Shires Income PLC

Annual Report and Accounts
31 March 2013

2013

Aberdeen

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Annual Report

Directors' Reports and Financial Statements

General Information

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.

About Your Company

Company Objective

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

Assets

Portfolio Assets

The Company had total investments of £85.6 million as at 31 March 2013. These investments were invested by the Manager, Aberdeen Asset Managers Limited ("Aberdeen"), in what it believes is the appropriate way of achieving the Company's objectives. Of the total investments, £62.3 million was invested in ordinary shares, £1.3 million in convertible securities and £22.0 million in preference shares. The Company's investments will therefore tend to perform well when ordinary shares rise, particularly when higher yielding ordinary shares do better than lower or nil paying ordinary shares, and vice versa. Convertibles will tend to rise or fall with equities but to a lesser degree. Preference shares will tend to be more sensitive to interest rate movements; rising in value as rates fall or falling in value as rates rise.

Aberdeen Smaller Companies High Income Trust PLC

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

Earnings and Dividends

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

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

The Directors and Manager put a great deal of emphasis on being able to provide shareholders with a high level of dividend. This is, however, put at risk if the dividends paid by UK companies are in general decline. There is a sizeable revenue reserve, equivalent to 13.5p per share (after providing for the dividends relating to the current year), which could be drawn upon if required.

Gearing

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

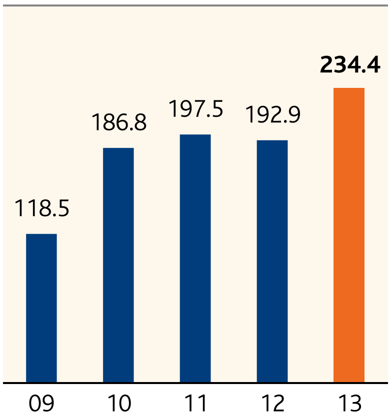
Financial Highlights

	2013	2012
Net asset value total return	**+29.1%**	+4.2%
Share price total return	**+27.2%**	+9.3%
Benchmark total return	**+16.8%**	+1.4%
Dividend per share	**12.0p**	12.0p
Dividend yield	**5.2%**	6.2%

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

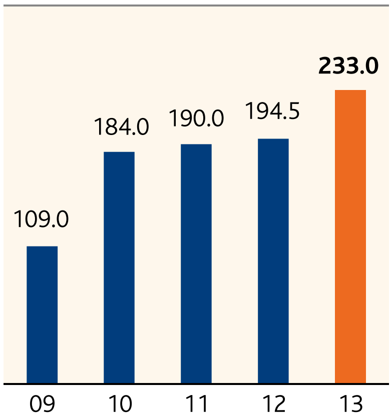
Net asset value per Ordinary share*

At 31 March – pence



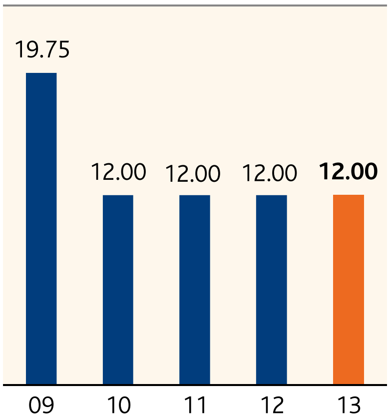
Share price per Ordinary share

At 31 March - pence



Dividends per Ordinary share

Year ending 31 March – pence



* The NAV figures for 2011-13 are for the Company only, following the dissolution of the subsidiaries in May 2011.

Financial Calendar

11 July 2013	Annual General Meeting in London (12 noon)
31 July 2013	Ordinary shares final dividend 2012/2013 payable
30 September 2013	3.5% Preference shares half year dividend payable
31 October 2013	Ordinary shares first interim dividend 2013/2014 payable
November 2013	Half-Yearly Financial Report announced and Half-Yearly Report published
31 January 2014	Ordinary shares second interim dividend 2013/2014 payable
30 April 2014	Ordinary shares third interim dividend 2013/2014 payable

Corporate Summary

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

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

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

Benchmark
FTSE All-Share Index (Total Return).

Capital Structure and Voting Rights

Number of Ordinary shares of 50p each in issue	29,997,580
3.5% Cumulative Preference shares of £1 each	50,000

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

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

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

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

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

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

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

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

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

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

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

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

Chairman's Statement

Anthony B. Davidson
Chairman

Results Review

After last year's small decline in the equity market it was pleasing to see a strong positive gain for the year. Indeed, since June 2012 the market has enjoyed 12 months of consecutive positive returns.

Companies have enjoyed another reasonable year although it is becoming increasingly difficult for them to strip costs out after the improvements achieved in the first three years of the financial crisis beginning in 2008. Management teams are becoming slightly more optimistic as a result of a continuing slow improvement in the business environment. While corporate performance has generally been sound, share price reactions to both good and bad news have often been more exaggerated than one would normally expect. Interestingly, the market has been prepared to overlook both political and macroeconomic concerns, focusing instead on the significant liquidity flows provided by many central banks.

The outcome for the year to the end of March 2013 was an increase in the Company's net asset value per share of 29.1% on a total return basis. This compares to a rise in our benchmark, the FTSE All-Share Index, of 16.8%; the total return from the share price was 27.2%. With interest rates across Europe and the USA remaining at record lows this rate of return is significantly ahead of that provided by most other asset classes.

The rise in the Company's net assets reflects the attractive attributes of many of the companies held in the portfolio. This has resulted in a number of them being re-rated. Simultaneously, good operational performance has seen most of our holdings deliver growth in their profits. These two factors have combined to deliver some sharply rising share prices. Gearing has also been a positive factor this year. 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 year they did indeed deliver returns below those provided by the equity portfolio. However total returns of almost 20% for this part of the portfolio also exceeded those from the benchmark.

The Board is proposing a full year dividend of 12.0p per share. This is 99% covered by the net revenue generated by the portfolio and well supported by the substantial revenue reserves. If approved at the AGM, a final dividend of 3.0p per share will be paid on 31 July 2013 to shareholders on the register on 5 July 2013.

Performance

There have been a number of areas that have driven this year's outperformance. Our underweight to the Mining sector has again been beneficial. Additionally, our overweight positions in Life Insurance combined with good individual performances from Prudential and Chesnara have further enhanced performance. Other notable areas have been the Oil and Gas Producers and the continuing overweight position to Food Producers which has been a substantial benefit. However, while last year our structural underweight position in Banks helped performance, the short-term outcome this year was negative.

During the year, the Company's shares have generally traded at a premium to their net asset value. This reflects the ongoing outperformance and the attractions of the dividend yield. It is pleasing to be able to report that your Company has been able to issue shares this year. During October, 300,000 shares were issued at a price of 206.5p. This represented a premium of 2.1% to the cum income net asset value of 202.3p. This premium adequately covered the costs associated with the issue. The ability to grow the net assets of the Company in a non-dilutive manner is of benefit to existing shareholders as it improves liquidity and spreads the operational costs over a greater number of shares.

Earnings and Dividends

Many of the companies within the portfolio had another good year and delivered further earnings progression. This has resulted in some reasonable growth in equity dividends. Dividends across the market have grown faster than earnings in the last few years supported by strong balance sheets and relatively low pay-out ratios. However, while it is expected that dividend growth will remain progressive, it will, in all likelihood, be at levels more consistent with the growth of corporate profits.

Helpfully, the Company benefits from a respectable dividend reserve. A small portion of this has been utilised this year to make up the shortfall between earnings and the proposed dividend. The ability of the Company to put a proportion of its earnings into reserves during good years in order to smooth distributions to investors during more difficult periods is a distinct advantage. After accruing for the costs of the third interim and the final dividends the Company's reserves amount to in excess of £4 million. The £35,000 shortfall this year should be seen in that context.

Portfolio Profile and Gearing

The Company's gearing decreased slightly during the year from 23.9% to 21.8%. The Board continually monitors the level of gearing in the Company. Although the absolute level of gearing looks high, we remind shareholders that it is deployed notionally in fixed interest securities which bring an element of diversification to the Company's total revenue stream. The Board and the Manager regularly review the opportunities available to protect an element of the portfolio in the event of a precipitous fall in markets. However, given the cost of such insurance we have not regarded this as a cost effective proposition this year.

Outlook

This will be the third report in which I have mentioned the dangers of rising US government debt levels.

The Republican and Democratic parties remain divided on the long-term solutions although it is hoped that eventually a compromise will be reached between spending cuts and increased taxation. Despite the lack of leadership from Washington, the US economy continues to strengthen. Unemployment has fallen to its lowest level in four years, new housing sales continue to increase and the consumer is confident. The improvement in the economy has occurred despite the enactment of sequestration and the ending of certain tax cuts. However it is worth being aware that despite the reductions in spending of around $85 billion (with similar cuts for 2014 through to 2021) actual government spending continues to increase during the next decade albeit at a lesser rate than prior to the sequester.

I wrote last year about the continuing potential for sovereign defaults and this remains a risk. Cyprus has been a case in point and the EU has forced the government there to take the unprecedented action of effectively making depositors bear a portion of the losses in their accounts and imposing capital controls. Euros are no longer worth the same everywhere and this action to penalise deposits must surely tempt other governments in similar difficulties. Spain remains very troubled with unemployment over 25%, and government debt to GDP now above 85% and rising. Markets for the moment believe that the government will not need a bail out. However it remains to be seen if the political will and financial capacity exists to stabilise Europe's fifth largest economy if it deteriorates further.

Closer to home, the domestic economy faces a number of difficulties over the coming years and the recovery remains more protracted and weaker than in many previous recessions. The UK government continues to pursue its policy of budgetary control yet debt continues to climb which has resulted in the loss of our triple A credit rating for the first time since the 1970s.

Given the macroeconomic and geo-political concerns which I have raised above the immediate outlook for equities as ever is uncertain. It remains difficult to reconcile the strength in equities with the economic outlook. Some of the performance in equities can be explained by their attractive comparative and absolute valuations. This is particularly the case in the UK equity market where relative valuations look appealing compared to other markets and the market's significant non domestic exposure is focused on faster growing developing economies.

The portfolio continues to be well positioned with a broad spread of companies with attractive growth 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. All the above gives us the confidence to remain cautiously optimistic.

The Board

The Directors have discussed succession planning for the Board and, following a process which used an external search consultant, we welcome Marian Glen who joined the Board on 1 January 2013. Marian is a qualified lawyer with experience in the investment trust industry. She will stand for appointment at the Annual General Meeting in July.

