The North American Income Trust plc

An investment trust investing for above-average dividend income and long term capital growth, mainly from a concentrated portfolio of US equities

Annual Report
31 January 2018

Aberdeen


Aberdeen's office in Philadelphia where the investment management team is based.

Contents

Visit our Website

To find out more about The North American Income Trust plc, please visit www.northamericanincome.co.uk

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the action you should take, you are recommended to seek your own 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 The North American 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.

Company Overview

Launched in 1902, The North American Income Trust plc (the "Company" or "NAIT") is an investment trust with its Ordinary shares listed on the premium segment of the London Stock Exchange. The Company aims to provide investors with above average dividend income and long term capital growth through active management of a portfolio consisting predominately of S&P 500 US equities.

The Company is governed by a Board of Directors, all of whom are independent, and has no employees. Like other investment companies, it outsources its investment management and administration to an investment management group, the Aberdeen Group, and other third party providers. The Company does not have a fixed life.

Net asset value total return

+7.1%

2017 +45.8%

Share price total return

+8.8%

2017 +56.3%

Revenue return per share

42.12p

2017 39.92p

Dividends per share

39.00p

2017 36.00p

Dividend yield[A]

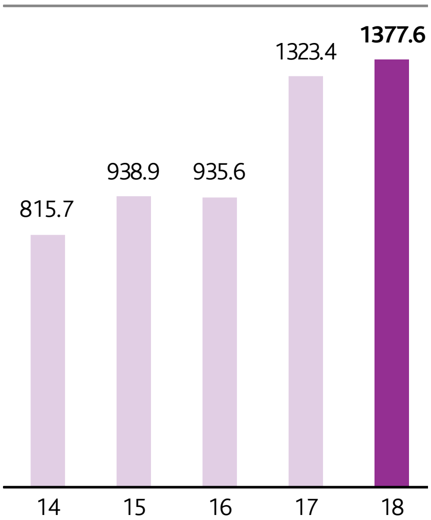
3.0%

2017 2.9%

[A] Based on year end share price

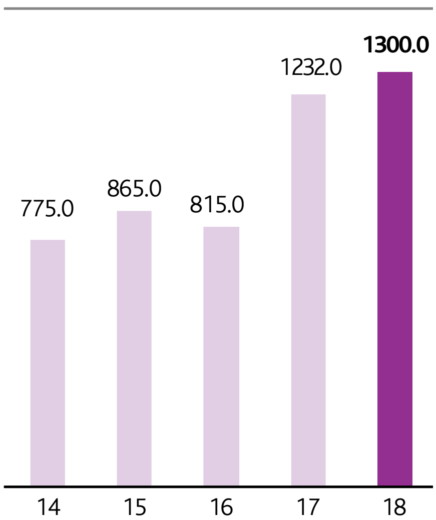
Net Asset Value

At 31 January – pence



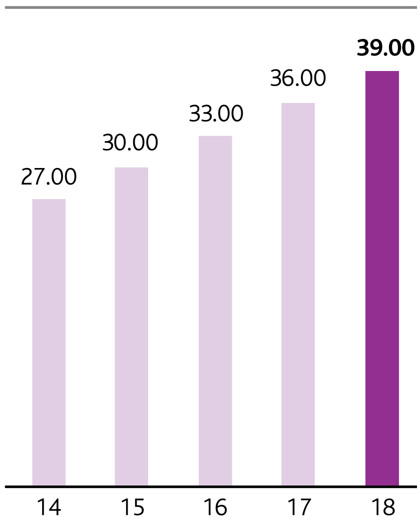
Share price

At 31 January – pence



Dividends per share

For year to 31 January - pence



Chairman's Statement

Performance

Over the year to 31 January 2018, the Company's net asset value per share rose by 7.1% on a total return basis in sterling terms. This was ahead of the more relevant Russell 1000 Value index reference benchmark return of 3.7% but behind the S&P 500 index return of 11.8%.

The Company has performed strongly since the change in its mandate to active management in 2012. For the three year period to 31 January 2018 the cumulative NAV return has been 61.1% compared to returns of 46.6% and 59.2% from the Russell 1000 and S&P 500 indices respectively.

Dividend

For the year ended 31 January 2018, the revenue return per Ordinary share rose by 5.5% from 39.9p to 42.1p. The Board is recommending a final dividend per Ordinary share of 16.0p, which will take the total dividends for the year to 39.0p (2017 – 36.0p), an increase of 8.3%. The total dividend represents a yield of 3.0%, using the share price of £13.00 at the year end, compared to the 1.8% yield from the S&P 500 Index at that date.

This leaves an undistributed balance of £920,000 (equivalent to 3.2p per Ordinary share), which will be added to the revenue reserve, making a further increase in this reserve and providing the Company with added flexibility for future years. Since 2012, the dividend has increased over fourfold from 9.4p and the revenue reserves have risen significantly from 5.5p per share to 24.6p (see page 13).

The proposed final dividend will be payable on 8 June 2018, to shareholders on the register on 11 May 2018. The quarterly dividends are paid in August, November, February and June each year.

Portfolio

As at 31 January 2018 the portfolio comprised 41 equity holdings and 7 corporate bonds with equities representing 94% of total assets.

Total revenue from equity holdings in the portfolio over the financial year was £12.9 million (2017 - £11.6 million). Most of the Trust's equity holdings continued their established record of dividend growth and approximately 80% of the equity holdings raised their dividends over the past year. Dividend growth continues to be well funded with company cash flows and we expect another year of progressive dividend payments. Furthermore, companies continue to invest in their businesses and buy back shares. Further details of the portfolio's equity income are provided in the Investment Manager's Review.

During the financial year, the Company received premiums totalling £2.4 million (2017 - £3.0 million) in exchange for entering into listed stock option transactions. This option income, the generation of which remains consistent with the Manager's company-focused investment process, represented 14.9% of total income (2017 - 19.2%). As the Company's exposure to corporate bonds has decreased over recent years, interest income from investments was lower and represented 4.3% of total income (2017 - 5.8%). Bond coupons and option premiums will remain secondary sources of income in the belief that dividends must remain the overwhelming source of income available for distribution. Further details of the portfolio are shown on pages 20 to 23.

Market & Economic Review

The Company's financial year was marked by strong economic performance and solid operating results from companies in North America. The slowdown in the industrial and energy markets from prior years has passed and optimism in making investments slowly improved throughout the year, even accelerating as it became more evident that pro-business tax policies would be enacted.

This broad based optimism was accompanied by rising earnings power across nearly all sectors and drove the strengthening of the labour market where unemployment has approached historical lows. This has led to some modest wage inflation for the first time in roughly a decade. As a result we expect to see several interest rate increases through 2018, led by new Federal Reserve chairman Jerome Powell, to offset the strengthening economy and at least part of the positive impact from the tax policy.

Our investee companies are already highly cash generative and will largely benefit further from a lower tax burden. This combined with the ongoing strength in the economy will give them the flexibility to continue progressive dividend policies and perhaps increase those payments at a faster rate than recently. Many of these companies are also planning to increase investment in their underlying business, creating an even more visible path to long-term value creation.

However, we are cautious about the impact of rising materials and labour costs, and our Manager continues to focus on those companies with the strongest ability to protect margins through pricing power and increased productivity. Less controllable and forecastable is the real likelihood that companies will reinvest some of their tax savings to compete more aggressively as a means to improve their market share position. Our Manager seeks to manage carefully the Trust's exposure to those industries

Chairman's Statement continued

where competition could accelerate in such a way that impacts margins.

Further details can be found in the Investment Manager's Review on pages 16 to 17.

Gearing

The Board continues to believe that sensible use of modest financial gearing should enhance returns to shareholders over the longer term. The loan facility agreement of $51 million with State Street Bank and Trust Company expired on 21 December 2017 and was replaced with a $75 million three year unsecured multi-currency revolving credit loan facility with Scotiabank (Ireland) Designated Activity Company (the "new facility"). The total amount available under the new facility is $75 million of which $50 million was initially committed and drawn down. As at 31 January 2018, the amount drawn down was $45 million, representing 3.1% of net assets, which includes the offset of cash held used as collateral against open option positions.

Discount

The Company's share price rose by 5.5% to £13.00 and ended the year at a 5.6% discount to total net asset value, compared with a 6.9% discount at the end of the 2017 financial year. The Board continues to work with the Manager in both promoting the Company's benefits to a wider audience and through the use of selective share buybacks providing liquidity and importantly attempting to limit share price volatility. During the financial year, 214,500 shares were repurchased at a cost of £2.6 million. Since the end of October there have been no share repurchases as the discount has traded in the 3-7% range.

Promotional Activity

The Board continues to promote the Company through the Manager's initiative which provides a series of savings schemes through which savers can invest in the Company in a low-cost and convenient manner (see page 64).

Up-to-date information about the Company, including monthly factsheets, interviews with the Manager and the latest net asset value and price of the Ordinary shares, may be found on the Company's website at www.northamericanincome.co.uk.

Investors should be aware that the PRIIPS Regulation requires the Manager, as PRIIP manufacturer, to prepare a key information document ("KID") in respect of the Company. This KID must be made available by the Manager to retail investors prior to them making any investment decision and is available on the Manager's website. The Company is not responsible for the information contained in the KID and investors should note that the procedures for calculating the risks, costs and potential returns are prescribed by the law. The figures in the KID may not reflect the expected returns for the Company and anticipated performance returns cannot be guaranteed.

Board Composition

As reported in the 2017 Half Yearly Report, Charles Park was appointed as an independent non-executive Director with effect from 13 June 2017 and stands for formal election at this forthcoming AGM. Charles has over 25 years' investment management experience, with particular expertise on US markets and I commend his election to shareholders.

Management Agreement

The Board has negotiated a reduction in the management fee with the Manager. With effect from 1 February 2018, the fee will be calculated at 0.75% of net assets up to £350 million, 0.6% between £350 million and £500 million and 0.5% over £500 million, compared to the previous rate of 0.8% of net assets. Based on net assets of £391.6 million at 31 January 2018, the revised management fee would have equated to £2.87 million and 0.73% of net assets.

Manager

The Board notes the completion of the merger in August 2017 between Aberdeen Asset Management PLC ("Aberdeen"), which is the parent company of the Manager, and Standard Life PLC whereby Aberdeen has become the wholly owned subsidiary of Standard Life Aberdeen plc. The new Group's investment approach will remain team-based with a strong emphasis on the fundamentals of individual companies. Co-managers Ralph Bassett and Fran Radano will maintain this investment process. The Board will continue to monitor closely any impact of this merger on the Company to ensure that satisfactory arrangements are in place for its effective management and successful performance.

Outlook

While valuations are near the high end of recent ranges, this is well underpinned by strong economic activity. US real GDP growth is expected to exceed 2.5% this year with core inflation around 2%. These are both higher than in recent years, spurred by the combination of strong demand drivers and the accelerated fiscal stimulus effects of recent U.S. tax policy changes. As a result, we expect the Federal Reserve to intervene to restrain inflation and growth somewhat by increasing interest rates during the year while also reducing its holdings of bonds.

The political environment is likely to remain unsettled with US mid-term elections now in focus. Nearer term, the US has re-engaged on the trade front, creating uncertainty around both input costs and the potential for export-led growth. We believe these issues would be of even more importance were it not for the generally strong domestic demand environment. We will remain vigilant in our desire to avoid negative impacts from these external events.

Bolstering a more optimistic view is the expectation that earnings of S&P 500 companies will grow during the year led by mid to high single-digit revenue growth and substantial tax reductions. Dividend growth is likely to continue, providing a nice backdrop for our Manager as the team focusses on higher yielding quality companies.

Annual General Meeting ("AGM")

The three-yearly resolution for the continuation of the Company as an investment trust will be proposed at the AGM. In the event that the resolution is not passed, the Board must convene a General Meeting, to be held within four months after the AGM, at which a special resolution would be proposed requiring the Company to be wound up voluntarily or to approve an unitisation of the vehicle.

The Board believes that the prospects for North American markets continue to be positive and the Company's investment objective and policy remain attractive. The Company has continued to deliver a yield higher than that generally available in the North American equity market and steady growth in the dividend, as well as capital growth through a portfolio of good quality companies run by strong management teams. The Board therefore strongly recommends that shareholders vote in favour of continuation.

The Company's AGM will be held at 2.00 pm on 4 June 2018 at 1 George Street, Edinburgh. I look forward to seeing as many shareholders as possible on the day.

James Ferguson
Chairman
27 March 2018

Aberdeen's New York office is growing and home to its global and high yield teams

Strategic Report

The business of the Company is that of an investment company which seeks to qualify as an investment trust for capital gains purposes.

The Company's objective is to provide investors with above average dividend income and long term capital growth through active management of a portfolio consisting predominately of S&P 500 US equities.

The Company maintains a diversified portfolio of investments, typically comprising in the region of around 50 holdings (including fixed interest investments) but without restricting the Company from holding a more or less concentrated portfolio from time to time.

1902

The North American Income Trust plc was launched 116 years ago in 1902; investment trusts are the oldest form of collective investment in the world.

Overview of Strategy

Introduction

The Company is an investment trust and its Ordinary shares are listed on the premium segment of the London Stock Exchange. The Company aims to attract long term private and institutional investors wanting to benefit from the income and growth prospects of North American companies.

The Directors do not envisage any change in the Company's activity in the foreseeable future.

Investment Objective

To provide investors with above average dividend income and long term capital growth through active management of a portfolio consisting predominately of S&P 500 US equities.

Reference Index

The Board reviews performance against relevant factors, including the Russell Value Index 1000 (in sterling terms) and the S&P 500 Index (in sterling terms) as well as peer group comparisons. The aim is to provide investors with above average dividend income from predominantly US equities which means that investment performance can diverge, possibly quite materially in either direction, from these indices.

Investment Policy

The Company invests in a portfolio predominantly comprised of S&P 500 constituents. The Company may also invest in Canadian stocks and US mid and small capitalisation companies to provide for diversified sources of income. The Company may invest up to 20% of its gross assets in fixed income investments, which may include non-investment grade debt. The Company's investment policy is flexible, enabling it to invest in all types of securities, including (but not limited to) equities, preference shares, debt, convertible securities, warrants, depositary receipts and other equity-related securities.

The maximum single investment will not exceed 10% of gross assets at the time of investment and it is expected that the portfolio will contain around 50 holdings (including fixed income investments), with an absolute minimum of 35 holdings. The composition of the Company's portfolio is not restricted by minimum or maximum market capitalisation, sector or country weightings.

The Company may borrow up to an amount equal to 20% of its net assets.

Subject to the prior approval of the Board, the Company may also use derivative instruments for efficient portfolio management, hedging and investment purposes. The Company's aggregate exposure to such instruments for investment purposes (excluding collateral held in respect of any such derivatives) will not exceed 20% of the Company's net assets at the time of the relevant acquisition, trade or borrowing.

The Company does not generally intend to hedge its exposure to foreign currency.

The Company will not acquire securities that are unlisted or unquoted at the time of investment (with the exception of securities which are about to be listed or traded on a stock exchange). However, the Company may continue to hold securities that cease to be listed or quoted, if appropriate. The Company may participate in the underwriting or sub-underwriting of investments where appropriate to do so.

The Company may invest in open-ended collective investment schemes and closed-ended funds that invest in the North American region. However, the Company will not invest more than 10%, in aggregate, of the value of its gross assets in other listed investment companies (including listed investment trusts), provided that this restriction does not apply to investments in any such investment companies which themselves have stated investment policies to invest no more than 15% of their gross assets in other listed investment companies.

The Company will normally be substantially fully invested in accordance with its investment objective but, during periods in which changes in economic conditions or other factors so warrant, the Company may reduce its exposure to securities and increase its position in cash and money market instruments.

Management

The Board has appointed Aberdeen Fund Managers Limited ("AFML" or "Manager") to act as the alternative investment fund manager ("AIFM" or "Manager").

The Directors are responsible for determining the investment policy and the investment objective of the Company. The Company's portfolio is managed on a day-to-day basis by Aberdeen Asset Managers Inc. ("AAMI" or "Investment Manager") by way of a delegation agreement in place between AFML and AAMI.

The Investment Manager invests in a range of North American 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.

Key Performance Indicators ("KPIs")

The Board uses a number of financial performance measures to assess the Company's success in achieving its objective and determining the progress of the Company in pursuing its investment policy. The main KPIs identified by the Board in relation to the Company which are considered at each Board meeting are as follows:

KPI	Description
Net asset value and share price performance against the reference indices	The Board reviews the Company's NAV and share price total return performance against the reference indices, the Russell 1000 Value and the S&P 500 (both in sterling terms). Performance graphs and tables are provided on pages 13 to 15. The Board also reviews the performance of the Company against its peer group of investment trusts with similar investment objectives.
Revenue return and dividend yield	The Board monitors the Company's net revenue return and dividend yield through the receipt of detailed income forecasts. A graph showing the dividends and yields over 5 years is provided on page 15.
Discount/premium to net asset value	The discount/premium relative to the net asset value per share is closely monitored by the Board. A graph showing the share price discount/premium relative to the net asset value is shown on page 14.
Ongoing charges	The Company's ongoing charges ratio (OCR) is provided on page 13. The Board reviews the OCR against its peer group of investment trusts with similar investment objectives.

Principal Risks and Uncertainties

There are a number of risks which, if realised, could have a material adverse effect on the Company and its financial condition, performance and prospects. The Board has identified the principal risks and uncertainties facing the Company at the current time in the table below together with a description of the mitigating actions it has taken. The Board has carried out a robust assessment of these risks, which includes those that would threaten its business model, future performance, solvency or liquidity. The principal risks associated with an investment in the Company's shares are published monthly in the Company's factsheet or they can be found in the pre-investment disclosure document ("PIDD") published by the Manager, both of which are on the Company's website. The risks and uncertainties faced by the Company are reviewed annually by the Audit Committee in the form of a risk matrix and heat map and a summary of the principal risks is set out below.

Description	Mitigating Action
Market Risk The risks facing the Company relate to the Company's investment activities and include market risk (comprising interest rate risk and other price risk), liquidity risk and credit risk. The Company is exposed to the effect of variations in share prices and movements in the US$/£ exchange rate due to the nature of its business. A fall in the market value of its portfolio would have an adverse effect on shareholders' funds. Any debt securities that may be held by the Company will be affected by general changes in interest rates that will in turn result in increases or decreases in the market value of those instruments.	The day-to-day management of the Company's assets has been delegated to the Manager under investment guidelines determined by the Board. The Board monitors these guidelines and receives regular reports from the Manager which include performance reporting. The Board regularly reviews these guidelines to ensure they remain appropriate. Details on financial risks, including market price, liquidity and foreign currency risks and the controls in place to manage these risks are provided in note 17 to the financial statements.

