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Murray Income Trust PLC

Annual Report and Accounts
30 June 2007

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Aberdeen

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Financial Calendar

30 October 2007	Annual General Meeting
31 October 2007	Payment of proposed final dividend for 2007
14 December 2007, 14 March and 13 June 2008	Record date of interim dividends for 2008
18 January, 18 April and 18 July 2008	Payment of interim dividends for 2008
February 2008	Half yearly results announcement
September 2008	Final results announcement

Dividend Record

	Rate	xd date	Record date	Payment date
1st interim 2007	5 0p	13 December 2006	15 December 2006	19 January 2007
2nd interim 2007	5 0p	14 March 2007	16 March 2007	15 April 2007
3rd interim 2007	5 0p	13 June 2007	15 June 2007	13 July 2007
Proposed final 2007	9 25p	26 September 2007	28 September 2007	31 October 2007
Total dividends 2007	24 25p			

Front cover picture Roof of Canary Wharf Tower, London

Corporate Summary

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

Benchmark
The Company's benchmark is the FTSE All Share Index

Investment Policy
The Company pursues a policy of investing in shares of British 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 its assets in strong, well known companies The Company makes use of low cost, flexible borrowing facilities to enhance Shareholder returns when appropriate

History
Murray Income Trust is an investment trust traded on the London Stock Exchange and is a constituent of the FTSE All Share Index

The Caledonian Trust Company Limited (as Murray Income Trust PLC was originally called) was formed in 1923 to invest in growth areas of the day It was very highly geared, borrowing at 3% and investing at 5%, almost entirely in fixed income securities

In January 1930, after a year which saw substantial profits, there were 497 holdings, 52 5% were bonds, loans and debentures, 28 5% preferred stocks and shares and only 19% equities The portfolio spread was huge – 31% 'Home', 10 5% 'British Colonies and Dependencies', 18% Europe, 15% USA, 7% Argentina, and so on down to 1% each in Cuba and Mexico and 5 5% in 'other countries'

The big move into equities came after the 1930s slump, when bond defaults forced the purchase of higher yielding equities to fund the costs of the Company's gearing After a number of amalgamations and reorganisations, Caledonian Trust Company emerged as a generalist investment trust under the management of Murray Johnstone Ltd (which is now part of the Aberdeen Asset Management group) However, many trusts had a similar broad remit and there was a glut, so in 1979 the Board defined the investment brief more narrowly as income growth and changed the name of the Company to Murray Caledonian Investment Trust Symbolised by the name change to Murray Income Trust in 1984, the focus has since been on a relatively high yielding portfolio of UK blue chip equities

Capital Structure
The Company's issued share capital as at 30 June 2007 consisted of 65,138,908 Ordinary shares of 25p and 1,277,550 Ordinary shares held in treasury At 19 September 2007, the issued share capital consisted of 65,028,958 Ordinary shares of 25p and 1,387,550 Treasury shares of 25p

Total Assets and Net Asset Value
At 30 June 2007, the Company had Total Assets (see definition on page 62) of £552 6m and a Net Asset Value per Ordinary share of 802 3p

Borrowings

The borrowings at 30 June 2007 of £30 million represent 5 7% of Net Assets Borrowing facilities of £45 million are committed to the Company until 1 October 2009 and borrowing facilities of £30 million are committed to the Company until 13 September 2008 Financial covenants contained within the relevant loan agreements provide, inter alia, that borrowings shall at no time exceed 45% of Net Assets and that the Net Assets must exceed £225 million The Net Assets were £522 6 million at 30 June 2007

If any of the financial covenants are breached the Lender is entitled, following the serving of notice to the Company, to declare the loans and all accrued interest, fees and other sums owed under the agreements to be immediately due and repayable

Duration

The Company does not have a fixed life

Risk

The UK equity market is volatile and short term movements may therefore be greater than justified by longer term trends The use of gearing is likely to lead to an increase in the volatility of the portfolio so that any movements in the Company's Net Asset Value will be magnified Currently, 50% of the investment management fees and interest costs are charged to capital This increases distributable income at the expense of capital growth which will be reduced to the same extent The policy of investing in higher yielding shares may also diminish capital growth There is no guarantee that the market price of investment trust shares will accurately reflect their underlying Net Asset Value or move in line with it

Share Dealing

Shares in Murray Income Trust can be bought in the open market through a stockbroker They can also be purchased through the Aberdeen savings schemes and fully qualify for inclusion within tax efficient ISA wrappers (see page 61)

Management Agreement

The Company has an agreement with Aberdeen Asset Managers Limited, a wholly owned subsidiary of Aberdeen Asset Management PLC, for the provision of investment management and other services for a fee, as detailed in the Directors' Report on page 29 and in Note 3 on page 46

AIC

Murray Income Trust is a member of the Association of Investment Companies

Websites

www murray income co uk
www aberdeen asset com

Company Secretary

Aberdeen Asset Management PLC, Donaldson House, 97 Haymarket Terrace, Edinburgh EH12 5HD
Email company secretary@invtrusts co uk

Customer Services

Freephone 0500 00 00 40 (open Monday – Friday 9am – 5pm)
Email inv trusts@aberdeen asset com

Your Board

All the Directors are non executive and are members of the Management Engagement Committee, the Audit Committee, the Nomination Committee and the Remuneration Committee Further details regarding the Board and its Committees are included in the Directors' Report on pages 24 to 30 and in the Statement of Corporate Governance on pages 33 to 38

Length of service is stated as at the Balance Sheet date

Patrick Gifford BA *Chairman*

Status Independent Non Executive Director
Age 62
Length of Service 7 years 11 months
Experience and other public company directorships Patrick Gifford was previously a director of Robert Fleming Holdings and chairman of Fleming Investment Trust Management He is chairman of Martin Currie Pacific Trust and Vtesse Networks He is also a director of AlphaGen Aldebaran Fund Ltd, Premier UK Dual Return Investment Trust, JPMorgan Russian Securities, Invesco Perpetual Select Trust and Tapestry Investment Company PCC Ltd
Employment by Manager None
Other connections with the Trust or Manager None
Shared Directorships with any other Trust Directors None
Shareholding in Company Beneficial – 19,216 Ordinary shares
Remuneration Year ended 30 June 2007 – £22,000

Meetings attended during year ended 30 June 2007	
Board and Strategy Meetings	*7*
Audit Committee	*2*
Remuneration Committee	*1*
Management Engagement Committee	*2*
Nomination Committee	*1*

Adrian Coats* MA, ACA, FCT *Chairman of Audit Committee*

Status Independent Non Executive Director
Age 52
Length of Service 8 years 5 months as a Director, including 4 years as Chairman of the Audit Committee
Experience and other public company directorships Adrian Coats is treasury and purchasing director for Scottish Power and a Trustee of the Scottish Power Pension Scheme He was formerly a director of Grand Metropolitan Finance and chairman of the Scottish Branch of the Association of Corporate Treasurers
Employment by Manager None
Other connections with the Trust or Manager None
Shared Directorships with any other Trust Directors None
Shareholding in Company Beneficial – 5,000 Ordinary shares, Non Beneficial – 25,000 Ordinary shares
Remuneration Year ended 30 June 2007 – £18,500

Meetings attended during year ended 30 June 2007	
Board Meetings	*6*
Audit Committee	*2*
Remuneration Committee	*1*
Management Engagement Committee	*2*
Nomination Committee	*1*

Marian Glen MA LLB**

Status Non Executive Director
Age 47
Length of Service. 4 years and 4 months
Experience and other public company directorships Marian Glen is head of Funds and Financial Services at Shepherd+ Wedderburn (Solicitors) She is a member of the Technical Committee of the Association of Investment Companies
Employment by Manager None
Other connections with the Trust or Manager Shepherd+ Wedderburn have provided legal advice to companies within the Aberdeen Asset Management group
Shared Directorships with any other Trust Directors None
Shareholding in Company Nil
Remuneration Year ended 30 June 2007 – £16,000

Meetings attended during year ended 30 June 2007	
Board Meetings	5
Audit Committee	2
Remuneration Committee	1
Management Engagement Committee	2
Nomination Committee	1

Neil Honebon* MA

Status Independent Non Executive Director
Age 53
Length of Service 1 year and 11 months
Experience and other public company directorships Neil Honebon is a director of Fleming Family and Partners Asset Management, where he is Chief Investment Officer He has over 25 years' experience in investment analysis and research and, while previously at Flemings, he was Head of Global Research and deputy chair of the asset allocation committee He is also a director of Avior, Volantis and Octanis, three hedge funds within Gartmore's AlphaGen range
Employment by Manager None
Other connections with the Trust or Manager None
Shared Directorships with any other Trust Directors None
Shareholding in Company Beneficial – 10,000 Ordinary shares
Remuneration Year ended 30 June 2007 – £16,000

Meetings attended during year ended 30 June 2007	
Board and Strategy Meetings	7
Audit Committee	2
Remuneration Committee	1
Management Engagement Committee	2
Nomination Committee	1

Humphrey van der Klugt BSC HONS, FCA

Status Independent Non Executive Director
Age 53
Length of Service 3 years and 2 months
Experience and other public company directorships Humphrey van der Klugt was previously a director of Schroder Investment Management Limited In a twenty two year career at Schroders, he was a member of the Group Investment and Asset Allocation Committees, and as a UK equity manager, he was directly responsible for £3 billion of funds under management, including the Schroder UK Equity and Schroder Income Funds He is currently chairman of the Supervisory Board of Schroder Exempt Property Unit Trust, a non executive director of Merrill Lynch Commodities Income Investment Trust plc and Fidelity European Values PLC, and a member of the Investment Committee of St John Ambulance
Employment by Manager None
Other connections with the Trust or Manager None
Shared Directorships with any other Trust Directors None
Shareholding in Company Beneficial – 7,500 Ordinary shares
Remuneration Year ended 30 June 2007 – £16,000

Meetings attended during year ended 30 June 2007	
Board and Strategy Meetings	*7*
Audit Committee	*2*
Remuneration Committee	*1*
Management Engagement Committee	*2*
Nomination Committee	*1*

* Director who is retiring by rotation and offers himself for re election for a further period of three years

** Director who will offer herself for re election annually (see Statement of Corporate Governance on page 33)

Highlights

For the year ended 30 June 2007

Murray Income Trust is an investment trust with stock market capitalisation as at 30 June 2007 of £453 million (2006 – £419 million)

Financial Highlights	2007	2006
Total assets	£552,617,000	£481,714,000
Equity Shareholders' interest	£522,617,000	£456,714,000
Net Asset Value per Ordinary share	802 3p	699 7p
Share price of Ordinary share (mid)	696 0p	642 0p
Share price total return for year per Ordinary share	12 0%	21 5%
Cost of share buy backs	£918,000	£10,919,000
Discount to Net Asset Value on Ordinary shares	13 2%	8 2%

Asset Attribution Summary	2007	2006
Net Asset Value total return for year per Ordinary share	18 2%	19 5%
FTSE All Share Index total return	18 4%	19 7%
Relative return	(0 2%)	(0 2%)
Attributable to		
Stock selection	(0 1%)	(2 7%)
Asset allocation	0 9%	2 6%
Gearing/cash effect	0 7%	0 7%
Management fees and other expenses	(0 9%)	(1 0%)
Bonds & Options	(0 8%)	0 2%
	(0 2%)	(0 2%)

A glossary of Terms and Definitions is provided on page 62

Shareholder Analysis of Murray Income Trust

The majority of the Company's Shareholders are private investors

Historic Financial Record

Performance (Total Return)

	1 year % return	3 years % return	5 years % return	10 years % return
Share price	12 0	75 1	75 8	155 6
Net Asset Value per Ordinary share	18 2	74 5	74 3	146 1

Source Aberdeen Asset Management/Fundamental Data

Net Asset Value Total Return rebased to 100 (with net dividends reinvested)

300

NAV Total

Share Price Total Return rebased to 100 (mid price to mid price with net dividends reinvested)

Please note that past performance is not a guide to future performance

Dividend and earnings	2007	2006
Dividend per Ordinary share*	24 25p	21 6p
Revenue return per Ordinary share	24 7p	21 8p
Dividend cover	1 02 times	1 01 times
Revenue reserves prior to payment of third interim and final dividends (£'000)	£22,884	£21,266

* The figures for dividend per Ordinary share have not been reflected in accordance with FRS 21 and reflect the dividends for the year in which it was earned

Operating costs	2007	2006
Total operating costs as a percentage of net assets	0 75%	0 79%
Total operating costs (using AIC methodology) as a percentage of net assets	0 80%	0 82%

AIC methodology is calculated using average net assets based on the 12 month end positions during the year

Murray Income Trust has a long record of steadily increasing dividends

Net earnings per share
pence

Dividends per share
pence

Net asset value per share
pence

Ten Year Record

Year ended	Revenue £000	Total return per share p	Dividend per share p	Assets employed £'000	Net Asset Value £'000	Net Asset Value per Ordinary/B Ordinary share p	Total expense ratio %
1998	17,775	125 1	14 60	523,210	477,279	552 8	0 60
1999	16,390	5 8	15 35	493,715	468,421	542 4	0 74
2000	15,210	27 6	15 75	492,331	442,282	567 0	0 84
2001	16,808	56 9	16 20	483,145	435,145	611 9	0 85
2002	15,384	(55 5)	17 00	411,035	380,035	541 3*	0 94
2003	16,041	(89 8)	17 75	309,529	304,529	433 8	1 08
2004	16,827	80 1	18 25	355,138	345,138	496 2	1 01
2005	16,533	113 7	19 15	420,601	404,601	603 3	0 85
2006	17,237	114 9	21 60	481,714	456,714	699 7	0 82
2007	19,251	124 7	24 25	552,617	522,617	802 3	0 80

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

Total revenue returns per Ordinary share have been based on the average number of Ordinary shares in issue during each year (see note 7 on page 48)

Net Asset Values per Ordinary and B Ordinary share have been calculated after deducting prior capital at nominal values and have been adjusted for the annual B Ordinary scrip issues

