

# Murray Income Trust PLC

Annual Report and Accounts  
30 June 2012

2012



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

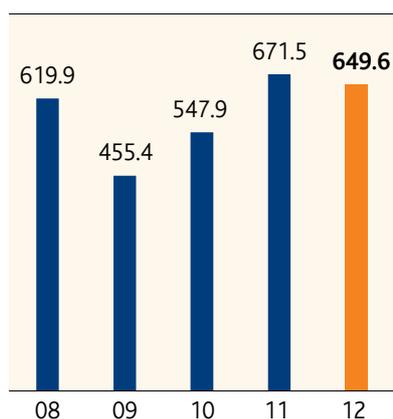
# Financial Highlights

	2012	2011
Net asset value per Ordinary share total return	<b>+1.4%</b>	+28.1%
Share price total return	<b>+1.7%</b>	+29.4%
Benchmark total return	<b>-3.1%</b>	+25.6%
Dividend per share <sup>A</sup>	<b>29.75p</b>	28.75p

<sup>A</sup> Final dividend of 13.25p per Ordinary share is subject to shareholder approval at the Annual General Meeting.

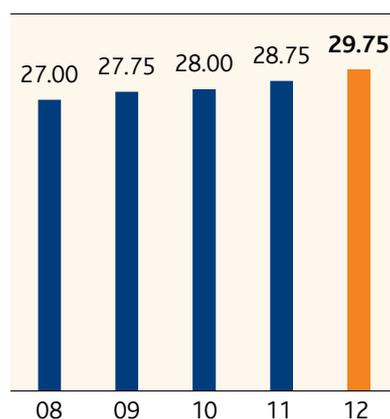
## Net asset value per share

At 30 June – pence



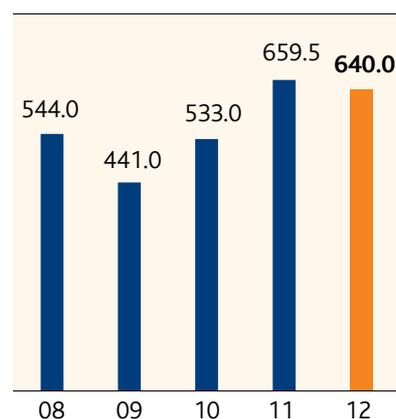
## Dividends per share

pence



## Mid-market price per share

At 30 June – pence



# Financial Calendar

<b>23 October 2012</b>	Annual General Meeting
<b>25 October 2012</b>	Payment of proposed final dividend for 2012
<b>14 December 2012, 8 March and 7 June 2013</b>	Record date for interim dividends for 2013
<b>12 January, 12 April and 12 July 2013</b>	Payment of interim dividends for 2013
<b>February 2013</b>	Half yearly results announcement
<b>September 2013</b>	Final results announcement

# Corporate Summary

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## Investment Objective

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

## Benchmark

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

## Investment Policy

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

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

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

The Company may use derivatives for the purpose of enhancing portfolio returns and for hedging purposes in a manner consistent with the Company's broader investment policy.

It is the Company's policy to invest no more than 15 per cent of its gross assets in other listed investment companies (including investment trusts). The Company complies with Section 1158 of the Corporation Tax Act 2010 and does not invest more than 15% of its assets in the shares of any one company.

The Board is responsible for setting the gearing policy of the Company and for the limits on gearing. The Manager is responsible for gearing within the limits set by the Board. The Board has set its gearing limit at a maximum of 25% of Net

Asset Value at the time of draw down. Gearing is used selectively to leverage the Company's portfolio in order to enhance returns where and to the extent this is considered appropriate to do so. Particular care is taken to ensure that any bank covenants permit maximum flexibility of investment policy. Significant changes to gearing levels will be communicated to shareholders.

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

A detailed description of the investment process and risk controls employed by the Manager is set out on page 19. The portfolio at the year end is set out on pages 14 and 15, and its analysis on page 16. At the year end the Company's portfolio consisted of 41 holdings.

## Capital Structure

The Company's issued share capital as at 30 June 2012 consisted of 65,499,458 Ordinary shares of 25p and 917,000 Ordinary shares held in treasury. At 11 September 2012, these numbers were unchanged.

## Total Assets and Net Asset Value

At 30 June 2012, the Company had Total Assets (see definition on page 58) of £465.5m and a Net Asset Value per Ordinary share of 649.6p.

## Borrowings and Borrowing Covenants

The borrowings at 30 June 2012 of £40 million represent 9.4% of Net Assets. Borrowing facilities of £70 million are committed to the Company until 29 September 2013. Financial covenants contained within the loan agreement provide, inter alia, that the ratio of Net Assets to borrowings shall at no time fall below 3.5:1 (in effect, a limit on

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borrowings equivalent to 28.57% of Net Assets), and that the Net Assets must exceed £185 million. The Net Assets were £425.5 million at 30 June 2012. If any of the financial covenants are breached, the lender is entitled, following the serving of notice to the Company, to declare the loans and all accrued interest, fees and other sums owed under the agreement to be immediately due and repayable. Please refer also to the statement of Going Concern on page 27.

### **Duration**

The Company does not have a fixed life.

### **Risk**

Equity markets are volatile, and short-term movements may therefore be greater than justified by longer-term trends. The use of gearing is likely to lead to an increase in the volatility of the Company's Net Asset Value. Currently, 50% of the investment management fees and interest costs are charged to capital. This increases distributable income at the expense of capital growth, which will be reduced to the same extent. The policy of investing in higher-yielding shares may also diminish capital growth. There is no guarantee that the market price of investment trust shares will accurately reflect their underlying Net Asset Value or move in line with it. More detailed information is available in note 17 to the financial statements.

### **Share Dealing**

Shares in Murray Income Trust can be bought in the open market through a stockbroker. They can also be purchased through the Aberdeen savings schemes, and fully qualify for inclusion within tax-efficient ISA wrappers (see page 56).

### **Management Agreement**

The Company has an agreement with Aberdeen Asset Managers Limited, a wholly-owned subsidiary of Aberdeen Asset Management PLC, for the provision of investment management and other services for a fee, as detailed in the Directors' Report on page 26 and in note 3 on page 44.

### **AIC**

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

### **Websites**

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

### **Company Secretary**

Aberdeen Asset Management PLC,  
40 Princes Street,  
Edinburgh, EH2 2BY  
Email: [company.secretary@invtrusts.co.uk](mailto:company.secretary@invtrusts.co.uk)

### **Customer Services**

Freephone: 0500 00 00 40  
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Email: [inv.trusts@aberdeen-asset.com](mailto:inv.trusts@aberdeen-asset.com)

# Chairman's Statement

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**Patrick Gifford**  
Chairman

## Highlights

- **Total Dividend increased by 3.5% to 29.75p**
- **Net Asset Value Total Return + 1.4%**
- **Share Price Total Return + 1.7%**

## Performance

The year to the end of June 2012 saw a small positive total return of 1.4% on a Net Asset Value basis and one of 1.7% on a total return share price basis. This consisted of a positive income return which was slightly greater than the small fall in Net Asset Value per share, representing a creditable outperformance by our investment managers of the company's benchmark, which fell by 3.1%. Eighteen months have now elapsed since we saw a substantial and sustained move in either direction in the UK equity market although there have been sharp short-term movements over the period. The most positive development within the company was the continued improvement in the revenue account which means that we can propose a final dividend of 13.25p per share to give a full year dividend increase of 3.5%.

Murray Income's shares have traded at a small premium to Net Asset Value for much of the year though not at the balance sheet dates. This seems to be the product of good performance by the managers but, above all, an emphasis in the market on sources of reliable income. As a result we have issued 810,000 shares to the market at a premium. This has the effect of spreading costs and producing a small increase in Net Asset Value per share.

Markets have been confronted by major but contradictory influences. Above all, it has become all too apparent that the problems in the world economy which came to a head in 2008 are deep-seated and incapable of rapid resolution. The pressure on households, notably in Britain and the United States, to repay debt and increase savings, combined with the need to recapitalise large parts of the banking system has weakened demand. This has not been offset fully by government, the corporate sector or the overseas sector. As a result demand has been anaemic, teetering on the verge of recession in several countries and falling into it in some including Britain. The most positive developments have been the growth of shale oil and gas production in the United States which has improved the balance of payments and the weakness in the Euro exchange rate which has helped the competitive position even of the weaker Euro members.

Within securities markets the most striking, and largely unanticipated, development has been the continued strength of high quality long-dated bonds. The UK 30-year gilt rose by 26.4% on a total return basis over the year to the end of June. As a result the redemption yield fell to 3.03%, around the level seen in the 1930s in a period of significant deflation. Real yields in the UK, US, Germany and Japan have now become either negative or derisory. This has helped the equity markets by lowering the discount rate on competing assets at a time when corporate profits are showing some signs of stress from the weakness of demand. It has also disrupted savings markets at a time when the need to save for households is considerable by slowing down the

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accumulation of assets and created a considerable transfer of wealth from savers to credit worthy borrowers.

The proposed final dividend of 13.25p per share represents a full year dividend increase of 3.5%. This was almost wholly the result of an increase in income from investments of 14.4%. Last year the company benefited in the revenue account from a VAT repayment of £734,000, and interest on VAT, which was subsequently refunded, of £1,358,000. There were no such payments this year and I am pleased that the revenue account has continued a strong underlying improvement. However, we did benefit from the special dividend from Vodafone relating to its holding in Verizon Wireless amounting to £540,000. It is uncertain whether such a payment will be maintained in the current year and we have therefore chosen to retain some income in order to cover a possible reduction in the revenue return this year. Subject to the approval of shareholders at the Annual General Meeting, the final dividend will be paid on 25 October 2012 to shareholders on the register on 28 September 2012.

### **Board and Management Changes**

Marian Glen will be retiring from the Board at the Annual General Meeting. She has been a very valuable member of the Board with both deep knowledge of legal and regulatory matters and a great deal of common sense. On 2 July 2012, Jean Park was appointed to the Board and will stand for election at the Annual General Meeting. Her background is in accounting and risk management in the insurance industry and I am very pleased that she has agreed to join the Board. We also decided to appoint Donald Cameron to the Board on 5 September 2012, and he will seek election at the Annual General Meeting. He is a lawyer by background with other experience in the investment trust industry. We are in a period of considerable legal and regulatory change and therefore feel that a board member with this expertise as well as the ability to contribute more generally is desirable.

### **Annual General Meeting**

The Annual General Meeting will be held at the Glasgow Royal Concert Hall, 2 Sauchiehall Street, Glasgow, G2 3NY on Tuesday, 23 October 2012 at 12.30 p.m. The Notice of Annual General Meeting is on pages 59 to 62. It is the Board's intention to hold the 2013 Annual General Meeting in London.

As at previous AGMs, there will be a presentation by the Managers and an opportunity to meet the Directors over lunch following the AGM.

### **Outlook**

The process of recuperation for the world economy following the near-death experience of 2008 has been a slow one. In

order for the US, UK and the weaker members of the Eurozone to recover there is a need for the pain to be spread more widely, at least to the export sectors of the developing world, whether by changes in the oil and gas markets or by weakness in demand for Chinese manufactured exports. Unfortunately the desirable shift towards domestic consumption in, for example, China, cannot take place at a matching pace particularly if it is accompanied by investment weakness, even though it is undoubtedly happening. However, there have been positive developments which are hidden beneath the general gloom and which will help economic growth in future. The vilified banking sector has rebuilt its balance sheet. The contradiction between governmental pressure to do this and the pressure to extend credit is therefore much less acute, with consequent potential benefit to the growth of lending. The Eurozone has been the centre of much of the angst in markets. Here there has been progress towards the creation of a framework for dealing with the transfers required and a grudging acceptance by Germany of the need for the European Central Bank to act as lender of last resort. Above all the weakness of the Euro has provided a boost to competitiveness which is badly needed by the weaker members and should be reflected in their performance over the next year or so.

The most likely outcome over the next year remains decidedly dull but possibly not as risky as some commentators suggest. Interest rates are likely to remain at current very low rates, even though these are almost certainly unsustainable in the long term. Economic growth will be subdued but not non-existent. Profit growth will be correspondingly uninspiring but companies with strong market positions either in defensive industries or in innovation will continue to earn good returns on capital and pay the dividends on which Murray Income's success depends. After eighteen months of very little change it now seems more likely that equities will move up from their present level where they are attractively priced than that further weakness will be seen.

### **Patrick Gifford**

Chairman

11 September 2012

# Manager's Review

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## Background

The UK equity market failed to make progress during the year to the end of June 2012 following the very strong returns of the prior period. The FTSE All-Share Index fell by 3.1% on a total return basis with the market flat-lining for the second half of the period having fallen by 3.3% in the first 6 months of the financial year. The limited move in the market over the year did however mask significant share price volatility. The main issue that vexed investors continued to be Europe, and in particular, Greece and Spain, where concerns over sovereign debt contagion and its impact on the banking sector weighed heavily on sentiment. The weakness in Europe had global repercussions through a transmission mechanism that included higher bank funding costs and a dark cloud of uncertainty which compounded a slowdown in activity in the United Kingdom, China and the United States.

In the United Kingdom, as the world economy slowed, the challenge of generating a recovery while rebalancing activity and reducing the structural deficit became increasingly difficult with the economic recovery deteriorating as the period progressed. Indeed, the United Kingdom was downgraded by the International Monetary Fund more than any other advanced economy with their expectation for GDP growth now just 0.2% for calendar 2012 compared to 2.3% a year ago. The fall in inflation, which peaked at 5.2% in September, provided scope for the Monetary Policy Committee to increase the asset purchase programme by £75bn in October (and a further £50bn after the period end) with interest rates left unchanged throughout the period.

Approximately 70% of the Company's holdings' revenues are derived from overseas where economic growth was lacklustre with expectations for growth falling as the year progressed. In the Eurozone, investors have looked to politicians for leadership and to the European Central Bank for action to assuage their concerns. Both parties have been slow to react but the announcements of a three year Long Term Refinancing Operation and a bailout of Spain's banking sector coupled with new mandates for more credible governments in Italy, Spain and (eventually) Greece have provided some respite from the fears of a disorderly collapse of the Eurozone. However, the actions taken address more the symptoms rather than the cause of the problem in Europe which remains its lack of competitiveness both externally and internally, between countries. The United States economy, that had appeared relatively unaffected by the issues in Europe, started to demonstrate signs of weakness in the second half of the year, despite a stabilisation in its housing market. Emerging Markets, which represent the engine of global growth, were also not immune with the economies of China, Brazil and India all slowing down.

## Performance

The Company generated a positive net asset value per share total return of 1.4% in the year to 30 June 2012, compared to a fall in the FTSE All-Share Index of 3.1%. The outperformance of 4.5% represented the third year in a row of positive relative performance. On a total return basis, the Company's share price increased by 1.7%, which reflected a small narrowing of the discount to Net Asset Value at which the shares traded compared to the previous year end.

On a gross assets basis, the portfolio outperformed the benchmark by over 5.3%. Overall, gearing had little impact on returns. However, during the market falls in the autumn, the Company increased its borrowings to £45m from £40m. This was subsequently reduced back to £40m during the spring following the market recovery. The actual level of gearing was maintained in a range between 5%-10% for the majority of the year.

In a reversal of fortunes compared to the prior year, financials and companies exposed to global growth performed poorly. As a consequence, the Mining, Construction & Materials and Banks sectors underperformed. In contrast, the more defensive areas, such as Pharmaceuticals, Utilities and Tobacco outperformed.

Of note was the poor performance of the Food & Drug Retailers sector. The expected defensive qualities of the sector failed to materialise as Tesco announced a profit warning in January leading to concerns about a price war with its peers. The Mining sector also performed particularly poorly, falling by nearly one third as commodity prices fell but costs remained sticky.

From a size perspective, the FTSE 100 Index marginally outperformed both the Mid 250 and Small Cap Indices, a function of its more defensive constituents.