At the same time, Mervyn Couve, who has served on this Board for nine years, is retiring from the Board and is therefore not offering himself for re-appointment at the Annual General Meeting. I would like to take this opportunity to thank Mervyn for his considerable and wide-ranging contributions over the years.

Annual General Meeting

The Company's Annual General Meeting takes place in London, on 11 July 2013, and I look forward to seeing as many of you there as possible.

Anthony B. Davidson
Chairman
5 June 2013

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 in our approach to the construction of the portfolio. We seek to identify the best quality companies 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 23.9% to 21.8%, a function of the growth in shareholders' funds. 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, 72.8% of the assets were invested in equities, 25.6% 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.

	2013 %	2012 %	2011 %	2010 %	2009 %
Ordinary dividends	49.8	48.5	44.1	41.6	41.5
Preference dividends	38.2	39.6	44.4	44.7	28.1
Aberdeen Smaller Companies	5.7	5.5	6.9	7.4	8.7
Fixed interest and bank interest	0.3	0.3	0.6	1.3	2.9
Dealing subsidiary	0.0	0.0	0.0	0.0	(0.5)
Traded option premiums	6.0	6.1	4.0	5.0	19.3
	100.0	**100.0**	**100.0**	**100.0**	**100.0**
Total income (£'000s)	**4,275**	**4,352**	**4,153**	**4,201**	**6,929**

Earnings per share declined by 2.0% over the year. There were two primary factors at play here. The first was a slight reduction in the dividends earned by the preference share portfolio. This was caused by the decision in the prior year to exit the holding in the Barclays RCI. The second reason was the increase in the number of shares caused by the issuance of new shares at a premium to the net asset value in October 2012. The proceeds have been invested and consequently the dilutive impact of the new shares will be materially reduced in the current year.

Equities

As we entered the new financial year it is doubtful many investors anticipated what was shortly to happen in the equity markets. The European sovereign debt problems were at the forefront of most investors' minds. China and Brazil were experiencing slowing growth, the UK seemed unable to drag itself out of recession and the main bright spot, namely the recovery in the US, still appeared fragile. And yet the year finished with the FTSE All-Share having risen by 16.8%, smaller companies performing even more strongly and domestic equity markets completing their tenth consecutive month of gains.

The year started with rising investor risk aversion. The previously unthinkable, namely a Greek exit from the Euro, was now regarded as being as likely as not.

India joined Brazil and China as its growth slowed to its lowest level for nine years. One positive that resulted from this was a reduction in the oil price which in turn eased inflationary pressures in many western economies. Indeed, by the middle of the year inflation in the UK would have fallen from 5.2% to 2.8% over just 12 months.

As the summer ended we had what was the defining moment of the year. Mario Draghi, the President of the ECB, announced that "we will do whatever it takes to keep the Euro together." This led to the establishment of the Outright Monetary Transactions facility ("OMT"). In essence this promised unlimited liquidity for any country that required it. The fact that the facility remained untested and also that it was unclear whether recipients would be prepared to accept the associated austerity packages or whether the ECB would indeed be able to ensure any bailout was funded by deposits, did little to dampen investors' enthusiasm. One feature that was beginning to become apparent was that investors were becoming more discerning about the companies they wanted to hold. Businesses that we would regard as being of a higher quality began to experience a re-rating.

Companies from a wide range of sectors were beginning to find life tough. There were profit warnings from well known names like Cookson and Aggreko. Aggregate earnings expectations were being further downgraded with Europe now expected to deliver a second year of earnings contraction. Mulberry reminded investors that luxury goods are not in fact recession proof as they issued a profits warning. One of the largest potential deals of the year, the merger between BAE and EADS, was called off amid political interference.

As we came to the end of 2012 Barack Obama was re-elected as President of the United States. This served to remove one uncertainty that had been hanging over markets, though it did not reduce the requirement for the US to cut its cloth more accordingly. The UK returned to growth, Greece received a €31.5 billion tranche of aid, China elected a new leadership and Mark Carney was appointed as the incoming Governor of the Bank of England. The most positive feature though was the impact of the OMT. Although it had not actually been deployed, its effects were clearly being felt as borrowing costs for Spain, Greece and Italy all fell.

2013 started well with the strongest January since 1989 and the FTSE 100 reaching levels not seen for almost five years. Unsurprisingly such conditions reignited the interest of a range of vendors and we saw a marked pick up in IPO activity and secondary placings of significant holdings. In the US, Warren Buffet announced the acquisition of Heinz and Michael Dell launched an MBO for the company bearing his name. The combined value of these deals was $47 billion.

February saw falling demand for commodities from emerging markets cause weakness in the share prices of the miners. Meanwhile the credit rating agency Moody's downgraded the UK's AAA rating.

As the Company's year ended the most significant event was Cyprus. In the end a bailout package was agreed. This may mark a watershed moment in the evolution of the crisis as the burden of losses begins to be borne by both creditors as well as debtors. In the UK the budget provided little relief as growth expectations were again reduced to a disappointing 0.6%, though the house building industry was to receive a boost. Whilst this has been positive in the short term it seems unlikely that the pervading problem of over indebtedness will be resolved with more debt.

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 are underweight the sectors that have very large index weightings because we believe that the benchmark is an inappropriate tool on which to base our portfolio construction. Specifically this refers to the oil and gas majors. The individual companies are attractive investments but a sensibly diversified portfolio will have limits on the size of individual positions. We remain underweight the mining sector where we find a combination of geopolitical and commodity risk together with difficulties in establishing a fundamental valuation. Similarly with the domestic banks we struggle to understand fully the risks of political interference and hence to evaluate the companies' prospects.

Areas where we are overweight include Aerospace and Defence. We believe that companies like Rolls Royce with its very long term order book and Cobham, with an extensive technology portfolio, are well placed to prosper over the long term despite the current short term uncertainties relating to defence expenditure. The Food Producers benefit from defensive growth prospects and exposure to emerging market opportunities.

We are overweight Financials but this is skewed by the inclusion of our holding in Aberdeen Smaller Companies High Income Trust ("Aberdeen Smaller Companies"). If this were excluded our equity portfolio would be underweight this sector. Within this we do have exposure to Life Assurance and Financial Services. In the case of Life Assurance this is primarily the investment in Prudential where we believe the company has the opportunity to deliver significant long term growth from its Asian operations. 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.

Three new companies were added to the portfolio over the year. BG Group is a company we have wanted to include in the portfolio for some time. In October they announced that they were experiencing a series of production delays. Problems had arisen in Brazil, Egypt, the US and the North Sea. We believe that whilst their growth will be below expectations for the next two years or so the long term prospects remain intact. This will be determined by their ability to develop their very significant exploration successes offshore Brazil. Therefore the sizable share price decline presented us with an opportunity to initiate a holding and to write some puts. Sage Group is a provider of accounting, HR and payroll software for SMEs. This is a company that benefits from strong customer relationships, a high cost of switching and a low cost of ownership. This, allied to the requirement to localise their products, has meant that the software giants have typically found this to be a difficult or unattractive niche to try to enter. Wood Group is an international energy services company. The company designs and manufactures submersible pumping systems, well head systems and pressure controls. They also provide aftermarket services for heavy industrial turbines. This company is a good example of our preference for the companies that service the oil majors rather than the majors themselves.

We participated in the fundraising held by GKN to finance the acquisition of Volvo's aerospace business. We were happy to support the deal as it broadened their product portfolio, customer base and exposure to the civil aerospace market. It also complimented their existing capabilities and was available at an attractive price. It was pleasing to be able to provide financing for the expansion of a business rather than to repair a balance sheet as has been the case more often than not in recent years.

We took advantage of share price strength to top slice a number of holdings. The most notable being reductions in British American Tobacco, Aviva, National Grid, Provident Financial, Rolls Royce and Whitbread. The proceeds were reinvested into companies whose shares had performed less well or which we were trying to build into larger positions. These included BHP Billiton, Cobham, Compass Group, Tesco, Pearson, Schroders and Standard Chartered.

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 2013, the total return on net assets was 29.1% compared to our benchmark, the FTSE All-Share Index which returned 16.8%. It is good to be able to report that the majority of the outperformance was a function of stock selection.

There were some notable successes over the year. Comfortably the most significant contributor to our outperformance was the holding in Aberdeen Smaller Companies. Smaller companies have had a very strong year delivering returns of 28.0%, materially ahead of those from their larger counterparts. Aberdeen Smaller Companies has benefitted from this whilst also delivering outperformance of its benchmark. Other highlights have included Prudential which is capitalising on its strong position in a number of Asian markets, Close Brothers where earnings from their SME focussed countercyclical bank have grown strongly and Associated British Foods whose Primark brand goes from strength to strength. At the sectoral level, being underweight both the oil and gas producers and the miners has served us well. Conversely the underweight position relative to the banks has detracted from performance. There have of course been negatives but company specific problems have thankfully been relatively rare. The largest detractor from performance in the portfolio has been Wm Morrisons. The company is operating in an industry that is experiencing structural change and having previously decided to stay out of the convenience and online sectors they now find themselves losing market share.

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 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 Cobham with a 41.8% increase, Prudential with 20.6%, Weir with 22.9% and HSBC with 28.5% are deserving of special mention.

Prospects

Much has been written this year about the "great rotation", that is the idea that asset allocators will increasingly recognise the attractions of equities relative to fixed interest valuations. It is the case that many fixed interest instruments appear very fully valued and that as a consequence equities appear to offer good relative value. However it is worth remembering that many institutions are effectively forced to hold what are regarded as low or even zero risk assets and hence lack the option to allocate to equities. Additionally, many equities have re-rated, in some cases significantly and therefore it is more difficult to argue that equities represent good value from an absolute perspective.

However, there are reasons to be positive. Amongst these is the continuing recovery in the US. Unemployment is now at its lowest level for four years and consumer confidence is increasing despite the impact of sequestration and the removal of certain income tax cuts. Companies are in aggregate in good shape. This is particularly true of their balance sheets. Healthy balance sheets give management teams options; they also give us confidence that our investments will be able to weather more difficult conditions should they arise. If management confidence was to pick up we could expect to see an increase in investment which would drive future earnings expectations or a pick up in merger and acquisition activity. When one considers how quickly the capital markets returned to life at the start of the year it does not seem unreasonable to think that M&A activity could return at some level. The European debt crisis may not be resolved but it is no longer on the front pages of the newspapers and hence investors seem able to some extent to almost put it to one side. Good quality companies are generally trading reasonably well. Naturally, some are finding life more difficult than others but as we look through the portfolio most holdings have announced that they are trading in line with expectations. There are though other less positive factors that also need to be borne in mind. Taking the companies first, margins are at or around peak levels. That means earnings growth will in the main, have to come from sales growth. The global macro-economic environment means that there is therefore a heightened risk of earnings disappointment; this is particularly the case for companies with a second half bias to their profit expectations. Any disappointment could be harshly treated when one considers the re-rating that many companies have experienced.

