, which makes a total for the year of 32.75p, an increase of 1.6%. If approved, this will constitute 44 years of consecutive dividend increases.

As expected, the income revenue in the year increased. Most of this was from growth of 7.4% in dividends received from our portfolio, benefitting from weaker Sterling and from three special dividends. The revenue account also benefitted from lower borrowing costs in currencies other than Sterling and from more income from option-writing (though this remained modest at around 7% of total revenue).

Given the uncertainties for many of these income gains - especially currency, where Sterling is now higher than the rate at which many of our foreign dividends were converted last year - the Board has considered it prudent to add a little to revenue reserves. These are now equivalent to approximately one year's dividend.

Share Capital

The Company bought back into Treasury 170,000 shares. The discount of our share price to its NAV narrowed noticeably compared to that at our previous year end which was in the immediate aftermath of the EU Referendum result.

Borrowings

During most of the year under review the Company's borrowings were in a mix of currencies broadly similar to our overseas holdings. At present the Board is considering a range of borrowing options which may include a tranche of fixed rate, longer duration borrowing.

Directors

I have been a Director for twelve years including three as Chairman, and it is now time for me to retire at the coming AGM. It has been a privilege to contribute to the direction of our Company's affairs. As announced with our interim results, Neil Rogan will succeed me. He brings a keen and diligent investment brain to the role and I commend him to shareholders.

Merger of Investment Manager

On 20 March 2017 your Company's investment manager Aberdeen announced its intention to merge with Standard Life. After all required approvals, that merger was consummated on 14 August 2017. Although Aberdeen is well-practised at absorbing other companies, such mergers often divert management effort to internal issues away from clients and can be disruptive for employees. Throughout this process, therefore, the Board has closely monitored the likely impact on the Company and will continue to do so as merger decisions are implemented.

Regulation and Costs

Another European financial directive, catchily called MiFID II, and the FCA Report on the UK investment management industry are setting the regulatory agenda. One broad thrust of this is an attempt to increase transparency on fees and other charges borne by investors. I believe that as more hard evidence on this emerges, your Company will prove to be well-placed: Aberdeen has always employed a low turnover approach to managing portfolios, and has also committed not to pass on any costs for external research services. In addition, your Board has negotiated a reduction in the management fees your Company pays, to take effect from 1 January 2018, under which Aberdeen will be entitled to an annual fee, calculated on net assets, of 0.55% up to £350m, 0.45% between £350m and £450m and 0.25% over £450m. At year end net asset value levels, this would have equated to a fall in the blended fee rate from 0.51% to 0.47%.

Annual General Meeting

The Annual General Meeting will be held at 12.30pm on Monday 6 November 2017 in the Strathclyde Suite, Glasgow Royal Concert Hall, 2 Sauchiehall Street, Glasgow, G2 3NY. The Notice of Annual General Meeting is included on pages 79 to 82. It is the Board's intention to hold the 2018 Annual General Meeting in Glasgow.

Outlook

It is hard to argue that the uncertainties in the political sphere have cleared recently, and that remains a major risk for markets in the year ahead. Economic and foreign policy construction has become more erratic with considerable scope for market surprises, especially perhaps in currencies. Financially, real interest rates are still aberrantly low and history tells us that some reversion is inevitable, although the exact path and timing are unclear. Low or even negative real interest rates are important because they encourage investors to take more risk; they distort the allocation of capital and valuation of future cashflows; they enable the improvidently-financed to survive. When rates do revert, there will be casualties. If the impact of low rates has been more obvious on financial asset prices than on economic activity, it seems likely that Central Banks will have to tread very carefully to avoid unsettling markets in their first steps back from the massive monetary experiment.

In the UK specifically, wage growth is again not keeping up with inflation, and that provides a serious constraint on economic growth. The Bank of England has already warned about borrowing levels and trends. For many UK-listed companies, however, domestic economic conditions are not paramount. The outcome for overall company profit growth and thus for UK dividends will be crucially dependent on overseas earnings and the level of Sterling, which has already recovered a little from its lows against the US dollar. As previously, it seems a wise way to moderate these investment risks is to focus on sustainable and growing income generated from well-financed balance sheets.

N A Honebon
Chairman

12 September 2017

Strategic Report

Murray Income Trust PLC is an approved investment trust whose Ordinary shares are listed on the premium segment of the London Stock Exchange.

1923

Murray Income Trust PLC was launched over 90 years ago; investment trusts are one of the oldest forms of collective investment in the world.

Aberdeen's Edinburgh office is home to five of the pan-European equity team. The team are disciplined investors, taking time to build positions and invest with a five to ten year business cycle in mind. The Investment Manager votes at all annual and extraordinary meetings of the companies in which it invests.

Overview of Strategy

Murray Income Trust PLC (the "Company") is an approved investment trust whose Ordinary shares are listed on the premium segment of the London Stock Exchange.

Business Model

The Company is governed by a Board of Directors (the "Board"), all of whom are non-executive, and has no employees. The Board is responsible for determining the Company's investment objective and investment policy. Like other investment companies, the day-to-day investment management and administration of the Company is outsourced by the Board to an investment management group, the Aberdeen Asset Management group of companies ("Aberdeen Group"), and other third party providers. The Company has appointed Aberdeen Fund Managers Limited ("AFML", the "Manager", or "AIFM") as its alternative investment fund manager, which has in turn delegated certain responsibilities, including investment management, to Aberdeen Asset Management Limited ("AAML" or the "Investment Manager"). The Company complies with the investment policy test in Section 1158 of the Corporation Tax Act 2010 which permits the Company to operate as an investment trust.

Investment Objective

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

Investment Policy and Risk Diversification

In pursuit of the Company's investment objective, the Company's investment policy is to invest in the shares of companies that have potential for real earnings and dividend growth, while at the same time providing an above-average portfolio yield. The emphasis is on the management of risk and on the absolute return from the portfolio, which is achieved by ensuring an appropriate diversification of stocks and sectors, with a high proportion of assets in strong, well-known companies. The Company makes use of borrowing facilities to enhance shareholder returns when appropriate.

Delivering the Investment Policy

The Company maintains a diversified portfolio of the equity securities of UK and overseas companies with an emphasis on investing in quality companies with good management, strong cash flow and a sound balance sheet, and which are generating a reliable earnings stream.

The Investment Manager follows a bottom-up investment process based on a disciplined evaluation of companies through direct visits by its fund managers. Stock selection is the major source of added value, concentrating on quality first, then price. Top-down investment factors are secondary in the Investment Manager's portfolio construction with diversification rather than formal controls guiding stock and sector weights.

The Board sets investment guidelines within which the Investment Manager must operate. The portfolio typically comprises between 30 and 70 holdings (but without restricting the Company from holding a more or less concentrated portfolio from time to time). The Company may invest up to 100% of its gross assets in UK-listed equities and other securities and is permitted to invest up to 20% of its gross assets in other overseas-listed equities and securities. The Investment Manager may invest in any market sector however the top five holdings may not exceed 40% of the total value of the portfolio and the top three sectors represented in the portfolio may not exceed 50%. The Company invests no more than 15% of its gross assets in other listed investment companies (including investment trusts).

The Company may use derivatives for the purpose of enhancing portfolio returns and for hedging purposes in a manner consistent with the Company's broader investment policy. The Investment Manager is permitted to invest in options and in structured products, provided that any structured product issued in the form of a note or bond has a minimum credit rating of "A".

Gearing

The Board is responsible for setting the gearing policy of the Company and for the limits on gearing. The Manager is responsible for gearing within the limits set by the Board. The Board has set its gearing limit at a maximum of 25% of NAV (see page 77 for definition) at the time of draw down. Gearing - borrowing money - is used selectively to leverage the Company's portfolio in order to enhance returns where this is considered appropriate. Particular care is taken to ensure that any bank covenants permit maximum flexibility of investment policy. Significant changes to gearing levels are communicated to shareholders.

Principal Risks and Uncertainties

There are a number of risks which, if realised, could have a material adverse effect on the Company and its financial position, performance and prospects. The Board has carried out a robust assessment of these risks, which include those that would threaten its business model, future performance and solvency and identified the delegated controls it has established to manage the risks and address the uncertainties:

Description	Mitigating Action
Investment strategy risk The Company's investment strategy requires investment in equity stockmarkets, which may lead to loss of capital. Separately, the choice of stock selection, asset allocation or level of gearing, as part of the investment strategy adopted by the Company, may result in underperformance against the Company's benchmark index and/or its peer group.	The Board seeks to manage this risk by diversifying its investments, as set out in the investment restrictions and guidelines agreed with the Manager, and on which the Company receives regular monitoring reports from the Manager. At each Board meeting, the Directors review the investment performance with the Manager by assessing relevant management information including revenue forecasts, absolute/relative performance data, attribution analysis and liquidity/risk reports. The Board holds a separate, annual meeting devoted to investment strategy, the most recent in respect of the year under review being held in February 2017.
Income and dividend risk There is a risk that the Company fails to generate sufficient income from its investment portfolio to meet its operational expenses which results in it drawing upon, rather than replenishing, its revenue reserves. This might hamper the Board's capacity to maintain or increase dividends to shareholders.	The Board monitors this risk through the review of income forecasts, provided by the Manager, at each Board meeting.
Discount risk Investment trust shares tend to trade at discounts to their underlying NAVs, although they can also trade at premia (see page 77 for definitions). Discounts and premia can fluctuate considerably leading to more volatile returns for shareholders.	The Board monitors the discount at which the Company's shares trade. In order to seek to manage the impact of such discount fluctuations, where the shares are trading at a significant discount, the Company operates a programme of buying back shares into treasury. If the shares trade at a premium, the Company has the authority to issue new shares or sell shares from treasury. Whilst these measures seek to reduce volatility, it cannot be guaranteed that they will do so.
Foreign currency risk A proportion of the Company's investment portfolio is invested in overseas securities and the value of the Company's investments and the income derived from them can, therefore, be affected by movements in foreign exchange rates. In addition, the earnings of the Company's other investments may also be affected by currency movements which, indirectly, could have an impact on the Company's performance.	During the year, the Company did not hedge its foreign currency exposure. The Board keeps under review the currency impacts on both capital and income which resulted in the decision, in September 2016, to switch the Company's Sterling bank loan to partly match the currencies of the overseas-listed investments in the underlying portfolio.

Operational risk In common with most other investment trusts, the Company has no employees. The Company therefore relies on services provided by third parties, including the Manager in particular, to whom responsibility for the management of the Company has been delegated under a management agreement (the "Agreement") (further details of which are set out on page 33).	The terms of the Agreement cover the necessary duties and responsibilities expected of the Manager. The Board reviews the overall performance of the Manager on a regular basis and their compliance with the Agreement formally on an annual basis. Contracts with other third party providers, including share registrar and depositary services, are entered into after appropriate due diligence. Thereafter, each contract, and the performance of the provider, is subject to formal annual review by the Audit Committee. The security and custody of the Company's assets is the responsibility of BNP Paribas Securities Services, London Branch as depositary. The effectiveness of the internal controls at the depositary, incorporating its custodian obligations, is subject to regular reporting to the Audit Committee and the depositary presents at least annually on the Company's compliance with AIFMD. The Manager also separately monitors the depositary and provides reports to the Audit Committee. Global assurance reports are obtained from certain third parties, including from the registrar, which are reviewed by the Audit Committee. These reports include an independent assessment of the effectiveness of risks and internal controls at the service-provider incorporating their planning for business continuity and disaster recovery scenarios, together with their policies and procedures designed to address the risks posed to the Company's operations by cyber-crime. Further details of the internal controls which are in place are set out in the Audit Committee's Report.
Regulatory risk The Company operates in a complex regulatory environment and faces a number of related risks, for example, a breach of Section 1158 of the Corporation Tax Act 2010 could result in the Company being subject to capital gains tax on the sale of its investments. Serious breach of other regulations, such as the UKLA Listing Rules, the Companies Act, Accounting Standards or the EU Alternative Investment Fund Managers Directive, could lead to suspension from the London Stock Exchange and reputational damage.	The Board receives compliance reports from the Manager to monitor compliance with regulations.

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, is contained in note 16 to the financial statements.

The principal risks associated with an investment in the Company's shares are also published monthly in the Company's factsheet or they can be found in the pre-investment disclosure document ("PIDD") published by the AIFM, both of which are available from the Company's website: murray-income.co.uk.

Viability Statement

The Company does not have a fixed period strategic plan but the Board does formally consider risks and strategy on at least an annual basis. The Board regards the Company, with no fixed life, as a long term investment vehicle, but for the purposes of this viability statement has decided that a period of three years (the "Review period") is an appropriate timeframe over which to report. The Board considers that this Review period reflects a balance between looking out over a long term horizon and the inherent uncertainties of looking out further than three years.

In assessing the viability of the Company over the review period the Directors have focussed upon the following factors:

- the Company's principal risks and uncertainties as set out in the Strategic Report on pages 8 and 9;
- the relevance of the Company's investment objective in the current environment;
- the demand for the Company's shares indicated by the historic level of premium and/or discount;
- the level of income generated by the Company's portfolio as compared to its expenses;
- the overall liquidity of the Company's investment portfolio; and
- the renewal of the Company's £80 million loan facility in September 2017.

In addition, the Board has considered that significant economic or stock market volatility, or changes in regulatory uncertainty, could have an impact on its assessment of the Company's prospects and viability in the future.

Accordingly, taking into account the Company's current position and the potential impact of its principal risks and uncertainties, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due for a period of three years from the date of this Report.

Performance, Outlook and Key Performance Indicators

A review of the Company's activities and performance during the year ended 30 June 2017, including future developments, is set out in the Chairman's Statement and in the Investment Manager's Report. These cover market background, investment activity, portfolio strategy, dividend policy, gearing and investment outlook. A comprehensive analysis of the portfolio is provided on pages 22 to 27 while the full portfolio of investments is published monthly on the Company's website. The future strategic direction and development of the Company is regularly discussed as part of Board meeting agendas. The Board also considers the Investment Manager's promotional strategy for the Company, including effective communications with shareholders. At each Board meeting, the Directors consider a number of Key Performance Indicators ("KPIs") to assess the Company's success in achieving its objectives, and these are described below:

KPI	Description
NAV (total return) relative to the Company's benchmark	The Board considers the Company's NAV (total return), relative to the FTSE All-Share Index, to be the best indicator of performance over different time periods. A graph showing NAV total return performance against the FTSE All-Share Index over the past five years is shown on page 14.
Share price (total return)	The figures for share price (total return) for this year and for the past three and five years, as well as for the NAV (total return) per share, are shown on page 13. A graph showing share price total return performance against the FTSE All-Share Index over the past 5 years is shown on page 14. The Board also monitors share price performance relative to open-ended and closed-ended competitor products, taking account of differing investment objectives and policies pursued by those products.
Discount/premium to NAV	The discount/premium at which the Company's share price trades relative to the NAV per share is closely monitored by the Board. A graph showing the discount/premium over the last five years is shown on page 14.
Earnings and dividends per share	The Board aims to meet the 'high and growing' element of the Company's investment objective by developing revenue reserves sufficient to support the payment of a growing dividend; figures may be found in Results on page 12 in respect of earnings and dividends per share, together with the level of revenue reserves, for the current year and previous year
Ongoing charges	The Board regularly monitors the Company's operating costs and their composition with a view to limiting increases wherever possible. Ongoing charges for this year and the previous year are disclosed in Results on page 12.

Environmental, Social and Human Rights Issues

The Company has no employees, as Aberdeen Fund Managers Limited has been appointed Manager, and there are therefore no disclosures to be made in respect of employees. The Company's socially responsible investment policy is outlined on page 36. Due to the nature of the Company's business, being a company that does not offer goods and services to customers, the Board considers that it is not within the scope of the Modern Slavery Act 2015 because it has no turnover. The Company is therefore not required to make a slavery and human trafficking statement.

Board Diversity

The Board recognises the importance of having a range of skilled and experienced individuals with the right knowledge in order to allow the Board to fulfill its obligations and notes that gender is only one aspect of diversity. At 30 June 2017, there were five male Directors and one female Director.

Global Greenhouse Gas Emissions

The Company has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

Duration

The Company does not have a fixed life.

N A Honebon
Chairman

12 September 2017

Results

Financial Highlights

	30 June 2017	30 June 2016	% change
Total assets (£'000) (as defined on page 77)	623,588	570,036	+9.4
Equity shareholders' funds (£'000)	576,462	515,036	+11.9
Net asset value per Ordinary share	860.1p	766.5p	+12.2
Market capitalisation (£'000)	532,829	451,533	+18.0
Share price of Ordinary share (mid-market)	795.0p	672.0p	+18.3
Discount to net asset value on Ordinary shares (as defined on page 76)	(7.6%)	(12.3%)	
Gearing (ratio of borrowing to shareholders' funds)			
Net gearing[A]	3.7%	8.7%	
Dividends and earnings			
Revenue return per share	34.9p	32.0p	+9.1
Dividends per share[B]	32.75p	32.25p	+1.6
Dividend cover	1.07 times	0.99 times	
Revenue reserves (£'000)[C]	25,354	28,276	
Operating costs			
Ongoing charges ratio[D]	0.72%	0.76%	

[A] Calculated in accordance with AIC guidance "Gearing Disclosures post RDR" as defined on page 77.
[B] The figures for dividends per share reflect the years in which they were earned (see note 7 on page 59).
[C] The revenue reserve figure does not take account of the proposed final dividend amounting to £7,875,000 (2016 – third interim and final dividends amounting to £4,705,000 and £7,559,000 respectively).
[D] Ongoing charges ratio calculated in accordance with guidance issued by the AIC as the total of the investment management fee and administrative expenses divided by the average cum income net asset value throughout the year.

Performance (total return)

	1 year return %	3 year return %	5 year return %
Share price	+23.5	+16.5	+54.8
Net asset value per Ordinary share	+16.7	+20.9	+63.8

Source: Aberdeen Asset Managers Limited/Morningstar

Dividends

	Rate	XD date	Record date	Payment date
1st interim 2017	7.00p	15 December 2016	16 December 2016	13 January 2017
2nd interim 2017	7.00p	2 March 2017	3 March 2017	31 March 2017
3rd interim 2017	7.00p	1 June 2017	2 June 2017	30 June 2017
Proposed final 2017	11.75p	28 September 2017	29 September 2017	9 November 2017
Total dividends 2017	**32.75p**			

Ten Year Financial Record

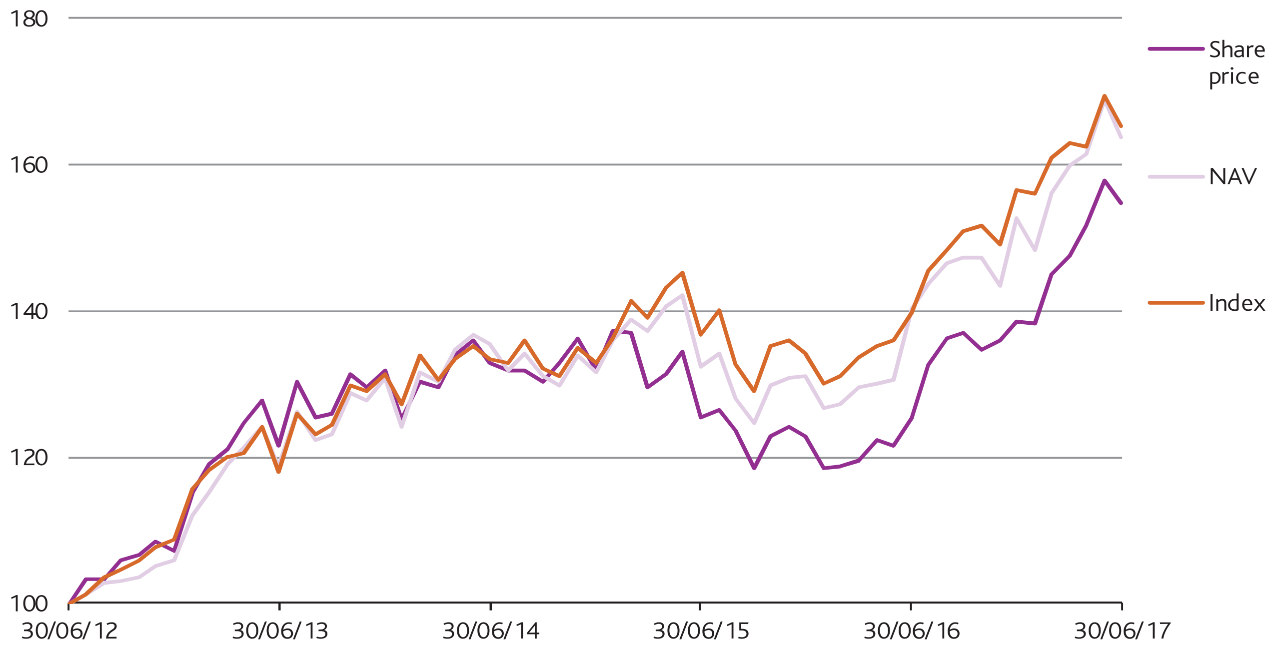
Year end 30 June	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Income (£'000)	22,390	19,790	18,257	21,844	22,688	23,566	23,926	25,476	24,838	26,667
Per Ordinary share (p)										
Net revenue return	29.3	28.1	25.4	30.9	30.6	31.1	30.5	33.1	32.0	34.9
Dividends[A]	27.00	27.75	28.00	28.75	29.75	30.75	31.25	32.00	32.25	32.75
Net asset value	619.9	455.4	547.9	671.5	649.6	734.6	805.2	757.1	766.5	860.1
Shareholders' funds (£'000)	400,536	294,570	354,425	434,406	425,458	492,878	547,652	515,888	515,036	576,462

[A]The figures for dividends per share reflect the years to which their declaration relates and not the years they were paid.

