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# Shires Income PLC

**Annual Report and Accounts**
**31 March 2010**

Aberdeen

# Contents

## Annual Report



## Directors' Reports and Financial Statements



## General Information



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# About Your Company

## Trust Objective

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

## Assets

### Portfolio Assets

Shires Income had total investments of £73.0m as at 31 March 2010. These investments were invested by the Manager, Aberdeen Asset Managers Limited ("Aberdeen"), in what they believe is the appropriate way of achieving the Company's objectives. Of the total investments, £49.7m was invested in Ordinary shares, £1.3m in convertible securities and £22.0m 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.

### Shires Smaller Companies plc

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

### Earnings and Dividends

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

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

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

The Directors and Manager put a great deal of emphasis on being able to provide shareholders with a high level of dividend. This is, however, put at risk if the dividends paid by UK companies in general declined. There is a sizeable revenue reserve, equivalent to 14.4p per share (after providing for the IFRS dividend adjustment of 6.0p), which could be drawn on if required.

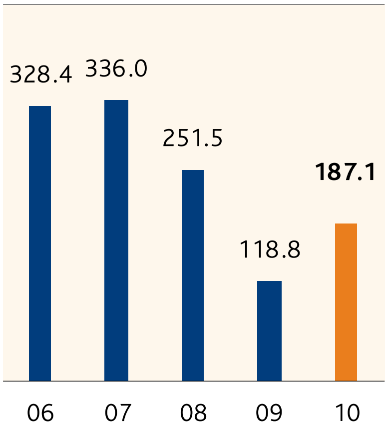
## Gearing

In the long term, to help income generation and capital growth, the Company has borrowed to invest in the assets described above. This is undertaken in the belief that the assets will produce a greater total return than the cost of the borrowing over time. However, if asset values decline, that decline is exacerbated by gearing. During the majority of the year under review, Shires Income utilised two methods of borrowing. The first was a debenture, which had its interest cost and capital repayment linked to inflation (RPI). The final tranche of this debenture was redeemed on 5 March 2010. The other was by bank borrowing utilising revolving credit facilities. Following the repayment of the final tranche of the index-linked debenture, the Company's borrowing is now exclusively bank borrowing.

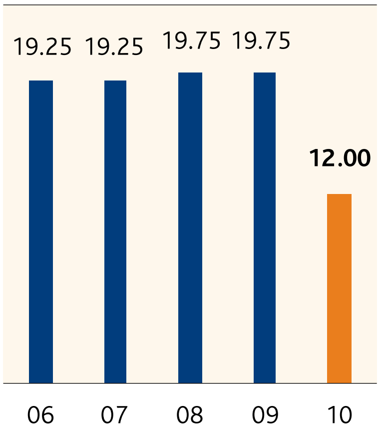
# Financial Summary

| | 2010 | 2009 |
|---|---|---|
| Net asset value total return | **+77.4%** | –47.8% |
| Share price total return | **+90.9%** | –44.7% |
| Dividend per share | **12.00p** | 19.75p |

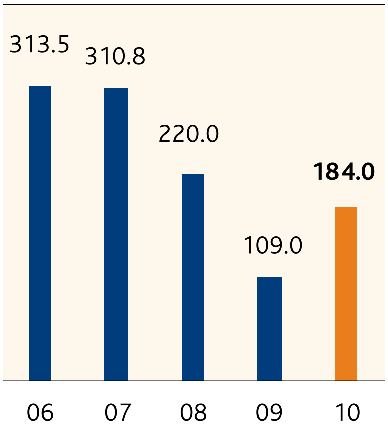
Net asset value per Ordinary share
At 31 March – pence




Dividends per Ordinary share
pence




Share price per Ordinary share
At 31 March – pence




# Financial Calendar

| | |
|---|---|
| **9 July 2010** | Annual General Meeting at 12 noon |
| **30 July 2010** | Ordinary shares final dividend 2009/2010 payable |
| **30 September 2010** | 3.5% Preference shares half-year dividend payable |
| **29 October 2010** | Ordinary shares first interim dividend 2010/2011 payable |
| **November 2010** | Interim results announced |
| **November 2010** | Interim Report published |
| **31 January 2011** | Ordinary shares second interim dividend 2010/2011 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 UK quoted companies and convertibles and preference shares with above average yields. The Manager selects stocks via a bottom-up investment process based on a disciplined evaluation of companies through direct visits by the Manager.

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

## Benchmark

FTSE All-Share Index (Total Return).

## Capital Structure and Voting Rights

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

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

## Dividends

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

## Continuation Vote

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

## Management Company and Fee

Aberdeen Asset Managers Limited ("Aberdeen") acts as Manager to the Company under a management contract which, with effect from 1 July 2009, is terminable by six month's notice on either side. The fee is 0.45% for funds up to £100 million and 0.40% for funds over £100 million.

## SIPPs and ISAs

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

## AIC

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

## Price and Net Asset Value Information

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

## Share Register Enquiries

The Company's Registrars, Equiniti Limited, maintains the share register. In the event of queries regarding your shares, please contact the Registrars on 0871 384 2030. 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 the difficulties suffered by investors in 2008-09, I am pleased to report a much improved set of annual results. In the year to end March 2010, the UK equity market staged a strong recovery as measures taken by the Government and the Bank of England, notably the introduction of quantitative easing in March 2009, restored confidence in the banking system. Although the economy still went into a severe recession, GDP started to recover modestly in the fourth quarter of 2009 and first quarter of 2010. At the corporate level, companies had already reacted rapidly to the crisis by cutting costs, raising cash and strengthening their balance sheets. As a consequence, company results and statements were better than expectations.