Overview of Strategy continued

Gearing Risk Gearing is used to leverage the Company's portfolio in order to enhance returns where and to the extent this is considered appropriate to do so. Gearing has the effect of accentuating market falls and market gains. The ability of the Company to meet its financial obligations, or an increase in the level of gearing, could result in the Company becoming over-geared or unable to take advantage of potential opportunities and result in a loss of value to the Company's shares.	In order to manage the level of gearing, the Board has set a maximum gearing ratio of 20% of net assets. The Board receives regular updates from the Manager on the actual gearing levels the Company has reached together with the assets and liabilities of the Company, and reviews these as well as compliance with the principal loan covenants at each Board meeting. As at 31 January 2018 the Company had £31.6 million of borrowings. In addition, AFML, as alternative investment fund manager, has set an overall leverage limit of 2.0 X on a commitment basis (2.5 X on a gross notional basis) and includes updates in its reports to the Board.
Discount volatility Investment company shares can trade at discounts to their underlying net asset values, although they can also trade at premia.	In order to seek to minimise the impact of share price volatility, where the shares are trading at a significant discount, the Company has operated a share buy-back programme for a number of years. The Board monitors the discount level of the Company's shares and will exercise discretion to undertake shares buybacks.
Income and Dividend Risk The ability of the Company to pay dividends and any future dividend growth will depend primarily on the level of income received from its investments (which may be affected by currency movements, exchange controls or withholding taxes imposed by jurisdictions in which the Company invests) and the timing of receipt of such income by the Company. Accordingly, there is no guarantee that the Company's dividend income objective will continue to be met and the amount of the dividends paid to Ordinary shareholders may fluctuate and may go down as well as up.	The Board monitors this risk through the regular review of detailed revenue forecasts and considers the level of income at each meeting.
Regulatory Risk The Company operates in a complex regulatory environment and faces a number of regulatory risks. Breaches of regulations, such as Section 1158 of the Corporation Tax Act 2010, the UKLA Listing Rules, Companies Act 2006 and the Alternative Investment Fund Managers Directive, could lead to a number of detrimental outcomes and reputational damage.	The Manager has implemented procedures to ensure that the provisions of the Corporation Tax Act 2010 are not breached and the results are reported to the Board. The Manager provides six-monthly reports to the Audit Committee on its internal control systems, which monitors compliance with relevant regulations. In addition, the Board, when necessary will use the services of its professional advisers to monitor compliance with regulatory requirements. The Manager and depositary provide reports to the Audit Committee on their operations to ensure that the regulations under the AIFM are complied with.
Derivatives The Company uses derivatives primarily to enhance the income generation of the Company.	The risks associated with derivatives contracts are managed within guidelines set by the Board.

Promoting the Company

The Board recognises the importance of promoting the Company to prospective investors both for improving liquidity and enhancing the value and rating of the Company's shares. The Board believes an effective way to achieve this is through subscription to and participation in the promotional programme run by the Aberdeen Group on behalf of a number of investment trusts under its management. The Company's financial contribution to the programme is matched by the Aberdeen Group. The Aberdeen Group Head of Brand reports quarterly to the Board giving analysis of the promotional activities as well as updates on the shareholder register and any changes in the make up of that register.

The purpose of the programme is both to communicate effectively with existing shareholders and to gain new shareholders with the aim of improving liquidity and enhancing the value and rating of the Company's shares. Communicating the long-term attractions of the Company is key and therefore the Company also supports the Aberdeen Group's investor relations programme which involves regional roadshows, promotional and public relations campaigns.

Duration

The Company does not have a fixed winding-up date, but shareholders are given the opportunity to vote on the continuation of the Company every three years at the Annual General Meeting. The next continuation vote will be at the next AGM in June 2018.

Board Diversity

The Board recognises the importance of having a range of skilled, experienced individuals with the appropriate knowledge in order to allow the Board to fulfil its obligations. At 31 January 2018 the Board consisted of four males and one female.

Environmental, Social and Human Rights Issues

The Company has no employees as the Board has delegated day to day management and administrative functions to Aberdeen Fund Managers Limited. There are therefore no disclosures to be made in respect of employees. The Company's socially responsible investment policy is outlined below.

Socially Responsible Investment Policy

The Board acknowledges that there are risks associated with investment in companies which fail to conduct business in a socially responsible manner and has noted the Aberdeen Group's policy on social responsibility. The Investment Manager considers social, environmental and ethical factors which may affect the performance or value of the Company's investments as part of its investment process. In particular, the Investment Manager encourages companies in which investments are made to adhere to best practice in the area of corporate governance. It believes that this can best be achieved by entering into a dialogue with company management to encourage them, where necessary, to improve their policies in this area. The Company's ultimate objective, however, is to deliver long term growth on its investments for its shareholders. Accordingly, whilst the Investment Manager will seek to favour companies which pursue best practice in the above areas, this must not be to the detriment of the return on the investment portfolio.

Global Greenhouse Gas Emissions

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

Viability Statement

The Company does not have a formal fixed period strategic plan but the Board does formally consider risks and strategy on at least an annual basis. The Board considers the Company to be a long term investment vehicle but for the purposes of this Viability Statement has decided that a period of three years is an appropriate period over which to report. The Board considers that this period reflects a balance between looking out over a long term horizon and the inherent uncertainties of looking out further than three years.

In assessing the viability of the Company over the review period the Directors have focused upon the following factors:

- The principal risks detailed in the strategic report on pages 9 to 10 and the steps taken to mitigate these risks;
- The ongoing relevance of the Company's investment objective in the current environment;
- The Company is invested in readily realisable listed securities;
- The level of revenue surplus generated by the Company and its ability to achieve the dividend policy. The Company has continued to deliver dividend growth whilst building up revenue reserves which can be used to top up the dividend in tougher times;
- The level of gearing is closely monitored;
- The availability of loan facilities. The Company has a loan facility of $75 million in place until December 2020; and
- The liquidity of the Company's portfolio and the impact of stress testing on the portfolio, including the effects of any substantial future falls in investment values.

Overview of Strategy continued

Accordingly, taking into account the Company's current position and the potential impact of its principal risks and uncertainties, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due for a period of three years from the date of this Report. In making this assessment, the Board has considered that matters such as significant economic or stock market volatility, a substantial reduction in the liquidity of the portfolio, or changes in investor sentiment could have an impact on its assessment of the Company's prospects and viability in the future.

Future

Many of the non-performance related trends likely to affect the Company in the future are common across all closed ended investment companies, such as the attractiveness of investment companies as investment vehicles, the impact of regulatory changes and the changes to the pensions and savings market in the UK. These factors need to be viewed alongside the outlook for the Company, both generally and specifically, in relation to the portfolio. The Board's view on the general outlook for the Company can be found in the Chairman's Statement on pages 3 to 5 whilst the Investment Manager's views on the outlook for the portfolio are included on pages 16 to 17.

James Ferguson
Chairman
27 March 2018

Results

Financial Highlights

	31 January 2018	31 January 2017	% change
Total assets	£423,293,000	£419,674,000	+0.9
Equity shareholders' funds	£391,649,000	£379,101,000	+3.3
Share price (mid market)	1300.00p	1232.00p	+5.5
Net asset value per share[A]	1377.57p	1323.45p	+4.1
Discount (difference between share price and net asset value)	5.6%	6.9%	
Net gearing[B]	3.1%	7.4%	
Dividends and earnings			
Revenue return per share	42.12p	39.92p	+5.5
Dividends per share (including proposed final dividend)	39.00p	36.00p	+8.3
Dividend yield (based on year end share price)	3.0%	2.9%	
Dividend cover	1.08	1.11	
Revenue reserves per share			
Prior to payment of third interim dividend declared and proposed final dividend	48.59p	43.17p	
After payment of third interim dividend declared and proposed final dividend	24.59p	21.17p	
Operating costs			
Ongoing charges[C]	0.98%	1.05%	

[A] Including undistributed revenue.
[B] Calculated in accordance with AIC guidance "Gearing Disclosures post RDR" (see definition of "Net Gearing" on page 68).
[C] The ongoing charges ratio has been calculated in accordance with guidance issued by the AIC as the total of investment management fees and administrative expenses divided by the average cum income net asset value throughout the year.

Performance

Total return (Capital return plus dividends reinvested)	1 year return %	3 year return[A] %	5 year return[A] %
Share price	+8.8	+66.7	+109.5
Net asset value per share	+7.1	+61.1	+110.6
Russell 1000 Value Index (in sterling terms)	+3.7	+46.6	+109.7
S&P 500 Index (in sterling terms)	+11.8	+59.2	+133.3

[A] Cumulative return

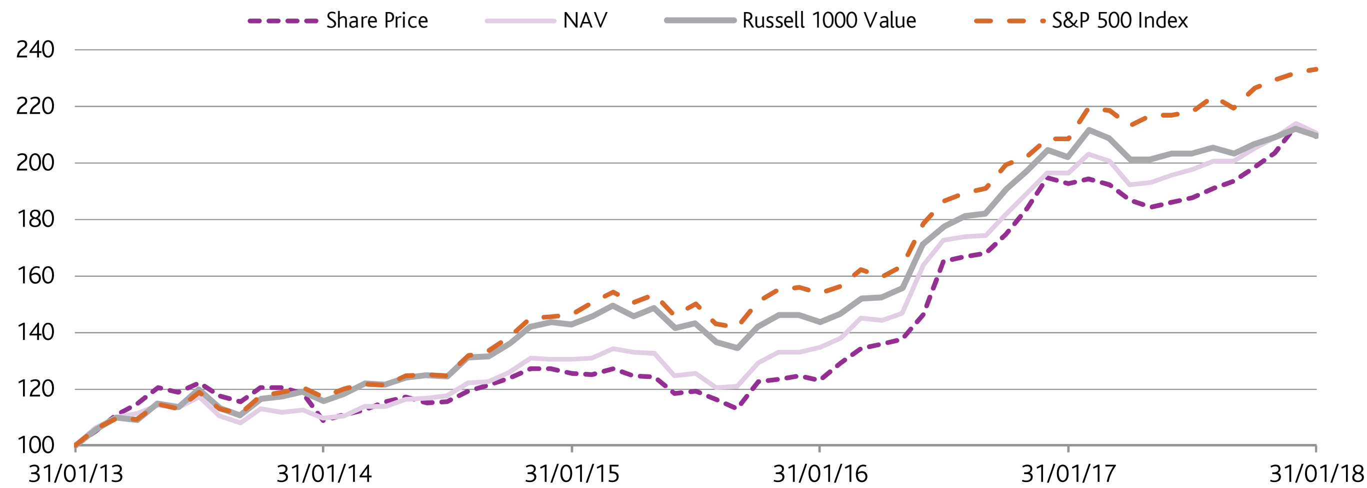
Ten Year Financial Record

Year to 31 January	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Per share (p)										
Net revenue return	7.93	8.02	8.81	9.39	19.72	29.80	32.71	35.74	39.92	42.12
Dividends	7.90	10.00	9.15	9.40	19.50	27.00	30.00	33.00	36.00	39.00
As at 31 January										
Net asset value per share (p)	481.5	559.8	673.3	700.2	769.0	815.7	938.9	935.6	1323.4	1377.6
Shareholders' funds (£'000)	181,042	204,098	222,855	220,409	242,069	271,952	309,273	280,644	379,101	391,649

Performance

Total Return of NAV and Share Price vs Russell 1000 Value Index and the S&P 500 Index (reference indices in sterling terms)

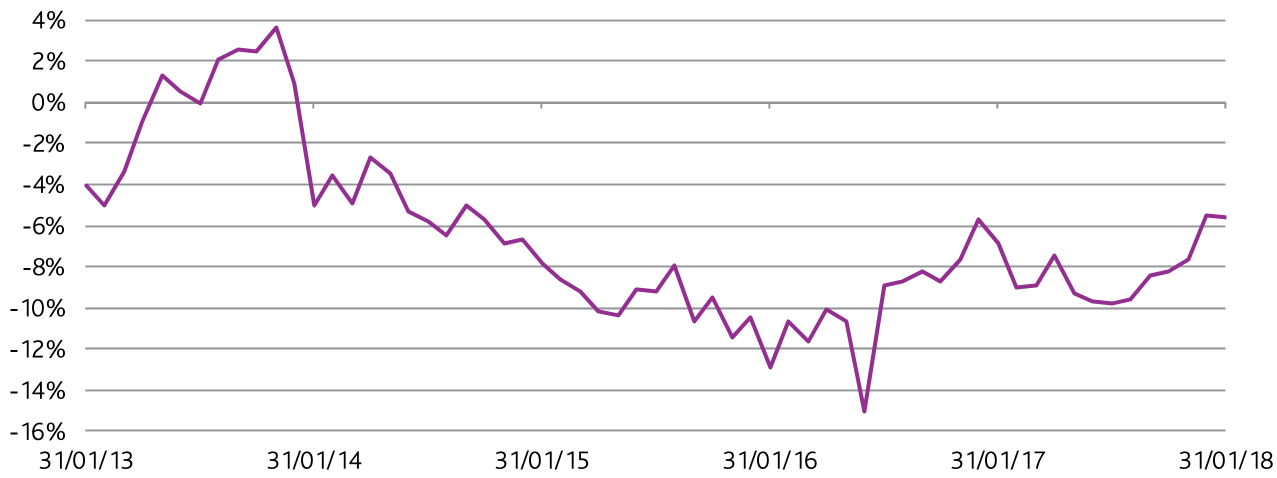
Five years to 31 January 2018 (rebased to 100 at 31 January 2013)



Source: Aberdeen Standard Investments, Morningstar & Lipper

Share Price Premium/(Discount) to NAV

Five years to 31 January 2018

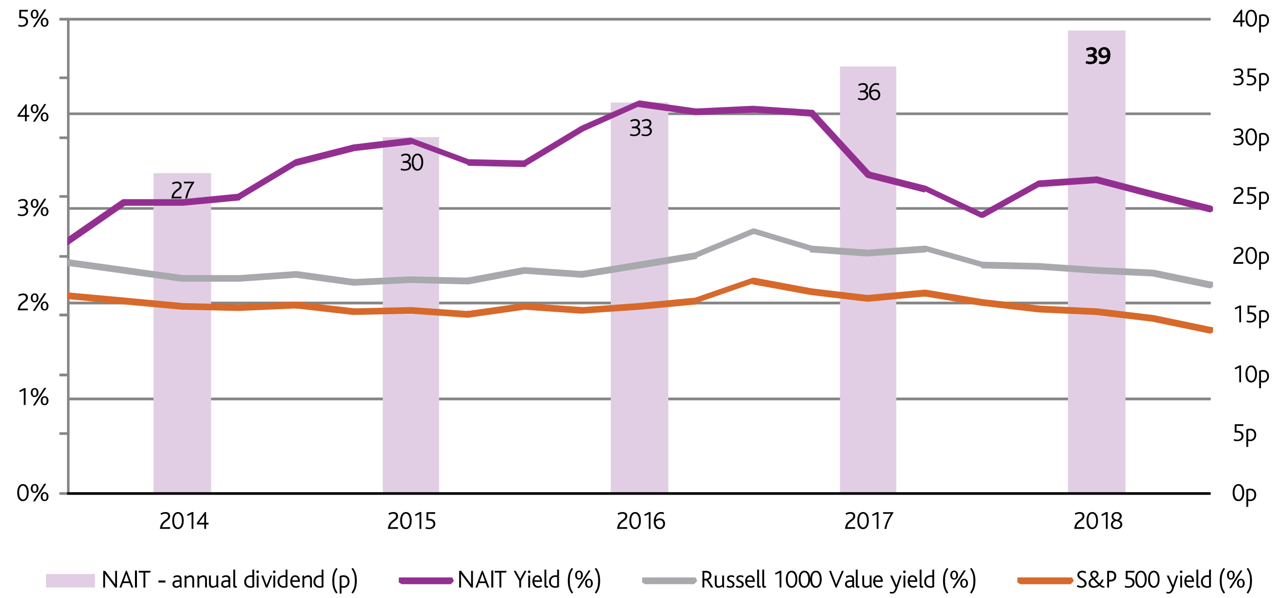


Source: Morningstar

Dividends

	Rate	xd date	Record date	Payment date
1st Interim dividend 2018	7.50p	13 July 2017	14 July 2017	4 August 2017
2nd Interim dividend 2018	7.50p	12 October 2017	13 October 2017	31 October 2017
3rd Interim dividend 2018	8.00p	25 January 2018	26 January 2018	16 February 2018
Proposed final dividend 2018	16.00p	10 May 2018	11 May 2018	8 June 2018
Total dividends 2018	**39.00p**			
1st Interim dividend 2017	7.00p	14 July 2016	15 July 2016	5 August 2016
2nd Interim dividend 2017	7.00p	13 October 2016	14 October 2016	31 October 2016
3rd Interim dividend 2017	7.50p	19 January 2017	20 January 2017	17 February 2017
Final dividend 2017	14.50p	18 May 2017	19 May 2017	16 June 2017
Total dividends 2017	**36.00p**			

Dividend (p) and Company and Reference Benchmark Yields (%)



Investment Manager's Review

Market review

Major North American equity market indices moved higher over the 12-month period ended 31 January 2018. The Russell 1000 Value index rose 3.7% in sterling terms over the review period, while the US broader-market S&P 500 index was up 11.8%. The Russell 1000 Value is used as a reference benchmark since it more appropriately reflects the objectives of the Trust, and is the industry standard for equity income funds. The strongest-performing sectors within the Russell 1000 Value Index for the period included technology, financials, materials and healthcare. Conversely, the telecommunication services, real estate and energy sectors recorded negative returns and significantly underperformed the overall market. The relatively higher dividend-paying telecommunication services and real estate sectors lost ground as US Treasury yields rose across the curve, most notably in the short and intermediate segments.

During the reporting period, the US Federal Reserve (Fed) raised the federal funds rate in three increments of 25 bps in March, June and December 2017, to a range of 1.25%-1.50%. Following its meeting in late January 2018, at which the central bank left its benchmark interest rate unchanged, the Fed commented that "the stance of monetary policy remains accommodative, thereby supporting strong labor market conditions and a sustained return to 2% inflation." The consensus market opinion is that the central bank remains on track for another rate hike in March. This was the final meeting with Fed Chair Janet Yellen, whose term expired on 3 February 2018, and Former Fed Governor Jerome Powell was sworn in as the new Fed Chair on 5 February.