The Company benefited significantly, in asset allocation terms, from its underweight positions in Mining and Banks together with the overweight positions in Tobacco, Pharmaceuticals and Utilities. Stock selection was generally positive, but particularly so in the Aerospace & Defence and the Travel & Leisure sectors. In the Financials sector we continued to benefit from being underweight in banks given our concerns regarding the regulatory backdrop, prospects for growth and asset quality, coupled with the low level of dividends available.

We also benefited from an overweight position in Food Producers as Associated British Foods and Unilever performed strongly over the year. Having been detrimental to performance for the prior two years, our large underweight position in Mining provided the greatest contribution to performance from an asset allocation

viewpoint. We remain underweight for three key reasons: we have concerns about the quality of various companies within the sector; the dividend yields available are comparatively poor; and, finally, we believe that many of the companies do not at present represent attractive value given the challenging backdrop.

From a stock specific standpoint, our holdings in British American Tobacco and Imperial Tobacco, Provident Financial, Whitbread and Rolls Royce all increased by more than 20%. The defensive qualities of the tobacco sector coupled with strong pricing power and cost-saving initiatives proved very attractive to investors over the period. Provident Financial performed strongly as the environment for home collected credit remained benign and the company's credit card operations performed strongly. Whitbread's Premier Inn budget hotel chain and Costa Coffee shops outperformed expectations. Finally, Rolls Royce performed strongly as the market's earnings expectations proved to be too low given strong demand in its civil aerospace division.

On the other hand, there were a number of holdings that detracted from performance. Tesco's profit warning at the start of the calendar year was caused by the recognition that its domestic operations had focused too much on profitability to the detriment of quality and service levels and that this now needed to be remedied. GDF Suez's earnings were affected by a series of issues including the weather, political interference in France and uncertainty over its Belgian nuclear fleet leading to weakness in the company's share price over the year. Finally, Aviva performed poorly as the market became increasingly concerned about the company's exposure to European sovereign debt.

### Portfolio Activity and Structure

As in previous periods, we continued to increase our exposure to high-quality, generally larger companies, with strong cash flows and robust balance sheets, which we believe will be able to prosper in an environment where economic growth is likely to be uneven and the prospect of future shocks remain a possibility. This included additions to Roche, GlaxoSmithKline, Compass and Sage. In contrast, we took profits in a number of companies that had performed well and looked increasingly expensive such as Provident Financial, Whitbread, Land Securities and National Grid.

We invested in four new holdings during the period, three of which are listed overseas. This increased our weighting in companies listed overseas to 11.0% at the end of the period.

The first new holding purchased was Swiss food group Nestle, well-known for its strong brands, excellent track record and attractive exposure to faster growing end-markets.

### Performance Attribution for the year to 30 June 2012

	2012 %
Net Asset Value total return for year per Ordinary share	1.4
FTSE All-Share Index total return	(3.1)
<b>Relative return</b>	<b>4.5</b>
<b>Relative return</b>	
<b>%</b>	
<b>Stock selection (equities)</b>	
Oil & Gas	0.5
Basic Materials	0.3
Industrials	0.2
Consumer Goods	0.2
Health Care	–
Consumer Services	0.4
Telecommunications	–
Utilities	(1.2)
Technology	(0.2)
Financials	0.8
<b>Total stock selection (equities)</b>	<b>1.0</b>
<b>Asset allocation (equities)</b>	
Oil & Gas	(0.2)
Basic Materials	2.4
Industrials	–
Consumer Goods	0.3
Health Care	0.4
Consumer Services	(0.5)
Telecommunications	(0.1)
Utilities	1.1
Technology	0.1
Financials	0.4
<b>Total asset allocation (equities)</b>	<b>3.9</b>
<b>Fixed Income &amp; Options</b>	<b>0.4</b>
<b>Cash</b>	<b>(0.1)</b>
<b>Gearing</b>	<b>–</b>
<b>Administrative expenses</b>	<b>(0.2)</b>
<b>Management fees</b>	<b>(0.6)</b>
<b>Tax charge</b>	<b>–</b>
<b>Residual effect</b>	<b>0.1</b>
<b>Total</b>	<b>4.5</b>

Sources : Aberdeen Asset Managers, Russell Mellon & Factset

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

The second new company was the French energy efficiency group, Schneider Electric, which provides access to long-term structural growth in energy provision and derives around 40% of its revenues from Emerging Markets. The third new overseas-listed company was Linde, the German industrial gases company, which benefits from a strong competitive position and diversified global and end-market exposures. Finally, we introduced a small holding in BG Group, which offers good production growth and a differentiating Liquefied Natural Gas (LNG) business. Although all four new entrants do not have particularly high dividend yields, they offer good scope for earnings growth, and hence dividend growth, over the long term.

We sold a number of holdings during the period. Aviva was sold given concerns over the company's exposure to European sovereign debt and Italy in particular. Secondly, we sold our holding in Persimmon due to the challenging consumer outlook and paucity of mortgage funding. The position in Daily Mail and General Trust was sold given concerns about the ability of the company's traditional newspaper operations to negotiate successfully the transfer to a digital environment and maintain historic levels of profitability. We sold our small holding in the hotel company Millennium & Copthorne due to concerns over the outlook for occupancy and pricing with the company having substantially benefited from a broader recognition of the value of its property assets. We also sold our holding in the Barclays Reserve Capital Instrument (RCI) due to the lack of income growth and the outlook for the company. Following a series of disappointing trading statements, caused by the weak performance of the UK business, we decided to sell our small holding in Mothercare. The valuation disparity between Shell B and Shell A shares prompted the sale of the former and the purchase of the latter allowing us to maintain the same economic interest in the company for a marginally lower investment. Finally, we sold our holding in Rio Tinto during the period and reinvested the proceeds in order to increase our holding in BHP Billiton which has a more diversified portfolio with better growth prospects and a higher dividend yield.

We continued to write options gently to increase and diversify the income available to the Company. The income from writing options accounted for 8.5% of total income compared to just under 10% of total income during the prior year. Although we are wary of becoming overly dependent on option income, we feel that the strategy has been of benefit to the Company by increasing the level of income generated and providing a good discipline for managing our exposure to individual holdings.

The actions above have marginally altered the sector positioning of the Company. The weighting in the Oil and Gas sector has increased slightly due to the purchase of BG

Group. The lower exposure to Basic Materials is a result of the poor relative performance of the sector despite the addition of Linde. The position in Consumer Goods is lower than the prior year mainly due to the sale of Persimmon. The exposure to Consumer Services has fallen due to the sale of Mothercare, Millennium & Copthorne and Daily Mail & General Trust. The weight in the Healthcare sector increased as we added to our holding in Roche and GlaxoSmithKline coupled with strong relative performance. Finally, the exposure to Financials decreased significantly over the year, a function of the underperformance of the sector and the sale of Aviva and the Barclays RCI from the portfolio.

### Income

For the financial year ended 30 June 2012, the Company witnessed a small fall in the level of income generated, with the revenue return per share decreasing from 30.9p to 30.6p, or by 1.0%. Although the income from investments increased by 14.4% this was only partially able to offset last year's non-recurring rebate of VAT and VAT interest, a small rise in administrative expenses and the impact of marginally more shares in issue. We continue to keep a very close watch on the revenue account and over the year have focused on improving the dividend growth characteristics of the underlying portfolio.

The broad outlook for income generation has improved considerably over the past couple of years, but there remains the potential for negative earnings shocks and hence dividend disappointments. Our concentration on companies with strong competitive positions and robust balance sheets should help to mitigate these risks. It is worth noting that market dividends, in aggregate, are at present expected to increase by over 7% per annum in both the financial years 2012 and 2013, although these may well prove to be optimistic forecasts.

### Outlook

Over the past year the focus of the market has been on the Eurozone, where politics and economics have proven to be difficult bedfellows resulting in only limited progress to address the salient issues of a lack of competitiveness and significant over-indebtedness. The likelihood is that over the coming year, the Eurozone will remain the most significant risk and progress towards a resolution will continue to be slow. The list of actions needed is long; a guarantee of bank deposits; common bank supervision; a system of fiscal transfers between countries; structural reforms; and perhaps ultimately full federalism. Momentum in the global economy has slowed and despite stimulatory actions in both the United States and Emerging Markets the potential for a further reduction in activity remains real. This all suggests that the outlook for the domestic economy remains anaemic at best.

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The juxtaposition between the weak macroeconomic background and the corporate world remains stark and particularly so for those companies with strong competitive positions, healthy balance sheets and needs-driven products and services. These are the types of companies with which we aim to populate the portfolio to help protect against the challenges ahead. However, the benefits of these attractive attributes have not been lost on the market and although many of our holdings are now more expensive than they were a year ago, we still feel that their valuations remain broadly attractive. Indeed, we remain firm in our commitment that companies capable of generating attractive earnings and dividend growth are the best way to ensure good long term performance.

**Charles Luke**

Aberdeen Asset Managers Limited  
Investment Manager  
11 September 2012

# Results

## Financial Highlights

	30 June 2012	30 June 2011	% change
Total assets (£'000) (see definition on page 58)	465,458	474,406	-1.9
Equity shareholders' funds (£'000)	425,458	434,406	-2.1
Net asset value per Ordinary share	649.6p	671.5p	-3.3
Share price of Ordinary share (mid)	640.0p	659.5p	-3.0
Discount to net asset value on Ordinary shares	1.5%	1.8%	
<b>Gearing (ratio of borrowing to shareholders' funds)</b>			
Actual gearing ratio (see definition on page 58)	4.7%	7.5%	
Potential gearing ratio (see definition on page 58)	9.4%	9.2%	
<b>Dividends and earnings</b>			
Revenue return per share	30.6p	30.9p	-1.0
Dividends per share <sup>A</sup>	29.75p	28.75p	+3.5
Dividend cover	1.03 times	1.07 times	
Revenue reserves (£'000) <sup>B</sup>	27,992	26,710	
<b>Operating costs</b>			
Ongoing charges ratio <sup>C</sup>	0.8%	0.8%	

<sup>A</sup> The figures for dividends per share reflect the years in which they were earned (see note 6 on page 45).

<sup>B</sup> The revenue reserve figure does not take account of the proposed third interim and final dividends amounting to £3,602,000 and £8,679,000 respectively (2011 – third interim and final dividends amounting to £3,558,000 and £7,924,000 respectively).

<sup>C</sup> Ongoing charges ratio calculated in accordance with guidance issued by the AIC as the total of the investment management fee and administrative expenses divided by the average cum income net asset value throughout the year. The figures for 2011 have been restated in accordance with AIC guidelines.

## Performance (total return)

	1 year return	3 year return	5 year return
	%	%	%
Share price	+1.7	+67.5	+16.9
Net asset value per Ordinary share	+1.4	+64.2	+2.3

Source: Aberdeen Asset Managers/Morningstar

## Dividends

	Rate	xd date	Record date	Payment date
1st interim 2012	5.50p	14 December 2011	16 December 2011	13 January 2012
2nd interim 2012	5.50p	7 March 2012	9 March 2012	13 April 2012
3rd interim 2012	5.50p	6 June 2012	8 June 2012	13 July 2012
Proposed final 2012	13.25p	26 September 2012	28 September 2012	25 October 2012
<b>Total dividends 2012</b>	<b>29.75p</b>			

## Ten Year Financial Record

Year end 30 June	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenue (£'000)	16,041	16,827	16,533	17,237	19,251	22,390	19,790	18,257	21,844	22,688
<b>Per Ordinary share (p)</b>										
Net revenue return	18.7	19.6	20.0	21.8	24.7	29.3	28.1	25.4	30.9	30.6
Dividends	17.75	18.25	19.15	21.60	24.25	27.00	27.75	28.00	28.75	29.75
Net asset value	433.8	496.2	603.3	699.7	802.3	619.9	455.4	547.9	671.5	649.6
Shareholders' funds (£'000)	304,529	345,138	404,601	456,714	522,617	400,536	294,570	354,425	434,406	425,458

The Net Asset Value figure for 2005 has been restated to reflect the changes in accounting policies (FRS 26 – 'Financial Instruments: Recognition and Measurement'; FRS 21 – 'Events after the Balance Sheet Date').

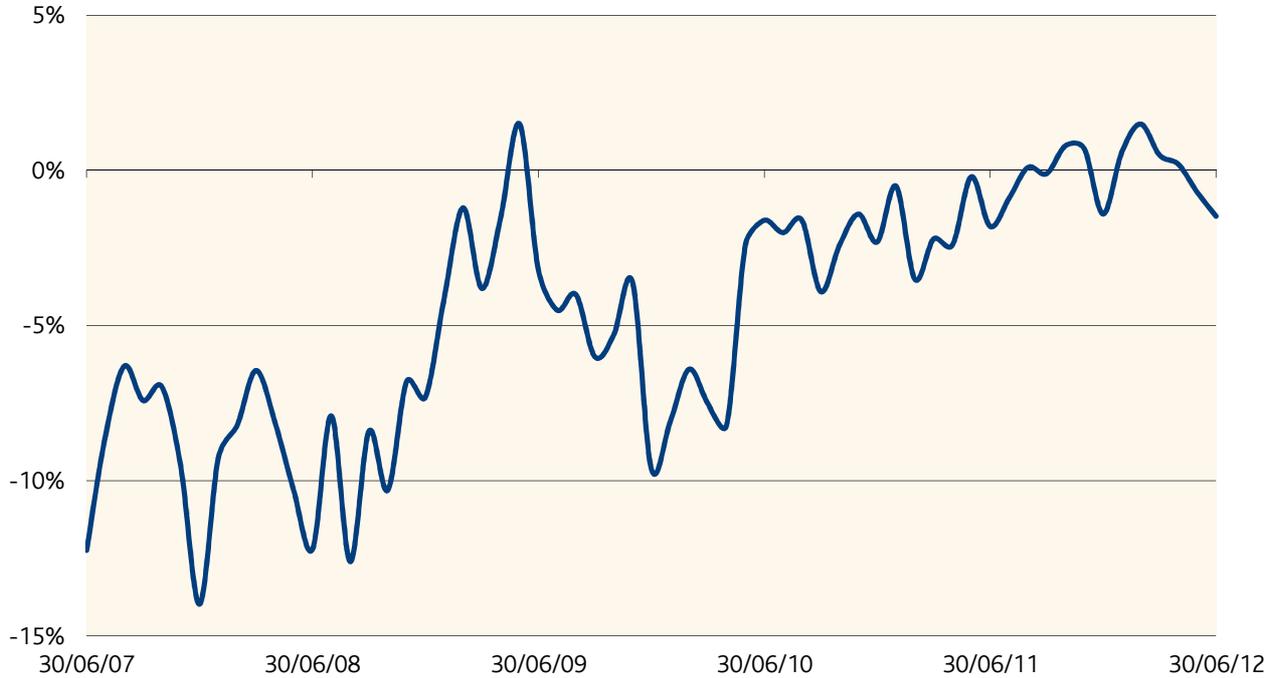
The figures for dividends reflect the dividends for the years in which they were earned.

