Shires Income PLC

Annual Report and Accounts
31 March 2014

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THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the action you should take, you are recommended to seek your own independent financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 (as amended by the Financial Services Act 2012) if you are in the United Kingdom or, if not, from another appropriately authorised financial adviser.

If you have sold or otherwise transferred all your Ordinary shares in Shires Income PLC, please forward this document, together with the accompanying documents immediately to the purchaser or transferee, or to the stockbroker, bank or agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Strategic Report – Company Summary and Financial Highlights

The Company
The Company is an investment trust and its Ordinary shares are listed on the premium segment of the Official List of the UK Listing Authority and traded on the London Stock Exchange. An investment trust is a way to make a single investment that gives you a share in a much larger portfolio.

Investment 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.

Company Benchmark
FTSE All-Share Index (Total Return).

Manager
The Company is managed by Aberdeen Asset Managers Limited ("AAM" or the "Manager").

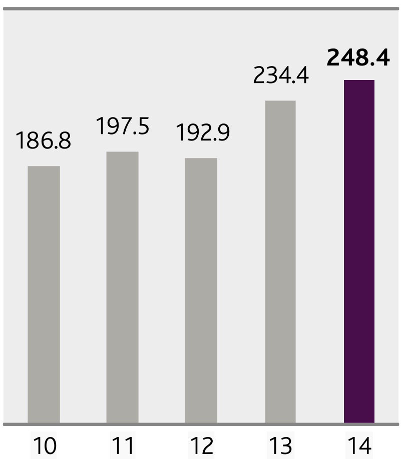
Website
Up-to-date information can be found on the Company's website - www.shiresincome.co.uk

Financial Highlights

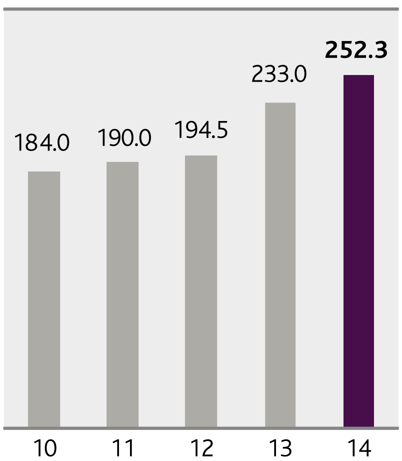
	2014	2013
Net asset value total return	+11.5%	+29.1%
Share price total return	+14.0%	+27.2%
Benchmark total return	+8.8%	+16.8%
Earnings per share (revenue)	12.63p	11.92p
Dividend per share	12.0p	12.0p
Dividend yield	4.8%	5.2%

Total return assumes the re-investment of net dividends paid during the year.

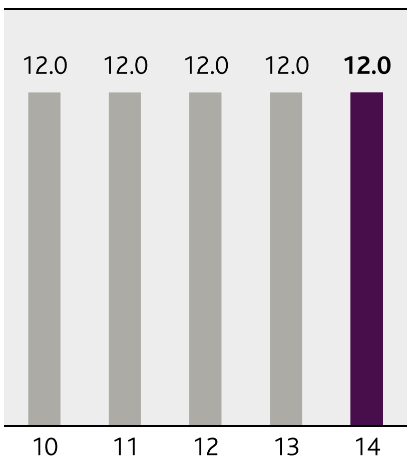
Net Asset Value per Ordinary share*
At 31 March – pence



Mid-market price per Ordinary share
At 31 March – pence



Dividends per Ordinary share
For year to 31 March - pence



* The NAV figures for 2011-14 are for the Company only, following the dissolution of the subsidiaries in May 2011.

Strategic Report – Overview of Strategy

Introduction

The purpose of this report is to provide shareholders with details of the Company's strategy and business model as well as the principal risks and challenges it faces.

The business of the Company is that of an investment trust and the Directors do not envisage any change in this activity in the foreseeable future.

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.

Business Model

Investment Policy and Approach

In pursuit of its objective, the Company's policy is to invest principally in the ordinary shares of UK quoted companies, and in convertible and preference shares with above average yields.

The Directors are responsible for determining the gearing strategy of the Company. Gearing is used with the intention of enhancing long-term returns. Gearing is subject to a maximum equity gearing level of 35% of net assets at the time of draw down. Any borrowing, except for short-term liquidity purposes, is used for investment purposes.

The Company generates income primarily from ordinary shares, convertibles and preference shares. It also achieves income 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. There is a sizeable revenue reserve, equivalent to 14.1p per share (after providing for the dividends relating to the current year), which could be drawn upon if required.

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.

The Manager's portfolios are generally run conservatively, with an emphasis on traditional buy-and-hold, top-slicing/topping up and this approach results in low turnover within portfolios.

Portfolios are managed by the Manager on a team basis, with individual investment managers carrying out their own research and analysis. All ideas are shared via formal committees and common databases, with desk heads and the Manager's chief investment officer ensuring consistency.

Principal Risks and Uncertainties

The principal risks facing the Company relate to the Company's investment activities and gearing and include market risk and credit risk. An explanation of these risks and how they are managed is contained in note 16 to the financial statements. The Board has adopted a matrix of the key risks that affect its business.

i. **Performance risk:** A fall in the market value of the Company's portfolio would have an adverse effect on shareholders' funds. The net asset value performance relative to the FTSE All-Share Index ("the Index") and the underlying stock weightings in the portfolio against the Index weightings are monitored closely by the Board.

ii. **Investment risk:** Investment risk within the portfolio is managed in three ways:
   - Adherence to the investment process in order to minimise investments in poor quality companies and/or overpaying.
   - Diversification of investment - seeking to invest in a wide variety of companies with strong balance sheets and the earnings power to pay increasing dividends. In addition, investments are diversified by sector in order to reduce the risk of a single large exposure. The Company invests mainly in equities, preference shares and convertibles.
   - The Board has laid down absolute limits on maximum holdings and exposures in the portfolio at the time of acquisition. These can only be over-ridden with Board approval. These include the following:

     - 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 first guideline referred to above. In addition, the Company cannot hold more than 10% of any investee company's preference shares.

The Company enters into traded option contracts, also primarily to enhance the income generation of the Company. The risks associated with these option contracts are 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 to be written on more than 30% of the UK equity portfolio.

iii. **Regulatory risk:** The Company operates in a complex regulatory environment and faces a number of regulatory risks. Breaches of regulations, such as Sections 1158-1159 of the Corporation Tax Act 2010, the UKLA Listing Rules and the Companies Act, could lead to a number of detrimental outcomes and reputational damage. The Audit Committee monitors compliance with regulations by reviewing internal control reports from the Manager.

iv. **Gearing risk**: In the long-term, to help income generation and capital growth, the Company has borrowed to invest in the assets. 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 fall is exacerbated by gearing. During the year under review, the Company's borrowing was exclusively bank borrowing, utilising a revolving credit facility. The bank borrowings have certain associated covenants which are monitored by the Manager and Board. 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. As stated earlier, the maximum equity gearing limit, set by the Board, is 35% which 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 keep under review options available to protect a portion of the portfolio from a sudden decline in markets.

v. **Investment in smaller companies**: 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 PLC, which is also managed by AAM.

The Directors regularly review this holding (currently 7.8% of the Company's portfolio). All of the directors of Aberdeen Smaller Companies High Income Trust PLC are independent of Shires Income PLC. AAM does not charge any management fee in respect of the amount of Shires Income's assets attributable to this holding.

vi. **Discount volatility:** The Company's share price can trade at a discount to its underlying net asset value. The Board regularly reviews the Company's premium/discount.

vii **Income risk:** The level of income, and hence the level of dividend paid to shareholders, is dependent primarily on the dividends paid by investee companies. At times, those dividends may fall with a consequential effect on the ability of the Company to maintain dividends to shareholders. However, the Company may draw upon dividend reserves if required.

Performance and Outlook

The strategic direction and development of the Company is regularly discussed as part of Board meeting agendas. At each Board meeting, the Directors consider a number of performance measures to assess the Company's success in achieving its objectives. The Board also considers the 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 Securities, 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. The Board also considers the efficacy of marketing and promotion of the Company, including communications with shareholders, which is explained in more detail on page 53.

A review of the Company's activities and performance during the year ended 31 March 2014 and future developments is detailed in the Chairman's Statement and the Manager's Review. This covers market background, investment activity, portfolio strategy, dividend and gearing policy and investment outlook. A comprehensive analysis of the portfolio is provided on pages 14 to 17.

Key Performance Indicators (KPIs)

The main KPIs against which the Board assesses the Company's performance include:

- Net Asset Value
- Revenue Return per Ordinary Share
- Share Price
- Dividend per Share
- Discount
- Performance relative to FTSE All-Share Index
- Ongoing Charges

Details of the Company's results are provided on pages 11 to 13.

Board Diversity

The Board recognises the importance of having a range of skilled, experienced individuals with relevant knowledge in order to allow it to fulfill its obligations. The Directors' statement on diversity is set out on page 26. At 31 March 2014, there was one female and three male Directors. The Company has no employees.

Employee and Socially Responsible Policies

As the Company has delegated the management of the portfolio, it has no employees and therefore has no requirement for disclosures in this area. The Company's socially responsible investment policy is set out in the Statement of Corporate Governance.

Global Greenhouse Gas Emissions

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

The Manager's corporate socially responsible investment policy including environmental policy can be found on http://www.aberdeen-asset.com/aam.nsf/groupCsr/home.

Anthony B. Davidson
Chairman
28 May 2014

Strategic Report - Chairman's Statement

Anthony B. Davidson
Chairman

Results Review

The outcome for the year to the end of March 2014 was an increase in the Company's net asset value per share of 11.5% on a total return basis. This compares to a rise in our benchmark, the FTSE All-Share Index, of 8.8%; the total return from the share price was 14.0%. This rate of return again compares favourably to most other asset classes.

Gearing has again been a positive factor. The debt is notionally deployed in the preference share portfolio. The purpose of these investments is to deliver a solid revenue stream but with lower volatility than would be expected from an equity portfolio. This was achieved during the year, producing returns of 8.3%, generally in line with the benchmark.

The Board is proposing a full year dividend of 12.0p per share. This is 1.05 times covered by the revenue generated by the portfolio. If approved at the Annual General Meeting, a final dividend of 3.0p per share will be paid on 31 July 2014 to shareholders on the register on 4 July 2014.

Business confidence has been increasing during the year as evidenced by a pick up in corporate activity, with the Vodafone and Verizon deal being one of the most obvious examples. At the same time companies like Centrica and Sage have been engaging in share buy back programmes. Primary and secondary equity issuance has increased markedly, while large companies in particular have been taking advantage of very low costs of funding to facilitate often sizable debt issuance.

Despite the shift in corporate focus from a cautious to a more growth orientated approach, management teams have remembered their shareholders and have rewarded them with welcome dividend increases. This has been reflected in the portfolio where many of your investments have had a successful year that has facilitated pleasing uplifts in distributions. Indeed, there are thirteen holdings whose dividends were increased by double digits.

Performance

The drivers of performance have been broadly spread throughout the portfolio. The holding in Aberdeen Smaller Companies High Income Trust PLC has again been beneficial as the share prices of smaller companies have risen more rapidly than those of larger companies. The portfolio is overweight the Aerospace and Defence sector and was rewarded with a pleasing gain from Cobham. Other positive areas included being underweight the Mining sector and overweight Life Assurance, the latter allowed the portfolio to benefit from improving market conditions. There will always be companies that do less well in any portfolio. Last year the major supermarkets began to struggle in an increasingly competitive environment and the holding in Morrisons in particular detracted from performance. The Company has exposure to the Utilities sector, regarding this area of the market as one where there are some attractive dividends.

Earnings and Dividends

This has been another good year for dividend growth amongst our investee companies. In general, the companies in the portfolio have traded well over the past year. This, allied with balance sheets that are in good health, has facilitated some increases in dividends. I commented last year that future dividend growth might be expected to slow to match more closely the growth in corporate earnings. This has proved to be the case with underlying growth in dividends across the UK market of 6.8%. In the current year dividend growth is expected to remain positive but to be below that of last year. The largest impact being the effect of the strength of sterling on the 40% or so of UK dividends that are declared in dollars.

Portfolio Profile and Gearing

The Company's gearing decreased slightly during the year from 22.8% to 18.9%. The Board continually monitors the level of gearing in the Company. Although the absolute level of gearing looks high, I remind shareholders that it is deployed notionally in fixed interest securities which bring an element of diversification to the Company's total revenue stream.

Regulatory Changes

Pursuant to recent regulatory changes, this Chairman's Statement now forms part of the new Strategic Report. Shareholders will also note other changes to the format of the annual report which have been implemented as a result of these new regulatory requirements.

Alternative Investment Fund Managers Directive

Shareholders may be aware of the Alternative Investment Fund Managers Directive (the "AIFMD"), which creates a European-wide framework for regulating managers of alternative investment funds ("AIF"s). Listed investment companies such as Shires Income are caught within the definition of an AIF. The AIFMD is intended to reduce systemic risk created by the financial sector and aims to improve regulation, enhance transparency and investor protection, develop a single EU market for AIFs and implement effective mechanisms for micro- and macro-prudential oversight. The AIFMD came into force in July 2013 but a transitional period means that investment companies have until July 2014 to comply with the relevant regulations. We have agreed to appoint a subsidiary of Aberdeen Asset Management PLC to act as our AIFM and are currently in the process of finalising the arrangements required under the new regulatory regime. An announcement will be made once these new arrangements are in place.

Corporate Governance

During the year the Nomination Committee evaluated the operations of the Board, individual Directors and the Chairman. The Directors have discussed succession planning and a recruitment process will commence during the year to replace David Kidd who will retire from the Board following the 2015 Annual General Meeting. The Management Engagement Committee undertook a formal review of the Manager covering the investment management, company secretarial, administrative and marketing services provided to the Company. The review took into account the Manager's investment performance record, management processes, investment style, resources and risk control mechanisms. I am pleased to report that the Board agreed with the Committee's recommendation that the continued appointment of the Manager is very much in the interests of shareholders as a whole.

