Murray Income Trust PLC

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

Half Yearly Report
for the six months ended 31 December 2017

Aberdeen

Contents

Investment Objective

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

Financial Highlights, Performance and Financial Calendar

Financial Highlights

	31 December 2017	30 June 2017	% Change
Total assets[A] (£'000)	632,112	623,588	+1.4
Equity shareholders' funds (£'000)	585,833	576,462	+1.6
Net asset value per Ordinary share	874.1p	860.1p	+1.6
Share price of Ordinary share (mid-market)	797.0p	795.0p	+0.3
Discount to net asset value on Ordinary shares	8.8%	7.6%	
Ongoing charges ratio[B]	0.69%	0.72%	

[A] Total assets as per the Condensed Statement of Financial Position less current liabilities (excluding prior charges such as bank loans).

[B] Ongoing charges ratio calculated in accordance with guidance issued by the AIC as the total of the investment management fee and administrative expenses (annualised) divided by the average cum income net asset value throughout the year. The ratio for 31 December 2017 is based on forecast ongoing charges for the year ending 30 June 2018.

Performance (total return)

	Six months ended 31 December 2017	Year ended 30 June 2017
Net asset value per Ordinary share	+4.0%	+16.7%
Share price per Ordinary share	+2.8%	+23.5%
FTSE All-Share Index	+7.2%	+18.1%

Financial Calendar

12 January 2018	First interim dividend (8.0p per share) paid for year ending 30 June 2018
February 2018	Half-Yearly Report posted to shareholders
29 March 2018	Second interim dividend (8.0p per share) payable for year ending 30 June 2018
29 June 2018	Third interim dividend (8.0p per share) payable for year ending 30 June 2018
September 2018	Announcement of Annual Results for year ending 30 June 2018
October 2018	Annual Report posted to shareholders
5 November 2018	Annual General Meeting in Glasgow
8 November 2018	Final dividend payable for year ending 30 June 2018

Chairman's Statement

Review of the Period

Our objective is to achieve a high and growing income combined with capital growth through investment in a portfolio principally of UK equities. At the time of writing our dividend yield stands at 4.4%, higher than both the FTSE All-Share Index's equivalent figure of 3.8% and the AIC sector's median of 3.9%.

Income continues to grow with the final dividend approved by shareholders at our Annual General Meeting in November marking our 44th consecutive year of dividend growth. In December we announced an increase in our three quarterly dividends from 7p to 8p. This increase should not be extrapolated into forecasting next year's final dividend. Its purpose was to provide a more even distribution over the year between the three interim dividends and the final dividend.

In total return terms, net asset value rose 4.0% over the six months ended 31 December 2017 and 11.7% over 2017 as a whole while the share price increased by 2.8% and 10.1%, respectively. The discount widened from 7.6% at 30 June 2017 to 8.8% at 31 December 2017.

But relative to our benchmark index, the FTSE All-Share Index, it is disappointing to report that the Company's net asset value per share ("NAV") has lagged behind, 4.0% versus 7.2% over six months, and 11.6% versus 13.1% over twelve months to 31 December 2017 (all figures in total return terms). The longer-term numbers are also disappointing in this regard and we are monitoring the situation closely with our Manager.

It is fair to say that the Manager's style was out of favour in 2017. The Manager's long-term focus on quality tends to lead to a portfolio which is underweight cyclical stocks. With the UK market up by 13.1% in 2017, driven in part by a strong rebound in cyclicals, there was certainly a strong headwind to performance. Charles Luke explains the portfolio performance over the six months in greater detail within the Manager's Portfolio Review on pages 5 and 6.

As previously reported, we have negotiated a management fee reduction which took effect on 1 January 2018. The year ahead will see the completion of the merger between the investment teams of Aberdeen Asset Management PLC and Standard Life plc.

Dividends

Following shareholder approval at the Annual General Meeting on 6 November 2017, a final dividend per share of 11.75p (2016 – 11.25p) was paid on 9 November 2017 to shareholders on the register as at 29 September 2017. In relation to the year ending 30 June 2018, a first interim dividend of 8.0p per share was paid on 12 January 2018 to shareholders on the register at the close of business on 15 December 2017. A second interim dividend of 8.0p per share will be paid on 29 March 2018 to shareholders on the register at the close of business on 2 March 2018. A third interim dividend of 8.0p per share will be paid on 29 June 2018 to shareholders on the register at the close of business on 1 June 2018.

Gearing

On 9 November 2017, the Company announced that it had issued £40m of 10 year Senior Secured Fixed Rate Notes (the "Notes") at a coupon of 2.51% and entered into a new £20 million three-year unsecured multi-currency revolving credit loan facility agreement with Scotiabank Europe PLC (the "New Facility"). The proceeds from the Notes and the New Facility replaced the Company's previous £80m multicurrency loan facility agreement with The Royal Bank of Scotland PLC. Through the issue of the Notes, the Company has obtained fixed rate long dated Sterling-denominated financing at a price which the Board considers attractive.

