Murray Income Trust PLC

Annual Report and Accounts
30 June 2014

Contents

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.

Strategic Report – Company Summary, Financial Highlights and Financial Calendar

The Company
The Company is an investment trust company and its Ordinary shares are listed on the premium segment of the London Stock Exchange.

What is an Investment Trust?
An investment trust is a closed end fund which allows its shareholders to make a single investment which gives them access to a much larger portfolio of shares. A type of collective investment, they let shareholders spread their risk and benefit from investment opportunities which shareholders may not be able to identify on their own (see also definitions on page 60).

Investment Objective
The achievement of a high and growing income combined with capital growth through investment in a portfolio principally of UK equities.

Company Benchmark
FTSE All-Share Index

Alternative Investment Fund Manager*
The Company is managed by Aberdeen Fund Managers Limited ("AFML" or the "Manager").
(* appointed as required by EU Directive 2011/61/EU).

Investment Manager
The Company's investment assets are managed by Aberdeen Asset Managers Ltd ("AAML" or the "Investment Manager").

Website
Up-to-date information can be found on the Company's website - www.murray-income.co.uk

Pre-investment Disclosure Document
The Alternative Investment Fund Manager Directive ("AIFMD") requires Aberdeen Fund Managers Limited, as the alternative investment fund manager of Murray Income Trust PLC, to make available to investors certain information prior to such investors' investment in the Company.

The AIFMD is intended to offer increased protection to investors in investment products that do not fall under the existing European Union regime for regulation of investment products known as the UCITS regime.

The Company's Pre-Investment Disclosure Document is available for viewing at -
http://www.invtrusts.co.uk/doc.nsf/Lit/PressReleaseUKClosedmincalternativeinvestmentfundmanagersdirectivepidd

Financial Highlights

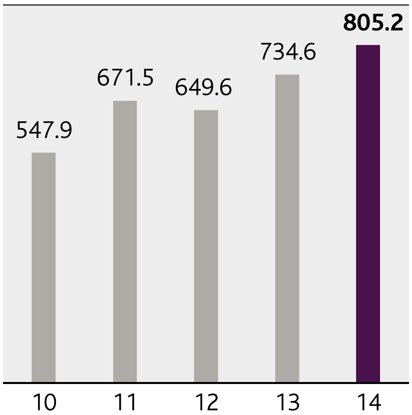
	2014	2013
Net asset value per Ordinary share total return	+14.0%	+18.8%
Share price total return	+9.4%	+21.5%
Benchmark total return	+13.1%	+17.9%
Earnings per share (revenue)	30.5p	31.1p
Dividend per share[A]	31.25p	30.75p

[A] Final dividend of 10.25p per Ordinary share is subject to shareholder approval at the Annual General Meeting.

Strategic Report – Company Summary, Financial Highlights and Financial Calendar continued

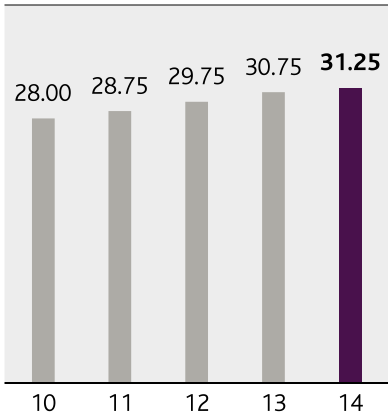
Net Asset Value per share

At 30 June – pence



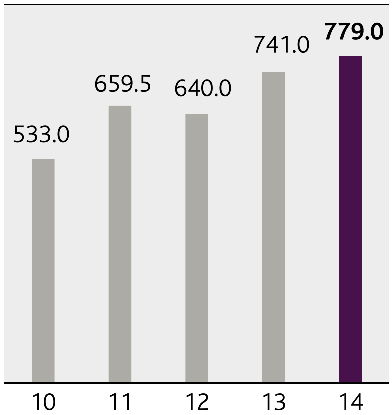
Dividends per share

pence



Mid-market price per share

At 30 June – pence



Financial Calendar

26 September 2014	Record date of proposed final dividend for 2014
29 October 2014	Annual General Meeting, Glasgow Royal Concert Hall (12.30pm)
31 October 2014	Payment date of proposed final dividend for 2014
19 December 2014, 6 March and 5 June 2015	Record dates of interim dividends for year to 30 June 2015
16 January, 2 April and 3 July 2015	Payment dates of interim dividends for year to 30 June 2015
February 2015	Half-Yearly results announcement for 6 months to 31 December 2014
September 2015	Final results announcement for year to 30 June 2015

Strategic Report – Overview of Strategy

Introduction

The purpose of this Strategic Report is to provide shareholders with details of the Company's investment strategy and business model as well as identifying the principal risks and uncertainties faced by the Company.

Investment Strategy

In pursuit of the Company's investment objective, the Company's investment strategy 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.

Investment Policy

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).

Business Model

The Board is responsible for determining the investment objective and investment policy of the Company while day-to-day management of the Company has been delegated to Aberdeen Fund Managers Limited ("AFML" or "the Manager"). AFML has appointed Aberdeen Asset Managers Limited (the "Investment Manager") to manage the Company's assets. The Investment Manager invests in a diversified range of UK and overseas companies, following a bottom-up investment process based on a disciplined evaluation of companies through direct visits by its fund managers. Stock selection is the major source of added value, concentrating on quality first, then price. Top-down investment factors are secondary in the Investment Manager's portfolio construction, with diversification rather than formal controls guiding stock and sector weights. The Investment 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 Investment Manager is permitted to invest in options and in structured products, provided that any structured product issued in the form of a note or bond has a minimum credit rating of "A".

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 (see page 60 for definition) 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.

Principal Risks and Uncertainties

The Board regularly reviews the principal risks and uncertainties which it has identified together with the delegated controls it has established to manage the risks and address the uncertainties:

(i) **Investment strategy risk**

The Company's investment strategy requires investment in equity stockmarkets, which may lead to loss of capital. Separately, inappropriate asset allocation or level of gearing, as part of the investment strategy adopted by the Company, may result in underperformance against either the Company's benchmark index and/or its peer group, leading to a widening of the discount (see page 60 for definition) at which the Company's shares trade.

The Board seeks to manage these risks by diversifying its investments, as set out in the investment restrictions and guidelines agreed with the Manager, and on which the Company receives regular monitoring reports from the Manager. At each Board meeting, the Directors review the investment process with the Manager by assessing relevant management information including revenue forecasts, absolute/relative performance data, attribution analysis and liquidity/risk reports. The Board holds a separate, annual meeting devoted to investment strategy, the most recent being in February 2014.

(ii) **Income and dividend risk**
There is a risk that the Company fails to generate sufficient income from its investment portfolio, particularly in periods of weak equity markets, to meet its operational expenses which results in it drawing upon, rather than replenishing, its revenue reserves. This might hamper the Board's capacity to maintain dividends to shareholders. The Board monitors this risk through the review of income forecasts, provided by the Manager, at each Board meeting.

(iii) **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.

(iv) **Foreign currency risk**
A proportion of the Company's investment portfolio is invested in overseas securities and the value of the Company's investments and the income derived from them can, therefore, be affected by movements in foreign exchange rates. In addition, the earnings of the Company's other investments may also be affected by currency movements which, indirectly, could have an impact on the Company's performance. The Company does not currently hedge its foreign currency exposure.

(v) **Operational risk**
In common with most other investment trusts, the Company has no employees. The Company therefore relies on services provided by third parties, including the Manager in particular, to whom responsibility for the management of the Company has been delegated under a management agreement (the "Agreement") (further details of which are set out on page 23). The terms of the Agreement cover the necessary duties and responsibilities expected of the Manager. The Board reviews the overall performance of the Manager on a regular basis and their compliance with the Agreement formally on an annual basis.

Contracts with other third party providers, including share registrar and depositary services, are entered into after appropriate due diligence. Thereafter, each contract, and the performance of the provider, is subject to formal annual review. The security of the Company's assets was the responsibility of the custodian, JPMorgan Chase until 16 July 2014, and thereafter, the responsibility of BNP Paribas Securities Services, London Branch, as depositary. The effectiveness of the internal controls at both the custodian and depositary is subject to review and regular reporting to the Audit Committee.

(vi) **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, the Companies Act or Accounting Standards, could lead to suspension from the London 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 49 to 55.

Alternative Investment Fund Managers Directive ("AIFMD")

The AIFMD, introduced by the EU to enhance shareholder protection, was fully implemented in the UK on 22 July 2014 and required the Company to appoint an authorised Alternative Investment Fund Manager and a depositary, the latter overlaying the pre-existing custody arrangements.

The Company appointed Aberdeen Fund Managers Limited ("AFML"), following AFML's authorisation by the FCA, to act as the Company's Alternative Investment Fund Manager, entering a new management agreement with AFML on 16 July 2014. Under this agreement AFML delegates portfolio management services to Aberdeen Asset Managers Limited, which continues to act as the Company's Investment Manager. There is no change in the commercial arrangements from the previous investment management agreement which was in place throughout the Company's year ended 30 June 2014.

In addition, the Company entered into a depositary agreement with AFML and BNP Paribas Securities Services London Branch on 16 July 2014. The appointment of a depositary is a new requirement under the Directive resulting in increased costs compared with the previous custody arrangements.

Referendum on Scottish Independence

As a Scottish-registered Company, the Board is mindful that there is uncertainty arising in relation to the referendum on Scottish independence due on 18 September 2014. The Board considers that a 'Yes' vote in favour of independence will prolong this uncertainty until the implications for the Company of an independent Scotland are understood and quantified in relation to the economic, legislative and regulatory environment in which the Company operates. However, the Company's Ordinary shares will continue to be listed on the London Stock Exchange and its dividends will be paid in Sterling.

Performance and Outlook

At each Board meeting, the Directors consider a number of performance measures to assess the Company's success in achieving its objectives. The Board also considers the Investment Manager's Investment Trust Initiative and promotion of the Company, including effective communications with shareholders, which is explained in more detail on page 57. The future strategic direction and development of the Company is regularly discussed as part of Board meeting agendas.

A review of the Company's activities and performance during the year ended 30 June 2014, including future developments, is detailed in the Chairman's Statement and the Investment Manager's Report. This covers market background, investment activity, portfolio strategy, dividend and gearing policy and investment outlook. A comprehensive analysis of the portfolio is provided on pages 14 to 17.

Key Performance Indicators (KPIs)

At each Board meeting, the Directors consider a number of performance measures to assess the Company's success in achieving its objectives. Below are the main KPIs which have been identified by the Board for determining the progress of the Company:

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

A record of these measures is disclosed on pages 9 and 12.

Environmental, Social and Human Rights Issues

The Company has no employees, as Aberdeen Fund Managers Limited has been appointed Manager, and there are therefore no disclosures to be made in respect of employees. The Company's socially responsible investment policy is outlined on page 29.

Board Diversity

The Board recognises the importance of having a range of skilled and experienced individuals with the right knowledge in order to allow the Board to fulfill its obligations. At 30 June 2014, there were 5 male Directors and 1 female Director.

Global Greenhouse Gas Emissions

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

Duration

The Company does not have a fixed life.

P A F Gifford
Chairman

10 September 2014

Strategic Report - Chairman's Statement

Patrick Gifford
Chairman

Highlights

- **Net Asset Value Total Return +14.0%**
- **Share Price Total Return +9.4%**
- **Total Dividends per share increased by 1.6% to 31.25p**

Performance

The last year saw a continuation of the long-running bull market which started in March 2009 once the investing world realised that the apocalypse had been averted and there were no more sellers. Since that date the total return on the FTSE-All Share Index has been 118.1% and Murray Income's Net Asset Value has produced a comparable return of 150.9% and the share price one of 152.9% as the discount narrowed. In the last year the Net Asset Value total return was 14.0% compared with a return on the FTSE All-Share Index of 13.1%. This represented good relative performance but also a significantly positive real return in a generally low yield world. The key element in these returns has been the contribution of government financial policy. Governments worldwide, almost without exception, have run very easy monetary policies and tight fiscal policies, even if in some cases the latter has been more of an aspiration than a fact. This has been very supportive of asset prices even if it has operated with very long lags in its stimulation of economic growth.

This supportive macro-economic environment has withstood a dull environment for corporate profits and a worsening international political backdrop, whether in Ukraine, Iraq or Gaza. Corporate profits fell marginally by 1% with the balance of the return coming from the initial earnings yield on the portfolio and a re-rating upwards of the market. Support has come from the dividend yield of the market, which continues to compare well with that available on fixed income assets and bank deposits and from the revival of animal spirits seen in a more buoyant IPO market and increased mergers and acquisition activity.

Aberdeen's investment process has been well suited to the rather risk-averse yet positive equity markets that we have seen, producing the cumulative outperformance detailed above. There have been pockets of performance driven by growth, most notably in the US market, but they have almost invariably been associated with very low or non-existent dividend yields which make them impracticable investments for Murray Income, even if our managers had great skill at timing very volatile investments. Instead we have been the holders of much less volatile companies, generally with strong business franchises which are well protected in an uncertain world.

Scottish Referendum

I am very conscious that I am writing this statement before the Referendum on Scottish Independence although the full Annual Report will only be published after the result is known. We have conducted a review of the implications of a vote for independence and recognise that there are considerable uncertainties, especially in the areas of taxation and currency. We do have to be conscious of our shareholders' needs but currently believe that the potential transition period is long enough to enable us to take any necessary action to protect shareholders' interests.

Dividend

Net income per share fell slightly compared with last year. In each of the last two years it has been possible to increase the dividend which has remained covered by net income. This year the Board has decided to pay a final dividend of 10.25p per share (2013: 9.75p) representing an increase of 1.6% in total dividends for the year to 31.25p per share (2013: 30.75p), which will, however, not be fully covered by earnings. Nonetheless, as can be seen in the Investment Manager's Report we are relatively optimistic about dividend growth and expect to be able to maintain this level of payout. If the proposed final dividend is approved by shareholders at the Annual General Meeting, the total dividends for the year ended 30 June 2014 will mark the 40th consecutive year of annual dividend increases.

Board Changes

After nearly fifteen years as a Director, including ten years as Chairman, I will be retiring from the Board at the conclusion of the Annual General Meeting. I have been honoured to be a steward of the shareholders' interests over this period, which has seen many changes in the investment markets and the economies that they are based on. Neil Honebon will take over from me as Chairman and I commend him to you as a member of the Board who has always contributed to our discussions and has a great deal of knowledge of investment markets.

Annual General Meeting

The Annual General Meeting will be held at 12.30 pm on Wednesday 29 October 2014 in the Strathclyde Suite, Glasgow Royal Concert Hall, 2 Sauchiehall Street, Glasgow, G2 3NY. The Notice of Annual General Meeting is on pages 61 to 63. It is the Board's intention to hold the 2015 Annual General Meeting in Glasgow.

AIFMD

The Alternative Investment Fund Managers Directive (the "Directive"), proposed by the EU to enhance shareholder protection, was fully implemented in the UK on 22 July 2014. This Directive required the Company to appoint an authorised Alternative Investment Fund Manager ("AIFM") and a depositary, the latter overlaying the pre-existing custody arrangements. In July 2014, Aberdeen Fund Managers Limited ("AFML"), was appointed AIFM while BNP Paribas Securities Services, London Branch, was appointed depositary.