The revenue figures for the years prior to 1999 have not been restated to reflect the changes in relation to Financial Reporting Standard 16 "Current Tax", and have been shown gross

The 1999 dividend per share does not include the special component of 0 75p to compensate for lack of tax credit on the first interim dividend

The total expense ratio for the years to 2005 were calculated on the net asset value at each year end From 2006 onwards it is based on the AIC methodology (Fitzrovia/Lipper) which is calculated using average net assets based on the 12 month end positions during the year Based on net asset value total expense ratio for 2006 was 0 79% and for 2007 was 0 75%

The figures for 2005 for Assets Employed, Net Asset Value and Total Expense Ratio have been restated to reflect the changes in accounting policies (FRS 26 – Financial Instruments Recognition and Measurement, FRS 21 Events after the Balance Sheet Date)

The figures for dividends reflect the dividends for the years in which they were earned

Discount Chart

Source Aberdeen Asset Management Fundamental Data & Mellon

Chairman's Statement

Performance
The year to June 2007 was the fourth year in succession of very high returns for your Company The NAV total return for the year was 18 2% compared with a return of 18 4% for the FTSE All Share Index The bulk of this return has been generated by improved corporate profitability rather than by an improvement in the valuation of the market which stands on a P/E of 12 at the time of writing, admittedly after a sell off in August from which there has so far been only a partial recovery Over the last year UK equities have performed significantly better than bonds and property Besides profitability, equity withdrawal has been a major factor Over the year £65 1 billion of equity was taken out of the market by a combination of merger and acquisition activity, both from corporate buyers and private equity, and share buybacks This activity more than compensated for the continued pressure on pension funds to allocate assets away from equities

Dividends
Dividend growth has continued to be strong The Company's portfolio has benefited from this and the Directors are now proposing a final dividend payment of 9 25 pence payable on 31 October 2007 to Shareholders on the register on 28 September 2007, making total dividends for the year of 24 25 pence This represents an increase of 12 3%, the twenty second consecutive year in which the dividend has increased Dividend growth remains strong in the current year and the Directors have therefore decided to increase the rate at which interim dividends will be paid to 5 25 pence The rate of the final dividend will be decided when the results for the year are known However, the Directors expect total dividends for next year to be at least equal to those paid for this year

VAT on management fees
It now seems more likely, following the European Court of Justice ruling in the case brought by JPMorgan Claverhouse Investment Trust against HMRC, that we may be able to recover part of the VAT paid on management fees Appropriate steps have been taken to protect the Company's position in this respect

Outlook
From the analysis of the companies in the portfolio, and generally the quoted company sector in the UK, prospects for the current year look reasonable Profits are expected to continue to rise, as are dividends and the valuation of the portfolio and market look fair However, the current year looks more difficult than its predecessors In the UK growth in government expenditure and consumer expenditure are both likely to be more muted than in the recent past Although economic growth has helped government finances they are more stretched than for a long time Personal debt levels have continued to rise and are likely to put pressure on consumption, particularly because there is much less support from house price inflation, while more generalised inflation is not sufficient to make much impact on the real value of debt

Internationally, the long simmering problem of US sub prime mortgage lending and derivative structures based on it has now had a real impact on the financial markets by causing the loss of a significant amount of equity in banks and other lenders such as hedge funds In the short run, the debt market for buyout finance has also frozen as credit gets re priced Central banks have achieved their objective of tightening credit and controlling inflation, but in an inadvertent and messy way whose denouement is still unclear However, it is reasonable to expect that there will be tighter credit conditions and some slowdown in growth compared to what might otherwise have been achieved On the other hand inflation is under better control with positive implications for official short term interest rates

It is difficult to know what these contrary indicators will mean for portfolio performance The most likely outcome still seems to be for a small positive return of which income and growth in income will form a bigger part

Patrick Gifford
20 September 2007 — Chairman

Summary of Investment Changes during the Year

	Valuation 30 June 2006		Transactions	Appreciation/ (depreciation)	Valuation 30 June 2007	
	£'000	%	£'000	£'000	£'000	%
United Kingdom						
Equities	473,774	98 4	(14,443)	66,912	526,243	95 3
Fixed interest	4,497	0 9	7,498	3,671	15,666	2 8
FTSE options	2,440	0 5	2,003	(3,083)	1,360	0 2
Total investments	480,711	99 8	(4,942)	67,500	543,269	98 3
Other net assets	1,003	0 2	8,345	–	9,348	1 7
Total assets	**481,714**	**100 0**	**3,403**	**67,500**	**552,617**	**100 0**

Summary of Net Assets

	Valuation 30 June 2007	
	£'000	%
Equities	526,243	100 7
Fixed interest	15,666	3 0
FTSE options	1,360	0 3
Other net assets	9,348	1 8
Borrowings	(30,000)	(5 8)
Equity Shareholders' interest	**522,617**	**100 0**

Distribution of Investments

As at 30 June 2007

Sector/ Area	2007 %	2006 %
Oil & Gas	**11 9**	**12 9**
Oil & Gas Producers	11 9	12 9
Basic Materials	**4 3**	**4 5**
Mining	4 3	4 5
Industrials	**8 9**	**8 7**
Construction & Materials	1 0	1 5
Aerospace & Defence	1 3	1 9
General Industrials	1 3	–
Industrial Engineering	1 3	1 7
Industrial Transportation	1 2	2 7
Support Services	2 8	0 9
Consumer Goods	**14 4**	**14 2**
Automobiles & Parts	1 7	1 5
Beverages	1 7	2 7
Food Producers	4 9	2 7
Household Goods	2 0	2 0
Tobacco	4 1	5 3
Health Care	**5 4**	**5 4**
Pharmaceuticals & Biotechnology	5 4	5 4
Consumer Services	**13 2**	**11 2**
Food & Drug Retailers	1 5	1 1
General Retailers	3 4	2 9
Media	2 9	2 6
Travel & Leisure	5 4	4 6
Telecommunications	**4 9**	**4 6**
Fixed Line Telecommunications	2 6	2 5
Mobile Telecommunications	2 3	2 1
Utilities	**5 1**	**6 0**
Electricity	–	1 4
Gas, Water & Multi utilities	5 1	4 6
Financials	**27 2**	**30 9**
Banks	16 1	18 0
General Financial	1 1	1 4
Life Assurance	5 8	6 3
Investment Companies	1 0	1 0
Real Estate	3 2	4 2
Total equities	**95 3**	**98 4**
Fixed interest and FTSE options	3 0	1 4
Total investments	**98 3**	**99 8**
Net assets	1 7	0 2
Total assets	**100 0**	**100 0**

Sector Comparison with Benchmark

Distribution of equity investments
As at 30 June 2007

Distribution of equity investments
As at 30 June 2006

Note the percentage distributions by sector as shown on page 13 have been rebased in the Sector Comparison pie charts to total 100% to enable an accurate comparison with the FTSE All Share Index to be made

Investment Manager's Review

Background

The UK equity market continued to perform strongly during the year to the end of June 2007 The FTSE All Share Index rose by 18 4% and, although the backdrop was one of rising global inflation and interest rates, it still proved to be accommodative with robust corporate profitability and further merger and acquisition activity

However, this progress was punctuated by a series of corrections during the year In particular, risk aversion was heightened at the beginning of March when concerns over a slowdown in China and fears over the health of the US economy dented optimism, although overall the global environment has been supportive for equities

In the UK, the domestic economic environment remained largely benign over the period Gross Domestic Product growth of 3 0% over the year was above trend with unemployment falling gently, retail sales remaining robust and house prices expanding at low double digit rates, although, in consequence, inflationary concerns clouded the horizon with CPI inflation ahead of the Bank of England's 2 0% target for the entire period Indeed, March's inflation reading of 3 1% prompted the Governor's first explanatory letter to the Chancellor

To counter this, over the period, the Monetary Policy Committee raised interest rates from 4 5% at the beginning of the period to 5 5% at the end As yet there have only been nascent signs of these actions curbing domestic growth with consumer demand remaining fairly resilient

The theme of heightened merger and acquisition activity continued during the year Companies aided by strong balance sheets and private equity groups able to take advantage of low borrowing costs maintained their enthusiasm for deals Familiar names to have been taken over include Gallaher, Corus, Scottish Power and Alliance Boots Although acquisition activity has generally recently been more focused on large companies, the Mid Cap Index still outperformed the FTSE 100, returning 22 6% versus 17 0%

Performance

The Company generated a total return of 18 2% in the twelve months to 30 June 2007 broadly in line with the FTSE All Share Index

Attribution Analysis for the year to 30 June 2007

Net Asset Value total return per Ordinary share	18 2%
FTSE All Share Index total return	18 4%
Relative return	(0 2%)

Analysis of relative return

Stock selection	
Oil & Gas	(0 2%)
Basic Materials	(0 1%)
Industrials	1 3%
Consumer Goods	(0 2%)
Healthcare	(0 1%)
Consumer Services	(0 5%)
Telecommunications	(0 2%)
Utilities	0 3%
Financials	(0 4%)
Total stock selection	(0 1%)
Asset allocation	0 9%
Bonds & Options	(0 8%)
Gearing / cash effect	0 7%
Management fees & other expenses	(0 9%)
Residual effect	0 1%
Total	(0 2%)

Sources Russell Data Services/AAM/FTSE

Notes **Selection effect** – measures the effect of security selection within each asset category **Allocation effect** – measures the impact of over or underweighting each asset category, relative to the benchmark weights **Gearing / cash effect** – measures the impact on relative returns of net borrowings **Management fees & other expenses** – reduce total assets and therefore reduce performance It is calculated by dividing expenses incurred during the year by average total assets less liabilities

Sector performance across the market as a whole demonstrated some significant divergence In general, the largest sectors in the market, Oil & Gas Producers, Banks and Pharmaceuticals, all underperformed Oil Producers were hit by the falling oil price earlier in the period, Banks were hindered by concerns over credit quality and Pharmaceuticals suffered in the light of continued

worries over the threat from generic competition and a weak pipeline of new products Sectors that performed more strongly were generally involved in merger and acquisition activity such as Tobacco, Food Retailers and Construction & Building Materials The Mining sector also performed strongly as commodity prices increased as a result of strong global demand and a shortage of supply
The Company itself was the beneficiary of a number of takeover approaches to holdings within the portfolio during the year Scottish Power was taken over by Iberdrola, Gallaher fell to a cash bid from Japan Tobacco and Hanson was bought by HeidelbergCement

Other highlights included our holding in Weir in the Industrial Engineering sector which continued to perform well, helped by expansion into higher margin, higher growth markets In Support Services, the share price of Amec has recovered very strongly under the stewardship of its new Chief Executive GKN in the Auto & Parts sector also benefited performance as efficiency gains and a robust order outlook led the share price higher

Unfortunately, there were areas of the market that went against us during the financial year In particular, the performance of HMV has been disappointing However, the appointment of a new Chief Executive and the implementation of a credible recovery plan bodes well for the future The two holdings in the media sector EMI and Emap also performed poorly, although towards the end of the period EMI announced it had received a bid for the company from Terra Firma, while Emap's announcement of the resignation of its Chief Executive and a strategic review has led to a recovery in its share price In addition, the underweight position in Mining, where we remain concerned over the sustainability of high commodity prices, as well as our overweight position in the underperforming Life Insurance sector, held back relative returns

Portfolio Activity and Structure
The portfolio has undergone a modest amount of change during the past year as new investment ideas were added to replace holdings that were either fully valued or subject to corporate activity

At the start of the period, we introduced a position in Wolseley, the plumbing, heating and building materials distributor Although exposed to a US slowdown, costs are largely variable and the longer term prospects remain appealing The purchase of Wolseley was funded through the sale of Persimmon following a strong performance, particularly over the previous twelve months

In addition, we introduced a holding in Venture Production funded by a reduction in the holding in Shell Venture is an oil production company concentrating primarily on undeveloped discoveries in the North Sea It has a low risk business model and attractive valuation

Towards the end of the first half of the year we added two new holdings to the portfolio Firstly, a position in Premier Foods was acquired, in view of its valuation and strong track record in brand regeneration Shortly after completing the purchase, Premier Foods announced the acquisition of RHM, providing extended scope for further cost synergies and systems' harmonisation Secondly, we acquired an initial holding in Tomkins, the manufacturing and engineering company, on an attractive valuation and a dividend yield over 5% These two purchases were funded through the sale of the holdings in Diageo and the BAE Convertible, both of which had proved successful investments for the Trust

Near the period end, we added a new position in Barratt Developments, given the attractive synergies, valuation and competitive position generated through its acquisition of Wilson Bowden

Throughout the period, we maintained our policy of recycling capital from some of the stronger performers into areas of weakness To that end, funds from companies that had been taken over such as BAA, Scottish Power and Gallaher and strong performers including SEGRO (previously Slough Estates), Mitchells & Butlers, Weir and Arriva funded top ups of HMV, EMI, Emap, AstraZeneca, GlaxoSmithKline, Scottish & Newcastle and Mothercare amongst others Following the market correction in March, we increased the level of gearing by £5m which provided further funds to allocate to the portfolio

Over the year, we have purchased three new reverse convertibles or equity linked notes, which provide an up lift in yield and also help use part of the Company's off balance sheet tax asset The Diageo reverse convertible that we purchased last year was re invested on expiry into a Vodafone reverse convertible We purchased a reverse convertible in British American Tobacco, funded through the sale of the ordinary shares, and finally we added a BT reverse convertible to the Trust, partly funded through the sale of the ordinary BT shares

The result of the actions above have marginally altered the sector positioning of the fund It can be seen from the Distribution of Investments table on page 13 that our weighting in the Oil & Gas sector has reduced marginally over the period, this is mainly as a function of the poor relative performance of the sector as a whole

Furthermore, the exposure to the Consumer Goods sector has increased slightly despite the sale of Diageo following the purchases of Premier Foods and a strong performance from Unilever

The sector weight of Consumer Services has also increased, given the recovery in the share price of William Morrison and strong returns from our holdings in the Travel & Leisure sector, including Millennium & Copthorne and Mitchells & Butlers