Recovery in the US would be expected to become more difficult as sequestration really bites and further austerity measures seem likely if there is to be agreement on the debt ceiling negotiations.

Around the globe countries are trying to boost their competitiveness. Some have opted to attempt to devalue their currencies. Leaving aside the domestic wealth destruction and longer term inflationary impact of such activity it is the case that not everyone can devalue simultaneously. Such actions could therefore lead to future international tensions.

Lastly, the European debt crisis is unresolved. Investors are subject to the effects of waxing and waning confidence just as management teams are. The OMT remains untested, indeed its real strength lies in that fact. If bond investors begin to lose confidence in the authorities' ability to protect the Euro we could find ourselves back in the midst of a crisis. Notwithstanding the above, we believe that the best way to navigate through this difficult background is to continue to invest in good quality companies with the potential to deliver growth over the medium and long term, allied with sound balance sheets that provide protection throughout the economic cycle.

Aberdeen Asset Managers Limited
5 June 2013

Results

Financial Summary

	31 March 2013	31 March 2012	% change
Total investments	£85,624,000	£70,950,000	+20.7
Shareholders' funds	£70,306,000	£57,285,000	+22.7
Market capitalisation	£69,894,000	£57,762,000	+21.0
Net asset value per share	234.37p	192.89p	+21.5
Share price (mid-market)	233.00p	194.50p	+19.8
Premium to adjusted NAV[A]	2.0%	4.1%	
Gearing (see page 52 for definitions)			
Net gearing	22.8%	24.9%	
Equity gearing	21.8%	23.9%	
Dividends and earnings			
Revenue return per share[B]	11.92p	12.17p	–2.1
Dividends per share[C]	12.00p	12.00p	
Dividend cover	0.99	1.01	
Revenue reserves[D]	£5,837,000	£5,850,000	
Operating costs			
Ongoing charges ratio[E]	1.08%	1.09%	

[A] Based on IFRS NAV above reduced by dividend adjustment of 6.0p (2012 – 6.0p).
[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 dividends per share reflect the years in which they were earned (see note 8 on page 39).
[D] The revenue reserve figure does not take account of the third interim or final dividend amounting to £1,799,855 (2012 – £1,781,855) 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. The figures in 2012 have been restated.

Performance (total return)

	1 year % return	3 year % return	5 year % return
Net asset value (Company only)	+29.1	+51.5	+40.0
Share price (based on mid-market)	+27.2	+53.1	+61.4
FTSE All-Share Index	+16.8	+28.7	+38.5

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

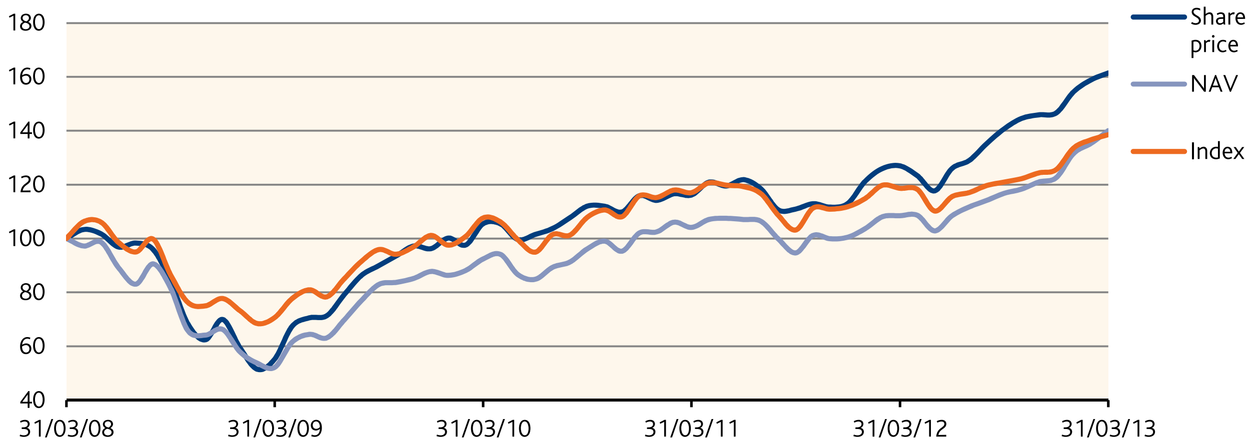
Dividends

	Rate per share	xd date	Record date	Payment date
First interim dividend	3.00p	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
Proposed final dividend	3.00p	3 July 2013	5 July 2013	31 July 2013
2012/13	12.00p			
First interim dividend	3.00p	5 October 2011	7 October 2011	31 October 2011
Second interim dividend	3.00p	4 January 2012	6 January 2012	31 January 2012
Third interim dividend	3.00p	4 April 2012	10 April 2012	30 April 2012
Final dividend	3.00p	4 July 2012	6 July 2012	31 July 2012
2011/12	12.00p			

Performance

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

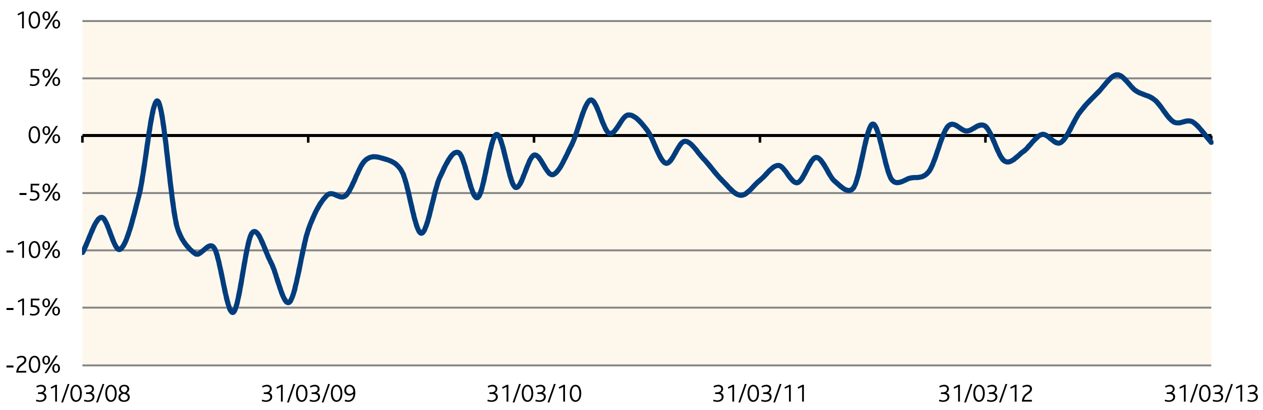
Figures are total return and have been rebased to 100 at 31 March 2008



Source: Morningstar & Factset

Ordinary Share Price Premium/(Discount) to NAV

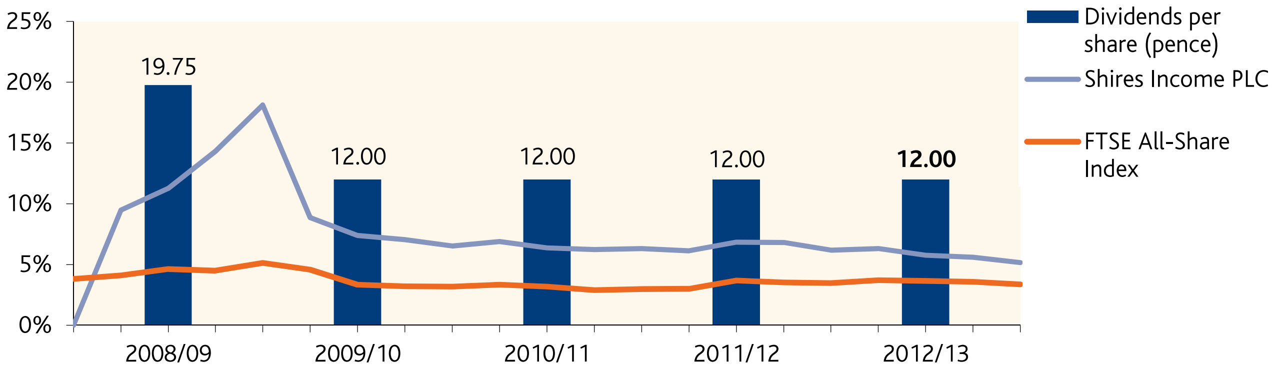
Five years to 31 March 2013



Source: Morningstar

Net Dividend Yield

Five years to 31 March 2013



Performance continued

Ten Year Financial Record

Year to 31 March	2004[A]	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenue available for ordinary dividends (£'000)	5,770	5,770	5,792	5,987	6,026	5,536	3,512	3,292	3,615	3,556
Per share (p)										
Net revenue return	17.6	19.7	18.9	19.3	22.2	18.8	11.8	11.1	12.2	11.9
Net dividends paid/proposed	19.25	19.25	19.25	19.25	19.75	19.75	12.00	12.00	12.00	12.00
Total return	74.2	52.8	74.2	25.9	(63.4)	(112.9)	85.3	22.6	7.4	53.5
Net asset value	228.6	272.2	327.1	334.0	251.1	118.5	186.8	197.5	192.9	234.4
Shareholders' funds (£m)	67.8	80.8	97.1	99.1	74.6	35.2	55.5	58.6	57.3	70.3

The figures for 2011 to 2013 are for the Company only, following the dissolution of the subsidiaries in May 2011.
[A] 2004 figures restated following the introduction of International Financial Reporting Standards ('IFRS').

Cumulative Performance

Rebased to 100 at 31 March 2003

As at 31 March	2003	2004[A]	2005	2006	2007	2008	2009	2010	2011	2012	2013
NAV	100.0	132.9	152.1	183.0	187.3	140.2	66.2	104.1	110.1	107.5	130.6
NAV total return[B]	100.0	145.6	180.5	232.7	253.2	201.6	105.2	186.2	209.9	218.6	282.2
Share price performance	100.0	158.3	188.0	221.6	219.6	155.5	77.0	130.0	134.3	137.5	164.7
Share price total return[B]	100.0	174.9	226.1	285.3	300.8	227.3	125.6	239.8	264.0	288.6	367.0
Benchmark performance	100.0	126.6	141.6	175.6	189.2	168.6	114.3	167.7	176.7	173.0	194.8
Benchmark total return[B]	100.0	131.0	151.4	193.8	215.4	198.7	140.4	213.9	232.5	235.8	275.3

NAV figures are based on Company only values following the dissolution of the subsidiaries in May 2011.
[A] 2004 figures restated following the introduction if International Financial Reporting Standards ('IFRS'). Figures for 2003 have not been restated.
[B] Total return figures are based on reinvestment of net income.

