

# Murray Income Trust PLC

Annual Report and Accounts

30 June 2013

COMPANY NUMBER - SC 012725



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THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the action you should take, you are recommended to seek your own independent financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 (as amended by the Financial Services Act 2012) if you are in the United Kingdom or, if not, from another appropriately authorised financial adviser. If you have sold or otherwise transferred all your Ordinary shares in Murray Income Trust PLC, please forward this document, together with the accompanying documents immediately to the purchaser or transferee, or to the stockbroker, bank or agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

## Financial Highlights

	2013	2012
Net asset value per Ordinary share total return	<b>+18.8%</b>	+1.4%
Share price total return	<b>+21.5%</b>	+1.7%
Benchmark total return	<b>+17.9%</b>	-3.1%
Dividend per share <sup>A</sup>	<b>30.75p</b>	29.75p

<sup>A</sup> Final dividend of 9.75p per Ordinary share is subject to shareholder approval at the Annual General Meeting.

### Net asset value per share

At 30 June – pence

### Dividends per share

pence

### Mid-market price per share

At 30 June – pence

## Financial Calendar

<b>27 September 2013</b>	Record date of proposed final dividend for 2013
<b>25 October 2013</b>	Annual General Meeting, The London Chamber of Commerce
<b>29 October 2013</b>	Payment date of proposed final dividend for 2013
<b>20 December 2013, 7 March and 6 June 2014</b>	Record dates of interim dividends for year to 30 June 2014
<b>17 January, 4 April and 4 July 2014</b>	Payment dates of interim dividends for year to 30 June 2014
<b>February 2014</b>	Half-Yearly results announcement for 6 months to 31 December 2013
<b>September 2014</b>	Final results announcement for year to 30 June 2014

# Corporate Summary

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## Investment Objective

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

## Benchmark

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

## Investment Policy

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

The Company maintains a highly-diversified portfolio of investments, typically comprising between 30 and 70 holdings (but without restricting the Company from holding a more or less concentrated portfolio from time to time). The Company is unconstrained as to the market sectors in which it may invest.

The Company may invest up to 100% of its gross assets in UK-listed equities and other securities and is permitted to invest up to 20% of its gross assets in other overseas listed equities and securities. The Company invests primarily in the equity securities of large, well-known UK and overseas companies with an emphasis on investing in quality companies with good management, strong cash flow and a sound balance sheet, and which are generating a reliable earnings stream.

The Company may use derivatives for the purpose of enhancing portfolio returns and for hedging purposes in a manner consistent with the Company's broader investment policy. The Company complies with the investment policy test in Section 1158 of the Corporation Tax Act 2010.

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

The Board is responsible for setting the gearing policy of the Company and for the limits on gearing. The Manager is responsible for gearing within the limits set by the Board. The Board has set its gearing limit at a maximum of 25% of Net Asset Value at the time of draw down. Gearing is used selectively to leverage the Company's portfolio in order to

enhance returns where and to the extent this is considered appropriate. Particular care is taken to ensure that any bank covenants permit maximum flexibility of investment policy. Significant changes to gearing levels will be communicated to shareholders.

The Directors are responsible for determining the investment policy and the investment objective of the Company, while day-to-day management of the Company's assets has been delegated to Aberdeen Asset Managers Limited (the "Manager" or "Aberdeen"). The Manager invests in a diversified range of UK and overseas companies, following a bottom-up investment process based on a disciplined evaluation of companies through direct visits by its fund managers. Stock selection is the major source of added value, concentrating on quality first, then price. Top-down investment factors are secondary in the Manager's portfolio construction, with diversification rather than formal controls guiding stock and sector weights. The Manager is authorised to invest up to 15% of the Company's gross assets in any single stock. Currently, the top five holdings may not exceed 40% of the total value of the portfolio, and the top three sectors represented in the portfolio may not exceed 50%. The Manager is permitted to invest in options and in structured products, provided that any structured product issued in the form of a note or bond has a minimum credit rating of "A".

A detailed description of the investment process and risk controls employed by the Manager is set out on page 19. The twenty largest investments and the full list of holdings by sector, at the year end, are set out on pages 12 to 17. At the year end the Company's portfolio consisted of 43 holdings.

## Capital Structure and Voting Rights

The Company's issued share capital as at 30 June 2013 consisted of 67,092,458 Ordinary shares of 25p (2012 - 65,499,458) and 451,000 Ordinary shares held in treasury (2012 - 917,000). As at 11 September 2013, the date of approval of this Report, there were 67,592,458 Ordinary shares of 25p in issue and 451,000 Ordinary shares held in treasury.

## Total Assets and Net Asset Value

At 30 June 2013, the Company had Total Assets (see definition on page 56) of £532.9m and a Net Asset Value per Ordinary share of 734.6p.

## Borrowings and Borrowing Covenants

The borrowings of £40 million represent 8.1% of Net Assets at 30 June 2013. Borrowing facilities of £70 million are committed to the Company until 29 September 2013. Financial covenants contained within the loan agreement provide, inter alia, that the ratio of Net Assets to borrowings

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shall at no time fall below 3.5:1 (in effect, a limit on borrowings equivalent to 28.6% of Net Assets), and that the Net Assets must exceed £185 million. The Net Assets were £492.9 million at 30 June 2013. 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 agreement to be immediately due and repayable. Please refer also to the statement of Going Concern on page 26.

#### **Duration**

The Company does not have a fixed life.

#### **Risk**

Equity markets are 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 Company's Net Asset Value. 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. More detailed information is available in note 17 to the financial statements.

#### **Share Dealing**

Shares in the Company 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 pages 54 and 55).

#### **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 25 and in note 3 to the financial statements.

#### **AIC**

The Company is a member of the Association of Investment Companies.

#### **Websites**

[www.murray-income.co.uk](http://www.murray-income.co.uk)  
[www.aberdeen-asset.com](http://www.aberdeen-asset.com)

#### **Company Secretary**

Aberdeen Asset Management PLC,  
7<sup>th</sup> Floor, 40 Princes Street,  
Edinburgh, EH2 2BY  
Email: [company.secretary@invtrusts.co.uk](mailto:company.secretary@invtrusts.co.uk)

#### **Customer Services**

Freephone: 0500 00 00 40  
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# Chairman's Statement

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**Patrick Gifford**  
Chairman

## Highlights

- Total Dividend increased by 3.4% to 30.75p
- Net Asset Value Total Return +18.8%
- Share Price Total Return +21.5%

## Performance

After the flat performance of last year it has been pleasing to see a total return of 18.8% in Net Asset Value ("NAV") and one of 21.5% in the share price, compared to a total return of 17.9% from the FTSE All-Share Index. The UK performed similarly to most developed equity markets as they enjoyed the powerful stimuli of continued extreme monetary ease and a perception, gradually a reality, that economic performance was improving. In an important contrast the performance of gilts, which had been so striking in the Company's last financial year, was much less impressive with a fall in the 25-year gilt on a total return basis of 5.1% producing a rise in yield to 3.5%. The performance of the market was a product of profit growth of 1% and a re-rating on a trailing Price-Earnings Ratio basis from 10.8x to 13.5x. The shift in the economic position was brought home very clearly by the reaction to Mr Bernanke's essentially unsurprising statement that the Federal Reserve was considering plans to "taper" the amount of Quantitative Easing or unusual monetary stimulus provided to the US economy later in the year. Against a background of extended bond markets and an overbought equity market in the short term markets reacted quite violently, with the All-Share Index falling by 11.3% and the 25-year gilt by 10.4% from their peaks to troughs. By the end of our year, markets seem to have decided that this was a nightmare that could safely be dismissed without the prospect of becoming reality. The position in other markets was less attractive. The much-hyped BRICs all experienced difficult conditions, in response to weak commodity markets (Brazil and Russia) a creditable effort to re-balance the economy (China) and a backlash from trying to grow without sufficient savings (India). In addition, riots in Brazil and Turkey emphasized that political instability can appear without much warning, and indeed remains a risk in some countries within the European Union.

## Dividend

Net revenue return per share rose for the year by 1.6% from 30.6p per share to 31.1p per share. Underlying this small increase the trends are more favourable. Income from investments increased by 6.3% albeit with the inclusion of two special dividends which did not, however, match the one paid by Vodafone last year. Although these special dividends reflected a reduction in the capital available to the companies, they represented the return to shareholders of reserves created by historically cautious dividends and therefore have been recognised as revenue by the Company. Income from the sale of options also decreased. It has been difficult to manage the income account over the last five years and we have been materially aided by VAT repayments and option income over that period. However, the former have now ended and the latter has reduced against a background of improving corporate profits and dividends,

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which herald a return to a more normal structure for the income account.

During the year the dividends were rebalanced in order to increase the proportion of distributable revenue paid through the interim dividends. Accordingly, subject to approval at the Annual General Meeting, a final dividend of 9.75p per Ordinary share will be paid on 29 October 2013 to shareholders on the register on 27 September 2013. The ex-dividend date is 25 September 2013. This is a reduced final dividend payment compared to the 13.25p paid in the prior year, however, overall the full year dividend payment has increased by 3.4% for the current year.

### Share Capital

The Company's shares have traded at a premium to NAV for almost all of the year ended 30 June 2013. As a result we have been able to issue 1,127,000 new shares and re-issue 466,000 treasury shares all at a small premium to NAV. This creates a small enhancement to NAV and mitigates the likelihood of disappointing share price returns from purchase at a high premium and subsequent, possibly much later, sale at a reduced premium or at a discount. It is also clear that many of the buyers of our shares are self-managed execution-only, individuals. On a net basis we estimate that such shareholdings have increased by 2.3m shares over the last year. We are pleased to see this. It may be that the transparency required by the Retail Distribution Review has caused individuals to decide to handle their investments themselves rather than pay intermediary fees. It is also a logical response to low nominal rates of return. Through the Company's website and the availability of hard copy reports we and Aberdeen Asset Management's marketing department do try to keep shareholders informed. However, the main opportunity for direct contact is at the Annual General Meeting and we hope that many individual shareholders will attend.

### Board Changes

After serving on the Board since 2004, including as Chairman of the Audit Committee, Humphrey van der Klugt has decided not to seek re-election at the Annual General Meeting. We have very much valued his contribution particularly on investment and as a diligent and sharp-eyed Chairman of the Audit Committee. We shall miss him.

### Annual General Meeting

The Annual General Meeting will be held on Friday 25 October 2013 at The London Chamber of Commerce and Industry, 33 Queen Street, London, EC4R 1AP at 12.30 p.m. The Notice of Annual General Meeting is on pages 57 to 60. It is the Board's intention to hold the 2014 Annual General Meeting in Glasgow.

### AIFMD

After consideration, the Board has agreed in principle to appoint a subsidiary of Aberdeen Asset Management PLC as the Company's AIFM as required by the Alternative Investment Fund Managers Directive which came into force on 22 July 2013. The Board fully expects to be able to implement the changes with Aberdeen Asset Managers Limited and other service providers prior to the expiry of the AIFMD's transitional arrangements in July 2014.

### Outlook

After a very good year which has continued the bull market which began in the gloomy depths of spring 2009 it is worth re-examining whether the forces that have sustained it are still intact. To a great extent they are. Monetary ease is likely to be with us for some time yet though Mr Bernanke's statements about a potential policy shift seem entirely appropriate. For equity markets it is important that there are signs that economic activity is getting stronger. The UK seems at last to be a fuller participant in this than it has been over the last three years. Such an improvement is likely to be associated with improved credit growth even if liquidity is reined in slightly. The prospects for help for equities from the gilt market however, seem remote. Even with the setback of the last year real yields remain derisory, and incidentally very attractive to governments, and only the onset of deflation can raise them without a fall in gilt prices and a rise in nominal yields. Even if central banks are slightly war-weary, deflation at this point doesn't seem a likely outcome. With no support for a further re-rating from this source, and even the possibility of some undermining, equities are now very dependent on the rate of profit growth of companies. At present the Manager is forecasting profits growth of 7.3% for the FTSE All-Share Index for the year to 30 June 2014. Against a background of what our managers consider to be fair valuation for the market overall returns should be close to this growth barring any positive or negative shocks. Our own portfolio consists of relatively resilient companies which should protect us against adverse changes while probably not containing the greatest beneficiaries from unexpected cyclical growth. We expect that such positioning will continue to deliver the relatively stable and attractive returns seen over recent years.

Patrick Gifford  
Chairman  
11 September 2013



# Manager's Review

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## Background

The UK equity market performed strongly during the year to the end of June 2013 following the small fall in the prior year. The FTSE All-Share Index increased by 17.9% on a total return basis with the gains evenly split between the first and second halves of the year. For the first eleven months of the period the market closed at consecutive highs before falling sharply during the final month of the year. The catalyst for the improvements in risk appetite and investor sentiment was a realisation that coherent measures were being taken to resolve the Eurozone debt crisis. This was exhibited in actions taken by the European Central Bank to support the Euro, by measures introduced to improve fiscal sustainability and by greater political harmony within the Eurozone. This led to lower bond yields (particularly for Italy and Spain) and reduced credit default swap rates providing confidence to equity investors as the most significant risks with low probability but high potential impact were reduced. Although economic performance across emerging markets was mixed, the continued recovery in the US economy led investors to question when the Federal Reserve might start to withdraw monetary stimulus. This resulted in concerns over an adjustment in asset prices which in turn led to the market giving back some of its gains in the final month of the period.

In the United Kingdom, domestic economic data remained relatively weak, although an improving trend was discernible as the period progressed. United Kingdom GDP increased by 1.4% over the Company's financial year but still remained 3.3% below its peak achieved during the first quarter of 2008. However, downgrades to United Kingdom GDP growth expectations at the start of the period were replaced by upgrades as the period came to a close with the International Monetary Fund expecting GDP growth of 0.9% and 1.5% for calendar 2013 and 2014 respectively. The gently improving environment was manifested in a stronger housing market, higher consumer confidence and an employment picture that strengthened throughout the period. Although above target, inflation remained steady allowing the Monetary Policy Committee to leave interest rates unchanged again throughout the whole period, although it did increase the level of asset purchases by £50bn at the start of the period.

Approximately 70% of the Company's holdings' revenues are derived from overseas where economic growth presented a somewhat different picture from the trends of the last couple of years. Although in absolute terms there remains a significant difference between the growth rates in mature and emerging markets, conditions generally stabilised or improved in a number of mature markets while emerging markets which have been the principal engine of global growth provided mixed signals. As mentioned above, in the Eurozone, actions taken by both central bankers and

politicians assuaged investor concerns and conditions appear to have at least stabilised even if the journey back to competitiveness, both externally and internally, remains unfinished. In the United States, the economy proved resilient to the 'fiscal cliff' and reduced government spending, as household consumption buoyed by strengthening labour and housing markets, took up the slack. Japan has witnessed a significantly more expansionary monetary policy environment but as yet it is too soon to be sure of the impact. The panacea of emerging markets growth became more questionable with the Chinese economy continuing to slow, albeit from high levels, and relatively anaemic growth in India and Brazil compared to historic rates.

## Performance

The Company generated a positive net asset value per share total return of 18.8% in the year to 30 June 2013, compared to a total return from the FTSE All-Share Index of 17.9%. The outperformance of 0.9% represented the fourth year in a row of positive relative performance. On a total return basis, the Company's share price increased by 21.5%, which reflected the move from a discount to a premium to Net Asset Value at which the shares traded compared to the previous year end.

On a gross assets basis, the portfolio very marginally outperformed the benchmark by 0.1%. Gearing benefited returns by 1.6%. Borrowings remained steady at £40m during the year with the actual level of gearing maintained in a range between 5%-10% for the majority of the year.