Performance

Total Return of NAV and Share Price vs FTSE All-Share Index

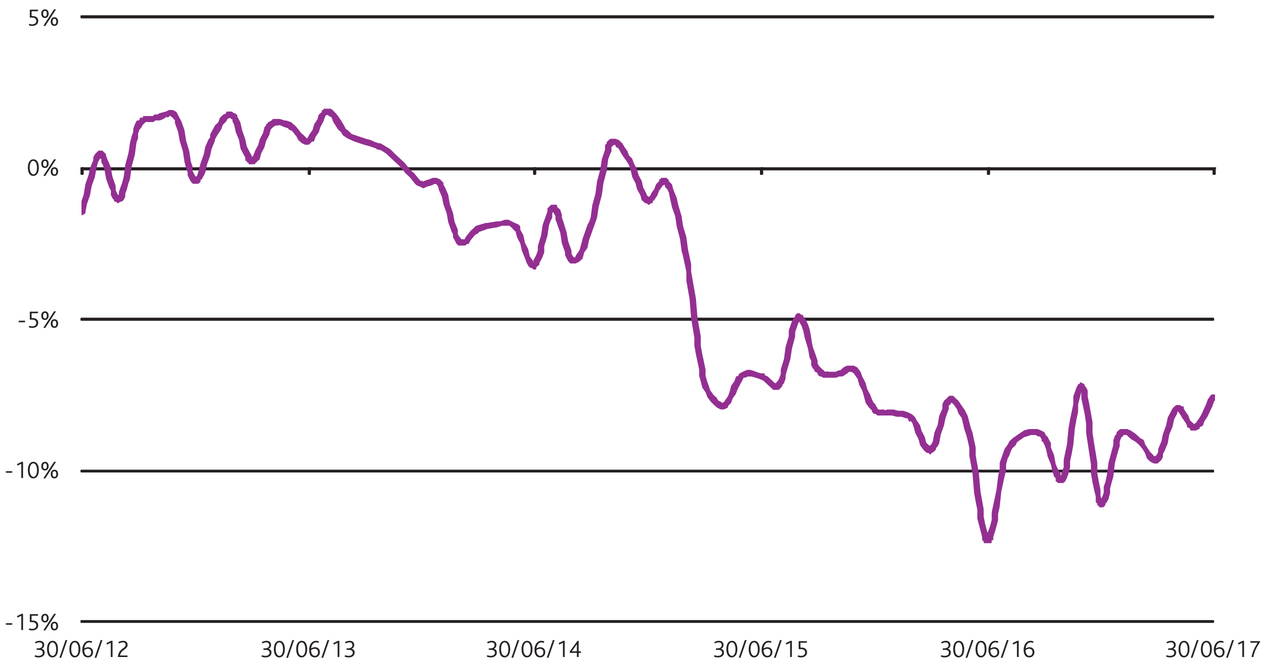
Five years ended 30 June 2017 (rebased to 100 at 30 June 2012)



Source: Morningstar & Lipper

Share Price Premium/(Discount) to NAV (capital only)

Five years ended 30 June 2017



Source: Morningstar

Investment Manager's Report

Background

The UK equity market finished the year to the end of June 2017 significantly higher reaching a new peak (in capital terms), in contrast to the lacklustre performance of the prior year. The FTSE All-Share Index increased by 18.1% on a total return basis (that is with dividends reinvested) with the gains spread relatively evenly over the year. Political news took centre stage during the period with the market successfully navigating the surprise results from the US Presidential election and the UK general election, focusing on the more robust than expected performance of the UK economy together with the reflationary and potentially business-friendly aspirations of the new US President. These factors were helped by a gentle recovery in the global macroeconomic environment.

The domestic economy proved to be much more resilient than expected for the first half of the Company's financial year although signs of weakness began to emerge in the second half. UK GDP increased by 1.7% over the year (compared to 2.2% in the prior year) helped by the continued expansion of the service sector. In addition, activity was buoyed by the Monetary Policy Committee's decision following the European Union referendum result to reduce the base rate by 25 basis points to 0.25% where it has remained for the rest of the period. However, growth during 2017 so far has been markedly lower with GDP expanding by just 0.2% in the first quarter and 0.3% in the second quarter resulting from a weaker performance from the construction and manufacturing sectors. Although having traded lower for most of the period, Sterling ended the year virtually flat against the dollar but depreciated further against the euro. As a sign of inflation picking up, the Consumer Price Index measure of inflation rose from 0.5% at the start of the period to 2.6% by the end driven by the weakness of Sterling and increased energy costs. The Bank of England currently expects GDP growth for calendar 2018 to be 1.6% but the performance of the domestic economy remains dependent on the resilience of consumer spending. This is a potential concern as higher inflation weighs down on real income at a time when consumer borrowing is significantly elevated and the savings ratio low. Although on the other hand, given the outcome of the general election, the possibility of more growth-friendly fiscal policies and a 'softer' Brexit represent potential upsides.

The international economic picture has generally improved reflected in the strength of the Global Composite Purchasing Managers Index which rose over the period. Although GDP growth in the United States has been volatile and the policies of the new President still remain unclear, the strength of the labour market and a brighter economic outlook prompted the Federal Reserve to raise interest rates by 75 basis points as it seeks to normalise policy. In the Eurozone, helped by the actions of the European Central Bank to boost domestic demand and investment coupled with a weaker currency, economic growth has picked up, albeit from low levels, with the Eurozone economy expanding by 2.1% (the fastest growth since 2011) during the Company's financial year. In addition, the risks around increased political 'populism' failed to come to fruition boosting investor sentiment. Emerging markets benefited from an upturn in global trade during the period. In particular, strong Chinese demand has helped the country's trading partners and commodity exporters. During the period, Chinese GDP growth increased by 6.9% aided by an increase in industrial output and retail sales.

Performance

The Company generated a positive net asset value per share total return of 16.7% in the year to 30 June 2017, compared to a rise in the FTSE All-Share Index of 18.1%. Although disappointing that the company was not able to maintain its strong annual track record of outperforming the index on a Net Asset Value basis, the absolute increase represents a very attractive level of return. The first half of the year proved to be a challenging period for the performance of the portfolio. 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. Particularly in the first six months of the period, these characteristics did not position the portfolio well in relative terms. The reasons for this are twofold: firstly, 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 and secondly, companies with defensive growth characteristics underperformed and more cyclically exposed companies outperformed as interest rate and inflation expectations rose. Furthermore, our focus on higher quality, less market-sensitive companies will generally lead to underperformance in a strongly rising market, as occurred over the year.

However, on a total return basis, the Company's share price rose by 23.5%, outperforming the FTSE All-Share Index by 5.4%, which reflected a narrowing of the discount to Net Asset Value at which the shares traded compared to the previous year end. During the period, the Company bought back 170,000 shares to be held in Treasury.

On a gross assets basis, the equity portfolio underperformed the benchmark by 1.0%. Gearing increased returns by 1.4%. The company maintained the level of debt at a steady rate of around £57m for most of the period. However, at the beginning of September 2016, debt was drawn down in a mixture of US dollars, euros, Swedish krona and Swiss francs, rather than Sterling, broadly matching the mix of non-UK-listed portfolio holdings. Towards the close of the financial year, £10m of debt was repaid given the view that valuations were starting to look full.

Investment Manager's Report continued

Performance Attribution for the year ended 30 June 2017

	%
Net Asset Value total return for year per Ordinary share	16.7
FTSE All Share Index total return	18.1
Relative return	–1.4

Relative return	%
Stock selection (equities)	
Oil & Gas	0.2
Basic Materials	0.3
Industrials	–0.4
Consumer Goods	–0.3
Health Care	0.6
Consumer Services	–1.4
Telecommunications	0.3
Utilities	–0.1
Technology	–
Financials	0.7
Total stock selection (equities)	–0.1
Asset allocation (equities)	
Oil & Gas	0.3
Basic Materials	–0.5
Industrials	–0.1
Consumer Goods	–0.1
Health Care	–0.2
Consumer Services	0.5
Telecommunications	–0.7
Utilities	0.1
Technology	–
Financials	–0.2
Total asset allocation (equities)	–0.9
Cash & Options	0.1
Gearing	1.4
Administrative expenses	–0.2
Management fees	–0.6
Tax charge	–0.1
Residual effect	–1.0
Total	–1.4

Sources : Aberdeen Asset Management, Mellon & Lipper

Notes: Stock Selection – measures the effect of equity selection relative to the benchmark. Asset Allocation – measures the impact of over or underweighting each industry basket in the equity portfolio, relative to the benchmark weights. Cash & Options effect – measures the impact on relative returns of the two asset categories. Gearing effect – measures the impact on relative returns of net borrowings. Management fees & other expenses – these reduce total assets and therefore reduce performance. Recovered VAT is netted–off against the fees and expenses. Residual effect – this arises as a result of the different methodologies of calculating performance between the NAV total return, the benchmark provider Lipper and the performance attribution system. Figures in the table, including totals, may be subject to roundings.

Over the year, the poorest performing area of the market was the telecoms sector. This was principally due to the disappointing performance of BT (not held in the portfolio) which suffered from accounting improprieties in its Italian business and a worsening in the outlook for its UK public sector and international corporate markets customer base. The utilities sector also performed poorly, a function of concerns around rising bond yields and greater political interference. Conversely, the mining sector performed very strongly as commodity prices rebounded on the prospect for better global growth. The banks sector also generated significant returns as the domestically-focused banks bounced back following the falls after the European Union referendum and the more international banks benefitted from higher US interest rates and an improvement in the global economy.

From a size perspective, in a reversal of fortune compared to the prior year, the FTSE 100 Index underperformed the Mid 250 and Small Cap indices rising by 16.9% on a total return basis compared to 22.2% and 28.5% for the Mid 250 and Small Cap indices respectively. Performance reflected the rebound in domestically-oriented companies following the sharp falls in the aftermath of the European Union referendum result.

Looking specifically at the Company's portfolio, stock selection and asset allocation were both marginally negative. Within oil & gas, the underweight exposure to oil & gas producers was beneficial. Strong stock selection in the chemicals and pharmaceutical sectors aided performance. In the broad financials sector the holdings in both the real estate and investment trust companies benefited relative performance. However, in contrast, poor stock selection in media and support services was detrimental. In addition, the underweight position coupled with weak stock selection led to underperformance in the mining sector. Finally, the overweight exposure to the tobacco sector impacted performance as the sector underperformed.

Turning to the individual holdings, there were a number of companies that demonstrated substantial share price increases. The two largest banks holdings, Nordea and HSBC both performed very strongly aided by an improving economic backdrop. Strong demand for its cloud operations helped Microsoft to perform well. XP Power's exposure to recovering capital equipment markets coupled with new design wins entering production and Sterling weakness resulted in an impressive uplift in profits. The successful integration of BBA Aviation's acquisition of Landmark led its shares to perform well. Finally, continued progress from Prudential resulted in a sharp uplift in its share price.

On the other hand, there were two principal disappointments. Firstly, Capita, which performed particularly poorly in the first half of the year before partly recovering. The company reported delays in client decision-making, contract issues and a weaker than expected performance in a couple of the company's trading businesses. Changes to the management team and business structure coupled with a disposal programme to improve the balance sheet have put the company on a firmer footing. The second disappointment was Pearson which issued a profit warning in January together with a reduction in its dividend for its next financial year. The company has suffered primarily due to weakness in its North American higher education courseware business given a mix of lower enrolments and increased textbook rentals. Although trading conditions still remain challenging for Pearson, the company has taken steps to sharpen its focus and the prize for successfully negotiating the passage to a digital education company remains substantial.

Our expectations for a period of enhanced corporate activity were partly realised during the year. Surprisingly, Unilever was the recipient of an approach from Kraft Heinz albeit this did not come to fruition. Wood Group announced the proposed acquisition of Amec Foster Wheeler to diversify its services and generate cost savings. Linde and Praxair agreed to a merger to create a global industrial gases leader. Other holdings completed or announced the sales of various parts of their businesses including Capita, Hansteen, and National Grid. Assuming that business confidence does not deteriorate, with borrowing costs relatively low and Sterling weak compared to history, it would not be surprising to see further merger and acquisition activity over the next year.

Portfolio Activity and Structure

Turnover was a little more brisk than usual during the period as we sought to further improve the quality of the portfolio and take advantage of a number of attractively valued companies that we had identified in the mid cap area of the market.

We introduced nine new companies during the year. Three of these were modest positions in mid cap property companies: Workspace, Assura and Big Yellow. Workspace provides flexible business premises in London to smaller companies. The shares offer the potential for strong dividend growth and a significant valuation uplift from the company's development pipeline. Assura invests in primary health care properties across the UK. The company benefits from a diversified asset base, long and inflation-linked leases and an appealing dividend yield. Big Yellow is a self-storage company which possesses a strong brand and a robust balance sheet operating in a market with attractive dynamics. In the software sector we introduced a small holding in Aveva, which provides engineering and information management systems for process industries. Attractions of the business include significant recurring revenues, long term customer relationships, a global footprint and strong cash generation allied to a very robust balance sheet. We also purchased a new holding in Croda, the specialty chemicals company, which benefits from attractive intellectual property rights and appealing growth opportunities. The company's products tend to be the active ingredient in an end-product and although relatively small in terms of cost make up a more significant share of the value-add allowing good pricing power. Diageo was purchased for the portfolio given its strong brands, particularly in Scotch whisky, and the longer term growth potential from its exposure to Africa and India coupled with a rise in the legal drinking age population. Efforts to improve the performance of its spirits sales in the US together with further efficiency improvements provide scope for an uplift in earnings in the short term. A modest position in Manx Telecom, the small cap incumbent telecoms operator on the Isle of Man was also purchased. 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. The penultimate new holding was Essentra, which supplies packaging and specialist components, and cigarette filters. We believed that weakness in the company's share price due to integration issues with an acquisition, the non-materialisation of various contracts and uncertainty regarding the tenure of the CEO provided an opportunity to act in a contrarian manner and introduce the company based on our belief that these issues were transient. The final new entrant was Novo Nordisk, the Danish pharmaceutical company with a strong focus on diabetes. Pricing pressure in the United States had led to weakness in the share price but we believed that the valuation failed to factor in the attractive long term growth potential and very robust balance sheet.

Conversely, we sold six companies during the year. The first company sold was 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. The holding in Schneider Electric was sold following a period of healthy outperformance due to a belief that the valuation no longer reflected an attractive future return. We also sold Elementis, following a sharp recovery in the company's share price, given concerns around the acquisition of SummitReheis. The holding in Verizon Communications was sold due to our increasing nervousness around elevated competition and the company making unsustainable profits in its wireless division. Land Securities was sold from the portfolio given concerns around the unfavourable property market backdrop, particularly the increase in Central London office supply and the structural changes in the retail landscape. Finally, GKN was sold as we believed that the company had fully rebuilt its margins and offered limited future upside.

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 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. After the year end, Provident Financial issued a profit warning which led to the sale of the holding given a significant deterioration in the outlook for the company. We also added to the holding in Rotork as the share price weakened in sympathy with a lower oil price.

The holdings in British American Tobacco and Unilever were reduced following strong performances which had led to their weights in the portfolio becoming a little too high. Furthermore, there were reductions to the holding in National Grid due to its less attractive yield and higher valuation. We also reduced the weight in Royal Dutch Shell and added to the holding in BP to manage the stock-specific income risk by reducing the reliance on the Shell dividend.

In addition to the trades outlined above, a number of call options were assigned in companies that had performed strongly, including Sage, HSBC, AstraZeneca, Microsoft, Nestle, Compass and Linde, leading to a marginal reduction in the exposure to these names. Conversely, the assignment of put options led to small increases in Capita and Inmarsat.

These assignments were part of our broader option writing programme which continued to provide the benefit of increasing and diversifying the income available to the Company. The income from writing options increased in percentage terms accounting for 7.4% of total income compared to 7.1% of total income during the prior year. We continue to feel that the option writing strategy has been of benefit to the Company by increasing the level of income generated and providing a good discipline for optimising our exposure to individual holdings.

As long term investors we put significant effort into engagement with the companies in the portfolio to ensure that they are run in shareholders' best interests. Examples of the subjects of our engagement during the year have included remuneration, board structure and the relevant experience of non-executive directors, succession planning, diversity, strategy and balance sheet management, risk management, and employee relations amongst other matters. These issues have been pursued through meetings with the executive management of the companies as well as the non-executives: particularly the chairs of the board, remuneration, and audit committees and other company representatives. We have also attended numerous Annual General Meetings (in many cases being the only institutional shareholder present).

Our aspiration in terms of portfolio construction has not changed: our aim is to build a sensibly diversified portfolio that is not dependent on any one particular economic scenario but provides broad exposure to the market as a whole while generating an above average dividend yield. Although the focus is generally on larger companies, if we can find attractively valued smaller companies with appealing attributes we will look to invest in these companies as well. The portfolio at the year end comprised 49 holdings with the overseas exposure representing 15.5% of gross assets (compared to 15.0% at the end of the prior period).

Income

For the financial year ended 30 June 2017, the Company witnessed an improvement in the level of income generated overall leading to an increase in the revenue return per share of 9.0% from 32.0p to 34.9p. Income from investments increased helped by the translation benefit of weaker Sterling and there were a number of special dividends received. In total there were three special dividends (from Elementis, Aberforth Smaller Companies and Compass) that were recognized as revenue items. We believe that this recognition is appropriate given that the return of cash was from a build-up of profits generated by ongoing operations rather than a sale of assets.

As noted above, the income derived from writing options increased compared to the previous year and represented 7.4% of total income. In addition, lower borrowing costs given the debt denominated in foreign currencies and the very marginal earnings enhancement from fewer shares in issue was helpful. Revenue reserves now stand at £25.4m (prior to the payment of the final dividend).

The weakness in Sterling following the EU referendum result has been helpful given that around 40% of the Company's income is denominated in non-Sterling currencies. However, the dividend outlook remains challenging with higher than average payout ratios in aggregate. Current consensus forecasts for the UK equity market as a whole suggest dividend growth of 5.2% for calendar 2018 which may turn out to be optimistic.

Outlook

Equity market performance over the last year has been strong helped by an improvement in the global growth dynamic, generally market-friendly political outcomes and the maintenance of low interest rates. From here the balance of risk probably lies to the downside with the prospect of rising interest rates impacting on an increased corporate and personal debt burden, heightened geopolitical risks and the evolving policies of the US president. For the UK the principal factor is the outcome of and uncertainty caused by the negotiations to leave the European Union. In an environment where in general equity valuations appear full and a broadly positive outlook is already priced in we feel that it makes sense to be cautious. However, we continue to believe that in the long run the underlying strength of our holdings will outweigh the broader economic backdrop hence our focus on identifying those companies that possess the best possible balance of diversified earnings streams, robust balance sheets and superior business models that trade at attractive valuations.

Charles Luke
Aberdeen Asset Managers Limited
Investment Manager

12 September 2017

Portfolio

The Investment Manager invests in a diversified range of UK and overseas companies, following a bottom-up investment process based on a disciplined evaluation of companies through direct visits by its fund managers.

Aberdeen's London headquarters is near St. Paul's and is home to nine of the pan-European equity team responsible for selecting companies for the portfolio, including the lead manager for Murray Income Trust PLC. Teamwork is important to Aberdeen. Fundamental research drives the investment process; Aberdeen believes in first-hand research, meeting corporate management and visiting the holdings at least twice a year, analysing results quarterly and reviewing news flow weekly.