The Board continues to believe that sensible use of modest financial gearing will enhance returns of both capital and income to shareholders over the longer term. Combined, these borrowing facilities of £60m represent just over 10% of net asset value. There has been no change to the Company's policy on gearing as set out on page 7 (and referred to in the Chairman's statement on page 5) of the Company's Annual Report for the year ended 30 June 2017.

Board

As previously announced, our Chairman Neil Honebon retired at the end of the Annual General Meeting in Glasgow on 6 November 2017 after serving three years as Chairman and twelve as a Director. We thank him for his wise counsel and his investment leadership and wish him well. Peter Tait joined the Board the following day to replace Neil. Peter is a career UK fund manager, mostly at the Nestlé UK Pension Fund and Nestlé Capital Management but also at Blackrock, Dunedin and Scottish Widows.

On 8 December 2017 we announced that Mike Balfour was resigning from the Board. This was unplanned: as well as being a Director of Murray Income Trust PLC, Mike is also a director of Standard Life Investments Property Income Trust Limited. After completion was announced, on 14 August 2017, of the merger between Aberdeen Asset Management PLC and Standard Life plc, our corporate brokers, Canaccord, advised that Mike would no longer be deemed fully independent by the UKLA's Listing Rules: a director of more than one investment trust managed by the same management company is not necessarily considered independent. Mike graciously stepped down with our thanks and best wishes and a search is underway to find a replacement.

Share Capital

The Company's share capital was unchanged over the period, comprising 67,022,458 Ordinary shares, with voting rights, and 1,571,000 Ordinary shares held in treasury, as at 31 December 2017. Between 1 January 2018 and the date of approval of this Report, the Company bought into treasury 40,000 Ordinary shares resulting in 66,982,458 shares with voting rights and a further 1,611,000 shares in treasury.

Principal Risks and Uncertainties

The Board regularly reviews the principal risks and uncertainties which it has identified, together with the delegated controls it has established to manage the risks and address the uncertainties, and these are set out in detail on pages 8 and 9 of the Company's Annual Report for the year ended 30 June 2017 ("Annual Report 2017") which is available on the Company's website. The Annual Report 2017 also contains, in note 16 to the Financial Statements, an explanation of other risks relating to the Company's investment activities, specifically market price, interest rate, liquidity and credit risk, and a note of how these risks are managed.

Related Party Transactions

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

Going Concern

The factors which have an impact on the Company's status as a going concern are set out in the Going Concern section of the Directors' Report on page 36 of the Company's Annual Report 2017. As at 31 December 2017, there had been no significant changes to these factors.

The Board has set limits for borrowing and regularly reviews the level of any gearing, cash flow projections and compliance with banking covenants. As at 31 December 2017, in addition to the £40m Notes, £6.4m of the Company's three-year £20m multi-currency revolving loan facility was drawn down.

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

Dividend Tax Allowance

Shareholders may be aware of changes to the taxation of dividends which are taking effect on 6 April 2018 and further information may be found in Investor Information on pages 19 to 21 of this Report.

Outlook

After many years in which it was better to ignore politics completely when assessing market outlook, 2018 is probably going to be again dominated by Brexit, the survival of the UK government and President Trump. Views on all three seem to be highly polarised but there is a lot of room in between for economies and companies to continue to grow their earnings and dividends. At 31 December 2017, the Company's investment portfolio had a dividend yield of 3.7%. The average dividend cover of the portfolio companies was 1.6x, so that 3.7% dividend yield has considerable underpinning. The prospective price to earnings ratio, the most commonly used yardstick of valuation, was 17.4x, not cheap but neither is it at the top of its historic range. Some UK companies will struggle with Brexit but some have great opportunities and most will have plans to, and be able to, adapt. Quality companies with good management thrive on change. The opportunity is there for our investment manager's focus on quality to deliver outperformance.

Statement of Directors' Responsibilities

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

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

Chairman's Statement continued

The Half-Yearly Financial Report for the six months ended 31 December 2017 comprises the Half-Yearly Board Report, the Directors' Responsibility Statement and a condensed set of Financial Statements.

For and on behalf of the Board

N A H Rogan
Chairman

15 February 2018

Manager's Portfolio Review

The portfolio underperformed the benchmark during the six months ended 31 December 2017 with the NAV per Ordinary share increasing by 4.0% compared to a rise in the FTSE All-Share of 7.2% (all figures calculated on a total return basis). This reflected a number of broad themes as well as one particular stock specific disappointment.