Investment Portfolio – Ordinary Shares

As at 31 March 2013

Company	Valuation 2013 £'000	Total portfolio %	Valuation 2012 £'000
Aberdeen Smaller Companies High Income Trust	7,280	8.5	4,640
British American Tobacco	3,245	3.8	3,403
Vodafone	3,165	3.7	2,624
Royal Dutch Shell[A]	3,114	3.6	3,049
Centrica	2,828	3.3	2,434
GlaxoSmithKline	2,708	3.1	2,318
Prudential	2,417	2.8	1,697
AstraZeneca	2,392	2.8	1,767
Unilever	2,369	2.8	1,756
HSBC Holdings	2,290	2.7	1,809
Ten largest investments	**31,808**	**37.1**	
Tesco	2,114	2.5	1,673
BP	1,973	2.3	1,984
National Grid	1,935	2.3	1,955
BHP Billiton	1,848	2.1	1,555
Close Brothers	1,788	2.1	1,335
Pearson	1,705	2.0	792
Chesnara	1,532	1.8	1,219
Cobham	1,271	1.5	932
Compass	1,261	1.5	577
Schroders	1,260	1.5	885
Twenty largest investments	**48,495**	**56.7**	
Sage Group	1,254	1.5	–
Land Securities	1,245	1.4	1,085
Standard Chartered	1,244	1.4	844
Morrison (Wm.)	1,182	1.4	1,275
Associated British Foods	1,141	1.3	817
Rolls Royce	1,085	1.3	1,299
GKN	1,045	1.2	736
AMEC	993	1.2	886
Provident Financial	909	1.1	1,364
Weir Group	837	1.0	653
Thirty largest investments	**59,430**	**69.5**	
Whitbread	770	0.9	861
Experian	741	0.8	634
Wood Group (John)	615	0.7	–
Aviva	492	0.6	1,220
BG Group	260	0.3	–
Total Ordinary shares	**62,308**	**72.8**	

[A] Holding comprises 'A' and 'B' class shares valued at £3,114,000 (2012 – £1,083,000) and £nil (2012 – £1,966,000) respectively.

Purchases and/or sales effected during the year will result in 2012 and 2013 values not being directly comparable.

Investment Portfolio – Other Investments

As at 31 March 2013

Company	Valuation 2013 £'000	Total portfolio %	Valuation 2012 £'000
Convertibles			
Premier Farnell 89.2p Cum Conv	739	0.9	689
Balfour Beatty Cum Conv 10.75%	615	0.7	618
Total Convertibles	**1,354**	**1.6**	
Preference shares			
Ecclesiastical Insurance Office 8 5/8%	5,300	6.2	4,791
Royal & Sun Alliance 7 3/8%	4,850	5.7	4,437
General Accident 7.875%	3,974	4.6	3,504
Standard Chartered 8.25%	3,405	4.0	3,145
Santander 10.375%	3,294	3.8	2,632
R.E.A. Holdings 9%	1,139	1.3	1,056
Total Preference shares	**21,962**	**25.6**	
Total other investments	**23,316**	**27.2**	
Total investments	**85,624**	**100.0**	

Purchases and/or sales effected during the year will result in 2012 and 2013 values not being directly comparable.

Distribution of Assets and Liabilities

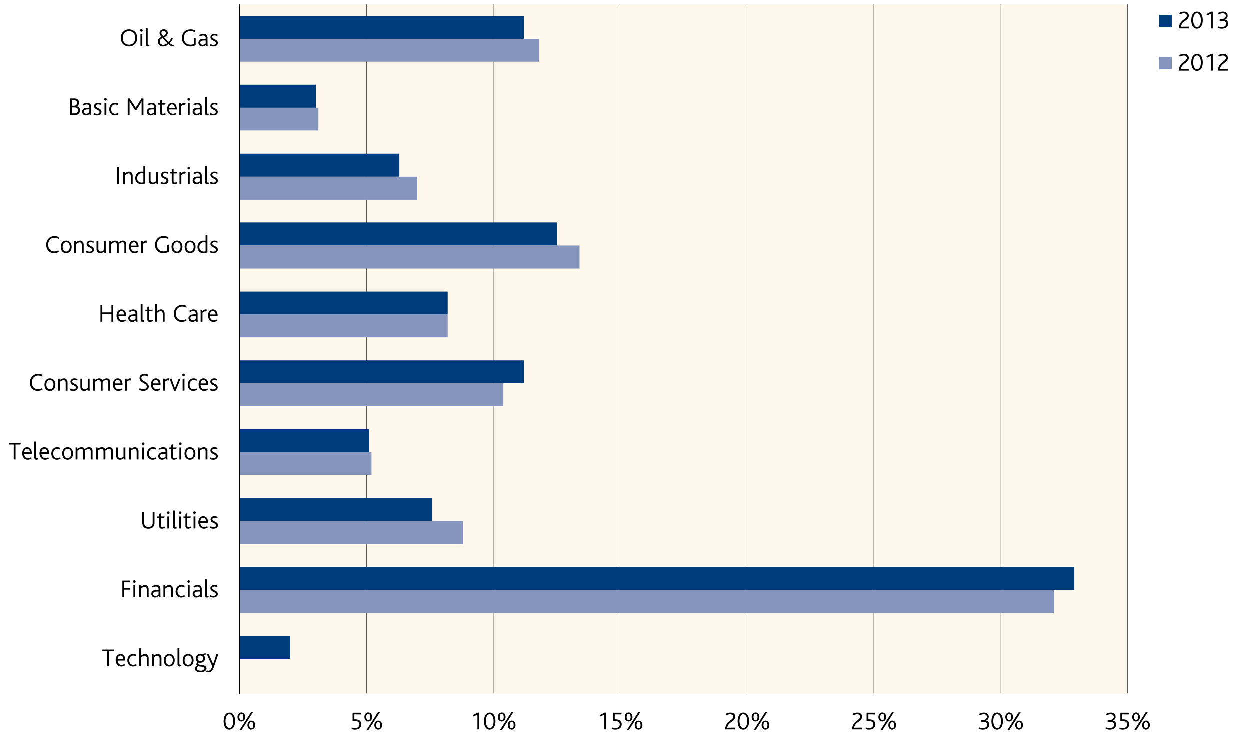
As at 31 March 2013

	Valuation at 31 March 2012 £'000	%	Movement during the year: Purchases £'000	Sales £'000	Other £'000	Gains/ (losses) £'000	Valuation at 31 March 2013 £'000	%
Listed investments								
Ordinary shares	50,078	87.4	7,244	(5,247)	–	10,233	62,308	88.6
Convertibles	1,307	2.3	–	–	(10)	57	1,354	1.9
Preference shares	19,565	34.2	–	–	(83)	2,480	21,962	31.3
Total investments	70,950	123.9	7,244	(5,247)	(93)	12,770	85,624	121.8
Current assets	4,534	7.9					2,927	4.2
Current liabilities	(18,199)	(31.8)					(18,245)	(26.0)
Net assets	**57,285**	**100.0**					**70,306**	**100.0**
Net asset value per Ordinary share	**192.9p**						**234.4p**	

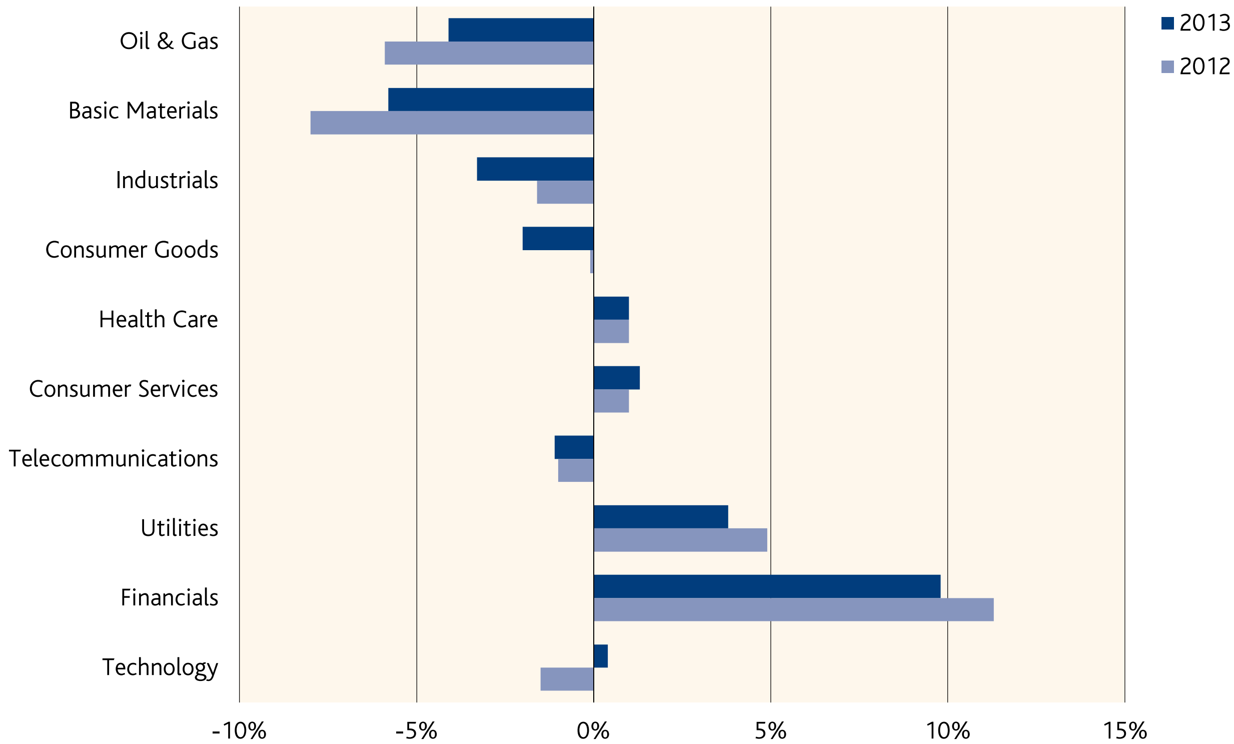
Sector Analysis

As at 31 March 2013

Analysis of Listed Equity Portfolio



Shires Income PLC relative to the FTSE All-Share Index



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

Your Board of Directors

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

Anthony B. Davidson C.A.