The outcome, for the year to end March 2010, was that the FTSE All-Share index produced a total return of 52.3%. The return from equities compared starkly to UK Government bonds which, over the same period, delivered a total return of only 0.8%. With interest rates cut to historic lows, the return from cash was 0.5%.

In the twelve months to 31 March 2010, the Company's total return on net assets was 77.4% compared to 52.3% from our benchmark, the FTSE All-Share index. Over the same period, the total return on the share price was 90.9%.

The appreciation in the Company's net assets reflected the recovery in investment conditions together with the benefits of being geared into a rising equity market. Good stock selection in both equity and preference shareholdings also contributed to the outperformance.

In line with the Board's guidance last year, your Company is proposing a full year dividend of 12.0p per share, almost entirely covered by the revenue generated from the portfolio. If approved at the AGM, a final dividend of 3.0p per share will be paid on 30 July 2010 to shareholders on the register at 9 July 2010.

## Performance

Good stock selection particularly in Industrials, Consumer Services and Financials made the greatest contribution to performance. Smaller companies returned to favour and this was reflected in the performance of the Company's holding in Shires Smaller Companies. Preference shares also participated in the recovery in risk assets.

During the year, the Company's shares traded at a tight discount or small premium to their net asset value reflecting better performance and demand for yield from investors.

## Earnings and Dividends

For more than a year, the Board has been cautious about the outlook for UK dividends and, after careful consideration of the estimated level of revenue from the portfolio, reduced its forecast for this year's dividend to 12.0p per share. Once the final dividend of 3.0p per share is approved at this year's AGM, shareholders will have received a total dividend of 12.0p per share.

Last year, the Board also indicated that it would be placing less emphasis on options trading as a means of generating additional income in preference to sustainable revenue from the underlying portfolio. In the year under review, the portfolio generated total income from investments of £4.2m of which traded options accounted for £212,000 or 5% of revenue compared to £1.33m or 19.3% in the previous year.

The Board is aware of how important income is to shareholders but must reconcile this with a realistic income generation target and the objective of achieving long term capital growth. The rebased dividend of 12.0p per share is backed by adjusted revenue reserves of 14.4p per share (i.e. after providing for the third and final dividends) and a lower dependence on options activity. In the year to 31 March 2011, the Board anticipates that it should be able to maintain the dividend at 12.0p per share although on current revenue estimates the distribution will need to be modestly supplemented from reserves. As shareholders will understand, this dividend prospect also depends on market conditions and a still fragile economic recovery.

## Portfolio Profile and Gearing

I am pleased to report that on 5 March 2010, the third and final tranche of the 5% Index Linked Debenture stock was repaid at a capital cost of £9.85m. This type of long term structural financing, introduced in 1989, had become increasingly expensive in times of rising inflation and has now been replaced by cheaper and more flexible bank debt. The repayment was funded through an increased £20m revolving credit facility which will come up for renewal at the end of February 2011. The Company has good long term relationships with its bankers and expects the facility to be renewed in 2011.

As a result of the strong recovery in asset values and net repayment of £2m of debt, the Company's gearing declined from 55.2% to 31.4%.

Given the geared structure of the Company, the Board is determined to manage the gearing as prudently as possible. In the months leading up to the re-financing in March 2010, the Manager took out portfolio protection (a collar strategy comprising FTSE 100 call and put options) to insure the £20m geared portion of the Company's assets against a fall in the FTSE 100 Index below 4800. The strategy expired on 18 March 2010 at a total cost of £50,000 and succeeded in protecting the portfolio during the refinancing and over a time of continued uncertainty in markets.

## Outlook

The UK economy is slowly emerging from recession and prospects for manufacturing output, given sterling's weakness, appear good but final demand from consumers is uncertain. Recent newsflow from the housing market and the retail sector has been mixed at best. Given the fragile nature of the recovery, interest rates are likely to remain low for most of this year and the Bank of England have indicated that they would extend their quantitative easing programme if the economic situation deteriorated. In the longer term, measures will be needed to address the UK budget deficit and although the timing and quantum are unclear, cuts in public spending will cause unemployment to rise.

After the strong recovery in equity markets, we expect investors' confidence to be tested by issues such as the sovereign debt problems in the weaker European economies and worries about when fiscal and monetary policies will be tightened.

The new coalition government has significant economic, fiscal and social issues to address. Whether or not it can provide longer term stability to the markets remains to be seen.

The Board believes the Company's portfolio is in good shape, well diversified by company and industry with a lower and more flexible level of gearing. Whilst the UK stock market is dependent on a handful of large FTSE100 companies for its income, Shires' portfolio derives its income from a core equity portfolio supplemented by preference shares for higher yield. The portfolio's improved performance and substantial revenue reserves should give it the strength to weather market set backs and also to produce some capital growth when sentiment picks up.

**Anthony B. Davidson**
Chairman
27 May 2010

# Manager's Review

## Portfolio Strategy

As investment markets recovered and the value of the Company's assets increased, the level of gearing declined from 55.2% to 31.4%. The final tranche of the 5% Index-Linked debenture was repaid in March 2010 and replaced by simpler, more flexible bank debt, drawn to the extent of £20m at the period end. The geared element of the portfolio is invested in UK preference shares which provide a core level of high yield.

The Company's assets are invested in equities, preference shares and convertible shares. At the year end, 68% of the assets were invested in equities, 30% in preference shares and a small amount in convertibles. During the year, the balance in favour of equities increased from 65% to 68% of total assets of £73m. The shift was partly achieved through net disinvestment of £1.8m from preference shares. A net £2m was also raised from the equity portfolio towards the re-financing.

