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Shires Income PLC

Annual Report and Accounts
31 March 2011

Aberdeen

Contents

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About Your Company

Company Objective

The Company aims to provide shareholders with a high level of income, together with growth of both income and capital from a portfolio substantially invested in UK equities.

Assets

Portfolio Assets

Shires Income had total investments of £74.3 million as at 31 March 2011. These investments were invested by the Manager, Aberdeen Asset Managers Limited ("Aberdeen"), in what it believes is the appropriate way of achieving the Company's objectives. Of the total investments, £51.7 million was invested in ordinary shares, £1.3 million in convertible securities and £21.3 million in preference shares. The Company's investments will therefore tend to perform well when ordinary shares rise, particularly when higher yielding ordinary shares do better than lower or nil paying ordinary shares, and vice versa. Convertibles will tend to rise or fall with equities but to a lesser degree. Preference shares will tend to be more sensitive to interest rate movements; rising in value as rates fall or falling in value as rates rise.

Aberdeen Smaller Companies High Income Trust PLC (formerly Shires Smaller Companies plc)

Rather than the Company holding a number of smaller companies shares, Shires Income invests indirectly in this part of the equity market through one holding in Aberdeen Smaller Companies High Income Trust which is also managed by Aberdeen. It has an attractive dividend yield.

Earnings and Dividends

Shareholders and prospective investors are referred to the Chairman's Statement on pages 4 and 5.

The Company aims to provide a high level of income together with growth of both income and capital.

Dividends from ordinary shares, convertibles and preference shares are not the only way that the Company generates income. It is also achieved by writing call and put options on shares owned, or shares the Manager would like to own. By doing so, the Company generates premium income.

The Directors and Manager put a great deal of emphasis on being able to provide shareholders with a high level of dividend. This is, however, put at risk if the dividends paid by UK companies in general decline. There is a sizeable revenue reserve, equivalent to 13.8p per share (after providing for the dividends relating to the current year), which could be drawn on if required.

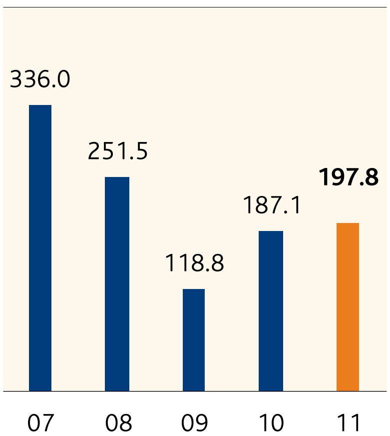
Gearing

In the long-term, to help income generation and capital growth, the Company has borrowed to invest in the assets described above. This is undertaken in the belief that the assets will produce a greater total return than the cost of the borrowing over time. However, if asset values decline, that decline is exacerbated by gearing. During the year under review, the Company's borrowing was exclusively bank borrowing.

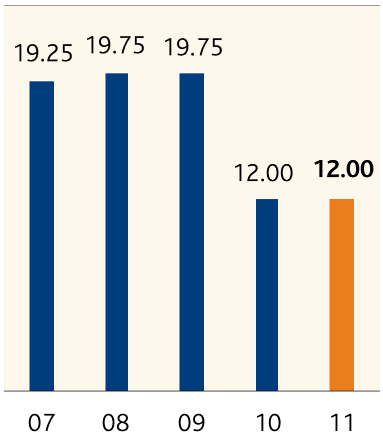
Financial Highlights

	2011	2010
Net asset value total return	**+12.7%**	+77.4%
Share price total return	**+10.1%**	+90.9%
Dividend per share	**12.00p**	12.00p

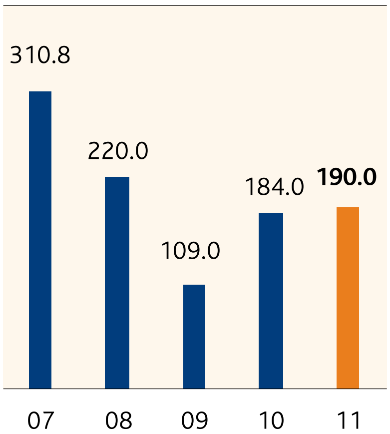
Net asset value per Ordinary share
At 31 March – pence



Dividends per Ordinary share
Year ending 31 March - pence



Share price per Ordinary share
At 31 March – pence



Financial Calendar

5 July 2011	Annual General Meeting in London (12 noon)
29 July 2011	Ordinary shares final dividend 2010/2011 payable
30 September 2011	3.5% Preference shares half year dividend payable
31 October 2011	Ordinary shares first interim dividend 2011/2012 payable
November 2011	Half Yearly Financial Report announced
November 2011	Half Yearly Report published
31 January 2012	Ordinary shares second interim dividend 2011/2012 payable

Corporate Summary

Objective

To provide for shareholders a high level of income, together with growth of both income and capital from a portfolio substantially invested in UK equities.

Investment Policy

The Company invests principally in ordinary shares of UK quoted companies, and in convertible and preference shares with above average yields. The Manager selects stocks via a bottom-up investment process based on a disciplined evaluation of companies through direct visits by the Manager.

Gearing is used with the intention of enhancing long-term returns.

Benchmark

FTSE All-Share Index (Total Return).

Capital Structure and Voting Rights

Number of Ordinary shares of 50p each in issue	29,697,580
3.5% Cumulative Preference shares of £1 each	50,000

Each of the Ordinary shares and the Cumulative Preference shares has equal voting rights.

Dividends

Dividends on the Ordinary shares are payable quarterly at the end of January, April, July and October.

Continuation Vote

The Company's Articles of Association do not require shareholders to vote periodically on whether or not to carry on as an investment trust. Consequently, the Company has no termination date.

Management Company and Fee

Aberdeen Asset Managers Limited ("Aberdeen") acts as Manager to the Company under a management contract which is terminable by six month's notice on either side. The fee is 0.45% for funds up to £100 million and 0.40% for funds over £100 million.

SIPPs and ISAs

The Company's Ordinary shares are available for investment in SIPPs and ISAs.

AIC

The Company is a member of the Association of Investment Companies (AIC).

Price and Net Asset Value Information

The price of the Ordinary shares, which are listed on the main market of the London Stock Exchange, is quoted in the Financial Times, The Daily Telegraph and The Herald. The Company's Net Asset Value is calculated daily and announced to the London Stock Exchange.

Share Register Enquiries

The Company's Registrars, Equiniti Limited, maintains the share register. In the event of queries regarding your shares, please contact the Registrars on 0871 384 2508. Changes of name or address must be notified in writing to Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6ZR.

Shareview Website

The Registrars provide an on-line service that enables shareholders to access details of their shareholdings. A shareholder wishing to view the information, together with additional information such as indicative share prices and details of recent dividends, should visit www.shareview.co.uk.

Shares held in Nominee Names

Where notification has been received in advance, the Company will provide nominee companies with copies of shareholder communications for distribution to their customers. Shareholders who hold their shares in nominee names may, if appointed as a proxy by the nominee company, attend and speak at general meetings.

Company Secretary

Aberdeen Asset Management PLC, 40 Princes Street, Edinburgh, EH2 2BY.

Websites

www.shiresincome.co.uk
www.aberdeen-asset.com

Chairman's Statement

Anthony B. Davidson
Chairman

Results Review

Although not as strong as the gains experienced in 2010, it is pleasing to be able to report another year of good performance from equity markets. Companies continued to benefit from the actions taken by management teams to cut costs during the recession. This meant that they were well positioned to benefit from a pick up of sales which translated to a more marked improvement in profitability. The economy has recovered more slowly but with a sizable proportion of their earnings coming from overseas many companies have fared rather better. A particularly pleasing aspect of this corporate performance has been the desire shown by management teams to deliver tangible returns to shareholders in the form of rising dividends.

The outcome for the year to the end of March 2011 was an increase in the Company's net asset value per share of 12.7% on a total return basis. This compares to a rise in the FTSE All-Share Index, our benchmark, of 8.7% on a total return basis. The total return from the share price was 10.1%. With interest rates remaining at record lows, this rate of return was significantly ahead of that provided by cash or indeed many other asset classes.

The rise in the Company's net assets reflects the ongoing recovery and the good performance of many of the companies in the portfolio. Gearing had a less positive impact this year. It is deployed notionally in the preference shares and whilst they have contributed to the positive total return and comprise a very important element of the income stream they have delivered a lower capital return than equities.

In line with the Board's guidance given last year, your Company is proposing a full year dividend of 12.0p per share. This is 92% covered by the revenue generated by the portfolio. If approved at the AGM, a final dividend of 3.0p per share will be paid on 29 July 2011 to shareholders on the register on 8 July 2011.

Performance

Small companies delivered another year of good performance and the Company's holding in Aberdeen Smaller Companies High Income Trust meant that we were able to benefit from this. Stock selection was again important to performance and that was particularly the case in the Travel & Leisure and Industrial Engineering sectors. Banks represent a sizeable proportion of the index and the portfolio is underweight in this area. This has been a substantial positive factor over the year.

During the year, the Company's shares have traded at a tight discount or a small premium to their net asset value. This reflects the ongoing performance and a recognition of the attraction of the Company's yield.

Earnings and Dividends

From an earnings perspective, the most significant event of 2011 was the decision by BP to pass its dividend for the first three quarters of the year. Prior to this decision BP distributed almost £1 in every £7 across the UK market. Clearly this had a significant impact on the dividends earned by the portfolio over the year. However, as indicated above, many of the companies in the portfolio reported good earnings progression and accompanying growth in their dividend payments. Whilst this has not been sufficient wholly to offset the impact of the lost revenue from BP, it has meant that the Board is able to recommend a maintained dividend for the year with only a slight requirement to utilise revenue reserves.

The economy faces a number of difficulties over the coming months and its recovery remains fragile. Positively, the Company benefits from a high level of dividend reserve. The dividend is backed by adjusted revenue reserves of 13.8p per share, (i.e. after providing for the third and final dividends). Therefore, in the absence of unforeseen events the Board anticipates maintaining the dividend at 12.0p per share, though this will likely require the utilisation of a small amount of the reserves.

Portfolio Profile and Gearing

I am pleased to report that the Company secured a new bank facility in February 2011 for a total of £20 million. This replaces our previous arrangements and ensures our funding position again until 2013.

Given the geared structure of the Company, the Board remains determined to manage gearing in a prudent manner bearing in mind the objectives of the Company. Having protected the geared portion of the portfolio in the run-up to the re financing at the end of last year the decision was taken to reduce the quantum of gearing by £2 million and to enact protection over a further £3 million in April 2010. This took the form of modest cost put/call protection. The Board and the Manager regularly review the requirement for and options available to protect a portion of the portfolio from a sudden decline in markets. Given the current pricing of such protection and the fact that there are no short-term refinancing issues to consider, there is no protection in place at this time. During the year, the Company's gearing decreased from 31.4% to 26.5%.

Outlook

As we enter the new financial year the UK economic outlook remains a mixed picture with the consumer under pressure yet manufacturing experiencing a revival. The effects of rising taxes, slow wage growth and rapidly increasing energy prices have already started to hit discretionary spending on the high street where many retailers have announced disappointing results. On the other hand, the manufacturing sector continues to enjoy a good recovery helped by a weak pound and relatively robust growth in many of the UK core export markets.

Inflation is presently substantially above target and the Bank of England cannot perpetually ignore the price increases and maintain its highly accommodative monetary policy. Given that interest rates have started to rise in Europe and Asia to head off the price pressures, it would seem likely that interest rates may well start to increase before the end of the year.

Rising raw material prices attract much comment in the media and it will be interesting to observe if companies have the ability to defend margins by increasing prices. It is worth bearing in mind that the supply dynamics for metals are very different to those of agricultural commodities. It only takes one good harvest or increased planting to move agricultural prices sharply lower whereas the supply response in mining is much slower.

Political events across the Middle East have the potential significantly to impact the oil price and equity markets. So far it is only the minor producers of Tunisia, Egypt and Libya which have seen any disruption to supplies. It remains to be seen how markets would react if Kuwait, Saudi Arabia or Iran were impacted by significant political unrest. Additionally, the USA appears to be the only major western country which has not taken some sort of action to reduce its huge fiscal deficit. The question investors need to ask is will the politicians in the USA come to a sensible compromise and take real action to control the deficit rather than having proposals watered down by strong lobby groups.

While the economic environment in terms of increased interest rates, geopolitical risk and the possibility of defaults in the Euro Zone remains challenging, there are a number of positive factors. Many companies within the FTSE All-Share Index earn a large proportion of their earnings from outside the UK where prospects on the whole are much brighter. Also, corporate balance sheets are in good health in marked contrast to those of Government and the private individual. In addition, UK companies can demonstrate good quality management teams and comparatively robust levels of corporate governance compared to Global peers. Furthermore, valuations remain attractive on both an absolute and relative basis, corporate earnings should remain strong and finally merger and acquisition activity should help to underpin the market. All of the above gives us some confidence to remain cautiously optimistic.

Anthony B. Davidson
Chairman
31 May 2011

Manager's Review

Portfolio Strategy

Markets have delivered another year of positive returns. Whilst the gains were by no means as strong as in 2010, it was pleasing to see a continuing recovery in share prices and the economy. Early in the year the decision was taken to repay some of the bank facilities. This combined with an increase in the value of the Company's investments caused the gearing to decline from 31.4% to 26.5%. The short-term facilities with HSBC and Royal Bank of Scotland were replaced with a two year £20 million facility provided by Scotiabank Europe PLC. The geared element of the portfolio is invested in UK preference shares which provide a core level of high income.

The Company's assets are invested in equities, preference shares and convertible shares. At the year end, 68% of the assets were invested in equities, 30% in preference shares and the remainder in convertible shares and cash.

Revenue Account

The following table details the main sources of the Company's income over the last five years.

	2011 %	2010 %	2009 %	2008 %	2007 %
Ordinary dividends	44.1	41.6	41.5	47.5	50.6
Preference dividends	44.4	44.7	28.1	29.0	28.6
Aberdeen Smaller Companies*	6.9	7.4	8.7	7.4	7.2
Fixed interest and bank interest	0.6	1.3	2.9	1.1	1.6
Dealing subsidiary	0.0	0.0	(0.5)	(7.0)	3.1
Traded option premiums	4.0	5.0	19.3	22.0	8.9
	100.0	**100.0**	**100.0**	**100.0**	**100.0**
Total income (£'000s)	**4,153**	**4,201**	**6,929**	**8,117**	**8,062**

* formerly Shires Smaller Companies plc

In the year ended 31 March 2011, equities accounted for slightly over half the revenue generated, an improvement over 2010. Preference shares were the next most important contributor. The contribution from traded options was similar to the previous year as the Company continued its approach of reducing its reliance on what can be a volatile income stream. The dealing subsidiary was inactive over the year. We no longer believe that this is an appropriate method of generating revenue and it has now been closed down.

Equities

The year started strongly with equity markets hitting 18 month highs during April. One notable feature was an increase in merger and acquisition activity especially amongst medium sized companies. This was not surprising given the weakness of sterling and the need for management teams to buy sales in a low growth environment. An example was the portfolio's holding in Arriva which was acquired by Deutsche Bahn. Investors remained cautious though as events continued to remind them of the threats to global recovery. In the UK there was the growing prospect of a hung Parliament and the attendant possibility that the deficit would remain unshackled. Meanwhile, in Europe the prospect of sovereign debt default raised its head with the news that Greece looked ever more likely to need a bailout. By May the European Union and the International Monetary Fund had announced a €750 billion package designed to ensure that no member country would default.

One of the positive features of the recession was the approach taken by management teams. They acted quickly to reduce costs and to repair their balance sheets. Although the previous year had seen dividends cut across the market there was now a general feeling of rising confidence. This began to manifest itself in the form of rising dividend pay outs. Whilst the travails of BP dominated the headlines and had a severe impact on the dividend stream available in the UK, many other companies were able to increase their distributions.

By the middle of the year the optimism that had been so apparent in April had disappeared and markets had fallen by more than 10%. Macro economic news flow continued to be mixed but investors seemed to be more focussed on the negatives than the positives.

