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## Murray Income Trust PLC

Annual Report and Accounts

30 June 2010



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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.

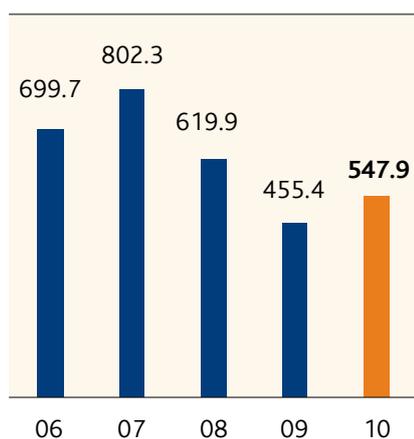
## Financial Highlights

	2010	2009
Net asset value per Ordinary share total return	<b>+26.4%</b>	-22.1%
Share price total return	<b>+27.2%</b>	-14.0%
Benchmark total return	<b>+21.1%</b>	-20.5%
Dividend per share <sup>A</sup>	<b>28.00p</b>	27.75p

<sup>A</sup> Final dividend of 11.50p per Ordinary share is subject to shareholder approval at the Annual General Meeting.

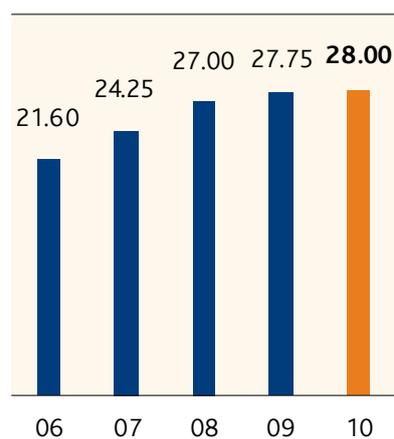
### Net Asset Value per Ordinary share

At 30 June – pence



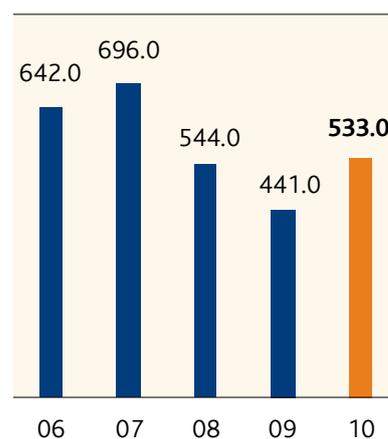
### Dividends per share

pence



### Mid-market price per share

At 30 June – pence



## Financial Calendar

<b>26 October 2010</b>	Annual General Meeting
<b>27 October 2010</b>	Payment of proposed final dividend for 2010
<b>17 December 2010, 11 March and 10 June 2011</b>	Record date for interim dividends for 2011
<b>14 January, 15 April and 15 July 2011</b>	Payment of interim dividends for 2011
<b>February 2011</b>	Half yearly results announcement
<b>September 2011</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 (formerly Section 842 of the Income and Corporation Taxes Act 1988) 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"). 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 page 14 and 15, and its analysis on page 16. At the year end the Company's portfolio consisted of 44 holdings (including four fixed-interest securities).

## Capital Structure

The Company's issued share capital as at 30 June 2010 consisted of 64,689,458 Ordinary shares of 25p and 1,727,000 Ordinary shares held in treasury. At 15 September 2010, these numbers were unchanged.

## Total Assets and Net Asset Value

At 30 June 2010, the Company had Total Assets (see definition on page 55) of £389.4m and a Net Asset Value per Ordinary share of 547.9p.

## Borrowings

The borrowings at 30 June 2010 of £35 million represent 9.9% of Net Assets. Borrowing facilities of £45 million are committed to the Company until 6 October 2010. Financial covenants contained within the loan agreement provide, inter alia, that borrowings shall at no time exceed 25% of

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Net Assets, and that the Net Assets must exceed £225 million. The Net Assets were £354.4 million at 30 June 2010. If any of the financial covenants are breached, the lender is entitled, following the serving of notice to the Company, to declare the loans and all accrued interest, fees and other sums owed under the agreements to be immediately due and repayable. Please refer also to the statement of Going Concern on pages 25 and 26.

### Duration

The Company does not have a fixed life.

### Risk

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

### Share Dealing

Shares in 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 53).

### Management Agreement

The Company has an agreement with Aberdeen Asset Managers Limited, a wholly-owned subsidiary of Aberdeen Asset Management PLC, for the provision of investment management and other services for a fee, as detailed in the Directors' Report on page 25 and in note 3 on page 43.

### 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)

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# Chairman's Statement

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**Patrick Gifford**  
Chairman

## Highlights

- **Total Dividend increased by 0.9% to 28.00p**
- **Net Asset Value Total Return +26.4%**
- **Share Price Total Return + 27.2%**

## Performance

The capital performance of your Company has been good over the year, despite a fall in the second half of the year. The Net Asset Value total return was 26.4%, which compares well with the return on the benchmark FTSE All-Share Index of 21.1%. In the second half of the year, these returns were -3.8% and -6.2% respectively. There is some consolation in the fact that relative performance actually improved in the more difficult later period, and that the share price actually rose by 3.6% on a total return basis as the discount narrowed. The income account, which is discussed in more detail below, showed a fall of 9.6% in earnings per share. Your Managers have been careful not to chase high income at the expense of capital because growth of the capital base is the only secure way by which we can ultimately maintain and grow our dividends over time.

The decline in the second half seems to have been due to the realisation that, although the apocalyptic concerns of early 2009 had largely been dealt with, there were still some serious problems to address, stemming from the fact that, although the debt burden had mostly been moved into stronger hands, it was still causing significant strains, whether at the corporate level, as with Dubai World, or the national level, as with Greece.

The last year has seen a gradual return towards normality in both the world and the UK economy. By no means has a stable environment yet been reached, but there has been a return to growth and significant progress in dealing with the major imbalances which lie behind the dislocations of 2007-9. From its low point in the winter of 2008-9, in nominal terms, the world economy is estimated to have grown by around 6% and stands at a new peak. In contrast, the UK economy has performed less well and, according to the latest data, despite recovering from its low point, is still approximately 4.5% below its previous high. Unsurprisingly, growth has been strongest in those countries for whom over-indebtedness was not a problem and weakest in those where this problem was most acute and has required most effort to rectify. The UK, unfortunately, is in the latter category. The policy response has been largely sensible, so that exceptionally low real and nominal interest rates have enabled household and corporate borrowers to improve their balance sheets, while demand has been sustained by a weak currency and government expenditure, at least until now. Meantime the financial sector, which was at the centre of the storm has, however controversially, returned closer to health and should be in a position to finance growth if required to do so. Over the last year, it has been unclear whether the contraction in private-sector lending that has taken place has been because of weakness of supply or demand. Both have probably had an effect, but this state of affairs should gradually reverse.

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The quoted corporate sector has performed well over the year. Earnings have risen by 14% and balance sheets are generally healthy. Some of this is due to recovery, some to continued cost-cutting and some to the strength of international end-markets of most major quoted companies in the UK. A similar situation exists in other countries, so that the pain of the recession has primarily been felt at the household level.

## Dividends

Your Board is very conscious that one of the most important features of Murray Income Trust is its ability to deliver a relatively high and rising dividend income to shareholders. The last year has seen the impact of the 2008-9 recession in dividends declared by UK companies in full force so that dividend income on the FTSE All-Share Index fell by 8% over the year, compared to a fall in the prior year, which encompassed the recession in real time, of 6%. We have taken advantage of attractive option pricing due to high volatility to earn more income from the sale of options and the VAT rebate has also been beneficial. Nevertheless, we have used part of our substantial revenue reserves to propose a final dividend of 11.50 pence which will imply a small increase in the dividend for the year of 0.9%. The trading experience of the companies in our portfolio has improved and we are now seeing dividend increases again. On present projections, we believe that, given stable economic conditions, we will be able steadily to rebuild dividend cover while at least maintaining the current level of dividend.

The importance of maintaining reserves has been highlighted by the experience of the last two years and we are concerned that one aspect of the government's proposals for the updating of the tax rules for investment trusts, which we broadly welcome, might restrict our ability to retain income for use in circumstances like the present. We and the Association of Investment Companies are making representations on this subject.

## VAT on Management Fees

During the year, the Company received repayment of £818,000, representing an estimate of VAT charged on our investment management fees between 2001 to 2003. In accordance with the Company's accounting policy, this sum has been credited 50% to revenue and 50% to capital. In due course, we expect to be able to recognise further sums, once there is greater certainty over the amounts recoverable by the Manager in respect of the VAT incurred on management fees for the period 1990 to 1996, and interest for that period and the periods 2001 to 2003, and 2004 to 2007.

## Board Changes

As shareholders will be aware from the Interim Board Report in the last Half-Yearly Report, David Woods was elected a Director at the last Annual General Meeting of the Company,

held on 27 October 2009. Adrian Coats retired from the Board at the conclusion of the AGM, and was succeeded in his roles as Senior Independent Director and Chairman of the Audit Committee by Humphrey van der Klugt.

## Annual General Meeting

The Annual General Meeting will be held at the Capital Suite, The Chamber of Commerce, 33 Queen Street, London EC4R 1AP on Tuesday, 26 October 2010 at 12.30 p.m. The Notice of Annual General Meeting is on pages 56 to 59. It is the Board's intention to hold the 2011 Annual General Meeting in Glasgow.

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

It is clear from even a cursory glance at the media that there is a great deal of uncertainty about the economic outlook, both worldwide and, more specifically, in the UK. The over-indebtedness of the US and a number of European countries, including the UK, continues to act as a drag on economic growth. We now have a government that is keener than its predecessor on ideological grounds to cut back government debt. The problem it faces is the risk that this ideology may cause it to cut back spending faster than is pragmatically desirable, and therefore risk a slip back into a recession. Even if this happens, it is unlikely to be as severe as the experience of 2008-9 because there has not been the build up of debt or enthusiastic spending. Longer term, for the government's policy to work, it needs to engineer a shift from taxation as a source of funding for investment towards a higher rate of saving. It is not clear whether society is yet prepared for this.

The companies in which we invest are typically high-quality with strong balance sheets, relatively less cyclical businesses and a high level of international diversification. Although such companies are not immune to economic cycles, their characteristics should provide protection. Our access to them has been helped by the changes to the investment policy that now allows some investment in overseas companies. The above characteristics of these companies in the UK and overseas should enable them to perform relatively well in what seems most likely to be a dull period for economic growth. It is also some comfort that they are not expensive on an average P/E multiple of 11.5x with an average dividend yield of 4.1%, which compares very well with insignificant interest rates on cash, a redemption yield of 3.3% on ten-year gilts and a real yield of just over 1% on index-linked gilts. We are therefore optimistic that our portfolio will give good real returns against comparable assets, even in these uncertain times.

## Patrick Gifford

Chairman  
15 September 2010

# Manager's Review

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## Background

The UK equity market performed very strongly during the year to the end of June 2010, despite a still fragile domestic economic climate. The FTSE All-Share Index rose by 21.1%, largely recouping the fall of 20.5% experienced in the prior year. The first half of the period was characterised by particularly high returns as improving global economic conditions, robust company results and easing credit markets buoyed the market against a backdrop of low expectations. Some of these gains were relinquished in the second half, as investors' attention shifted to the strength and stability of governments' balance sheets and the recognition that the hurdles facing the global economy still remained significant.

