Aberdeen Standard Investments

Murray Income Trust PLC

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

Annual Report
30 June 2018

Aberdeen Standard Investments is a 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.

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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[AB]

+3.9%

2017 +16.7%

Share price total return[AB]

+3.3%

2017 +23.5%

Benchmark total return[AC]

+9.0%

2017 +18.1%

Ongoing charges[B]

0.69%

2017 0.72%

Earnings per share (revenue)

33.6p

2017 34.9p

Dividend per share

33.25p

2017 32.75p

Discount to net asset value

–8.4%

2017 –7.6%

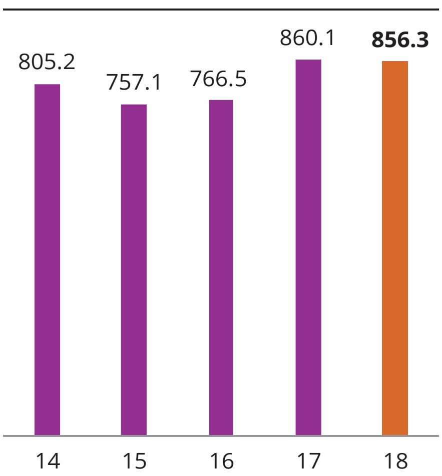
[A] Total return as defined on page 83.

[B] Alternative Performance Measure (see pages 14, 81 and 82).

[C] FTSE All-Share Index.

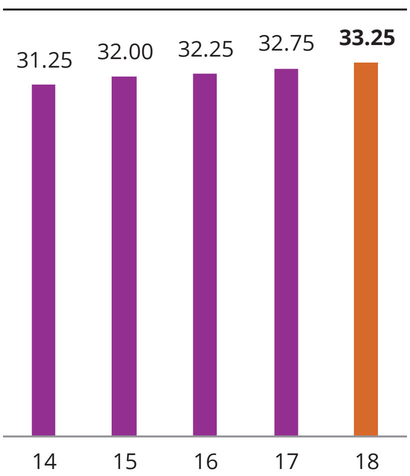
Net asset value per share with debt at par value

At 30 June – pence



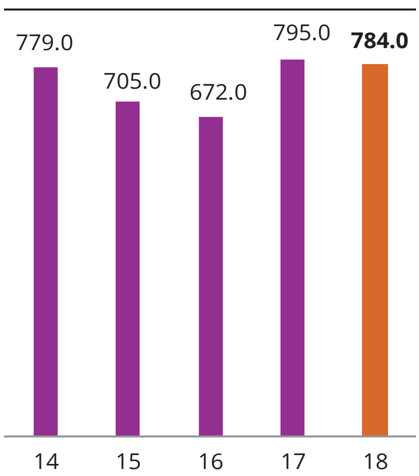
Dividends per share

pence



Mid-market price per share

At 30 June – pence



Financial Calendar

27 September 2018	Ex-dividend date of proposed final dividend for year ended 30 June 2018
28 September 2018	Record date of proposed final dividend for year ended 30 June 2018
5 November 2018	Annual General Meeting, Glasgow (12.30pm)
8 November 2018	Payment date of proposed final dividend for year ended 30 June 2018
14 December 2018, 1 March and 31 May 2019	Record dates of interim dividends for year to 30 June 2019
11 January, 29 March and 28 June 2019	Payment dates of interim dividends for year to 30 June 2019
February 2019	Half-Yearly Report published for 6 months to 31 December 2018
September 2019	Annual Report published for year to 30 June 2019

Chairman's Statement

Neil Rogan
Chairman

Highlights

- Dividend yield of 4.2%[1]
- Total dividends per share increased to 33.25p (the 45th year of consecutive increase)
- Share price Total Return +3.3%[2]
- Net Asset Value Total Return +3.9%[2]
- FTSE All-Share Index Total Return +9.0%[2]

[1] Full year dividend per share divided by 30 June 2018 share price
[2] 30 June 2017 - 30 June 2018

Performance

Murray Income Trust PLC ("Murray Income" or the "Company") was founded in Glasgow in 1923 as The Second Scottish Western Investment Company. Welcome to its 94th Annual Report! I hope you will find it informative and please, if you are a shareholder, come to our Annual General Meeting in Glasgow on 5 November 2018.

Murray Income's aim is to provide a high and growing income combined with capital growth from a portfolio of predominantly UK company shares. We consider that the three parts of this objective are stated in order of priority. With our shares yielding 4.2% at 30 June 2018, we are well above the dividend yield of both the FTSE All-Share Index of 3.6% and the average yield of the AIC UK Equity Income sector of 3.7%.

The Board is recommending a final dividend per share of 9.25p (2017 – 11.75p), which makes a total for the year of 33.25p, an increase of 1.53% on the 32.75p per share paid in the previous year. If approved by shareholders at the AGM, this will constitute 45 consecutive years of dividend growth.

The performance of investment trusts is usually judged by comparison with a suitable benchmark index and with the performance of comparable trusts within the same sector. Whilst your portfolio is not constructed with reference to any particular index or benchmark, your Board considers the FTSE All-Share Index to be the primary benchmark against which Murray Income's performance can be measured. Performance against an index is conventionally measured on a total return basis, that is combining the returns from both capital and income for the trust's net asset value per share and also the index. Over one year Murray Income returned 3.9% which is disappointing when compared to the FTSE All-Share Index return of 9.0%. Performance attribution analysis shows that UK sector allocation accounted for about three-quarters of this underperformance, with UK stock selection the other quarter. Being less than half weighted in the strongly performing oil and gas sector was the main culprit; although Provident Financial, now sold, was the worst performing stock. A fuller explanation of performance follows in the Investment Manager's Report.

Dividend

The proposal to pay a final dividend per share of 9.25p (2017 - 11.75p) follows the payment of three interim dividends of 8.00p, increased from 7.00p in the previous year, on 12 January 2018, 29 March 2018 and 29 June 2018. These interim dividend payments represented a material increase in the proportion of distributable revenue which the Company has previously paid by way of interim dividends. The objective was to rebalance the proportion of the dividends paid by the Company so that shareholders receive a greater proportion of the Company's dividend distributions earlier in the financial year by way of interim dividends. For the year ended 30 June 2018, 72% of total dividends were received in the form of interim dividends, assuming shareholder approval of the proposed final dividend. Our intention is again to pay three quarterly interim dividends of 8.00p in the forthcoming year with a final dividend to be determined after the end of the Company's year.

Last year we increased the dividend by less than the increase in earnings per share as we felt that there was a temporary boost to revenues received from Sterling weakness and were unsure of the portfolio's ability to sustain increases from special dividends and option revenue. This proved prudent with earnings per share in the year to 30 June 2018 falling to 33.60p from 34.90p, still enough to cover our dividend increase to 33.25p and add a little to our revenue reserves.

Share Capital and Discount

The Company bought back into treasury 350,145 shares during the year, representing 0.5% of shares outstanding at the start of the year. The discount of the Company's share price to its NAV per share (including income) increased from 7.6% on 30 June 2017 to 8.4% at 30 June 2018. During the year it ranged from 6.5% to 9.9%. UK Equity Income funds in the open-ended sector have seen substantial net outflows in the past year. The sentiment behind such flows has probably been one of the factors influencing the Company's discount.

Ongoing Charges

The figure for ongoing charges represents the total charges to shareholders for managing and administering the Company. The management fee payable to Aberdeen Standard Investments for their management of the investment portfolio is the largest component of this. With effect from 1 January 2018, the Company benefited from a negotiated reduction in the management fee with the annual fee now calculated on net assets, at 0.55% up to £350m, 0.45% between £350m and £450m and 0.25% over £450m.

In addition to the management fee, there is an annual marketing fee of £480,000 (including VAT), a secretarial fee of £90,000 (including VAT), interest on the new fixed and floating debt (which was payable from November 2017) and various smaller charges as shown in note 5 to the financial statements. The total ongoing charges figure aggregates all charges and as a percentage of net asset value fell from 0.72% in the year to June 2017 to 0.69% in the year to June 2018. There is one further cost to shareholders on top of the ongoing charges figure which is the transaction costs of changes in the investment portfolio. Because of the low portfolio turnover stemming from the Investment Manager's long-term investment process, the total transaction costs amounted to only 0.11% of net asset value for this financial year.

Your Company has historically charged 50% of the Company's management fee and financing costs to revenue and 50% to capital. With effect from 1 July 2018, the allocation has changed so as to charge 70% to capital and 30% to revenue.

Gearing

Another advantage of investment trusts is that they can gear (or borrow money) in order to enhance capital and income returns to shareholders. This is obviously only successful in rising markets. In November 2017, the Company replaced its £80m 3-year revolving multi-currency bank loan with £60m of short and long-term borrowings split between £20m of new bank borrowings from Scotiabank and the issue of £40m of 10-year loan notes. £6.4m of the bank borrowings were drawn down as at 30 June 2018. We considered that the period of ultra-low interest rates since 2008 may now be ending and, through the issue of the £40m loan notes at an annual coupon of 2.51%, the Company has obtained fixed-rate long-dated Sterling denominated financing at an interest rate that is below the current dividend yield of the portfolio.

The Board continues to believe that sensible use of modest and flexible borrowings will enhance returns of both capital and income to shareholders over the longer term. Combined, these borrowing facilities of £60m represented 10.5% of the Company's net asset value at 30 June 2018.

Board

During the year, Neil Honebon and Mike Balfour retired from the Board. Neil stepped down as Chairman after twelve years on the Board, the last three as Chairman, following the last Annual General Meeting.

Under the UKLA's Listing Rules: a director of more than one investment trust managed by the same management company is not necessarily considered independent. As Mike is also a director of Standard Life Investments Property Income Trust Limited, following the completion of the merger between Aberdeen and Standard Life, Mike stepped down from Murray Income. Both Neil and Mike left the Board with our thanks for their strong contributions and with our best wishes.

Peter Tait joined the Board on 7 November 2017. 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. He brings strong UK fund management skills to the Board.

Stephanie Eastment was appointed as a Director of the Company on 2 August 2018. Stephanie joined the Board following a 30-year career in financial services and was latterly with Invesco Perpetual in the role of Head of Specialist Funds Company Secretariat and Accounts. Stephanie is a Fellow of the Institute of Chartered Accountants in England and Wales and a Fellow of the Institute of Chartered Secretaries and Administrators.

Both Peter and Stephanie were appointed following wide-ranging searches undertaken by Nurole, an

Chairman's Statement continued

independent consultancy. Peter and Stephanie will both stand for formal election as Directors of the Company at the Annual General Meeting and I encourage shareholders to vote in favour of their election.

We have adopted a succession planning policy that, under normal circumstances, Directors will retire after the Annual General Meeting following their ninth anniversary of joining. Our Senior Independent Director, David Woods, will therefore retire from the Board after November's meeting. If re-elected, Jean Park will become the new Senior Independent Director and Chairman of the Remuneration Committee. Stephanie Eastment, if elected, will become Chairman of the Audit Committee. We will commence a search for a new Director in the new year. I should like to take this opportunity to thank David for his service since December 2008, particularly in his latter role as Senior Independent Director. The Board, and shareholders, have benefited from David's experience of investment markets through different cycles and his significant contribution to Directors' deliberations; we wish him well in his retirement.

Investment Manager

We have been watching closely as the merger of our investment manager Aberdeen Asset Management with Standard Life completed. Our assessment is that it has strengthened the investment team behind our manager Charles Luke. Iain Pyle has been appointed as our deputy manager and there is now a five-strong UK Equity Income team within a sixteen-strong UK Equity team headed by Andrew Millington. The investment process has improved in our opinion. It is too early to tell if this marks a recovery in performance but the early signs are encouraging and we have confidence in Charlie, Iain and Andrew.

More information on the Investment Manager's team may be found on page 77.

Regulatory Changes

There have been a number of regulatory changes implemented or announced, recently. Investors should be aware that the Packaged Retail and Insurance-based Investment Products ("PRIIPs") Regulation requires the Manager, as the Company's PRIIP "manufacturer," to prepare a Key Information Document ("KID") in respect of the Company. This KID must be made available by the Manager to retail investors prior to a prospective investor making any investment decision and is available via the Company's website. The Manager, not the Company, is responsible for the information contained in the KID and investors should note that the procedures for calculating the risks, costs and potential returns are prescribed by regulation. We recommend that all investors should note that the figures in the KID may not reflect returns expected of the Company and that anticipated performance returns cannot be guaranteed.

The Criminal Finances Act 2017 introduced a new corporate criminal offence of "failing to take reasonable steps to prevent the facilitation of tax evasion". The Board has confirmed that it is the Company's policy to conduct all of its business in an honest and ethical manner. The Board takes a zero-tolerance approach to facilitation of tax evasion, whether under UK law or under the law of any foreign country.

Data protection rights were harmonised across the European Union following the implementation of the General Data Protection Regulation ("GDPR") on 25 May 2018. The Board has taken the necessary steps to seek appropriate assurances from its third-party service providers to ensure compliance with the new regulations.

Annual General Meeting

The Annual General Meeting will be held at 12.30pm on Monday 5 November 2018 in the Strathclyde Suite of the Glasgow Royal Concert Hall, 2 Sauchiehall Street, Glasgow, G2 3NY. The formal Notice of AGM may be found from pages 85. One of the great advantages of investment trusts is that all shareholders are invited to attend the AGM, to meet the Directors and the Investment Managers and of course to vote on and ask questions about the AGM resolutions. There will be a buffet lunch after the formal AGM has closed when shareholders can ask further questions informally. Shareholders may bring a guest with them to the meeting. It is the Board's intention to hold the 2019 Annual General Meeting in London.

Action to be Taken

Shareholders will find enclosed with this Annual Report a Form of Proxy for use in relation to the AGM. Whether or not you propose to attend the AGM, you are encouraged to complete the Form of Proxy in accordance with the instructions printed on it and return it in the prepaid envelope as soon as possible but in any event so as to be received no later than 12.30pm on 1 November 2018. Completion of a Form of Proxy does not prevent you from attending and voting in person at the AGM if you wish to do so.

If you hold your shares in the Company via a share plan or a platform and would like to attend and/or vote at the AGM, then you will need to make arrangements with the administrator of your share plan or platform. For this purpose, investors that hold their shares in the Company via the Aberdeen Standard Investment Plan for Children, the Aberdeen Standard Investment Trust Share Plan and/or the Aberdeen Standard Investment Trust ISA will find a Letter of Direction and Invitation Card enclosed. Shareholders are encouraged to complete and return both the Letter of Direction and Invitation Card in accordance with the instructions printed thereon.

Further details on how to Attend and Vote at Company Meetings for holders of shares via share plans and platforms can be found on page 79 and at www.theaic.co.uk/shareholder-voting-consumer-platforms.

Update

As at the close of business on 17 September 2018, the NAV per share was 843.3p (including income) and the share price was 756.0p equating to a discount of 10.4% per Ordinary share. To this date from 30 June 2018 the Company has bought back a further 367,900 shares, representing 0.6% of total share capital, excluding treasury shares, at the start of the new financial year. Relative performance from 30 June 2018 to 17 September 2018 has improved with the net asset value total return of -1.5%, ahead of the FTSE All-Share Index total return of -3.0%.