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

# Performance

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

Five years to 30 June 2012



Source: Morningstar

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

Five years to 30 June 2012 (rebased to 100 at 30 June 2007)



Source: Morningstar & Russell Mellon

# Investment Portfolio – Twenty Largest Investments

As at 30 June 2012

Investment	Valuation 2012 £'000	Total assets %	Valuation 2011 £'000
<b>1 (1) British American Tobacco</b> British American Tobacco manufactures and markets cigarettes and other tobacco products, including cigars and roll-your-own tobacco. The group sells over 200 brands in approximately 180 countries. Key brands include: Dunhill, Kent, Pall Mall and Lucky Strike. Strong cashflow is an attractive characteristic of the tobacco industry.	26,904	5.8	25,808
<b>2 (5) GlaxoSmithKline</b> GlaxoSmithKline is a research-based pharmaceutical group that also develops, manufactures and markets vaccines, prescription and over-the-counter medicines, as well as health-related consumer products. The group specialises in treatments for respiratory, central nervous system, gastro-intestinal and genetic disorders.	24,454	5.3	19,877
<b>3 (4) Vodafone Group</b> Vodafone is one of the world's largest mobile phone companies, with a significant position in major economies including Germany, Italy, the UK and the US, as well as many emerging markets. The group generates a significant amount of free cashflow.	24,218	5.2	22,334
<b>4 (2) Royal Dutch Shell</b> Royal Dutch Shell is engaged in all phases of the petroleum industry, from exploration to processing and distribution. It has strong positions in oil products marketing and LNG, globally. The group operates in over 130 countries.	23,769	5.1	24,019
<b>5 (3) Centrica</b> Centrica provides gas, electricity and energy-related products and services to business and residential customers in the UK and USA. It also provides central heating and gas appliance installation and maintenance services. The company enjoys a strong competitive position in the UK market, which provides a solid platform from which to generate long-term value.	22,101	4.7	22,470
<b>6 (8) Unilever</b> Unilever is a global consumer goods company supplying food, home and personal care products. The company has a portfolio of strong brands including: Dove, Knorr, Axe and Persil. Over half of the company's sales are to developing and emerging markets.	19,510	4.2	18,255
<b>7 (11) Pearson</b> Pearson is one of the world's leading education companies. From pre-school to professional certification, the company's curriculum materials, multimedia learning tools and testing programmes help to educate more than 100m people worldwide. The company offers access to long-term structural growth.	17,281	3.7	16,052
<b>8 (7) AstraZeneca</b> AstraZeneca researches, develops, produces and markets pharmaceutical products. The company's operations are focused on six therapeutic areas: Cardiovascular, Oncology, Respiratory, Neuroscience, Inflammation and Infection. The company's product pipeline offers a number of interesting opportunities.	17,032	3.7	18,555
<b>9 (6) BP</b> BP is one of the world's largest petroleum and petrochemicals groups. Its main activities are: exploration and production of crude oil and natural gas; refining, marketing, supply and transportation of petroleum products.	16,278	3.5	18,804
<b>10 (9) HSBC Holdings</b> HSBC group is one of the world's largest banking and financial services institutions. Its international network comprises more than 5,000 offices in 80 countries and territories, operating in the Asia Pacific region, Europe, the Americas, the Middle East and Africa. The diversity of HSBC's business and exposure to faster growing regions of the world should enable it to deliver superior long-term growth.	14,996	3.2	16,527
<b>Top ten investments</b>	<b>206,543</b>	<b>44.4</b>	

<b>Investment</b>	<b>Valuation 2012 £'000</b>	<b>Total assets %</b>	<b>Valuation 2011 £'000</b>
<b>11 (16) BHP Billiton</b> BHP Billiton is the world's largest diversified resources group with a global portfolio of high quality assets. Core activities comprise of production and distribution of minerals, mineral products and petroleum.	14,647	3.1	11,622
<b>12 (17) Roche Holdings</b> Listed in Switzerland, Roche develops and manufactures pharmaceutical and diagnostic products with particular strengths in the areas of oncology, cardiovascular and respiratory diseases. The company benefits from a strong product pipeline and limited near-term patent exposure.	14,227	3.1	10,310
<b>13 (12) Tesco</b> Tesco is one of the world's largest food retailers, with operations around the world. Its international operations provide a platform for growth, coupled with non-food sales and financial services. The company benefits from significant property asset-backing.	14,172	3.0	15,067
<b>14 (10) National Grid</b> National Grid owns and operates electricity and gas networks throughout the UK and in the US. It will benefit from the requirement to increase energy infrastructure spend over the long term. The company offers a generous dividend yield.	13,017	2.8	16,146
<b>15 (-) Cobham</b> Cobham designs and manufactures a wide range of equipment and specialised systems for the defence and aerospace industries. Cobham maintains leading positions in air to air refuelling, antennas and tactical communications systems, as a result of its strong intellectual property and long term customer relationships.	11,373	2.4	9,306
<b>16 (14) ENI</b> Listed in Italy, ENI is an integrated energy company, committed to developing its activities in research, production, transport and marketing of oil and natural gas. The company operates in 79 countries employing 80,000 people. ENI offers a generous dividend yield.	11,248	2.4	12,203
<b>17 (15) Morrison (Wm) Supermarkets</b> Morrison's is one of the UK's largest supermarket chains. With an emphasis on good value, the company's vertically-integrated model means that it manages most of its operations in-house. There remains substantial opportunity for the company to expand its footprint in the UK through smaller stores.	10,873	2.3	12,164
<b>18 (-) Compass Group</b> Compass is a leading contract catering and food service company. The company benefits from underlying growth in outsourcing, together with the potential for further margin improvement and growth from its emerging markets operations. The company demonstrates strong cashflow characteristics.	10,717	2.3	6,148
<b>19 (-) Imperial Tobacco</b> Imperial Tobacco is an international tobacco company with a range of strong brands including Davidoff, Gauloises, Golden Virginia and Rizla. Imperial Tobacco is a very simple to understand business, has strong pricing power coupled with steady and predictable cashflows.	10,188	2.2	8,595
<b>20 (-) Prudential</b> Prudential is an insurance company with substantial operations in the UK, USA and across Asia. Early mover advantage in Asia has provided the company with a number of market leading positions giving the opportunity to capitalise on a fast growing market.	9,483	2.0	7,704
<b>Top twenty investments</b>	<b>326,488</b>	<b>70.0</b>	

The value of the 20 largest investments represents 70.0% (2011 – 68.6%) of total assets.

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

# Investment Portfolio

As at 30 June 2012

Investment	Valuation £'000	Total assets %	Yield %
<b>Oil &amp; Gas</b>			
<b>Oil &amp; Gas Producers</b>	<b>54,675</b>	<b>11.7</b>	
Royal Dutch Shell	23,769	5.1	5.0
BP	16,278	3.5	5.1
ENI	11,248	2.4	6.2
BG Group	3,380	0.7	1.3
<b>Oil Equipment Services</b>	<b>13,018</b>	<b>2.8</b>	
AMEC	7,054	1.5	3.4
John Wood Group	5,964	1.3	1.4
<b>Basic Materials</b>			
<b>Mining</b>	<b>14,647</b>	<b>3.1</b>	
BHP Billiton	14,647	3.1	4.3
<b>Chemicals</b>	<b>3,264</b>	<b>0.7</b>	
Linde	3,264	0.7	2.0
<b>Industrials</b>			
<b>Aerospace &amp; Defence</b>	<b>19,262</b>	<b>4.2</b>	
Cobham	11,373	2.4	3.8
Rolls-Royce	7,889	1.8	2.1
<b>Industrial Engineering</b>	<b>2,035</b>	<b>0.4</b>	
Weir Group	2,035	0.4	2.4
<b>Industrial Transportation</b>	<b>4,162</b>	<b>0.9</b>	
BBA	4,162	0.9	4.7
<b>Electronic &amp; Electrical Equipment</b>	<b>5,296</b>	<b>1.2</b>	
Schneider Electric	5,296	1.2	3.9
<b>Consumer Goods</b>			
<b>Automobiles &amp; Parts</b>	<b>3,291</b>	<b>0.7</b>	
GKN	3,291	0.7	3.7
<b>Food Producers</b>	<b>32,603</b>	<b>7.0</b>	
Unilever	19,510	4.2	4.0
Associated British Foods	7,384	1.6	2.2
Nestlé	5,709	1.2	3.5
<b>Tobacco</b>	<b>37,092</b>	<b>8.0</b>	
British American Tobacco	26,904	5.8	4.3
Imperial Tobacco	10,188	2.2	4.5
<b>Health Care</b>			
<b>Pharmaceuticals &amp; Biotechnology</b>	<b>55,713</b>	<b>12.1</b>	
GlaxoSmithKline	24,454	5.3	5.8
AstraZeneca	17,032	3.7	7.0
Roche Holdings	14,227	3.1	4.2
<b>Consumer Services</b>			
<b>Food &amp; Drug Retailers</b>	<b>25,045</b>	<b>5.3</b>	
Tesco	14,172	3.0	5.3
Morrison (Wm) Supermarkets	10,873	2.3	4.5
<b>Media</b>	<b>17,281</b>	<b>3.7</b>	
Pearson	17,281	3.7	3.7

<b>Investment</b>	<b>Valuation £'000</b>	<b>Total assets %</b>	<b>Yield %</b>
<b>Travel &amp; Leisure</b>	<b>14,814</b>	<b>3.2</b>	
Compass Group	10,717	2.3	3.3
Whitbread	4,097	0.9	2.8
<b>Telecommunications</b>			
<b>Mobile Telecommunications</b>	<b>24,218</b>	<b>5.2</b>	
Vodafone Group	24,218	5.2	8.4
<b>Utilities</b>			
<b>Gas, Water &amp; Multi-utilities</b>	<b>42,098</b>	<b>9.0</b>	
Centrica	22,101	4.7	5.4
National Grid	13,017	2.8	6.5
GDF Suez	6,980	1.5	8.0
<b>Financials</b>			
<b>Banks</b>	<b>27,583</b>	<b>5.9</b>	
HSBC Holdings	14,996	3.2	5.2
Standard Chartered	8,388	1.8	3.9
Nordea Bank	4,199	0.9	3.8
<b>Financial Services</b>	<b>12,401</b>	<b>2.6</b>	
Provident Financial	7,182	1.5	6.3
Close Brothers	5,219	1.1	6.0
<b>Life Assurance</b>	<b>9,483</b>	<b>2.0</b>	
Prudential	9,483	2.0	3.8
<b>Equity Investment Instruments</b>	<b>10,817</b>	<b>2.3</b>	
Aberforth Smaller Companies Trust	8,287	1.8	4.0
Dunedin Smaller Companies Investment Trust	2,530	0.5	4.3
<b>Real Estate Investment Trusts</b>	<b>6,332</b>	<b>1.4</b>	
Land Securities Group	6,332	1.4	3.9
<b>Technology</b>			
<b>Software &amp; Computer Services</b>	<b>8,225</b>	<b>1.8</b>	
Sage Group	8,225	1.8	4.2
<b>Total investments</b>	<b>443,355</b>	<b>95.2</b>	

Source: Aberdeen Asset Managers Limited

# Summary of Investment Changes During The Year

As at 30 June 2012

	Valuation 30 June 2011		Transactions £'000	Gains/(losses) £'000	Valuation 30 June 2012	
	£'000	%			£'000	%
<b>Equities</b>						
United Kingdom	430,325	90.7	(29,050)	(8,844)	392,431	84.3
France	7,821	1.6	8,159	(3,703)	12,277	2.6
Germany	–	–	3,287	(23)	3,264	0.7
Italy	12,203	2.6	–	(955)	11,248	2.4
Sweden	4,052	0.9	1,083	(936)	4,199	0.9
Switzerland	10,310	2.2	8,832	794	19,936	4.3
	464,711	98.0	(7,689)	(13,667)	443,355	95.2
<b>Convertible securities/fixed interest</b>						
United Kingdom	2,002	0.4	(1,625)	(377)	–	–
<b>Total investments</b>	466,713	98.4	(9,314)	(14,044)	443,355	95.2
Other net assets	7,693	1.6	14,410	–	22,103	4.8
<b>Total assets less current liabilities (excluding bank loan)</b>	<b>474,406</b>	<b>100.0</b>	<b>5,096</b>	<b>(14,044)</b>	<b>465,458</b>	<b>100.0</b>

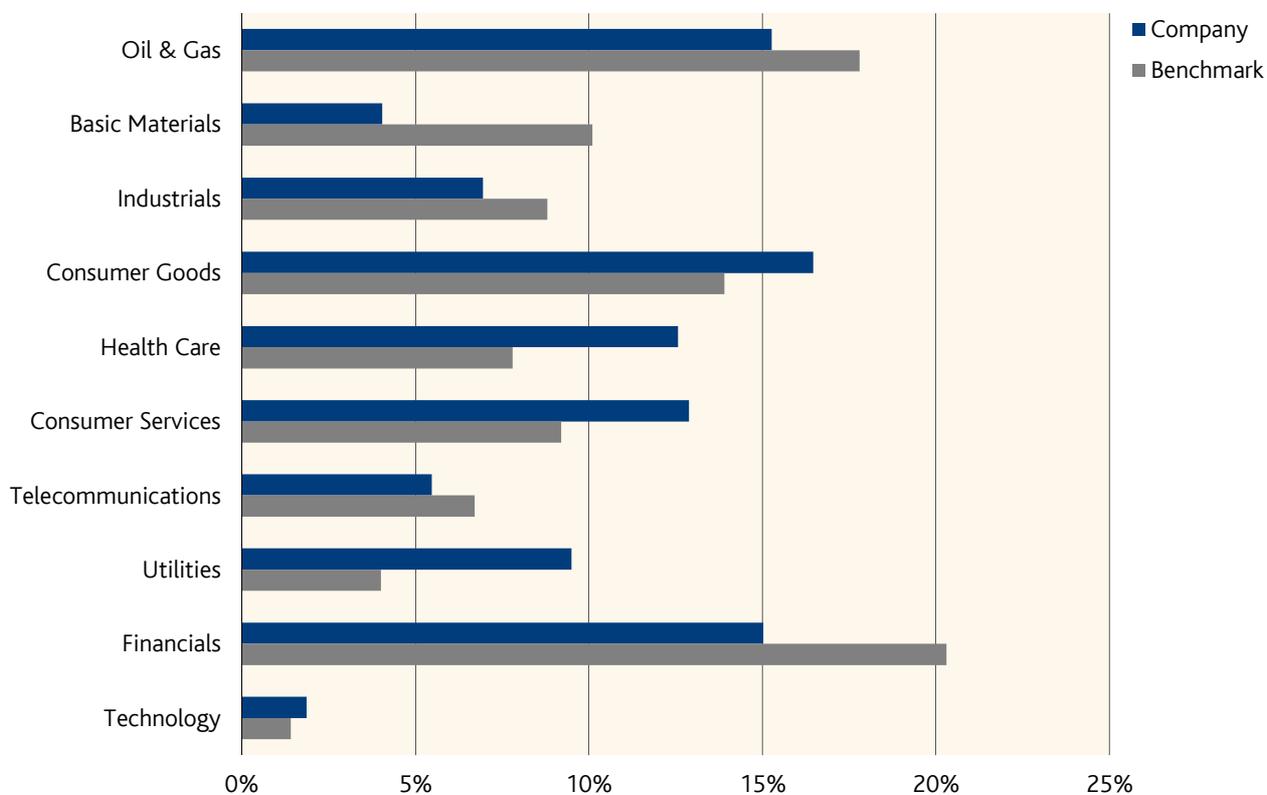
## Summary of Net Assets

	As at 30 June 2012		As at 30 June 2011	
	£'000	%	£'000	%
Equities	443,355	104.2	464,711	107.0
Convertible securities/fixed interest	–	–	2,002	0.4
Other net assets	22,103	5.2	7,693	1.8
Borrowings	(40,000)	(9.4)	(40,000)	(9.2)
<b>Equity shareholders' funds</b>	<b>425,458</b>	<b>100.0</b>	<b>434,406</b>	<b>100.0</b>