Outlook

Equity markets need growth in profits to make significant near term gains. It may be possible for the rating of markets to continue to improve but this is clearly a process with only limited scope. Faster profits' growth has proved elusive in the UK over the last few years. There are some signs that the underlying picture is improving. For example surveys of the dominant service sector are optimistic about activity. However, there are some immediate problems which will need to be overcome for sustained growth. At the highest macro-economic level the lags associated with monetary policy make it very difficult to judge when growth might accelerate beyond the moderate recovery so far achieved. It is possible also that globalisation is having the perverse effect of raising labour costs for companies in developing economies to which activities have moved while depressing profitability. At the same time real wages in advanced economies have been falling because of the same process with effects on consumer confidence and demand. At a more mundane level the recent strength of Sterling has been cited by many companies as a reason for disappointing profits. This is a more cyclical influence and can be expected to stabilise fairly soon given the level it has reached.

The international political scene looks bleak. It is very difficult to know how far possible future outcomes have already been discounted and there is clearly scope for shocks. The most vulnerable point for markets is probably the price of oil which has been very stable helped by US shale oil production and quite weak OECD demand. The fact that both Russia and Iraq are major producers is disturbing although it doesn't seem to have had any effect so far.

We continue to believe that the most sensible policy is to continue to do what has been successful for the Company in the past and so our portfolio is composed of a diversified group of companies with strong franchises and good free cash flow. Despite the concerns set out above their valuation does not appear excessive and we continue to expect positive returns.

P A F Gifford
Chairman

10 September 2014

Strategic Report – Investment Manager's Report

Background

The UK equity market performed very well during the year to the end of June 2014 echoing the strong performance of the prior year. The FTSE All-Share Index increased by 13.1% on a total return basis with the majority of gains occurring in the first half of the year. The performance of the market reflected improvements in the domestic economy. The picture was generally similar in the United States, which continued its gentle economic recovery, albeit affected by the unusually cold winter, and in the Eurozone where activity ceased falling. Emerging markets demonstrated greater volatility as investors struggled with the implications for capital flows in light of the US beginning to taper its programme of quantitative easing. As ever, geopolitical issues played their part in increasing uncertainty at times but in general investor confidence continued to improve. This improvement in confidence was manifested in the equity market by greater risk appetite, low volatility and an increase in IPO activity, and in the bond market, by a narrowing of spreads for a number of peripheral Eurozone countries relative to German government bond yields.

In the United Kingdom, domestic economic data bore evidence of the strong recovery in the economy. UK GDP increased by 3.1% over the Company's financial year and has recovered all of the output lost since the peak achieved during the first quarter of 2008. This strong performance was reflected in the strengthening of Sterling over the period. However, it is worth noting that the recovery has been led by services (driven by a recovery in the housing market) as construction and manufacturing remain below their pre-crisis levels. Although the labour market has been strong with unemployment falling to 6.8% at the end of the period, productivity has deteriorated given the additional input required to produce a similar level of pre-crisis output. Inflation has been tame and remained below the government's target level of 2% for the second half of the Company's financial year. These relatively benign conditions allowed the Monetary Policy Committee to leave interest rates unchanged throughout the period although the signalling intended by the introduction of 'forward guidance' has been less than coherent. Although partly dependent on the trajectory of demand growth overseas, expectations for UK GDP growth in calendar 2015 remain robust with the IMF, for example, forecasting 2.7%. Probably within the next six months, as slack in the economy reduces and wage growth returns, the normalisation of monetary conditions will begin with a gradual increase in interest rates – we will be watching closely to see how this affects consumer behaviour.

Globally, there were mixed messages from the major economies. In the United States, the path of recovery was interrupted by a very weak first quarter of 2014, mostly explained by the unusually cold weather. More recent data has suggested that growth has subsequently recovered with the Federal Reserve continuing to reduce the quantum of additional stimulus to the economy. In Europe, anaemic growth coupled with concerns over the potential for deflation prompted the European Central Bank to take action to spur lending to companies and households towards the end of the period which should bolster activity. Emerging market economies, particularly those with large current account deficits, were unsettled by the start of tapering in the United States at the turn of the calendar year but have subsequently established a firmer footing. Growth in China has continued to slow with the country's shadow banking system a particular risk for the Chinese economy. However, it should be remembered that growth rates in emerging markets are still stronger than the developed world and many developing countries have attractive long term characteristics.

Performance

The Company generated a positive net asset value per share total return of 14.0% in the year to 30 June 2014, compared to a rise in the FTSE All-Share Index of 13.1%. The outperformance of 0.9% represented the fifth year in a row of positive relative performance. On a total return basis, the Company's share price increased by 9.4%, which reflected the move from a premium to a discount to Net Asset Value at which the shares traded compared to the previous year end.

On a gross assets basis, the equity portfolio outperformed the benchmark by 0.8%. On this same basis, the equity portfolio has now outperformed the FTSE All-Share Index in nine of the last ten years whilst delivering a yield premium.

Gearing benefited net asset returns by 1.1%. Towards the start of the period we extended our flexible borrowing facilities with Scotiabank for a period of two years on a reduced margin of Libor plus 85 points. We also marginally increased the amount drawn down by £5m to £45m with the actual level of gearing maintained in a narrow range between 5%-8% during the year.

Within the market both the food retail and bank sectors generated negative returns over the year. For the listed supermarket companies, trading has been very tough: a function of intense competition from discount chains, changing customer behaviour and weak real income growth. Banks suffered under the burden of weak capital market revenues, cost pressures and increased regulation. Conversely, the pharmaceutical sector performed particularly strongly mainly as a result of corporate activity amongst some of the sector's largest constituents. It is worth noting that in general, in a similar manner to the prior year, 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 again lagged both the Mid 250 and Small Cap indices, a function of its more defensive constituents and lower domestic exposure as those companies exposed to the improving UK economy performed strongly. Reflecting the increase in risk appetite, the pace of initial public offerings has picked up considerably. Under normal circumstances, we would stand back from these given that the information advantage rests heavily with the seller, but given the poor quality and dubious prospects of a number of the companies that have floated over the year, it has been even more important to approach these companies with great caution. It is also interesting that the level of corporate activity has increased reflecting a number of different factors which have included the availability of cheap financing, tax differentials, the difficulty of delivering earnings growth and the benefits of being more focused. It was noticeable that towards the end of the period, growth and momentum styles, which had performed well throughout the year, started to underperform.

The Company benefited significantly, in both stock selection and asset allocation terms, from its positioning in financials and particularly banks where the underweight position comprised of holdings that outperformed the sector. From an asset allocation perspective, the overweight position in food producers within the consumer goods sector proved to be beneficial. Although the higher than average exposure to the healthcare sector aided performance, stock selection detracted (in particular not holding Shire Pharmaceuticals which was bid for). Within consumer services, the holdings in the media sector and overweight position in food retailers disadvantaged relative performance.

From a stock specific standpoint, many of the holdings performed well but a number with share prices that increased by more than 30% are worthy of specific mention. Associated British Foods was helped by a reappraisal of the potential for Primark which led to a re-rating. Provident Financial's significant share price increase was caused by the continued success of its Vanquis credit card operation and the potential for Satsuma, the company's nascent online instalment loan business. The strong returns from smaller companies were reflected in the performance of Aberforth Smaller Companies Investment Trust which also benefited from a narrowing of its discount. Finally, AstraZeneca also performed very strongly following progress with the company's pipeline coupled with an approach from Pfizer.

On the other hand, there were a number of holdings that detracted from performance. Centrica performed poorly in the main due to political interference in its domestic household retail supply business. Unfortunately, the pattern of poor performance from Tesco continued with the company suffering from increased competition, structural challenges and poor demand. These same factors affected the share price performance of William Morrison. Finally, Standard Chartered also performed poorly, its profitability affected by problems in its Korean business and a poor trading backdrop in its financial markets unit.

Performance Attribution for the year ended 30 June 2014

		2014 %
Net Asset Value total return for year per Ordinary share		14.0
FTSE All Share Index total return		13.1
Relative return		**0.9**
Relative return		**%**
Stock selection (equities)		
	Oil & Gas	0.1
	Basic Materials	–0.2
	Industrials	0.4
	Consumer Goods	0.4
	Health Care	–1.1
	Consumer Services	–0.3
	Telecommunications	0.2
	Utilities	–0.4
	Technology	0.2
	Financials	1.4
Total stock selection (equities)		**0.7**
Asset allocation (equities)		
	Oil & Gas	–0.2
	Basic Materials	–0.2
	Industrials	–0.1
	Consumer Goods	0.5
	Health Care	0.5
	Consumer Services	–0.6
	Telecommunications	–0.3
	Utilities	–0.1
	Technology	–0.1
	Financials	0.7
Total asset allocation (equities)		**0.1**
Cash & options		–0.1
Gearing		1.1
Administrative expenses		–0.2
Management fees		–0.6
Tax charge		–0.1
Total		**0.9**

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.

Portfolio Activity and Structure

In keeping with our patient, buy and hold approach, turnover was characteristically modest during the period. However, we introduced four new companies, two of which are listed overseas, to take the weighting in companies listed overseas to 18.3% at the end of the period. We also sold two holdings.

The first new holding purchased was Inmarsat, the global satellite communications company which offers exposure to the growing demand for high speed data services. The company benefits from global coverage, a technological edge and very high barriers to entry coupled with a healthy dividend yield. The second company introduced was Ultra Electronics, a defence electronics business, with an impressive long term track record. The backdrop of muted defence spending created the opportunity to purchase the shares on a lowly rating. The third new company was the US-listed Microsoft which provides attractive technology exposure coupled with a reasonable dividend yield – a combination not readily available through an investment in the UK equity market. Finally, we received a holding in Verizon Communications, which is also listed in the United States, as part of the disposal of Vodafone's stake in Verizon Wireless. The valuation is attractive and the company's wireless operations benefit from a benign regulatory environment and a strong competitive position with good scope for future growth.

The companies sold were Amec and William Morrison. Amec was sold due to concerns over the acquisition of Foster Wheeler which weakened the company's balance sheet and increased its cyclicality together with some scepticism about the attractions of Foster Wheeler's underlying domain expertise. With hindsight, we gave William Morrison the benefit of the doubt for too long but decided to sell the holding given the challenging sector backdrop coupled with the company's limited exposure to online and convenience store sales which represent the only two areas of industry growth.

In addition to the changes above we added to and reduced holdings as part of the normal cut and thrust of portfolio management. We added to a number of holdings that appeared oversold given concerns about their emerging markets exposure including Unilever, HSBC, British American Tobacco, Standard Chartered and BHP Billiton. We increased our exposure to Nordea following a series of meetings with the company that highlighted the management team's conservative approach, scope for further efficiencies and prospects for future dividend growth. We added to Weir following a period of relative weakness caused by concerns over a weak demand profile for mining sector capital expenditure. Finally, we increased our holding in Cobham through a placing that provided part-funding for the acquisition of Aeroflex, a provider of measurement equipment and microelectronic solutions that should fit in well with Cobham's own product set.

In contrast, we took profits in a number of companies that had performed well and looked increasingly expensive including Associated British Foods, National Grid and Provident Financial.

We continued to write options gently to increase and diversify the income available to the Company. The income from writing options accounted for 5.7% of total income compared to 6.5% of total income during the prior year. We continue to feel that the option writing strategy has been of benefit to the Company by increasing the level of income generated and providing a good discipline for optimising our exposure to individual holdings.

Our aspiration in terms of portfolio construction has not changed, our aim is to build a sensibly diversified portfolio that is not dependent on any one particular economic scenario but provides broad exposure to the market as a whole while generating an above average dividend yield. Equally, we are keen to ensure that each investment can make a difference, hence the relatively low number of 45 individual holdings.

Given the low turnover over the period, changes to the sector positioning of the Company compared to the prior year have been modest. However, the weighting in the consumer services sector has reduced slightly due to the sale of William Morrison. The lower exposure to financials is a result of reductions to Provident Financial and the poor performance of Standard Chartered and HSBC. The weight in the technology sector has increased due to the introduction of Microsoft.

Income

For the financial year ended 30 June 2014, the Company witnessed a small increase in the overall level of income generated but a reduction in the revenue return per share which fell from 31.1p to 30.5p, or by 1.9% compared to the prior year. This reduction was partly due to the weighted average number of Ordinary shares in issue increasing by 2.7% over the year as result of share issuance by the Company.

Income from investments increased by 2.4% aided by the recognition of two special dividends (from Hiscox and Svenska Handelsbanken) as revenue items. This recognition is appropriate given that the return of cash was from a build-up of profits generated by ongoing operations rather than a sale of assets. As noted above, the income derived from writing options decreased compared to the previous year. The increase in income was offset by a small rise in administrative expenses, management fees and taxation.

Reflective of the market as a whole, the lack of earnings growth caused in part by the strength of Sterling has made dividend growth more difficult and constrained income generation over the year. At present, just under 50% of the Company's dividend income is denominated in currencies other than sterling (predominantly US dollars and euros). While this is an indication of the growth opportunities and diversification of earnings available to the Company from its holdings that operate on a global basis, it also has the effect of reducing the income available to the Company during times of Sterling strength relative to other currencies. Given the strong dividend culture of the UK equity market, companies have increased their dividends at a greater rate than underlying earnings which has led to a reduction in dividend cover. Unless these factors improve, the outlook for income generation is likely to remain more challenging. It is worth noting that market dividends in aggregate are expected to increase by 3.2% and 8.7% per annum in the calendar years 2014 and 2015 respectively. Although this is likely to be too optimistic for 2015, 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

Over the past couple of years the FTSE All-Share Index has appreciated by around 30% on a total return basis, yet corporate earnings have remained essentially flat. It seems improbable that the market will be able to make further progress unless earnings growth resumes. Although an improvement in economic growth is likely to be a helpful underlying dynamic, profit growth is likely to remain hard won with debt funding costs unlikely to reduce further, taxation benefits more difficult to obtain and the prospects of rising domestic interest rates likely to provide a further headwind. An additional concern may be the complacency and elevated animal spirits evidenced by recent IPO activity that has resulted in a number of companies with weak business models coming to the market at premium valuations. It seems unlikely, therefore, that the market will be able to deliver similar levels of returns to those of the past couple of years.

Unsurprisingly, given the share price movements we have witnessed, it is becoming more difficult to find attractively valued investment opportunities. It may well be the case that larger companies, on the basis of their more attractive valuations and increasing desire to crystallise value through becoming more focused, outperform their smaller peers. Although the short term outlook for equity returns may be more difficult, we remain sanguine about the medium to long term opportunities for the companies in the portfolio. We believe that globally competitive businesses with strong balance sheets will prosper over the long term and ultimately offer the best earnings and dividend growth prospects.