Outlook

I wrote in January that equity markets were likely to be dominated by the political news from Brexit, President Trump and the fortunes of the UK Government. There is no sign of these forces diminishing, so uncertainty and market volatility are likely to continue. Economic numbers remain especially difficult to forecast while there is so much disagreement about the effect of these political outcomes, even whether a particular outcome is good or bad. Despite everything, the UK economy is growing at 1.2% year-on-year in real terms. The global economy is growing faster, projected to grow at 3.9% in real terms by the IMF in 2018 and 2019. Such growth presents the opportunity for UK companies to grow their top-line revenue numbers and their dividend payments. The Investment Manager’s focus on quality should ensure that the companies in our investment portfolio have the management and financial strength to withstand and ultimately benefit from this time of change.

N A H Rogan
Chairman

20 September 2018

Strategic Report

Murray Income Trust PLC is an 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 Standard Investments' primary office in Edinburgh is home to eleven members of the Manager's UK Equities 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 general meetings of the companies in which it invests.

Overview of Strategy

Murray Income Trust PLC (the “Company”) is an 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 Standard Life 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-researched 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, 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 may invest 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 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 financial 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 stock markets, 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 2018.
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 pages 82 and 83 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.	The Company hedges its foreign currency exposure only to the extent that the bank loan is drawn down in foreign currencies. Foreign currency drawings are commensurate with assets held in foreign currencies.

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 pages 34 and 35).	The terms of the Agreement cover the necessary duties and responsibilities expected of the Manager. Via the Management Engagement Committee, 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, 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 including 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 Corporation 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 of the Company's shares from the London Stock Exchange and/or 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 risks, and a note of how these risks are managed, is contained in note 17 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.

Overview of Strategy continued

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 focused upon the following factors:

- the Company's principal risks and uncertainties as set out in the Strategic Report on pages 10 and 11;
- the relevance of the Company's investment objective, particularly in light of the present lower yield environment;
- the demand for the Company's shares indicated by the 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;
- the £40m senior secured loan notes issued in November 2017, which are repayable in November 2027; and
- any requirement for the Company to repay or refinance the drawn-down element of its £20 million bank loan facility prior to, or at, its maturity in November 2020.

In addition, the Board has considered that significant economic or stock market volatility, or further 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, Financial Position and Outlook

A review of the Company's activities and performance during the year ended 30 June 2018, 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 23 to 29 while the full portfolio of investments is published monthly on the Company's website. The Company's Statement of Financial Position on page 54 shows the assets and liabilities at the year end. Borrowing facilities at the year end comprised a new, three year £20 million bank loan and £40 million of 10 year senior loan notes issued by the Company during the year. Details of these are shown in notes 12 and 13 respectively. The future strategic direction and development of the Company is regularly discussed as part of Board meeting agendas. The Board also considers the Manager's promotional strategy for the Company, including effective communications with shareholders.

Key Performance Indicators

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 16.
Share price (total return)	The figures for share price (total return) for this year and for the past three, five and ten years, as well as for the NAV (total return) per share, are shown on page 14. A graph showing share price total return performance against the FTSE All-Share Index over the past 5 years is shown on page 16. 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 16.

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 14 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 14.

Environmental, Social and Human Rights Issues

The Company has no employees and, accordingly, there are no disclosures to be made in respect of employees. The Company's socially responsible investment policy is outlined on page 38. 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, experienced individuals with the right knowledge represented on the Board in order to allow the Board to fulfil its obligations. The Board also recognises the benefits, and is supportive, of the principle of diversity in its recruitment of new Board members. The Board will not display any bias for age, gender, race, sexual orientation, religion, ethnic or national origins, or disability in considering the appointment of its Directors. The Board will continue to ensure that all appointments are made on the basis of merit against the specification prepared for each appointment and therefore the Company does not consider it appropriate to set diversity targets.

At 30 June 2018, there were four male Directors and one female Director, with a further female Director appointed on 2 August 2018.

Duration

The Company does not have a fixed life.

N A H Rogan
Chairman

20 September 2018

Results

Financial Highlights

	30 June 2018	30 June 2017	% change
Total assets (£'000) (as defined on page 83)	617,164	623,588	–1.0
Equity shareholders' funds (£'000)	570,929	576,462	–1.0
Net asset value per Ordinary share – debt at par	856.3p	860.1p	–0.4
Market capitalisation (£'000)	522,711	532,829	–1.9
Share price of Ordinary share (mid-market)	784.0p	795.0p	–1.4
Discount to net asset value on Ordinary shares – debt at par	(8.4%)	(7.6%)	
Gearing (ratio of borrowing to shareholders' funds)			
Net gearing[A]	4.2%	3.7%	
Dividends and earnings			
Revenue return per share	33.6p	34.9p	–3.7
Dividends per share[B]	33.25p	32.75p	+1.5
Dividend cover	1.02 times	1.07 times	
Revenue reserves (£'000)[C]	23,877	25,354	
Operating costs			
Ongoing charges ratio[D]	0.69%	0.72%	

[A] Calculated in accordance with AIC guidance "Gearing Disclosures post RDR".
[B] The figures for dividends per share reflect the years in which they were earned (see note 7 on pages 61 and 62).
[C] The revenue reserve figure does not take account of the proposed final dividend amounting to £6,137,000 (2017 – £7,875,000).
[D] Considered to be an Alternative Performance Measure. As defined on pages 81 and 82.

Performance (total return)

	1 year return %	3 year return %	5 year return %	10 year return %
Share price[A]	+3.3	+27.7	+31.6	+130.3
Net asset value per Ordinary share[A]	+3.9	+28.4	+43.3	+117.4
Benchmark[B]	+9.0	+31.6	+52.8	+111.2

[A] Considered to be an Alternative Performance Measure.
[B] FTSE All-Share Index.
Source: Aberdeen Standard Investments/Morningstar

Dividends

	Rate	XD date	Record date	Payment date
1st interim 2018	8.00p	14 December 2017	15 December 2017	12 January 2018
2nd interim 2018	8.00p	1 March 2018	2 March 2018	29 March 2018
3rd interim 2018	8.00p	31 May 2018	1 June 2018	29 June 2018
Proposed final 2018	9.25p	27 September 2018	28 September 2018	8 November 2018
Total dividends 2018	**33.25p**			

Ten Year Financial Record

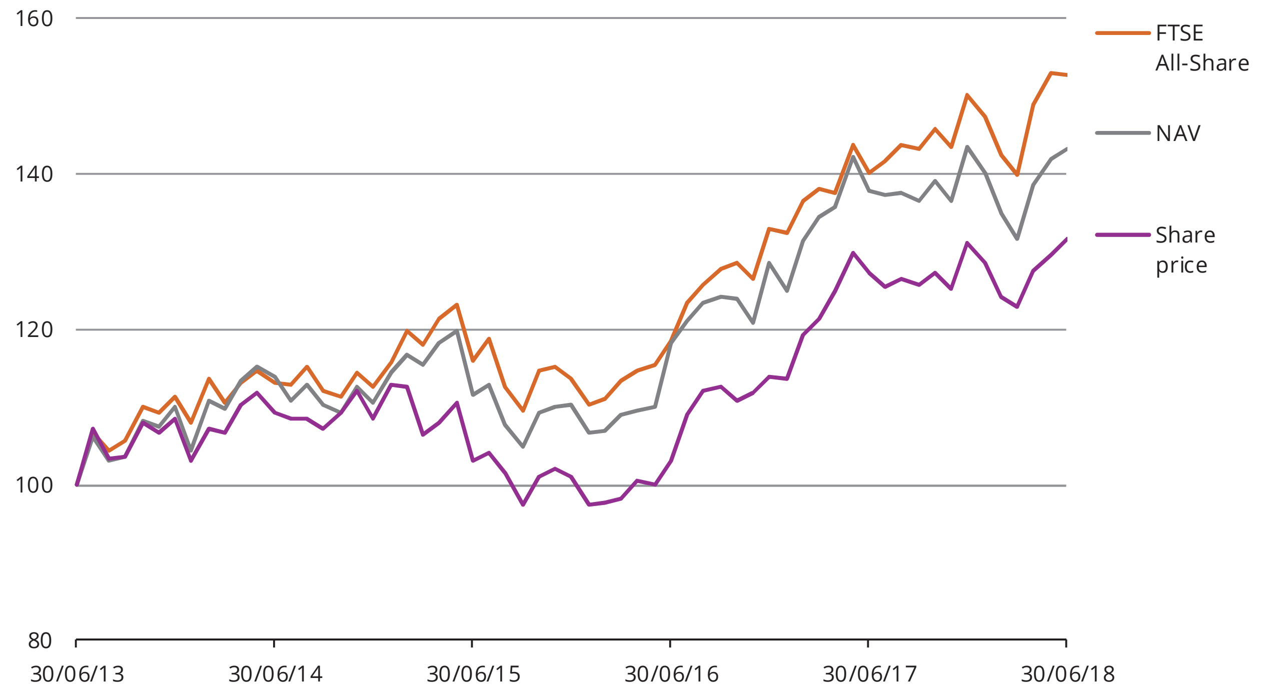
Year end 30 June	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Income (£'000)	19,790	18,257	21,844	22,688	23,566	23,926	25,476	24,838	26,667	25,987
Per Ordinary share (p)										
Net revenue return	28.1	25.4	30.9	30.6	31.1	30.5	33.1	32.0	34.9	33.6
Dividends[A]	27.75	28.00	28.75	29.75	30.75	31.25	32.00	32.25	32.75	33.25
Net asset value	455.4	547.9	671.5	649.6	734.6	805.2	757.1	766.5	860.1	856.3
Shareholders' funds (£'000)	294,570	354,425	434,406	425,458	492,878	547,652	515,888	515,036	576,462	570,929

[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

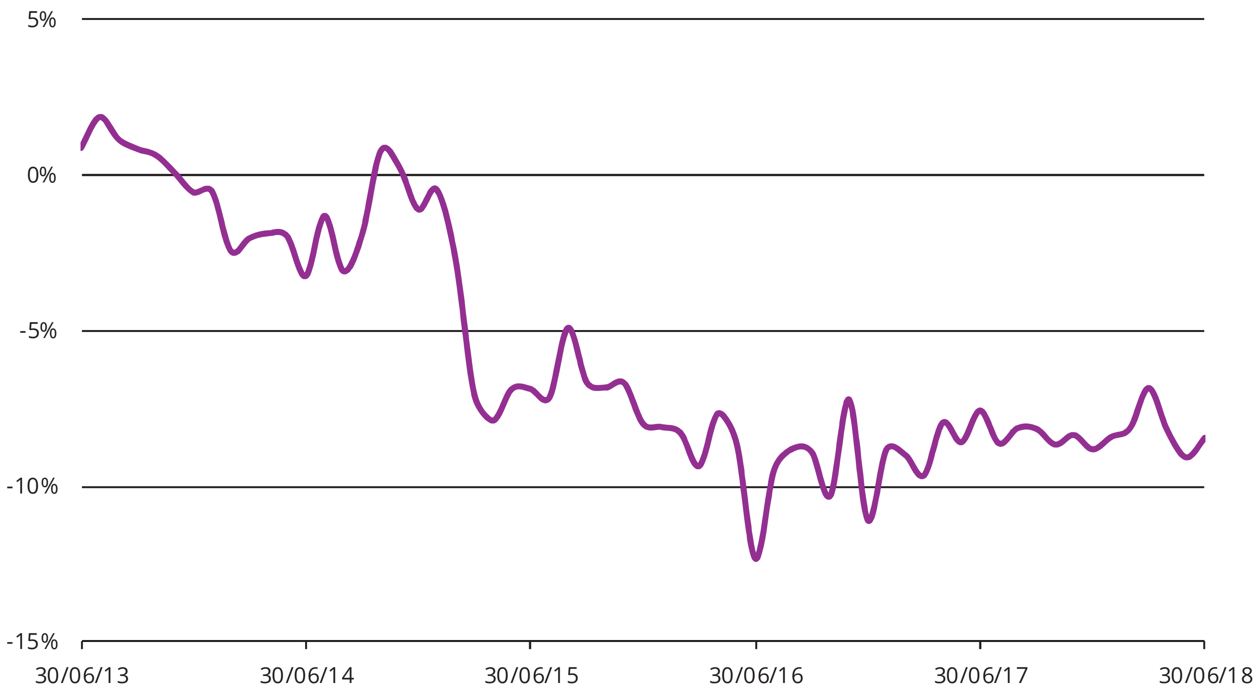
Five years ended 30 June 2018 (rebased to 100 at 30 June 2013)



Source: Morningstar & Lipper

Share Price Premium/(Discount) to NAV

Five years ended 30 June 2018



Source: Morningstar

Investment Manager's Report

Background

The UK equity market finished the year to the end of June 2018 higher, reaching a new peak towards the end of May following the very strong returns of the prior year during which the market recovered from the initial shock of the Brexit referendum decision. The FTSE All-Share Index increased by 9.0% on a total return basis (that is with dividends reinvested). The market was particularly volatile in the second half of the financial year with sharp falls during the first quarter of calendar 2018 recouped in the following period. A number of factors provided the backdrop to the market's good performance: a relatively benign global economic environment; robust commodity prices (being broadly a function of the global economic backdrop); the benefits of tax reform in the United States; and a relatively limited disjoint from Brexit.

The domestic economy demonstrated resilience in the first half of the Company's financial year with GDP growing by 0.4% quarter on quarter in the third and final quarters of calendar 2018. However, the impact of the poor weather conditions and uncertainty around Brexit led to a weak first quarter of calendar 2018 with growth of 0.2%. Some of these concerns were assuaged as growth picked up to 0.4% as services output recovered in the second quarter of calendar 2018. At the start of the period the tone of the Monetary Policy Committee became more hawkish leading to the first interest rate rise (by 25bps to 0.5%) in a decade in November. With unemployment reaching its lowest level in 40 years in the three months to the end of June 2018, the degree of slack in the economy has reduced considerably. To some extent, this has been reflected in wage growth with average earnings excluding bonuses rising by 2.7% for the three months to the end of June 2018 as part of a gradual improvement over the 12 month period. Indeed, we are now seeing a period of real wage growth given that the Consumer Price Index measure of inflation ended the period little changed from the start of the period at 2.4% although it did rise to 3.0% for a number of months around the turn of the calendar year. Sterling strengthened against the US Dollar for the first nine months of the period before giving back its gains as the US Dollar strengthened and concerns around Brexit took hold. The currency remained little changed against the Euro for the whole period. The International Monetary Fund expects UK GDP growth for calendar 2018 to be 1.4% before improving marginally to 1.5% in 2019. However, the outturn for 2019 in particular remains principally dependent on the terms of the withdrawal from the European Union.

Overseas, the economic environment during the period has been relatively benign with consensus forecast suggesting close to 4.0% global GDP expansion in 2018 compared to 3.7% in 2017. Growth in the United States has generally been strong aided by a robust labour market, strong household expenditure and a noteworthy fiscal stimulus. This prompted the Federal Reserve to raise interest rates by 0.75% over the period as it seeks to normalise monetary policy. In the Eurozone, economies generally performed well in the first half of the period aided by the European Central Bank's accommodative policies but more recently there have been signs of a slowdown particularly in France and Germany. Emerging markets including China also performed robustly in the first half of the period aided by the strength of the global economy, strong commodity prices and a benign US dollar but have subsequently lost momentum impacted by trade tensions and a stronger US Dollar. Growth now appears to be more uneven with a divergence between the United States on the one hand, and Europe and Emerging Markets on the other hand. The downside risks have increased as trade tensions become more prominent and financial conditions tighten.