Firstly, cyclical sectors and in particular oil and mining companies performed strongly as commodity prices performed well and global growth prospects improved. Secondly, in contrast, companies with defensive growth characteristics such as pharmaceutical and tobacco companies underperformed as interest rates increased and inflation expectations rose over the period. The portfolio is generally comprised of companies that combine attractive dividend yields and/or those with good scope for dividend growth with a relatively high degree of income security. In addition, we are keen to ensure that the capital and income exposure is diversified across the portfolio and that the income contribution from any particular holding is relatively modest. The broad themes above and, in particular, the strong performance of the oil and mining sectors (where the portfolio is underweight) accounted for around half of the underperformance. Most of the remaining underperformance can be attributed to Provident Financial whose share price fell very sharply following a significant profit warning which resulted in the sale of the holding (the factors behind this are explained in more detail below).

We added five new holdings to the portfolio. The first was LondonMetric, a mid-cap property company mainly focused on distribution assets for retailers. The company benefits from the growth of internet retailing, a sticky customer base and an attractive dividend yield. The second purchase was Euromoney, which is a mid-cap business-to-business information company providing services to a range of sectors including asset management, banking and commodities. The company, which trades at a modest valuation compared to its peers, benefits from low capital intensity and has recently enhanced its dividend policy to increase the payout ratio. The next new holding was GIMA, an Italian-listed mid cap which came to the market during the period. The company produces manufacturing and packaging machines for the tobacco industry with a particularly strong niche in next generation products (including Philip Morris International's iQOS heat-not-burn technology), an area where we would expect to see significant growth. We also purchased a modest holding in Relx (the old Reed Elsevier). The company operates a variety of strong businesses with high barrier to entry and good growth potential. Although the dividend yield is relatively low, there should be good scope for growth over the longer term. Finally, we purchased a small holding in Rio Tinto. The mining company owns a number of very high quality, low cost deposits, particularly of iron ore and copper. Management is focused on enhancing returns and using capital in the most efficient manner. The company's balance sheet has been repaired and although the dividend policy has evolved from a progressive dividend to one that is more dependent on nearer term conditions, the shares currently offer a generous dividend yield.

We increased the exposure to a number of companies with attractive prospects including Assura, the property company focused on primary healthcare assets, Croda International, the specialty chemicals company, and Aveva, the software company which performed strongly after announcing it would combine its business with Schneider Electric's companion division during the period. Of note were a number of other strong share price performances. The continued success of its cloud offering benefited Microsoft. XP Power, which manufactures power converters, reported buoyant trading conditions which helped its share price to rise by more than 40% over the six month period. Finally, Novo Nordisk performed strongly helped by the success of its pipeline of diabetes-related medications.

We sold three holdings during the period. Firstly, Provident Financial, which followed the announcement of a significant deterioration in trading at the company's Home Collected Credit business, an investigation into Vanquis bank by the Financial Conduct Authority ("FCA"), the decision to cancel the company's dividend, and the removal of the company's Chief Executive. We were particularly disappointed and puzzled to discover that due to the FCA investigation the company had stopped selling its highly profitable 'Repayment Option Plan' in April 2016 but did not deem this worthy of public disclosure. Given the significant deterioration in the quality of the company and the breakdown in trust with the management we sold the shares. We also sold the holding in Pearson given the high level of uncertainty over future earnings in the key North American Higher Education division, likely profit erosion from the stake in Penguin Random House, coupled with the move to pay a lower than expected dividend. Finally, we sold the holding in Capita having become more cautious on a number of issues including the risk of further earnings shortfalls given the challenging environment, the need for further investment in the business, a weak balance sheet and the potential for a cut in the dividend. At the time of writing, Capita's shares had fallen over 50% in value since the Company's sale of the holding.

Despite optimism over their longer term growth potential, we reduced the weight in both GlaxoSmithKline and Inmarsat in recognition that the dividend risk for these two companies had increased. The assignment of call options also led to the marginal reductions of a number of holdings that had generally performed well including Microsoft, Linde, Sage and Prudential. The holdings in both Inmarsat and Ultra Electronics performed relatively poorly over the period, albeit the latter has since recovered a fair proportion of its losses. For Inmarsat, delays and the extra investment required in the company's aviation division have pressured earnings. Ultra Electronics issued a profits warning given mounting budgetary pressure for UK defence programmes and announced that its Chief Executive had stepped down.

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

Economic and Market Background

The UK equity market returned 7.2% on a total return basis over the 6 month period. This completed another very good year for the market with the index increasing by 13.1% and reaching a new peak (in capital terms) on the last trading day of the year for the second time in succession. Despite the UK economy likely ending 2017 at the bottom of the G7 GDP growth table, the market speculated on the benign global economic backdrop, the prospects for US tax reform and a relatively limited disjoint from Brexit. In particular, with the constituents of the UK market generating around 65% of their revenues overseas, positive developments in the global economy, and allied to this, stronger commodity prices, bolstered sentiment.

Over the 6 month period in question at a sector level, the more defensive areas of the market such as tobacco and pharmaceuticals underperformed while the mining and oil sectors outperformed. While the FTSE 100 Index performed strongly rising by 6.9%, it underperformed the Mid and Small Cap Indices which increased by 8.5% and 7.2% respectively.