Charles Luke
Aberdeen Asset Managers Limited
Investment Manager

10 September 2014

Strategic Report - Results

Financial Highlights

	30 June 2014	30 June 2013	% change
Total assets (£'000) (see definition on page 60)	592,652	532,878	+11.2
Equity shareholders' funds (£'000)	547,652	492,878	+11.1
Net asset value per Ordinary share	805.2p	734.6p	+9.6
Market capitalisation (£'000)	529,856	497,155	+6.6
Share price of Ordinary share (mid-market)	779.0p	741.0p	+5.1
Premium/(discount) to net asset value on Ordinary shares	(3.2%)	0.9%	
Gearing (ratio of borrowing to shareholders' funds)			
Net gearing (see definition on page 60)[A]	5.9%	5.6%	
Dividends and earnings			
Revenue return per share	30.5p	31.1p	–1.9
Dividends per share[B]	31.25p	30.75p	+1.6
Dividend cover	0.98 times	1.01 times	
Revenue reserves (£'000)[C]	27,008	27,031	
Operating costs			
Ongoing charges ratio[D]	0.73%	0.76%	

[A] Calculated in accordance with AIC guidance "Gearing Disclosures post RDR".
[B] The figures for dividends per share reflect the years in which they were earned (see note 6 on page 45).
[C] The revenue reserve figure does not take account of the proposed third interim and final dividends amounting to £4,761,000 and £6,972,000 respectively (2013 – third interim and final dividends amounting to £4,676,000 and £6,590,000 respectively).
[D] Ongoing charges ratio calculated in accordance with guidance issued by the AIC as the total of the investment management fee and administrative expenses divided by the average cum income net asset value throughout the year.

Performance (total return)

	1 year return %	3 year return %	5 year return %
Share price	+9.4	+35.2	+122.6
Net asset value per Ordinary share	+14.0	+37.3	+122.3

Source: Aberdeen Asset Managers/Morningstar

Dividends

	Rate	xd date	Record date	Payment date
1st interim 2014	7.00p	18 December 2013	20 December 2013	17 January 2014
2nd interim 2014	7.00p	5 March 2014	7 March 2014	4 April 2014
3rd interim 2014	7.00p	4 June 2014	6 June 2014	4 July 2014
Proposed final 2014	10.25p	24 September 2014	26 September 2014	31 October 2014
Total dividends 2014	**31.25p**			

Ten Year Financial Record

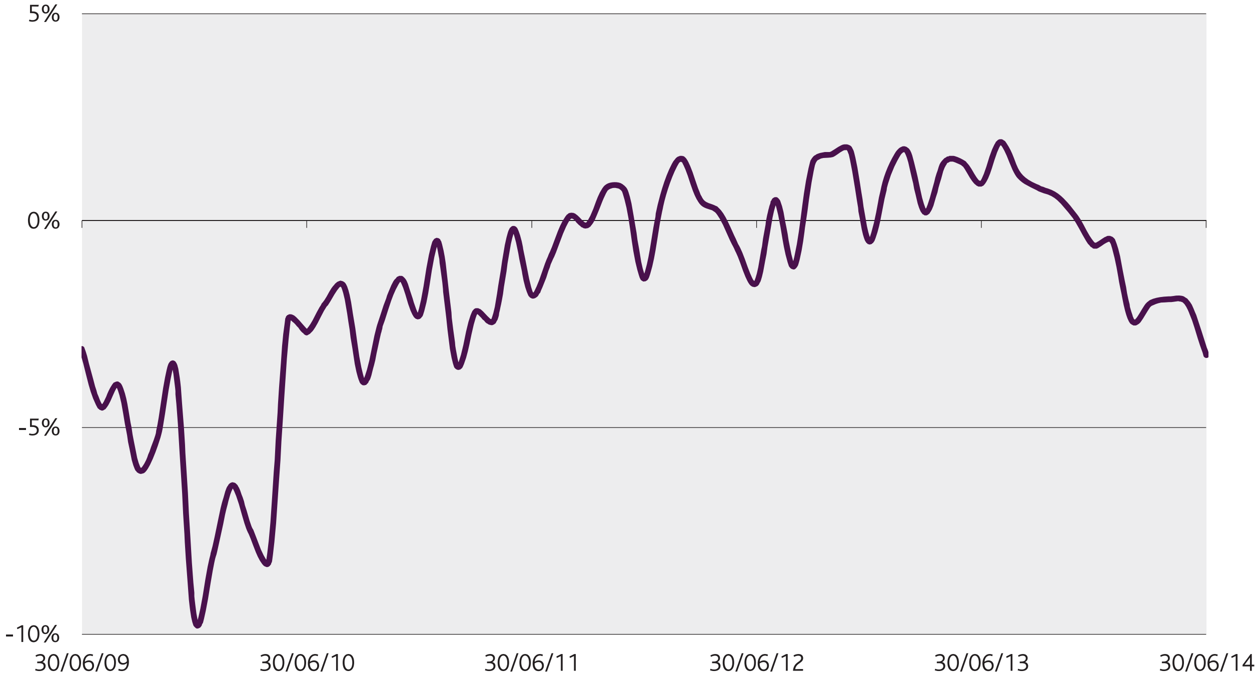
Year end 30 June	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenue (£'000)	16,533	17,237	19,251	22,390	19,790	18,257	21,844	22,688	23,566	23,926
Per Ordinary share (p)										
Net revenue return	20.0	21.8	24.7	29.3	28.1	25.4	30.9	30.6	31.1	30.5
Dividends	19.15	21.60	24.25	27.00	27.75	28.00	28.75	29.75	30.75	31.25
Net asset value	603.3	699.7	802.3	619.9	455.4	547.9	671.5	649.6	734.6	805.2
Shareholders' funds (£'000)	404,601	456,714	522,617	400,536	294,570	354,425	434,406	425,458	492,878	547,652

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.

Strategic Report - Performance

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

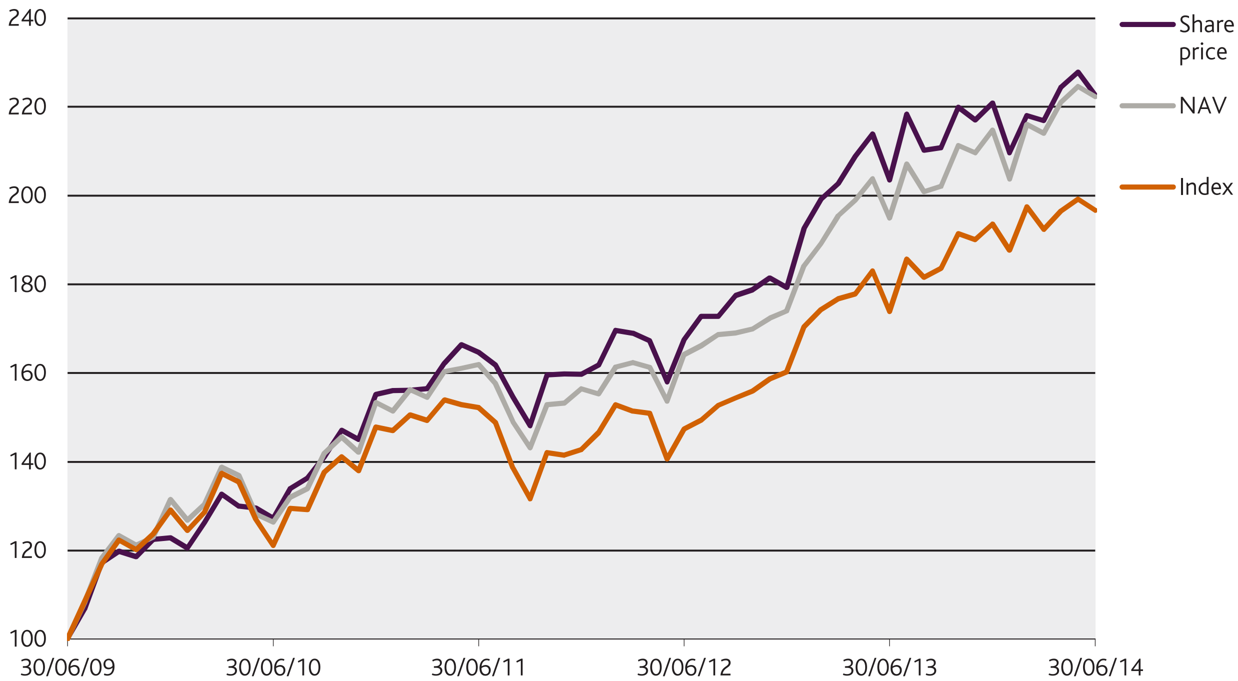
Five years to 30 June 2014



Source: Morningstar

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

Five years to 30 June 2014 (rebased to 100 at 30 June 2009)



Source: Morningstar & Lipper

Investment Portfolio – Twenty Largest Investments

As at 30 June 2014

Investment	Valuation 2014 £'000	Total assets %	Valuation 2013 £'000
1 (4) Royal Dutch Shell			
Royal Dutch Shell is engaged in all phases of the petroleum industry, from exploration to processing and distribution. It has strong positions in oil products marketing and LNG, globally. The group operates in over 130 countries.	26,777	4.5	22,077
2 (1) GlaxoSmithKline			
GlaxoSmithKline is a research-based pharmaceutical group that also develops, manufactures and markets vaccines, prescription and over-the-counter medicines, as well as health-related consumer products. The group specialises in treatments for respiratory, central nervous system, gastro-intestinal and genetic disorders.	26,432	4.4	27,851
3 (3) Unilever			
Unilever is a global consumer goods company supplying food, home and personal care products. The company has a portfolio of strong brands including: Dove, Knorr, Axe and Persil. Over half of the company's sales are to developing and emerging markets.	24,707	4.2	22,707
4 (5) British American Tobacco			
British American Tobacco manufactures and markets cigarettes and other tobacco products, including cigars and roll-your-own tobacco. The group sells over 200 brands in approximately 180 countries. Key brands include: Dunhill, Kent, Pall Mall and Lucky Strike. Strong cashflow is an attractive characteristic of the tobacco industry.	24,520	4.1	21,552
5 (9) AstraZeneca			
AstraZeneca researches, develops, produces and markets pharmaceutical products. The company's operations are focused on six therapeutic areas: Cardiovascular, Oncology, Respiratory, Neuroscience, Inflammation and Infection. The company's product pipeline offers a number of interesting opportunities.	24,350	4.1	18,597
6 (11) BHP Billiton			
BHP Billiton is the world's largest diversified resources group with a global portfolio of high quality assets. Core activities comprise the production and distribution of minerals, mineral products and petroleum.	23,694	4.0	17,308
7 (2) Centrica			
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.	21,726	3.7	25,034
8 (7) Roche Holdings			
Listed in Switzerland, Roche develops and manufactures pharmaceutical and diagnostic products with particular strengths in the areas of oncology, cardiovascular and respiratory diseases. The company benefits from a strong product pipeline and limited near-term patent exposure.	20,584	3.5	19,306
9 (10) HSBC Holdings			
HSBC group is one of the world's largest banking and financial services institutions. Its international network comprises more than 5,000 offices in 80 countries worldwide. The diversity of HSBC's business and exposure to faster growing regions of the world should enable it to deliver superior long-term growth.	19,416	3.3	18,227
10 (8) Pearson			
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 structural growth.	18,337	3.1	18,607
Top ten investments	**230,543**	**38.9**	

Investment	Valuation 2014 £'000	Total assets %	Valuation 2013 £'000
11 (15) Prudential			
Prudential is an insurance company with substantial operations in the UK, USA and across Asia. Early mover advantage in Asia has provided the company with a number of market leading positions giving the opportunity to capitalise on a fast growing market.	17,232	2.9	13,814
12 (17) Cobham			
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.	16,214	2.7	12,838
13 (16) ENI			
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.	15,991	2.7	13,524
14 (14) BP			
BP is one of the world's largest petroleum and petrochemicals groups. Its main activities are: exploration and production of crude oil and natural gas; refining, marketing, supply and transportation of petroleum products.	15,831	2.7	13,835
15 (19) Aberforth Smaller Companies			
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.	14,958	2.5	11,604
16 (18) Compass Group			
Compass is a leading contract catering and food service company. The company benefits from underlying growth in outsourcing, together with the potential for further margin improvement and growth from its emerging markets operations. The company demonstrates strong cashflow characteristics.	14,828	2.5	12,247
17 (13) National Grid			
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.	14,641	2.5	14,375
18 (12) Tesco			
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.	12,991	2.2	15,148
19 (-) Close Brothers			
Close Brothers is a specialist financial services group which makes loans, trades securities and provides advice and investment management solutions to a wide range of clients.	12,524	2.1	–
20 (-) Sage Group			
Sage Group is a software publishing business which develops, publishes and distributes accounting and payroll software. It also maintains a registered user database which provides a market for their related products and services, including computer forms, software support contracts, program upgrades and training.	12,522	2.1	–
Top twenty investments	**378,275**	**63.8**	

The value of the 20 largest investments represents 63.8% (2013 – 65.7%) of total assets.

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

Investment Portfolio – By Sector

As at 30 June 2014

Investment	Valuation £'000	Total assets %	Yield %
Oil & Gas			
Oil & Gas Producers	**65,391**	**11.0**	
Royal Dutch Shell	26,777	4.5	5.5
BP	15,831	2.7	4.8
ENI	15,991	2.7	5.5
BG Group	6,792	1.1	1.6
Oil Equipment Services	**8,783**	**1.5**	
John Wood Group	8,783	1.5	1.9
Basic Materials			
Mining	**23,694**	**4.0**	
BHP Billiton	23,694	4.0	4.1
Chemicals	**5,730**	**1.0**	
Linde	5,730	1.0	1.9
Industrials			
Aerospace & Defence	**29,176**	**4.9**	
Cobham	16,214	2.7	3.4
Rolls-Royce	9,829	1.7	0.9
Ultra Electronics	3,133	0.5	2.5
Industrial Engineering	**5,029**	**0.8**	
Weir Group	5,029	0.8	1.8
Industrial Transportation	**6,304**	**1.1**	
BBA	6,304	1.1	3.3
Electronic & Electrical Equipment	**9,743**	**1.6**	
Schneider Electric	9,743	1.6	2.7
Consumer Goods			
Automobiles & Parts	**8,244**	**1.4**	
GKN	8,244	1.4	2.4
Food Producers	**41,321**	**7.0**	
Unilever	24,707	4.2	3.8
Associated British Foods	9,818	1.7	1.2
Nestlé	6,796	1.1	3.1
Tobacco	**35,435**	**5.9**	
British American Tobacco	24,520	4.1	4.6
Imperial Tobacco	10,915	1.8	5.1
Health Care			
Pharmaceuticals & Biotechnology	**71,366**	**12.1**	
GlaxoSmithKline	26,432	4.5	5.6
AstraZeneca	24,350	4.1	4.2
Roche Holdings	20,584	3.5	3.0
Consumer Services			
Food & Drug Retailers	**19,688**	**3.3**	
Tesco	12,991	2.2	5.8
Casino Guichard Perrachon	6,697	1.1	3.2