Status: Independent Non-Executive Director - Chairman.
Length of Service: 6 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: 9 July 2010.
Committee membership: Audit Committee, Nomination Committee (Chairman), Management Engagement Committee (Chairman).
Remuneration for the financial year: £27,000.
All other public company directorships: Non-executive director of JPMorgan European Smaller Companies Trust plc.
Employment by the Manager: None.
Other connections with Company or Manager: None.
Shared Directorships with any other Company Directors: None.
Shareholding in Company: 10,000 Ordinary shares.

Mervyn D. Couve

Status: Independent Non-Executive Director.
Length of Service: 9 years, joined the Board in October 2003.
Experience: Formerly, a Consultant with Speechly Bircham Solicitors where he was previously Managing Partner and Senior Partner. Also a Trustee of English National Opera Trust. He is a former member of the CBI Smaller Firms Council and the CBI Company Law Panel.
Last re-appointed to the Board: 19 July 2012.
Committee membership: Audit Committee, Nomination Committee, Management Engagement Committee.
Remuneration for the financial year: £19,000.
All other public company directorships: None.
Employment by the Manager: None.
Other connections with Company or Manager: None.
Shared Directorships with any other Company Directors: None.
Shareholding in Company: 2,000 Ordinary shares.

Marian Glen

Status: Independent Non-Executive Director.
Length of Service: Joined the Board on 1 January 2013.
Experience: Currently a member of the Audit Committee of the Water Industry Commission for Scotland and a non-executive Director of the Financial Services Compensation Scheme. 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 re-appointed to the Board: n/a
Committee membership: Audit Committee, Nomination Committee, Management Engagement Committee.
Remuneration for the financial year: £4,750.
All other public company directorships: None.
Employment by the Manager: None.
Other connections with Company or Manager: None.
Shared Directorships with any other Company Directors: None.
Shareholding in Company: None

Your Board of Directors continued

David P. Kidd

Status: Independent Non-Executive Director.
Length of Service: 9 years, joined the Board in February 2004.
Experience: He has twenty five years experience in investment management, of which three quarters was in the role of Chief Investment Officer. Currently a Director of The Law Debenture Pension Trust Corporation plc and a non-executive director of The Salvation Army International Trustee Company. Previously Chief Investment Officer of the private bank, Arbuthnot Latham & Co. Limited, Chiswell Associates Limited and with The Royal Bank of Scotland's investment management arm.
Last re-appointed to the Board: 9 July 2010.
Committee membership: Audit Committee, Nomination Committee, Management Engagement Committee.
Remuneration for the financial year: £19,000.
All other public 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: 5 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: £21,250.
All other public 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

Status of the Company

The Company, which was incorporated in 1929, is an investment company, within the terms of Section 833 of the Companies Act 2006 and carries on business as an investment trust and is a member of the Association of Investment Companies. The Company is registered as a public limited company and the Company's registration number is 00386561.

The Company carries on business as an investment trust for the purpose of Section 1158 of the Corporation Tax Act 2010 and has been approved as such by HM Revenue & Customs for the period ended 31 March 2012 although approval for that year would be subject to review were there to be any enquiry under the Corporation Tax Self Assessment regime. The Company has subsequently conducted its affairs so as to enable it to continue to seek such approval.

The revised investment trust company tax regime under Chapter 4 of Part 24 of the Corporation Tax Act 2010 and the Investment Trust (Approved Company) (Tax) Regulations 2011 applies for the year ended 31 March 2013. The Company applied for approval under the new regime post the 2012 year end and has been approved as an investment trust company for accounting periods commencing on or after 1 April 2012.

Business Review

Activities

The Company is an investment trust. The objective of the Company is set out on page 3 of the report.

The Company has a 17.9% interest in Aberdeen Smaller Companies High Income Trust PLC, a listed investment trust managed by Aberdeen.

Results and Dividends

The financial statements for the year ended 31 March 2013 appear on pages 31 to 48. Dividends accounted for in the year amounted to 12.0p.

A third interim dividend of 3.0p per Ordinary share was declared on 22 March 2013 payable on 30 April 2013. A final dividend of 3.0p per Ordinary share is proposed, payable on 31 July 2013. Under International Financial Reporting Standards (IFRS) both these dividends will be accounted for in the financial year ended 31 March 2014.

Share Capital and Voting Rights

During the year 300,000 new Ordinary shares were issued for cash at a premium to the prevailing net asset value. The issued Ordinary share capital at 31 March 2013 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.

Current and Future Development

A review of the Company's business is given in the Chairman's Statement and the Manager's Review. Key performance indicators ("KPIs") are shown in the financial information on page 10 with historical performance being shown on pages 11 and 12. These KPIs include net asset value total return, share price total return, and the premium/discount at which the shares traded. The Board also considers the marketing and promotion of the Company including effective communications with shareholders, which is explained in more detail in the 'Relations with Shareholders' section on page 26. The Board considers the future direction of the Company at an annual strategy meeting where a wide discussion takes place on development and strategic direction. The Company's brokers, J.P. Morgan Cazenove, present to the Board during the course of the year and cover the topics of sector development, perception of the Company and relevant strategic issues.

Principal Risks and Uncertainties

The principal risks facing the Company relate to the Company's investment activities and gearing and include market risk, liquidity risk and credit risk. An explanation of these risks and how they are managed is contained in note 16 to the financial statements on page 43.

Regulatory

The Alternative Investment Fund Managers Directive will begin to be implemented from July with it being fully implemented in the UK by July 2014. The Directive may have significant consequences for the Company (and all similar investment companies) which will increase compliance and regulatory costs. The Directive is subject to further implementation guidance, and the Board will continue to monitor the progress and likely implications of the Directive.

Investment Policy

Investment Process

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

Investment Risk

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

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

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

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

The Company enters into traded option contracts, 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

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

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

Analysis of Portfolio

A comprehensive analysis of the portfolio is given in the Manager's Review on pages 6 to 9, the Distribution of Assets and Liabilities on page 15 and the Investment Portfolio on pages 13 and 14.

Directors

The Directors, who held office throughout the year under review, are shown on pages 17 and 18 of the Annual Report, and their share interests are shown opposite. Mr A.B Davidson and Mr D.P Kidd having been last re-appointed in 2010, retire by rotation and, being eligible, offer themselves for appointment. Ms M. Glen was appointed to the Board on 1 January 2013 and, in accordance with the Articles of Association, offers herself for appointment to the Board at the Annual General Meeting. After nine years of service, Mr Couve will retire from the Board with effect from the conclusion of the Annual General Meeting.

The Board has reviewed its collective performance and that of each individual member and believes it continues to operate in an efficient and effective manner with each Director making a significant contribution to the performance of the Company. Given this, the Board recommends to shareholders the re-appointment of Mr A.B Davidson and Mr D.P Kidd. Mr Davidson has a long and distinguished career in finance and banking and Mr Kidd has over twenty five years experience in investment management. The Board also supports the appointment of Ms Glen who is a qualified lawyer with experience in the investment trust industry.

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.

The Directors at 31 March 2013 had no other interest other than those interests, all of which are beneficial interests, shown opposite in the share capital of the Company.

	31 March 2013 Ordinary shares	31 March 2012 Ordinary shares
A.B. Davidson	10,000	10,000
M.D. Couve	2,000	2,000
M.Glen	-	n/a
D.P. Kidd	5,000	5,000
A.S. Robson	5,500	5,500

No Director had an interest in the 3.5% Cumulative Preference share capital at any time during the year. There have been no changes in the Directors' interests between 1 April 2013 and 5 June 2013.

Annual General Meeting

Among the resolutions being put at the Annual General Meeting of the Company to be held on 11 July 2013, 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 £4,999,097 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 2014 or, if earlier, at the conclusion of the next Annual General Meeting of the Company (unless previously revoked, varied or extended by the Company in general meeting).

(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 2014 or, if earlier, at the conclusion of the next Annual General Meeting of the Company (unless previously revoked, varied or extended by the Company in general meeting). As noted, this disapplication of pre-emption rights also applies in respect of treasury shares which the Company may sell. The Company has no shares held in treasury as at the date of this report.

(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 shall be 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) shall be 50p. The maximum price for an Ordinary share (again exclusive of expenses) shall be an amount being not more than the higher of (i) 105% of the average of the middle market quotations for the Company's Ordinary shares for the five business days immediately preceding the date of purchase and (ii) the higher of the price of the last independent trade and the highest current independent bid relating to an Ordinary share on the trading venue where the purchase is carried out.

This authority, if conferred, will only be exercised if to do so would enhance the net asset value per share and is in the best interests of shareholders generally. Shares so repurchased will be held in treasury. Any purchase of shares will be made within guidelines established from time to time by the Board. This authority will expire on 30 September 2014 or, if earlier, at the conclusion of the next Annual General Meeting of the Company (unless previously revoked, varied or extended by the Company in general meeting).

(iv) Notice Period for General Meetings

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

Recommendation

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

Going Concern

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

Payment Policy

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

Corporate Governance

The Statement of Corporate Governance which forms part of the Directors' Report is shown on pages 23 to 27.

Auditor

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

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

Additional Information

Where not provided elsewhere in the Directors' Report, the following provides the additional information required to be disclosed by The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008:

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

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

The rules governing the appointment of Directors are set out in the Statement of Corporate Governance on pages 23 to 27. The Company's Articles of Association may only be amended by a special resolution at a general meeting of shareholders.

The Company is not aware of any significant agreements to which it is a party that take effect, alter or terminate upon a change of control of the Company following a takeover.

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

By order of the Board
Aberdeen Asset Management PLC
Secretary
5 June 2013

Statement of Corporate Governance

Corporate Governance

This Statement of Corporate Governance forms part of the Directors' Report which is shown on pages 19 to 22.

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 UK Corporate Governance Code published in May 2010 (the "UK Code") which is available on the Financial Reporting Council's website: www.frc.org.uk. The Board confirms that the Company has complied throughout the accounting period with the relevant provisions contained within the UK Code.

In October 2010 the Association of Investment Companies ("AIC") also published a Code of Corporate Governance ("AIC Code") and a Corporate Governance Guide for Investment Companies ("AIC Guide") which are both available on the AIC's website: www.theaic.co.uk. The AIC Code, as explained by the AIC Guide, addresses all of the principles set out in Section 1 of the Governance Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to investment trusts.

The new UK Corporate Governance Code issued last year will apply to the Company's year end reporting period ending 31 March 2014.

The AIC has also recently published an updated AIC Code and AIC Guide dated February 2013 to reflect the above recent changes to the FRC's UK Code.