Although the domestic economy has not suffered the sharp slowdown that many commentators expected following the Brexit vote, growth has been somewhat anaemic. The preliminary estimate of fourth quarter GDP suggested growth of 0.5% marginally ahead of the 0.4% reported for the third quarter. The Office for Budget Responsibility downgraded its forecasts for 2018 at the time of the otherwise generally uneventful Autumn Budget to 1.4%. Manufacturing activity has been robust, helped by the recent weakness of sterling and strong overseas demand. However, services and household consumption have been under greater pressure as inflation weighs down on real incomes. Furthermore, during November, for the first time in a decade the Monetary Policy Committee raised interest rates with the decision to increase rates by 25bps to 0.5% reached with a 7-2 majority. The committee explained that given the fall in unemployment there was a reduced level of slack in the economy and that the performance of the global economy had improved, although there remained considerable risks to the outlook, principally related to Brexit.

Overseas, macroeconomic data releases have continued to demonstrate a robust recovery in activity. Consensus forecasts suggest close to 4.0% global GDP growth in 2018 compared to a likely 3.6% in 2017. In the euro area, activity has continued to recover due to increased investment and household consumption with growth broad-based across countries. With significant slack in the euro area economies, inflation has yet to pick up. The European Commission's expectation of GDP growth of 2.1% for 2018 may well be too conservative. In the United States, the Fed raised rates in December for the third time in 2017 as the economy gained strength. Recent tax reforms are likely to provide a further boost to the economy during 2018 with the Fed forecasting 2.5% GDP growth for 2018. Emerging markets performed well during the second half of 2017 aided by the strength of the global economy, robust commodity prices and a benign US dollar. Consensus expectations suggest a further pick-up in growth to around 4.7% in 2018. Within this, China's GDP growth, having performed strongly in 2017, aided by credit growth and a loose fiscal policy, may slow down a little but is likely to remain at an impressive level above 6%.

Charles Luke
Aberdeen Asset Managers Limited
Investment Manager

15 February 2018

Investment Portfolio

As at 31 December 2017

Investment	Sector	Valuation £'000	Total assets %
Unilever	Personal Care	27,979	4.4
British American Tobacco	Tobacco	26,696	4.2
AstraZeneca	Pharmaceuticals & Biotechnology	25,349	4.0
Prudential	Life Assurance	24,486	3.9
HSBC Holdings	Banks	22,436	3.6
Royal Dutch Shell	Oil & Gas Producers	21,335	3.4
BP	Oil & Gas Producers	20,963	3.3
Roche Holdings	Pharmaceuticals & Biotechnology	20,131	3.2
Vodafone	Mobile Telecommunications	19,040	3.0
Aberforth Smaller Companies Trust	Equity Investment Instruments	18,962	3.0
Top ten investments		**227,377**	**36.0**
GlaxoSmithKline	Pharmaceuticals & Biotechnology	18,489	2.9
BHP Billiton	Mining	17,996	2.9
Compass Group	Travel & Leisure	17,357	2.8
BBA Aviation	Industrial Transportation	17,100	2.7
Microsoft	Software & Computer Services	16,596	2.6
Nordea Bank	Banks	16,202	2.6
Imperial Brands	Tobacco	15,450	2.4
Diageo	Beverages	15,244	2.4
Sage Group	Software & Computer Services	15,226	2.4
Novo-Nordisk	Pharmaceuticals & Biotechnology	14,221	2.2
Top twenty investments		**391,258**	**61.9**
Hiscox	Non-life Assurance	13,776	2.2
Close Brothers	Financial Services	12,641	2.0
Rotork	Industrial Engineering	10,940	1.7
Aveva	Software & Computer Services	10,258	1.6
Schroder	Financial Services	9,831	1.6
Standard Chartered	Banks	9,560	1.5
Rolls Royce	Aerospace & Defence	9,465	1.5
Assura	Real Estate Investment Trusts	9,378	1.5
Essentra	Support Services	9,182	1.5
Nestlé	Food Producers	7,853	1.2
Top thirty investments		**494,142**	**78.2**
Croda	Chemicals	7,432	1.2
Big Yellow Group	Real Estate Investment Trusts	7,191	1.1
John Wood Group	Oil Equipment & Services	7,079	1.1
LondonMetric Property	Real Estate Investment Trusts	6,456	1.0
Ultra Electronics	Aerospace & Defence	6,433	1.0
Scandinavian Tobacco	Tobacco	6,431	1.0
Associated British Foods	Food Producers	6,260	1.0
Inmarsat	Mobile Telecommunications	6,002	1.0
XP Power	Electronic & Electrical Equipment	5,865	0.9
Euromoney International Investor	Media	5,741	0.9
Top forty investments		**559,032**	**88.4**