Investment	Valuation £'000	Total assets %	Yield %
Media	**18,337**	**3.1**	
Pearson	18,337	3.1	4.6
Travel & Leisure	**14,828**	**2.5**	
Compass Group	14,828	2.5	3.6
Telecommunications			
Mobile Telecommunications	**27,223**	**4.6**	
Vodafone Group	11,120	1.9	6.3
Inmarsat	8,223	1.4	4.1
Verizon Communications	7,880	1.3	4.3
Utilities			
Gas, Water & Multi-utilities	**47,427**	**8.1**	
Centrica	21,726	3.7	6.0
National Grid	14,641	2.5	5.6
GDF Suez	11,060	1.9	7.5
Financials			
Banks	**48,500**	**8.2**	
HSBC Holdings	19,416	3.3	5.4
Nordea Bank	11,648	2.0	4.2
Standard Chartered	10,946	1.8	4.7
Svenska Handelsbanken	6,490	1.1	5.1
Financial Services	**21,626**	**3.6**	
Close Brothers	12,524	2.1	4.0
Provident Financial	9,102	1.5	4.1
Non-life Assurance	**7,559**	**1.3**	
Hiscox	7,559	1.3	8.1
Life Assurance	**17,232**	**2.9**	
Prudential	17,232	2.9	2.8
Equity Investment Instruments	**18,515**	**3.1**	
Aberforth Smaller Companies Trust	14,958	2.5	4.1
Dunedin Smaller Companies Investment Trust	3,557	0.6	2.9
Real Estate Investment Trusts	**8,882**	**1.5**	
Land Securities Group	8,882	1.5	3.0
Technology			
Software & Computer Services	**18,473**	**3.1**	
Sage Group	12,522	2.1	3.3
Microsoft	5,951	1.0	2.7
Total investments	**578,506**	**97.6**	

Source: Aberdeen Asset Managers Limited

Summary of Investment Changes During The Year

As at 30 June 2014

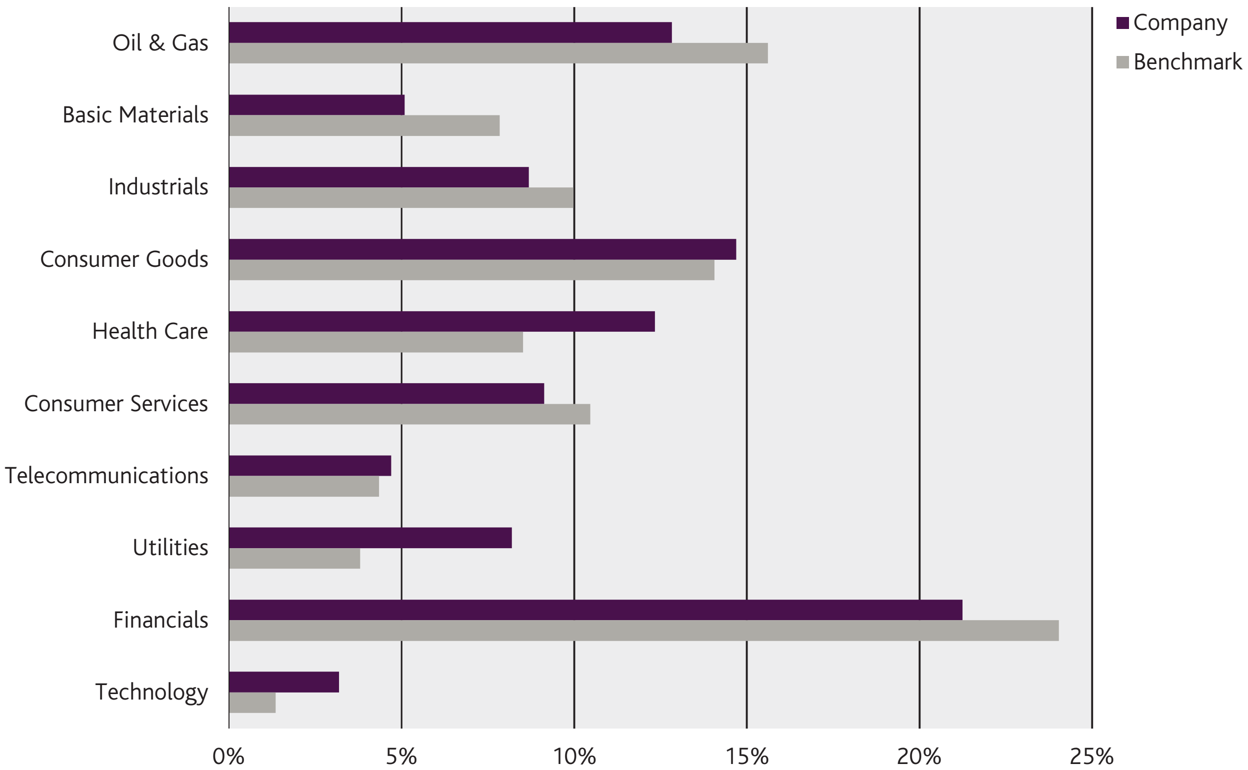
	Valuation 30 June 2013 £'000	%	Transactions £'000	Gains/(losses) £'000	Valuation 30 June 2014 £'000	%
Equities						
United Kingdom	438,444	82.3	(4,878)	36,370	469,936	79.3
France	22,639	4.3	(61)	4,922	27,500	4.7
Germany	5,646	1.0	–	84	5,730	0.9
Italy	13,524	2.5	–	2,467	15,991	2.7
Sweden	11,585	2.2	5,462	1,091	18,138	3.1
Switzerland	25,781	4.8	–	1,599	27,380	4.6
United States	–	–	10,844	2,987	13,831	2.3
Total investments	517,619	97.1	11,367	49,520	578,506	97.6
Other net assets	15,259	2.9	(1,113)	–	14,146	2.4
Total assets less current liabilities (excluding bank loan)	**532,878**	**100.0**	**10,254**	**49,520**	**592,652**	**100.0**

Summary of Net Assets

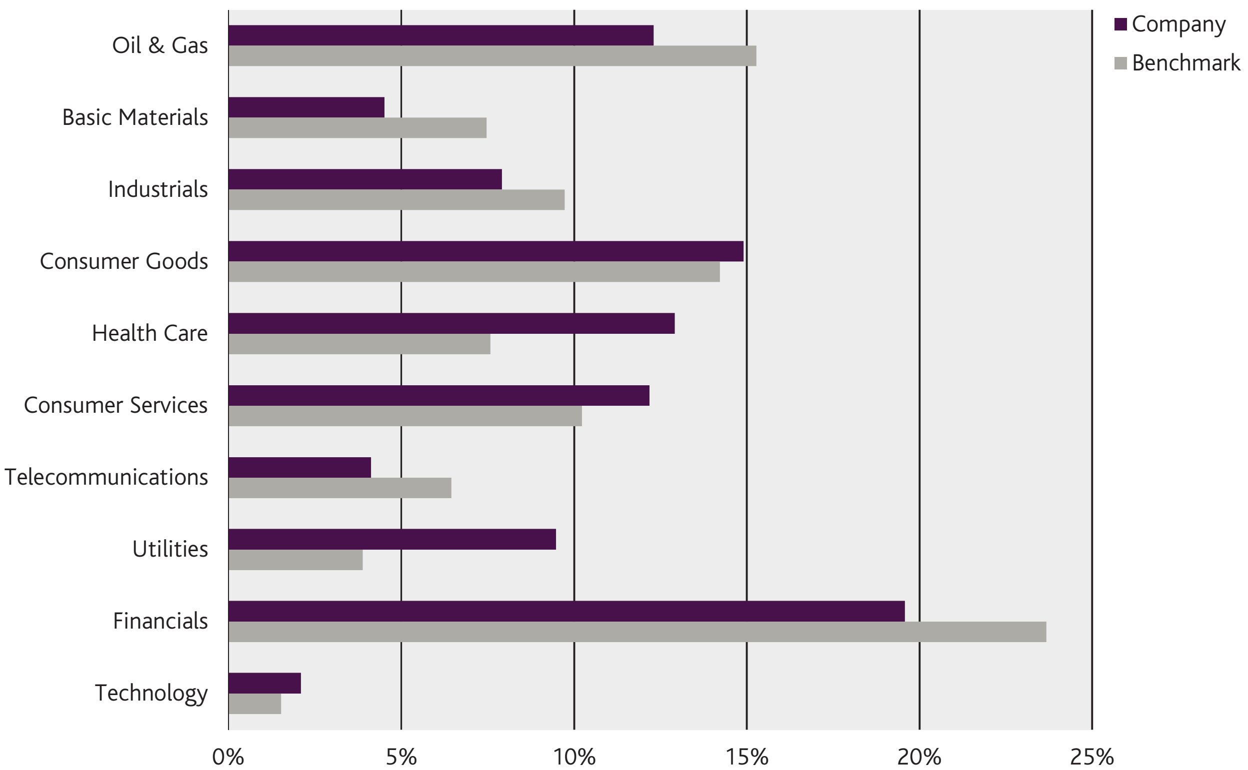
	As at 30 June 2014 £'000	%	As at 30 June 2013 £'000	%
Equities	578,506	105.6	517,619	105.0
Other net assets	14,146	2.6	15,259	3.1
Borrowings	(45,000)	(8.2)	(40,000)	(8.1)
Equity shareholders' funds	**547,652**	**100.0**	**492,878**	**100.0**

Sector Comparison With Benchmark

Equities Held at 30 June 2014



Equities Held at 30 June 2013



Your Board of Directors

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

Patrick Gifford BA

Status: Chairman and Independent Non-Executive Director
Length of Service: 15 years 1 month
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 a Trustee of the National Trust Pension Fund.
Employment by Manager: None
Other connections with the Company or Manager: None
Shared Directorships with any other Directors: None
Shareholding in Company: 41,173 Ordinary shares
Remuneration: Year ended 30 June 2014 – £33,000

Neil Honebon MA

Status: Independent Non-Executive Director and Senior Independent Director
Length of Service: 9 years
Experience and other public company directorships: Neil Honebon is a director of AlphaGen Volantis and AlphaGen Octanis and a member of the investment committee of the National Trust. He was formerly a director of Fleming Family and Partners Asset Management, and has over 30 years' experience in investment analysis and research.
Employment by Manager: None
Other connections with the Company or Manager: None
Shared Directorships with any other Directors: None
Shareholding in Company: 20,000 Ordinary shares
Remuneration: Year ended 30 June 2014 – £22,000

Jean Park BAcc, CA

Status: Independent Non-Executive Director and Chairman of the Audit Committee
Length of Service: 2 years 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. She is an independent non-executive director of NHBC and Admiral Group plc. She is a member of the Institute of Chartered Accountants of Scotland.
Employment by Manager: None
Other connections with the Company or Manager: None
Shared Directorships with any other Directors: None
Shareholding in Company: 5,575 Ordinary shares
Remuneration: Year ended 30 June 2014 – £25,414

David Woods MA, MSC, FIA

Status: Independent Non-Executive Director
Length of Service: 5 years 8 months
Experience and other public company directorships: David Woods is a director of Phoenix Group Holdings PLC, chairman of Standard Life UK Smaller Companies Trust plc and a non-executive director 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 director of the Santander (UK) Pension Scheme Ltd. He was previously non-executive chairman of Royal Liver Assurance and chairman of the risk committee of Phoenix Group Holdings plc.
Employment by Manager: None
Other connections with the Company or Manager: None
Shared Directorships with any other Directors: None
Shareholding in Company: 3,000 Ordinary shares
Remuneration: Year ended 30 June 2014 – £22,000

Donald Cameron BA Hons

Status: Independent Non-Executive Director
Length of Service: 2 years
Experience and other public company directorships: Donald Cameron qualified at the Bar of England and Wales in 2002. Having transferred to the Faculty of Advocates, he was called to the Scottish Bar in 2005, and practises as an Advocate in Scotland. He is a non-executive director of Edinburgh Worldwide Investment Trust plc.
Employment by Manager: None
Other connections with the Company or Manager: None
Shared Directorships with any other Directors: None
Shareholding in Company: 1,190 Ordinary shares
Remuneration: Year ended 30 June 2014 – £22,000

Neil Rogan MA

Status: Independent Non-Executive Director
Length of Service: 9 months
Experience and other public company directorships: Neil Rogan is former Head of the Global Equities Team at both Gartmore and Henderson and former Head of International Equities, as well as a former member of the Investment Division Executive Committee, at Gartmore. He has previously managed Fleming Far Eastern Investment Trust and, while at Touche Remnant, he worked on TR Pacific Basin Investment Trust, TR Technology Trust and Bankers Investment Trust.
Employment by Manager: None
Other connections with the Company or Manager: None
Shared Directorships with any other Directors: None
Shareholding in Company: 7,000 Ordinary shares
Remuneration: Year ended 30 June 2014 – £13,139

Directors' Report

Status

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

The Company has been accepted by HM Revenue & Customs as an investment trust subject to the Company continuing to meet the relevant eligibility conditions of Section 1158 of the Corporation Tax Act 2010 and the ongoing requirements of Part 2 Chapter 3 Statutory Instrument 2011/2999 for all financial years commencing on or after 1 July 2012. The Directors are of the opinion that the Company has conducted its affairs for the year ended 30 June 2014 so as to enable it to comply with the ongoing requirements for investment trust status.

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

Capital Structure

At 30 June 2014, the Company had 68,017,458 fully paid Ordinary shares of 25p each (2013 – 67,092,458 Ordinary shares) with voting rights in issue and an additional 451,000 (2013 – 451,000) shares in treasury. During the year ended 30 June 2014, 925,000 new Ordinary shares were issued for cash. There have been no changes in the Company's issued share capital subsequent to the year end and up to the date of this Report.

Ordinary shareholders are entitled to vote on all resolutions which are proposed at general meetings of the Company. The Ordinary shares, excluding treasury shares, carry a right to receive dividends. On a winding up, after meeting the liabilities of the Company, the surplus assets will be paid to Ordinary shareholders in proportion to their shareholdings.

There are no restrictions on the transfer of Ordinary shares in the Company other than certain restrictions which may be applied from time to time by law (for example, insider trading law).

Results and Dividends

The financial statements for the year ended 30 June 2014 indicate a total return attributable to equity shareholders for the year of £68,356,000 (2013 - £77,615,000).

The final dividend for the year ended 30 June 2013, of 9.75p per Ordinary share, was paid to shareholders on 29 October 2013. The first, second and third interim dividends, each of 7.0p per Ordinary share, for the year ended 30 June 2014, were paid to shareholders on 17 January 2014, 4 April 2014 and 4 July 2014, respectively.

The Directors now recommend a final dividend for the year ended 30 June 2014, of 10.25p per Ordinary share, payable to shareholders on 31 October 2014, making a total distribution to Ordinary shareholders of £21,255,000 (2013 - £20,528,000) relating to the year ended 30 June 2014, as shown in note 6 on page 45. The ex-dividend date is 24 September 2014 and the record date is 26 September 2014. 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 dividend in October, after the Annual General Meeting. Further information on dividends is contained in the Chairman's Statement on pages 6 and 7.

Directors

Biographies of the Directors are found on pages 20 and 21. Patrick Gifford, Neil Honebon, Jean Park, David Woods and Donald Cameron held office as Directors throughout the year. Humphrey van der Klugt retired as a Director on 25 October 2013. With the exception of Patrick Gifford, who is retiring from the Board at the Annual General Meeting ("AGM") and Neil Rogan, who was appointed a Director on 26 November 2013, and is standing for election at the AGM, all of the other current Directors retire and are standing for re-election at the AGM. The Board supports the candidature of the Directors for election and re-election for the reasons described in the Statement of Corporate Governance.