Investment Portfolio – Twenty Largest Investments

As at 30 June 2017

Investment	Valuation 2017 £'000	Total assets %	Valuation 2016 £'000
1 (1) Unilever			
Unilever is a global consumer goods company supplying food, home and personal care products. The company has a portfolio of strong brands including: Dove, Knorr, Axe and Persil. Over half of the company's sales are to developing and emerging markets.	28,179	4.5	31,710
2 (2) British American Tobacco			
British American Tobacco manufactures and markets cigarettes and other tobacco products, including cigars and roll-your-own tobacco. The group sells over 200 brands in approximately 180 countries. Key brands include: Dunhill, Kent, Pall Mall and Lucky Strike. Strong cashflow is an attractive characteristic of the tobacco industry.	27,845	4.5	30,317
3 (3) GlaxoSmithKline			
GlaxoSmithKline is a research-based pharmaceutical group that also 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.	27,640	4.4	27,116
4 (4) AstraZeneca			
AstraZeneca researches, develops, produces and markets pharmaceutical products. The company's operations are focused on six therapeutic areas: Cardiovascular, Oncology, Respiratory, Neuroscience, Inflammation and Infection. The company's product pipeline offers a number of interesting opportunities.	25,418	4.1	25,060
5 (10) Prudential			
Prudential is an insurance company with substantial operations in the UK, USA and across Asia. Early mover advantage in Asia has provided the company with a number of market leading positions giving the opportunity to capitalise on a fast growing market.	22,629	3.6	16,152
6 (6) Roche Holdings			
Listed in Switzerland, Roche develops and manufactures pharmaceutical and diagnostic products with particular strengths in the areas of oncology, cardiovascular and respiratory diseases. The company benefits from a strong product pipeline and limited near-term patent exposure.	21,134	3.4	21,171
7 (12) HSBC Holdings			
HSBC group is one of the world's largest banking and financial services institutions. Its international network comprises more than 5,000 offices in 80 countries worldwide. The diversity of HSBC's business and exposure to faster growing regions of the world should enable it to deliver superior long-term growth.	20,821	3.3	15,616
8 (-) Nordea Bank			
Nordea Bank is a financial services group listed in Sweden that provides banking services, financial solutions and related advisory services. It attracts deposits and offers credit, investment banking, securities trading and insurance products to individuals, companies, institutions and the public sector.	19,284	3.1	12,221
9 (16) BP			
BP 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.	19,166	3.1	13,471
10 (18) Aberforth Smaller Companies Trust			
Aberforth Smaller Companies is an investment trust with a diversified portfolio of small UK quoted companies. The trust has an attractive yield and benefits from substantial revenue reserves.	17,861	2.9	12,977
Top ten investments	**229,977**	**36.9**	

Investment	Valuation 2017 £'000	Total assets %	Valuation 2016 £'000
11 (8) Vodafone			
Vodafone is an international mobile telecommunications company providing mobile voice, data and fixed line communications. The group has around 450m customers and operates in more than 30 countries worldwide including an extensive emerging markets portfolio.	17,642	2.8	18,444
12 (9) Compass Group			
Compass is a leading contract catering and food service company. The company benefits from underlying growth in outsourcing, together with the potential for further margin improvement and growth from its emerging markets operations. The company demonstrates strong cashflow characteristics.	17,574	2.8	17,508
13 (5) Royal Dutch Shell			
Royal Dutch Shell is engaged in all phases of the petroleum industry, from exploration to processing and distribution. It has strong positions in oil products marketing and LNG, globally. The group operates in over 130 countries.	17,542	2.8	23,156
14 (7) Imperial Brands			
Imperial Brands is an international tobacco company that manufactures and markets a range of cigarettes, tobacco, rolling papers and cigars. The company's recent transaction to acquire certain assets of Lorillard and Reynolds in the United States provides an additional avenue for growth over the long term.	16,829	2.7	19,781
15 (20) Microsoft			
Microsoft develops, manufactures, licenses, sells and supports software products. The company, listed in the USA, offers operating systems software, server application software, business and consumer applications software, software development tools, and internet and intranet software.	15,429	2.5	12,249
16 (17) BHP Billiton			
BHP Billiton is the world's largest diversified resources group with a global portfolio of high quality assets. Core activities comprise the production and distribution of minerals, mineral products and petroleum.	15,347	2.5	13,388
17 (-) BBA Aviation			
BBA Aviation provides flight support and aftermarket services and systems. Flight support services include refuelling, cargo handling, ground handling and other services. Aftermarket services include overhaul of jet engines and supply of aircraft parts.	15,032	2.4	9,079
18 (14) Sage Group			
Sage Group is a software publishing business which develops, publishes and distributes accounting and payroll software. It also maintains a registered user database which provides a market for their related products and services, including computer forms, software support contracts, program upgrades and training.	14,592	2.3	15,118
19 (19) Inmarsat			
Inmarsat operates a global communications satellite system which provides voice and high-speed data services. Customers include major corporations from the maritime, media, oil and gas, construction and aeronautical industries, as well as governments and aid agencies.	13,514	2.2	12,696
20 (-) Close Brothers			
Close Brothers is a specialist financial services group which provides loans, trades securities and provides advice and investment management solutions to a wide range of clients.	13,174	2.1	9,891
Top twenty investments	**386,652**	**62.0**	

The value of the 20 largest investments represents 62.0% (2016 – 65.3%) of total assets.

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

Investment Portfolio – By Sector

As at 30 June 2017

Investment	Valuation £'000	Total assets %	Yield[A] %
Oil & Gas			
Oil & Gas Producers	**36,708**	**5.9**	
BP	19,166	3.1	7.0
Royal Dutch Shell	17,542	2.8	7.1
Oil Equipment Services	**6,975**	**1.1**	
John Wood Group	6,975	1.1	4.1
Basic Materials			
Mining	**15,347**	**2.5**	
BHP Billiton	15,347	2.5	3.5
Chemicals	**10,189**	**1.6**	
Croda	5,186	0.8	1.9
Linde	5,003	0.8	2.2
Industrials			
Aerospace & Defence	**18,857**	**3.0**	
Rolls Royce	9,957	1.6	1.3
Ultra Electronics	8,900	1.4	2.3
Industrial Engineering	**14,198**	**2.3**	
Rotork	9,649	1.6	2.2
Weir Group	4,549	0.7	2.5
Industrial Transportation	**15,032**	**2.4**	
BBA Aviation	15,032	2.4	3.3
Electronic & Electrical Equipment	**4,154**	**0.7**	
XP Power	4,154	0.7	3.0
Support Services	**15,645**	**2.5**	
Essentra	9,788	1.6	3.7
Capita	5,857	0.9	4.6
Consumer Goods			
Beverages	**12,690**	**2.0**	
Diageo	12,690	2.0	2.7
Food Producers	**14,805**	**2.4**	
Nestlé	8,287	1.3	2.8
Associated British Foods	6,518	1.1	1.3
Personal Care	**28,179**	**4.5**	
Unilever	28,179	4.5	2.7
Tobacco	**50,330**	**8.1**	
British American Tobacco	27,845	4.5	3.2
Imperial Brands	16,829	2.7	4.6
Scandinavian Tobacco	5,656	0.9	5.2
Health Care			
Pharmaceuticals & Biotechnology	**85,944**	**13.8**	
GlaxoSmithKline	27,640	4.4	4.9
AstraZeneca	25,418	4.1	4.2
Roche Holdings	21,134	3.4	3.4
Novo-Nordisk	11,752	1.9	2.7

Investment	Valuation £'000	Total assets %	Yield[A] %
Consumer Services			
Media	**11,327**	**1.8**	
Pearson	11,327	1.8	2.5
Travel & Leisure	**17,574**	**2.8**	
Compass Group	17,574	2.8	2.0
Telecommunications			
Fixed Line Telecommunications	**2,763**	**0.4**	
Manx Telecom	2,763	0.4	5.8
Mobile Telecommunications	**31,156**	**5.0**	
Vodafone	17,642	2.8	5.9
Inmarsat	13,514	2.2	5.4
Utilities			
Gas, Water & Multi-utilities	**5,344**	**0.9**	
National Grid	5,344	0.9	4.7
Financials			
Banks	**55,485**	**8.8**	
HSBC Holdings	20,821	3.3	5.5
Nordea Bank	19,284	3.1	5.8
Standard Chartered	9,525	1.5	–
Svenska Handelsbanken	5,855	0.9	4.2
Financial Services	**34,358**	**5.5**	
Close Brothers	13,174	2.1	3.8
Provident Financial	12,513	2.0	5.5
Schroder	8,671	1.4	4.2
Non-life Assurance	**11,923**	**1.9**	
Hiscox	11,923	1.9	2.2
Life Assurance	**22,629**	**3.6**	
Prudential	22,629	3.6	2.5
Equity Investment Instruments	**21,881**	**3.6**	
Aberforth Smaller Companies Trust	17,861	2.9	2.2
Dunedin Smaller Companies Investment Trust	4,020	0.7	2.7
Real Estate Investment Trusts	**19,201**	**3.2**	
Hansteen	6,658	1.1	4.7
Assura	5,621	0.9	3.7
Workspace Group	3,544	0.6	1.9
Big Yellow Group	3,378	0.6	3.5
Technology			
Software & Computer Services	**32,673**	**5.2**	
Microsoft	15,429	2.5	2.3
Sage Group	14,592	2.3	2.1
Aveva	2,652	0.4	2.1
Total investments	**595,367**	**95.5**	

[A] Yields are historic and exclude special dividends and may have been amended to reflect the Manager's expectations of future developments.
Source: Aberdeen Asset Managers Limited

Summary of Investment Changes During The Year

As at 30 June 2017

Summary of Gross Assets

	Valuation 30 June 2016		Transactions	Gains/(losses)	Valuation 30 June 2017	
	£'000	%	£'000	£'000	£'000	%
Equities						
United Kingdom	467,464	82.0	(16,505)	52,008	502,967	80.7
Denmark	2,946	0.5	12,922	1,540	17,408	2.8
France	7,799	1.4	(9,309)	1,510	–	–
Germany	4,782	0.8	(1,636)	1,857	5,003	0.8
Sweden	16,972	3.0	–	8,167	25,139	4.0
Switzerland	29,827	5.2	(1,611)	1,205	29,421	4.7
United States	23,737	4.2	(11,272)	2,964	15,429	2.5
Total investments	553,527	97.1	(27,411)	69,251	595,367	95.5
Other net assets[A]	16,509	2.9	11,712	–	28,221	4.5
Total assets	**570,036**	**100.0**	**(15,699)**	**69,251**	**623,588**	**100.0**

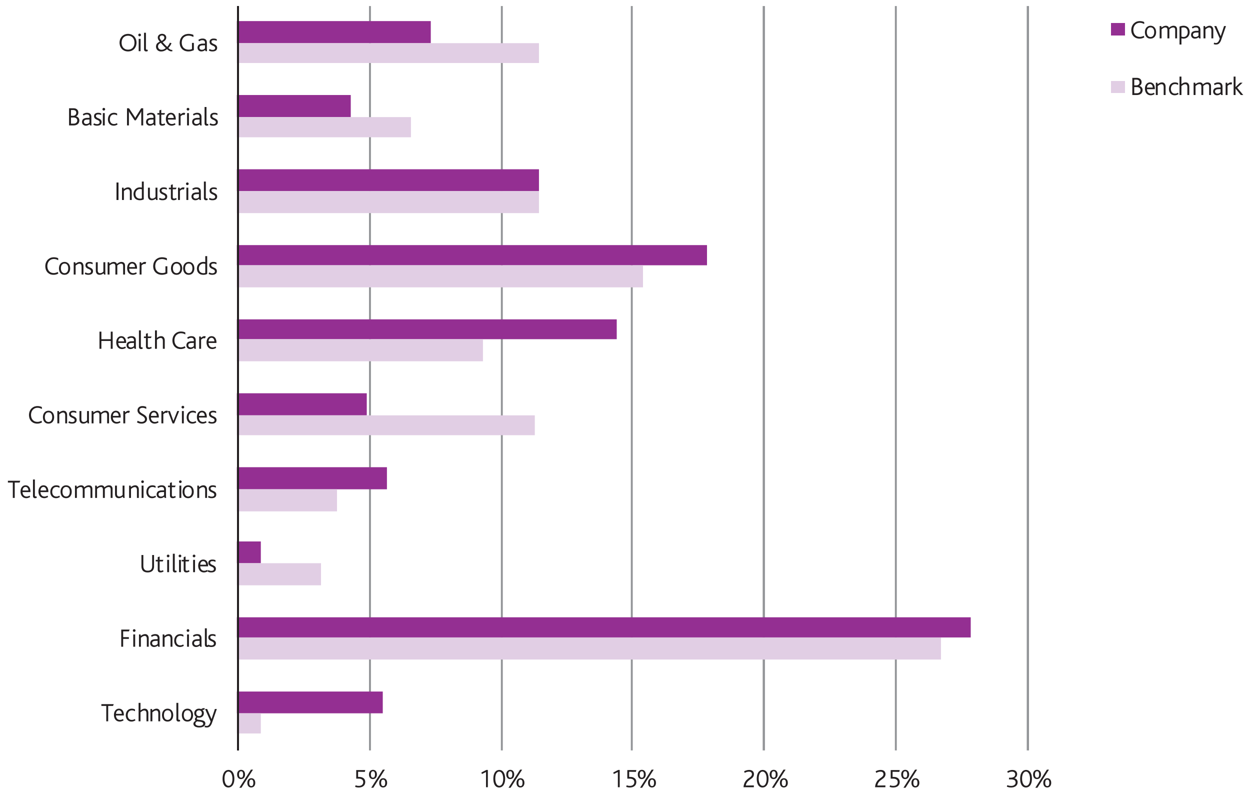
[A] Excluding borrowings.

Summary of Net Assets

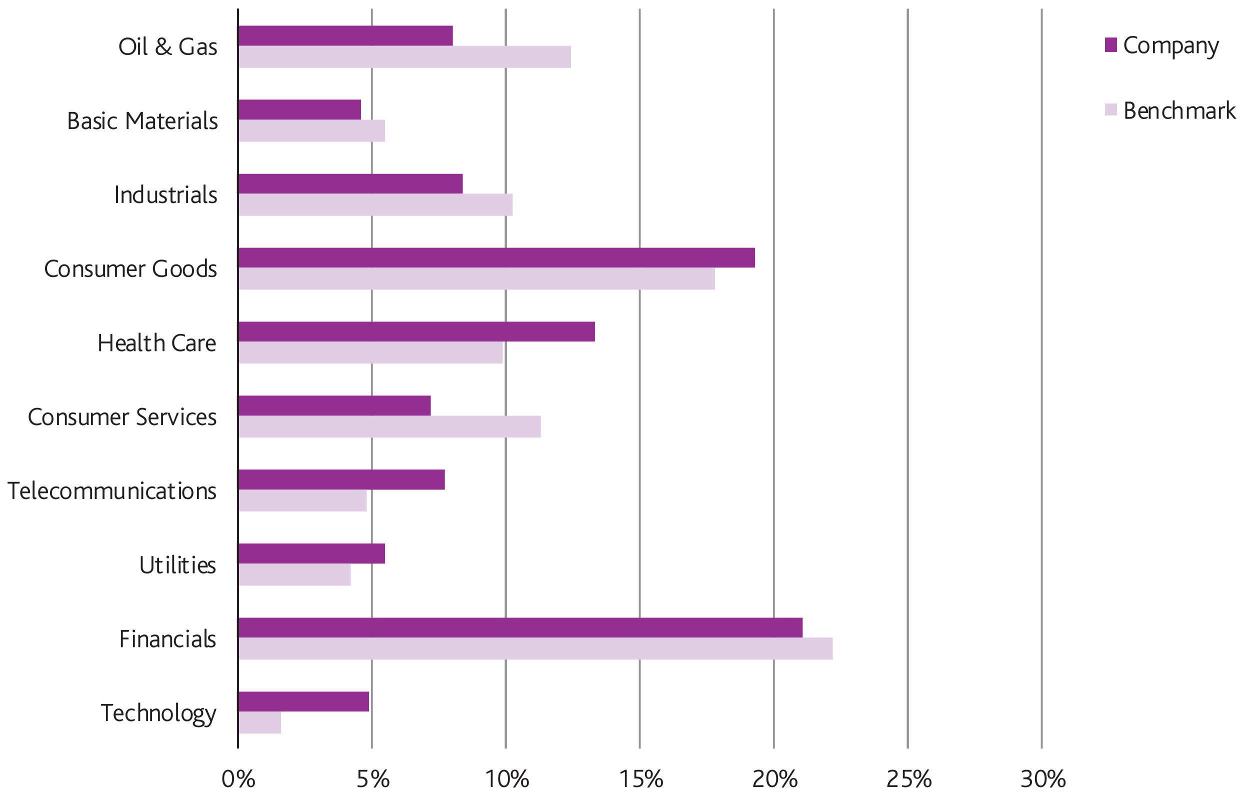
	As at 30 June 2016		As at 30 June 2017	
	£'000	%	£'000	%
Equities	553,527	107.5	595,367	103.3
Other net assets	16,509	3.2	28,221	4.9
Borrowings	(55,000)	(10.7)	(47,126)	(8.2)
Equity shareholders' funds	**515,036**	**100.0**	**576,462**	**100.0**

Sector Comparison With Benchmark

Equities Held at 30 June 2017



Equities Held at 30 June 2016



Unilever is a global consumer goods company with a strong presence in emerging markets. It has four main divisions; Foods, Personal Care, Refreshment and Home Care. The Investment Manager believes it warrants its place as one of the Company's largest holdings given the strong distribution networks, well-known brands, exposure to faster growing markets, robust financial characteristics amidst a gentle tilt towards categories with more appealing longer term dynamics.

Governance

The Company is committed to high standards of corporate governance and applies the principles identified in the UK Corporate Governance Code and the AIC Code of Corporate Governance. The Company is registered as a public limited company and has been accepted by HM Revenue & Customs as an investment trust.

Your Board of Directors

The Directors, all of whom are non-executive, supervise the management of Murray Income Trust PLC and represent the interests of Shareholders.

Neil Honebon MA

Status: Independent Non-Executive Chairman

Length of Service: 12 years

Experience and other public company directorships: Neil Honebon is a director of 1798 Volantis Fund Ltd and AlphaGen Octanis Fund Ltd, a member of the investment committee of the National Trust and an investment adviser to the Nuffield Foundation. He was formerly a director of Fleming Family and Partners Asset Management, and has over 30 years' experience in investment analysis and research.

Committee Membership: Audit Committee, Management Engagement Committee (Chairman), Nomination Committee (Chairman) and Remuneration Committee

Employment by Manager: None

Other connections with the Company or Manager: None

Shared Directorships with any other Directors: None

David Woods MA, MSC, FIA

Status: Non-Executive Director

Length of Service: 8 years

Experience and other public company directorships: David Woods is a director of Standard Life UK Smaller Companies Trust PLC. He is also chairman of the Pension Fund Trustees for all of the UK companies in the SopraSteria Group.

Committee Membership: Audit Committee, Management Engagement Committee, Nomination Committee and Remuneration Committee (Chairman)

Employment by Manager: None

Other connections with the Company or Manager: David Woods is a director of Standard Life UK Smaller Companies Trust PLC which is an investment company managed by a subsidiary of Standard Life Aberdeen plc

Shared Directorships with any other Directors: None

Jean Park BAcc, CA

Status: Independent Non-Executive Director

Length of Service: 5 years

Experience and other public company directorships: Jean Park was formerly Group Chief Risk Officer at Phoenix Group. Prior to that she was Risk Management Director of the Insurance and Investments Division of Lloyds TSB. She is a director of NHBC and Admiral Group plc. She is a member of the Institute of Chartered Accountants of Scotland.

Committee Membership: Audit Committee (Chairman), Management Engagement Committee, Nomination Committee and Remuneration Committee

Employment by Manager: None

Other connections with the Company or Manager: None

Shared Directorships with any other Directors: None

Donald Cameron MSP, BA Hons

Status: Independent Non-Executive Director

Length of Service: 5 years

Experience and other public company directorships: Donald Cameron qualified at the Bar of England and Wales in 2002. Having transferred to the Faculty of Advocates, he was called to the Scottish Bar in 2005, and practises as an Advocate in Scotland. He is a director of Edinburgh Worldwide Investment Trust plc. In May 2016, he was elected as a Member of the Scottish Parliament for the Highlands & Islands.

Committee Membership: Audit Committee, Management Engagement Committee, Nomination Committee and Remuneration Committee

Employment by Manager: None

Other connections with the Company or Manager: None

Shared Directorships with any other Directors: None

Neil Rogan MA

Status: Independent Non-Executive Director

Length of Service: 3 years

Experience and other public company directorships: Neil Rogan is former Head of the Global Equities Team at both Gartmore and Henderson and former Head of International Equities, as well as a former member of the Investment Division Executive Committee, at Gartmore. He has previously managed Fleming Far Eastern Investment Trust and, while at Touche Remnant, he worked on TR Pacific Basin Investment Trust, TR Technology Trust and Bankers Investment Trust. He became a director of Invesco Asia Trust plc on 1 September 2017.

Committee Membership: Audit Committee, Management Engagement Committee, Nomination Committee and Remuneration Committee

Employment by Manager: None

Other connections with the Company or Manager: None

Shared Directorships with any other Directors: None

Mike Balfour CA

Status: Non-Executive Director

Length of Service: 1 year, 6 months

Experience and other public company directorships: Mike Balfour is the former CEO of Thomas Miller Investment, an investment management company headquartered in London. Prior to that, he was CEO of Glasgow Investment Managers until 2007 and before that was the Chief Investment Officer of Edinburgh Fund Managers. He is a member of the Institute of Chartered Accountants of Scotland. He is a director of Martin Currie Global Portfolio Trust plc, a director of Standard Life Investments Property Income Trust Limited, and chair of the investment committee of TPT Retirement Solutions (formerly The Pensions Trust).

Committee Membership: Audit Committee, Management Engagement Committee, Nomination Committee and Remuneration Committee

Employment by Manager: None

Other connections with the Company or Manager: Mike Balfour is a director of Standard Life Investments Property Income Trust Limited which is an investment company managed by a subsidiary of Standard Life Aberdeen plc

Shared Directorships with any other Directors: None

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial year. Under the law they have elected to prepare the financial statements in accordance with UK Accounting Standards. The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

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

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities. Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company;
- that in the opinion of the Directors, the Annual Report and financial statements taken as a whole, is fair, balanced and understandable and it provides the information necessary to assess the Company's performance, business model and strategy; and
- the Strategic Report and Directors' Report include a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that the Company faces.