On the economic front, US payrolls expanded by a monthly average of approximately176,000 during the review period, and the unemployment rate decreased 0.7 percentage point to 4.1% - its lowest level in 17 years. However, the rate of job growth was down from the average of 208,000 per month recorded over the previous 12-month period - a sign that the economy may be nearing full employment. US GDP growth ranged from 1.2% to 3.2% over the 2017 calendar year. The modest deceleration in the growth rate from 3.2% to 2.6% in the fourth quarter was attributable primarily to a downturn in private inventory investment and an increase in imports.

Performance

The Company's equity portfolio significantly outperformed the Russell 1000 Value Index over the 12-month period ended 31 January 2018, while underperforming the S&P 500 Index. The equity portfolio gained 7.2% in sterling terms on a gross basis before expenses versus the respective 3.7% and 11.8% sterling returns of the Russell 1000 Value and S&P 500 indices. The revenue account remained in good shape, building upon the record established in prior years.

The outperformance of the Trust's equity portfolio relative to the Russell 1000 Value Index for the review period was attributable primarily to both stock selection and underweight allocations to the industrials and energy sectors, as well as stock selection in healthcare. The largest individual stock contributors to performance were the absence of positions in industrial conglomerate General Electric Co. (GE), pharmaceutical firm Merck & Co., and diversified financial services company Wells Fargo & Co. GE experienced significant weakness in its energy-related businesses over the period. Furthermore, the company announced a 50% cut in its quarterly dividend in November 2017. Wells Fargo remained hampered by allegations of deceptive sales practices involving its retail banking accounts, which initially surfaced in September 2016.

Stock selection in the consumer staples sector and an overweight to telecommunication services weighed on the equity portfolio's performance for the review period. The most notable detractor from performance among individual holdings was brewer Molson Coors Brewing Co., which reported a year-over-year decline in revenue for the third quarter of its 2017 fiscal year. The company's results were hampered by lower volumes due to reductions in wholesale inventory contract brewing and brand volumes in the US and Canada. This was partially offset by strength in pricing and its business mix.

Portfolio activity

The Trust's equity investments remained consistent with our bottom-up, management-focused stock selection process. During the 12-month review period, we initiated equity positions in Praxair, a supplier of industrial gases; Helmerich & Payne, an oil and gas drilling services provider; New Jersey-based community bank Provident Financial Services; data storage services provider Iron Mountain; and specialty retailer L Brands. Conversely, we exited several of the Trust's positions following periods of strong share price performance, including jewellery retailer Tiffany & Co.; waste management services provider Republic Services; industrial automation power company Rockwell Automation; and diversified financial services company M&T Bank. We also sold the Trust's holdings in asset manager BlackRock, office products retailer Staples, technology-focused REIT Digital Realty Trust; discount retailer Target Corp.; PC chip-maker Intel Corp.; and Wisconsin-based utility company WEC Energy Group.

A sector analysis chart of the portfolio can be found on page 23.

Within the Trust's corporate bond portfolio over the reporting period, we initiated positions in First Data Corp. 7% 01/12/23, and Prestige Brands 6.375% 01/03/24. We sold the holding in Northgroup Preferred Capital Corp. 6.375%. The portfolio's allocation to corporate bonds declined from roughly 3.7% to 2.1% of total assets over the reporting period. We continue to work closely with fixed income specialists within Aberdeen to monitor credits and market conditions with these albeit smaller weightings adding not only useful revenues but also diversity within the portfolio.

Dividend growth

Our portfolio holdings continue to build upon an established track record of dividend growth. Several companies announced double-digit increases over the 12-month review period. Among others, Provident Financial Services boosted its dividend by 33%. Commercial bank Regions Financial and semiconductor manufacturer Texas Instruments raised their quarterly payouts by 29% and 24% respectively. Energy services company TransCanada increased its dividend by an aggregate of 19% in two increments over the period. Railroad operator Union Pacific boosted its quarterly payout by 10%, and has paid dividends on its common stock for 118 consecutive years. Lockheed Martin Corp. boosted its quarterly dividend by 10%. Finally, in November 2017, specialty chemicals producer DowDupont initiated a quarterly dividend of US$0.38 per share—the first payout since the merger of Dow Chemical and DuPont completed on 31 August 2017.

Outlook

We remain upbeat regarding the state of the US economy and the corporate fundamental backdrop. The fourth-quarter 2017 corporate results season is off to a strong start, with sales and earnings growth for S&P 500 companies in the high-single-digit and low-double-digit ranges, respectively*. This represents notable acceleration from what we have seen over the past several quarters. There are growing concerns in the US market that inflation may accelerate or that the Fed eventually may be too aggressive in its approach to removing liquidity and raising interest rates. Our Global Strategy team believes that US inflation should settle at approximately 2% in 2018.

Feedback from companies with whom we have visited suggests a balanced approach to thinking about the "windfall" from the recently enacted corporate Tax Cuts and Jobs Act of 2017 (TCJA), with many suggesting that they may pursue growth by "investing" in lower prices for their products and services. We continue to monitor this situation closely, preferring shares of companies with consistent and/or rising margins, and we intend to be cautious about aggressive attempts at price competition. However, we agree that pricing power is still hard to generate, and we seek companies that we expect to be more successful at that endeavour. In the near term, dividends appear well supported, and we believe that the secondary benefit to investors from the TCJA may be more dividend growth this year compared to 2017.

Separately, we believe that the tailwinds to the financials sector from rising interest rates and to segments of the industrials and technology sectors from accelerating investment are likely to provide the groundwork for solid revenue and earnings growth in 2018.

Whilst adhering to our investment process we continue to focus on selecting the most appropriate best ideas portfolio of high-quality, cash-generative companies that have pricing power and the ability to pass through inflation over the long run. We seek value and remain unwavering in our focus on investing in and finding quality businesses, and we continue to believe that we are well-positioned to create value for shareholders.

Aberdeen Asset Managers Inc.**
27 March 2018

* Source: *Earnings Insight*, FactSet, 2 February 2018

** on behalf of Aberdeen Fund Managers Limited. Both companies are subsidiaries of Aberdeen Asset Management PLC.

Wall Street, home to the New York Stock Exchange, the world’s largest stock exchange by market capitalisation

Portfolio

The Company's equity investments remained consistent with its bottom-up, management-focused stock selection process.

The Company is an investment trust and aims to attract long term private and institutional investors wanting to benefit from an above average dividend income and long term capital growth from North American companies by investing in a relatively risk averse investment trust.

Ten Largest Investments

As at 31 January 2018

Company	Industry classification	Valuation 2018 £'000	Total assets %	Valuation 2017 £'000
BB&T BB&T is a full service bank that operates in the Southeast and Mid-Atlantic regions of the United States.	Banks	17,853	4.2	16,154
Pfizer Pfizer Inc. discovers, develops, manufactures, and sells healthcare products worldwide.	Pharmaceuticals	16,930	4.0	16,393
CME Group CME Group Inc. operates a derivatives exchange that trades futures contracts and options on futures, interest rates, stock indexes, foreign exchange and commodities.	Diversified Financial Services	16,189	3.8	14,436
Chevron Chevron is an integrated energy company. The company has operations drilling for crude oil and natural gas as well as refining and selling it.	Oil, Gas & Consumable Fuels	15,867	3.7	15,931
Cisco Systems Cisco Systems, Inc. designs, manufactures, and sells Internet Protocol (IP)-based networking and other products related to the communications and information techology industry and provides services associated with these products and their use.	Communications Equipment	14,606	3.5	10,378
DowDuPont (formerly Dow Chemical) DowDuPont operates as a holding company. Through its subsidiaries, it produces agricultural chemicals, material science, and specialty chemical products.	Chemicals	14,350	3.4	16,115
Philip Morris Philip Morris International Inc., through its subsidiaries, manufactures and sells cigarettes and other tobacco products.	Tobacco	14,327	3.4	11,079
Proctor & Gamble Proctor & Gamble Company manufactures and markets consumer products globally.	Household Products	13,964	3.3	6,963
Microsoft Microsoft manufactures and licenses software products for operating systems, applications, software development and internet services.	Software	13,362	3.2	12,847
Molson Coors Brewing Molson Coors Brewing Co. brews beers through breweries in the United States, Canada and Europe.	Beverages	11,817	2.8	9,590
Ten largest equity investments		**149,265**	**35.3**	

Other Equity Investments

As at 31 January 2018

Company	Industry classification	Valuation 2018 £'000	Total assets %	Valuation 2017 £'000
Regions Financial	Banks	11,494	2.7	12,599
Canadian Western Bank	Banks	11,091	2.6	8,118
Nutrien (formerly Potash Corporation of Saskatchewan)	Chemicals	11,042	2.6	6,653
Telus	Diversified Telecommunication Services	10,618	2.5	10,594
TransCanada	Oil, Gas & Consumable Fuels	10,549	2.5	9,357
Glacier Bancorp	Banks	9,653	2.3	9,884
Union Pacific	Road & Rail	9,388	2.2	8,472
Meredith	Media	9,302	2.2	6,821
Provident Financial	Banks	9,251	2.2	–
Pepsico	Beverages	8,460	2.0	8,249
Twenty largest equity investments		**250,113**	**59.1**	
ConocoPhillips	Oil, Gas & Consumable Fuels	8,271	2.0	7,751
Tapestry	Specialty Apparel Stores	8,270	2.0	7,867
CMS Energy	Multi-Utilities	8,182	1.9	6,095
Royal Bank of Canada	Banks	8,150	1.9	8,556
Genuine Parts	Distributors	8,050	1.9	6,156
L Brands	Specialty Apparel Stores	7,925	1.9	–
Johnson & Johnson	Pharmaceuticals	7,774	1.8	9,902
Texas Instruments	Semiconductors & Semiconductor Equipment	7,712	1.8	9,006
Verizon Communication	Diversified Telecommunication Services	7,605	1.8	11,687
Iron Mountain	Real Estate Investment Trusts (REITs)	7,390	1.7	–
Thirty largest equity investments		**329,442**	**77.8**	
American International	Non-life Insurance	6,742	1.6	7,662
Sonoco Products	Containers & Packaging	6,683	1.6	7,644
Nucor	Metals & Mining	6,592	1.5	4,617
Helmerich & Payne	Oil & Gas Services & Equipment	6,332	1.5	–
Praxair	Chemicals	6,246	1.5	–
Paychex	Payment & Data Processors	6,239	1.5	7,188
Lockheed Martin	Aerospace & Defense	6,238	1.5	5,993
Schlumberger	Oil, Equipment, Service & Distribution	5,950	1.4	6,321
Ventas	Real Estate Investment Trusts (REITs)	5,904	1.4	8,333
Gilead Sciences	Pharmaceuticals	5,893	1.4	5,759
Forty largest equity investments		**392,261**	**92.7**	
Abbott Laboratories	Pharmaceuticals	5,683	1.3	6,640
Total equity investments		**397,944**	**94.0**	

Other Investments

As at 31 January 2018

Company	Industry classification	Valuation 2018 £'000	Total assets %	Valuation 2017 £'000
Qwest 7.25% 15/10/35	Telecommunications	2,557	0.6	2,867
International Lease Finance Corp 6.25% 15/05/19	Diversified Financial Services	1,763	0.4	2,062
Western Digital Corp 7.375% 01/04/23	Computer Hardware and Storage	1,535	0.3	1,753
HCA 5.875% 15/02/26	Healthcare Facilities	1,110	0.3	1,243
First Data 7.0% 01/12/23	Consumer Finance	817	0.2	–
Nationstar 6.5% 01/06/22	Diversified Financial Services	714	0.2	798
Prestige Brands 6.375% 01/03/24	Specialty Pharmaceutical	153	–	653
Total other investments		**8,649**	**2.0**	
Total equity investments		**397,944**	**94.0**	
Total investments		**406,593**	**96.0**	
Net current assets[A]		**16,700**	**4.0**	
Total assets[A]		**423,293**	**100.0**	

[A] Excluding bank loans of £31,644,000.

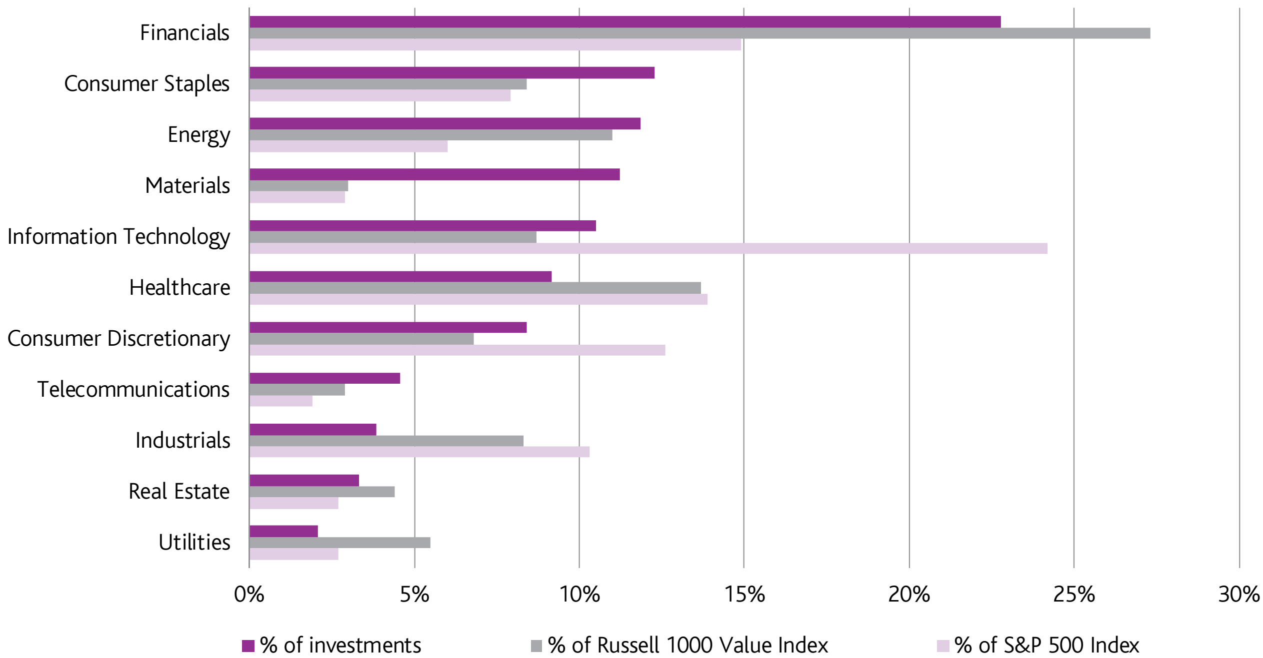
Geographical Analysis

As at 31 January 2018

	2018			2017		
Country	Equity %	Fixed interest %	Total %	Equity %	Fixed interest %	Total %
Canada	12.7	–	12.7	8.0	0.4	8.4
USA	85.2	2.1	87.3	88.7	2.9	91.6
	97.9	**2.1**	**100.0**	**96.7**	**3.3**	**100.0**

Sector Analysis for Equity Portfolio

As at 31 January 2018



Currency Graph (exchange rate US$ to £)

Two years to 31 January 2018

Governance

The Company is registered as a public limited company and has been accepted by HM Revenue & Customs as an investment trust. The Company is committed to high standards of corporate governance and applies the principles identified in the UK Corporate Governance Code and the AIC Code of Corporate Governance.

All Directors are considered by the Board to be independent of the Company and the Manager and free of any material relationship of the Manager.

Your Board of Directors

James Ferguson

Status: Independent Non-Executive Chairman
Length of service: 16 years, appointed a Director on 12 March 2002
Experience: a former chairman and director of Stewart Ivory and a former deputy chairman of the AIC. He is chairman of Monks Investment Trust, Value and Income Trust, Northern 3 VCT and The Scottish Oriental Smaller Companies Investment Trust and a director of The Independent Investment Trust.
Last re-elected to the Board: 12 June 2017

Guy Crawford

Status: Senior Independent Non-Executive Director
Length of service: 14 years, appointed a Director on 8 March 2004
Experience: a chartered accountant with over 30 years' experience of investment management. Formerly senior investment manager of Caledonia Investments and served 12 years on the AIC tax committee.
Last re-elected to the Board: 12 June 2017

Archie Hunter

Status: Independent Non-Executive Director and Chairman of the Audit Committee
Length of service: 14 years, appointed a Director on 1 September 2003
Experience: a chartered accountant, former president of The Institute of Chartered Accountants of Scotland and former managing partner of KPMG Scotland. He was previously the Chairman of MacFarlane Group and a non-executive director of Royal Bank of Scotland and Clydeport.
Last re-elected to the Board: 12 June 2017

Charles Park

Status: Independent Non-Executive Director
Length of service: 9 months, appointed a Director on 13 June 2017
Experience: over 25 years of investment management experience. He is a co-founder of Findlay Park Investment Management, a US boutique asset management house which was established in 1997. He was deputy chief investment officer with joint responsibility for managing Findlay Park American Fund until his retirement from the firm in 2016. Prior to co-founding Findlay Park, Charles was an investment manager at Hill Samuel Asset Management and an analyst at Framlington Investment Management. He is a director of Polar Capital Technology Trust.
Last re-elected to the Board: n/a

Dame Susan Rice

Status: Independent Non-Executive Director
Length of service: 3 years, appointed a Director on 17 March 2015
Experience: a chartered banker and currently chairman of Scottish Water, Business Stream, President of the Scottish Council of Development and Industry, chairman of The Scottish Fiscal Commission and Scotland's 2020 Climate Group and a non-executive director of J Sainsbury, C Hoare & Co, Big Society Capital and the Banking Standards Board. Her previous roles include managing director of Lloyds Banking Group Scotland, chairman and chief executive of Lloyds TSB Scotland, a director of the Bank of England and a non-executive director of SSE plc. Originally from the United States, her early career was at Yale and Colgate universities and then at NatWest Bancorp.
Last re-elected to the Board: 12 June 2017

Directors' Report

Status

The Company, which was incorporated in 1902, is registered as a public limited company and is an investment company within the meaning of Section 833 of the Companies Act 2006. The Company's registration number is SC005218.

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 February 2012. The Directors are of the opinion that the Company has conducted its affairs for the year ended 31 January 2018 so as to enable it to comply with the ongoing requirements for investment trust status.

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

Results and Dividends

The financial statements for the year ended 31 January 2018 are contained on pages 42 to 60. Details of dividends for the year to 31 January 2018 can be found on page 15.