Annual General Meeting

The Company's Annual General Meeting takes place in London, on 3 July 2014, and I look forward to seeing as many of you there as possible.

Outlook

A year ago I wrote that investors needed to remain mindful of the risks posed by rising indebtedness in the US and the potential for sovereign default in some European countries. These two concerns remain. US Government expenditure is increasing and as we witnessed with last Autumn's "shutdown" in Federal services the Republicans and Democrats remain polarised as to how to resolve the issues. Meanwhile, in Europe we have seen sovereign yields falling, in many cases to pre crisis levels. That should be welcome news, but if we consider one of the countries hardest hit by the crisis, Greece, debt to GDP still stands at 175%. Hence, it is hard to say that their problems are resolved. The market believes that the ECB will in effect act as a backstop for any country that again finds itself in difficulties. That remains an unproven concept.

More positive has been the strength of the recovery in both the US and UK. Much investor attention is now focussed on the US programme of tapering, a gradual withdrawal of stimulus that suggests increasing confidence in prospects there. In the UK the housing market is key to confidence and, although not back at peak levels, both volumes and prices have recovered strongly. Unemployment has declined and inflation has fallen below its 2% target. That is helpful in that it eases the pressure on the MPC to raise interest rates. Expectations for growth in the domestic economy have been revised sharply upwards. Recovery is starting across much of Europe and, in the absence of concerns regarding sovereign debt, might be expected to continue.

Equity markets are forward looking and investors have begun to discount these rosier prospects in the valuations they are prepared to ascribe to shares. Multiples have expanded as share prices have increased without commensurate growth in profits. This has eroded some of the attractions of domestic equities relative to both other asset classes and overseas equity markets. Valuations do not appear to be unreasonably stretched but further progression in markets will likely need economic recovery to manifest itself in rising corporate profitability. Any further strengthening of sterling will represent an additional headwind to this.

As I have commented previously, the portfolio contains a broad spread of businesses with attractive medium and longer term prospects across many different industries. The investment strategy remains the same with a focus on ownership of businesses with sustainable competitive advantages and reliable management teams. These factors give us the confidence to be cautiously optimistic.

Anthony B. Davidson
Chairman
28 May 2014

Strategic Report - Manager's Review

Portfolio Strategy

We take a long-term approach to investing, believing that whilst there might be volatility in the short and even medium term, share prices will ultimately reflect the fundamental value of a company. Consequently, there has been no change to our approach to the construction of the portfolio. We seek to identify the best quality companies we can and buy them at attractive valuations. Investment decisions are based on detailed internal due diligence and we endeavour to insulate ourselves from the noise that constantly permeates markets. Such a strategy is likely, by definition, to lead to low levels of turnover in the portfolio and we have experienced that again this year.

Gearing has declined further, falling from 22.8% to 18.9%, a function of both the growth in shareholders' funds and a decrease in the level of net debt. The gearing is notionally invested in the preference share portfolio. This part of the portfolio provides a core level of high income and would, in normal conditions, be expected to be more resilient than equities in the event of a fall in the market.

The Company's assets are invested in equities, preference shares and convertible shares. At the year end, 69.8% of the portfolio's assets were invested in equities, 24% in preference shares and the remainder in convertible shares and cash.

Revenue Account

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

	2014 %	2013 %	2012 %	2011 %	2010 %
Ordinary dividends	52.5	49.8	48.5	44.1	41.6
Preference dividends	36.1	38.2	39.6	44.4	44.7
Aberdeen Smaller Companies	4.9	5.7	5.5	6.9	7.4
Fixed interest and bank interest	0.2	0.3	0.3	0.6	1.3
Traded option premiums	6.3	6.0	6.1	4.0	5.0
	100.0	**100.0**	**100.0**	**100.0**	**100.0**
Total income (£'000s)	**4,534**	**4,275**	**4,352**	**4,153**	**4,201**

Earnings per share have increased by 6.0% over the year. This is a pleasing result, especially when one considers that just over one third of the Company's revenues come from fixed interest instruments, which deliver no growth in dividends. The equity portfolio delivered earnings growth of almost 10%, helped by the special dividend paid by Sage. If this is excluded, the underlying growth was a little over 7%. Clearly higher yielding companies face more difficulties raising their distributions than businesses that are coming from a lower base. Nonetheless, there were some important contributors last year. These included Unilever and Prudential with each posting a 15% increase. Close Brothers continued to benefit from the countercyclical and conservative nature of their banking operations and were able to lift their dividend by 8%. Schroders is another financial business that traded strongly and they increased their final distribution by 40%. The introduction of Inmarsat, which has a 4% yield was also beneficial to the portfolio's earnings.

Equities

Markets were in a bullish mood at the start of the year, continuing the trend that had been present throughout the prior year. Indeed, the FTSE All-Share surpassed its 2007 peak, achieved prior to the onset of the financial crisis as it delivered its twelfth consecutive month of gains. Recovery was continuing in the US, evidenced by ongoing falls in unemployment. In the UK a return to growth heralded an avoidance of the much feared triple dip recession, while inflation was continuing to fall.

However, many emerging markets and much of the rest of Europe were experiencing difficulties. Chinese growth was slowing, which was impacting demand for commodities and hence the share prices of mining companies. Indeed copper would go on to hit a three year low and the price of iron ore would decline by 40% from its peak. In Europe, a sixth successive quarter of contraction and an expectation that this would continue throughout 2013 prompted the ECB to cut interest rates to 0.5%, their lowest ever level.

By the early summer the recovery in the US was sufficiently strong that the Chairman of the Federal Reserve, Ben Bernanke, remarked that he could envisage a situation whereby some stimulus could be withdrawn. This should have been regarded as a positive outlook. However, investors were worried by the potential reduction in asset purchases and markets fell sharply with an 11% peak to trough decline. There was a knock-on effect on emerging markets currencies which began to weaken in the face of less liquidity flowing into those markets. This, combined with a continuation of slowing growth, caused some precipitous declines in many emerging market equities. In the context of the portfolio this was important because whereas a high level of sales into these markets had previously been regarded positively by investors it was now viewed as a negative.

Strategic Report – Manager's Review continued

As the summer progressed there were three notable features. The US and UK economies continued to improve, though the shutdown in US Federal spending was unhelpful for the recovery. Investors were increasingly expecting some form of tapering. That pushed up gilt yields to levels not seen for two years. Mark Carney chaired his first meeting as Governor of the Bank of England and immediately sought to dampen expectations of interest rate increases in the domestic economy. The oil price was rising on the back of concerns about the likelihood of military action in Syria. More positively, Europe recorded unexpectedly positive growth with even Spain showing signs of stabilisation.

These factors served to increase investor confidence. Two examples that demonstrate this were the successful IPO of Royal Mail and the Government's ability to place a portion of their holding in Lloyds Bank. Optimism was boosted by the IMF's increase in their forecasts for growth in the UK for 2014, Spain's return to growth and further declines in the cost of debt for peripheral European countries.

This was slightly at odds with corporate performance where profit warnings had begun to accelerate. Businesses across a diverse array of industries including software, aerospace suppliers, pump manufacturers, food producers and lift manufacturers all issued disappointing trading statements.

2013 ended much as it had begun, with further improvements and upgrades to expectations for the UK. Indeed unemployment was falling faster than expected prompting Mark Carney to again emphasise that interest rates would not increase in the near term. In the US the Federal Open Market Committee was sufficiently confident that they felt able to announce that the first wave of tapering would occur in the new year. Conversely, European growth was sufficiently disappointing that the ECB had to cut interest rates again to a new all-time low of 0.25%.

The new year has witnessed a continuation of these trends with the US able to accelerate their programme of tapering, inflation in the UK falling below the 2% target for the first time since 2009 and growth in both countries remaining pleasingly positive. Europe is still struggling and, having exhausted conventional monetary policy options, the ECB indicated that it may engage in "unconventional activity", presumably encompassing some form of quantitative easing.

The corporate results season concluded with most businesses achieving expectations, though it should be noted that in aggregate these had been reduced over the course of 2013.

Our long-term approach to investing means that the core features of the portfolio tend to be in place for a number of years and change tends to be evolutionary. Consequently, many of the aspects that we have discussed in previous reports have remained in place over the course of the year.

We do not believe that an index, which is merely a measure of historic performance, represents a sensible starting point for determining portfolio construction. Therefore, where companies or sectors are very large constituents of the benchmark we are often underweight relative to those positions. This is most clearly illustrated by our underweight position in the Oil and Gas sector. We remain underweight the mining sector, though we have added to our exposure as we topped up BHP Billiton when the shares weakened. We find that many companies in this industry suffer from a combination of geopolitical and commodity risk. We also believe that given the uncertainty over commodity prices it is difficult to establish fundamental valuations. Similarly with the domestic banks, we struggle to understand fully the risks of political interference and hence to evaluate the companies' prospects. Our exposure to banking in general has increased over the year when we topped up both HSBC and Standard Chartered as concerns about emerging market exposure created opportunities to do so.

Areas where we are overweight include the Food Producers, which is primarily Unilever. The company benefits from defensive growth prospects and significant exposure to emerging market opportunities. The portfolio also holds Associated British Foods which has been a very strong performer on the back of the success they have enjoyed with their Primark retail brand. We are also overweight both Pharmaceuticals and Utilities where we believe that there are attractive yields with the potential for long-term growth.

We are overweight Financials but this is skewed by the inclusion of our holding in Aberdeen Smaller Companies High Income Trust PLC. If this were excluded our equity portfolio would be more closely aligned with the index. Within the sector we have exposure to Life Assurance and Financial Services. In the case of Life Assurance we have investments in Prudential and Chesnara. We believe that Prudential has the opportunity to deliver significant long term growth from its Asian operations. As we saw at the recent final results, this can translate into very attractive increases in the dividend. Chesnara has a simpler business model that involves the running off of closed end books of business with the cash generated returned to investors though a high dividend yield. In Financial Services our holdings cover a diverse array of end markets and include Close Brothers the countercyclical bank, Provident Financial the non conventional lender and Schroders the blue chip asset manager.

One new holding was introduced over the year. Inmarsat operates a global communications satellite array. The business is benefitting from the growth in demand for both voice and high speed data services. The barriers to entry are substantial and the finite supply of orbital slots in particular limits the likelihood of new entrants. Customers include businesses in the maritime, oil and gas, media and aeronautical industries as well as governments and aid agencies. The business has been going through a period of investment and transitioning of its model. This makes the short-term valuation metrics appear high. However, taking a longer term view we expect a significant pick up in earnings and cash generation, a sizable element of which can be expected to find its way to shareholders. In the meantime a 4% yield is attractive in its own right.

We sold three holdings. Whitbread has been a very good holding for the portfolio. Although the Costa Coffee and Premier Inn brands continue to perform strongly we believe that much of the potential upside is already recognised in the share price. Amec has been one of the ways we have sought to gain exposure to the oil and gas industries over and above owning the majors. In short, we have preferred to own the providers of the "picks and shovels." However, the company has announced an intention to make a sizable acquisition that we feel introduces integration and financial risks that make this a less attractive investment proposition. Aviva was sold as we had growing concerns about their long term prospects.

The portfolio had a significant holding in Vodafone, where we had identified the potential value in their stake in Verizon Wireless. This was crystallised during the year when they sold their holding to the parent company and returned $84 billion to investors, the largest such transaction in history. This has had the effect of reducing the size of our holding though we retain a material position because we believe that the company now has the financial flexibility to participate in the evolution of the convergence of European communications markets. It is worth mentioning that given the level of the yield on Vodafone, the significant reduction in the size of the holding will impact the portfolio's earnings this year. We have taken steps to mitigate this impact, but we believe that we should highlight this to investors especially in light of the strength of earnings growth achieved last year.

In more general portfolio activity we took advantage of weakness in the share prices of many companies with emerging market exposures to top them up. These included BHP Billiton, Unilever, HSBC and Standard Chartered. We also bought a little more Pearson, Cobham, AstraZeneca and BG Group as we became more comfortable with their long term prospects. We top sliced holdings that had done well, amongst which were Land Securities, Provident Financial, British American Tobacco and Aberdeen Small Companies High Income Trust. Morrisons was a disappointment during the year. In common with their peers, they have struggled in the face of rising competition from the hard discounters and a consumer spending environment that remains very tough. They also have problems of their own making, that include the lack of an online capability and an underdeveloped convenience store portfolio. As such they need to make very significant investments in the business at a time when it is far from clear that they will be able to generate adequate returns. We have therefore sold around half the position.

In many cases the transactions were enacted via the assignment or exercise of put and call options.

Investment Performance Analysis

In the year to the end of March 2014, the total return on net assets was 11.5% compared to our benchmark, the FTSE All-Share Index which returned 8.8%. As we would hope, stock selection was an important contributor to performance.

Aberdeen Smaller Companies High Income Trust PLC has again been the most significant contributor to performance, delivering a return of 25.2%. This is a material gain in its own right and well ahead of our benchmark. Other notable successes included GKN, whose share price rose strongly as economic recovery led to more favourable prospects for their automotive operations. Sage Group, re-rated on expectations of improving demand from its SME core customer base. Having been a detractor from performance previously the holding in Cobham was beneficial last year. The share price increased by 27% as investors recognised that the negative impact of reductions in US Department of Defence expenditure might be expected to ease next year. At the sectoral level the underweight position to Mining aided performance as share prices fell on the back of declining demand for commodities from China in particular. Being underweight the Banks was also a positive. Our overweight position in other financial companies was beneficial. Rising markets were helpful to a number of companies from Schroders to Chesnara. Close Brothers continued to experience growth in their countercyclical banking operations. Prudential experienced strong growth in its Asian businesses.

Unsurprisingly, there were some companies in the portfolio that suffered difficulties. Tesco and Morrisons face an increasingly competitive environment. Pearson is moving through a transitional phase but it is taking longer and has been more problematic than was originally envisioned. Unilever has faced tough conditions as weakening emerging market currencies have impacted on demand.