For and on behalf of the Board of Murray Income Trust PLC

N A Honebon
Chairman

12 September 2017

Directors' Report

Status

The Company, which was incorporated in 1923, is registered as a public limited company in Scotland under number SC012725 and is an investment company within the meaning of Section 833 of the Companies Act 2006.

The Company has been accepted by HM Revenue & Customs as an investment trust subject to the Company continuing to meet the relevant eligibility conditions of Section 1158 of the Corporation Tax Act 2010 and the ongoing requirements of Part 2 Chapter 3 Statutory Instrument 2011/2999 for all financial years commencing on or after 1 July 2012. The Directors are of the opinion that the Company has conducted its affairs during the year ended 30 June 2017 so as to enable it to comply with the ongoing requirements for investment trust status.

The Company has conducted its affairs so as to satisfy the requirements as a qualifying security for Individual Savings Accounts. The Directors intend that the Company will continue to conduct its affairs in this manner.

Capital Structure

At 30 June 2017, the Company had 67,022,458 fully paid Ordinary shares of 25p each (2016 – 67,192,458 Ordinary shares) with voting rights in issue and an additional 1,571,000 (2016 – 1,401,000) shares in treasury. During the year ended 30 June 2017, 170,000 Ordinary shares, equivalent to 0.3% of the Company's issued share capital excluding treasury shares as at 30 June 2016, were bought back into treasury.

Ordinary shareholders are entitled to vote on all resolutions which are proposed at general meetings of the Company. The Ordinary shares, excluding treasury shares, carry a right to receive dividends. On a winding up, after meeting the liabilities of the Company, the surplus assets will be paid to Ordinary shareholders in proportion to their shareholdings. There are no restrictions on the transfer of Ordinary shares in the Company other than certain restrictions which may be applied from time to time by law (for example, insider trading law).

Results and Dividends

The financial statements for the year ended 30 June 2017 indicate a total gain attributable to equity shareholders for the year of £88,982,000 (2016 – £27,143,000).

The final dividend for the year ended 30 June 2016, of 11.25p per Ordinary share, was paid to shareholders on 3 November 2016. The first, second and third interim dividends, each of 7.0p per Ordinary share, for the year ended 30 June 2017, were paid to shareholders on 13 January 2017, 31 March 2017 and 30 June 2017, respectively.

The Directors now recommend a final dividend for the year ended 30 June 2017 of 11.75p per Ordinary share, payable to shareholders on 9 November 2017. The ex-dividend date is 28 September 2017 and the record date is 29 September 2017. A resolution in respect of the final dividend will be proposed at the forthcoming Annual General Meeting.

Dividends are paid by means of three interim dividends, normally in January, March and June, and a final dividend in November, after approval by shareholders at the Annual General Meeting. Further information on dividends is contained in the Chairman's Statement on pages 4 and 5.

Manager and Company Secretary

AFML has been appointed by the Company, under a management agreement ("MA") to provide investment management, risk management, administration and company secretarial services as well as promotional activities. The Company's portfolio is managed by AAML by way of a group delegation agreement in place between AFML and AAML. In addition, AFML has sub-delegated promotional activities to Aberdeen Asset Managers Limited ("AAM") and administrative and secretarial services to Aberdeen Asset Management PLC.

A monthly fee is payable to AFML at the rate of one-twelfth of 0.55% per annum on the first £400 million of net assets, 0.45% per annum on the next £150 million of net assets and 0.25% per annum on the excess over £550 million. With effect from 1 January 2018, AFML will be entitled to a monthly fee of one-twelfth of 0.55% per annum on the first £350m of net assets, 0.45% per annum on net assets between £350m and £450m and 0.25% per annum on any net assets in excess of £450m. The value of any investments in unit trusts, open ended and closed ended investment companies and investment trusts of which the Manager, or another company within the Aberdeen Group is the operator, manager or investment adviser, is deducted from net assets when calculating the fee. The investment management fee is chargeable 50% to revenue and 50% to capital. There is no performance fee. A secretarial fee of £75,000 per annum (plus applicable VAT) is payable to Aberdeen Asset Management PLC, which is chargeable 100% to revenue. An annual fee equivalent to 0.075% of gross assets (calculated at 30 September each year) is paid to AAML to cover promotional activities undertaken on behalf of the Company. The management, secretarial and promotional activity fees paid to Aberdeen Group companies during the year ended 30 June 2017 are shown in notes 4 and 5 to the financial statements.

Directors' Report continued

Corporate Governance

The Company is committed to high standards of corporate governance. The Board is accountable to the Company's shareholders for good governance and, as required by the Listing Rules of the UK Listing Authority, this statement describes how the Company applies the main principles identified in the UK Corporate Governance Code published in April 2016 (the "UK Code") and which first applies to the Company's year ended 30 June 2017. The UK Code is available on the Financial Reporting Council's ("the FRC") website: frc.org.uk.

The Board has also considered the principles and recommendations of the AIC Code of Corporate Governance as published in July 2016 ("the AIC Code") by reference to the AIC Corporate Governance Guide for Investment Companies ("the AIC Guide"). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to investment trusts. The AIC Code and AIC Guide are available on the AIC's website: theaic.co.uk

The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the UK Code), will provide better information to shareholders.

The Board confirms that, during the year, the Company complied with the recommendations of the AIC Code and the relevant provisions of the UK Code, except as set out below.

The UK Code includes provisions relating to:
- the role of the chief executive (A.1.2);
- executive directors' remuneration (D.1.1 and D.1.2); and
- the need for an internal audit function (C.3.6).

For the reasons set out in the AIC Guide and UK Code, the Board considers that these provisions are not relevant to the position of the Company, being an externally managed investment company. In particular, all of the Company's day-to-day management and administrative functions are outsourced to third parties. As a result, the Company has no executive directors, employees or internal operations. The Company has therefore not reported further in respect of these provisions. In relation to the role of the senior independent director, UK Code provision A.4.2, the Board notes that the Company was in compliance during the year under review, with further information provided below regarding the position of David Woods subsequent to the year end.

The full text of the Company's Statement of Corporate Governance can be found on its website: murray-income.co.uk.

Directors

The Board consists of a non-executive Chairman and five non-executive Directors, all of whom held office throughout the year under review. David Woods held the office of Senior Independent Director throughout the year under review.

The names and biographies of each of the Directors are shown on pages 30 and 31 which indicate their range of experience as well as length of service. Each Director has the requisite high level and range of business and financial experience which enables the Board to provide clear and effective leadership and proper stewardship of the Company.

The Directors attended Board and Committee meetings during the year ended 30 June 2017 as follows (with their eligibility to attend the relevant meeting in brackets):

Director	Board Meetings Attended	Audit, Nomination, Management Engagement and Remuneration Committee Meetings Attended [A]
N A Honebon	9 (9)	10 (10)
D E Woods	7 (9)	8 (8)
J C Park	9 (9)	10 (10)
D A J Cameron	8 (9)	9 (9)
N A H Rogan	9 (9)	10 (10)
M W Balfour	9 (9)	9 (9)

Notes:
[A] Committees of the Board may not involve all Directors

All of the Directors will retire at the AGM. Neil Honebon has indicated that he will not stand for re-election as a Director. Mike Balfour, Donald Cameron, Jean Park, Neil Rogan and David Woods will retire and, being eligible, seek individual re-election as Directors at the AGM.

Following the merger of Aberdeen Asset Management PLC and Standard Life plc in August 2017, David Woods and Mike Balfour no longer qualify as independent Directors under the Listing Rules as a director is not considered independent if he or she serves on the board of more than one investment trust managed by the same group. David Woods is a non-executive director of Standard Life UK Smaller Companies Trust plc ("SLSC") and Mike Balfour is a non-executive director of Standard Life Investments Property Income Trust Limited both of which are managed by a subsidiary of Standard Life Aberdeen plc. David Woods will retire from the board of SLSC in October 2017, and accordingly has also temporarily stepped back from his role as Senior Independent Director of the Company from 14 August 2017, but will resume the appointment following his retirement from the SLSC board in October 2017.

After taking account of David Woods' and Mike Balfour's appointments, the remaining Directors are independent of the AIFM and therefore a majority of the Board is independent of the Manager. Furthermore, the Board believes that each Director remains free of any relationship which could materially interfere with the exercise of his or her judgement on issues of strategy, performance, resources and standards of conduct and confirms that, following formal performance evaluations, the individuals' performance continues to be effective and demonstrates time commitment to the role. The Board therefore has no hesitation in recommending the re-election as Directors of the Company of Mike Balfour, Donald Cameron, Jean Park, Neil Rogan, and David Woods, at the forthcoming AGM.

The Company's Statement of Corporate Governance includes further information on the operation of the Board, including the matters reserved to the Board for consideration, Board independence, the annual performance of the Directors and the recruitment process for new Directors.

Directors' Insurance and Indemnities

The Company maintains insurance in respect of Directors' and Officers' liabilities in relation to their acts on behalf of the Company. Furthermore, each Director of the Company is entitled to be indemnified out of the assets of the Company to the extent permitted by law against all costs, charges, losses, expenses and liabilities incurred by them in the actual or purported execution and/or discharge of their duties and/or the exercise or purported exercise of their powers and/or otherwise in relation to or in connection with their duties, powers or office. These rights are included in the Articles of Association of the Company and the Company has granted indemnities to each Director on this basis.

Management of Conflicts of Interest and Anti-Bribery Policy

The Board has a procedure in place to deal with a situation where a Director has a conflict of interest. As part of this process, the Directors prepare a list of other positions held and all other conflict situations that may need to be authorised either in relation to the Director concerned or his/her connected persons. The Board considers each Director's situation and decides whether to approve any conflict, taking into consideration what is in the best interests of the Company and whether the Director's ability to act in accordance with his/her wider duties is affected. Each Director is required to notify the Company Secretaries of any potential, or actual, conflict situations which will need authorising by the Board. Authorisations given by the Board are reviewed at each Board meeting.

No Director has a service contract with the Company although Directors are issued with letters of appointment upon taking up office.

The Board takes a zero tolerance approach to bribery and has adopted appropriate procedures designed to prevent bribery. The Aberdeen Group also takes a zero tolerance approach and has its own detailed policy and procedures in place to prevent bribery and corruption.

Board Committees

The Board has appointed a number of Committees as set out below. Copies of their terms of reference, which define the responsibilities and duties of each Committee, are available on the Company's website and from the Company Secretaries on request. Further information on the functioning of the Board Committees may be found in the Statement of Corporate Governance published on the Company's website.

Audit Committee

The Audit Committee's Report may be found on pages 41 to 43.

Management Engagement Committee

The terms and conditions of the Company's agreement with the Manager are considered by the Management Engagement Committee which comprises the whole Board and was chaired during the year by Neil Honebon.

In monitoring the performance of the Manager, the Committee considers the investment record of the Company over the short term and longer term, taking into account both its performance against the benchmark index and peer group investment trusts and open-ended funds. The Committee also reviews the management processes, risk control mechanisms and promotional activities of the Manager. As a result of these reviews, the Directors consider the continuing appointment of the Manager to be in the interests of shareholders because they believe that the Aberdeen Group has the investment management, promotional and associated secretarial and administrative skills required for the effective operation of the Company.

Nomination Committee

All appointments to the Board of Directors are considered by the Nomination Committee which comprises the whole Board and was chaired during the year by Neil Honebon.

The Committee's overriding priority in appointing new Directors to the Board is to identify the candidate with the optimal range of skills and experience to complement the existing Directors. The Board also recognises the benefits, and is supportive, of the principle of diversity in its recruitment of new Directors.

Directors' Report continued

Remuneration Committee

Directors' remuneration is considered by the Remuneration Committee which comprises the whole Board and was chaired during the year by David Woods. Further information may be found in the Directors' Remuneration Report on pages 39 and 40.

Accountability and Audit

The responsibilities of the Directors and the Auditor, in connection with the financial statements, appear on pages 32 and 49, respectively.

The Directors who held office at the date of this Report each confirm that, so far as he or she is aware, there is no relevant audit information of which the Company's Auditor is unaware, and that he or she has taken all the steps that he or she could reasonably be expected to have taken as a Director in order to make him or her aware of any relevant audit information and to establish that the Company's Auditor is aware of that information. Additionally there have been no important events since the year end which warrant disclosure.

The Directors have reviewed the level of non-audit services provided by the Auditor during the year, together with the Auditor's procedures in connection with the provision of such services, and remain satisfied that the Auditor's objectivity and independence is being safeguarded.

Substantial Interests

At 30 June 2017, the following interests over 3% in the issued Ordinary share capital of the Company have been disclosed in accordance with the requirements of the UK Listing Authority's Disclosure Guidance and Transparency Rules:

Shareholder	Number of shares held	% held
Aberdeen Asset Managers Limited Retail Plans	12,333,532	18.4
Rathbones	4,788,369	7.1
Speirs & Jeffrey	4,294,240	6.4
Hargreaves Lansdown	3,752,393	5.6
Alliance Trust Savings	3,606,308	5.4
Brewin Dolphin	2,081,913	3.1

As at the date of approval of this Report, no changes to the above interests had been notified to the Company.

Going Concern

The Directors have undertaken a rigorous review and consider both that there are no material uncertainties and that the adoption of the going concern basis of accounting is appropriate. The Company's assets consist of a diverse portfolio of listed equity shares nearly all of which, in most circumstances, are realisable within a very short timescale. The Directors are mindful of the principal risks and uncertainties disclosed on pages 8 and 9 and have reviewed forecasts detailing revenue and liabilities and they believe that the Company has adequate financial resources to continue its operational existence for the foreseeable future and at least 12 months from the date of approval of this Annual Report.

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 (the "Bank") for up to £80m of which the Sterling equivalent of £47.1m had been drawn down as at 30 June 2017.

The Company has received agreement from the Bank to extend the Facility's expiry from 23 September 2017 to 22 December 2017 and remains in negotiation with the Bank over renewal of the Facility. At this stage the Company has not received confirmation that the Facility will be renewed but, if acceptable terms are available from the Bank, other banking institutions, or any alternative, the Company would expect to continue to access a long term debt facility. However, should terms not be forthcoming, any outstanding borrowing would be repaid through the proceeds of equity sales or replaced via other borrowing arrangements.

UK Stewardship Code and Proxy Voting as an Institutional Shareholder

Responsibility for actively monitoring the activities of portfolio companies has been delegated by the Board to the AIFM which has sub-delegated that authority to the Investment Manager.

The full text of the Company's response to the Stewardship Code may be found on the Company's website.

Socially Responsible Investment Policy

The Board is aware of its duty to act in the best interests of the Company. As an investment trust, the Company has no direct social, environmental or community responsibilities. However, the Board acknowledges that there are risks associated with investment in companies which fail to conduct business in a socially responsible manner and the Board, therefore, ensures that they take regular account of the social, environment and ethical factors, which may affect the performance or value of the Company's investments.

Relations with Shareholders

The Directors place great importance on communication with shareholders. The Annual Report is widely distributed to other parties who have an interest in the Company's performance. Shareholders and investors may obtain up-to-date information on the Company through its website, murray-income.co.uk, or via the Aberdeen Group's Customer Services Department. The Company responds to letters from shareholders (see Contact Information on page 83 for details).

The Board's policy is to communicate directly with shareholders and their representative bodies without the involvement of the management group (either the Company Secretary or the Aberdeen Group) in situations where direct communication is required and representatives from the Board offer to meet with major shareholders on an annual basis in order to gauge their views. The Company Secretary only acts on behalf of the Board, not the Manager, and there is no filtering of communication. At each Board meeting the Board receives full details of any communication from shareholders to which the Chairman responds, as appropriate, on behalf of the Board.

In addition, members of the Board accompany the Manager when undertaking a series of meetings with institutional shareholders.

The Notice of AGM included within the Annual Report is normally sent out at least 20 working days in advance of the meeting. All shareholders have the opportunity to put questions to the Board and Investment Manager at the Company's AGM.

Annual General Meeting ("AGM")

Among the resolutions being put at the AGM of the Company to be held on 6 November 2017, the following resolutions will be proposed:

Amendment to Articles of Association

Resolution 12, which is an Ordinary Resolution, will be put to the AGM to increase the annual limit on aggregate fees payable by the Company to the Directors under Article 103. The Directors wish to make provision in the event that the Board composition were to expand in number in the future, and/or fees required to be increased, and are proposing that an aggregate annual limit of £250,000 (or such other amount as may from time to time be determined by Ordinary Resolution of the Company) be approved by shareholders, replacing the current limit of £200,000.

Authority to allot shares and disapply pre-emption rights

Ordinary Resolution No. 13 in the Notice of AGM will renew the authority to allot the unissued share capital up to an aggregate nominal amount of £837,780 (equivalent to approximately 3.3m Ordinary shares, or 5 per cent of the Company's existing issued share capital on the date of approval of this Report (excluding treasury shares)). Such authority will expire on the date of the AGM in 2018 or on 31 December 2018, whichever is earlier. This means that the authority will require to be renewed at the next AGM.

When shares are to be allotted for cash, Section 561 of the Companies Act 2006 (the "Act") provides that existing shareholders have pre-emption rights and that the new shares to be issued, or sold from treasury, must be offered first to such shareholders in proportion to their existing holding of shares. However, shareholders can, by special resolution, authorise the Directors to allot shares or sell from treasury otherwise than by a pro rata issue to existing shareholders. Special Resolution No. 14 will, if passed, give the Directors power to allot for cash or sell from treasury equity securities up to an aggregate nominal amount of £1,675,571 (equivalent to approximately 6.6m Ordinary shares, or 10 per cent of the Company's existing issued share capital on the date of approval of this Report, as if Section 561 of the Act does not apply). This authority will also expire on the date of the AGM in 2018 or on 31 December 2018, whichever is 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 Resolutions 13 and 14 to allot shares or sell shares from treasury and disapply pre-emption rights only in circumstances where this will be clearly beneficial to shareholders as a whole. 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 general meeting. It is the intention of the Board that any issue of shares or any re-sale of treasury shares would only take place at a price not less than 0.5% above the NAV per share prevailing at the date of sale. It is also the intention of the Board that sales from treasury would only take place when the Board believes that to do so would assist in the provision of liquidity to the market.

Purchase of the Company's own Ordinary Shares

At the AGM held on 1 November 2016, shareholders approved the renewal of the authority permitting the Company to repurchase its Ordinary shares.

The Directors wish to renew the authority given by shareholders at the previous AGM. A share buy-back facility enhances shareholder value by acquiring shares at a discount to NAV as and when the Directors consider this to be appropriate. The purchase of shares, when they are trading at a discount to NAV per share, should result in an increase in the NAV per share for the remaining shareholders. This authority, if conferred, will only be exercised if to do so would result in an increase in the NAV 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. It is proposed to seek shareholder authority to renew this facility for another year at the AGM.

Under the current Listing Rules, the maximum price that may be paid on the exercise of this authority must not exceed the higher of (i) 105% of the average of the middle market quotations for the shares over the five business days immediately preceding the date of purchase and (ii) the higher of the last independent trade and the highest current independent bid on the trading venue where the purchase is carried out. The minimum price which may be paid is 25p per share. Shares which are purchased under this authority will either be cancelled or held as treasury shares. Special Resolution No. 15 in the Notice of AGM will renew the authority to purchase in the market a maximum of 14.99% of shares in issue at the date of passing of the Resolution (amounting to approximately 10.1m Ordinary shares). Such authority will expire on the date of the AGM in 2018, or on 31 December 2018, whichever is earlier. This means in effect that the authority will have to be renewed at the next AGM, or earlier, if the authority has been exhausted. The Directors recommend that shareholders vote in favour of Resolution No. 15. No dividends may be paid on any shares held in treasury and no voting rights will attach to such shares. The benefit of the ability to hold treasury shares is that such shares may be resold. This should give the Company greater flexibility in managing its share capital, and improve liquidity in its shares.

Recommendation

The Directors believe that the resolutions to be proposed at the AGM are in the best interests of the Company and its shareholders as a whole, and recommend that shareholders vote in favour of the resolutions, as the Directors intend to do in respect of their own beneficial shareholdings totalling 67,995 Ordinary shares, representing 0.1% of the issued Ordinary share capital of the Company.

By Order of the Board

N A Honebon
Chairman

12 September 2017

Directors' Remuneration Report

The Board has prepared this Directors' Remuneration Report which consists of three parts:

(i) a Remuneration Policy, which is subject to a binding shareholder vote every three years - most recently voted on at the AGM on 29 October 2014 where the proxy votes for the relevant resolution were: For – 23.0m votes (98.68%); Discretionary – 104,505 votes (0.45%); Against – 203,921 votes (0.87%); and Withheld – 136,642 votes. The Remuneration Policy will be put to shareholders at the AGM on 6 November 2017;
(ii) an annual Implementation Report, which is subject to an advisory vote; and
(iii) an Annual Statement.

The law requires the Company's Auditor to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The Independent Auditor's Opinion is included on pages 44 to 49.

The fact that the Remuneration Policy is subject to a binding vote at least every three years does not imply any change on the part of the Company. The principles remain the same as for previous years. There have been no changes to the Directors' Remuneration Policy during the period of this Report.