From an economic growth perspective, the financial year started poorly for the UK as the recession extended into a sixth quarter; a disappointing performance bearing in mind the weakness of sterling and improving external demand. The UK emerged, but only just, from recession during the final quarter of 2009. However, the underlying pace of growth has subsequently improved with initial estimates of second quarter 2010 real GDP growth of 1.1%. Inflation, having fallen to 1.1% in September, reached a high point of 3.7% in April, as measured by the CPI, before gradually falling back over the final months of the year. The high levels of spare capacity in the economy have assuaged the MPC's immediate concerns and, as a result, interest rates remained unchanged throughout the year at 0.5%. The MPC extended the asset purchase programme just once in November, to £200bn. Over the longer term, inflation prospects in the UK (and hence the movement of interest rates) remain delicately balanced between, on the one hand, the requirement for fiscal consolidation and the elevated level of spare capacity, and, on the other hand, the effect of monetary stimulus coupled with weak sterling.

Although lending to households and companies has generally remained weak, the improving economic environment has shown up in higher house prices and greater consumer confidence. This is partly because unemployment has risen less than expected, compared to previous recessions. The new coalition government has been quick to demonstrate its willingness to focus on the deficit, with an emergency budget shortly after the election. To the extent that this is likely to herald a more painful period of adjustment, it is also necessary to place the economy on a more stable longer-term footing.

Economic growth outside the UK, although uneven, was generally stronger than expected, particularly over the second half of 2009, and this provided positive momentum to equity markets. Despite some concerns about the sustainability of growth towards the end of the year, both the United States and Chinese economies have performed strongly, aided by government stimulus and the reversal of

the stock cycle. In the euro area, with the notable exception of Germany, evidence of a durable recovery has been weaker. Concerns over Greece resulted in a comprehensive package of support by the EU, IMF and ECB, but not before the market had taken fright at the potential for sovereign debt risk to extend to Spain and Portugal as well. These worries provided the catalyst for an acceleration of fiscal consolidation and additional measures to reduce government deficits. That suggests, in the shorter term, a deteriorating economic picture in those states most affected.

Two noteworthy aspects of the year have been the strengthening of company balance sheets and the return of corporate activity. Following the transfer of debt from the private sector to the public sector, indebted governments may well now look enviously at the healthy balance sheets of the corporate sector. The temptation to create taxes or regulations to transfer part of that economic benefit to the state may be difficult to resist. Corporate activity has returned as managements become confident enough in the outlook to start buying other businesses. The Company benefited from the approach by Deutsche Bahn for Arriva and, while the Prudential offer for AIA was rejected by its own shareholders, our holdings of Weir Group, Unilever and Pearson have all acquired new businesses.

## Performance

The Company generated a positive net asset value per share total return of 26.4% in the year to 30 June 2010, compared to a rise in the FTSE All-Share Index of 21.1%, an encouraging result on an absolute and relative basis. On a total return basis, the Company's share price increased by 27.2%, which reflected a narrowing of the discount to Net Asset Value at which the shares traded over the year.

On a gross assets basis, the portfolio outperformed the benchmark, with the gearing effect adding to this outperformance on a net assets basis. During the year, the Company maintained its borrowings at £35m, although the level of actual gearing tended to be lower, given the policy of holding cash to cover potential put option assignments.

As the economic environment improved, investors' appetite for risk increased commensurately, with those companies which are exposed to higher rates of global growth performing particularly strongly. As a consequence, across the market, the Engineering, Mining and General Industrials sectors outperformed significantly. In contrast, the majority of the more defensive areas, such as Pharmaceuticals, Food Retailers and Utilities, underperformed. The Oil & Gas sector performed very poorly, generating a negative total return, due mostly to the widely-reported fall in the share price of BP during the final quarter of the year.

From a size perspective, both the Small and Mid Cap Indices outperformed the FTSE 100 Index, a function of increasing risk appetite as the prospects for recovery improved, and also the underperformance of BP towards the end of the year.

The Company benefited, in asset allocation terms, from its underweight position in Oil & Gas and overweight positions in Consumer Goods and Industrials. Stock selection in Consumer Services was noteworthy, with the performances of Whitbread, Arriva, Millennium & Copthorne and Daily Mail particularly strong. Over the year, Arriva provided the largest contribution to relative return due to the takeover approach from Deutsche Bahn.

Although our underweight position in BP has benefited relative performance, the events in the Gulf of Mexico have destroyed significant value in the company. We have monitored events extremely closely and, although our central thesis is that the market had over-reacted, we have taken no action; we have been unwilling to commit fresh capital to the company given the potential uncertainty over future dividend payments.

There were a number of holdings that detracted from relative performance. Most notably, National Grid's rights issue, coupled with concerns over its operations in the US, resulted in relative weakness over the year.

In the Financials sector, we benefited from being underweight in banks given our concerns regarding the opacity of regulation, capital requirements and asset quality, coupled with the miserly dividends available. However, this benefit was only partly able to offset poor performances from Aviva and Resolution in the life insurance area. Aviva performed poorly due to concerns over its exposure to sovereign debt, as did Resolution, due to its business model. Furthermore, our underweight position in Mining was the most significant detractor from 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.

## Performance Attribution for the year to 30 June 2010

	<b>2010</b>
	<b>%</b>
Net asset value total return for year per Ordinary share	26.4
FTSE All-Share Index total return	21.1
<b>Relative return</b>	<b>5.3</b>

<b>Stock selection (equities)</b>	<b>%</b>
Oil & Gas	(1.2)
Basic Materials	(0.1)
Industrials	1.0
Consumer Goods	(0.7)
Health Care	(0.1)
Consumer Services	3.3
Telecommunications	0.1
Utilities	0.3
Technology	–
Financials	(0.1)
<b>Total stock selection (equities)</b>	<b>2.5</b>
<b>Asset allocation (equities)</b>	
Oil & Gas	2.0
Basic Materials	(1.3)
Industrials	0.5
Consumer Goods	0.3
Health Care	(0.1)
Consumer Services	0.3
Telecommunications	–
Utilities	0.3
Technology	(0.2)
Financials	(0.2)
<b>Total asset allocation (equities)</b>	<b>1.6</b>
<b>Non-equity Investments &amp; Options</b>	<b>0.1</b>
<b>Gearing/cash effect</b>	<b>2.0</b>
<b>Management fees &amp; other expenses</b>	<b>(0.7)</b>
<b>Residual effect</b>	<b>(0.2)</b>
<b>Total</b>	<b>5.3</b>

Sources : Aberdeen Asset Management, The Bank of New York 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. Non–equity Investments & 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.

## Portfolio Activity and Structure

Over the year, the most significant activity within the portfolio has been with the dual aims of, firstly, adding to high-quality holdings, which we believe will be able to prosper in an environment where economic growth may be muted and the prospect of future shocks remain a possibility and, secondly, where possible, of improving the income-generating capability of the portfolio.

We sold five holdings over the year: BT; Ladbrokes; Tomkins; Resolution; and Arriva. BT had disappointed the market due to the poor performance of its global services division and concerns over the scale of the company's pension deficit. As management executed their turnaround strategy in global services, and, with the recovery in markets assuaging fears over the pension deficit, we took advantage of a recovery in the share price to sell our holding.

Ladbrokes had been beset by concerns over the cyclical nature of the business, internet competition and the company's stretched balance sheet. Although it was a painful decision to sell, it turned out to be well-timed, with the company announcing a rights issue and dividend cut shortly after our sale of the shares.

Tomkins' end markets over the past couple of years have been very difficult with exposure to both the global auto industry and US construction. In response, the management team had undertaken a significant restructuring of the business. As the share price recovered and, mindful that the company had reduced its dividend payout, we sold our holding. We also sold our holding in Resolution, having reappraised the company from a quality perspective. We were concerned about the long payback periods in the industry, and the necessity for the company to buy other life assurance businesses in order to fulfil its consolidation strategy. In addition, we believed that future dividend payments were a secondary priority for the company. One of our core holdings, Arriva, was the subject of a takeover bid from Deutsche Bahn. Following shareholder acceptance of the bid, we disposed of our holding. However, as there is still significant scope for the company to continue to grow in Europe, we felt a little disappointed to be giving up our exposure, given the attractive longer-term potential.

Over the course of the year we introduced four new companies: Wood Group; Sage; ENI; and Roche. Wood Group is an attractively-valued oil services company with exposure to high-growth areas. The exposure that the company provides dovetails with our thesis that services companies are an attractive means of benefiting from the increased expenditure that oil companies will be required to lay out as the exploration, development and production of oil becomes more complicated and difficult.

Sage, the accountancy software company, offers an attractive mix of defensive earnings growth, underpinned by high levels of recurring revenues and high-touch customer relationships. Given its strong cashflow characteristics, we believe it has the scope to increase its dividend payments significantly.

The widening of the investment policy allowed us to introduce our first two non-UK companies. Both were chosen

for their ability to diversify risk in concentrated sectors and improve the quality of the portfolio, as well as enhance the revenue account. ENI, the Italian oil company, has attractive upstream growth characteristics, a low valuation and a generous yield. Roche offers pharmaceutical exposure with a strong early stage pipeline, and without the significant 'patent cliff' that characterises many other pharmaceutical companies.

As in previous years, we continued to add to high-quality holdings, including Centrica, Tesco and Pearson. In contrast, following significant outperformance, we reduced the holdings in Daily Mail, Millennium & Copthorne, GKN and Mothercare.

From an income-oriented perspective, we purchased reverse convertibles in both Unilever and GlaxoSmithKline, while rolling forward our BP reverse convertible for another year. We also increased the rate of put and call writing, taking advantage of attractive option pricing, with the aim of smoothing the contours of the holdings and increasing the income generated. This was done with the objective of reducing those companies that had performed particularly well, while adding to holdings that further improved the quality of the portfolio.

The actions above have marginally altered the sector positioning of the Company. The weighting in the Oil & Gas sector has reduced slightly over the year, as the addition of Wood Group and ENI failed to offset the fall in BP. The exposure to the Healthcare sector has reduced given the weak relative performance of the sector despite the addition of Roche. Following the sale of Arriva and profit-taking in the sector, the weight in Consumer Services has decreased. The weight in Telecoms has fallen due to the sale of BT.

### Income

For the financial year ended 30 June 2010, the Company has witnessed a fall in the level of income generated, with the revenue return per share declining from 28.1p to 25.4p, or by 9.6%. The increase in option income, together with the depreciation of Sterling over the year, has helped to cushion the impact of lower income compared to the previous year. We continue to keep a very close watch on the revenue account, but we remain relatively comfortable with the income characteristics of the underlying portfolio and the capability to rebuild dividend cover over time.

Aside from the issues at BP, the outlook for income has generally improved over the year as the operational backdrop has changed for the better and interest rates remain low. It is worth noting that market dividends, in aggregate, are expected to increase by 10% and 15% in the financial years 2011 and 2012 respectively. Of our holdings, at the year end, only Persimmon, GKN and BP did not pay dividends.

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Subsequently, Persimmon and GKN have returned to the dividend list, and BP is likely to recommence paying dividends in 2011.

## Outlook

At the time of writing, the market has recovered from the lows at the end of June 2010. We take comfort that equity market valuations are neither expensive relatively nor absolutely, but, on a fundamental basis, we still believe that the path to sustainable economic growth remains challenging, and the outlook uncertain. Many risks still exist; de-leveraging in the West is likely to be a painful process, there are still significant imbalances in the global economy, central banks have only just started to unwind monetary support mechanisms, unemployment provides an incentive for protectionism and unrest, and the regulatory change agenda may result in unintended consequences. However, although growth is weaker than we might like, the portfolio retains exposure to good-quality companies. It seems likely that markets will remain volatile as investors over-react to both good and bad news, and, where valuation opportunities present themselves, we will add to our holdings which we believe have robust financial characteristics and strong business models. We continue to believe that these company attributes are the best way to ensure good long-term performance and dividend growth.