The Board

The Board currently consists of five 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. The Company has no employees and given the size and composition of the Board it is not felt necessary to separate the roles of the Chairman and Senior Independent Director. Biographies of the Directors appear on pages 17 and 18 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 Annual General Meeting.

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

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

The AIC Code provides that the Board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual Directors. In order to review its effectiveness, the Board carries out a process of formal self appraisal. The Directors consider how the Board functions as a whole and also review the individual performance of its members. This process encompasses quantitative and qualitative measures of performance implemented by way of an evaluation survey questionnaire and Board discussion. It also forms the basis of the decision on whether or not Directors are nominated for re-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. The review concluded that the Board is functioning well, there is an appropriate balance of skills and experience and 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.

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 other Company's 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.

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.

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.

During the year ended 31 March 2013 the Board met six times. In addition, the Audit Committee met twice, the Nomination Committee three times and the Management Engagement Committee once.

Directors have attended Board and Committee meetings during the year ended 31 March 2013 as follows (with their eligibility to attend the relevant meeting in brackets):

Director	Board Meetings	Audit Committee Meetings	Nomination Committee Meetings	Management Engagement Committee Meetings
A.B. Davidson	6 (6)	2 (2)	3 (3)	1 (1)
M.D. Couve	6 (6)	2 (2)	3 (3)	1 (1)
M. Glen	1 (1)	0 (0)	1 (1)	1 (1)
D.P. Kidd	6 (6)	2 (2)	3 (3)	1 (1)
A.S. Robson	6 (6)	2 (2)	3 (3)	1 (1)

The Board has appointed Aberdeen to manage the Company's investment portfolio within guidelines set by the Board and to provide it with accounting and secretarial services. 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 as Secretary of the Company.

Internal Control

The Board confirms that as at 31 March 2013 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 2013 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 Manager prepares forecasts and management accounts which allow the Board to assess the Company's activities and review its performance; the emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception;
- the Board and Manager have agreed clearly defined investment criteria, specified levels of authority and exposure limits. Reports on these issues, including performance statistics and investment valuations, are regularly submitted to the Board and there are meetings with the Manager as appropriate;
- as a matter of course the Manager's compliance department continually reviews the Manager's operations;
- written agreements are in place which specifically define the roles and responsibilities of the Manager and other third party service providers; and
- at its June 2013 meeting, the Board carried out an annual assessment of internal controls for the year ended 31 March 2013 by considering documentation from the Manager, including the internal audit and compliance functions and taking account of events since 31 March 2013.

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.

External Agencies

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

Board Committees

The Board has appointed three committees to cover specific operations as set out on the following pages. Copies of the terms of reference of each committee are available 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. The Audit Committee meets at least twice a year to coincide with the annual and half yearly reporting and audit cycle. The principal role of the Audit Committee is to review the Annual and Half Yearly financial statements and the accounting policies applied therein and ensure compliance with financial and regulatory reporting requirements. The auditor, KPMG Audit Plc, whose continued appointment is also reviewed and ratified by the Audit Committee, attends at least one meeting of the Audit Committee a year. In addition the Audit Committee reviews the independence of the auditor in relation to the audit of the Annual financial statements. In completing this review, the Audit Committee has taken into account the standing, experience and tenure of the audit director, the nature and level of service provided and confirmation that it has complied with relevant UK independence guidelines. The Audit Committee considers KPMG Audit Plc to be independent both of the Company and the Manager in all respects.

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

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

Management Engagement Committee

The Management Engagement Committee comprises all Directors of the Company and is chaired by Mr A.B. Davidson.

Statement of Corporate Governance continued

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.

The key terms of the Investment Management Agreement are set out in the Corporate Summary on page 3 and details of the fee charged by Aberdeen in the financial year and how it is calculated are set out in note 3 to the financial statements. The Board believes the fee charged by Aberdeen is competitive with reference to other investment trusts with a similar investment mandate and is priced appropriately given the level of service provided by Aberdeen. The Board 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.

Nomination Committee

The Nomination Committee comprises all Directors of the Company and is chaired by Mr A.B. Davidson. The Nomination Committee considers appointments of new Directors, undertaking a thorough and open process involving, where appropriate, professional recruitment consultants and committee interviews with candidates identified, with the intention that the composition of the Board reflects a breadth of commercial, professional and industrial experience. In the case of the most recent appointment, the Committee employed the services of such a consultant. The Board's overriding priority in appointing new Directors to the Board is to identify the candidate with the best range of skills and experience to complement existing Directors. The Board recognises the benefits of diversity, including gender diversity. One of the five Directors is female. The Nomination Committee met three times during the year.

Remuneration Committee

There is no requirement for the above as the Company has no executive employees. Remuneration details are provided in the Directors' Remuneration Report on page 29.

Board Composition

Under the Articles of Association, new Directors are subject to appointment at the first Annual General Meeting 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.

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 Annual General Meeting at which Directors and representatives of the Manager are available to discuss key issues affecting the Company. The Manager has also conducted a series of meetings with shareholders throughout the year to discuss issues relating to the Company and also to give them the opportunity to request a meeting with the Board. Shareholders and investors may obtain up-to-date information on the Company through the Company's website and the Manager's information services.

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

Substantial Interests

As at 5 June 2013 the Company had received notification of the following interests in its Ordinary shares:

Shareholder	Number of Ordinary shares held	% held
Aberdeen Investment Trust Share Plans (non beneficial)	3,225,413	10.7
Axa Investment Management	2,965,000	9.9
Legal & General Investment Management	925,910	3.1

Responsibilities as an Institutional Shareholder

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

General Policy

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

The Manager is responsible for reviewing, on a regular basis, the annual reports, circulars and other publications produced by the investee company, and for attending company meetings. The Manager, in the absence of explicit instruction from the Board, is empowered to exercise discretion in the use of the Company's voting rights. The Manager's policy is to vote on all shares held by the Company and considers each case on its individual merits with the primary aim of the use of voting rights being to ensure a satisfactory return from investments. The Board receives from the Manager regular reports on the exercise by the Manager of the Company's voting rights and discusses with the Manager any issues arising. It is the Board's view that having an active voting policy and a process for the monitoring by the Board of the Manager's exercise of those votes, especially in relation to controversial issues, aids the efficient exercise of the Company's governance responsibilities.

Social, Ethical and Environmental Policy

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

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

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

Aberdeen Smaller Companies High Income Trust PLC

The Company has a 17.9% interest in the share capital of this listed investment trust which is also managed by Aberdeen in the same manner as stated in the above General Policy. All of the directors of Aberdeen Smaller Companies High Income Trust PLC are independent of Shires Income PLC. Aberdeen has no control over the management of the interest in Aberdeen Smaller Companies High Income Trust PLC and does not charge any management fee in respect of the amount of Shires Income PLC's net assets attributable to this holding.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Report and the financial statements (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.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether 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 confirm that the financial statements comply with these requirements.

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

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors confirm to the best of their knowledge:

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

For and on behalf of Shires Income PLC
Andrew S. Robson
Audit Committee Chairman
5 June 2013

Directors' Remuneration Report

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

Unaudited Information

Remuneration Policy

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

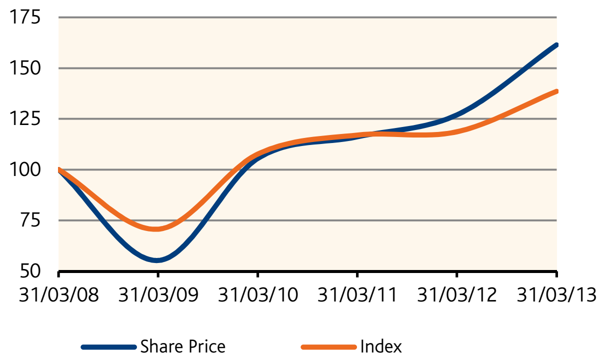
The Board considers that the present policy to remunerate Directors exclusively by fixed fees in cash is appropriate and adequate for the Company in its present and foreseeable circumstances and there are no plans to introduce additional or alternative remuneration schemes.

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

Directors' Remuneration Rates

The annual rates of remuneration with effect from 1 April 2012 were £27,000 for the Chairman, £21,250 for the Audit Committee Chairman and £19,000 for each other Director. These rates applied during the year ended 31 March 2013. The Company's policy is that fees payable to the Directors should reflect the time spent by them on the Company's affairs and should be sufficient to enable candidates of a high quality to be recruited and retained. Non-executive Directors are not eligible for bonuses, pension benefits, share options, long term incentive schemes or other benefits. Following a review by the Nomination Committee, it was agreed that with effect from 1 April 2013, the annual rates of remuneration will be £28,500 for the Chairman, £22,500 for the Audit Committee Chairman and £20,000 for each other Director.

The chart shown below illustrates the total shareholder return for a holding in the Company's shares as compared to the total return on the FTSE All-Share Index (excluding Investment Companies) for the five year period to 31 March 2013 (rebased to 100 at 31/03/08).



Audited Information

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

	2013 £	2012 £
A.B. Davidson	27,000	25,000
M.D. Couve	19,000	18,000
M. Glen	4,750	n/a
D.P. Kidd	19,000	18,000
A.S. Robson	21,250	20,000
	91,000	**81,000**

Until 30 April 2012 the fees payable to M. D. Couve were paid to a third party. With effect from 1 May 2012 fees are paid directly to Mr Couve.

No Director received any form of remuneration during the present or preceding financial years other than the fees shown above.

Approved by the Board of Directors on 5 June 2013 and signed on its behalf.

Anthony B. Davidson
Chairman
5 June 2013

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

We have audited the financial statements of Shires Income PLC for the year ended 31 March 2013 set out in pages 31 to 48. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

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

Respective Responsibilities of Directors and Auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 28, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate

Opinion on Financial Statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other Matters Prescribed by the Companies Act 2006

In our opinion:

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

Matters on which we are Required to Report by Exception

We have nothing to report in respect of the following:
Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

Under the Listing Rules we are required to review:

- the Directors' Report, set out on page 21, in relation to going concern;
- the part of the Statement of Corporate Governance on pages 23 to 27 relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the Directors' Remuneration Report.