The portfolio is constructed to deliver growth in both capital and earnings over time. The success of this strategy can be seen in the performance which at the year end had exceeded that delivered by its benchmark over each of one, three and five years. Capital and earnings growth are unlikely to progress either smoothly or in line with each other. We are however very aware of the desirability of growth in the portfolio's earnings. It is pleasing therefore to be able to report that 13 holdings increased their final dividends by double digit amounts during the year. Amongst these Unilever and Prudential with 15% increases, Rolls Royce almost 13% and Schroders with 34% are deserving of special mention.

Prospects

Across Europe, we have now had three years of no earnings growth. Yet, markets have moved ahead strongly. The net effect has been that valuation multiples have expanded. That is not necessarily an issue given they were coming from a low base. However, we have now reached a stage where it seems likely that further share price accretion will require growth in profits rather than additional re-ratings.

The economic backdrop is supportive. This should remain the case, at least as long as investors discount a return of the European sovereign debt crisis and fixed income managers invest in peripheral nations' debt at valuations last seen just prior to the onset of the crisis. That risk aside, a US and UK recovery alongside a gradual pick-up in prospects across the continent may lead to an export led pick-up in Emerging Markets and global growth can resume. However, tapering in the US has the potential to cause further currency weakness in Emerging Markets.

Key to any such recovery is corporate and investor confidence and there are clear signs that both are increasing. Having spent years strengthening their balance sheets, management teams are now more prepared to engage in merger and acquisition activity. That is generally a positive for markets though one might observe that, given muted prospects for growth, managements feel obliged to try and buy their way to expansion. The capital markets are very active and there has been a raft of IPO and secondary market activity. Some of this reflects pent-up demand but the fact that it is happening at all is indicative of rising investor confidence.

So what are the key risks? Sterling has been strengthening and this is weighing on the outlook for profits growth. At the time of writing the market's expectations for EPS growth across the FTSE All-Share in 2014 has fallen from 9.3% at the start of the year to 5.3%, much of this is currency based. Related to this is the belief that interest rates will eventually have to rise. Whilst this is not a uniformly bad thing, it will put pressure on those businesses and individuals that still have too much debt. It will also serve to limit the earnings accretion that can be engineered through deal making.

At this point, it is worth mentioning the likely impact of rate increases on the preference share portfolio. Spreads are currently wide enough that we anticipate there will be some capacity to absorb rising interest rates. In addition, the preference shares can be expected to behave with more equity-like characteristics than conventional pure debt instruments and hence should be more resilient than other forms of fixed interest.

Of course, European recovery is not a given, as evidenced by the ECB's comments about considering further stimulus. It is difficult to divine how the market would respond to this; would the focus be on the disappointing fundamentals or on the short term boost provided by their programme of purchases?

We have demonstrated throughout the crisis and subsequent recovery in markets that we will not waiver from our commitment to endeavour to invest in businesses that we regard as having suitably strong business models, management teams and balance sheets whilst being cognisant of the dangers of overpaying. A sharper than expected economic recovery could prove beneficial for the shares of companies that we believe to be of a lower quality. We will not change our approach to suit the climate of the day, believing instead that superior returns will be delivered across the cycle by holding to our principles.

Aberdeen Asset Managers Limited
28 May 2014

Strategic Report - Results

Financial Summary

	31 March 2014	31 March 2013	% change
Total investments	£87,835,000	£85,624,000	+2.6
Shareholders' funds	£74,502,000	£70,306,000	+6.0
Market capitalisation	£75,669,000	£69,894,000	+8.3
Net asset value per share	248.36p	234.37p	+6.0
Share price (mid-market)	252.25p	233.00p	+8.3
Premium/(discount) to NAV[A]	1.6%	(0.6%)	
Gearing (see page 56 for definitions)			
Net gearing	18.9%	22.8%	
Equity gearing	17.9%	21.8%	
Dividend and earnings			
Revenue return per share[B]	12.63p	11.92p	+6.0
Dividend per share[C]	12.00p	12.00p	
Dividend cover	1.05	0.99	
Revenue reserves[D]	£6,031,000	£5,837,000	
Operating costs			
Ongoing charges ratio[E]	1.00%	1.08%	

[A] This has been reported on an unadjusted basis in line with current market practice. The Company previously reported on an adjusted basis.
[B] Measures the revenue earnings for the year divided by the weighted average number of Ordinary shares in issue (see Statement of Comprehensive Income).
[C] The figures for dividend per share reflect the years in which they were earned (see note 8 on page 42).
[D] The revenue reserve figure does not take account of the third interim or final dividend amounting to £1,799,855 (2013 – £1,799,855) combined.
[E] Ongoing charges ratio calculated in accordance with guidance issued by the AIC as the total of the investment management fee and administrative expenses divided by the average cum income net asset value throughout the year.

Performance (total return)

	1 year % return	3 year % return	5 year % return
Net asset value	+11.5	+50.0	+199.2
Share price (based on mid-market)	+14.0	+58.5	+233.1
FTSE All-Share Index	+8.8	+28.8	+113.3

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

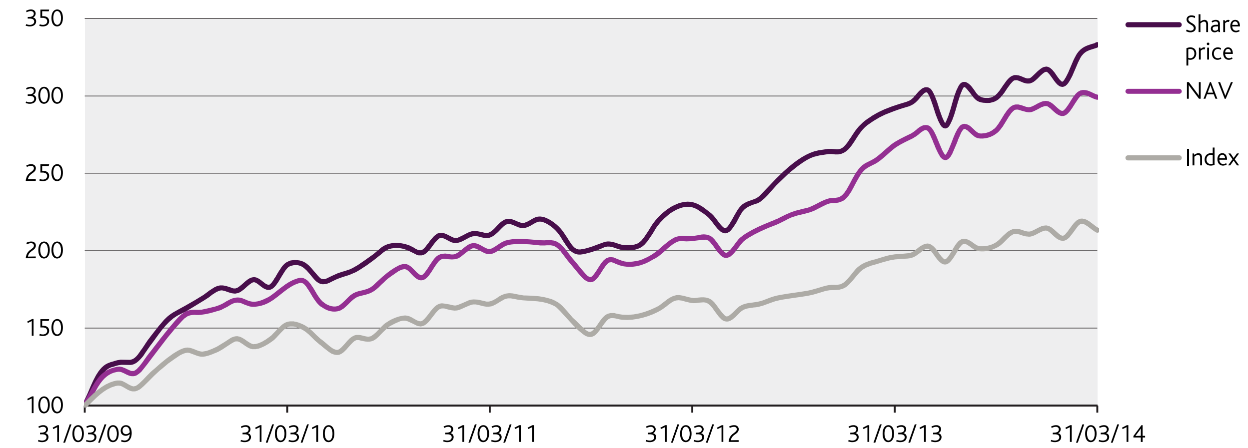
Dividends

	Rate per share	xd date	Record date	Payment date
First interim dividend	3.00p	2 October 2013	4 October 2013	31 October 2013
Second interim dividend	3.00p	31 December 2013	3 January 2014	31 January 2014
Third interim dividend	3.00p	2 April 2014	4 April 2014	30 April 2014
Proposed final dividend	3.00p	2 July 2014	4 July 2014	31 July 2014
2013/14	**12.00p**			
First interim dividend	3.00p	3 October 2012	5 October 2012	31 October 2012
Second interim dividend	3.00p	2 January 2013	4 January 2013	31 January 2013
Third interim dividend	3.00p	3 April 2013	5 April 2013	30 April 2013
Final dividend	3.00p	3 July 2013	5 July 2013	31 July 2013
2012/13	**12.00p**			

Strategic Report - Performance

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

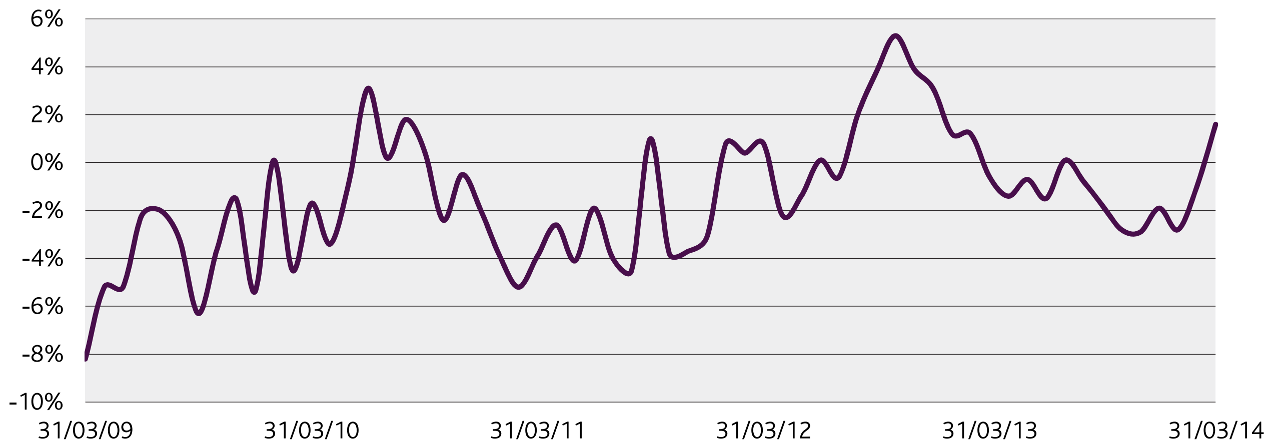
Figures are total return and have been rebased to 100 at 31 March 2009



Source: Aberdeen Asset Management, Morningstar & Factset

Ordinary Share Price Premium/(Discount) to NAV

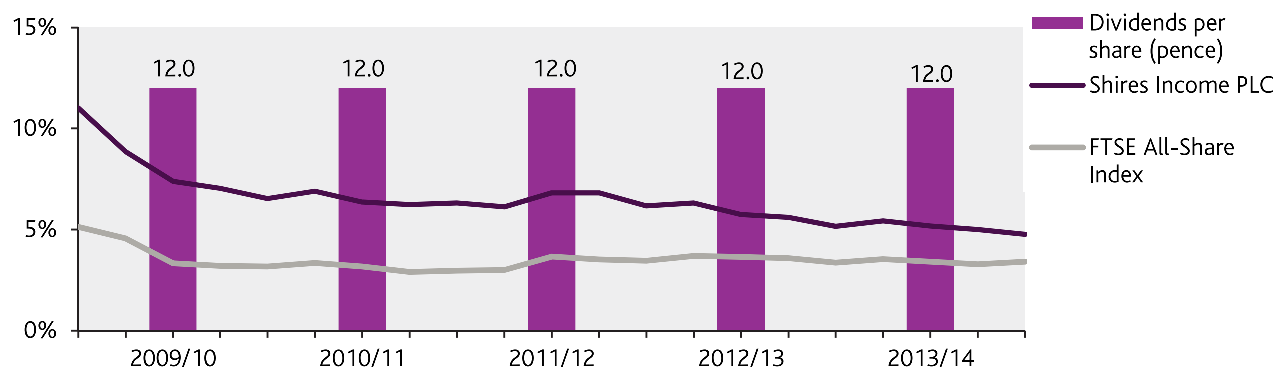
Five years to 31 March 2014



Source: Morningstar

Net Dividend Yield

Five years to 31 March 2014



Ten Year Financial Record

Year to 31 March	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenue available for ordinary dividends (£'000)	5,770	5,792	5,987	6,026	5,536	3,512	3,292	3,615	3,556	3,789
Per share (p)										
Net revenue return	19.7	18.9	19.3	22.2	18.8	11.8	11.1	12.2	11.9	12.6
Net dividends paid/proposed	19.25	19.25	19.25	19.75	19.75	12.00	12.00	12.00	12.00	12.00
Total return	52.8	74.2	25.9	(63.4)	(112.9)	85.3	22.6	7.4	53.5	26.0
Net asset value	272.2	327.1	334.0	251.1	118.5	186.8	197.5	192.9	234.4	248.4
Shareholders' funds (£m)	80.8	97.1	99.1	74.6	35.2	55.5	58.6	57.3	70.3	74.5

The figures for 2011 to 2014 are for the Company only, following the dissolution of the subsidiaries in May 2011.

Cumulative Performance

Rebased to 100 at 31 March 2004

As at 31 March	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
NAV	100.0	114.5	137.7	140.9	105.5	49.8	78.4	82.8	80.9	98.3	104.2
NAV total return[A]	100.0	123.9	159.8	173.8	138.4	72.2	127.9	144.1	150.1	193.7	216.1
Share price performance	100.0	118.8	140.0	138.7	98.2	48.7	82.1	84.8	86.8	104.0	112.6
Share price total return[A]	100.0	129.3	163.1	172.0	130.0	71.8	137.1	151.0	165.0	209.8	239.3
Benchmark performance	100.0	111.9	138.7	149.4	133.2	90.3	132.5	139.6	136.7	153.9	161.8
Benchmark total return[A]	100.0	115.6	147.9	164.4	151.7	107.2	163.3	177.5	180.0	210.2	228.7

NAV figures are based on Company only values following the dissolution of the subsidiaries in May 2011.

[A] Total return figures are based on reinvestment of net income.