Investment Portfolio continued

Investment	Sector	Valuation £'000	Total assets %
Weir Group	Industrial Engineering	5,624	0.9
Svenska Handelsbanken	Banks	5,369	0.8
GIMA TT	Industrial Engineering	5,155	0.8
Rio Tinto	Mining	5,026	0.8
National Grid	Gas, Water & Multi-utilities	4,913	0.8
Dunedin Smaller Companies Investment Trust	Equity Investment Instruments	4,848	0.8
Workspace Group	Real Estate Investment Trusts	3,988	0.6
Hansteen	Real Estate Investment Trusts	3,824	0.6
Relx	Media	3,061	0.5
Manx Telecom	Fixed Line Telecommunications	2,792	0.4
Linde	Chemicals	2,227	0.4
Total investments		**605,859**	**95.8**
Net current assets[A]		**26,253**	**4.2**
Total assets		**632,112**	**100.0**

[A] Excludes bank loan of £6,401,000

Condensed Statement of Comprehensive Income (unaudited)

		Six months ended 31 December 2017			Six months ended 31 December 2016		
	Notes	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments		–	9,501	9,501	–	39,631	39,631
Currency gains/(losses)		–	811	811	–	(2,196)	(2,196)
Income	2	9,449	–	9,449	9,083	–	9,083
Investment management fees		(730)	(730)	(1,460)	(694)	(694)	(1,388)
Administrative expenses		(619)	–	(619)	(567)	–	(567)
Net return before finance costs and taxation		8,100	9,582	17,682	7,822	36,741	44,563
Finance costs		(181)	(181)	(362)	(122)	(122)	(244)
Net return before taxation		7,919	9,401	17,320	7,700	36,619	44,319
Taxation	4	(74)	–	(74)	(85)	–	(85)
Net return after taxation		**7,845**	**9,401**	**17,246**	**7,615**	**36,619**	**44,234**
Return per Ordinary share (pence)	5	**11.7**	**14.0**	**25.7**	**11.3**	**54.6**	**65.9**

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

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

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

Condensed Statement of Financial Position (unaudited)

	Notes	As at 31 December 2017 £'000	As at 30 June 2017 £'000
Non-current assets			
Investments at fair value through profit or loss		605,859	595,367
Current assets			
Other debtors and receivables		2,299	3,301
Cash and short term deposits		24,897	25,801
		27,196	29,102
Creditors: amounts falling due within one year			
Other payables		(943)	(881)
Bank loans	6	(6,401)	(47,126)
		(7,344)	(48,007)
Net current assets/(liabilities)		19,852	(18,905)
Total assets less current liabilities		625,711	576,462
Creditors: amounts falling due after one year			
2.51% Senior Loan Notes	6	(39,878)	–
Net assets		**585,833**	**576,462**
Share capital and reserves			
Called-up share capital		17,148	17,148
Share premium account		24,020	24,020
Capital redemption reserve		4,997	4,997
Capital reserve	7	514,344	504,943
Revenue reserve		25,324	25,354
Equity shareholders' funds		**585,833**	**576,462**
Net asset value per Ordinary share (pence)	8	**874.1**	**860.1**

Condensed Statement of Changes in Equity (unaudited)

Six months ended 31 December 2017

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 1 July 2017	17,148	24,020	4,997	504,943	25,354	576,462
Return after taxation	–	–	–	9,401	7,845	17,246
Dividends paid	–	–	–	–	(7,875)	(7,875)
Balance at 31 December 2017	**17,148**	**24,020**	**4,997**	**514,344**	**25,324**	**585,833**

Six months ended 31 December 2016

	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 after taxation	–	–	–	36,619	7,615	44,234
Buyback of Ordinary shares for Treasury	–	–	–	(1,221)	–	(1,221)
Dividends paid	–	–	–	–	(12,259)	(12,259)
Balance at 31 December 2016	**17,148**	**24,020**	**4,997**	**475,993**	**23,632**	**545,790**

Condensed Statement of Cash Flows (unaudited)

	Six months ended 31 December 2017 £'000	Six months ended 31 December 2016 £'000
Net return before finance costs and taxation	17,682	44,563
Increase in accrued expenses	207	452
Overseas withholding tax	(97)	117
Dividend income	(8,579)	(8,120)
Dividends received	9,599	8,987
Interest income	(10)	(5)
Interest received	12	1
Interest paid	(224)	(217)
Gains on investments	(9,501)	(39,631)
Foreign exchange (gains)/losses on loans	(73)	2,162
Decrease in other debtors	3	4,687
Stock dividends included in investment income	(192)	(1,107)
Net cash inflow from operating activities	8,827	11,889
Investing activities		
Purchases of investments	(38,748)	(44,484)
Sales of investments	37,590	44,424
Net cash outflow from investing activities	(1,158)	(60)
Financing activities		
Dividends paid	(7,875)	(12,259)
Buyback of Ordinary shares	–	(1,221)
Repayment of bank loans	(40,652)	–
Issue of Loan Notes	39,954	–
Net cash outflow from financing activities	(8,573)	(13,480)
Decrease in cash	**(904)**	**(1,651)**
Analysis of changes in cash during the period		
Opening balance	25,801	10,270
Decrease in cash as above	(904)	(1,651)
Closing balance	**24,897**	**8,619**