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

Chartered Accountants
Edinburgh,
5 June 2013

Statement of Comprehensive Income

	Notes	Year ended 31 March 2013 Revenue £'000	Capital £'000	Total £'000	Year ended 31 March 2012 Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on investments at fair value	10	–	12,795	12,795	–	(1,308)	(1,308)
Gain on dissolution of subsidiaries		–	–	–	–	66	66
Investment income							
Dividend income		3,248	–	3,248	3,337	–	3,337
Interest income/(expense) from investments		578	(93)	485	670	99	769
Stock dividends		177	–	177	70	–	70
Traded option premiums		260	–	260	264	–	264
Money market interest		12	–	12	11	–	11
	2	4,275	12,702	16,977	4,352	(1,143)	3,209
Expenses							
Investment management fee	3	(165)	(165)	(330)	(158)	(158)	(316)
Other administrative expenses	4	(323)	–	(323)	(293)	–	(293)
Finance costs of borrowings	6	(176)	(176)	(352)	(198)	(198)	(396)
		(664)	(341)	(1,005)	(649)	(356)	(1,005)
Profit/(loss) before taxation		3,611	12,361	15,972	3,703	(1,499)	2,204
Taxation	7	(55)	55	–	(88)	88	–
Profit/(loss) attributable to equity holders of the Company		**3,556**	**12,416**	**15,972**	**3,615**	**(1,411)**	**2,204**
Earnings per Ordinary share (pence)	9	**11.92**	**41.60**	**53.52**	**12.17**	**(4.75)**	**7.42**

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 2013[A] £'000	Year to 31 March 2012[B] £'000
Revenue	3,556	3,615
Dividends declared	(3,591)	(3,564)
	(35)	**51**

[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 2012/13.

[B] Dividends declared relates to first three interim dividends (each 3.0p) and the final dividend (3.0p) declared in respect of financial year 2011/12.

Balance Sheet

	Notes	As at 31 March 2013 £'000	As at 31 March 2012 £'000
Non-current assets			
Ordinary shares		62,308	50,078
Convertibles		1,354	1,307
Other fixed interest		21,962	19,565
Securities at fair value	10	85,624	70,950
Current assets			
Trade and other receivables		16	18
Accrued income and prepayments		937	783
Cash and cash equivalents		1,974	3,733
	11	2,927	4,534
Total assets		88,551	75,484
Current liabilities			
Trade and other payables		(245)	(199)
Short-term borrowings		(18,000)	(18,000)
	12	(18,245)	(18,199)
Net assets		**70,306**	**57,285**
Issued capital and reserves attributable to equity holders			
Called-up share capital	13	15,049	14,899
Share premium account	14	19,308	18,840
Capital reserve	15	30,112	17,696
Revenue reserve	15	5,837	5,850
Equity shareholders' funds		**70,306**	**57,285**
Net asset value per Ordinary share (pence)	9	**234.37**	**192.89**

The financial statements were approved by the Board of Directors and authorised for issue on 5 June 2013 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 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**

Year ended 31 March 2012

	Share capital £'000	Share premium account £'000	Capital reserve £'000	Retained revenue reserve £'000	Total £'000
As at 31 March 2011	14,899	18,840	19,107	5,793	58,639
Revenue profit for the year	–	–	–	3,615	3,615
Capital losses for the year	–	–	(1,411)	–	(1,411)
Equity dividends (see note 8)	–	–	–	(3,558)	(3,558)
As at 31 March 2012	**14,899**	**18,840**	**17,696**	**5,850**	**57,285**

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 2013 £'000	Year ended 31 March 2013 £'000	Year ended 31 March 2012 £'000	Year ended 31 March 2012 £'000
Cash flows from operating activities				
Investment income received		3,676		4,310
Money market interest received		12		11
Investment management fee paid		(320)		(318)
Other cash expenses		(278)		(308)
Cash generated from operations		3,090		3,695
Interest paid		(352)		(397)
Net cash inflows from operating activities		2,738		3,298
Cash flows from investing activities				
Purchases of investments	(7,067)		(4,489)	
Sales of investments	5,521		7,001	
Net cash (outflow)/inflow from investing activities		(1,546)		2,512
Cash flows from financing activities				
Equity dividends paid	(3,569)		(3,558)	
Net cash outflow from financing activities		(3,569)		(3,558)
Financing				
Share issue	618		–	
Net cash inflow from financing		618		–
Net (decrease)/increase in cash and cash equivalents		**(1,759)**		**2,252**
Reconciliation of net cash flow to movements in cash and cash equivalents				
(Decrease)/increase in cash and cash equivalents as above		(1,759)		2,252
Net cash and cash equivalents at start of period		(14,267)		(16,519)
Net cash and cash equivalents at end of period		**(16,026)**		**(14,267)**
Net cash and cash equivalents comprise:				
Cash and cash equivalents		1,974		3,733
Short-term borrowings		(18,000)		(18,000)
		(16,026)		**(14,267)**

Notes to the Financial Statements For the year ended 31 March 2013

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 21.

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: Classification and Measurement (effective for annual periods beginning on or after 1 January 2015);
- IFRS 10 – Consolidated Financial Statements (early adoption permitted) (effective for annual periods beginning on or after 1 January 2013);
- IFRS 11 – Joint Arrangements (early adoption permitted) (effective for annual periods beginning on or after 1 January 2013);
- IFRS 12 – Disclosure of Interests in Other Entities (early adoption permitted) (effective for annual periods beginning on or after 1 January 2013);
- IFRS 13 – Fair Value Measurement (effective for annual periods beginning on or after 1 January 2013);
- Amendments to IAS 1 – Presentation of Items of Other Comprehensive Income (effective for annual periods beginning on or after 1 July 2012);
- Amendments to IAS 19 – Employee Benefits (effective for annual periods on or after 1 January 2013);
- Amendments to IFRS 7 – Disclosures: Offsetting Financial Assets and Financial Liabilities (effective for Interim financial statements at 30 June 2013 and annual periods beginning on or after 1 January 2013);
- 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 Financial Liabilities (effective for annual periods beginning on or after 1 January 2014);
- IAS 27 – Separate Financial Statements (early adoption permitted) (effective for annual periods beginning on or after 1 January 2013); and
- IAS 28 – Investments in Associates and Joint Ventures (early adoption permitted) (effective for annual periods beginning on or after 1 January 2013).

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.

2. Income	2013 £'000	2012 £'000
Income from listed investments		
Dividend income	3,248	3,337
Interest income from investments	578	670
Money market interest	12	11
Stock dividend	177	70
	4,015	4,088
Other income from investment activity		
Traded option premiums	260	264
Total income	**4,275**	**4,352**

Total income comprises:	2013 £'000	2012 £'000
Dividends and interest from investments	4,015	4,088
Other income from investment activity	260	264
Total income	**4,275**	**4,352**

All dividend income was received from UK companies. The amount of £(93,000) (2012 – £99,000) 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	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000	2012 Revenue £'000	2012 Capital £'000	2012 Total £'000
Investment management fees	**165**	**165**	**330**	**158**	**158**	**316**

For the year ended 31 March 2013 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	2013 £'000	2012 £'000
Directors' remuneration	91	81
Fees payable to auditors and associates (net of VAT):		
• fees payable to Company's auditors for the audit of annual accounts	18	18
Marketing contribution paid to Aberdeen	64	66
Professional fees	20	13
Directors & Officers' liability insurance	9	9
Trade subscriptions	32	24
Share Plan costs	15	11
Registrars fees	29	36
Printing, postage and stationery	20	20
Other administrative expenses	25	15
	323	**293**

Marketing expenses of £64,000 (2012 – £66,000) 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 (2012 – nil). No pension contributions were paid for Directors (2012 – £nil). Further details on Directors' Remuneration can be found in the Directors' Remuneration Report on page 29.

6. Finance costs and borrowings	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000	2012 Revenue £'000	2012 Capital £'000	2012 Total £'000
Bank loans and overdrafts repayable within five years	**176**	**176**	**352**	**198**	**198**	**396**

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 24% (2012 – 26%).

	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000	2012 Revenue £'000	2012 Capital £'000	2012 Total £'000
Profit/(loss) before taxation	3,611	12,361	15,972	3,703	(1,499)	2,204
Taxation of return on ordinary activities at the standard rate of corporation tax	867	2,967	3,834	962	(390)	572
Effects of:						
UK dividend income not liable to further tax	(766)	–	(766)	(854)	–	(854)
Non taxable stock dividends	(43)	–	(43)	(18)	–	(18)
Tax relief obtained by expenses capitalised	–	(55)	(55)	–	(88)	(88)
Non taxable overseas dividends	(3)	–	(3)	(2)	–	(2)
Expenses charged to capital available to be utilised	–	82	82	–	–	–
Realised (gains)/losses not taxable	–	(3,071)	(3,071)	–	323	323
Capital income not allowed	–	22	22	–	67	67
	55	**(55)**	**–**	**88**	**(88)**	**–**

At 31 March 2013 the Company had surplus management expenses and loan relationship debits with a tax value of £5,283,000 (2012 – £5,487,000) 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	2013 £'000	2012 £'000
Amounts recognised as distributions to equity holders in the period:		
Third interim dividend for the year ended 31 March 2012 of 3.0p (2011 – 3.0p) per share	891	891
Final dividend for the year ended 31 March 2012 of 3.0p (2011 – 3.0p) per share	891	891
First two interim dividends for the year ended 31 March 2013 totalling 6.0p (2012 – 6.0p) per share	1,791	1,782
Refund of unclaimed dividends from previous periods	(6)	(8)
	3,567	**3,556**
3.5% Cumulative Preference shares	**2**	**2**

The third interim dividend of 3.0p for the year to 31 March 2013 paid on 30 April 2013 and the proposed final dividend for the year to 31 March 2013 payable on 31 July 2013 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:

	2013 £'000	2012 £'000
Three interim dividends for the year ended 31 March 2013 totalling 9.0p (2012 – 9.0p) per share	2,691	2,673
Proposed final dividend for the year ended 31 March 2013 of 3.0p (2012 – 3.0p) per share	900	891
	3,591	**3,564**

9. Return and net asset value per share

The gains per share are based on the following figures:

	2013 £'000	2012 £'000
Revenue return	3,556	3,615
Capital return	12,416	(1,411)
Net return	**15,972**	**2,204**
Weighted average number of Ordinary shares	**29,843,881**	**29,697,580**

Net asset value per Ordinary share is based on net assets attributable to Ordinary shareholders of £70,306,000 (2012 – £57,285,000) and on the 29,997,580 (2012 – 29,697,580) Ordinary shares in issue at 31 March 2013.