Investment Portfolio – Ordinary Shares

As at 31 March 2014

Company	Valuation 2014 £'000	Total portfolio %	Valuation 2013 £'000
Aberdeen Smaller Companies High Income Trust	6,865	7.8	7,280
Royal Dutch Shell	3,380	3.8	3,114
Centrica	3,024	3.4	2,828
British American Tobacco	2,935	3.3	3,245
AstraZeneca	2,810	3.2	2,392
GlaxoSmithKline	2,801	3.2	2,708
HSBC Holdings	2,690	3.1	2,290
Unilever	2,612	3.0	2,369
BHP Billiton	2,582	2.9	1,848
Prudential	2,550	2.9	2,417
Ten largest investments	**32,249**	**36.6**	
Close Brothers	2,400	2.7	1,788
Pearson	2,179	2.5	1,705
BP	2,083	2.4	1,973
National Grid	2,080	2.4	1,935
Vodafone	2,038	2.3	3,165
Chesnara	2,002	2.3	1,532
Standard Chartered	1,993	2.3	1,244
Tesco	1,772	2.0	2,114
Sage Group	1,651	1.9	1,254
Cobham	1,564	1.8	1,271
Twenty largest investments	**52,011**	**59.2**	
Compass	1,373	1.6	1,261
Schroders	1,365	1.6	1,260
GKN	1,211	1.4	1,045
Land Securities	1,176	1.3	1,245
Associated British Foods	1,085	1.2	1,141
Rolls Royce	1,031	1.2	1,085
Inmarsat	995	1.1	–
Weir Group	938	1.1	837
Provident Financial	823	0.9	909
Experian	703	0.8	741
Thirty largest investments	**62,711**	**71.4**	
Wood Group (John)	690	0.8	615
BG Group	570	0.7	260
Morrison (Wm.)	390	0.4	1,182
Total Ordinary shares	**64,361**	**73.3**	

Investment Portfolio – Other Investments

As at 31 March 2014

Company	Valuation 2014 £'000	Total portfolio %	Valuation 2013 £'000
Convertibles			
Premier Farnell 89.2p Cum Conv	769	0.9	739
Balfour Beatty Cum Conv 10.75%	585	0.6	615
Total Convertibles	**1,354**	**1.5**	
Preference shares			
Ecclesiastical Insurance Office 8 5/8%	5,130	5.8	5,300
Royal & Sun Alliance 7 3/8%	4,720	5.4	4,850
General Accident 7.875%	4,063	4.6	3,974
Santander 10.375%	3,680	4.2	3,294
Standard Chartered 8.25%	3,391	3.9	3,405
R.E.A. Holdings 9%	1,136	1.3	1,139
Total Preference shares	**22,120**	**25.2**	
Total other investments	**23,474**	**26.7**	
Total investments	**87,835**	**100.0**	

Purchases and/or sales effected during the year result in 2013 and 2014 values not being directly comparable.

Distribution of Assets and Liabilities

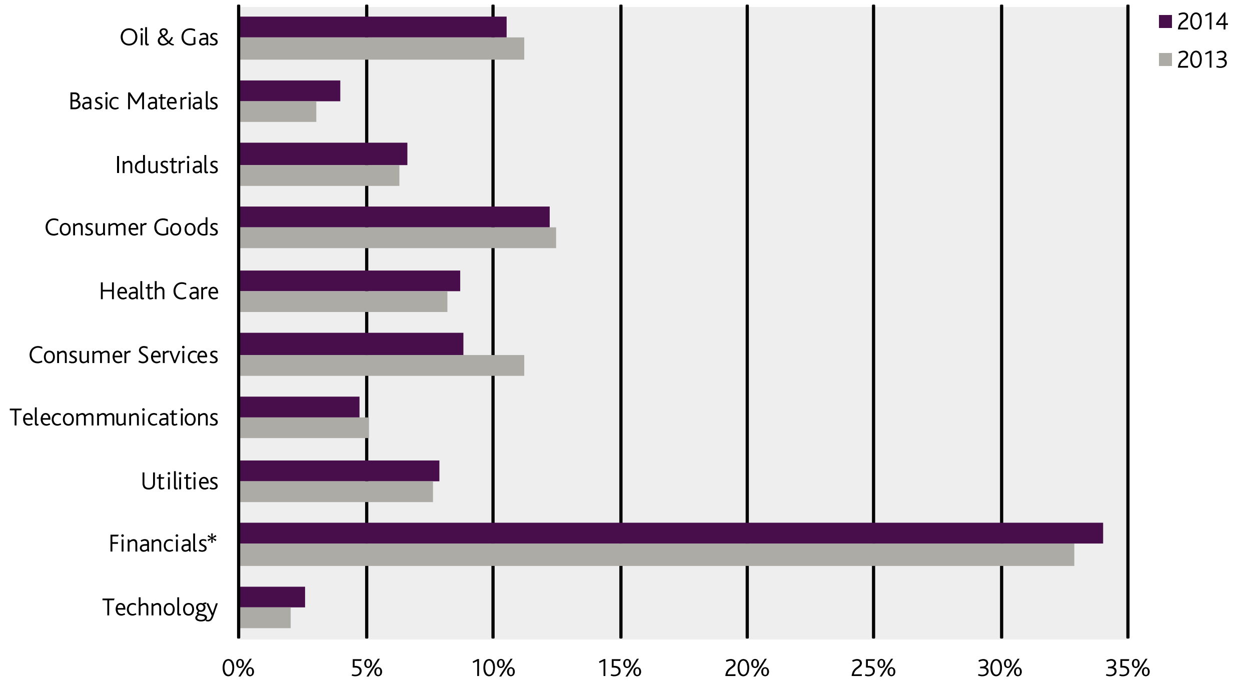
As at 31 March 2014

	Valuation at 31 March 2013 £'000	%	Movement during the year Purchases £'000	Sales £'000	Other £'000	Gains/ (losses) £'000	Valuation at 31 March 2014 £'000	%
Listed investments								
Ordinary shares	62,308	88.6	6,500	(8,569)	–	4,122	64,361	86.4
Convertibles	1,354	1.9	–	–	(10)	10	1,354	1.8
Preference shares	21,962	31.3	–	–	(83)	241	22,120	29.7
Total investments	85,624	121.8	6,500	(8,569)	(93)	4,373	87,835	117.9
Current assets	2,927	4.2					5,380	7.2
Current liabilities	(18,245)	(26.0)					(18,713)	(25.1)
Net assets	**70,306**	**100.0**					**74,502**	**100.0**
Net asset value per Ordinary share	**234.4p**						**248.4p**	

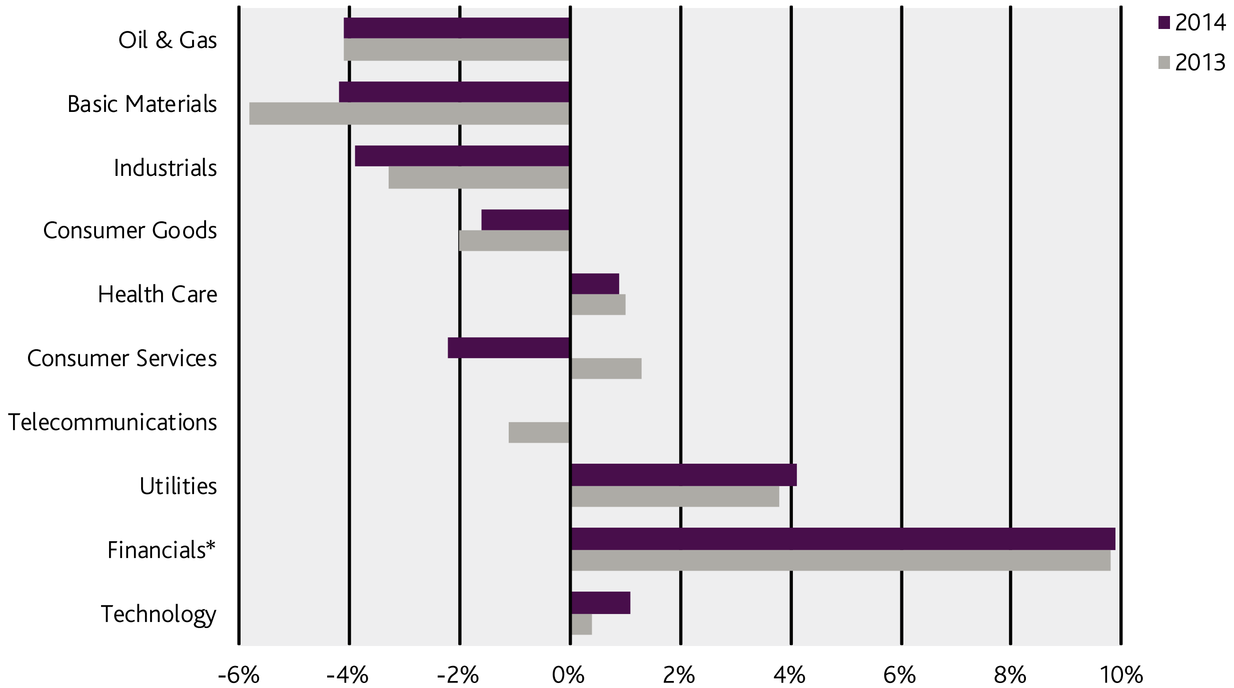
Sector Analysis

As at 31 March 2014

Analysis of Listed Equity Portfolio



Shires Income PLC relative to the FTSE All-Share Index



* Financials include the Company's investment in Aberdeen Smaller Companies High Income Trust PLC.

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: 7 years, joined the Board in February 2007.
Experience: Currently a non-executive director of 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-appointed to the Board: 11 July 2013.
Committee membership: Audit Committee, Nomination Committee (Chairman), Management Engagement Committee (Chairman).
Remuneration for the financial year: £28,500.
All other publicly listed 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.

Marian Glen

Status: Independent Non-Executive Director.
Length of Service: 1 year, joined the Board in January 2013.
Experience: Currently a member of the audit committee of the Water Industry Commission for Scotland and a non-executive director of Financial Services Compensation Scheme Limited and Friends Life Group Limited and certain other companies in the Friends Life group of companies. She was formerly the General Counsel of AEGON UK and prior to that was a corporate partner and head of funds and financial services at Shepherd+ Wedderburn. She was a non-executive director of Murray Income Trust PLC.
Last appointed to the Board: 11 July 2013.
Committee membership: Audit Committee, Nomination Committee, Management Engagement Committee.
Remuneration for the financial year: £20,000.
All other publicly listed company directorships: Non-executive director of Friends Life Group Limited.
Employment by the Manager: None.
Other connections with Company or Manager: None.
Shared Directorships with any other Company Directors: None.
Shareholding in Company: 3,000 Ordinary shares.

David P. Kidd

Status: Independent Non-Executive Director.
Length of Service: 10 years, joined the Board in February 2004.
Experience: He has 25 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-appointed to the Board: 11 July 2013.
Committee membership: Audit Committee, Nomination Committee, Management Engagement Committee.
Remuneration for the financial year: £20,000.
All other publicly listed company directorships: Non-executive director of Martin Currie Global Portfolio 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: 6 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 15 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-appointed to the Board: 5 July 2011.
Committee membership: Audit Committee (Chairman), Nomination Committee, Management Engagement Committee.
Remuneration for the financial year: £22,500.
All other publicly listed company directorships: Non-executive director of British Empire Securities and General Trust plc, JP Morgan Smaller Companies Investment Trust plc and Mobeus Income & Growth 4 PLC.
Employment by the Manager: None.
Other connections with Company or Manager: None.
Shared Directorships with any other Company Directors: None.
Shareholding in Company: 5,500 Ordinary shares.

Directors' Report

Introduction

The Board of Directors, A.B. Davidson (Chairman), M. Glen, D.P. Kidd and A.S. Robson held office throughout the whole year under review. The Directors present their report and audited financial statements for the year ended 31 March 2014.

The Company and its Objective

The Company is an investment trust and its Ordinary shares are listed on the premium segment of the Official List of the UK Listing Authority and traded on the London Stock Exchange. The Company's objective is 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. In pursuit of the Company's objective, the Company invests principally in the ordinary shares of UK quoted companies, and in convertible and preference shares with above average yields. A review of the Company's activities is given in the Strategic Report. This includes the overall strategy of the business of the Company and its principal activities, main risks faced by the Company, likely future developments of the business and the recommended dividend.

Status

The Company, which was incorporated in 1929, is an investment company, within the terms of Section 833 of the Companies Act 2006 ("2006 Act") and carries on business as an investment trust. The Company is registered as a public limited company in England and Wales. The Company's registration number is 00386561. The Company has no employees and the Company makes no political donations.

The Company has been accepted by HM Revenue & Customs as an investment trust subject to the Company continuing to meet the relevant eligibility conditions of Section 1158 of the Corporation Tax Act 2010 and the ongoing requirements of Part 2 Chapter 3 Statutory Instrument 2011/2999 for all financial years commencing on or after 1 April 2012. The Directors are of the opinion that the Company has conducted its affairs for the year ended 31 March 2014 so as to enable it to comply with the ongoing requirements for investment trust status.

The affairs of the Company were conducted in such a way as to satisfy the requirements as a qualifying security for Individual Savings Accounts. The Directors intend that the Company will continue to conduct its affairs in this manner in the future.

Results and Dividends

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

The financial statements for the year ended 31 March 2014 appear on pages 34 to 51. Dividends accounted for in the year amounted to 12.0p.

A third interim dividend of 3.0p per Ordinary share was declared on 21 March 2014 payable on 30 April 2014. A final dividend of 3.0p per Ordinary share is proposed, payable on 31 July 2014 to shareholders on the register on 4 July 2014. The ex-dividend date is 2 July 2014. Under International Financial Reporting Standards (IFRS) both these dividends will be accounted for in the financial year ended 31 March 2015.

Investment Management Agreement

The Company has an agreement with Aberdeen Asset Managers Limited ("AAM") for the provision of investment management, administrative and secretarial services which is terminable by six months' notice on either side. The fee is 0.45% for funds up to £100 million and 0.40% for funds over £100 million, excluding commonly managed funds.

Corporate Governance

The Statement of Corporate Governance which forms part of the Directors' Report is shown on pages 22 to 27.

Going Concern

The Company's assets comprise mainly readily realisable securities which can be sold to meet funding commitments if necessary. The Company's revolving credit facility was extended and matures on 9 May 2015. The Board considers that the Company has adequate financial resources to continue in operational existence for the foreseeable future.

Accountability and Audit

The respective responsibilities of the Directors and the auditor in connection with the financial statements appear on pages 31 to 33.

Each Director confirms that, so far as he or she (hereinafter referred to as "he") is aware, there is no relevant audit information of which the Company's auditor is unaware, and he has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information. Additionally there are no important events affecting the Company since the year end.

Independent Auditor

Following their intention to gradually wind down the activity in their registered firm, KPMG Audit Plc, KPMG have proposed that an alternative entity, KPMG LLP, become the Company's auditor. The change is purely administrative and there will be no adverse impact on investors' interests as a result.