Within the market the Oil & Gas and Basic Materials sectors underperformed. Mining companies performed particularly poorly for the second year in a row, the consequence of relatively geared balance sheets, weakening commodity prices and inflexible cost bases. Conversely, the Financials sector performed very strongly, benefiting from low starting valuations, improving balance sheets and an upturn in sentiment as the issues surrounding the Eurozone stabilised. It is worth noting that in general, much of the positive performance overall was due to a re-rating of valuations on which companies traded rather than positive changes in earnings growth.

From a size perspective, the FTSE 100 Index lagged both the Mid 250 and Small Cap Indices, a function of its more defensive constituents. Although the pace of initial public offerings (from which we tend to stand back given that the information advantage rests heavily with the seller) has picked up, a little surprisingly, merger and acquisition activity has been relatively sparse. However, as the confidence of management teams improves we would expect the rate of activity to quicken.

The Company benefited significantly, in asset allocation terms, from its underweight positions in Mining and to a lesser extent Oil & Gas, although the underweight standing relative to the Financials and Telecoms sectors proved to be detrimental. Stock selection was positive in the Oil & Gas, Basic Materials and Health Care sectors, although weak in the Consumer Services sector (in particular in Media and Food Retailers).

From a stock-specific standpoint, many of the holdings performed well but a number with share prices that increased by more than 40% are worthy of specific mention. GKN was helped by better momentum in the company's aerospace end-markets and a perceived improvement in the quality of the business which led to a re-rating. The Prudential's share price increase was due to a robust performance from the company's Asian operations. Roche also performed very strongly as the market looked forward optimistically to the prospects for its immunotherapy drugs as well as a strong performance from its existing oncology franchise. Finally, the two smaller company investment trust holdings, Aberforth Smaller Companies and Dunedin Smaller Companies performed very well as risk appetite returned to the market.

On the other hand, there were a number of holdings that detracted from performance. BG performed poorly due to a range of operational issues including delays to production in Brazil and the North Sea and higher decline rates than expected in Egypt. BHP Billiton, although outperforming its peer group, was impacted by the fall in commodity prices. Pearson's performance was disappointing, being primarily a function of cyclical weakness in the North American education market. Finally, GDF Suez also performed poorly, its profitability affected by weak demand in Europe and outages at its Belgian nuclear reactors.

### Portfolio Activity and Structure

Our patient, buy and hold investment process resulted in low turnover during the period, at below 10%. Our aim is to ensure that the Company's capital is employed as effectively as possible and to that end we will always seek to improve the earnings and dividend generating capability of the Company's holdings if we feel that valuations remain attractive. Our belief is that companies with strong competitive positions, robust balance sheets and experienced management teams will generate attractive earnings and dividend growth over the long term which should translate into healthy share price appreciation.

During the period we added to GKN and Linde, both through placings to help fund the acquisitions of Volvo Aerospace and Lincare respectively.

### Performance Attribution for the year to 30 June 2013

	2013 %
Net Asset Value total return per Ordinary share	18.8
FTSE All-Share Index total return	17.9
<b>Relative return</b>	<b>0.9</b>
<b>Relative return</b>	<b>%</b>
<b>Stock selection (equities)</b>	
Oil & Gas	0.7
Basic Materials	0.5
Industrials	-
Consumer Goods	-0.2
Health Care	1.1
Consumer Services	-2.1
Telecommunications	-
Utilities	-
Technology	-0.1
Financials	-0.2
<b>Total stock selection (equities)</b>	<b>-0.3</b>
<b>Asset allocation (equities)</b>	
Oil & Gas	0.4
Basic Materials	1.8
Industrials	-
Consumer Goods	-
Health Care	-
Consumer Services	-0.3
Telecommunications	-0.5
Utilities	-0.3
Technology	-
Financials	-0.7
<b>Total asset allocation (equities)</b>	<b>0.4</b>
<b>Gearing</b>	<b>1.6</b>
<b>Administrative expenses</b>	<b>-0.2</b>
<b>Management fees</b>	<b>-0.6</b>
<b>Tax charge</b>	<b>-0.1</b>
<b>Residual effect</b>	<b>0.1</b>
<b>Total</b>	<b>0.9</b>

Sources : Aberdeen Asset Management, Mellon & Lipper

Notes: Stock Selection – measures the effect of equity selection relative to the benchmark. Asset Allocation – measures the impact of over or underweighting each industry basket in the equity portfolio, relative to the benchmark weights. Gearing effect – measures the impact on relative returns of net borrowings. Management fees & other expenses – these reduce total assets and therefore reduce performance. The effect is calculated by dividing expenses incurred during the year by average total assets less current liabilities. Residual effect – this arises as a result of the different methodologies for calculating performance between the NAV total return, the benchmark provider Lipper and the performance attribution system.

## Manager's Review *continued*

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We added to our holding in Standard Chartered following the announcement of the fine levied by the New York Department of Financial Services concerning transactions with Iran, on the basis that the share price had overreacted. Similarly, following a disappointing trading update from BG, we used this as an opportunity to increase our holding in the belief that the shares had been oversold. Other additions included Close Brothers, Schneider Electric and Sage. Finally, towards the end of the period, we added to BHP Billiton, encouraged by the tilt in strategy to focus on optimising the current asset portfolio (rather than a focus on acquisitive growth) allied to the attractive dividend yield.

In contrast, we took profits in a number of companies that had performed well and looked increasingly expensive such as Unilever, Associated British Foods and Compass. The holdings in BP and Shell were reduced, helping to lessen the concentration risk in the sector. The reduction in British American Tobacco reflected the significant portfolio weight and the more challenging regulatory backdrop. The exposure to Vodafone was also reduced given the desire to diversify the income exposure and the company's relatively muted prospects for further dividend growth.

We invested in three new holdings during the period, two of which are listed overseas. This increased our weighting in companies listed overseas to 14.9% at the end of the period.

The first new holding purchased was the Scandinavian bank, Svenska Handelsbanken, a high quality bank with leading market positions, a strong balance sheet with very low funding costs and scope for growth through its differentiated strategy. The second new company was the insurer Hiscox. This company provides a balance between opportunistic business written on internationally traded lines to generate profit, and the longer term growth and value potential from more niche areas with higher barrier to entry. Finally we introduced a small holding in Casino, an international supermarket company. Although the company's French operations remain challenging, strong growth is evident from Casino's supermarkets in Brazil, Colombia, Vietnam and Thailand.

The only company sold during the period was Whitbread where, to our minds, the further expansion of Premier Inn and roll out of Costa Coffee had become reflected in the company's valuation.

We continued to write options gently to increase and diversify the income available to the Company. The income from writing options accounted for 6.5% of total income compared to 8.5% of total income during the prior year. Although we are wary of becoming overly dependent on option income, we feel that the strategy has been of benefit to the Company by increasing the level of income generated

and providing a good discipline for optimising our exposure to individual holdings.

In terms of portfolio construction, our aim is to build a sensibly diversified portfolio that is not dependent on any one particular economic scenario but provides broad exposure to the market as a whole. Equally, we are keen to ensure that each investment can make a difference, hence the relatively low number of individual holdings (there were 43 holdings at the period end). Given the low turnover over the period, changes to the sector positioning of the Company have been modest. However, the weighting in the Oil and Gas sector has reduced slightly due to the underperformance of the sector and the sales outlined above. The marginally higher exposure to Basic Materials is a result of the increases to BHP Billiton and Linde despite the poor performance of the Mining sector. The weighting in the Industrials sector has increased due to strong performances from Cobham, Rolls Royce and BBA Aviation coupled with an increase in the holding in Schneider Electric. The position in Consumer Goods is lower than the prior year mainly due to the reduction to the holding in British American Tobacco. The exposure to Consumer Services has fallen due to the underperformance of Pearson and the food retail holdings. The weight in the Telecoms sector decreased as we reduced the holding in Vodafone. Finally, the exposure to Financials increased significantly over the year, a function of the outperformance of the sector and the introduction of Svenska Handelsbanken and Hiscox to the portfolio.

### Income

For the financial year ended 30 June 2013, the Company witnessed a small increase in the level of income generated, with the revenue return per share increasing from 30.6p to 31.1p, or by 1.6%. Income from investments increased by 6.3% aided by the recognition of two special dividends (from Hiscox and Sage) as revenue items. We believe that this recognition is appropriate given that the return of cash was more from a build-up of profits generated by ongoing operations than by a sale of assets. As noted above, the income derived from writing options decreased compared to the previous year. The impact of a small rise in administrative expenses, higher taxation and marginally more shares in issue partially offset the increase in total income.

The broad outlook for income generation has improved considerably over the past couple of years and the dividend culture of the equity market has perhaps never been stronger, but as ever, there remains the potential for negative earnings shocks and hence dividend disappointments. Our concentration on companies with strong cash flows and robust balance sheets should help to mitigate these risks. Furthermore, the portfolio has been constructed to avoid being overly reliant on any one sector or company for its

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income generation. It is worth noting that market dividends, in aggregate, are at present expected to increase by 6.8% per annum and 7.9% per annum in the calendar years 2013 and 2014 respectively. Although this may be a little optimistic for 2014, we would still expect reasonable dividend progression from the underlying holdings in the Company. Furthermore, the income from option writing provides a useful fillip and our revenue reserves remain very strong.

## **Outlook**

Equity markets in developed countries have performed very strongly over the past year as investors have taken encouragement from a series of actions by policymakers in the Eurozone and a gentle recovery in the United States economy. Quantitative easing, where it has been employed, has more obviously benefited asset prices to a greater extent than the real economy. Although the issues in the Eurozone have improved, it is likely that the region will remain in a prolonged period of low growth amidst austerity and high unemployment. While the United Kingdom economy has started to heal, progress remains fragile and partly dependent on external factors. Indeed, momentum in the global economy is still weak, the performance of many emerging markets has overall become more muted and high levels of debt in mature economies are likely to act as a cap on growth. At the end of the period, concerns reflected, at least in the United States, the potential for a normalisation of monetary policy. However, whilst inflation remains benign, these concerns and their ability to disrupt equity markets should probably not be overstated for now.

We have witnessed only the partial improvement in earnings that would help to justify the strong performance of the UK equity market over the past year. Nonetheless, although no longer cheap, valuations do not look expensive relative to other regions or asset classes. As well as starting valuations, returns over the long term will reflect the strengths of a company's underlying operations. Hence the portfolio retains exposure to a mixture of robust businesses, with strong competitive positions and healthy financial characteristics to help protect against the challenges ahead but also to create a sound foundation for the Company to capitalise on any broader economic recovery.

**Charles Luke**  
Aberdeen Asset Managers Limited  
Investment Manager  
11 September 2013

# Results

## Financial Highlights

	30 June 2013	30 June 2012	% change
Total assets (£'000) (see definition on page 56)	532,878	465,458	+14.5
Equity shareholders' funds (£'000)	492,878	425,458	+15.8
Net asset value per Ordinary share	734.6p	649.6p	+13.1
Share price of Ordinary share (mid-market)	741.0p	640.0p	+15.8
Premium/(discount) to net asset value on Ordinary shares	0.9%	-1.5%	
<b>Gearing (ratio of borrowing to shareholders' funds)</b>			
Net gearing (see definition on page 56) <sup>A</sup>	5.6%	4.7%	
<b>Dividends and earnings</b>			
Revenue return per share	31.1p	30.6p	+1.6
Dividends per share <sup>B</sup>	30.75p	29.75p	+3.4
Dividend cover	1.01 times	1.03 times	
Revenue reserves (£'000) <sup>C</sup>	27,031	27,992	
<b>Operating costs</b>			
Ongoing charges ratio <sup>D</sup>	0.8%	0.8%	

<sup>A</sup> Calculated in accordance with AIC guidance "Gearing Disclosures post RDR".

<sup>B</sup> The figures for dividends per share reflect the years in which they were earned (see note 6 on page 44).

<sup>C</sup> The revenue reserve figure does not take account of the proposed third interim and final dividends amounting to £4,676,000 and £6,590,000 respectively (2012 – third interim and final dividends amounting to £3,602,000 and £8,679,000 respectively).

<sup>D</sup> Ongoing charges ratio calculated in accordance with guidance issued by the AIC as the total of the investment management fee and administrative expenses divided by the average cum income net asset value throughout the year.

## Performance (total return)

	1 year return	3 year return	5 year return
	%	%	%
Share price	+21.5	+59.9	+74.9
Net asset value per Ordinary share	+18.8	+54.3	+51.8

Source: Aberdeen Asset Managers/Morningstar

## Dividends

	Rate	xd date	Record date	Payment date
1st interim 2013	7.00p	19 December 2012	21 December 2012	14 January 2013
2nd interim 2013	7.00p	6 March 2013	8 March 2013	12 April 2013
3rd interim 2013	7.00p	5 June 2013	7 June 2013	12 July 2013
Proposed final 2013	9.75p	25 September 2013	27 September 2013	29 October 2013
<b>Total dividends 2013</b>	<b>30.75p</b>			

## Ten Year Financial Record

Year end 30 June	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenue (£'000)	16,827	16,533	17,237	19,251	22,390	19,790	18,257	21,844	22,688	23,566
<b>Per Ordinary share (p)</b>										
Net revenue return	19.6	20.0	21.8	24.7	29.3	28.1	25.4	30.9	30.6	31.1
Dividends	18.25	19.15	21.60	24.25	27.00	27.75	28.00	28.75	29.75	30.75
Net asset value	496.2	603.3	699.7	802.3	619.9	455.4	547.9	671.5	649.6	734.6
Shareholders' funds (£'000)	345,138	404,601	456,714	522,617	400,536	294,570	354,425	434,406	425,458	492,878

The Net Asset Value figure for 2005 has 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.