In the UK the coalition government released their emergency budget. Measures such as the curtailment of previously committed spending on education and the changes to child benefit payments, served to demonstrate how committed the government was to tackling the deficit. Investors welcomed this approach as evidenced by the strengthening of sterling and UK gilts.

As we approached the autumn reporting season, the pre close statements being released by companies suggested that results would largely be in line with expectations and that profit growth would continue. Whilst this was clearly positive, comments made by Ben Bernanke, the Chairman of the US Federal Reserve, that the outlook for the US was "unusually uncertain" served to remind investors that recovery in the US was far from a forgone conclusion. By November the US authorities had announced that they would purchase up to another $600 billion of Treasuries in what came to be known as Quantitative Easing 2, (QE2). Whilst this action was aimed at combating the threat of deflation it was in fact inflation that was proving to be the more difficult problem, especially in the UK. Indeed, these actions to increase liquidity in the US economy also served to weaken the dollar which in turn pushed up commodity prices creating additional inflationary pressures.

Despite this, merger and acquisition activity continued apace and also moved further up the market capitalisation scale. Intel bid for MacAfee, Royal Sun Alliance bid for parts of Aviva and BHP Billiton launched a $39 billion attempt to secure Potash Corporation.

The risk of Sovereign debt default in the European Union re-emerged. This time it was Ireland that was forced to accept a bailout package.

As we entered the New Year the impact of collapsing consumer confidence became increasingly evident. The fourth quarter GDP reading for the UK was particularly poor even accounting for the impact of the atrocious weather in the run-up to Christmas. Profit warnings began to accelerate. Broadly, these fell into two camps, those that were related to the reduction in disposable incomes amongst consumers and those that were related to ever rising input costs. This latter factor showed no signs of easing and was further exacerbated by news of the rising tensions in the Middle East which served to drive the oil price to levels not seen since the summer of 2008.

The portfolio is constructed on a company by company basis rather than by reference to the benchmark. In the UK, however, the index is dominated by a handful of sectors and very large companies. This can have the effect of creating significant divergences between the portfolio and the benchmark.

During the year we have remained underweight the oil and gas producers. In part this was a function of BP's decision to cut their dividend. The requirement to generate an above average income stream from the portfolio constrains the amount of the fund that we can invest in zero and low yielding equities. In the case of both the oil producers and the miners, where we also have an underweight position, we see attractive investment opportunities in the businesses that provide services to these companies. Consequently, our overweight position amongst the service providers has been increasing as we have built the position in Amec. Pleasingly, the performance from Weir Group has meant that we have been able to lock in profits from this holding over the course of the year.

Aerospace and Defence spending is the subject of much negative press coverage. It is true that total spending will have to be reduced as a part of the austerity drive, but there are businesses that occupy niches where expenditure is under less pressure. Some companies are also involved in long-term, in some cases very long-term, programmes that provide a base of revenues that stretches far into the future. Rolls Royce and Cobham are two such businesses and we have been adding to these positions over the year.

Pharmaceuticals is an area of the market where we believe valuations are failing to reflect future prospects as many investors focus on the threat from the "patent cliff" whilst ignoring the global demographics that support increasing drug usage. This is combined with innovations such as biologics that open new treatment spheres and a rising awareness on the part of the consumer that sees them demand the best available treatment. In general these companies possess strong balance sheets and offer attractive yields.

At the beginning of the year, the Travel & Leisure sector was an area where we had an overweight position. This has come down over the year as we have benefited from a number of notable successes. The most significant of these was the acquisition of Arriva by Deutsche Bahn. Additionally, the good performance from the likes of Millennium and Copthorne and Whitbread has allowed us to recycle capital from relatively low yielding businesses into higher yielding ones. Our positions in the Utility and Tobacco sectors have been broadly constant over the year. We believe that these companies provide a less cyclical and defensive earnings stream that provides some stability to the portfolio's dividend generating capability. Banks are an area where we remain significantly underweight. We believe that there is still too much uncertainty surrounding the future of those banks that have large elements of Government ownership. Our preferences include HSBC, Standard Chartered and Close Brothers. The first two companies navigated the credit crisis much more successfully than their peers and also bring exposure to emerging market growth to the portfolio. We added to the holding in Close Brothers because we view their banking business as being largely counter-cyclical and we believe that the market is not giving them enough credit for the resilience of the earnings in the market making business. Amongst other financial businesses we continue to have large positions in the Life Assurers. Having done much to improve the quality of their investment portfolios following the difficulties they experienced in the earlier part of the decade, these are now more stable businesses. They pay attractive dividends and in the case of Prudential they have large and growing Asian operations that bring them the potential to build a much larger business over the medium-term.

We have retained our holding in Shires Smaller Companies. This trust has recently changed its name to Aberdeen Smaller Companies High Income Trust ("Aberdeen Smaller Companies"). Whilst we are comfortable making direct investments in smaller companies, we believe that Aberdeen Smaller Companies brings the benefits of diversification at an attractive valuation given the discount at which it trades. This is allied with a very attractive yield that is notable in the context of the market in which it operates.

Lastly we are pleased to have secured an exit from the holding in Sierra Monitor. This was an historic investment, and a lack of liquidity had led to the Board taking the decision to write down its value in the 2010 Annual Report. Following a series of discussions with the management team of the company we received an offer from the company itself for the entire position. The offer was accepted and the sale generated a profit compared to the book value.

Investment Performance Analysis

In the year to the end of March 2011, the total return on net assets was 12.7% compared to our benchmark the FTSE All–Share Index which rose by 8.7%. The outperformance versus the benchmark was driven by a number of factors. Amongst these was the exposure to smaller companies through the holding in Aberdeen Smaller Companies. Stock selection was an important factor especially in the Travel & Leisure and Industrial Engineering sectors where the holdings in Arriva, which was acquired by Deutsche Bahn and Weir Group which enjoyed a very strong recovery in its end markets and was promoted into the FTSE 100 Index, were particularly noteworthy. Financials are an important area of the market especially for an income orientated Company. It is pleasing that the underweight position to the banks and the overweight exposure to the Life Assurers were both significant positive contributors. Having performed strongly last year, the fixed income and preference shares lagged the market in 2011 though they continued to be core contributors to the revenue account.

Prospects

The outlook for the UK economy is currently quite downbeat. The impact of the austerity packages are only just starting to be felt and the impending cuts are likely to be more severe than many people realise. The consumer is beginning to recognise this and has cut back on discretionary spending as evidenced by the increasing number of profit warnings emanating from consumer exposed businesses. Meanwhile inflation remains resolutely above target.

For some time now the Monetary Policy Committee’s stance has been that a number of unrelated factors have impacted the rate of price rises, not least the increase in VAT to 20% and rising commodity prices. The Committee’s view has been that these will be either transient or are beyond its control. That stance is looking increasingly difficult to defend and therefore there is a real possibility that interest rates will rise sooner and faster than expected. Indeed, it may be necessary for this to happen in order to assuage investors who, whilst content with the rhetoric surrounding the necessary cuts in expenditure, need to be comforted that the authorities are serious about controlling inflation. In the European Union interest rates have already started to increase. This will make life increasingly difficult for those peripheral economies that are facing likely or current default. Whilst this will be detrimental to demand from these regions for UK exports, the associated strength of the Euro should provide some counterbalance.

The impact of rising raw material prices are being felt by a wide range of companies. Having acted quickly to adjust their cost bases in the face of the recession many companies lack much scope to implement cost saving measures to offset these. Consequently, they will need to raise prices if they are to offset the impact on their gross margins.

There are also global events that have the potential to impact markets. These include the possibility that rising tensions in the Middle East could push the oil price materially higher. Also, although the US recovery is ongoing, it needs to be remembered just how much stimulus is being deployed and that this will have to be unwound at some point.

Nevertheless, whilst the economic environment will be difficult, there are some positive factors. It is easy to forget that there is a low correlation between economic expansion and equity market performance. In addition, a sizable proportion of the UK equity market’s earnings is derived from overseas which serves to diminish the impact of a difficult domestic outlook. Meanwhile, corporate balance sheets are in much better health than they have been for many years. Therefore, providing management teams have confidence in the medium-term, there is the potential for capital expenditure to absorb some of the impact of falling public sector spending and a rising consumer savings ratio. Lastly, there are signs that having been the beneficiaries of large flows of investment, some emerging market economies, most notably China, are aware of the potential danger from the formation of bubbles and are consequently tightening monetary policy. UK equities have been an overlooked area of the market for some time. Any reduction in appetite for emerging market equities may serve to draw investors’ attention to the fact that domestic equities are not expensive in absolute terms or relative to either history or other asset classes.

We will continue to invest in businesses that have sound balance sheets, positive medium-term prospects and that are attractively valued.

Aberdeen Asset Managers Limited
31 May 2011

Results

Financial Summary

	31 March 2011	31 March 2010	% change
Total investments	£74,317,000	£73,023,000	+1.8
Shareholders' funds	£58,733,000	£55,573,000	+5.7
Market capitalisation	£56,425,402	£54,643,547	+3.3
Net asset value per share	197.77p	187.13p	+5.7
Share price (mid market)	190.00p	184.00p	+3.3
(Discount)/premium to adjusted NAV[A]	(0.9%)	1.6%	
Gearing	26.5%	31.4%	
Total expense ratio	1.1%	1.1%	
Dividends and earnings			
Revenue return per share[B]	11.09p	11.83p	–6.3
Dividends per share[C]	12.00p	12.00p	–
Dividend cover	0.92	0.99	
Revenue reserves[D]	£5,878,000	£6,151,000	

[A] Based on IFRS NAV above reduced by dividend adjustment of 6.0p (2010 – 6.0p).
[B] Measures the revenue earnings for the year divided by the weighted average number of Ordinary shares in issue (see Consolidated Statement of Comprehensive Income).
[C] The figures for dividends per share reflect the years in which they were earned (see note 9 on page 37).
[D] The revenue reserve figure does not take account of the third or final interim dividend amounting to £1,781,855 (2010 – £1,781,855).

Performance (total return)

	1 year % return	3 year % return	5 year % return
Net asset value	+12.7	+4.3	–9.7
Share price (based on mid price)	+10.1	+16.1	–7.4
FTSE All-Share Index	+8.7	+17.0	+20.0

All figures are for total return and assume re-investment of net dividends excluding transaction costs.

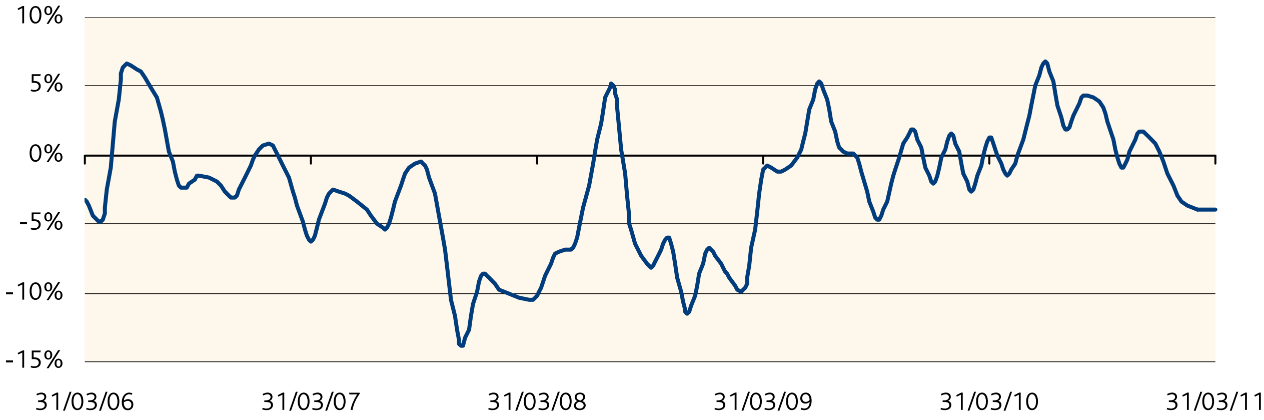
Dividends

	Rate per share	xd date	Record date	Payment date
First interim dividend	3.00p	6 October 2010	8 October 2010	29 October 2010
Second interim dividend	3.00p	5 January 2011	7 January 2011	31 January 2011
Third interim dividend	3.00p	6 April 2011	8 April 2011	28 April 2011
Proposed final dividend	3.00p	6 July 2011	8 July 2011	29 July 2011
2010/11	**12.00p**			
First interim dividend	3.00p	7 October 2009	9 October 2009	30 October 2009
Second interim dividend	3.00p	6 January 2010	8 January 2010	29 January 2010
Third interim dividend	3.00p	7 April 2010	9 April 2010	30 April 2010
Final dividend	3.00p	7 July 2010	9 July 2010	30 July 2010
2009/10	**12.00p**			

Performance

Ordinary Share Price Premium/(Discount) to NAV

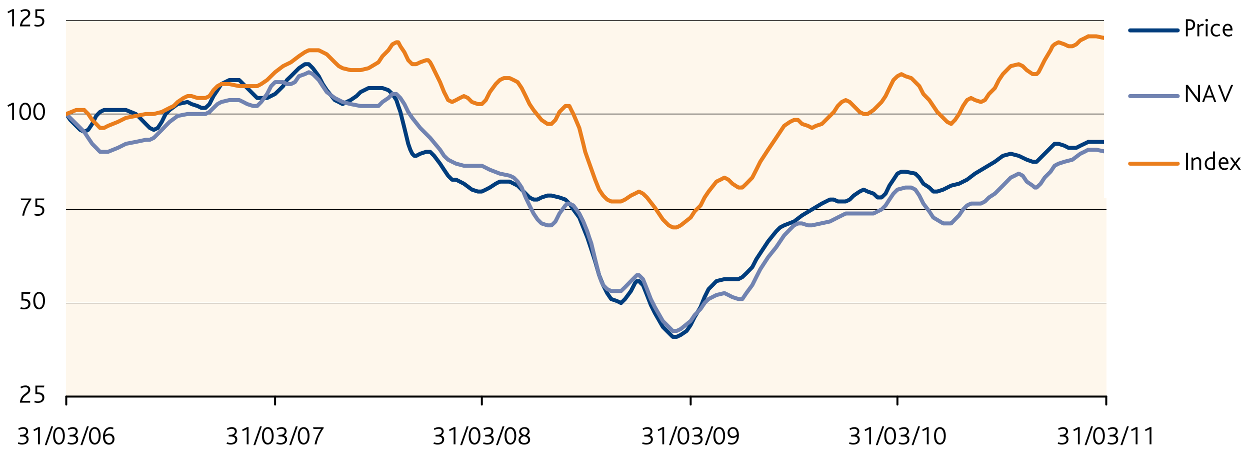
Five years to 31 March 2011



Source: Morningstar

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

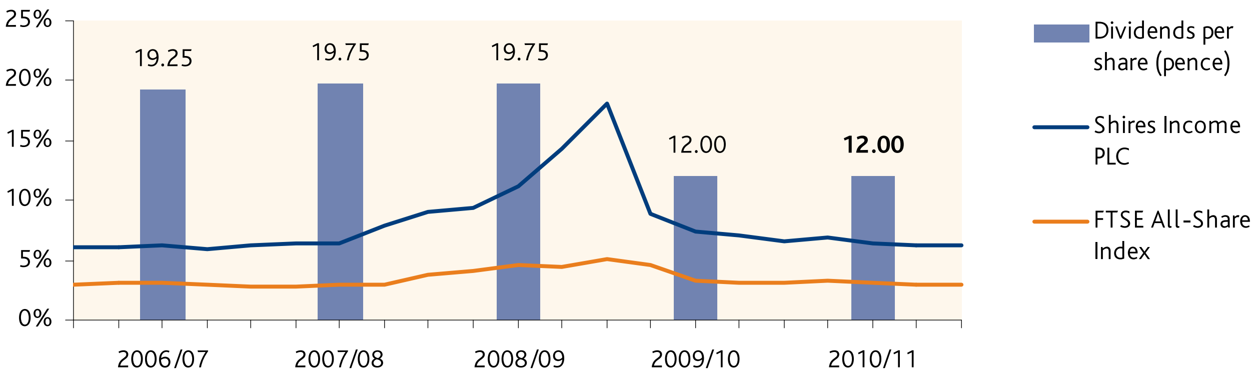
Figures are total return and have been rebased to 100 at 31 March 2006



Source: Morningstar & Factset

Net Dividend Yield

Five years to 31 March 2011



Ten Year Financial Record

Year to 31 March	2002	2003	2004[A]	2005	2006	2007	2008	2009	2010	2011
Revenue available for ordinary dividends (£'000)	5,739	5,853	5,770	5,770	5,792	5,987	6,026	5,536	3,512	3,292
Per share (p)										
Net revenue return	19.4	19.7	19.5	19.6	19.5	20.2	20.3	18.6	11.8	11.1
Net dividends paid/proposed	19.25	19.25	19.25	19.25	19.25	19.25	19.75	19.75	12.00	12.00
Total return	(38.9)	(175.0)	76.0	52.5	74.8	26.8	(65.4)	(113.0)	85.3	22.6
Net asset value	366.9	172.7	229.5	272.9	328.4	336.0	251.5	118.8	187.1	197.8
Shareholders' funds (£m)	108.9	51.2	68.1	81.1	97.5	99.8	74.7	35.3	55.6	58.7

[A] 2004 figures restated following the introduction of International Reporting Standards ('IFRS'). Figures for 2003 and earlier have not been restated.