**Charles Luke & Anne Richards**  
Aberdeen Asset Managers Limited  
Investment Manager  
15 September 2010

# Results

## Financial Highlights

	30 June 2010	30 June 2009	% change
Total assets (£'000)	389,425	329,570	+18.2
Equity shareholders' interest (£'000)	354,425	294,570	+20.3
Net asset value per Ordinary share	547.9p	455.4p	+20.3
Share price of Ordinary share (mid)	533.0p	441.0p	+20.9
Discount to net asset value on Ordinary shares	2.7%	3.2%	
<b>Gearing (ratio of borrowing to shareholders' funds)</b>			
Actual gearing ratio (see definition on page 55)	-0.6%	6.7%	
Potential gearing ratio (see definition on page 55)	9.9%	11.9%	
<b>Dividends and earnings</b>			
Revenue return per share	25.4p	28.1p	-9.6
Dividends per share <sup>A</sup>	28.00p	27.75p	+0.9
Dividend cover	0.91 times	1.01 times	
Revenue reserves (£'000) <sup>B</sup>	24,794	26,300	
<b>Operating costs</b>			
Total expense ratio	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 43).

<sup>B</sup> The revenue reserve figure does not take account of the proposed third interim and final dividends amounting to £3,558,000 and £7,439,000 respectively (2009 – third interim and final dividends amounting to £3,558,000 and £7,278,000 respectively).

## Performance (total return)

	1 year return %	3 year return %	5 year return %
Share price	+27.2	-11.2	+20.9
Net asset value per Ordinary share	+26.4	-21.3	+11.2

Source: Aberdeen Asset Management/Fundamental Data

## Dividends

	Rate	xd date	Record date	Payment date
1st interim 2010	5.50p	16 December 2009	18 December 2009	15 January 2010
2nd interim 2010	5.50p	3 March 2010	5 March 2010	1 April 2010
3rd interim 2010	5.50p	9 June 2010	11 June 2010	16 July 2010
Proposed final 2010	11.50p	22 September 2010	24 September 2010	27 October 2010
<b>Total dividends 2010</b>	<b>28.00p</b>			

## Ten Year Financial Record

Year end 30 June	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Revenue (£'000)	16,808	15,384	16,041	16,827	16,533	17,237	19,251	22,390	19,790	18,257
<b>Per Ordinary share (p)</b>										
Net revenue return	17.4	18.0	18.7	19.6	20.0	21.8	24.7	29.3	28.1	25.4
Dividends	16.20	17.00	17.75	18.25	19.15	21.60	24.25	27.00	27.75	28.00
Net asset value per Ordinary / B Ordinary share <sup>A</sup>	611.9	541.3	433.8	496.2	603.3	699.7	802.3	619.9	455.4	547.9
Shareholders' funds (£'000)	435,145	380,035	304,529	345,138	404,601	456,714	522,617	400,536	294,570	354,425

<sup>A</sup> All B Ordinary shares were converted to Ordinary shares during the year ended 30 June 2002.

Total revenue returns per Ordinary share have been based on the average number of Ordinary shares in issue during each year (see note 8 on page 44).

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

The 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').

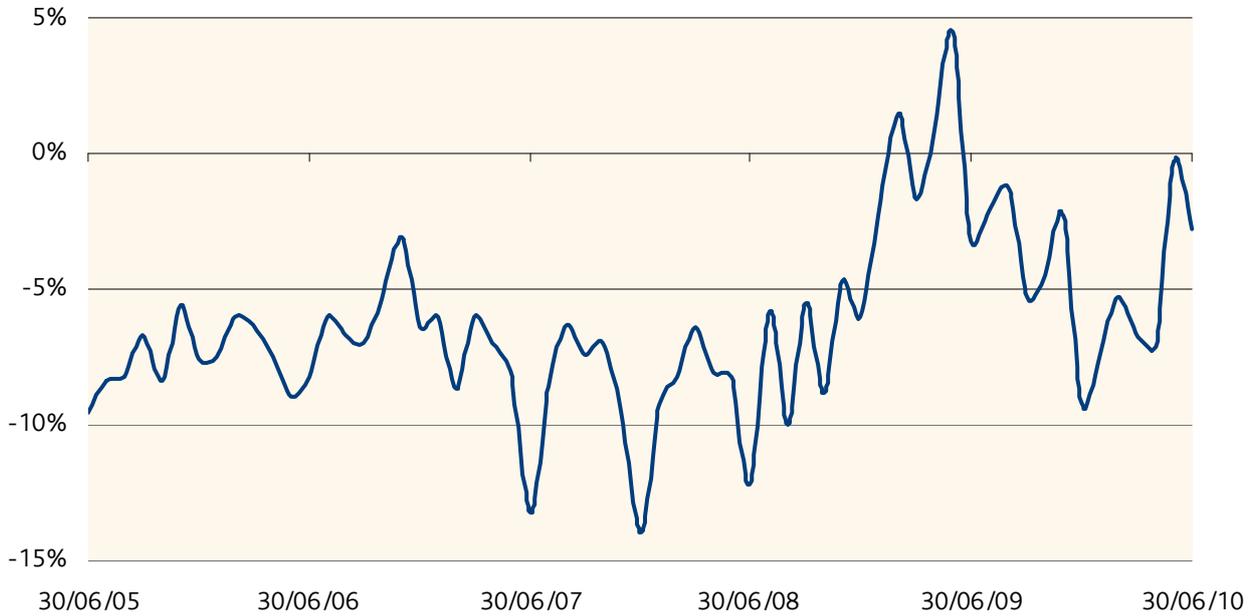
The figures for dividends reflect the dividends for the years in which they were earned.

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 2010



Source: Morningstar

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

Five years to 30 June 2010 (rebased to 100 at 30 June 2005)



Source: Morningstar & Factset

# Investment Portfolio – Twenty Largest Investments

As at 30 June 2010

Investment	Valuation 2010 £'000	Total assets %	Valuation 2009 £'000
<b>1 (8) 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.	19,582	5.0	12,510
<b>2 (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.	19,572	5.0	18,312
<b>3 (4) HSBC Holdings<sup>C</sup></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.	18,546	4.8	15,367
<b>4 (5) British American Tobacco<sup>C</sup></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.	18,267	4.7	14,763
<b>5 (6) Vodafone Group</b> Vodafone is one of the world's largest mobile phone companies, with a significant position in major economies including Germany, Italy, France, the UK and the US, as well as many emerging markets. The group generates a significant amount of free cashflow.	17,275	4.4	14,550
<b>6 (3) 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.	16,796	4.3	16,824
<b>6 (7) GlaxoSmithKline<sup>A</sup></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.	14,964	3.8	13,891
<b>7 (1) BP<sup>B</sup></b> BP is one of the world's largest petroleum and petrochemicals groups. Its main activities are: exploration and production of crude oil and natural gas; refining, marketing, supply and transportation of petroleum products.	13,125	3.4	19,825
<b>8 (9) 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.	12,943	3.3	11,497
<b>9 (10) 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.	11,204	2.9	9,547
<b>10 (11) Unilever<sup>A</sup></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.	10,704	2.7	8,402
Top ten investments	<b>172,978</b>	<b>44.3</b>	

<b>Investment</b>	<b>Valuation 2010 £'000</b>	<b>Total assets %</b>	<b>Valuation 2009 £'000</b>
<b>11 (19) Aviva</b> Aviva is an international insurance company which provides a broad variety of classes of general and life assurance, including fire, motor, marine, aviation and transport insurance.	10,475	2.7	6,601
<b>12 (14) Morrison (Wm) Supermarkets</b> Morrisons is one of the UK's largest supermarket chains. With an emphasis on good value, the company's vertically-integrated model means that it manages most of its operations in-house. There remains substantial opportunity for the company to expand its footprint in the UK through smaller stores.	9,979	2.6	7,450
<b>13 (-) Provident Financial</b> Provident Financial is a financial services company specialising in the provision of personal credit products for consumers in the United Kingdom and Ireland. The company offers a generous yield.	9,559	2.5	6,110
<b>14 (17) Whitbread</b> Whitbread is the UK's largest hotel company focusing on the budget sector with its Premier Inn brand. The company also runs pub restaurants and owns the Costa Coffee chain. Both Costa Coffee and Premier Inn have attractive international growth opportunities.	9,497	2.4	6,712
<b>15 (15) AMEC</b> AMEC is a leading supplier of high-value consultancy, engineering and project management services to the world's energy, power and process industries. The company employs over 20,000 people in more than 30 countries.	8,904	2.3	7,039
<b>16 (-) Standard Chartered</b> Standard Chartered is an international banking group operating principally in Asia, Africa and the Middle East providing attractive access to growing markets.	8,837	2.3	6,139
<b>17 (-) 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.	8,316	2.1	5,183
<b>18 (-) Close Brothers</b> Close Brothers is a financial services company with three principal divisions; corporate finance, securities and banking. It is very well capitalised and offers an attractive dividend yield.	7,623	2.0	5,584
<b>19 (13) Associated British Foods</b> Associated British Foods is a global diversified business which is divided into four segments: Grocery; Sugar & Agriculture; Ingredients and Retail. It should benefit from a more benign sugar environment and the continued growth of Primark.	7,435	1.9	7,724
<b>20 (-) Aberforth Smaller Companies Trust</b> Aberforth Smaller Companies is an investment trust with a diversified portfolio of small UK quoted companies. The trust has a generous yield and benefits from substantial revenue reserves.	7,329	1.9	6,678
<b>Top twenty investments</b>	<b>260,932</b>	<b>67.0</b>	

<sup>A</sup> Valuation for 2010 includes holdings in equities and reverse convertibles. At 30 June 2009 only equities were held.

<sup>B</sup> Valuation for both 2010 and 2009 includes holdings in equities and reverse convertibles.

<sup>C</sup> Valuation for 2010 includes holdings in equities only. The 2009 valuation included holdings in both equities and reverse convertibles.

The value of the 20 largest investments represents 67.0% (2009 – 66.4%) 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 2010

Investment	Valuation £'000	Total assets %	Yield %
<b>Oil &amp; Gas</b>			
<b>Oil &amp; Gas Producers</b>	<b>32,020</b>	<b>8.2</b>	
Royal Dutch Shell	19,572	5.0	7.2
BP	10,587	2.7	0.0
ENI	1,861	0.5	6.6
<b>Oil Equipment, Services &amp; Distribution</b>	<b>13,236</b>	<b>3.4</b>	
AMEC	8,904	2.3	2.4
John Wood Group	4,332	1.1	1.8
<b>Basic Materials</b>			
<b>Mining</b>	<b>13,929</b>	<b>3.5</b>	
BHP Billiton	8,316	2.1	3.0
Rio Tinto	5,613	1.4	1.1
<b>Industrials</b>			
<b>Aerospace &amp; Defence</b>	<b>12,424</b>	<b>3.1</b>	
Cobham	7,252	1.8	2.8
Rolls Royce	5,172	1.3	2.6
<b>Industrial Engineering</b>	<b>5,838</b>	<b>1.5</b>	
Weir Group	5,838	1.5	2.3
<b>Industrial Transportation</b>	<b>5,682</b>	<b>1.5</b>	
BBA	5,682	1.5	4.6
<b>Consumer Goods</b>			
<b>Automobiles &amp; Parts</b>	<b>5,582</b>	<b>1.4</b>	
GKN	5,582	1.4	0.0
<b>Food Producers</b>	<b>14,094</b>	<b>3.6</b>	
Associated British Foods	7,435	1.9	2.5
Unilever	6,659	1.7	3.7
<b>Household Goods &amp; Home Construction</b>	<b>3,374</b>	<b>0.9</b>	
Persimmon	3,374	0.9	0.0
<b>Tobacco</b>	<b>24,280</b>	<b>6.2</b>	
British American Tobacco	18,267	4.7	5.2
Imperial Tobacco	6,013	1.5	4.5
<b>Health Care</b>			
<b>Pharmaceuticals &amp; Biotechnology</b>	<b>29,804</b>	<b>7.7</b>	
AstraZeneca	16,796	4.3	5.0
GlaxoSmithKline	11,160	2.9	6.0
Roche Holdings	1,848	0.5	4.0
<b>Consumer Services</b>			
<b>Food &amp; Drug Retailers</b>	<b>21,183</b>	<b>5.5</b>	
Tesco	11,204	2.9	3.8
Morrison (Wm) Supermarkets	9,979	2.6	3.4
<b>General Retailers</b>	<b>5,261</b>	<b>1.4</b>	
Mothercare	5,261	1.4	3.3
<b>Media</b>	<b>10,661</b>	<b>2.7</b>	
Daily Mail & General Trust 'A'	5,422	1.4	3.8
Pearson	5,239	1.3	4.4