Remuneration Policy

This part of the Remuneration Report provides details of the Company's Remuneration Policy for Directors of the Company. This policy takes into consideration the principles of UK corporate governance. No shareholder views were sought in setting the Remuneration Policy although any comments received from shareholders would be considered on an ongoing basis.

Although the Company has no employees and the Board is comprised wholly of non-executive Directors and, despite the size and nature of the Company, the Board has established a separate Remuneration Committee which determines Directors' remuneration. The Directors' fees are set out within the Company's Articles of Association which limit to £200,000 the annual aggregate fees payable to the Board. This limit may only be amended by shareholder resolution and an increase was last approved in October 2011. A resolution will be put to shareholders at the AGM on 6 November 2017 to increase the annual limit on Directors' fees to £250,000.

Subject to this overall limit, the Board's policy is that the remuneration of non-executive Directors should reflect the nature of their duties, responsibilities and the value of their time spent and be fair and comparable to that of other investment trusts that are similar in size, have a similar capital structure and have a similar investment objective. The level of Directors' fees is shown in the table below:

	30 June 2017 £	30 June 2016 £
Chairman	34,500	34,500
Chairman of Audit Committee	28,500	28,500
Director	23,500	23,500

Appointment

- The Company only intends to appoint non-executive Directors.
- All the Directors are non-executive appointed under the terms of Letters of Appointment.
- Directors must retire and be subject to re-election at the first AGM after their appointment, and at least every three years thereafter.
- New appointments to the Board will be placed on the fee applicable to all Directors at the time of appointment (currently £23,500 per annum).
- No incentive or introductory fees will be paid to encourage a Directorship.
- The Directors are not eligible for bonuses, pension benefits, share options, long term incentive schemes or other benefits.
- The Company indemnifies its Directors for all costs, charges, losses, expenses and liabilities which may be incurred in the discharge of duties, as a Director of the Company.

Performance, Service Contracts, Compensation and Loss of Office

- The Directors' remuneration is not subject to any performance-related fee.
- No Director has a service contract.
- No Director was interested in contracts with the Company during the period or subsequently.
- The terms of appointment provide that a Director may be removed subject to three months' written notice.
- Compensation will not be due upon leaving office.
- No Director is entitled to any other monetary payment or to any assets of the Company.

Directors' & Officers' liability insurance cover is maintained by the Company on behalf of the Directors.

Implementation Report

Directors' Fees

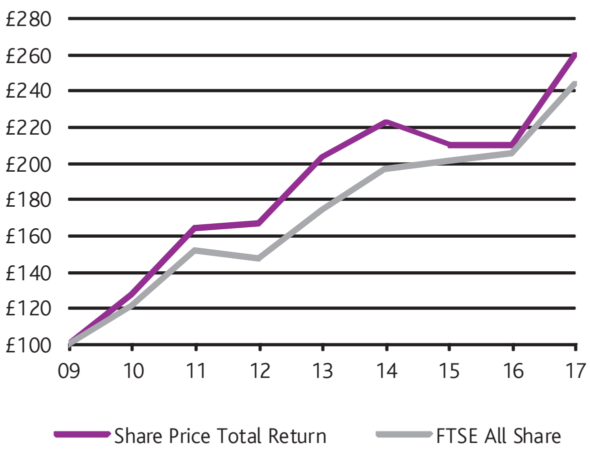
The Board carried out a review of Directors' annual fees during the year and concluded that the annual fees should be increased, with effect from 1 July 2017, to £37,500, £30,000 and £25,500 for the Chairman, Audit Committee Chairman and other Directors, respectively. There are no further fees

Directors' Remuneration Report continued

to disclose as the Company has no employees, Chief Executive or Executive Directors.

Company Performance

The graph below shows the share price total return (assuming all dividends are reinvested) to Ordinary shareholders compared to the total return from the FTSE All-Share Index for the eight year period to 30 June 2017 (rebased to 100 at 30 June 2009). This index was chosen for comparison purposes, as it is the benchmark used for investment performance measurement purposes.



Statement of Proxy Voting at Annual General Meeting

At the Company's latest AGM, held on 1 November 2016, shareholders approved the Directors' Remuneration Report (other than the Directors' Remuneration Policy) in respect of the year ended 30 June 2016 and the following proxy votes were received on Resolution 2: For – 23.1m (98.55%); Discretionary – 72,000 votes (0.31%); Against - 268,436 votes (1.14%); and Withheld - 115,631 votes.

Audited Information

Fees Payable

The Directors who served in the year received the following fees which exclude employers' NI and any VAT payable:

Director	30 June 2017 £	30 June 2016 £
N A Honebon	34,500	34,500
D E Woods	23,500	23,500
J C Park	28,500	28,500
D A J Cameron	23,500	23,500
N A H Rogan	23,500	23,500
M W Balfour [A]	23,500	9,115
Total	**157,000**	**142,615**

[A] Appointed a Director on 11 February 2016

Notes to Table: Fees are pro-rated where a change takes place during a financial year. There were no payments to third parties from the fees referred to in the table above.

Spend on Pay

As the Company has no employees, the Directors do not consider it appropriate to present a table comparing remuneration paid to Directors with distributions to shareholders. The total fees paid to Directors are shown in the table.

Directors' Interests in the Company

The Directors are not required to have a shareholding in the Company. The Directors (including their persons closely associated) at 30 June 2017, and 30 June 2016, had no interest in the share capital of the Company other than those interests shown below, all of which are beneficial interests, unless indicated otherwise:

	30 June 2017 Ord. 25p	30 June 2016 Ord. 25p
N A Honebon	20,000	20,000
D E Woods	3,000	3,000
J C Park	5,575	5,575
D A J Cameron	1,407	1,362
N A H Rogan	28,000	21,000
M W Balfour	10,000	10,000

As at the date of approval of this Report, there had been no changes to the above holdings other than Donald Cameron acquired an additional 13 shares on 3 July 2017 at a price per share of 801.00p as a result of dividend reinvestment.

Annual Statement

On behalf of the Board and in accordance with Part 2 of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, I confirm that the above Report on Remuneration Policy and Remuneration Implementation summarises, as applicable, for the year ended 30 June 2017:

- the major decisions on Directors' remuneration;
- any substantial changes relating to Directors' remuneration made during the year; and
- the context in which the changes occurred and in which decisions have been taken.

D E Woods
Chairman of the Remuneration Committee

12 September 2017

Audit Committee's Report

The Directors have appointed an Audit Committee, consisting of the whole Board, which was chaired by Jean Park throughout the year ended 30 June 2017.

The Directors have satisfied themselves that at least one of the Committee's members has recent and relevant financial experience – Jean Park and Mike Balfour are both members of the Institute of Chartered Accountants of Scotland – and that, collectively, the Audit Committee possesses competence relevant to investment trusts. The other Directors consider that it is appropriate for Neil Honebon, as Chairman of the Board, to be a member of, but not chair, the Audit Committee, due to the Board's small size, the lack of any conflict of interest and because the other Directors believe that he continues to be independent.

The Audit Committee meets at least twice each year, in line with the cycle of annual and half-yearly reports, which is considered by the Directors to be a frequency appropriate to the size and complexity of the Company.

Role of the Audit Committee

In summary, the Audit Committee's main audit review functions are:

- to review and monitor the internal control systems and risk management systems (including review of non-financial risks) on which the Company is reliant (the Directors' statement on the Company's internal controls and risk management is set out on pages 41 and 42);
- to consider annually whether there is a need for the Company to have its own internal audit function;
- to monitor the integrity of the half-yearly and annual financial statements of the Company by reviewing, and challenging where necessary, the actions and judgements of the Manager;
- to review, and report to the Board on, the significant financial reporting issues and judgements made in connection with the preparation of the Company's financial statements, half-yearly reports, announcements and related formal statements;
- to review the content of the Annual Report and financial statements and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy;
- to meet with Ernst & Young LLP (the "Auditor") to review their proposed audit programme of work and the findings of the Auditor. The Committee shall also use this as an opportunity to assess the effectiveness of the audit process;
- to develop and implement a policy on the engagement of the Auditor to supply non-audit services. Non-audit fees of £1,500 (excluding applicable VAT) were paid to the Auditor during the year ended 30 June 2017 (2016 - £1,500, excluding applicable VAT) in respect of the reformatting of annual corporation tax returns in the configuration prescribed by HMRC. The Audit Committee considers that the current non-audit services provided to the Company by the auditor have neither a direct nor material effect on the Company's financial statements. The Audit Committee will review the provision of future non-audit fees in the light of the potential for such services to impair the Auditor's independence and on the basis that all non-audit services require the pre-approval of the Audit Committee;
- to review a statement from the Manager detailing the arrangements in place within Aberdeen whereby Aberdeen staff may, in confidence, escalate concerns about possible improprieties in matters of financial reporting or other matters ("whistleblowing");
- to make recommendations in relation to the appointment of the Auditor and to approve the remuneration and terms of engagement of the Auditor;
- to monitor and review annually the Auditor's independence, objectivity, effectiveness, resources and qualification; and
- to investigate, when an Auditor resigns, the reasons giving rise to such resignation and consider whether any action is required.

Internal Controls and Risk Management

Through the Audit Committee, the Board is ultimately responsible for the Company's system of internal control and risk management and for reviewing its effectiveness. The Audit Committee confirms that, as at 30 June 2017, there is a robust process for identifying, evaluating and managing the Company's significant business and operational risks, that it has been in place for the year ended 30 June 2017 and up to the date of approval of the Annual Report and Financial Statements, that it is regularly reviewed by the Board and accords with the risk management and internal control guidance for directors in the UK Code on Corporate Governance published in April 2016 (the "Code").

The design, implementation and maintenance of controls and procedures to safeguard the assets of the Company and to manage its affairs properly extends to operational and compliance controls and risk management.

The Directors have delegated the investment management of the Company's assets to the Manager within overall guidelines, 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 the Manager's 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

Audit Committee's Report continued

Manager's activities. Risk is considered in the context of the FRC and Code 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 Board, and timetables are agreed for implementing improvements to systems. The implementation of any remedial action required is monitored and feedback provided to the Board.

The principal risks and uncertainties facing the Company are identified on pages 8 and 9 of this Report.

The key components designed to provide effective internal control are outlined below:

- the Manager prepares forecasts and management accounts which allow the Board to assess the Company's activities and review its performance; the emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception;
- the Board and Manager have agreed clearly-defined investment criteria, specified levels of authority and exposure limits. Reports on these issues, including performance statistics and investment valuations, are regularly submitted to the Board and there are meetings with the Manager as appropriate;
- as a matter of course, the Manager's compliance department continually reviews the Manager's operations;
- written agreements are in place which specifically define the roles and responsibilities of the Manager and other third-party service providers and the Committee reviews, where relevant, ISAE3402 Reports, a global assurance standard for reporting on internal controls for service organisations; in particular, the Board receives equivalent assurance from Capita Asset Services, the Company's registrars;
- the Board has considered the need for an internal audit function but, because the Company is externally-managed, the Board has decided to place reliance on the Manager's risk management/internal controls systems and internal audit procedures;
- at its August 2017 meeting, the Audit Committee carried out an annual assessment of internal controls for the year ended 30 June 2017 by considering documentation from the Manager, including the internal audit and compliance functions, and taking account of events since 30 June 2017.

In addition, the Manager ensures that clearly-documented contractual arrangements exist in respect of any activities that have been delegated to external professional organisations. A senior member of the Manager's Internal Audit department reports six-monthly to the Audit Committee and has direct access to the Directors at any time.

Internal control systems are designed to meet the Company's particular needs and the risks to which it is exposed. Accordingly, the internal control systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives and, by their nature, can only provide reasonable, and not absolute, assurance against misstatement and loss.

Significant Risks for the Audit Committee

During its review of the Company's financial statements for the year ended 30 June 2017, the Audit Committee considered the following significant risks, including, in particular, those communicated by the Auditor as key areas of audit emphasis during their planning and reporting of the year end audit:

Valuation and Existence of Investments

How the risk was addressed - The valuation of investments is undertaken in accordance with the accounting policies, disclosed in notes 1(e) and 1(h) to the financial statements. All investments are considered liquid and quoted in active markets and have been categorised as Level 1 within the FRS 102 fair value hierarchy and can be verified against daily market prices. The portfolio is reviewed and verified by the Manager on a regular basis and management accounts, including a full portfolio listing, are prepared each month and circulated to the Board. The portfolio is also reviewed annually by the Auditor. The Company used the services of an independent depositary (BNP Paribas Securities Services) during the year under review to hold the assets of the Company. The investment portfolio is reconciled regularly by the Manager.

Income recognition

How the risk was addressed - the recognition of investment income is undertaken in accordance with accounting policy note 1(b) to the financial statements. Special dividends are allocated to the capital or revenue accounts according to the nature of the payment and the intention of the underlying company. The Directors also review, at each meeting, the Company's income, including income received, revenue forecasts and dividend comparisons.

Review of Auditor

The Audit Committee has reviewed the effectiveness of the Auditor including:

- independence - the Auditor discusses with the Audit Committee, at least annually, the steps it takes to ensure its independence and objectivity, including the level of non-audit fees it has received from the Company, and makes the Committee aware of any potential issues, explaining all relevant safeguards;

- quality of audit work including the ability to resolve issues in a timely manner - identified issues are satisfactorily and promptly resolved;
- its communications/presentation of outputs - the explanation of the audit plan, any deviations from it and the subsequent audit findings are comprehensive and comprehensible, and working relationship with management - the Auditor has a constructive working relationship with the Manager; and
- quality of people and service including continuity and succession plans - the audit team is made up of sufficient, suitably experienced staff with provision made for knowledge of the investment trust sector and retention on rotation of the partner.

EY, and predecessor firms, have held office as Auditor since the incorporation of the Company in 1923. In accordance with present professional guidelines the Senior Statutory Auditor is rotated after no more than five years and the year ended 30 June 2017 will be the third year for which the present Senior Statutory Auditor has served. Following due consideration, the Committee considers EY to continue to be independent of the Company. The Audit Committee arranged, in May 2014, a tender for the Company's external audit following which the Directors recommended the re-appointment of EY as external Auditor which was subsequently approved by shareholders at the AGM on 1 November 2016. Shareholders have the opportunity at each AGM to vote on the re-appointment of the Auditor for the forthcoming year. Under company law, EY are required to resign as Auditor no later than 2020 and, accordingly, the Board expects to hold the next tender for external audit services in 2019.

J C Park
Chairman of the Audit Committee

12 September 2017

Independent Auditor's Report to the Members of Murray Income Trust PLC

Our opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Murray Income Trust PLC which comprise:

- Statement of Comprehensive Income for the year ended 30 June 2017;
- Statement of Financial Position as at 30 June 2017;
- Statement of Changes in Equity for the year then ended;
- Statement of Cash Flows for the year then ended; and
- Related notes 1 to 19 to the financial statements

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

Basis for opinion

- We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.
- We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.
- This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs(UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures as set out on pages 8 and 9 in the annual report that describe those risks and explain how they are being managed or mitigated;
- the directors' confirmation as set out on page 8 in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement as set out on page 36 in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Overview of our audit approach

Risks of material misstatement	• Incomplete or inaccurate revenue recognition through failure to recognise proper income entitlements or apply appropriate accounting treatment. • Incorrect valuation and existence of the investment portfolio.
Materiality	• Materiality of £5.76m which represents 1% of equity shareholder's funds (2016: £5.15m)

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	What we concluded to the Audit Committee
Incomplete or inaccurate revenue recognition through failure to recognise proper income entitlements or apply appropriate accounting treatment (as described on page 42 in the Audit Committee's Report). The investment income receivable by the Company during the period directly drives the Company's ability to make a dividend payment to shareholders. Most of the Company's income is received in the form of dividends and option premiums, being £24.69m (2016: £22.98m) and £1.97m (2016: £1.77m) respectively for the year. Special dividends by their nature require the exercise of judgement as to whether the income receivable should be classified as 'revenue' or 'capital'. The Company's policy for options is for the premium received to be recognised over the life of the option in the revenue column of the Statement of Comprehensive Income. During the year, the Company received four special dividends with an aggregate value of £1.50m (2016: five special dividends with an aggregate value of £0.59m). There is also a risk that inappropriate journal entries could result in a misstatement of revenue.	We have performed the following procedures: We reviewed the process in place at both the Manager and Administrator to identify and account for revenue including special dividends and option premiums. We agreed a sample of dividends receipts to the corresponding announcement made by the investee company and agreed the cash received to bank statements. We agreed, on a sample basis, investee company dividend announcements and coupon details from an independent source to the income recorded by the Company. For all dividends accrued at year end, we reviewed the investee company announcements to assess whether the dividend obligation arose prior to 30 June 2017. We agreed a sample of accrued dividends to post year end bank statements to assess the recoverability of these amounts. We recalculated a sample of option premiums received, reviewed the accounting treatment and agreed the receipts to bank statements. We reviewed the income report for all material dividends and checked these	The results of our procedures are: We have no matters to communicate with respect to our assessment of the Administrator's and Manager's processes and controls surrounding revenue recognition including special dividends and option premiums We noted no issues in agreeing the sample of dividend receipts to investee company announcements or in agreeing the cash received to bank statements. We noted no issues in agreeing the sample of investee company announcements and coupon details from an independent sources to the income recorded by the Company. We noted no issues in agreeing the dividends accrued at the year end to company announcements or in agreeing a sample of these to bank statements. We noted no issues in recalculating the sample of option premiums, in our review of the accounting treatment or in agreeing the receipts to bank statements. We agreed with the allocation of the special dividends in our sample to revenue and capital.

Independent Auditor's Report to the Members of Murray Income Trust PLC continued

	against an independent source to determine if any were special dividends. We also reviewed the book cost reconciliation for any evidence of any special dividends treated as capital. We reviewed the accounting treatment applied for the special dividends which were above our testing threshold. We agreed, on a sample basis, revenue journal entries on the journal download for the year back to the income report and the details from the income report to the corresponding announcements made by the investee company. We reviewed the Company's accounting policies with respect to revenue recognition, including special dividends, to ensure that these have been applied as stated throughout the year and are in line with FRS 102 and the AIC SORP.	We noted no issues in agreeing the sample of revenue journal entries back to the details from the income report to the correspondence announcements made by the investee company. We noted no issues with the application of the Company's accounting policies with respect to revenue recognition, including special dividends, or in compliance with FRS 102 and the AIC SORP.
Incorrect valuation and existence of the investment portfolio (as described on page 42 in the Audit Committee's Report). The valuation of the assets held in the investment portfolio is the key driver of the Company's net asset value and total return. Incorrect asset pricing or a failure to maintain proper legal title of the assets held by the Company could have a significant impact on the portfolio valuation and the return generated for shareholders. The valuation of the portfolio at 30 June 2017 was £595.37m (2016: £553.53m) consisting of listed equities.	We performed the following procedures: We have reviewed the process in place at both the Manager and Administrator in relation to the pricing of investments. For all investments in the portfolio, we compared the market values and exchange rates applied to an independent source. We agreed the Company's investments to the independent confirmations received from the Company's Depositary as at 30 June 2017. We reviewed the Company's investment portfolio to confirm the correct application of the Company's accounting policy, FRS102 and the AIC SORP with respect to valuation.	The results of our procedures are: We have no matters to communicate with respect to our assessment of the Administrator's and Manager's processes and controls surrounding investment pricing. For all investments, we noted no material differences in market value or exchange rates when compared to an independent source. We noted no differences between the Depositary confirmations and the Company's underlying financial records. We noted no issues with the application of the Company's accounting policy with respect to valuation, or compliance with FRS 102 and the AIC SORP.

The scope of our audit

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Company. Taken together, this enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation and effectiveness of controls, changes in the business environment and other factors when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Company to be £5.76m (2016: £5.15m) which is 1% (2016: 1%) of equity shareholders' funds. We have used equity shareholders' funds as the basis for setting materiality since it is the basis for the key measurement of the Company's performance.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 75% (2016: 75%) of our planning materiality, namely £4.32m (2016: £3.86m). We have set performance materiality at this percentage due to our past experience of the audit that indicates a lower risk of misstatements, both corrected and uncorrected.

Given the importance of the distinction between revenue and capital for the Company we also applied a separate testing threshold of £1.29m (2016: £1.10m) for the revenue column of the Statement of Comprehensive Income, being 5% of the revenue return on ordinary activities before taxation.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.29m (2016: £0.26m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report including the Strategic Report, Portfolio and Governance sections, as set out on page 7 to 43, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Independent Auditor’s Report to the Members of Murray Income Trust PLC continued

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable [set out on page 32]** – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company’s performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or

- **Audit committee reporting [set out on page 41]** – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee ; or

- **Directors’ statement of compliance with the UK Corporate Governance Code [set out on page 34]** – the parts of the directors’ statement required under the Listing Rules relating to the Company’s compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors’ Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and

based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors’ Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Strategic Report and the Directors’ Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report as set out on pages 7 to 21 or in the Directors’ Report as set out on pages 33 to 38.

We are required to report to you if, in our opinion:
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors’ Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors’ remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

- As explained more fully in the Directors’ Responsibilities Statement set out on page 32, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view in accordance with FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland”, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

- In preparing the financial statements, the directors are responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

- Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are the Companies Act 2006, the Listing Rules, the UK Corporate Governance Code and section 1158 of the Corporation Tax Act 2010.