Telecoms has also seen a meaningful increase in weighting as we introduced the two telecoms reverse convertibles to the Trust, providing a significant yield up lift This follows the introduction of the ordinary shares of Vodafone in the previous year

The weight in Financials has fallen, given the reduction in the holding of SEGRO during the year and following profit taking in the holding of Barclays

Income

Dividend growth across the market has continued to be strong In aggregate, dividends are estimated to increase by 8 5% for 2007 However, the dividend payout ratio for the market remains below historical levels This is partly due to the increase in share buybacks and special dividends, but we feel that companies are also acting conservatively providing scope for future dividend growth

The Company itself has also witnessed a healthy increase in revenue For the financial year ended 30 June 2007, the revenue return per share has risen from 21 8p to 24 7p, or 13 3%

As mentioned above, during the year we purchased three reverse convertibles or equity linked notes, each to the value of £5m, in BT, Vodafone and British American Tobacco These are one year equity participation notes with an embedded 10% short call option Put simply, capital appreciation is capped at 10% above the original strike price, and in return, the notes pay a significantly enhanced yield

We remain comfortable with our holdings from an income perspective Dividend cover across the portfolio (versus the underlying corporate earnings) is two times, providing the opportunity for continued healthy growth in dividends The consensus expectation for dividend growth during 2008 for the FTSE All Share Index is currently 8 6%

Outlook

At the time of writing, the Bank of England has increased interest rates five times since August 2006 to 5 75% in an attempt to calm inflation Recent data have been more encouraging, with CPI inflation falling to 1 9% in July, helped by a decline in household gas and electricity prices However, the economy is still running at or above its long run average rate and the global economic backdrop is at present, robust Business surveys have remained firm despite the increases in interest rates, while there have been only nascent indications of the consumer slowing down The quandary for the Bank of England remains the level of spare capacity in the economy, but overall the balance of risk to the inflation outlook appears to be on the upside

We have been concerned that, following the strong appreciation in the market over the last year, the risk/reward ratio had become more finely balanced To this end, we purchased in May a tranche of portfolio protection for £2m, when the FTSE 100 was trading at 6500, protecting 20% of the portfolio below 6211 Recent falls in the equity market, sparked by the crisis in the US sub prime mortgage sector, provided the opportunity to crystallise the gain on part of this in order to reinvest in companies that we felt had been indiscriminately sold down, while rolling forward part of the protection at a lower market level

Following the sharp fall in the market in the period after the end of the financial year, we feel that valuations are beginning to look more attractive, with the FTSE All Share Index currently trading on a P/E of 12 times and an historic dividend yield of 3 0% Although credit spreads have widened, there is still scope for further merger and acquisition activity and, with corporate earnings remaining robust, while still remaining mindful of the risks ahead, we would expect the market to make progress over the remainder of the year

Charles Luke & Anne Richards
Aberdeen Asset Managers Limited
19 September 2007 Investment Manager

Twenty Largest Investments

As at 30 June 2007

Investment	Valuation 30 June 2007 £'000	Total assets %	Valuation 30 June 2006 £'000
1 (1) Royal Dutch Shell	**31,537**	**5 7**	**32,275**
Royal Dutch Shell is engaged in all phases of the petroleum industry from exploration to processing and distribution The group operates in over 130 countries We believe the company is set to benefit from higher oil prices and demand growth in developing regions of the world			
2 (2) BP	**28,492**	**5 2**	**29,791**
BP is one of the world's largest petroleum and petrochemicals groups Its main activities are exploration and production of crude oil and natural gas, refining, marketing, supply and transportation of petroleum products, and manufacturing and the marketing of petrochemicals			
3 (3) HSBC Holdings	**24,934**	**4 5**	**25,928**
The HSBC group is one of the world's largest banking and financial services institutions Its international network comprises more than 5,000 offices in 80 countries and territories, operating in the Asia Pacific region, Europe, the Americas, the Middle East and Africa The diversity of HSBC's business and exposure to faster growing regions of the world should enable it to deliver long term growth ahead of most UK domestic banks			
4 (5) Royal Bank of Scotland Group	**20,965**	**3 8**	**19,629**
The Royal Bank of Scotland group is the third largest bank in Europe Its core market is in the United Kingdom, but it also operates in the northeast USA through Citizens Financial Group The company is also extensively involved in corporate banking, private banking and insurance			
5 (4) Barclays	**20,052**	**3 6**	**20,358**
Barclays offers commercial and investment banking, insurance, and financial and related services It operates in over 60 countries worldwide and has over 1,900 branches in its main market in the UK Indeed, we believe the company's good exposure to wholesale and business banking will help it off set slower growth on the retail side of its business			
6 (6) GlaxoSmithKline	**16,965**	**3 1**	**18,308**
GlaxoSmithKline is a research based pharmaceutical group that develops, manufactures and markets vaccines, prescription and over the counter medicines, as well as health related consumer products The group specialises in treatments for respiratory, central nervous system, gastro intestinal and genetic disorders The attraction of the shares lies in the company's large pipeline of new drugs, which should enable it to deliver strong profit growth over the next few years			
7 (10) Lloyds TSB	**15,012**	**2 7**	**13,447**
The Lloyds TSB group offers a range of banking and financial services The group provides retail banking, mortgages, pensions, asset management and insurance services through over 2,200 branches in the UK, international banking in 24 countries, and corporate banking and treasury services Lloyds is one of the highest yielding stocks in the UK market, which makes it attractive for income focused investors			
8 (13) Centrica	**14,351**	**2 6**	**12,023**
Centrica provides gas, electricity and energy related products and services to business and residential customers It also provides central heating and gas appliance installation and maintenance services The company enjoys a dominant position in the UK market, which provides a solid platform from which to generate long term value			
9 (8) British American Tobacco	**14,126**	**2 6**	**15,606**
British American Tobacco is the holding company for a group of companies that manufacture, market and sell cigarettes and other tobacco products, including cigars and roll your own tobacco The group sells over 300 brands in approximately 180 markets throughout the world Key brands include Kent, Dunhill, Pall Mall and Lucky Strike We believe well managed companies, like BAT, have scope to improve profitability through cost cutting, industry consolidation and expansion in to developing markets			
10 (12) BT Group	**14,111**	**2 6**	**12,077**
BT offers a range of communication services to residential and business customers Thegroup provides local, national and international telecommunications services as well as higher value broadband and Internet products and services It has operations in the UK, the US, the Netherlands, Italy, Australia, Spain, Germany, Hong Kong, Bermuda and France amongst others The company generates excellent cash flow that should translate into good dividend growth for shareholders			
Top ten investments	**200,545**	**36 4**	

Investment	Valuation 30 June 2007 £'000	Total assets %	Valuation 30 June 2006 £'000
11 (7) Aviva	**13,465**	**2 4**	**15,808**
Aviva is an international insurance company which provides a broad variety of classes of general and life assurance, including fire, motor, marine, aviation and transport insurance combining a profitable book of past business with strong positions in a number of high growth markets We feel that the market fails to value sufficiently the substantial level of new business profit being generated			
12 (16) Vodafone Group	**12,627**	**2 3**	**9,912**
Vodafone is the world's largest mobile phone company, with a significant position in major economies including Germany, Italy, France, UK and the US, as well as emerging markets The group generates a significant amount of cash flow and has committed to returning more capital to shareholders			
13 ( ) AstraZeneca	**12,610**	**2 3**	**7,834**
AstraZeneca researches, develops, produces and markets pharmaceutical products The company's operations are focused on six therapeutic areas Cardiovascular, Oncology, Respiratory, Neuroscience, Inflammation and Infection Following the acquisition of Medimmune the company is well positioned to develop further its portfolio of products			
14 (14) Anglo American	**12,369**	**2 2**	**11,624**
Anglo American is a global mining and natural resources company, which has interests in gold, diamonds, precious metals, base metals The company is benefiting from strong economic growth in China and south east Asia			
15 (15) Rio Tinto	**11,481**	**2 1**	**10,292**
Rio Tinto is an international mining company It has interests in mining for aluminium, borax, coal, copper, gold and silver It operates primarily in Australia, South Africa, the US and Europe Like most mining companies, it is benefiting from the rapid industrialisation of China, India and other developing economies			
16 ( ) National Grid	**10,812**	**2 0**	**7,037**
National Grid owns and operates electricity and gas networks throughout the UK and in the US The company's valuation is appealing and there is scope for a material increase in its dividend			
17 ( ) Friends Provident	**10,080**	**1 8**	**6,255**
Friends Provident is a life assurance company with three main divisions UK life and pensions, international life and pensions and asset management We feel that the company is attractively valued and provides a variety of interesting growth opportunities			
18 (18) Land Securities Group	**9,709**	**1 8**	**8,120**
Land Securities is a property investment and management company The group invests in real estate, including offices, shopping centres, supermarkets and industrial facilities throughout the UK Its development pipeline of new property is well positioned to benefit from rising demand and rental rates in the west end and City of London			
19 (19) Unilever	**9,625**	**1 7**	**8,100**
Unilever manufactures branded and packaged consumer goods including food, detergents, fragrances, home and personal care products It operates on a worldwide scale, selling products in over 100 countries The company generates strong cash flow and provides an attractive dividend yield			
20 ( ) GKN	**9,558**	**1 7**	**7,112**
GKN is a global leader in automotive and aerospace systems We expect the company to perform well as a result of healthy end markets, further cost savings and the potential for accretive acquisitions			
Top twenty investments	**312,881**	**56 7**	

Notes

The value of the 20 largest investments represents 56 7% (2006 – 63 4%) of total assets

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

Portfolio of Investments

As at 30 June 2007

Investment	Valuation £'000	Total assets %	Yield %
Oil & Gas			
Oil & Gas Producers	**65,793**	**11 9**	
BP	28,492	5 2	3 9
Royal Dutch Shell	31,537	5 7	3 7
Venture Production	5,764	1 0	1 1
Basic Materials			
Mining	**23,850**	**4 3**	
Anglo American	12,369	2 2	3 4
Rio Tinto	11,481	2 1	1 6
Industrials			
Construction & Materials	**5,713**	**1 0**	
Hanson	5,713	1 0	2 2
Aerospace & Defence	**7,123**	**1 3**	
Cobham	7,123	1 3	1 9
General Industrials	**6,942**	**1 3**	
Tomkins	6,942	1 3	5 5
Industrial Engineering	**7,300**	**1 3**	
Weir Group	7,300	1 3	2 2
Industrial Transportation	**6,410**	**1 2**	
BBA	6,410	1 2	3 5
Support Services	**15,442**	**2 8**	
AMEC	9,432	1 7	2 3
Wolseley	6,010	1 1	2 8
Consumer Goods			
Automobiles & Parts	**9,558**	**1 7**	
GKN	9,558	1 7	3 6
Beverages	**9,479**	**1 7**	
Scottish & Newcastle	9,479	1 7	3 8
Food Producers	**27,195**	**4 9**	
Associated British Foods	8,347	1 5	2 6
Premier Foods	9,223	1 7	5 0
Unilever	9,625	1 7	3 0
Household Goods	**10,987**	**2 0**	
AGA Foodservice	5,486	1 0	2 6
Barratt Developments	5,501	1 0	3 5
Tobacco	**22,662**	**4 1**	
British American Tobacco	14,126	2 6	3 5
Imperial Tobacco	8,536	1 5	3 3
Health Care			
Pharmaceuticals & Biotechnology	**29,575**	**5 4**	
AstraZeneca	12,610	2 3	3 5
GlaxoSmithKline	16,965	3 1	3 9
Consumer Services			
Food & Drug Retailers	**8,319**	**1 5**	
Morrison (Wm) Supermarkets	8,319	1 5	1 5
General Retailers	**18,607**	**3 4**	
HMV Group	5,837	1 1	6 9

Investment	Valuation £'000	Total assets %	Yield %
Kesa Electricals	7,176	1 3	4 1
Mothercare	5,594	1 0	2 9
Media	**16,117**	**2 9**	
EMAP	9,053	1 6	4 2
EMI	7,064	1 3	–
Travel & Leisure	**29,681**	**5 4**	
Arriva	8,349	1 5	3 1
Ladbrokes	8,556	1 6	2 8
Millennium & Copthorne Hotels	7,147	1 3	1 6
Mitchells & Butlers	5,629	1 0	1 7
Telecommunications			
Fixed Line Telecommunications	**14,111**	**2 6**	
BT Group	14,111	2 6	4 6
Mobile Telecommunications	**12,627**	**2 3**	
Vodafone Group	12,627	2 3	4 7
Utilities			
Gas, Water & Multi utilities	**27,990**	**5 1**	
Centrica	14,351	2 6	3 2
Kelda Group	2,827	0 5	3 7
National Grid	10,812	2 0	3 9
Financials			
Banks	**89,032**	**16 1**	
Barclays	20,052	3 6	4 2
HSBC Holdings	24,934	4 5	4 9
Lloyds TSB	15,012	2 7	6 5
Royal Bank of Scotland Group	20,965	3 8	5 0
Standard Chartered	8,069	1 5	2 7
General Financial	**6,323**	**1 1**	
Provident Financial	6,323	1 1	5 5
Life Assurance	**32,309**	**5 8**	
Aviva	13,465	2 4	4 5
Friends Provident	10,080	1 8	4 0
Resolution	8,764	1 6	3 4
Investment Companies	**5,589**	**1 0**	
Aberforth Smaller Companies Trust	5,589	1 0	1 9
Real Estate	**17,509**	**3 2**	
Land Securities Group	9,709	1 8	3 4
Segro	7,800	1 4	3 4
Total Listed Equities	**526,243**	**95 3**	
Traded Options	**1,360**	**0 2**	
FTSE Flex Put Option Expiry 19/10/07	1,360	0 2	–
Fixed Interest	**15,666**	**2 8**	
British American Tobacco Reverse Convertible	5,185	0 9	9 3
Citigroup Global Certificate BT	5,150	0 9	10 0
Citigroup Global Certificate Vodafone	5,331	1 0	9 4
Total investments	**543,269**	**98 3**	

Directors' Report

The Directors submit their Annual Report together with the Financial Statements of the Company for the year ended 30 June 2007