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

# Performance

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

Five years to 30 June 2013

Source: Morningstar

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

Five years to 30 June 2013 (rebased to 100 at 30 June 2008)

Source: Morningstar & Russell Mellon

# Investment Portfolio – Twenty Largest Investments

As at 30 June 2013

Investment	Valuation 2013 £'000	Total assets %	Valuation 2012 £'000
<b>1 (2) GlaxoSmithKline</b> GlaxoSmithKline is a research-based pharmaceutical group that also develops, manufactures and markets vaccines, prescription and over-the-counter medicines, as well as health-related consumer products. The group specialises in treatments for respiratory, central nervous system, gastro-intestinal and genetic disorders.	27,851	5.2	24,454
<b>2 (5) Centrica</b> Centrica provides gas, electricity and energy-related products and services to business and residential customers in the UK and USA. It also provides central heating and gas appliance installation and maintenance services. The company enjoys a strong competitive position in the UK market, which provides a solid platform from which to generate long-term value.	25,034	4.7	22,101
<b>3 (6) Unilever</b> Unilever is a global consumer goods company supplying food, home and personal care products. The company has a portfolio of strong brands including: Dove, Knorr, Axe and Persil. Over half of the company's sales are to developing and emerging markets.	22,707	4.3	19,510
<b>4 (4) Royal Dutch Shell</b> Royal Dutch Shell is engaged in all phases of the petroleum industry, from exploration to processing and distribution. It has strong positions in oil products marketing and LNG, globally. The group operates in over 130 countries.	22,077	4.1	23,769
<b>5 (1) British American Tobacco</b> British American Tobacco manufactures and markets cigarettes and other tobacco products, including cigars and roll-your-own tobacco. The group sells over 200 brands in approximately 180 countries. Key brands include: Dunhill, Kent, Pall Mall and Lucky Strike. Strong cashflow is an attractive characteristic of the tobacco industry.	21,552	4.0	26,904
<b>6 (3) Vodafone Group</b> Vodafone is one of the world's largest mobile phone companies, with a significant position in major economies including Germany, Italy, the UK and the US, as well as many emerging markets. The group generates a significant amount of free cashflow.	20,988	4.0	24,218
<b>7 (12) Roche Holdings</b> Listed in Switzerland, Roche develops and manufactures pharmaceutical and diagnostic products with particular strengths in the areas of oncology, cardiovascular and respiratory diseases. The company benefits from a strong product pipeline and limited near-term patent exposure.	19,306	3.6	14,227
<b>8 (7) Pearson</b> Pearson is one of the world's leading education companies. From pre-school to professional certification, the company's curriculum materials, multimedia learning tools and testing programmes help to educate more than 100m people worldwide. The company offers access to long-term growth.	18,607	3.5	17,281
<b>9 (8) AstraZeneca</b> AstraZeneca researches, develops, produces and markets pharmaceutical products. The company's operations are focused on six therapeutic areas: Cardiovascular, Oncology, Respiratory, Neuroscience, Inflammation and Infection. The company's product pipeline offers a number of interesting opportunities.	18,597	3.5	17,032
<b>10 (10) HSBC Holdings</b> HSBC group is one of the world's largest banking and financial services institutions. Its international network comprises more than 5,000 offices in 80 countries worldwide. The diversity of HSBC's business and exposure to faster growing regions of the world should enable it to deliver superior long-term growth.	18,227	3.4	14,996
<b>Top ten investments</b>	<b>214,946</b>	<b>40.3</b>	

<b>Investment</b>	<b>Valuation 2013 £'000</b>	<b>Total assets %</b>	<b>Valuation 2012 £'000</b>
<b>11 (11) BHP Billiton</b>			
BHP Billiton is the world's largest diversified resources group with a global portfolio of high quality assets. Core activities comprise the production and distribution of minerals, mineral products and petroleum.	17,308	3.2	14,647
<b>12 (13) Tesco</b>			
Tesco is one of the world's largest food retailers, with operations around the world. Its international operations provide a platform for growth, coupled with non-food sales and financial services. The company benefits from significant property asset-backing.	15,148	2.9	14,172
<b>13 (14) National Grid</b>			
National Grid owns and operates electricity and gas networks throughout the UK and in the US. It will benefit from the requirement to increase energy infrastructure spend over the long term. The company offers a generous dividend yield.	14,375	2.7	13,017
<b>14 (9) BP</b>			
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.	13,835	2.6	16,278
<b>15 (20) Prudential</b>			
Prudential is an insurance company with substantial operations in the UK, USA and across Asia. Early mover advantage in Asia has provided the company with a number of market leading positions giving the opportunity to capitalise on a fast growing market.	13,814	2.6	9,483
<b>16 (16) ENI</b>			
Listed in Italy, ENI is an integrated energy company, committed to developing its activities in research, production, transport and marketing of oil and natural gas. The company operates in 79 countries employing 80,000 people. ENI offers a generous dividend yield.	13,524	2.5	11,248
<b>17 (15) Cobham</b>			
Cobham designs and manufactures a wide range of equipment and specialised systems for the defence and aerospace industries. Cobham maintains leading positions in air to air refuelling, antennas and tactical communications systems, as a result of its strong intellectual property and long term customer relationships.	12,838	2.4	11,373
<b>18 (18) Compass Group</b>			
Compass is a leading contract catering and food service company. The company benefits from underlying growth in outsourcing, together with the potential for further margin improvement and growth from its emerging markets operations. The company demonstrates strong cashflow characteristics.	12,247	2.3	10,717
<b>19 (-) Aberforth Smaller Companies</b>			
Aberforth Smaller Companies is an investment trust with a diversified portfolio of small UK quoted companies. The trust has an above average sector yield and benefits from substantial revenue reserves.	11,604	2.2	8,287
<b>20 (17) Morrison (Wm) Supermarkets</b>			
Morrisons is one of the UK's largest supermarket chains. With an emphasis on good value, the company's vertically-integrated model means that it manages most of its operations in-house. There remains substantial opportunity for the company to expand its footprint in the UK through smaller stores.	10,697	2.0	10,873
<b>Top twenty investments</b>	<b>350,336</b>	<b>65.7</b>	

The value of the 20 largest investments represents 65.7% (2012 – 70.0%) of total assets.

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

# Investment Portfolio

As at 30 June 2013

Investment	Valuation £'000	Total assets %	Yield %
<b>Oil &amp; Gas</b>			
<b>Oil &amp; Gas Producers</b>	<b>55,588</b>	<b>10.4</b>	
Royal Dutch Shell	22,077	4.1	5.5
BP	13,835	2.6	5.7
ENI	13,524	2.5	6.8
BG Group	6,152	1.2	1.7
<b>Oil Equipment Services</b>	<b>15,494</b>	<b>2.9</b>	
John Wood Group	8,419	1.6	1.5
AMEC	7,075	1.3	4.0
<b>Basic Materials</b>			
<b>Mining</b>	<b>17,308</b>	<b>3.2</b>	
BHP Billiton	17,308	3.2	5.0
<b>Chemicals</b>	<b>5,646</b>	<b>1.0</b>	
Linde	5,646	1.0	1.9
<b>Industrials</b>			
<b>Aerospace &amp; Defence</b>	<b>23,265</b>	<b>4.4</b>	
Cobham	12,838	2.4	3.7
Rolls-Royce	10,427	2.0	1.7
<b>Industrial Engineering</b>	<b>2,861</b>	<b>0.5</b>	
Weir Group	2,861	0.5	2.0
<b>Industrial Transportation</b>	<b>5,714</b>	<b>1.1</b>	
BBA	5,714	1.1	3.7
<b>Electronic &amp; Electrical Equipment</b>	<b>8,453</b>	<b>1.6</b>	
Schneider Electric	8,453	1.6	3.4
<b>Consumer Goods</b>			
<b>Automobiles &amp; Parts</b>	<b>6,841</b>	<b>1.3</b>	
GKN	6,841	1.3	2.7
<b>Food Producers</b>	<b>38,031</b>	<b>7.1</b>	
Unilever	22,707	4.3	3.4
Associated British Foods	8,849	1.6	1.9
Nestlé	6,475	1.2	3.3
<b>Tobacco</b>	<b>31,014</b>	<b>5.8</b>	
British American Tobacco	21,552	4.0	4.5
Imperial Tobacco	9,462	1.8	5.3
<b>Health Care</b>			
<b>Pharmaceuticals &amp; Biotechnology</b>	<b>65,754</b>	<b>12.3</b>	
GlaxoSmithKline	27,851	5.2	5.1
Roche Holdings	19,306	3.6	3.1
AstraZeneca	18,597	3.5	6.6
<b>Consumer Services</b>			
<b>Food &amp; Drug Retailers</b>	<b>31,173</b>	<b>5.9</b>	
Tesco	15,148	2.9	4.0
Morrison (Wm) Supermarkets	10,697	2.0	5.0
Casino Guichard Perrachon	5,328	1.0	4.2

	Valuation	Total assets	Yield
Investment	£'000	%	%
<b>Media</b>	<b>18,607</b>	<b>3.5</b>	
Pearson	18,607	3.5	4.3
<b>Travel &amp; Leisure</b>	<b>12,247</b>	<b>2.3</b>	
Compass Group	12,247	2.3	2.9
<b>Telecommunications</b>			
<b>Mobile Telecommunications</b>	<b>20,988</b>	<b>4.0</b>	
Vodafone Group	20,988	4.0	6.0
<b>Utilities</b>			
<b>Gas, Water &amp; Multi-utilities</b>	<b>48,267</b>	<b>9.1</b>	
Centrica	25,034	4.7	5.1
National Grid	14,375	2.7	6.1
GDF Suez	8,858	1.7	10.0
<b>Financials</b>			
<b>Banks</b>	<b>39,644</b>	<b>7.4</b>	
HSBC Holdings	18,227	3.4	4.9
Standard Chartered	9,832	1.8	4.3
Svenska Handelsbanken	5,969	1.1	4.0
Nordea Bank	5,616	1.1	4.0
<b>Financial Services</b>	<b>16,903</b>	<b>3.2</b>	
Provident Financial	7,284	1.4	5.8
Close Brothers	9,619	1.8	4.8
<b>Non-life Assurance</b>	<b>6,842</b>	<b>1.3</b>	
Hiscox	6,842	1.3	4.0
<b>Life Assurance</b>	<b>13,814</b>	<b>2.6</b>	
Prudential	13,814	2.6	3.0
<b>Equity Investment Instruments</b>	<b>14,927</b>	<b>2.8</b>	
Aberforth Smaller Companies Trust	11,604	2.2	3.0
Dunedin Smaller Companies Investment Trust	3,323	0.6	3.0
<b>Real Estate Investment Trusts</b>	<b>7,579</b>	<b>1.4</b>	
Land Securities Group	7,579	1.4	3.4
<b>Technology</b>			
<b>Software &amp; Computer Services</b>	<b>10,659</b>	<b>2.0</b>	
Sage Group	10,659	2.0	6.8
<b>Total investments</b>	<b>517,619</b>	<b>97.1</b>	

Source: Aberdeen Asset Managers Limited

## Summary of Investment Changes During The Year

	Valuation 30 June 2012		Transactions £'000	Gains/(losses) £'000	Valuation 30 June 2013	
	£'000	%			£'000	%
<b>Equities</b>						
United Kingdom	392,431	84.3	(1,427)	47,440	438,444	82.3
France	12,277	2.6	9,760	602	22,639	4.3
Germany	3,264	0.7	1,137	1,245	5,646	1.0
Italy	11,248	2.4	2,417	(141)	13,524	2.5
Sweden	4,199	0.9	5,393	1,993	11,585	2.2
Switzerland	19,936	4.3	(1,695)	7,540	25,781	4.8
<b>Total investments</b>	<b>443,355</b>	<b>95.2</b>	<b>15,585</b>	<b>58,679</b>	<b>517,619</b>	<b>97.1</b>
Other net assets	22,103	4.8	(6,844)	-	15,259	2.9
<b>Total assets less current liabilities (excluding bank loan)</b>	<b>465,458</b>	<b>100.0</b>	<b>8,741</b>	<b>58,679</b>	<b>532,878</b>	<b>100.0</b>

## Summary of Net Assets

	As at 30 June 2013		As at 30 June 2012	
	£'000	%	£'000	%
Equities	517,619	105.0	443,355	104.2
Other net assets	15,259	3.1	22,103	5.2
Borrowings	(40,000)	(8.1)	(40,000)	(9.4)
<b>Equity shareholders' funds</b>	<b>492,878</b>	<b>100.0</b>	<b>425,458</b>	<b>100.0</b>

## Sector Comparison With Benchmark

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Equities Held at 30 June 2013

Equities Held at 30 June 2012

# Information about the Manager

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## **Aberdeen Asset Managers Limited**

The Manager is a subsidiary of Aberdeen Asset Management PLC, whose group companies as at 30 June 2013 had approximately £209.6bn of assets under management. It manages assets on behalf of a wide range of clients including 56 investment trusts and other closed-ended funds, which have combined total assets of over £14.6bn.

The Manager has its headquarters in the city of Aberdeen and invests globally, operating from 41 offices in 25

countries. Its investment teams are generally based in the markets or regions in which they invest; in the UK its main investment centres are in London and Edinburgh.

The Manager currently manages £118bn of equities globally. As part of this, the Pan-European team oversee £3.4bn of UK equities and £1.1bn of European (ex UK) equities.

## **The Investment Team**

### **Charles Luke**

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

### **Jonathan Allison**

Investment Manager  
BBusSci (Hons) in Finance from the University of Cape Town. Joined Aberdeen's UK and European equities team in 2005. He previously worked at Morgan Stanley.

# The Investment Process

## Philosophy and Style

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

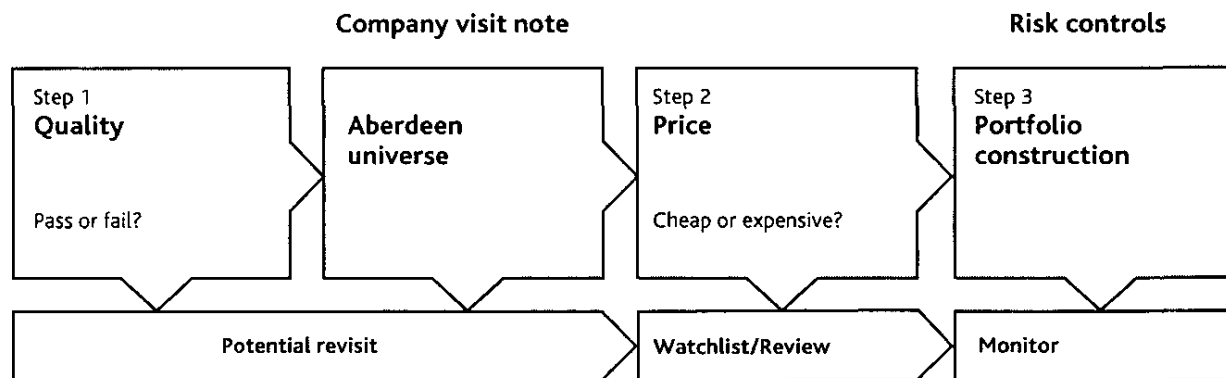
## Risk Controls

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

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

Options are used in a manner consistent with the Trust's investment objective, in order to control risk and enhance returns. They are used as an alternative way to increase or reduce positions, and provide an additional stream of distributable cashflow. We employ a basic strategy of writing covered calls and covered puts. These are written when our company research and due diligence suggest that the options are attractive.

## Regional Teams



## Your Board of Directors

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

### Patrick Gifford BA

**Status:** Chairman and Independent Non-Executive Director

**Length of Service:** 13 years 11 months

**Experience and other public**

**company directorships:** Patrick Gifford was previously a director of Robert Fleming Holdings Ltd and chairman of Fleming Investment Trust Management Ltd. He is chairman of Invesco Perpetual Select Trust PLC and Martin Currie Pacific Trust PLC.

**Employment by Manager:** None

**Other connections with the Trust or Manager:** None

**Shared Directorships with any other Trust Directors:** None

**Shareholding in Company:** 38,073 Ordinary shares

**Remuneration:** Year ended 30 June 2013 – £30,000

### Humphrey van der Klugt BSC Hons, FCA

**Status:** Independent Non-Executive Director, Chairman of Audit Committee, Chairman of Remuneration Committee and Senior Independent Director

**Length of Service:** 9 years 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 chairman of Fidelity European Values PLC, and a non-executive director of BlackRock Commodities Income Investment Trust plc and JPMorgan Claverhouse Investment Trust PLC.

**Employment by Manager:** None

**Other connections with the Trust or Manager:** None

**Shared Directorships with any other Trust Directors:** None

**Shareholding in Company:** 7,500 Ordinary shares

**Remuneration:** Year ended 30 June 2013 – £24,000

### Neil Honebon MA

**Status:** Independent Non-Executive Director

**Length of Service:** 7 years 11 months

**Experience and other public**

**company directorships:** Neil Honebon is a director of AlphaGen Volantis and AlphaGen Octanis. He was formerly a director of Fleming Family and Partners Asset Management, and has 30 years' experience in investment analysis and research. While previously at Flemings, he was Head of Global Research and deputy chair of the asset allocation committee.

**Employment by Manager:** None

**Other connections with the Trust or Manager:** None

**Shared Directorships with any other Trust Directors:** None

**Shareholding in Company:** 20,000 Ordinary shares

**Remuneration:** Year ended 30 June 2013 – £20,000

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**David Woods MA, MSC, FIA**

**Status:** Independent Non-Executive Director

**Length of Service:** 4 years 6 months

**Experience and other public company directorships:** David Woods is a non-executive director and chairman of the risk committee of Phoenix Group Holdings plc, and a non-executive director of Standard Life UK Smaller Companies Trust plc and of The Moller Centre for Continuing Education. He is also chairman of the Pension Fund Trustees for all of the UK companies in the Steria Group and a trustee of the Scottish Provident Pension Fund. He was previously non-executive chairman of Royal Liver Assurance.