- We understood how the Company is complying with those frameworks through discussions with the Audit Committee and Company Secretary and review of the Company's documented policies and procedures.

- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of the reporting to the Directors with respect to the application of the documented policies and procedures and review of the financial statements to ensure compliance with the reporting requirements of the Company.

- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements. We identified a fraud risk with respect to incomplete or inaccurate revenue recognition relating to the allocation of special dividends, calculation and allocation of option premiums or inappropriate journal entries. Further discussion of our approach is set out in the section on key audit matters above.

A further description of our responsibilities for the audit of the financial statements is located on the

- Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters we are required to address

- Following the recommendation of the audit committee, we were appointed as auditors by the Audit Committee and signed an engagement letter on 31 August 2017. We were reappointed by the Company at the AGM on 1 November 2016 to audit the financial statements for the year ending 30 June 2017 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments is 94 years, covering the years ending 1923 to 2017.

- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting the audit.

- The audit opinion is consistent with the additional report to the audit committee.

Caroline Mercer (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Edinburgh

12 September 2017

Financial Statements

The Company's NAV rose by 16.7% in the year ended 30 June 2017 compared to a rise in the benchmark of 18.1% (all figures in Sterling total return terms).

This image shows a section of the BP ETAP (Eastern Trough Area Project) oil platform in the North Sea, around 100 miles east of Aberdeen. BP's main activities are split between exploration and production of crude oil and natural gas and refining, marketing, supply and transportation of petroleum products.

Statement of Comprehensive Income

		Year ended 30 June 2017			Year ended 30 June 2016		
		Revenue	Capital	Total	Revenue	Capital	Total
	Notes	£'000	£'000	£'000	£'000	£'000	£'000
Gains on investments	10	–	69,251	69,251	–	6,899	6,899
Currency (losses)/gains		–	(2,022)	(2,022)	–	150	150
Income	3	26,667	–	26,667	24,838	–	24,838
Investment management fees	4	(1,419)	(1,419)	(2,838)	(1,302)	(1,302)	(2,604)
Administrative expenses	5	(1,136)	–	(1,136)	(1,145)	–	(1,145)
Net return on ordinary activities before finance costs and tax		24,112	65,810	89,922	22,391	5,747	28,138
Finance costs	6	(241)	(241)	(482)	(328)	(328)	(656)
Net return on ordinary activities before tax		23,871	65,569	89,440	22,063	5,419	27,482
Tax expense	8	(458)	–	(458)	(339)	–	(339)
Net return on ordinary activities after tax		**23,413**	**65,569**	**88,982**	**21,724**	**5,419**	**27,143**
Return per Ordinary share (pence)	9	**34.9**	**97.8**	**132.7**	**32.0**	**8.0**	**40.0**

The total column of this statement represents the profit and loss account of the Company. The 'Revenue' and 'Capital' columns represent supplementary information prepared under guidance issued by the Association of Investment Companies.

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

No operations were acquired or discontinued in the year.

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

Statement of Financial Position

	Notes	As at 30 June 2017 £'000	As at 30 June 2016 £'000
Non-current assets			
Investments at fair value through profit or loss	10	595,367	553,527
Current assets			
Other debtors and receivables	11	3,301	7,203
Cash and short term deposits		25,801	10,270
		29,102	17,473
Creditors: amounts falling due within one year			
Other payables	12	(881)	(964)
Bank loans	12	(47,126)	(55,000)
		(48,007)	(55,964)
Net current liabilities		(18,905)	(38,491)
Net assets		**576,462**	**515,036**
Share capital and reserves			
Called-up share capital	13	17,148	17,148
Share premium account		24,020	24,020
Capital redemption reserve		4,997	4,997
Capital reserve	14	504,943	440,595
Revenue reserve		25,354	28,276
Equity shareholders' funds		**576,462**	**515,036**
Net asset value per Ordinary share (pence)	15	**860.1**	**766.5**

The financial statements were approved by the Board of Directors and authorised for issue on 12 September 2017 and were signed on its behalf by:

N A Honebon
Chairman

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

Statement of Changes in Equity

For the year ended 30 June 2017

	Notes	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 tax		–	–	–	65,569	23,413	88,982
Buyback of Ordinary shares for treasury		–	–	–	(1,221)	–	(1,221)
Dividends paid	7	–	–	–	–	(26,335)	(26,335)
Balance at 30 June 2017		**17,148**	**24,020**	**4,997**	**504,943**	**25,354**	**576,462**

For the year ended 30 June 2016

		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 tax		–	–	–	5,419	21,724	27,143
Buyback of Ordinary shares for treasury		–	–	–	(6,207)	–	(6,207)
Dividends paid	7	–	–	–	–	(21,788)	(21,788)
Balance at 30 June 2016		**17,148**	**24,020**	**4,997**	**440,595**	**28,276**	**515,036**

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

Statement of Cash Flows

	Notes	Year ended 30 June 2017 £'000	Year ended 30 June 2016 £'000
Net return before finance costs and taxation		89,922	28,138
Increase/(decrease) in accrued expenses		11	(33)
Overseas withholding tax		(529)	(405)
Dividends income	3	(24,686)	(22,982)
Dividends received		23,977	22,928
Interest income	3	(8)	(46)
Interest received		6	46
Interest paid		(473)	(659)
Gains on investments	10	(69,251)	(6,899)
Foreign exchange losses on loans		2,126	–
Decrease in other debtors		4,683	66
Stock dividends included in investment income	3	(1,186)	(1,095)
Net cash inflow from operating activities		24,592	19,059
Investing activities			
Purchases of investments		(72,302)	(49,539)
Sales of investments		100,797	50,871
Net cash inflow from investing activities		28,495	1,332
Financing activities			
Dividends paid	7	(26,335)	(21,788)
Buyback of Ordinary shares	13	(1,221)	(6,207)
Repayment of bank loans		(10,000)	–
Net cash outflow from financing activities		(37,556)	(27,995)
Increase/(decrease) in cash		**15,531**	**(7,604)**
Analysis of changes in cash during the year			
Opening balance		10,270	17,874
Increase/(decrease) in cash as above		15,531	(7,604)
Closing balance		**25,801**	**10,270**

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

Notes to the Financial Statements For the year ended 30 June 2017

1. **Principal activity**

The Company is a closed-end investment company, registered in Scotland No 012725, with its Ordinary shares being listed on the London Stock Exchange.

2. **Accounting policies**

(a) Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 102 and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued in November 2014 and updated in January 2017 with consequential amendments. The financial statements are prepared in Sterling which is the functional currency of the Company and rounded to the nearest £'000. 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.

(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. Where the Company has elected to receive dividends in the form of additional shares rather than cash, the amount of the cash dividend foregone is recognised as revenue and any residual amount is recognised as capital. Provision is made for any dividends not expected to be received. Special dividends are credited to capital or revenue, according to the circumstances. Dividend revenue is presented gross of any non-recoverable withholding taxes, which are disclosed separately within the Statement of Comprehensive Income.

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. All expenses are charged through the revenue column of the Statement of Comprehensive Income except as follows:

- transaction costs on the acquisition or disposal of investments are recognised as a capital item in the Statement of Comprehensive Income.
- expenses are charged as a capital item in the Statement of Comprehensive Income 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 capital to reflect the Company's investment policy and prospective income and capital growth.

(d) Taxation

The tax expense represents the sum of tax currently payable and deferred tax. Any tax payable is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that were applicable at the Statement of Financial Position date.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the Statement of Financial Position 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 Statement of Financial Position 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 Statement of Financial Position date.

Due to the Company's status as an investment trust company and the intention to continue meeting the conditions required to obtain approval in the foreseeable future, the Company has not provided deferred tax on any capital gains and losses arising on the revaluation or disposal of investments.

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

(e) Valuation of investments

All investments have been designated upon initial recognition at fair value through profit or loss. This is done because all investments are considered to form part of a group of financial assets which is evaluated on a fair value basis, in accordance with the Company's documented investment strategy, and information about the grouping is provided internally on that basis. Investments are recognised and de-recognised at trade date where a purchase or sale is under a contract whose terms require delivery within the timeframe established by the market concerned, and are measured initially at fair value. Subsequent to initial recognition, investments are valued at fair value through profit or loss. For listed investments, this is deemed to be bid market prices or closing prices for SETS (London Stock Exchange's electronic trading service) stocks sourced from the London Stock Exchange. Gains and losses arising from changes in fair value are included in the net return for the period as a capital item in the Statement of Comprehensive Income and are ultimately recognised in the capital reserve.

(f) Cash and cash equivalents

Cash comprises cash in hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to insignificant risk of change in value.

(g) Borrowings

Short-term borrowings, which comprise interest bearing bank loans and overdrafts are recognised initially at the fair value of the consideration received, net of any issue expenses, and subsequently at amortised cost using the effective interest method. The finance costs, being the difference between the net proceeds of borrowings and the total amount of payments that require to be made in respect of those borrowings, accrue evenly over the life of the borrowings and are allocated 50% to revenue and 50% to capital.

(h) Traded options

The Company may enter into certain derivative contracts (eg options) to gain exposure to the market. The option contracts are classified as fair value through profit or loss, held for trading, and accounted for as separate derivative contracts and are therefore shown in other assets or other liabilities at their fair value ie market value. The premium received on the open position is recognised over the life of the option in the revenue column of the Statement of Comprehensive Income along with fair value changes in the open position which occur due to the movement in underlying securities. Losses realised on the exercise of the contracts are recorded in the capital column of the Statement of Comprehensive Income as they arise. Where the Company enters into derivative contracts to manage market risk, gains or losses arising on such contracts are recorded in the capital column of the Statement of Comprehensive Income.

(i) Segmental reporting

The Directors are of the opinion that the Company is engaged in a single segment of business activity, being investment business. Consequently, no business segmental analysis is provided.

(j) Nature and purpose of reserves

Capital redemption reserve

The capital redemption reserve arose when Ordinary shares were redeemed, at which point an amount equal to the par value of the Ordinary share capital was transferred from the Statement of Comprehensive Income to the capital redemption reserve.

Capital reserve

This reserve reflects any gains or losses on investments realised in the period along with any movement in the fair value of investments held that have been recognised in the Statement of Comprehensive Income. These include gains and losses from foreign currency exchange differences. Additionally, expenses, including finance costs, are charged to this reserve in accordance with (c) above. The cost of share buybacks to be held in treasury are also deducted from this reserve.

Revenue reserve

This reserve reflects all income and costs which are recognised in the revenue column of the Statement of Comprehensive Income. The revenue reserve represents the amount of the Company's reserves distributable by way of dividend.

(k) Treasury shares

When the Company purchases the Company's equity share capital as treasury shares, the amount of the consideration paid, which includes directly attributable costs, is net of any tax effects, and is recognised as a deduction from equity. When these shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to or from the capital reserve.

(l) Dividends payable

Dividends are recognised from the date on which they are approved by Shareholders. Interim dividends are recognised when paid.

(m) Foreign currency

Transactions in foreign currencies are converted to Sterling at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities and non-monetary assets held at fair value denominated in foreign currencies are translated into Sterling at rates of exchange ruling at the Statement of Financial Position date. Exchange gains and losses are taken to the Statement of Comprehensive Income as a capital or revenue item depending on the nature of the underlying item.

3. Income	2017 £'000	2016 £'000
Income from investments		
UK dividends (all listed)	18,874	17,551
Property income dividends	291	263
Overseas dividends (all listed)	4,335	4,073
Stock dividends	1,186	1,095
	24,686	22,982
Other income		
Deposit interest	8	46
Underwriting income	–	41
Traded option premiums	1,973	1,769
	1,981	1,856
Total income	**26,667**	**24,838**

During the year, the Company received premiums totalling £1,973,000 (2016 – £1,769,000) in exchange for entering into derivative transactions. At the year end there were no open positions (2016 – same).

Notes to the Financial Statements continued

4. Management fee	2017 Revenue £'000	2017 Capital £'000	2017 Total £'000	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000
Management fee	1,419	1,419	2,838	1,302	1,302	2,604

The management fee is based on 0.55% per annum for net assets up to £400 million, 0.45% per annum on the next £150 million of net assets and 0.25% per annum for funds over £550 million, calculated and paid monthly. The fee is allocated 50% to revenue and 50% to capital. The management agreement is terminable on three months' notice. The total of the fees paid and payable during the year to 30 June 2017 was £2,838,000 (2016 – £2,604,000) and the balance due to AFML at the year end was £244,000 (2016 – £225,000).

Under the terms of the management agreement, the value of the Company's investments in commonly managed funds is excluded from the calculation of the management fee. The Company held one such commonly managed fund, Dunedin Smaller Companies Investment Trust PLC, at the year end which was valued at £4,020,000 (2016 – £3,226,000).

Following a review, a revision of the management fee arrangements has been agreed by the Company and the Manager. With effect from 1 January 2018, the management fee will be based on 0.55% per annum for net assets up to £350 million, 0.45% per annum on the next £100 million of net assets and 0.25% per annum for funds over £450 million, calculated and paid monthly.

5. Administrative expenses	2017 £'000	2016 £'000
Shareholders' services[A]	558	571
Directors' remuneration	157	143
Secretarial fees[B]	90	90
Auditor's remuneration:		
• fees payable to the Company's auditor for the audit of the Company's annual accounts	22	22
Non-audit services		
• fees payable to the Company's auditor and its associates for iXBRL tagging services	2	2
Other expenses	307	317
	1,136	1,145

[A] Includes registration, savings scheme and other wrapper administration and promotion expenses, of which £480,000 (2016 – £481,000) was paid to Aberdeen Asset Managers Limited ("AAML") under a delegation agreement with AFML to cover promotional activities during the year. There was £120,000 (2016 – £120,000) due to AAML in respect of these promotional activities at the year end.

[B] Payable to AFML, balance outstanding £23,000 (2016 – £23,000) at the year end.

With the exception of Auditor's remuneration for the statutory audit, all of the expenses above, including fees for non–audit services, include irrecoverable VAT where applicable. For the Auditor's remuneration for the statutory audit irrecoverable VAT amounted to £4,000 (2016 – £4,000).

6. Finance costs	2017 Revenue £'000	2017 Capital £'000	2017 Total £'000	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000
Bank loans	241	241	482	328	328	656

7. Ordinary dividends on equity shares	2017 £'000	2016 £'000
Third interim 2016 of 7.00p (2015 – 7.00p)	4,705	4,770
Final 2016 of 11.25p (2015 – 11.00p)	7,554	7,496
First interim 2017 of 7.00p (2016 – 7.00p)	4,692	4,770
Second interim 2017 of 7.00p (2016 – 7.00p)	4,692	4,752
Third interim 2017 of 7.00p	4,692	–
	26,335	**21,788**

The proposed final dividend for 2017 has not been included as a liability in these financial statements as it was not payable until after the reporting date. The proposed final dividend for 2017 is subject to approval by shareholders at the Annual General Meeting.

Set out below are the total dividends paid and proposed in respect of the financial year, which is the basis on which the requirements of Section 1158–1159 of the Corporation Tax Act 2010 are considered. The revenue available for distribution by way of dividend for the year is £23,413,000 (2016 – £21,724,000).

	2017 £'000	2016 £'000
Three interim dividends of 7.00p each (2016 – 7.00p)	14,076	14,227
Proposed final dividend of 11.75p (2016 – 11.25p)	7,875	7,559
	21,951	**21,786**

The amount reflected above for the cost of the proposed final dividend for 2017 is based on 67,022,458 Ordinary shares, being the number of Ordinary shares in issue at the date of this Report.

		2017			2016	
	Revenue	Capital	Total	Revenue	Capital	Total
8. Tax expense	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
(a) Analysis of charge for the year						
Overseas tax suffered	727	–	727	543	–	543
Overseas tax reclaimable	(269)	–	(269)	(204)	–	(204)
Total tax charge for the year	**458**	**–**	**458**	**339**	**–**	**339**

(b) Factors affecting the tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax rate of 19.75% (2016 – 20%). The differences are explained as follows:

	2017 Revenue £'000	2017 Capital £'000	2017 Total £'000	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000
Net profit on ordinary activities before taxation	23,871	65,569	89,440	22,063	5,419	27,482
Return on ordinary activities multiplied by the standard rate of corporation tax of 19.75% (2016 – 20%)	4,715	12,950	17,665	4,413	1,084	5,497
Effects of:						
Non-taxable UK dividends	(3,728)	–	(3,728)	(3,510)	–	(3,510)
Non-taxable stock dividends	(234)	–	(234)	(219)	–	(219)
Non-taxable overseas dividends	(856)	–	(856)	(815)	–	(815)
Expenses not deductible for tax purposes	1	–	1	–	–	–
Movement in unutilised loan relationships	45	48	93	58	66	124
Movement in unutilised management expenses	54	280	334	73	260	333
Movement in income taxable in different periods	3	–	3	–	–	–
Gains on investments not taxable	–	(13,278)	(13,278)	–	(1,410)	(1,410)
Overseas tax payable	458	–	458	339	–	339
Total tax charge	**458**	**–**	**458**	**339**	**–**	**339**

(c) **Factors that may affect future tax charges**

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

The Company has not provided for deferred tax on capital gains or losses arising on the revaluation or disposal of investments as it is exempt from tax on these items because of its status as an investment trust company.

At the year end, the Company has, for taxation purposes only, accumulated unrelieved management expenses and loan relationship deficits of £61,224,000 (2016 – £58,898,000). A deferred tax asset in respect of this has not been recognised and these expenses will only be utilised if the Company has profits chargeable to corporation tax in the future. It is considered too uncertain that the Company will generate such profits and therefore no deferred tax asset has been recognised.

9. **Return per Ordinary share**	2017 £'000	2017 p	2016 £'000	2016 p
Returns are based on the following figures:				
Revenue return	23,413	34.9	21,724	32.0
Capital return	65,569	97.8	5,419	8.0
Total return	**88,982**	**132.7**	**27,143**	**40.0**
Weighted average number of Ordinary shares in issue		**67,062,118**		**67,867,787**

10. Investments	2017 £'000	2016 £'000
Held at fair value through profit or loss:		
Opening valuation	553,527	547,339
Opening investment holdings gains	(148,930)	(133,099)
Opening book cost	404,597	414,240
Movements during the year:		
Purchases at cost	73,386	50,160
Sales – proceeds	(100,797)	(50,871)
Sales – gains/(losses)	27,025	(8,932)
Closing book cost	404,211	404,597
Closing investment holdings gains	191,156	148,930
Closing valuation	**595,367**	**553,527**

The portfolio valuation:	2017 £'000	2016 £'000
UK equities	502,967	467,464
Overseas equities	92,400	86,063
Total	**595,367**	**553,527**

Gains/(losses) on investments	2017 £'000	2016 £'000
Gains/(losses) based on book cost	27,025	(8,932)
Net movement in investment holdings gains	42,226	15,831
	69,251	**6,899**

The Company may write and purchase both exchange traded and over the counter derivative contracts as part of its investment policy. The Company pledges collateral greater than the market value of the traded options in accordance with standard commercial practice. At 30 June 2017, financial assets were pledged with Credit Suisse. The liability of collateral held at the year end was £nil as no open positions existed (2016 – same). The collateral position is monitored on a daily basis, which then determines if further assets are required to be pledged over and above those already pledged.

Transaction costs

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

	2017 £'000	2016 £'000
Purchases	312	272
Sales	57	42
	369	**314**

11. Other debtors and receivables	2017 £'000	2016 £'000
Prepayments and accrued income	**3,301**	**7,203**

Notes to the Financial Statements continued

		2017	2016
12.	**Creditors: amounts falling due within one year**	**£'000**	**£'000**
	Other creditors	522	503
	Amounts due to brokers	359	461
	Bank loans	47,126	55,000
		48,007	**55,964**

At 30 June 2017 the Company had drawn down £47,126,000 (30 June 2016 – £55,000,000) of an £80,000,000 multi-currency unsecured revolving bank credit facility with The Royal Bank of Scotland PLC, which is committed to the Company until 15 September 2017. Under the terms of the agreement, advances from the facility may be made for periods of up to six months or for such longer periods agreed by the lender. With effect from 6 September 2016 the Company has drawn down the loan in four foreign currencies; Swiss Francs, Euros, Swedish Krona and US Dollars. An equivalent of £10,000,000 was repaid on 6 June 2017.

As at 30 June 2017, the Company had drawn down the following amounts from the facility, all with a maturity date of 10 July 2017:
– Swiss Franc 19,226,000 at an all-in rate of 0.5%
– Euro 12,884,000 at an all-in rate of 0.5%
– Swedish Krona 131,255,000 at an all-in rate of 0.5%
– US Dollar 10,881,000 at an all-in rate of 1.596%

At the date this Report was approved, the Company had drawn down the following amounts from the facility, all with a maturity date of 22 September 2017:
– Swiss Franc 19,226,000 at an all-in rate of 0.5%
– Euro 12,884,000 at an all-in rate of 0.5%
– Swedish Krona 131,255,000 at an all-in rate of 0.5%
– US Dollar 10,881,000 at an all-in rate of 1.74151%

Financial covenants contained within the loan agreement provide, inter alia, that borrowings to net assets must not exceed 30% (30 June 2017 – 8.2%; 30 June 2016 – 10.7%) and that net assets must exceed £225 million (30 June 2017 – £576 million; 30 June 2016 – £515 million). All financial covenants were met during the year and also during the period from the year end to the date of this report.