Review of the Business
A review of the Company's operations is given in the Chairman's Statement on page 11 and in the Investment Manager's Review on pages 15 to 18

Principal Activity and Status
The Company is an investment company within the meaning of Part VIII of the Companies Act 1985 and carries on business as an investment trust The Directors do not envisage any change in this activity in the foreseeable future

In the opinion of the Directors of the Company, its affairs have been conducted in a manner as to satisfy the conditions which enable it to continue to obtain approval as an investment trust under Section 842 of the Income and Corporation Taxes Act 1988 HM Revenue & Customs will grant Section 842 status, if requested, provided that the Company's affairs have been conducted in such a manner as to satisfy the conditions of that section, although approval for the period would be subject to review were there to be any enquiry under the Corporate Tax Self Assessment regime HM Revenue & Customs approval for such status has been given for the year ended 30 June 2006

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

Business Review
With the rest of the Report and Accounts, this review is intended to provide Shareholders with the information and measures that the Directors use to assess, direct and oversee the Manager in the management of the Company's portfolio

Investment Objective and Policies
The Board's objective is to achieve a high and growing income combined with capital growth through investment in a concentrated selection of UK equities The shares that make up the portfolio are selected from British 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 its assets in strong, well known companies The portfolio at the year end is set out on pages 21 to 22, and its analysis on pages 12 and 13 The Company makes use of low cost, flexible borrowing facilities to enhance Shareholder returns when appropriate, and the Board regularly reviews gearing, which was 5 7% of net assets at 30 June 2007 (2006 – 5 4%)

Investment Policy Guidelines
Investments are not formally limited as to market capitalisation or sector weightings within the UK It is the Company's policy to have a focused portfolio There were 54 holdings at 30 June 2007

It is the Company's policy to invest no more than 15 per cent of its gross assets in other listed investment companies (including listed investment trusts)

Performance
In the 12 months ended 30 June 2007, the Company's performance was almost in line with the benchmark FTSE All Share Index, increasing 18 2% in total return terms, compared to the benchmark's increase of 18 4%

Oversight and Review of Performance

The Board meets at least five times a year to review performance with the Manager As well as carrying out the matters set out in the Statement of Corporate Governance (pages 33 and 34), the Board receives, for each meeting, a detailed portfolio report and an analysis of economic indicators, and discusses performance and strategy, considering perceived risks and economic conditions It uses measures such as as attribution analysis against the benchmark, active weights and valuation matrices to assess the Company's success in achieving its objectives The key performance indicators (KPIs) are established industry measures, and are as follows

- Net asset value (total return) relative to the Company's benchmark
- Share price (total return)
- Discount to net asset value
- Performance attribution
- Earnings and dividends per share

A historical record of these measures is disclosed on pages 8 to 10 We compare our performance with the Company's benchmark and selected peer companies A range of comparator groups are used, including the AIC UK Growth & Income peer group and the Open Ended UK Equity Income peer group

Future Trends

Prospects for the current year look reasonable Profits are expected to continue to rise, as are dividends, and, following the fall in the market in the period after the end of the financial year, sparked by the crisis in the US sub prime mortgage sector, valuations are looking more attractive However, the current year looks more difficult than its predecessors Growth in government expenditure and consumer expenditure in the UK are both likely to be more muted than in the recent past

Internationally, the problem of US sub prime mortgage lending, and derivative structures based on it, has caused the loss of a significant amount of equity in banks and other lenders, such as hedge funds In the short run, the debt market for buyout finance has also frozen as credit gets re priced Central banks have achieved their objective of tightening credit and controlling inflation, but the longer term outcome of this is still unclear However, it is reasonable to expect that there will be tighter credit conditions and some slowdown in growth compared to what might otherwise have been achieved On the other hand, inflation is under better control with positive implications for official short term interest rates

It is difficult to know what these contrary indicators will mean for portfolio performance The most likely outcome for portfolio performance seems to be for a small positive return, of which income and growth in income will form a bigger part

The Chairman sets out in his report on page 11 the Board's considered view of the future

Management of Risk

The Board regularly reviews the major strategic risks that the Board and the Manager have identified, and against these the Board sets out the delegated controls designed to manage those risks The principal risks facing the Company relate to the Company's investment activities and include market price, interest rate, liquidity and credit risk An explanation of these risks and how they are managed is contained in Note 15 to the accounts on pages 51 to 53 Such key risks relating to investment and strategy as, for example, inappropriate asset allocation or gearing, are managed through investment policy, guidelines and restrictions and by the process of oversight at each Board meeting outlined above Operational disruption, accounting and legal risks are also covered annually, and regulatory compliance is reviewed at each Board meeting The major risks associated with the Company are

- Resource risk – like most other investment trusts, the Company has no employees The Company therefore relies on services provided by third parties, including, in particular, the Manager, to whom responsibility for the management of the Company has been delegated under an investment management agreement (the "Agreement") (further details of which are set out on pages 29 and 30) The terms of the Agreement cover the necessary duties and conditions expected of the Manager The Board reviews the performance of the Manager on a regular basis, and their compliance with the Agreement formally on an annual basis

- Investment objective – the objective of the Company is to achieve a high and growing income combined with capital growth As a consequence, the investment portfolio may not always match that of the stockmarket as a whole, with a consequential impact on Shareholder returns The Board's aim is to maximise absolute returns to Shareholders while managing risk by ensuring an appropriate diversification of stocks and sectors
- Investment policy and gearing – a major risk affecting the Company is inappropriate sector and stock selection leading to under performance relative to the Company's benchmark index and peer group In addition, the use of borrowing facilities to invest in markets may have a negative impact if markets fall To mitigate these risks, the Manager operates within investment guidelines and agreed levels of borrowing Performance against the benchmark index and the peer group is regularly monitored During the year, an element of portfolio protection was put in place by the purchase of put options
- Discount volatility – investment trust shares tend to trade at discounts to their underlying net asset values, which can fluctuate considerably To seek to minimise the impact of such fluctuations, the Company has operated a share buy back programme for a number of years
- Regulatory risk the Company operates in a complex regulatory environment and faces a number of related risks A breach of Section 842 of the Income and Corporation Taxes Act 1988 could result in the Company being subject to capital gains tax on the sale of its investments Serious breach of other regulations, such as the UKLA Listing Rules and the Companies Act 1985, could lead to suspension from the Stock Exchange and reputational damage The Board receives monthly compliance reports from the Manager to monitor compliance with regulations

Results and Dividends
The total return attributable to equity Shareholders for the year amounted to £81,297,000

A third interim dividend of 4 7p per Ordinary share was paid on 14 July 2006, and the final dividend for the year ended 30 June 2006 of 7 5p per Ordinary share was paid on 31 October 2006 The first and second interim dividends for the year ended 30 June 2007 of 5p per Ordinary share each were paid on 19 January 2007 and 15 April 2007 respectively, making a total distribution to Ordinary Shareholders of £14,476,000 as shown in Note 6 on page 47 The sum of £1,618,000 has been added to the Company's revenue reserve The third interim dividend of 5p per Ordinary share was paid on 13 July 2007

The Directors now recommend a final dividend of 9 25p per Ordinary share payable on 31 October 2007 to holders of Ordinary shares on the register on 28 September 2007 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 and a final, normally in January, April, July and October Further information on dividends is contained in the Chairman's Statement on page 11

The Net Asset Value per Ordinary share at 30 June 2007 was 802 3p (2006 – 699 7p)

Share Capital
At the Annual General Meeting held on 30 October 2006, Shareholders approved the renewal of the authority permitting the Company to repurchase up to 9,773,923 of its Ordinary shares, and gave approval for the Company to hold shares in treasury During the year ended 30 June 2007, and from the date of renewal of the authority on 30 October 2006, share repurchases totalling 134,050 Ordinary shares of 25p each (0 2% of the issued Ordinary share capital at 30 June 2006) took place at an average price of 677 69p, to be held in treasury From the date of renewal of the authority on 30 October 2006 to 19 September 2007, 244,050 Ordinary shares of 25p each (0 4% of the issued Ordinary share capital at 30 October 2006) were bought back at an average price of 685 77p within the established guidelines, to be held in treasury No shares were subsequently re issued from treasury between 30 October 2006 and 19 September 2007

The issued Ordinary share capital at 30 June 2007 consisted of 65,138,908 Ordinary shares of 25p and 1,277,550 Ordinary shares held in treasury At 19 September 2007, the issued share capital consisted of 65,028,908 Ordinary shares of 25p and 1,387,550 Treasury shares of 25p

Issue of New Shares

The Companies Act 1985 (the "Act") requires that the Directors may not allot unissued shares unless so authorised by the Shareholders Resolution 9 in the Notice of Annual General Meeting, if passed, will give the Directors the necessary authority to allot the unissued share capital of the Company up to an aggregate nominal amount of £812,861 25 (equivalent to 3,251,445 Ordinary shares or 5 per cent of the Company's existing issued share capital at 19 September 2007) Such authority will expire on the date of the next Annual General Meeting or after a period of 15 months from the date of the passing of the resolution, whichever is earlier This means in effect that the authority will have to be renewed at the next Annual General Meeting

When new shares are to be allotted for cash, Section 89(1) of the Act provides that existing Shareholders have pre emption rights, and that the new shares should first be offered to such Shareholders in proportion to their existing holding of shares However, Shareholders can, by special resolution, authorise the Directors to allot shares otherwise than by a pro rata issue to existing Shareholders Resolution 10 will, if passed, give the Directors power to allot, for cash, equity securities up to an aggregate nominal amount of £812,861 25 (equivalent to 3,251,445 shares or 5 per cent of the Company's existing issued share capital at 19 September 2007 (excluding Treasury shares)) as if Section 89(1) of the Act did not apply This is the same amount of share capital which the Directors are seeking the authority to allot pursuant to Resolution 9 This authority will also expire on the date of the next Annual General Meeting or after a period of 15 months, whichever is earlier Furthermore, this authority will not be used in connection with a rights issue by the Company

The Directors intend to use the authority given by Resolutions 9 and 10 to issue new shares and disapply pre emption rights for such shares only in circumstances where this will be in the best interests of Shareholders as a whole As such, issues will only be made where shares can be issued at a premium of 0 5 per cent or more to Net Asset Value At present, shares are available under the savings plans operated by the Manager In circumstances where the share price of the Company stands at a premium of 0 5 per cent or more to Net Asset Value, it may be advantageous for the Company to allot new shares directly to participants in the savings plans or to other prospective purchasers Such issues would only be made at prices greater than 0 5 per cent above the Net Asset Value, and would involve no dilution for existing Shareholders 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 New shares will normally only be issued where there are no Treasury shares held by the Company and available for re sale

Share Repurchases and Treasury Shares

For several years, the Company has been operating a share buy back facility in the market The principal aim of a share buy back facility is to enhance Shareholder value by acquiring shares at a discount as and when the Directors consider this appropriate The purchase of shares, when they are trading at a discount, should result in an increase in Net Asset Value for the remaining Shareholders The Board believes that it is beneficial to Shareholders that the Company continues to operate such a facility

Resolution 11 in the Notice of Annual General Meeting will renew the authority to purchase in the market a maximum of 14 99 per cent of shares in issue (excluding shares held in treasury) at the date of the Annual General Meeting Such authority will expire on the date of the next Annual General Meeting or after a period of 15 months from the date of passing of the resolution, whichever is earlier This means in effect that the authority will fall to be renewed at the next Annual General Meeting Details of share buy backs carried out during the year ended 30 June 2007 and during the period from the renewal of the authority to buy back shares (30 October 2006) to 19 September 2007 are detailed above

The maximum price (exclusive of expenses) that may be paid on the exercise of any buy back authority 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, or in the case of a tender offer, the date the tender offer is announced, 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 The minimum price which may be paid is 25p per share

It is currently proposed that the purchase of shares by the Company will be made entirely from the realised capital reserve of the Company, but only if such shares are cancelled (In the case of shares which are purchased by the Company to be held in treasury, the cost will be funded from the Treasury share reserve of the Company) The purchase price will normally be paid out of the cash balances held by the Company from time to time

On 1 December 2003, regulations came into force that enable companies traded on the London Stock Exchange to purchase their own shares and, instead of cancelling such shares immediately, as was previously required, to hold them in treasury for subsequent resale or cancellation The holding of Treasury shares is restricted to 10 per cent of the Company's issued share capital When shares are held by the Company in treasury, all their voting rights are suspended and no distribution to them (either by way of dividend or on a winding up) is permitted

The resolution seeking authority to buy back shares (Resolution 11), will permit the Company to hold shares bought back as Treasury shares rather than cancel them immediately The Directors could therefore choose to sell on Treasury shares at some time in the future It is intended that any shares bought back under the buy back facility will normally be held in treasury until the 10 per cent limit is reached or they are re sold If the Directors believe that there is no likelihood of re selling shares held in treasury, such shares would be cancelled

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 It is the intention of the Board that any re sale of Treasury shares would only take place at a price not less than the Net Asset Value prevailing at the date of sale It is also the intention of the Board that sales from treasury will only take place when the Board believes that it will assist in the provision of liquidity to the market

Resolution 10 will also disapply the statutory pre emption rights, summarised in the section headed "Issue of New shares" above, on the re sale of Treasury shares This resolution will enable the Company to sell shares held in treasury without having to make a pro rata offer to existing Shareholders The resolution will allow Treasury shares to be re sold, without giving rise to pre emption rights for Shareholders on re sale

The Directors will manage the non pre emptive issue of new shares and the sale of Treasury shares, so that a maximum of 5 per cent of the Company's issued share capital as at 19 September 2007 (excluding Treasury shares) will be issued as new shares, and a maximum of 10 per cent of the Company's issued share capital as at 19 September 2007 (excluding Treasury shares) will be sold or transferred out of treasury each year

Recommendation from the Board
The Directors consider that the resolutions to be proposed at the Annual General Meeting are in the interests of the Company and Shareholders as a whole, and recommend that all Shareholders vote in favour of the resolutions, as the Directors intend to in respect of their own beneficial holdings of Ordinary shares amounting in aggregate to 41,716 shares, representing approximately 0 06 per cent of the Company's issued share capital