**Employment by Manager:** None

**Other connections with the Trust or Manager:** None

**Shared Directorships with any other Trust Directors:** None

**Shareholding in Company:** 3,000 Ordinary shares

**Remuneration:** Year ended 30 June 2013 – £20,000

**Jean Park BAcc, CA**

**Status:** Independent Non-Executive Director

**Length of Service:** 1 year 2 months

**Experience and other public company directorships:** Jean Park was formerly Group Chief Risk Officer at Phoenix Group. Prior to that she was Risk Management Director of the Insurance and Investments Division of Lloyds TSB and, before that, Head of Compliance and Audit at Scottish Widows.

**Employment by Manager:** None

**Other connections with the Trust or Manager:** None

**Shared Directorships with any other Trust Directors:** None

**Shareholding in Company:** 5,575 Ordinary shares (of which 2,575 are non-beneficial)

**Remuneration:** Year ended 30 June 2013 – £19,946

**Donald Cameron BA Hons**

**Status:** Independent Non-Executive Director

**Length of Service:** 1 year

**Experience and other public company directorships:** Donald Cameron qualified at the Bar of England and Wales in 2002. Having transferred to the Faculty of Advocates, he was called to the Scottish Bar in 2005, and practises as an Advocate in Scotland. He is a non-executive director of Edinburgh Worldwide Investment Trust plc.

**Employment by Manager:** None

**Other connections with the Trust or Manager:** None

**Shared Directorships with any other Trust Directors:** None

**Shareholding in Company:** 1,190

**Remuneration:** Year ended 30 June 2013 – £16,444

# Directors' Report

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The Directors submit their Annual Report together with the Financial Statements of the Company for the year ended 30 June 2013.

## Review of the Business

A review of the Company's activities is given in the Corporate Summary on pages 2 and 3, the Chairman's Statement on pages 4 to 5 and in the Manager's Review on pages 6 to 9. This includes a review of the business of the Company and its principal activities, and likely future developments of the business.

## 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 principally UK equities. The shares that make up the portfolio are selected from UK and overseas companies which 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 twenty largest investments and the sectoral analysis of the investment portfolio, at the year end, are set out on pages 12 to 17. The Company makes use of low-cost, flexible borrowing facilities to enhance shareholder returns when appropriate and net gearing (see definition on page 56) was 5.6% of net assets at 30 June 2013 (2012 – 4.7%).

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 43 holdings at 30 June 2013.

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). The Company's investment policy is set out in full in the Corporate Summary on page 2.

## Oversight and Review of Performance

The Board meets typically 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 27 to 32), 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 attribution analysis against the benchmark, active weights and valuation matrices to assess the Company's success in achieving its objectives.

The key performance indicators 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
- Ongoing charges ratio.

A historical record of these measures (except performance attribution) is disclosed in the Results on page 10. The Company's performance is compared to the benchmark and selected peer companies and the performance attribution is disclosed on page 7. A range of comparator groups are used, including the AIC UK Growth & Income peer group and the Open-Ended UK Equity Income peer group.

## 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 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 page 25). 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.
- Diversification risk – the objective of the Company is to achieve a high and growing income combined with capital growth. The Board's aim is to maximise absolute returns to shareholders while managing risk by ensuring an appropriate diversification of stocks and sectors. As a consequence, the investment portfolio may not always match that of the stock market as a whole, with a consequential impact on shareholder returns.
- 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.

- Discount volatility - investment trust shares tend to trade at discounts to their underlying net asset values, although they can also trade at premia. Discounts and premia can fluctuate considerably. In order to seek to minimise the impact of such fluctuations, where the shares are trading at a significant discount, the Company has operated a share buy-back programme for a number of years. If the shares trade at a premium, the Company has the authority to issue new shares or re-issue shares from treasury. Whilst these measures seek to minimise volatility, it cannot be guaranteed that they will do so.
- Foreign currency risk – a proportion of the Company's investment portfolio is invested in overseas securities and the value of the Company's investments and the income derived from them can, therefore, be affected by movements in foreign exchange rates. In addition, the earnings of the Company's other investments may also be affected by currency movements which, indirectly, could have an impact on the Company's performance.
- Regulatory risk - the Company operates in a complex regulatory environment and faces a number of related risks. A breach of Section 1158 of the Corporation Tax Act 2010 could result in the Company being subject to capital gains tax on the sale of its investments. Serious breach of other regulations, such as the UKLA Listing Rules and the Companies Act, 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.

An explanation of other risks relating to the Company's investment activities, specifically market price, interest rate, liquidity and credit risk, and a note of how these risks are managed, are contained in note 17 to the financial statements on pages 48 to 52.

Key risks relating to investment and strategy, 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.

### Results and Dividends

The total return attributable to equity shareholders for the year amounted to £77,615,000 (2012 - £4,350,000).

A third interim dividend of 5.5p per Ordinary share was paid on 13 July 2012, and the final dividend for the year ended 30 June 2012 of 13.25p per Ordinary share was paid on 25 October 2012. The first and second interim dividends for the year ended 30 June 2013 of 7.0p per Ordinary share each were paid on 14 January 2013 and 12 April 2013 respectively, making a total distribution to Ordinary

shareholders of £21,543,000 during the year ended 30 June 2013, as shown in note 6 on page 44. The third interim dividend of 7.0p per Ordinary share was paid on 12 July 2013.

The Directors now recommend a final dividend of 9.75p per Ordinary share payable on 29 October 2013 to holders of Ordinary shares on the register on 27 September 2013. The ex-dividend date is 25 September 2013. A resolution in respect of the final dividend will be proposed at the forthcoming Annual General Meeting.

Dividends are paid by means of three interim dividends, normally in January, April, July, and a final, after the Annual General Meeting in October or November. Further information on dividends is contained in the Chairman's Statement on pages 4 and 5.

### Principal Activity and Status

The Company is an investment company as defined by Section 833 of the Companies Act 2006 and carries on business as an investment trust. The Directors do not envisage any change in this activity in the foreseeable future.

The Company has been approved by HM Revenue & Customs ("HMRC") as an investment trust for the purposes of Sections 1158 - 1159 of the Corporation Tax Act 2010 ("Sections 1158 - 1159") for the year ended 30 June 2012. During the year, the Company was approved by HMRC as an investment trust under Sections 1158 – 1159 and Part 2 Chapter 1 Statutory Instrument 2011/2999 for all financial years commencing on or after 1 July 2012, subject to the Company continuing to meet the relevant eligibility criteria.

In the opinion of the Directors of the Company, its affairs have been managed in such a manner as to allow the Company's Ordinary shares to be qualifying investments for the stocks and shares component of an ISA and to satisfy the conditions which enable it to continue to obtain approval as an investment trust under Sections 1158 – 1159.

### Share Capital and Voting Rights

At the Annual General Meeting held on 23 October 2012, shareholders approved the renewal of the authority permitting the Company to sell or transfer up to 6,468,944 of its Ordinary shares out of treasury. During the year ended 30 June 2013, 1,127,000 new Ordinary shares (1.7% of the issued Ordinary share capital at 30 June 2012) were issued by the Company; an additional 466,000 shares (0.7% of the issued Ordinary share capital at 30 June 2012) were re-issued from treasury. The issued Ordinary share capital at 30 June 2013 consisted of 67,092,458 Ordinary shares of 25p and 451,000 Ordinary shares held in treasury.

## Directors' Report continued

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Subsequent to the year end and up to the date of approval of this Report, 500,000 new Ordinary shares were issued while no further Ordinary shares were re-issued from treasury resulting in 67,592,458 Ordinary shares in issue, with voting rights, and an additional 451,000 Ordinary shares held in treasury (representing 0.7% of the issued share capital excluding treasury shares). Each Ordinary share of the Company, excluding those held in treasury, carries one vote at general meetings of the Company.

### Special Business at Annual General Meeting

#### Issue of New Shares and Sale of Treasury Shares

Ordinary Resolution No. 11 in the Notice of Annual General Meeting will renew the authority to allot the unissued share capital up to an aggregate nominal amount of £844,905 (equivalent to approximately 3.4m Ordinary shares, or 5 per cent of the Company's existing issued share capital on the date of approval of this Report (excluding treasury shares)). Such authority will expire on the date of the next Annual General Meeting or on 31 December 2014, whichever is earlier. This means that the authority will have to be renewed at the next Annual General Meeting.

When shares are to be allotted for cash, Section 561 of the Companies Act 2006 (the "Act") provides that existing shareholders have pre-emption rights and that the new shares or shares to be issued from treasury must be offered first to such shareholders in proportion to their existing holding of shares. However, shareholders can, by special resolution, authorise the Directors to allot shares or sell from treasury otherwise than by a pro rata issue to existing shareholders. Special Resolution No. 12 will, if passed, give the Directors power to allot for cash or sell from treasury equity securities up to an aggregate nominal amount of £1,689,811 (equivalent to approximately 6.8m Ordinary shares, or 10 per cent of the Company's existing issued share capital on the date of approval of this Report, as if Section 561 of the Act does not apply). This authority will also expire on the date of the next Annual General Meeting or on 31 December 2014, whichever is earlier. This authority will not be used in connection with a rights issue by the Company.

The Directors intend to use the authority given by Resolutions 11 and 12 to allot shares or sell shares from treasury and disapply pre-emption rights only in circumstances where this will be clearly beneficial to shareholders as a whole. The issue proceeds would be available for investment in line with the Company's investment policy. No issue of shares will be made which would effectively alter the control of the Company without the prior approval of shareholders in general meeting. It is the intention of the Board that any issue of shares or any re-sale of treasury shares would only take place at a price not less than 0.5% above the net asset value per share prevailing at the date of sale. It is also the intention of the Board that

sales from treasury would only take place when the Board believes that to do so would assist in the provision of liquidity to the market. The Directors recommend that shareholders vote in favour of Resolutions 11 and 12.

#### Share Repurchases

At the Annual General Meeting held on 23 October 2012, shareholders approved the renewal of the authority permitting the Company to repurchase its Ordinary shares.

The Directors wish to renew the authority given by shareholders at the previous Annual General Meeting. A share buy-back facility enhances shareholder value by acquiring shares at a discount to net asset value, as and when the Directors consider this to be appropriate. The purchase of shares, when they are trading at a discount to net asset value per share, should result in an increase in the net asset value per share for the remaining shareholders. This authority, if conferred, will only be exercised if to do so would result in an increase in the net asset value per share for the remaining shareholders and if it is in the best interests of shareholders generally. Any purchase of shares will be made within guidelines established from time to time by the Board. It is proposed to seek shareholder authority to renew this facility for another year at the Annual General Meeting.

Under the current Listing Rules, the maximum price that may be paid on the exercise of this authority must not exceed the higher of (i) 105% of the average of the middle market quotations for the shares over the five business days immediately preceding the date of purchase and (ii) the higher of the last independent trade and the highest current independent bid on the trading venue where the purchase is carried out. The minimum price which may be paid is 25p per share. Shares which are purchased under this authority will either be cancelled or held as treasury shares. Special Resolution No. 13 in the Notice of Annual General Meeting will renew the authority to purchase in the market a maximum of 14.99% of shares in issue at the date of signing this Report (amounting to 10,132,109 Ordinary shares). Such authority will expire on the date of the next Annual General Meeting, or on 31 December 2014, whichever is earlier. This means in effect that the authority will have to be renewed at the next Annual General Meeting, or earlier, if the authority has been exhausted. The Directors recommend that shareholders vote in favour of Resolution No. 13. No dividends may be paid on any shares held in treasury and no voting rights will attach to such shares. The benefit of the ability to hold treasury shares is that such shares may be resold. This should give the Company greater flexibility in managing its share capital, and improve liquidity in its shares.

#### Directors

The Directors, who held office during the year under review, are shown on pages 20 and 21 of the Annual Report (with

the exception of Ms Glen who retired on 23 October 2012), and their share interests are shown below.

The Articles of Association provide that Directors retire and are subject to election at the first Annual General Meeting following their appointment and thereafter must offer themselves for re-election at least once every three years. In order to meet the requirements of section B.7.1 of the UK Corporate Governance Code, all of the Directors of the Company will stand for re-election, except where they intend to retire from the Board at an Annual General Meeting. Mr van der Klugt will retire from the Board with effect from the conclusion of the next Annual General Meeting. Resolutions 4 to 8 inclusive, which relate to the re-election of each of the Directors, except for Mr van der Klugt, will therefore be proposed at the Annual General Meeting.

No contract or arrangement significant to the Company's business and in which any of the Directors is interested has subsisted during the year. The Directors' Remuneration Report may be found on pages 34 and 35.

#### Directors' Interests

The interests of the Directors in office in the Ordinary share capital of the Company, at 30 June 2013, were as shown below.

	At 30 June 2013 Ordinary shares	At 1 July 2012 Ordinary shares
P A F Gifford	37,473	34,410
D Cameron *	1,190	n/a
M Glen *	n/a	3,056
N A Honebon	20,000	20,000
H van der Klugt	7,500	7,500
J Park *	5,575	n/a
D E Woods	3,000	3,000

\* Ms Park was appointed on 2 July 2012 and Mr Cameron on 5 September 2012. Ms Glen retired on 23 October 2012.

Ms Park had a non-beneficial interest in 2,575 Ordinary shares which she held at the date of her appointment as a Director on 2 July 2012. Mr Gifford's interest in the Company's shares increased to 38,073 following the acquisition of 345 Ordinary shares on 15 July 2013, 127 Ordinary shares on 23 July 2013 and 128 Ordinary shares on 21 August 2013. As at the date of approval of this Report, there had been no other changes to the above holdings.

#### Directors' Insurance and Indemnities

The Directors have the benefit of the indemnity provision contained in the Company's Articles. The Directors of the Company have, during the year ended 30 June 2013, been granted a qualifying third party indemnity provision, which remains in force. Directors' and Officers' liability insurance

cover has been maintained throughout the year at the expense of the Company.

#### 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 2013, 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 in unit trusts, open ended and closed ended investment companies and investment trusts of which the Manager or another company within the Aberdeen Asset Management Group is the operator, manager or investment adviser, is deducted from net assets. The investment management fee is chargeable 50% to revenue and 50% to capital. 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 2013 are shown in notes 3 and 4 on page 43.

In monitoring the performance of the Manager, the Board considers the investment record of the Company over the short term and longer term, taking into account both its performance against the benchmark index and peer group investment trusts. 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 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.

#### Audit Committee

Details of the Audit Committee are contained in the Statement of Corporate Governance under the heading "Audit Committee" on pages 29 and 30.

# Directors' Report continued

## Corporate Governance

The Statement of Corporate Governance is contained on pages 27 to 32 and forms part of the Directors' Report.

## Political and Charitable Donations

The Company has not made any political or charitable donations in the year (2012 - nil).

## Environmental Matters and Social/Community Issues

As an externally managed investment company with no employees, the company has no policies in place in relation to environmental/social or community issues. However, the Company does operate a Socially Responsible Investment Policy as set out on page 32.

## Going Concern

In accordance with the Financial Reporting Council's guidance on Going Concern and Liquidity Risk issued in October 2009 the Directors have undertaken a rigorous review of the Company's ability to continue as a going concern. The Company's assets consist of a diverse portfolio of listed equity shares which in most circumstances are realisable within a very short timescale.

Borrowing facilities of £70 million are committed to the Company until 29 September 2013. The Company is in negotiation with its bankers in advance of renewal but at this stage has not received confirmation that the facility will be renewed. If acceptable terms are available from the existing bankers, or any alternative, the Company would expect to continue to access the facility. However, should these terms not be forthcoming, any outstanding borrowing would be repaid through the proceeds of equity sales.