		2017		2016	
13.	**Called-up share capital**	**Shares**	**£'000**	**Shares**	**£'000**
	Allotted, called-up and fully-paid				
	Ordinary shares of 25p each: publicly held	67,022,458	16,756	67,192,458	16,798
	Ordinary shares of 25p each: held in treasury	1,571,000	392	1,401,000	350
		68,593,458	**17,148**	**68,593,458**	**17,148**

During the year there were 170,000 Ordinary shares repurchased (2016 – 950,000) to be held in treasury by the Company at a total cost of £1,221,000 (2016 – £6,207,000) representing 0.2% (2016 – 1.4%) of called-up share capital. The Company's policy relating to the purchase of its own Ordinary shares is detailed on pages 37 and 38.

14. Capital reserve	2017 £'000	2016 £'000
At 1 July 2016	**440,595**	**441,383**
Movement in investment holding gains	42,226	15,831
Gains/(losses) on realisation of investments at fair value	27,025	(8,932)
Currency (losses)/gains	(2,022)	150
Finance costs of bank loan	(241)	(328)
Buyback of shares	(1,221)	(6,207)
Investment management fees	(1,419)	(1,302)
At 30 June 2017	**504,943**	**440,595**

15. Net asset value per share

The net asset value per Ordinary share and the net asset value attributable to the Ordinary shares at the year end were as follows:

	2017	2016
Net asset value attributable (£'000)	576,462	515,036
Number of Ordinary shares in issue (note 13)	67,022,458	67,192,458
Net asset value per share (p)	860.1	766.5

16. Financial instruments

Risk management

The Company's investment activities expose it to various types of financial risk associated with the financial instruments and markets in which it invests. 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, subject to Board approval, for the purpose of enhancing portfolio returns and for hedging purposes in a manner consistent with the Company's broader investment policy.

As at 30 June 2017 there were no open positions in derivatives transactions (2016 – same).

Risk management framework

The directors of Aberdeen Fund Managers Limited collectively assume responsibility for AFML's obligations under the AIFMD including reviewing investment performance and monitoring the Company's risk profile during the year.

AFML is a fully integrated member of the Aberdeen Group, which provides a variety of services and support to AFML in the conduct of its business activities, including in the oversight of the risk management framework for the Company. The AIFM has delegated the day to day administration of the investment policy to Aberdeen Asset Managers Limited, which is responsible for ensuring that the Company is managed within the terms of its investment guidelines and the limits set out in its pre-investment disclosures to investors (details of which can be found on the Company's website). The AIFM has retained responsibility for monitoring and oversight of investment performance, product risk and regulatory and operational risk for the Company.

The Group's Internal Audit Department is independent of the Risk Division and reports directly to the Group CEO and to the Audit Committee of the Group's Board of Directors. The Internal Audit Department is responsible for providing an independent assessment of the Group's control environment.

The Manager conducts its risk oversight function through the operation of the Group's risk management processes and systems which are embedded within the Group's operations. The Group's Risk Division supports management in the identification and mitigation of risks and provides independent monitoring of the business. The Division includes Compliance, Business Risk, Market Risk, Risk Management and Legal. The team is headed up by the Group's Head of Risk, who reports to the Chief Executive Officer of the Group. The Risk Division achieves its objective through embedding the Risk Management Framework throughout the organisation using the Group's operational risk management system ("SWORD").

The Group's corporate governance structure is supported by several committees to assist the board of directors of Aberdeen, its subsidiaries and the Company to fulfil their roles and responsibilities. The Group's Risk Division is represented on all committees, with the exception of those committees that deal with investment recommendations. The specific goals and guidelines on the functioning of those committees are described in the committees' terms of reference.

Risk management

The main risks the Company faces from these financial instruments are (i) market risk (comprising interest rate, foreign currency and other price risk), (ii) liquidity risk and (iii) credit risk.

In order 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. It is the Board's policy to hold an appropriate spread of investments in the portfolio in order to reduce the risk arising from factors specific to a particular sector. The Attribution Analysis, detailing the allocation of assets and the stock selection, is shown in the Performance Attribution table on page 16. The Investment Manager actively monitors market prices throughout the year and reports to the Board, which meets regularly in order to consider investment strategy. Current strategy is detailed in the Chairman's Statement on pages 4 and 5 in the sections headed "Performance", "Dividend" and "Outlook" and in the Investment Manager's Report on pages 15 to 19 in the sections headed "Background", "Performance", "Portfolio Activity and Structure", "Income" and "Outlook".

The Board has agreed the parameters for net gearing/cash, which was 3.7% of net assets as at 30 June 2017 (2016 – 8.7%). The Manager's policies for managing these risks are summarised below and have been applied throughout the current and previous year. The numerical disclosures in the tables listed below exclude short-term debtors and creditors.

Market 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 7. Adherence to investment guidelines and to investment and borrowing powers set out in the management agreement mitigates the risk of exposure to any particular security or issuer. Further information on the investment portfolio is set out in the Investment Manager's Report on pages 15 to 19.

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 26 and an analysis of the equity portfolio by sector is on pages 24 and 25.

Interest rate risk

Interest rate movements may affect:

- the level of income receivable on cash deposits;
- interest payable on the Company's variable rate borrowings; and
- the fair value of any investments in fixed interest rate securities.

Management of the risk

The possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account when making investment and borrowing decisions. Details of the bank loan and interest rates applicable can be found in note 12 on page 62.

The Board imposes borrowing limits to ensure gearing levels are appropriate to market conditions and reviews these on a regular basis. Interest rate risk is the risk of movements in the value of financial instruments as a result of fluctuations in interest rates.

Financial assets

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

	Floating rate		Non-interest bearing	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Danish Krone	17	–	17,408	2,946
Euro	292	126	5,003	12,581
Sterling	25,158	9,943	502,967	467,464
Swedish Krona	22	–	25,139	16,972
Swiss Francs	205	132	29,421	29,827
US Dollars	107	69	15,429	23,737
Total	**25,801**	**10,270**	**595,367**	**553,527**

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.

Financial liabilities

The Company has borrowings by way of a loan facility, details of which are in note 12. The fair value of this loan has been calculated at £47,126,000 as at 30 June 2017 (2016 – £55,000,000). The fair value of the loan equates to the cost as the loans are rolled over on a regular basis.

Interest rate sensitivity

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant in the case of instruments that have floating rates.

If interest rates had been 100 basis points higher or lower and all other variables were held constant, the Company's profit before tax for the year ended 30 June 2017 and net assets would decrease/increase by £213,000 (2016 – decrease/increase by £447,000). This is mainly attributable to the Company's exposure to interest rates on its floating rate cash balances and borrowings.

Foreign currency risk

A proportion of the Company's investment portfolio is invested in overseas securities whose values are subject to fluctuation due to changes in foreign exchange rates. In addition, the impact of changes in foreign exchange rates upon the profits of investee companies can result, indirectly, in changes in their valuations. Consequently the Statement of Financial Position can be affected by movements in exchange rates.

Management of the risk

The revenue account is subject to currency fluctuations arising on dividends receivable in foreign currencies and, indirectly, due to the impact of foreign exchange rates upon the profits of investee companies. It is not the Company's policy to hedge this currency risk but the Board keeps under review the currency returns in both capital and income.

Foreign currency risk exposure by currency of denomination excluding other debtors and receivables and other payables falling due within one year:

	30 June 2017 Investments £'000	Net monetary liabilities £'000	Total currency exposure £'000	30 June 2016 Investments £'000	Net monetary liabilities £'000	Total currency exposure £'000
Danish Krone	17,408	17	17,425	2,946	–	2,946
Euro	5,003	(11,021)	(6,018)	12,581	126	12,707
Swedish Krona	25,139	(11,958)	13,181	16,972	–	16,972
Swiss Francs	29,421	(15,251)	14,170	29,827	132	29,959
US Dollars	15,429	(8,270)	7,159	23,737	69	23,806
Total	**92,400**	**(46,483)**	**45,917**	**86,063**	**327**	**86,390**

Foreign currency sensitivity

The following table details the impact on the Company's net assets to a 10% decrease (in the context of a 10% increase the figures below should all be read as negative) in Sterling against the foreign currencies in which the Company has exposure. The sensitivity analysis includes foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

	2017 £'000	2016 £'000
Danish Krone	1,743	295
Euro	(602)	1,271
Swedish Krona	1,318	1,697
Swiss Francs	1,417	2,996
US Dollars	716	2,381
Total	**4,592**	**8,640**

Other price risk

Other price risks (ie changes in market prices other than those arising from interest rate or currency risk) may affect the value of the quoted investments.

Management of the risk

It is the Board's policy to hold an appropriate spread of investments in the portfolio in order to reduce the risk arising from factors specific to a particular sector. The allocation of assets to international markets and the stock selection process, as detailed in the section "Investment Process" on page 72, both act to reduce market risk. The Manager actively monitors market prices throughout the year and reports to the Board, which meets regularly in order to review investment strategy.

Other price risk sensitivity

If market prices at the reporting date had been 10% higher or lower while all other variables remained constant, the return attributable to Ordinary shareholders and equity for the year ended 30 June 2017 would have increased/decreased by £59,537,000 (2016 – £55,353,000).

Liquidity risk

This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities.

	Within 3 months 2017 £'000	Within 3 months 2016 £'000
Bank loans	47,126	55,000
Interest cash flows on bank loans	28	46
	47,154	**55,046**

Management of the 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.

As at 30 June 2017 the Company utilised £47,126,000 (2016 – £55,000,000) of a £80,000,000 multi–currency revolving bank credit facility, which is committed until 15 September 2017. Interest is charged at a variable rate based on ICE LIBOR plus a margin of 0.5% for the Swiss Franc, Euro and Swedish Krona loans and ICE STIBOR plus a margin of 0.5% for the US Dollar loan (2016 – LIBOR plus margin of 0.5% on Sterling loan) for the relevant period of the advance. As at 30 June 2017 the rate on the Swiss Franc, Euro and Swedish Krona loans was 0.5% and the rate on the US Dollar loan was 1.596% (2016 – 1.01092% on Sterling loan) and the loan rolled over on 10 July 2017 (2016 – rolled on 22 July 2016). The aggregate of all future interest payments at the rate ruling at 30 June 2017 and the redemption of the loan amounted to £47,154,000 (2016 – £55,046,000).

Credit risk

This is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Management of the risk

The risk is mitigated by the Investment Manager reviewing the credit ratings of counterparties. The risk attached to dividend flows is mitigated by the Investment Manager's research of potential investee companies. The Company's custodian bank is responsible for the collection of income on behalf of the Company and its performance is reviewed by the Board on a regular basis. It is the Manager's policy to trade only with A– and above (Long Term rated) and A–1/P–1 (Short Term rated) counterparties. The maximum credit risk at 30 June 2017 is £28,425,000 (30 June 2016 – £12,185,000) consisting of £2,624,000 (2016 – £1,915,000) of dividends receivable from equity shares and £25,801,000 (2016 – £10,270,000) in cash held.

None of the Company's financial assets are past due or impaired (2016 – £nil).

17. 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 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 Statement of Financial Position are grouped into the fair value hierarchy at the reporting date as follows:

Notes to the Financial Statements continued

For the year ended 30 June 2017

	Note	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit or loss					
Quoted equities	a)	595,367	–	–	595,367
Net fair value		**595,367**	**–**	**–**	**595,367**

For the year ended 30 June 2016

	Note	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit or loss					
Quoted equities	a)	553,527	–	–	553,527
Net fair value		**553,527**	**–**	**–**	**553,527**

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.

All other financial assets and liabilities of the Company are included in the Statement of Financial Position at their book value which in the opinion of the Directors is not materially different from their fair value.

18. Related party transactions and transactions with the Manager

Fees payable during the year to the Directors and their interests in shares of the Company are considered to be related party transactions and are disclosed within the Directors' Remuneration Report on page 40. The balance of fees due to Directors at the year end was £nil (2016 – £nil).

The Company has agreements with AFML for the provision of management, secretarial, accounting and administration services and promotional activities. Details of transactions during the year and balances outstanding at the year end are disclosed in notes 4 and 5. Details of a future revision in the management fee arrangements are contained in note 4.

19. Capital management policies and procedures

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

The capital of the Company consists of debt, comprising bank loans, and equity, comprising issued capital, reserves and retained earnings. The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The Board monitors and reviews the broad structure of the Company's capital on an ongoing basis. This review includes:
- the planned level of gearing which takes into account the Investment Manager's views on the market;
- the level of equity shares in issue;
- the extent to which revenue in excess of that which is required to be distributed should be retained.

The Company's objectives, policies and processes for managing capital are unchanged from the preceding accounting period.

At the year end financial covenants contained within the loan agreement provide, inter alia, that borrowings to net assets must not exceed 30% and that the net assets must exceed £225 million. As noted in greater detail in note 12 all financial covenants were met during the year and also during the period from the year end to the date of this report.

Corporate Information

The Investment Manager is a subsidiary of Aberdeen Asset Management PLC which merged with Standard Life plc on 14 August 2017 to form Standard Life Aberdeen plc. Assets under the management of the combined investment division, Aberdeen Standard Investments, were equivalent to £581bn at 31 December 2016.

Microsoft Corporation develops, manufactures, licenses, sells, and supports software products. In the Investment Manager's view, the transition to the Cloud provides the company with a new avenue of growth in addition to its more well-known Windows and Office products.

Information from the Investment Manager

Aberdeen Asset Managers Limited

The Investment Manager is a subsidiary of Aberdeen Asset Management PLC which merged with Standard Life plc on 14 August 2017 to form Standard Aberdeen plc. Assets under the management of the combined investment division, Aberdeen Standard Investments, were equivalent to £581bn at 31 December 2016.

An asset manager for today's global opportunities

Standard Life Investments was the investment arm of Standard Life plc, a major UK listed financial services company which started life in 1825. Aberdeen Asset Management plc was formed in 1983 via a management buyout and has grown from a pioneer investor in Asian and emerging markets into a full-service, UK-listed investment house.

Under the Aberdeen Standard Investments brand, we aim to create a pre-eminent world-class investment business, with the scale to deliver the innovation, market insight and responsiveness needed in today's competitive and fast-changing market.

A complete client focus

The investment needs of our clients drive everything we do. We look to support investors with a full range of investment opportunities and solutions, and the highest level of service and support. As a major asset manager, we have the resources to transform new investment ideas into practical investment products and the scale to deliver real value for money to investors.

A global network

Our teams are networked across 50 locations worldwide – a global footprint that ensures we are always close to our clients and the challenges they face. In addition, we have built strategic relationships around the world with major banks, insurers and other investment firms to support the needs of institutional, wholesale, pension and retail investors.

On-the-ground expertise

Employing over 1,000 investment professionals, we can draw upon a breadth of investment talent. Our portfolio managers are located across 24 offices, allowing us to be deeply rooted in every market in which we invest. Focus is placed on undertaking primary, internal research and consideration of the fundamentals underlying any prospective investment.

A highly diversified business

Our business is highly diversified by revenue, asset class, client and geography. This diversification provides us with the resources and resilience to thrive in a competitive and constantly changing investment and regulatory environment. Our commitment to being a market leader in product innovation is aligned to our mission to be a provider of world-class investment solutions.

A leading active asset manager

We retain our shared commitment to active investment management underpinned by fundamental research. Aberdeen Standard Investments will be one of the largest active managers in Europe, offering a comprehensive range of developed and emerging market equities and fixed income, multi-asset, real estate, alternatives and private markets.

A forward-looking partner

The investment landscape changes rapidly. Demand for investment solutions that focus on the specific outcomes that investors wish to achieve has also grown rapidly. Multi-asset, target return, unconstrained and enhanced diversification approaches, are some of the fastest-growing sectors of our market. By combining the strengths of Aberdeen Asset Management and Standard Life Investments, we can lead the way in delivering these next-generation solutions and stay relevant to the evolving needs of our clients.

The Investment Team Senior Manager

Charles Luke

Senior Investment Manager

BA in Economics and Japanese Studies from Leeds University and an MSc in Business and Economic History from the London School of Economics. Joined Aberdeen's Pan European equities team in 2000. He previously worked at Framlington Investment Management.

Information from the Investment Manager continued

The Investment Process

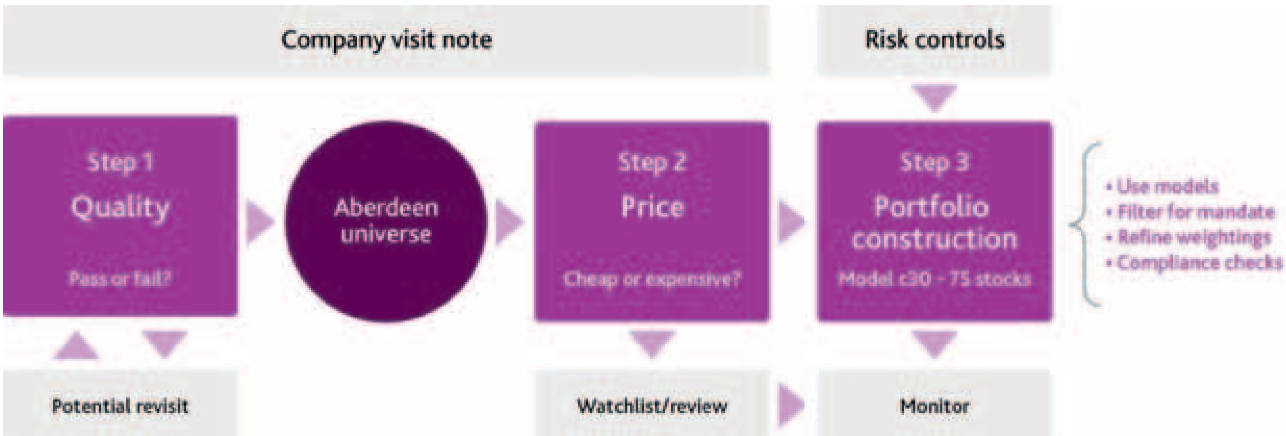
Philosophy and Style

The Manager's investment philosophy is that markets are not always efficient. We believe that superior investment returns are therefore attainable by identifying good companies cheaply, defined in terms of the fundamentals that in our opinion drive share prices over the long term. We undertake substantial due diligence before initiating any investment including company visits in order to assure ourselves of the quality of the prospective investment. We are then careful not to pay too high a price when making the investment. Subsequent to that investment we then keep in close touch with the company, aiming to meet management at least twice a year. Given our long-term fundamental investment philosophy, one would not expect much change in the companies in which we invest. We do, however, take opportunities offered to us by what we see as anomalous price movements within stock markets to either top up or top slice positions, which accounts for the bulk of the activity within the portfolio during the year under review.

Risk Controls

We seek to minimise risk by our in depth research. We do not view divergence from a benchmark as risk – we view investment in poorly run expensive companies that we do not understand as risk. In fact where risk parameters are expressed in benchmark relative terms, asset – including sector – allocation constitutes a significant constraint on stock selection. Hence diversification of stocks provides our main control.

The Manager's performance and investment risk unit independently monitors portfolio positions, and reports monthly. As well as attributing performance it also produces statistical analysis, which is used by the Manager primarily to check the portfolio is behaving as expected, not as a predictive tool.



Investor Information

AIFMD and Pre-Investment Disclosure Document ("PIDD")

The Company has appointed Aberdeen Fund Managers Limited ("AFML") as its AIFM and BNP Paribas, London Branch as its depositary under the AIFMD.

The AIFMD requires AFML, as the Company's AIFM, to make available to investors certain information around leverage and risk policies prior to such investors' investment in the Company. This information is contained in the PIDD which may be viewed on the Company's website: murray-income.co.uk

The periodic disclosures required to be made by AFML under the AIFMD are set out on page 78.

Benchmark

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

Website

Information may be found on the Company's website, murray-income.co.uk, including the Company's share price 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

For queries regarding shareholdings, lost certificates, dividend payments, registered details and related matters, shareholders holding their shares directly in the Company are advised to contact the Registrars (see Contact Information on page 83). 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 Aberdeen Group Customer Services Department (see contact information), or send an email to inv.trusts@aberdeen-asset.com or write to Aberdeen Investment Trusts, PO Box 11020, Chelmsford, Essex CM99 2DB.

Dividend Tax Allowance

Dividend tax credits were replaced by an annual £5,000 tax-free allowance on dividend income (subject to change) on 6 April 2016. Above this amount, individuals pay tax on their dividend income at a rate dependent on their income tax bracket and personal circumstances. The Company provides 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

The 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 the Aberdeen Group or for third party firms. The 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 the Aberdeen Group and any third party making such offers/claims has no link with the 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 83.

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

Direct Investment

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 Individual Savings Account ("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 the Company. Anyone can invest in the Children's Plan (subject to the eligibility criteria as stated within the terms and conditions), including parents, grandparents and family friends. 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

Investor Information continued

participation by instructing AAM in writing at any time. In common with other schemes of this type, all investments are held in nominee accounts.