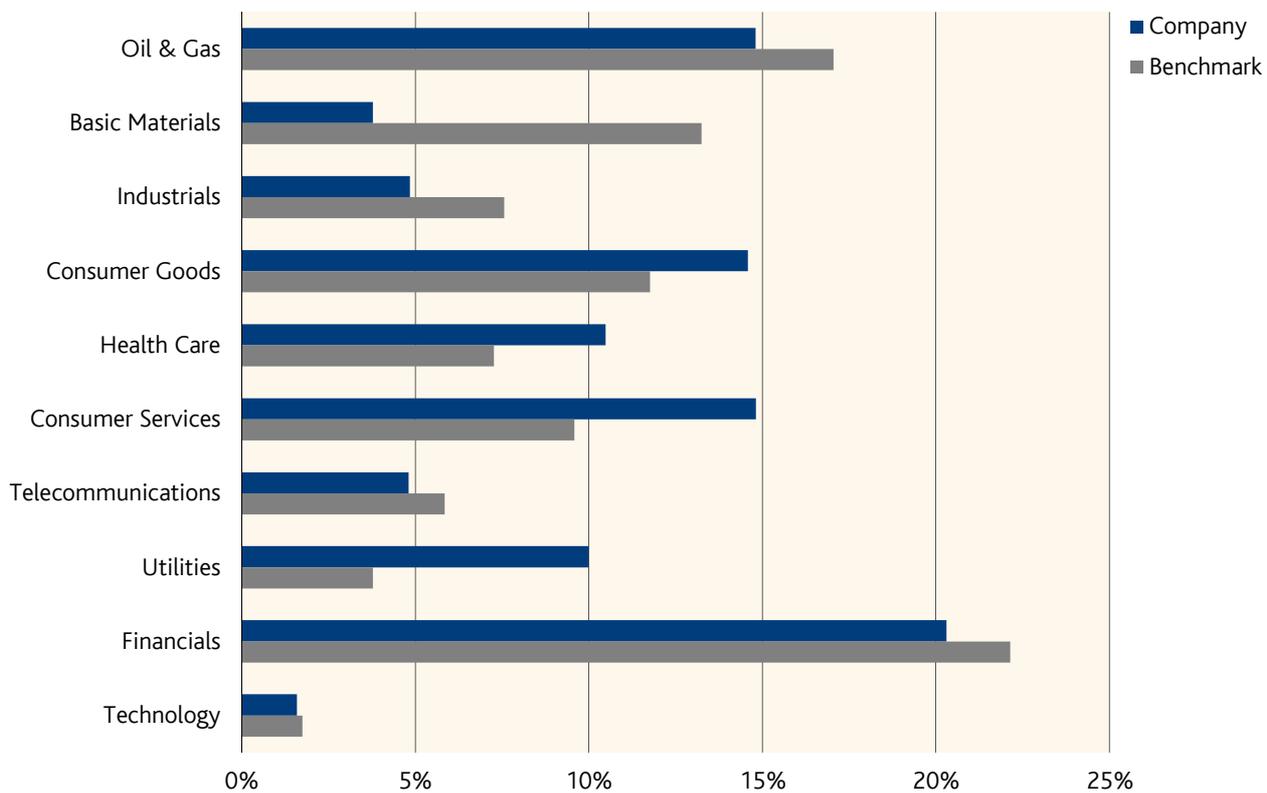
# Sector Comparison With Benchmark

As at 30 June 2012

## Equities Held at 30 June 2012



## Equities Held at 30 June 2011



# Information about the Manager

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## Aberdeen Asset Managers Limited

The Manager is a subsidiary of Aberdeen Asset Management PLC, whose group companies as at 30 June 2012 had approximately £182.7bn of assets under management. It manages assets on behalf of a wide range of clients including 39 investment trusts and other closed-ended funds, which have combined total assets of over £9bn.

The Manager has its headquarters in the city of Aberdeen and invests globally, operating from 31 offices in 26

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

The Manager currently manages £97.6bn of equities globally. As part of this, the Pan-European team oversee £3,115.7m of UK equities and £967.9m of European (ex UK) equities.

## The Investment Team



### Charles Luke

#### Senior Investment Manager

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



### Jonathan Allison

#### Investment Manager

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

# The Investment Process

## Philosophy and Style

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

## Risk Controls

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

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

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

## Regional Teams



# Your Board of Directors

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



## Patrick Gifford BA

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

**Length of Service:** 12 years 11 months

**Experience and other public**

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

**Employment by Manager:** None

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

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

**Shareholding in Company:** 35,011 Ordinary shares

**Remuneration:** Year ended 30 June 2012 – £30,000



## Humphrey van der Klugt BSC Hons, FCA

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

**Length of Service:** 8 years 2 months

**Experience and other public**

**company directorships:** Humphrey van der Klugt was previously a director of Schroder Investment Management Limited. In a twenty- two year career at Schroders, he was a member of the Group Investment and Asset Allocation Committees; and as a UK equity manager, he was directly responsible for £3 billion of funds under management, including the Schroder UK Equity and Schroder Income Funds. He is chairman of Fidelity European Values PLC, and a non-executive director of BlackRock Commodities Income Investment Trust plc and JPMorgan Claverhouse Investment Trust PLC.

**Employment by Manager:** None

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

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

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

**Remuneration:** Year ended 30 June 2012 – £24,000



## Marian Glen MA LLB

**Status:** Non-Executive Director

**Length of Service:** 9 years 4 months

**Experience and other public**

**company directorships:** Marian Glen is a member of the Audit Committee of the Water Industry Commission for Scotland. She was formerly the General Counsel for AEGON UK and prior to that the head of Funds and Financial Services at Shepherd+Wedderburn (Solicitors).

**Employment by Manager:** None

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

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

**Shareholding in Company:** 3,056 Ordinary shares

**Remuneration:** Year ended 30 June 2012 – £20,000



### Neil Honebon MA

**Status:** Independent Non-Executive Director

**Length of Service:** 6 years 11 months

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

**Employment by Manager:** None

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

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

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

**Remuneration:** Year ended 30 June 2012 – £20,000



### David Woods MA, MSC, FIA

**Status:** Independent Non-Executive Director

**Length of Service:** 3 years 6 months

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

**Employment by Manager:** None

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

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

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

**Remuneration:** Year ended 30 June 2012 – £20,000

## Your Board of Directors continued

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### Jean Park BAcc, CA

**Status:** Independent Non-Executive Director

**Length of Service:** 2 months (appointed 2 July 2012)

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

**Employment by Manager:** None

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

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

**Shareholding in Company:** 2,575 Ordinary shares (non-beneficial interest)

**Remuneration:** Year ended 30 June 2012 – £Nil (appointed 2 July 2012)



### Donald Cameron BA Hons

**Status:** Independent Non-Executive Director

**Length of Service:** - (appointed 5 September 2012)

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

**Employment by Manager:** None

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

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

**Shareholding in Company:** Nil

**Remuneration:** Year ended 30 June 2012 – £Nil (appointed 5 September 2012)

# Directors' Report

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The Directors submit their Annual Report together with the Financial Statements of the Company for the year ended 30 June 2012.

## Review of the Business

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

## Investment Objective and Policies

The Board's objective is to achieve a high and growing income combined with capital growth through investment in a concentrated selection of principally UK equities. The shares that make up the portfolio are selected from UK and overseas companies that have potential for real earnings and dividend growth, while at the same time providing an above-average portfolio yield. The emphasis is on the management of risk and on the absolute return from the portfolio, which is achieved by ensuring an appropriate diversification of stocks and sectors, with a high proportion of its assets in strong, well-known companies. The portfolio at the year end is set out on pages 14 and 15, and its analysis on page 16. The Company makes use of low-cost, flexible borrowing facilities to enhance shareholder returns when appropriate, and the Board regularly reviews gearing, which was 9.4% of net assets at 30 June 2012 (2011 – 9.2%).

Investments are not formally limited as to market capitalisation or sector weightings within the UK. It is the Company's policy to have a focused portfolio. There were 41 holdings at 30 June 2012.

It is the Company's policy to invest no more than 15 per cent of its gross assets in other listed investment companies (including listed investment trusts). The Company's investment policy is set out in full in the Corporate Summary on page 2.

## Oversight and Review of Performance

The Board meets at least five times a year to review performance with the Manager. As well as carrying out the matters set out in the Statement of Corporate Governance (pages 28 to 33), the Board receives, for each meeting, a detailed portfolio report and an analysis of economic indicators, and discusses performance and strategy, considering perceived risks and economic conditions. It uses measures such as attribution analysis against the benchmark, active weights and valuation matrices to assess the Company's success in achieving its objectives. The key performance indicators are established industry measures, and are as follows:

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

A historical record of these measures (except performance attribution) is disclosed on pages 10 and 11. We compare our performance with the Company's benchmark and selected peer companies. A range of comparator groups are used, including the AIC UK Growth & Income peer group and the Open-Ended UK Equity Income peer group.

## Management of Risk

The Board regularly reviews the major strategic risks that the Board and the Manager have identified, and against these the Board sets out the delegated controls designed to manage those risks. The principal risks facing the Company relate to the Company's investment activities and include market price, interest rate, liquidity and credit risk. An explanation of these risks and how they are managed is contained in note 17 to the financial statements on pages 50 to 54. Such key risks relating to investment and strategy as, for example, inappropriate asset allocation or gearing, are managed through investment policy guidelines and restrictions, and by the process of oversight at each Board meeting outlined above. Operational disruption, accounting and legal risks are also covered annually, and regulatory compliance is reviewed at each Board meeting. The major risks associated with the Company are:

- Resource risk – like most other investment trusts, the Company has no employees. The Company therefore relies on services provided by third parties, including, in particular, the Manager, to whom responsibility for the management of the Company has been delegated under an investment management agreement (the "Agreement") (further details of which are set out on page 26). The terms of the Agreement cover the necessary duties and conditions expected of the Manager. The Board reviews the performance of the Manager on a regular basis, and their compliance with the Agreement formally on an annual basis.
- Investment objective – the objective of the Company is to achieve a high and growing income combined with capital growth. As a consequence, the investment portfolio may not always match that of the stock market as a whole, with a consequential impact on shareholder returns. The Board's aim is to maximise absolute returns to shareholders while managing risk by ensuring an appropriate diversification of stocks and sectors.
- Investment policy and gearing – a major risk affecting the Company is inappropriate sector and stock selection

leading to under-performance relative to the Company's benchmark index and peer group. In addition, the use of borrowing facilities to invest in markets may have a negative impact if markets fall. To mitigate these risks, the Manager operates within investment guidelines and agreed levels of borrowing. Performance against the benchmark index and the peer group is regularly monitored.

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

### Results and Dividends

The total return attributable to equity shareholders for the year amounted to £4,350,000.

A third interim dividend of 5.5p per Ordinary share was paid on 15 July 2011, and the final dividend for the year ended 30 June 2011 of 12.25p per Ordinary share was paid on 26 October 2011. The first and second interim dividends for the year ended 30 June 2012 of 5.5p per Ordinary share each were paid on 13 January 2012 and 13 April 2012 respectively, making a total distribution to Ordinary shareholders of £18,604,000 as shown in note 6 on page 45. The third interim dividend of 5.5p per Ordinary share was paid on 13 July 2012.

The Directors now recommend a final dividend of 13.25p per Ordinary share payable on 25 October 2012 to holders of Ordinary shares on the register on 28 September 2012. The

relevant ex-dividend date is 26 September 2012. A resolution in respect of the final dividend will be proposed at the forthcoming Annual General Meeting.

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

### Principal Activity and Status

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

In the opinion of the Directors of the Company, its affairs have been conducted in such a manner as to satisfy the conditions which enable it to continue to obtain approval as an investment trust under Section 1158 of the Corporation Tax Act 2010. HM Revenue & Customs will grant Section 1158 status, if requested, provided that the Company's affairs have been conducted in such a manner as to satisfy the conditions of that section, although approval for the period would be subject to review were there to be any enquiry under the Corporation Tax Self Assessment regime. HM Revenue & Customs approval for such status (under Section 1158 of the Corporation Tax Act 2010) has been given for the year ended 30 June 2011.

The Company intends to manage its affairs so that the Company's shares will be qualifying investments for the stocks and shares component of an ISA.

### Share Capital

At the Annual General Meeting held on 25 October 2011, shareholders approved the renewal of the authority permitting the Company to sell or transfer up to 6,468,944 of its Ordinary shares out of treasury. During the year ended 30 June 2012, 810,000 shares (1.23% of the issued Ordinary share capital at 30 June 2012) were re-issued from treasury at an average price of 661.60p. Subsequent to the year end and up to 11 September 2012, no further Ordinary shares were re-issued from treasury.

The issued Ordinary share capital at 30 June 2012 consisted of 65,499,458 Ordinary shares of 25p and 917,000 Ordinary shares held in treasury. At 11 September 2012, these numbers were unchanged.

Each Ordinary share of the Company carries one vote at general meetings of the Company.

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## Special Business at Annual General Meeting

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

Ordinary Resolution No. 12 in the Notice of Annual General Meeting will renew the authority to allot the unissued share capital up to an aggregate nominal amount of £818,743 (equivalent to 3,274,972 Ordinary shares, or 5 per cent of the Company's existing issued share capital on 11 September 2012 (excluding treasury shares)). Such authority will expire on the date of the next Annual General Meeting or on 31 December 2013, whichever is earlier. This means that the authority will have to be renewed at the next Annual General Meeting.

When shares are to be allotted for cash, Section 561 of the Companies Act 2006 (the "Act") provides that existing shareholders have pre-emption rights and that the new shares must be offered first to such shareholders in proportion to their existing holding of shares. However, shareholders can, by special resolution, authorise the Directors to allot shares otherwise than by a pro rata issue to existing shareholders. Special Resolution No. 13 will, if passed, give the Directors power to allot for cash equity securities up to an aggregate nominal amount of £818,743 (equivalent to 3,274,972 Ordinary shares, or 5 per cent of the Company's existing issued share capital on 11 September 2012 (excluding treasury shares)), as if Section 561 of the Act does not apply. This is the same nominal amount of share capital which the Directors are seeking the authority to allot pursuant to Resolution No. 12. This authority will also expire on the date of the next Annual General Meeting or on 31 December 2013, whichever is earlier. This authority will not be used in connection with a rights issue by the Company.

The Directors intend to use the authority given by Resolutions 12 and 13 to allot shares and disapply pre-emption rights only in circumstances where this will be clearly beneficial to shareholders as a whole. The issue proceeds would be available for investment in line with the Company's investment policy. No issue of shares will be made which would effectively alter the control of the Company without the prior approval of shareholders in general meeting. The Company may buy back and hold shares in treasury and then sell them at a later date for cash, rather than cancelling them. Such sales are required to be on a pre-emptive, pro rata, basis to existing shareholders unless shareholders agree by special resolution to disapply such pre-emption rights. Accordingly, in addition to giving the Directors power to allot unissued Ordinary share capital on a non pre-emptive basis, Resolution No. 13, if passed, will give the Directors authority to sell Ordinary shares held in treasury on a non pre-emptive basis. No dividends may be paid on any shares held in treasury and no voting rights will attach to such shares. The benefit of the ability to hold treasury shares is that such shares may be resold. This should

give the Company greater flexibility in managing its share capital, and improve liquidity in its shares. It is the intention of the Board that any re-sale of treasury shares would only take place at a price greater than 0.5% above the net asset value per share prevailing at the date of sale. It is also the intention of the Board that sales from treasury would only take place when the Board believes that to do so would assist in the provision of liquidity to the market. The Directors recommend that shareholders vote in favour of Resolutions 12 and 13.

### Share Repurchases

At the Annual General Meeting held on 25 October 2011, shareholders approved the renewal of the authority permitting the Company to repurchase its Ordinary shares.

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

Under the current Listing Rules, the maximum price that may be paid on the exercise of this authority must not exceed the higher of (i) 105% of the average of the middle market quotations for the shares over the five business days immediately preceding the date of purchase and (ii) the higher of the last independent trade and the highest current independent bid on the trading venue where the purchase is carried out. The minimum price which may be paid is 25p per share. Shares which are purchased under this authority will either be cancelled or held as treasury shares.

Special Resolution No. 14 in the Notice of Annual General Meeting will renew the authority to purchase in the market a maximum of 14.99% of shares in issue at the date of signing this Report (amounting to 9,818,368 Ordinary shares). Such authority will expire on the date of the next Annual General Meeting, or on 31 December 2013, whichever is earlier. This means in effect that the authority will have to be renewed at the next Annual General Meeting, or earlier, if the authority has been exhausted. The Directors recommend that shareholders vote in favour of Resolution No. 14.

## Directors

The Directors, who, with the exception of Ms Park and Mr Cameron, held office throughout the year under review, are shown on pages 20 to 22 of the Annual Report, and their share interests are shown below. Ms Park was appointed a Director on 2 July 2012, and Mr Cameron was appointed a Director on 5 September 2012. Both are, therefore, to stand for election by shareholders at the forthcoming Annual General Meeting. Resolutions 4 and 5, to this effect, will be proposed at the Annual General Meeting.