Share Capital and Rights attaching to the Company's Shares

At 31 January 2018, the Company's capital structure consisted of 28,430,504 Ordinary shares of 25p each (2017 – 28,645,004 Ordinary shares). During the year to 31 January 2018 the Company bought back 214,500 shares for cancellation at a discount to its net asset value. The total consideration for these purchases was £2.58 million, inclusive of stamp duty. There were no share buybacks subsequent to the year end.

The Ordinary shares carry a right to receive dividends which are declared from time to time by an ordinary resolution of the Company (up to the amount recommended by the Board) and to receive any interim dividends which the Company may resolve to pay. 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. On a show of hands, every shareholder present in person, or by proxy, has one vote and, on a poll, every Ordinary shareholder present in person has one vote for each share held and a proxy has one vote for every share represented.

There are no restrictions concerning the holding or transfer of the Company's shares and there are no special rights attached to any of the shares. The Company is not aware of any agreements between shareholders which may result in restriction on the transfer of shares or the voting rights. The rules concerning amendments to the Articles of Association and powers to issue or buy back the Company's shares are contained in the Articles of Association of the Company and the Companies Acts 2006.

Significant Agreements

The Company is not aware of any significant agreements to which it is a party that take effect, alter or terminate upon a change of control of the Company following a takeover and there are no agreements between the Company and its Directors concerning compensation for loss of office. Other than the management agreement with the Manager and the depositary agreement, further details of which are set out below, the Company is not aware of any contractual or other agreements which are essential to its business which ought to be disclosed in the Directors' Report.

Directors

Details of the current Directors of the Company are shown on page 25. Charles Park was appointed as a non-executive Director on 13 June 2017. No contract or arrangement subsisted during the period in which any of the Directors was materially interested. No Director has a service contract with the Company.

Directors' & Officers' Liability Insurance

The Company maintains insurance in respect of Directors' and Officers' liabilities in relation to their acts on behalf of the Company. Each Director of the Company shall be entitled to be indemnified out of the assets of the Company to the extent permitted by law against any loss or liability incurred by him in the execution of his duties in relation to the affairs of the Company. These rights are included in the Articles of Association of the Company.

Corporate Governance

The Statement of Corporate Governance, which forms part of the Directors' Report, is shown on pages 29 to 32.

Principal Agreements

Management Agreement

The Company has appointed Aberdeen Fund Managers Limited ("AFML" or "Manager"), a wholly owned subsidiary of Aberdeen Asset Management PLC ("Aberdeen"), as its alternative investment fund manager ("AIFM"). Aberdeen is a wholly subsidiary of Standard Life Aberdeen plc. AFML has been appointed to provide the Company with investment management, risk management, administration and company secretarial services as well as promotional activities. The Company's portfolio is managed by Aberdeen Asset Management Inc. ("AAMI" or "the Investment Manager") by way of a group delegation agreement in place between AFML and AAMI. In addition, AFML has sub-delegated promotional activities to Aberdeen Asset Managers Limited and administrative and secretarial services to Aberdeen Asset Management PLC. Details of the management agreement, including notice period and fees paid to the Aberdeen Group companies during the year ended 31 January 2018 are shown in note 5 to the financial statements. Following the year end, the Board and Manager agreed a change in the management fee structure, details of which are provided in the Chairman's Statement.

Depositary Agreement

The Company has appointed BNP Paribas Securities Services, London Branch as its depositary.

Substantial Interests

As at 31 January 2018 the Company had received notification or was aware of the following interests in its Ordinary shares:

Shareholder	Number of shares held	% held
Brewin Dolphin	3,107,560	10.9
Rathbone Brothers	2,399,536	8.4
Aberdeen Retail Plans	2,137,818	7.5
Aberdeen Standard Investments	1,818,575	6.4
Charles Stanley	1,768,573	6.2

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

Accountability and Audit

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that he/she could reasonably be expected to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

The Directors have reviewed the level of non-audit services provided by the auditor during the year, which was none, together with the auditor's procedures in connection with the provision of such services, and remain satisfied that KPMG LLP's objectivity and independence is being safeguarded.

Going Concern

The Company's assets comprise mainly readily realisable securities which can be sold to meet funding commitments if necessary. The Company has a credit facility in place which is available until December 2020. The Board considers that the Company has adequate financial resources to continue in operational existence for the foreseeable future. Accordingly, the Directors believe that it is appropriate to prepare the financial statements on a going concern basis.

Annual General Meeting

Among the resolutions being put at the Annual General Meeting of the Company to be held on 4 June 2018, the following resolutions will be proposed:

(i) Continuation of the Company

Resolution 11, which is an ordinary resolution, will, if approved, allow the Company to continue as an investment trust company.

(ii) Section 551 Authority to Allot Shares

Resolution 12, which is an ordinary resolution, seeks to renew the Directors' authority under section 551 of the Companies Act to allot shares (excluding treasury shares) up to 33.33% of the issued Ordinary share capital of the Company as at the date of the passing of the resolution (approximately £2,369,208 based on the Ordinary share capital as at the date of this Report). This authority will expire on 31 July 2019 or, if earlier, at the conclusion of the next Annual General Meeting (unless previously revoked, varied or extended). The Directors will only exercise this authority if they believe it is advantageous and in the best interests of shareholders. There are no treasury shares in issue.

(iii) Limited Dis-application of Pre-emption Provisions

Resolution 13, which is a special resolution, seeks to renew the dis-application of statutory pre-emption rights in relation to the issue of shares (or sale of shares out of treasury) up to an aggregate nominal value representing 10% of the Company's issued Ordinary share capital as at the date of the passing of the resolution (approximately £710,762 based on the Ordinary share capital as at the date of this Report).

(iv) Share Repurchases

Resolution 14, which is a special resolution, seeks to renew the Company's authority for the Company to make market purchases of its own Ordinary shares, up to a maximum of 14.99% of the issued Ordinary share capital of the Company as at the date of the passing of the resolution. Shares so repurchased will be cancelled or held in treasury.

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, in aggregate, 22,705 Ordinary shares, and representing 0.08% of the existing issued Ordinary share capital of the Company.

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

27 March 2018

Statement of Corporate Governance

This Statement of Corporate Governance forms part of the Directors' Report which is shown on pages 26 to 28.

Compliance

The Company is committed to high standards of corporate governance. The Board is responsible for good governance and, as required by the Listing Rules of the UK Listing Authority, this statement describes how the Company applied the principles set out in the 2016 UK Corporate Governance Code ("the UK Code"), which 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 to 31 January 2018 with the relevant provisions contained within the UK Code unless otherwise indicated below.

The Company is also a member of the Association of Investment Companies ('AIC'), which has published its own Code of Corporate Governance (the 'AIC Code') to recognise the special circumstances of investment trusts. The Board is of the opinion that the Company has complied with the recommendations of the AIC Code. The AIC Code is available on the AIC's website: www.theaic.co.uk.

The Board

The Board consists of five non-executive Directors, of whom James Ferguson is the Chairman. Guy Crawford is the Senior Independent Director. All Directors are considered by the Board to be independent of the Company and the Manager, and free of any material relationship with the Manager which could interfere with the exercise of their independent judgment. The Board takes the view that independence is not compromised by length of tenure on the Board and that experience can add significantly to the Board's strength. This is consistent with the AIC Code. The Board considers that the post of chief executive officer is not relevant for an investment trust company as this role has effectively been delegated to the Manager under the terms of the Management Agreement.

Biographies of the Board members, including their relevant experience, appear on page 25, which demonstrate that each Director has the requisite high level and range of business, investment and financial experience, and enables the Board to provide clear and effective leadership and proper stewardship of the Company.

The table opposite sets out the number of routine Board and Committee meetings attended by each Director during the year compared to the total number of meetings that each Director was entitled to attend. 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. Such matters include strategy, performance, dividend policy, gearing policy, promotional, Board composition, communication with shareholders and corporate governance matters. Full and timely information is provided to the Board in order to enable the Board to function effectively and to allow Directors to discharge their responsibilities. The Board also reviews the financial statements and revenue budgets.

	Board	Audit Committee	Management Engagement Committee
James Ferguson	4/4	2/2	1/1
Guy Crawford	4/4	2/2	1/1
Archie Hunter	4/4	2/2	1/1
Charles Park	2/2	1/1	1/1
Susan Rice	4/4	2/2	1/1

The Board adopts a zero tolerance approach to bribery and corruption and has implemented appropriate procedures designed to prevent bribery. The Board monitors on a regular basis the direct and indirect interests of each Director and has concluded that there were no situations which gave rise to an interest of a Director which conflicted with the interests of the Company.

Performance Evaluation

An appraisal of each Director, including the Chairman, and of the operation of the Board and its Committees is undertaken on an annual basis. The process is based upon individual discussions between each Director and the Chairman and the Chairman's performance appraisal is led by the Senior Independent Director. Following these appraisals, the Board confirms that all Directors contribute to the effective running of the Company. The Board has also reviewed the Chairman's and Directors' other commitments and is satisfied that the Chairman and Directors are capable of devoting sufficient time to the Company. The Directors assessed the collective performance of the Board as a whole against the requirements of the Company's business and the need to have a balanced Board and concluded that their aggregate balance of abilities, perspective and experience is appropriate and secures the right measure of continuity for the Board as a whole.

There are no separate Nominations or Remuneration Committees. Director appraisals, succession planning, new appointments, training and remuneration are considered by the whole Board. New Directors are identified against the requirements of the Company's business and the need to have a balanced Board. A description of the required role for a new appointment is prepared and nominations of Directors are initially sought in the financial and investment sectors. External search consultants may be used to ensure that a wide range of candidates can be considered. Appointments

Statement of Corporate Governance continued

are made on merit, taking into account the benefits of diversity, including gender. However, the over-riding priority is to appoint the person with the best mix of experience and skills to complement the existing make-up of the Board.

Following a review of the Board's composition, Charles Park was appointed as a non-executive Director on 13 June 2017. An external search consultant was not employed for this appointment.

New Directors are given an appropriate induction from the Manager covering legal responsibilities, the Manager's operations and investment trust matters. All Directors are entitled to receive appropriate training as deemed necessary. Details of remuneration are contained within the Directors' Remuneration Report.

A newly appointed Director 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. In addition, all Directors are required to submit themselves for re-election at least every three years, and Directors with more than nine years' service are required to submit themselves for annual re-election. The Board recommends the re-elections of James Ferguson, who has extensive experience of the investment trust industry, Guy Crawford, who has experience of investment, Archie Hunter, who is a chartered accountant and brings accounting and financial expertise to the Board, Charles Park, who has experience of investment management and Susan Rice, who is a chartered banker and has held significant roles within financial services and economic development.

There is an agreed procedure for Directors to take independent professional advice, if necessary, at the Company's expense. This is in addition to the access which every Director has to the advice and services of the company secretary, Aberdeen Asset Management PLC, which is responsible to the Board for ensuring that Board procedures are followed, and that applicable rules and regulations are complied with.

Management Engagement Committee

The Management Engagement Committee comprises all of the Directors and is chaired by James Ferguson. The Committee reviews the performance of the Manager, the investment process and risk controls and its compliance with the terms of the management and secretarial agreement. The terms of reference of the Management Engagement Committee, which are available on request and on the Company's website, are reviewed on an annual basis. The terms and conditions of the Manager's appointment, including an evaluation of performance and fees, are reviewed by the Committee on an annual basis.

The Committee considers that the Manager, whose team is well-qualified and experienced, has fully met the terms of its agreement with the Company. Following a review of management fees and ongoing charges, the Committee believes these are reasonable and competitive (see Chairman's Statement). Taking these factors into account, the Committee and the Board believes that the continuing appointment of the Manager on the terms agreed is in the interests of shareholders as a whole. The Company benefits from the expertise of the Manager's team of investment professionals. The Board continues to keep this matter under review.

Audit Committee

The Audit Committee comprises all of the Directors and is chaired by Archie Hunter, who is a chartered accountant and has the necessary recent and relevant financial experience. In addition the Board is satisfied that the Committee as a whole has competence relevant to the investment trust sector. The Audit Committee meets at least twice a year and considers reports from the auditor and the Manager's internal audit, risk and compliance functions. The terms of reference of the Audit Committee, which are available on request and on the Company's website, are reviewed on an annual basis. The main responsibilities of the Audit Committee are:

- to review the half yearly and annual financial statements of the Company, the accounting policies applied therein and to ensure compliance with financial and regulatory reporting requirements.
- to assess whether the annual report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.
- to review and monitor the internal control systems and risk management systems on which the Company is reliant.
- to consider annually whether there is a need for the Company to have its own internal audit function.
- to develop and implement policy on the engagement of the auditor to supply non-audit services.
- to review the arrangements in place within the Manager whereby staff may, in confidence, escalate concerns about possible improprieties in matters of financial reporting or other matters ('whistleblowing').
- to make recommendations to the Board in relation to the appointment of the auditor and to approve the remuneration and terms of engagement of the auditor.
- to consider the auditor's reports, including the audit strategy and findings.
- to review annually the auditor's independence, objectivity, effectiveness, resources and qualification.

The respective responsibilities of the Directors and the auditor in connection with the financial statements appear on pages 37 and 40.

Significant Accounting Issue

The significant accounting issue considered by the Committee during the year in relation to the Company's financial statements was the valuation, existence and ownership of investments. The valuation of investments is undertaken in accordance with the stated accounting policies. All investments are in quoted securities in active markets, are considered to be liquid and have been largely categorised as Level 1 within FRS 102 fair value hierarchy. The portfolio holdings and their pricing is reviewed and verified by the Manager on a regular basis and management accounts, including a full portfolio listing, are prepared for each Board meeting. The Company used the services of an independent depositary (BNP Paribas Securities Services, London Branch) 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 valuation and existence of all investments.

Other Accounting Issues

Other accounting issues considered by the Committee included:

- Recognition of Investment Income: The recognition of investment income is undertaken in accordance with accounting policy note 2(b) to the financial statements on page 46. The Directors regularly review the Company's income, including income received, revenue forecasts and dividend comparisons.
- Compliance with Sections 1158 and 1159 of the Corporation Tax Act 2010: Approval for the Company as an investment trust under Sections 1158 and 1159 for financial years commencing on or after 1 February 2012 has been obtained and ongoing compliance with the eligibility criteria is monitored on a regular basis.

Review of Auditor

The Audit Committee has reviewed the independence and the effectiveness of the auditor, KPMG LLP ("KPMG"), as follows:

- The auditor reports on an annual basis the steps it takes to ensure its independence and objectivity and confirms that it has complied with the relevant UK independence guidelines. The level of non-audit services provided by the auditors is assessed and for the year ended 31 January 2018 there were no non-audit services provided.
- The Committee considers the experience, continuity and tenure of the audit team, including the audit director. The audit team consists of suitably experienced staff with knowledge of the investment trust sector and there is a process in place for the rotation of the director.
- The Committee assesses the level of audit service annually. The audit plan is reviewed well in advance and subsequent audit findings are reported comprehensively in a timely manner and are resolved satisfactorily. The auditor has a constructive working relationship with both the Board and the Manager.

The Committee is satisfied that KPMG remains independent and effective and, as such, has not considered it necessary to conduct a tender process for the appointment of its auditor. Although KPMG has held office as auditor for over 20 years, the audit director is rotated at least every five years, in accordance with professional guidelines. A new audit director from KPMG was appointed for the 2018 year end audit.

The Committee is aware that EU legislation requires listed companies to tender the external audit every ten years. Under the transitional arrangements for firms that have been audited by the same auditor for over 20 years there is a grace period of six years after the enactment of the EU legislation. Accordingly, based upon the new legislation, KPMG will not be able to audit the Company after the 31 January 2020 year end and an audit tender will be undertaken prior to then.

On the recommendation of the Audit Committee, the Board is satisfied to propose the resolution to re-appoint KPMG at the AGM. Shareholders have the opportunity at each AGM to vote on the appointment of the auditor for the forthcoming year.

Internal Control

The Board is responsible for the Company's system of internal control and for reviewing its effectiveness. The Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. This process has been in place for the year under review and up to the date of approval of this annual report and accounts, and is regularly reviewed by the Board and accords with the Financial Reporting Council's Guidance.

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.

Statement of Corporate Governance continued

The Board has reviewed, through management reports, the effectiveness of the Company's risk management and internal control systems. In particular, it has reviewed and updated the process for identifying and evaluating the significant risks affecting the Company and policies by which these risks are managed. The significant risks faced by the Company are as follows:

- financial;
- operational;
- compliance; and
- risk management.

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 Financial Reporting Council 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.

In addition, the Board has adopted its own risk matrix which identifies the key risks for the Company and covers strategy, investment management, operations, regulatory and financial obligations and third party service providers (see pages 9 to 10). A monitoring system is undertaken whereby the controls to mitigate these risks, and the impact of the residual risks, are assessed on a regular basis.

Note 17 to the financial statements provides further information on risks. The key components designed to provide effective internal control are outlined below:

- the Manager prepares forecasts and management accounts which allow the Board to assess the Company's activities and review its performance; the emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception;
- the Board and Manager have agreed clearly-defined investment criteria, specified levels of authority and exposure limits. Reports on these, including performance statistics and investment valuations, are regularly submitted to the Board and there are meetings with the Manager as appropriate;
- the Manager's internal audit, risk and compliance departments continually review the Manager's operations and reports to the Audit Committee on a six monthly basis. The Manager's head of internal audit has direct access to the Audit Committee at any time;
- written agreements are in place which specifically define the roles and responsibilities of the Manager and other third party service providers;
- an independent depositary, BNP Paribas Securities Services, London Branch is appointed to safeguard the Company's investments, which are registered in the name of the depositary's nominee company: and
- at its March 2018 meeting, the Audit Committee carried out an annual assessment of internal controls for the year ended 31 January 2018 by considering documentation from the Manager, including the internal audit, risk and compliance functions, and taking account of events since 31 January 2018.

The Audit Committee continues to believe that the Company does not require an internal audit function of its own as the Company delegates its day-to-day operations and risk controls to the Manager which operates an internal audit function and from whom the Company receives reports on internal controls and risk management.

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 material misstatement or loss.

Relations with Shareholders

The Directors believe in good communication with shareholders. The annual and half yearly reports 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 Manager's freephone information service. The Board welcomes correspondence from shareholders addressed to the Company's registered office and responds to letters from shareholders on a wide range of issues. The Manager maintains contact with institutional shareholders and feeds back shareholder views to the Board. The Company's annual and half yearly reports and other publications can be downloaded from the Company's website, www.northamericanincome.co.uk.

The Board's policy is to communicate directly with shareholders and their representative bodies without the involvement of the management group (either the Company Secretary or the Manager) in situations where direct communication is required.