Company Performance

The Company generated a positive net asset value per share total return of 3.9% in the year to 30 June 2018, compared to a rise in the benchmark FTSE All-Share Index of 9.0%. The first half of the year proved to be a particularly challenging period reflecting a number of broad themes as well as one particular stock specific disappointment. Firstly, cyclical sectors and in particular oil and gas companies performed strongly. Secondly, in contrast, companies with defensive growth characteristics underperformed. These two broad factors were not helpful for a portfolio generally comprised of good quality companies that combine attractive dividend yields and/or those with good scope for dividend growth with a relatively high degree of dividend 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. As a function of this, Royal Dutch Shell (which is an underweight position relative to the benchmark despite being one of the largest holdings in the portfolio) performed very strongly, accounting for around a quarter of the underperformance. While unfortunately a further third of the underperformance can be attributed to Provident Financial whose share price fell sharply following a significant profit warning which resulted in the sale of the holding (the factors behind this are explained in more detail below).

Investment Manager's Report continued

Performance Attribution for the year ended 30 June 2018

	%
Net Asset Value total return for year per Ordinary share	3.9
FTSE All-Share Index total return	9.0
Relative return	**–5.1**

Relative return	**%**
Stock selection (equities)	
Oil & Gas	–0.1
Basic Materials	0.5
Industrials	–0.6
Consumer Goods	–0.2
Health Care	–0.5
Consumer Services	–0.7
Telecommunications	–0.5
Utilities	–
Technology	2.3
Financials	–1.8
Total stock selection (equities)	**–1.6**
Asset allocation (equities)	
Oil & Gas	–1.4
Basic Materials	–0.6
Industrials	0.4
Consumer Goods	–0.5
Health Care	–0.4
Consumer Services	–0.5
Telecommunications	–0.2
Utilities	0.3
Technology	–0.7
Financials	0.1
Total asset allocation (equities)	**–3.5**
Bonds & Options	0.3
Gearing	0.3
Administrative expenses	–0.2
Management fees	–0.5
Tax charge	–0.1
Residual effect	0.2
Total	**–5.1**

Sources : Aberdeen Standard Investments & BNP

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. Bonds & 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.

On a total return basis, the Company's share price returned 3.3%, which reflected a small widening 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 350,145 shares to be held in Treasury. On a gross assets basis, the equity portfolio underperformed the benchmark by 4.8%.

Gearing increased returns by 0.3%. The Company maintained the level of debt at a steady rate of around £47m for most of the period. At the beginning of November the Company replaced its floating rate £80m Sterling facility with a mixture of fixed and floating: £40m of Senior Secured Fixed Rate Notes at a coupon of 2.51% and a new £20 million three-year unsecured multi-currency revolving credit loan facility agreement with Scotia Bank Europe PLC. The notes are denominated in sterling and the bank debt can be been drawn down in a mixture of currencies to offset the portfolio's non-UK holdings. To date, US Dollars, Euros, Swedish Krona and Swiss Francs have been drawn down, broadly matching the mix of non-UK listed exposure in the portfolio.

Looking specifically at the performance of the market, for the second year in a row the poorest performing area of the market was the telecoms sector. This was principally due to the continuing disappointing performance of BT (not held in the portfolio) which suffered from slowing volume growth as consumer-facing markets mature and competition increased. The tobacco sector, which is held in the portfolio, also performed poorly, a function of concerns around rising bond yields, high debt burdens and the impact of next generation products.

Conversely, the oil and gas sector performed very strongly as the oil price increased by nearly $30 per barrel over the period. Similarly, the mining sector repeated its impressive performance as commodity prices continued to increase, management teams exercised capital discipline and in the case of BHP Billiton activist investors called for portfolio re-shaping.

From a size perspective, the FTSE 100 Index continued to underperform the Mid 250 Index. However the Small Cap Index underperformed both indices given the greater exposure to domestic economic factors and concerns around Brexit. The FTSE 350 High Yield Index underperformed the FTSE 350 Low Yield index during the period.

Looking specifically at the Company's portfolio, stock selection and asset allocation were both negative. Within oil & gas, the underweight exposure to oil & gas producers was detrimental. Within basic materials, good stock selection in the mining sector was offset by being underweight the sector. The overweight position in healthcare coupled with poor stock selection hurt performance. In consumer services, being underweight food retail and poor stock selection in media impacted returns. Finally, stock selection was beneficial in the technology sector but a significant drag in the financials sector.

Turning to the individual holdings, there were a number of companies that demonstrated substantial share price increases. **Aveva's** share price more than doubled during the period due to its merger with Schneider Electric's software business and a recovery in its end-markets. Strong demand for its cloud products helped **Microsoft** to perform well. **XP Power's** exposure to strong capital equipment markets coupled with new design wins entering production resulted in an impressive uplift in profits. At the end of the period **Dunedin Smaller Companies Investment Trust** announced that it intended to merge with Standard Life UK Smaller Companies Trust. Finally, **Rotork** performed well buoyed by a recovery in the expenditure of its oil and industrial customers.

On the other hand, there were a number of disappointments. By far and away the most significant of these was **Provident Financial** which issued a profit warning towards the beginning of the period in which it announced that there had been 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 that as a result of intervention by the FCA the company had stopped selling its highly profitable "Repayment Option Plan" in April 2016 to new customers but did not deem this worthy of public disclosure. Following a strong performance in the prior year, **Nordea Bank's** share price weakened over the period given delays to its cost savings programme, competition in the Swedish mortgage market and the likelihood that interest rate increases would be delayed. Weakness in **Inmarsat's** maritime business, delays to the company's aviation revenues and the additional capex required to achieve these resulted in lower earnings estimates and a fall in the share price. However, in June the company was approached by EchoStar, a US peer about a potential acquisition which resulted in a sharp recovery in the share price although the share price still fell by a quarter during the year. Finally, despite also staging a part recovery in its share price, **Ultra Electronics** performed poorly due to a profit warning caused by budgetary pressure on UK defence programmes and the resignation of its Chief Executive.

Portfolio Activity and Structure

Turnover was significantly more brisk than usual during the period (with turnover of 21% compared to 12% in the prior year) as we sought to enhance our focus on dividend growth rather than just a high income, diversify the income and capital exposure, and take advantage of a number of attractively valued companies that we had identified in the mid cap area of the market.

We introduced 17 new holdings during the year, over half of which were non-large cap companies. **LondonMetric Property**, is 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. We purchased a holding in **Euromoney International Investor**, a mid cap B2B 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. **GIMA TT** is 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, an area where we would expect to see attractive long term growth. We introduced a small position in **Diploma**, a mid-cap distributor with high margins and attractive returns. The company has a net cash balance sheet (providing some scope for special dividends) and although the dividend yield is relatively low it should grow quickly. **Bodycote** is a mid cap engineer focused on thermal processing, its under-appreciated quality characteristics (including a net cash balance sheet and history of special dividends) made it an attractive option despite the relatively modest dividend yield. We also purchased a small holding in **Saga**, a mid cap specialist provider of services (mostly insurance) to people in the UK aged 50 and over. Although the dividend has limited scope for growth the yield of 7% is attractive and the valuation appealing. We bought a small holding in **VAT Group**, a Swiss mid-cap company which is the global leader in vacuum valve technology. Although the industry is cyclical, the company is exposed to attractive structural drivers and maintains a strong balance sheet and an attractive dividend yield that should grow strongly. Telecom Plus offers household services such as telecoms and utilities through a network of agents. The company regularly comes top in customer satisfaction surveys and with changes to the standard variable tariff for utilities should become more competitive compared to other market participants. The company has a net cash balance sheet and a dividend yield above 4%. Finally, in the mid cap space, we introduced **Chesnara**, the mid cap insurance company focused on closed businesses in the UK and an open life and pensions business in Sweden and the Netherlands. The company operates in an attractive niche, has an appealing dividend yield and a good track record of growth through acquisitions. We also introduced a modest position in one small cap company, **Hostelworld**, a leading internet booking site for hostels which represent a growth market. The company has a net cash balance sheet and a generous dividend yield. As a result of these purchases, the mid and small cap exposure in the portfolio at the year end has increased to 31% of gross assets compared to around 25% at the prior year end.

The large cap company introductions were as follows. **Rentokil Initial**, which offers long term structural growth from its pest control division. Although the dividend yield is low, dividend growth should be strong. We purchased a holding in **Experian**, the FTSE 100 credit information services company, which we believe can deliver strong earnings and dividend growth helped by new products and supportive end-markets. We introduced **Kone**, the elevator company listed in Finland. The company offers access to a long term growth industry with a strong competitive position and generous market share particularly in Asia. The company has a net cash balance sheet and a generous dividend yield approaching 4%. We purchased a holding in **InterContinental Hotels**. The company has good brands, a strong pipeline of new rooms and attractive financial characteristics, particularly its low capex requirements and long term contracted revenues. **Relx** (the old Reed Elsevier) 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 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.

Furthermore, we increased the exposure to a number of companies with attractive prospects including **Assura** as part of a fund raising to buy assets, **Croda International** given expectations for strong growth, Aveva due to the market underappreciating the benefits of its merger with Schneider Electric's software business, and **Diageo** where we became more positive on the outlook for growth in the company's American and Emerging Market operations.

In contrast, we sold ten holdings. The position in **Essentra** was sold given concerns over potential operational and cyclical risks within the business and with a valuation that we believed had largely factored in a recovery in earnings. The holding in **Wood Group** was also sold following a reappraisal of the company's quality characteristics. In particular, following the purchase of Amec Foster Wheeler the uncertainty over liabilities taken on, the high level of debt (which made the dividend less secure) and the valuation which failed to look particularly cheap. **Inmarsat** was sold following the approach by EchoStar. The issues around weakness in the maritime division, delays to aviation revenues and the debt burden led to a reappraisal of the quality characteristics of the company. The potential bid provided the opportunity to sell the shares at a more attractive valuation. The small residual holding in **Linde** was also sold following a strong performance after the announcement of the merger with Praxair which had already factored in most of the benefits of the deal. The holding in **Sage** was sold given concerns that the company is finding the transition of its products to the cloud to be challenging, coupled with worries that the company's staff were not easily adjusting to the high performance culture that management want to introduce. The holding in **Svenska Handelsbanken** was sold given concerns around the conservatism of lending in the UK, greater competition and the reduced likelihood of a special dividend. 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 reduced dividend. **Capita** was sold from the portfolio as we had 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 (which subsequently occurred). Finally, given the significant deterioration in the quality of the company and the breakdown in trust with the management, we took the difficult decision to sell the holding in **Provident Financial**.

We reduced a number of holdings including **GlaxoSmithKline** in recognition that the dividend risk for the company had increased. We also reduced Unilever and **AstraZeneca** to manage the capital exposure following a period of strong performance. And also **Aberforth Smaller Companies** as the holdings in individual mid cap names increased.

In addition to the trades outlined above, a number of Call Options (see definition on page 82) were assigned in companies that had performed strongly, including **Microsoft**, **Prudential** and **BBA Aviation** leading to a marginal reduction in the exposure to these names. Conversely, the assignment of Put Options (see definition on page 83) led to small increases in **Vodafone**, **British American Tobacco** and **Weir Group**. 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 decreased in percentage terms accounting for 6.8% of total income compared to 7.4% 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.

With our long term investment horizon, 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: board composition, diversity, experience and expertise; capital allocation and M&A activity; risk management including issues such as cyber security, data protection and GDPR; dividend and balance sheet policies; remuneration; environmental issues; innovation; and accounting policies. 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 various Annual General Meetings (in many cases being the only institutional shareholder present).

Our aspiration in terms of portfolio construction is simple: to invest in good quality companies with attractive growth prospects through a sensibly diversified portfolio with appealing dividend characteristics. The ability to invest up to 20% of gross assets overseas is helpful in achieving these aims and, at the year end, the portfolio comprised 56 holdings with the overseas exposure representing 13.8% of gross assets.

Income

For the financial year ended 30 June 2018, the Company witnessed a small fall in the level of income generated overall, following a particularly strong performance in the prior year, leading to a reduction in the revenue return per share of 3.7% from 34.9p to 33.6p. Income from investments reduced due to a reduction in Inmarsat's final dividend and the cancellation of Provident Financial's interim dividend, lower special dividend income, marginally stronger Sterling, the repayment of £10m of borrowings at the end of the prior year as well as lower option income. In total there were three special dividends (from Aveva, Aberforth Smaller Companies and Scandinavian Tobacco Group), of which £0.9m was recognised as revenue. 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. In addition, higher borrowing costs given the fixed rate notes and marginally higher interest rates on the bank borrowing offset the benefits of the lower management fee. There was a very marginal earnings enhancement from fewer shares in issue. Revenue reserves now stand at £23.9m (prior to the payment of the final dividend).

Although the weakness of Sterling has improved the dividend picture from a translational perspective in recent years, currency movements are notoriously difficult to predict and much hinges on the outcome of the negotiations around the UK's withdrawal from the European Union. In addition, average dividend payout ratios remain elevated compared to historic levels. Current consensus forecasts for the UK equity market as whole suggest dividend growth for calendar 2019 of 5.0% which would appear to be reasonable barring a significant appreciation of Sterling or a period of very weak economic growth.

Outlook

Although the global economic environment seems relatively benign supported by a robust growth dynamic, there are indications that underlying growth momentum may be gently slowing and regional divergence increasing. Furthermore, an increase in protectionism could have a significant impact on growth with the potential to also increase inflationary pressures. Closer to home, the likely shape of Brexit remains opaque and until a clearer picture emerges, this uncertainty is likely to act as a brake on growth. We are concerned that valuations are now beginning to look expensive again. Therefore, we will continue to take a careful and measured approach to capital allocation favouring companies whose market positions, competitive advantages and balance sheets afford them the best opportunity to prosper over the longer term.