Cumulative Performance

Rebased to 100 at 31 March 2001

As at 31 March	2001	2002	2003	2004[A]	2005	2006	2007	2008	2009	2010	2011
NAV – diluted	100.0	86.3	40.6	54.0	61.8	74.4	76.1	56.9	26.9	42.4	44.8
NAV total return[B]	100.0	90.7	45.9	66.8	82.8	106.8	116.2	92.5	48.3	85.6	96.5
Share price performance	100.0	80.5	34.3	54.2	64.4	75.9	75.2	53.3	26.4	44.6	46.0
Share price total return[B]	100.0	84.5	38.7	67.6	87.4	110.3	116.3	87.9	48.6	92.7	102.1
Benchmark performance	100.0	94.3	64.0	81.0	90.6	112.4	121.1	108.0	73.2	107.3	113.1
Benchmark total return[B]	100.0	96.8	68.0	89.0	102.9	131.7	146.4	135.1	95.4	145.4	158.0

[A] 2004 figures restated following the introduction if International Reporting Standards ('IFRS'). Figures for 2003 and earlier have not been restated.
[B] Total return figures are based on reinvestment of net income.

Investment Portfolio – Ordinary shares

As at 31 March 2011

Company	Valuation 2011 £'000	Total portfolio %	Valuation 2010 £'000[B]
Aberdeen Smaller Companies High Income Trust[A]	5,340	7.2	3,840
British American Tobacco	3,152	4.2	3,203
Royal Dutch Shell	2,970	4.0	2,524
Vodafone	2,690	3.6	2,316
Centrica	2,375	3.2	2,275
GlaxoSmithKline	1,974	2.7	1,696
BP	1,948	2.6	2,637
National Grid	1,841	2.5	1,706
AstraZeneca	1,821	2.5	1,957
HSBC Holdings	1,795	2.4	2,131
Ten largest investments	**25,906**	**34.9**	
Chesnara	1,604	2.2	1,355
Aviva	1,593	2.1	1,291
Unilever	1,503	2.0	1,163
Provident Financial	1,498	2.0	1,249
Prudential	1,448	1.9	1,347
Close Brothers	1,436	1.9	806
Tesco	1,372	1.8	1,276
BHP Billiton	1,351	1.8	1,241
Rolls Royce	1,232	1.7	1,185
Land Securities	1,101	1.5	754
Twenty largest investments	**40,044**	**53.8**	
Whitbread	1,034	1.4	1,013
AMEC	954	1.3	455
Cobham	937	1.3	532
Schroders	902	1.2	837
Morrison (Wm.)	889	1.2	945
Associated British Foods	823	1.1	812
Pearson	748	1.0	704
Standard Chartered	746	1.0	513
Weir Group	734	1.0	860
GKN	717	1.0	755
Thirty largest investments	**48,528**	**65.3**	
Daily Mail & General Trust	697	0.9	746
Rio Tinto	690	0.9	615
Chaucer Holdings	563	0.8	490
Millennium & Copthorne Hotels	445	0.6	907
Mothercare	396	0.5	–
Persimmon	374	0.5	535
Total Ordinary shares	**51,693**	**69.5**	

Investment Portfolio – Other Investments

As at 31 March 2011

Company	Valuation 2011 £'000	Total portfolio %	Valuation 2010 £'000[B]
Convertibles			
Premier Farnell 89.2p Cum Conv	687	0.9	638
Balfour Beatty Cum Conv 10.75%	642	0.9	675
Total Convertibles	**1,329**	**1.8**	
Preference shares			
Ecclesiastical Insurance Office 8 5/8%	4,664	6.3	4,749
Royal & Sun Alliance 7 3/8%	4,318	5.8	4,372
General Accident 7.875%	3,477	4.7	3,584
Standard Chartered 8.25%	3,156	4.2	3,265
Santander 10.375%	2,884	3.9	3,284
Barclays Bank 14%	1,684	2.3	1,688
REA Holdings 9%	1,112	1.5	1,106
Total Preference shares	**21,295**	**28.7**	
Total other investments	**22,624**	**30.5**	
Total investments	**74,317**	**100.0**	

[A] Formerly known as Shires Smaller Companies plc

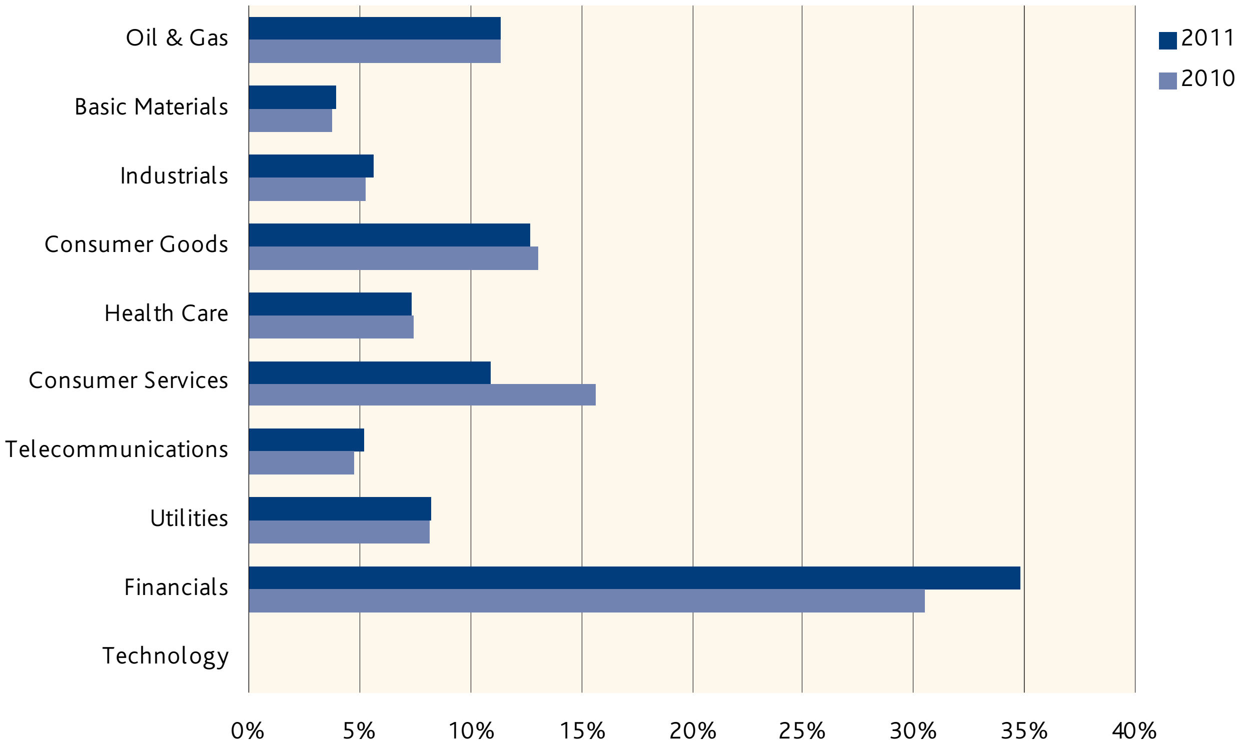
[B] Purchases and/or sales effected during the year will result in 2010 and 2011 values not being directly comparable.

Distribution of Assets and Liabilities

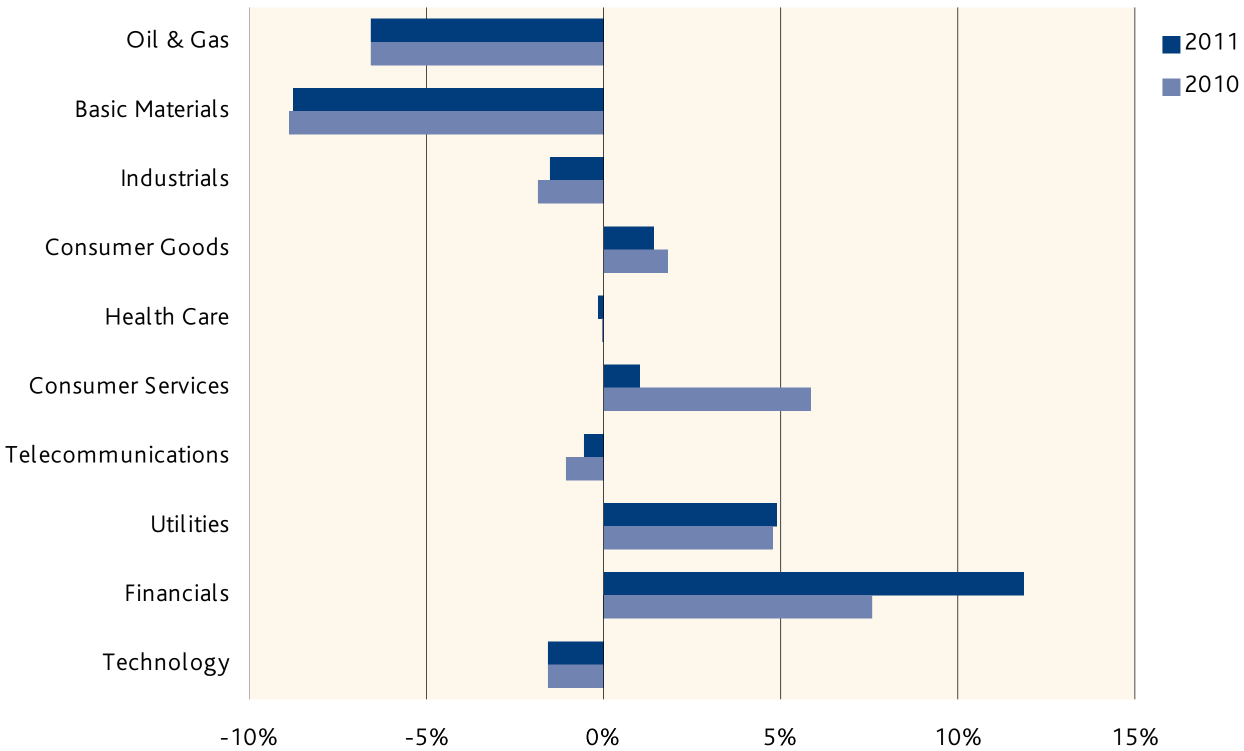
As at 31 March 2011

	Valuation at 31 March 2010 £'000	%	Movement during the year Purchases £'000	Sales £'000	Other £'000	Gains/ (losses) £'000	Valuation at 31 March 2011 £'000	%
Listed investments								
Ordinary shares	49,190	88.5	4,295	(6,250)	–	4,458	51,693	88.0
Convertibles	1,313	2.4	–	–	–	16	1,329	2.2
Preference shares	22,048	39.7	–	–	(129)	(624)	21,295	36.3
	72,551	130.6	4,295	(6,250)	(129)	3,850	74,317	126.5
"Restricted" investments	472	0.8	–	(633)	–	161	–	–
Total investments	73,023	131.4	4,295	(6,883)	(129)	4,011	74,317	126.5
Current assets	2,713	4.9					3,120	5.3
Current liabilities	(20,163)	(36.3)					(18,704)	(31.8)
Net assets	**55,573**	**100.0**					**58,733**	**100.0**
Net asset value per Ordinary share	**187.1p**						**197.8p**	

Analysis of Listed Equity Portfolio



Shires Income PLC relative to the FTSE All-Share Index



Note: Financials include the Company's investment in Aberdeen Smaller Companies High Income Trust

Your Board of Directors

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

Anthony B. Davidson C.A.

Status: Independent Non-Executive Director - Chairman.
Length of Service: 4 years, joined the Board in February 2007
Experience: Currently a non-executive Director of Sun Life Assurance Company of Canada (UK) Limited and a number of life companies within the Phoenix Group. He was previously Chief Executive of Provincial Insurance plc and a Senior Executive Director of TSB Scotland plc.
Last re-elected to the Board: 9 July 2010
Committee membership: Audit Committee, Nomination Committee (Chairman), Management Engagement Committee (Chairman)
Remuneration for the financial year: £23,000 per annum
All other public company directorships: Non-executive director of JPMorgan European Smaller Companies Trust plc.
Employment by the Manager: None
Other connections with Company or Manager: None
Shared Directorships with any other Company Directors: None
Shareholding in Company: 10,000 Ordinary shares

Mervyn D. Couve

Status: Independent Non-Executive Director.
Length of Service: 7 years, joined the Board in October 2003.
Experience: Currently a Consultant with Speechly Bircham Solicitors where he was previously Managing Partner and Senior Partner. Also a Trustee of English National Opera Trust. He is a former member of the CBI Smaller Firms Council and the CBI Company Law Panel.
Last re-elected to the Board: 3 July 2009
Committee membership: Audit Committee, Nomination Committee, Management Engagement Committee.
Remuneration for the financial year: £16,000 per annum.
All other public company directorships: Non-executive director of Ecclesiastical Insurance Office plc and Ecclesiastical Insurance Group plc.
Employment by the Manager: None.
Other connections with Company or Manager: None.
Shared Directorships with any other Company Directors: None.
Shareholding in Company: 2,000 Ordinary shares.

David P. Kidd

Status: Independent Non-Executive Director.
Length of Service: 7 years, joined the Board in February 2004.
Experience: He has twenty five years experience in investment management, of which three quarters was in the role of Chief Investment Officer. Currently a Director of The Law Debenture Pension Trust Corporation plc and a non executive director of The Salvation Army International Trustee Company. Previously Chief Investment Officer of the private bank, Arbuthnot Latham & Co. Limited, Chiswell Associates Limited and with The Royal Bank of Scotland's investment management arm.
Last re-elected to the Board: 9 July 2010
Committee membership: Audit Committee, Nomination Committee, Management Engagement Committee.
Remuneration for the financial year: £16,000 per annum.
All other public company directorships: Non-executive director of Martin Currie Portfolio Investment Trust plc.
Employment by the Manager: None
Other connections with Company or Manager: None.
Shared Directorships with any other Company Directors: None.
Shareholding in Company: 5,000 Ordinary shares.

Andrew S. Robson C.A.