There were no contracts during, or at the end of the year, in which any Director was materially interested. No Director had a material interest in any investment in which the Company itself had a material interest.

Directors' and Officers' Liability Insurance

The Directors have been granted a qualifying third party indemnity provision during the year ended 30 June 2014, which remains in force. The Company maintains insurance in respect of Directors' and officers' liabilities in relation to their acts on behalf of the Company.

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.

The Board has set limits for borrowing and regularly reviews the level of any gearing, cash flow projections and compliance with banking covenants. On 26 September 2013, the Company entered into a two-year multi-currency revolving loan facility (“the Facility”) with Scotiabank (Ireland) Limited for up to £80m. As at 30 June 2014, £45m had been drawn down under the Facility.

The Directors are mindful of the principal risks and uncertainties disclosed on pages 3 and 4 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.

Substantial Interests

At 10 September 2014, the following interests over 3% in the issued Ordinary share capital of the Company have been disclosed in accordance with the requirements of the UK Listing Authority's Disclosure and Transparency Rules:

Shareholder	Number of shares held	% held
Aberdeen Asset Managers Limited Retail Plans	12,183,620	17.9
Speirs & Jeffrey	5,212,844	7.7
Rathbone Brothers	4,296,006	6.3
Alliance Trust Savings	3,164,438	4.7
Brewin Dolphin	3,127,400	4.6
Hargreaves Lansdown	2,266,320	3.3

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

Manager and Company Secretary

The Company's investment management arrangements with the Aberdeen Asset Management Group have been reorganised and the Company has appointed Aberdeen Fund Managers Limited ("AFML"), a wholly owned subsidiary of Aberdeen Asset Management PLC, as its alternative investment fund manager (“AIFM” or “Manager”) with effect from 16 July 2014. In order to facilitate this appointment, the Company terminated its existing investment management agreement with Aberdeen Asset Managers Limited ("AAML"), which was effective throughout the Company’s year ended 30 June 2014, and entered into a new management agreement with AFML. The new management agreement with AFML is made on the same commercial terms as the previous agreement with AAML and is also compliant with the new regulatory regime under the AIFMD.

Under the new arrangements, the Company's portfolio will continue to be managed by AAML by way of a group delegation agreement in place between AFML and AAML.

Company secretarial, accounting and administrative services are provided by Aberdeen Asset Management PLC.

For the year ended 30 June 2014, and up to 15 July 2014, the management, secretarial and marketing fees payable by the Company to Aberdeen Group companies were calculated and charged on the following basis, which, in relation to management and secretarial fees, is unchanged under the new management agreement entered into with AFML from 16 July 2014 onwards:

A monthly fee is payable to AAML 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 when calculating the fee. The investment management fee is chargeable 50% to revenue and 50% to capital. There is no performance fee. A secretarial fee of £75,000 per annum (plus applicable VAT) is payable to Aberdeen Asset Management PLC, which is chargeable 100% to revenue. An annual marketing fee equivalent to 0.075% of gross assets (calculated at 30 September each year) is paid to AAML to cover marketing activities undertaken on behalf of the Company. The management, secretarial and marketing fees paid to Aberdeen Group companies during the year ended 30 June 2014 are shown in note 3 on page 44.

The management contract 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.

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.

Corporate Governance

The Statement of Corporate Governance is set out on pages 26 to 32 and forms part of this report.

Auditor

The Directors confirm that, so far as each of the Directors is aware, there is no relevant audit information of which the Company's independent auditor is unaware and that the Directors have taken all steps that they reasonably could be expected to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's independent auditor is aware of that information.

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

Annual General Meeting

Among the resolutions being put at the Annual General Meeting of the Company to be held on 29 October 2014, the following resolutions will be proposed:

Authority to allot shares and disapply pre-emption rights

Ordinary Resolution No. 12 in the Notice of Annual General Meeting will renew the authority to allot the unissued share capital up to an aggregate nominal amount of £850,218 (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 2015, 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. 13 will, if passed, give the Directors power to allot for cash or sell from treasury equity securities up to an aggregate nominal amount of £1,700,436 (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 2015, 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 12 and 13 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 12 and 13.

Purchase of the Company's own Ordinary Shares

At the Annual General Meeting held on 25 October 2013, 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. 14 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 10,195,816 Ordinary shares). Such authority will expire on the date of the next Annual General Meeting, or on 31 December 2015, 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. 14. No dividends may be paid on any shares held in treasury and no voting rights will attach to such shares. The benefit of the ability to hold treasury shares is that such shares may be resold. This should give the Company greater flexibility in managing its share capital, and improve liquidity in its shares.

Recommendation

The Directors believe that the resolutions to be proposed at the Annual General Meeting are in the best interests of the Company and its shareholders as a whole, and recommend that shareholders vote in favour of the resolutions, as the Directors intend to do in respect of their own beneficial shareholdings totalling 77,938 Ordinary shares, representing 0.1% of the issued Ordinary share capital of the Company.

By Order of the Board

P A F Gifford
Chairman

10 September 2014

Statement of Corporate Governance

Corporate Governance

This Statement of Corporate Governance forms part of the Directors' Report which may be found on pages 22 to 25.

Introduction

The Company is committed to high standards of corporate governance. The Board is accountable to the Company's shareholders for good governance and, as required by the Listing Rules of the UK Listing Authority, this statement describes how the Company applies the principles identified in the UK Corporate Governance Code ("the Code") published in September 2012 which is effective for financial years commencing on or after 1 October 2012. The Code is available on the Financial Reporting Council's website: www.frc.org.uk. The Board confirms that the Company has complied throughout the accounting period with the relevant provisions contained within the Code, unless otherwise indicated below.

The Code includes provisions relating to:
- the role of the chief executive (A.1.2);
- executive directors' remuneration (D.2.1 and D.2.2); and
- the need for an internal audit function (C.3.5).

For the reasons set out in the Preamble to the Code, the Board considers that these provisions are not relevant to the Company, being an externally-managed investment company. The Company has therefore not reported further in respect of these provisions.

In relation to the Code provision relating to the independence of the incoming Chairman, the Company has opted to explain rather than comply with this provision and additional information may be found under "Directors", below.

Additionally, the Company is a member of the Association of Investment Companies ("AIC") and complies with the recommendations of the AIC's Code of Corporate Governance (the "AIC Code") which seeks to codify best practice of particular relevance to investment trusts. The AIC Code is available on the AIC's website: www.theaic.co.uk.

Directors

At the date of approval of this Report, the Board consisted of a non-executive Chairman and five non-executive Directors, all of whom are considered under the Code to be independent of the Company and the AIFM ("Aberdeen Fund Managers Limited") and free of any material relationship with the AIFM.

Each Director has the requisite high level and range of business and financial experience which enables the Board to provide clear and effective leadership and proper stewardship of the Company. The Chairman of the Company, Patrick Gifford, is a non-executive Director. Neil Honebon is the Senior Independent Director ("SID") to whom any concerns can be conveyed by interested parties.

The Board has a schedule of matters reserved to it for decision, and the requirement for Board approval on these matters is communicated directly to the senior staff of the Manager. These matters include the following:

- 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;
- approval of the interim management statements, half-yearly and annual Financial Statements, and approval and recommendation of the interim and final dividends respectively;
- setting the range of gearing within 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; and
- 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 Mr van der Klugt, who retired from the Board on 25 October 2013 and Mr Rogan, who was appointed a Director on 26 November 2013. The names and biographies of 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 Aberdeen Fund Managers Limited ("AIFM" 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 has indicated that he will step down as Chairman and retire from the Board at the conclusion of the next AGM. Mr Honebon, currently Senior Independent Director, will be appointed Chairman in succession to Mr Gifford while Mr Woods will replace Mr Honebon as Senior Independent Director.

The Code states that a test of independence applies on the appointment of the Chairman. The other Directors take the view, in line with AIC Code Principle 1, that a director's independence is not compromised by length of service on the Board and that experience can add significantly to the Board's strength. Accordingly, the other Directors are satisfied that Mr Honebon provides continuity of leadership and that he possesses the appropriate skills and experience to become Chairman and that he remains, in the view of the other Directors, independent on his appointment.

During the year ended 30 June 2014, the Board engaged an external consultant, Law Debenture, to facilitate an evaluation of the Board's performance. Law Debenture has no other connection with the Company. A confidential questionnaire was completed by each Director, as well as by the Secretaries and representatives of the Manager, before individual meetings were held with the consultant. A draft of the consultant's report, which included a summary of non-attributable comments made by the participants, was discussed by the Board at their meeting on 1 July 2014 and the Report was finalised on 4 July 2014.

It is the Board's intention to continue to use an external consultant to assist in the Board's performance evaluation not less than every three years and, accordingly, the Board plans to repeat the exercise during the year to 30 June 2017.

The Board and Committee review the Chairman's and Directors' other commitments, as set out on pages 20 and 21, 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. There have been no significant changes to the Chairman's other commitments during the year. The continuing independent and objective judgement of the Directors is assessed and confirmed.

The Board confirmed that the performance of the Director standing for election at the AGM, and the other Directors standing for re-election at the AGM, continued to be effective and that they continued to demonstrate commitment in their roles.

During the year ended 30 June 2014, the Board met formally on 10 occasions consisting of 5 scheduled meetings and 5 ad hoc meetings. In addition there were meetings of a Committee of the Board, where not all Directors were required to attend. Actual attendance by each of the Directors, with individual eligibility to attend in brackets, is 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, Management Engagement and Remuneration Committee Meetings Attended
P Gifford	9 (10)	7 (7)
D Cameron	8 (10)	7 (7)
N Honebon	9 (10)	7 (7)
J Park	8 (10)	7 (7)
N Rogan #	5 (5)	3 (3)
H van der Klugt *	3 (3)	3 (3)
D Woods	8 (10)	7 (7)

#Appointed as a Director on 26 November 2013

*Retired as a Director on 25 October 2013

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.

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 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.

Board Committees

The Directors have appointed a number of Committees as set out below. Copies of the terms of reference, which clearly define the responsibilities and duties of each Committee, are available upon request from the Company and are on the

Statement of Corporate Governance continued

Company's website. Details of the Audit Committee may be found on pages 30 to 32.

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 Manager. Details of this agreement are shown on page 23.

Nomination Committee

The Nomination Committee consists of the whole Board, and was chaired during the year by Patrick Gifford.

Possible new Directors are identified against the requirements of the Company's business and the need to have a balanced Board. External search consultants may be used to ensure that a wide range of candidates can be considered. Every Director is entitled to receive appropriate training as deemed necessary. A Director appointed during the year is required, under the provisions of the Company's Articles of Association, to retire and seek election by shareholders at the next Annual General Meeting. The Articles also require that one-third of the Directors retire by rotation each year and seek re-election at the Annual General Meeting. In addition, all Directors are required by the Code to retire and submit themselves for annual re-election at an Annual General Meeting.

As part of the plans for Board succession the Nomination Committee initiated a search for an additional Director using the services of an external recruitment consultant, Trust Associates, which has no other connection with the Company. The Committee identified a specification for the new Director, including the requisite skills and experience which would complement the existing Directors and having due regard for the benefits of gender diversity on the Board. The Committee met with and considered several high quality candidates. Mr Neil Rogan was identified as the preferred candidate due to his relevant experience and expertise and he was appointed a Director on 26 November 2013. Induction sessions were arranged by the Secretaries for Mr Rogan in March and April 2014 which involved meetings with certain departments within the 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.

A Director appointed during the year is required, under the provisions of the Company's Articles of Association, to retire and seek election by shareholders at the next Annual General Meeting ("AGM"). Accordingly, Neil Rogan retires and seeks election as a Director of the Company. The Articles of Association require each Director to retire not less than at every third AGM. The Board has, however, decided to adopt best practice in line with the requirement of the Code for FTSE350 companies, for all of the other Directors to retire and, if appropriate, stand for annual re-election at each AGM. The Committee further recommended to the Board, with the relevant Directors absenting themselves from the discussions, the nominations for the election of Neil Rogan and the re-election of each of Neil Honebon, David Woods, Jean Park and Donald Cameron at the forthcoming Annual General Meeting, based on their experience, skills and industry experience as set out on pages 20 and 21.

Remuneration Committee

The Remuneration Committee consists of the whole Board, and was chaired during the year by Neil Honebon. The Committee's responsibilities include making recommendations to the Board on the level of the non-executive Directors' fees and further information may be found on page 33.

Relations with Shareholders

The Directors place a great deal of importance on communication with shareholders. The Annual Report and Accounts are widely distributed to other parties who have an interest in the Company's performance. Shareholders and investors may obtain up-to-date information on the Company through the Company's website (www.murray-income.co.uk) and the Manager's Freephone information service, and the Company responds to letters from shareholders on a wide range of issues (see the Corporate Information on page 64 for contact details).

The Notice of Annual General Meeting included within the Annual Report and Accounts is sent out at least 20 working days in advance of the meeting. All shareholders have the opportunity to put questions at the Company's Annual General Meeting.

Proxy Voting as an Institutional Shareholder

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 UK commitment to the UK Stewardship 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.

The Directors expect companies in which investments are made to adhere to best practice in the area of corporate governance. The Directors, through the Manager, may enter into a dialogue, where practicable, with company management to encourage them, where necessary, to improve their policies in this area. The Company's investment objective and investment policy, however, mean that where an investee company does not adhere to best corporate governance practice the Company will not necessarily sell its holding in that company.

Socially Responsible Investment Policy

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

Declaration

The Directors listed on pages 20 and 21, being the persons responsible, hereby confirm to the best of their knowledge:

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

By order of the Board
Aberdeen Asset Management PLC
Secretary, Edinburgh

10 September 2014

Report of the Audit Committee

The Directors have appointed an Audit Committee consisting of the whole Board, which was chaired during the year ended 30 June 2014 by Humphrey van der Klugt until 25 October 2013 and thereafter by Jean Park.

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

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

Role of the Audit Committee

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

- to review and monitor the internal control systems and risk management systems (including review of non-financial risks) on which the Company is reliant (the Directors' statement on the Company's internal controls and risk management is set on pages 30 and 31);
- to consider annually whether there is a need for the Company to have its own internal audit function;
- to monitor the integrity of the interim management statements and interim and annual financial statements of the Company by reviewing, and challenging where necessary, the actions and judgements of the Manager;
- to review, and report to the Board on, the significant financial reporting issues and judgements made in connection with the preparation of the Company's financial statements, interim reports, announcements and related formal statements;
- to review the content of the Annual Report and Accounts and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy;
- to meet with the Auditor to review their proposed audit programme of work and the findings of the Auditor. The Committee shall also use this as an opportunity to assess the effectiveness of the audit process;
- to develop and implement policy on the engagement of the Auditor to supply non-audit services. Non-audit fees of £2,000 (plus applicable VAT) were paid to the Independent Auditor during the year ended 30 June 2014 (2013 - £2,000, plus applicable VAT) in relation to the preparation of corporation tax returns in the format prescribed by HMRC. The Committee will review any future non-audit fees in the light of the requirement for the Auditor to maintain their independence;
- to review a statement from the Manager detailing the arrangements in place within Aberdeen whereby Aberdeen staff may, in confidence, escalate concerns about possible improprieties in matters of financial reporting or other matters ("whistleblowing");
- to make recommendations in relation to the appointment of the Auditor and to approve the remuneration and terms of engagement of the Auditor;
- to monitor and review annually the Auditor's independence, objectivity, effectiveness, resources and qualification; and
- to investigate, when an Auditor resigns, the reasons giving rise to such resignation and consider whether any action is required.