The Directors are mindful of the principal risks and uncertainties disclosed on pages 3, 22 and 23 and have reviewed forecasts detailing revenue and liabilities and they believe that the Company has adequate financial resources to continue its operational existence for the foreseeable future and at least 12 months from the date of this Annual Report. Accordingly, the Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the Financial Statements.

## Annual General Meeting

The Annual General Meeting will be held on 25 October 2013. The Notice of Meeting may be found on pages 57 to 60.

## 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 (2012 - nil).

## Auditor

The auditor, Ernst & Young LLP, has expressed their willingness to continue in office. Resolution 9, to re-appoint Ernst & Young LLP as the Company's auditor, will be put to the forthcoming Annual General Meeting along with Resolution 10, to authorise the Directors to fix their remuneration. Non-audit fees of £2,000 were paid to the auditor during the year ended 30 June 2013 in relation to the preparation of corporation tax returns in the format prescribed by HMRC. 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 auditor is unaware, and each Director has taken all the reasonable 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 auditor is aware of that information.

## Additional Information

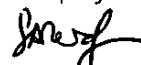
Where not provided elsewhere in the Directors' Report, the following provides the additional information required to be disclosed by Part 15 of the Companies Act 2006: There are no restrictions on the transfer of Ordinary shares in the Company other than certain restrictions which may from time to time be imposed by law (for example, insider trading law). The Company is not aware of any agreements between shareholders that may result in a restriction on the transfer of securities and/or voting rights. The rules governing the appointment of Directors are set out in the Statement of Corporate Governance on pages 27 to 32. The Company's Articles of Association may only be amended by a special resolution at a general meeting of shareholders.

The Company is not aware of any significant agreements to which it is a party that take effect, alter or terminate upon a change of control of the Company following a takeover. Other than the management and administration contracts with the Manager, further details of which are set out on pages 25 and 26, the Company is not aware of any contractual or other agreements essential to its business which ought to be disclosed in the Directors' Report.

## Company Registration Number

Registered in Scotland – Company Number SC012725

By order of the Board



Aberdeen Asset Management PLC

Secretary

7<sup>th</sup> Floor, 40 Princes Street

Edinburgh EH2 2BY

11 September 2013

# Statement of Corporate Governance

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## Introduction

The UK Listing Authority requires all listed companies to describe how they have complied with the principles of the UK Corporate Governance Code published in May 2010 (the "Governance Code"), which is available on the Financial Reporting Council's website: [www.frc.org.uk](http://www.frc.org.uk). The Governance Code covers in particular the annual re-election of Directors, Board diversity, external evaluation, the Board's responsibilities in relation to risk, and a clear explanation of business model and strategy.

The Association of Investment Companies ("AIC") published a Code of Corporate Governance ("AIC Code") and a Corporate Governance Guide for Investment Companies ("AIC Guide") in June 2010 which are available on the AIC's website: [www.theaic.co.uk](http://www.theaic.co.uk). The AIC Code, as explained by the AIC Guide, addresses all of the principles set out in Section 1 of the Governance Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to investment trusts.

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

In respect of the year ending 30 June 2014, the Board will report its corporate governance compliance against the new AIC Code of Corporate Governance for investment companies which was published in February 2013 and which is effective for financial years commencing on or after 1 October 2012. The February 2013 AIC Code incorporates changes made to the UK Corporate Governance Code in September 2012.

## Application of the Principles of the Codes

The Company has complied with the recommendations of the AIC Code and the relevant provisions of Section 1 of the Governance Code, except the Governance Code provisions relating to:

- The role of the chief executive (A.1.2)
- Executive directors' remuneration (D.2.1 and D.2.2)

For the reasons set out in the AIC Guide and in the preamble to the Governance Code, the Board considers these provisions are not relevant to the position of Murray Income Trust PLC, being an externally-managed investment company. The Company has, therefore, not reported further in respect of these provisions. 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.

## The Board

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 to annual budgeting and quarterly forecasting and variance analysis;
- Companies Act requirements, such as the approval of the half-yearly 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 Conduct Authority – approval of all circulars and listing particulars, and approval of all releases concerning matters decided by the Board.

The Board currently consists of six non-executive Directors, all of whom held office throughout the year under review with the exception of Ms Park, who was appointed a Director on 2 July 2012, Mr Cameron, who was appointed a Director on 5 September 2012 and Ms Glen, who retired from the Board on 23 October 2012. The names and biographies of all the current Directors appear on pages 20 and 21 of this Annual Report, and indicate their range of investment, industrial, commercial and professional experience.

The Board has assessed the independence of the Directors against the criteria set out in the Codes, and has concluded that they are all independent of the investment manager, Aberdeen Asset Managers Limited ("Aberdeen" 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.

Mr Gifford will, by the Annual General Meeting, have served as a Director for more than 13 years. The Governance Code states that, following appointment, the test of independence is not appropriate in relation to the Chairman. However, the

## Statement of Corporate Governance *continued*

AIC Code states that the test of independence continues to be appropriate and, consequently, the Board will follow the AIC Code. The Board takes the view that independence is not compromised by length of service on the Board, and that experience can add significantly to the Board's strength. The Board is, therefore, satisfied that Mr Gifford, as Chairman, continues to have the appropriate experience, knowledge and independence to remain in this role. As recommended by the Governance Code, Mr Gifford will stand for annual re-election.

The re-election of each of the Directors, whose biographies appear on pages 20 and 21, was considered and approved by the Nomination Committee. The continuing independent and objective judgement of the Directors was confirmed in the annual Board performance evaluation process. This consists of an appraisal of the Chairman of the Board as well as a performance evaluation of the Board as a whole and the Directors individually (including assessment of training requirements) to ensure that the Directors have devoted sufficient time and contributed adequately to the work of the Board and Committees, and to consider each Directors' independence. During the year ended 30 June 2011, the Board used an external consultant to carry out an evaluation of the Board's performance. The external consultant held individual meetings with each Director, with the consultant's report on the outcome being discussed with the Chairman of the Board and the Board as a whole. It is the Board's intention to use an external consultant to assist in the Board's performance evaluation at least every three years and, accordingly, the Board plans to repeat this exercise during the year to 30 June 2014. The Board and Committee have also reviewed the Chairman's and Directors' other commitments and are satisfied that the Chairman and other Directors are capable of devoting sufficient time to the Company and contribute to the effective running of the Company. The Board evaluation process also confirmed that the performance of the Directors standing for re-election continued to be effective and that they continued to demonstrate commitment in their roles.

The Chairman of the Company is a non-executive Director. Mr van der Klugt has been appointed Senior Independent Director ("SID"), to whom any concerns can be conveyed by the other Directors. Mr Honebon will be appointed SID following Mr van der Klugt's retirement at the AGM on 25 October 2013.

During the year ended 30 June 2013, the Board met four times. The meetings of the Management Engagement Committee held in June 2012 and July 2013 are not recorded in the table. Details of attendance by each of the Directors and Committee members at Board and Committee meetings are shown in the table. Between meetings, the Board maintains regular contact with the Manager. The primary

focus at regular Board meetings is the 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, Nomination and Remuneration Committee Meetings Attended
P A F Gifford	4/4	4/4
D A Cameron *	2/2	4/4
M Glen *	2/2	2/2
N A Honebon	4/4	4/4
J C Park *	4/4	4/4
H van der Klugt	4/4	4/4
D E Woods	4/4	4/4

\*Ms Park was appointed on 2 July 2012 and Mr Cameron on 5 September 2012. Ms Glen retired on 23 October 2012.

In order 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 report and discussion documents regarding specific matters. Directors have made further enquiries where necessary.

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; and
- 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.

The Board has a formal process for the consideration and authorisation by the Board of Directors' reported actual and potential conflicts of interest at each Board meeting, in accordance with the Company's Articles of Association and

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relevant legislation, each Director abstains from approval of their own position. Following the implementation of the Bribery Act 2010, the Board has adopted appropriate procedures designed to prevent bribery.

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 also been evaluated by his fellow Directors. The Board considers that none of his other commitments (set out on page 20 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 functions. 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 (which are available on the Company's website) 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;
- 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 and in accordance with the UK Corporate Governance Code;
- 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, diversity, 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, and did so in recruiting the two most recent Directors to have joined the Board. The terms of reference of the Nomination Committee state that the Committee must consider candidates on merit and against objective criteria and with due regard for the benefits of diversity on the Board, including gender. Lord Davies' review of gender diversity on the boards of listed companies was published in February 2011 and updated in April 2013. It made a number of recommendations, and concluded that quotas were not the preferred option and might indeed be counterproductive. Since 2006, women have comprised nearly 20% of the Board, and the Board is supportive of the principle of diversity. The Financial Reporting Council has recently conducted a consultation on whether further changes are needed to the Governance Code in order to help achieve more diverse boards, and the outcome of that review is awaited.

#### Audit Committee

An Audit Committee has been established and comprises all independent Directors including the Company Chairman. The Board considers it appropriate that the Company Chairman is a member of the Audit Committee, although he may not chair it, provided that he is considered by the Board to be independent, as is currently the case. Mr van der Klugt, a chartered accountant, is the Chairman of the Audit Committee. Ms Jean Park, a chartered accountant, will succeed Mr van der Klugt as Chairman of the Committee following his retirement at the AGM on 25 October 2013. 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 auditor, to be independent of the Company.

The matters considered by the Committee during the year included:

- the review of the effectiveness of the risk management systems and internal control environment of the Company – to assist in this the Committee received reports from the internal auditors of the Manager and external auditor on a regular basis;
- the review of the half-yearly and annual Financial Reports;
- the review of the terms of appointment of the auditor together with their remuneration, as well as the non-audit

## Statement of Corporate Governance continued

services provided by the auditor (if applicable). (During the year under review, fees amounting to £2,000 (2012 - £4,000) were paid to the auditor in respect of non-audit services. The Board will review any future fees in the light of the requirement to maintain the auditor's independence);

- the review of the scope and the results of the audit, its cost effectiveness and the independence and objectivity of the auditor, with particular regard to non-audit fees (it should be noted that the auditor, Ernst & Young LLP, rotate the partner responsible for the audit every five years);
- 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. The Committee annually reviews matters concerning the investment management agreement in place between the Company and Aberdeen Asset Managers Limited. Details of this agreement are shown on page 25.

**Remuneration Committee and Directors' Remuneration**  
Under the UK Listing Authority's Listing Rule 15.6.6, where an investment trust has only non-executive directors, the Governance 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 Mr van der Klugt. Mr Honebon will succeed Mr van der Klugt as Chairman of the Committee following his retirement at the AGM on 25 October 2013.

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 34 and 35. 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 the Companies Act provisions and in accordance with the existing Articles of Association. The Articles of Association provide that Directors retire and are subject to election at the first Annual General Meeting following their appointment and thereafter must offer themselves for re-election at least once every three years. However, in order to meet the requirements of section B.7.1 of the UK Corporate Governance Code, all of the Directors of the Company will stand for 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 often 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 the Company 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 make arrangements to attend and speak at general meetings.

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 wish to attend the Annual General Meeting are able to make arrangements with the administrator of the Savings Plan to do so, and to vote on a show of hands and speak at the meeting. As required by the Governance Code, the Annual Report is posted to shareholders at least twenty business days before the Annual General Meeting.

The Notice of Meeting on pages 57 to 60 sets out the business of the meeting and the resolutions are explained more fully in the Directors' Remuneration Report on pages 34 and 35 and the Directors' Report on pages 22 to 26.

Separate resolutions are proposed for each substantive issue. The Board is 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. The Company's website, from which the Company's reports and other publications can be downloaded, is [www.murray-income.co.uk](http://www.murray-income.co.uk).

### Substantial Interests

At 30 June 2013, the following interests in the issued Ordinary share capital of the Company have been disclosed in accordance with the requirements of the UK Listing Authority's Disclosure and Transparency Rules:

Shareholder	Number of shares held	% held
Aberdeen Asset Managers Limited Retail Plans	11,810,573	17.6
Speirs & Jeffrey	5,224,949	7.8
Rathbone Brothers	4,044,171	6.0
Brewin Dolphin	3,041,310	4.5
Alliance Trust Savings	2,993,559	4.5
AXA Framlington	2,112,867	3.2
Legal & General	2,096,677	3.1

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

### Accountability and Audit

The Directors' Statement of Responsibilities in respect of the Financial Statements is on page 33 and the Statement of Going Concern is included in the Directors' Report on page 26. The Independent Auditor's Report is on page 36.

### Internal Control

The design, implementation and maintenance of controls and procedures to safeguard the assets of the Company and to manage its affairs properly extends to operational and compliance controls and risk management. The Board has prepared its own risk register which identifies potential risks relating to strategy; investment management; shareholders; marketing; gearing; regulatory & financial obligations; third party service providers and the Board. The Board considers the potential cause and possible impact of these risks as well as reviewing the controls in place to mitigate these potential risks. A risk is rated as having a likelihood and an impact rating and the residual risk is plotted on a "heat map" which is reviewed regularly.

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 Financial Reporting Council's ('FRC') 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 continually reviews the Manager's operations;

## Statement of Corporate Governance continued

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- 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 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, provide sufficient assurance that a sound system of internal control, which safeguards shareholders' investment and the Company's assets, is maintained. An internal audit function, specific to the Company, is therefore considered unnecessary.

### Proxy Voting and Stewardship

The FRC published "the UK Stewardship Code" for institutional shareholders on 2 July 2010. The purpose of the UK Stewardship Code is to enhance the quality of engagement between institutional investors and companies to help improve long-term returns to shareholders and assist institutional investors with the efficient exercise of their governance responsibilities. The FRC is encouraging institutional investors to make a statement of their commitment to the Code.

The Board has delegated responsibility for actively monitoring the activities of portfolio companies to the Manager. The Board has reviewed and accepts the Manager's Corporate Governance Principles, which may be found on the Manager's website, at <http://www.aberdeen-asset.com/aam.nsf/AboutUs/governancestewardship>. These Principles set out the Manager's framework on corporate

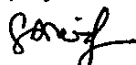
governance, proxy voting and shareholder engagement in relation to the companies in which the Manager has invested or is considering investing. The Board has also reviewed the Manager's Disclosure Response to the UK Stewardship Code, which appears on the Manager's website, at the web-address given above.

The Manager is responsible for reviewing, on a regular basis, the annual reports, circulars and other publications produced by the portfolio companies and for attending company meetings. The Manager, in the absence of explicit instruction from the Board, is empowered to use discretion in the exercise of the Company's voting rights.

The Board recognises and supports the Manager's policy of active engagement with investee companies and the voting of all of the shares held by the Company. The Board receives from the Manager regular reports on the exercise by the Manager of the Company's voting rights and discusses with the Manager any issues arising. It is the Board's view that having an active voting policy and a process for the monitoring by the Board of the Manager's exercise of those votes, especially in relation to controversial issues, aids the efficient exercise of the Company's governance responsibilities.

### Socially Responsible Investment Policy

The Directors are aware of their duty to act in the interests of the Company. As an investment trust, the Company has no direct social, environmental or community responsibilities. However, the Directors 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.



By order of the Board  
**Aberdeen Asset Management PLC**  
7<sup>th</sup> Floor, 40 Princes Street  
Edinburgh EH2 2BY  
11 September 2013

## Statement of Directors' Responsibilities

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

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

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

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

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

The Directors confirm that to the best of their knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company;
- the Chairman's Statement, Manager's Review and Business Review contained within the Report of the Directors (together constituting the Management Report) include a fair review of the development and performance of the business and the position of the Company together with a description of the principal risks and uncertainties that it faces; and
- the financial statements and the Directors' Report and Business Review include details on related party transactions.

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

**Humphrey van der Klugt**  
Chairman of the Audit Committee  
11 September 2013



# Directors' Remuneration Report

The Board has prepared this report, in accordance with the requirements of Section 421 of the Companies Act 2006. 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 auditor to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The auditor's opinion is included in their report on page 36.