At the start of the year, rights issues were a feature as companies rebuilt their balance sheets but by end of March 2010, merger and acquisition activity had returned to the market. Within the equity portfolio, exposure to Oil & Gas and Basic Materials moved from under to over weight after increased investment in 2009. Cyclical companies proved popular during the equity rally and following a period of strength, the Manager has reduced such holdings in favour of those offering long term sustainable earnings growth.

## Revenue Account

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

| | 2010 % | 2009 % | 2008 % | 2007 % | 2006 % |
|---|---|---|---|---|---|
| Ordinary dividends | 41.6 | 41.5 | 47.5 | 50.6 | 44.3 |
| Preference dividends | 44.7 | 28.1 | 29.0 | 28.6 | 25.6 |
| Shires Smaller Companies plc | 7.4 | 8.7 | 7.4 | 7.2 | 11.2 |
| Fixed interest and bank interest | 1.3 | 2.9 | 1.1 | 1.6 | 1.9 |
| Dealing subsidiary | 0 | (0.5) | (7.0) | 3.1 | 2.2 |
| Traded option premiums | 5.0 | 19.3 | 22.0 | 8.9 | 14.8 |
| | **100.0** | **100.0** | **100.0** | **100.0** | **100.0** |
| **Total income (£'000s)** | **4,201** | **6,929** | **8,117** | **8,062** | **7,741** |

In the year to end March 2010, equities accounted for nearly half the revenue generated, followed by holdings in preference shares. 5% of the revenue came from traded options. This was a decline on previous years as the Company reduced its reliance on this volatile revenue stream. There was no income from the trading subsidiaries, which were inactive over the year.

## Equities

As markets began to recover in the early part of the year, the Manager took the opportunity to introduce a number of new holdings. These had previously been identified as attractive investments and the fall in the markets provided the opportunity to buy into them.

These included Pearson which is well positioned to lead the ongoing transition from textbooks to digital content in its education business. Although the media sector has traditionally been a very cyclical area of the market, Pearson has a more resilient earnings profile than most media companies. In the Mining sector, the opportunity arose to introduce BHP Billiton, this is the world's largest diversified miner. Whilst inherently cautious of the "super cycle argument", the Manager believes that this is a quality company with solid long term prospects, a conservative management team and a strong balance sheet.

Another way to access some of the drivers of the Mining and Oil & Gas sectors is to invest in the businesses that supply services to them. With that in mind, an investment was made in Weir. The company is a global leader in the supply of pumps to these industries. It has successfully built a substantial services business which has been shown to provide resilience in the face of a slowdown in capital spending by their large customers. A holding in Amec was also introduced. This company provides consulting, engineering and project management services to the energy, power and process industries globally. With a net cash balance sheet equal to 25% of its market capitalisation, it is well positioned to embark on acquisitive growth.

In the Financials sector a new holding was added in the form of Provident Financial. This company is expected to benefit from recessionary conditions, any subsequent recovery and a growing desire on the part of the Government to see credit availability increased. The business is committed to maintaining what is a very attractive dividend. The Manager also initiated a holding in Close Brothers. The business is conservatively managed and has a good opportunity to grow its banking business in a counter-cyclical manner. It also owns the WINS market making business, the quality of which has become increasingly apparent. A new holding in Chaucer was introduced. This is a non life insurer operating primarily in the Lloyd's market. Having changed its management team and de-risked its investment strategy, it is expected to be able to continue paying a high dividend whilst delivering growth in profitability and providing the Company with exposure to a sector that is less correlated to the general macro economic cycle.

There was very limited merger and acquisition activity last year. However the Financials sector was one area where the portfolio benefited, as its holding in Friends Provident was acquired by Resolution. The Aerospace and Defence sector had suffered from concerns that there would have to be cuts to US and UK defence spending. This created an opportunity to introduce Cobham. This company has long term, often 20 year plus, streams of recurring revenues derived from its earlier involvement in new military platforms. It generally occupies strong positions in niche markets such as air to air refuelling where it has a defensible competitive advantage. Another company exposed to similar but even longer term revenue streams is Rolls Royce in which a holding was built up over the year.

Several holdings were exited over the year. These included BT and Ladbrokes where the Manager had increasing concerns about their balance sheets and the outlook for the dividends. Marks & Spencer and Diageo were also sold because it was felt that both companies would struggle to deliver meaningful growth over the medium term and that consequently there were more attractive opportunities elsewhere.

The exposure to smaller companies was further reduced. ATH Resources was sold following a significant change of strategy by the management team that altered the risk profile and dividend paying ability of the company. Holidaybreak was sold down following a solid recovery in the share price. This remains a good company and the Company has ongoing exposure to this business through its holding in Shires Smaller Companies. The holding in Chesnara was reduced following a near doubling of the share price.

A feature of the recovery in markets has been the very strong bounce in cyclical companies. The Company holds some such companies and the Manager took the opportunity to lock in some of these gains over the course of the year. Examples of these include top slices in Persimmon, Millennium & Copthorne, GKN and DMGT. These companies are also characterised by low or zero dividends.

## Preference Shares

Preference shares also recovered strongly over the year. Whilst they are still trading at spreads that are wider than historic norms, they are behaving much more like fixed income securities which is as would be expected. The main activity in this part of the portfolio was the sale of the two Lloyds securities. Lloyds announced that they were to stop paying the coupon on these investments. Whilst there was a possible option to swap the holdings into alternative income paying securities, there was no guarantee that this would be successful. That raised the possibility of the Company being left with holdings in less liquid and nil yielding preference shares. In light of this it was felt that there was no choice but to sell the holdings.