<b>Investment</b>	<b>Valuation £'000</b>	<b>Total assets %</b>	<b>Yield %</b>
<b>Travel &amp; Leisure</b>	<b>14,561</b>	<b>3.7</b>	
Whitbread	9,497	2.4	3.0
Millennium & Copthorne Hotels	5,064	1.3	1.7
<b>Telecommunications</b>			
<b>Mobile Telecommunications</b>	<b>17,275</b>	<b>4.4</b>	
Vodafone Group	17,275	4.4	6.6
<b>Utilities</b>			
<b>Gas, Water &amp; Multi-utilities</b>	<b>32,525</b>	<b>8.3</b>	
Centrica	19,582	5.0	4.8
National Grid	12,943	3.3	8.7
<b>Financials</b>			
<b>Banks</b>	<b>27,383</b>	<b>7.1</b>	
HSBC Holdings	18,546	4.8	3.9
Standard Chartered	8,837	2.3	2.9
<b>General Financial</b>	<b>17,182</b>	<b>4.6</b>	
Provident Financial	9,559	2.6	8.4
Close Brothers	7,623	2.0	6.3
<b>Life Assurance</b>	<b>13,689</b>	<b>3.5</b>	
Aviva	10,475	2.7	8.5
Prudential	3,214	0.8	4.3
<b>Investment Companies</b>	<b>9,404</b>	<b>2.4</b>	
Aberforth Smaller Companies Trust	7,329	1.9	5.4
Dunedin Smaller Companies Trust	2,075	0.5	4.8
<b>Real Estate</b>	<b>6,715</b>	<b>1.7</b>	
Land Securities Group	6,715	1.7	5.0
<b>Technology</b>			
<b>Software &amp; Computer Services</b>	<b>3,817</b>	<b>1.0</b>	
Sage Group	3,817	1.0	3.6
<b>Total listed equities</b>	<b>339,919</b>	<b>87.3</b>	
<b>Fixed interest</b>	<b>12,366</b>	<b>3.2</b>	
Unilever Reverse Convertible	4,045	1.0	8.0
GlaxoSmithKline Reverse Convertible	3,804	1.0	9.0
BP Reverse Convertible	2,538	0.7	5.7
Barclays Bank 14% 2049 Reverse Capital Instrument	1,979	0.5	11.3
<b>Total investments</b>	<b>352,285</b>	<b>90.5</b>	

Source: Aberdeen Asset Management

## Summary of Investment Changes During The Year

As at 30 June 2010

	Valuation 30 June 2009		Transactions £'000	Gains £'000	Valuation 30 June 2010	
	£'000	%			£'000	%
Equities	299,914	91.0	(22,064)	62,069	339,919	87.3
Convertible securities/fixed interest	13,470	4.1	(1,320)	216	12,366	3.2
<b>Total investments</b>	<b>313,384</b>	<b>95.1</b>	<b>(23,384)</b>	<b>62,285</b>	<b>352,285</b>	<b>90.5</b>
Other net assets	16,186	4.9	20,954	–	37,140	9.5
<b>Total assets less current liabilities</b>	<b>329,570</b>	<b>100.0</b>	<b>(2,430)</b>	<b>62,285</b>	<b>389,425</b>	<b>100.0</b>

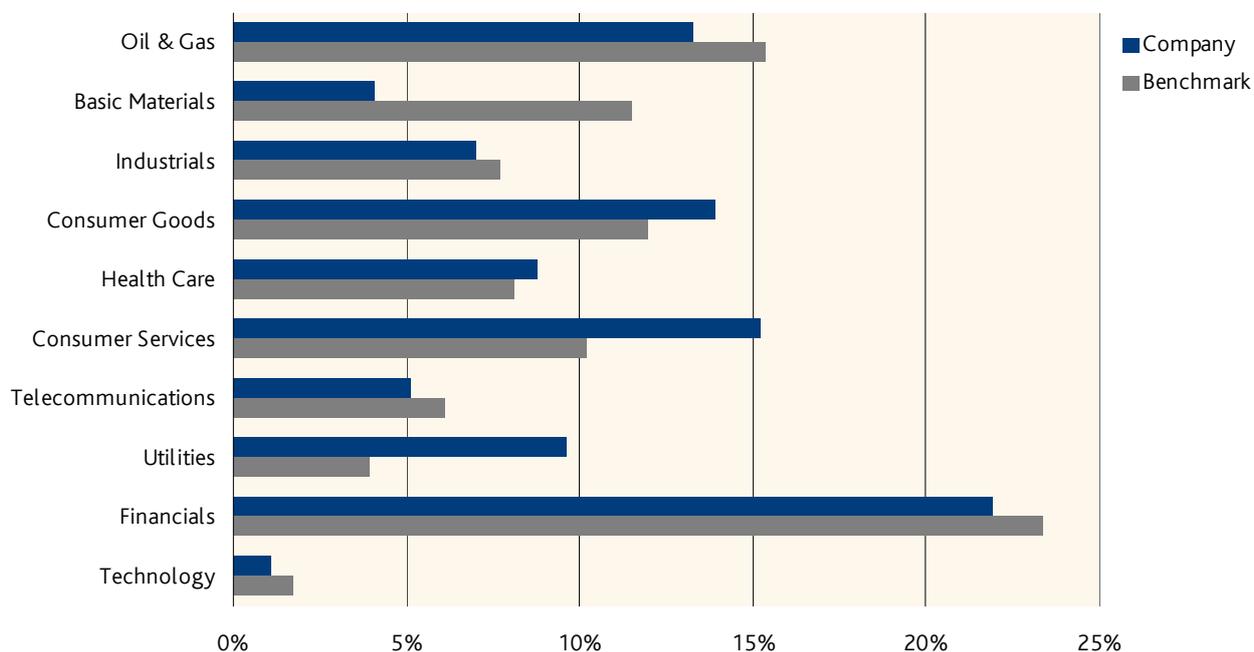
## Summary of Net Assets

	Valuation 30 June 2010	
	£'000	%
Equities	339,919	95.9
Convertible securities/fixed interest	12,366	3.5
Other net assets	37,140	10.5
Borrowings	(35,000)	(9.9)
<b>Equity shareholders' interest</b>	<b>354,425</b>	<b>100.0</b>

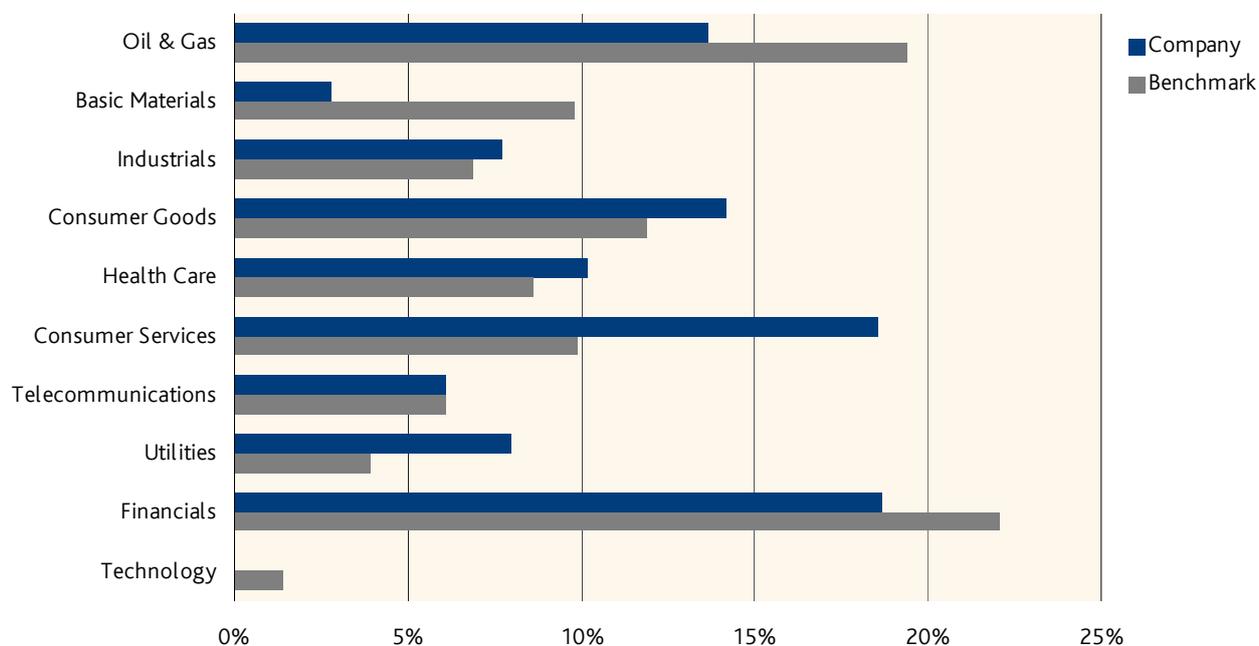
# Sector Comparison With Benchmark

Year to 30 June 2010

## Equities Held at 30 June 2010



## Equities Held at 30 June 2009



# 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 2010 had approximately £164.6bn of assets under management. It manages assets on behalf of a wide range of clients including 50 investment trusts and other closed-ended funds, which have combined total assets of over £10.8bn.

The Manager has its headquarters in 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 £65.6bn of equities globally. As part of this, the Pan-European team oversee £2,597.6m of UK equities and £1,272.9m 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. Previously worked at Framlington Investment Management for two years.



### Anne Richards

#### Chief Investment Officer

1st Class BSc (Honours) in Electronics and Electrical Engineering from the University of Edinburgh and an MBA from INSEAD in France. A Chartered Engineer and a fellow of the Securities and Investment Institute. Chief investment officer, head of multi-asset investment and a member of Aberdeen's group management board. Formerly chief investment officer and joint managing director of Edinburgh Fund Managers. Previously with Merrill Lynch Investment Managers, JPMorgan Investment Management, Alliance Capital Limited and Cambridge Consultants Limited.



### Ben Ritchie

#### Senior Investment Manager

BA (Hons) in Modern History and Politics from Pembroke College, University of Oxford, and a CFA charterholder. An investment manager on Aberdeen's Pan European equities team. Joined Aberdeen in 2002 as a graduate, having been an intern with Aberdeen in 2001 and 2002.

# 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

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:** 10 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, Martin Currie Pacific Trust PLC and Vtesse Networks Ltd. He is also a director of AlphaGen Aldebaran Fund Ltd, JPMorgan Russian Securities and Tapestry Investment Company PCC Ltd.

**Employment by Manager:** None

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

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

**Shareholding in Company:** Beneficial – 28,356 Ordinary shares

**Remuneration:** Year ended 30 June 2010 – £25,000



## 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:** 6 years and 2 months

**Experience and other public company directorships:** Humphrey van der Klugt was previously a director of Schroder Investment Management Limited. In a twenty- two year career at Schroders, he was a member of the Group Investment and Asset Allocation Committees; and as a UK equity manager, he was directly responsible for £3 billion of funds under management, including the Schroder UK Equity and Schroder Income Funds. He is currently chairman of 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:** Beneficial – 7,500 Ordinary shares

**Remuneration:** Year ended 30 June 2010 – £20,032



## Marian Glen MA LLB

**Status:** Non-Executive Director

**Length of Service:** 7 years and 4 months

**Experience and other public company directorships:** Marian Glen is General Counsel for AEGON UK. She was formerly 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:** Beneficial – 3,042 Ordinary shares

**Remuneration:** Year ended 30 June 2010 – £18,000



### Neil Honebon MA

**Status:** Independent Non-Executive Director

**Length of Service:** 4 years and 11 months

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

**Employment by Manager:** None

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

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

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

**Remuneration:** Year ended 30 June 2010 – £18,000



### David Woods MA, MSC, FIA

**Status:** Independent Non-Executive Director

**Length of Service:** 1 year and 6 months

**Experience and other public company directorships:** David is currently non-executive Chairman of Royal Liver Assurance, 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.