Notes to the Financial Statements

1. **Accounting policies**

Basis of preparation

The condensed financial statements have been prepared in accordance with Financial Reporting Standard 104 (Interim Financial Reporting) and with the Statement of Recommended Practice for 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued in November 2014 and updated in January 2017 with consequential amendments. They have also been prepared on a going concern basis and on the assumption that approval as an investment trust will continue to be granted.

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

2. **Income**	**Six months ended 31 December 2017 £'000**	**Six months ended 31 December 2016 £'000**
Investment income		
UK dividends	7,280	6,236
Overseas dividends	696	592
Property income dividends	411	185
Stock dividends	192	1,107
	8,579	8,120
Other income		
Deposit interest	10	5
Traded option premiums	860	958
	870	963
Total income	**9,449**	**9,083**

3. **Dividends**

Dividends paid on Ordinary shares deducted from the revenue reserve:

	Six months ended 31 December 2017 £'000	**Six months ended 31 December 2016 £'000**
2016 third interim dividend – 7.00p	–	4,705
2016 final dividend – 11.25p	–	7,554
2017 final dividend – 11.75p	7,875	–
	7,875	**12,259**

A first interim dividend for 2018 of 8.00p (2017 – 7.00p) was paid on 12 January 2018 to shareholders on the register on 15 December 2017. The ex-dividend date was 14 December 2017.

A second interim dividend for 2018 of 8.00p (2017 – 7.00p) will be paid on 29 March 2018 to shareholders on the register on 2 March 2018. The ex-dividend date is 1 March 2018.

A third interim dividend for 2018 of 8.00p (2017 – 7.00p) will be paid on 29 June 2018 to shareholders on the register on 1 June 2018. The ex-dividend date is 31 May 2018.

4. **Taxation**

The expense for taxation reflected in the Condensed Statement of Comprehensive Income is based on the estimated annual tax rate expected for the full financial year. The estimated annual corporation tax rate used for the year to 30 June 2018 is an effective rate of 19% (2017 – 19.75%).

During the period the Company suffered withholding tax on overseas dividend income of £74,000 (2016 – £85,000).

5. Return per share	Six months ended 31 December 2017 p	Six months ended 31 December 2016 p
Revenue return	11.7	11.3
Capital return	14.0	54.6
Total return	**25.7**	**65.9**

The figures are based on the following:

	Six months ended 31 December 2017 £'000	Six months ended 31 December 2016 £'000
Revenue return	7,845	7,615
Capital return	9,401	36,619
Total return	**17,246**	**44,234**
Weighted average number of Ordinary shares in issue	**67,022,458**	**67,101,132**

6. **Secured Loan Notes and bank loans**

On 8 November 2017 the Company completed the issue of £40,000,000 of 10 year Senior Loan Notes at a fixed rate of 2.51%. Interest is payable in half yearly instalments in May and November and the Loan Notes are due to be redeemed at par on 8 November 2027. The Loan Notes are secured by a floating charge over the whole of the assets of the Company. The Company has complied with the Note Purchase Agreement that the ratio of net assets to gross borrowings will be greater than 3.5:1 and that net assets will not be less than £275,000,000.

The fair value of the Loan Notes as at 31 December 2017 was £40,314,000 (2016 – N/A), the value being calculated by aggregating the expected future cash flows discounted at a rate comprising the borrower's margin plus a market rate applicable to a loan over a similar time period.

On 8 November 2017, the Company entered into a new £20,000,000, 3 year unsecured multi-currency revolving credit facility agreement with Scotiabank Europe PLC. This replaced the previous facility with The Royal Bank of Scotland PLC. As at 31 December 2017 the Company had drawn down the following amounts from the facility:

– Swiss Franc 2,400,000 at an all-in rate of 0.85%;

– Euro 2,000,000 at an all-in rate of 0.85%;

– Swedish Krona 17,150,000 at an all-in rate of 0.85%;

– US Dollar 1,700,000 at an all-in rate of 2.25688%.

7. Capital reserve

The capital reserve reflected in the Condensed Statement of Financial Position at 31 December 2017 includes gains of £213,433,000 (30 June 2017 – £191,156,000) which relate to the revaluation of investments held at the reporting date.