Status: Independent Non-Executive Director.
Length of Service: 3 years, joined the Board in May 2008.
Experience: He is a Chartered Accountant, with many years of experience in investment banking and as a Finance Director. He was a Director of Robert Fleming & Co Limited and SG Hambros. He was Finance Director at eFinancialGroup Limited and the National Gallery. He has over 10 years of experience on the Boards of a number of quoted Investment Trusts. He is currently a business adviser, working with smaller UK companies.
Last re-elected to the Board: 4 July 2008
Committee membership: Audit Committee (Chairman), Nomination Committee, Management Engagement Committee.
Remuneration for the financial year: £18,000.
All other public company directorships: Non-executive director of British Empire Securities and General Trust plc, JP Morgan Smaller Companies Investment Trust plc and Matrix Income & Growth 4 VCT plc.
Employment by the Manager: None
Other connections with Company or Manager: Previously a Director of Edinburgh UK Smaller Companies Tracker Trust plc, managed by Aberdeen until liquidated in December 2006.
Shared Directorships with any other Company Directors: None.
Shareholding in Company: 5,500 Ordinary shares

Directors' Report

Status of the Company

The Company, which was incorporated in 1929, has received approval as an investment trust by HM Revenue & Customs for all accounting periods up to and including 31 March 2010 and has since conducted its affairs so as to enable it to retain such approved status. It is a member of the Association of Investment Companies. The Company is an investment company within the meaning of Section 833 of the Companies Act 2006. So far as the Directors are aware, the close company provisions of the Corporation Tax Act 2010 do not apply to the Company. The Company's registration number is 386561.

Business Review

Activities

The Company is an investment trust. The objective of the Company is set out on page 3 of the report. As at 31 March 2011, the Company owned the whole of the issued ordinary share capital of its two subsidiary undertakings, Topshire Limited and Wiston Investment Company Limited, both of which were investment dealing companies registered in England. Having not traded in recent years, both companies made an application to the Registrar of Companies to be voluntarily struck off during the year and were formally dissolved after the year end with an effective date of 24 May 2011.

The Company has an18.1% interest in Aberdeen Smaller Companies High Income Trust PLC (formerly Shires Smaller Companies plc), a listed investment trust managed by Aberdeen.

Results and Dividends

The financial statements for the year ended 31 March 2011 appear on pages 29 to 48. Dividends accounted for in the year amounted to 12.0p.

A third interim dividend of 3.0p per Ordinary share was declared on 30 March 2011 payable on 28 April 2011. A final dividend of 3.0p per Ordinary share is proposed, payable 29 July 2011. Under International Financial Reporting Standards (IFRS) both these dividends will be accounted for in the financial year ended 31 March 2012.

Current and Future Development

A review of the business is given in the Chairman's Statement and the Manager's Review. Key performance indicators ("KPIs") are shown in the financial information on page 9 with historical performance being shown on pages 10 and 11. These KPIs include net asset value total return, share price total return, and the premium/discount at which the shares trade. The Board also considers the marketing and promotion of the Company including effective communications with shareholders, which is explained in more detail in the 'Relations with Shareholders' section on page 24. The Board considers the future direction of the Company at an annual strategy meeting where a wide discussion takes place on development and strategic direction. The Company's brokers, J.P. Morgan Cazenove, present to the Board during the course of the year and cover the topics of sector development, perception of the Company and relevant strategic issues.

Principal Risks and Uncertainties

The principal risks facing the Company relate to the Company's investment activities and gearing and include market risk, liquidity risk and credit risk. An explanation of these risks and how they are managed is contained in note 18 to the financial statements on page 43.

Investment Policy

Investment Process

The Manager follows a bottom-up investment process based on a disciplined evaluation of companies through direct visits by its fund managers. Stock selection is intended as the major source of added value. No stock is bought without the Manager having first met management. The Manager estimates a company's worth in two stages, quality then price. Quality is defined by reference to management, business focus, the balance sheet and corporate governance. Price is calculated by reference to key financial ratios, the market, the peer group and business prospects. Top-down investment factors are secondary in the Manager's portfolio construction, with diversification rather than formal controls guiding stock and sector weights.

Investment Risk

The investment risk within the portfolio is managed by investing in different categories of investments and by the Manager adhering to various guidelines set by the Board. The Company invests mainly in equities, preference shares and convertibles.

Equity investments are selected in accordance with the investment process above. There are no specific sector limits set, with the Manager free to invest in individual equities that they believe will contribute to both the capital and income performance of the Company. However, the exposure to equities is limited by investment guidelines drawn up by the Board in conjunction with the Manager. In the year under review these guidelines included:

- Maximum equity gearing of 135% of Net Asset Value
- Maximum 7.5% of assets invested in the securities of one company (excluding Aberdeen Smaller Companies High Income Trust PLC)
- Maximum 5% of quoted investee company's ordinary shares

The Company also invests in preference shares primarily to enhance the income generation of the Company. The majority of these investments is in large financial institutions. The maximum holding in preference shares is managed by the second guideline referred to above. In addition the Company cannot hold more than 10% of an investee company's preference shares.

The Company enters into traded option contracts again primarily to enhance the income generation of the Company. The risk associated with these option contracts is managed through the principal guidelines below which operated in the year under review:

- Call options written to be covered by stock
- Put options written to be covered by net current assets/borrowing facilities
- Call options not to be written on more than 100% of a holding of stock
- Call options not to be written on more than 30% of the UK equity portfolio
- Put options not be written on more than 30% of the UK equity portfolio

During the year under review, the Company's gearing was in the form of bank borrowing, utilising a revolving credit facility. The gearing risk of the Company is actively managed and monitored with the Manager able to increase or decrease the short-term borrowings in line with their view of the stock market. In addition, the 135% equity gearing limit constrains the amount of gearing that can be invested in equities which are more volatile than the fixed interest part of the portfolio.

The Board and the Manager regularly review the requirement for and options available to protect a portion of the portfolio from a sudden decline in markets.

Analysis of Portfolio

A comprehensive analysis of the portfolio is given in the Investment Manager's Review on pages 6 to 8, the Distribution of Assets and Liabilities on pages 14 and 15 and the Investment Portfolio on pages 12 and 13.

Directors

The Directors are shown on page 16 and 17. All held office throughout the year. Mr A.S. Robson, having been last re-elected in 2008, retires by rotation and, being eligible, offers himself for election.

The Board has reviewed its collective performance and that of each individual member and believes it continues to operate in an efficient and effective manner with each Director making a significant contribution to the performance of the Company. Given this, the Board recommends to shareholders the re-election of Mr Robson.

Mr Robson is a Chartered Accountant with many years of experience in investment banking and as a finance director, as well as many years of experience on the boards of a number of quoted investment trusts.

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

The Directors at 31 March 2011 had no other interest other than those interests, all of which are beneficial interests, shown below in the share capital of the Company.

	31 March 2011 Ordinary shares	**31 March 2010 Ordinary shares**
A.B. Davidson	10,000	10,000
M.D. Couve	2,000	2,000
D.P. Kidd	5,000	5,000
A.S. Robson	5,500	3,000

No Director had an interest in the 3.5% Cumulative Preference share capital at any time during the year. There have been no changes in the Directors' interests between 1 April 2011 and 31 May 2011.

Annual General Meeting

Among the resolutions being put at the Annual General Meeting of the Company to be held on 5 July 2011, the following resolutions will be proposed:

(i) Amendment to Articles of Association

Resolution 7, which is an ordinary resolution, will be proposed to increase the limit on aggregate fees payable by the Company to the Directors under Article 79 to £140,000. The Directors wish to make provision in the event that the Board composition were to expand in number in the future and accordingly a base aggregate figure of £140,000 subject to upward adjustment annually by reference to the change in the UK retail prices index is proposed.

(ii) Section 551 Authority to Allot Shares

Resolution 8, which is an ordinary resolution, will, if approved, give the Directors a general authority to allot new securities up to an aggregate nominal value of £4,949,102 representing approximately one third of the total Ordinary share capital of the Company in issue as at the date of this document, such authority to expire on 30 September 2012 or, if earlier, at the conclusion of the next Annual General Meeting of the Company (unless previously revoked, varied or extended by the Company in general meeting).

(iii) Disapplication of Pre-emption Provisions

Resolution 9 is to enable the Directors to issue new shares and to resell shares held in treasury up to an aggregate nominal amount of £1,484,878 (representing approximately 10% of the total Ordinary share capital in issue). Resolution 9, which is a special resolution, will, if approved, give the Directors power to allot Ordinary shares (including Ordinary shares held in treasury) for cash, otherwise than pro rata to existing shareholders, up to a maximum aggregate nominal amount of £1,484,878. Ordinary shares would only be issued for cash at a price not less than the net asset value per share. This authority will expire on 30 September 2012 or, if earlier, at the conclusion of the next Annual General Meeting of the Company (unless previously revoked, varied or extended by the Company in general meeting). As noted, this disapplication of pre-emption rights also applies in respect of treasury shares which the Company may sell. The Company has no shares held in treasury as at the date of this report.

(iv) Purchase of the Company's own Ordinary Shares

Resolution 10, which is a special resolution, will be proposed to renew the Company's authorisation to make market purchases of its own shares. The maximum number of Ordinary shares which may be purchased pursuant to the authority shall be 14.99% of the issued share capital of the Company as at the date of the passing of the resolution (approximately 4.45 million Ordinary shares). The minimum price which may be paid for an Ordinary share (exclusive of expenses) shall be 50p. The maximum price for an Ordinary share (again exclusive of expenses) shall be an amount being not more than the higher of (i) 105% of the average of the middle market quotations for the Company's Ordinary shares for the five business days immediately preceding the date of purchase and (ii) the higher of the price of the last independent trade and the highest current independent bid relating to an Ordinary share on the trading venue where the purchase is carried out.

This authority, if conferred, will only be exercised if to do so would enhance the net asset value per share and is in the best interests of shareholders generally. Shares so repurchased will be held in treasury. Any purchase of shares will be made within guidelines established from time to time by the Board. This authority will expire on 30 September 2012 or, if earlier, at the conclusion of the next Annual General Meeting of the Company (unless previously revoked, varied or extended by the Company in general meeting).

(v) Notice Period for General Meetings

The Company's Articles of Association enable the Company to call general meetings (other than an Annual General Meeting) on 14 clear days' notice. In order for this to be effective, the shareholders must also approve the calling of meetings on 14 days' notice by separate resolution. Resolution 11, which is a special resolution, seeks such approval. The approval will be effective until the Company's next Annual General Meeting, when it is intended that a similar resolution will be proposed. The Company will also need to meet the requirements for electronic voting under the Companies Act 2006 (as amended by the Shareholders' Rights Regulations) before it can call a general meeting on 14 days' notice.

Recommendation

The Directors believe that the resolutions to be proposed at the Annual General Meeting are in the best interests of the Company and its shareholders as a whole, and recommend that shareholders vote in favour of the resolutions, as the Directors intend to do in respect of their own beneficial shareholdings totalling 22,500 Ordinary shares.

Going Concern

The Company's assets comprise mainly readily realisable securities which can be sold to meet funding commitments if necessary. The Board believes that the Company should be able to secure an offer of an appropriate level of facilities on commercial terms to renew the revolving credit facility which matures on 24 February 2013. The Board considers that the Group has adequate financial resources to continue in operational existence for the foreseeable future.

Payment Policy

The Company's policy, in relation to all of its suppliers, is to settle the terms of payment when agreeing the terms of the transaction and to abide by those terms. The Company does not have trade creditors.

Corporate Governance

The Statement of Corporate Governance which forms part of the Directors' Report is shown on pages 22 to 25.

Auditor

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

Resolutions re-appointing KPMG Audit Plc as the Company's auditor and authorising the Directors to determine its remuneration will be proposed at the Annual General Meeting.

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 22 to 25. 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 Investment Management Agreement with the Manager, further details of which are set out on page 3, the Company is not aware of any contractual or other agreements which are essential to its business which ought to be disclosed in the Directors' Report.

By order of the Board
Aberdeen Asset Management PLC
Secretary
31 May 2011

Statement of Corporate Governance

Corporate Governance

This Statement of Corporate Governance forms part of the Directors' Report which is shown on pages 18 to 21.

Compliance

The Company is committed to high standards of corporate governance and has arrangements in place which it believes are appropriate for an investment trust company. The Board is accountable to the Company's shareholders for good governance and this statement describes how the Company applies the principles identified in the Combined Code on Corporate Governance June 2008 (the "Combined Code") which is available on the Financial Reporting Council's website: www.frc.org.uk. The Board confirms that the Company has complied throughout the accounting period with the relevant provisions contained within the Combined Code.

Additionally, as the Company is a member of the AIC, the Board has taken account of the recommendations of the AIC's Code of Corporate Governance dated March 2009 (the "AIC Code") which seeks to codify best practice of particular relevance to investment trusts. The AIC Code is available on the AIC's website: www.theaic.co.uk.

The new UK Corporate Governance Code and the new AIC Code of Corporate Governance issued last year will apply to the Company's current year end reporting period (31 March 2012).

The Board

The Board currently consists of four non-executive Directors. There is no Chief Executive position within the Company as day-to-day management of the Company's affairs has been delegated to the Manager, Aberdeen Asset Managers Limited. Given the size and composition of the Board it is not felt necessary to separate the roles of the Chairman and Senior Independent Director. Biographies of the Directors appear on pages 16 and 17 and these demonstrate the wide range of skills and experience each bring to the Board. Each Director has signed a letter of appointment to formalise in writing the terms of their engagement as a non-executive Director. Copies of these letters are available for inspection at the registered office of the Company during normal business hours and will also be available for fifteen minutes prior to and during the Annual General Meeting.

Subject to the provisions of the Companies Act 2006, each of the Directors is entitled to be indemnified by the Company against all costs, charges, losses, expenses and liabilities which he may sustain or incur in the execution or purported execution or discharge of his duties or in the exercise or purported exercise of his powers or otherwise in relation to or in connection with his duties, powers or office. The foregoing do not operate to provide an indemnity against any liability attaching to a Director in connection with any negligence, default, breach of duty or breach of trust in relation to the Company except as permitted by the Companies Act 2006. The Company will not indemnify the Directors against costs incurred by a Director to the Company nor costs incurred in defending criminal proceedings in which judgement is given against the Director. The Company has entered into a separate deed of indemnity with each of the Directors reflecting the scope of the indemnity in the Articles of Association.

The Board regularly reviews the independence of its members and considers all Directors to be independent of the Company's Manager.

The AIC Code provides that the Board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual Directors. In order to review its effectiveness, the Board carries out a process of formal self appraisal. The Directors consider how the Board functions as a whole and also review the individual performance of its members. This process encompasses quantitative and qualitative measures of performance implemented by way of an evaluation survey questionnaire and Board discussion. It also forms the basis of the decision on whether or not Directors are nominated for re-election at the relevant intervals. The appraisal of the Chairman is carried out by the other non-executive Directors. This process has been carried out in respect of the year under review and is conducted on an annual basis. The review concluded that the Board is functioning well and there are no issues of concern.

There is a formal process 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 each Board meeting. In accordance with the Company's Articles of Association and relevant legislation, each Director abstains from approval of his own position. The Board will continue to monitor and review potential conflicts of interests on a regular basis.

During the year ended 31 March 2011 the Board met seven times. In addition, the Audit Committee met twice, the Nomination Committee once and the Management Engagement Committee once.

Directors have attended Board and Committee meetings during the year ended 31 March 2011 as follows (with their eligibility to attend the relevant meeting in brackets):

Director	Board Meetings	Audit Committee Meetings	Nomination Committee Meetings	Management Engagement Committee Meetings
A.B. Davidson	7 (7)	2 (2)	1 (1)	1 (1)
M.D. Couve	7 (7)	2 (2)	1 (1)	1 (1)
D.P. Kidd	7 (7)	2 (2)	1 (1)	1 (1)
A.S. Robson	7 (7)	2 (2)	1 (1)	1 (1)

The Board has appointed Aberdeen to manage the Company's investment portfolio within guidelines set by the Board and to provide it with accounting and secretarial services. Aberdeen provides the Board with monthly reports on the Company's activities. The Board has a formal schedule of matters specifically reserved to it for decision including an annual review of the Manager and the Investment Management Agreement. There is an agreed procedure for Directors to take independent professional advice if necessary and at the Company's expense. This is in addition to the access which every Director has to the advice of Aberdeen as Secretary of the Company.