**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 2010 – £18,000

# 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 2010.

## 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 9.9% of net assets at 30 June 2010 (2009 – 11.9%).

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 44 holdings at 30 June 2010.

It is the Company's policy to invest no more than 15 per cent of its gross assets in other listed investment companies (including 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 27 to 32), the Board receives, for each meeting, a detailed portfolio report and an analysis of economic indicators, and discusses performance and strategy, considering perceived risks and economic conditions. It uses measures such as attribution analysis against the benchmark, active weights and valuation matrices to assess the Company's success in achieving its objectives. The key performance indicators are established industry measures, and are as follows:

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

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 48 to 51. 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 25). The terms of the Agreement cover the necessary duties and conditions expected of the Manager. The Board reviews the performance of the Manager on a regular basis, and their compliance with the Agreement formally on an annual basis.
- 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

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benchmark index and peer group. In addition, the use of borrowing facilities to invest in markets may have a negative impact if markets fall. To mitigate these risks, the Manager operates within investment guidelines and agreed levels of borrowing. Performance against the benchmark index and the peer group is regularly monitored. During the year, an element of portfolio protection was put in place by the purchase of put options.

- Discount volatility - investment trust shares tend to trade at discounts to their underlying net asset values, 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 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 £77,785,000.

A third interim dividend of 5.5p per Ordinary share was paid on 17 July 2009, and the final dividend for the year ended 30 June 2009 of 11.25p per Ordinary share was paid on 28 October 2009. The first and second interim dividends for the year ended 30 June 2010 of 5.5p per Ordinary share each were paid on 15 January 2010 and 1 April 2010 respectively, making a total distribution to Ordinary shareholders of £17,930,000 as shown in note 6 on page 43. The sum of £1,506,000 has been deducted from the Company's revenue reserve. The third interim dividend of 5.5p per Ordinary share was paid on 16 July 2010.

The Directors now recommend a final dividend of 11.50p per Ordinary share payable on 27 October 2010 to holders of Ordinary shares on the register on 24 September 2010. The relevant ex-dividend date is 22 September 2010. 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 to 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 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 842 of the Income and Corporation Taxes Act 1988) has been given for the year ended 30 June 2009.

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

There have been no changes to the Company's issued share capital during the year. The issued Ordinary share capital at 30 June 2010 consisted of 64,689,458 Ordinary shares of 25p and 1,727,000 Ordinary shares held in treasury. At 15 September 2010, these numbers were unchanged.

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

## Special Business at Annual General Meeting

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

Ordinary Resolution No. 8 in the Notice of Annual General Meeting will renew the authority to allot the unissued share capital up to an aggregate nominal amount of £808,618 (equivalent to 3,234,472 Ordinary shares, or 5 per cent of the Company's existing issued share capital on 15 September

2010 (excluding treasury shares)). Such authority will expire on the date of the next Annual General Meeting or after a period of 15 months from the date of the passing of the resolution, whichever is earlier. This means 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. 9 will, if passed, give the Directors power to allot for cash equity securities up to an aggregate nominal amount of £808,618 (equivalent to 3,234,472 Ordinary shares, or 5 per cent of the Company's existing issued share capital on 15 September 2010), 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. 8. This authority will also expire on the date of the next Annual General Meeting or after a period of 15 months, 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 8 and 9 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. Under the Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 (as amended) (the "Treasury Share Regulations") the Company is permitted to buy back and hold shares in treasury and then sell them at a later date for cash, rather than cancelling them. The Treasury Share Regulations require such sales 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. 9, 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 of 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 8 and 9.

### Share Repurchases

At the Annual General Meeting held on 27 October 2009, 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. 10 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 9,696,949 Ordinary shares). Such authority will expire on the date of the next Annual General Meeting, or after a period of 15 months from the date of passing of the resolution, whichever is earlier. This means in effect that the authority will 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. 10.

### Directors

The Directors, who held office throughout the year under review, are shown on pages 20 and 21 of the Annual Report, and their share interests are shown opposite. Mr Coats retired as a Director on 27 October 2009.

Mr Gifford and Mr Honebon retire by rotation at the forthcoming Annual General Meeting. Mr Gifford and Mr Honebon, being eligible, offer themselves for re-election. Resolutions 4 and 5, to this effect, will 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 34 and 35.

### Directors' Interests

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

	At 30 June 2010	At 1 July 2009
	Ordinary shares	Ordinary shares
P A F Gifford	27,725	24,351
M Glen	3,022	3,000
N A Honebon	20,000	20,000
H van der Klugt	7,500	7,500
D E Woods	-	-

Mr Gifford's interest in the Company's shares increased to 28,356 Ordinary shares by the acquisition of 280 Ordinary shares on 19 July 2010, 176 Ordinary shares on 27 July 2010 and 175 Ordinary shares on 23 August 2010. Ms Glen's interest in the Company's shares increased to 3,042 by the acquisition of 20 Ordinary Shares on 20 July 2010. As at 15 September 2010, 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 2010, 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 2010, the management and secretarial fees payable to the Manager were calculated and charged on the following basis:

A monthly fee at the rate of one-twelfth of 0.55% on the first £400 million of net assets, 0.45% on the next £150 million of net assets and 0.25% on the excess over £550 million. The value of any investments managed within the Aberdeen Asset Group is deducted from net assets. The investment management fee 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 2010 are shown in notes 3 and 4 on page 43.

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

### Corporate Governance

The Statement of Corporate Governance is contained on pages 27 to 32.

### Audit Committee

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

### Political and Charitable Donations

The Company has not made any political or charitable donations in the year (2009 - nil).

### 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 page 3 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 £45 million are committed to the Company until 6 October 2010. As part of the going concern review the Directors noted that the Company has opened negotiations for a loan facility to follow on from the expiry of the £45 million loan facility, but at this stage has not finalised terms, although it expects to receive acceptable terms from its existing bankers or an alternative. If acceptable terms are not forthcoming, any outstanding amounts will be repaid through the proceeds of equity sales.

### 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 (2009 - nil).

### Annual General Meeting

The Annual General Meeting will be held on 26 October 2010. The Notice of Meeting is at pages 56 to 59.

### Auditors

The Auditors, Ernst & Young LLP, have expressed their willingness to continue in office. Resolution 6, to re-appoint Ernst & Young LLP as the Company's Auditors, will be put to the forthcoming Annual General Meeting along with Resolution 7, to authorise the Directors to fix their remuneration. It should be noted that the only fees paid to the Auditors 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 Auditors are unaware, and each Director has taken all the steps that he or she ought to have taken as a Director to make him or herself aware of any relevant audit information, and to establish that the Company's Auditors are aware of that information.

### Additional Information

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

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

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

The rules governing the appointment of Directors are set out in the Statement of Corporate Governance on pages 27 to 32. The Company's Articles of Association may only be amended by a special resolution at a general meeting of shareholders.

The Company is not aware of any significant agreements to which it is a party that take effect, alter or terminate upon a change of control of the Company following a takeover. Other than the management and administration contracts with the Manager, further details of which are set out on page 25 and this page, 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 SC12725

By order of the Board

**Aberdeen Asset Management PLC**

Secretary

Bow Bells House

1 Bread Street

London, EC4M 9HH

15 September 2010

# 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 Combined Code on Corporate Governance published in June 2008, which is available on the Financial Reporting Council's website: [www.frc.org.uk](http://www.frc.org.uk).

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 Combined 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 Combined 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 Combined Code, except the Combined Code provisions relating to:

- The role of the chief executive
- Executive directors' remuneration
- The need for an internal audit function.

For the reasons set out in the AIC Guide and in the preamble to the Combined 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 five non-executive Directors. The names and biographies of those Directors who held office at the date of this Annual Report appear on pages 20 and 21 of this Annual Report, and indicate their range of investment, industrial, commercial and professional experience.

The Board has assessed the independence of the Directors against the criteria set out in the Codes, and has concluded that they are all independent of the investment manager ("Aberdeen Asset Managers Limited" 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. In January 2009, Ms Glen ceased to be a partner of that firm. 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.

Mr Gifford will, by the Annual General Meeting, have served as a Director for more than ten years. The Combined Code states that, following appointment, the test of independence is not appropriate in relation to the Chairman. However, the AIC Code states that the test of independence continues to be appropriate and, consequently, the Board will follow the AIC Code. The 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

## Statement of Corporate Governance continued

independence to remain in this role. As recommended by the Combined Code, Mr Gifford will stand for annual re-election.

The re-election of Mr Honebon and Mr Gifford, whose biographies appear on pages 20 and 21, were considered and approved by the Nomination Committee. The reasons for the Committee's recommendations for their re-election, and the subsequent approval of those recommendations by the Board, are set out below:

- Mr Honebon has been a Director since August 2005. He is a director of Fleming Family and Partners Asset Management, where he is responsible for the management of investment portfolios for the Fleming family and for other clients. His experience in investment analysis greatly enhances the combined experience of the Board.
- Mr Gifford, who has been a Director since July 1999, was previously a director of Robert Fleming Holdings. His experience in investment matters is greatly valued by his fellow Directors. He was appointed Chairman of the Company on 27 June 2004.

In accordance with the Articles of Association, Directors must offer themselves for re-election at least once every three years. For those Directors who are not seeking re-election at this time, it has been less than three years since their previous re-election. In accordance with both Codes, Directors who have served for more than nine years will be required to offer themselves annually for re-election.

The Chairman of the Company is a non-executive Director. Mr van der Klugt has been appointed Senior Independent Director.

During the year ended 30 June 2010, the Board met six times. Details of attendance by each of the Directors and Committee members at Board and Committee meetings are shown below.

Director	Board Meetings Attended	Audit, Nomination and Remuneration Committee Meetings Attended*	Management Engagement Committee Meetings Attended
P A F Gifford	6/6	4/4	1/1
A J M Coats*	2/3	1/1	1/1
M Glen	6/6	4/4	1/1
N A Honebon	5/6	4/4	1/1
H van der Klugt	6/6	4/4	1/1
D E Woods	6/6	4/4	1/1

\* up to the date of Mr Coats' retirement from the Board, on 27 October 2009

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.

At the September 2009 Board meeting, a formal process was undertaken for the consideration and authorisation by the Board of Directors' reported actual and potential conflicts of interest, a full analysis of the Directors' appointments and interests having been considered at that meeting. In accordance with the Company's Articles of Association and relevant legislation, each Director abstains from approval of their own position. The Board will continue to monitor and review potential conflicts of interests on a regular basis.

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.

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

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

### 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 Auditors, to be independent of the Company, as no non-audit services were carried out by Ernst & Young LLP during the year.

The matters considered by the Committee during the year included:

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

### Management Engagement Committee

As recommended by the AIC Code, a Management Engagement Committee has been established, comprising the full Board. The Chairman of the Committee is the Chairman of the Company. The Committee annually reviews matters concerning the investment management agreement in place between the Company and Aberdeen Asset Managers Limited. Details of this agreement are shown on page 25.