Share Interests
At 19 September 2007, the following share interests in the Company had been notified

	Ordinary shares of 25p	Percentage of Ordinary share capital
Aberdeen Asset Managers Savings Plans (non discretionary)	10,602,338	16 30
Rensburg Sheppards Investment Management	2,307,049	3 54
Legal & General Investment Management	2,283,152	3 51

Directors
The Directors, who held office throughout the year under review, are shown on pages 4 to 6 of the Annual Report, and their share interests are shown overleaf

Mr Coats and Mr Honebon retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re election Resolutions 4 and 5 to this effect will be proposed at the Annual General Meeting

The firm of which Ms Glen is a partner provides legal advice to companies within the Manager's group She will, therefore, offer herself for re election annually Resolution 6 to this effect will be proposed at the Annual General Meeting

The re election of Mr Coats, Mr Honebon and Ms Glen, whose biographies appear on pages 4 to 5, was considered and approved by the Nomination Committee The reasons for the Committee's recommendations for their re election, and the subsequent approval of those recommendations by the Board, are set out on page 35, in the Statement of Corporate Governance

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

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

A report on the Directors' Remuneration is set out on pages 31 and 32

Directors' Interests
The interests of the Directors in office at the end of the year in the Ordinary share capital of the Company were as follows

	30 June 2007		1 July 2006	
	Beneficial	**Non Beneficial**	**Beneficial**	**Non Beneficial**
P A F Gifford	18,807	–	16,631	–
A J M Coats	5,000	25,000	5,000	25,000
M Glen	–	–	–	–
N A Honebon	10,000	–	5,000	–
H van der Klugt	7,500	–	5,000	–

Mr P A F Gifford's beneficial holding increased to 19,216 Ordinary shares by the acquisition of 129 Ordinary shares on 13 July 2007, 139 Ordinary shares on 23 July 2007 and 141 Ordinary shares on 22 August 2007 As at 19 September 2007 there have been no other changes in the above holdings

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

For the year ended 30 June 2007, the management and secretarial fees payable to the Manager were calculated and charged on the following basis

A monthly fee at the rate of one twelfth of 0 55% on the first £400 million of net assets, 0 45% on the next £150 million of net assets and 0 25% on the excess over £550 million The value of any investments managed within the Aberdeen Asset Group is deducted from net assets The investment management fee remains chargeable 50% to revenue and 50% against realised capital reserves A secretarial fee of £75,000 per annum is also payable, which is chargeable 100% to revenue

The management and administration contracts may be terminated by either the Company or the Manager on the expiry of three months' written notice On termination, the Manager would be entitled to receive fees which would otherwise have been due to that date

The management and secretarial fees paid during the year ended 30 June 2007 are shown in Note 3 on page 46

In monitoring the performance of the Manager, the Board considers the investment record of the Company over short and longer term periods, taking into account both its performance against the benchmark index and peer group investment trusts The Board also reviews the management processes, risk control mechanisms and marketing activities of the Manager As a result of these reviews, the Board considers the continuing appointment of the Manager to be in the interests of the Shareholders because the Aberdeen Asset Management Group has the investment management, marketing and associated secretarial and administrative skills required for the effective operation of the Company The Board continues to keep this matter under review

Corporate Governance
The Statement of Corporate Governance is contained on pages 33 to 38

Audit Committee
Details of the Audit Committee are contained in the Statement of Corporate Governance under the heading "Audit Committee" on page 36

Political and Charitable Donations
The Company has not made any political or charitable donations in the year (2006 nil)

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

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

Annual General Meeting
The Annual General Meeting will be held on 30 October 2007 The Notice of Meeting is contained on pages 55 to 57

Auditors
The Auditors, Ernst & Young LLP, have expressed their willingness to continue in office Resolution 7, to re appoint Ernst & Young LLP as the Company's Auditors, will be put to the forthcoming Annual General Meeting along with Resolution 8, to authorise the Directors to fix their remuneration It should be noted that the only fees paid to the Auditors over the past six years have been in respect of audit services The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's Auditors are unaware, and each Director has taken all the steps that he or she ought to have taken as a Director to make him or herself aware of any relevant audit information, and to establish that the Company's Auditors are aware of that information

One Bow Churchyard
Cheapside, London EC4M 9HH
27 September 2007

By order of the Board
Aberdeen Asset Management PLC
Secretaries

Directors' Remuneration Report

The Board has prepared this report, in accordance with the requirements of Schedule 7A to the Companies Act 1985 An ordinary resolution for the approval of this report will be put to the members at the forthcoming Annual General Meeting

The law requires the Company's Auditors to audit certain of the disclosures provided Where disclosures have been audited, they are indicated as such The Auditors' opinion is included in their report on page 40

Remuneration Committee
The Company has five non executive Directors, whose details are set out on pages 4 to 6 The whole Board fulfils the function of a Remuneration Committee The Board has not been provided with advice or services by any person in respect of its consideration of the Directors' remuneration (although the Directors expect, from time to time, to review the fees paid to the boards of directors of other investment trust companies)

Policy on Directors' Remuneration
The Board's policy is that the remuneration of the Directors, all of whom are non executive Directors, should reflect the experience of the Board as a whole, and be fair and comparable to that of other investment trusts in the same AIC UK Growth and Income Sector which also have a similar capital structure and investment objectives It is intended that this policy will continue for the year ending 30 June 2008 and subsequent years

The Company's policy is for the Directors to be remunerated in the form of fees, payable quarterly in arrears, to the Director personally or to a third party specified by him or her The fees for the non executive Directors are determined within the limits set out in the Company's Articles of Association, which limit the aggregate of the fees payable to the Directors to £150,000 per annum The Company's policy is that fees payable to the Directors should reflect the time spent by them on the Company's affairs and should be sufficient to enable candidates of a high quality to be recruited Non executive Directors are not eligible for bonuses, pension benefits, share options, long term incentive schemes or other benefits

The policy of the Board is to review the level of Directors' fees from time to time During the year ended 30 June 2007, the Remuneration Committee carried out a review of the level of Directors' fees and decided that the fees should be increased from their present level of £22,000 for the Chairman, £18,500 for the Chairman of the Audit Committee and £16,000 for each Director, to £25,000 for the Chairman, £21,000 for the Chairman of the Audit Committee and £18,000 for each Director, with effect from 1 July 2007

Directors' and officers' liability insurance cover is held by the Company in respect of the Directors This insurance is neither a benefit in kind, nor does it form part of the Directors' Remuneration

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

Company Performance
The graph overleaf compares the total return (assuming all dividends are reinvested) to Ordinary Shareholders, assuming a notional investment of £100 into the Company on 30 June 2002, compared with the total Shareholder return on a notional investment made up of shares of the same kinds and number as those by reference to which the FTSE All Share Index is calculated This index was chosen for comparison purposes, as it has been the Company's benchmark since 30 June 2004 It is also the index used for performance measurement purposes by Murray Income's peer group

Share Price Versus Benchmark Index

Source Fundamental Data & Russell Mellon

Please note that past performance is not a guide to future performance

Directors' Emoluments for the Year (audited)

The Directors, who served in the year received the following emoluments in the form of fees

	Date of appointment/ (resignation)	Year ended 30 June 2007 £	Year ended 30 June 2006 £
Chairman of the Board			
P A F Gifford	26/7/1999	22,000	19,000
Chairman of the Audit Committee			
A J M Coats	25/1/1999	18,500	15,875
Directors			
M Glen*	11/2/2003	16,000	13,750
Sir David Trippier*	(26/10/2005)		4,159
H van der Klugt	5/5/2004	16,000	13,750
N Honebon	4/8/2005	16,000	12,562
Total		**88,500**	**79,096**

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

No Director has received any taxable expense or compensation for loss of office or non cash benefits for the years ended 30 June 2007 and 30 June 2006

Approval

The Directors' Remuneration Report on pages 31 and 32 was approved by the Board of Directors on 19 September 2007 and signed on its behalf by

27 September 2007

P A F Gifford
Director

Statement of Corporate Governance

Introduction

The UK Listing Authority requires all listed companies to describe how they have complied with the principles of the Combined Code on Corporate Governance published in July 2003 The Association of Investment Companies(AIC) also published a Code of Corporate Governance for Investment Trusts ("AIC Code") in July 2003 The AIC Code, which was updated in February 2006 and again in May 2007, forms a comprehensive guide to best practice in certain areas of governance where the specific characteristics of investment trusts suggest alternative approaches to those set out in the Combined Code that may be preferable There is a certain amount of overlap with the Combined Code, although the focus of attention is on the points of difference

The Board is committed to high standards of corporate governance and has put in place a framework for corporate governance, which it believes is appropriate for an investment trust

Application of the Principles of the Codes

The Board is accountable to the Company's Shareholders for good governance and this Statement describes how the principles identified in the Combined Code and the AIC Code have been applied by the Company throughout the year to 30 June 2007, except where disclosed below

The Listing Rules of the UK Listing Authority require the Board to report on compliance with the Combined Code provisions throughout the year In instances where the Combined Code and the AIC Code differ, an explanation will be given as to which Code has been applied and the reason for that decision

The exceptions to compliance with the Combined Code, which are explained more fully under the headings of "The Board", were as follows

- a senior independent Director has not been appointed (Combined Code A 3 3)
- the Combined Code recommends that the Audit Committee and Remuneration Committee should comprise only independent non executive Directors For the reasons set out below, Ms Glen, who is a member of both committees, does not fall within the definition of independence set out in the Codes (Combined Code C 3 1 and B 2 1)

The Board

The Board currently consists of five non executive Directors, all of whom, with the exception of Ms M Glen, are considered under the Codes to be independent of the investment manager ("Aberdeen Asset Managers Limited" or the "Manager"), and free of any relationship which could materially interfere with the exercise of their independent judgement on issues of strategy, performance, resources and standards of conduct The firm of which Ms Glen is a partner provides legal advice to companies within the Manager's group She will, therefore, offer herself for re election annually Accordingly, Ms Glen does not meet the tests of independence from the Manager set out in the AIC Code Notwithstanding this, the Board takes the view that, in performing the role of Director, Ms Glen has displayed independence from the Manager

The Combined Code states that, following appointment, the test of independence is not appropriate in relation to the Chairman However, the AIC Code states that the test of independence continues to be appropriate and, consequently, the Board will follow the AIC Code

The names and biographies of those Directors who held office at the date of this Annual Report appear on pages 4 to 6 of this Annual Report, and indicate their range of investment, industrial, commercial and professional experience

The Board sets the Company's values and objectives, and ensures that its obligations to its Shareholders are met It has formally adopted a schedule of matters which are required to be brought to it for decision, thus ensuring that it maintains full and effective control over appropriate strategic, financial, operational and compliance issues

These matters include

- the maintenance of clear investment objectives and risk management policies
- the monitoring of the business activities of the Company ranging from analysis of investment performance through to annual budgeting and quarterly forecasting and variance analysis

- Companies Act requirements such as the approval of the interim and annual Financial Statements and approval and recommendation of the interim and final dividends respectively
- setting the range of gearing in which the Manager may operate
- major changes relating to the Company's structure, including share buy backs and share issues
- Board appointments and removals and the related terms
- appointment and removal of the Manager and the terms and conditions of the management and administration agreements relating thereto
- terms of reference and membership of Board Committees
- Stock Exchange/UK Listing Authority/Financial Services Authority – responsibility such as approval of all circulars, listing particulars and approval of all releases concerning matters decided by the Board

There is an agreed procedure for Directors to take independent professional advice, if necessary, at the Company's expense The Directors have access to the advice and services of the corporate Company Secretary through its appointed representatives who are responsible to the Board

- for ensuring that Board procedures are complied with
- under the direction of the Chairman, for ensuring good information flows with the Board and its committees, as well as facilitating induction and assisting with professional development as required
- for advising through the Chairman on all corporate governance matters

When a Director is appointed, an induction process is arranged by the Manager This involves induction meetings which cover details about the Company, its Manager, legal responsibilities and investment trust industry matters Directors are provided, on a regular basis, with key information on the Company's policies, regulatory and statutory requirements and internal controls Changes affecting Directors' responsibilities are advised to the Board as they arise Directors have also taken part in various training specific to non executive Directors, including training courses run by the AIC and the Manager

The Chairman of the Company is a non executive Director A senior independent Director has not been appointed, as the Board considers that each of the Directors has different qualities and areas of expertise on which they may lead Consequently, no one individual has unfettered powers of decision

During the year ended 30 June 2007, the Board met seven times Details of attendance by each of the Directors and Committee members at Board and Committee meetings are shown below Between meetings, the Board maintains regular contact with the Manager The primary focus at regular Board meetings is a review of investment performance and associated matters including gearing, asset allocation, marketing and investor relations, peer group information and industry issues

Director	Board Meetings attended	Audit Committee Meetings attended	Nomination Committee Meetings attended	Remuneration Committee Meetings attended	Management Engagement Committee Meetings attended
P A F Gifford	7	2	1	1	2
A J M Coats	6	2	1	1	2
M Glen	5	2	1	1	2
N Honebon	7	2	1	1	2
H van der Klugt	7	2	1	1	2
Number of meetings held during the year to 30 June 2007	7	2	1	1	2

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

The Board and Committees have undertaken their annual performance evaluation, using questionnaires and discussion, to ensure that all its members have devoted sufficient time and contributed adequately to the work of the Board and Committees, and to consider each Director's independence The Chairman has been evaluated by his fellow Directors The Board considers that none of his other commitments (set out on page 4 of this report) interfere with the discharge of his responsibilities to the Company, and is satisfied that he makes sufficient time available to serve the Company effectively There have been no significant changes to the Chairman's other commitments during the year

External Agencies

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

Committees

Nomination Committee

A Nomination Committee has been established with written terms of reference, and comprises the full Board The Chairman of the Committee is the Chairman of the Company