Charles Luke
Iain Pyle
Aberdeen Asset Managers Limited
Investment Manager

20 September 2018

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 Standard Investment's London headquarters is near St. Paul's and is home to five of the 16-strong UK equities team responsible for selecting companies for the portfolio, including the lead manager for Murray Income Trust PLC. Teamwork is important to Aberdeen Standard Investments. Fundamental research drives the investment process; Aberdeen Standard Investments 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 2018

Investment	Valuation 2018 £'000	Total assets %	Valuation 2017 £'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.	23,643	3.8	28,179
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.	21,563	3.5	27,845
3 (9) BP BP is a fully integrated energy company involved in exploration, production, refining, transportation and marketing of oil and natural gas. We believe the industry is currently in a sweetspot with rising prices and benign costs. The company provides an attractive dividend yield.	21,458	3.5	19,166
4 (13) Royal Dutch Shell Royal Dutch Shell is engaged in all phases of the petroleum industry, from exploration to processing and distribution. It is a leading deepwater operator including the high margin assets in Brazil that it purchased with BG. The group operates in over 130 countries.	21,315	3.4	17,542
5 (5) 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.	20,831	3.4	22,629
6 (16) BHP Billiton BHP Billiton is a diversified resources group with a global portfolio of high quality assets particularly iron ore and copper. A greater focus on capital discipline has resulted in the sale of its United States onshore petroleum assets.	20,165	3.3	15,347
7 (4) AstraZeneca AstraZeneca researches, develops, produces and markets pharmaceutical products. The company's focus is on the following: Cardiovascular and Metabolic Diseases; Oncology; Respiratory; Inflammation and Autoimmunity; Infection and Neuroscience. The company offers attractive growth and an under-appreciated pipeline.	19,856	3.2	25,418
8 (7) HSBC Holdings HSBC provides a variety of international banking and financial services, including retail and corporate banking. The diversity of HSBC's businesses and exposure to faster growing regions should enable it to deliver superior long term growth.	19,306	3.1	20,821
9 (-) Diageo Diageo produces, distills and markets alcoholic beverages including vodkas, whiskeys, tequilas, gins and beer. The company should benefit from attractive long term drivers such as population and income growth, and premiumisation. The company has a variety of very strong brands and faces very limited private label competition.	18,923	3.1	12,690
10 (12) Compass Group Compass is a 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.	17,558	2.8	17,574
Top ten investments	**204,618**	**33.1**	

Investment Portfolio – Twenty Largest Investments continued

As at 30 June 2018

Investment	Valuation 2018 £'000	Total assets %	Valuation 2017 £'000
11 (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 a robust balance sheet.	16,516	2.7	21,134
12 (11) 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 26 countries worldwide including an extensive emerging markets portfolio.	16,136	2.6	17,642
13 (15) Microsoft Microsoft in a renowned technology company listed in the USA. It develops, manufactures, licenses, supports and sells computer software, personal computers and related services. The company has recently focused on cloud computing developing a very successful business in this area.	15,924	2.6	15,429
14 (17) BBA Aviation BBA Aviation provides flight support and aftermarket services. Following the acquisition of its largest competitor Landmark, it has an unrivalled network, high barriers to entry and structural growth prospects.	15,199	2.5	15,032
15 (-) Hiscox Hiscox is a non-life insurance company underwriting risks through the Lloyd's of London market and Bermuda, as well as direct SME business in the UK, Europe and the US, where it has demonstrated notable growth.	14,350	2.3	11,923
16 (-) Aveva Aveva Group develops engineering software used primarily by companies in the oil and gas, power and marine industries. It also serves the chemical and mining segments. It maintains leading design technology, a strong market share and its combination with Schneider Electric's software business should create the foremost player in the industry.	13,053	2.1	2,652
17 (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. It has a conservative, tried and tested model with high barriers to entry.	12,973	2.1	13,174
18 (-) Schroders Schroders is an international asset management group, managing funds across all asset categories including equities, bonds, cash and alternative investments and venture capital. It benefits from strong distribution, a well-known brand and a very robust balance sheet.	12,855	2.1	8,671
19 (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.	12,705	2.1	27,640
20 (-) Rio Tinto Rio Tinto is an international mining company and has interests in mining for a large number of metals and minerals. It has a strong balance sheet and pays an attractive dividend yield.	12,674	2.0	–
Top twenty investments	**347,003**	**56.2**	

The value of the 20 largest investments represents 56.2% (2017 – 62.0%) 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 2018

Investment	Valuation £'000	Total assets %	Yield[A] %
Oil & Gas			
Oil & Gas Producers	**42,773**	**6.9**	
BP	21,458	3.5	6.5
Royal Dutch Shell	21,315	3.4	5.2
Basic Materials			
Mining	**32,839**	**5.3**	
BHP Billiton	20,165	3.3	6.2
Rio Tinto	12,674	2.0	6.0
Chemicals	**9,590**	**1.5**	
Croda International	9,590	1.5	1.7
Industrials			
Aerospace & Defence	**15,764**	**2.5**	
Rolls Royce	7,884	1.3	1.2
Ultra Electronics	7,880	1.2	3.0
Industrial Engineering	**39,948**	**6.5**	
Rotork	12,112	1.9	1.6
Weir Group	8,503	1.4	2.2
Kone	8,025	1.3	3.8
GIMA TT	4,356	0.7	3.0
VAT Group	4,046	0.7	3.0
Bodycote	2,906	0.5	4.3
Industrial Transportation	**15,199**	**2.5**	
BBA Aviation	15,199	2.5	2.9
Electronic & Electrical Equipment	**6,036**	**1.0**	
XP Power	6,036	1.0	2.2
Support Services	**16,204**	**2.6**	
Rentokil Initial	6,746	1.1	1.1
Experian	6,246	1.0	1.8
Diploma	3,212	0.5	1.8
Consumer Goods			
Beverages	**18,923**	**3.1**	
Diageo	18,923	3.1	2.3
Food Producers	**14,750**	**2.4**	
Nestlé	8,672	1.4	2.9
Associated British Foods	6,078	1.0	1.5
Personal Care	**23,643**	**3.8**	
Unilever	23,643	3.8	3.8
Tobacco	**33,423**	**5.4**	
British American Tobacco	21,563	3.5	6.4
Imperial Brands	6,716	1.1	6.2
Scandinavian Tobacco	5,144	0.8	6.0

Investment Portfolio – By Sector continued

As at 30 June 2018

Investment	Valuation £'000	Total assets %	Yield[A] %
Health Care			
Pharmaceuticals & Biotechnology	**58,254**	**9.5**	
AstraZeneca	19,856	3.2	4.0
Roche Holdings	16,516	2.7	3.8
GlaxoSmithKline	12,705	2.1	5.2
Novo-Nordisk	9,177	1.5	2.7
Consumer Services			
Media	**19,793**	**3.2**	
Relx	12,193	2.0	2.4
Euromoney International Investor	7,600	1.2	2.4
Travel & Leisure	**26,015**	**4.2**	
Compass Group	17,558	2.8	2.1
InterContinental Hotels	6,028	1.0	2.6
Hostelworld	2,429	0.4	4.8
Telecommunications			
Fixed Line Telecommunications	**8,612**	**1.4**	
Telecom Plus	6,024	1.0	4.4
Manx Telecom	2,588	0.4	6.4
Mobile Telecommunications	**16,136**	**2.6**	
Vodafone	16,136	2.6	7.2
Utilities			
Gas, Water & Multi-utilities	**4,791**	**0.8**	
National Grid	4,791	0.8	5.5
Financials			
Banks	**38,695**	**6.2**	
HSBC Holdings	19,306	3.1	5.4
Nordea Bank	10,901	1.7	8.2
Standard Chartered	8,488	1.4	1.0
Financial Services	**25,828**	**4.2**	
Close Brothers	12,973	2.1	4.1
Schroders	12,855	2.1	4.6
Non-life Assurance	**18,580**	**3.0**	
Hiscox	14,350	2.3	1.9
Saga	4,230	0.7	7.2
Life Assurance	**26,185**	**4.2**	
Prudential	20,831	3.4	2.7
Chesnara	5,354	0.8	5.5
Equity Investment Instruments	**17,413**	**2.9**	
Aberforth Smaller Companies Trust	12,089	2.0	2.5
Dunedin Smaller Companies Investment Trust	5,324	0.9	2.1

Investment	Valuation £000	Total assets %	Yield[A] %
Real Estate Investment Trusts	31,281	5.1	
Assura	8,544	1.4	4.5
Big Yellow Group	7,886	1.3	3.2
LondonMetric Property	6,489	1.0	4.3
Workspace Group	4,299	0.7	2.5
Hansteen	4,063	0.7	5.9
Technology			
Software & Computer Services	**28,977**	**4.7**	
Microsoft	15,924	2.6	1.7
Aveva	13,053	2.1	1.0
Total investments	**589,652**	**95.5**	

[A] Yields are historic and exclude special dividends.
Source: Aberdeen Standard Investments

Portfolio

Summary of Investment Changes during the Year

As at 30 June 2018

Summary of Total Assets

	Valuation 30 June 2017 £'000	%	Transactions £'000	Gains/(losses) £'000	Valuation 30 June 2018 £'000	%
Equities						
United Kingdom	502,967	80.7	(3,293)	4,788	504,462	81.7
Denmark	17,408	2.8	(3,387)	300	14,321	2.3
Finland	–	–	8,084	(59)	8,025	1.3
Germany	5,003	0.8	(5,230)	227	–	–
Ireland	–	–	3,054	(625)	2,429	0.4
Italy	–	–	4,543	(187)	4,356	0.7
Sweden	25,139	4.0	(8,499)	(5,739)	10,901	1.8
Switzerland	29,421	4.7	4,378	(4,565)	29,234	4.7
United States	15,429	2.5	(5,061)	5,556	15,924	2.6
Total investments	595,367	95.5	(5,411)	(304)	589,652	95.5
Other net current assets[A]	28,221	4.5	(709)	–	27,512	4.5
Total assets	**623,588**	**100.0**	**(6,120)**	**(304)**	**617,164**	**100.0**

[A] Excluding borrowings.

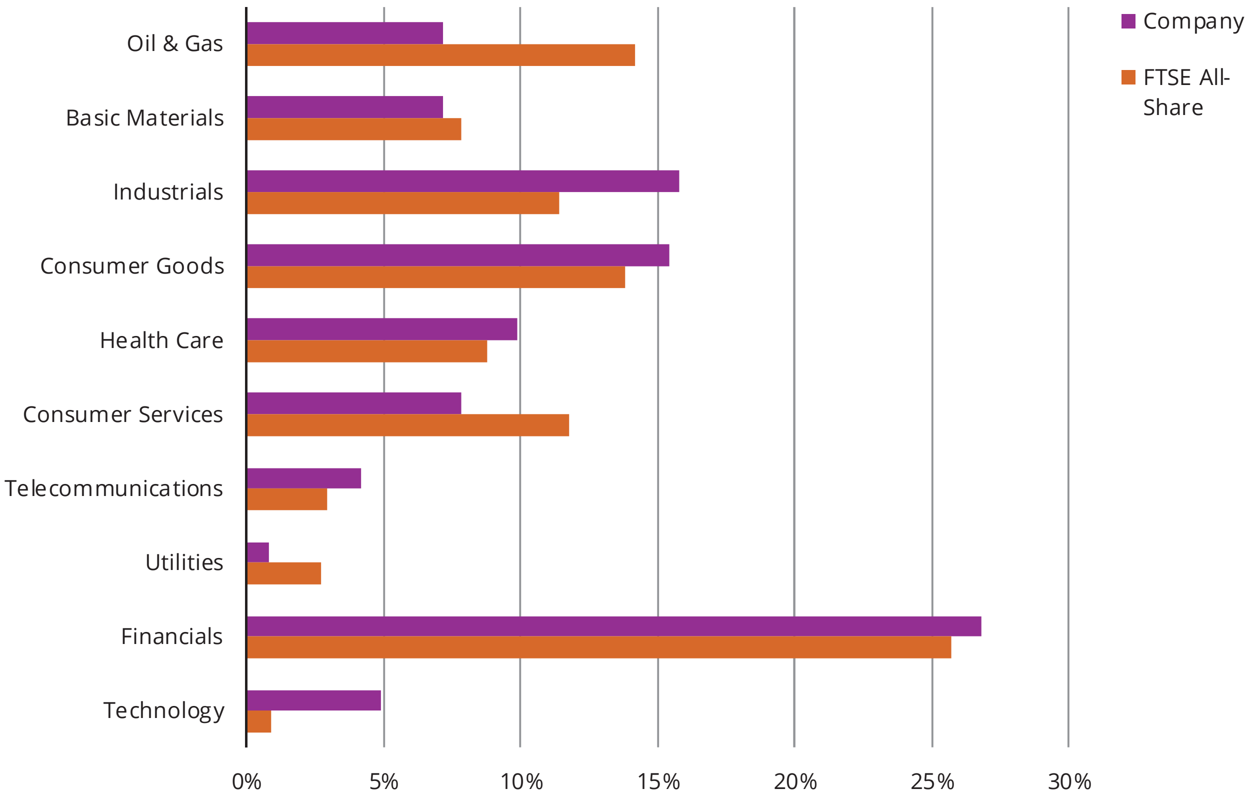
Summary of Net Assets

	As at 30 June 2018 £'000	%	As at 30 June 2017 £'000	%
Equities	589,652	103.3	595,367	103.3
Other net assets	27,512	4.8	28,221	4.9
Borrowings	(46,235)	(8.1)	(47,126)	(8.2)
	570,929	**100.0**	**576,462**	**100.0**

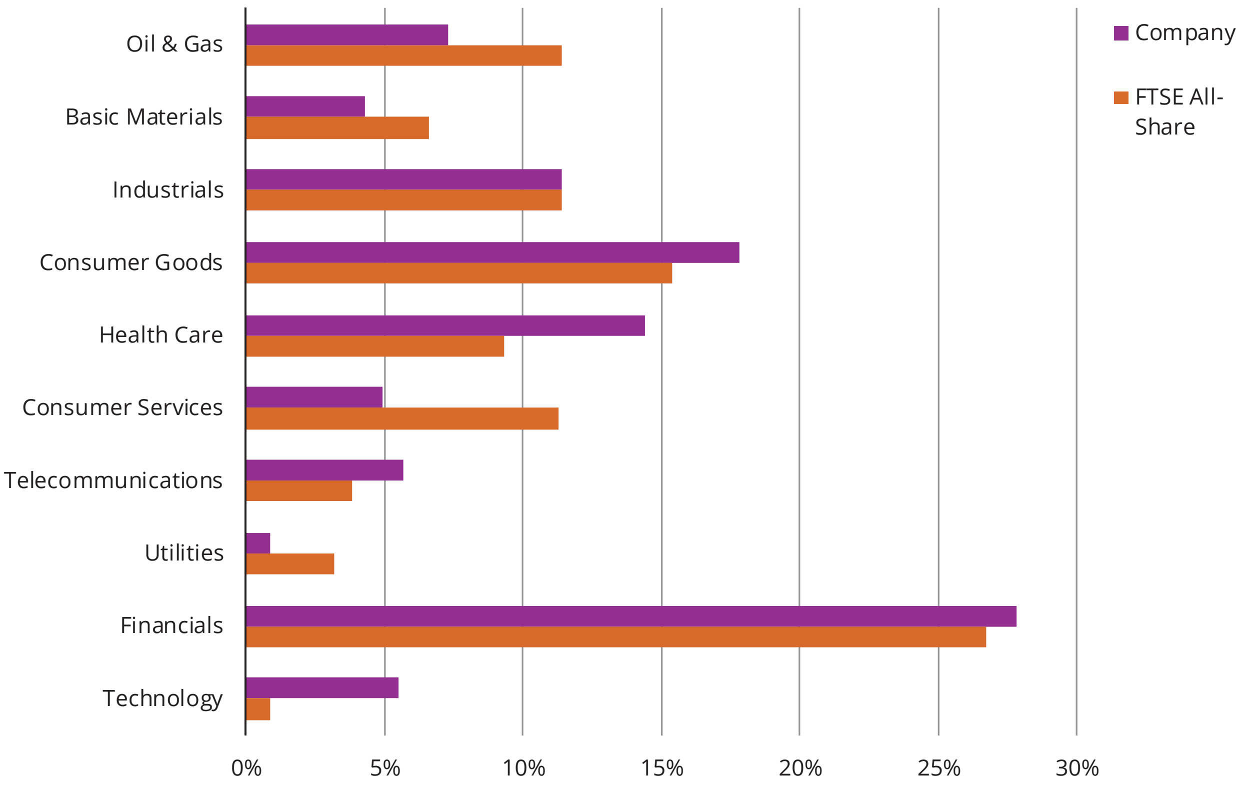
Portfolio

Sector Comparison with the Benchmark

Equities Held at 30 June 2018 (percentage of portfolio)



Equities Held at 30 June 2017 (percentage of portfolio)



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.