Internal Controls and Risk Management

The Board is ultimately responsible for the Company's system of internal control and risk management and for reviewing its effectiveness. The Board confirms that as at 30 June 2014 there is an ongoing process for identifying, evaluating and managing the Company's significant business and operational risks, that it has been in place for the year ended 30 June 2014 and up to the date of approval of the Annual Report and Accounts, that it is regularly reviewed by the Board and accords with the internal control guidance for directors in the UK Code.

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

The Directors have delegated the investment management of the Company's assets to the Manager within overall guidelines, and this embraces implementation of the system of internal control, including financial, operational and compliance controls and risk management. Internal control systems are monitored and supported by the Manager's internal audit function which undertakes periodic examination of business processes, including compliance with the terms of the management agreement, and ensures that recommendations to improve controls are implemented.

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

The principal risks and uncertainties facing the Company are identified on pages 3 and 4 of this Report.

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

- the Manager prepares forecasts and management accounts which allow the Board to assess the Company's activities and review its performance; the emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception;
- the Board and Manager have agreed clearly-defined investment criteria, specified levels of authority and exposure limits. Reports on these issues, including performance statistics and investment valuations, are regularly submitted to the Board and there are meetings with the Manager as appropriate;
- as a matter of course, the Manager's compliance department continually reviews the Manager's operations;
- written agreements are in place which specifically define the roles and responsibilities of the Manager and other third-party service providers;
- the Board has considered the need for an internal audit function but, because of the compliance and internal control systems in place within the Manager, has decided to place reliance on the Manager's systems and internal audit procedures;
- at its September 2014 meeting, the Audit Committee carried out an annual assessment of internal controls for the year ended 30 June 2014 by considering documentation from the Manager, including the internal audit and compliance functions, and taking account of events since 30 June 2014.

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.

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

Significant Issues for the Audit Committee

During its review of the Company's financial statements for the year ended 30 June 2014, the Audit Committee considered the following significant issues, in particular those communicated by the Auditor during their planning and reporting of the year end audit:

Correct Calculation of Management Fees

How the issue was addressed - The management fees are calculated by the Manager and reviewed periodically by the Board. The Auditor reperforms the calculations as part of its audit.

Valuation and Existence of Investments

How the issue was addressed - The valuation of investments is undertaken in accordance with the accounting policies, disclosed in notes 1(e) and 1(h) to the accounts on page 43. All investments are considered liquid and quoted in active markets and have been categorised as Level 1 within the FRS 29 fair value hierarchy and can be verified against daily market prices. The portfolio is reviewed and verified by the Manager on a regular basis and management accounts, including a full portfolio listing, are prepared each month and circulated to the Board. The portfolio is also reviewed annually by the Auditor. The Company used the services of an independent Custodian (JP Morgan Chase Bank) during the year under review to hold the assets of the Company. The investment portfolio is reconciled regularly by the Manager and the audit includes independent confirmation of the existence of all investments.

Going Concern

How the issue was addressed - The Directors have considered the Company's investment objective and risk management policies, the nature of the portfolio and expenditure and cash flow projections. As a result, they have determined that the Company has adequate resources, an appropriate financial structure and suitable management arrangements in place to continue in operational existence for the foreseeable future.

Review of Auditor

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

- independence - the Auditor discusses with the Audit Committee, at least annually, the steps it takes to ensure its independence and objectivity and makes the Committee aware of any potential issues, explaining all relevant safeguards;
- quality of audit work including the ability to resolve issues in a timely manner - identified issues are satisfactorily and promptly resolved; its communications/presentation of outputs - the explanation of the audit plan, any deviations from it and the subsequent audit findings are comprehensive and comprehensible, and working relationship with management - the Auditor has a constructive working relationship with the Manager;

- quality of people and service including continuity and succession plans - the audit team is made up of sufficient, suitably experienced staff with provision made for knowledge of the investment trust sector and retention on rotation of the partner.

EY, and predecessor firms, have held office as Auditor since the incorporation of the Company in 1923. In accordance with present professional guidelines the Senior Statutory Auditor is rotated after no more than five years and the year ended 30 June 2014 will be the fifth year for which the present Senior Statutory Auditor has served. The Committee considers EY, the Company's Auditor, to be independent of the Company. The Audit Committee arranged, in May 2014, a tender for the Company's external audit and invited EY to participate, alongside 3 other audit firms. Following the tender, the Audit Committee supported the recommendation to the Board that the reappointment of EY as Auditor be put to shareholders for approval at the AGM. Shareholders have the opportunity at each AGM to vote on the reappointment of the Auditor for the forthcoming year. Under EU regulations, EY are required to rotate as Auditor no later than 2020 and, accordingly, the Board expects to hold the next tender for external audit services in 2019.

J C Park
Chairman of the Audit Committee

10 September 2014

Directors’ Remuneration Report

The Board has prepared this Directors’ Remuneration Report, in accordance with the new regulations governing the disclosure and approval of Directors’ remuneration, and it consists of three parts:

(i) a Remuneration Policy, which will be subject to a binding shareholder vote to be put to the members at the forthcoming AGM in the first instance and then every three years thereafter. Should the Remuneration Policy be varied during this interval, then shareholder approval for the new Remuneration Policy will be sought;
(ii) an Implementation Report, which provides information on how the policy has been applied during the year and which will be subject to an advisory vote on the level of remuneration paid during the year as set out in the Implementation Report; and
(iii) an Annual Statement.

The law requires the Company’s Auditor to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The Auditor’s opinion is included in the report on pages 36 and 37.

The fact that the Remuneration Policy will now be subject to a binding vote does not imply any change on the part of the Company. The principles remain the same as for previous years. There have been no changes to the Directors’ Remuneration Policy during the period of this Report nor are there any proposals for the foreseeable future.

Remuneration Policy

This part of the Remuneration Report provides details of the Company’s Remuneration Policy for Directors of the Company. This policy takes into consideration the principles of UK Corporate Governance.

Although the Company has no employees and the Board is comprised wholly of non-executive Directors and, despite the size and nature of the Company, the Board has established a separate Remuneration Committee which determines Directors’ remuneration.

The Directors are non-executive and their fees are set out within the Company’s Articles of Association which limit to £200,000 the annual aggregate fees payable to the Board. This limit may only be amended by shareholder resolution and an increase was last approved in October 2011.

	30 June 2014 £	30 June 2013 £
Chairman	33,000	30,000
Chairman of Audit Committee	27,000	24,000
Director	22,000	20,000

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

Appointment

- The Company only intends to appoint non-executive Directors.
- All the Directors are non-executive appointed under the terms of Letters of Appointment.
- Directors must retire and be subject to re-election at the first AGM after their appointment, and at least every three years thereafter.
- New appointments to the Board will be placed on the fee applicable to all Directors at the time of appointment (currently £22,000 per annum).
- No incentive or introductory fees will be paid to encourage a Directorship.
- The Directors are not eligible for bonuses, pension benefits, share options, long term incentive schemes or other benefits.
- The Company indemnifies its Directors for all costs, charges, losses, expenses and liabilities which may be incurred in the discharge of duties, as a Director of the Company.

Performance, Service Contracts, Compensation and Loss of Office

- The Directors’ remuneration is not subject to any performance-related fee.
- No Director has a service contract.
- No Director was interested in contracts with the Company during the period or subsequently.
- The terms of appointment provide that a Director may be removed subject to 3 months’ written notice.
- Compensation will not be due upon leaving office.
- No Director is entitled to any other monetary payment or to any assets of the Company.

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

It is intended that, if approved, the Remuneration Policy will take effect at the conclusion of the next AGM.

Implementation Report

Directors’ Fees

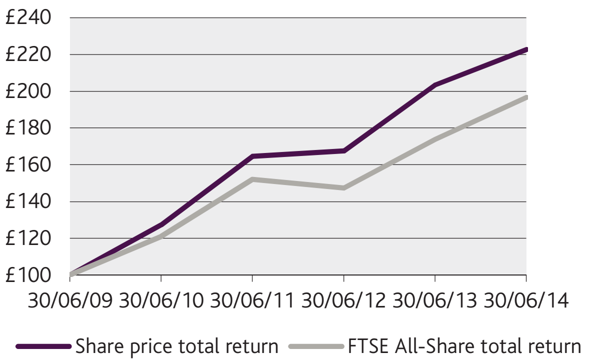
The Board carried out a review of Directors’ annual fees during the year and concluded that these should remain unchanged for the year to 30 June 2015, at £33,000, £27,000 and £22,000 for the Chairman, Audit Committee Chairman and other Directors, respectively. There are no

Directors' Remuneration Report continued

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

Company Performance

Also during the year the Board carried out a review of investment performance. The graph below shows the share price and NAV total return (assuming all dividends are reinvested) to ordinary shareholders compared to the total return from the FTSE All-Share Index for the five year period to 30 June 2014 (rebased to 100 at 30 June 2009). This index was chosen for comparison purposes, as it is the benchmark used for investment performance measurement purposes.



Statement of Voting at Annual General Meeting

At the Company's last Annual General Meeting, held on 25 October 2013, shareholders approved the Directors' Remuneration Report in respect of the year ended 30 June 2013. 99.0% of proxy votes were in favour of the resolution, 0.9% were against, and 0.1% abstained.

Spend on Pay

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

Audited Information
Fees Payable

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

Director	2014 £	2013 £	Taxable Benefits 2014	Taxable Benefits 2013
P Gifford	33,000	30,000	-	-
D Cameron	22,000	16,444	-	-
M Glen +	n/a	6,667	n/a	-
N Honebon	22,000	20,000	-	-
J Park~	25,414	19,946	-	-
N Rogan #	13,139	n/a	-	n/a
H van der Klugt*	8,564	24,000	-	-
D Woods	22,000	20,000	-	-
Total	**146,117**	**137,057**	**-**	**-**

Notes to the Fees Payable Table:

+Retired as a Director on 23 October 2012

*Retired as a Director on 25 October 2013

#Appointed as a Director on 26 November 2013

~Appointed Chairman of the Audit Committee on 25 October 2013

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

Directors' Interests in the Company

The Directors are not required to have a shareholding in the Company. The Directors (including connected persons) at 30 June 2014, and 1 July 2013, had no interest in the share capital of the Company other than those interests shown below, all of which are beneficial interests, unless indicated otherwise:

	30 June 2014 Ord 25p	1 July 2013 Ord 25p
P Gifford	40,552	37,473
D Cameron	1,190	1,190
N Honebon	20,000	20,000
J Park	5,575^	5,575^
N Rogan #	7,000	n/a
H van der Klugt*	n/a	7,500
D Woods	3,000	3,000

*Retired as a Director on 25 October 2013

#Appointed as a Director on 26 November 2013

^ Of which, 3,000 shares are owned beneficially

Mr Gifford's interest in the Company's shares increased to 41,173 Ordinary shares following the acquisition of 367 Ordinary shares on 7 July 2014, 126 Ordinary shares on 22 July 2014 and 128 Ordinary shares on 22 August 2014. As at the date of approval of this Report, there had been no other changes to the above holdings.

Annual Statement

On behalf of the Board and in accordance with Part 2 of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, I confirm that the above Report on Remuneration Policy and Remuneration Implementation summarises, as applicable, for the year ended 30 June 2014:

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

N A Honebon
Chairman of the Remuneration Committee
10 September 2014

Statement of Directors' Responsibilities

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

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

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

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

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

We confirm that to the best of our knowledge:

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

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

P A F Gifford
Chairman

10 September 2014

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

We have audited the financial statements of Murray Income Trust PLC for the year ended 30 June 2014 which comprise the Income Statement, the Balance Sheet, the Reconciliation of Movements in Shareholders' Funds, the Cash Flow Statement and the related notes 1 to 18. 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 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 35, 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 and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISoAs"). 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 annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2014 and of the Company's 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.

Our assessment of risks of material misstatement

We identified the following risks of material misstatement that had the greatest effect on the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the audit team:

- incorrect valuation of the investment portfolio;
- incorrect ownership of the investment portfolio; and
- inaccurate recognition or measurement of income.

Our application of materiality

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of misstatements on the audit and of uncorrected misstatements, if any, on financial statements and in forming our audit opinion.

We determined materiality for the Company to be £5.5m which is 1% of the equity shareholder funds. This materiality calculation provided a basis for completing our risk assessment procedures; identifying and assessing the risk of material misstatement in the financial statements; and determining the nature, timing and extent of our audit procedures.

On the basis of our risk assessment, together with our assessment of the Company's overall control environment, our judgment was that overall performance materiality (i.e. our tolerance for misstatement in an individual account or balance) for the Company should be 75% of materiality, namely £4.1m. Our objective in adopting this performance materiality was to ensure that total uncorrected and undetected audit differences in all accounts did not exceed our materiality level. Given the importance of the distinction between revenue and capital for the Company we have also applied a separate performance materiality of £1.1million for the income statement, being 5% of the revenue return on ordinary activities before taxation.

We have agreed with the Audit Committee to report any audit differences in excess of £0.3m, as well as differences below that threshold that, in our view, warrant reporting on qualitative grounds.

An overview of the scope of our audit

Our response to the risks identified above was as follows:

- We agreed the year end prices to third party sources;
- We agreed the investment holdings to the custodian report; and
- We tested management's controls in respect of income recognition and performed additional substantive audit testing including the allocation of special dividends between the revenue and capital columns of the income statement.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following:
Under the ISoAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or
- is otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed.

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 pages 22 and 23, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review.