The Committee makes recommendations to the Board on the following matters

- the identification and nomination of candidates to fill Board vacancies as and when they arise for the approval of the Board The identification of such candidates is carried out by an independent firm of consultants
- plans for succession
- the re appointment of any non executive Director at the conclusion of their specified term of office
- the re election by Shareholders of any Director under the retirement by rotation provisions in the Company's Articles of Association
- the continuation in office of any Director at any time
- the appointment of any Director to another office (e g Chairman of the Audit Committee) other than to the position of Chairman, the recommendation for which would be considered at a meeting of the Board

In considering the appointment of a new Director, the Committee ensures that the Board continues to have the right balance of skills, experience, age and length of service It may use the professional services of a search consultant to identify suitable candidates for review by the Board

The Committee further recommended to the Board the nomination for re election of Mr Coats, Mr Honebon and Ms M Glen for the following reasons

- Mr Coats, who has been a Director since January 1999, is a chartered accountant and treasury and purchasing director for Scottish Power His experience in financial matters is greatly valued by his fellow Directors and, consequently, he was appointed Chairman of the Audit Committee on 1 July 2003
- Mr Honebon has been a Director since August 2005 He is a director of Fleming Family and Partners Asset Management, where he is responsible for the management of investment portfolios for the Fleming family and for other clients His experience in investment analysis greatly enhances the combined experience of the Board
- Ms Glen has been a Director since February 2003 She is head of Funds and Financial Services at Shepherd+ Wedderburn (Solicitors), and her experience in this area is of considerable assistance to her fellow Directors Her continued appointment as a Director facilitates the maintenance of an appropriate range of skills and experience on the Board

Audit Committee

An Audit Committee has been established with written terms of reference and comprising the full Board Mr A J M Coats, a chartered accountant, is the Chairman of the Audit Committee The terms of reference of the Audit Committee, which are available on request and on the Company's website, are reviewed and re assessed for their adequacy on an annual basis The Committee considers Ernst & Young LLP, the Company's Auditors, to be independent of the Company, as no non audit services, except for the interim review, were carried out by Ernst & Young LLP during the year

The matters considered by the Committee during the year included

- the review of the effectiveness of the internal control environment of the Company – to assist in this the Committee received reports from the internal and external auditors on a regular basis
- the review of the annual accounts and interim report
- the review of the terms of appointment of the Auditors together with their remuneration as well as the non audit services provided by the Auditors (if applicable)
- the review of the scope and the results of the audit, its cost effectiveness and the independence and objectivity of the Auditors, with particular regard to non audit fees (it should be noted that the Auditors, Ernst & Young LLP, rotate the partner responsible for the audit every five years)
- the review of the Auditors' management letter and the management response
- the review of the management agreement
- meetings with representatives of the Manager

Management Engagement Committee

As recommended by the AIC Code, a Management Engagement Committee has been established, comprising the full Board The Chairman of the Committee is the Chairman of the Company It annually reviews matters concerning the investment management agreement which exists with Aberdeen Asset Managers Limited Details of the Management Agreement are shown on page 29

Remuneration Committee and Directors' Remuneration

Under the UK Listing Authority's Listing Rule 15 4 15, where an investment trust has only non executive directors, the Combined Code principles relating to directors' remuneration do not apply However, the Company does have a Remuneration Committee, comprising the full Board, and whose Chairman is the Chairman of the Company

The remuneration of the Directors has been set in order to attract individuals of a calibre appropriate to the future development of the Company The Company's policy on Directors' remuneration, together with details of the remuneration of each Director, is detailed in the Directors' Remuneration Report on pages 31 and 32 The terms of reference of the Remuneration Committee are available on request and on the Company's website

Directors' Terms of Appointment

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

Policy on Tenure

The Board's policy on tenure is that Directors need not serve on the Board for a limited period of time only The Board does not consider that the length of service of a Director is as important as the contribution he or she has to make, and therefore the length of service will be determined on a case by case basis

Communication with Shareholders

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

The Company has adopted a nominee code, which ensures that, when shares in Murray Income Trust are held in the name of nominee companies and notification has been received in advance, nominee companies will be provided with copies of

Shareholder communications for distribution to their customers Nominee investors may attend general meetings and speak at meetings when invited by the Chairman

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

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

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

The Notice of Meeting on pages 55 to 57 sets out the business of the meeting and the resolutions are explained more fully in the Directors' Remuneration Report on pages 31 and 32 and the Directors' Report on pages 24 to 30

Separate resolutions are proposed for each substantive issue

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

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

Accountability and Audit

The Directors' Statement of Responsibilities in respect of the Financial Statements is on page 39 and the Statement of Going Concern is included in the Directors' Report on page 30

The Independent Auditors' Report is on page 40

Internal Control

The Board of Directors of Murray Income Trust PLC has overall responsibility for the Company's system of internal control and for reviewing its effectiveness The Directors confirm that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company, which has been in place for the full year under review and up to the date of approval of the Financial Statements, and that this process is regularly reviewed by the Board and accords with the FRC's guidance document "Internal Control Revised Guidance for Directors on the Combined Code "

The Board has reviewed the effectiveness of the system of internal control and, in particular, it has reviewed the process for identifying and evaluating the significant risks affecting the Company and the policies and procedures by which these risks are managed

The 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 an internal audit function which undertakes periodic examination of business processes, including compliance with the terms of the management agreement and ensures that recommendations to improve controls are implemented

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

The key components designed to provide effective internal control for the year under review and up to the date of this Annual Report are outlined below

- the Manager prepares forecasts and management accounts which allow the Board to assess the Company's activities and review its investment performance
- the Board and the Manager have agreed clearly defined investment criteria, specified levels of authority and exposure limits Reports on these issues, including performance statistics and investment valuations, are regularly submitted to the Board The Manager's evaluation procedure and financial analysis of the companies concerned include detailed appraisal and due diligence
- as a matter of course, the compliance department of Aberdeen Asset Managers Limited 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
- twice a year, at its Board meetings, the Board carries out an assessment of internal controls by considering documentation from the Manager, including its internal audit and compliance functions and taking account of events since the relevant period end
- on a monthly basis the Board receives a detailed Compliance Report

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

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

The 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 goals and, by their nature, can provide reasonable but not absolute assurance against material misstatement or loss

The Board has reviewed the need for an internal audit function, and has decided that the systems and procedures employed by the Manager, including its internal audit function and the work carried out by the Company's external auditors, provide sufficient assurance that a sound system of internal controls, which safeguards Shareholders investment and the Company's assets, is maintained An internal audit function, specific to the Company, is therefore considered unnecessary

Socially Responsible Investment Policy
The Directors are aware of their duty to act in the interests of the Company They acknowledge that there are risks associated with investment in companies which fail to conduct business in a socially responsible manner and the Directors, therefore, ensure that they take regular account of the social, environment and ethical factors, which may affect the performance or value of the Company's investments

Exercise of Voting Powers
The Directors believe that the exercise of voting rights at company meetings lies at the heart of the regulation and promotion of corporate governance The Board has, therefore, given discretionary voting powers to the Manager, who endeavours to exercise these powers

Statement of Directors' Responsibilities in relation to the Financial Statements

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

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

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

Independent Auditors' Report to the members of Murray Income Trust PLC

We have audited the Financial Statements of Murray Income Trust PLC for the year ended 30 June 2007 which comprise the Income Statement, Balance Sheet, Reconciliation of Movements in Shareholders' Funds, Cash Flow Statement and the related notes 1 to 16 These Financial Statements have been prepared on the basis of the accounting policies set out therein We have also audited the information in the Directors' Remuneration Report that is described as having been audited

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985 Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective Responsibilities of Directors and Auditors
The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the Financial Statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities

Our responsibility is to audit the Financial Statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the Financial Statements give a true and fair view, the Financial Statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with the Financial Statements

We also report to you if, in our opinion, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2003 FRC Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures

We read other information contained in the Annual Report and consider whether it is consistent with the audited Financial Statements This other information comprises the Corporate Summary, Your Board, Highlights, Historic Financial Record, Chairman's Statement, Summary of Investment Changes during the Year, Summary of Net Assets, Distribution of Investments, Sector Comparison with Benchmark, Investment Manager's Review, Twenty Largest Investments, Portfolio of Investments, Directors' Report, unaudited part of the Directors' Remuneration Report, Statement of Corporate Governance, Notice of Meeting, Information about the Manager, Shareholder Information, Marketing Strategy, Other Ways to Invest in Murray Income Trust PLC, Glossary of Terms and Definitions and Corporate Information We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Financial Statements Our responsibilities do not extend to any other information

Basis of Audit Opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Statements and the part of the Directors' Remuneration Report to be audited It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the Financial Statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Statements and part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Financial Statements and the part of the Directors' Remuneration Report to be audited

Opinion
In our opinion

- the Financial Statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 30 June 2007 and of its net return for the year then ended,
- the Financial Statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the Financial Statements

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Edinburgh

27 September 2007

Income Statement

	Notes	Year ended 30 June 2007 Revenue £'000	Capital £'000	Total £'000	Year ended 30 June 2006 Revenue £'000	Capital £'000	Total £'000
Gains on investments		–	67,500	67,500	–	63,643	63,643
Income	2	19,251	–	19,251	17,237	–	17,237
Investment management fees	3	(1,532)	(1,532)	(3,064)	(1,402)	(1,402)	(2,804)
Administrative expenses	4	(860)	–	(860)	(804)	–	(804)
Net return before finance costs and taxation		16,859	65,968	82,827	15,031	62,241	77,272
Finance costs of borrowing	5	(765)	(765)	(1,530)	(606)	(606)	(1,212)
Return on ordinary activities before and after taxation		**16,094**	**65,203**	**81,297**	**14,425**	**61,635**	**76,060**
Return per Ordinary share (pence)	7	**24 7**	**100 0**	**124 7**	**21 8**	**93 1**	**114 9**

The total column of this statement represents the profit and loss account of the Company

The Company had no recognised gains or losses other than those recognised in the Income Statement

No operations were acquired or discontinued in the year

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

The accompanying notes are an integral part of the financial statements

Dividends							
Ordinary dividends on equity shares (£'000)	6	**15,792**	**–**	**15,792**	**14,207**	**–**	**14,207**

The above dividend information does not form part of the Income Statement

Balance Sheet

	Notes	As at 30 June 2007 £'000	As at 30 June 2006 (restated) £'000
Non current assets			
Investments at fair value through profit or loss	8	543,269	480,711
Current assets			
Debtors and prepayments	9	8,292	1,862
Cash and short term deposits		2,073	100
		10,365	1,962
Creditors amounts falling due within one year	10	(1,017)	(959)
Net current assets		9,348	1,003
Total assets less current liabilities		552,617	481,714
Creditors amounts falling due after more than one year			
Bank loans	11	(30,000)	(25,000)
Net assets		**522,617**	**456,714**
Share capital and reserves			
Called up share capital	12	16,604	16,604
Share premium account		7,955	7,955
Treasury share reserve		(8,250)	(7,332)
Capital redemption reserve		4,997	4,997
Capital reserve – realised		328,891	291,362
Capital reserve – unrealised		149,536	121,862
Revenue reserve		22,884	21,266
Total equity		**522,617**	**456,714**
Net asset value per Ordinary share (pence)	13	**802 3**	**699 7**

The financial statements were approved by the Board of Directors and authorised for issue on 27 September 2007 and were signed on its behalf by

P A F Gifford, Director

The accompanying notes are an integral part of the financial statements

Reconciliation of Movements in Shareholders' Funds

For the year ended 30 June 2007

	Share capital £'000	Share premium account £'000	Treasury share reserve £'000	Capital redemption reserve £'000	Capital reserve – realised £'000	Capital reserve – unrealised £'000	Revenue reserve £'000	Total £'000
Balance at 30 June 2006 as previously stated	16,318	7,955	–	5,283	284,030	121,862	21,266	456,714
Prior year adjustment (see note 1)	286	–	(7,332)	(286)	7,332	–	–	–
Balance at 30 June 2006 (restated)	16,604	7,955	(7,332)	4,997	291,362	121,862	21,266	456,714
Repurchase of own shares	–	–	(918)	–	–	–	–	(918)
Return on ordinary activities after taxation	–	–	–	–	37,529	27,674	16,094	81,297
Dividends on Ordinary shares (see note 6)	–	–	–	–	–	–	(14,476)	(14,476)
Balance at 30 June 2007	**16,604**	**7,955**	**(8,250)**	**4,997**	**328,891**	**149,536**	**22,884**	**522,617**

For the year ended 30 June 2006

	Share capital £'000	Share premium account £'000	Treasury share reserve £'000	Capital redemption reserve £'000	Capital reserve – realised £'000	Capital reserve – unrealised £'000	Revenue reserve £'000	Total £'000
Balance at 30 June 2005 (restated)	16,765	7,955	–	4,836	262,455	92,721	19,869	404,601
Repurchase of own shares	(161)	–	(7,332)	161	(3,587)	–	–	(10,919)
Return on ordinary activities after taxation	–	–	–	–	32,494	29,141	14,425	76,060
Dividends on Ordinary shares (see note 6)	–	–	–	–	–	–	(13,028)	(13,028)
Balance at 30 June 2006	**16,604**	**7,955**	**(7,332)**	**4,997**	**291,362**	**121,862**	**21,266**	**456,714**

The revenue reserve represents the amount of the Company's reserves distributable by way of dividend

The accompanying notes are an integral part of the financial statements

Cash Flow Statement

	Notes	Year ended 30 June 2007 £'000	Year ended 30 June 2006 £'000
Net return before finance costs and taxation		82,827	77,272
Adjustments for			
Gains on investments		(67,500)	(63,643)
Increase in accrued income		(1,065)	(405)
Increase in prepayments		(6)	(2)
(Decrease)/increase in accruals		(117)	278
Net cash inflow from operating activities		14,139	13,500
Servicing of finance			
Interest paid		(1,525)	(1,218)
Net cash outflow from servicing of finance		(1,525)	(1,218)
Financial investment			
Purchases of investments		(96,057)	(95,275)
Sales of investments		95,810	95,744
Net cash (outflow)/inflow from financial investment		(247)	469
Equity dividends paid		(14,476)	(13,028)
Management of liquid resources			
Cash (placed)/drawn on short term deposit		(1,600)	310
Net cash (outflow)/inflow before financing		(3,709)	33
Financing			
Drawdown of loans		5,000	9,000
Purchase of own shares		(918)	(11,323)
Net cash inflow/(outflow) from financing		4,082	(2,323)
Increase/(decrease) in cash	14	**373**	**(2,290)**