Internal Control

The Board is ultimately responsible for the Company's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

Under the Financial Reporting Council's publication 'Internal Control: Revised Guidance for Directors on the Combined Code' and the AIC Code, it is a requirement that the Board reviews the effectiveness of the Company's system of internal controls at least annually, comprising all controls including financial, operational, compliance and risk management. To achieve this, the Board has in place regular review procedures for the identification, evaluation and management of significant risks to the Company, to enable full compliance. This process has been in place throughout the year under review and up to the date of approval of the Annual Report.

External Agencies

The Board has delegated certain functions. The main service providers are Aberdeen, the Manager and Secretary; HSBC Bank plc, the Custodian; and Equiniti Limited, the Registrars. Aberdeen provides the Board with monthly reports, which cover investment activities and financial matters, and with periodic reports on its control procedures and its system of internal financial control. The independent Custodian is appointed to safeguard the Company's investments, which are registered in the name of the Custodian's nominee company. In view of the controls that are in place, the Directors do not consider that there is any need for an internal audit function.

Board Committees

The Board has appointed three committees to cover specific operations as set out on the following pages. Copies of the terms of reference of each committee are available upon request from the Company and are on the Company's website.

Audit Committee

The Audit Committee comprises all of the Directors of the Company with Mr A.S. Robson acting as Audit Committee Chairman. The Directors have satisfied themselves that at least one of the Committee's members has recent and relevant financial experience. The Audit Committee meets at least twice a year to coincide with the annual and half yearly reporting and audit cycle. The principal role of the Audit Committee is to review the Annual and Half Yearly financial statements and the accounting policies applied therein and ensure compliance with financial and regulatory reporting requirements. The auditor, KPMG Audit Plc, whose continued appointment is also reviewed and ratified by the Audit Committee, attends at least one meeting of the Audit Committee a year. In addition the Audit Committee reviews the independence of the auditor in relation to the audit of the Annual financial statements. In completing this review, the Audit Committee has taken into account the standing, experience and tenure of the audit director, the nature and level of service provided and confirmation that it has complied with relevant UK independence guidelines. The Audit Committee considers KPMG Audit Plc to be independent both of the Company and the Manager in all respects.

The Audit Committee also reviews the provision of non-audit services by the auditor. There were no fees for non-audit services during the financial year.

The Audit Committee's responsibilities also include reviewing the arrangements in place within Aberdeen whereby their staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters insofar as they may affect the Company.

Management Engagement Committee

The Management Engagement Committee comprises all Directors of the Company and is chaired by Mr A.B. Davidson. The Management Engagement Committee met once in the past year. The purpose of the Committee is to review the terms of the agreements with the Manager including, but not limited to, the management fee and also to review the performance of the Manager in relation to the achievement of the Company's objectives. These reviews have been conducted during the year and the outcomes are noted below.

Investment Management Agreement

The key terms of the Investment Management Agreement are set out in the Corporate Summary on page 3 and details of the fee charged by Aberdeen in the financial year and how it is calculated are set out in note 3 to the financial statements. The Board believes the fee charged by Aberdeen is competitive with reference to other investment trusts with a similar investment mandate and is priced appropriately given the level of service provided by Aberdeen. The Board focuses its review on medium to long-term performance and considers the continuing appointment of the Manager to be in the best interests of shareholders at this time. The notice period is six months.

Nomination Committee

The Nomination Committee comprises all Directors of the Company and is chaired by Mr A.B. Davidson. The Nomination Committee considers appointments of new Directors, undertaking a thorough and open process involving, where appropriate, professional recruitment consultants and committee interviews with candidates identified, with the intention that the composition of the Board reflects a breadth of commercial, professional and industrial experience. The Nomination Committee met once during the year.

Remuneration Committee

There is no requirement for the above as the Company has no executive employees. Remuneration details are provided in the Directors' Remuneration Report on page 27.

Board Composition

Under the Articles of Association:

(i) new Directors are subject to election at the first Annual General Meeting after their appointment, and (ii) all Directors retire in rotation with the selection criteria set out in the Articles of Association. Directors do not have service contracts or fixed terms in office, but in accordance with the AIC Code they are required to submit themselves for re-election every three years and annually after nine years. As the composition of the Board is expected to reflect a breadth of commercial, professional and industrial experience, new Directors are provided with sufficient guidance and instruction to enable them to understand the economic environment in which investment trusts operate and carry out an effective and objective evaluation of the Company's performance therein.

Relations with Shareholders

The Board regularly monitors the shareholder profile of the Company and the Company reports formally to shareholders twice a year by way of the Annual and Half Yearly Reports. All shareholders have the opportunity to attend and vote at Annual General Meetings at which Directors and representatives of the Manager are available to discuss key issues affecting the Company. The Manager has also conducted a series of meetings with shareholders throughout the year to discuss issues relating to the Company and also to give them the opportunity to request a meeting with the Board. Shareholders and investors may obtain up-to-date information on the Company through the Company's website and the Manager's information services.

As recommended by the AIC Code, the Company makes available the proxy votes cast at general meetings. In addition the aim is to give at least twenty working days' notice to shareholders of the Annual General Meeting.

Substantial Interests

As at 31 May 2011 the Company had received notification of the following interests in its Ordinary shares:

Shareholder	Number of Ordinary shares held	% held
Axa Investment Management	3,005,825	10.1
Aberdeen Investment Trust Share Plans (non beneficial)	2,890,112	9.3
Legal & General Investment Management	1,204,149	4.1

Responsibilities as an Institutional Shareholder

Responsibility for actively monitoring the activities of investee companies has been delegated by the Board to the Manager. The Manager's Corporate Governance Principles can be found on the Manager's website, at http://www.aberdeen-asset.com/aam.nsf/AboutUs/governancestewardship. This document sets out the Manager's framework on corporate governance, proxy voting and shareholder engagement in relation to the companies in which the Manager has invested or is considering investing. The Manager's Statement of Compliance with the UK Stewardship Code also appears on the Manager's website, at the web address given above.

General Policy

The Board delegates to the Manager responsibility for selecting the portfolio of investments, within investment guidelines established by the Board after discussion with the Manager, and for monitoring the performance and activities of investee companies. The Manager carries out detailed research of investee companies and possible future investee companies through internally generated research. The research on a company comprises an evaluation of fundamental details such as financial strength, quality of management, market position and product differentiation, plus an appraisal of issues relevant to it, including policies relating to socially responsible investment.

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 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 on all shares held by the Company and considers each case on its individual merits with the primary aim of the use of voting rights being to ensure a satisfactory return from investments. The Board receives from the Manager regular reports on the exercise by the Manager of the Company's voting rights and discusses with the Manager any issues arising. It is the Board's view that having an active voting policy and a process for the monitoring by the Board of the Manager's exercise of those votes, especially in relation to controversial issues, aids the efficient exercise of the Company's governance responsibilities.

Social, Ethical and Environmental Policy

The Directors recognise that their first duty is to act in the best financial interests of the Company's shareholders and to achieve good financial returns against acceptable levels of risk, in accordance with the objectives of the Company.

In asking the Company's Manager to deliver against these objectives, they have also requested that they take into account the broader social, ethical and environmental issues of companies within the Company's portfolio, acknowledging that companies failing to manage these issues adequately run a long-term risk to the sustainability of their businesses.

More specifically, they expect companies to demonstrate ethical conduct, effective management of their stakeholder relationships, responsible management and mitigation of social and environmental impacts, as well as due regard for wider societal issues. The Directors, through the Manager, encourage companies in which investments are made to adhere to best practice in the area of Corporate Governance. They believe that this can best be achieved by entering into a dialogue with company management to encourage them, where necessary, to improve their policies in this area.

Aberdeen Smaller Companies High Income Trust PLC (formerly Shires Smaller Companies plc)

The Company has an 18.1% interest in the share capital of this listed investment trust which is also managed by Aberdeen in the same manner as stated in the above General Policy. All of the directors of Aberdeen Smaller Companies High Income Trust PLC are independent of Shires Income PLC. Aberdeen has no control over the management of the interest in Aberdeen Smaller Companies High Income Trust PLC and does not charge any management fee in respect of the amount of Shires Income PLC's net assets attributable to this holding.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Report and Accounts and the Group and Parent Company financial statements (the 'financial statements') in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the Parent Company financial statements on the same basis.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;

- make judgements and estimates that are reasonable and prudent;

- state whether they have been prepared in accordance with IFRSs as adopted by the EU subject to any material departures disclosed and explained in the notes to the financial statements; and

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

The Directors confirm that the financial statements comply with these requirements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect 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 complies with that law and those regulations.
The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors confirm to the best of their knowledge:

- the financial statements, prepared in accordance with the applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and the 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 the Company faces.

For and on behalf of Shires Income PLC
Andrew S. Robson
Audit Committee Chairman
31 May 2011

Directors' Remuneration Report

A separate resolution for the approval of the Directors' Remuneration Report will be put to the members at the forthcoming Annual General Meeting. The outcome of the vote on this resolution has no legal effect and its sole function is to enable shareholders to demonstrate whether or not they are in agreement with the Board's policies in this matter. Accordingly resolution 2 will be proposed as an ordinary resolution to enable shareholders to show whether they approve or not of the contents of the Directors' Remuneration Report. As the Board of Directors is comprised solely of non-executive Directors, it is exempt under the Listing Rules from appointing a Remuneration Committee. The determination of the Directors' fees is a matter dealt with by the whole Board on an annual basis. This Report has been divided into separate sections for unaudited and audited information.

Unaudited Information

Remuneration Policy

The Articles of Association of the Company set a maximum aggregate limit within a financial year for non-executive Directors' remuneration.

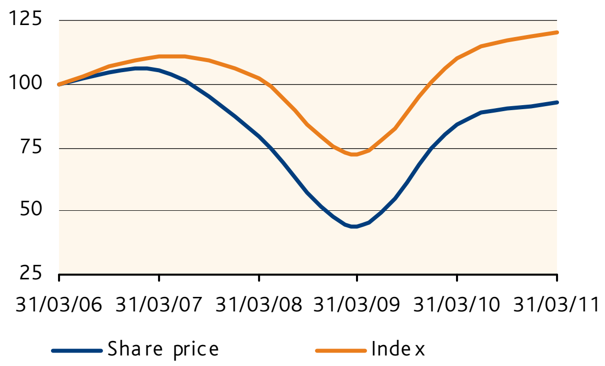
The Board considers that the present policy to remunerate Directors exclusively by fixed fees in cash is appropriate and adequate for the Company in its present and foreseeable circumstances and there are no plans to introduce additional or alternative remuneration schemes.

No Director has a service contract with the Company or its subsidiary undertaking although each has a letter of appointment from the Company confirming their appointment and setting out their remuneration as at the date of the letter. These letters contain no provisions regarding notice period nor do they make provision for compensation payable upon early termination of the Director's appointment.

Directors' Remuneration Rates

The annual rates of remuneration with effect from 1 April 2010 were £23,000 for the Chairman, £18,000 for the Audit Committee Chairman and £16,000 for each other Director. These rates applied during the year ended 31 March 2011. Following a review by the Nomination Committee, it was agreed that with effect from 1 April 2011, the annual rates of remuneration will be £25,000 for the Chairman, £20,000 for the Audit Committee Chairman and £18,000 for each other Director.

The chart shown opposite illustrates the total shareholder return for a holding in the Company's shares as compared to the total return on the FTSE All-Share Index (excluding Investment Companies) for the five year period to 31 March 2011 (rebased to 100 at 31/03/06).



Audited Information

The total fee payable to each Director who served during the present and previous financial years of the Company is shown in the following table (audited):

	Group and Company	
	2011	**2010**
	£	**£**
A.B. Davidson	23,000	21,000
M.D. Couve	16,000	14,000
D.P. Kidd	16,000	14,000
A.S. Robson	18,000	16,000
	73,000	**65,000**

The fees payable to M. D. Couve are paid to a third party.

There is no performance related remuneration scheme such as an annual bonus, or a long-term incentive scheme such as the granting of share options. The Company does not operate a pension scheme for the Directors and no Director received any form of remuneration during the present or preceding financial years other than the fees shown above.

Approved by the Board of Directors on 31 May 2011 and signed on its behalf.

Anthony B. Davidson
Chairman
31 May 2011

Independent Auditor's Report to the Members of Shires Income PLC

We have audited the financial statements of Shires Income PLC for the year ended 31 March 2011 set out in pages 29 to 48. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective Responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 26, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/private.cfm

Opinion on Financial Statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2011 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

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
- information given in the Corporate Governance Statement set out on pages 22 to 25 with respect to 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 by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company 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, or
- a Corporate Governance Statement has not been prepared by the Company.

Under the Listing Rules we are required to review:

- the Directors' Statement, set out on page 20, in relation to going concern;
- the part of the Corporate Governance Statement on pages 22 to 25 relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

Simon Pashby (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants
Edinburgh,
31 May 2011

Consolidated Statement of Comprehensive Income

	Notes	Year ended 31 March 2011 Revenue £'000	Capital £'000	Total £'000	Year ended 31 March 2010 Revenue £'000	Capital £'000	Total £'000
Gains on investments at fair value	11	–	4,012	4,012	–	22,416	22,416
Net currency gain		–	9	9	–	–	–
Investment income							
Dividend income		3,176	–	3,176	3,080	–	3,080
Interest income from investments		761	(129)	632	803	(134)	669
Stock dividend		31	–	31	31	–	31
Traded option premiums		160	–	160	212	–	212
Deposit interest		1	–	1	–	–	–
Money market interest		6	–	6	–	–	–
Other income		18	–	18	75	–	75
	2	4,153	3,892	8,045	4,201	22,282	26,483
Expenses							
Investment management fee	3	(156)	(155)	(311)	(149)	(149)	(298)
VAT recoverable on investment management fees	3	10	11	21	74	74	148
Other administrative expenses	4	(304)	–	(304)	(244)	(3)	(247)
Finance costs of borrowings	6	(363)	(363)	(726)	(370)	(385)	(755)
		(813)	(507)	(1,320)	(689)	(463)	(1,152)
Profit before taxation		3,340	3,385	6,725	3,512	21,819	25,331
Taxation	7	(48)	48	–	–	–	–
Profit attributable to equity holders of the Company		**3,292**	**3,433**	**6,725**	**3,512**	**21,819**	**25,331**
Earnings per Ordinary share (pence)	10	**11.09**	**11.55**	**22.64**	**11.83**	**73.48**	**85.31**

The Group does not have any income or expense that is not included in profit for the year, and therefore the "Profit for the year" is also the "Total comprehensive income for the year", as defined in IAS 1 (revised).

All of the profit and total comprehensive income is attributable to the equity holders of the parent company. There are no minority interests.

The total column of this statement represents the Statement of Comprehensive Income of the Group, prepared in accordance with IFRS. The revenue and capital columns are supplementary to this and are prepared under guidance published by the Association of Investment Companies.

All items in the above statement derive from continuing operations.

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

The following table shows the revenue for each year under IFRS less the ordinary dividends declared in respect of the financial year to which they relate. This table is for information purposes only and does not form part of the above Statement of Comprehensive Income.

	Year to 31 March 2011[A] £'000	Year to 31 March 2010[B] £'000
Revenue	3,292	3,512
Dividends declared	(3,564)	(3,564)
	(272)	**(52)**

[A] Dividends declared relates to first three interim dividends (each 3.0p) and the proposed final dividend (3.0p) declared in respect of financial year 2010/11.

[B] Dividends declared relates to first three interim dividends (each 3.0p) and the final dividend (3.0p) declared in respect of financial year 2009/10.