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.

Your Board of Directors

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

Neil Rogan MA

Status: Independent Non-Executive Director

Length of Service: 4 years, appointed Chairman on 6 November 2017

Experience and other public company directorships: Neil Rogan is former Head of the Global Equities Teams 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. He is Chairman of Invesco Asia Trust plc.

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: Senior Independent Non-Executive Director

Length of Service: 9 years

Experience and other public company directorships: David Woods is 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: None

Shared Directorships with any other Directors: None

Jean Park BAcc, CA

Status: Independent Non-Executive Director

Length of Service: 6 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

Your Board of Directors continued

Donald Cameron MSP, BA Hons

Status: Independent Non-Executive Director

Length of Service: 6 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

Peter Tait, MA Hons

Status: Independent Non-Executive Director

Length of Service: 10 months

Experience and other public company directorships: Peter Tait was appointed as a Director on 7 November 2017, having retired from the Nestlé Group where he was initially Head of Investments for the Nestlé UK Pension Fund and then CEO & CIO of Nestlé Capital Management. Prior to Nestlé he worked for many years in the investment management industry managing portfolios for investment trusts, pension funds and charitable foundations. During that time he was a Managing Director at BlackRock International and, before that, a Director of Dunedin Fund Managers and a portfolio analyst at Scottish Widows Life Assurance Fund.

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

Stephanie Eastment, FCA, FCIS

Status: Independent Non-Executive Director (appointed on 2 August 2018)

Length of Service: 1 month

Experience and other public company directorships: Stephanie Eastment was appointed a Director on 2 August 2018, after leaving Invesco Perpetual, where she had worked since 1996 specialising in the asset management industry with particular focus on investment trusts. Her career spans over 30 years working in financial services including roles at UBS, Wardley Investment Services International and KPMG. She is a Fellow of the Institute of Chartered Accountants in England and Wales and a Fellow of the Institute of Chartered Secretaries and Administrators.

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

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; and
- adopt a going concern basis of accounting unless it is inappropriate to assume that the Company will continue in business.

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 of the Company each confirm, to the best of their knowledge:

- that 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 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 for shareholders to assess the Company's position and performance, business model and strategy;
- that 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; and
- that the financial statements are prepared on a going concern basis.

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

N A H Rogan
Chairman

20 September 2018

Directors' Report

Status

The Company, which was incorporated in 1923, is registered as a public limited company in Scotland under company 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 2018 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 2018, the Company had 66,672,313 fully paid Ordinary shares of 25p each (2017 – 67,022,458 Ordinary shares) with voting rights in issue and an additional 1,921,145 (2017 – 1,571,000) shares in treasury. During the year ended 30 June 2018, 350,145 Ordinary shares, equivalent to 0.5% of the Company's issued share capital excluding treasury shares as at 30 June 2017, were bought back into treasury. A further 367,900 shares were bought back into treasury between 1 July 2018 and the date of approval of this report, resulting in 66,304,413 Ordinary shares in issue, with voting rights, and 2,289,045 shares held in 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 2018 indicate a total gain attributable to equity shareholders for the year of £21,099,000 (2017 – £88,982,000).

The final dividend for the year ended 30 June 2017, of 11.75p per Ordinary share, was paid to shareholders on 9 November 2017. The first, second and third interim dividends, each of 8.0p per Ordinary share, for the year ended 30 June 2018, were paid to shareholders on 12 January 2018, 29 March 2018 and 29 June 2018, respectively.

The Directors now recommend a final dividend for the year ended 30 June 2018 of 9.25p per Ordinary share, payable to shareholders on 8 November 2018. The ex-dividend date is 27 September 2018 and the record date is 28 September 2018. 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 to 7.

Manager and Company Secretary

Aberdeen Fund Managers Limited ("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 Aberdeen Asset Managers Limited ("AAML") by way of a group delegation agreement in place between AFML and AAML. In addition, AFML has sub-delegated promotional activities to AAML and administrative and secretarial services to Aberdeen Asset Management PLC.

Until 31 December 2017, a monthly fee was 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 is entitled to a monthly fee of one-twelfth of 0.55% per annum on the first £350 million of net assets, 0.45% per annum on net assets between £350 million and £450 million and 0.25% per annum on any net assets in excess of £450 million, and is otherwise calculated on the same basis as previously.

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 Standard Life Aberdeen Group, is the operator, manager or investment adviser, is deducted from net assets when calculating the fee.

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 up 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 finance costs and investment management fees were charged 50% to revenue and 50% to capital during the year ended 30 June 2018. This charging allocation changed to 70% to capital and 30% to revenue with effect from 1 July 2018 in line with the Board's expectation of the split of future investment returns. In so changing, the Company has moved to the most common allocation used in the AIC's UK Equity Income sector. The Directors consider that, while reducing, to an extent, the capital return, this change will enhance net revenue and increase the net earnings available to pay out to shareholders. The Directors believe that shareholders will welcome any increase in yield, albeit small.

The management, secretarial and promotional activity fees paid to Standard Life Aberdeen Group companies during the year ended 30 June 2018 are shown in notes 4 and 5 to the financial statements.

Directors

As at the date of this report, the Board consisted of a non-executive Chairman and five non-executive Directors. Neil Rogan, David Woods, Jean Park and Donald Cameron held office throughout the year ended 30 June 2018. Neil Honebon and Mike Balfour resigned as Directors on 6 November 2017 and 8 December 2017, respectively, while Peter Tait was appointed a Director on 7 November 2017. Neil Rogan was appointed Chairman of the Company in succession to Neil Honebon. Subsequent to the year end, Stephanie Eastment was appointed a Director on 2 August 2018. David Woods held the office of Senior Independent Director throughout the year under review except for the period from 14 August to 26 October 2017 during which time he was not considered independent, for the reasons set out below in 'Corporate Governance'.

The names and biographies of each of the Directors are shown on pages 31 and 32 and include their 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 2018 as follows (with their eligibility to attend the relevant meeting in brackets):

Director	Board Meetings Attended	Audit, Nomination, Management Engagement and Remuneration Committee Meetings and Board Committee Meetings Attended [A]
N A H Rogan	5 (5)	13 (13)
D E Woods	5 (5)	12 (12)
J C Park [A]	4 (5)	10 (13)
D A J Cameron	5 (5)	9 (9)
P J Tait [B]	3 (3)	7 (7)
N A Honebon [C]	2 (2)	5 (5)
M W Balfour [D]	3 (3)	3 (3)

Notes: Committee Meetings of the Board may not involve all Directors
[A] One Board meeting and three Committee meetings, held on same day, missed due to illness
[B] Appointed as a Director on 7 November 2017
[C] Resigned as Chairman and as a Director on 6 November 2017
[D] Resigned as a Director on 8 December 2017

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.

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 applies to the Company's year ended 30 June 2018. 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.

Following the merger of Aberdeen Asset Management PLC and Standard Life plc on 14 August 2017, David Woods and Mike Balfour no longer qualified as independent Directors of the Company under the UKLA's 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 Manager. David Woods was a non-executive director of Standard Life UK Smaller Companies Trust plc ("SLSC") while Mike Balfour is a non-executive director of Standard Life Investments Property Income Trust Limited both of which are managed by subsidiaries of Standard Life Aberdeen plc. David Woods retired from the board of SLSC in October 2017, and accordingly temporarily stepped back from his role as Senior Independent Director of the Company on 14 August 2017 but resumed his appointment following his retirement from the SLSC board on 26 October 2017. 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 other than for the period between 14 August 2017 and 26 October 2017 when there was no Senior Independent Director.

All of the Directors will retire at the AGM on 5 November 2018. Stephanie Eastment and Peter Tait, each being eligible, submit themselves for individual election as Directors at the AGM. David Woods has indicated that he will not stand for re-election as a Director. Neil Rogan, Donald Cameron and Jean Park, being eligible, seek individual re-election as Directors at the AGM.

With effect from the conclusion of the AGM, Jean Park will succeed David Woods as Senior Independent Director while Stephanie Eastment will succeed Jean Park as Chairman of the Audit Committee.

The Board considers that all Directors are 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 to shareholders at the AGM, the individual election as Directors of the Company, of Stephanie Eastment and Peter Tait, and the individual re-election as Directors of the Company, of Donald Cameron, Jean Park and Neil Rogan.

The Company's Statement of Corporate Governance (which may be found on its website: murray-income.co.uk) 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.

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 42 to 44.

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 until 6 November 2017 and by Neil Rogan thereafter.

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 Manager 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 until 6 November 2017 and by Neil Rogan thereafter.

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.

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 40 to 41.

Accountability and Audit

The responsibilities of the Directors and the Auditor in connection with the financial statements appear on pages 33 and 50.

The Directors who held office at the date of this Report each confirm that, so far as they are aware, there is no relevant audit information of which the Company's Auditor is unaware, and that they have taken all the steps that they could reasonably be expected to have taken as a Director in order to make themselves 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.

Management of Conflicts of Interest, Anti-Bribery Policy and Tax Evasion 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.

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

It is the Company's policy to conduct all of its business in an honest and ethical manner. The Company takes a zero-tolerance approach to facilitation of tax evasion, whether under UK law or under the law of any foreign country and its full policy on tax evasion may be found on its website.

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 primarily 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 10 and 11 and have reviewed forecasts detailing revenue and liabilities and they believe that the Company has adequate financial resources to continue in 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 and loan note covenants.

Substantial Interests

As at 30 June 2018 and 31 August 2018 the following interests over 3% in the issued Ordinary share capital of the Company had been disclosed in accordance with the requirements of the UK Listing Authority's Disclosure Guidance and Transparency Rules:

	30 June 2018		31 August 2018	
Shareholder	Number of shares held	% held	Number of shares held	% held
Aberdeen Asset Managers Limited Retail Plans	12,203,208	18.3	12,159,104	18.3
Rathbones	5,512,388	8.3	5,633,150	8.5
Hargreaves Lansdown	4,481,825	6.7	4,456,285	6.7
Speirs & Jeffrey	4,002,606	6.0	3,933,856	5.9
Alliance Trust Savings	3,609,643	5.4	3,602,075	5.4
1607 Capital Partners	2,885,177	4.3	3,113,377	4.7

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 its 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 the Manager takes 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 Standard Life Aberdeen Group's Customer Services Department. The Company responds to letters from shareholders (see Additional Shareholder Information on page 89 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 Standard Life 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.

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.

Disclosures Required by UKLA Listing Rule 9.8.4

The above rule requires listed companies to report certain information in a single identifiable section of their annual financial reports. None of the prescribed information is applicable to the Company in the year under review.

Annual General Meeting ("AGM")

Among the resolutions being put at the AGM of the Company to be held on 5 November 2018, the following resolutions will be proposed:

Authority to allot shares and disapply pre-emption rights

Ordinary Resolution No. 11 in the Notice of AGM will renew the authority to allot the unissued share capital up to an aggregate nominal amount of £828,805 (equivalent to approximately 3.3m Ordinary shares, or, if less, 5% of the Company's existing issued share capital (excluding treasury shares) on the date of passing of this resolution). Such authority will expire on the date of the AGM in 2019 or on 31 December 2019, 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. 12 will, if passed, give the Directors power to allot for cash or sell from treasury equity securities up to an aggregate nominal amount of £1.7m (equivalent to approximately 6.6m Ordinary shares, or, if less, 10% of the Company’s existing issued share capital (exluding treasury shares) on the date of passing of this resolution, as if Section 561 of the Act does not apply). This authority will also expire on the date of the AGM in 2019 or on 31 December 2019, whichever is earlier. This authority will not be used in connection with a rights issue by the Company.

The Directors intend to use the authorities given by Resolutions 11 and 12 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 6 November 2017, 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 UKLA’s 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. 13 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 9.9m Ordinary shares). Such authority will expire on the date of the AGM in 2019, or on 31 December 2019, 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. 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.

By Order of the Board

N A H Rogan
Chairman

20 September 2018

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 6 November 2017 where the proxy votes on the relevant resolution were: For – 23,786,587 votes (98.75%); Discretionary – 60,559 votes (0.26%); Against – 229,170 votes (0.99%); and Withheld – 170,746 votes.
The Remuneration Policy will be put to shareholders at the AGM in 2020;
(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 45 to 51.

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, other than as set out below in relation to the cao on annual aggregate Directors' fees.

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. A cap on Directors' fees is contained within the Company's Articles of Association which limits to £250,000 the annual aggregate fees payable to the Board. This limit may only be amended by shareholder resolution and an increase, from £200,000, was approved at the AGM on 6 November 2017.

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 following table:

	30 June 2018 £	30 June 2017 £
Chairman	37,500	34,500
Chairman of Audit Committee	30,000	28,500
Director	25,500	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 £25,500 per annum).
- No incentive or introductory fees will be paid to encourage a directorship.
- 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 together with certain 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.

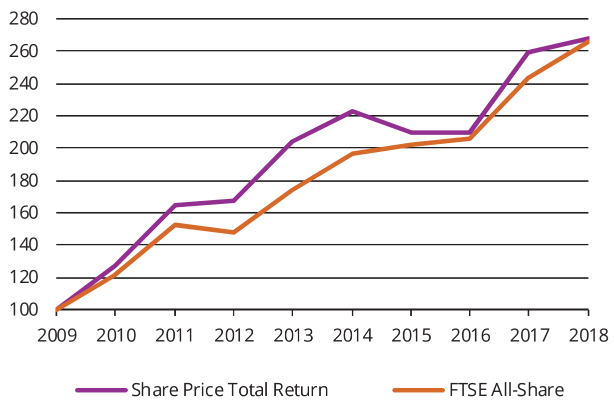
Implementation Report

Directors' Fees

The Board carried out a review of Directors' fees during the year and concluded that the annual fees should remain unchanged for the year commencing 1 July 2018. There are no further fees 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 nine year period to 30 June 2018 (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 6 November 2017, shareholders approved the Directors' Remuneration Report (other than the Directors' Remuneration Policy) in respect of the year ended 30 June 2017 and the following proxy votes were received on the relevant resolution were: For – 22,911,739 (99.15%); Discretionary – 53,466 votes (0.23%); Against – 143,543 votes (0.62%); and Withheld – 138,315 votes.

Audited Information

Fees Payable

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

Director	30 June 2018 £	30 June 2017 £
N A H Rogan [A]	33,300	23,500
D E Woods	25,500	23,500
J C Park	30,000	28,500
D A J Cameron	25,500	23,500
P J Tait [B]	16,575	N/A
N A Honebon [C]	13,125	34,500
M W Balfour [D]	11,173	23,500
Total	**155,173**	**157,000**

[A] Appointed Chairman on 6 November 2017
[B] Appointed as a Director on 7 November 2017
[C] Resigned as Chairman and as a Director on 6 November 2017
[D] Resigned as a Director on 8 December 2017

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 above.

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 2018, and 30 June 2017, 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 2018 Ord. 25p	30 June 2017 Ord. 25p
N A H Rogan	35,000	28,000
D E Woods	3,000	3,000
J C Park	5,575	5,575
D A J Cameron	1,458	1,407
P J Tait	3,000	N/A
N A Honebon	20,000 [A]	20,000
M W Balfour	10,000 [B]	10,000

[A] As at date of resignation on 6 November 2017
[B] As at date of resignation on 8 December 2017

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 15 shares on 2 July 2018, as a result of dividend reinvestment, while Peter Tait acquired an additional 2,000 shares on 7 August 2018. Stephanie Eastment declared a holding of 1,225 shares (625 shares held non-beneficially) following her appointment as a Director on 2 August 2018.