Notes to the Financial Statements continued

10. Non–current assets – Securities at fair value	2013 £'000	2012 £'000
Listed on recognised stock exchanges:		
United Kingdom	**85,624**	**70,950**

	2013 Listed investments £'000	2013 Restricted investments £'000	2013 Total £'000	2012 Listed investments £'000	2012 Restricted investments £'000	2012 Total £'000
Cost at 31 March 2012	68,605	139	68,744	70,306	141	70,447
Investment holdings gains/(losses) at 31 March 2012	2,345	(139)	2,206	4,011	(141)	3,870
Fair value at 31 March 2012	70,950	–	70,950	74,317	–	74,317
Purchases	7,244	–	7,244	4,559	–	4,559
Sales – proceeds	(5,247)	–	(5,247)	(6,736)	–	(6,736)
Sales – net realised gains/(losses)	908	–	908	377	(2)	375
Amortised cost adjustments to debt securities[A]	(93)	–	(93)	99	–	99
Fair value movement in the year	11,862	–	11,862	(1,666)	2	(1,664)
Fair value at 31 March 2013	**85,624**	**–**	**85,624**	**70,950**	**–**	**70,950**

[A] Charged to capital.

	2013 Listed investments £'000	2013 Restricted investments £'000	2013 Total £'000	2012 Listed investments £'000	2012 Restricted investments £'000	2012 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**

Gains/(losses) on investments	2013 £'000	2012 £'000
Net realised gains on sales of investments	1,115	465
Call options exercised	(207)	(90)
Net realised gains on sales	908	375
Movement in fair value of investments	11,935	(1,568)
Put options assigned	(73)	(96)
Movement in appreciation/(depreciation) of traded options held	25	(19)
	12,795	**(1,308)**

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 £260,000 (2012 – £264,000) 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 2013, the Company had pledged collateral equal to 288% (2012 – 708%) of the market value of the traded options in accordance with standard commercial practice. The carrying amount of financial assets pledged equated to £750,000 (2012 – £1,870,000) all in the form of securities. The collateral position, which has not been adjusted down in line with the reduced traded option activity, is monitored on a daily basis.

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 (2012 – £31,000).

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

At 31 March 2013 the Company held the following investments comprising more than 3% of the class of share capital held:

Company	Country of incorporation	Number of shares held	Class of shares held	Class held %
Aberdeen Smaller Companies High Income Trust PLC	Scotland	4,000,000	ordinary	18.1
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

	2013 £'000	2012 £'000
Investment sales	–	8
Accrued income and prepayments	937	783
Other debtors	16	10
Cash and cash equivalents	1,974	3,733
	2,927	**4,534**

None of the above amounts is overdue.

12. Current liabilities

	2013 £'000	2012 £'000
Bank loans	18,000	18,000
Option contracts	47	59
Other creditors	198	140
	18,245	**18,199**

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.

	2013 £'000	2012 £'000
Other creditors	**105**	**79**

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 £18,000,000 had been drawn down at an all-in interest rate of 1.8524%, which matured on 30 April 2013. At the date of signing this report the principal amount drawn down was £18,000,000 at an all-in interest rate of 1.64865%, maturing on 28 June 2013.

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	2013 Number	2013 £'000	2012 Number	2012 £'000
Allotted, called up and fully paid				
Ordinary shares of 50 pence each	29,997,580	14,999	29,697,580	14,849
3.5% Cumulative Preference shares of £1 each	50,000	50	50,000	50
		15,049		**14,899**

During the year 300,000 (2012 – nil) Ordinary shares were issued by the Company at a total consideration received, including transaction costs of £618,000 (2012 – £nil).

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

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

The Company does not have any externally imposed capital requirements.

14. Share premium account	2013 £'000	2012 £'000
At 31 March 2012	18,840	18,840
Issue of own shares	468	–
At 31 March 2013	**19,308**	**18,840**

15. Retained earnings	2013 £'000	2012 £'000
Capital reserve		
At 31 March 2012	17,696	19,107
Net gains on sales of investments during year	908	375
Movement in fair value gains/(losses) on investments	11,862	(1,664)
Amortised cost adjustment charged to capital	(93)	99
Investment management fees	(165)	(158)
Interest on bank loans and overdrafts repayable within five years	(176)	(198)
Tax relief obtained by expenses capitalised	55	88
Dissolution of subsidiary	–	66
Traded options	25	(19)
At 31 March 2013	**30,112**	**17,696**

Revenue reserve	2013 £'000	2012 £'000
At 31 March 2012	5,850	5,793
Revenue	3,556	3,615
Dividends paid	(3,569)	(3,558)
At 31 March 2013	**5,837**	**5,850**

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.

The Manager has a dedicated investment management process, as disclosed in the Directors' Report on pages 19 and 20, which aims to ensure that the investment objective explained on page 3 is achieved. Stock selection procedures are in place based on the active portfolio management and identification of stocks. The portfolio is reviewed on a periodic basis by a Senior Investment Manager and also by the Manager's Investment Committee.

The Company's Manager has an independent Investment Risk department for reviewing the investment risk parameters of all core equity, balanced, fixed income and alternative asset classes on a regular basis. The department reports to the Manager's Performance & 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 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)**	**–**	**–**

As at 31 March 2012	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	–	8.40	19,565	–	–
Cash and cash equivalents	–	0.38	–	3,733	–
Total assets	**–**	**–**	**19,565**	**3,733**	**–**
Liabilities					
Short-term bank loan	0.08	2.05	(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 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**

At 31 March 2012	Within 1 year £'000	Within 1-5 years £'000	More than 5 years £'000
Fixed rate			
UK irredeemable preference shares	–	–	19,565
Short-term bank loan	–	(18,000)	–
	–	(18,000)	19,565
Floating rate			
Cash and cash equivalents	3,733	–	–
Total	**3,733**	**(18,000)**	**19,565**

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 2013 would increase/decrease by £20,000 (2012 – £37,000). 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 2013 would increase/decrease by £1,282,000 (2012 – increase/decrease by £1,076,000). 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, as detailed on pages 19 and 20, 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 2013 would have increased/decreased by £6,231,000 (2012 – increase/decrease of £5,008,000). 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 2013 was as follows:

	2013		2012	
	Balance Sheet £'000	Maximum exposure £'000	Balance Sheet £'000	Maximum exposure £'000
Non-current assets				
Securities at fair value through profit or loss	85,624	85,624	70,950	70,950
Current assets				
Trade and other receivables	16	16	18	18
Accrued income	937	937	783	783
Cash and cash equivalents	1,974	1,974	3,733	3,733
	88,551	**88,551**	**75,484**	**75,484**

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 14. 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 2013 as follows:

	Note	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit or loss					
Quoted equities	a)	85,624	–	–	85,624
Financial liabilities at fair value through profit or loss					
Derivatives	b)	(44)	(3)	–	(47)
Net fair value		**85,580**	**(3)**	**–**	**85,577**

Notes to the Financial Statements continued

As at 31 March 2012	Note	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit or loss					
Quoted equities	a)	70,950	–	–	70,950
Financial liabilities at fair value through profit or loss					
Derivatives	b)	(57)	(2)	–	(59)
Net fair value		**70,893**	**(2)**	**–**	**70,891**

a) Quoted equities

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

b) 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.

Marketing

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

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

These aims can be met in several ways:

Investor Relations Programme

Aberdeen runs an investor relations programme 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

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

Direct Response Advertising

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

Direct Mail

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

Newsletter

`The Bulletin' newsletter, an informed commentary on markets and investment trusts managed by Aberdeen, is available at www.aberdeenbulletin.co.uk

Public Relations

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

Shareholder Services

Aberdeen runs an investment help desk for retail enquirers and investors. Enquirers or investors will be sent any relevant literature on request and have queries answered immediately. The Marketing Programme is under the direction of Aberdeen's Group Head of 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 Aberdeen's Investor Services Department on 0500 00 00 40. Alternatively, internet users may e-mail inv.trusts@aberdeen-asset.com or write to Aberdeen Investment Trusts, PO Box 11020, Chelmsford, Essex, CM99 2DB.

How to Invest in Shires Income PLC

Direct

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

Suitable for Retail

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.

Aberdeen's Investment Plan for Children

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

Aberdeen's Investment Trust Share Plan

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

Stocks and Shares ISA

An investment of up to £11,520 in Shires Income PLC can be made through Aberdeen's Stocks and Shares ISA in the tax year 2013/2014.

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

Note

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

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

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

Company Information

If investors would like details of Shires Income PLC or information on the Children's Plan, Share Plan, or ISA please telephone 0500 00 00 40 or write to Aberdeen Investment Trusts, PO Box 11020, Chelmsford, Essex, CM99 2DB or e-mail inv.trusts@aberdeen-asset.com. Details are also available on www.invtrusts.co.uk.

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

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

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

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

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

* Calls to this/these numbers are charged at 8 pence per minute plus network extras. Lines are open 8.30 a.m. to 5.30 p.m., Monday to Friday.
Tel International: +44 121 415 7047

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

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

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

Glossary of Terms and Definitions

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

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

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

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

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

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

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

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

Ongoing Charges
Ratio of expenses as a percentage of average daily shareholders' funds calculated as per the industry standard method.

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

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

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 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-fifth 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 11 July 2013 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 2013 together with the Auditor's Report thereon.
2. To receive and adopt the Directors' Remuneration Report for the year ended 31 March 2013.
3. To approve a final dividend of 3.0p per Ordinary share in respect of the year ended 31 March 2013.
4. To re-appoint Mr A.B. Davidson as a Director of the Company.
5. To re-appoint Mr D.P. Kidd as a Director of the Company.
6. To appoint Ms M. Glen as a Director of the Company.
7. To re-appoint KPMG Audit Plc as auditor of the Company to hold office from the conclusion of the Meeting to the conclusion of the next meeting at which accounts are laid before the Company.
8. To authorise the Directors to determine the remuneration of KPMG Audit Plc as auditor of the Company.

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 £4,999,097, being equal to approximately one third of the Ordinary shares in issue, such authority to expire on 30 September 2014 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:

Disaplication 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 2014 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 2014 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
12 June 2013

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 9 July 2013 (or, in the event that the Meeting is adjourned, at 6.00 p.m. on the day which is two business days before the time of the adjourned meeting). Changes to entries on that register after that time shall be disregarded in determining the rights of any member to attend and vote at the Meeting.

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

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

(vi) CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

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

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

(ix) No Director has a service contract with the Company but copies of Directors' letters of appointment will be available for inspection at the registered office of the Company during normal business hours on any weekday (Saturdays, Sundays and 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 12 June 2013 (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 12 June 2013 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 Aberdeen's Investment Plan for Children, Aberdeen's Investment Trust Share Plan and Investment Trust ISA. These are explained in the 'Letter of Direction' which such holders will have received with this report.

Corporate Information

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

Company Secretary
Aberdeen Asset Management PLC
40 Princes Street
Edinburgh
EH2 2BY

Registered Office
Aberdeen Asset Management PLC
Bow Bells House
1 Bread Street
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