Balance Sheets

	Notes	Group As at 31 March 2011 £'000	As at 31 March 2010 £'000	Company As at 31 March 2011 £'000	As at 31 March 2010 £'000
Non-current assets					
Ordinary shares		51,693	49,190	51,693	49,190
Convertibles		1,329	1,313	1,329	1,313
Other fixed interest		21,295	22,048	21,295	22,048
Restricted investments		–	472	–	472
Securities at fair value	11	74,317	73,023	74,317	73,023
Current assets					
Trade and other receivables		53	357	53	357
Accrued income and prepayments		1,086	1,206	1,086	1,206
Cash and cash equivalents		1,981	1,150	1,981	1,150
	13	3,120	2,713	3,120	2,713
Total assets		77,437	75,736	77,437	75,736
Current liabilities					
Trade and other payables		(204)	(163)	(298)	(257)
Short-term borrowings		(18,500)	(20,000)	(18,500)	(20,000)
	14	(18,704)	(20,163)	(18,798)	(20,257)
Net assets		**58,733**	**55,573**	**58,639**	**55,479**
Issued capital and reserves attributable to equity holders of the parent					
Called up share capital	15	14,899	14,899	14,899	14,899
Share premium account	16	18,840	18,840	18,840	18,840
Capital reserve	17	19,116	15,683	19,107	15,674
Revenue reserve	17	5,878	6,151	5,793	6,066
		58,733	**55,573**	**58,639**	**55,479**
Net asset value per Ordinary share (pence):	10	**197.77**	**187.13**	**197.45**	**186.81**

The financial statements were approved by the Board of Directors and authorised for issue on 31 May 2011 and were signed on its behalf by:

Anthony B. Davidson
Chairman

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

Consolidated Statement of Changes in Equity

Year ended 31 March 2011

	Share capital £'000	Share premium account £'000	Capital reserve £'000	Retained revenue reserve £'000	Total £'000
As at 31 March 2010	14,899	18,840	15,683	6,151	55,573
Revenue profit for the year	–	–	–	3,292	3,292
Capital gains for the year	–	–	3,433	–	3,433
Equity dividends (see note 9)	–	–	–	(3,565)	(3,565)
As at 31 March 2011	**14,899**	**18,840**	**19,116**	**5,878**	**58,733**
Year ended 31 March 2010					
As at 31 March 2009	14,899	18,855	(6,151)	7,668	35,271
Revenue profit for the year	–	–	–	3,512	3,512
Capital gains for the year	–	(15)	21,834	–	21,819
Equity dividends (see note 9)	–	–	–	(5,029)	(5,029)
As at 31 March 2010	**14,899**	**18,840**	**15,683**	**6,151**	**55,573**

Company Statement of Changes in Equity

Year ended 31 March 2011

	Share capital £'000	Share premium account £'000	Capital reserve £'000	Retained revenue reserve £'000	Total £'000
As at 31 March 2010	14,899	18,840	15,674	6,066	55,479
Revenue profit for the year	–	–	–	3,292	3,292
Capital gains for the year	–	–	3,433	–	3,433
Equity dividends (see note 9)	–	–	–	(3,565)	(3,565)
As at 31 March 2011	**14,899**	**18,840**	**19,107**	**5,793**	**58,639**
Year ended 31 March 2010					
As at 31 March 2009	14,899	18,855	(6,160)	7,583	35,177
Revenue profit for the year	–	–	–	3,512	3,512
Capital gains for the year	–	(15)	21,834	–	21,819
Equity dividends (see note 9)	–	–	–	(5,029)	(5,029)
As at 31 March 2010	**14,899**	**18,840**	**15,674**	**6,066**	**55,479**

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

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

Group and Company Cash Flow Statement

	Year ended 31 March 2011 £'000	£'000	Year ended 31 March 2010 £'000	£'000
Cash flows from operating activities				
Investment income received		3,871		3,987
Deposit interest received		1		–
Money market interest received		6		–
Investment management fee paid		(309)		(288)
VAT on investment management fees recovered		21		431
Other cash receipts		60		215
Other cash expenses		(276)		(269)
Cash generated from operations		3,374		4,076
Interest paid		(558)		(905)
Tax recovered		1		7
Net cash inflows from operating activities		2,817		3,178
Cash flows from investing activities				
Purchases of investments	(4,295)		(10,299)	
Sales of investments	7,365		14,012	
Repayment of Index-Linked Debenture Stock	–		(9,957)	
Net cash inflow/(outflow) from investing activities		3,070		(6,244)
Cash flows from financing activities				
Equity dividends paid	(3,565)		(5,029)	
Net cash outflow from financing activities		(3,565)		(5,029)
Net increase/(decrease) in cash and cash equivalents		2,322		(8,095)
Cash and cash equivalents at start of period		(18,850)		(10,755)
Effect of currency gains		9		–
Cash and cash equivalents at end of period		**(16,519)**		**(18,850)**
Cash and cash equivalents comprise:				
Cash and cash equivalents		1,981		1,150
Short-term borrowings		(18,500)		(20,000)
		(16,519)		**(18,850)**

Notes to the Financial Statements For the year ended 31 March 2011

1. Accounting policies

(a) Basis of accounting

The financial statements of the Group and Company have been prepared in accordance with International Financial Reporting Standards (IFRSs) which comprise standards and interpretations approved by the International Accounting Standards Board ("IASB"), and International Accounting Standards and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee ("IASC") that remain in effect, and to the extent that they have been adopted by the European Union.

The financial statements have been prepared under the historical cost convention, as modified to include the revaluation of investments and in line with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' (issued in January 2009). The Directors have sought to prepare the financial statements on a basis consistent with the recommendations of the SORP except as referred to in paragraph (d) below. The financial statements have also been prepared on the assumption that approval as an investment trust will continue to be granted. The financial statements have been prepared on a going concern basis. The Directors believe this is appropriate for the reasons outlined in the Directors' Report on page 20.

In order better to reflect the activities of an investment trust company and in accordance with guidance issued by the AIC, supplementary information which analyses the Statement of Comprehensive Income between items of a revenue and capital nature has been presented alongside the Statement of Comprehensive Income. In accordance with the Company's status as a UK investment company under Section 833 of the Companies Act 2006, net capital returns may not be distributed by way of dividend. Additionally, the net revenue of the Company is the measure the Directors believe appropriate in assessing the Group's compliance with certain requirements set out in Sections 1158-1159 of the Corporation Tax Act 2010.

At the date of authorisation of these financial statements, various Standards, amendments to Standards and Interpretations which have not been applied to these financial statements, were in issue but were not yet effective (and in some cases, had not yet been adopted by the EU). These have not been applied to these financial statements.

IFRS 7 – Financial instruments: Disclosures (effective for annual periods beginning on or after 1 July 2011)

IFRS 9 – Financial Instruments: Classification and Measurement (effective for annual periods beginning on or after 1 January 2013)

IAS 24 – Related Party Transactions (effective for annual periods beginning on or after 1 January 2011)

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group.

(b) Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 March each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. All intra-group transactions, balances, income and expenses are eliminated on consolidation. The Company has availed itself of the relief from showing a Statement of Comprehensive Income for the parent company, granted under Section 408 of the Companies Act 2006.

(c) Investments

All investments have been designated upon initial recognition at fair value through profit or loss. This is because all investments are considered to form part of a group of financial assets which is evaluated on a fair value basis. Investments are recognised or derecognised on the trade date where a purchase or sale is under a contract whose terms require delivery within the timeframe established by the market concerned. Proceeds are measured at fair value which is regarded as the proceeds of sales less any transaction costs.

The fair value of the financial instruments is based on their quoted bid price at the Balance Sheet date, without deduction for any estimated future selling costs. Any unquoted investments would be held at fair value, as measured by the Directors using appropriate valuation methodologies such as earnings multiples, recent transactions and net assets. In the case of the Company's investment in the subsidiary, of which the Company owns 100% of its Ordinary share capital, this has been measured at fair value, which is deemed to be its net asset value.

Changes in the value of investments held at fair value through profit or loss and gains and losses on disposal are recognised in the Group Statement of Comprehensive Income as "Gains/(losses) on investments". Also included within this caption are transaction costs in relation to the purchase or sale of investments, including the difference between the purchase price of an investment and its bid price at the date of purchase.

(d) Income

Dividend income from equity investments which includes all Ordinary shares and also preference shares classified as equity instruments is accounted for when the shareholders' rights to receive payment have been established, normally the ex-dividend date.

Interest from debt securities, which include preference shares classified as debt instruments, is accounted for on an effective interest rate basis. Any write-off of the premium or discount on acquisition as a result of using this basis is allocated against capital reserve. The SORP recommends that such a write-off should be allocated against revenue. The Directors believe this treatment is not appropriate for a high yielding investment trust which frequently buys and sells debt securities, and believe any premium or discount included in the price of such an investment is a capital item.

Traded option contracts are restricted to writing out-of-the-money options with a view to generating income. Premiums received on traded option contracts are recognised as income evenly over the period from the date they are written to the date when they expire or are exercised or assigned. Gains and losses on the underlying shares acquired or disposed of as a result of options exercised are included in the capital account. Unexpired traded option contracts at the year end are accounted for at their fair value.

Interest from deposits is dealt with on an effective interest basis.

Underwriting commission is recognised when the underwriting services are provided and is taken to revenue, unless any shares underwritten are required to be taken up, in which case the proportionate commission received is deducted from the cost of the investment.

(e) Expenses

All expenses are accounted for on an accruals basis. In respect of the analysis between revenue and capital items presented within the Statement of Comprehensive Income, all expenses have been presented as revenue items except those where a connection with the maintenance or enhancement of the value of the investments held can be demonstrated. Accordingly the investment management fee and finance costs have been allocated 50% to revenue and 50% to capital, in order to reflect the Directors expected long-term view of the nature of the investment returns of the Company.

(f) Short-term borrowings

Short-term borrowings, which comprise interest bearing bank loans and overdrafts, are initially recognised at cost, being the fair value of the consideration received, net of any issue expenses. The finance costs, being the difference between the net proceeds of borrowings and the total amount of payments that require to be made in respect of those borrowings, accrue evenly over the life of the borrowings and are allocated 50% to revenue and 50% to capital.

(g) Taxation

The tax payable is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the Statement of Comprehensive Income because it excludes items of income or expenditure that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group has no liability for current tax.

Deferred tax is provided in full on temporary differences which result in an obligation at the Balance Sheet date to pay more tax, or a right to pay less tax, at a future date at rates expected to apply when they crystallise, based on current tax rates and law. Temporary differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

(h) Foreign currencies

Transactions involving foreign currencies are converted at the rate ruling at the time of the transaction. Assets and liabilities in foreign currencies are translated at the closing rates of exchange at the Balance Sheet date. Any gain or loss arising from a change in exchange rate subsequent to the date of the transaction is included as an exchange gain or loss in capital reserve or the revenue account as appropriate.

2. Income

	2011 £'000	2010 £'000
Income from listed investments		
Dividend income	3,176	3,080
Interest income from investments	761	803
Money Market Interest	6	–
Stock dividend	31	31
	3,974	3,914
Other income from investment activity		
Deposit interest	1	–
Traded option premiums	160	212
Interest on VAT recovered on investment management fees	1	55
Other income	17	20
	179	287
Total income	**4,153**	**4,201**

Total income comprises:	**2011 £'000**	**2010 £'000**
Dividends and interest from investments	3,974	3,914
Deposit interest	1	–
Interest on VAT recoverable on investment management fees	1	55
Other income from investment activity	177	232
Total income	**4,153**	**4,201**

All dividend income was received from UK companies. The amount of £129,000 (2010 – £134,000) included in the capital column of Investment Income represents the write off of the premium or discount on acquisition of debt securities referred to in note 1(d).

3. Investment Management fees	2011 Revenue £'000	2011 Capital £'000	2011 Total £'000	2010 Revenue £'000	2010 Capital £'000	2010 Total £'000
Investment management fees	**156**	**155**	**311**	**149**	**149**	**298**

For the year ended 31 March 2011 management and secretarial services were provided by Aberdeen Asset Managers Limited. The fee is 0.45% for funds up to £100 million and 0.40% for funds over £100 million, calculated monthly and paid quarterly. The fee is allocated 50% to revenue and 50% to capital.

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

The Manager has refunded £432,000 to the Company, representing all VAT charged on investment management fees for the period 1 January 2004 to 30 September 2007. This sum was included in the financial statements for the years ended 31 March 2009 and 2010. In addition a further £21,000, excluding interest thereon of £1,000 has been refunded by the Manager in the current year. The repayment relates to VAT charged on investment management fees for the period 1 January 2001 to 31 December 2003. This repayment has been allocated to revenue and capital in line with the accounting policy of the company for the period in which the VAT was charged.

The Company has not been charged VAT on its investment management fees from 1 October 2007.

4. Administrative expenses	2011 £'000	2010 £'000
Directors' remuneration	76	65
Fees payable to auditors and associates		
– fees payable to the Company's auditors for the audit of the annual accounts	22	21
Marketing contribution paid to Aberdeen	50	10
Professional fees	27	8
Registrars fees	36	40
Printing, postage and stationery	23	21
Other administrative expenses	70	79
	304	**244**

5. Directors' remuneration

The Company had no employees during the year (2010 – nil). No pension contributions were paid for Directors (2010 – £nil). Further details on Directors' Remuneration can be found in the Directors' Remuneration Report on page 27.

6. Finance costs and borrowings	2011 Revenue £'000	2011 Capital £'000	2011 Total £'000	2010 Revenue £'000	2010 Capital £'000	2010 Total £'000
Bank loans and overdrafts repayable within five years	363	363	726	194	194	388
5% Index-Linked Debenture Stock 2008/2010	–	–	–	176	176	352
Amortisation of issue expenses on Debenture Stock	–	–	–	–	15	15
	363	**363**	**726**	**370**	**385**	**755**

7. Taxation

At 31 March 2011 the Company had surplus management expenses and loan relationship debits with a tax value of £6,396,000 (2010 – £6,298,000) in respect of which a deferred tax asset has not been recognised. This is because the Company is not expected to generate taxable income in a future period in excess of the deductible expenses of that future period and, accordingly, it is unlikely that the Company will be able to reduce future tax liabilities through the use of existing surplus expenses.

The following table is a reconciliation of current taxation to the charges/credits which would arise if all ordinary activities were taxed at the standard UK corporation tax rate of 28% (2010 – 28%).

	2011			2010		
	Revenue £'000	**Capital £'000**	**Total £'000**	**Revenue £'000**	**Capital £'000**	**Total £'000**
Profit before taxation	3,340	3,385	6,725	3,512	21,819	25,331
Taxation of return on ordinary activities at the standard rate of corporation tax	935	948	1,883	983	6,109	7,092
Effects of:						
UK dividend income not liable to further tax	(874)	–	(874)	(862)	–	(862)
Non taxable stock dividends	(9)	–	(9)	(9)	–	(9)
Tax relief obtained by expenses capitalised	48	(48)	–	–	–	–
Non taxable overseas dividends	(4)	–	(4)	–	–	–
Non-taxable write off of debt security premium/discount	–	–	–	–	38	38
Brought forward management expenses utilised	(142)	–	(142)	(125)	–	(125)
Current year management expenses not utilised	94	178	272	13	130	143
Non-taxable realisation gains	–	(1,126)	(1,126)	–	(6,277)	(6,277)
Taxation charge for the year	**48**	**(48)**	–	–	–	–

8. Revenue and capital gain attributable to equity holders of the Company

The revenue and capital gain attributable to equity holders of the Group for the financial year includes £6,725,000 (2010 – £25,331,000) which has been dealt with in the Company's financial statements.

9. Dividends

	2011 £'000	**2010 £'000**
Amounts recognised as distributions to equity holders in the period:		
Third interim dividend for the year ended 31 March 2010 of 3.0p (2009 – 4.4p) per share	891	1,306
Final dividend for the year ended 31 March 2010 of 3.0p (2009 – 6.55p) per share	891	1,946
First two interim dividends for the year ended 31 March 2011 totalling 6.0p (2010 – 6.0p) per share	1,781	1,782
Refund of unclaimed dividends from previous periods	–	(7)
	3,563	**5,027**
3.5% Cumulative Preference shares	**2**	**2**

The third interim dividend of 3.0p for the year to 31 March 2011 paid on 28 April 2011 and the proposed final dividend for the year to 31 March 2011 payable on 29 July 2011 have not been included as liabilities in these financial statements.