## Remuneration Committee

The Company has, as at the date of this Report, six non-executive Directors, whose details are set out on pages 20 and 21. 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. 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. It is intended that this policy will continue for the year ending 30 June 2014 and subsequent years.

The Directors are remunerated in the form of fees payable 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 currently limit the aggregate fees payable to the Board of Directors to a total of £200,000 per annum.

During the year ended 30 June 2013, the Chairman received fees of £30,000 per annum, the Audit Committee Chairman received £24,000 per annum, and the other Directors received £20,000 per annum. The policy of the Board is to review the level of Directors' fees from time to time. During the year ended 30 June 2013, the Remuneration Committee carried out a review of the level of Directors' fees, and decided that the fees would be increased with effect from 1 July 2013, as follows: Chairman's fee - £33,000 (previously £30,000); Audit Committee Chairman's fee £27,000 (previously £24,000) and Directors' fees £22,000 (previously

£20,000). Prior to this, the fees were last increased with effect from 1 July 2010. The Directors' fees will be reviewed again during the year to 30 June 2014.

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 Directors retire and are subject to election at the first Annual General Meeting following their appointment and thereafter must offer themselves for re-election at least once every three years. However, in order to meet the requirements of section B.7.1 of the UK Corporate Governance Code, all of the Directors of the Company will stand for annual re-election. No compensation is payable for loss of office, save any arrears of fees which may be due.

## Company Performance

The graph below compares the total return (assuming all dividends are reinvested) to Ordinary shareholders, assuming a notional investment of £100 into the Company on 30 June 2008, 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 2005. It is also the index used for performance measurement purposes by most of the Company's peer group.

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### Directors' Emoluments for the Year (audited)

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

Director	Date of Appointment/ (Retirement)	Year ended 30 June 2013 £	Year ended 30 June 2012 £
P A F Gifford (Chairman)	26/7/1999	30,000	30,000
D Cameron	5/9/2012	16,444	n/a
M Glen	(23/10/2012)	6,667	20,000
N A Honebon	4/8/2005	20,000	20,000
J Park	2/7/2012	19,946	n/a
H van der Klugt	5/5/2004	24,000	24,000
D E Woods	15/12/2008	20,000	20,000
<b>Total</b>		<b>137,057</b>	<b>114,000</b>

No Director is entitled to receive any compensation for loss of office or non-cash benefits for the years ended 30 June 2013 or 30 June 2012.

### Approval

The Directors' Remuneration Report on pages 34 and 35 was approved by the Board of Directors on 11 September 2013 and signed on its behalf by:

Humphrey van der Klugt  
Director  
11 September 2013



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

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We have audited the Financial Statements of Murray Income Trust PLC for the year ended 30 June 2013 which comprise the Income Statement, Balance Sheet, Reconciliation of Movements in Shareholders' Funds, Cash Flow Statement and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 to the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of Directors and Auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 33, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Company's 2013 Annual Report and Accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2013 and of its profit for the year then ended;

- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

Under the Listing Rules we are required to review:

- the Directors' Statement, set out on page 26, in relation to going concern; and
- the part of the Statement of Corporate Governance relating to the Company's compliance with the nine provisions of the June 2010 UK Corporate Governance Code specified for our review; and
- certain elements of the report to the shareholders by the Board on Directors' remuneration.

  
Susan Dawe (Senior Statutory Auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
Edinburgh

11 September 2013

# Income Statement

	Notes	Year ended 30 June 2013			Year ended 30 June 2012		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on investments	9	–	58,679	58,679	–	(14,044)	(14,044)
Currency (losses)/gains		–	(45)	(45)	–	80	80
Income	2	23,566	–	23,566	22,688	–	22,688
Investment management fees	3	(1,238)	(1,238)	(2,476)	(1,112)	(1,112)	(2,224)
Administrative expenses	4	(1,030)	–	(1,030)	(981)	–	(981)
<b>Net return before finance costs and taxation</b>		<b>21,298</b>	<b>57,396</b>	<b>78,694</b>	<b>20,595</b>	<b>(15,076)</b>	<b>5,519</b>
Finance costs of borrowing	5	(363)	(363)	(726)	(460)	(460)	(920)
<b>Net return on ordinary activities before taxation</b>		<b>20,935</b>	<b>57,033</b>	<b>77,968</b>	<b>20,135</b>	<b>(15,536)</b>	<b>4,599</b>
Taxation on ordinary activities	7	(353)	–	(353)	(249)	–	(249)
<b>Net return on ordinary activities after taxation</b>		<b>20,582</b>	<b>57,033</b>	<b>77,615</b>	<b>19,886</b>	<b>(15,536)</b>	<b>4,350</b>
<b>Return per Ordinary share (pence)</b>	<b>8</b>	<b>31.1</b>	<b>86.3</b>	<b>117.4</b>	<b>30.6</b>	<b>(23.9)</b>	<b>6.7</b>

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.

		£'000	£'000	£'000	£'000	£'000	£'000
<b>Ordinary dividends on equity shares</b>	<b>6</b>	<b>21,543</b>	<b>–</b>	<b>21,543</b>	<b>18,604</b>	<b>–</b>	<b>18,604</b>

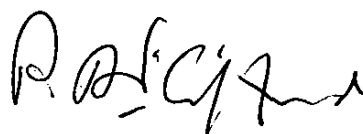
The above dividend information does not form part of the Income Statement.

# Balance Sheet

	Notes	As at 30 June 2013 £'000	As at 30 June 2012 £'000
<b>Non-current assets</b>			
Investments at fair value through profit or loss	9	517,619	443,355
<b>Current assets</b>			
Other debtors and receivables	10	3,445	3,115
Cash and short term deposits		12,539	19,867
		15,984	22,982
<b>Creditors: amounts falling due within one year</b>			
Other payables	11	(725)	(879)
Bank loans	11	(40,000)	(40,000)
<b>Net current liabilities</b>		<b>(24,741)</b>	<b>(17,897)</b>
<b>Net assets</b>		<b>492,878</b>	<b>425,458</b>
<b>Share capital and reserves</b>			
Called-up share capital	12	16,886	16,604
Share premium account		16,202	8,103
Capital redemption reserve		4,997	4,997
Capital reserve	13	427,762	367,762
Revenue reserve	13	27,031	27,992
<b>Total equity shareholders' funds</b>		<b>492,878</b>	<b>425,458</b>
<b>Net asset value per Ordinary share (pence)</b>	14	<b>734.6</b>	<b>649.6</b>

The financial statements were approved by the Board of Directors and authorised for issue on 11 September 2013 and were signed on its behalf by:

P A F Gifford  
Chairman



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

## Reconciliation of Movements in Shareholders' Funds

### For the year ended 30 June 2013

	Notes	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 1 July 2012		16,604	8,103	4,997	367,762	27,992	425,458
Return on ordinary activities after taxation		-	-	-	57,033	20,582	77,615
Issue of Ordinary shares		282	8,099	-	2,967	-	11,348
Dividends paid	6	-	-	-	-	(21,543)	(21,543)
<b>Balance at 30 June 2013</b>		<b>16,886</b>	<b>16,202</b>	<b>4,997</b>	<b>427,762</b>	<b>27,031</b>	<b>492,878</b>

### For the year ended 30 June 2012

	Notes	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 1 July 2011		16,604	7,955	4,997	378,140	26,710	434,406
Return on ordinary activities after taxation		-	-	-	(15,536)	19,886	4,350
Issue of Ordinary shares		-	148	-	5,158	-	5,306
Dividends paid	6	-	-	-	-	(18,604)	(18,604)
<b>Balance at 30 June 2012</b>		<b>16,604</b>	<b>8,103</b>	<b>4,997</b>	<b>367,762</b>	<b>27,992</b>	<b>425,458</b>

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

# Cash Flow Statement

	Notes	Year ended 30 June 2013		Year ended 30 June 2012	
		£'000	£'000	£'000	£'000
<b>Net cash inflow from operating activities</b>	15		18,541		18,888
<b>Servicing of finance</b>					
Interest paid			(725)		(976)
<b>Taxation</b>					
Net tax paid			(314)		(397)
<b>Financial investment</b>					
Purchases of investments		(44,450)		(68,224)	
Sales of investments		30,224		78,279	
<b>Net cash (outflow)/inflow from financial investment</b>			(14,226)		10,055
<b>Equity dividends paid</b>	6		(21,543)		(18,604)
<b>Net cash (outflow)/inflow before financing</b>			(18,267)		8,966
<b>Financing</b>					
Issue of Ordinary shares	12	10,984		5,306	
Drawdown of loan		–		5,000	
Repayment of loan		–		(5,000)	
<b>Net cash inflow from financing</b>			10,984		5,306
<b>(Decrease)/increase in cash</b>	16		(7,283)		14,272

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

# Notes to the Financial Statements For the year ended 30 June 2013

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## 1. Accounting policies

### (a) Basis of preparation

The financial statements have been prepared in accordance with the applicable UK Accounting Standards and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts'.

The financial statements have been prepared on a going concern basis. They have also been prepared on the assumption that approval as an investment trust will continue to be granted.

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

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 as a capital item in the Income Statement where a connection with the maintenance or enhancement of the value of the investments can be demonstrated. In this respect the investment management fee has been allocated 50% to revenue and 50% to capital to reflect the Company's investment policy and prospective income and capital growth.

### (d) Taxation

The tax payable is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the Income Statement because it excludes items of income or expenditure that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The tax effect of different items of income/gain and expenditure/loss is allocated between the capital and revenue accounts on the same basis as the particular item to which it relates using the Company's effective rate of tax for the year.

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 taxable 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.

## Notes to the Financial Statements *continued*

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**(e) Valuation of investments**

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

**(f) Cash and cash equivalents**

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

**(g) Borrowings**

Interest-bearing bank loans and overdrafts are initially recognised at cost, being the fair value of the consideration received, net of any issue expenses. Subsequently, they continue to be valued at fair value, which is determined by aggregating the expected future cash flows for that loan or overdraft at a rate comprising the borrower's margin plus an average of market rates applicable to loans or overdrafts of a similar period of time and currency. Finance charges are accounted for on an accruals basis using the effective interest rate method and are charged 50% to revenue and 50% to capital to reflect the Company's investment policy and prospective income and capital growth.

**(h) Traded options**

The Company may enter into certain derivatives (eg options) to gain exposure to the market. The option contracts are accounted for as separate derivative contracts and are therefore shown in other assets or other liabilities at their fair value ie market value. The premium received on the open position is recognised in the revenue column of the Income Statement. Where the option is written for the maintenance or enhancement of the Company's investments then the change in fair value is recognised in the capital column of the Income Statement.

**(i) Segmental reporting**

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

**(j) Treasury shares**

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

**(k) Dividends payable**

Dividends are recognised in the financial statements in the period in which they are paid.

	2013 £'000	2012 £'000
<b>2. Income</b>		
<b>Income from investments</b>		
UK dividends (all listed)	16,231	17,472
Overseas dividends (all listed)	4,405	2,427
Bond interest	–	60
Stock dividends	1,359	741
	<b>21,995</b>	<b>20,700</b>
<b>Other income</b>		
Deposit interest	23	48
Traded option premiums	1,548	1,940
	<b>1,571</b>	<b>1,988</b>
<b>Total income</b>	<b>23,566</b>	<b>22,688</b>

During the year, the Company received premiums totalling £1,548,000 (2012 – £1,940,000) in exchange for entering into derivative transactions. At the year end there was 1 open position (2012 – 16), valued at a liability position of £51,000 (2012 – £223,000) and securities held by the Company with a value of £2,549,000 (2012 – £2,954,000) were pledged as collateral against this.

	2013			2012		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
<b>3. Investment management fees</b>						
Investment management fees	1,238	1,238	2,476	1,112	1,112	2,224

Details of the fee basis are contained in the Directors' Report on page 25. There was £446,000 (2012 – £439,000) due to Aberdeen Asset Managers Limited in respect of these investment management services at the year end.

	2013 £'000	2012 £'000
<b>4. Administrative expenses</b>		
Shareholders' services <sup>A</sup>	523	488
Directors' remuneration	137	114
Secretarial fees	91	90
Auditor's remuneration		
· fees payable to the Company's auditor for the audit of the Company's annual accounts	20	19
· fees payable to the Company's auditor and its associates for iXBRL tagging services	2	4
Other expenses	257	266
	<b>1,030</b>	<b>981</b>

<sup>A</sup> Includes registration, savings scheme and other wrapper administration and promotion expenses, of which £434,000 (2012 – £390,000) was paid to Aberdeen Asset Managers Limited (AAM) to cover marketing activities during the year. There was £106,000 (2012 – £83,000) due to AAM in respect of these marketing activities at the year end.

All of the expenses above, with the exception of Auditor's remuneration, include irrecoverable VAT where applicable. For the Auditor's remuneration this amounted to £4,000 (2012 – £4,000). The prior year expenses have been restated to take account of irrecoverable VAT, though the overall total value remains unchanged.

## Notes to the Financial Statements continued

5. Finance costs of borrowing	2013			2012		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Bank loans and overdrafts	363	363	726	460	460	920

6. Ordinary dividends on equity shares	2013	2012
	£'000	£'000
Third interim 2012 of 5.50p (2011 – 5.50p)	3,602	3,558
Final 2012 of 13.25p (2011 – 12.25p)	8,679	7,924
First interim 2013 of 7.00p (2012 – 5.50p)	4,624	3,558
Second interim 2013 of 7.00p (2012 – 5.50p)	4,638	3,574
Return of unclaimed dividends	–	(10)
	<b>21,543</b>	<b>18,604</b>

The third interim and proposed final dividends for 2013 have not been included as a liability in these financial statements as they were not payable until after the Balance Sheet date. The proposed final dividend for 2013 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 1158–1159 of the Corporation Tax Act 2010 are considered. The revenue available for distribution by way of dividend for the year is £20,582,000 (2012 – £19,886,000).

	2013 £'000	2012 £'000
Three interim dividends of 7.00p each (2012 – 5.50p)	13,938	10,734
Proposed final dividend of 9.75p (2012 – 13.25p)	6,590	8,679
	<b>20,528</b>	<b>19,413</b>

Subsequent to the year end the Company has issued a further 500,000 Ordinary shares; therefore the amount reflected above for the cost of the proposed final dividend for 2013 is based on 67,592,458 Ordinary shares, being the number of Ordinary shares in issue at the date of this Report.

7. Taxation	2013			2012		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(a) Analysis of charge for the year						
Overseas tax suffered	541	–	541	400	–	400
Overseas tax reclaimable	(188)	–	(188)	(151)	–	(151)
<b>Current tax charge for the year</b>	<b>353</b>	<b>–</b>	<b>353</b>	<b>249</b>	<b>–</b>	<b>249</b>

(b) Factors affecting the tax charge for the year

The tax assessed for the year is lower than the effective rate of corporation tax rate of 23.75% (2012 – 25.5%). The differences are explained as follows:

	Revenue £'000	2013 Capital £'000	Total £'000	Revenue £'000	2012 Capital £'000	Total £'000
Net profit on ordinary activities before taxation	20,935	57,033	77,968	20,135	(15,536)	4,599
Return on ordinary activities multiplied by the effective rate of corporation tax of 23.75% (2012 – 25.5%)	4,972	13,545	18,517	5,134	(3,962)	1,172
Effects of:						
Non-taxable UK dividends	(3,855)	–	(3,855)	(4,382)	–	(4,382)
Non-taxable stock dividends	(323)	–	(323)	(189)	–	(189)
Non-taxable overseas dividends	(985)	–	(985)	(619)	–	(619)
Movement in income accruals taxable on receipt	–	–	–	6	–	6
Movement in unutilised loan relationships	167	86	253	97	117	214
Movement in unutilised management expenses	24	295	319	–	236	236
Tax relief from expenses charged to capital	–	–	–	(47)	47	–
Other capital returns	–	(13,926)	(13,926)	–	3,562	3,562
Overseas tax irrecoverable	353	–	353	249	–	249
<b>Current tax charge</b>	<b>353</b>	<b>–</b>	<b>353</b>	<b>249</b>	<b>–</b>	<b>249</b>

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

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

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

At the year end, the Company has, for taxation purposes only, accumulated unrelieved management expenses and loan relationship deficits of £50,914,000 (2012 – £48,506,000). A deferred tax asset in respect of this has not been recognised and these expenses will only be utilised if the Company has profits chargeable to corporation tax in the future. It is considered too uncertain that the Company will generate such profits and therefore no deferred tax asset has been recognised.