## Investment Performance Analysis

In the year to the end March 2010, the total return on net assets was 77.4% compared to our benchmark the FTSE All-Share Index which rose by 52.3%. The outperformance versus the benchmark was caused by being geared in rising markets, the higher than benchmark exposure to small and medium sized companies and positive stock selection especially in the Travel & Leisure sector. The table below details the contributions from the Company's assets to the NAV total return.

| Asset Class | % |
|---|---|
| Equities (inc Shires Smaller Companies) | 55.5 |
| Fixed income portfolio, total return | 24.4 |
| Option writing | 0.6 |
| Index-Linked Debenture Stock | -0.7 |
| Other financing costs and expenses | -2.4 |
| **Total return on Net Assets** | **77.4** |

## Prospects

In general, management teams reacted promptly to the onset of the recession. They realigned their cost bases such that they were able to cope, even in the face of what were often quite dramatic declines in sales. As the economy has begun to recover many companies have reported marked improvements in profitability. This has been one of the key factors that has driven the recovery in markets. We are now at a stage when profitability arising from cost savings alone is no longer sufficient. Investors want to see a demonstrable return to sales growth.

There are a number of factors that are supportive of such a scenario. Amongst these are the extremely low levels of interest rates. We believe that rates will be unchanged in 2010 and there is a growing belief that they will remain low into 2011. The weakness of sterling is now beginning to show signs of boosting export activity. The level of unemployment has not been as severe as might have been expected and there is the ongoing impact of various stimulatory packages, not the least of which is the £200bn quantitative easing programme.

However, there are factors that could slow or even derail the recovery. Whilst it comes as no surprise that the new Government needs to address the scale of the deficit, it remains to be seen where the burden for this will fall. Cuts in public sector spending and concomitant tax rises are clearly necessary but an overly aggressive approach could be damaging for the recovery. Inflation is some way above the target of 2%. The Bank of England would seem to be relaxed about this in the short term, not least because it is explicable in terms of the return of VAT to 17.5% and the rise in fuel costs. But they will not allow it to continue unchecked into the medium term. Interest rates could rise sooner and further than currently expected. On the Continent there is an evolving credit crisis. Whilst the authorities have taken very significant action to avert a further deterioration, there are still massive deficits that need to be resolved. Large austerity programmes in these countries will diminish some of the currency benefit that the UK would otherwise have derived.

Clearly then it is difficult to divine the macro economic outlook for the next year. However from an investor's perspective equities do not look expensive, either in absolute terms or relative to other asset classes. Having been cut, in some cases savagely, as companies recognised the need to repair their balance sheets there is now the potential for payouts to rise. Consensus forecasts would suggest that earnings will grow materially ahead of dividends over the next 12 months which is not surprising as dividend growth is generally a lagging indicator. It does however mean that current yield expectations are not based on unrealistic expectations of recovery and that should the recovery materialise as expected, there is a latent growth potential for dividends. Merger and acquisition activity has picked up again, unsurprising when one considers that good quality companies are available for both trade and private equity purchasers at attractive valuations. This is particularly true for overseas buyers who can benefit from sterling weakness.

It is often commented that investors should shun the UK in favour of the growth available in emerging markets. Whilst this may be a superficially attractive argument it should be remembered that domestic equities derive only about 35% of their revenues from the UK. It is also notable that for many emerging markets and China in particular there are signs that their economies are overheating and that their equities appear expensive.

Uncertainties remain but we believe that the portfolio is invested in good quality companies with solid balance sheets, sound cash flow and transparent earnings that will be able to weather the difficulties outlined above. Many have emerged from the recession in a stronger competitive position than they entered it.

**Aberdeen Asset Managers Limited**
27 May 2010

# Results

## Financial Summary

| | 31 March 2010 | 31 March 2009 | % change |
|---|---|---|---|
| Total investments | £73,023,000 | £54,731,000 | +33.4 |
| Shareholders' funds | £55,573,000 | £35,271,000 | +57.6 |
| Market capitalisation | £54,643,547 | £32,370,362 | +68.8 |
| Net asset value per share | 187.13p | 118.77p | +57.6 |
| Share price (mid market) | 184.00p | 109.00p | +68.8 |
| Premium to adjusted NAV[A] | 1.6% | 1.1% | |
| Gearing | 31.4% | 55.2% | |
| Total expense ratio | 1.1% | 1.1% | |
| | | | |
| **Dividends and earnings** | | | |
| Revenue return per share[B] | 11.83p | 18.64p | –36.6 |
| Dividends per share[C] | 12.00p | 19.75p | –39.2 |
| Dividend cover | 0.99 | 0.93 | |
| Revenue reserves[D] | £6,151,000 | £7,668,000 | |

[A] Based on IFRS NAV above reduced by dividend adjustment of 6.0p (2009 – 10.95p).

[B] Measures the revenue earnings for the year divided by the weighted average number of Ordinary shares in issue (see Consolidated Statement of Comprehensive Income).

[C] The figures for dividends per share reflect the years in which they were earned (see note 9 on page 37).

[D] The revenue reserve figure does not take account of the third or final interim dividend amounting to £1,781,855 (2009 – £3,252,000).