We also set out below the total ordinary dividends payable in respect of the financial year, which is the basis on which the requirements of Sections 1158-1159 of the Corporation Tax Act 2010 are considered:

	2011 £'000	2010 £'000
Three interim dividends for the year ended 31 March 2011 totalling 9.0p (2010 – 9.0p) per share	2,673	2,673
Final proposed dividend for the year ended 31 March 2011 of 3.0p (2010 – 3.0p) per share	891	891
	3,564	**3,564**

10. Return and net asset value per share

The gains per share are based on the following figures:

	2011 £'000	2010 £'000
Revenue return	3,292	3,512
Capital return	3,433	21,819
Net return	**6,725**	**25,331**
Weighted average number of Ordinary shares	**29,697,580**	**29,697,580**

Net asset value per Ordinary share is based on net assets attributable to Ordinary shareholders of £58,733,000 (2010 – £55,573,000) and on the 29,697,580 (2010 – 29,697,580) Ordinary shares in issue at 31 March 2011.

	Group & Company	
11. Non current assets – Securities at fair value	**2011 £'000**	**2010 £'000**
Listed on recognised stock exchanges:		
United Kingdom	74,317	72,547
Overseas	–	4
	74,317	72,551
Restricted – overseas	–	472
	74,317	**73,023**

Group

	2011			2010		
	Listed investments £'000	Restricted investments £'000	Total £'000	Listed investments £'000	Restricted investments £'000	Total £'000
Cost at 31 March 2010	70,828	648	71,476	79,799	648	80,447
Investment holdings gains/(losses) at 31 March 2010	1,723	(176)	1,547	(27,121)	1,405	(25,716)
Fair value at 31 March 2010	72,551	472	73,023	52,678	2,053	54,731
Purchases	4,295	–	4,295	10,299	–	10,299
Sales – proceeds	(6,250)	(633)	(6,883)	(14,314)	–	(14,314)
– net realised gains/(losses) on sales	1,562	126	1,688	(4,822)	–	(4,822)
Amortised cost adjustments to debt securities[A]	(129)	–	(129)	(134)	–	(134)
Fair value movement in the year	2,288	35	2,323	28,844	(1,581)	27,263
Fair value at 31 March 2011	**74,317**	**–**	**74,317**	**72,551**	**472**	**73,023**

[A] Charged to capital.

	2011			2010		
	Listed investments £'000	Restricted investments £'000	Total £'000	Listed investments £'000	Restricted investments £'000	Total £'000
Cost at 31 March 2011	70,306	141	70,447	70,828	648	71,476
Investment holdings gains/(losses) at 31 March 2011	4,011	(141)	3,870	1,723	(176)	1,547
Fair value at 31 March 2011	**74,317**	**–**	**74,317**	**72,551**	**472**	**73,023**

Company

	2011			2010		
	Listed investments £'000	Restricted investments £'000	Total £'000	Listed investments £'000	Restricted investments £'000	Total £'000
Cost at 31 March 2010	70,828	648	71,476	79,799	648	80,447
Investment holdings gains/(losses) at 31 March 2010	1,723	(176)	1,547	(27,121)	1,405	(25,716)
Fair value at 31 March 2010	72,551	472	73,023	52,678	2,053	54,731
Purchases	4,295	–	4,295	10,299	–	10,299
Sales – proceeds	(6,250)	(633)	(6,883)	(14,314)	–	(14,314)
– net realised gains/(losses) on sales	1,562	126	1,688	(4,822)	–	(4,822)
Amortised cost adjustments to debt securities[A]	(129)	–	(129)	(134)	–	(134)
Fair value movement in the year	2,288	35	2,323	28,844	(1,581)	27,263
Fair value at 31 March 2011	**74,317**	**–**	**74,317**	**72,551**	**472**	**73,023**

[A] Charged to capital.

	2011 Listed investments £'000	2011 Restricted investments £'000	2011 Total £'000	2010 Listed investments £'000	2010 Restricted investments £'000	2010 Total £'000
Cost at 31 March 2011	70,306	141	70,447	70,828	648	71,476
Investment holdings gains/(losses) at 31 March 2011	4,011	(141)	3,870	1,723	(176)	1,547
Fair value at 31 March 2011	**74,317**	**–**	**74,317**	**72,551**	**472**	**73,023**

	Group & Company	
Gains/(losses) on investments	**2011 £'000**	**2010 £'000**
Net realised gains/(losses) on sales of investments	1,695	(4,784)
Call options exercised	(7)	(38)
Net realised gains/(losses) on sales	1,688	(4,822)
Movement in fair value of investments	2,433	27,253
Put options assigned	(110)	10
Movement in depreciation/(appreciation) of traded options held	1	(25)
	4,012	**22,416**

The cost of the exercising of call options and the assigning of put options is the difference between the market price of the underlying shares and the strike price of the options. The premiums earned on options expired, exercised or assigned of £160,000 (2010 – £212,000) have been dealt with in the revenue account.

The movement in the fair value of traded option contracts has been calculated in accordance with the accounting policy stated in note 1(d) and has been charged to the capital reserve.

As at 31 March 2011, the Company had pledged collateral equal to 1215% of the market value of the traded options in accordance with standard commercial practice. The carrying amount of financial assets pledged equated to £1,944,000 all in the form of securities. The collateral position, which has not been adjusted down in line with the reduced traded option activity, is monitored on a daily basis, which then determines if further assets are required to be pledged over and above those already pledged.

During the year expenses were incurred in acquiring or disposing of investments classified as fair value through profit or loss. These have been expensed through capital and are included within gains on investments in the Statement of Comprehensive Income. The total costs on the purchases and sales of investments in the year was £32,000 (2010 – £78,000).

All investments are categorised as held at fair value through profit and loss and were designated as such upon initial recognition.

At 31 March 2011 the Company held the following investments comprising more than 3% of the class of share capital held:

Company	Country of incorporation	Number of shares held	Class of shares held	Class held %
Aberdeen Smaller Companies High Income Trust PLC	Scotland	4,000,000	ordinary	18.1%
REA Holdings	England	996,720	9% cum pref	3.7%
Ecclesiastical Insurance Office	England	4,240,000	7% cum pref	4.0%
Royal Sun Alliance	England	4,350,000	7% cum pref	3.5%
General Accident	Scotland	3,548,000	7% cum pref	3.2%

12. Subsidiary undertakings and subsequent events

As at 31 March 2011, the Company owned the whole of the issued ordinary share capital of its two subsidiary undertakings, Topshire Limited and Wiston Investment Company Limited, both of which were investment dealing companies registered in England. Having not traded in recent years, both companies made an application to the Registrar of Companies to be voluntarily struck off during the year and were formally dissolved after the year end with an effective date of 24 May 2011.

13. Current assets	Group 2011 £'000	Group 2010 £'000	Company 2011 £'000	Company 2010 £'000
Investment sales	–	302	–	302
Accrued income & prepayments	1,086	1,206	1,086	1,206
Other debtors	53	55	53	55
Cash at bank	1,981	1,150	1,981	1,150
	3,120	**2,713**	**3,120**	**2,713**

None of the above amounts is overdue.

14. Current liabilities	Group 2011 £'000	Group 2010 £'000	Company 2011 £'000	Company 2010 £'000
Bank loans	18,500	20,000	18,500	20,000
Due to subsidiary undertakings	–	–	–	94
Other creditors	204	163	298	163
	18,704	**20,163**	**18,798**	**20,257**
Included above are the following amounts owed to Aberdeen, the Manager and Secretary:				
Other creditors	**81**	**79**	**81**	**79**

In February 2011 the Company entered into a two year agreement with Scotiabank Europe PLC to provide a loan facility for up to £20,000,000. At the year end £18,500,000 had been drawn down at an all-in interest rate of 1.97384% which matured on 28 April 2011. At 31 May 2011 the principal amount was £18,500,000 at an all-in interest rate of 1.9801%.

The terms of the Scotiabank Europe facility contain a covenant that gross borrowings may not exceed one-third of adjusted net assets. The Company met this covenant since inception of the agreement until the date of this Report.

15. Called up share capital	2011 Number	2011 £'000	2010 Number	2010 £'000
Allotted, called up and fully paid				
Ordinary shares of 50 pence each	29,697,580	14,849	29,697,580	14,849
3.5% Cumulative Preference shares of £1 each	50,000	50	50,000	50
		14,899		**14,899**

The Group manages its capital to ensure that it will be able to continue as a going concern.

The capital structure of the Company consists of debt, cash and cash equivalents and equity, comprising issued capital, reserves and retained earnings. Details of how the capital is managed are explained in the Director's Report.

The Company does not have any externally imposed capital requirements.

16. Share premium account	2011 £'000	2010 £'000
At 31 March 2010	18,840	18,855
Amortisation of expenses and discounts on issue of Debenture Stock	–	(15)
At 31 March 2011	**18,840**	**18,840**

17. Retained earnings	Group 2011 £'000	Company 2011 £'000	Group 2010 £'000	Company 2010 £'000
Capital reserve				
At 31 March 2010	15,683	15,674	(6,151)	(6,160)
Net gains/(losses) on sales of investments during year	1,688	1,688	(4,822)	(4,822)
Movement in fair value gains on investments	2,323	2,323	27,263	27,263
Amortised cost adjustment charged to capital	(129)	(129)	(134)	(134)
Investment management fees	(155)	(155)	(149)	(149)
VAT recoverable on investment management fees	11	11	74	74
Bank loans and overdrafts repayable within five years	(363)	(363)	(194)	(194)
Net currency gain	9	9	–	–
Tax relief obtained by expenses capitalised	48	48	–	–
Index-Linked Debenture costs	–	–	(176)	(176)
Traded options	1	1	(25)	(25)
Other	–	–	(3)	(3)
At 31 March 2011	**19,116**	**19,107**	**15,683**	**15,674**

Revenue reserve	Group 2011 £'000	Company 2011 £'000	Group 2010 £'000	Company 2010 £'000
At 31 March 2010	6,151	6,066	7,668	7,583
Revenue	3,292	3,292	3,512	3,512
Dividends paid	(3,565)	(3,565)	(5,029)	(5,029)
At 31 March 2011	**5,878**	**5,793**	**6,151**	**6,066**

18. Risk management, financial assets and liabilities

Risk management

The Company's objective of providing a high and growing dividend with capital growth is addressed by investing primarily in UK equities to provide growth in capital and income and in fixed income securities to provide a high level of income.

The impact of security price volatility is reduced by diversification. Diversification is by type of security – ordinary shares, preference shares, convertibles, corporate fixed interest and gilt-edged and by investment in the stocks and shares of companies in a range of industrial, commercial and financial sectors. The management of the portfolio is conducted according to investment guidelines, established by the Board after discussion with the Manager, which specify the limits within which the Manager is authorised to act.

The Manager has a dedicated investment management process, as disclosed in the Directors' Report on page 18, which aims to ensure that the investment objective explained on page 3 is achieved. Stock selection procedures are in place based on the active portfolio management and identification of stocks. The portfolio is reviewed on a periodic basis by a Senior Investment Manager and also by the Manager's Investment Committee.

The Company's Manager has an independent Investment Risk department for reviewing the investment risk parameters of all core equity, balanced, fixed income and alternative asset classes on a regular basis. The department reports to the Manager's Performance Review Committee which is chaired by the Manager's Chief Investment Officer. The department's responsibility is to review and monitor ex-ante (predicted) portfolio risk and style characteristics using best practice, industry standard multi-factor models.

Additionally, the Manager's Compliance department continually monitors the Company's investment and borrowing powers and reports to the Manager's Risk Management Committee.

Financial assets and liabilities

The Group's financial assets include investments, cash at bank and short-term debtors. Financial liabilities comprise a bank loan and other short-term creditors. The Group may from time to time use FTSE options for protection of the loss of value to the portfolio at modest cost.

Gearing

Short-term borrowing consisting of revolving credit facilities from banking institutions is also used and bears interest at floating rates. The gearing risk is actively managed and monitored as part of the overall investment strategy. The employment of gearing magnifies the impact on net assets of both positive and negative changes in the value of the Group's portfolio of investments.

The main risks the Company faces from its financial instruments are (i) market risk (comprising interest rate risk, currency risk 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.

The Company is subject to interest rate risk because bond yields are linked to underlying bank rates or equivalents, and its short-term borrowings and cash resources carry interest at floating rates. The interest rate profile is managed as part of the overall investment strategy of the Company.

(i) Market risk

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

Interest rate risk

Interest rate movements may affect:

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

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

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

Interest rate profile

The interest rate risk profile of the portfolio of financial assets and liabilities (excluding ordinary shares and convertibles) at the Balance Sheet date was as follows:

As at 31 March 2011	Weighted average period for which rate is fixed Years	Weighted average interest rate %	Fixed rate £'000	Floating rate £'000	Non–interest bearing £'000
Assets					
UK irredeemable preference shares	–	8.10	16,726	–	–
UK preference shares	28.90	11.71	4,569	–	–
Cash	–	0.43	–	1,981	–
Total assets	**–**	**–**	**21,295**	**1,981**	**–**

	Weighted average period for which rate is fixed Years	Weighted average interest rate %	Fixed rate £'000	Floating rate £'000	Non–interest bearing £'000
Liabilities					
Short-term bank loan	0.08	1.97	(18,500)	–	–
Total liabilities	**–**	**–**	**(18,500)**	**–**	**–**

As at 31 March 2010	Weighted average period for which rate is fixed Years	Weighted average interest rate %	Fixed rate £'000	Floating rate £'000	Non–interest bearing £'000
Assets					
UK irredeemable preference shares	–	8.10	17,076	–	–
UK preference shares	29.90	11.61	4,972	–	–
Cash	–	0.30	–	1,150	–
Total assets	**–**	**–**	**22,048**	**1,150**	**–**
Liabilities					
Short-term bank loan	0.04	2.68	(20,000)	–	–
Total liabilities	**–**	**–**	**(20,000)**	**–**	**–**

The weighted average interest rate is based on the current yield of each asset, weighted by its market value. The weighted average interest rate on bank loans is based on the interest rate payable, weighted by the total value of the loans.

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

The UK irredeemable preference shares assets have no maturity date.

Short-term debtors and creditors (with the exception of loans) have been excluded from the above tables.

Maturity profile

The maturity profile of the Company's financial assets and financial liabilities (excluding convertibles) at the Balance Sheet date was as follows:

At 31 March 2011	Within 1 year £'000	Within 1-5 years £'000	More than 5 years £'000
Fixed rate			
UK irredeemable preference shares	–	–	16,726
UK preference shares	–	–	4,569
Short-term bank loan	–	(18,500)	–
	–	(18,500)	21,295
Floating rate			
Cash	1,981	–	–
Total	**1,981**	**(18,500)**	**21,295**

At 31 March 2010	Within 1 year £'000	Within 1-5 years £'000	More than 5 years £'000
Fixed rate			
UK irredeemable preference shares	–	–	17,076
UK preference shares	–	–	4,972
Short-term bank loan	(20,000)	–	–
	(20,000)	–	22,048
Floating rate			
Cash	1,150	–	–
Total	**(18,850)**	**–**	**22,048**

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 throughout the reporting period 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 31 March 2011 would increase/decrease by £20,000 (2010 – £12,000). This is mainly attributable to the Company's exposure to interest rates on its floating rate cash balances. These figures have been calculated based on cash positions at each year end.

– profit before tax for the year ended 31 March 2011 would increase/decrease by £517,000 (2010 – increase/decrease by £536,000). This is also mainly attributable to the Company's exposure to interest rates on its fixed interest securities. This is based on a Value at Risk ('VaR') calculated at a 99% confidence level.

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

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 sector. The allocation of assets to specific sectors and the stock selection process, as detailed on page 18, both act to reduce market risk. The Manager actively monitors market prices throughout the year and reports to the Board, which meets regularly in order to review investment strategy. The investments held by the Company are listed on the London Stock Exchange.

Other price sensitivity

If market prices at the Balance Sheet date had been 10% higher or lower while all other variables remained constant, the profit before tax attributable to Ordinary shareholders for the year ended 31 March 2011 would have increased/decreased by £5,169,000 (2010 – increase/decrease of £4,919,000). This is based on the Company's equity portfolio held at each year end.