### Remuneration Committee and Directors' Remuneration

Under the UK Listing Authority's Listing Rule 15.6.6, where an investment trust has only non-executive directors, the Combined Code principles relating to directors' remuneration do not apply. However, the Company does have a Remuneration Committee, comprising the full Board, and whose Chairman is 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 34 and 35. The terms of reference of the Remuneration Committee are available on request, and on the Company's website.

## Directors' Terms of Appointment

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

## 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 Combined Code, the Annual Report is posted to shareholders at least twenty business days before the Annual General Meeting.

The Notice of Meeting on pages 56 to 59 sets out the business of the meeting and the resolutions are explained more fully in the Directors' Remuneration Report on pages 34 and 35 and the Directors' Report on pages 23 and 24.

Separate resolutions are proposed for each substantive issue.

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

Shareholders also have direct access to the Company via the free shareholder information telephone service run by the Manager and the Company, and the Manager responds to letters from shareholders. 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 15 September 2010, 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	10,800,657	16.70
Rathbone Brothers (Investment Management)	3,216,705	4.97
Legal & General Assurance (Pensions Management)	2,566,738	3.97

## Accountability and Audit

The Directors' Statement of Responsibilities in respect of the Financial Statements is on page 33 and the Statement of Going Concern is included in the Directors' Report on pages 25 and 26. The Independent Auditors' Report is on page 36.

## 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

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confirm that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company, which has been in place for the full year under review and up to the date of approval of the Financial Statements, and that this process is regularly reviewed by the Board and accords with the FRC's guidance document "Internal Control: Revised Guidance for Directors on the Combined Code".

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

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

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

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

- the Manager prepares forecasts and management accounts which allow the Board to assess the Company's activities and review its investment performance
- the Board and the Manager have agreed clearly-defined investment criteria, specified levels of authority and exposure limits. Reports on these issues, including performance statistics and investment valuations, are regularly submitted to the Board. The Manager's evaluation procedure and financial analysis of the companies concerned include detailed appraisal and due diligence
- as a matter of course, the compliance department of Aberdeen Asset Managers Limited continually reviews the Manager's operations

- written agreements are in place which specifically define the roles and responsibilities of the Manager and other third party service providers
- twice a year, at its Board meetings, the Board carries out an assessment of internal controls by considering documentation from the Manager, including its internal audit and compliance functions, and taking account of events since the relevant period end
- on a monthly basis the Board receives a detailed compliance report.

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

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

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

The Board has reviewed the need for an internal audit function, and has decided that the systems and procedures employed by the Manager, including its internal audit function, 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.

### **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.

### **Proxy Voting as an Institutional Investor**

Responsibility for actively monitoring the activities of investee companies has been delegated by the Board to the Manager. The Manager is responsible for reviewing, on a regular basis, the annual reports, circulars and other publications produced by the investee company, and for attending company meetings. The Manager, in the absence

## Statement of Corporate Governance continued

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of explicit instruction from the Board, is empowered to exercise discretion in the use of the Company's voting rights. The Manager's policy is to vote all shares held by the Company.

By order of the Board

**Aberdeen Asset Management PLC**

Secretary

Bow Bells House

1 Bread Street

London, EC4M 9HH

15 September 2010

# Statement of Directors' Responsibilities

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The Directors are responsible for preparing the Annual Report and the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (UK Accounting Standards and applicable law).

The Directors are required to prepare financial statements for each financial year which present fairly the financial position of the Company and the financial performance and cash flows of the Company for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state that the Company has complied with applicable UK accounting standards, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations.

The financial statements are published on [www.murray-income.co.uk](http://www.murray-income.co.uk), which is a website maintained by the Company's Manager. 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.

Each of the Directors confirms that to the best of their knowledge:

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

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

**Humphrey van der Klugt**

Chairman of the Audit Committee

15 September 2010

# 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 Auditors to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The Auditors' opinion is included in their report on page 36.

## Remuneration Committee

The Company has five non-executive Directors, whose details are set out on pages 20 and 21. The whole Board fulfils the function of a Remuneration Committee. The Board has not been provided with advice or services by any person in respect of its consideration of the Directors' remuneration, although the Directors expect, from time to time, to review the fees paid to the boards of directors of other investment trust companies.

## Policy on Directors' Remuneration

The Board's policy is that the remuneration of the Directors, all of whom are non-executive Directors, should reflect the experience of the Board as a whole, and be fair and comparable to that of other investment trusts in the same AIC UK Growth and Income Sector which also have a similar capital structure and investment objectives. It is intended that this policy will continue for the year ending 30 June 2011 and subsequent years.

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

The policy of the Board is to review the level of Directors' fees from time to time. During the year ended 30 June 2010, the Remuneration Committee carried out a review of the level of Directors' fees, and decided that they would be increased with effect from 1 July 2010, as follows: Chairman's fee £30,000 per annum (previously £25,000); Audit Committee Chairman's fee £24,000 per annum (previously £21,000); and Directors' fees £20,000 per annum (previously £18,000). The fees were last increased in July 2007. The level of Directors' fees will be reviewed again with effect from 1 July 2011.

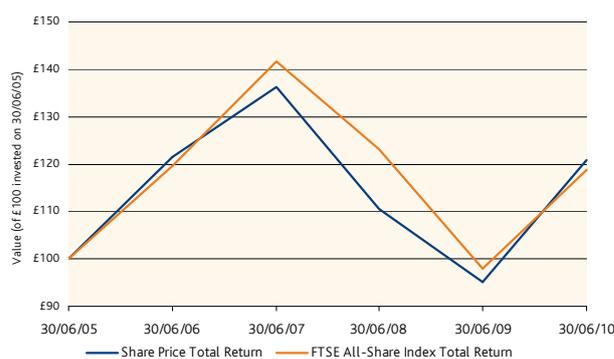
Directors' and officers' liability insurance cover is held by the Company in respect of the Directors. This insurance is neither a benefit in kind, nor does it form part of the Directors' Remuneration.

## 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 are obliged to retire by rotation, and offer themselves for re-election, at least every three years. 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 2005, 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 Murray Income's peer group.



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

## Directors' Emoluments for the Year (audited)

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

Director	Date of Appointment	Year ended	Year ended
		30 June 2010	30 June 2009
		£	£
P A F Gifford (Chairman)	26/07/99	25,000	25,000
A J M Coats*	25/01/99	6,774	21,000
M Glen	11/02/03	18,000	18,000
N A Honebon	04/08/05	18,000	18,000
H van der Klugt†	05/05/05	20,032	18,000
D E Woods	15/12/08	18,000	9,823
<b>Total</b>		<b>105,806</b>	<b>109,823</b>

\* Retired from the Board on 27 October 2009.

†Appointed Chairman of the Audit Committee with effect from 27 October 2009.

No Director has received any compensation for loss of office or non-cash benefits for the years ended 30 June 2010 and 30 June 2009.

### Approval

The Directors' Remuneration Report on pages 34 and 35 was approved by the Board of Directors on 15 September 2010 and signed on its behalf by:

**Humphrey van der Klugt**

Director

15 September 2010

# Independent Auditors' 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 2010 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective Responsibilities of Directors and Auditors

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

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

## 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 2010 and of its net result 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;
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Statement in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook issued by the Financial Services Authority (information about internal control and risk management systems in relation to financial reporting processes and about share capital structures) 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 pages 25 and 26, in relation to going concern; and
- the part of the Statement of Corporate Governance relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

## Sue Dawe (Senior Statutory Auditor)

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

15 September 2010

# Income Statement

	Notes	Year ended 30 June 2010			Year ended 30 June 2009		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on investments	9	–	62,285	62,285	–	(105,973)	(105,973)
Currency gains		–	30	30	–	–	–
Income	2	18,257	–	18,257	19,790	–	19,790
Investment management fees	3	(988)	(988)	(1,976)	(870)	(870)	(1,740)
Administrative expenses	4	(879)	–	(879)	(866)	–	(866)
VAT recovered on investment management fee	19	409	409	818	778	778	1,556
<b>Net return before finance costs and taxation</b>		<b>16,799</b>	<b>61,736</b>	<b>78,535</b>	<b>18,832</b>	<b>(106,065)</b>	<b>(87,233)</b>
Finance costs of borrowing	5	(375)	(375)	(750)	(682)	(682)	(1,364)
<b>Return on ordinary activities before and after taxation</b>		<b>16,424</b>	<b>61,361</b>	<b>77,785</b>	<b>18,150</b>	<b>(106,747)</b>	<b>(88,597)</b>
<b>Return per Ordinary share (pence)</b>	<b>8</b>	<b>25.4</b>	<b>94.8</b>	<b>120.2</b>	<b>28.1</b>	<b>(165.2)</b>	<b>(137.1)</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>17,930</b>	<b>–</b>	<b>17,930</b>	<b>17,632</b>	<b>–</b>	<b>17,632</b>

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

# Balance Sheet

	Notes	As at 30 June 2010 £'000	As at 30 June 2009 £'000
<b>Non-current assets</b>			
Investments at fair value through profit or loss	9	352,285	313,384
<b>Current assets</b>			
Loans and receivables	10	2,883	2,915
Cash and short term deposits		35,037	13,528
		37,920	16,443
<b>Creditors: amounts falling due within one year</b>			
Other payables	11	(780)	(257)
Bank loans	11	(35,000)	(35,000)
<b>Net current assets/(liabilities)</b>		2,140	(18,814)
<b>Net assets</b>		<b>354,425</b>	<b>294,570</b>
<b>Share capital and reserves</b>			
Called-up share capital	12	16,604	16,604
Share premium account		7,955	7,955
Capital redemption reserve		4,997	4,997
Capital reserve	13	300,075	238,714
Revenue reserve	13	24,794	26,300
<b>Total equity shareholders' funds</b>		<b>354,425</b>	<b>294,570</b>
<b>Net asset value per Ordinary share (pence):</b>	14	<b>547.9</b>	<b>455.4</b>

The financial statements were approved by the Board of Directors and authorised for issue on 15 September 2010 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 2010

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 30 June 2009	16,604	7,955	4,997	238,714	26,300	294,570
Return on ordinary activities after taxation	–	–	–	61,361	16,424	77,785
Dividends paid (see note 6)	–	–	–	–	(17,930)	(17,930)
<b>Balance at 30 June 2010</b>	<b>16,604</b>	<b>7,955</b>	<b>4,997</b>	<b>300,075</b>	<b>24,794</b>	<b>354,425</b>

### For the year ended 30 June 2009

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 30 June 2008	16,604	7,955	4,997	345,198	25,782	400,536
Return on ordinary activities after taxation	–	–	–	(106,747)	18,150	(88,597)
Repurchase of own shares	–	–	–	(154)	–	(154)
Issue of shares from treasury	–	–	–	417	–	417
Dividends paid (see note 6)	–	–	–	–	(17,632)	(17,632)
<b>Balance at 30 June 2009</b>	<b>16,604</b>	<b>7,955</b>	<b>4,997</b>	<b>238,714</b>	<b>26,300</b>	<b>294,570</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 2010		Year ended 30 June 2009	
		£'000	£'000	£'000	£'000
<b>Net cash inflow from operating activities</b>	15		16,431		18,278
<b>Servicing of finance</b>					
Interest paid		(569)		(1,377)	
<b>Net cash outflow from servicing of finance</b>			(569)		(1,377)
<b>Financial investment</b>					
Purchases of investments	9	(55,940)		(60,264)	
Sales of investments	9	79,487		73,273	
<b>Net cash inflow from financial investment</b>			23,547		13,009
<b>Equity dividends paid</b>	6		(17,930)		(17,632)
<b>Management of liquid resources</b>					
Cash drawn on money market deposits			–		5,000
<b>Net cash inflow before financing</b>			21,479		17,278
<b>Financing</b>					
Repayment of loans		–		(5,000)	
Issue of shares from treasury		–		417	
Purchase of own shares		–		(557)	
<b>Net cash outflow from financing</b>			–		(5,140)
<b>Increase in cash</b>	16		<b>21,479</b>		<b>12,138</b>

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

## 1. Accounting policies

### (a) Basis of preparation

The financial statements have been prepared in accordance with the applicable UK Accounting Standards and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts', issued in January 2009.