The notice of the Annual General Meeting, included within the annual report and accounts, is sent out at least 20 working days in advance of the meeting. Investors in the Manager's savings plans are encouraged to vote by means of a Letter of Direction enclosed with the annual report. All shareholders have the opportunity to put questions at the Company's Annual General Meeting. Proxy voting figures for each resolution are announced to the meeting after voting on a show of hands.

UK Stewardship Code and Proxy Voting as an Institutional Shareholder

Responsibility for actively monitoring the activities of portfolio companies has been delegated by the Board to the Manager which has sub-delegated that authority to the Investment Manager.

The full text of the Company's response to the Stewardship Code may be found on its website.

Socially Responsible Investment Policy

The Directors, through the Manager, encourage companies in which investments are made to adhere to best practice in the area of Corporate Governance and Socially Responsible Investing. They believe that this can best be achieved by entering into a dialogue with company management to encourage them, where necessary, to improve their policies in both areas.

The Manager's ultimate objective, however, is to deliver superior investment returns for their clients. Accordingly, whilst the Manager will seek to favour companies which pursue best practice in these areas, this must not be to the detriment of the return on the investment portfolio.

Directors' Remuneration Report

The Board has prepared this Remuneration Report in accordance with the regulations governing the disclosure and approval of Directors' remuneration. This Remuneration Report comprises three parts:

(i) A Remuneration Policy, which is subject to a binding shareholder vote every three years (or sooner if varied during this interval) – most recently voted on at the Annual General Meeting on 12 June 2017;
(ii) An annual Implementation Report which provides information on how the Remuneration Policy has been applied during the year and which will be subject to an advisory vote;
(iii) An Annual Statement.

The law requires the Company's auditor to audit certain of the disclosures provided in the Remuneration Report. Where disclosures have been audited, they are indicated as such. The auditor's opinion is included in the report on pages 38 to 41.

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, except for the level of Directors' fees, as set out in the Implementation Report below.

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 the UK Corporate Governance Code and the AIC's recommendations regarding the application of those principles to investment companies. No shareholder views were sought in setting the Remuneration Policy although any comments received from shareholders would be considered on an ongoing basis. As the Company has no employees and the Board is comprised wholly of non-executive Directors and given the size and nature of the Company, the Board has not established a separate Remuneration Committee. Directors' remuneration is determined by the Board as a whole.

Directors' Fees

The Directors' fees are set within the limits of the Company's Articles of Association which limit the aggregate fees payable to the Board of Directors per annum, currently £150,000. The level of cap may be increased by shareholder resolution from time to time. 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.

Fee rates are established by taking advice from external sources as to current market levels.

	As at 1 February 2018 £	As at 1 February 2017 £
Chairman	29,000	28,000
Chairman of Audit Committee	21,000	20,000
Director	21,000	20,000

Appointment

- The Company only appoints non-executive Directors.
- All the Directors are non-executive appointed under the terms of Letters of Appointment.
- Directors must retire and be subject to 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 £21,000).
- 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.
- The Directors are entitled to be re-imbursed for out-of-pocket expenses incurred in connection with performing their duties including travel expenses.

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 without notice.
- Compensation will not be due upon leaving office.
- No Director is entitled to any other monetary payment or any assets of the Company.
- Directors' & Officers' liability insurance cover is maintained by the Company on behalf of the Directors.

A resolution to approve the Directors' Remuneration Policy was approved on 12 June 2017.

Implementation Report

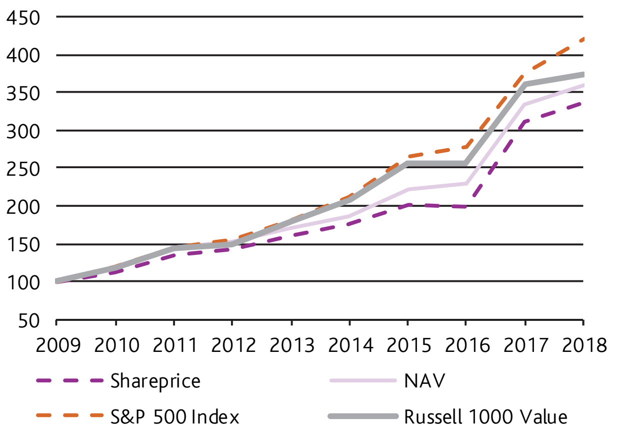
Directors' Fees Increase

The Board carried out a review of the level of Directors' fees during the year and concluded that fees should increase to

£29,000 for the Chairman and £21,000 for each Director, effective from 1 February 2018.

Company Performance

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 Russell Value 1000 and S&P 500 indices (in sterling terms) for the nine year period to 31 January 2018 (rebased to 100 at 31 January 2009). These indices were chosen for comparison purposes, as they are the reference indices used for investment performance measurement purposes.



Statement of Voting at General Meeting

At the Company's last AGM, held on 12 June 2017, shareholders approved the Directors' Remuneration Report in respect of the year ended 31 January 2017 and the Directors Remuneration Policy:

Resolution	For	Against	Withheld
Receive and Adopt Directors' Remuneration Report	11.3m (99.3%)	57,912 (0.5%)	17,386
Approve Directors' Remuneration Policy	11.3m (99.3%)	57,586 (0.5%)	19,197

Spend on Pay

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

Audited Information

Fees Payable

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

Director	2018 £	2017 £
James Ferguson	28,000	27,000
Guy Crawford	20,000	19,000
Archie Hunter	20,000	19,000
Charles Park	12,000	-
Susan Rice	20,000	19,000
Total	**100,000**	**84,000**

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.

A resolution to receive and adopt the Director's Remuneration Report (excluding the Directors' Remuneration Policy) in respect of the year ended 31 January 2018 will be proposed at the AGM.

Directors' Interests in the Company

The Directors are not required to have a shareholding in the Company. The Directors (including connected persons) at 31 January 2018 and 31 January 2017 had no interest in the share capital of the Company other than those interests, all of which are beneficial interests, shown in the table below.

	31 Jan 2018 Ord 25p	31 Jan 2017 Ord 25p
James Ferguson	15,770	15,770
Guy Crawford	4,000	4,000
Archie Hunter	2,800	2,800
Charles Park	-	n/a
Susan Rice	135	135

Annual Statement

In accordance with Part 2 of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, the Board confirms that the above Directors' Remuneration Report summarises, as applicable, for the year ended 31 January 2018:

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

The Directors' Remuneration Report was approved by the Board of Directors and signed on its behalf by:

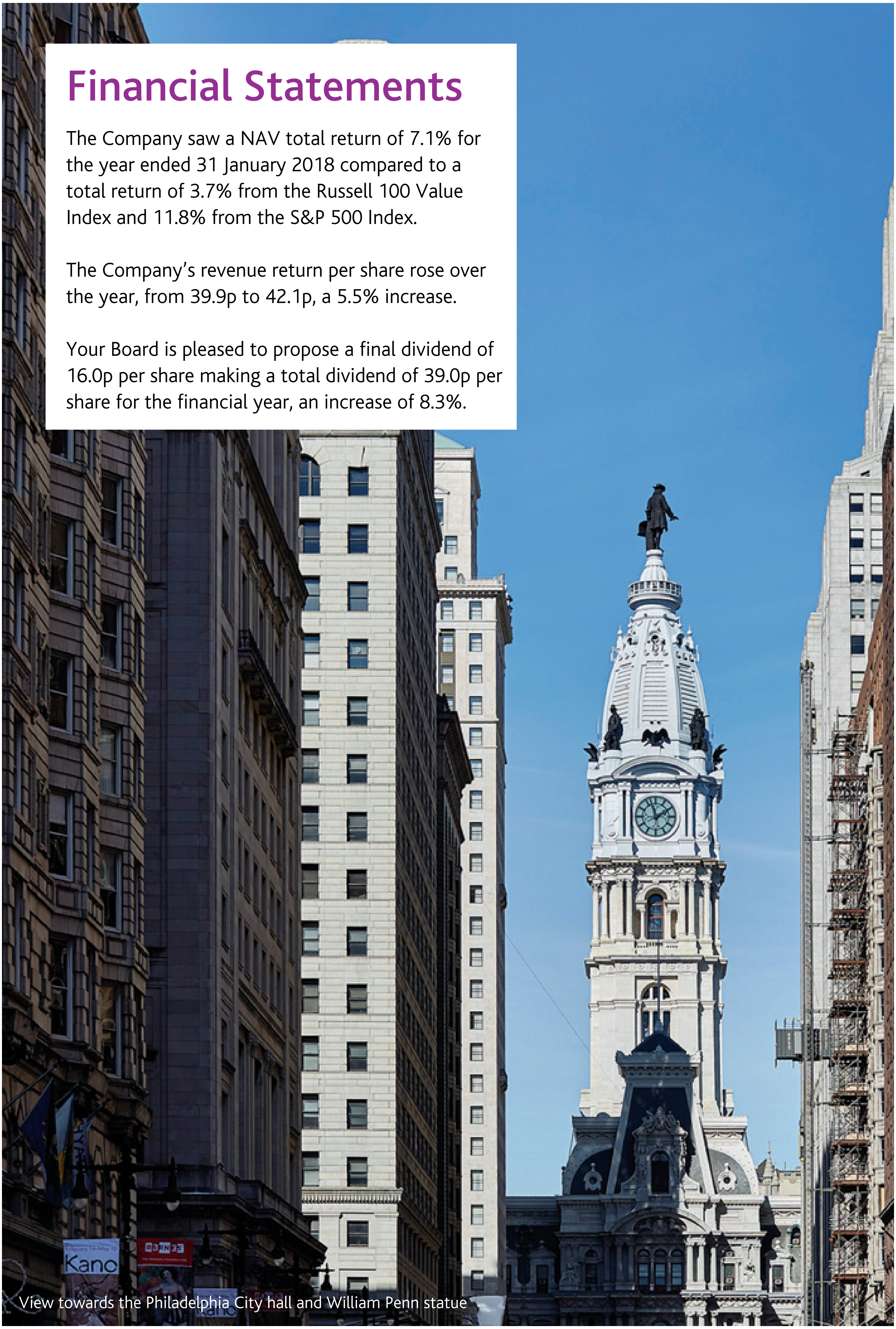
James Ferguson
Chairman
27 March 2018

Financial Statements

The Company saw a NAV total return of 7.1% for the year ended 31 January 2018 compared to a total return of 3.7% from the Russell 100 Value Index and 11.8% from the S&P 500 Index.

The Company's revenue return per share rose over the year, from 39.9p to 42.1p, a 5.5% increase.

Your Board is pleased to propose a final dividend of 16.0p per share making a total dividend of 39.0p per share for the financial year, an increase of 8.3%.



View towards the Philadelphia City hall and William Penn statue

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial year. Under that law they are required to prepare the financial statements in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of its profit or loss for that period. In preparing these financial statements, the Directors are required to: select suitable accounting policies and then apply them consistently;

- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and 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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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 complies 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.

Responsibility statement of the Directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the strategic report includes a fair review of the development and performance of the business and the position of the issuer, together with a description of the principal risks and uncertainties that they face.

We consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

For and on behalf of the The North American Income Trust plc

James Ferguson
Chairman

27 March 2018

Independent Auditor's Report to the Members of The North American Income Trust plc

1 Our opinion is unmodified

We have audited the financial statements of The North American Income Trust plc ("the Company") for the year ended 31 January 2018 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, and the related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of Company's affairs as at 31 January 2018 and of its return for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were appointed as auditor by the Company before 1990. The period of total uninterrupted engagement is for more than the 29 financial years ended 31 January 2018. We have fulfilled our ethical responsibilities under, and we remain independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

2 Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	**Our response**
Carrying amount of quoted investments (£407m; 2017: £410 m) *Refer to page 30 (Audit Committee Report), page 47 (accounting policy) and page 51 (financial disclosures).*	**Low risk, high value** The Company's portfolio of quoted investments makes up 95.3% of the Company's total assets (by value) and is the key drive of results. We do not consider these investments to be at a high risk of significant misstatement, or to be subject to a significant level of judgement because they comprise liquid, quoted investments. However, due to their materiality in the context of the financial statements as a whole, they are considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.	Our procedures included: • **Control design:** Documenting and assessing the processes in place to record investment transactions and to value the portfolio; • **Tests of detail:** Agreeing the valuation of 100 per cent of investments in the portfolio to externally quoted prices; and • **Enquiry of custodians:** Agreeing 100 per cent of investment holdings in the portfolio to independently received third party confirmations from investment custodians. **Our results**: We found the carrying amount of quoted investments to be acceptable (2017: acceptable).

3 Our application of materiality and an overview of the scope of our audit

Materiality for the financial statements as a whole was set at £4.2m (2017: £4.2m), determined with reference to a benchmark of total assets, of which it represents 1% (2017:1%).

In addition, we applied materiality of £710,000 (2017: £680,000) to income from investments for which we believe misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the Company's members' assessment of the financial performance of the Company.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £213,000 (2017: £213,000) for the financial statements as a whole, and, £35,000 (2017:35,000) in respect of income from investments, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality level specified above and was performed at the administrator's head office in Dundee.

4 We have nothing to report on going concern

We are required to report to you if:

- we have anything material to add or draw attention to in relation to the Directors' statement in note 2 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements; or
- if the related statement under the Listing Rules set out on page 27, is materially inconsistent with our audit knowledge.

We have nothing to report in these respects.

5 We have nothing to report on the other information in the Annual Report

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and Directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the Directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of principal risks and longer-term viability

Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

- the Directors' confirmation within Viability Statement page 11 that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency and liquidity;
- the disclosures describing these risks and explaining how they are being managed and mitigated; and
- the Directors' explanation in the Viability Statement of how they have assessed the prospects of the Company, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due

Independent Auditor's Report to the Members of The North American Income Trust plc continued

over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the Viability Statement. We have nothing to report in this respect.

Corporate governance disclosures

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the Directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy; or
- the section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or
- a Statement of Corporate Governance has not been prepared by the Company.

We are required to report to you if the Statement of Corporate Governance does not properly disclose a departure from the eleven provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

Based solely on our work on the other information described above:

- with respect to the Statement of Corporate Governance disclosures about internal control and risk management systems in relation to financial reporting processes and about share capital structures:
  - we have not identified material misstatements therein; and
  - the information therein is consistent with the financial statements; and
- in our opinion, the Corporate Governance Statement has been prepared in accordance with relevant rules of the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority.

6 We have nothing to report on the other matters on which we are required to report by exception

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.

We have nothing to report in these respects.

7 Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 37, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or other irregularities (see below), or error, and to issue our opinion in an auditor's report.

Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Irregularities – ability to detect
We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience and through discussion with the Directors and other management (as required by auditing standards).

We had regard to laws and regulations in areas that directly affect the financial statements including financial reporting (including related company legislation) as well as the Company's qualification as an Investment Trust under UK tax legislation, any breach of which could lead to the Company losing various deductions and exemptions from UK corporation tax. We considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statement items.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

As with any audit, there remained a higher risk of non-detection of non-compliance with relevant laws and regulations, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

8 The purpose of our audit work and to whom we owe our responsibilities

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.

Grant Archer (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
319 St Vincent Street
Glasgow
G2 5AS

27 March 2018

Statement of Comprehensive Income

	Notes	Year ended 31 January 2018 Revenue £'000	Capital £'000	Total £'000	Year ended 31 January 2017 Revenue £'000	Capital £'000	Total £'000
Net gains on investments	11	–	13,851	13,851	–	115,514	115,514
Net currency gains/(losses)	3	–	2,243	2,243	–	(4,359)	(4,359)
Income	4	16,137	–	16,137	15,563	–	15,563
Investment management fee	5	(910)	(2,126)	(3,036)	(819)	(1,910)	(2,729)
Administrative expenses	7	(739)	–	(739)	(725)	–	(725)
Return before finance costs and taxation		14,488	13,968	28,456	14,019	109,245	123,264
Finance costs	6	(280)	(652)	(932)	(295)	(688)	(983)
Return before taxation		14,208	13,316	27,524	13,724	108,557	122,281
Taxation	8	(2,196)	359	(1,837)	(2,173)	520	(1,653)
Return after taxation		**12,012**	**13,675**	**25,687**	**11,551**	**109,077**	**120,628**
Return per share (pence)	10	**42.12**	**47.96**	**90.08**	**39.92**	**376.92**	**416.84**

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

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

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

Proposed final dividend

The Board is proposing a final dividend of 16.00p per share (£4,549,000), making a total dividend of 39.00p per share (£11,092,000) for the year to 31 January 2018 which, if approved, will be payable on 8 June 2018 (see note 9).

For the year ended 31 January 2017, the final dividend was 14.50p per share (£4,154,000) making a total dividend of 36.00p per share (£10,327,000).