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 2018:

- 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

20 September 2018

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 2018. With effect from the conclusion of the AGM on 5 November 2018, Neil Rogan, as Chairman of the Company, shall retire from membership of the Audit Committee, reflecting early adoption of part of the recently published UK Code on Corporate Governance while Stephanie Eastment shall succeed Jean Park as Chairman of the Audit Committee.

The Directors have satisfied themselves that at least one of the Committee's members has recent and relevant financial experience – Jean Park is a member of the Institute of Chartered Accountants of Scotland and Stephanie Eastment is a Fellow of the Institute of Chartered Accountants in England & Wales – and that, collectively, the Audit Committee possesses competence relevant to investment trusts.

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 42 and 43);
- 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 Audit 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 2018 (2017 - £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 provided by the Auditor require the pre-approval of the Audit Committee;
- to review a statement from the Manager detailing the arrangements in place for the Manager's staff, in confidence, to 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 2018, 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 2018 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 Manager's activities. Risk is considered in the context of the FRC and AIC Code guidance, and includes financial, regulatory, market, operational and reputational risks. 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 10 and 11 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, 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 Audit 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 Link 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 September 2018 meeting, the Audit Committee carried out an annual assessment of internal controls for the year ended 30 June 2018 by considering documentation from the Manager, including the internal audit and compliance functions, and taking account of events since 30 June 2018.

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 2018, 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 2(e) and 2(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, London Branch) during the year under review through whom the assets of the Company were held. The depositary confirmed that the accounting records correctly reflected all investee holdings and that these agreed to custodian records.

Income Recognition

How the risk was addressed

The recognition of investment income is undertaken in accordance with accounting policy note 2(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.

Audit Committee's Report continued

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 Audit 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.

Ernst & Young LLP ("EY"), and predecessor firms, have held office as Auditor since the incorporation of the Company in 1923. The year ended 30 June 2018 will be the first year for which the present Senior Statutory Auditor has served. Following due consideration, the Audit 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 in October 2015. Shareholders have the opportunity at each AGM to vote on the re-appointment of the Auditor for the forthcoming year. Under current regulations, EY will no longer be able to audit the Company after the year ended 30 June 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

20 September 2018

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

Our opinion on the financial statements

We have audited the financial statements of Murray Income Trust PLC (the "Company") for the year ended 30 June 2018 which comprise the:

- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Statement of Cash Flows for the year then ended; and
- Related notes 1 to 20 to the financial statements

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

In our opinion the financial statements:

- give a true and fair view of the Company's affairs as at 30 June 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 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.

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 in the annual report set out on pages 10 to 11 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation set out on page 10 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 set out on page 37 in the annual report 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 set out on page 12 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.

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

Overview of our audit approach

Risks of material misstatement	• Incomplete or inaccurate recognition of investment income, including classification of items in the Statement of Comprehensive Income as revenue or capital • Valuation and existence of the investment portfolio
Materiality	• Overall materiality of £5.71m which represents 1% of shareholders' funds (2017: £5.76m)

Key audit matters

Key audit matters are those matters that, in our professional judgment, 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	Key observations communicated to the Audit Committee
Incomplete or inaccurate recognition of investment income, including classification of items in the Statement of Comprehensive Income as revenue or capital (as described on pages 43 and 44 in the Report of the Audit Committee and as per the accounting policy set out on page 57). The investment income receivable by the Company during the year directly affects the Company's ability to make a dividend payment to shareholders. The income received for the year to 30 June 2018 was £24.17m (2017: £24.69m) of dividend receipts from listed investments and £1.77m (2017: £1.97m) of premiums receivable as a result of entering into option contracts. The Directors are required to exercise judgment in determining whether income receivable in the form of special dividends should be classified as 'revenue' or 'capital'. During the year, the Company received four special dividends with an aggregate value of £5.0m (2017:£1.50m). The Company's accounting policy is for option premiums received to be recognised over the life of the option	**We have performed the following procedures:** We obtained an understanding of the Manager's and Administrator's processes and controls surrounding revenue recognition and allocation of special dividends by performing a walkthrough in which we evaluated the design and effectiveness of controls. We agreed a sample of dividend receipts to the corresponding announcement made by the investee company, recalculated the dividend amount receivable and confirmed that the cash received as shown on bank statements was consistent with the recalculated amount. We agreed a sample of investee company dividend announcements from an independent data vendor to the income recorded by the Company to test completeness of the income recorded. We agreed a sample of option contracts to source documentation and verified that the premiums have been correctly calculated and recognised in the revenue column of the Statement of Comprehensive Income.	**The results of our procedures are:** We have no issues to communicate with respect to our assessment of the Manager's and Administrator's processes and controls surrounding revenue recognition and allocation of special dividends. We agreed the sample of dividend receipts to an independent source, recalculating these amounts and agreeing them to the bank statements and noted no issues. We agreed the sample of investee company announcements to the income entitlements recorded by the Company and noted no issues. 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 recalculated the accrued dividends, agreeing, where possible, to post year end bank statements, and confirming that the income obligation arose prior to 30 June 2018 and noted no issues. We agreed the accounting treatment adopted with respect to the two

in the revenue column of the Statement of Comprehensive Income. The classification of option premium, as revenue or capital, depends upon whether the option contract was entered into to gain market exposure or to hedge market risk. Identifying the investment rationale of the option contract requires judgement.	For all dividends accrued at the year end, we reviewed the investee company announcements to assess whether the dividend obligation arose prior to 30 June 2018. We agreed the dividend rate to corresponding announcements made by the investee company, recalculated the dividend amount receivable and confirmed this was consistent with cash received as shown on post year end bank statements. We reviewed the income report and the acquisition and disposal report produced by the Administrator to identify special dividends recorded in the year in excess of our testing threshold. There were two special dividends, for which we confirmed that the classification as revenue / capital was consistent with the underlying nature of the payment. We reviewed the Company's accounting policies with respect to revenue recognition including special dividends to check that these have been applied as stated throughout the year and are in line with FRS 102 and the AIC SORP.	special dividend receipts reviewed and noted no issues. We noted no issues with the application of the Company's accounting policies with respect to revenue recognition including special dividends, compliance with FRS 102 and the AIC SORP.
Valuation and existence of the investment portfolio (as described on page 43 in the Report of the Audit Committee and as per the accounting policy set out on page 58). 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. Investments are valued at fair value, which is deemed to be bid value or the last traded price depending on the convention of the exchange on which the investment is listed.	**We performed the following procedures:** Obtained an understanding of the Manager's and Administrator's processes and controls surrounding investment pricing and trade processing by performing a walkthrough procedure. For all investments in the portfolio, we compared the market values and exchange rates applied to an independent pricing vendor. We reviewed the price exception and stale pricing reports produced by the Administrator to highlight and investigate any unexpected price movements in investments held as at the year-end. We agreed the Company's	**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

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

The valuation of the portfolio at 30 June 2018 was £589.65m (2017: £595.37m) consisting of listed equities.	investments to the independent confirmation received from the Company's custodian and Depositary as at 30 June 2018. We agreed a sample of key transaction details (e.g. units, trade date, cost and proceeds) of purchases and sales recorded by the Administrator to bank statements.	and the AIC SORP.

An overview of 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. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Company and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed.

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 £5.71m (2017: £5.76m), which is 1% (2017: 1%) of shareholders' funds. We believe that shareholders' funds provides us with materiality aligned to 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% (2017: 75%) of our planning materiality, namely £4.28m (2017: £4.32m). 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 £1.19m (2017: £1.19m) for the revenue column of the Statement of Comprehensive Income being 5% of the revenue return before tax.

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 (2017: £0.29m), 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, 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.

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 33** – 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 pages 42 to 44** – 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 35** – 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 or Directors' Report.

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

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

- 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 33, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, 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 the directors either intend to liquidate the Company or to cease operations, or have 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

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 FRS 102, the Companies Act 2006, AIC SORP, 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.
- 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 fraud risks with respect to the incomplete or inaccurate income recognition through incorrect classification of special dividends and option premium. Further discussion of our approach is set out in the section on key audit matters above.
- 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.

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

- 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 95 years, covering the years ending 1923 to 2018.
- 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.

Use of our report

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.

James Beszant (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

20 September 2018

Notes:

1. The maintenance and integrity of Murray Income Trust PLC's website is the responsibility of the directors; the work carried out by the auditor does not involve consideration of these matters and, accordingly, the auditor accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Financial Statements

The Company's NAV rose by 3.9% in the year ended 30 June 2018 compared to a rise in the benchmark of 9.0% (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.

Financial Statements

Statement of Comprehensive Income

		Year ended 30 June 2018			Year ended 30 June 2017		
		Revenue	Capital	Total	Revenue	Capital	Total
	Notes	£'000	£'000	£'000	£'000	£'000	£'000
(Losses)/gains on investments	10	–	(304)	(304)	–	69,251	69,251
Currency gains/(losses)		–	795	795	–	(2,022)	(2,022)
Income	3	25,987	–	25,987	26,667	–	26,667
Investment management fees	4	(1,388)	(1,388)	(2,776)	(1,419)	(1,419)	(2,838)
Administrative expenses	5	(1,168)	–	(1,168)	(1,136)	–	(1,136)
Net return before finance costs and tax		23,431	(897)	22,534	24,112	65,810	89,922
Finance costs	6	(467)	(467)	(934)	(241)	(241)	(482)
Net return before tax		22,964	(1,364)	21,600	23,871	65,569	89,440
Tax expense	8	(501)	–	(501)	(458)	–	(458)
Net return after tax		**22,463**	**(1,364)**	**21,099**	**23,413**	**65,569**	**88,982**
Return per Ordinary share (pence)	9	**33.6**	**(2.0)**	**31.6**	**34.9**	**97.8**	**132.7**

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 2018 £'000	As at 30 June 2017 £'000
Non-current assets			
Investments at fair value through profit or loss	10	589,652	595,367
Current assets			
Other debtors and receivables	11	8,136	3,301
Cash and cash equivalents		22,008	25,801
		30,144	29,102
Creditors: amounts falling due within one year			
Other payables	12	(2,632)	(881)
Bank loans	12	(6,351)	(47,126)
		(8,983)	(48,007)
Net current assets/(liabilities)		21,161	(18,905)
Total assets less current liabilities		610,813	576,462
Creditors: amounts falling due after one year			
2.51% Senior Loan Notes	13	(39,884)	–
Net assets		**570,929**	**576,462**
Share capital and reserves			
Called-up share capital	14	17,148	17,148
Share premium account		24,020	24,020
Capital redemption reserve		4,997	4,997
Capital reserve	15	500,887	504,943
Revenue reserve		23,877	25,354
Equity shareholders' funds		**570,929**	**576,462**
Net asset value per Ordinary share (pence)	16		
Debt at par value		**856.3**	**860.1**

The financial statements were approved by the Board of Directors and authorised for issue on 20 September 2018 and were signed on its behalf by:

N A H Rogan
Chairman

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

Statement of Changes in Equity

For the year ended 30 June 2018

	Notes	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
Net return after tax		–	–	–	(1,364)	22,463	21,099
Buyback of Ordinary shares for treasury	14	–	–	–	(2,692)	–	(2,692)
Dividends paid	7	–	–	–	–	(23,940)	(23,940)
Balance at 30 June 2018		**17,148**	**24,020**	**4,997**	**500,887**	**23,877**	**570,929**

For the year ended 30 June 2017

		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
Net return after tax		–	–	–	65,569	23,413	88,982
Buyback of Ordinary shares for treasury	14	–	–	–	(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**

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

Statement of Cash Flows

	Notes	Year ended 30 June 2018 £'000	Year ended 30 June 2017 £'000
Operating activities			
Net return before finance costs and taxation		22,534	89,922
Increase in accrued expenses		114	11
Overseas withholding tax		(683)	(529)
Dividend income accrued	3	(24,173)	(24,686)
Dividends received		24,332	23,977
Interest income	3	(37)	(8)
Interest received		34	6
Interest paid		(781)	(473)
Losses/(gains) on investments	10	304	(69,251)
Foreign exchange (gains)/losses on loans		(197)	2,126
Decrease in other debtors		18	4,683
Scrip dividends included in investment income	3	(618)	(1,186)
Net cash inflow from operating activities		20,847	24,592
Investing activities			
Purchases of investments		(136,946)	(72,302)
Sales of investments		139,446	100,797
Net cash inflow from investing activities		2,500	28,495
Financing activities			
Dividends paid	7	(23,940)	(26,335)
Buyback of Ordinary shares for treasury	14	(2,497)	(1,221)
Issue of Senior Loan Notes net of issue costs		39,875	–
Repayment of bank loans		(40,578)	(10,000)
Net cash outflow from financing activities		(27,140)	(37,556)
(Decrease)/increase in cash		**(3,793)**	**15,531**
Analysis of changes in cash during the year			
Opening balance		25,801	10,270
(Decrease)/increase in cash as above		(3,793)	15,531
Closing balance		**22,008**	**25,801**

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

Notes to the Financial Statements

For the year ended 30 June 2018

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 February 2018 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 stock lending income is recognised on an accruals basis.

(c) Expenses and finance costs

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 both the finance costs and the investment management fees have been allocated 50% to revenue and 50% to capital to reflect the Company's investment policy and prospective income and capital growth. Following a review by the Board, the allocation changed to 30% to revenue and 70% to capital with effect from 1 July 2018.

(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

Borrowings, which comprise interest bearing bank loans, overdrafts and 2.51% Senior Loan Notes, 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. Following a review by the Board, the allocation changed to 30% to revenue and 70% to capital with effect from 1 July 2018.

(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

Called-up share capital

The Ordinary share capital on the Statement of Financial Position relates to the number of shares in issue and in treasury. Only when the shares are cancelled, either from treasury or directly, is a transfer made to the capital redemption reserve. This is a non-distributable reserve.

Share premium account

The balance classified as share premium includes the premium above nominal value from the proceeds on issue of any equity share capital comprising Ordinary shares of 25p. This is a non-distributable reserve.

Capital redemption reserve

The capital redemption reserve arose when Ordinary shares were redeemed and cancelled, at which point an amount equal to the par value of the Ordinary share capital was transferred from the share capital reserve to the capital redemption reserve. This is a non-distributable 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 is also deducted from this reserve. This reserve is distributable.

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 is 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

Final dividends are recognised from the date on which they are approved by Shareholders. Interim dividends are recognised when paid. Dividends are shown in the Statement of Changes in Equity.

(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	2018 £'000	2017 £'000
Income from investments		
UK dividends (all listed)	17,968	18,874
Property income dividends	752	291
Overseas dividends (all listed)	4,738	4,335
Scrip dividends	715	1,186
	24,173	24,686
Other income		
Deposit interest	37	8
Stock lending income	5	–
Traded option premiums	1,772	1,973
	1,814	1,981
Total income	**25,987**	**26,667**

During the year, the Company received premiums totalling £1,772,000 (2017 – £1,973,000) in exchange for entering into derivative transactions. At the year end there were no open positions (2017 – same).