8. <b>Return per Ordinary share</b>	2013		2012	
	£'000	p	£'000	p
Returns are based on the following figures:				
Revenue return	20,582	31.1	19,886	30.6
Capital return	57,033	86.3	(15,536)	(23.9)
<b>Total return</b>	<b>77,615</b>	<b>117.4</b>	<b>4,350</b>	<b>6.7</b>
<b>Weighted average number of Ordinary shares in issue</b>		<b>66,081,926</b>		<b>64,937,245</b>

## Notes to the Financial Statements continued

9. Investments	2013 £'000	2012 £'000
<b>Held at fair value through profit or loss:</b>		
Opening valuation	443,355	466,713
Opening investment holdings gains	(83,546)	(109,319)
<b>Opening book cost</b>	<b>359,809</b>	<b>357,394</b>
Movements during the year:		
Purchases at cost	45,809	68,965
Sales – proceeds	(30,224)	(78,279)
Sales – gains	9,509	11,729
<b>Closing book cost</b>	<b>384,903</b>	<b>359,809</b>
Closing investment holdings gains	132,716	83,546
<b>Closing valuation</b>	<b>517,619</b>	<b>443,355</b>

The portfolio valuation:	2013 £'000	2012 £'000
UK equities	438,444	392,431
Overseas equities	79,175	50,924
<b>Total</b>	<b>517,619</b>	<b>443,355</b>

Gains/(losses) on investments	2013 £'000	2012 £'000
Gains based on book cost	9,509	11,729
Net movement in investment holdings gains	49,170	(25,773)
	<b>58,679</b>	<b>(14,044)</b>

As at 30 June 2013, the Company had pledged collateral greater than the market value of the traded options in accordance with standard commercial practice. The carrying amount of financial assets pledged equated to £2,549,000 (2012 – £2,954,000), all in the form of securities. The collateral position is monitored on a daily basis, which then determines if further assets are required to be pledged over and above those already pledged.

### Transaction costs

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

	2013 £'000	2012 £'000
Purchases	148	183
Sales	31	76
	<b>179</b>	<b>259</b>

10. Other debtors and receivables	2013 £'000	2012 £'000
Prepayments and accrued income	3,445	3,115

	2013 £'000	2012 £'000
<b>11. Creditors: amounts falling due within one year</b>		
Accruals	674	656
Amounts due on derivative contracts	51	223
Bank loans	40,000	40,000
	<b>40,725</b>	<b>40,879</b>

Accruals include £453,000 (2012 – £445,000) of management fees and secretarial fees due to Aberdeen Asset Managers Limited, the Investment Manager and 1 (2012 – 16) open option position having a value of £51,000 (2012 – £223,000).

At 30 June 2013 the Company had drawn down £40,000,000 (30 June 2012 – £40,000,000) of a £70,000,000 unsecured revolving bank credit facility with Scotiabank (Ireland) Limited. Under the terms of the agreement, advances from the facility may be made for periods of up to six months or for such longer periods agreed by the lender. Interest is charged at a variable rate based on LIBOR plus a margin of 1.15% for the relevant period of the advance. As at 30 June 2013 this rate was 1.64313% (30 June 2012 – 1.76600%) and the loan rolled over on 31 July 2013 and on 31 August 2013.

On 11 September 2013 the Company had drawn down £40,000,000 of the facility, at an all-in interest rate of 1.64188% until maturity on 27 September 2013. Borrowing facilities of £70 million are committed to the Company until 29 September 2013. The Company is in negotiation with its bankers in advance of renewal but at this stage has not received confirmation that the facility will be renewed. If acceptable terms are available from the existing bankers, or any alternative, the Company would expect to continue to access the facility. However, should these terms not be forthcoming, any outstanding borrowing would be repaid through the proceeds of equity sales.

Financial covenants contained within the loan agreement provide, inter alia, that the Adjusted Asset Coverage must exceed 3.5 to 1 and that net assets must exceed £185 million. All financial covenants were met during the year and also during the period from the year end to the date of this report.

	2013		2012	
	Shares	£'000	Shares	£'000
<b>12. Called-up share capital</b>				
<b>Allotted, called-up and fully-paid</b>				
Ordinary shares of 25p each: publicly held	67,092,458	16,773	65,499,458	16,375
Ordinary shares of 25p each: held in treasury	451,000	113	917,000	229
	<b>67,543,458</b>	<b>16,886</b>	<b>66,416,458</b>	<b>16,604</b>

During the year there were no Ordinary shares repurchased (2012 – nil), 466,000 Ordinary shares were sold from the Treasury account (2012 – 810,000) and 1,127,000 (2012 – nil) new shares were allotted. All of these shares were sold at a premium to net asset value. The issue prices ranged from 654.5p to 799.0p and raised £11,348,000 (2012 – £5,306,000) net of expenses.

	2013 £'000	2012 £'000
<b>13. Retained earnings</b>		
<b>Capital reserve</b>		
At 1 July 2012	367,762	378,140
Movement in investment holding gains	49,170	(25,773)
Gains on realisation of investments at fair value	9,509	11,729
Currency (losses)/gains	(45)	80
Finance costs of bank loan	(363)	(460)
Investment management fees	(1,238)	(1,112)
Issue of Ordinary shares	2,967	5,158
<b>At 30 June 2013</b>	<b>427,762</b>	<b>367,762</b>

## Notes to the Financial Statements continued

### Revenue reserve

	2013 £'000	2012 £'000
At 1 July 2012	27,992	26,710
Revenue	20,582	19,886
Dividends paid	(21,543)	(18,604)
<b>At 30 June 2013</b>	<b>27,031</b>	<b>27,992</b>

### 14. Net asset value per share

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

	2013	2012
Net asset value attributable (£'000)	492,878	425,458
Number of Ordinary shares in issue (note 12)	67,092,458	65,499,458
Net asset value per share (p)	734.6	649.6

### 15. Reconciliation of net return before finance costs and taxation to net cash inflow from operating activities

	2013 £'000	2012 £'000
Net return before finance costs and taxation	78,694	5,519
Adjustments for:		
(Gains)/losses on investments	(58,679)	14,044
Currency losses/(gains)	45	(80)
Non cash stock dividend	(1,359)	(741)
(Increase)/decrease in accrued income	(81)	148
Decrease/(increase) in other debtors	77	(10)
(Decrease)/increase in accruals	(156)	8
<b>Net cash inflow from operating activities</b>	<b>18,541</b>	<b>18,888</b>

	At 1 July 2012 £'000	Cash flows £'000	Currency losses £'000	At 30 June 2013 £'000
<b>16. Analysis of changes in net debt</b>				
<b>Net cash:</b>				
Cash	19,867	(7,283)	(45)	12,539
<b>Debt:</b>				
Debt due within one year	(40,000)	–	–	(40,000)
<b>Net debt</b>	<b>(20,133)</b>	<b>(7,283)</b>	<b>(45)</b>	<b>(27,461)</b>

### 17. 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 enhancing portfolio returns and for hedging purposes in a manner consistent with the Company's broader investment policy.

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

In order to mitigate risk, the investment strategy is to select investments for their fundamental value. Stock selection is therefore based on disciplined accounting, market and sector analysis. It is the Board's policy to hold an appropriate spread of investments in the portfolio in order to reduce the risk arising from factors specific to a particular sector. The Attribution Analysis, detailing the allocation of assets and the stock selection, is shown in the Performance Attribution table on page 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 pages 4 and 5 in the sections headed "Performance", "Dividends" and "Outlook" and in the Investment Manager's Review on pages 6 to 9 in the sections headed "Background", "Performance", "Portfolio Activity", "Structure", "Income" and "Outlook".

The Board has agreed the parameters for gearing, which was 5.6% of net assets as at 30 June 2013 (2012 – 4.7%). The Manager's policies for managing these risks are summarised below and have been applied throughout the current and previous year. The numerical disclosures in the table listed below exclude short-term debtors and creditors.

#### **Market risk**

The Company's investment portfolio is exposed to market price fluctuations, which are monitored by the Manager in pursuance of the investment objective as set out in the Corporate Summary on pages 2 and 3. Adherence to investment guidelines and to investment and borrowing powers set out in the management agreement mitigates the risk of exposure to any particular security or issuer. Further information on the investment portfolio is set out in the Investment Manager's Review on pages 6 to 9.

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 16 and an analysis of the equity portfolio by industrial classification is on pages 14 and 15.

#### **Interest rate risk**

Interest rate movements may affect:

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

The possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account when making investment and borrowing decisions.

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

#### **Financial assets**

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

## Notes to the Financial Statements continued

	Floating rate		Non-interest bearing	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Euro	142	610	41,809	26,789
Sterling	12,380	19,160	438,444	392,431
Swedish Krona	–	–	11,585	4,199
Swiss Francs	17	97	25,781	19,936
<b>Total</b>	<b>12,539</b>	<b>19,867</b>	<b>517,619</b>	<b>443,355</b>

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

The non-interest bearing assets represent the equity element of the portfolio.

### Financial liabilities

The Company has borrowings by way of a loan facility, details of which are in note 11. The fair value of this loan has been calculated at £40,000,000 as at 30 June 2013 (2012 – £40,000,000). The fair value of the loan equates to the cost as the loans are rolled over on a regular basis.

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

### Maturity profile

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

	Within 1 year 2013 £'000	Within 1 year 2012 £'000
<b>Assets</b>		
<b>Floating rate</b>		
Cash	12,539	19,867
<b>Liabilities</b>		
<b>Floating rate</b>		
Revolving bank credit facility	40,000	40,000

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

### Interest rate sensitivity

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

If interest rates had been 100 basis points higher or lower and all other variables were held constant, the Company's profit before tax for the year ended 30 June 2013 and net assets would decrease/increase by £275,000 (2012 – decrease/increase by £201,000). This is mainly attributable to the Company's exposure to interest rates on its floating rate cash balances and borrowings.

### Foreign currency risk

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

The revenue account is subject to currency fluctuations arising on dividends receivable in foreign currencies and, indirectly, due to the impact of foreign exchange rates upon the profits of investee companies. The Company does not hedge this currency risk.

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

	30 June 2013			30 June 2012		
	Investments	Net monetary liabilities	Total currency exposure	Investments	Net monetary liabilities	Total currency exposure
	£'000	£'000	£'000	£'000	£'000	£'000
Euro	41,809	142	41,951	26,789	610	27,399
Sterling	438,444	(27,620)	410,824	392,431	(20,840)	371,591
Swedish Krona	11,585	–	11,585	4,199	–	4,199
Swiss Francs	25,781	17	25,798	19,936	97	20,033
<b>Total</b>	<b>517,619</b>	<b>(27,461)</b>	<b>490,158</b>	<b>443,355</b>	<b>(20,133)</b>	<b>423,222</b>

### Foreign currency sensitivity

No sensitivity analysis has been included. Where the Company's equity investments (which are non-monetary items) are priced in a foreign currency, they have been included within the other price risk sensitivity analysis so as to show the overall level of exposure.

### Other price risk

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

It is the Board's policy to hold an appropriate spread of investments in the portfolio in order to reduce the risk arising from factors specific to a particular country or sector. The allocation of assets to international markets and the stock selection process, as detailed in the section "Investment Policy" on page 2, both act to reduce market risk. The Manager actively monitors market prices throughout the year and reports to the Board, which meets regularly in order to review investment strategy.

### Other price risk sensitivity

If market prices at the Balance Sheet date had been 10% higher or lower while all other variables remained constant, the return attributable to Ordinary shareholders and equity for the year ended 30 June 2013 would have increased/decreased by £51,761,000 (2012 – £44,336,000).

### 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.

As at 30 June 2013 the Company utilised £40,000,000 of a £70,000,000 (2012 – £40,000,000) revolving bank credit facility, which is committed until 29 September 2013. Interest is charged at a variable rate based on LIBOR plus a margin of 1.15% (2012 – margin 1.15%) for the relevant period of the advance. As at 30 June 2013 this rate was 1.64313% (2012 – 1.76600%) and the loan rolled over on 31 July 2013 (2012 – matured on 31 July 2012). The aggregate of all future interest payments at the rate ruling at 30 June 2013 and the redemption of the loan amounted to £40,059,000 (2012 – £40,062,000).

## Notes to the Financial Statements *continued*

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### **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 Manager 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 its performance is reviewed by the Board on a regular basis. It is the Manager's policy to trade only with A- and above (Long Term rated) and A-1/P-1 (Short Term rated) counterparties. The maximum credit risk at 30 June 2013 is £15,387,000 (30 June 2012 – £22,626,000) consisting of £2,848,000 (2012 – £2,759,000) of dividends receivable from equity shares and £12,539,000 (2012 – £19,867,000) in cash held.

None of the Company's financial assets are past due or impaired (2012 – £nil).

### **Capital management policies and procedures**

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

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

The Board monitors and reviews the broad structure of the Company's capital on an ongoing basis. This review includes:

- the planned level of gearing which takes into account the Investment Manager's views on the market;
- the level of equity shares in issue;
- the extent to which revenue in excess of that which is required to be distributed should be retained.

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

At the year end financial covenants contained within the loan agreement provide, inter alia, that the Adjusted Asset Coverage must exceed 3.5 to 1 and that the net assets must exceed £185 million. At 30 June 2013 net gearing was 5.6% (2012 – 4.7%) and the net assets were £492.9 million (2012 – £425.5 million).

### **18. Fair value hierarchy**

FRS 29 'Financial Instruments: Disclosures' requires an entity to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy shall have the following levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (ie as prices) or indirectly (ie derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The financial assets and liabilities measured at fair value in the Balance Sheet are grouped into the fair value hierarchy at the Balance Sheet date as follows:

**For the year ended 30 June 2013**

	Note	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Financial assets at fair value through profit or loss</b>					
Quoted equities	a)	517,619	–	–	517,619
<b>Financial liabilities at fair value through profit or loss</b>					
Derivatives	b)	(51)	–	–	(51)
<b>Net fair value</b>		<b>517,568</b>	<b>–</b>	<b>–</b>	<b>517,568</b>

**For the year ended 30 June 2012**

	Note	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Financial assets at fair value through profit or loss</b>					
Quoted equities	a)	443,355	–	–	443,355
<b>Financial liabilities at fair value through profit or loss</b>					
Derivatives	b)	(147)	(76)	–	(223)
<b>Net fair value</b>		<b>443,208</b>	<b>(76)</b>	<b>–</b>	<b>443,132</b>

**a) Quoted equities**

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

**b) Derivatives**

The fair value of the Company's investments in exchange traded options has been determined using quoted prices on an exchange traded basis and therefore have been classed as Level 1.

The fair value of the Company's investments in over-the-counter options has been determined using observable market inputs other than quoted prices and are therefore included within Level 2.

**19. Related party disclosure**

The Directors of the Company received fees for their services. Further details are provided in the Directors' Remuneration Report on pages 34 and 35. The Directors' shareholdings in the Company are disclosed on pages 20 and 21 and on page 25.