The accompanying notes are an integral part of the financial statements

Notes to the Financial Statements

For the year ended 30 June 2007

1 Accounting policies

(a) Basis of accounting

The financial statements have been prepared on a going concern basis and in accordance with applicable UK Generally Accepted Accounting Practice ('UK GAAP') and with the Statement of Recommended Practice for "Financial Statements of Investment Trust Companies" (December 2005) They have also been prepared on the assumption that approval as an investment trust will be granted

The treasury share reserve was created in accordance with FRS 25 'Financial Instruments Disclosure and Presentation' and the Companies Act 1985 The cost of any share bought back to be held in treasury or subsequent resale from treasury is deducted from or added to the treasury share reserve The financial statements for 2006 have been restated to disclose separately the treasury share reserve along with a number of related adjustments, none of which affects the net assets of the Company

(b) Income

Dividends receivable on equity shares (other than special dividends) are treated as revenue for the year on an ex dividend basis Where no ex dividend date is available dividends receivable on or before the year end are treated as revenue for the year Provision is made for any dividends not expected to be received Special dividends are credited to capital or revenue, according to the circumstances

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

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

(c) Expenses

All expenses are accounted for on an accruals basis All expenses are charged through the revenue column of the Income Statement except as follows

- transaction costs on the acquisition or disposal of investments are recognised as a capital item in the Income Statement
- expenses are charged to realised capital reserves where a connection with the maintenance or enhancement of the value of the investments can be demonstrated In this respect the investment management fee has been allocated 50% to revenue and 50% to realised capital reserves to reflect the Company's investment policy and prospective income and capital growth

(d) Taxation

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

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 reserves and the revenue account on the same basis as the particular item to which it relates using the Company's effective rate of tax for the year

(e) Valuation of Investments

Investments have been designated upon initial recognition at fair value through profit or loss 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 Income Statement and are ultimately recognised in the unrealised capital reserve

(f) Borrowings

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

2 Income	Year ended 30 June 2007 £'000	Year ended 30 June 2006 £'000
Income from investments		
UK dividends (all listed)	18,238	16,995
Bond interest	909	145
	19,147	17,140
Other income		
Deposit interest	104	97
Total income	**19,251**	**17,237**

3 Investment management fees	Revenue £'000	Year ended 30 June 2007 Capital £'000	Total £'000	Revenue £'000	Year ended 30 June 2006 Capital £'000	Total £'000
Investment management fees	1,305	1,305	2,610	1,193	1,193	2,386
Irrecoverable VAT	227	227	454	209	209	418
	1,532	**1,532**	**3,064**	**1,402**	**1,402**	**2,804**

Details of the fee basis are contained in the Directors' Report on page 31

The Chairman's Statement, on page 11, sets out the current position with regard to the case brought by JPMorgan Claverhouse Trust against HM Customs & Excise in relation to VAT charged on management fees

4 **Administrative expenses**	**Year ended 30 June 2007 £'000**	**Year ended 30 June 2006 £'000**
Shareholders' services*	393	315
Irrecoverable VAT	97	85
Directors' remuneration	88	79
Secretarial fees	75	75
Auditors' remuneration		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	17	16
Fees payable to the Company's auditor and its associates for other services		
– Interim review	4	3
Other expenses	186	231
	860	**804**

* Includes registration, savings scheme and other wrapper administration expenses

5 **Finance costs of borrowing**	**Year ended 30 June 2007 Revenue £'000**	**Year ended 30 June 2007 Capital £'000**	**Year ended 30 June 2007 Total £'000**	**Year ended 30 June 2006 Revenue £'000**	**Year ended 30 June 2006 Capital £'000**	**Year ended 30 June 2006 Total £'000**
Bank loans and overdrafts	765	765	1,530	606	606	1,212

6 **Ordinary dividends on equity shares**	**Year ended 30 June 2007 £'000**	**Year ended 30 June 2006 £'000**
Third interim 2006 of 4 70p (2005 – 4 50p)	3,066	3,038
Final 2006 of 7 50p (2005 – 5 65p)	4,890	3,759
First interim 2007 of 5 00p (2006 – 4 70p)	3,260	3,121
Second interim 2007 of 5 00p (2006 4 70p)	3,260	3,110
	14,476	**13,028**

The third interim and proposed final dividends for 2007 have not been included as a liability in these financial statements The proposed final dividend for 2007 is subject to approval by Shareholders at the Annual General Meeting

We set out below the total dividends paid and proposed in respect of the financial year, which is the basis on which the requirements of Section 842 of the Income and Corporation Taxes Act 1988 are considered The revenue available for distribution by way of dividend for the year is £16,094,000 (2006 – £14,425,000)

	2007 £'000	2006 £'000
Three interim dividends of 5 00p (2006 – 4 70p)	9,777	9,311
Proposed final dividend of 9 25p (2006 – 7 50p)	6,015	4,896
	15,792	**14,207**

Since the year end the Company has bought back a further 110,000 Ordinary shares, therefore, the proposed final dividend for 2007 is based on the latest share capital of 65,028,908 Please note that shares in treasury do not rank for a dividend

7 **Return per Ordinary share**	Year ended 30 June 2007 £'000	p	Year ended 30 June 2006 £'000	p
The returns per Ordinary share have been based on the following figures				
Revenue return	16,094	24 7	14,425	21 8
Capital return	65,203	100 0	61,635	93 1
Total return	**81,297**	**124 7**	**76,060**	**114 9**
Weighted average number of Ordinary shares in issue		**65,194,984**		**66,222,372**

8 **Investments**	Year ended 30 June 2007 £'000	Year ended 30 June 2006 £'000
Held at fair value through profit or loss		
Opening valuation	480,711	417,552
Opening unrealised appreciation	(121,862)	(92,721)
Opening book cost	358,849	324,831
Movements during the year		
Purchases at cost	96,227	95,260
Sales – proceeds	(101,169)	(95,744)
– realised gains	39,826	34,502
Closing book cost	393,733	358,849
Closing unrealised appreciation	149,536	121,862
Closing valuation	**543,269**	**480,711**
The portfolio valuation		
UK equities	526,243	473,774
UK convertible securities	15,666	4,497
Traded options	1,360	2,440
Total	**543,269**	**480,711**

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 Income Statement The total costs were as follows

	Year ended 30 June 2007 £'000	Year ended 30 June 2006 £'000
Purchases	502	561
Sales	116	138
	618	**699**

9 Debtors amounts falling due within one year	30 June 2007 £'000	30 June 2006 £'000
Prepayments and accrued income	2,933	1,862
Amounts due from brokers	5,359	–
	8,292	**1,862**

10 Creditors amounts falling due within one year	30 June 2007 £'000	30 June 2006 £'000
Amounts due to brokers	511	341
Accruals	506	618
	1,017	**959**

Accruals include £229,000 plus VAT (2006 – £413,000) of management fees and secretarial fees due to Aberdeen Asset Managers Limited, the investment manager

11 Creditors amounts falling due after more than one year	30 June 2007 £'000	30 June 2006 £'000
£45,000,000 committed revolving bank credit facility	**30,000**	**25,000**

Under the terms of the agreements of the revolving bank credit facility, advances from the facility may be made for periods of up to six months or for such longer periods agreed by the lender Interest is charged at a variable rate based on LIBOR plus a margin of 0 4% for the relevant period of the advance As at 30 June 2007 this rate was 6 33125% The facility expires on 1 October 2009 by which time all advances must be repaid

On 14 September 2007 the Company committed itself to an additional revolving bank credit facility of £30,000,000 with ING Interest will be charged at a variable rate based on LIBOR plus a margin of 0 32% for the relevant period of the facility This facility expires on 13 September 2008 by which time all advances drawn down must be repaid

12 Called up share capital	30 June 2007 Number	30 June 2007 £'000	30 June 2006 Number	30 June 2006 £'000
Authorised				
Ordinary shares of 25p each	102,842,000	25,710	102,842,000	25,710
Allotted, called up and fully paid				
Ordinary shares of 25p each	65,138,908	16,284	65,272,958	16,318
Treasury shares	1,277,550	320	1,143,500	286
	66,416,458	**16,604**	**66,416,458**	**16,604**

Of the above shares in issue the movements in the Ordinary shares held in treasury are as follows

Balance brought forward	1,143,500	286	–	–
Purchased during the year	134,050	34	1,143,500	286
Balance carried forward	**1,277,550**	**320**	**1,143,500**	**286**

During the year 134,050 (2006 – 1,784,500) Ordinary shares of 25p each were repurchased by the Company at a total cost, including transaction costs, of £918,000 (2006 – £10,919,000) In 2007, all of these shares were placed in treasury (2006 – 1,143,500) No share were purchased for cancellation during the year (2006 – 641,000) The total shares held in treasury is 1,277,550 (2006 – 1,143,500) Further details of the share repurchases are contained in the Directors' Report on page 26

13 Net asset value per share

The net asset value per share and the net asset value attributable to the Ordinary shares at the year end calculated in accordance with the Articles of Association were as follows

	Net asset value per share attributable 2007 p	Net asset value per share attributable 2006 p	Net asset value attributable 2007 £'000	Net asset value attributable 2006 £'000
Ordinary shares	**802 3**	**699 7**	**522,617**	**456,714**

	As at 30 June 2007	As at 30 June 2006
Number of Ordinary shares in issue (note 12)	**65,138,908**	**65,272,958**

14 Analysis of changes in net debt	At 1 July 2006 £'000	Cash flows £'000	At 30 June 2007 £'000
Net cash			
Cash and short term deposits	100	373	473
Cash placed on deposit	–	1,600	1,600
	100	1,973	2,073
Debt			
Debt due after more than one year	(25,000)	(5,000)	(30,000)
	(24,900)	**(3,027)**	**(27,927)**

	At 1 July 2005 £'000	Cash flows £'000	At 30 June 2006 £'000
Net cash			
Cash and short term deposits	2,390	(2,290)	100
Cash drawn from deposit	310	(310)	–
	2,700	(2,600)	100
Debt			
Debt due after more than one year	(16,000)	(9,000)	(25,000)
	(13,300)	**(11,600)**	**(24,900)**

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

15 Derivatives and other financial instruments

The Company's financial instruments, other than derivatives, comprise securities and other investments, cash balances, liquid resources, loans and debtors and creditors that arise directly from its operations, for example, in respect of sales and purchases awaiting settlement, and debtors for accrued income The Company also has the ability to enter into derivative transactions in the form of forward foreign currency contracts, futures and options, subject to Board approval, for the purpose of managing currency and market risk arising from the Company's activities During the year the Company entered into two embedded short call options and one yield enhanced security Details of these are provided in the Portfolio of Investments table on page 22

The main risks the Company faces from these financial instruments are (i) market price risk, being the risk that the value of the investment holdings will fluctuate as a result of changes in market prices caused by factors other than interest rate or currency movement (ii) interest rate risk (iii) liquidity risk and (iv) credit risk In line with the Company's investment objective, the portfolio comprises UK securities and therefore has no exposure to foreign currency 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 Boards' 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 on page 7 The Investment Manager actively monitors market prices throughout the year and reports to the Board, which meets regularly in order to consider investment strategy Current strategy is detailed in the Chairman's Statement on page 11 and in the Investment Manager's Review on pages 15 to 18 The Board regularly reviews and agrees policies for managing each of the risks The Board has agreed the level of gearing, which was 5 7% of net assets as at 30 June 2007 (2006 5 4%) 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 table listed below exclude short term debtors and creditors

Market price risk

The Company's investment portfolio is exposed to market price fluctuations, which are monitored by the Manager in pursuance of the investment objective as set out on page 2 Adherence to investment guidelines and to investment and borrowing powers set out in the management agreement mitigates the risk of exposure to any particular type of security or issuer Further information on the investment portfolio is set out in the Investment Manager's Review on pages 15 to 18

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 12 and an analysis of the equity portfolio by industrial classification is on pages 13 and 14

Interest rate risk

Financial assets

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

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

	Floating rate		Interest bearing		Non interest bearing	
	2007	2006	2007	2006	2007	2006
	£'000	£'000	£'000	£'000	£'000	£'000
Sterling	2,073	100	15,666	7,992	527,603	472,719

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

The interest bearing assets represent the equity linked notes, amounting to £15,666,000 (2006 – £4,497,000), and the preference share, amounting to £nil (no interest is receivable since the preference share holding was sold) (2006 – £3,495,000), of the portfolio The weighted average interest rate on the preference share, based on current yield, is nil% (2006 – 4 43%) and on the equity linked notes, based on current yield, is 9 55% (2006 – 8 47%)

The non interest bearing assets represent the equity and Put options elements of the portfolio

Financial liabilities

The Company has borrowings by way of a loan facility, details of which are in note 11 The fair value of this loan has been calculated at £29,758,000 as at 30 June 2007 (2006 – value £25,000,000, fair value £24,645,000) All other financial assets and liabilities of the Company are included in the Balance Sheet at fair value

Maturity profile

The maturity profile of the Company's financial assets at 30 June was as follows

	Within 1 year 2007 £'000	Within 1 year 2006 £'000
Fixed rate		
Equity linked notes	15,666	4,497
Preference share	–	3,495
	15,666	**7,992**
Floating rate		
Cash	**2,073**	**100**

All the other financial assets and liabilities do not have a maturity date

Liquidity risk

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

Credit risk

Credit risk 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 This is mitigated by the Investment Managers reviewing the credit ratings of broker 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 their performance is reviewed by the Board on a regular basis The maximum credit risk at 30 June 2007 is £2,183,000 (30 June 2006 – £1,815,000) consisting of £2,183,000 (2006 – £1,815,000) of dividends receivable from equity shares

16 Taxation

There is no taxation charge for the year Approved investment trusts are exempt from tax on gains made by the Company The tax assessed for the period is lower than the standard rate of corporation tax in the UK of 30% (2006 – 30%) The differences are explained below