8. Net asset value	As at 31 December 2017	As at 30 June 2017
Attributable net assets (£'000)	585,833	576,462
Number of Ordinary shares in issue	67,022,458	67,022,458
Net asset value per Ordinary share (p)	874.1	860.1

9. Transaction costs

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

	Six months ended 31 December 2017 £'000	Six months ended 31 December 2016 £'000
Purchases	171	208
Sales	15	33
	186	**241**

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

As at 31 December 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)	605,859	–	–	605,859
Financial liabilities at fair value through profit or loss					
Derivatives	b)	(168)	(8)	–	(176)
Net fair value		**605,691**	**(8)**	–	**605,683**

As at 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**

a) Quoted equities

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

b) Derivatives

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

The fair value of the Company's investments in Over the Counter Options (where the underlying equities are also held) has been determined using observable market inputs other than quoted prices of the underlying equities (which are included within Fair Value level 1) and therefore determined as Fair Value Level 2.

11. Transactions with the Manager

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

The management fee for the six months ended 31 December 2017 is calculated, on a monthly basis, at 0.55% on the first £400 million, 0.45% on the next £150 million and 0.25% on amounts over £550 million per annum of the net assets of the Company, with debt at par and excluding commonly managed funds. The management fee is chargeable 50% to revenue and 50% to capital. During the period £1,460,000 (31 December 2016 – £1,388,000) of investment management fees were earned by the Manager, with a balance of £245,000 (31 December 2016 – £461,000) being payable to AFML at the period end. There was one commonly managed fund held in the portfolio during the six months to 31 December 2017 (2016 – one).

With effect from 1 January 2018 the management fee will be calculated, on a monthly basis, at 0.55% on the first £350 million, 0.45% on the next £100 million and 0.25% on amounts over £450 million per annum of the net assets of the Company, with debt at par and excluding commonly managed funds.

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

The promotional activities fee is based on a current annual amount of £480,000, payable quarterly in arrears. During the period £240,000 (31 December 2016 – £240,000) of fees were due, with a balance of £120,000 (31 December 2016 – £120,000) being payable to AFML at the period end.

The secretarial activities fee is based on a current annual amount of £90,000, payable quarterly in arrears. During the period £45,000 (31 December 2016 – £45,000) of fees were due, with a balance of £23,000 (31 December 2016 – £23,000) being payable to AFML at the period end.

12. Segmental Information

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

13. Alternative performance measures

Total return is considered to be an alternative performance measure. NAV total return involves reinvesting the same net dividend in the NAV of the Company on the date to which that dividend was earned. Share price total return involves reinvesting the net dividend in the month that the share price goes ex-dividend.

The tables below provide information relating to the NAVs and share prices of the Company on the dividend reinvestment dates during the six months ended 31 December 2017 and the year ended 30 June 2017.

Six months ended 31 December 2017	Dividend rate	NAV	Share price
30 June 2017	N/A	860.10p	795.00p
28 September 2017	11.75p	834.99p	764.00p
14 December 2017	8.00p	838.81p	771.00p
31 December 2017	N/A	874.08p	797.00p
Total return		4.0%	2.8%

Year ended 30 June 2017	Dividend rate	NAV	Share price
30 June 2016	N/A	766.51p	672.00p
29 September 2016	11.25p	795.50p	728.00p
15 December 2016	7.00p	790.36p	723.00p
2 March 2017	7.00p	836.59p	769.00p
1 June 2017	7.00p	891.24p	811.00p
30 June 2017	N/A	860.10p	795.00p
Total return		16.7%	23.5%

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

15. This Half-Yearly Financial Report was approved by the Board on 15 February 2018.

Investor Information

Pre-investment Disclosure Document ("PIDD")

The Alternative Investment Fund Managers Directive ("AIFMD") requires Aberdeen Fund Managers Limited, as the alternative investment fund manager ("AIFM") of Murray Income Trust PLC (the "Company"), to make available to investors certain information prior to such investors' investment in the Company. Details of the leverage and risk policies which the Company is required to have in place under AIFMD are published in the Company's Pre-Investment Disclosure Document ("PIDD") which can be found on its website. The periodic disclosures required to be made by the AIFM under the AIFMD are set out on page 78 of the Company's Annual Report for the year ended 30 June 2017.

Benchmark

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

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

Standard Life Aberdeen plc (the "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 trust shares, purporting to work for the Group.

The 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 Group and any third party making such offers/claims has no link with the Group.

The 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.

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

How to Invest

Individual investors can buy and sell shares in the Company directly through a stockbroker or indirectly through a lawyer, accountant or other professional adviser. Alternatively, shares can be bought directly through Aberdeen Asset Managers Limited's ("AAML") Investment Plan for Children, Aberdeen's Investment Trust Share Plan and Investment Trust ISA.