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

10 September 2014

Income Statement

		Year ended 30 June 2014			Year ended 30 June 2013		
		Revenue	Capital	Total	Revenue	Capital	Total
	Notes	£'000	£'000	£'000	£'000	£'000	£'000
Gains on investments	9	–	49,520	49,520	–	58,679	58,679
Currency losses		–	(105)	(105)	–	(45)	(45)
Income	2	23,926	–	23,926	23,566	–	23,566
Investment management fees	3	(1,386)	(1,386)	(2,772)	(1,238)	(1,238)	(2,476)
Administrative expenses	4	(1,079)	–	(1,079)	(1,030)	–	(1,030)
Net return before finance costs and taxation		21,461	48,029	69,490	21,298	57,396	78,694
Finance costs of borrowing	5	(362)	(362)	(724)	(363)	(363)	(726)
Net return on ordinary activities before taxation		21,099	47,667	68,766	20,935	57,033	77,968
Taxation on ordinary activities	7	(410)	–	(410)	(353)	–	(353)
Net return on ordinary activities after taxation		**20,689**	**47,667**	**68,356**	**20,582**	**57,033**	**77,615**
Return per Ordinary share (pence)	8	**30.5**	**70.2**	**100.7**	**31.1**	**86.3**	**117.4**

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
Ordinary dividends on equity shares	6	**20,712**	–	**20,712**	**21,543**	–	**21,543**

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

Balance Sheet

	Notes	As at 30 June 2014 £'000	As at 30 June 2013 £'000
Non-current assets			
Investments at fair value through profit or loss	9	578,506	517,619
Current assets			
Other debtors and receivables	10	2,414	3,445
Cash and short term deposits		12,643	12,539
		15,057	15,984
Creditors: amounts falling due within one year			
Other payables	11	(911)	(725)
Bank loans	11	(45,000)	(40,000)
Net current liabilities		(30,854)	(24,741)
Net assets		**547,652**	**492,878**
Share capital and reserves			
Called-up share capital	12	17,117	16,886
Share premium account		23,101	16,202
Capital redemption reserve		4,997	4,997
Capital reserve	13	475,429	427,762
Revenue reserve	13	27,008	27,031
Total equity shareholders' funds		**547,652**	**492,878**
Net asset value per Ordinary share (pence)	**14**	**805.2**	**734.6**

The financial statements were approved by the Board of Directors and authorised for issue on 10 September 2014 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 2014

	Notes	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 1 July 2013		16,886	16,202	4,997	427,762	27,031	492,878
Return on ordinary activities after taxation		–	–	–	47,667	20,689	68,356
Issue of Ordinary shares		231	6,899	–	–	–	7,130
Dividends paid	6	–	–	–	–	(20,712)	(20,712)
Balance at 30 June 2014		**17,117**	**23,101**	**4,997**	**475,429**	**27,008**	**547,652**

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)
Balance at 30 June 2013		**16,886**	**16,202**	**4,997**	**427,762**	**27,031**	**492,878**

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

Cash Flow Statement

	Notes	Year ended 30 June 2014 £'000	Year ended 30 June 2014 £'000	Year ended 30 June 2013 £'000	Year ended 30 June 2013 £'000
Net cash inflow from operating activities	15		18,334		18,541
Servicing of finance					
Interest paid			(722)		(725)
Taxation					
Net tax paid			(416)		(314)
Financial investment					
Purchases of investments		(39,256)		(44,450)	
Sales of investments		30,485		30,224	
Net cash outflow from financial investment			(8,771)		(14,226)
Equity dividends paid	6		(20,712)		(21,543)
Net cash outflow before financing			(12,287)		(18,267)
Financing					
Issue of Ordinary shares	12	7,496		10,984	
Drawdown of loan		5,000		–	
Net cash inflow from financing			12,496		10,984
Increase/(decrease) in cash	16		**209**		**(7,283)**

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

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 are treated as revenue for the year on an ex-dividend basis. Where no ex-dividend date is available dividends receivable on or before the year end are treated as revenue for the year. Where the Company has elected to receive dividends in the form of additional shares rather than cash, the amount of the cash dividend foregone is recognised as revenue and any residual amount is recognised as capital. Provision is made for any dividends not expected to be received. Special dividends are credited to capital or revenue, according to the circumstances. Dividend revenue is presented gross of any non-recoverable withholding taxes, which are disclosed separately within the 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.

(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 derivative contracts (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.

2. Income	2014 £'000	2013 £'000
Income from investments		
UK dividends (all listed)	14,855	16,231
Overseas dividends (all listed)	5,078	4,405
Stock dividends	2,596	1,359
	22,529	21,995
Other income		
Deposit interest	29	23
Traded option premiums	1,368	1,548
	1,397	1,571
Total income	**23,926**	**23,566**

During the year, the Company received premiums totalling £1,368,000 (2013 – £1,548,000) in exchange for entering into derivative transactions. At the year end there were 9 open positions (2013 – 1), valued at a liability position of £156,000 (2013 – £51,000) and securities held by the Company with a value of £3,198,000 (2013 – £2,549,000) were pledged as collateral against this.

	2014			2013		
3. Investment management fees	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fees	**1,386**	**1,386**	**2,772**	**1,238**	**1,238**	**2,476**

Details of the fee basis are contained in the Directors' Report on page 23. There was £478,000 (2013 – £446,000) due to Aberdeen Asset Managers Limited in respect of these investment management services at the year end.

4. Administrative expenses	2014 £'000	2013 £'000
Shareholders' services[A]	557	523
Directors' remuneration	146	137
Secretarial fees[B]	90	91
Auditor's remuneration		
• fees payable to the Company's auditor for the audit of the Company's annual accounts	21	20
• fees payable to the Company's auditor and its associates for iXBRL tagging services	2	2
Other expenses	263	257
	1,079	**1,030**

[A] Includes registration, savings scheme and other wrapper administration and promotion expenses, of which £479,000 (2013 – £434,000) was paid to Aberdeen Asset Managers Limited (AAM) to cover marketing activities during the year. There was £125,000 (2013 – £106,000) due to AAM in respect of these marketing activities at the year end.

[B] Payable to AAM, balance outstanding £15,000 (2013 – £7,500) 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 £5,000 (2013 – £4,000).

5. Finance costs of borrowing	2014 Revenue £'000	2014 Capital £'000	2014 Total £'000	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000
Bank loans and overdrafts	362	362	724	363	363	726

6. Ordinary dividends on equity shares	2014 £'000	2013 £'000
Third interim 2013 of 7.00p (2012 – 5.50p)	4,676	3,602
Final 2013 of 9.75p (2012 -13.25p)	6,590	8,679
First interim 2014 of 7.00p (2013 – 7.00p)	4,761	4,624
Second interim 2014 of 7.00p (2013 – 7.00p)	4,761	4,638
Return of unclaimed dividends	(76)	–
	20,712	**21,543**

The third interim and proposed final dividends for 2014 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 2014 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 £20,689,000 (2013 – £20,582,000).

	2014 £'000	2013 £'000
Three interim dividends of 7.00p each (2013 – 7.00p)	14,283	13,938
Proposed final dividend of 10.25p (2013 – 9.75p)	6,972	6,590
	21,255	**20,528**

The amount reflected above for the cost of the proposed final dividend for 2014 is based on 68,017,458 Ordinary shares, being the number of Ordinary shares in issue at the date of this Report.

7. Taxation	2014 Revenue £'000	2014 Capital £'000	2014 Total £'000	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000
(a) **Analysis of charge for the year**						
Overseas tax suffered	610	–	610	541	–	541
Overseas tax reclaimable	(200)	–	(200)	(188)	–	(188)
Current tax charge for the year	**410**	–	**410**	**353**	–	**353**

(b) Factors affecting the tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax rate of 22.5% (2013 – 23.75%). The differences are explained as follows:

	2014 Revenue £'000	2014 Capital £'000	2014 Total £'000	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000
Net profit on ordinary activities before taxation	21,099	47,667	68,766	20,935	57,033	77,968
Return on ordinary activities multiplied by the standard rate of corporation tax of 22.5% (2013 – 23.75%)	4,747	10,725	15,472	4,972	13,545	18,517
Effects of:						
Non-taxable UK dividends	(3,342)	–	(3,342)	(3,855)	–	(3,855)
Non-taxable stock dividends	(584)	–	(584)	(323)	–	(323)
Non-taxable overseas dividends	(1,084)	–	(1,084)	(985)	–	(985)
Movement in unutilised loan relationships	157	81	238	167	86	253
Movement in unutilised management expenses	106	312	418	24	295	319
Other capital returns	–	(11,118)	(11,118)	–	(13,926)	(13,926)
Overseas tax irrecoverable	410	–	410	353	–	353
Current tax charge	**410**	**–**	**410**	**353**	**–**	**353**

(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 £53,831,000 (2013 – £50,914,000). 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. **Return per Ordinary share**	2014 £'000	2014 p	2013 £'000	2013 p
Returns are based on the following figures:				
Revenue return	20,689	30.5	20,582	31.1
Capital return	47,667	70.2	57,033	86.3
Total return	**68,356**	**100.7**	**77,615**	**117.4**
Weighted average number of Ordinary shares in issue		**67,868,896**		**66,081,926**

9. Investments

	2014 £'000	2013 £'000
Held at fair value through profit or loss:		
Opening valuation	517,619	443,355
Opening investment holdings gains	(132,716)	(83,546)
Opening book cost	384,903	359,809
Movements during the year:		
Purchases at cost	41,852	45,809
Sales – proceeds	(30,485)	(30,224)
Sales – gains	11,534	9,509
Closing book cost	407,804	384,903
Closing investment holdings gains	170,702	132,716
Closing valuation	**578,506**	**517,619**

The portfolio valuation:	2014 £'000	2013 £'000
UK equities	469,936	438,444
Overseas equities	108,570	79,175
Total	**578,506**	**517,619**

Gains on investments	2014 £'000	2013 £'000
Gains based on book cost	11,534	9,509
Net movement in investment holdings gains	37,986	49,170
	49,520	**58,679**

As at 30 June 2014, 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 £3,198,000 (2013 – £2,549,000), 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:

	2014 £'000	2013 £'000
Purchases	155	148
Sales	40	31
	195	**179**

10. Other debtors and receivables

	2014 £'000	2013 £'000
Prepayments and accrued income	**2,414**	**3,445**

11. Creditors: amounts falling due within one year	2014 £'000	2013 £'000
Accruals	755	674
Amounts due on derivative contracts	156	51
Bank loans	45,000	40,000
	45,911	**40,725**

Accruals include 9 (2013 – 1) open option positions having a value of £156,000 (2013 – £51,000).

At 30 June 2014 the Company had drawn down £45,000,000 (30 June 2013 – £40,000,000) of a £80,000,000 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 0.85% for the relevant period of the advance. As at 30 June 2014 this rate was 1.34469% (30 June 2013 – 1.64313%) and the loan rolled over on 28 July 2014 and on 28 August 2014.

On 28 August 2014 the Company had drawn down £45,000,000 of the facility, at an all-in interest rate of 1.35281% until maturity on 29 September 2014. Borrowing facilities of £80 million are committed to the Company until 23 September 2015.

Financial covenants contained within the loan agreement provide, inter alia, that the net assets to borrowings must exceed 3.5 to 1 (30 June 2014 – 12.2; 30 June 2013 – 12.3) and that net assets must exceed £185 million (30 June 2014 – £547.7 million; 30 June 2013 – £492.9 million). All financial covenants were met during the year and also during the period from the year end to the date of this report.

12. Called-up share capital	2014 Shares	2014 £'000	2013 Shares	2013 £'000
Allotted, called-up and fully-paid				
Ordinary shares of 25p each: publicly held	68,017,458	17,004	67,092,458	16,773
Ordinary shares of 25p each: held in treasury	451,000	113	451,000	113
	68,468,458	**17,117**	**67,543,458**	**16,886**

During the year there were no Ordinary shares repurchased (2013 – nil). No Ordinary shares were sold from the Treasury account (2013 – 466,000) and 925,000 (2013 – 1,127,000) new shares were allotted. All of these shares were sold at a premium to net asset value. The issue prices ranged from 749.0p to 809.0p and raised £7,130,000 (2013 – £11,348,000) net of expenses.

13. Retained earnings	2014 £'000	2013 £'000
Capital reserve		
At 1 July 2013	427,762	367,762
Movement in investment holding gains	37,986	49,170
Gains on realisation of investments at fair value	11,534	9,509
Currency losses	(105)	(45)
Finance costs of bank loan	(362)	(363)
Investment management fees	(1,386)	(1,238)
Issue of Ordinary shares	–	2,967
At 30 June 2014	**475,429**	**427,762**

Revenue reserve

	2014 £'000	2013 £'000
At 1 July 2013	27,031	27,992
Revenue	20,689	20,582
Dividends paid	(20,712)	(21,543)
At 30 June 2014	**27,008**	**27,031**

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:

	2014	2013
Net asset value attributable (£'000)	547,652	492,878
Number of Ordinary shares in issue (note 12)	68,017,458	67,092,458
Net asset value per share (p)	805.2	734.6

15. Reconciliation of net return before finance costs and taxation to net cash inflow from operating activities	2014 £'000	2013 £'000
Net return before finance costs and taxation	69,490	78,694
Adjustments for:		
Gains on investments	(49,520)	(58,679)
Currency losses	105	45
Non cash stock dividend	(2,596)	(1,359)
Decrease/(increase) in accrued income	651	(81)
Decrease in other debtors	21	77
Increase/(decrease) in accruals	183	(156)
Net cash inflow from operating activities	**18,334**	**18,541**

16. Analysis of changes in net debt	At 1 July 2013 £'000	Cash flows £'000	Currency losses £'000	At 30 June 2014 £'000
Net cash:				
Cash	12,539	209	(105)	12,643
Debt:				
Debt due within one year	(40,000)	(5,000)	–	(45,000)
Net debt	**(27,461)**	**(4,791)**	**(105)**	**(32,357)**

17. Risk management policies and procedures

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.

The following table shows the fair values of open positions in options at the year end, all recorded as liabilities in note 11, together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are indicative of neither the market risk nor the credit risk.

	2014	
	Liabilities £'000	Gross £'000
Associated British Foods (call)	26	1,616
AstraZeneca (call)	21	1,606
Close Brothers (call)	4	1,431
Inmarsat (put)	3	1,429
National Grid (call)	2	1,411
Nestle (call)	35	1,450
Standard Chartered (put)	55	1,325
Ultra Electronic (put)	–	3,133
Vodafone (put)	10	1,305
Total	**156**	**14,706**

	2013	
	Liabilities £'000	Gross £'000
GDF Suez (put)	51	1,290
Total	**51**	**1,290**

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 9. 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 6 and 7 in the sections headed "Performance", "Dividend" and "Outlook" and in the Investment Manager's Report on pages 8 to 11 in the sections headed "Background", "Performance", "Portfolio Activity and Structure", "Income" and "Outlook".

The Board has agreed the parameters for gearing, which was 5.9% of net assets as at 30 June 2014 (2013 – 5.6%). 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 Company Summary on page 1. Adherence to investment guidelines and to investment and borrowing powers set out in the management agreement mitigates the risk of exposure to any particular security or issuer. Further information on the investment portfolio is set out in the Investment Manager's Report on pages 8 to 11.

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 18 and an analysis of the equity portfolio by industrial classification is on pages 16 and 17.

Interest rate risk

Interest rate movements may affect:

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

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:

	Floating rate		Non-interest bearing	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Euro	75	142	49,221	41,809
Sterling	12,440	12,380	469,936	438,444
Swedish Krona	75	–	18,138	11,585
Swiss Francs	53	17	27,380	25,781
US Dollars	–	–	13,831	–
Total	**12,643**	**12,539**	**578,506**	**517,619**

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 £45,000,000 as at 30 June 2014 (2013 – £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:

Assets	Within 1 year 2014 £'000	Within 1 year 2013 £'000
Floating rate		
Cash	12,643	12,539

Liabilities	Within 1 year 2014 £'000	Within 1 year 2013 £'000
Floating rate		
Revolving bank credit facility	45,000	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 2014 and net assets would decrease/increase by £324,000 (2013 – decrease/increase by £275,000). 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 2014			30 June 2013		
	Investments £'000	Net monetary liabilities £'000	Total currency exposure £'000	Investments £'000	Net monetary liabilities £'000	Total currency exposure £'000
Euro	49,221	75	49,296	41,809	142	41,951
Sterling	469,936	(32,560)	437,376	438,444	(27,620)	410,824
Swedish Krona	18,138	75	18,213	11,585	–	11,585
Swiss Francs	27,380	53	27,433	25,781	17	25,798
US Dollars	13,831	–	13,831	–	–	–
Total	**578,506**	**(32,357)**	**546,149**	**517,619**	**(27,461)**	**490,158**

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 3, 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 2014 would have increased/decreased by £57,851,000 (2013 – £51,761,000).