	2007 £'000	2006 £'000
Revenue return on ordinary activities before taxation	**16,094**	**14,425**
Return on ordinary activities multiplied by the applicable rate of corporation tax of 30% (2006 – 30%)	4,828	4,328
Effects of		
Non taxable UK dividends	(5,471)	(5,099)
(Utilised)/unutilised loan relationships	(75)	109
Unutilised management expenses	718	662
	–	–

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

The Company has not recognised a deferred tax asset of £13,763,000 (2006 – £12,430,000) arising as a result of having unutilised management expenses Any excess management expenses will be utilised against any taxable income that may arise

Notice of Meeting

NOTICE IS HEREBY GIVEN that the eighty fourth Annual General Meeting of Murray Income Trust PLC will be held at 12 30 pm on Tuesday 30 October 2007 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 –

Ordinary Business

As ordinary business to consider and, if thought fit, pass the following resolutions as Ordinary Resolutions

1 To receive the Directors' Report, the Report of the Auditors and the audited statement of accounts for the year ended 30 June 2007
2 To approve the Directors' Remuneration Report for the year ended 30 June 2007
3 To declare a final dividend of 9 25p per Ordinary share
4 To re elect Mr A Coats* as a Director of the Company
5 To re elect Mr N Honebon* as a Director of the Company
6 To re elect Ms M Glen* as a Director of the Company
7 To re appoint Ernst & Young LLP as Auditors of the Company
8 To authorise the Directors to fix the remuneration of Ernst & Young LLP as auditors of the Company

Special Business

As special business to consider and, if thought fit, pass the following resolutions, in the case of number 9 as an Ordinary Resolution and, in the case of numbers 10 and 11, as Special Resolutions

9 Authority to allot shares

THAT, in substitution of all existing powers, the Directors be and are hereby generally and unconditionally authorised in accordance with Section 80 of the Companies Act 1985 (the "Act") to exercise all the powers of the Company to allot relevant securities (as defined in Section 80(2) of the Act) up to an aggregate nominal amount of £812,861 25 (representing 5 per cent of the total Ordinary shares in issue on 19 September 2007 (excluding treasury shares)) during the period expiring on the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or 29 January 2009, 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 relevant securities to be allotted after such expiry and the Directors shall be entitled to allot relevant securities in pursuance of such an offer or agreement as if such authority had not expired

10 Disapplication of pre emption rights

THAT, subject to the passing of Resolution 9 proposed at the Annual General Meeting of the Company convened for 30 October 2007, and in substitution for all existing powers, the Directors be and are hereby empowered, pursuant to Section 95 of the Companies Act 1985 (the "Act"), to allot equity securities (as defined in Section 94 of the Act) for cash pursuant to the authority given in accordance with Section 80 of the Act by Resolution 9 or otherwise as if Section 89(1) of the Act did not apply to any such allotment and to sell or transfer relevant shares (as defined in Section 94 of the Act) if, immediately before the sale or transfer, such shares are held by the Company as Treasury shares (as defined in Section 162A of the Act) as if Section 89(1) 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 29 January 2009, 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 £812,861 25 (representing 5 per cent of the total Ordinary shares in issue on 19 September 2007 (excluding Treasury shares)) and the sale or transfer of Treasury shares up to an aggregate nominal amount of £1,625,722 50 (representing 10 per cent of the total Ordinary shares in issue on 19 September 2007 (excluding Treasury shares)), and

c) shall be limited to the allotment of equity securities in the circumstances detailed in the section headed "Issue of New Shares" in the Directors' Report on page 27 of the Annual Report of the Company for the year ended 30 June 2007 and at a price not less than 0 5 per cent above the net asset value per share (as determined by the Directors and excluding Treasury shares)

11 Authority to make market purchases of shares

THAT the Company be and is hereby generally and, subject as hereinafter appears, unconditionally authorised in accordance with Section 166 of the Companies Act 1985 (the "Act") to make market purchases (within the meaning of Section 163(3) of the Act) of Ordinary shares of 25p each in the capital of the Company ("shares")

PROVIDED ALWAYS THAT

a) the maximum number of shares hereby authorised to be purchased shall be an aggregate of 9,754,335 Ordinary shares or, if less, the number representing 14 99 per cent of the respective classes of shares in issue as at the date of passing this resolution (excluding treasury shares),
b) the minimum price which may be paid for each share shall be 25p,
c) the maximum price (exclusive of expenses) which may be paid for a share is the higher of (i) 5 per cent above the average of the middle market quotations for a share taken from, and calculated by reference to, the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the share is purchased, or, in the case of a tender offer, the date the tender offer is announced, 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) any purchase of shares shall be made in the market for cash at prices below the prevailing net asset value per share (as determined by the Directors),
e) the authority hereby conferred shall expire on 29 January 2009 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,
f) 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, and
g) any shares so purchased shall be cancelled or, if the Directors so determine and subject to the provisions of the Act and any applicable regulations of the United Kingdom Listing Authority, be held or otherwise dealt with as permitted by the Act as treasury shares

* The biographies of Mr Coats, Mr Honebon and Ms Glen are detailed on pages 4 to 5 of the Annual Report

123 St Vincent Street
Glasgow G2 5EA
27 September 2007

By order of the Board
Aberdeen Asset Management PLC
Secretaries

Notes

(i) No Director has any contract of service with the Company, however, copies of the Directors' Letters of Appointment are available for inspection at the Company's registered office and for 15 minutes prior to, and at, the meeting

(ii) The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, has specified that only those Shareholders registered on the Register of Members of the Company as at 12 30 pm on 28 October 2007 or, in the event that the above meeting is adjourned, on the Register of Members of the Company 48 hours before the time of any adjourned meeting, shall be entitled to attend or vote at the aforesaid general meeting in respect of the number of shares registered in their name at that time Changes to entries on the relevant Register of Members after 12 30 pm on 28 October 2007 or, in the event that the above meeting is adjourned, on the Register of Members of the Company 48 hours before the time of any adjourned meeting, shall be disregarded when determining the rights of any person to attend or vote at the meeting, notwithstanding any provisions in any enactment, the Articles of Association of the Company or other instrument to the contrary

(iii) A member entitled to attend and vote at the above meeting is entitled to appoint a proxy or proxies to attend and, on a poll, vote in his place A proxy need not be a member of the Company The appointment of a proxy will not prevent a member from subsequently attending and voting at the meeting in person

(iv) A reply paid form of proxy for your use in relation to the above meeting is enclosed Forms of Proxy and any power of attorney or other authority under which it is signed (or a copy of such authority certified notarially or in some other way approved by the Directors), should be sent to the Company's registrar, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, so as to arrive not less than 48 hours before the time fixed for the meeting or adjourned meeting or (in the case of a poll taken more than 48 hours after it was demanded) not less than 24 hours before the time appointed for the taking of the poll at which it is to be used Alternatively, if you hold your shares in uncertified form (i e in CREST) you may vote using the CREST system (please see note (v) below)

(v) Notes on CREST Voting

If you submit your proxy electronically through CREST, to be valid the appropriate CREST message, (regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy) must be transmitted so as to be received by the Company's registrar, Capita Registrars, (ID RA10) by no later than 12 30 pm on 28 October 2007 The time of receipt will be taken to be the time from which the Registrars are able to retrieve the message by enquiry to CREST

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

CREST members and, where applicable, their CREST sponsors or voting service providers should note that CRESTCo does not make available special procedures in CREST for any particular messages and the normal system timings and limitations apply to the input of CREST Proxy Instructions The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001

(vi) Members (and any proxies or corporate representatives appointed) agree, by attending the Annual General Meeting, that they are expressly requesting and that they are willing to receive any communications relating to the Company's securities made at the Annual General Meeting

Information about the Manager

Aberdeen Asset Managers Limited is the Manager of the Company It is a subsidiary of Aberdeen Asset Management PLC, whose Group Companies as at 31 July 2007 managed a combined £90 4 billion for institutions, unit trusts, investment trusts, closed end investment funds, private clients and offshore funds

It has its headquarters in Aberdeen with offices in Bangkok, Edinburgh, Fort Lauderdale, Glasgow, Hong Kong, Jersey, London, Philadelphia, Singapore and Sydney

The Group manages investment trusts and other closed end funds, which have combined total assets of around £5 6 billion under management They adhere closely to the Group's investment style which is that of fundamental investors, with an emphasis on company visits and original research

Shareholder Information

Capital Structure

The Company's issued share capital as at 30 June 2007 consisted of 65,138,908 Ordinary shares of 25p and 1,277,550 Treasury shares of 25p each

Net Asset Value and Share Price

The Net Asset Value of the Company's Ordinary shares can be obtained daily by contacting Aberdeen Asset Managers Limited on 0500 00 00 40 or by e mail at inv trusts@aberdeen asset com The Company's Ordinary share price is also available in selected national broadsheets and by accessing the internet at http //www murray income co uk

Stock Exchange Codes **Class of security**	**SEDOL** **Number**	**ISIN** **Code**
Ordinary shares of 25p each	0611112	GB0006111123

Annual General Meeting

The Annual General Meeting will be held on 30 October 2007 at 12 30 p m in the Strathclyde Suite, Glasgow Royal Concert Hall, 2 Sauchiehall Street, Glasgow G2 3NY

Market prices of allotted capital at 6 April 1965		**Market prices of allotted capital at 6 April 1982**	
5% cumulative preference shares of £1	68 750p	5% cumulative preference shares of £1	35p
Ordinary shares of 25p (adjusted for scrip issue)	11 875p	Ordinary shares of 25p (adjusted for 1 for 2 scrip issues in April 1983)	52p
		B Ordinary shares of 25p (adjusted for 1 for 2 scrip issue in April 1983)	50p

Marketing Strategy

Murray Income Trust contributes to the Marketing Programme run by Aberdeen Asset Managers Limited ("AAM") on behalf of a number of investment trusts under its management This agreement sees the Company's contribution matched by AAM and from 1 July 2007 is £394,650 (plus VAT) a year

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

These aims can be met in several ways

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

Group Schemes
AAM runs a group Share Plan, PEP and ISA These schemes allow investment free of dealing costs and with only nominal exit charges, have proved popular with private investors

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

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

Newsletter
The "Bulletin" newsletter, an informed commentary on markets and investment trusts managed by AAM is distributed free of charge

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

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

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

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

The Company is committed to a close monitoring of the Marketing Programme The Marketing Director provides a written summary quarterly to the Board

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

Other ways to invest in Murray Income Trust PLC

Aberdeen Investment Trust Share Plan

AAM runs a Share Plan (the "Plan") through which shares in Murray Income Trust can be purchased There are no dealing charges on the initial purchase of shares, although investors will suffer the bid offer spread, which can, on some occasions, be a significant amount Lump sum investments start at £250, while regular savers may invest from £100 per month Investors simply pay Government Stamp Duty (currently 0 5%) on entry Selling costs are £10 + VAT There is no restriction on how long an investor need invest in a Plan, and regular savers can stop or suspend participation by instructing AAM in writing at any time In common with other schemes of this type, all investments are held in nominee accounts Investors have full voting and other rights of share ownership

AAM offers both a Mini and Maxi stocks and shares ISA, through which shares in Murray Income Trust can be purchased

Maxi ISA

An investment of up to £7,000 in Murray Income Trust can be made in the tax year 2007/2008

Mini ISA

AAM offers a Mini ISA which will enable investors to invest up to £4,000 in the tax year 2007/2008

ISA Costs

There are no brokerage or initial charges for the ISA, although investors will suffer the bid offer spread, which can be a significant amount Investors only pay Government Stamp Duty (currently 0 5%) on purchases Selling costs are £15 + VAT The annual ISA management charge is £24 + VAT, regardless of how many Aberdeen Investment Trust PEPs or ISAs an investor holds This annual charge is applied half yearly Under current legislation, investments in ISAs can grow free of income or capital gains tax

Company Information

If investors would like details of Murray Income Trust or information on the Share Plan or ISA please telephone 0500 00 00 40 or write to Aberdeen Asset Managers Limited, 10 Queen's Terrace, Aberdeen AB10 1YG or e mail at inv trusts@aberdeen asset com Details are also available by accessing the internet on the following pages
http //www aberdeen asset com
http //www murray income co uk

The information above is issued and has been approved for the purposes of the Financial Services and Markets Act 2000 by Aberdeen Asset Managers Limited, One Bow Churchyard, Cheapside, London EC4M 9HH which is authorised and regulated by the Financial Services Authority

Glossary of Terms and Definitions

Actual Gearing
Total Assets (as below) less all cash and fixed interest assets (excluding convertibles) divided by shareholders' funds

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

Assets Employed
Total Assets less current liabilities

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

Earnings per share
Revenue attributable to equity Shareholders divided by the weighted average number of Ordinary shares

Net Asset Value (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

Operating Costs
All costs charged to revenue and capital, excluding taxation, finance costs, the costs of purchases of share capital and the costs of buying and selling investments

Potential Gearing
Total Assets including all debt being used for investment purposes divided by shareholders' funds

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, long 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

Redemption Yield
The measure of the annualised total return on the current price of a security up to the date of its repayment The calculation is based on aggregated income and capital returns, no account being taken of taxation

Total Assets
Total Assets less current liabilities, after excluding any short term loans

Total Return
Total Return involves reinvesting the net dividend in the month that the share price goes xd 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, eg quarter end, half year or year end date

Corporate Information

Directors
P A F Gifford (Chairman)
A J M Coats
M Glen
N A Honebon
H van der Klugt

Registered office
123 St Vincent Street
Glasgow G2 5EA
Registered in Scotland – Company Number 12725

Points of Contact
Manager
Aberdeen Asset Managers Limited
Customer Services Department 0500 00 00 40

Secretaries
Aberdeen Asset Management PLC
Customer Services Department 0500 00 00 40

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

Custodian Bankers
JPMorgan Chase Bank

Auditors
Ernst & Young LLP

Solicitors
Dickson Minto W S

Stockbroker
Dresdner Kleinwort
Arbuthnot Securities Limited

Website
www murray income co uk