The Articles of Association provide that Directors retire and are subject to election at the first Annual General Meeting following their appointment and thereafter must offer themselves for re-election at least once every three years. In order to meet the requirements of section B.7.1 of the UK Corporate Governance Code, all of the Directors of the Company will stand for re-election, except where they intend to retire from the Board at an Annual General Meeting. Ms Glen will retire from the Board with effect from the conclusion of the forthcoming Annual General Meeting.

Resolutions 6 to 9 inclusive, which relate to the re-election of each of the Directors, except for Ms Glen, will therefore be proposed at the Annual General Meeting.

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

A report on the Directors' Remuneration is set out on pages 35 and 36.

## Directors' Interests

The interests of the Directors in office at the end of the year in the Ordinary share capital of the Company were as shown below. Neither Ms Park nor Mr Cameron were Directors during the period (hence they are not referred to below).

	At 30 June 2012	At 1 July 2011
	Ordinary shares	Ordinary shares
P A F Gifford	34,410	31,011
M Glen	3,056	3,056
N A Honebon	20,000	20,000
H van der Klugt	7,500	7,500
D E Woods	3,000	3,000

Mr Gifford's interest in the Company's shares increased to 35,011 Ordinary shares by the acquisition of 298 Ordinary shares on 16 July 2012, 155 Ordinary shares on 24 July 2012 and 148 Ordinary shares on 22 August 2012. Ms Park has a non-beneficial interest in 2,575 Ordinary shares which she held at the date of her appointment as a Director, on 2 July 2012. As at 11 September 2012, there have been no other changes in the above holdings.

## Directors' Insurance and Indemnities

The Directors have the benefit of the indemnity provision contained in the Company's Articles. The Directors of the Company have, during the year ended 30 June 2012, been granted a qualifying third party indemnity provision, which remains in force. Directors' and Officers' liability insurance cover has been maintained throughout the year at the expense of the Company.

## Manager and Company Secretary

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

For the year ended 30 June 2012, the management and secretarial fees payable to the Manager were calculated and charged on the following basis:

A monthly fee at the rate of one-twelfth of 0.55% on the first £400 million of net assets, 0.45% on the next £150 million of net assets and 0.25% on the excess over £550 million. The value of any investments in unit trusts, open ended and closed ended investment companies and investment trusts of which the Manager or another company within the Aberdeen Asset Management Group is the operator, manager or investment adviser; is deducted from net assets. The investment management fee is chargeable 50% to revenue and 50% against capital reserves. A secretarial fee of £75,000 per annum is also payable, which is chargeable 100% to revenue.

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

The management and secretarial fees paid during the year ended 30 June 2012 are shown in notes 3 and 4 on page 44.

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

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## Corporate Governance

The Statement of Corporate Governance is contained on pages 28 to 33 and forms part of the Directors' Report.

## Audit Committee

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

## Political and Charitable Donations

The Company has not made any political or charitable donations in the year (2011 - nil).

## Environmental matters and social/community issues

As an externally managed investment company with no employees, the company has no policies in place in relation to environmental/social or community issues. However, the Company does operate a Socially Responsible Investment Policy as set out on page 33.

## Going Concern

In accordance with the Financial Reporting Council's guidance on Going Concern and Liquidity Risk issued in October 2009 the Directors have undertaken a rigorous review of the Company's ability to continue as a going concern. The Company's assets consist of a diverse portfolio of listed equity shares which in most circumstances are realisable within a very short timescale. The Directors are mindful of the principal risks and uncertainties disclosed on pages 3, 23 and 24 and have reviewed forecasts detailing revenue and liabilities and they believe that the Company has adequate financial resources to continue its operational existence for the foreseeable future and at least 12 months from the date of this Annual Report. Accordingly, the Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the Financial Statements. Borrowing facilities of £70 million are committed to the Company until 29 September 2013.

## Creditor Payment Policy

The Company's payment policy is to agree terms of payment before business is transacted, to ensure suppliers are aware of these terms and to settle bills in accordance with them. The Company did not have any trade creditors at the year end (2011 - nil).

## Annual General Meeting

The Annual General Meeting will be held on 23 October 2012. The Notice of Meeting is at pages 59 to 62.

## Auditor

The auditor, Ernst & Young LLP, has expressed their willingness to continue in office. Resolution 10, to re-appoint

Ernst & Young LLP as the Company's auditor, will be put to the forthcoming Annual General Meeting along with Resolution 11, to authorise the Directors to fix their remuneration. It should be noted that the only fees paid to the auditor over the past nine years have been in respect of audit services. The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware, and each Director has taken all the reasonable steps that he or she ought to have taken as a Director to make him or herself aware of any relevant audit information, and to establish that the Company's auditor is aware of that information.

## Additional Information

Where not provided elsewhere in the Directors' Report, the following provides the additional information required to be disclosed by Part 15 of the Companies Act 2006:

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

The Company is not aware of any agreements between shareholders that may result in a restriction on the transfer of securities and/or voting rights.

The rules governing the appointment of Directors are set out in the Statement of Corporate Governance on pages 28 to 33. The Company's Articles of Association may only be amended by a special resolution at a general meeting of shareholders.

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

## Company Registration Number

Registered in Scotland – Company Number SC012725

By order of the Board  
**Aberdeen Asset Management PLC**  
Secretary  
Bow Bells House  
1 Bread Street  
London, EC4M 9HH  
11 September 2012

# Statement of Corporate Governance

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## Introduction

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

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

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

## Application of the Principles of the Codes

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

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

For the reasons set out in the AIC Guide and in the preamble to the Governance Code, the Board considers these provisions are not relevant to the position of Murray Income Trust PLC, being an externally-managed investment company. The Company has, therefore, not reported further in respect of these provisions. The Board is committed to high standards of corporate governance and has put in place a framework for corporate governance, which it believes is appropriate for an investment trust.

## The Board

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

These matters include:

- the maintenance of clear investment objectives and risk management policies;
- the monitoring of the business activities of the Company, ranging from analysis of investment performance to annual budgeting and quarterly forecasting and variance analysis;
- Companies Act requirements, such as the approval of the half-yearly and annual Financial Statements, and approval and recommendation of the interim and final dividends respectively;
- setting the range of gearing in which the Manager may operate;
- major changes relating to the Company's structure, including share buy-backs and share issues;
- Board appointments and removals and the related terms;
- appointment and removal of the Manager and the terms and conditions of the management and administration agreements relating thereto;
- terms of reference and membership of Board Committees;
- Stock Exchange/UK Listing Authority/Financial Services Authority – approval of all circulars and listing particulars, and approval of all releases concerning matters decided by the Board.

The Board currently consists of seven non-executive Directors, of whom all except Ms Park and Mr Cameron held office throughout the year under review. Ms Park was appointed a Director on 2 July 2012 and Mr Cameron was appointed a Director on 5 September 2012. Both Ms Park and Mr Cameron will, therefore, stand for election by shareholders at the forthcoming Annual General Meeting. Resolutions 4 and 5, to this effect, will be proposed at the Annual General Meeting. The names and biographies of all the current Directors appear on pages 20 to 22 of this Annual Report, and indicate their range of investment, industrial, commercial and professional experience.

The Board has assessed the independence of the Directors against the criteria set out in the Codes, and has concluded that they are all independent of the investment manager, Aberdeen Asset Managers Limited ("Aberdeen" or the "Manager"), and free of any relationship which could materially interfere with the exercise of their independent judgement on issues of strategy, performance, resources and standards of conduct.

Ms Glen was, until December 2008, a partner of a law firm which has undertaken occasional work for companies within the Manager's group. Accordingly, while Ms Glen does not meet the tests of independence set out in the AIC Code, the Board takes the view that, in performing the role of Director, Ms Glen has displayed independence from the Manager. Ms Glen retires from the Board with effect from the conclusion of the Annual General Meeting.

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

The election or re-election of each of the Directors, whose biographies appear on pages 20 to 22, were considered and approved by the Nomination Committee. The continuing independent and objective judgement of the Directors was confirmed in the annual Board performance evaluation process. This consists of an appraisal of the Chairman of the Board as well as a performance evaluation of the Board as a whole and the Directors individually (including assessment of training requirements) to ensure that the Directors have devoted sufficient time and contributed adequately to the work of the Board and Committees, and to consider each Directors' independence. During the prior year, the Board used an external consultant to carry out an evaluation of the Board's performance. The external consultant held individual meetings with each Director, with the consultant's report on the outcome being discussed with the Chairman of the Board and the Board as a whole. It is the Board's intention to use an external consultant to assist in the Board's performance evaluation at least every three years. The Board and Committee have also reviewed the Chairman's and Directors' other commitments and are satisfied that the Chairman and other Directors are capable of devoting sufficient time to the Company and contribute to the effective running of the Company. The Board evaluation process also confirmed that the performance of the Directors standing for re-election continued to be effective and that they continued to demonstrate commitment in their roles.

The Chairman of the Company is a non-executive Director. Mr van der Klugt has been appointed Senior Independent Director, to whom any concerns can be conveyed by the other Directors.

During the year ended 30 June 2012, the Board met five times. Details of attendance by each of the Directors and Committee members at Board and Committee meetings are shown opposite. Neither Ms Park nor Mr Cameron were Directors during the period (hence they are not referred to opposite).

Director	Board Meetings Attended	Audit, Nomination and Remuneration Committee Meetings Attended	Management Engagement Committee Meetings Attended
P A F Gifford	5/5	7/7	1/1
M Glen	5/5	7/7	1/1
N A Honebon	5/5	7/7	1/1
H van der Klugt	5/5	7/7	1/1
D E Woods	5/5	7/7	1/1

Between meetings, the Board maintains regular contact with the Manager. The primary focus at regular Board meetings is the review of investment performance and associated matters, including gearing, asset allocation, marketing and investor relations, peer group information and industry issues.

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

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

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

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

The Board has a formal process for the consideration and authorisation by the Board of Directors' reported actual and

# Statement of Corporate Governance continued

potential conflicts of interest at each Board meeting. In accordance with the Company's Articles of Association and relevant legislation, each Director abstains from approval of their own position. Following the implementation of the Bribery Act 2010, the Board has adopted appropriate procedures designed to prevent bribery.

The Board and Committees have undertaken their annual performance evaluation, using questionnaires and discussion, to ensure that all its members have devoted sufficient time and contributed adequately to the work of the Board and Committees, and to consider each Director's independence. The Chairman has also been evaluated by his fellow Directors. The Board considers that none of his other commitments (set out on page 20 of this Report) interfere with the discharge of his responsibilities to the Company, and is satisfied that he makes sufficient time available to serve the Company effectively. There have been no significant changes to the Chairman's other commitments during the year.

## External Agencies

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

## Committees

### Nomination Committee

A Nomination Committee has been established with written terms of reference (which are available on the Company's website) and comprises the full Board. The Chairman of the Committee is the Chairman of the Company.

The Committee makes recommendations to the Board on the following matters:

- the identification and nomination of candidates to fill Board vacancies as and when they arise, for the approval of the Board;
- plans for succession;
- the re-appointment of any non-executive Director at the conclusion of their specified term of office;
- the re-election by shareholders of any Director under the retirement by rotation provisions in the Company's Articles of Association and in accordance with the UK Corporate Governance Code;

- the continuation in office of any Director at any time;
- the appointment of any Director to another office (e.g. Chairman of the Audit Committee) other than to the position of Chairman, the recommendation for which would be considered at a meeting of the Board.

In considering the appointment of a new Director, the Committee ensures that the Board continues to have the right balance of skills, diversity, experience, age and length of service. It may use the professional services of a search consultant to identify suitable candidates for review by the Board, and did so in recruiting the two most recent Directors to have joined the Board. The terms of reference of the Nomination Committee state that the Committee must consider candidates on merit and against objective criteria and with due regard for the benefits of diversity on the Board, including gender. Lord Davies' review of gender diversity on the boards of listed companies was published in February 2011. It made a number of recommendations, and concluded that quotas were not the preferred option and might indeed be counterproductive. Since 2006, women have comprised 20% of the Board, and the Board is supportive of the principle of diversity. The Financial Reporting Council has recently conducted a consultation on whether further changes are needed to the Governance Code in order to help achieve more diverse boards, and the outcome of that review is awaited.

### Audit Committee

An Audit Committee has been established and comprises all independent Directors including the Company Chairman. The Board considers it appropriate that the Company Chairman is a member of the Audit Committee, although he may not chair it, provided that he is considered by the Board to be independent, as is currently the case. Mr van der Klugt, a chartered accountant, is the Chairman of the Audit Committee. The terms of reference of the Audit Committee, which are available on request and on the Company's website, are reviewed and re-assessed for their adequacy on an annual basis. The Committee considers Ernst & Young LLP, the Company's auditor, to be independent of the Company.

The matters considered by the Committee during the year included:

- the review of the effectiveness of the internal control environment of the Company – to assist in this the Committee received reports from the internal auditors of the Manager and external auditor on a regular basis;
- the review of the half-yearly and annual Financial Reports;
- the review of the terms of appointment of the auditor together with their remuneration, as well as the non-audit services provided by the auditor (if applicable). (During the year under review, fees amounting to £4,000 (2011 - Nil) were paid to the auditor in respect of non-audit services.

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- The Board will review any future fees in the light of the requirement to maintain the auditor's independence);
- the review of the scope and the results of the audit, its cost effectiveness and the independence and objectivity of the auditor, with particular regard to non-audit fees (it should be noted that the auditor, Ernst & Young LLP, rotate the partner responsible for the audit every five years);
  - the review of the management agreement;
  - meetings with representatives of the Manager.

### **Management Engagement Committee**

As recommended by the AIC Code, a Management Engagement Committee has been established, comprising the full Board. The Chairman of the Committee is the Chairman of the Company. The Committee annually reviews matters concerning the investment management agreement in place between the Company and Aberdeen Asset Managers Limited. Details of this agreement are shown on page 26.

### **Remuneration Committee and Directors' Remuneration**

Under the UK Listing Authority's Listing Rule 15.6.6, where an investment trust has only non-executive directors, the Governance Code principles relating to directors' remuneration do not apply. However, the Company does have a Remuneration Committee, comprising the full Board, and whose Chairman is Mr van der Klugt.

The remuneration of the Directors has been set in order to attract individuals of a calibre appropriate to the future development of the Company. The Company's policy on Directors' remuneration, together with details of the remuneration of each Director, is detailed in the Directors' Remuneration Report on pages 35 and 36. The terms of reference of the Remuneration Committee are available on request, and on the Company's website.

### **Directors' Terms of Appointment**

All non-executive Directors are appointed for an initial term of three years, subject to re-election and the Companies Act provisions and in accordance with the existing Articles of Association. The Articles of Association provide that Directors retire and are subject to election at the first Annual General Meeting following their appointment and thereafter must offer themselves for re-election at least once every three years. However, in order to meet the requirements of section B.7.1 of the UK Corporate Governance Code, all of the Directors of the Company will stand for annual re-election.

### **Policy on Tenure**

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

therefore the length of service will be determined on a case-by-case basis.

### **Communication with Shareholders**

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

The Company has adopted a nominee code, which ensures that, when shares in Murray Income Trust are held in the name of nominee companies and notification has been received in advance, nominee companies will be provided with copies of shareholder communications for distribution to their customers. Nominee investors may make arrangements to attend and speak at general meetings.

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

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

The Notice of Meeting on pages 59 to 62 sets out the business of the meeting and the resolutions are explained more fully in the Directors' Remuneration Report on pages 35 and 36 and the Directors' Report on pages 23 to 27.

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

Shareholders also have direct access to the Company via the free shareholder information telephone service run by the Manager and the Company, and the Manager responds to

# Statement of Corporate Governance continued

letters from shareholders. The Company's website, from which the Company's reports and other publications can be downloaded, is [www.murray-income.co.uk](http://www.murray-income.co.uk).