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 2014 the Company utilised £45,000,000 of a £80,000,000 (2013 – £40,000,000) revolving bank credit facility, which is committed until 23 September 2015. Interest is charged at a variable rate based on LIBOR plus a margin of 0.85% (2013 – margin 1.15%) for the relevant period of the advance. As at 30 June 2014 this rate was 1.34469% (2013 – 1.64313%) and the loan rolled over on 31 July 2014 (2013 – rolled on 31 July 2013). The aggregate of all future interest payments at the rate ruling at 30 June 2014 and the redemption of the loan amounted to £45,051,000 (2013 – £40,059,000).

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 2014 is £14,839,000 (30 June 2013 – £15,387,000) consisting of £2,196,000 (2013 – £2,848,000) of dividends receivable from equity shares and £12,643,000 (2013 – £12,539,000) in cash held .

None of the Company's financial assets are past due or impaired (2013 – £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 net assets to bank borrowings ratio must exceed 3.5 to 1 and that the net assets must exceed £185 million. As noted in greater detail in note 11 all financial covenants were met during the year and also during the period from the year end to the date of this report.

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 2014

	Note	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit or loss					
Quoted equities	a)	578,506	–	–	578,506
Financial liabilities at fair value through profit or loss					
Derivatives	b)	(156)	–	–	(156)
Net fair value		578,350	–	–	578,350

For the year ended 30 June 2013

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

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.

Information About the Investment Manager

Aberdeen Asset Managers Limited

The Investment Manager is a subsidiary of Aberdeen Asset Management PLC, whose group companies had approximately £322.5bn of assets under management as at 30 June 2014. Aberdeen Asset Management PLC manages assets on behalf of a wide range of clients including 49 investment trusts and other closed-ended funds, which have combined total assets of over £12.7bn.

Aberdeen Asset Management PLC has its headquarters in Aberdeen with its main investment centres in Bangkok, Budapest, Edinburgh, Hong Kong, Jersey, Kuala Lumpur, London, Paris, Philadelphia, Singapore, Sydney and Tokyo.

Aberdeen Asset Management PLC currently manages £105.4bn of equities globally. As part of this, the Pan-European team oversee £4.8bn of UK equities and £1.6bn of European (ex UK) equities.

Senior Investment Manager

Charles Luke
Senior Investment Manager

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

The Investment Process

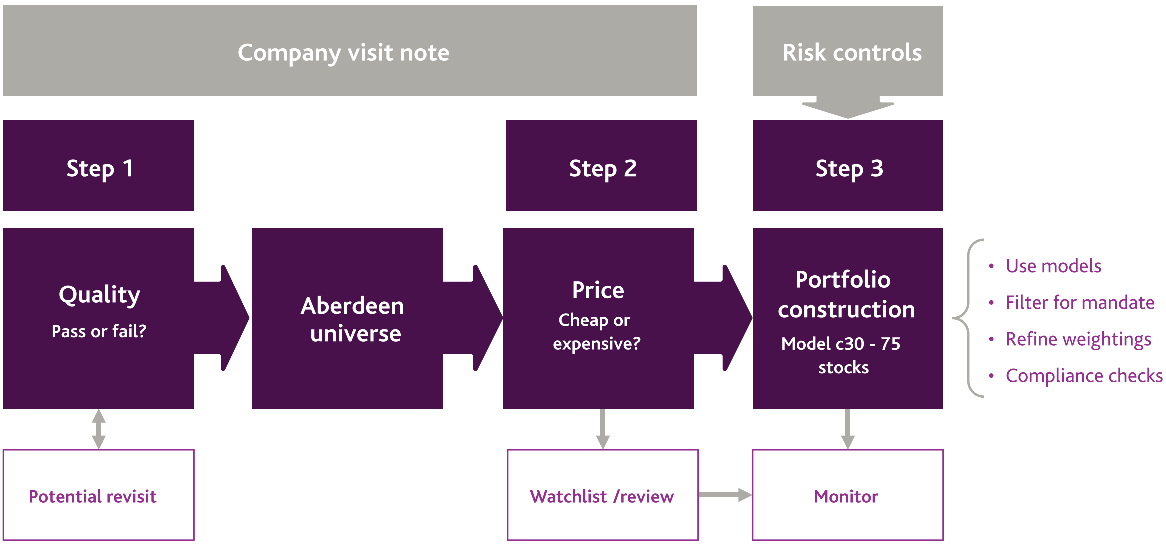
Philosophy and Style

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

Risk Controls

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

AAM'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.



Investment Trust Initiative

Murray Income Trust PLC contributes to the Investment Trust Initiative run by Aberdeen Asset Managers Limited ("AAM"), on behalf of a number of investment trusts under its management. The Company's contribution, which is matched by AAM, is £479,000 (plus VAT) for the year ending 30 June 2014, and these arrangements are reviewed annually by the Board.

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

The Investment Trust Initiative includes the following:

Investor Relations Programme

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

Direct Response Advertising

The Manager advertises the packaged product availability of the Company in selected national press as well as the specialist financial titles.

Direct Mail

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

Newsletter

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

Public Relations

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

Shareholder Services

AAM runs an investment help desk for retail enquirers and investors (see page 59 for contact details). Enquirers or investors will be sent any relevant literature on request and have queries answered immediately. The Investment Trust Initiative is under the direction of AAM's Group Head of Brand who has extensive experience in investor relations and communications of investment products. He is supported by a team of marketing professionals.

Internet

The Company has a dedicated website: www.murray-income.co.uk. This allows web users to access information on the Company's share price performance, capital structure, stock exchange announcements and monthly reports. The site is continuously being evaluated for improvement.

Investors in the Share Plan and ISA can now use AAM's secure system to view their valuations and transact on their Plan accounts.

The Board is committed to a close monitoring of the Investment Trust Initiative. The Aberdeen Group Head of Brand provides a written summary quarterly to the Board.

If you have any questions about the Company, the Manager or performance, please telephone AAM's Investor Services Department on 0500 00 00 40 (free when dialling from a UK landline). Alternatively, internet users may e-mail us on inv.trusts@aberdeen-asset.com or write to us at 10 Queen's Terrace, Aberdeen AB10 1YG.

How to Invest in Murray Income Trust PLC

Direct

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

Suitable for Retail

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

The Company currently conducts its affairs, and intends to continue to do so for the foreseeable future, in order that the shares issued by Murray Income Trust PLC can be recommended by a financial adviser to ordinary retail investors in accordance with the FCA's rules in relation to non-mainstream investment products.

The Company's shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust.

Aberdeen's Investment Trust Share Plan

Aberdeen Asset Managers Limited ("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.

Aberdeen's Investment Plan for Children

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 (subject to the eligibility criteria as stated within the terms and conditions). All investments are free of dealing charges on the initial purchase of shares, although investors will suffer the bid-offer spread, which can, on some occasions, be a significant amount. Lump sum investments start at £150 per trust, while regular savers may invest from £30 per month. Investors simply pay Government Stamp Duty (currently 0.5%) 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.

Stocks and Shares ISA

An investment of up to £15,000 can be made into an ISA in each tax year.

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

Nominee Accounts and Voting Rights

In common with other schemes of this type, all investments in AAM's Investment Trust Share Plan, Investment Plan for Children and Stocks and Shares ISA are held in nominee accounts and investors have full voting and other rights of share ownership.

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.

Further Information

If investors would like details on Murray Income Trust PLC or information on the Children's Plan, Share Plan, ISA or ISA Transfers, please e-mail inv.trusts@aberdeen-asset.com or telephone 0500 00 00 40 or write to –

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

Details are also available on www.invtrusts.co.uk.

Literature Request Service

For literature and application forms for AAM's investment trust products, including the relevant terms and conditions, please contact:

Telephone: 0500 00 40 00
Email: aam@lit-request.com

Keeping You Informed

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

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

Investor warning

The Board has been made aware by Aberdeen Asset Management (Aberdeen) that some investors have received telephone calls from people purporting to work for Aberdeen, or third parties, who have offered to buy their investment trust shares. These may be scams which attempt to gain personal information with which to commit identity fraud or could be 'boiler room' scams where a payment from an investor is required to release the supposed payment for their shares.

These callers do not work for Aberdeen and any third party making such offers has no link with Aberdeen. Aberdeen never makes these types of offers and does not 'cold-call' investors in this way. If investors have any doubt over the veracity of a caller, they should not offer any personal information, end the call and contact Aberdeen's investor services centre using the details provided under Further Information on this page.

The information on pages 58 and 59 has been approved for the purposes of Section 21 of the Financial Services and Markets Act 2000 (as amended by the Financial Services Act 2012) by Aberdeen Asset Managers Limited which is authorised and regulated by the Financial Conduct Authority.

Glossary of Terms and Definitions

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.
Closed-End Fund	A collective investment scheme which has a fixed number of shares which are not redeemable from the fund itself. Unlike open-ended funds, new shares/units are not created by managers to meet demand from investors; instead, shares are purchased (or sold) only in the market. Closed-end funds are normally listed on a recognised stock exchange, such as the London Stock Exchange, and shares can be bought and sold on that exchange.
Discount	The amount by which the market price per share of an investment trust is lower than the net asset value per share. The discount is normally expressed as a percentage of the net asset value per share.
Dividend Cover	Earnings per share divided by dividends per share expressed as a ratio.
Dividend Yield	The annual dividend expressed as a percentage of the share price.
Investment Trust	A type of Closed End Fund which invests in other securities, allowing shareholders to share the risks, and returns, of collective investment.
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.
Put Option	An option contract which gives the buyer the right, but not the obligation, to sell a specified amount of an asset at the strike price by a future specified date.
Total Assets	Total Assets as per the balance sheet less current liabilities (before deducting prior charges as defined above).
Total Return	Total Return involves reinvesting the net dividend in the month that the share price goes xd. 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

NOTICE IS HEREBY GIVEN that the ninety-first Annual General Meeting of Murray Income Trust PLC will be held at 12.30 pm on Wednesday 29 October 2014 in the Strathclyde Suite, Glasgow Royal Concert Hall, 2 Sauchiehall Street, Glasgow, G2 3NY for the purpose of considering and if thought fit passing the following resolutions, of which Resolutions 1 to 12 inclusive will be proposed as Ordinary Resolutions and Resolutions 13 and 14 will be proposed as Special Resolutions:–

1. To receive the Directors' Report, the Report of the Auditor and the audited financial statements for the year ended 30 June 2014.
2. To receive and adopt the Directors' Remuneration Report for the year ended 30 June 2014 (other than the Directors' Remuneration Policy).
3. To approve the Directors' Remuneration Policy.
4. To approve a final dividend of 10.25p per Ordinary share for the year ended 30 June 2014.
5. To appoint Mr N Rogan* as a Director of the Company.
6. To re-elect Mr N Honebon* as a Director of the Company.
7. To re-elect Mr D Woods* as a Director of the Company.
8. To re-elect Ms J Park* as a Director of the Company.
9. To re-elect Mr D Cameron* as a Director of the Company.
10. To re-appoint Ernst & Young LLP as independent auditor of the Company.
11. To authorise the Directors to fix the remuneration of Ernst & Young LLP as independent auditor of the Company.

Authority to allot shares

12. 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 £850,218 (representing 5 per cent. of the total Ordinary shares in issue as at the date of approval of this Notice (excluding treasury shares)) during the period expiring on the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or on 31 December 2015, whichever is the earlier, but so that this authority shall allow the Company to make offers or agreements before the expiry of this authority which would or might require shares to be allotted after such expiry and the Directors shall be entitled to allot shares in pursuance of such an offer or agreement as if such authority had not expired.

Disapplication of pre-emption rights

13. THAT, subject to the passing of Resolution 12 proposed at the Annual General Meeting of the Company convened for 29 October 2014, 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 12 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 2015, 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 £1,700,436 (representing 10 per cent. of the total Ordinary shares in issue as at the date of approval of this Notice); and
    c) shall be limited in respect of the issue of shares or the sale of equity securities from treasury in the circumstances as detailed in the section headed "Authority to allot shares and disapply pre-emption rights" in the Directors' Report on page 24 of the Annual Report of the Company for the year ended 30 June 2014 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).

Authority to make market purchases of shares

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

PROVIDED ALWAYS THAT:

a) the maximum number of shares hereby authorised to be purchased shall be an aggregate of 10,195,816 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 2015 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
7th Floor, 40 Princes Street
Edinburgh EH2 2BY
17 September 2014

Notes:

(i) A member entitled to attend and vote is entitled to appoint one or more proxies to attend, speak and vote instead of him/her at the meeting. A proxy need not be a member of the Company. A member may appoint more than one proxy, provided that each proxy is appointed to attend, speak and vote in respect of a different share or shares. If you wish your proxy to speak on your behalf at the meeting, you will need to appoint your own choice of proxy (not the chairman of the meeting) and give instructions directly to them. A reply-paid form of proxy which may be used to make such appointment and give proxy instructions is enclosed. If you do not have a proxy form and believe that you should, or you would like to appoint more than one proxy, please contact the Company's Registrar, Capita Asset Services, on 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 Registrar, Capita Asset Services, The Registry, 34 Beckenham Road, Kent BR3 4TU, so as to arrive not less than 48 hours (excluding non-working days) before the time fixed for the meeting. You may only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.

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

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

(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. 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, 7th 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.

(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
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 10 September 2014, the latest practicable date prior to publication of this document, the Company had 68,017,458 Ordinary shares in issue with a total of 68,017,458 voting rights.

Corporate Information

Directors

P A F Gifford (Chairman)
N A Honebon (Senior Independent Director)
J C Park (Chairman of the Audit Committee)
D A J Cameron
N A H Rogan (appointed on 26 November 2013)
D E Woods

Registered Office

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

Website

www.murray-income.co.uk

United States Internal Revenue Service FATCA Registration Number (GIIN)

8Q8ZFE.99999.SL.826

Alternative Investment Fund Manager *

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

(* appointed as required by EU Directive 2011/61/EU).

Investment Manager

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

Secretary

Aberdeen Asset Management PLC
Customer Services Department: 0500 00 00 40
Email: company.secretary@invtrusts.com

Registrar

Capita Asset Services
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
website: www.capitaregistrars.com

Depositary and Custodian

BNP Paribas Securities Services, London Branch

Auditor

Ernst & Young LLP

Solicitors

Dickson Minto W.S.

Stockbroker

Canaccord Genuity

Your Company's History

Issued Share Capital at 30 June 2014 and 10 September 2014

68,017,458	Ordinary shares of 25p
451,000	Ordinary shares held in treasury

Recent Capital History

Year ended 30 June 2014	925,000 new Ordinary shares issued by the Company
Year ended 30 June 2013	466,000 Ordinary shares sold by the Company from treasury
	1,127,000 new Ordinary shares issued by the Company
Year ended 30 June 2012	810,000 Ordinary shares sold by the Company from treasury

MIX
Paper from responsible sources
FSC® C005739