(ii) Liquidity risk

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

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

(iii) Credit risk

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

The risk is not considered to be significant as it is actively managed as follows:

– where the Investment Manager makes an investment in a bond, corporate or otherwise, the credit rating of the issuer is taken into account so as to minimise the risk to the Company of default;
– investments in quoted bonds are made across a variety of industry sectors so as to avoid concentrations of credit risk;
– transactions involving derivatives are entered into only with investment banks, the credit rating of which is taken into account so as to minimise the risk to the Company of default;
– investment transactions are carried out with a large number of brokers, whose credit-standing is reviewed periodically by the investment manager, and limits are set on the amount that may be due from any one broker;
– the risk of counterparty exposure due to failed trades causing a loss to the Company is mitigated by the review of failed trade reports on a monthly basis. In addition, the Custodian carries out a stock reconciliation to third party administrators' records on a monthly basis to ensure discrepancies are picked up on a timely basis. The Manager's Compliance department carries out periodic reviews of the Custodian's operations and reports its finding to the Manager's Risk Management Committee.
– transactions involving derivatives, structured notes and other arrangements wherein the creditworthiness of the entity acting as broker or counterparty to the transaction is likely to be of sustained interest are subject to rigorous assessment by the Investment Manager of the credit worthiness of that counterparty. The Company's aggregate exposure to each such counterparty is monitored regularly by the Board; and
– cash is held only with reputable banks with high quality external credit enhancements.

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.

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

Credit risk exposure

In summary, compared to the amounts in the Balance Sheet, the maximum exposure to credit risk at 31 March 2011 was as follows:

	2011		2010	
	Balance Sheet £'000	Maximum exposure £'000	Balance Sheet £'000	Maximum exposure £'000
Non-current assets				
Securities at fair value through profit or loss	74,317	74,317	73,023	73,023
Current assets				
Trade and other receivables	53	53	357	357
Accrued income	1,086	1,086	1,206	1,206
Cash and cash equivalents	1,981	1,981	1,150	1,150
	77,437	**77,437**	**75,736**	**75,736**

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

Fair value of financial assets and liabilities

The book value of cash at bank and bank loans and overdrafts included in these financial statements approximate to fair value because of their short-term maturity. Investments held as dealing investments are valued at fair value. The carrying values of fixed asset investments are stated at their fair values, which have been determined with reference to quoted market prices. For details of bond maturities and interest rates, see page 13. Traded options contracts are valued at fair value which have been determined with reference to quoted market values of the contracts. The contracts are tradeable on a recognised exchange. For all other short-term debtors and creditors, their book values approximate to fair values because of their short-term maturity.

19. Fair value hierarchy

The Group adopted the amendments to IFRS 7 '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 statement of financial position are grouped into the fair value hierarchy at 31 March 2011 as follows:

	Note	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit or loss					
Quoted equities	a)	74,317	–	–	74,317
Unlisted equities	b)	–	–	–	–
Total		74,317	–	–	74,317
Financial liabilities at fair value through profit or loss					
Derivatives	c)	(36)	–	–	(36)
Net fair value		**74,281**	**–**	**–**	**74,281**

a) Quoted equities

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

b) Unlisted equities

The fair value of the Group's investments in unlisted equities has been determined by reference to valuation techniques using observable inputs other than quoted prices included within Level 1.

c) Derivatives

The fair value of the Group's investments in derivatives has been determined using observable market inputs on an exchange traded basis and therefore have been classed as Level 1.

Marketing

Shires Income PLC contributes to the marketing programme run by Aberdeen Asset Managers Limited ("Aberdeen") on behalf of a number of investment trusts under its management. Under this agreement the Company's contribution is matched by Aberdeen. This contribution is reviewed annually.

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

These aims can be met in several ways:

Investor Relations Programme

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

Group Schemes

The Aberdeen Group administers several savings schemes including the Share Plan, ISA and the Children's Plan. These schemes allow investment at lower costs and have proved popular with private investors.

Direct Response Advertising

Aberdeen advertise the packaged product availability of the Company in the specialist financial press.

Direct Mail

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

Newsletter

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

Public Relations

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

Shareholder Services

Aberdeen runs an investment help desk for retail enquirers and investors. Enquirers or investors will be sent any relevant literature on request and have queries answered immediately. The Marketing Programme is under the direction of Aberdeen's Group Head of Marketing, who has considerable experience in the marketing and communications of investment products. He is supported by a team of marketing professionals.

Internet

The Company has its own dedicated website at: www.shiresincome.co.uk. This allows web users to access information on the Company's share price performance, capital structure, stock exchange announcements and monthly reports.

The Company is committed to the close monitoring of the Marketing Programme. The Group Head of Marketing reports to the Board and provides a written summary quarterly.

If you have any questions about your Company, the Manager or performance, please telephone Aberdeen's Investor Services Department on 0500 00 00 40. Alternatively, internet users may e-mail us at inv.trusts@aberdeen-asset.com or write to us at Aberdeen Investment Trusts , Block C, Western House, Lynchwood Business Park, Peterborough PE2 6BP.

How to Invest in Shires Income PLC

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 and Investment Trust ISA.

Aberdeen's Investment Plan for Children

Aberdeen Asset Managers Limited ("Aberdeen") runs an Investment Plan for Children (the "Children's Plan") which covers a number of investment companies under its management including Shires Income 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 Aberdeen 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

Aberdeen runs a Share Plan (the "Plan") through which shares in Shires Income 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 Aberdeen 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 £10,680 in Shires Income PLC can be made through Aberdeen's Stocks and Shares ISA in the tax year 2011/2012.

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 Shires Income PLC while retaining your ISA wrapper. The minimum lump sum for an ISA transfer is £1,000 and is subject to a minimum per trust of £250.

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.

Company Information

If investors would like details of Shires Income PLC or information on the Children's Plan, Share Plan, or ISA 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 at inv.trusts@aberdeen-asset.com. Details are also available on www.invtrusts.co.uk.

Keeping You Informed

The Company's share price appears under the heading 'Investment Companies' in the Financial Times, and other national newspapers.

Literature Request Service

For literature and application forms for the Manager's investment trust products, please contact:
Telephone: 0500 00 00 40
Email: aam@lit-request.com

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

Contact Us

For information on Shires Income 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:

Equiniti Limited
Aspect House
Spencer Road, Lancing
West Sussex BN99 6DA
Telephone: 0871 384 2508*
Textphone: 0871 384 2255*
Website: www.shareview.co.uk

* Calls to this/these numbers are charged at 8p per minute from a BT landline, other providers' costs may vary. Lines are open 8.30 a.m. to 5.30 p.m., Monday to Friday.
Tel International: +44 121 415 7047

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

Benchmark
A market index, which averages the performance of the share prices of companies in any given sector, thus providing an indication of movements in the stockmarket. The benchmark used in this Annual Report is the FTSE All-Share Index, a recognised and respected index, which measures the performance of the largest 750 quoted UK companies.

Convertibles
Fixed income securities, which can be converted into equity shares at a future date.

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

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

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

Gearing
Total gearing is the proportion of the Group's net assets financed by borrowings. It is used to increase exposure to securities, with the aim of magnifying the impact on net assets of rises in the value of the portfolio, and to augment the investment base from which income is received. The employment of gearing magnifies the impact on net assets of both positive and negative changes in the value of the portfolio of investments.

Equity gearing is the sum of the investments in ordinary shares, both listed and unlisted and convertibles expressed as a proportion of the Group's net assets.

Group
The entities of Shires Income PLC, Wiston Investment Company Limited and Topshire Limited.

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.

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.

Preference Shares
These entitle the holder to a fixed rate of dividend out of the profits of the Company, to be paid in priority to other classes of shareholder.

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

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

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

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

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the eighty third Annual General Meeting of the Members of Shires Income PLC ("the Company") will be held at the offices of Aberdeen Asset Management PLC, Bow Bells House, 1 Bread Street, London, EC4M 9HH on Tuesday 5 July 2011 at 12 noon to transact the following business:

To consider and, if thought fit, pass the following as ordinary resolutions:

1. To receive and adopt the Directors' Report and audited financial statements of the Company for the year ended 31 March 2011 together with the Auditor's Report thereon.
2. To receive and adopt the Directors' Remuneration Report for the year ended 31 March 2011.
3. To approve a final dividend of 3.0p per Ordinary share in respect of the year ended 31 March 2011.
4. To re-elect Mr A. S. Robson as a Director of the Company.
5. To re-appoint KPMG Audit Plc as auditor of the Company to hold office from the conclusion of the Meeting to the conclusion of the next meeting at which accounts are laid before the Company.
6. To authorise the Directors to determine the remuneration of KPMG Audit Plc as auditor of the Company.
7. That Article 79 of the Articles of Association of the Company, concerning the aggregate fees payable to Directors, be amended by substituting "£140,000" for "£85,000".
8. That, in substitution for any pre-existing power to allot or grant rights to subscribe for or to convert any security into shares in the Company, but without prejudice to the exercise of any such authority prior to the date of this resolution, the Directors be and are hereby generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 to exercise all the powers of the Company to allot shares in the Company ("relevant securities") up to an aggregate nominal amount of £4,949,102, being equal to approximately one third of the Ordinary shares in issue, such authority to expire on 30 September 2012 or, if earlier, at the conclusion of the next Annual General Meeting of the Company to be held after the passing of this resolution, unless previously revoked, varied or extended by the Company in general meeting, save that the Company may, at any time prior to the expiry of such authority, make an offer or enter into an agreement which would or might require relevant securities to be allotted after the expiry of such authority, and the Directors may allot relevant securities in pursuance of such an offer or agreement as if such authority had not expired.

To consider and, if thought fit, pass the following as special resolutions:

9. That, subject to the passing of resolution 8 in the notice convening the meeting at which this resolution is to be proposed (the "notice of meeting") and in substitution for all existing powers, the Directors be and are hereby generally 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 under section 551 of the Act conferred by resolution 8 in the notice of meeting as if section 561 of the Act did not apply to any such allotment, provided that this power:

   (i) expires on 30 September 2012 or, if earlier, at the conclusion of the next Annual General Meeting of the Company, but the Company may make an offer or agreement which would or might require equity securities to be allotted after expiry of this power and the Directors may allot equity securities in pursuance of that offer or agreement as if that power had not expired; and

   (ii) shall be limited to the allotment of equity securities for cash up to an aggregate nominal amount of £1,484,878 being equal to approximately 10% of the Ordinary shares in issue.

   This power applies in relation to the sale of shares which is an allotment of equity securities that immediately before the allotment are held by the Company as treasury shares as if in the opening paragraph of this resolution the words "subject to the passing of resolution 8 in the notice convening the meeting at which this resolution is to be proposed ("the notice of meeting")" and "pursuant to the authority under section 551 of the Act conferred by resolution 9 in the notice of meeting" were omitted.

10. That, in substitution for any existing authority but without prejudice to the exercise of any such authority prior to the date hereof, the Company be generally and unconditionally authorised, in accordance with section 701 of the Companies Act 2006 (the "Act"), to make market purchases (within the meaning of section 693(4) of the Act) of fully paid Ordinary shares of 50p each in the capital of the Company ("shares") provided that:

    (i) the maximum aggregate nominal value of the Ordinary shares hereby authorised to be purchased shall be limited to £2,225,833 being equal to approximately 14.99% of the issued Ordinary share capital of the Company as at the date of the passing of this resolution;
    (ii) the minimum price which may be paid for a share shall be 50p (exclusive of expenses);

(iii) the maximum price (exclusive of expenses) which may be paid for a share shall be an amount being not more than the higher of (i) 105% of the average of the middle market quotations (as derived from the Daily Official List of the London Stock Exchange) for the shares for the five business days immediately preceding the date of purchase and (ii) the higher of the price of the last independent trade and the highest current independent bid relating to a share on the trading venue where the purchase is carried out; and

(iv) unless previously varied, revoked or renewed, the authority hereby conferred shall expire on 30 September 2012 or, if earlier, at the conclusion of the next Annual General Meeting of the Company to be held after the passing of this resolution, save that the Company may, at any time prior to such expiry, enter into a contract or contracts to purchase shares under such authority which would or might be completed or executed wholly or partly after the expiration of such authority and may make a purchase of shares pursuant to any such contract or contracts as if the authority conferred hereby had not expired.

11. That a general meeting of the Company other than an Annual General Meeting may be called on not less than 14 clear days' notice provided that this authority shall expire at the conclusion of the next Annual General Meeting of the Company to be held after the passing of this resolution.

By order of the Board
Aberdeen Asset Management PLC
Secretary 8 June 2011

Notes:

(i) A member is entitled to appoint a proxy or proxies to exercise all or any of their rights to attend, speak and vote on their behalf. A proxy need not be a member of the Company. A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. A member may not appoint more than one proxy to exercise rights attached to any one share. If a member wishes to appoint more than one proxy, they should contact the Company's Registrars on 0871 384 2508 (Calls to this number are charged at 8p per minute from a BT landline, other providers' costs may vary. Lines are open 8.30 a.m. to 5.30 p.m., Monday to Friday). The Equiniti overseas helpline number is +44 121 415 7047.

(ii) A form of proxy for use by members is enclosed with these accounts. Completion and return of the form of proxy will not prevent any member from attending the meeting and voting in person. To be valid, the form of proxy should be lodged, together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority, at the address stated thereon, so as to be received not less than 48 hours (excluding non-working days) before the time of the meeting.

(iii) In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, to have the right to attend and vote at the Meeting a member must first have his or her name entered in the Company's register of members at 6.00 p.m. on 1 July 2011 (or, in the event that the Meeting is adjourned, at 6.00 p.m. on the day which is two business days before the time of the adjourned meeting). Changes to entries on that register after that time shall be disregarded in determining the rights of any member to attend and vote at the Meeting.

(iv) CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual and by logging on to the website www.euroclear.com/CREST. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

(v) In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's Registrar (ID RA19) not less than 48 hours (excluding non-working days) before the time of the meeting or any adjournment. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the Company's Registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

(vi) CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the

CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

(vii) The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

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

(ix) No Director has a service contract with the Company but copies of Directors' letters of appointment will be available for inspection at the registered office of the Company during normal business hours on any weekday (Saturdays, Sundays and Scottish public holidays excepted) from the date of this notice and for at least 15 minutes prior to the Meeting and during the Meeting.

(x) As at close of business on 31 May 2011 (being the latest practicable date prior to publication of this document), the Company's issued share capital comprised 29,697,580 Ordinary shares of 50p each. The total number of voting rights in the Company as at 31 May 2011 is 29,697,580.

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

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

(xiii) The members of the Company may require the Company to publish, on its website, a statement setting out any matter relating to the audit of the Company's accounts, including the Auditor's Report and the conduct of the audit, which they intend to raise at the next meeting of the Company. The Company will be required to do so once it has received such requests from either (i) members representing at least 5% of the total voting rights of the Company or (ii) at least 100 members who have a relevant right to vote and hold shares in the Company on which there has been paid up an average sum per member of at least £100. Such requests must be made in writing and must state your full name and address, and be sent to: the Company Secretary, Shires Income PLC, 40 Princes Street, Edinburgh EH2 2BY.

(xiv) Information regarding the Meeting, including information required by section 311A of the Companies Act 2006, is available from the Company's website, www.shiresincome.co.uk.

(xv) Under section 319A of the Companies Act 2006, the Company must answer any question relating to the business being dealt with at the Meeting put by a member attending the Meeting unless:

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

(xvi) 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.

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

Corporate Information

Manager
Aberdeen Asset Managers Limited
40 Princes Street
Edinburgh
EH2 2BY

Company Secretary
Aberdeen Asset Management PLC
40 Princes Street
Edinburgh
EH2 2BY
Registration Number: 3106339

Registered Office
Aberdeen Asset Management PLC
Bow Bells House
1 Bread Street
London
EC4M 9HH

Auditor
KPMG Audit Plc

Solicitors
Maclay Murray & Spens LLP

Stockbroker
J.P. Morgan Cazenove Limited

Registrars
Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA
Telephone: 0871 384 2508

Company Registration Number
386561 (England)

Website
www.shiresincome.co.uk