## Performance (total return)

| | 1 year % return | 3 year % return | 5 year % return |
|---|---|---|---|
| Net asset value | +77.4 | –26.3 | +3.4 |
| Share price (based on mid price) | +90.9 | –20.3 | +6.0 |
| FTSE All-Share Index | +52.3 | –0.7 | +41.3 |

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

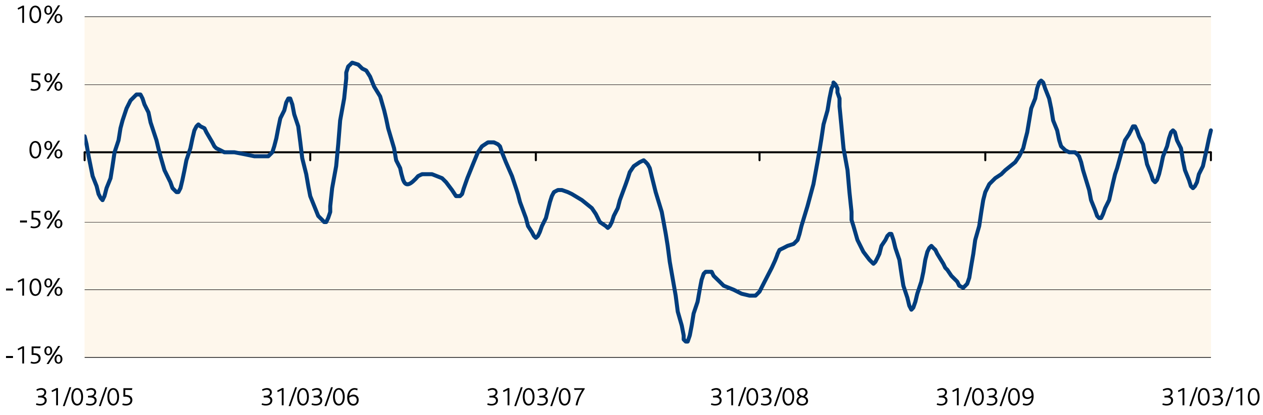
## Dividends

| | Rate per share | xd date | Record date | Payment date |
|---|---|---|---|---|
| First interim dividend | 3.00p | 7 October 2009 | 9 October 2009 | 30 October 2009 |
| Second interim dividend | 3.00p | 6 January 2010 | 8 January 2010 | 29 January 2010 |
| Third interim dividend | 3.00p | 7 April 2010 | 9 April 2010 | 30 April 2010 |
| Proposed final dividend | 3.00p | 7 July 2010 | 9 July 2010 | 30 July 2010 |
| **2009/10** | **12.00p** | | | |
| | | | | |
| First interim dividend | 4.40p | 1 October 2008 | 3 October 2008 | 31 October 2008 |
| Second interim dividend | 4.40p | 31 December 2008 | 5 January 2009 | 30 January 2009 |
| Third interim dividend | 4.40p | 8 April 2009 | 14 April 2009 | 30 April 2009 |
| Final dividend | 6.55p | 1 July 2009 | 3 July 2009 | 31 July 2009 |
| **2008/09** | **19.75p** | | | |

# Performance

## Ordinary Share Price Premium/(Discount) to NAV

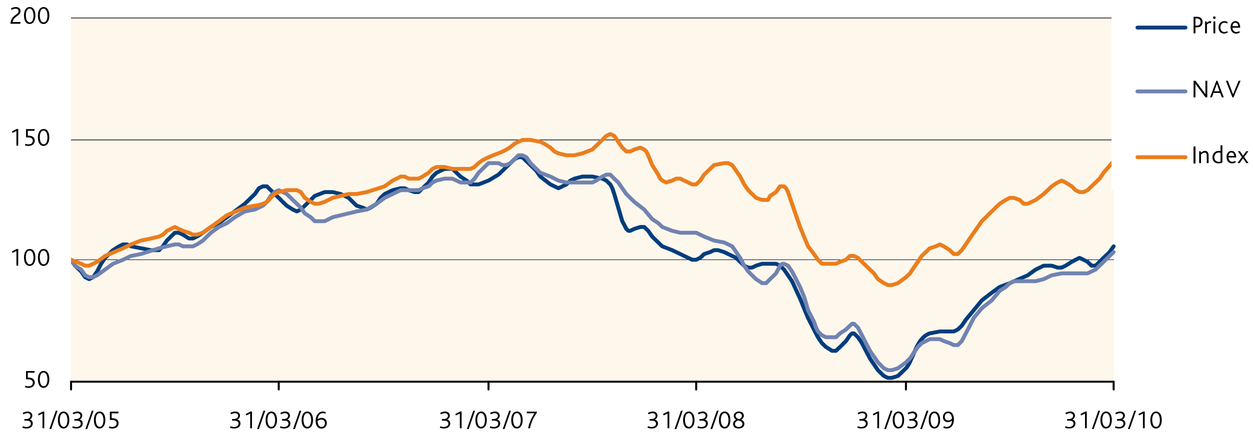
Five years to 31 March 2010




Source: Morningstar

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

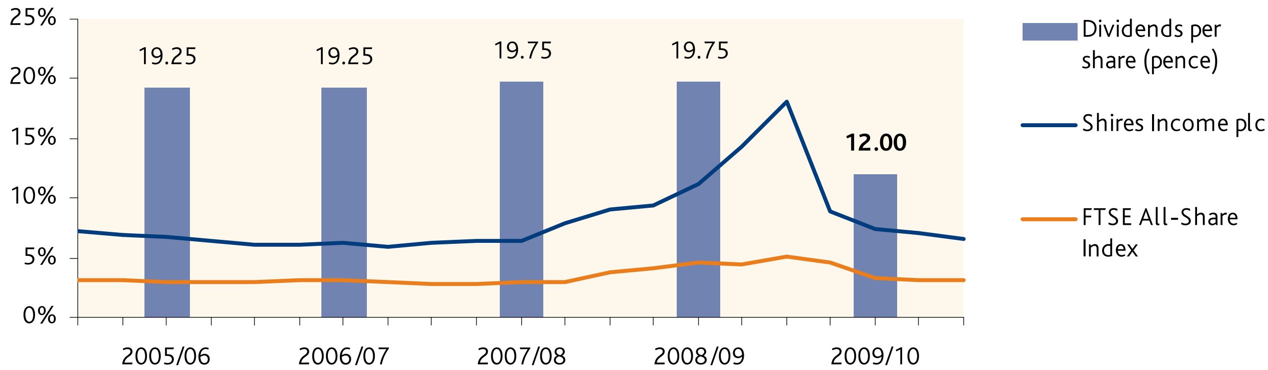
Figures are total return and have been rebased to 100 at 31 March 2005