Accordingly, KPMG have notified the Company that KPMG Audit Plc is not seeking reappointment and have provided a statutory statement of circumstances upon ceasing to hold office pursuant to Section 519 of the 2006 Act. In accordance with Section 520 of the 2006 Act, a copy of this statement is enclosed with the report and accounts. The Board has decided to put KPMG LLP forward to be appointed as auditor and a resolution concerning its appointment will be put to the forthcoming Annual General Meeting ("AGM") of the Company. There is no impact on the terms in which the auditor will be retained.

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

Annual General Meeting

Among the resolutions being put at the AGM of the Company to be held on 3 July 2014, the following resolutions will be proposed:

(i) Section 551 Authority to Allot Shares

Resolution 9, 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 £4,999,596 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 2015 or, if earlier, at the conclusion of the next AGM of the Company (unless previously revoked, varied or extended by the Company in general meeting).

(ii) Disapplication of Pre-emption Provisions

Resolution 10 is to enable the Directors to issue new shares and to resell shares held in treasury up to an aggregate nominal amount of £1,499,879 (representing approximately 10% of the total Ordinary share capital in issue). Resolution 10, 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 £1,499,879. Ordinary shares would only be issued for cash, at a premium to the net asset value per share. This authority will expire on 30 September 2015 or, if earlier, at the conclusion of the next AGM 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.

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

Resolution 11, 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 is 14.99% of the issued share capital of the Company as at the date of the passing of the resolution (approximately 4.49 million Ordinary shares). The minimum price which may be paid for an Ordinary share (exclusive of expenses) is 50p. The maximum price for an Ordinary share (again exclusive of expenses) is 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 2015 or, if earlier, at the conclusion of the next AGM of the Company (unless previously revoked, varied or extended by the Company in general meeting).

(iv) Notice Period for General Meetings

The Company's Articles of Association enable the Company to call general meetings (other than an AGM) on 14 clear days' notice. In order for this to be effective, the shareholders must also annually approve the calling of meetings on 14 days' notice by separate resolution. Resolution 12, which is a special resolution, seeks such approval. The approval will be effective until the Company's next AGM, 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 2006 Act (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 AGM are in the best interests of the Company and would promote the success of the Company for the benefit of 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 23,500 Ordinary shares.

By order of the Board
Aberdeen Asset Management PLC
Secretary, 28 May 2014

Statement of Corporate Governance

Corporate Governance

This Statement of Corporate Governance forms part of the Directors' Report which is shown on pages 20 to 21.

Compliance

The Company is committed to high standards of corporate governance. 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 2012 UK Corporate Governance Code ("UK Code") which is available on the Financial Reporting Council's website: www.frc.org.uk.

The Board has also considered the principles and recommendations of the AIC Code of Corporate Governance (AIC Code) by reference to the AIC Corporate Governance Guide for investment Companies (AIC Guide) which is available on the AIC's website: www.theaic.co.uk. The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Corporate Governance Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company.

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

The Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Corporate Governance Code, except as set out below.

The UK Corporate Governance Code includes provisions relating to:

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

For the reasons set out in the AIC Guide, and as explained in the UK Corporate Governance Code, the Board considers these provisions are not relevant to the position of the Company, being an externally managed investment company. In particular, all of the Company's day-to-day management and administrative functions are outsourced to third parties. As a result, the Company has no executive directors, employees or internal operations. The Board has considered whether a Senior Independent Director should be appointed and has concluded that, given the size of the Board and the fact that it is comprised entirely of non-executive Directors, this is unnecessary at present. However the Chairman of the Audit Committee leads the evaluation of the Chairman and may be contacted by shareholders if they have any concerns that cannot be resolved through discussions with the Chairman.

The Board of Directors

The Board currently consists of four non-executive Directors, led by the Chairman, Mr Davidson. 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 ("AAM"). Biographies of the Directors appear on pages 18 and 19 and these demonstrate the wide range of skills and experience each brings 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 AGM.

Under the Articles of Association, new Directors are subject to appointment at the first AGM after their appointment, and all Directors retire by rotation in accordance with the 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-appointment 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.

Mr A.S. Robson having been last re-appointed in 2011, retires by rotation and, being eligible, offers himself for appointment. Under the terms of the AIC Code, non-executive directors may serve longer than nine years but it is recommended that in such cases they stand for annual re-election. The Board has therefore decided that each Director who has served on the Board for more than nine years will stand for annual re-election. Mr D.P. Kidd has served for more than nine years on the Board and will therefore retire and offer himself for re-election at the AGM.

In the case of Mr Kidd, who has been a Director since 2004, the Nomination Committee (excluding Mr Kidd) takes the view that his independence has not been compromised by his length of service, and that experience and continuity add significantly to the Board's strength. In considering Mr Kidd's independence, the Committee considered a number of factors including Mr Kidd's experience, integrity and judgement. The Committee also recognised that Mr Kidd has no connection with the Manager, is not a professional adviser who has provided services to the Manager or the Board, does not serve on any other board of a company managed by the

Manager or serve as a director on a company with any of the Company's other directors. For these reasons the Committee believes Mr Kidd remains independent notwithstanding his length of service and has no hesitation in recommending the re-appointment of Mr Kidd.

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

Subject to the provisions of the 2006 Act, each of the Directors is entitled to be indemnified by the Company against all costs, charges, losses, expenses and liabilities which he or she may sustain or incur in the execution or purported execution or discharge of his or her duties or in the exercise or purported exercise of his or her powers or otherwise in relation to or in connection with his or her 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 2006 Act. 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.

Directors' and officers' liability insurance is held by the Company in respect of the Directors.

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 their own positions. The Board will continue to monitor and review potential conflicts of interest on a regular basis.

The Company has a policy of conducting its business in an honest and ethical manner. The Company takes a zero tolerance approach to bribery and corruption and has procedures in place that are proportionate to the Company's circumstances to prevent them. The Manager also adopts a zero tolerance approach and has its own detailed policy and procedures in place to prevent bribery and corruption.

The Board has five scheduled meetings a year with additional ad hoc meetings held as necessary. In addition, there were two Audit Committee meetings, one Management Engagement Committee meeting and one Nomination Committee meeting. Between meetings, the Board maintains regular contact with the Manager.

Directors have attended the scheduled Board and Committee meetings during the year ended 31 March 2014 as shown in the table below (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	5 (5)	2 (2)	1 (1)	1 (1)
M. Glen	5 (5)	2 (2)	1 (1)	1 (1)
D.P. Kidd	5 (5)	2 (2)	1 (1)	1 (1)
A.S. Robson	5 (5)	2 (2)	1 (1)	1 (1)

The Board has appointed AAM to manage the Company's investment portfolio within guidelines set by the Board and to provide it with accounting and secretarial services. The Board has a formal schedule of matters specifically reserved to it for decision including strategy, Company structure, risk, reviewing the Manager, borrowings, treasury, dividend, and corporate governance policy. Full and timely information, including monthly reports on the Company's activities, is provided to the Board to enable the Board to function effectively and to allow Directors to discharge their responsibilities. The Board also reviews the financial statements, performance and revenue budgets.

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 Asset Management PLC as Secretary of the Company.

External Agencies

The Board has delegated certain functions. The main service providers are AAM, the Manager and Secretary; BNP Paribas Securities Services, the administrator (delegated by the Manager), HSBC Bank plc, the Custodian; and Equiniti Limited, the Registrars. AAM 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.

Internal Control

The Board confirms that as at 31 March 2014 there is a process for identifying, evaluating and managing the

Company's significant business and operational risks, that it has been in place for the year ended 31 March 2014 and up to the date of approval of the annual report and accounts, that it is regularly reviewed by the Board and accords with the internal control guidance for directors in the UK Code. The Board has overall responsibility for ensuring that there is a system of internal controls in place and a process for reviewing its effectiveness. Any system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The design, implementation and maintenance of controls and procedures to safeguard the assets of the Company and to manage its affairs properly extends to operational and compliance controls and risk management. The Board has prepared its own risk register which identifies potential risks relating to strategy; investment management; shareholders; marketing; gearing; regulatory & financial obligations; third party service providers and the Board. The Board considers the potential cause and possible impact of these risks as well as reviewing the controls in place to mitigate these potential risks. A risk is rated by having a likelihood and an impact rating and is plotted on a "heat map".

Clear lines of accountability have been established between the Board and the Manager. The Board receives regular reports covering key performance and risk indicators and considers control and compliance issues brought to its attention. In carrying out its review, the Board has had regard to the activities of the Manager, the Manager's internal audit and compliance functions and the auditor.

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

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

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

- the Board and Manager have agreed clearly defined investment criteria, specified levels of authority and exposure limits. Reports on these issues, including performance statistics and investment valuations, are regularly submitted to the Board and there are meetings with the Manager as appropriate;
- written agreements are in place which specifically define the roles and responsibilities of the Manager and other third party service providers;
- the Manager prepares forecasts and management accounts which allow the Board to assess the Company's activities and review its performance; the emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception;
- as a matter of course the Manager's compliance department continually reviews the Manager's operations; and
- at its May 2014 meeting, the Board carried out an annual assessment of internal controls for the year ended 31 March 2014 by considering documentation from the Manager, including the internal audit and compliance functions and taking account of events since 31 March 2014.

The Board has considered the need for an internal audit function but, because of the compliance and internal control systems in place within the Manager, has decided to place reliance on the Manager's systems and internal audit procedures.

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 on the Company's website, or upon request from the Company.

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 – Mr Robson is a member of the Institute of Chartered Accountants. The Audit Committee meets at least twice a year to coincide with the annual and half-yearly reporting and audit cycle.

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

- to review and monitor the internal control systems and risk management systems (including review of non financial risks) on which the Company is reliant (the Directors' statement on the Company's internal controls and risk management is set out above);
- to consider whether there is a need for the Company to have its own internal audit function;

- to monitor the integrity of the half-yearly and annual financial statements of the Company by reviewing, and challenging where necessary, the actions and judgements of the Manager and administrator;
- to review, and report to the Board on, the significant financial reporting issues and judgements made in connection with the preparation of the Company's financial statements, half-yearly reports, announcements and related formal statements;
- to review the content of the annual report and accounts and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy;
- to meet with the auditor to review the proposed audit programme of work and the findings of the auditor. The Directors shall also use this as an opportunity to assess the effectiveness of the audit process;
- to develop and implement policy on the engagement of the auditor to supply non-audit services. There were no fees for non-audit services during the financial year;
- to review a statement from the Manager detailing the arrangements in place within AAM whereby AAM staff may, in confidence, escalate concerns about possible improprieties in matters of financial reporting or other matters insofar as they may affect the Company;
- to make recommendations in relation to the appointment of the auditor and to approve the remuneration and terms of engagement of the auditor; and
- to monitor and review the auditor's independence, objectivity, effectiveness, resources and qualification.

Significant Accounting Issues

The significant accounting issue considered by the Committee during the year in relation to the Company's financial statements was the valuation, existence and ownership of investments. The investments have been valued in accordance with the stated accounting policies. The value of all the investments had been agreed to external price sources and 100% of the portfolio holdings by value agreed to confirmations from the Company's Custodian. All of the investments are in quoted securities in active markets, are considered to be liquid and have been categorised as Level 1 within the IFRS 7 fair value hierarchy.

Other Accounting Issues

Other accounting issues considered by the Committee included:

- Recognition of Investment Income. The recognition of investment income is undertaken in accordance with the stated accounting policies. The Directors also review the Company's income, including income received, revenue forecasts and dividend comparisons.
- Compliance with Sections 1158 and 1159 of the Corporation Tax Act 2010. Approval for the Company as an investment trust under Sections 1158 and 1159 for financial years commencing on or after 1 April 2012 has been obtained and ongoing compliance with the eligibility criteria is monitored on a regular basis.

Review of Auditor

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

- independence (the auditor discusses with the Audit Committee, at least annually, the steps it takes to ensure its independence and objectivity and makes the Committee aware of any potential issues, explaining all relevant safeguards);
- quality of audit work including the ability to resolve issues in a timely manner; and
- quality of people and service including continuity and succession plans.

KPMG Audit Plc has held office as auditor for 18 years; in accordance with professional guidelines the audit director is rotated after at most five years, and the current audit director has served for two years. The Committee considers KPMG Audit Plc, the Company's auditor, to be independent of the Company and is satisfied with the auditor's service and effectiveness. The Committee is mindful of the evolving requirements on the length of auditor tenure and considers annually the need to tender for auditor services.

KPMG Audit Plc has instigated an orderly wind down of its business and KPMG LLP, the successor entity to KPMG Audit Plc, will be proposed as auditor at the AGM. The Audit Committee is satisfied that KPMG LLP is independent and that it would not be appropriate to put the audit appointment out to tender at the present time. The Audit Committee therefore supports the recommendation to the Board that the appointment of KPMG LLP be put to shareholders for approval at the AGM.

Shareholders have the opportunity at each AGM to vote on the appointment of the auditor for the forthcoming year.

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.

Statement of Corporate Governance continued

The key terms of the Investment Management Agreement are set out on page 20 and details of the fee charged by AAM 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 AAM is competitive with reference to other investment trusts with a similar investment mandate and is priced appropriately given the level of service provided by AAM. The Board reviews the performance of the Manager annually. The Board is satisfied with the performance of the Manager in the year under review, and believes the Manager has positioned the portfolio well in order to achieve good medium-term and long-term performance in line with the Company's objectives. It considers the continuing appointment of the Manager to be in the best interests of shareholders at this time. The notice period is six months.

In addition, the Committee conducts an annual review of the performance, terms and conditions of the main third party suppliers.

Nomination Committee

The Nomination Committee consists of the whole Board and is chaired by Mr A.B. Davidson. Terms of reference include reviewing the Board, appraisal, succession planning, appointments, training and remuneration policy. Further details of the latter are provided in the Directors' Remuneration Report on page 28.

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 Committee 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-appointment. 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.

Having reviewed its collective performance, and that of each individual member, the Committee believes the Board continues to operate in an efficient and effective manner with each Director making a significant contribution to the performance of the Company. The review concluded that the Board is functioning well, that there is an appropriate balance of skills and experience and that there are no issues of concern.