The Company adopted the extended disclosure requirements within FRS 29 for accounting periods beginning on or after 1 January 2009. The extended disclosure requirements introduced a fair value hierarchy and this is disclosed in note 18.

The financial statements 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) and convertibles are treated as revenue for the year on an ex-dividend basis. Where no ex-dividend date is available dividends receivable on or before the year end are treated as revenue for the year. Provision is made for any dividends not expected to be received. Special dividends are credited to capital or revenue, according to the circumstances.

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

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

### (c) Expenses

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

- transaction costs on the acquisition or disposal of investments are recognised as a capital item in the Income Statement.
- expenses are charged to 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 the capital reserve to reflect the Company's investment policy and prospective income and capital growth.

### (d) Taxation

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

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

The tax effect of different items of income/gain and expenditure/loss is allocated between capital reserves and the revenue account on the same basis as the particular item to which it relates using the Company's effective rate of tax for the year.

## Notes to the Financial Statements continued

(e) **Valuation of investments**

Investments have been designated upon initial recognition at fair value through profit or loss. Investments are recognised and de-recognised at trade date where a purchase or sale is under a contract whose terms require delivery within the timeframe established by the market concerned, and are measured initially at fair value. Subsequent to initial recognition, investments are valued at fair value through profit or loss. For listed investments, this is deemed to be bid market prices or closing prices for SETS (London Stock Exchange's electronic trading service) stocks sourced from the London Stock Exchange. Gains and losses arising from changes in fair value are included in the net return for the period as a capital item in the Income Statement and are ultimately recognised in the capital reserve. The valuation of reverse convertibles is carried out by the respective counterparty and is modelled on a long stock and short call basis taking account of implied volatility and including an accrual for yield.

(f) **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. Finance charges are accounted for on an accruals basis using the effective interest rate method and are charged 50% to revenue and 50% to the capital reserve to reflect the Company's investment policy and prospective income and capital growth.

(g) **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.

(h) **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.

2. <b>Income</b>	<b>2010</b> <b>£'000</b>	<b>2009</b> <b>£'000</b>
<b>Income from investments</b>		
UK dividends (all listed)	14,687	17,404
Bond interest	1,976	1,519
Stock dividends	163	522
	<b>16,826</b>	<b>19,445</b>
<b>Other income</b>		
Deposit interest	83	42
Money market interest	–	39
Traded option premiums	1,234	117
Underwriting commission	114	147
	<b>1,431</b>	<b>345</b>
<b>Total income</b>	<b>18,257</b>	<b>19,790</b>

During the year, the Company received premiums totalling £1,234,000 (2009 – £117,000) in exchange for entering into derivative transactions. This includes a mark to market on derivative contracts. At the year end there were 24 open positions, valued at £352,000 (2009 – £82,000) and securities with a value of £2,232,000 (2009 – £3,345,000) were pledged as collateral against this.

	Revenue £'000	2010 Capital £'000	Total £'000	Revenue £'000	2009 Capital £'000	Total £'000
<b>3. Investment management fees</b>						
Investment management fees	988	988	1,976	870	870	1,740

Details of the fee basis are contained in the Directors' Report on pages 25.

	2010 £'000	2009 £'000
<b>4. Administrative expenses</b>		
Shareholders' services <sup>A</sup>	392	363
Irrecoverable VAT	86	90
Directors' remuneration	106	110
Secretarial fees	75	75
Auditors' remuneration:		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	21	19
Other expenses	199	209
	<b>879</b>	<b>866</b>

<sup>A</sup> Includes registration, savings scheme and other wrapper administration and promotion expenses, of which £294,000 (2009 – £298,000) was paid to Aberdeen Asset Managers Limited (AAM) to cover marketing activities during the year. There were no sums due to AAM at the year end (2009 – £nil).

	Revenue £'000	2010 Capital £'000	Total £'000	Revenue £'000	2009 Capital £'000	Total £'000
<b>5. Finance costs of borrowing</b>						
Bank loans and overdrafts	375	375	750	682	682	1,364

	2010 £'000	2009 £'000
<b>6. Ordinary dividends on equity shares</b>		
Third interim 2009 of 5.50p (2008 – 5.25p)	3,558	3,396
Final 2009 of 11.25p (2008 – 11.25p)	7,278	7,266
First interim 2010 of 5.50p (2009 – 5.50p)	3,558	3,552
Second interim 2010 of 5.50p (2009 – 5.50p)	3,558	3,555
Return of unclaimed dividends	(22)	(137)
	<b>17,930</b>	<b>17,632</b>

The third interim and proposed final dividends for 2010 have not been included as a liability in these financial statements. The proposed final dividend for 2010 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 £16,424,000 (2009 – £18,150,000).

	2010 £'000	2009 £'000
Three interim dividends of 5.50p (2009 – 5.50p)	10,674	10,665
Proposed final dividend of 11.50p (2009 – 11.25p)	7,439	7,278
	<b>18,113</b>	<b>17,943</b>

## Notes to the Financial Statements continued

### 7. Taxation

There is no taxation charge for the year. Approved investment trusts are exempt from tax on gains made by the Company. The tax assessed for the period is lower than the standard rate of corporation tax in the UK of 28% (2009 – 28%). The differences are explained below:

	2010			2009		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Net profit on ordinary activities before taxation	16,424	61,361	77,785	18,150	(106,747)	(88,597)
Return on ordinary activities multiplied by the applicable rate of corporation tax of 28% (2009 – 28%)	4,599	17,181	21,780	5,082	(29,889)	(24,807)
Effects of:						
Non-taxable UK dividends	(3,987)	–	(3,987)	(4,711)	–	(4,711)
Non-taxable stock dividends	(46)	–	(46)	(146)	–	(146)
Non-taxable overseas dividends	(39)	–	(39)	–	–	–
Movement in income accruals taxable on receipt	(2)	–	(2)	9	–	9
Movement in unutilised loan relationships	(471)	105	(366)	(66)	–	(66)
Movement in unutilised management expenses	(54)	162	108	(168)	–	(168)
Other capital returns	–	(17,448)	(17,448)	–	29,889	29,889
	–	–	–	–	–	–

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.

The Company has not recognised a deferred tax asset of £13,703,000 (2009 – £13,961,000) arising as a result of unutilised management expenses and loan relationship deficits. Any excess management expenses will be utilised against any taxable income that may arise.

8. Return per Ordinary share	2010		2009	
	£'000	p	£'000	p
Returns are based on the following figures:				
Revenue return	16,424	25.4	18,150	28.1
Capital return	61,361	94.8	(106,747)	(165.2)
Total return	77,785	120.2	(88,597)	(137.1)
Weighted average number of Ordinary shares in issue		64,689,458		64,624,625

	2010 £'000	2009 £'000
<b>9. Investments</b>		
Held at fair value through profit or loss:		
Opening valuation	313,384	433,825
Opening investment holdings losses	25,201	717
Opening book cost	338,585	434,542
Movements during the year:		
Purchases at cost	56,103	58,758
Sales – proceeds	(79,487)	(73,226)
– losses	(7,604)	(81,489)
Closing book cost	307,597	338,585
Closing investment holdings gains/(losses)	44,688	(25,201)
<b>Closing valuation</b>	<b>352,285</b>	<b>313,384</b>

	2010 £'000	2009 £'000
<b>The portfolio valuation:</b>		
UK equities	339,919	299,914
UK convertible securities	10,387	11,654
Fixed interest	1,979	1,816
<b>Total</b>	<b>352,285</b>	<b>313,384</b>

<b>Gains/(losses) on investments</b>		
Losses based on book cost	(7,604)	(81,489)
Net movement in investment holdings gains/(losses)	69,889	(24,484)
	<b>62,285</b>	<b>(105,973)</b>

As at 30 June 2010, 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 £2,232,000, 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/(losses) on investments in the Income Statement. The total costs were as follows:

	2010 £'000	2009 £'000
Purchases	218	219
Sales	58	61
	<b>276</b>	<b>280</b>

	2010 £'000	2009 £'000
<b>10. Loans and receivables</b>		
Prepayments and accrued income	<b>2,883</b>	<b>2,915</b>

## Notes to the Financial Statement continued

11. Creditors: amounts falling due within one year	2010 £'000	2009 £'000
Accruals	780	257
Bank loans	35,000	35,000
	<b>35,780</b>	<b>35,257</b>

Accruals include £161,000 (2009 – £135,000 plus VAT) of management fees and secretarial fees due to Aberdeen Asset Managers Limited, the Investment Manager.

At 30 June 2010 the Company had drawn down £35,000,000 (30 June 2009 – £35,000,000) of a £45,000,000 revolving bank credit facility with Lloyds Banking Group. 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 1.56% for the relevant period of the advance. As at 30 June 2010 this rate was 2.21184% (30 June 2009 – 0.9988%) and the loan matured on 6 July 2010.

On 6 July 2010 the £35,000,000 loan was rolled forward at an all-in interest rate of 2.29493%, until maturity on 6 October 2010.

12. Called-up share capital	2010		2009	
	Shares	£'000	Shares	£'000
<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	64,689,458	16,172	64,689,458	16,172
Ordinary shares of 25p each: held in treasury	1,727,000	432	1,727,000	432
	<b>66,416,458</b>	<b>16,604</b>	<b>66,416,458</b>	<b>16,604</b>

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

Balance brought forward	1,727,000	432	1,799,000	450
Purchased during the year	–	–	28,000	7
Sold during the year	–	–	(100,000)	(25)
Balance carried forward	<b>1,727,000</b>	<b>432</b>	<b>1,727,000</b>	<b>432</b>

No Ordinary shares were repurchased by the Company during the year. During the year to 30 June 2009, 28,000 Ordinary shares of 25p each were repurchased by the Company at a total cost, including transaction costs, of £154,000 of which £nil is brokers' fees. All of these shares were placed in treasury and 100,000 shares were sold from its treasury account for proceeds of £417,000 during that year.

<b>13. Retained earnings</b>	<b>2010 £'000</b>	<b>2009 £'000</b>
<b>Capital reserve</b>		
At 30 June 2009	238,714	345,198
Movement in investment holdings	69,889	(24,484)
Losses on realisation of investments at fair value	(7,604)	(81,489)
Currency gains	30	–
Repurchase of own shares	–	(154)
Finance costs of bank loan	(375)	(682)
Issue of shares from treasury	–	417
Investment management fees	(988)	(870)
VAT recovered on investment management fees <sup>A</sup>	409	778
At 30 June 2010	<b>300,075</b>	<b>238,714</b>

<sup>A</sup> see note 19 for details of repayments.

#### Revenue reserve

	<b>2010 £'000</b>	<b>2009 £'000</b>
At 30 June 2009	26,300	25,782
Revenue	16,424	18,150
Dividends paid	(17,930)	(17,632)
At 30 June 2010	<b>24,794</b>	<b>26,300</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 calculated in accordance with the Articles of Association were as follows:

	<b>2010</b>	<b>2009</b>
Net asset value attributable (£'000)	354,425	294,570
Number of Ordinary shares in issue (note 12)	64,689,458	64,689,458
Net asset value per share (p)	547.9	455.4

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

	<b>2010 £'000</b>	<b>2009 £'000</b>
Net return before finance costs and taxation	78,535	(87,233)
Adjustments for:		
(Gains)/losses on investments	(62,285)	105,973
Currency gains	(30)	–
Non cash stock dividend	(163)	(522)
(Increase)/decrease in accrued income	(7)	86
Decrease in other debtors	39	30
Increase/(decrease) in accruals	342	(56)
Net cash inflow from operating activities	<b>16,431</b>	<b>18,278</b>

## Notes to the Financial Statements continued

	At 1 July 2009 £'000	Cash flows £'000	Currency gains £'000	At 30 June 2010 £'000
<b>16. Analysis of changes in net debt</b>				
<b>Net cash:</b>				
Cash	13,528	21,479	30	35,037
<b>Debt:</b>				
Debt due within one year	(35,000)	–	–	(35,000)
	<b>(21,472)</b>	<b>21,479</b>	<b>30</b>	<b>37</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 managing currency and market risk arising from the Company's activities. During the year the Company entered into three yield-enhanced securities (reverse convertibles), details of which are provided in the Investment Portfolio table on page 15.