Source: Morningstar & Factset

## Net Dividend Yield

Five years to 31 March 2010



# Performance

## Ten Year Financial Record

| Year to 31 March | 2001 | 2002 | 2003 | 2004[A] | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Revenue available for ordinary dividends (£'000)** | 5,713 | 5,739 | 5,853 | 5,770 | 5,770 | 5,792 | 5,987 | 6,026 | 5,536 | 3,512 |
| **Per share** | | | | | | | | | | |
| Net revenue return (p) | 19.3 | 19.4 | 19.7 | 19.5 | 19.6 | 19.5 | 20.2 | 20.3 | 18.6 | 11.8 |
| Net dividends paid/proposed (p) | 19.00 | 19.25 | 19.25 | 19.25 | 19.25 | 19.25 | 19.25 | 19.75 | 19.75 | 12.00 |
| Total return (p) | (8.7) | (38.9) | (175.0) | 76.0 | 52.5 | 74.8 | 26.8 | (65.4) | (113.0) | 85.3 |
| Net asset value (p) | 425.1 | 366.9 | 172.7 | 229.5 | 272.9 | 328.4 | 336.0 | 251.5 | 118.8 | 187.1 |
| Shareholders' funds (£m) | 126.0 | 108.9 | 51.2 | 68.1 | 81.1 | 97.5 | 99.8 | 74.7 | 35.3 | 55.6 |

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

## Cumulative Performance

Rebased to 100 at 31 March 2000

| As at 31 March | 2000 | 2001 | 2002 | 2003 | 2004[A] | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| NAV – diluted | 100.0 | 93.9 | 81.0 | 38.1 | 50.7 | 58.0 | 69.8 | 71.4 | 53.5 | 25.2 | 39.8 |
| NAV total return[B] | 100.0 | 97.8 | 88.7 | 44.9 | 65.4 | 81.0 | 104.5 | 113.7 | 90.5 | 47.2 | 83.8 |
| Share price performance | 100.0 | 103.5 | 83.3 | 35.5 | 56.1 | 66.7 | 78.6 | 77.9 | 55.1 | 27.3 | 46.1 |
| Share price total return[B] | 100.0 | 108.3 | 91.5 | 41.9 | 73.2 | 94.7 | 119.4 | 126.0 | 95.2 | 52.6 | 100.4 |
| Benchmark performance | 100.0 | 87.2 | 82.2 | 55.8 | 70.6 | 79.0 | 98.0 | 105.6 | 94.1 | 63.8 | 93.6 |
| Benchmark total return[B] | 100.0 | 89.2 | 86.4 | 60.6 | 79.4 | 91.8 | 117.5 | 130.6 | 120.5 | 85.2 | 129.7 |

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

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

# Investment Portfolio – Ordinary shares

As at 31 March 2010

| Company | Valuation 2010 £'000 | Total portfolio % | Valuation 2009 £'000 |
|---|---|---|---|
| **Shires Smaller Companies** | 3,840 | 5.3 | 1,880 |
| **British American Tobacco** | 3,203 | 4.4 | 2,807 |
| **British Petroleum** | 2,637 | 3.6 | 1,556 |
| **Royal Dutch Shell** | 2,524 | 3.5 | 1,531 |
| **Vodafone** | 2,316 | 3.2 | 1,694 |
| **Centrica** | 2,275 | 3.1 | 1,638 |
| **Arriva** | 2,136 | 2.9 | 1,251 |
| **HSBC Holdings** | 2,131 | 2.9 | 499 |
| **AstraZeneca** | 1,957 | 2.7 | 1,723 |
| **National Grid** | 1,706 | 2.3 | 1,424 |
| Ten largest investments | **24,725** | **33.9** | |
| **GlaxoSmithKline** | 1,696 | 2.3 | 1,005 |
| **Chesnara** | 1,355 | 1.9 | 1,073 |
| **Prudential** | 1,347 | 1.8 | 1,220 |
| **Aviva** | 1,291 | 1.8 | 649 |
| **Tesco** | 1,276 | 1.7 | 977 |
| **Provident Financial** | 1,249 | 1.7 | – |
| **BHP Billiton** | 1,241 | 1.7 | – |
| **Rolls Royce** | 1,185 | 1.6 | 647 |
| **Unilever** | 1,163 | 1.6 | 792 |
| **Whitbread** | 1,013 | 1.4 | 707 |
| Twenty largest investments | **37,541** | **51.4** | |
| **Morrison (Wm.)** | 945 | 1.3 | 823 |
| **Millennium & Copthorne Hotels** | 907 | 1.3 | 727 |
| **Weir Group** | 860 | 1.2 | – |
| **Schroders** | 837 | 1.2 | – |
| **Associated British Foods** | 812 | 1.1 | 320 |
| **Close Brothers** | 806 | 1.1 | – |
| **GKN** | 755 | 1.0 | 328 |
| **Land Securities** | 754 | 1.0 | 486 |
| **Daily Mail & General Trust** | 746 | 1.0 | 454 |
| **Pearson** | 704 | 1.0 | – |
| Thirty largest investments | **45,667** | **62.6** | |
| **Rio Tinto** | 615 | 0.9 | 350 |
| **Persimmon** | 535 | 0.7 | 957 |
| **Cobham** | 532 | 0.7 | – |
| **Standard Chartered** | 513 | 0.7 | 247 |
| **Chaucer Holdings** | 490 | 0.7 | – |
| **AMEC** | 455 | 0.6 | – |
| **Resolution** | 379 | 0.5 | – |
| **Mylan Inc** [A] | 4 | – | 2 |
| Total Ordinary shares | **49,190** | **67.4** | |

[A] Listed in the USA.