Aberdeen's Investment Plan for Children

AAML runs 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, including parents, grandparents and family friends (subject to the eligibility criteria as stated within the terms and conditions). All investments are free of dealing charges on the initial purchase of shares, although investors will suffer the bid-offer spread, which can, on some occasions, be a significant amount. Lump sum investments start at £150 per trust, while regular savers may invest from £30 per month. Investors simply pay Government Stamp Duty (currently 0.5%) where applicable. Selling costs are £10 + VAT. There is no restriction on how long an investor need invest in the Children's Plan, and regular savers can stop or suspend participation by instructing AAML 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

AAML runs a Share Plan (the "Plan") through which shares in the Company can be purchased. There are no dealing charges on the initial purchase of shares, although investors will suffer the bid-offer spread, which can, on some occasions, be a significant amount. Lump sum investments start at £250, while regular savers may invest from £100 per month. Investors simply pay Government Stamp Duty (currently 0.5%) where applicable. 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 AAML in writing at any time. In common with other schemes of this type, all investments are held in nominee accounts.

Stocks and Shares ISA

An investment of up to £20,000 can be made in each of 2017/2018 and 2018/2019 tax years.

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 Plan prior to the distribution or reinvestment of any income, or, where there is insufficient cash in the Plan, from the sale of investments held in the Plan. Investors have full voting and other rights of share ownership. Under current legislation, investments in ISAs can grow free of capital gains tax.

ISA Transfer

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

Online dealing

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

- AJ Bell Youinvest
- Alliance Trust Savings
- Barclays Stockbrokers / Smart Investor
- Charles Stanley Direct
- Equiniti / Shareview
- Halifax Share Dealing
- Hargreave Hale
- Hargreaves Lansdown
- iDealing
- Interactive Investor / TD Direct
- Selftrade
- The Share Centre
- Stocktrade

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 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

Dividend Tax Allowance

The annual tax-free personal allowance on dividend income is £5,000 for the 2017/2018 tax year, decreasing to £2,000 for the 2018/2019 tax year. Above this amount, individuals will pay tax on their dividend income at a rate dependent on their income tax bracket and personal circumstances. The Company will provide registered shareholders with a confirmation of dividends paid by the Company and this should be included with any other dividend income received when calculating and reporting to HMRC total dividend income received. It is the shareholder's responsibility to include all dividend income when calculating any tax liability.

Keeping You Informed

Further information on the Company can be found on its own dedicated website: murray-income.co.uk. This provides access to information on the Company's share price performance, capital structure, stock exchange announcements and a Manager's monthly factsheet. Alternatively you can call 0808 500 0040 (free when dialling from a UK landline) for trust information.

If you have any questions about your Company, the Manager or performance, please contact the AAML Customer Services Department:

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

Telephone: 0808 500 0040
(free when dialling from a UK landline)

Email to inv.trusts@aberdeen-asset.com

Suitable for Retail/NMPI Status

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

The Company currently conducts its affairs, and intends to continue to do so for the foreseeable future, so that its Ordinary shares can be recommended by a financial adviser to ordinary retail investors in accordance with the Financial

Conduct Authority's rules in relation to non-mainstream pooled investments ("NMPIs").

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

Key Information Document ("KID")

The KID relating to the Company and published by the Manager can be found on the Manager's website: invtrusts.co.uk/en/investmenttrusts/literature-library.

Company's Registrars

In the event of queries regarding holdings of shares, lost certificates, dividend payments, registered details, etc shareholders holding their shares in the Company directly should contact the registrars, Link Asset Services (see Corporate Information page for details). Calls may be recorded and monitored randomly for security and training purposes. Changes of address must be notified to the registrars in writing.

Literature Request Service

For information, literature and application forms for the Company and the Group's investment trust products, please contact:

Telephone: 0808 500 4000
Website: invtrusts.co.uk/en/investmenttrusts/literature-library

Terms and conditions for the AAML managed savings products can also be found under the literature section of invtrusts.co.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 19 to 21 has been approved for the purposes of Section 21 of the Financial Services and Markets Act 2000 (as amended by the Financial Services Act 2012) by Aberdeen Asset Managers Limited which is authorised and regulated by the Financial Conduct Authority in the United Kingdom.

Corporate Information

Directors

N A H Rogan (Chairman)
D E Woods (Senior Independent Director)
J C Park (Audit Committee Chairman)
D A J Cameron
P J Tait

Secretaries, Registered Office and Company Number

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

Registered in Scotland under Company Number SC012725

Website

murray-income.co.uk

Legal Entity Identifier (LEI)

549300IRNFGVQIQHUI13

United States Internal Revenue Service FATCA Registration Number (GIIN)

8Q8ZFE.99999.SL.826

Points of Contact

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

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

Aberdeen Investment Trusts
PO Box 11020
Chelmsford
Essex CM99 2DB

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

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 Link Asset Services (formerly 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 email via the above website

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 post -

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

Independent Auditor

Ernst & Young LLP

Depositary and Custodian

BNP Paribas Securities Services, London Branch

Solicitors

Dickson Minto W.S.

Stockbrokers

Canaccord Genuity Wealth Limited