4. Management fee	2018 Revenue £'000	2018 Capital £'000	2018 Total £'000	2017 Revenue £'000	2017 Capital £'000	2017 Total £'000
Management fee	1,388	1,388	2,776	1,419	1,419	2,838

Up until 31 December 2017 the management fee was 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 net assets over £550 million, calculated and paid monthly. With effect from 1 January 2018 the management fee has been 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 net assets over £450 million, calculated and paid monthly. The fee has been 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 2018 was £2,776,000 (2017 – £2,838,000) and the balance due to AFML at the year end was £222,000 (2017 – £244,000).

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 £5,324,000 (2017 – £4,020,000).

Following a review of the historic long term returns and expected long term returns of the Company, with effect from 1 July 2018 the fee will be allocated 30% to revenue and 70% to capital.

5. Administrative expenses	2018 £'000	2017 £'000
Shareholders' services[A]	555	558
Directors' remuneration[B]	155	157
Secretarial fees[C]	90	90
Auditor's remuneration:		
• fees payable to the Company's auditor for the audit of the Company's annual accounts	23	22
Non-audit services		
• fees payable to the Company's auditor and its associates for iXBRL tagging services	2	2
Other expenses	343	307
	1,168	**1,136**

[A] Includes registration, savings scheme and other wrapper administration and promotion expenses, of which £480,000 (2017 – £480,000) was paid to Aberdeen Asset Managers Limited ("AAML") under a delegation agreement with AFML to cover promotional activities during the year. There was £240,000 (2017 – £120,000) due to AAML in respect of these promotional activities at the year end.
[B] Refer to Directors' Remuneration Report on pages 40 and 41 for further details.
[C] Payable to AFML, balance outstanding £45,000 (2017 – £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. The Auditor's remuneration for the statutory audit excludes VAT amounting to £5,000 (2017 – £4,000).

6. Finance costs	2018 Revenue £'000	2018 Capital £'000	2018 Total £'000	2017 Revenue £'000	2017 Capital £'000	2017 Total £'000
Bank loans	137	137	274	241	241	482
Senior Loan Notes – repayable in more than 5 years	326	326	652	–	–	–
Amortised Senior Loan Note issue expenses	4	4	8	–	–	–
	467	**467**	**934**	**241**	**241**	**482**

With effect from 1 July 2018 finance costs will be allocated 30% to revenue and 70% to capital.

7. Ordinary dividends on equity shares	2018 £'000	2017 £'000
Third interim 2016 of 7.00p	–	4,705
Final 2017 of 11.75p (2016 – 11.25p)	7,875	7,554
First interim 2018 of 8.00p (2017 – 7.00p)	5,362	4,692
Second interim 2018 of 8.00p (2017 – 7.00p)	5,357	4,692
Third interim 2018 of 8.00p (2017 – 7.00p)	5,346	4,692
	23,940	**26,335**

The proposed final dividend for 2018 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 2018 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 £22,463,000 (2017 – £23,413,000).

	2018 £'000	2017 £'000
Three interim dividends of 8.00p each (2017 – 7.00p)	16,065	14,076
Proposed final dividend of 9.25p (2017 – 11.75p)	6,133	7,875
	22,198	**21,951**

The amount reflected above for the cost of the proposed final dividend for 2018 is based on 66,304,413 Ordinary shares, being the number of Ordinary shares in issue at the date of this Report.

8. Tax expense

	2018 Revenue £'000	2018 Capital £'000	2018 Total £'000	2017 Revenue £'000	2017 Capital £'000	2017 Total £'000
(a) Analysis of charge for the year						
Overseas tax suffered	803	–	803	727	–	727
Overseas tax reclaimable	(302)	–	(302)	(269)	–	(269)
Total tax charge for the year	**501**	**–**	**501**	**458**	**–**	**458**

(b) Factors affecting the tax charge for the year

The UK corporation tax rate is 19% (2017 – effective rate of 19.75%). The tax charge for the year is lower than the corporation tax rate. The differences are explained below:

	2018			2017		
	Revenue	Capital	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Net return before taxation	22,964	(1,364)	21,600	23,871	65,569	89,440
Net return multiplied by the standard rate of corporation tax of 19% (2017 – effective rate 19.75%)	4,363	(259)	4,104	4,715	12,950	17,665
Effects of:						
Non-taxable UK dividends	(3,414)	–	(3,414)	(3,728)	–	(3,728)
Non-taxable stock dividends	(113)	–	(113)	(234)	–	(234)
Non-taxable overseas dividends	(900)	–	(900)	(856)	–	(856)
Expenses not deductible for tax purposes	1	–	1	1	–	1
Movement in unutilised loan relationships	–	–	–	45	48	93
Movement in unutilised management expenses	94	352	446	54	280	334
Movement in income taxable in different periods	(31)	–	(31)	3	–	3
Realised and unrealised losses/(gains) on investments held	–	58	58	–	(13,677)	(13,677)
(Gains)/losses on currency movements	–	(151)	(151)	–	399	399
Overseas tax payable	501	–	501	458	–	458
Total tax charge	**501**	**–**	**501**	**458**	**–**	**458**

(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 £63,414,000 (2017 – £61,224,000). 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

	2018		2017	
	£'000	p	£'000	p
Returns are based on the following figures:				
Revenue return	22,463	33.6	23,413	34.9
Capital return	(1,364)	(2.0)	65,569	97.8
Total return	**21,099**	**31.6**	**88,982**	**132.7**
Weighted average number of Ordinary shares in issue		**66,951,585**		**67,062,118**

10. Investments	2018 £'000	2017 £'000
Held at fair value through profit or loss:		
Opening valuation	595,367	553,527
Opening investment holdings gains	(191,156)	(148,930)
Opening book cost	404,211	404,597
Movements during the year:		
Purchases at cost	138,862	73,386
Sales – proceeds	(144,273)	(100,797)
Sales – gains	16,534	27,025
Closing book cost	415,334	404,211
Closing investment holdings gains	174,318	191,156
Closing valuation	**589,652**	**595,367**

The portfolio valuation:	2018 £'000	2017 £'000
UK equities	504,462	502,967
Overseas equities	85,190	92,400
Total	**589,652**	**595,367**

(Losses)/gains on investments	2018 £'000	2017 £'000
Realised gains on sale of investments at fair value	16,534	27,025
Net movement in investment holdings gains	(16,838)	42,226
	(304)	**69,251**

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 2018, financial assets were pledged with Credit Suisse. The liability of collateral held at the year end was £nil as no open positions existed (2017 – 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:

	2018 £'000	2017 £'000
Purchases	623	312
Sales	56	57
	679	**369**

The above transaction costs are calculated in line with the AIC SORP. The transaction costs in the Company's Key Information Document are calculated on a different basis and in line with the PRIIPs regulations.

Stock lending	2018 £'000	2017 £'000
Aggregate value of securities on loan at the year end	971	–
Maximum aggregate value of securities on loan during the year	29,695	–
Fee income from stock lending	5	–

Stock lending is the temporary transfer of securities by a lender to a borrower, with an agreement by the borrower to return equivalent securities to the lender at an agreed date. Fee income is received for making the investments available to the borrower. The principal risks and rewards of holding the investments, namely the market movements in share prices and dividend income, are retained by the Company. In all cases the securities lent continue to be recognised on the Statement of Financial Position.

All stocks lent under these arrangements are fully secured by collateral. The value of the collateral held at 30 June 2018 was £1,081,000 (2017 – nil)

11. Other debtors and receivables

	2018 £'000	2017 £'000
Amounts due from brokers	4,827	–
Prepayments and accrued income	3,309	3,301
	8,136	**3,301**

12. Creditors: amounts falling due within one year

	2018 £'000	2017 £'000
Other creditors	780	522
– Amounts due to brokers	1,852	359
– Bank loans	6,351	47,126
	8,983	**48,007**

On 8 November 2017 the Company entered into a new three year £20,000,000 multi-currency unsecured revolving bank credit facility agreement with Scotiabank Europe PLC, committed until 6 November 2020. This replaced the previous £80,000,000 facility with The Royal Bank of Scotland PLC.

At 30 June 2018 the Company had drawn down £6,351,000 of the £20,000,000 multi–currency unsecured revolving bank credit facility with Scotiabank Europe PLC (30 June 2017 – £47,126,000 of the £80,000,000 multi-currency unsecured revolving bank credit facility with The Royal Bank of Scotland PLC). 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.

As at 30 June 2018, the Company had drawn down the following amounts from the facility, all with a maturity date of 9 July 2018:

- Swiss Franc 2,746,000 at an all-in rate of 0.85%
- Euro 2,521,000 at an all-in rate of 0.85%
- Swedish Krona 8,860,000 at an all-in rate of 0.85%
- US Dollar 1,685,000 at an all-in rate of 2.87961%

At the date this Report was approved, the Company had drawn down the following amounts from the facility, all with a maturity date of 10 October 2018:

- Swiss Franc 2,746,000 at an all-in rate of 0.85%
- Euro 2,521,000 at an all-in rate of 0.85%
- Swedish Krona 8,860,000 at an all-in rate of 0.85%
- US Dollar 1,685,000 at an all-in rate of 2.98256%

Financial covenants contained within the loan agreement provide, inter alia, that the ratio of net assets to borrowings must be greater than 3.5:1 (30 June 2018 – 12.3:1; 30 June 2017 – 12.2:1) and that net assets must exceed £275 million (30 June 2018 – £571 million; 30 June 2017 – £576 million). All financial covenants were met during the year and also during the period from the year end to the date of this report.

13. Creditors: amounts falling due after more than one year	2018 £'000	2017 £'000
2.51% Senior Loan Notes	40,000	–
Unamortised Loan Note issue expenses	(116)	–
	39,884	**–**

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 Senior Loan Note Purchase Agreement covenant that the ratio of net assets to gross borrowings must be greater than 3.5:1, and that net assets will not be less than £275,000,000.

14. Called-up share capital	2018 Shares	2018 £'000	2017 Shares	2017 £'000
Allotted, called-up and fully-paid:				
Ordinary shares of 25p each: publicly held	66,672,313	16,668	67,022,458	16,756
Ordinary shares of 25p each: held in treasury	1,921,145	480	1,571,000	392
	68,593,458	**17,148**	**68,593,458**	**17,148**

During the year 350,145 Ordinary shares were bought back (2017 – 170,000) to be held in treasury by the Company at a total cost of £2,692,000 (2017 – £1,221,000) representing 0.5% (2017 – 0.2%) of called-up share capital. Subsequent to the year end the Company bought back a further 367,900 Ordinary shares to be held in treasury at a total cost of £2,906,000.The Company's policy relating to the purchase of its own Ordinary shares is detailed on page 39.

15. Capital reserve	2018 £'000	2017 £'000
At 1 July 2017	504,943	440,595
Net movement in investment holdings gains	(16,838)	42,226
Realised gains on sale of investments at fair value	16,534	27,025
Currency gains/(losses)	795	(2,022)
Finance costs of bank loan and loan notes	(467)	(241)
Buyback of Ordinary shares for treasury	(2,692)	(1,221)
Investment management fees	(1,388)	(1,419)
At 30 June 2018	**500,887**	**504,943**

16. 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:

Debt at par	2018	2017
Net asset value attributable (£'000)	570,929	576,462
Number of Ordinary shares in issue (excluding shares held in treasury)	66,672,313	67,022,458
Net asset value per share (p)	856.3	860.1

Debt at fair value	£'000	£'000
Net asset value attributable	570,929	576,462
Add: Amortised cost of 2.51% Senior Loan Notes	39,884	–
Less: Fair value of 2.51% Senior Loan Notes	(40,072)	–
	570,741	576,462
Number of Ordinary shares in issue (excluding shares held in treasury)	66,672,313	67,022,458
Net asset value per share (p)	856.0	860.1

17. 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 2018 there were no open positions in derivatives transactions (2017 – 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 wholly owned subsidiary of the Standard Life Aberdeen Group ("the 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. AFML 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). AFML has retained responsibility for monitoring and oversight of investment performance, product risk and regulatory and operational risk for the Company.

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 ("the 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 co-CEOs 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 Internal Audit Department is independent of the Risk Division and reports directly to the Group co-CEOs 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 Group's corporate governance structure is supported by several committees to assist the board of directors, 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 18. 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 to 7 in the sections headed "Performance", "Dividend" and "Outlook" and in the Investment Manager's Report on pages 17 to 21 in the sections headed "Background", "Company Performance", "Portfolio Activity and Structure", "Income" and "Outlook".

The Board has agreed the parameters for net gearing, which was 4.2% of net assets as at 30 June 2018 (2017 – 3.7%). 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 9. 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 17 to 21.

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

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 pages 65 and 66.

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	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Danish Krone	17	17	14,321	17,408
Euro	351	292	14,810	5,003
Sterling	21,610	25,158	504,462	502,967
Swedish Krona	–	22	10,901	25,139
Swiss Francs	30	205	29,234	29,421
US Dollars	–	107	15,924	15,429
Total	**22,008**	**25,801**	**589,652**	**595,367**

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 and a senior loan note issue, details of which are in notes 12 and 13. The fair value of the senior loan note has been calculated as £40,072,000, determined by aggregating the expected future cash flows for that loan discounted at a rate comprising the borrower's margin plus an average of market rates applicable to loans of a similar period of time, compared to carrying amortised cost of £39,884,000.

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 2018 and net assets would increase/decrease by £157,000 (2017 – decrease/increase by £213,000). 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:

Notes to the Financial Statements continued

	30 June 2018			30 June 2017		
	Investments £'000	Net monetary liabilities £'000	Total currency exposure £'000	Investments £'000	Net monetary liabilities £'000	Total currency exposure £'000
Danish Krone	14,321	17	14,338	17,408	17	17,425
Euro	14,810	(1,878)	12,932	5,003	(11,021)	(6,018)
Swedish Krona	10,901	(750)	10,151	25,139	(11,958)	13,181
Swiss Francs	29,234	(2,064)	27,170	29,421	(15,251)	14,170
US Dollars	15,924	(1,276)	14,648	15,429	(8,270)	7,159
Total	**85,190**	**(5,951)**	**79,239**	**92,400**	**(46,483)**	**45,917**

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.

	2018 £'000	2017 £'000
Danish Krone	1,434	1,743
Euro	1,293	(602)
Swedish Krona	1,015	1,318
Swiss Francs	2,717	1,417
US Dollars	1,465	716
Total	**7,924**	**4,592**

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 75, 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 2018 would have increased/decreased by £58,965,000 (2017 – £59,537,000).

Liquidity risk

This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities as they fall due in line with the maturity profile analysed as follows:

At June 2018	Within 1 year £000	Within 1-2 years £000	Within 2-3 years £000	Within 3-4 years £000	Within 4-5 years £000	More than 5 years £000	Total £000
Bank loans	6,351	–	–	–	–	–	6,351
Loan Notes	–	–	–	–	–	40,000	40,000
Interest cash flows on bank loans and loan notes	1,009	1,004	1,004	1,004	1,004	4,518	9,543
Cash flows on other creditors	2,632	–	–	–	–	–	2,632
	9,992	**1,004**	**1,004**	**1,004**	**1,004**	**44,518**	**58,526**

As at 30 June 2017 all financial liabilities were due within one year (£48,035,000)

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 2018 the Company utilised £6,351,000 (2017 – £47,126,000) of a £20,000,000 (2017 – £80,000,000) multi–currency revolving bank credit facility, which is committed until 6 November 2020. Interest is charged at a variable rate based on ICE LIBOR plus a margin of 0.85% for the Swiss Franc, Euro and Swedish Krona loans and ICE STIBOR plus a margin of 0.85% for the US Dollar loan (2017 – ICE LIBOR plus margin of 0.5% and ICE STIBOR plus a margin of 0.5%) for the relevant period of the advance. As at 30 June 2018 the rate on the Swiss Franc, Euro and Swedish Krona loans was 0.85% and the rate on the US Dollar loan was 2.87961% (2017 – 0.5% on Swiss Franc, Euro and Swedish Krona loans and 1.596% on US Dollar loan) and the loan rolled over on 9 July 2018 (2017 – rolled on 10 July 2017). The aggregate of all future interest payments at the rate ruling at 30 June 2018 and the redemption of the loan amounted to £6,356,000 (2017 – £47,154,000).