## Substantial Interests

At 30 June 2012, the following interests in the issued Ordinary share capital of the Company have been disclosed in accordance with the requirements of the UK Listing Authority's Disclosure and Transparency Rules:

Shareholder	Number of shares held	% held
Clients of Aberdeen Asset Management	11,516,586	17.58
Rathbone Brothers (Investment Management)	3,619,475	5.53
AXA S.A.	2,327,205	3.55
Legal & General Assurance (Pensions Management)	2,228,760	3.40

As at 11 September 2012, no changes to the above interests have been notified to the Company.

## Accountability and Audit

The Directors' Statement of Responsibilities in respect of the Financial Statements is on page 34 and the Statement of Going Concern is included in the Directors' Report on page 27. The Independent Auditor's Report is on page 37.

## Internal Control

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

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

The Directors have delegated the investment management of the Company's assets to the Manager within overall guidelines, and this embraces implementation of the system of internal control, including financial, operational and compliance controls and risk management. Internal control systems are monitored and supported by an internal audit

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

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

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

- the Manager prepares forecasts and management accounts which allow the Board to assess the Company's activities and review its investment performance
- the Board and the Manager have agreed clearly-defined investment criteria, specified levels of authority and exposure limits. Reports on these issues, including performance statistics and investment valuations, are regularly submitted to the Board. The Manager's evaluation procedure and financial analysis of the companies concerned include detailed appraisal and due diligence
- as a matter of course, the compliance department of Aberdeen continually reviews the Manager's operations
- written agreements are in place which specifically define the roles and responsibilities of the Manager and other third party service providers
- twice a year, at its Board meetings, the Board carries out an assessment of internal controls by considering documentation from the Manager, including its internal audit and compliance functions, and taking account of events since the relevant period end
- on a monthly basis the Board receives a detailed compliance report.

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

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

The internal control systems are designed to meet the Company's particular needs and the risks to which it is exposed. Accordingly, the internal control systems are designed to manage, rather than eliminate, the risk of failure

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to achieve business goals and, by their nature, can provide reasonable, but not absolute, assurance against material misstatement or loss.

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

### Proxy Voting and Stewardship

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

The Board has delegated responsibility for actively monitoring the activities of portfolio companies to the Manager. The Board has reviewed and accepts the Manager's Corporate Governance Principles, which may be found on the Manager's website, at <http://www.aberdeen-asset.com/aam.nsf/AboutUs/governancestewardship>. These Principles set out the Manager's framework on corporate governance, proxy voting and shareholder engagement in relation to the companies in which the Manager has invested or is considering investing. The Board has also reviewed the Manager's Disclosure Response to the UK Stewardship Code, which appears on the Manager's website, at the web-address given above.

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

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

efficient exercise of the Company's governance responsibilities.

### Socially Responsible Investment Policy

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

By order of the Board  
**Aberdeen Asset Management PLC**  
Secretary  
Bow Bells House  
1 Bread Street  
London, EC4M 9HH  
11 September 2012

# Statement of Directors' Responsibilities

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

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

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

The Directors confirm that to the best of their knowledge:

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

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

**Humphrey van der Klugt**

Chairman of the Audit Committee

11 September 2012

# Directors' Remuneration Report

The Board has prepared this report, in accordance with the requirements of Section 421 of the Companies Act 2006. An ordinary resolution for the approval of this report will be put to the members at the forthcoming Annual General Meeting. The law requires the Company's auditor to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The auditor's opinion is included in their report on page 37.

## Remuneration Committee

The Company has, as at the date of this Report, seven non-executive Directors, whose details are set out on pages 20 to 22. The whole Board fulfils the function of a Remuneration Committee. The Board has not been provided with advice or services by any person in respect of its consideration of the Directors' remuneration, although the Directors expect, from time to time, to review the fees paid to the boards of directors of other investment trust companies.

## Policy on Directors' Remuneration

The Board's policy is that the remuneration of the Directors, all of whom are non-executive Directors, should reflect the experience of the Board as a whole, and be fair and comparable to that of other investment trusts in the same AIC UK Growth and Income Sector which also have a similar capital structure and investment objectives. Fees payable to the Directors should reflect the time spent by them on the Company's affairs, and should be sufficient to enable candidates of a high quality to be recruited. Non-executive Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits. It is intended that this policy will continue for the year ending 30 June 2013 and subsequent years.

The Directors are remunerated in the form of fees, payable quarterly in arrears, to the Director personally, or to a third party specified by him or her. The fees for the non-executive Directors are determined within the limits set out in the Company's Articles of Association, which currently limit the aggregate fees payable to the Board of Directors to a total of £200,000 per annum.

The policy of the Board is to review the level of Directors' fees from time to time. During the year ended 30 June 2012, the Remuneration Committee carried out a review of the level of Directors' fees, and decided that no increase would take place from 1 July 2012. The level of Directors' fees will be reviewed again with effect from 1 July 2013.

During the year ended 30 June 2012, the Chairman received fees of £30,000 per annum, the Audit Committee Chairman £24,000 per annum, and the other Directors £20,000 per annum. Prior to this, the fees were last increased in July 2010.

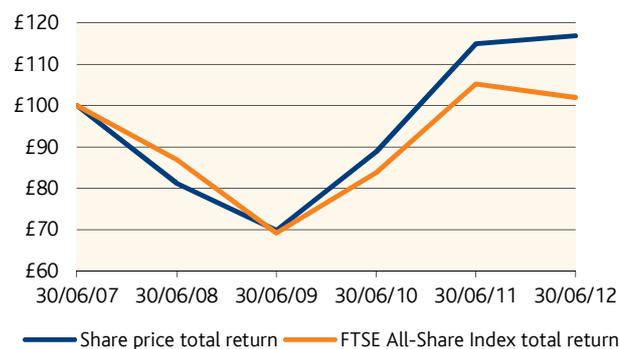
Directors' and officers' liability insurance cover is held by the Company in respect of the Directors. This insurance is neither a benefit in kind, nor does it form part of the Directors' Remuneration.

## Directors' Service Contracts

None of the Directors has a contract of service or contract for services, and a Director may resign by notice in writing to the Board at any time; there are no set notice periods. All Directors are appointed for an initial period of three years; this period may be varied by mutual consent. The Articles of Association provide that Directors retire and are subject to election at the first Annual General Meeting following their appointment and thereafter must offer themselves for re-election at least once every three years. However, in order to meet the requirements of section B.7.1 of the UK Corporate Governance Code, all of the Directors of the Company will stand for annual re-election. No compensation is payable for loss of office, save any arrears of fees which may be due.

## Company Performance

The graph below compares the total return (assuming all dividends are reinvested) to Ordinary shareholders, assuming a notional investment of £100 into the Company on 30 June 2007, compared with the total shareholder return on a notional investment made up of shares of the same kinds and number as those by reference to which the FTSE All-Share Index is calculated. This index was chosen for comparison purposes, as it has been the Company's benchmark since 30 June 2005. It is also the index used for performance measurement purposes by the Company's peer group.



## Directors' Emoluments for the Year (audited)

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

## Directors' Remuneration Report continued

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<b>Director</b>	<b>Date of Appointment</b>	<b>Year ended 30 June 2012 £</b>	<b>Year ended 30 June 2011 £</b>
P A F Gifford (Chairman)	26/07/1999	30,000	30,000
M Glen	11/02/2003	20,000	20,000
N A Honebon	04/08/2005	20,000	20,000
H van der Klugt	05/05/2004	24,000	24,000
D E Woods	15/12/2008	20,000	20,000
<b>Total</b>		<b>114,000</b>	<b>114,000</b>

Neither Ms Park nor Mr Cameron were Directors during the period.

No Director is entitled to receive any compensation for loss of office or non-cash benefits for the years ended 30 June 2012 and 30 June 2011.

### Approval

The Directors' Remuneration Report on pages 35 and 36 was approved by the Board of Directors on 11 September 2012 and signed on its behalf by:

#### **Humphrey van der Klugt**

Director

11 September 2012

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

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We have audited the Financial Statements of Murray Income Trust PLC for the year ended 30 June 2012 which comprise the Income Statement, Balance Sheet, Reconciliation of Movements in Shareholders' Funds, Cash Flow Statement and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

## Respective responsibilities of Directors and Auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 34, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Company's 2012 Annual Report and Accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2012 and of its profit for the year then ended;

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

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

In our opinion:

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

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

We have nothing to report in respect of the following:

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

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

Under the Listing Rules we are required to review:

- the Directors' Statement, set out on page 27, in relation to going concern; and
- the part of the Statement of Corporate Governance relating to the Company's compliance with the nine provisions of the June 2010 UK Corporate Governance Code specified for our review; and
- certain elements of the report to the shareholders by the Board on Directors' remuneration.

## Susan Dawe (Senior Statutory Auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor  
Edinburgh

11 September 2012

# Income Statement

	Notes	Year ended 30 June 2012			Year ended 30 June 2011		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Losses)/gains on investments	9	–	(14,044)	(14,044)	–	78,910	78,910
Currency gains/(losses)		–	80	80	–	(10)	(10)
Income	2	22,688	–	22,688	21,844	–	21,844
Investment management fees	3	(1,112)	(1,112)	(2,224)	(1,110)	(1,110)	(2,220)
Administrative expenses	4	(981)	–	(981)	(859)	–	(859)
VAT recovered on investment management fee		–	–	–	734	742	1,476
<b>Net return before finance costs and taxation</b>		<b>20,595</b>	<b>(15,076)</b>	<b>5,519</b>	<b>20,609</b>	<b>78,532</b>	<b>99,141</b>
Finance costs of borrowing	5	(460)	(460)	(920)	(467)	(467)	(934)
<b>Net return on ordinary activities before taxation</b>		<b>20,135</b>	<b>(15,536)</b>	<b>4,599</b>	<b>20,142</b>	<b>78,065</b>	<b>98,207</b>
Taxation on ordinary activities	7	(249)	–	(249)	(125)	–	(125)
<b>Net return on ordinary activities after taxation</b>		<b>19,886</b>	<b>(15,536)</b>	<b>4,350</b>	<b>20,017</b>	<b>78,065</b>	<b>98,082</b>
<b>Return per Ordinary share (pence)</b>	<b>8</b>	<b>30.6</b>	<b>(23.9)</b>	<b>6.7</b>	<b>30.9</b>	<b>120.7</b>	<b>151.6</b>

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

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

No operations were acquired or discontinued in the year.

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

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

		£'000	£'000	£'000	£'000	£'000	£'000
<b>Ordinary dividends on equity shares</b>	<b>6</b>	<b>18,604</b>	<b>–</b>	<b>18,604</b>	<b>18,101</b>	<b>–</b>	<b>18,101</b>

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

# Balance Sheet

	Notes	As at 30 June 2012 £'000	As at 30 June 2011 £'000
<b>Non-current assets</b>			
Investments at fair value through profit or loss	9	443,355	466,713
<b>Current assets</b>			
Other debtors and receivables	10	3,115	3,105
Cash and short term deposits		19,867	5,515
		22,982	8,620
<b>Creditors: amounts falling due within one year</b>			
Other payables	11	(879)	(927)
Bank loans	11	(40,000)	(40,000)
<b>Net current liabilities</b>		<b>(17,897)</b>	<b>(32,307)</b>
<b>Net assets</b>		<b>425,458</b>	<b>434,406</b>
<b>Share capital and reserves</b>			
Called-up share capital	12	16,604	16,604
Share premium account		8,103	7,955
Capital redemption reserve		4,997	4,997
Capital reserve	13	367,762	378,140
Revenue reserve	13	27,992	26,710
<b>Total equity shareholders' funds</b>		<b>425,458</b>	<b>434,406</b>
<b>Net asset value per Ordinary share (pence)</b>	14	<b>649.6</b>	<b>671.5</b>

The financial statements were approved by the Board of Directors and authorised for issue on 11 September 2012 and were signed on its behalf by:

**P A F Gifford**  
Chairman

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

## Reconciliation of Movements in Shareholders' Funds

### For the year ended 30 June 2012

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

### For the year ended 30 June 2011

	Notes	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 1 July 2010		16,604	7,955	4,997	300,075	24,794	354,425
Return on ordinary activities after taxation		–	–	–	78,065	20,017	98,082
Dividends paid	6	–	–	–	–	(18,101)	(18,101)
<b>Balance at 30 June 2011</b>		<b>16,604</b>	<b>7,955</b>	<b>4,997</b>	<b>378,140</b>	<b>26,710</b>	<b>434,406</b>

The revenue reserve represents the amount of the Company's reserves distributable by way of dividend. The accompanying notes are an integral part of the financial statements.

# Cash Flow Statement

	Notes	Year ended 30 June 2012		Year ended 30 June 2011	
		£'000	£'000	£'000	£'000
<b>Net cash inflow from operating activities</b>	15		18,888		20,209
<b>Servicing of finance</b>					
Interest paid			(976)		(1,045)
<b>Taxation</b>					
Net tax paid			(397)		(204)
<b>Financial investment</b>					
Purchases of investments		(68,224)		(85,311)	
Sales of investments		78,279		49,940	
<b>Net cash inflow/(outflow) from financial investment</b>			10,055		(35,371)
<b>Equity dividends paid</b>	6		(18,604)		(18,101)
<b>Net cash inflow/(outflow) before financing</b>			8,966		(34,512)
<b>Financing</b>					
Issue of Ordinary shares	12	5,306		–	
Drawdown of loan		5,000		5,000	
Repayment of loan		(5,000)		–	
<b>Net cash inflow from financing</b>			5,306		5,000
<b>Increase/(decrease) in cash</b>	16		<b>14,272</b>		<b>(29,512)</b>

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

# Notes to the Financial Statements For the year ended 30 June 2012

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## 1. Accounting policies

### (a) Basis of preparation

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

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

### (b) Income

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

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

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

### (c) Expenses

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

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

### (d) Taxation

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

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

Due to the Company's status as an investment trust company, and the intention to continue meeting the conditions required to obtain approval in the foreseeable future, the Company has not provided deferred tax on any capital gains and losses arising on the revaluation or disposal of investments.

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**(e) Valuation of investments**

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

**(f) Cash and cash equivalents**

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

**(g) Borrowings**

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

**(h) Traded options**

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

**(i) Segmental reporting**

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

**(j) Treasury shares**

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

**(k) Dividends payable**

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

## Notes to the Financial Statements continued

	2012	2011
	£'000	£'000
<b>2. Income</b>		
<b>Income from investments</b>		
UK dividends (all listed)	17,472	15,911
Overseas dividends (all listed)	2,427	1,474
Bond interest	60	565
Stock dividends	741	147
	<b>20,700</b>	<b>18,097</b>
<b>Other income</b>		
Interest from HMRC on VAT recovered	–	1,358
Deposit interest	48	94
Traded option premiums	1,940	2,132
Underwriting commission	–	163
	<b>1,988</b>	<b>3,747</b>
<b>Total income</b>	<b>22,688</b>	<b>21,844</b>

During the year, the Company received premiums totalling £1,940,000 (2011 – £2,132,000) in exchange for entering into derivative transactions. At the year end there were 16 open positions, valued at a net liability position of £223,000 (2011 – £306,000) and securities held by the Company with a value of £2,954,000 (2011 – £3,211,000) were pledged as collateral against this.

	2012			2011		
	Revenue	Capital	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>3. Investment management fees</b>						
Investment management fees	1,112	1,112	2,224	1,110	1,110	2,220

Details of the fee basis are contained in the Directors' Report on page 26. There was £439,000 (2011 – £391,000) due to Aberdeen Asset Managers Limited in respect of these investment management services at the year end.

	2012	2011
	£'000	£'000
<b>4. Administrative expenses</b>		
Shareholders' services <sup>A</sup>	409	358
Irrecoverable VAT	117	81
Directors' remuneration	114	114
Secretarial fees	75	75
Auditor's remuneration:		
• fees payable to the Company's auditor for the audit of the Company's annual accounts	19	19
• fees payable to the Company's auditor and its associates for other services	4	–
Other expenses	243	212
	<b>981</b>	<b>859</b>

<sup>A</sup> Includes registration, savings scheme and other wrapper administration and promotion expenses, of which £327,000 (2011 – £291,000) was paid to Aberdeen Asset Managers Limited (AAM) to cover marketing activities during the year. There was £83,000 (2011 – £73,000) due to AAM in respect of these marketing activities at the year end.