The continuing independent and objective judgement of the Directors was also confirmed in the above process and that the Directors continued to devote sufficient time to their roles. The Board evaluation process also confirmed that the performance of the Directors standing for re-appointment continued to be effective.

The Board therefore recommends to shareholders the re-appointment of Mr A.S. Robson and Mr D.P. Kidd. As well as being a Chartered Accountant, Mr Robson has an investment banking background and Mr Kidd has over 25 years' experience in investment management.

Although the Company is not a FTSE 350 company, it intends to comply with certain of the Code provisions which apply to FTSE 350 companies, where the Board believes it is in the best interests of shareholders to do so. The Board is therefore keeping under review the requirement for FTSE 350 companies to carry out, at least every three years, externally facilitated evaluation of the Board, and annual re-appointment of directors.

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 to complement existing Directors. In the case of the last appointment, the Committee employed the services of such a consultant. In considering appointments, the Committee also takes into account the need to have a balance of skills, experience, independence, diversity, including gender, and knowledge of the Company within the Board. However the Committee's overriding priority is to appoint the most appropriate candidates, regardless of gender or other forms of diversity. Therefore, the Committee has not set any measurable objectives in relation to the diversity of the Board. One of the four Directors is female.

New Directors appointed to the Board are given a formal induction meeting with the Manager and are provided with all relevant information regarding their duties as Directors. Consistent with the recommendation of the AIC Code, appropriate training is arranged for new and current Directors where necessary and an appropriate record of this is kept by all Directors.

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 the AGM 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 major 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 AGM.

Substantial Interests

At 31 March 2014 the following had notified the Company as being interested in 3% or more of the Company's Ordinary share capital:

Name of shareholder	Number of Ordinary shares held	% of Ordinary shares held
AAM Investment Trust Share Plans*	3,805,508	12.7
Axa Investment Management	1,489,000	5.0

*non beneficial

Share Capital and Voting Rights

The issued Ordinary share capital at 31 March 2014 consisted of 29,997,580 Ordinary shares of 50p and 50,000 3.5% Cumulative Preference Shares of £1 each. At the date of this report, these numbers were unchanged.

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

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).

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 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.

Socially Responsible Investment Policy

The Directors recognise that their first duty is to act in the 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.

Directors’ Remuneration Report

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

(i) A Remuneration Policy, which will be subject to a binding shareholder vote to be put to the members at the forthcoming AGM and thereafter every three years. Should the Board wish to vary the Remuneration Policy during this interval, then shareholder approval will be sought; and

(ii) An annual Implementation Report which provides information on how the Remuneration Policy has been applied during the year and will be subject to an advisory vote.

The law requires the Company’s auditor to audit certain of the disclosures provided in the Remuneration Report. Where disclosures have been audited, they are indicated as such. The auditor’s opinion is included in the report on pages 32 and 33.

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

Remuneration Policy

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

Directors’ Fees

The Directors’ fees are set within the limits of the Company’s Articles of Association which limit the aggregate fees payable to the Board of Directors per annum. The level of cap may be increased by shareholder resolution from time to time. The Board’s policy is that the remuneration of non-executive Directors should be sufficient to attract Directors of the quality required to run the Company successfully. The remuneration should also reflect the nature of their duties, responsibilities, the value of their time spent and be fair and comparable to that of other investment trusts that are similar in size, have a similar capital structure and have a similar investment objective.

Fees are reviewed annually and, if considered appropriate, increased accordingly.

	31 March 2014 £	31 March 2013 £
Chairman	28,500	27,000
Audit Committee Chairman	22,500	21,250
Director	20,000	19,000

Appointment

- The Company intends to appoint only non-executive Directors.
- All the Directors are non-executive and are appointed under the terms of Letters of Appointment.
- Directors must retire and be subject to re-election at the first AGM after their appointment, and at least every three years thereafter. Directors with more than nine years’ service are subject to annual re-election.
- Any Director newly appointed to the Board will receive the fee applicable to each of the other Directors at the time of appointment together with any other fee then currently payable in respect of a specific role which the new Director is to undertake for the Company.
- No incentive or introductory fees will be paid to encourage a person to become a Director.
- The Directors are not eligible for bonuses, pension benefits, share options, long term incentive schemes or other benefits.
- The Company indemnifies its Directors for costs, charges, losses, expenses and liabilities which may be incurred in the discharge of duties as a Director of the Company.

Performance, Service Contracts, Compensation and Loss of Office

- The Directors’ remuneration is not subject to any performance related fee.
- No Director has a service contract.
- No Director was interested in contracts with the Company during the period or subsequently.
- The terms of appointment provide that a Director may be removed without notice.
- Compensation will not be due upon leaving office.
- No Director is entitled to any other monetary payment or any assets of the Company.

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

It is intended that, if approved, this Remuneration Policy will take effect at the conclusion of the AGM on 3 July 2014.

Implementation Report

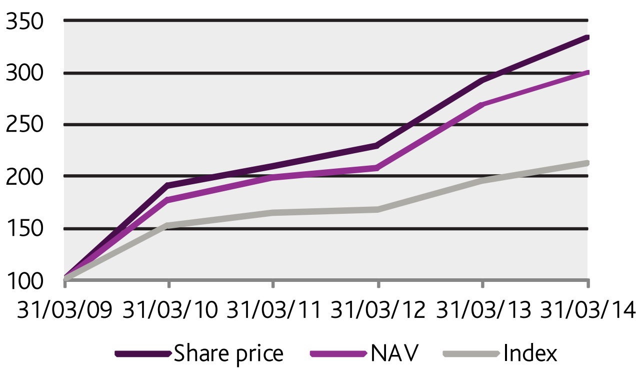
Directors' Fees Increase

The Board carried out a review of the level of Directors' fees during the year and concluded that the amounts should be increased to £29,000, £23,000 and £20,500 for the Chairman, Audit Committee Chairman and remaining Directors respectively, with effect from 1 April 2014. There are no further fees to disclose as the Company has no employees, chief executive or executive directors.

Company Performance

Also during the year the Board carried out a review of investment performance. The graph below shows the share price and NAV total return (assuming all dividends are reinvested) to Ordinary shareholders compared to the total return from the FTSE All-Share Index for the five year period to 31 March 2014 (rebased to 100 at 31 March 2009). This Index was chosen for comparison purposes, as it is the benchmark used for investment performance measurement purposes.

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



Statement of Voting at General Meeting

At the Company's last AGM, held on 11 July 2013, shareholders approved the Directors' Remuneration Report in respect of the year ended 31 March 2013. 97% of votes were in favour of the resolution, 2% were against, and 1% abstained.

Spend on Pay

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

Audited Information

Fees Payable

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

Director	2014 £	2013 £	Taxable Benefits 2014	Taxable Benefits 2013
A.B. Davidson	28,500	27,000	-	-
M.D. Couve*	5,591	19,000	-	-
M. Glen**	20,000	4,750	-	-
D. P. Kidd	20,000	19,000	-	-
A.S Robson	22,500	21,250		
Total	**96,591**	**91,000**	-	-

*retired 11 July 2013

**appointed 1 January 2013

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

Directors' Interests in the Company

The Directors are not required to have a shareholding in the Company. The Directors (including their connected persons) at 31 March 2014 and 1 April 2013 had no interest in the share capital of the Company other than those interests, all of which are beneficial interests, shown in the table below.

No Director had an interest in the 3.5% Cumulative Preference share capital at any time during the year.

	31 March 2014 Ordinary shares	31 March 2013 Ordinary shares
A.B. Davidson	10,000	10,000
M. Glen*	-	-
D.P. Kidd	5,000	5,000
A.S. Robson	5,500	5,500

*Subsequent to the year end Ms Glen acquired 3,000 shares on 8 April 2014. With the exception of this further disclosure, the above interests were unchanged as at the date of this report.

Annual Statement

In accordance with Part 2 of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, the Board confirms that the above Remuneration Report summarises, as applicable, for the year ended 31 March 2014:

- the major decisions on Directors' remuneration;
- any substantial changes relating to Directors' remuneration made during the year; and

- the context in which the changes occurred and decisions have been taken.

The Directors' Remuneration Report was approved by the Board of Directors on 28 May 2014 and signed on its behalf by:

Anthony B. Davidson
Chairman
28 May 2014

Statement of Directors' Responsibilities

The Directors are responsible for preparing the annual report and accounts and the financial statements, in accordance with applicable law and regulations.

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

The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether 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 Company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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

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

We confirm that to the best of our knowledge:

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

For and on behalf of Shires Income PLC
Anthony B. Davidson
Chairman
28 May 2014

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

Opinions and conclusions arising from our audit

Our opinion on the financial statements is unmodified

We have audited the financial statements of Shires Income PLC for the year ended 31 March 2014 set out on pages 34 to 51. In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements, the risk of material misstatement that had the greatest effect on our audit was as follows:

Carrying amount of quoted investments
Refer to page 25 (Audit Committee section of the Statement of Corporate Governance), page 38 (accounting policy) and pages 34 to 51 (financial disclosures).

The risk: The Company's quoted investment portfolio makes up 94% of total assets (by value) and is considered to be the key driver of the Company's capital and revenue performance. We do not consider these investments to be at high risk of significant misstatement, or to be subject to a significant level of judgement, because they comprise liquid, quoted investments. However, due to their materiality in the context of the financial statements as a whole, they are considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.

Our response: Our procedures over the existence, completeness and valuation of the Company's quoted equity investment portfolio included, but were not limited to:
- documenting the processes in place to record investment transactions and to value the portfolio;
- agreeing the valuation of 100% of portfolio investments to externally quoted prices; and
- agreeing 100% of portfolio investment holdings to independently received third party confirmations.

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

The materiality for the financial statements as a whole was set at £932,000. This has been determined with reference to a benchmark of total assets (of which it represents 1%). Total assets, which is primarily composed of the Company's investment portfolio, is considered the key driver of the Company's capital and revenue performance and, as such, we consider it to be one of the principal considerations for members of the Company in assessing the financial performance of the Company.

In addition, we applied a materiality of £192,000 to income from investments for which we believe misstatements of lesser amounts than materiality as a whole could be reasonably expected to influence the economic decisions of the members of the Company taken on the basis of the financial statements.

We agreed with the Audit Committee to report to it all corrected and uncorrected misstatements we identified through our audit with a value in excess of £46,000, in addition to other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality level specified above and was performed at the office of the administrator, BNP Paribas Securities Services, in Dundee.

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion:

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

We have nothing to report in respect of the matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the Directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy; or
- the Audit Committee section of the Statement of Corporate Governance on page 25 does not appropriately address matters communicated by us to the Audit Committee.

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

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 20, in relation to going concern; and
- the part of the Corporate Governance Statement on pages 22 to 27 relating to the Company's compliance with the nine provisions of the 2010 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

Scope of report and responsibilities

As explained more fully in the Directors' Responsibilities Statement set out on page 31, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the Company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2013a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

Philip Merchant (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
Edinburgh

28 May 2014

Statement of Comprehensive Income

	Notes	Year ended 31 March 2014 Revenue £'000	Year ended 31 March 2014 Capital £'000	Year ended 31 March 2014 Total £'000	Year ended 31 March 2013 Revenue £'000	Year ended 31 March 2013 Capital £'000	Year ended 31 March 2013 Total £'000
Gains on investments at fair value	10	–	4,387	4,387	–	12,795	12,795
Investment income							
Dividend income		3,399	–	3,399	3,248	–	3,248
Interest income/(expense) from investments		579	(93)	486	578	(93)	485
Stock dividends		260	–	260	177	–	177
Traded option premiums		286	–	286	260	–	260
Money market interest		10	–	10	12	–	12
Exchange gains		–	2	2	–	–	–
	2	4,534	4,296	8,830	4,275	12,702	16,977
Expenses							
Investment management fee	3	(186)	(186)	(372)	(165)	(165)	(330)
Other administrative expenses	4	(347)	–	(347)	(323)	–	(323)
Finance costs of borrowings	6	(160)	(160)	(320)	(176)	(176)	(352)
		(693)	(346)	(1,039)	(664)	(341)	(1,005)
Profit before taxation		3,841	3,950	7,791	3,611	12,361	15,972
Taxation	7	(52)	52	–	(55)	55	–
Profit attributable to equity holders of the Company		**3,789**	**4,002**	**7,791**	**3,556**	**12,416**	**15,972**
Earnings per Ordinary share (pence)	9	**12.63**	**13.34**	**25.97**	**11.92**	**41.60**	**53.52**

The Company 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).

The total column of this statement represents the Statement of Comprehensive Income of the Company, 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 2014[A] £'000	Year to 31 March 2013[B] £'000
Revenue	3,789	3,556
Dividends declared	(3,600)	(3,591)
	189	**(35)**

[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 2013/14.

[B] Dividends declared relates to first three interim dividends (each 3.0p) and the final dividend (3.0p) declared in respect of financial year 2012/13.