Statement of Financial Position

	Notes	As at 31 January 2018 £'000	As at 31 January 2017 £'000
Non-current assets			
Investments at fair value through profit or loss	11	406,593	410,344
Current assets			
Debtors and prepayments	12	620	3,940
Cash and short term deposits		19,636	12,609
		20,256	16,549
Creditors: amounts falling due within one year			
Other creditors	13	(3,556)	(7,219)
Bank loan	14	(31,644)	(40,573)
		(35,200)	(47,792)
Net current liabilities		(14,944)	(31,243)
Net assets		**391,649**	**379,101**
Capital and reserves			
Called-up share capital	15	7,108	7,161
Share premium account		48,467	48,467
Capital redemption reserve		15,452	15,399
Capital reserve		306,809	295,709
Revenue reserve		13,813	12,365
Equity shareholders' funds		**391,649**	**379,101**
Net asset value per share (pence)	16	**1,377.57**	**1,323.45**

The financial statements were approved and authorised for issue by the Board on 27 March 2018 and were signed on its behalf by:

James Ferguson
Director

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

Statement of Changes in Equity

For the year ended 31 January 2018

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 31 January 2017	7,161	48,467	15,399	295,709	12,365	379,101
Buyback of Ordinary shares for cancellation	(53)	–	53	(2,575)	–	(2,575)
Return after taxation	–	–	–	13,675	12,012	25,687
Dividends paid (see note 9)	–	–	–	–	(10,564)	(10,564)
Balance at 31 January 2018	**7,108**	**48,467**	**15,452**	**306,809**	**13,813**	**391,649**

For the year ended 31 January 2017

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 31 January 2016	7,499	48,467	15,061	198,866	10,751	280,644
Buyback of Ordinary shares for cancellation	(338)	–	338	(12,234)	–	(12,234)
Return after taxation	–	–	–	109,077	11,551	120,628
Dividends paid (see note 9)	–	–	–	–	(9,937)	(9,937)
Balance at 31 January 2017	**7,161**	**48,467**	**15,399**	**295,709**	**12,365**	**379,101**

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

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

Statement of Cash Flows

	Notes	Year ended 31 January 2018 £'000	Year ended 31 January 2017 £'000
Operating activities			
Net return before finance costs and taxation		28,456	123,264
Adjustments for:			
Net gains on investments		(13,851)	(115,514)
Net (gains)/losses on foreign exchange transactions		(2,243)	4,359
Decrease in dividend income receivable		25	58
Decrease/(increase) in fixed interest income receivable		31	(5)
Increase/(decrease) in derivatives		531	(36)
Decrease in other debtors		3	7
Increase in other creditors		21	84
Tax on overseas income		(1,831)	(1,655)
Amortisation of fixed income book cost		22	54
Net cash flow from operating activities		11,164	10,616
Investing activities			
Purchases of investments		(111,969)	(123,367)
Sales of investments		128,593	144,469
Net cash flow from investing activities		16,624	21,102
Financing activities			
Interest paid		(936)	(986)
Equity dividends paid	9	(10,564)	(9,937)
Buyback of Ordinary shares for cancellation		(2,575)	(13,050)
Repayment of loan		(4,394)	(8,133)
Net cash used in financing activities		(18,469)	(32,106)
Increase/(decrease) in cash and cash equivalents		**9,319**	**(388)**
Analysis of changes in cash and cash equivalents during the year			
Opening balance		12,609	11,685
Effect of exchange rate fluctuation on cash held		(2,292)	1,312
Increase/(decrease) in cash as above		9,319	(388)
Closing balance		**19,636**	**12,609**

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

Notes to the Financial Statements For the year ended 31 January 2018

1. Principal activity

The Company is a closed-end investment company, registered in Scotland No. SC005218, with its Ordinary shares being listed on the London Stock Exchange.

2. Accounting policies

A summary of the principal accounting policies, all of which, unless otherwise stated, have been consistently applied throughout the year and the preceding year is set out below.

(a) Basis of preparation and going concern

The financial statements have been prepared in accordance with Financial Reporting Standard 102 and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued in November 2014 and updated in January 2017 with consequential amendments. The financial statements are prepared in sterling which is the functional currency of the Company and rounded to the nearest £'000. They have also been prepared on a going concern basis and on the assumption that approval as an investment trust will continue to be granted.

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. Further detail is included in the Directors' Report (unaudited) on page 27.

(b) Income

Income from investments, including taxes deducted at source, is included in revenue by reference to the date on which the investment is quoted ex dividend. Special dividends are credited to capital or revenue, according to the circumstances. Fixed returns on debt securities are recognised on a time apportionment basis so as to reflect the effective yield on the debt securities.

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 and are charged to the Statement of Comprehensive Income. Expenses are charged against revenue except as follows:

- transaction costs on the acquisition or disposal of investments are charged to capital in the Statement of Comprehensive Income;
- expenses are charged to capital where a connection with the maintenance or enhancement of the value of the investments can be demonstrated. In this respect, the investment management fee is allocated 30% to revenue and 70% 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 Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible (see note 8 for a more detailed explanation). The Company has no liability for current tax.

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

Owing to the Company's status as an investment trust company, and the intention to continue to meet the conditions required to obtain approval for 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) Investments

All purchases and sales of investments are recognised on the trade date, being the date the Company commits to purchase or sell the investment. Investments are initially recognised and subsequently re-measured at fair value in the Statement of Comprehensive Income.

(f) Borrowings

Monies borrowed to finance the investment objectives of the Company are stated at the amount of the net proceeds immediately after issue plus cumulative finance costs less cumulative payments made in respect of the debt. The finance costs of such borrowings are accounted for on an accruals basis using the effective interest rate method and are charged 30% to revenue and 70% to capital to reflect the Company's investment policy and prospective income and capital growth.

(g) Dividends payable

Interim and final dividends are recognised in the period in which they are paid.

(h) Nature and purpose of reserves

Share premium account

The balance classified as share premium includes the premium above nominal value from the proceeds on issue of any equity capital comprising Ordinary shares of 25p.

Capital redemption reserve

The capital redemption reserve is used to record the amount equivalent to the nominal value of any of the Company's own shares purchased and cancelled in order to maintain the Company's capital.

Capital reserve

This reserve reflects any gains or losses on realisation of investments in the period along with any changes in fair values of investments held that have been recognised in the Statement of Comprehensive Income. The costs of share buybacks are also deducted from this reserve.

Revenue reserve

This reserve reflects all income and costs which are recognised in the revenue column of the Statement of Comprehensive Income. The revenue reserve represents the amount of the Company's reserves distributable by way of dividend.

(i) Foreign currency

Assets and liabilities in foreign currencies are translated at the rates of exchange ruling on the Statement of Financial Position date. Transactions involving foreign currencies are converted at the rate ruling on the date of the transaction. Gains and losses on the realisation of foreign currencies are recognised in the Statement of Comprehensive Income and are then transferred to the capital reserve.

(j) Traded options

The Company may enter into certain derivative contracts (e.g. options). Option contracts are accounted for as separate derivative contracts and are therefore shown in other assets or other liabilities at their fair value. The initial fair value is based on the initial premium, which is recognised upfront. The premium received and fair value changes in the open position which occur due to the movement in underlying securities are recognised in the revenue column, losses realised on the exercise of the contracts are recorded in the capital column of the Statement of Comprehensive Income as they arise.

In addition, the Company may enter into derivative contracts to manage market risk and gains or losses arising on such contracts are recorded in the capital column of the Statement of Comprehensive Income.

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash at banks.

(l) Significant estimates and judgements

Disclosure is required of judgements and estimates made by management in applying the accounting policies that have a significant effect on the financial statements. There are no significant estimates of judgement which impact these financial statements.

3. Net currency gains/(losses)	2018 £'000	2017 £'000
(Losses)/gains on cash held	(2,292)	1,312
Gains/(losses) on bank loans	4,535	(5,671)
	2,243	**(4,359)**

4. Income	2018 £'000	2017 £'000
Income from overseas listed investments		
Dividend income	12,225	11,086
REIT income	723	575
Interest income from investments	688	902
	13,636	12,563
Other income from investment activity		
Traded option premiums	2,402	2,981
Deposit interest	99	19
	2,501	3,000
Total income	**16,137**	**15,563**

During the year, the Company was entitled to premiums totalling £2,402,000 (2017 – £2,981,000) in exchange for entering into derivative transactions. This figure includes a mark to market on derivative contracts open at each year end. At the year end there were 8 (2017 – 1) open positions, valued at a liability of £561,000 (2017 – liability of £30,000) as disclosed in note 13. Losses realised on the exercise of derivative transactions are disclosed in note 11.

	2018			2017		
5. Investment management fee	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee	**910**	**2,126**	**3,036**	**819**	**1,910**	**2,729**

Management services are provided by Aberdeen Fund Managers Limited ("AFML"). The fee is calculated at an annual rate of 0.8% of gross assets after deducting current liabilities and borrowings and excluding commonly managed funds, payable quarterly. The balance due at the year end was £790,000 (2017 – £762,000). The fee is allocated 30% (2017 – 30%) to revenue and 70% (2017 – 70%) to capital.

The management agreement between the Company and the Manager is terminable by either party on three months' notice. In the event of a resolution being passed at the AGM to wind up the Company the Manager shall be entitled to three months' notice from the date the resolution was passed. In the event of termination on not less than the agreed notice period, compensation is payable in lieu of the unexpired notice period.

	2018			2017		
	Revenue	Capital	Total	Revenue	Capital	Total
6. Finance costs	£'000	£'000	£'000	£'000	£'000	£'000
Interest on bank loans	**280**	**652**	**932**	**295**	**688**	**983**

	2018	2017
7. Administrative expenses	£'000	£'000
Directors' fees	100	84
Registrar's fees	60	60
Custody and bank charges	25	31
Secretarial fees	108	105
Auditor's remuneration (excl. irrecoverable VAT):		
– fees payable to the Company's auditor for the audit of the annual accounts	16	16
Contribution to the Investment Trust Initiative	213	213
Printing, postage and stationery	28	29
Fees, subscriptions and publications	45	43
Professional fees	77	60
Depositary charges	48	44
Other expenses	19	40
	739	**725**

Secretarial and administration services are provided by Aberdeen Fund Managers Limited ("AFML") under an agreement which is terminable on three months' notice. The fee is payable monthly in advance and based on an index–linked annual amount of £108,000 (2017 – £105,000). The balance due at the year end was £18,000 (2017 – £18,000).

During the year £213,000 (2017 – £213,000) was paid to AFML in respect of promotional activities for the Company through Aberdeen's Investment Trust Initiative and the balance due at the year end was £18,000 (2017 – £18,000).

	2018			2017		
	Revenue	Capital	Total	Revenue	Capital	Total
8. Taxation	£'000	£'000	£'000	£'000	£'000	£'000
(a) Analysis of charge for the year						
UK corporation tax	359	(359)	–	520	(520)	–
Overseas tax suffered	1,831	–	1,831	1,653	–	1,653
Prior year adjustment	6	–	6	–	–	–
Total tax charge for the year	**2,196**	**(359)**	**1,837**	**2,173**	**(520)**	**1,653**

(b) Factors affecting the tax charge for the year

The UK corporation tax rate was reduced from 20% to 19% with effect from 1 April 2017 giving an effective standard rate of 19.17% (2017 – standard rate of 20%). The tax assessed for the year is lower than the rate of corporation tax. The differences are explained below:

	2018			2017		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Net profit before taxation	14,208	13,316	27,524	13,724	108,557	122,281
Corporation tax at 19.17% (2017 – 20%)	2,724	2,553	5,277	2,745	21,711	24,456
Effects of:						
Non-taxable overseas dividends	(2,344)	–	(2,344)	(2,217)	–	(2,217)
Irrecoverable overseas withholding tax	1,831	–	1,831	1,653	–	1,653
Double taxation relief	–	–	–	(8)	–	(8)
Tax effect of expenses double taxation relief	(21)	–	(21)	–	–	–
Excess management expenses	–	173	173	–	–	–
Non-taxable gains on investments	–	(2,655)	(2,655)	–	(23,103)	(23,103)
Non-taxable currency gains/(losses)	–	(430)	(430)	–	872	872
Prior year adjustment	6	–	6	–	–	–
Total tax charge	**2,196**	**(359)**	**1,837**	**2,173**	**(520)**	**1,653**

(c) Provision for deferred taxation

No provision for deferred taxation has been made in the current year due to the Company fully utilising the losses brought forward from the previous year (2017 – £nil). 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.

9. Dividends	2018 £'000	2017 £'000
Amounts recognised as distributions to equity holders in the year:		
3rd interim dividend for 2017 – 7.5p per share (2016 – 7.0p)	2,149	2,114
Final dividend for 2017 – 14.5p per share (2016 – 13.0p)	4,146	3,789
1st interim dividend for 2018 – 7.5p per share (2017 – 7.0p)	2,137	2,023
2nd interim dividend for 2018 – 7.5p per share (2017 – 7.0p)	2,132	2,002
Dividend refunds written off	–	9
	10,564	**9,937**

The proposed third interim dividend was unpaid at the year end and the final dividend for 2018 is subject to approval by shareholders at the Annual General Meeting. Accordingly, neither has been included as a liability in these financial statements.

The table below sets out the total dividends paid and proposed in respect of the financial year, which is the basis on which the requirements of Sections 1158–1159 of the Corporation Tax Act 2010 are considered. The revenue available for distribution by way of dividend for the year is £12,012,000 (2017 – £11,551,000).

	2018 £'000	2017 £'000
1st interim dividend for 2018 – 7.5p per share (2017 – 7.0p)	2,137	2,023
2nd interim dividend for 2018 – 7.5p per share (2017 – 7.0p)	2,132	2,002
3rd interim dividend for 2018 – 8.0p per share (2017 – 7.5p)	2,274	2,148
Proposed final dividend for 2018 – 16.0p per share (2017 – 14.5p)	4,549	4,154
	11,092	**10,327**

The cost of the proposed final dividend for 2018 is based on 28,430,504 Ordinary shares in issue, being the number of Ordinary shares in issue at the date of this report.

	2018		2017	
10. Return per Ordinary share	£'000	p	£'000	p
Based on the following figures:				
Revenue return	12,012	42.12	11,551	39.92
Capital return	13,675	47.96	109,077	376.92
Total return	**25,687**	**90.08**	**120,628**	**416.84**
Weighted average number of Ordinary shares in issue		**28,514,542**		**28,938,839**

	2018	2017
11. Investments	£'000	£'000
Fair value through profit or loss:		
Opening fair value	410,344	312,983
Opening investment holdings gains	(132,009)	(50,718)
Opening book cost	278,335	262,265
Purchases at cost	107,758	129,625
Sales – proceeds	(125,338)	(147,724)
Sales – realised gains[A]	44,474	34,223
Amortisation of fixed income book cost	(22)	(54)
Closing book cost	305,207	278,335
Closing investment holdings gains	101,386	132,009
Closing fair value	**406,593**	**410,344**
Listed on overseas stock exchanges	**406,593**	**410,344**

	2018	2017
Gains/(losses) on investments	£'000	£'000
Realised gains on sales[A]	44,474	34,223
Movement in investment holdings gains	(30,623)	81,291
	13,851	**115,514**

[A] Includes losses realised on the exercise of traded options of £2,492,000 (2017 – £873,000) which are reflected in the capital column of the Statement of Comprehensive Income in accordance with accounting policy 2(j). Premiums received from traded options totalled £2,402,000 (2017 – £2,981,000) per note 4.

Transaction costs

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

	2018 £'000	2017 £'000
Purchases	68	123
Sales	130	165
	198	**288**

12. Debtors: amounts falling due within one year	2018 £'000	2017 £'000
Dividends receivable	391	416
Interest receivable	183	214
Other debtors and prepayments	46	49
Amount due from brokers	–	3,255
Taxation recoverable	–	6
	620	**3,940**

13. Creditors: amounts falling due within one year	2018 £'000	2017 £'000
Amounts due to brokers	2,047	6,258
Investment management fee payable	790	762
Traded option contracts	561	30
Interest payable	36	40
Other creditors	122	129
	3,556	**7,219**

14. Bank loans	2018 £'000	2017 £'000
Repayable within one year:		
Uncommitted facility	31,644	–
Fixed facility of US$51,045,000	–	40,573
Total	**31,644**	**40,573**

The Company agreed a US$75 million three year uncommitted multi-currency revolving loan facility with Scotiabank on 21 December 2017. US$45 million was drawn down at 31 January 2018 at an all-in interest rate of 2.5325% and matured on 20 February 2018. At the date of this Report the Company had drawn down US$45 million at an all-in interest rate of 2.79707%.

The terms of the loan facility contain covenants that gross borrowings should not exceed 35% of adjusted net assets and the net asset value shall not at any time be less than US$200 million.

At 31 January 2017 the Company had a US$71 million three year loan facility with State Street, of which US$51 million was drawn down at a fixed rate of 2.18%. The remaining US$20 million balance of the facility was uncommitted and undrawn. The loan facility with State Street was repaid on its expiry date, 21 December 2017.

15. Called-up share capital	2018 £'000	2017 £'000
Allotted, called-up and fully paid:		
Opening balance	7,161	7,499
Shares bought back for cancellation during the year	(53)	(338)
28,430,504 (2017 – 28,645,004) Ordinary shares of 25p each	**7,108**	**7,161**

During the year the Company bought back for cancellation 214,500 (2017 – 1,352,730) Ordinary shares of 25p each for a total cost of £2,575,000 (2017 – total cost of £12,234,000).

16. Net asset value per equity share

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

	2018	2017
Net assets attributable	£391,649,000	£379,101,000
Number of Ordinary shares in issue	28,430,504	28,645,004
Net asset value per share	1,377.57p	1,323.45p

17. Financial instruments and risk management

The Company's investment activities expose it to various types of financial risk associated with the financial instruments and markets in which it invests. The Company's financial instruments, other than derivatives, comprise securities and other investments, cash balances, 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.

Subject to Board approval, the Company also has the ability to enter into derivative transactions, in the form of traded options, for the purpose of enhancing income returns and portfolio management. During the year, the Company entered into certain derivative contracts. As disclosed in note 4, the premium received and fair value changes in respect of options written in the year was £2,402,000 (2017 – £2,981,000). Positions closed during the year realised a loss of £2,492,000 (2017 – £873,000). The largest position in derivative contracts held during the year at any given time was £561,000 (2017 – £758,000). The Company had 8 (2017 – 1) open positions in derivative contracts at 31 January 2018 valued at a liability of £561,000 (2017 – £30,000) as disclosed in note 13.

The Board has delegated the risk management function to the Manager under the terms of its management agreement with AFML (further details which are included under note 5). The Board regularly reviews and agrees policies for managing each of the key financial risks identified with the Manager. The types of risk and the manager's approach to the management of each type of risk, are summarised below. Such an approach has been applied throughout the year and has not changed since the previous accounting period. The numerical disclosures exclude short-term debtors and creditors.

Risk management framework

The directors of AFML collectively assume responsibility for AFML's obligations under the AIFMD including reviewing investment performance and monitoring the Company's risk profile during the year.

AFML is a fully integrated member of Standard Life Aberdeen plc (referred to as "the Group"), which provides a variety of services and support to AFML in the conduct of its business activities, including in the oversight of the risk management framework for the Company. The AIFM has delegated the day to day administration of the investment policy to AAML, which is responsible for ensuring the Company is managed within the terms of its investment guidelines and the limits set out in FUND 3.2.2R (details of which can be found on the Company's website). The AIFM has retained responsibility for monitoring and oversight of investment performance, product risk and regulatory and operational risk for the company.

The Manager conducts its risk oversight function through the operation of the Group's risk management processes and systems which are embedded within the Group's operations. The Group's Risk Division supports management in the identification and mitigation of risks and provides independent monitoring of the business. The Division includes Compliance, Business Risk, Market Risk, Risk Management and Legal. The team is headed up by the Group's Head of Risk, who reports to the co-Chief Executive Officers of the Group. The Risk Division achieves its objective through embedding the Risk management Framework throughout the organisation using the Group's operational risk management system ("SWORD").

The Group's Internal Audit Department is independent of the Risk Division and reports directly to the Group's co-Chief Executive Officers and the Audit Committee of the Group's Board of Directors. The Internal Audit Department is responsible for providing an independent assessment of the Group's control environment.