	2012			2011		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
<b>5. Finance costs of borrowing</b>						
Bank loans and overdrafts	460	460	920	467	467	934

	2012 £'000	2011 £'000
<b>6. Ordinary dividends on equity shares</b>		
Third interim 2011 of 5.50p (2010 – 5.50p)	3,558	3,558
Final 2011 of 12.25p (2010 – 11.50p)	7,924	7,439
First interim 2012 of 5.50p (2011 – 5.50p)	3,558	3,558
Second interim 2012 of 5.50p (2011 – 5.50p)	3,574	3,558
Return of unclaimed dividends	(10)	(12)
	<b>18,604</b>	<b>18,101</b>

The third interim and proposed final dividends for 2012 have not been included as a liability in these financial statements as they were not payable until after the balance sheet date. The proposed final dividend for 2012 is subject to approval by shareholders at the Annual General Meeting.

We set out below the total dividends paid and proposed in respect of the financial year, which is the basis on which the requirements of Section 1158–1159 of the Corporation Tax Act 2010 are considered. The revenue available for distribution by way of dividend for the year is £19,886,000 (2011 – £20,017,000).

	2012 £'000	2011 £'000
Three interim dividends of 5.50p each (2011 – 5.50p)	10,734	10,674
Proposed final dividend of 13.25p (2011 – 12.25p)	8,679	7,924
	<b>19,413</b>	<b>18,598</b>

	2012			2011		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
<b>7. Taxation</b>						
<b>(a) Analysis of charge for the year</b>						
Overseas tax suffered	400	–	400	204	–	204
Overseas tax reclaimable	(151)	–	(151)	(79)	–	(79)
<b>Current tax charge for the year</b>	<b>249</b>	<b>–</b>	<b>249</b>	<b>125</b>	<b>–</b>	<b>125</b>

**(b) Factors affecting the tax charge for the year**

The tax assessed for the year is lower than the effective rate of corporation tax rate of 25.5% (2011 – 27.5%). The differences are explained as follows:

## Notes to the Financial Statements continued

	2012			2011		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
<b>Net profit on ordinary activities before taxation</b>	20,135	(15,536)	4,599	20,142	78,065	98,207
Return on ordinary activities multiplied by the effective rate of corporation tax of 25.5% (2011 – 27.5%)	5,134	(3,962)	1,172	5,539	21,468	27,007
Effects of:						
Non-taxable UK dividends	(4,382)	–	(4,382)	(4,282)	–	(4,282)
Non-taxable stock dividends	(189)	–	(189)	(40)	–	(40)
Non-taxable overseas dividends	(619)	–	(619)	(405)	–	(405)
Movement in income accruals taxable on receipt	6	–	6	(1)	–	(1)
Movement in unutilised loan relationships	97	117	214	(129)	129	–
Movement in unutilised management expenses	–	236	236	(682)	101	(581)
Tax relief from expenses charged to capital	(47)	47	–	–	–	–
Other capital returns	–	3,562	3,562	–	(21,698)	(21,698)
Overseas tax irrecoverable	249	–	249	125	–	125
<b>Current tax charge</b>	<b>249</b>	<b>–</b>	<b>249</b>	<b>125</b>	<b>–</b>	<b>125</b>

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

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

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

At the year end, the Company has, for taxation purposes only, accumulated unrelieved management expenses and loan relationship deficits of £48,506,000 (2011 – £46,827,000). A deferred tax asset in respect of this has not been recognised and these expenses will only be utilised if the Company has profits chargeable to corporation tax in the future. It is considered too uncertain that the Company will generate such profits and therefore no deferred tax asset has been recognised.

8. Return per Ordinary share	2012		2011	
	£'000	p	£'000	p
Returns are based on the following figures:				
Revenue return	19,886	30.6	20,017	30.9
Capital return	(15,536)	(23.9)	78,065	120.7
<b>Total return</b>	<b>4,350</b>	<b>6.7</b>	<b>98,082</b>	<b>151.6</b>
<b>Weighted average number of Ordinary shares in issue</b>	<b>64,937,245</b>		<b>64,689,458</b>	

	2012	2011
	£'000	£'000
<b>9. Investments</b>		
<b>Held at fair value through profit or loss:</b>		
Opening valuation	466,713	352,285
Opening investment holdings gains	(109,319)	(44,688)
<b>Opening book cost</b>	<b>357,394</b>	<b>307,597</b>
Movements during the year:		
Purchases at cost	68,965	85,458
Sales – proceeds	(78,279)	(49,940)
Sales – gains	11,729	14,279
<b>Closing book cost</b>	<b>359,809</b>	<b>357,394</b>
Closing investment holdings gains	83,546	109,319
<b>Closing valuation</b>	<b>443,355</b>	<b>466,713</b>

	2012	2011
	£'000	£'000
<b>The portfolio valuation:</b>		
UK equities	392,431	430,325
Overseas equities	50,924	34,386
UK fixed interest	–	2,002
<b>Total</b>	<b>443,355</b>	<b>466,713</b>

	2012	2011
	£'000	£'000
<b>(Losses)/gains on investments</b>		
Gains based on book cost	11,729	14,279
Net movement in investment holdings gains	(25,773)	64,631
	<b>(14,044)</b>	<b>78,910</b>

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

#### Transaction costs

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

	2012	2011
	£'000	£'000
Purchases	183	364
Sales	76	40
	<b>259</b>	<b>404</b>

	2012	2011
	£'000	£'000
<b>10. Other debtors and receivables</b>		
Prepayments and accrued income	3,115	3,105

## Notes to the Financial Statements continued

	2012	2011
	£'000	£'000
<b>11. Creditors: amounts falling due within one year</b>		
Accruals	656	621
Amounts due on derivative contracts	223	306
Bank loans	40,000	40,000
	<b>40,879</b>	<b>40,927</b>

Accruals include £445,000 (2011 – £397,000 plus VAT) of management fees and secretarial fees due to Aberdeen Asset Managers Limited, the Investment Manager and 16 (2011 – 15) open option positions having a value of £223,000 (2011 – £306,000).

At 30 June 2012 the Company had drawn down £40,000,000 (30 June 2011 – £40,000,000 drawn down of a £60,000,000 revolving bank credit facility with Santander Corporate Banking) of a £70,000,000 unsecured revolving bank credit facility with Scotiabank (Ireland) Limited. Under the terms of the agreement, advances from the facility may be made for periods of up to six months or for such longer periods agreed by the lender. Interest is charged at a variable rate based on LIBOR plus a margin of 1.15% for the relevant period of the advance. As at 30 June 2012 this rate was 1.76600% (30 June 2011 – 1.92840%) and the loan rolled over on 31 July 2012.

On 11 September 2012 the Company had drawn down £40,000,000 of the facility, at an all-in interest rate of 1.68125% until maturity on 28 September 2012. Borrowing facilities are committed to the Company until 29 September 2013.

Financial covenants contained within the loan agreement provide, inter alia, that the Adjusted Asset Coverage must exceed 3.50 to 1.00 and that net assets must exceed £185 million. All financial covenants were met during the year and also during the period from the year end to the date of this report.

	2012		2011	
	Shares	£'000	Shares	£'000
<b>12. Called-up share capital</b>				
<b>Authorised</b>				
Ordinary shares of 25p each	102,842,000	25,710	102,842,000	25,710
<b>Allotted, called-up and fully-paid</b>				
Ordinary shares of 25p each: publicly held	65,499,458	16,375	64,689,458	16,172
Ordinary shares of 25p each: held in treasury	917,000	229	1,727,000	432
	<b>66,416,458</b>	<b>16,604</b>	<b>66,416,458</b>	<b>16,604</b>

During the year there were no Ordinary shares repurchased (2011 – nil), and 810,000 Ordinary shares were sold from the Treasury account (2011 – nil). All of these shares were sold at a premium to net asset value. The issue prices ranged from 650p to 670.5p and raised £5,306,000 net of expenses, which represents a gain of £148,000 against the cost of buying the shares for treasury.

	2012	2011
	£'000	£'000
<b>13. Retained earnings</b>		
<b>Capital reserve</b>		
At 1 July 2011	378,140	300,075
Movement in investment holding gains	(25,773)	64,631
Gains on realisation of investments at fair value	11,729	14,279
Currency gains/(losses)	80	(10)
Finance costs of bank loan	(460)	(467)
Investment management fees	(1,112)	(1,110)
Issue of Ordinary shares	5,158	–
VAT recovered on investment management fees	–	742
<b>At 30 June 2012</b>	<b>367,762</b>	<b>378,140</b>

**Revenue reserve**

	2012	2011
	£'000	£'000
At 1 July 2011	26,710	24,794
Revenue	19,886	20,017
Dividends paid	(18,604)	(18,101)
<b>At 30 June 2012</b>	<b>27,992</b>	<b>26,710</b>

**14. Net asset value per share**

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

	2012	2011
Net asset value attributable (£'000)	425,458	434,406
Number of Ordinary shares in issue (note 12)	65,499,458	64,689,458
Net asset value per share (p)	649.6	671.5

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

	2012	2011
	£'000	£'000
Net return before finance costs and taxation	5,519	99,141
Adjustments for:		
Losses/(gains) on investments	14,044	(78,910)
Currency (gains)/losses	(80)	10
Non cash stock dividend	(741)	(147)
Decrease/(increase) in accrued income	148	(142)
Increase in other debtors	(10)	(1)
Increase in accruals	8	258
<b>Net cash inflow from operating activities</b>	<b>18,888</b>	<b>20,209</b>

## Notes to the Financial Statements continued

	At 1 July 2011 £'000	Cash flows £'000	Currency gains £'000	At 30 June 2012 £'000
<b>16. Analysis of changes in net debt</b>				
<b>Net cash:</b>				
Cash	5,515	14,272	80	19,867
<b>Debt:</b>				
Debt due within one year	(40,000)	–	–	(40,000)
<b>Net debt</b>	<b>(34,485)</b>	<b>14,272</b>	<b>80</b>	<b>(20,133)</b>

### 17. Derivatives and other financial instruments

The Company's financial instruments, other than derivatives, comprise securities and other investments, cash balances, liquid resources, loans and debtors and creditors that arise directly from its operations; for example, in respect of sales and purchases awaiting settlement, and debtors for accrued income. The Company also has the ability to enter into derivative transactions in the form of forward foreign currency contracts, futures and options, subject to Board approval, for the purpose of enhancing portfolio returns and for hedging purposes in a manner consistent with the Company's broader investment policy.

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

In order to mitigate risk, the investment strategy is to select investments for their fundamental value. Stock selection is therefore based on disciplined accounting, market and sector analysis. It is the Board's policy to hold an appropriate spread of investments in the portfolio in order to reduce the risk arising from factors specific to a particular sector. The Attribution Analysis, detailing the allocation of assets and the stock selection, is shown in the Performance Attribution table on page 7. The Investment Manager actively monitors market prices throughout the year and reports to the Board, which meets regularly in order to consider investment strategy. Current strategy is detailed in the Chairman's Statement on pages 4 and 5 (in the sections headed "Performance", "Dividends" and "Outlook") and in the Investment Manager's Review on pages 6 to 9 (in the sections headed "Background", "Performance", "Portfolio Activity", "Structure", "Income" and "Outlook").

The Board has agreed the parameters for gearing, which was 9.4% of net assets as at 30 June 2012 (2011 – 9.2%). The Manager's policies for managing these risks are summarised below and have been applied throughout the current and previous year. The numerical disclosures in the table listed below exclude short-term debtors and creditors.

#### Market risk

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

Market price risk arises mainly from uncertainty about future prices of financial instruments used in the Company's operations. It represents the potential loss the Company might suffer through holding market positions as a consequence of price movements. It is the Board's policy to hold equity investments in the portfolio in a broad spread of sectors in order to reduce the risk arising from factors specific to a particular sector. A summary of investment changes during the year under review is on page 16 and an analysis of the equity portfolio by industrial classification is on pages 14 and 15.

#### Interest rate risk

Interest rate movements may affect:

- the fair value of the investments in fixed interest rate securities;
- the level of income receivable on cash deposits;

- interest payable on the Company's variable rate borrowings.

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

### Financial assets

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

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

	Floating rate		Fixed rate		Non-interest bearing	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Euro	610	699	–	–	26,789	20,024
Sterling	19,160	4,751	–	2,002	392,431	430,325
Swedish Krona	–	16	–	–	4,199	4,052
Swiss Francs	97	34	–	–	19,936	10,310
US Dollar	–	15	–	–	–	–
<b>Total</b>	<b>19,867</b>	<b>5,515</b>	<b>–</b>	<b>2,002</b>	<b>443,355</b>	<b>464,711</b>

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

The interest bearing assets represent corporate bonds, amounting to £nil (2011 – £2,002,000). Their weighted average interest rate, based on current yield of the underlying equity, plus a fixed rate of interest on the nominal amount notes held, was nil% (2011 – 14.00%).

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

### Financial liabilities

The Company has borrowings by way of a loan facility, details of which are in note 11. The fair value of this loan has been calculated at £40,000,000 as at 30 June 2012 (2011 – £40,000,000). The fair value of the loan equates to the cost as the loans are rolled on a regular basis. All other financial assets and liabilities of the Company are included in the Balance Sheet at their book value which in the opinion of the Directors is not materially different from their fair value.

### Maturity profile

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

	Within 1 year 2012 £'000	Within 1 year 2011 £'000
<b>Assets</b>		
<b>Fixed rate</b>	–	–
<b>Floating rate</b>		
Cash	19,867	5,515

## Notes to the Financial Statements continued

	More than 5 years 2012 £'000	More than 5 years 2011 £'000
<b>Assets</b>		
<b>Fixed rate</b>		
Corporate Bonds	–	2,002
<b>Liabilities</b>		
<b>Floating rate</b>		
Revolving bank credit facility	40,000	40,000

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

### Interest rate sensitivity

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

If interest rates had been 100 basis points higher or lower and all other variables were held constant, the Company's profit before tax for the year ended 30 June 2012 and net assets would increase/decrease by £199,000 (2011 – increase/decrease by £55,000). This is mainly attributable to the Company's exposure to interest rates on its floating rate cash balances.

### Foreign currency risk

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

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

Foreign currency risk exposure by currency of denomination:

	30 June 2012			30 June 2011		
	Investments £'000	Net monetary assets £'000	Total currency exposure £'000	Investments £'000	Net monetary assets £'000	Total currency exposure £'000
Euro	26,789	610	27,399	20,024	699	20,723
Sterling	392,431	(20,840)	371,591	432,327	(35,249)	397,078
Swedish Krona	4,199	–	4,199	4,052	16	4,068
Swiss Francs	19,936	97	20,033	10,310	34	10,344
US Dollar	–	–	–	–	15	15
<b>Total</b>	<b>443,355</b>	<b>(20,133)</b>	<b>423,222</b>	<b>466,713</b>	<b>(34,485)</b>	<b>432,228</b>

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### Foreign currency sensitivity

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

### Other price risk

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

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

### Other price risk sensitivity

If market prices at the Balance Sheet date had been 10% higher or lower while all other variables remained constant, the return attributable to Ordinary shareholders and equity for the year ended 30 June 2012 would have increased/decreased by £44,336,000 (2011 – £46,671,000).

### Liquidity risk

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

As at 30 June 2012 the Company utilised £40,000,000 of a £70,000,000 (2011 – £40,000,000 of £60,000,000) revolving bank credit facility. Interest is charged at a variable rate based on LIBOR plus a margin of 1.15% (2011 – margin 1.30%) for the relevant period of the advance. As at 30 June 2012 this rate was 1.76600% (2011 – 1.92840%) and the loan rolled over on 31 July 2012 (2011 – matured on 11 July 2011). The aggregate of all future interest payments at the rate ruling at 30 June 2012 and the redemption of the loan amounted to £40,062,000 (2011 – £40,066,000).

### Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. This is mitigated by the Investment Manager reviewing the credit ratings of broker counterparties. The risk attached to dividend flows is mitigated by the Investment Manager's research of potential investee companies. The Company's custodian bank is responsible for the collection of income on behalf of the Company and its performance is reviewed by the Board on a regular basis. It is the Manager's policy to trade only with A- and above (Long Term rated) and A-1/P-1 (Short Term rated) counterparties. The maximum credit risk at 30 June 2012 is £22,626,000 (30 June 2011 – £10,422,000) consisting of £nil (2011 – £nil) equity linked notes, £nil (2011 – £2,002,000) corporate bonds, £2,759,000 (2011 – £2,905,000) of dividends receivable from equity shares and £19,867,000 in cash held (2011 – £5,515,000).

None of the Company's financial assets are past due or impaired (2011 – £nil).

### Capital management policies and procedures

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

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

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

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

## Notes to the Financial Statements continued

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

At the year end financial covenants contained within the loan agreement provide, inter alia, that the Adjusted Asset Coverage must exceed 3.50 to 1.00 and that the net assets must exceed £185 million. At 30 June 2012 net gearing was 9.4% (2011 – 9.2%) and the net assets were £425.5 million (2011 – £434.4 million).

### 18. Fair value hierarchy

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (ie as prices) or indirectly (ie derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

#### For the year ended 30 June 2012

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

#### For the year ended 30 June 2011

	Note	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Financial assets at fair value through profit or loss</b>					
Quoted equities	a)	464,711	–	–	464,711
Quoted bonds	b)	2,002	–	–	2,002
<b>Total</b>		<b>466,713</b>	<b>–</b>	<b>–</b>	<b>466,713</b>
<b>Financial liabilities at fair value through profit or loss</b>					
Derivatives	c)	(129)	(177)	–	(306)
<b>Net fair value</b>		<b>466,584</b>	<b>(177)</b>	<b>–</b>	<b>466,407</b>

#### a) Quoted equities

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

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**b) Quoted bonds**

The fair value of the Company's investments in corporate quoted bonds have been determined by reference to their quoted bid prices at the reporting date.

**c) Derivatives**

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

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

**19. Related party disclosure**

Aberdeen Asset Managers Limited ('AAM') received fees for its services as investment manager and for the provision of marketing services. Aberdeen Asset Management PLC, the ultimate parent company of AAM, received fees for the provision of secretarial services. Further details of these arrangements are provided in notes 3 and 4.

The Directors of the Company received fees for their services. Further details are provided in the Directors' Remuneration Report on pages 35 and 36. The Directors' shareholdings in the Company are disclosed on pages 20 to 22 and on page 26.

# How to Invest in Murray Income Trust PLC

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## Direct

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

## Aberdeen's Investment Plan for Children

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

## Aberdeen's Investment Trust Share Plan

AAM runs a Share Plan (the "Plan") through which shares in Murray Income Trust PLC can be purchased. There are no dealing charges on the initial purchase of shares, although investors will suffer the bid-offer spread, which can, on some occasions, be a significant amount. Lump sum investments start at £250, while regular savers may invest from £100 per month. Investors simply pay Government Stamp Duty (currently 0.5%) on entry. Selling costs are £10 + VAT. There is no restriction on how long an investor need invest in a Plan, and regular savers can stop or suspend participation by instructing AAM in writing at any time. In common with other schemes of this type, all investments are held in nominee accounts. Investors have full voting and other rights of share ownership.

## Aberdeen Investment Trust ISA

An investment of up to £11,280 in Murray Income Trust PLC can be made through the Aberdeen Investment Trust ISA in the tax year 2012/2013.

There are no brokerage or initial charges for the ISA, although investors will suffer the bid-offer spread, which can be a significant amount. Investors only pay Government Stamp Duty (currently 0.5%) on purchases. Selling costs are £15 + VAT. The annual ISA administration charge is £24 + VAT, calculated annually and deducted on 31 March (or the last

business day in March) either by direct debit or, if there is no valid direct debit mandate in place, from the available cash in the Plan prior to the distribution or reinvestment of any income, or, where there is insufficient cash in the Plan, from the sale of investments held in the Plan. Under current legislation, investments in ISAs can grow free of capital gains tax.

## ISA Transfer

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

## Note

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

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

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

## Literature Request Service

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

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

## Keeping You Informed

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

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

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## Contact Us

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

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

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

## Registrar

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

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

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

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

# Glossary of Terms and Definitions

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## **Actual Gearing**

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

## **Asset Cover**

The value of a company's net assets available to repay a certain security. Asset cover is usually expressed as a multiple and calculated by dividing the net assets available by the amount required to repay the specific security.

## **Call Option**

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

## **Put Option**

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

## **Discount**

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

## **Dividend Cover**

Earnings per share divided by dividends per share expressed as a ratio.

## **Dividend Yield**

The annual dividend expressed as a percentage of the share price.

## **Net Asset Value**

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

## **Potential Gearing**

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

## **Premium**

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

## **Price/Earnings Ratio**

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

## **Prior Charges**

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

## **Total Assets**

Total Assets less current liabilities (before deducting prior charges as defined above).

## **Total Expense Ratio**

Ratio of expenses as percentage of average shareholders' funds calculated as per the industry standard Lipper Fitzrovia method.

## **Total Return**

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

## **Winding-up Date**

The date specified in the Articles of Association for winding-up a company.

# Notice of Annual General Meeting

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NOTICE IS HEREBY GIVEN that the eighty-ninth Annual General Meeting of Murray Income Trust PLC will be held at 12.30 pm on Tuesday 23 October 2012 in the Strathclyde Suite, Glasgow Royal Concert Hall, 2 Sauchiehall Street, Glasgow, G2 3NY for the purpose of considering and if thought fit passing the following resolutions, of which Resolutions 1 to 12 inclusive will be proposed as Ordinary Resolutions and Resolutions 13 and 14 will be proposed as Special Resolutions :-

1. To receive the Directors' Report, the Report of the Auditor and the audited statement of accounts for the year ended 30 June 2012.
2. To approve the Directors' Remuneration Report for the year ended 30 June 2012.
3. To declare a final dividend of 13.25p per Ordinary share.
4. To elect Ms J Park\* as a Director of the Company.
5. To elect Mr D Cameron\* as a Director of the Company.
6. To re-elect Mr P Gifford\* as a Director of the Company.
7. To re-elect Mr H van der Klugt\* as a Director of the Company.
8. To re-elect Mr N Honebon\* as a Director of the Company.
9. To re-elect Mr D Woods\* as a Director of the Company.
10. To re-appoint Ernst & Young LLP as auditor of the Company.
11. To authorise the Directors to fix the remuneration of Ernst & Young LLP as auditor of the Company.

12. Authority to allot shares

THAT, in substitution of all existing powers, the Directors be and are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot Ordinary shares of 25p each in the capital of the Company ("shares") up to an aggregate nominal amount of £818,743 (representing 5 per cent. of the total Ordinary shares in issue on 11 September 2012 (excluding treasury shares)) during the period expiring on the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or on 31 December 2013, whichever is the earlier, but so that this authority shall allow the Company to make offers or agreements before the expiry of this authority which would or might require shares to be allotted after such expiry and the Directors shall be entitled to allot shares in pursuance of such an offer or agreement as if such authority had not expired.

13. Disapplication of pre-emption rights

THAT, subject to the passing of Resolution 12 proposed at the Annual General Meeting of the Company convened for 23 October 2012, and in substitution for all existing powers, the Directors be and are hereby empowered, pursuant to Section 570 of the Companies Act 2006 (the "Act"), to allot equity securities (as defined in Section 560(1) of the Act) for cash pursuant to the authority given in accordance with Section 551 of the Act by Resolution 12 or otherwise as if Section 561 of the Act did not apply to any such allotment and to sell or transfer equity securities if, immediately before the sale or transfer, such equity securities are held by the Company as treasury shares (as defined in Section 724(5) of the Act) as if Section 561 of the Act did not apply to any such sale or transfer, provided that this power:

- a) expires at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or on 31 December 2013, whichever is the earlier, but so that this power shall enable the Company to make offers or agreements which would or might require equity securities to be allotted or treasury shares to be sold or transferred after the expiry of this power and the Directors may allot equity securities or sell or transfer treasury shares in pursuance of any such offers or agreements as if this power had not expired;
- b) shall be limited to the allotment of equity securities up to an aggregate nominal amount of £818,743 (representing 5 per cent. of the total Ordinary shares in issue on 11 September 2012, excluding treasury shares) and the sale or transfer of treasury shares up to an aggregate nominal amount of £1,637,486 (representing 10 per cent of the total Ordinary shares in issue on 11 September 2012, excluding treasury shares); and
- c) shall be limited to the allotment of equity securities in the circumstances detailed in the section headed "Issue of New Shares and Sale of Treasury Shares" in the Directors' Report on page 25 of the Annual Report of the Company for the year ended 30 June 2012 and at a price not less than 0.5 per cent. above the net asset value per share (as determined by the Directors and excluding treasury shares).

# Notice of Annual General Meeting continued

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## 14. Authority to make market purchases of shares

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

### PROVIDED ALWAYS THAT:

- a) the maximum number of shares hereby authorised to be purchased shall be an aggregate of 9,818,368 Ordinary shares or, if less, the number representing 14.99 per cent. of the total Ordinary shares in issue as at the date of passing this resolution (excluding treasury shares);
- b) the minimum price which may be paid for each share shall be 25p;
- c) the maximum price (exclusive of expenses) which may be paid for a share is the higher of (i) 5 per cent. above the average of the middle market quotations for a share taken from, and calculated by reference to, the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the share is purchased; or, in the case of a tender offer, the date the tender offer is announced; and (ii) the higher of the price of the last independent trade and the highest current independent bid on the London Stock Exchange at the time the purchase is carried out;
- d) any purchase of shares shall be made in the market for cash at prices below the prevailing net asset value per share (as determined by the Directors);
- e) the authority hereby conferred shall expire on 31 December 2013 or, if earlier, at the conclusion of the next Annual General Meeting of the Company unless such authority is previously varied, revoked or renewed prior to such time;
- f) the Company may enter into a contract to purchase shares under the authority hereby conferred prior to the expiry of such authority and may purchase shares pursuant to any such contract notwithstanding such expiry above; and
- g) any shares so purchased shall be cancelled or, if the Directors so determine and subject to the provisions of the Act and any applicable regulations of the United Kingdom Listing Authority, be held or otherwise dealt with as permitted by the Act as treasury shares.

\* The biographies of the Directors offering themselves for election or re-election are detailed on pages 20 to 22 of the Annual Report.

By order of the Board

**Aberdeen Asset Management PLC**

Secretary

Bow Bells House

1 Bread Street

London, EC4M 9HH

11 September 2012

## Notes:

- (i) A member entitled to attend and vote is entitled to appoint one or more proxies to attend, speak and vote instead of him/her at the meeting. A proxy need not be a member of the Company. A member may appoint more than one proxy, provided that each proxy is appointed to attend, speak and vote in respect of a different share or shares. If you wish your proxy to speak on your behalf at the meeting, you will need to appoint your own choice of proxy (not the chairman of the meeting) and give instructions directly to them. A reply-paid form of proxy which may be used to make such appointment and give proxy instructions is enclosed. If you do not have a proxy form and believe that you should, or you would like to appoint more than one proxy, please contact the Company's Registrar, Capita Registrars, on 0871 664 0300. In the case of joint holders, the vote of the first named in the register of members of the Company who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of other joint holders.
- (ii) Forms of proxy and the power of attorney or other authority, if any, under which they are signed or a notarially certified copy of that power of attorney or authority should be sent to the Company's Registrar, Capita Registrars, The Registry, 34 Beckenham Road, Kent BR3 4TU, so as to arrive not less than 48 hours (excluding non-working days) before the time fixed for the meeting. You may only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.

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- (iii) The return of a completed proxy form or other instrument of proxy will not prevent you attending the meeting and voting in person if you wish. If you wish to attend the meeting in person, a register of attendees will be available for signature at the meeting.
- (iv) In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001 and Section 311 of the Companies Act 2006, to have the right to attend and vote at the meeting referred to above a member must first have his or her name entered in the Company's register of members by not later than 48 hours (excluding non-working days) before the time fixed for the meeting (or in the event that the meeting be adjourned on the register of members 48 hours (excluding non-working days) before the time of the adjourned meeting). Changes to entries on that register after that time (or, in the event that the meeting is adjourned, on the register of members less than 48 hours (excluding non-working days) before the time of any adjourned meeting) shall be disregarded in determining the rights of any member to attend and vote at the meeting referred to above.
- (v) CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual and by logging on to the website [www.euroclear.com/CREST](http://www.euroclear.com/CREST). CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
- (vi) In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's Registrar (ID RA10) no later than 48 hours (excluding non-working days) before the time of the meeting or any adjournment. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the Company's Registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
- (vii) CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
- (viii) The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
- (ix) Any person holding 3% of the total voting rights in the Company who appoints a person other than the Chairman as his or her proxy(ies) will need to ensure that both he or she and such proxy(ies) comply with their respective disclosure obligations under the UK Disclosure and Transparency Rules.
- (x) A person to whom this notice is sent who is a person nominated under Section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights. The statements of the rights of members in relation to the appointment of proxies in notes (i) and (ii) above do not apply to a Nominated Person. The rights described in those notes can only be exercised by registered members of the Company.
- (xi) The members of the Company may require the Company, without payment, to publish, on its website, a statement (which is also to be passed to the auditor) setting out any matter relating to the audit of the Company's accounts, including the Auditor's Report and the conduct of the audit, which they intend to raise at the next meeting of the Company. The Company will be required to do so once it has received such requests from either (i) members representing at least 5% of the total voting rights of the Company or (ii) at least 100 members who have a relevant right to vote and hold shares in the Company on which there has been paid up an average sum per member of at least £100. Such requests must be made in writing and must state your full name and address, and be sent to: The Company Secretary, Murray Income Trust PLC, 40 Princes Street, Edinburgh EH2 2BY.

## Notice of Annual General Meeting continued

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- (xii) No Director has a service contract with the Company. Copies of the Directors' letters of appointment are available for inspection on any day (except Saturdays, Sundays and bank holidays) from the date of this notice until the date of the meeting during usual business hours at the Company's registered office and for 15 minutes prior to, and at, the meeting.
- (xiii) Information regarding the Annual General Meeting, including information required by section 311A of the Companies Act 2006, is available from the Company's website, [murray-income.co.uk](http://murray-income.co.uk).
- (xiv) Under Section 319A of the Companies Act 2006, the Company must answer any question relating to the business being dealt with at the meeting put by a member attending the meeting unless:
  - a) answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;
  - b) the answer has already been given on a website in the form of an answer to a question; or
  - c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
- (xv) Shareholders are advised that, unless otherwise stated, any telephone number, website or e-mail address which may be set out in this notice of Annual General Meeting or in any related documents (including the proxy form) is not to be used for the purposes of serving information or documents on, or otherwise communicating with, the Company for any purposes other than those expressly stated.
- (xvi) As at 11 September 2012, the latest practicable date prior to publication of this document, the Company had 65,499,458 Ordinary shares in issue with a total of 65,499,458 voting rights.

# Corporate Information

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## Directors

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

## Registered Office

40 Princes Street  
Edinburgh EH2 2BY  
Registered in Scotland – Company Number SC012725

## Points of Contact

### Manager

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

### Secretary

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

## Registrar

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

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

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

## Custodian Bankers

JPMorgan Chase Bank

## Auditor

Ernst & Young LLP

## Solicitors

Dickson Minto W.S.

## Stockbroker

Canaccord Genuity

## Website

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

# Share Capital History

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## Issued Share Capital at 30 June 2012

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65,499,458	Ordinary shares of 25p
917,000	Ordinary shares held in treasury

## Issued Share Capital at 11 September 2012

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65,499,458	Ordinary shares of 25p
917,000	Ordinary shares held in treasury

## Recent Capital History

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17 April 2012	150,000 Ordinary shares issued by the Company from treasury
9 March 2012	360,000 Ordinary shares issued by the Company from treasury
24 February 2012	300,000 Ordinary shares issued by the Company from treasury