Balance Sheet

	Notes	As at 31 March 2014 £'000	As at 31 March 2013 £'000
Non-current assets			
Ordinary shares		64,361	62,308
Convertibles		1,354	1,354
Other fixed interest		22,120	21,962
Securities at fair value	10	87,835	85,624
Current assets			
Trade and other receivables		19	16
Accrued income and prepayments		956	937
Cash and cash equivalents		4,405	1,974
	11	5,380	2,927
Total assets		93,215	88,551
Current liabilities			
Trade and other payables		(213)	(245)
Short-term borrowings		(18,500)	(18,000)
	12	(18,713)	(18,245)
Net assets		**74,502**	**70,306**
Issued capital and reserves attributable to equity holders			
Called-up share capital	13	15,049	15,049
Share premium account	14	19,308	19,308
Capital reserve	15	34,114	30,112
Revenue reserve	15	6,031	5,837
Equity shareholders' funds		**74,502**	**70,306**
Net asset value per Ordinary share (pence)	9	**248.36**	**234.37**

The financial statements were approved by the Board of Directors and authorised for issue on 28 May 2014 and were signed on its behalf by:

Anthony B. Davidson
Chairman

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

Statement of Changes in Equity

Year ended 31 March 2014

	Share capital £'000	Share premium account £'000	Capital reserve £'000	Retained revenue reserve £'000	Total £'000
As at 31 March 2013	15,049	19,308	30,112	5,837	70,306
Revenue profit for the year	–	–	–	3,789	3,789
Capital profit for the year	–	–	4,002	–	4,002
Equity dividends (see note 8)	–	–	–	(3,595)	(3,595)
As at 31 March 2014	**15,049**	**19,308**	**34,114**	**6,031**	**74,502**

Year ended 31 March 2013

	Share capital £'000	Share premium account £'000	Capital reserve £'000	Retained revenue reserve £'000	Total £'000
As at 31 March 2012	14,899	18,840	17,696	5,850	57,285
Issue of own shares	150	468	–	–	618
Revenue profit for the year	–	–	–	3,556	3,556
Capital profit for the year	–	–	12,416	–	12,416
Equity dividends (see note 8)	–	–	–	(3,569)	(3,569)
As at 31 March 2013	**15,049**	**19,308**	**30,112**	**5,837**	**70,306**

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.

Cash Flow Statement

	Year ended 31 March 2014 £'000	Year ended 31 March 2014 £'000	Year ended 31 March 2013 £'000	Year ended 31 March 2013 £'000
Cash flows from operating activities				
Investment income received		3,956		3,676
Money market interest received		10		12
Investment management fee paid		(365)		(320)
Other cash expenses		(358)		(278)
Cash generated from operations		3,243		3,090
Interest paid		(320)		(352)
Net cash inflows from operating activities		2,923		2,738
Cash flows from investing activities				
Purchases of investments	(6,240)		(7,067)	
Sales of investments	8,841		5,521	
Net cash inflow/(outflow) from investing activities		2,601		(1,546)
Cash flows from financing activities				
Equity dividends paid	(3,595)		(3,569)	
Net cash outflow from financing activities		(3,595)		(3,569)
Financing				
Share issue	–		618	
Net cash inflow from financing		–		618
Net increase/(decrease) in cash and cash equivalents		**1,929**		**(1,759)**
Reconciliation of net cash flow to movements in cash and cash equivalents				
Increase/(decrease) in cash and cash equivalents as above		1,929		(1,759)
Net cash and cash equivalents at start of period		(16,026)		(14,267)
Exchange movements		2		–
Net cash and cash equivalents at end of period		**(14,095)**		**(16,026)**
Net cash and cash equivalents comprise:				
Cash and cash equivalents		4,405		1,974
Short-term borrowings		(18,500)		(18,000)
		(14,095)		**(16,026)**

1. Accounting policies

(a) Basis of accounting

The financial statements 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'. 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 (c) 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 to better 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. Additionally, the net revenue of the Company is the measure the Directors believe appropriate in assessing the Company'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 9 – Financial Instruments (early adoption permitted) (effective for annual periods beginning on or after 1 January 2018);
- Amendments to IFRS 10, IFRS 12 & IAS27 – Investment Entities (early adoption permitted) (effective for annual periods beginning on or after 1 January 2014;
- Amendments to IAS 32 – Offsetting Financial Assets and Liabilities (effective for annual periods beginning on or after 1 January 2014).

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 Company.

(b) 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.

Changes in the value of investments held at fair value through profit or loss and gains and losses on disposal are recognised in the 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.

(c) **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.

(d) **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.

(e) **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.

(f) **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 Company 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.

(g) **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.

Notes to the Financial Statements continued

2. Income	2014 £'000	2013 £'000
Income from listed investments		
Dividend income	3,399	3,248
Interest income from investments	579	578
Money market interest	10	12
Stock dividend	260	177
	4,248	4,015
Other income from investment activity		
Traded option premiums	286	260
Total income	**4,534**	**4,275**

Total income comprises:	2014 £'000	2013 £'000
Dividends and interest from investments	4,248	4,015
Other income from investment activity	286	260
Total income	**4,534**	**4,275**

All dividend income was received from UK companies. The amount of £(93,000) (2013 – £(93,000)) 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(c).

3. Investment management fees	2014 Revenue £'000	2014 Capital £'000	2014 Total £'000	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000
Investment management fees	**186**	**186**	**372**	**165**	**165**	**330**

For the year ended 31 March 2014 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.

4. Administrative expenses	2014 £'000	2013 £'000
Directors' remuneration	97	91
Audit fees (net of VAT)	18	18
Marketing contribution paid to Aberdeen	73	64
Professional fees	17	20
Directors & Officers' liability insurance	10	9
Trade subscriptions	27	32
Share Plan costs	18	15
Registrars fees	29	29
Printing, postage and stationery	23	20
Other administrative expenses	35	25
	347	**323**

Marketing expenses of £73,000 (2013 – £64,000) were paid to the Manager in respect of marketing and promotion of the Company.

5. Directors' remuneration

The Company had no employees during the year (2013 – nil). No pension contributions were paid for Directors (2013 – £nil). Further details on Directors' Remuneration can be found in the Directors' Remuneration Report on page 29.

6. Finance costs and borrowings

	2014			2013		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Bank loans and overdrafts repayable within five years	**160**	**160**	**320**	**176**	**176**	**352**

7. Taxation

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 23% (2013 – 24%).

	2014			2013		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Profit before taxation	3,841	3,950	7,791	3,611	12,361	15,972
Taxation of return on ordinary activities at the standard rate of corporation tax	883	908	1,791	867	2,967	3,834
Effects of:						
UK dividend income not liable to further tax	(768)	–	(768)	(766)	–	(766)
Non taxable stock dividends	(60)	–	(60)	(43)	–	(43)
Tax relief obtained by expenses capitalised	–	(52)	(52)	–	(55)	(55)
Non taxable overseas dividends	(3)	–	(3)	(3)	–	(3)
Expenses charged to capital available to be utilised	–	80	80	–	82	82
Realised gains not taxable	–	(1,009)	(1,009)	–	(3,071)	(3,071)
Capital income not allowed	–	21	21	–	22	22
	52	**(52)**	**–**	**55**	**(55)**	**–**

At 31 March 2014 the Company had surplus management expenses and loan relationship debits with a tax value of £4,618,000 (2013 – £5,283,000) 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.

8. Dividends	2014 £'000	2013 £'000
Amounts recognised as distributions to equity holders in the period:		
Third interim dividend for the year ended 31 March 2013 of 3.0p (2012 – 3.0p) per share	900	891
Final dividend for the year ended 31 March 2013 of 3.0p (2012 – 3.0p) per share	900	891
First two interim dividends for the year ended 31 March 2014 totalling 6.0p (2013 – 6.0p) per share	1,800	1,791
Refund of unclaimed dividends from previous periods	(7)	(6)
	3,593	**3,567**
3.5% Cumulative Preference shares	2	2

The third interim dividend of 3.0p for the year to 31 March 2014 paid on 30 April 2014 and the proposed final dividend for the year to 31 March 2014 payable on 31 July 2014 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:

	2014 £'000	2013 £'000
Three interim dividends for the year ended 31 March 2014 totalling 9.0p (2013 – 9.0p) per share	2,700	2,691
Proposed final dividend for the year ended 31 March 2014 of 3.0p (2013 – 3.0p) per share	900	900
	3,600	**3,591**

9. Return and net asset value per share

The gains per share are based on the following figures:

	2014 £'000	2013 £'000
Revenue return	3,789	3,556
Capital return	4,002	12,416
Net return	**7,791**	**15,972**
Weighted average number of Ordinary shares	**29,997,580**	**29,843,881**

Net asset value per Ordinary share is based on net assets attributable to Ordinary shareholders of £74,502,000 (2013 – £70,306,000) and on the 29,997,580 (2013 – 29,997,580) Ordinary shares in issue at 31 March 2014.

10. Non–current assets – Securities at fair value	2014 £'000	2013 £'000
Listed on recognised stock exchanges:		
United Kingdom	**87,835**	**85,624**

	2014 Listed investments £'000	2014 Restricted investments £'000	2014 Total £'000	2013 Listed investments £'000	2013 Restricted investments £'000	2013 Total £'000
Cost at 31 March 2013	71,417	139	71,556	68,605	139	68,744
Investment holdings gains/(losses) at 31 March 2013	14,207	(139)	14,068	2,345	(139)	2,206
Fair value at 31 March 2013	85,624	–	85,624	70,950	–	70,950
Purchases	6,500	–	6,500	7,244	–	7,244
Sales – proceeds	(8,569)	–	(8,569)	(5,247)	–	(5,247)
Sales – net realised gains	2,292	–	2,292	908	–	908
Amortised cost adjustments to debt securities[A]	(93)	–	(93)	(93)	–	(93)
Fair value movement in the year	2,081	–	2,081	11,862	–	11,862
Fair value at 31 March 2014	**87,835**	**–**	**87,835**	**85,624**	**–**	**85,624**

[A] Charged to capital.

	2014 Listed investments £'000	2014 Restricted investments £'000	2014 Total £'000	2013 Listed investments £'000	2013 Restricted investments £'000	2013 Total £'000
Cost at 31 March 2014	71,547	139	71,686	71,417	139	71,556
Investment holdings gains/(losses) at 31 March 2014	16,288	(139)	16,149	14,207	(139)	14,068
Fair value at 31 March 2014	**87,835**	**–**	**87,835**	**85,624**	**–**	**85,624**

Gains on investments	2014 £'000	2013 £'000
Net realised gains on sales of investments	2,492	1,115
Call options exercised	(200)	(207)
Net realised gains on sales	2,292	908
Movement in fair value of investments	2,203	11,935
Put options assigned	(122)	(73)
Movement in appreciation of traded options held	14	25
	4,387	**12,795**

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 £286,000 (2013 – £260,000) 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(c) and has been charged to the capital reserve.

As at 31 March 2014, the Company had pledged collateral equal to nil% (2013 – 288%) of the market value of the traded options in accordance with standard commercial practice. The carrying amount of financial assets pledged equated to £nil (2013 – £750,000) all in the form of securities. The collateral position is monitored on a daily basis.

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 £44,000 (2013 – £44,000).

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

At 31 March 2014 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	3,120,476	ordinary	14.1
Ecclesiastical Insurance Office	England	4,240,000	8 5/8% cum pref	4.0
Royal & Sun Alliance	England	4,350,000	7 3/8% cum pref	3.5
General Accident	Scotland	3,548,000	7.875% cum pref	3.2

11. Current assets	2014 £'000	2013 £'000
Accrued income and prepayments	956	937
Other debtors	19	16
Cash and cash equivalents	4,405	1,974
	5,380	**2,927**

None of the above amounts is overdue.

12. Current liabilities	2014 £'000	2013 £'000
Bank loans	18,500	18,000
Option contracts	22	47
Other creditors	191	198
	18,713	**18,245**

Included above are the following amounts owed to Aberdeen, the Manager and Secretary, for management and secretarial services and for marketing expenses in respect of marketing and promotion of the Company.

	2014 £'000	2013 £'000
Other creditors	**115**	**105**

The Company currently has an agreement with Scotiabank Europe PLC to provide a loan facility to May 2015 for up to £20,000,000. At the year end £18,500,000 had been drawn down at an all-in interest rate of 1.64177%, which matured on 28 April 2014. At the date of signing this report the principal amount drawn down was £18,500,000 at an all-in interest rate of 1.64302%.

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

13. Called up share capital	2014 Number	2014 £'000	2013 Number	2013 £'000
Allotted, called up and fully paid				
Ordinary shares of 50 pence each	29,997,580	14,999	29,997,580	14,999
3.5% Cumulative Preference shares of £1 each	50,000	50	50,000	50
		15,049		**15,049**

During the year nil (2013 – 300,000) Ordinary shares were issued by the Company at a total consideration received, including transaction costs of £nil (2013 – £618,000).

14. Share premium account	2014 £'000	2013 £'000
At 31 March 2013	19,308	18,840
Issue of own shares	–	468
At 31 March 2014	**19,308**	**19,308**

15. Retained earnings	2014 £'000	2013 £'000
Capital reserve		
At 31 March 2013	30,112	17,696
Net gains on sales of investments during year	2,292	908
Movement in fair value gains on investments	2,081	11,862
Amortised cost adjustment charged to capital	(93)	(93)
Investment management fees	(186)	(165)
Interest on bank loans and overdrafts repayable within five years	(160)	(176)
Tax relief obtained by expenses capitalised	52	55
Foreign exchange movement	2	–
Traded options	14	25
At 31 March 2014	**34,114**	**30,112**

Revenue reserve	2014 £'000	2013 £'000
At 31 March 2013	5,837	5,850
Revenue	3,789	3,556
Dividends paid	(3,595)	(3,569)
At 31 March 2014	**6,031**	**5,837**

16. Risk management, financial assets and liabilities

Risk management

The Company's objective is 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.

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.

Subject to Board approval, the Company also has the ability to enter into derivative transactions, in the form of traded options, for the purpose of enhancing income returns and portfolio management. During the year, the Company entered into certain derivative contracts. As disclosed in note 2, the premium received and fair value changes in respect of options written in the year was £286,000. Positions closed during the year realised a loss of £322,000. The largest position in derivative contracts held during the year at any given time was £97,000 (2013 – £89,000). The Company had open positions in derivative contracts at 31 March 2014 valued at a liability of £22,000 as discussed in note 12.