The main risks the Company faces from these financial instruments are (i) market risk (comprising interest rate and other price risk), (ii) liquidity risk and (iii) credit risk. The Company has minimal exposure to foreign currency risk as it holds only a small amount of foreign currency assets and has no exposure to any foreign currency liabilities.

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 Sector Allocations 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 level of gearing, which was 9.9% of net assets as at 30 June 2010 (2009 – 11.9%). The Manager's policies for managing these risks are summarised below and have been applied throughout the current and previous year. The numerical disclosures in the table listed below exclude short-term debtors and creditors.

#### Market price risk

The Company's investment portfolio is exposed to market price fluctuations, which are monitored by the Manager in pursuance of the investment objective as set out 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	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Sterling	35,037	13,528	12,366	13,470	339,919	299,914

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

The interest bearing assets represent the equity linked notes and corporate bonds, amounting to £12,366,000 (2009 – £13,470,000). 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 8.92% (2009 – 14.86%).

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 £35,000,000 as at 30 June 2010 (2009 – £35,000,000). 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 2010 £'000	Within 1 year 2009 £'000
<b>Assets</b>		
<b>Fixed rate</b>		
Equity linked notes	10,387	11,654
<b>Floating rate</b>		
Cash	35,037	13,528
	More than 5 years 2010 £'000	More than 5 years 2009 £'000
<b>Assets</b>		
<b>Fixed rate</b>		
Corporate Bonds	1,979	1,816

## Notes to the Financial Statements continued

<b>Liabilities</b>	<b>Within 1 year 2010 £'000</b>	<b>Within 1 year 2009 £'000</b>
<b>Floating rate</b>		
Revolving bank credit facility	<b>35,000</b>	<b>35,000</b>

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 2010 would increase/decrease by £350,000 (2009 – increase/decrease by £135,000). This is mainly attributable to the Company's exposure to interest rates on its floating rate cash balances.
- equity reserves would not be materially affected as the fixed interest holdings held are linked to an underlying equity, and therefore covered under the other price risk section.

### 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 2010 would have increased/decreased by £35,229,000 (2009 – £31,338,000).

### 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 2010 the Company utilised £35,000,000 of a £45,000,000 revolving bank credit facility. Interest is charged at a variable rate based on LIBOR plus a margin of 1.56% for the relevant period of the advance. As at 30 June 2010 this rate was 2.21184% and the loan matured on 6 July 2010. The aggregate of all future interest payments at the rate ruling at 30 June 2010 and the redemption of the loan amounts to £35,193,000.

### 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 their performance is reviewed by the Board on a regular basis and reports its finding to the Manager's Risk Management Committee. 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 2010 is £50,073,000 (30 June 2009 – £29,865,000) consisting of £10,387,000 (2009 – £11,654,000) equity linked notes, £1,979,000 (2009 – £1,816,000) corporate bonds, £2,670,000 (2009 – £2,867,000) of dividends receivable from equity shares and £35,037,000 in cash held (2009 – £13,528,000).

None of the Company's financial assets is past due or impaired.

### 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 equities.

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

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

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

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

At the year end financial covenants contained within the loan agreements provide, inter alia, that borrowings shall at no time exceed 25% of net assets and that the net assets must exceed £225 million. At 30 June 2010 net gearing was 9.9% (2009 – 11.9%) and the net assets were £354.4 million (2009 – £294.5 million).

## 18. Fair value hierarchy

The Company adopted the amendments to FRS 29 'Financial Instruments: Disclosures' effective from 1 January 2009. These amendments require 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 30 June 2010 as follows:

	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)	339,919	–	–	339,919
Reverse convertibles	b)	1,979	10,387	–	12,366
Total		341,898	10,387	–	352,285
<b>Financial liabilities at fair value through profit or loss</b>					
Derivatives	c)	(236)	(116)	–	(352)
Net fair value		341,662	10,271	–	351,933

### a) Quoted equities

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

**b) 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. Contingent assets**

On 5 November 2007, the European Court of Justice ruled that management fees on investment trusts should be exempt from VAT.

The Company has accepted the Manager's offer to refund £818,000 to the Company, representing an estimate of VAT charged on investment management fees for the period 1 January 2001 to 31 December 2003 which will be recoverable from HMRC; this has been received in the year and has been allocated to revenue and capital respectively, in accordance with the accounting policy of the Company for the periods in which the VAT was charged. The sum of £1,556,000 in respect of VAT charged on investment management fees for the period 1 January 2004 to 31 August 2007 was both received and reflected in the previous accounting period. The reclaim for previous periods along with interest due and the timescale for receipt are at present uncertain and the Company has therefore taken no account in these financial statements of any such repayment.

# 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 directly 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.

## Stocks and Shares ISA

An investment of up to £10,200 in Murray Income Trust PLC can be made through the Aberdeen Investment Trust ISA in each tax year.

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

## Trust Information

If investors would like details on Murray Income Trust PLC or information on the Children's Plan, Share Plan, ISA or ISA Transfers, please telephone 0500 00 00 40 or write to Aberdeen Investment Trusts, Block C, Western House, Lynchwood Business Park, Peterborough PE2 6BP, or e-mail [inv.trusts@aberdeen-asset.com](mailto:inv.trusts@aberdeen-asset.com). Details are also available on [www.invtrusts.co.uk](http://www.invtrusts.co.uk).

## Literature Request Service

For literature and application forms for the Manager's investment trust products, 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.

# How to Invest in Murray Income Trust PLC continued

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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 Trust Administration  
Block C, Western House  
Lynchwood Business Park  
Peterborough, PE2 6BP  
Telephone: 0500 00 00 40

Alternatively, if you have an administrative query which relates 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 has been approved for the purposes of Section 21 of the Financial Services and Markets Act 2000 by Aberdeen Asset Managers Limited which is authorised and regulated by the Financial Services Authority.

# 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.

## **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.

## **Reverse Convertible Security (also known as an Equity-linked note)**

A type of bond where the redemption proceeds are linked to the capital performance of an underlying equity. This type of bond generally receives a steady stream of income due to the payment of a high coupon rate. The investor is fully exposed to the downside performance of the underlying equity but has only limited upside participation. The high coupon rate compensates the investor for the limited participation in the upside of the underlying equity. The bond is normally cash settled at maturity.

## **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-seventh Annual General Meeting of Murray Income Trust PLC will be held at 12.30 pm on Tuesday 26 October 2010 at the Capital Suite, The Chamber of Commerce, 33 Queen Street, London EC4R 1AP for the purpose of considering and if thought fit passing the following resolutions, of which Resolutions 1 to 8 inclusive will be proposed as Ordinary Resolutions, and Resolutions 9 and 10 will be proposed as Special Resolutions :-

1. To receive the Directors' Report, the Report of the Auditors and the audited statement of accounts for the year ended 30 June 2010.
2. To approve the Directors' Remuneration Report for the year ended 30 June 2010.
3. To declare a final dividend of 11.50p per Ordinary share.
4. To re-elect Mr N Honebon\* as a Director of the Company.
5. To re-elect Mr P Gifford\* as a Director of the Company.
6. To re-appoint Ernst & Young LLP as Auditors of the Company.
7. To authorise the Directors to fix the remuneration of Ernst & Young LLP as Auditors of the Company.
8. 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 £808,618 (representing 5 per cent. of the total Ordinary shares in issue on 15 September 2010 (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 25 January 2012, 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.
9. Disapplication of pre-emption rights  
THAT, subject to the passing of Resolution 8 proposed at the Annual General Meeting of the Company convened for 26 October 2010, 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 8 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 25 January 2012, 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 £808,618 (representing 5 per cent. of the total Ordinary shares in issue on 15 September 2010) and the sale or transfer of treasury shares up to an aggregate nominal amount of £1,617,236 (representing 10 per cent of the total Ordinary shares in issue on 15 September 2010); 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 23 of the Annual Report of the Company for the year ended 30 June 2010 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).
10. 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"):

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PROVIDED ALWAYS THAT:

- a) the maximum number of shares hereby authorised to be purchased shall be an aggregate of 9,696,949 Ordinary shares or, if less, the number representing 14.99 per cent. of the respective classes of shares in issue as at the date of passing this resolution (excluding treasury shares);
- b) the minimum price which may be paid for each share shall be 25p;
- c) the maximum price (exclusive of expenses) which may be paid for a share is the higher of (i) 5 per cent. above the average of the middle market quotations for a share taken from, and calculated by reference to, the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the share is purchased; or, in the case of a tender offer, the date the tender offer is announced; and (ii) the higher of the price of the last independent trade and the highest current independent bid on the London Stock Exchange at the time the purchase is carried out;
- d) any purchase of shares shall be made in the market for cash at prices below the prevailing net asset value per share (as determined by the Directors);
- e) the authority hereby conferred shall expire on 25 January 2012 or, if earlier, at the conclusion of the next Annual General Meeting of the Company unless such authority is previously varied, revoked or renewed prior to such time;
- f) the Company may enter into a contract to purchase shares under the authority hereby conferred prior to the expiry of such authority and may purchase shares pursuant to any such contract notwithstanding such expiry above; and
- g) any shares so purchased shall be cancelled or, if the Directors so determine and subject to the provisions of the Act and any applicable regulations of the United Kingdom Listing Authority, be held or otherwise dealt with as permitted by the Act as treasury shares.

\* The biographies of Mr Honebon and Mr Gifford are detailed on pages 20 and 21 of the Annual Report.

By order of the Board

**Aberdeen Asset Management PLC**

Secretary

Bow Bells House

1 Bread Street

London, EC4M 9HH

15 September 2010

**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.
- (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

## Notice of Annual General Meeting continued

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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 Auditors) setting out any matter relating to the audit of the Company's accounts, including the Auditors' 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.
- (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:

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- 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 15 September 2010, the latest practicable date prior to publication of this document, the Company had 64,689,458 Ordinary shares in issue with a total of 64,689,458 voting rights.

# Corporate Information

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## Directors

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

## Registered Office

40 Princes Street  
Edinburgh EH2 2BY  
Registered in Scotland – Company Number SC12725

## Points of Contact

### Manager

Aberdeen Asset Managers Limited  
Customer Services Department: 0500 00 00 40

### Secretary

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

## 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

## Auditors

Ernst & Young LLP

## Solicitors

Dickson Minto W.S.

## Stockbroker

Collins Stewart Europe Limited

## Website

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

# Share Capital History

## Issued Share Capital at 30 June 2010

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<b>64,689,458</b>	Ordinary shares of 25p
<b>1,727,000</b>	Ordinary shares held in treasury

## Issued Share Capital at 15 September 2010

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<b>64,689,458</b>	Ordinary shares of 25p
<b>1,727,000</b>	Ordinary shares held in treasury

## Recent Capital History

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<b>16 March 2009</b>	50,000 Ordinary shares issued by the Company from treasury
<b>20 February 2009</b>	50,000 Ordinary shares issued by the Company from treasury
<b>6 August 2008</b>	28,000 Ordinary shares purchased by the Company and held in treasury
<b>30 June 2008</b>	Issued share capital consisting of 64,617,458 Ordinary shares of 25p and 1,799,000 Ordinary shares held in treasury



Aberdeen