# Investment Portfolio – Other Investments

As at 31 March 2010

| Company | Valuation 2010 £'000 | Total portfolio % | Valuation 2009 £'000 |
|---|---|---|---|
| **Convertibles** | | | |
| Balfour Beatty Cum Conv 10.75% | 675 | 0.9 | 677 |
| Premier Farnell 89.2p Cum Conv | 638 | 0.9 | 588 |
| **Total Convertibles** | **1,313** | **1.8** | |
| **Preference shares** | | | |
| Ecclesiastical Insurance Office 8 5/8% | 4,749 | 6.5 | 3,912 |
| Royal & Sun Alliance 7 3/8% | 4,372 | 6.0 | 3,549 |
| General Accident 7.875% | 3,584 | 4.9 | 2,909 |
| Santander 10.375% | 3,284 | 4.5 | 2,180 |
| Standard Chartered 8.25% | 3,265 | 4.5 | 2,688 |
| Barclays Bank 14% | 1,688 | 2.3 | 939 |
| REA Holdings 9% | 1,106 | 1.5 | 932 |
| **Total Preference shares** | **22,048** | **30.2** | |
| **Unlisted investments (3)[B]** | **472** | **0.6** | 2,053 |
| **Total Other Investments** | **23,833** | **32.6** | |
| **Total Investments** | **73,023** | **100.0** | |

[A] Listed in the USA.

[B] USA securities.

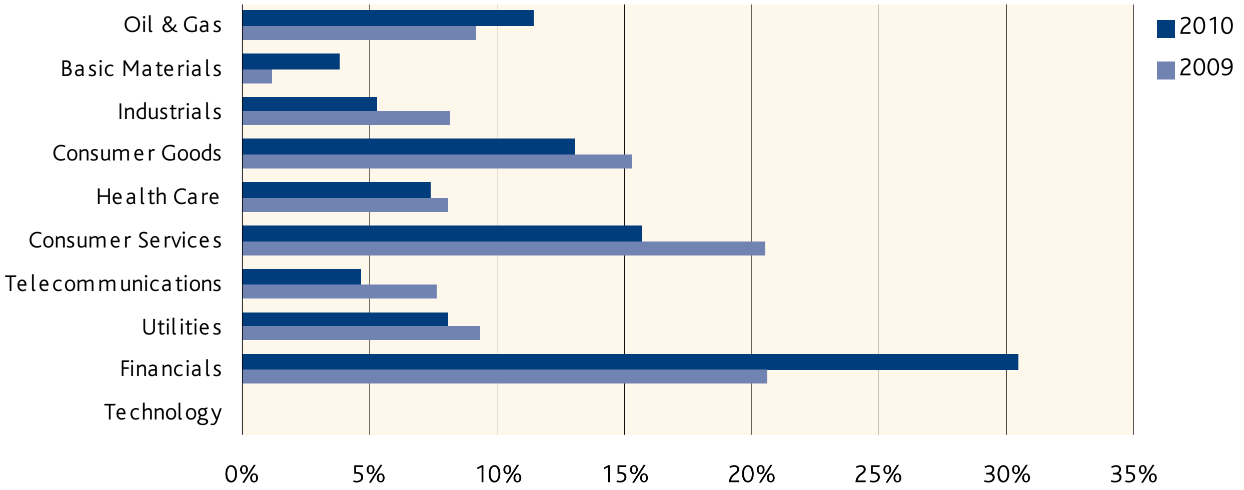
All other investments are listed on the London Stock Exchange (Sterling based).