The Manager has a dedicated investment management process, which aims to ensure that the investment objective explained on page 2 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 & investment risk 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 Company's financial assets include investments, cash at bank and short-term debtors. Financial liabilities comprise a bank loan and other short-term creditors. The Company 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. 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 Company'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; and
- 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 2014	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	–	8.47	22,120	–	–
Cash and cash equivalents	–	0.28	–	4,405	–
Total assets	–	–	**22,120**	**4,405**	–
Liabilities					
Short-term bank loan	0.08	1.64	(18,500)	–	–
Total liabilities	–	–	**(18,500)**	–	–

As at 31 March 2013	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	–	8.44	21,962	–	–
Cash and cash equivalents	–	0.59	–	1,974	–
Total assets	–	–	**21,962**	**1,974**	–
Liabilities					
Short-term bank loan	0.08	1.85	(18,000)	–	–
Total liabilities	–	–	**(18,000)**	–	–

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 bank 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 2014	Within 1 year £'000	Within 1-5 years £'000	More than 5 years £'000
Fixed rate			
UK irredeemable preference shares	–	–	22,120
Short-term bank loan	–	(18,500)	–
	–	(18,500)	22,120
Floating rate			
Cash and cash equivalents	4,405	–	–
Total	**4,405**	**(18,500)**	**22,120**

At 31 March 2013	Within 1 year £'000	Within 1-5 years £'000	More than 5 years £'000
Fixed rate			
UK irredeemable preference shares	–	–	21,962
Short-term bank loan	–	(18,000)	–
	–	(18,000)	21,962
Floating rate			
Cash and cash equivalents	1,974	–	–
Total	**1,974**	**(18,000)**	**21,962**

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 2014 would increase/decrease by £44,000 (2013 – £20,000). 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 2014 would increase/decrease by £869,000 (2013 – increase/decrease by £1,282,000). This is 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 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 2014 would have increased/decreased by £6,436,000 (2013 – increase/decrease of £6,231,000). 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 12).

(iii) Credit risk

This is the risk of failure of the counterparty 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 daily basis. In addition, both stock and cash reconciliations to Custodian's records are performed on a daily basis to ensure discrepancies are investigated on a timely basis. The Manager's Compliance department carries out periodic reviews of the Custodian's operations and reports its finding to the Manager's Risk Management Committee and to the Board of the Company. This review will also include checks on the maintenance and security of investments held;
- 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 2014 was as follows:

	2014		2013	
	Balance Sheet £'000	Maximum exposure £'000	Balance Sheet £'000	Maximum exposure £'000
Non-current assets				
Securities at fair value through profit or loss	87,835	87,835	85,624	85,624
Current assets				
Trade and other receivables	19	19	16	16
Accrued income	956	956	937	937
Cash and cash equivalents	4,405	4,405	1,974	1,974
	93,215	**93,215**	**88,551**	**88,551**

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 15. 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.

17. Fair value hierarchy

IFRS 7 'Financial Instruments: Disclosures' 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 has 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 2014 as follows:

	Note	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit or loss					
Quoted investments	a)	87,835	–	–	87,835
Financial liabilities at fair value through profit or loss					
Derivatives	b)	(21)	(1)	–	(22)
Financial liabilities at amortised cost	c)	–	(18,500)	–	(18,500)
Net fair value		**87,814**	**(18,501)**	–	**69,313**

As at 31 March 2013	Note	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit or loss					
Quoted investments	a)	85,624	–	–	85,624
Financial liabilities at fair value through profit or loss					
Derivatives	b)	(44)	(3)	–	(47)
Financial liabilities at amortised cost	c)	–	(18,000)	–	(18,000)
Net fair value		**85,580**	**(18,003)**	–	**67,577**

a) Quoted investments

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

b) Derivatives

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

The fair value of the Company's investments in Over the Counter Options has been determined using observable market inputs other than quoted prices included within Level 1.

c) Financial liabilities at amortised cost

Financial liabilities in the form of short term borrowings are held at amortised cost. The fair value is considered to be the same as the carrying value and is categorised as Level 2.

18. Capital management policies and procedures

The Company's capital management objectives are:

- to ensure that the Company will be able to continue as a going concern; and
- to maximise the return to its equity shareholders through an appropriate balance of equity capital and debt.

The capital of the Company consists of equity, comprising issued capital, reserves and retained earnings.

The Board monitors and reviews the broad structure of the Company's capital. This review includes the nature and planned level of gearing, which takes account of the Manager's views on the market and the extent to which revenue in excess of that which is required to be distributed should be retained. The Company is not subject to any externally imposed capital requirements.

Information About the Manager

Shires Income PLC

The Company's Manager is Aberdeen Asset Managers Limited ("AAM"), a wholly-owned subsidiary of Aberdeen Asset Management PLC ("Aberdeen"), whose Group companies as at 31 March 2014 managed a combined £324.5 billion of funds for UK institutions, investment trusts, closed end funds, unit trusts, private clients and offshore funds. It has its headquarters in Aberdeen with principal investment offices in Edinburgh, Hong Kong, London, Philadelphia, Singapore and Sydney.

The Group manages over 35 investment trusts and other closed-end funds representing £12.4 billion under management.

The Senior Investment Manager

Ed Beal

Ed is an investment manager on the Pan European equities team. Ed manages the Company. Ed joined Edinburgh Fund Managers plc (which was subsequently taken over by Aberdeen Asset Management PLC) in 2000 from the University of Dundee's Student Association where he was president leading development and strategy.

Ed graduated with a BSc (Hons) in Biochemistry from the University of Dundee and is a CFA Charterholder.

The Investment Process

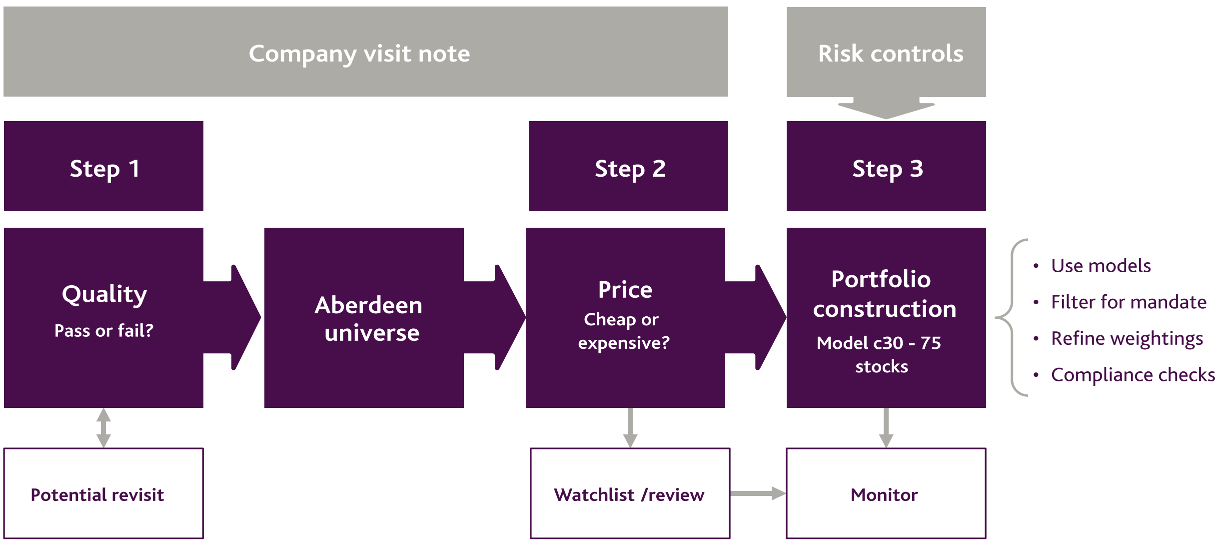
Philosophy and Style

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

Risk Controls

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

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



Marketing Strategy

Shires Income PLC contributes to the marketing programme run by Aberdeen Asset Managers Limited (“AAM”) on behalf of a number of investment trusts under its management. Under this agreement the Company’s contribution is matched by AAM. 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. AAM’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 AAM, can be a cost-effective way of gaining new investors.

These aims can be met in several ways:

Investor Relations Programme

AAM runs an investor relations programme for 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

AAM 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

AAM 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 AAM investment trusts as well as known buyers of investment trusts.

Newsletter

‘The Bulletin’ newsletter, an informed commentary on markets and investment trusts managed by AAM, is available at www.aberdeenbulletin.co.uk

Public Relations

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

Shareholder Services

AAM runs an investment help desk for retail enquirers and investors. Enquirers or investors will be sent any relevant literature on request and have queries answered immediately. The Marketing Programme is under the direction of AAM’s group head of brand, 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 brand reports to the Board and provides a written summary quarterly.

If you have any questions about your Company, the Manager or performance, please telephone AAM’s Investor Services Department on 0500 00 00 40. Alternatively, internet users may e-mail inv.trusts@aberdeen-asset.com or write to AAM Investment Trusts, PO Box 11020, Chelmsford, Essex, CM99 2DB.

How to Invest in Shires Income PLC

Direct

Investors can buy and sell shares in the Company directly through a stockbroker or indirectly through a lawyer, accountant or other professional adviser. Alternatively shares can be bought directly through the Aberdeen Asset Managers Limited ("AAM's") Investment Plan for Children, AAM's Investment Trust Share Plan and Investment Trust ISA.

Suitable for Retail/NMPI Status

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

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

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

AAM's Investment Plan for Children

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

AAM's Investment Trust Share Plan

AAM 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 AAM in writing at any time. In common with other schemes of this type, all investments are held in nominee accounts. Investors have full voting and other rights of share ownership.

Stocks and Shares ISA

In the tax year 2014/2015, an investment of up to £11,880 can be made until 30 June 2014 through the AAM Investment Trust ISA. From 1 July 2014 the annual ISA limit increases to £15,000.

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

ISA Transfer

You can choose to transfer previous tax year investments to AAM 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.

Literature Request Service

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

Keeping You Informed

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

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

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 Trusts
PO Box 11020
Chelmsford
Essex, CM99 2DB
Telephone: 0500 00 00 40
Email: inv.trusts@aberdeen-asset.com

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

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 these numbers are charged at 8 pence per minute plus network extras. Lines are open 8.30 a.m. to 5.30 p.m., Monday to Friday excluding bank holidays.

Tel International: +44 121 415 7047

Investor Warning

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

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

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

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 stock market. 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 dividend per share expressed as a ratio.
Dividend Yield	The annual dividend expressed as a percentage of the share price.
Gearing	Net gearing is borrowings calculated by dividing total assets (as defined below) less cash or cash equivalents by shareholders' funds expressed as a percentage. 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 Company's net assets.
Net Asset Value ("NAV")	The value of total assets less liabilities. Liabilities for this purpose included current and long-term liabilities. The net asset value divided by the number of shares in issue produces the net asset value per share.
Ongoing Charges	Ratio of expenses as a percentage of average daily shareholders' funds calculated as per the AIC's industry standard method.
Preference Shares	These entitle the holder to a fixed rate of dividend out of the profits of a company, to be paid in priority to other classes of shareholder.
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.
Prior Charges	The name given to all borrowings including debentures, long 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 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, e.g. quarter end, half year or year end date.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the eighty-sixth 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 Thursday 3 July 2014 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 2014 together with the Auditor's Report thereon.
2. To receive and adopt the Directors' Remuneration Report (other than the Directors' Remuneration Policy).
3. To approve the Directors' Remuneration Policy.
4. To approve a final dividend of 3.0p per Ordinary share in respect of the year ended 31 March 2014.
5. To re-appoint Mr A.S. Robson as a Director of the Company.
6. To re-appoint Mr D.P. Kidd as a Director of the Company.
7. That KPMG LLP be and are hereby appointed auditor of the Company and will hold office from the conclusion of this meeting until the conclusion of the next general meeting at which accounts are laid before the Company.
8. To authorise the Directors to determine the remuneration of the auditor for the year to 31 March 2015.

Section 551 Authority to Allot

9. 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 £4,999,596, being equal to approximately one third of the Ordinary shares in issue, such authority to expire on 30 September 2015 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:

Disapplication of Pre-emption Provisions

10. That, subject to the passing of resolution 9 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 9 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 2015 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 £1,499,879 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 9 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 10 in the notice of meeting" were omitted.

Purchase of the Company's own Ordinary Shares

11. 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 £2,248,318 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:
   a) 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; or
   b) 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.
(iv) unless previously varied, revoked or renewed, the authority hereby conferred shall expire on 30 September 2015 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.

Notice Period for General Meetings

12. 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
6 June 2014

Registered Office
Bow Bells House
1 Bread Street
London
EC4M 9HH

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 8 pence plus network extras. 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 2014 (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 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 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 6 June 2014 (being the latest practicable date prior to publication of this document), the Company's issued share capital comprised 29,997,580 Ordinary shares of 50p each and 50,000 Preference shares of £1.00. Accordingly, the total number of voting rights in the Company as at 6 June 2014 is 30,047,580.

(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 AAM's Investment Plan for Children, AAM'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

Directors

Anthony B. Davidson
Marian Glen
David P. Kidd
Andrew S. Robson

Manager

Aberdeen Asset Managers Limited

40 Princes Street
Edinburgh
EH2 2BY

Company Secretary

Aberdeen Asset Management PLC

40 Princes Street
Edinburgh
EH2 2BY

Registered Office

Aberdeen Asset Management PLC

Bow Bells House
1 Bread Street
London
EC4M 9HH

Customer Services

Freephone: 0500 00 00 40
(open Monday - Friday 9 a.m. – 5 p.m.)

Email: inv.trusts@aberdeen-asset.com

Website

www.shiresincome.co.uk

Company Registration Number

00386561 (England & Wales)

Registrars

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

(*Calls to the above Equiniti number cost 8 pence per minute plus network extras. Lines open 8.30 a.m. to 5.30 p.m., Monday to Friday excluding bank holidays).

Overseas helpline number: +44 121 415 7047

Solicitors

Maclay Murray & Spens LLP

Stockbroker

J.P. Morgan Securities Limited

Auditor

KPMG Audit Plc*

AIC Membership

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

*KPMG LLP effective from 3 July 2014
(subject to shareholder approval)

Financial Calendar

3 July 2014	Annual General Meeting in London (12 noon)
31 July 2014	Ordinary shares final dividend 2013/2014 payable
30 September 2014	3.5% Preference shares half year dividend payable
31 October 2014	Ordinary shares first interim dividend 2014/2015 payable
November 2014	Half-Yearly Financial Report announced and Half-Yearly Report published
30 January 2015	Ordinary shares second interim dividend 2014/2015 payable
30 April 2015	Ordinary shares third interim dividend 2014/2015 payable