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 £24,472,000 (30 June 2017 – £28,425,000) consisting of £2,464,000 (2017 – £2,624,000) of dividends receivable from equity shares and £22,008,000 (2017 – £25,801,000) in cash held. The Company considers the credit risk relating to its stocklending activities to have been immaterial in the year under review – further information may be found on pages 74 and 75.

None of the Company's financial assets are past due or impaired (2017 – same).

18. 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:

For the year ended 30 June 2018

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit or loss				
Quoted equities	589,652	–	–	589,652
Net fair value	**589,652**	**–**	**–**	**589,652**

For the year ended 30 June 2017

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

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.

19. 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 pages 40 and 41.

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.

20. 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 loan notes and 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 the ratio of net assets to borrowings must be greater than 3.5:1 and that the net assets must exceed £275,000,000. As noted in greater detail in notes 12 and 13 all financial covenants were met during the year and also during the period from the year end to the date of this report.

Securities Financing Transactions Disclosure

Securities Financing Transactions Disclosure

The Company engages in Securities Financing Transactions (SFTs) (as defined in Article 3 of Regulation (EU) 2015/2365, SFTs include repurchase transactions, securities or commodities lending and securities or commodities borrowing, buy-sell back transactions or sell-buy back transactions and margin lending transactions). In accordance with Article 13 of the Regulation, the Company's involvement in and exposures related to securities lending for the accounting period are detailed below:

Absolute value of assets engaged in SFTs	£'000	% of lendable assets	% of assets under management
30 June 2018			
Securities lending	971	0.16%	0.17%

Top ten collateral issuers	Market value of collateral received £'000	Type	Quality	Custodian
30 June 2018				
Unipol Gruppo	54	Equity	Main market listing	BNP Paribas
ENI	54	Equity	Main market listing	BNP Paribas
Intesa Sanpaolo	54	Equity	Main market listing	BNP Paribas
CYBG CDI	54	Equity	Main market listing	BNP Paribas
Iberdrola	54	Equity	Main market listing	BNP Paribas
ABN AMRO	54	Equity	Main market listing	BNP Paribas
Furukawa	54	Equity	Main market listing	BNP Paribas
Domino's Pizza	53	Equity	Main market listing	BNP Paribas
Associated British Foods	53	Equity	Main market listing	BNP Paribas
Maruha Nichiro	52	Equity	Main market listing	BNP Paribas
Total collateral received	**536**			

Collateral held per custodian	Market value of collateral held £'000	Proportion held in segregated accounts %
30 June 2018		
BNP Paribas	1,081	100.00%

One custodian is used to hold the collateral, which is in a segregated account.

Collateral analysed by currency	Market value of collateral received £'000
30 June 2018	
Euros	1,081
Total collateral received	**1,081**

Top Ten Counterparties per type of SFT[A]	Market value of securities lending £'000	Countries of counterparty establishment	Settlement and clearing
30 June 2018			
Securities lending			
JP Morgan Securities PLC	971	UK	Tri-party
Total market value of securities lending	**971**		

[A] All counterparties are shown

Maturity Tenor of SFTs (remaining period to maturity)
30 June 2018
Securities lending
The lending and collateral transactions are on an open basis and can be recalled on demand.
The Company does not engage in any re-use of collateral.

Return and cost per type of SFT	£'000	%
For the year ended 30 June 2018		
Securities lending		
Gross return	6	120.0
Direct operational costs (securities lending agent costs)[A]	(1)	(20.0)
Indirect operational costs (Investment Adviser operational costs)	–	–
Total costs	(1)	(20.0)
Net return	**5**	**100.0**

[A] The unrounded direct operational costs and fees incurred for securities lending for the 12 months to 30 June 2018 were £1,004.

Corporate Information

The Investment Manager is a subsidiary of Standard Life Aberdeen plc. Assets under the management of the Group's investment division, Aberdeen Standard Investments, were equivalent to £557.1 billion at 30 June 2018.

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 about the Investment Manager

Aberdeen Asset Managers Limited

The Company's Investment Manager is Aberdeen Asset Managers Limited, 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 Group's investment business, Aberdeen Standard Investments, were equivalent to £557.1 billion at 30 June 2018.

Your Investment Team

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.

Iain Pyle

Senior Investment Manager

Investment Director in the UK equities team, having joined Standard Life Investments in 2015. Prior to joining, he was an analyst on the top-ranked Oil & Gas research team at Sanford Bernstein. Iain graduated with a MEng degree in Chemical Engineering from Imperial College and an MSc (Hons) in Operational Research from Warwick Business School. He is a chartered accountant and a CFA Charterholder.

The Investment Process

Philosophy and Style

The Investment Manager's philosophy is that markets are not always efficient. We believe that superior investment returns are therefore attainable by identifying good companies with attractive valuations, 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, we 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 normally accounts for the bulk of the activity within the portfolio.

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 Investment 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 Investment Manager primarily to check the portfolio is behaving as expected, not as a predictive tool.

Investor Information

Alternative Investment Fund Managers Directive ("AIFMD") and Pre-Investment Disclosure Document ("PIDD")

The Company has appointed Aberdeen Fund Managers Limited as its alternative investment fund manager ("AIFM") and BNP Paribas Securities Services, London Branch as its depositary under the AIFMD.

The AIFMD requires Aberdeen Fund Managers Limited, as the Company's AIFM, to make available to investors certain information prior to such investors' investment in the Company. Details of the leverage and risk policies which the Company is required to have in place under AIFMD are published in the Company's PIDD which can be found on its website: murray-income.co.uk

The periodic disclosures required to be made by AFML under the AIFMD are set out on page 84.

Benchmark

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

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

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

Aberdeen Standard Investments 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 89.

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

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 Additional Shareholder Information on page 89). 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 Standard Investments Customer Services Department (see Additional Shareholder Information), send an email to inv.trusts@aberdeenstandard.com or write to:

Aberdeen Standard Investments
PO Box 11020
Chelmsford
Essex CM99 2DB

Dividend Tax Allowance

The annual tax-free personal allowance for dividend income, for UK investors, is £2,000 for the 2018/19 tax year (2017/18 tax year - £5,000). 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.

How to Invest

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 the Aberdeen Standard Investments Plan for Children, Investment Trust Share Plan or Investment Trust Individual Savings Account.

Aberdeen Standard Investments Plan for Children

Aberdeen Standard Investments operates 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, 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 Aberdeen Standard Investments in writing at any time. In common with other schemes of this type, all investments are held in nominee accounts.

Aberdeen Standard Investments Share Plan

Aberdeen Standard Investments 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 Aberdeen Standard Investments in writing at any time.

Aberdeen Standard Investments ISA

Aberdeen Standard Investments operates an Investment Trust ISA ("ISA") through which an investment may be made of up to £20,000 in the tax year 2018/19.

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, where applicable. 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 Aberdeen Standard Investments, 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

All investments in the Aberdeen Standard Investments Children's Plan, Share Plan and ISA are held in nominee accounts and investors have full voting and other rights of share ownership.

How to Attend and Vote at Company Meetings

Investors who hold their shares in the Company via the Children's Plan, Share Plan or ISA and would like to attend and vote at Company meetings (including AGMs) will be sent for completion and return a Letter of Direction in connection with the relevant meeting.

Investors who hold their shares via another platform or share plan provider (for example Hargreaves Lansdowne, Alliance Trust or AJ Bell) and would like to attend and vote at Company meetings (including AGMs) should contact their platform or share plan provider directly to make arrangements. Further details of how to attend and vote if you hold your shares via a platform or share plan provider are available at https://www.theaic.co.uk/shareholder-voting-consumer-platforms

Keeping You Informed

Further information may be found on the Company's dedicated website: murray-income.co.uk. This provides access to information on the Company's share price performance, capital structure, London Stock Exchange announcements, current and historic Annual and Half-Yearly Reports, and the latest monthly factsheet on the Company issued by the Manager. The Company's Ordinary share price appears under the heading 'Investment Companies' in the Financial Times and in The Daily Telegraph and The Times. Alternatively, please call 0808 500 0040 (Freephone) or email inv.trusts@aberdeenstandard.com or write to Aberdeen Standard Investments.

If you have an administrative query which relates to a direct shareholding in the Company, please contact the Registrars (see page 89 for details). If investors would like details on the Company or information on the Children's Plan, Share Plan, ISA or ISA Transfers, please e-mail inv.trusts@aberdeenstandard.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.

Investor Information continued

Literature Request Service

For literature and application forms for Aberdeen Standard Investments Children's Plan, Share Plan or ISA, please contact:

invtrusts.co.uk or contact:

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

Terms and Conditions

Terms and conditions for Aberdeen Standard Investments managed savings products can also be found under the Literature section of our website at: invtrusts.co.uk.

Key Information Document ("KID")

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

Further information on the KID may be found in the Chairman's Statement on page 6 of this Report.

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.

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 78 to 80 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.

General

Glossary of Terms and Definitions

Standard Life Aberdeen or the Group	The Standard Life Aberdeen plc group of companies.
Aberdeen Standard Investments	A brand of the investment businesses 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 (theaic.co.uk)
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.
Alternative Performance Measures	Alternative performance measures are numerical measures of the Company's current, historical or future performance, financial position or cash flows, other than financial measures defined or specified in the applicable financial framework. The Company's applicable financial framework includes FRS 102 and the AIC SORP.

The Directors assess the Company's performance against a range of criteria which are viewed as particularly relevant for closed-end investment companies. Total return is considered to be an alternative performance measure. NAV total return involves investing the same net dividend in the NAV of the Company with debt at fair value on the date on 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 years ended 30 June 2018 and 30 June 2017 and at the year ends.

2018	**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
1 March 2018	8.00p	847.39p	744.00p
31 May 2018	8.00p	850.63p	772.00p
30 June 2018	N/A	856.32p	784.00p
Total return		**3.9%**	**3.3%**

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%**

Glossary of Terms and Definitions continued

Ongoing charges

Ongoing charges is considered to be an alternative performance measure. The ongoing charges ratio has been calculated in accordance with guidance issued by the AIC as the total of investment management fees and administrative expenses and expressed as a percentage of the average net asset values throughout the year.

	2018	2017
Investment management fees (£'000)	2,776	2,838
Administrative expenses (£'000)	1,168	1,136
Less: non-recurring charges (£'000)	(36)	–
Ongoing charges (£'000)	**3,908**	**3,974**
Average net assets (£'000)	**566,525**	**548,889**
Ongoing charges ratio	**0.69%**	**0.72%**

The ongoing charges ratio provided in the Company's Key Information Document is calculated in line with the PRII the PRIIPs regulations.

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.
Scrip Dividend	An issue of shares to a shareholder in proportion to their existing holding, in lieu of paying a dividend
Total Assets	Total Assets as per the balance sheet less current liabilities (before deducting prior charges as defined above).
Total Return	Share price 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 Company on the date to which that dividend was earned.
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

The Manager 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), maintained by the Manager.

There have been no material changes to the disclosures contained within the PIDD since its publication in January 2018.

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 9 to 21, Note 17 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 Additional Shareholder Information on page 89) and the remuneration disclosures in respect of the AIFM's reporting periods ended 30 September 2017 and 31 December 2017, respectively, 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 2018	1.11:1	1.15:1

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 5 November 2018 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 11 inclusive will be proposed as Ordinary Resolutions and Resolutions 12 and 13 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 2018.
2. To receive and adopt the Directors' Remuneration Report for the year ended 30 June 2018 other than the Directors' Remuneration Policy.
3. To approve a final dividend of 9.25p per Ordinary share for the year ended 30 June 2018.
4. To elect Mrs S Eastment* as a Director of the Company.
5. To elect Mr P Tait* 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-appoint Ernst & Young LLP as independent auditor of the Company.
10. To authorise the Audit Committee to fix the remuneration of Ernst & Young LLP as independent auditor of the Company for the year ended 30 June 2019.

Special Business

Authority to allot shares

11. 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 £828,805 (or, if less, the number representing 5 per cent. of the total Ordinary shares in issue (excluding treasury shares) as at the date of passing of this resolution), 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 2019, 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

12. THAT, subject to the passing of Resolution 11 proposed at the Annual General Meeting of the Company convened for 5 November 2018, 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 11 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 2019, 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 £1,657,610 (or, if less, the number representing 10 per cent. of the total Ordinary shares in issue (excluding treasury shares) as at the date of passing of this resolution); 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 pages 38 and 39 of the Annual Report of the Company for the year ended 30 June 2018 and at a price not less than 0.5% above the net asset value per share (as determined by the Directors).

Authority to make market purchases of shares

13. 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") and to cancel or hold in treasury such shares, provided always that:

    a) the maximum number of shares hereby authorised to be purchased shall be an aggregate of 9,939,031 Ordinary shares or, if less, the number representing 14.99% of the total Ordinary shares in issue (excluding treasury shares) as at the date of passing this resolution;
    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% 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 2019 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 31 and 32.

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

20 September 2018

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, Link Asset Services, on 0371 664 0300 (Calls cost 10p per minute, lines are open 9.00am to 5.30pm Monday to Friday, excluding public holidays). 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, Link 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.

(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 20 September 2018, the latest practicable date prior to publication of this document, the Company had 66,304,413 Ordinary shares in issue with a total of 66,304,413 voting rights with an additional 2,289,045 shares held in treasury.

Additional Shareholder Information

Directors

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

Company Secretaries and Registered Office

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

Company number

Registered in Scotland under company number SC012725

Website

murray-income.co.uk

Legal Entity Identifier

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 Department and Aberdeen Standard Investments Children's Plan, Share Plan and ISA Enquiries

Aberdeen Standard Investments
PO Box 11020
Chelmsford
Essex CM99 2DB

Freephone: 0808 500 0040
(open Monday to Friday from 9.00am to 5.00pm, excluding public holidays)
Email: inv.trusts@aberdeenstandard.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, 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
(open Monday to Friday, from 9.00am to 5.30pm, excluding public holidays)

By post -

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

Independent Auditor

Ernst & Young LLP

Depositary

BNP Paribas Securities Services, London Branch

Solicitors

Dickson Minto W.S.

Stockbroker

Canaccord Genuity

General

Your Company's Recent Share Capital History

Issued Share Capital at 30 June 2018

66,672,313	Ordinary shares of 25p with voting rights
1,921,145	Ordinary shares held in treasury

Recent Capital History

Year ended 30 June 2018	350,145 Ordinary shares bought back into treasury by the Company
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 from treasury by the Company 1,127,000 new Ordinary shares issued by the Company
Year ended 30 June 2012	810,000 Ordinary shares sold from treasury by the Company

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