The Group's corporate governance structure is supported by several committees to assist the board of directors of Aberdeen, its subsidiaries and the Company to fulfil their roles and responsibilities. The Group's Risk Division is represented on all committees, with the exception of those committees that deal with investment recommendations. The specific goals and guidelines on the functioning of those committees are described on the committees' terms of reference.

Risk management

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

The Board regularly reviews and agrees policies for managing each of these risks. The Manager's policies for managing these risks are summarised below and have been applied throughout the year. The numerical disclosures exclude short-term debtors and creditors, other than for currency disclosures.

(i) Market risk

The fair value or future cash flows of a financial instrument held by the Company may fluctuate because of changes in market prices. This market risk comprises three elements – interest rate risk, currency risk and other price risk.

Interest rate risk

Interest rate movements may affect:

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

Management of the risk

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

The Board reviews on a regular basis the values of the fixed interest rate securities.

The Board imposes borrowing limits to ensure gearing levels are appropriate to market conditions and reviews these on a regular basis. Borrowings comprise fixed rate, revolving and uncommitted facilities. Details of borrowings at 31 January 2018 are shown in note 14 on page 52.

Interest risk profile

The interest rate risk profile of the portfolio of financial instruments at the Statement of Financial Position date was as follows:

At 31 January 2018	Weighted average period for which rate is fixed Years	Weighted average interest rate %	Fixed rate £'000	Floating rate £'000	Non–interest bearing £'000
Assets					
Sterling	–	–	–	61	–
US Dollar	8.47	6.78	8,649	18,105	346,494
Canadian Dollar	–	–	–	1,470	51,450
Total assets			**8,649**	**19,636**	**397,944**
Liabilities					
Bank loan – US$45,000,000	0.05	2.53	–	(31,644)	–
Total liabilities			–	**(31,644)**	–

At 31 January 2017	Weighted average period for which rate is fixed Years	Weighted average interest rate %	Fixed rate £'000	Floating rate £'000	Non–interest bearing £'000
Assets					
Sterling	–	–	–	132	–
US Dollar	10.96	6.76	12,145	12,374	363,925
Canadian Dollar	–	–	1,590	103	32,684
Total assets			**13,735**	**12,609**	**396,609**
Liabilities					
Bank loan – US$51,045,000	0.46	2.18	(40,573)	–	–
Total liabilities			**(40,573)**	–	–

The weighted average interest rate is based on the current yield of each asset, weighted by its market value. The weighted average interest rate on bank loans is based on the interest rate payable, weighted by the total value of the loans. The maturity date of the Company's loan is disclosed in note 14.

The floating rate assets consist of cash deposits at prevailing market rates.

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

Short-term debtors and creditors have been excluded from the above tables.

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 Statement of Financial Position date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates.

The rate of interest on the loan is the percentage rate per annum which is the aggregate of the applicable margin, adjusted LIBOR Offered Rate and mandatory cost if any.

If interest rates had been 100 basis points higher or lower (based on current parameter used by Manager's Investment Risk Department on risk assessment) and all other variables were held constant, the Company's revenue return for the year ended 31 January 2018 would decrease/increase by £120,000 (2017 –

increase/decrease by £126,000). This is mainly attributable to the Company's exposure to interest rates on its floating rate cash balances. These figures have been calculated based on cash positions at each year end.

In the opinion of the Directors, the above sensitivity analyses are not representative of the year as a whole, since the level of exposure changes frequently as part of the interest rate risk management process used to meet the Company's objectives. The risk parameters used will also fluctuate depending on the current market perception.

Foreign currency risk

The Company's portfolio is invested mainly in US quoted securities and the Statement of Financial Position can be significantly affected by movements in foreign exchange rates.

Management of the risk

It is not the Company's policy to hedge this risk on a continuing basis but the Company may, from time to time, match specific overseas investment with foreign currency borrowings. A significant proportion of the Company's borrowings, as detailed in note 14, are denominated in foreign currency. Foreign currency risk exposure by currency denomination is detailed under Interest Risk Profile.

The revenue account is subject to currency fluctuation arising on overseas income. The Company does not hedge this currency risk.

Foreign currency sensitivity

There is no sensitivity analysis included as the Company's significant foreign currency financial instruments are in the form of equity investments, and they have been included within the other price risk sensitivity analysis so as to show the overall level of exposure.

Price risk

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

Management of the risk

It is the Board's policy to hold an appropriate spread of investments in the portfolio in order to reduce the risk arising from factors specific to a particular country or sector. The allocation of assets to international markets and the stock selection process, as detailed on page 63, 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. The investments held by the Company are listed on various stock exchanges.

Price risk sensitivity

If market prices at the Statement of Financial Position date had been 10% higher or lower while all other variables remained constant, the return attributable to Ordinary shareholders for the year ended 31 January 2018 would have increased/decreased by £40,659,000 (2017 – increase/decrease of £41,034,000) and equity reserves would have increased/decreased by the same amount.

(ii) Liquidity risk

This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities.

Management of the risk

Liquidity risk is not considered to be significant as the Company's assets comprise mainly readily realisable securities, which can be sold to meet funding commitments if necessary. Short-term flexibility is achieved through the use of the loan facility (note 14).

(iii) Credit risk

This is failure of the counterparty to a transaction to discharge its obligations under that transaction that could result in the Company suffering a loss.

Management of the risk

- where the Manager makes an investment in a bond, corporate or otherwise, the credit ratings of the issuer are taken into account so as to manage the risk to the Company of default;
- investments in quoted bonds are made across a variety of industry sectors so as to avoid concentrations of credit risk;
- transactions involving derivatives are entered into only with investment banks, the credit rating of which is taken into account so as to minimise the risk to the Company of default;
- investment transactions are carried out with a number of brokers, whose credit-standing is reviewed periodically by the Manager, and limits are set on the amount that may be due from any one broker;
- the risk of counterparty exposure due to failed trades causing a loss to the Company is mitigated by the review of failed trade reports on a daily basis. In addition, both stock and cash reconciliations to the custodian's records are performed on a daily basis to ensure discrepancies are investigated on a timely basis. The Manager's Compliance department carries out periodic reviews of the custodian's operations and reports its finding to the Manager's Risk Management Committee;
- cash is held only with reputable banks with acceptable credit quality. 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.

Credit risk exposure

In summary, compared to the amounts in the Statement of Financial Position, the exposure to credit risk at 31 January 2018 was as follows:

	2018		2017	
	Statement of Financial Position	Maximum exposure	Statement of Financial Position	Maximum exposure
	£'000	£'000	£'000	£'000
Non-current assets				
Quoted bonds	8,649	8,649	13,735	13,735
Current assets				
Amount due from brokers	–	–	3,255	3,255
Dividends receivable	391	391	416	416
Interest receivable	183	183	214	214
Taxation recoverable	–	–	6	6
Other debtors and prepayments	46	46	49	49
Cash and short term deposits	19,636	19,636	12,609	12,609
	28,905	**28,905**	**30,284**	**30,284**

None of the Company's financial assets is secured by collateral or other credit enhancements.

Fair values of financial assets and financial liabilities

The book value of cash at bank and bank loans and overdrafts included in these financial statements approximate to fair value because of their short-term maturity. Investments held as dealing investments are valued at fair value. The carrying values of fixed asset investments are stated at their fair values, which have been determined with reference to quoted market prices. For all other short-term debtors and creditors, their book values approximate to fair values because of their short-term maturity.

18. Capital management policies and procedures

The investment objective of the Company is to provide investors with above average dividend income and long term capital growth through active management of a portfolio consisting predominately of S&P 500 US equities.

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

The Board monitors and reviews the broad structure of the Company's capital on an ongoing basis. This review includes:
- the planned level of gearing which takes into account the Investment Manager's views on the market;
- the level of equity shares in issue; and
- 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.

Details of the Company's gearing facilities and financial covenants are detailed in note 14 of the financial statements.

19. Fair value hierarchy

FRS 102 requires an entity to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The Company has early adopted Amendments to FRS 102 – Fair value hierarchy disclosures issued by the Financial Reporting Council in March 2016. This has not resulted in any reclassifications in levelling and the prior year comparative has been disclosed under the new hierarchy. The fair value hierarchy has the following classifications:

Level 1: unadjusted quoted prices in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable (ie developed using market data) for the asset or liability, either directly or indirectly.

Level 3: inputs are unobservable (ie for which market data is unavailable) for the asset or liability.

The financial assets and liabilities measured at fair value in the Statement of Financial Position are grouped into the fair value hierarchy at the reporting date as follows:

As at 31 January 2018	Note	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit or loss					
Quoted equities	a)	397,944	–	–	397,944
Quoted bonds	b)	–	8,649	–	8,649
		397,944	8,649	–	406,593
Financial liabilities at fair value through profit or loss					
Derivatives	c)	–	(561)	–	(561)
Net fair value		**397,944**	**8,088**	**–**	**406,032**

As at 31 January 2017	Note	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit or loss					
Quoted equities	a)	396,609	–	–	396,609
Quoted bonds	b)	–	13,735	–	13,735
		396,609	13,735	–	410,344
Financial liabilities at fair value through profit or loss					
Derivatives	c)	–	(30)	–	(30)
Net fair value		**396,609**	**13,705**	–	**410,314**

a) Quoted equities

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

b) Quoted bonds

The fair value of the Company's investments in quoted bonds has been determined by reference to their quoted bid prices at the reporting date. Investments categorised as Level 2 are not considered to trade in active markets.

c) Derivatives

The Company's investment in exchange traded options have been fair valued using quoted prices and have been classified as Level 2 as they are not considered to trade in active markets. At 31 January 2017 the Company held over the counter options which were fair valued using a marked-to-market model and were classed as Level 2.

20. Related party transactions

Directors' fees and interests

Fees payable during the year to the Directors and their interests in shares of the Company are disclosed within the Directors' Remuneration Report on page 35.

Transactions with the Manager

The Company has an agreement with the Manager for the provision of investment management, secretarial, accounting and administration and promotional activity services.

Details of transactions during the year and balances outstanding at the year end are disclosed in notes 5 and 7.

With effect from 1 February 2018, the Board and the Manager have agreed a new basis for calculating the Company's management fees payable to AFML. The annual management fee will be charged on gross assets after deducting current liabilities and borrowings and excluding commonly managed funds (Net Assets), on a tiered basis. The annual management fee will be charged at 0.75% of Net Assets up to £350 million, 0.6% of Net Assets between £350 million and £500 million, and 0.5% of Net Assets above £500 million.

21. Alternative performance measures

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

Notes to the Financial Statements continued

The tables below provide information relating to the NAVs and share price of the Company on the dividend reinvestment dates during the years ended 31 January 2018 and 31 January 2017.

2018	Dividend rate	NAV	Share price
31 January 2017	N/A	1,323.45p	1,232.00p
18 May 2017	14.50p	1,254.71p	1,158.50p
13 July 2017	7.50p	1,307.61p	1,191.00p
12 October 2017	7.50p	1,360.06p	1,262.00p
25 January 2018	8.00p	1,375.36p	1,317.50p
31 January 2018	N/A	1,377.57p	1,300.00p
Total return		**7.1%**	**8.8%**

2017	Dividend rate	NAV	Share price
31 January 2016	N/A	935.55p	815.00p
12 May 2016	13.00p	1,002.14p	892.00p
14 July 2016	7.00p	1,162.65p	1,029.00p
13 October 2016	7.00p	1,232.07p	1,093.00p
19 January 2017	7.50p	1,327.79p	1,239.50p
31 January 2017	N/A	1,323.45p	1,232.00p
Total return		**45.8%**	**56.3%**

Corporate Information

The Manager is a subsidiary of Aberdeen Asset Management PLC, which merged with Standard Life plc on 14 August 2017 to form Standard Life Aberdeen plc. Assets under the management of the combined investment division, Aberdeen Standard Investments, were equivalent to £576 billion at 31 December 2017.

Globe at Columbus Circle, midtown, New York City, near Central Park

Information about the Manager

Aberdeen Fund Managers Limited ("AFML"), authorised and regulated by the Financial Conduct Authority, has been appointed as the alternative investment fund manager to the Company. AFML has in turn delegated portfolio management to Aberdeen Asset Managers Inc., a subsidiary of Aberdeen Asset Management PLC.

Aberdeen Asset Management PLC ("Aberdeen") merged with Standard Life plc on 14 August 2017 to form Standard Life Aberdeen plc. Assets under the management of the combined investment division, Aberdeen Standard Investments, were equivalent to £576 billion as at 31 December 2017 for a range of clients, including individuals and institutions, through mutual and segregated funds.

Aberdeen's Investment Team Senior Managers

Ralph Bassett

Head of North American Equities

Graduated with a BS in Finance, with honors, from Villanova University and is a CFA® Charterholder. Joined Aberdeen in 2006 from Navigant Consulting and is Aberdeen's Deputy Head of North American Equity.

Doug Burtnick

Deputy Head of North American Equities

Graduated with a BS from Cornell University and is a CFA® Charterholder. Joined Aberdeen in 2007 following the acquisition of Nationwide Financial Services. Previously worked at Brown Brothers Harriman & Barra, Inc.

Fran Radano

Senior Investment Manager - North American Equities

Graduated with a BA in Economics from Dickinson College and an MBA in Finance from Villanova University and is a CFA® Charterholder. Joined Aberdeen in 2007 following the acquisition of Nationwide Financial Services. Previously worked at Salomon Smith Barney and SEI Investments.

Charles Tan

Head of North American Fixed Income

Graduated with a BA from University of International Business and Economics, Beijing and an MBA from Bucknell University, Pennsylvania. Joined Aberdeen in 2005 from Moody's Investor Services where he was a senior analyst covering US high yield industrial companies as well as Asian financial institutions. Previously worked for First Commercial Bank of Philadelphia as a credit officer. Head of Aberdeen's Corporate Portfolios on the North American Fixed Income team.

The Investment Process

Philosophy and Style

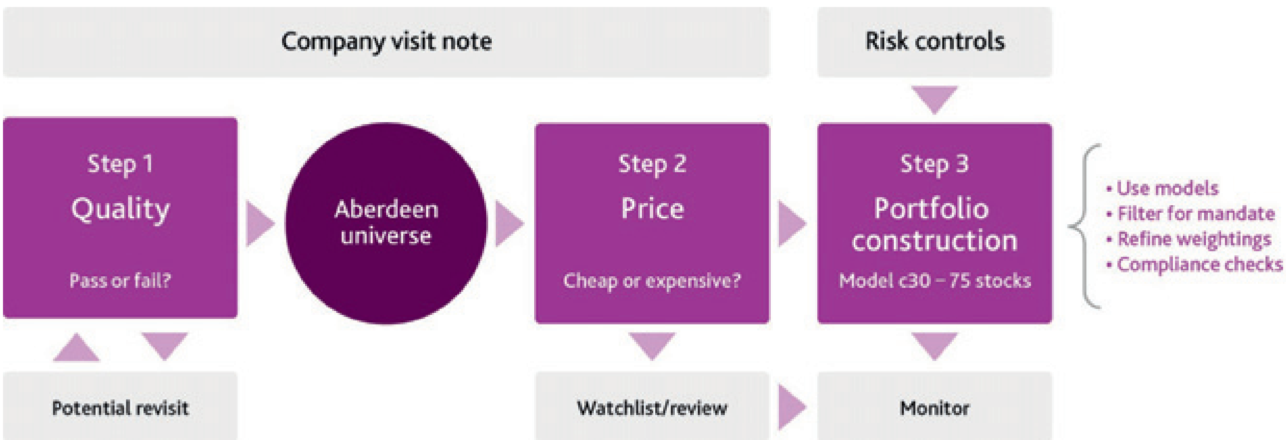
The Manager's investment philosophy is that markets are not always efficient. Aberdeen believe that superior investment returns are therefore attainable by identifying good companies cheaply, defined in terms of the fundamentals that in our opinion drive share prices over the long term. They undertake substantial due diligence before initiating any investment including company visits in order to assure themselves of the quality of the prospective investment. They are then careful not to pay too high a price when making the investment.

Subsequent to that investment they then keep in close touch with the company, aiming to meet management at least twice a year. Given their long-term fundamental investment philosophy, one would not expect much change in the companies in which the Manager invest. They do, however, take opportunities offered to them by what they 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

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

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



Investor Information

Direct

Investors can buy and sell shares in The North American Income Trust plc directly through a stockbroker or indirectly through a lawyer, accountant or other professional adviser. Many have online facilities. Alternatively, for retail clients, shares may be bought directly through Aberdeen's Investment Plan for Children, Investment Trust Share Plan, Investment Trust ISA or ISA Transfer.

Suitable for Retail/NMPI Status

The Company's shares are designed for investors primarily in the UK (including retail investors), professional-advised private clients and institutional investors who seek income and capital growth from investment in North American markets and who understand and are willing to accept the risks of exposure to equities. Investors should consider consulting an independent financial adviser who specialises in advising on the acquisition of shares and other securities before acquiring shares. Investors should be capable of evaluating the risks and merits of such an investment and should have sufficient resources to bear any loss that may result.

The Company currently conducts its affairs so that securities issued by The North American Income Trust plc can be recommended by a financial adviser to ordinary retail investors in accordance with the Financial Conduct Authority's (FCA) rules in relation to non-mainstream pooled investments (NMPIs) and intends to continue to do so for the foreseeable future.

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

Aberdeen's Investment Plan for Children

Aberdeen Asset Managers Limited ("Aberdeen") runs an Investment Plan for Children (the "Children's Plan") which covers a number of investment companies under its management, including The North American 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 purchases. Selling costs are £10 + VAT. There is no restriction on how long an investor need invest in the Children's Plan, and regular savers can stop or suspend participation by instructing Aberdeen in writing at any time.

Aberdeen's Investment Trust Share Plan

Aberdeen runs a Share Plan (the "Plan") through which shares in The North American 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 purchases. Selling costs are £10 + VAT. There is no restriction on how long an investor need invest in a Plan, and regular savers can stop or suspend participation by instructing Aberdeen in writing at any time.

Aberdeen Investment Trust ISA

Aberdeen offers a stocks and shares ISA which allows an investment up to £20,000 in the tax year 2018/19.

There are no brokerage or initial charges for the ISA, although investors will suffer the bid-offer spread, which can be a significant amount. Investors only pay Government Stamp Duty (currently 0.5%) on purchases. 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 in the Plan. Under current legislation, investments in ISAs can grow free of capital gains tax.

Dividend Tax Allowance

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

ISA Transfer

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

Nominee Accounts and Voting Rights

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

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.