# How to Invest in Murray Income Trust PLC

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## Direct

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

## Available to Retail Investors

The Company's shares are designed for private investors in the UK (including retail investors), professional-advised private clients and institutional investors who seek a high and growing income combined with capital growth through investment in a portfolio principally of UK equities. We recommend that private investors seek Financial Advice prior to making an investment decision. Investors should be capable of evaluating the risks and merits of such an investment and should have sufficient resources to bear any loss that may result.

## Aberdeen's Investment Plan for Children

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

## Aberdeen's Investment Trust Share Plan

AAM runs a Share Plan (the "Plan") through which shares in Murray Income Trust PLC 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.

## Aberdeen Investment Trust ISA

An investment of up to £11,520 in Murray Income Trust PLC can be made through the Aberdeen Investment Trust ISA in the tax year 2013/2014.

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

## ISA Transfer

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

## Note

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

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

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

## Literature Request Service

For literature and application forms for AAM's investment trust products, go online at [www.invtrusts.co.uk](http://www.invtrusts.co.uk) or please contact:

Telephone: 0500 00 40 00  
Email: [aam@lit-request.com](mailto:aam@lit-request.com)

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### **Keeping You Informed**

The Company's share price appears under the heading 'Investment Companies' in the Financial Times and in The Herald and The Scotsman.

For internet users, detailed data on the Company, including price, performance information and a monthly fact sheet is available from the Trust's website ([www.murray-income.co.uk](http://www.murray-income.co.uk)) and the TrustNet website ([www.trustnet.co.uk](http://www.trustnet.co.uk)). Alternatively, you can call 0500 00 00 40 for trust information.

### **Contact Us**

For information on Murray Income Trust PLC and for any administrative queries relating to the Investment Plan for Children, Share Plan, ISA or ISA Transfer, please contact:

Aberdeen Investment Trusts  
PO Box 11020  
Chelmsford  
Essex  
CM99 2DB  
Telephone: 0500 00 00 40

Alternatively, if you have an administrative query relating to a certificated holding, please contact the Registrar, as follows:

### **Registrar**

Capita Registrars  
The Registry  
34 Beckenham Road  
Beckenham  
Kent  
BR3 4TU

Tel: 0871 664 0300  
(Calls cost 10p per minute plus network extras)  
Tel International: (+44 208 639 3399)

e-mail [ssd@capitaregistrars.com](mailto:ssd@capitaregistrars.com)  
website [www.capitaregistrars.com](http://www.capitaregistrars.com)

The above information is issued by Aberdeen Asset Managers Limited which is authorised and regulated by the Financial Conduct Authority in the UK.

# Glossary of Terms and Definitions

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## **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.

## **Call Option**

An option contract which gives the buyer the right, but not the obligation, to purchase a specified amount of an asset at the strike price by a future specified date.

## **Put Option**

An option contract which gives the buyer the right, but not the obligation, to sell a specified amount of an asset at the strike price by a future specified date.

## **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.

## **Net Asset Value**

The value of total assets less liabilities. Liabilities for this purpose included current and long-term liabilities. The net asset value divided by the number of shares in issue produces the net asset value per share.

## **Net Gearing/Cash**

Net gearing/cash is calculated by dividing total borrowings less cash or cash equivalents, by shareholders' funds expressed as a percentage.

## **Ongoing charges**

Ratio of expenses as percentage of average daily shareholders' funds calculated as per the AIC's industry standard method.

## **Premium**

The amount by which the market price per share of an investment trust exceeds the net asset value per share. The premium is normally expressed as a percentage of the net asset value per share.

## **Price/Earnings Ratio**

The ratio is calculated by dividing the middle-market price per share by the earnings per share. The calculation assumes no change in earnings but in practice the multiple reflects the stock market's view of a company's prospects and profit growth potential.

## **Prior Charges**

The name given to all borrowings including debentures, loan and short term loans and overdrafts that are to be used for investment purposes, reciprocal foreign currency loans, currency facilities to the extent that they are drawn down, index-linked securities, and all types of preference or preferred capital and the income shares of split capital trusts, irrespective of the time until repayment.

## **Total Assets**

Total Assets as per the balance sheet less current liabilities (before deducting prior charges as defined above).

## **Total Return**

Total Return involves reinvesting the net dividend in the month that the share price goes up. The NAV Total Return involves investing the same net dividend in the NAV of the trust on the date to which that dividend was earned, eg quarter end, half year or year end date.

## **Voting Rights**

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

# Notice of Annual General Meeting

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NOTICE IS HEREBY GIVEN that the ninetieth Annual General Meeting of Murray Income Trust PLC will be held at 12.30 pm on Friday 25 October 2013 at the Capital Suite, The London Chamber of Commerce and Industry, 33 Queen Street, London, EC4R 1AP for the purpose of considering and if thought fit passing the following resolutions, of which Resolutions 1 to 11 inclusive will be proposed as Ordinary Resolutions and Resolutions 12 and 13 will be proposed as Special Resolutions:-

1. To receive the Directors' Report, the Report of the Auditor and the audited statement of accounts for the year ended 30 June 2013.
2. To approve the Directors' Remuneration Report for the year ended 30 June 2013.
3. To declare a final dividend of 9.75p per Ordinary share.
4. To re-elect Mr P Gifford\* as a Director of the Company.
5. To re-elect Mr N Honebon\* as a Director of the Company.
6. To re-elect Mr D Woods\* as a Director of the Company.
7. To re-elect Ms J Park\* as a Director of the Company.
8. To re-elect Mr D Cameron\* as a Director of the Company.
9. To re-appoint Ernst & Young LLP as auditor of the Company.
10. To authorise the Directors to fix the remuneration of Ernst & Young LLP as auditor of the Company.

11. 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 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot Ordinary shares of 25p each in the capital of the Company ("shares") up to an aggregate nominal amount of £844,905 (representing 5 per cent. of the total Ordinary shares in issue on 11 September 2013 (excluding treasury shares)) during the period expiring on the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or on 31 December 2014, whichever is the earlier, but so that this authority shall allow the Company to make offers or agreements before the expiry of this authority which would or might require shares to be allotted after such expiry and the Directors shall be entitled to allot shares in pursuance of such an offer or agreement as if such authority had not expired.

12. Disapplication of pre-emption rights

THAT, subject to the passing of Resolution 11 proposed at the Annual General Meeting of the Company convened for 25 October 2013, and in substitution for all existing powers, the Directors be and are hereby empowered, pursuant to Section 570 of the Companies Act 2006 (the "Act"), to allot equity securities (as defined in Section 560(1) of the Act) for cash pursuant to the authority given in accordance with Section 551 of the Act by Resolution 11 or otherwise as if Section 561 of the Act did not apply to any such allotment and to sell or transfer equity securities if, immediately before the sale or transfer, such equity securities are held by the Company as treasury shares (as defined in Section 724(5) of the Act) as if Section 561 of the Act did not apply to any such sale or transfer, provided that this power:

- a) expires at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or on 31 December 2014, whichever is the earlier, but so that this power shall enable the Company to make offers or agreements which would or might require equity securities to be allotted or treasury shares to be sold or transferred after the expiry of this power and the Directors may allot equity securities or sell or transfer treasury shares in pursuance of any such offers or agreements as if this power had not expired;
- b) shall be limited to the allotment of equity securities up to an aggregate nominal amount of £1,689,811 (representing 10 per cent. of the total Ordinary shares in issue on 11 September 2013); and
- c) shall be limited in respect of the issue of shares or the sale of equity securities from treasury in the circumstances as detailed in the section headed "Issue of New Shares and Sale of Treasury Shares" in the Directors' Report on page 24 of the Annual Report of the Company for the year ended 30 June 2013 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).

13. 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 701 of the Companies Act 2006 (the "Act") to make market purchases (within the meaning of

## Notice of Annual General Meeting *continued*

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Section 693(4) of the Act) of Ordinary shares of 25p each in the capital of the Company ("shares"):

**PROVIDED ALWAYS THAT:**

- a) the maximum number of shares hereby authorised to be purchased shall be an aggregate of 10,132,109 Ordinary shares or, if less, the number representing 14.99 per cent. of the total Ordinary shares in issue as at the date of passing this resolution (excluding treasury shares);
- b) the minimum price which may be paid for each share shall be 25p;
- c) the maximum price (exclusive of expenses) which may be paid for a share is the higher of (i) 5 per cent. above the average of the middle market quotations for a share taken from, and calculated by reference to, the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the share is purchased; 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) the authority hereby conferred shall expire on 31 December 2014 or, if earlier, at the conclusion of the next Annual General Meeting of the Company unless such authority is previously varied, revoked or renewed prior to such time;
- e) the Company may enter into a contract to purchase shares under the authority hereby conferred prior to the expiry of such authority and may purchase shares pursuant to any such contract notwithstanding such expiry above.

\* The biographies of the Directors offering themselves for election or re-election are detailed on pages 20 and 21 of the Annual Report.

By order of the Board

  
**Aberdeen Asset Management PLC**

Secretary

7<sup>th</sup> Floor, 40 Princes Street

Edinburgh EH2 2BY

11 September 2013

**Notes:**

- (i) A member entitled to attend and vote is entitled to appoint one or more proxies to attend, speak and vote instead of him/her at the meeting. A proxy need not be a member of the Company. A member may appoint more than one proxy, provided that each proxy is appointed to attend, speak and vote in respect of a different share or shares. If you wish your proxy to speak on your behalf at the meeting, you will need to appoint your own choice of proxy (not the chairman of the meeting) and give instructions directly to them. A reply-paid form of proxy which may be used to make such appointment and give proxy instructions is enclosed. If you do not have a proxy form and believe that you should, or you would like to appoint more than one proxy, please contact the Company's Registrar, Capita Registrars, on 0871 664 0300 (Calls cost 10p per minute plus network extras, lines are open 8.30am-5.30pm Mon-Fri). In the case of joint holders, the vote of the first named in the register of members of the Company who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of other joint holders.
- (ii) Forms of proxy and the power of attorney or other authority, if any, under which they are signed or a notarially certified copy of that power of attorney or authority should be sent to the Company's Registrar, Capita Registrars, The Registry, 34 Beckenham Road, Kent BR3 4TU, so as to arrive not less than 48 hours (excluding non-working days) before the time fixed for the meeting. You may only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
- (iii) The return of a completed proxy form or other instrument of proxy will not prevent you attending the meeting and voting in person if you wish. If you wish to attend the meeting in person, a register of attendees will be available for signature at the meeting.
- (iv) In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001 and Section 311 of the Companies Act 2006, to have the right to attend and vote at the meeting referred to above a member must first have his or her name entered in the Company's register of members by not later than 48 hours (excluding non-working days) before the time fixed for the meeting (or in the event that the meeting be adjourned on the register of members 48 hours (excluding non-working days) before the time of the adjourned meeting). Changes to entries on that register after that time (or, in the event that the meeting is adjourned, on the register of members less than 48 hours (excluding non-working days) before

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- the time of any adjourned meeting) shall be disregarded in determining the rights of any member to attend and vote at the meeting referred to above.
- (v) CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual and by logging on to the website [www.euroclear.com/CREST](http://www.euroclear.com/CREST). CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
  - (vi) In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's Registrar (ID RA10) no later than 48 hours (excluding non-working days) before the time of the meeting or any adjournment. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the Company's Registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
  - (vii) CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
  - (viii) 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.
  - (ix) Any person holding 3% of the total voting rights in the Company who appoints a person other than the Chairman as his or her proxy(ies) will need to ensure that both he or she and such proxy(ies) comply with their respective disclosure obligations under the UK Disclosure and Transparency Rules.
  - (x) A person to whom this notice is sent who is a person nominated under Section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights. The statements of the rights of members in relation to the appointment of proxies in notes (i) and (ii) above do not apply to a Nominated Person. The rights described in those notes can only be exercised by registered members of the Company.
  - (xi) The members of the Company may require the Company, without payment, to publish, on its website, a statement (which is also to be passed to the auditor) setting out any matter relating to the audit of the Company's accounts, including the Auditor's Report and the conduct of the audit, which they intend to raise at the next meeting of the Company. The Company will be required to do so once it has received such requests from either (i) members representing at least 5% of the total voting rights of the Company or (ii) at least 100 members who have a relevant right to vote and hold shares in the Company on which there has been paid up an average sum per member of at least £100. Such requests must be made in writing and must state your full name and address, and be sent to: The Company Secretary, Murray Income Trust PLC, 7<sup>th</sup> Floor, 40 Princes Street, Edinburgh EH2 2BY.
  - (xii) No Director has a service contract with the Company. Copies of the Directors' letters of appointment are available for inspection on any day (except Saturdays, Sundays and bank holidays) from the date of this notice until the date of the meeting during usual business hours at the Company's registered office and for 15 minutes prior to, and at, the meeting.
  - (xiii) Information regarding the Annual General Meeting, including information required by section 311A of the Companies Act 2006, is available from the Company's website, [www.murray-income.co.uk](http://www.murray-income.co.uk).
  - (xiv) Under Section 319A of the Companies Act 2006, the Company must answer any question relating to the business being dealt with at the meeting put by a member attending the meeting unless:
    - a) answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;
    - b) the answer has already been given on a website in the form of an answer to a question; or

## Notice of Annual General Meeting continued

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- c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
- (xv) Shareholders are advised that, unless otherwise stated, any telephone number, website or e-mail address which may be set out in this notice of Annual General Meeting or in any related documents (including the proxy form) is not to be used for the purposes of serving information or documents on, or otherwise communicating with, the Company for any purposes other than those expressly stated.
- (xvi) As at 11 September 2013, the latest practicable date prior to publication of this document, the Company had 67,592,458 Ordinary shares in issue with a total of 67,592,458 voting rights.

# Corporate Information

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## Directors

P A F Gifford (Chairman)  
D Cameron  
N A Honebon  
H van der Klugt  
J C Park  
D E Woods

## Registered Office

7<sup>th</sup> Floor, 40 Princes Street  
Edinburgh EH2 2BY  
Registered in Scotland – Company Number SC012725

## Points of Contact

### Manager

Aberdeen Asset Managers Limited  
Customer Services Department: 0500 00 00 40  
Email: [invtrusts@aberdeen-asset.com](mailto:invtrusts@aberdeen-asset.com)

### Secretary

Aberdeen Asset Management PLC  
Customer Services Department: 0500 00 00 40  
Email: [company.secretary@invtrusts.com](mailto:company.secretary@invtrusts.com)

## Registrar

Capita Registrars  
The Registry  
34 Beckenham Road  
Beckenham  
Kent  
BR3 4TU

Tel: 0871 664 0300  
(Calls cost 10p per minute plus network extras, lines are open  
8.30am-5.30pm Mon-Fri)  
Tel International: (+44 208 639 3399)

e-mail: [ssd@capitaregistrars.com](mailto:ssd@capitaregistrars.com)  
website: [www.capitaregistrars.com](http://www.capitaregistrars.com)

## Custodian Bankers

JPMorgan Chase Bank

## Auditor

Ernst & Young LLP

## Solicitors

Dickson Minto W.S.

## Stockbroker

Canaccord Genuity

## Website

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

## Your Company's History

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### Issued Share Capital at 30 June 2013

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67,092,458	Ordinary shares of 25p
451,000	Ordinary shares held in treasury

### Issued Share Capital at 11 September 2013

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67,592,458	Ordinary shares of 25p
451,000	Ordinary shares held in treasury

### Recent Capital History

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**Year to 30 June 2014 (as at 11 September 2013)** 500,000 new Ordinary shares issued by the Company

**Year ended 30 June 2013** 466,000 Ordinary shares issued by the Company from treasury  
1,127,000 new Ordinary shares issued by the Company

**Year ended 30 June 2012** Issued share capital consisting of 65,499,458 Ordinary 25p shares and 917,000 shares in treasury as at 30 June 2012  
810,000 Ordinary shares issued by the Company from treasury