Aberdeen's Investment Trust Share Plan

AAM operates an Investment Trust 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 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 a Plan, and regular savers can stop or suspend participation by instructing AAM in writing at any time.

Aberdeen Investment Trust ISA

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

There are no brokerage or initial charges for the ISA, although investors will suffer the bid-offer spread, which can 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 in the ISA. Under current legislation, investments in ISAs can grow free of capital gains tax.

ISA Transfer

Investors can choose to transfer previous tax year investments to AAM, which can be invested in the Company while retaining their ISA wrapper. The minimum lump sum for an ISA transfer is £1,000 and is subject to a minimum per 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.

If investors would like details on Murray Income Trust PLC or information on the Children's Plan, Share Plan, ISA or ISA Transfers, please e-mail inv.trusts@aberdeen-asset.com or telephone 0808 500 0040 or write to –

Aberdeen Investment Trusts
PO Box 11020
Chelmsford
Essex CM99 2DB.

Details are also available at: invtrusts.co.uk.

Literature Request Service

For literature and application forms for AAM's investment trust products, please go online at invtrusts.co.uk or please contact:

Telephone: 0808 500 4000
Email: aam@lit-request.com

Or write to:-

Aberdeen Investment Trusts
PO Box 11020
Chelmsford
Essex CM99 2DB

Terms and Conditions

Terms and conditions for AAM-managed savings products can also be found under the Literature section of our website at: 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 so that the securities issued by the Company 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") and intends to continue to do so for the foreseeable future. The

Company's securities are excluded from the Financial Conduct Authority's restrictions which apply to NMPIs because they are securities issued by an investment trust.

Keeping You Informed

The Company's Ordinary share price appears under the heading 'Investment Companies' in the Financial Times and in The Daily Telegraph and The Times.

For internet users, detailed information on the Company, including the latest price and net asset value per Ordinary share as well as performance information and a monthly fact sheet, is available on the Company's website: murray-income.co.uk.

Alternatively, please call 0808 500 0040 (Freephone) or email inv.trusts@aberdeen-asset.com or write to the address for Aberdeen Investment Trusts above.

If you have an administrative query which relates to a direct shareholding in the Company, please contact the Registrars (see page 83 for details).

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.

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 investments. To find a private client stockbroker visit The Personal Investment Management & Financial Advice Association at: pimfa.co.uk.

Financial Advisers

To find an adviser who recommends on investment trusts, visit: unbiased.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
Email: 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 73 to 75 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.

Glossary of Terms and Definitions

Aberdeen or Aberdeen Group or the Group	Aberdeen Asset Management PLC group of companies which are subsidiaries of Standard Life Aberdeen plc
AFML or AIFM or Manager	Aberdeen Fund Managers Limited ("AFML") is a wholly owned subsidiary of Aberdeen Asset Management PLC, which is part of Standard Life Aberdeen plc, and acts as the alternative investment fund manager ("AIFM") for the Company. AFML is authorised and regulated by the Financial Conduct Authority.
AIC	The Association of Investment Companies.
AIFMD or the Directive	The Alternative Investment Fund Managers Directive - The AIFMD is European legislation which created a European-wide framework for regulating managers of 'alternative investment funds' (AIFs). It is designed to regulate any fund which is not a UCITS fund and which is managed and/or marketed in the EU. The Company has been designated as an AIF.
Asset Cover	The value of a company's net assets available to repay a certain security. Asset cover is usually expressed as a multiple and calculated by dividing the net assets available by the amount required to repay the specific security.
Benchmark	FTSE All-Share Index.
Call Option	An option contract which gives the buyer the right, but not the obligation, to purchase a specified amount of an asset at the strike price by a future specified date.
Closed-End Fund	A collective investment scheme which has a fixed number of shares which are not redeemable from the fund itself. Unlike open-ended funds, new shares/units are not created by managers to meet demand from investors; instead, shares are purchased (or sold) only in the market. Closed-end funds are normally listed on a recognised stock exchange, such as the London Stock Exchange, and shares can be bought and sold on that exchange.
Discount	The amount by which the market price per share of an investment trust is lower than the net asset value per share. The discount is normally expressed as a percentage of the net asset value per share.
Dividend Cover	Earnings per share divided by dividends per share expressed as a ratio.
Dividend Yield	The annual dividend expressed as a percentage of the share price.
FCA	Financial Conduct Authority
Investment Trust	A type of Closed End Fund which invests in other securities, allowing shareholders to share the risks, and returns, of collective investment.
Leverage	For the purposes of the Alternative Investment Fund Managers Directive, leverage is any method which increases the Company's exposure, including the borrowing of cash and the use of derivatives. It is expressed as a ratio between the Company's exposure and its net asset value and can be calculated on a gross and a commitment method. Under the gross method, exposure represents the sum of the Company's positions after the deduction of Sterling cash balances, without taking into account any hedging and netting arrangements. Under the commitment method, exposure is calculated without the deduction of Sterling cash balances and after certain hedging and netting positions are offset against each other.

LIBOR	London Interbank Offered Rate
Net Asset Value or NAV	The value of total assets less liabilities. Liabilities for this purpose included current and long-term liabilities. The net asset value divided by the number of shares in issue produces the net asset value per share.
Net Gearing/Cash	Net gearing/cash is calculated by dividing total borrowings less cash or cash equivalents, by shareholders' funds expressed as a percentage.
Ongoing Charges	Ratio of expenses as percentage of average daily shareholders' funds calculated as per the AIC's industry standard method.
Premium	The amount by which the market price per share of an investment trust exceeds the net asset value per share. The premium is normally expressed as a percentage of the net asset value per share.
Price/Earnings Ratio	The ratio is calculated by dividing the middle-market price per share by the earnings per share. The calculation assumes no change in earnings but in practice the multiple reflects the stock market's view of a company's prospects and profit growth potential.
Prior Charges	The name given to all borrowings including debentures, loan and short term loans and overdrafts that are to be used for investment purposes, reciprocal foreign currency loans, currency facilities to the extent that they are drawn down, index-linked securities, and all types of preference or preferred capital and the income shares of split capital trusts, irrespective of the time until repayment.
Put Option	An option contract which gives the buyer the right, but not the obligation, to sell a specified amount of an asset at the strike price by a future specified date.
Total Assets	Total Assets as per the balance sheet less current liabilities (before deducting prior charges as defined above).
Total Return	Total Return involves reinvesting the net dividend in the month that the share price goes ex-dividend. The NAV Total Return involves investing the same net dividend in the NAV of the trust on the date to which that dividend was earned. The following dividend reinvestment data has been used:

Ex Dividend Date	Dividend Rate (p)	NAV (p)	Share Price (p)
29 September 2016	11.25	795.50	728.00
15 December 2016	7.00	790.36	723.00
2 March 2017	7.00	836.59	769.00
1 June 2017	7.00	891.24	811.00

Voting Rights	In accordance with the Articles of Association of the Company, on a show of hands or on a poll, every member (or duly appointed proxy) present at a general meeting of the Company has one vote.

AIFMD Disclosures (Unaudited)

Aberdeen and the Company are required to make certain disclosures available to investors in accordance with the Alternative Investment Fund Managers Directive ("AIFMD"). Those disclosures that are required to be made pre-investment are included within a pre-investment disclosure document ("PIDD") which may be found on the Company's website:- murray-income.co.uk

There have been no material changes to the disclosures contained within the PIDD since its publication in July 2017.

The periodic disclosures as required under the AIFMD to investors are made below:

- information on the investment strategy, geographic and sector investment focus and principal stock exposures is included in the Strategic Report;
- none of the Company's assets are subject to special arrangements arising from their illiquid nature;
- the Strategic Report on pages 7 to 19, Note 16 to the financial statements and the PIDD, together set out the risk profile and risk management systems in place. There have been no changes to the risk management systems in place in the period under review and no breaches of any of the risk limits set, with no breach expected;
- there are no new arrangements for managing the liquidity of the Company or any material changes to the liquidity management systems and procedures employed by Aberdeen Fund Managers Limited ("the AIFM");
- all authorised Alternative Investment Fund Managers are required to comply with the AIFMD Remuneration Code. In accordance with the Remuneration Code, the AIFM's remuneration policy is available from the Company Secretaries, Aberdeen Asset Management PLC, on request (see contact details on page 83) and the remuneration disclosures in respect of the AIFM's reporting period for the year ended 30 September 2016 are available on the Company's website.

Leverage

The table below sets out the current maximum permitted limit and actual level of leverage for the Company:

	Gross Method	Commitment Method
Maximum level of leverage	2.50:1	2.00:1
Actual level at 30 June 2017	1.10:1	1.16:1

There have been no breaches of the maximum level during the period and no changes to the maximum level of leverage employed by the Company. There is no right of re-use of collateral or any guarantees granted under the leveraging arrangement. Changes to the information contained either within this Annual Report or the PIDD in relation to any special arrangements in place, the maximum level of leverage which the AIFM may employ on behalf of the Company; the right of use of collateral or any guarantee granted under any leveraging arrangement; or any change to the position in relation to any discharge of liability by the Depositary will be notified via a regulatory news service without undue delay in accordance with the AIFMD.

The information on this page 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 Fund Managers Limited which is authorised and regulated by the Financial Conduct Authority in the United Kingdom.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Murray Income Trust PLC will be held at 12.30pm on Monday 6 November 2017 in the Strathclyde Suite, Glasgow Royal Concert Hall, 2 Sauchiehall Street, Glasgow, G2 3NY for the purpose of considering and if thought fit passing the following resolutions, of which Resolutions 1 to 13 inclusive will be proposed as Ordinary Resolutions and Resolutions 14 and 15 will be proposed as Special Resolutions:–

Ordinary Business

1. To receive and adopt the Directors' Report, Auditor's Report and the audited financial statements for the year ended 30 June 2017.
2. To receive and adopt the Directors' Remuneration Report for the year ended 30 June 2017 (other than the Directors' Remuneration Policy).
3. To receive and adopt the Directors' Remuneration Policy.
4. To approve a final dividend of 11.75p per Ordinary share for the year ended 30 June 2017.
5. To re-elect Mr M Balfour* as a Director of the Company.
6. To re-elect Mr D Cameron* as a Director of the Company.
7. To re-elect Ms J Park* as a Director of the Company.
8. To re-elect Mr N Rogan* as a Director of the Company.
9. To re-elect Mr D Woods* as a Director of the Company.
10. To re-appoint Ernst & Young LLP as independent auditor of the Company.
11. To authorise the Directors to fix the remuneration of Ernst & Young LLP as independent auditor of the Company for the year ended 30 June 2018.

Special Business

Increase in annual aggregate Directors' fees

12. That Article 103 of the Articles of Association of the Company, concerning the limit on the annual aggregate fees payable to Directors, be amended by substituting "£250,000" for "£200,000".

Authority to allot shares

13. THAT, in substitution of all existing powers, the Directors be and are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot Ordinary shares of 25p each in the capital of the Company ("shares") up to an aggregate nominal amount of £837,780 (representing 5 per cent. of the total Ordinary shares in issue as at the date of approval of this Notice (excluding treasury shares)) during the period expiring on the conclusion of the next Annual General Meeting of the Company after the passing of this Resolution or on 31 December 2018, whichever is the earlier, but so that this authority shall allow the Company to make offers or agreements before the expiry of this authority which would or might require shares to be allotted after such expiry and the Directors shall be entitled to allot shares in pursuance of such an offer or agreement as if such authority had not expired.

Disapplication of pre-emption rights

14. THAT, subject to the passing of Resolution 13 proposed at the Annual General Meeting of the Company convened for 6 November 2017, and in substitution for all existing powers, the Directors be and are hereby empowered, pursuant to Section 570 of the Companies Act 2006 (the "Act"), to allot equity securities (as defined in Section 560(1) of the Act) for cash pursuant to the authority given in accordance with Section 551 of the Act by Resolution 13 or otherwise as if Section 561 of the Act did not apply to any such allotment and to sell or transfer equity securities if, immediately before the sale or transfer, such equity securities are held by the Company as treasury shares (as defined in Section 724(5) of the Act) as if Section 561 of the Act did not apply to any such sale or transfer, provided that this power:

a) expires at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or on 31 December 2018, 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 or treasury shares to be sold or transferred after the expiry of this power and the Directors may allot equity securities or sell or transfer treasury shares in pursuance of any such offers or agreements as if this power had not expired;
b) shall be limited to the allotment of equity securities up to an aggregate nominal amount of £1,675,561 (representing 10 per cent. of the total Ordinary shares in issue as at the date of approval of this Notice); and

c) shall be limited in respect of the issue of shares or the sale of equity securities from treasury in the circumstances as detailed in the section headed "Authority to allot shares and disapply pre-emption rights" in the Directors' Report on page 37 of the Annual Report of the Company for the year ended 30 June 2017 and at a price not less than 0.5 per cent. above the net asset value per share (as determined by the Directors).

Authority to make market purchases of shares

15. THAT the Company be and is hereby generally and, subject as hereinafter appears, unconditionally authorised in accordance with Section 701 of the Companies Act 2006 (the "Act") to make market purchases (within the meaning of Section 693(4) of the Act) of Ordinary shares of 25p each in the capital of the Company ("shares"):

PROVIDED ALWAYS THAT:

a) the maximum number of shares hereby authorised to be purchased shall be an aggregate of 10,046,666 Ordinary shares or, if less, the number representing 14.99 per cent. of the total Ordinary shares in issue as at the date of passing this resolution (excluding treasury shares);
b) the minimum price which may be paid for each share shall be 25p;
c) the maximum price (exclusive of expenses) which may be paid for a share is the higher of (i) 5 per cent. above the average of the middle market quotations for a share taken from, and calculated by reference to, the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the share is purchased; and (ii) the higher of the price of the last independent trade and the highest current independent bid on the London Stock Exchange at the time the purchase is carried out;
d) the authority hereby conferred shall expire on 31 December 2018 or, if earlier, at the conclusion of the next Annual General Meeting of the Company unless such authority is previously varied, revoked or renewed prior to such time;
e) the Company may enter into a contract to purchase shares under the authority hereby conferred prior to the expiry of such authority and may purchase shares pursuant to any such contract notwithstanding such expiry above.

* The biographies of the Directors offering themselves for election may be found on pages 30 and 31.

By order of the Board
Aberdeen Asset Management PLC
Secretary
7th Floor, 40 Princes Street
Edinburgh EH2 2BY

12 September 2017

Notes:

(i) A member entitled to attend and vote is entitled to appoint one or more proxies to attend, speak and vote instead of him/her at the meeting. A proxy need not be a member of the Company. A member may appoint more than one proxy, provided that each proxy is appointed to attend, speak and vote in respect of a different share or shares. If you wish your proxy to speak on your behalf at the meeting, you will need to appoint your own choice of proxy (not the chairman of the meeting) and give instructions directly to them. A reply-paid form of proxy which may be used to make such appointment and give proxy instructions is enclosed. If you do not have a proxy form and believe that you should, or you would like to appoint more than one proxy, please contact the Company's Registrar, Capita Asset Services, on 0371 664 0300 (Calls cost 10p per minute, lines are open 9.00am to 5.30pm Mon-Fri). In the case of joint holders, the vote of the first named in the register of members of the Company who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of other joint holders.

(ii) Forms of proxy and the power of attorney or other authority, if any, under which they are signed or a notarially certified copy of that power of attorney or authority should be sent to the Registrar, Capita Asset Services, The Registry, 34 Beckenham Road, Kent BR3 4TU, so as to arrive not less than 48 hours (excluding non-working days) before the time fixed for the meeting. You may only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.

(iii) The return of a completed proxy form or other instrument of proxy will not prevent you attending the meeting and voting in person if you wish. If you wish to attend the meeting in person, a register of attendees will be available for signature at the meeting.

(iv) You may submit your proxy electronically using The Share Portal service at www.signalshares.com. Shareholders can use this service to vote or appoint a proxy online. The same voting deadline of 48 hours (excluding non-working days) before the time of the meeting applies as if you were using your Personalised Voting Form to vote or appoint a proxy by post to vote for you. Shareholders will need to use the unique personal identification Investor Code printed on the Personalised Voting Form. Shareholders should not show this information to anyone unless they wish to give proxy instructions on their behalf.

(v) In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001 and Section 311 of the Companies Act 2006, to have the right to attend and vote at the meeting referred to above a member must first have his or her name entered in the Company's register of members by not later than 48 hours (excluding non-working days) before the time fixed for the meeting (or in the event that the meeting be adjourned on the register of members 48 hours (excluding non-working days) before the time of the adjourned meeting). Changes to entries on that register after that time (or, in the event that the meeting is adjourned, on the register of members less than 48 hours (excluding non-working days) before the time of any adjourned meeting) shall be disregarded in determining the rights of any member to attend and vote at the meeting referred to above.

(vi) CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual and by logging on to the website at euroclear.com/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.

(vii) In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's Registrar (ID RA10) no later than 48 hours (excluding non-working days) before the time of the meeting or any adjournment. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the Company's Registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

(viii) CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

(ix) 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.

(x) Any person holding 3% of the total voting rights in the Company who appoints a person other than the Chairman as his or her proxy(ies) will need to ensure that both he or she and such proxy(ies) comply with their respective disclosure obligations under the UK Disclosure Guidance and Transparency Rules.

(xi) A person to whom this notice is sent who is a person nominated under Section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights. The statements of the rights of members in relation to the appointment of proxies in notes (i) and (ii) above do not apply to a Nominated Person. The rights described in those notes can only be exercised by registered members of the Company.

(xii) The members of the Company may require the Company, without payment, to publish, on its website, a statement (which is also to be passed to the Auditor) setting out any matter relating to the audit of the Company's financial statements, including the Auditor's Report and the conduct of the audit, which they intend to raise at the next meeting of the Company. The Company will be required to do so once it has received such requests from either (i) members representing at least 5% of the total voting rights of the Company or (ii) at least 100 members who have a relevant right to vote and hold shares in the Company on which there has been paid up an average sum per member of at least £100. Such requests must be made in writing and must state your full name and address, and be sent to: The Company Secretary, Murray Income Trust PLC, 7th Floor, 40 Princes Street, Edinburgh EH2 2BY.

Notice of Annual General Meeting continued

(xiii) No Director has a service contract with the Company. Copies of the Directors' letters of appointment are available for inspection on any day (except Saturdays, Sundays and bank holidays) from the date of this notice until the date of the meeting during usual business hours at the Company's registered office and for 15 minutes prior to, and at, the meeting.

(xiv) Information regarding the Annual General Meeting, including information required by section 311A of the Companies Act 2006, is available from the Company's website, murray-income.co.uk.

(xv) Under Section 319A of the Companies Act 2006, the Company must answer any question relating to the business being dealt with at the meeting put by a member attending the meeting unless:

a) answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;

b) the answer has already been given on a website in the form of an answer to a question; or

c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

(xvi) Shareholders are advised that, unless otherwise stated, any telephone number, website or e-mail address which may be set out in this notice of Annual General Meeting or in any related documents (including the proxy form) is not to be used for the purposes of serving information or documents on, or otherwise communicating with, the Company for any purposes other than those expressly stated.

(xvii) As at 12 September 2017, the latest practicable date prior to publication of this document, the Company had 67,022,458 Ordinary shares in issue with a total of 67,022,458 voting rights with an additional 1,571,000 shares held in treasury.

Contact Information

Directors

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

Company Secretaries and Registered Office

Aberdeen Asset Management PLC
7th Floor, 40 Princes Street
Edinburgh EH2 2BY

Registered in Scotland – Company Number SC012725

Website

murray-income.co.uk

Points of Contact

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

Customer Services Department and Share Plan/ISA Enquiries

Aberdeen Investment Trusts
PO Box 11020
Chelmsford
Essex CM99 2DB

Freephone: 0808 500 0040
(open Monday - Friday, 9.00am to 5.00pm)
Email: inv.trusts@aberdeen-asset.com

Legal Entity Identifier

549300IRNFGVQIQHUI13

United States Internal Revenue Service FATCA Registration Number (GIIN)

8Q8ZFE.99999.SL.826

Alternative Investment Fund Manager

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

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:

signalshares.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

By post -

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

Independent Auditor

Ernst & Young LLP
Ten George Street
Edinburgh EH2 2DZ

Depositary

BNP Paribas Securities, London Branch
10 Harewood Avenue
London NW1 6AA

Stockbroker

Canaccord Genuity
88 Wood Street
London EC2V 7QR

Solicitors

Dickson Minto W.S.
16 Charlotte Square
Edinburgh EH2 4DF

Your Company's Recent Share Capital History

Issued Share Capital at 30 June 2017 and 12 September 2017

67,022,458	Ordinary shares of 25p with voting rights
1,571,000	Ordinary shares held in treasury

Recent Capital History

Year ended 30 June 2017	170,000 Ordinary shares bought back into treasury by the Company
Year ended 30 June 2016	950,000 Ordinary shares bought back into treasury by the Company
Year ended 30 June 2015	125,000 new Ordinary shares issued by the Company
Year ended 30 June 2014	925,000 new Ordinary shares issued by the Company
Year ended 30 June 2013	466,000 Ordinary shares sold by the Company from treasury 1,127,000 new Ordinary shares issued by the Company
Year ended 30 June 2012	810,000 Ordinary shares sold by the Company from treasury

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