Keeping You Informed

The North American Income Trust plc's share price appears daily in the Financial Times.

For internet users, detailed data on The North American Income Trust plc, including price, performance information and a monthly factsheet, is available on the Company's website (www.northamericanincome.co.uk) and the TrustNet website (www.trustnet.co.uk). Alternatively you can call 0808 500 0040 for trust information.

Registrar

If you have an administrative query which relates to a direct shareholding, please contact the Company's Registrar, as follows:

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol
BS99 6ZZ
Telephone: 0370 889 4084
Website: www.computershare.co.uk
Email: www-uk.computershare.com/investor/contactus

Literature Request Service

For literature and application forms for the Aberdeen investment trust products, please telephone 0808 500 0040 or request from the website
www.invtrusts.co.uk/en/investmenttrusts/literature-library

Customer Service

For information on the Aberdeen's Investment Plan for Children, Share Plan, ISA or ISA Transfer please contact:

Aberdeen Investment Trusts
PO Box 11020
Chelmsford
Essex CM99 2DB
Tel: 0808 500 0040
E-mail: inv.trusts@aberdeen-asset.com

Details are also available on www.invtrusts.co.uk.
Terms and Conditions for Aberdeen managed savings products can be found under the Literature section of our website at invtrusts.co.uk.

Online Dealing Providers

Investor Information

There are a number of other ways in which you can buy and hold shares in this investment trust.

Online Dealing

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

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

Discretionary Private Client Stockbrokers

If you have a large sum to invest, you may wish to contact a discretionary private client stockbroker. They can manage your entire portfolio of shares and will advise you on your investments. To find a private client stockbroker visit The Personal Investment Management & Financial Advice Association at www.pimfa.co.uk.

Investor Information continued

Independent Financial Advisers

To find an adviser who recommends on investment trusts, visit www.unbiased.co.uk

Regulation of Stockbrokers

Before approaching a stockbroker, always check that they are regulated by the Financial Conduct Authority:

Telephone: 0800 111 6768
Website: www.fca.org.uk/firms/systems-reporting/register/search
Email: register@fca.org.uk

PRIIPS (Packaged Retail and Insurance-based Investment Products)

Investors should be aware that the PRIIPS Regulation requires the Manager, as PRIIP manufacturer, to prepare a key information document ("KID") in respect of the Company. This KID must be made available by the Manager to retail investors prior to them making any investment decision and is available on the Manager's website. The Company is not responsible for the information contained in the KID and investors should note that the procedures for calculating the risks, costs and potential returns are prescribed by the law. The figures in the KID may not reflect the expected returns for the Company and anticipated performance returns cannot be guaranteed.

Investor Warning

Aberdeen is aware 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, do not offer any personal information, end the call and contact Aberdeen's investor services centre using the details provided.

The above information has been approved for the purposes of Section 21 of the Financial Services and Markets Act 2000 (as amended by the Financial Services Act 2012) by Aberdeen Asset Managers Limited, which is authorised and regulated by the Financial Conduct Authority in the United Kingdom.

Financial Calendar

31 January 2018	Company's year end
28 March 2018	Announcement of annual results for year ended 31 January 2018
4 June 2018 (2.00 pm)	Annual General Meeting (Edinburgh)
8 June 2018	Final dividend payable for year ended 31 January 2018
August 2018	First interim dividend payable for the year ending 31 January 2019
September 2018	Announcement of half yearly results for six months ending 31 July 2018
November 2018	Second interim dividend payable for year ending 31 January 2019
February 2019	Third interim dividend payable for year ending 31 January 2019

Alternative Investment Fund Managers Directive Disclosures (unaudited)

Aberdeen Fund Managers Limited ("AFML") and the Company are required to make certain disclosures available to investors in accordance with the Alternative Investment Fund Managers Directive ('AIFMD'). Those disclosures that are required to be made pre-investment are included within a pre-investment disclosure document ('PIDD') the latest version of which can be found on the Company's website www.northamericanincome.co.uk.

There have been no material changes to the disclosures contained within the PIDD since its most recent update in March 2017.

The periodic disclosures as required under the AIFMD to investors are made below:

- information on the investment strategy, geographic and sector investment focus and principal stock exposures is included in the Strategic Report;
- none of the Company's assets are subject to special arrangements arising from their illiquid nature;
- the Strategic Report on pages 8 to 12, Note 17 to the Financial Statements and the PIDD, together set out the risk profile and risk management systems in place. There have been no changes to the risk management systems in place in the period under review and no breaches of any of the risk limits set, with no breach expected;
- there are no new arrangements for managing the liquidity of the Company or any material changes to the liquidity management systems and procedures employed by Aberdeen Fund Managers Limited ("the AIFM");
- all authorised Alternative Investment Fund Managers are required to comply with the AIFMD Remuneration Code. In accordance with the Remuneration Code, the AIFM's remuneration policy is available from the Company Secretaries, Aberdeen Asset Management PLC on request (see contact details on page 72) and the remuneration disclosures in respect of the AIFM's reporting period for the year ended 30 September 2017 are available on the Company's website.

Leverage

The table below sets out the current maximum permitted limit and actual level of leverage for the Company:

	Gross Method	Commitment Method
Maximum level of leverage	2.50:1	2.00:1
Actual level at 31 January 2018	1.09:1	1.09:1

There have been no breaches of the maximum level during the period and no changes to the maximum level of leverage employed by the Company. There is no right of re-use of collateral or any guarantees granted under the leveraging arrangement. Changes to the information contained either within this annual report or the PIDD in relation to any special arrangements in place, the maximum level of leverage which the AIFM may employ on behalf of the Company; the right of use of collateral or any guarantee granted under any leveraging arrangement; or any change to the position in relation to any discharge of liability by the Depositary will be notified via a regulatory news service without undue delay in accordance with the AIFMD.

The information on this page has been approved for the purposes of Section 21 of the Financial Services and Markets Act 2000 (as amended by the Financial Services Act 2012) by Aberdeen Fund Managers Limited which is authorised and regulated by the Financial Conduct Authority in the United Kingdom.

Glossary of Terms and Definitions

Aberdeen, Aberdeen Group or AAM	Aberdeen Asset Management PLC group of companies. Aberdeen Asset Management PLC ("Aberdeen") merged with Standard Life plc on 14 August 2017 to form Standard Life Aberdeen plc.
AAMI or Investment Manager	Aberdeen Asset Managers Inc. ("AAMI") has been delegated responsibility for the Company's day-to-day investment management. AAMI is authorised and regulated by the US Securities and Exchange Commission.
AFML, AIFM or Manager	Aberdeen Fund Managers Limited ("AFML") is a wholly owned subsidiary of Aberdeen Asset Management PLC and acts as the Alternative Investment Fund Manager ("AIFM") for the Company. AFML is authorised and regulated by the Financial Conduct Authority.
AIC	The Association of Investment Companies.
AIFMD	The Alternative Investment Fund Managers Directive ("the AIFMD") is European legislation which created a European-wide framework for regulating managers of 'alternative investment funds' (AIFs). It is designed to regulate any fund which is not a UCITS fund and which is managed and/or marketed in the EU. The Company has been designated as an AIF.
Disclosure Guidance and Transparency Rules or DTRs	The DTRs contain requirements for publishing and distributing annual financial reports, half-yearly financial reports and other regulatory statements, and are applicable to investment companies which are listed on the main market of the London Stock 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	Revenue return per share divided by dividends per share expressed as a ratio.
Dividend Yield	Dividend per share divided by the Ordinary share price at the relevant date, expressed as a ratio.
Leverage	Any method by which the AIFM increases the exposure of the Company whether through borrowing of cash or securities, or leverage embedded in derivative positions or by any other means
Listing Rules	The Financial Conduct Authority's Listing Rules are a set of regulations that are applicable to all companies that are listed on the London Stock Exchange.
Net Asset Value or NAV	The value of total assets less liabilities. Liabilities for this purpose included current and long-term liabilities. The net asset value divided by the number of shares in issue produces the net asset value per share.
Net Gearing/(Cash)	Net gearing/(cash) is calculated by dividing total assets (as defined below) less cash or cash equivalents by shareholders' funds expressed as a percentage, in line with AIC Guidance.
Ongoing Charges	Ratio of expenses as percentage of average daily shareholders' funds calculated as per the industry-standard method.
PIDD	Pre-Investment Disclosure Document ("PIDD"). The AIFM and the Company are required to make certain disclosures available to investors in accordance with the AIFMD. Those disclosures that are required to be made pre-investment are included within a PIDD, a copy of which can be found on the Company's website.
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.
Total Assets	The total assets less current liabilities.
Total Return	Total Return involves reinvesting the net dividend in the month that the share price goes xd. The NAV Total Return involves investing the same net dividend in the NAV of the Company on the date to which that dividend was earned, eg quarter end, half year or year end date.
UCITS	UCITS stands for Undertakings for Collective Investments in Transferable Securities and relates to mutual funds located in the European Union.

Notice of Annual General Meeting

Notice is hereby given that the one hundred and fifteenth Annual General Meeting of The North American Income Trust plc will be held at 1 George Street, Edinburgh, EH2 2LL on 4 June 2018 at 2.00 p.m., for the following purposes:

To consider and, if thought fit, pass the following resolutions, of which resolutions 1 to 12 inclusive will be proposed as ordinary resolutions and resolutions 13 to 14 will be proposed as special resolutions. Resolution 11 is under Special Business.

1. To receive the reports of the Directors and the auditor and the audited financial statements for the year ended 31 January 2018.
2. To receive and adopt the Directors' Remuneration Report (other than the Directors' Remuneration Policy) for the year ended 31 January 2018.
3. To approve a final dividend of 16.0p on the Ordinary shares.
4. To elect Charles Park as a Director of the Company
5. To re-elect James Ferguson as a Director of the Company.
6. To re-elect Guy Crawford as a Director of the Company
7. To re-elect Archie Hunter as a Director of the Company.
8. To re-elect Susan Rice as a Director of the Company.
9. To re-appoint KPMG LLP as auditor of the Company.
10. To authorise the Directors to fix the remuneration of the auditor for the year ending 31 January 2019.
11. To continue the Company as an investment trust company.
12. That, in substitution for any pre-existing power to allot or grant rights to subscribe for or to convert any security into shares in the Company, but without prejudice to the exercise of any such authority prior to the date of this resolution, the Directors be and are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company ("securities") up to an aggregate nominal amount of £2,369,208 or, if less, the number representing 33.33% of the issued Ordinary share capital of the Company as at the date of the passing of this resolution, such authority to expire on 31 July 2019 or, if earlier, at the conclusion of the Annual General Meeting of the Company to be held after the passing of this resolution, unless previously revoked, varied or extended by the Company in general meeting, save that the Company may, at any time prior to the expiry of such authority, make an offer or enter into an agreement which would or might require relevant securities to be allotted after the expiry of such authority and the Directors may allot relevant securities in pursuance of such an offer or agreement as if such authority had not expired.
13. That, subject to the passing of the resolution numbered 12 set out in the notice of this meeting ("Section 551 Resolution") and in substitution for any existing authority under sections 570 and 573 of the Companies Act 2006 (the "Act") but without prejudice to the exercise of any such authority prior to the date of this resolution, the Directors of the Company be empowered pursuant to sections 570 and 573 of the Act to allot equity securities (within the meaning of section 560 of the Act) either pursuant to the authorisation conferred by the Section 551 resolution or by way of a sale of treasury shares, in each case for cash as if section 561(1) of the Act did not apply to such allotment or sale, provided that this power shall be limited to the allotment of or sale out of treasury equity securities up to an aggregate nominal amount of £710,762 or, if less, the number representing 10% of the issued Ordinary share capital of the Company as at the date of the passing of this resolution and such power shall expire at the earlier of the conclusion of the next Annual General Meeting of the Company to be held in 2019 or on 31 July 2019, but so that this power shall enable the Company to make offers, sales or agreements before such expiry which would or might require equity securities to be allotted or sold after such expiry and the Directors of the Company may allot or sell from treasury equity securities in pursuance of any such offer, sale or agreement as if such expiry had not occurred.
14. That, in substitution for any existing authority under Section 701 of the Companies Act 2006 (the "Act"), but without prejudice to the exercise of any such authority prior to the date hereof, the Company be generally and unconditionally authorised, in accordance with Section 701 of the Act, to make market purchases (within the meaning of Section 693(4) of the Act) of fully paid Ordinary shares of 25p each in the capital of the Company ("Ordinary shares") and to cancel or to hold in treasury such shares, provided that:–
    (i) the maximum aggregate number of Ordinary shares hereby authorised to be purchased shall be 14.99% of the issued Ordinary share capital of the Company as at the date of the passing of this resolution (approximately 4.26) million Ordinary shares);
    (ii) the minimum price which may be paid for an Ordinary share shall be 25p (exclusive of expenses);

Notice of Annual General Meeting continued

(iii) the maximum price (exclusive of expenses) which may be paid for an Ordinary share shall be the higher of (i) 105% of the average of the middle market quotations (as derived from the Daily Official List of the London Stock Exchange) for the Ordinary shares for the five business days immediately preceding the date of purchase and (ii) the higher of the price of the last independent trade and the highest current independent bid relating to an Ordinary share on the trading venue where the purchase is carried out; and

(iv) unless previously varied, revoked or renewed, the authority hereby conferred shall expire on 31 July 2019 or, if earlier, at the conclusion of the next Annual General Meeting of the Company to be held after the passing of this resolution, save that the Company may, at any time prior to such expiry, enter into a contract or contracts to purchase Ordinary shares under such authority which will or might be completed or executed wholly or partly after the expiration of such authority and may make a purchase of Ordinary shares pursuant to any such contract or contracts.

12 April 2018
Registered office: 7th Floor, 40 Princes Street
Edinburgh EH2 2BY

By order of the Board
Aberdeen Asset Management PLC
Secretary

Notes:

(i) A member is entitled to appoint a proxy or proxies to exercise all or any of their rights to attend, speak and vote on their behalf. A proxy need not be a member of the Company. A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. A member may not appoint more than one proxy to exercise rights attached to any one share. 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 your instructions directly to them. A proxy form which may be used to make such appointment and give proxy instructions accompanies this notice. If you do not have a proxy form and believe that you should have one, or if you require additional forms or would like to appoint more than one proxy, please contact the Company's Registrars, Computershare Investor Services PLC on 0370 889 4084. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's Register of Members in respect of the joint holding (the first-named being the most senior). A member present in person or by proxy shall have one vote on a show of hands and on a poll every member present in person or by proxy shall have one vote for every Ordinary share of which he/she is the holder.

(ii) A form of proxy for use by members is enclosed with these accounts. Completion and return of the form of proxy will not prevent any member from attending the meeting and voting in person. To be valid, the form of proxy should be lodged, together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority with the Company's Registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, so as to be received not less than 48 hours (excluding non-working days) before the time of the meeting.

(iii) In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, to have the right to attend and vote at the Meeting a member must first have his or her name entered in the Company's register of members by not later than 6.00pm on 31 May 2018 (or, in the event that the Meeting is adjourned, at 6.00pm on the day which is two business days before the time of the adjourned Meeting). Changes to entries on that register after that time shall be disregarded in determining the rights of any member to attend and vote at the Meeting.

(iv) 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.

(v) 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 3RA50) 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.

(vi) 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.

(vii) 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.

(viii) The "vote withheld" option on the proxy form is provided to enable a member to abstain on any particular resolution. It should be noted that an abstention is not a vote in law and will not be counted in the calculation of the proportion of votes "for" or "against" a particular resolution.

(ix) The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communications from the Company in accordance with Section 146 of the Companies Act 2006 ("nominated persons"). Nominated persons may have a right under an agreement with the member who holds the shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights. The statement of the rights of members in relation to the appointment of proxies in notes i) and ii) above does not apply to Nominated Persons. The rights described in these notes can only be exercised by members of the Company.

(x) 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.

(xi) As at close of business on 3 April 2018 (being the latest practicable date prior to publication of this document), the Company's issued share capital comprised 28,430,504 Ordinary shares of 25p each. The total number of voting rights in the Company as at 3 April 2018 was 28,430,504.

(xii) Any person holding 3% or more of the total voting rights in the Company who appoints a person other than the Chairman as his proxy will need to ensure that both he and such third party complies with their respective disclosure obligations under the UK Disclosure and Transparency Rules.

(xiii) Any corporation which is a shareholder can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a shareholder provided that they do not do so in relation to the same shares.

(xiv) The members of the Company may require the Company to publish, on its website, a statement 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, The North American Income Trust plc, 40 Princes Street, Edinburgh EH2 2BY.

(xv) 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.northamericanincome.co.uk.

(xvi) 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:

1. answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;
2. the answer has already been given on a website in the form of an answer to a question; or
3. it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

(xvii) Members who have general queries about the Annual General Meeting should contact the Company Secretary in writing. Members 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.

(xviii) There are special arrangements for holders of shares through the Aberdeen's Investment Plan for Children, Aberdeen's Investment Trust Share Plan and Investment Trust ISA. These are explained in the 'Letter of Direction' which such holders will have received with this report.

Contact Addresses

Directors

James Ferguson (Chairman)
Guy Crawford
Archie Hunter
Charles Park
Susan Rice

Manager, Secretary and Registered Office

Alternative Investment Fund Manager

Aberdeen Fund Managers Limited
Bow Bells House
1 Bread Street
London
EC4M 9HH

(Authorised and regulated by the Financial Conduct Authority)

Investment Manager

Aberdeen Asset Managers Inc.

(Authorised and regulated by the US Securities and Exchange Commission)

Secretary and Registered Office

Aberdeen Asset Management PLC
40 Princes Street
Edinburgh
EH2 2BY
Email: company.secretary@invtrusts.co.uk

Website

www.northamericanincome.co.uk

Company Broker

Winterflood Investment Trusts

Registrar

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol
BS99 6ZZ
Telephone: 0370 889 4084*
Website: www-uk.computershare.com/investor
E-mail is available via the above website

*Lines are open Monday to Friday from 8.30am – 5.30pm, excluding bank holidays. Charges for calling telephone numbers starting with '03' are determined by the caller's service provider. Calls may be recorded and monitored randomly for security and training purposes.

Auditor

KPMG LLP
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

Depositary

BNP Paribas Securities Services, London Branch

United States Internal Revenue Service FATCA Registration Number (GIIN)

XYAARK.99999.SL.826

Company Registration Number

Registered in Scotland with number SC005218

Legal Entity Identifier

5493007GCUW7G2BKY360

FSC
www.fsc.org
MIX
Paper from
responsible sources
FSC® C005739