# Distribution of Assets and Liabilities

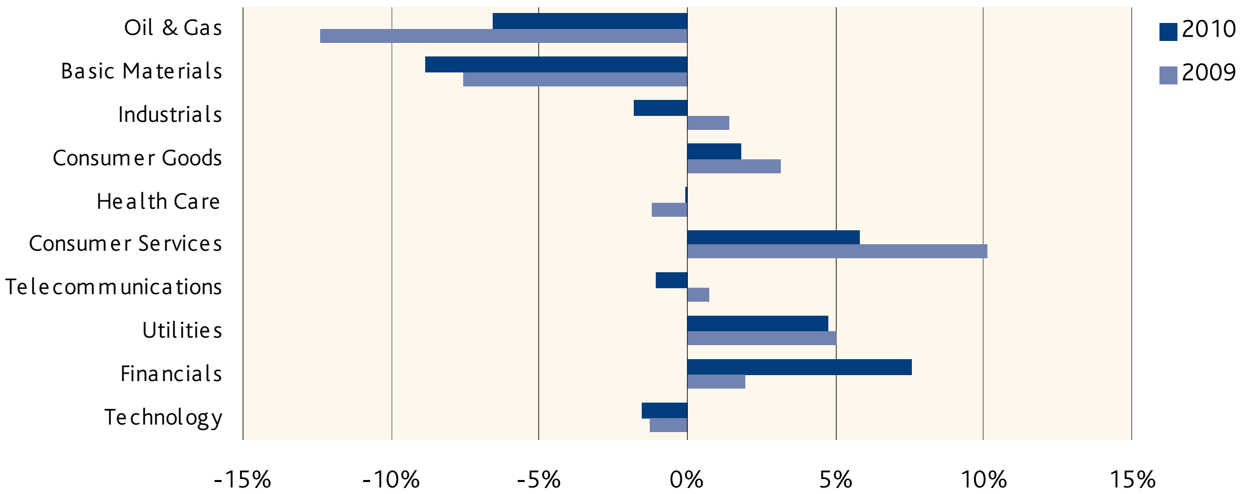
As at 31 March 2010

| | Valuation at 31 March 2009 £'000 | % | Movement during the year Purchases £'000 | Sales £'000 | Other £'000 | Gains/ (losses) £'000 | Valuation at 31 March 2010 £'000 | % |
|---|---|---|---|---|---|---|---|---|
| **Listed investments** | | | | | | | | |
| Ordinary shares | 33,527 | 95.1 | 10,299 | (12,479) | – | 17,843 | 49,190 | 88.5 |
| Convertibles | 1,265 | 3.6 | – | – | – | 48 | 1,313 | 2.4 |
| Preference shares | 17,886 | 50.7 | – | (1,835) | (134) | 6,131 | 22,048 | 39.7 |
| | 52,678 | 149.4 | 10,299 | (14,314) | (134) | 24,022 | 72,551 | 130.6 |
| **Unlisted investments** | 2,053 | 5.8 | – | – | – | (1,581) | 472 | 0.8 |
| **Total investments** | 54,731 | 155.2 | 10,299 | (14,314) | (134) | 22,441 | 73,023 | 131.4 |
| Current assets | 2,907 | 8.2 | | | | | 2,713 | 4.9 |
| Current liabilities | (22,367) | (63.4) | | | | | (20,163) | (36.3) |
| **Net assets** | **35,271** | **100.0** | | | | | **55,573** | **100.0** |
| **Net asset value per Ordinary share** | **118.8p** | | | | | | **187.1p** | |

## Analysis of Listed Equity Portfolio




## Shires Income PLC relative to the FTSE All-Share Index



# 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:** 3 years, joined the Board in February 2007
**Experience:** Currently a non-executive Director of Sun Life Assurance Company of Canada (UK) Limited and a number of life companies within the Phoenix Group. He was previously Chief Executive of Provincial Insurance plc and a Senior Executive Director of TSB Scotland plc.
**Last re-elected to the Board:** 6 July 2007
**Committee membership:** Audit Committee, Nominations Committee (Chairman), Management Engagement Committee (Chairman)
**Remuneration for the financial year:** £21,000 per annum
**All other public company directorships:** Non-executive director of JPMorgan European Fledgeling Investment Trust plc.
**Employment by the Manager:** None
**Other connections with Company or Manager:** None
**Shared Directorships with any other Company Directors:** None
**Shareholding in Company:**10,000 Ordinary shares

### Mervyn D. Couve

**Status:** Independent Non-Executive Director.
**Length of Service:** 6 years, joined the Board in October 2003.
**Experience:** Currently a Consultant with Speechly Bircham Solicitors where he was previously Managing Partner and Senior Partner. Also a Trustee of English National Opera Trust. He is a former member of the CBI Smaller Firms Council and the CBI Company Law Panel.
**Last re-elected to the Board:** 3 July 2009.
**Committee membership:** Audit Committee, Nominations Committee, Management Engagement Committee.
**Remuneration for the financial year:** £14,000 per annum.
**All other public company directorships:** Non-executive director of Ecclesiastical Insurance Office plc and Ecclesiastical Insurance Group plc.
**Employment by the Manager:** None.
**Other connections with Company or Manager:** None.
**Shared Directorships with any other Company Directors:** None.
**Shareholding in Company:** 2,000 Ordinary shares.

### David P. Kidd

**Status:** Independent Non-Executive Director.
**Length of Service:** 6 years, joined the Board in February 2004.
**Experience:** He has twenty five years experience in investment management, of which three quarters was in the role of Chief Investment Officer. Currently a Director of The Law Debenture Pension Trust Corporation plc and a non executive director of The Salvation Army International Trustee Company. Previously Chief Investment Officer of the private bank, Arbuthnot Latham & Co. Limited, Chiswell Associates Limited and with The Royal Bank of Scotland's investment management arm.
**Last re-elected to the Board:** 6 July 2007.
**Committee membership:** Audit Committee, Nominations Committee, Management Engagement Committee.
**Remuneration for the financial year:** £14,000 per annum.
**All other public company directorships:** Non-executive director of Martin Currie Portfolio Investment Trust plc.
**Employment by the Manager:** None
**Other connections with Company or Manager:** None.
**Shared Directorships with any other Company Directors:** None.
**Shareholding in Company:** 5,000 Ordinary shares.

## Andrew Robson C.A.

**Status:** Independent Non-Executive Director.
**Length of Service:** 2 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 10 years of experience on the Boards of a number of quoted Investment Trusts. He is currently a business adviser, working with smaller UK companies.
**Last re-elected to the Board:** 4 July 2008
**Committee membership:** Audit Committee (Chairman), Nominations Committee, Management Engagement Committee.
**Remuneration for the financial year:** £16,000.
**All other public company directorships:** Non-executive director of M&G Equity Investment Trust plc, JP Morgan Smaller Companies Investment Trust plc and British Empire Securities and General Trust plc.
**Employment by the Manager:** None
**Other connections with Company or Manager:** Previously a Director of Edinburgh UK Smaller Companies Tracker Trust plc, managed by Aberdeen until liquidated in December 2006.
**Shared Directorships with any other Company Directors:** None.
**Shareholding in Company:** 3,000 Ordinary shares

# Directors' Report

## Status of the Company

The Company, which was incorporated in 1929, has received approval as an investment trust by HM Revenue & Customs for all accounting periods up to and including 31 March 2009 and has since conducted its affairs so as to enable it to retain such approved status. It is a member of the Association of Investment Companies. The Company is an investment company within the meaning of Section 833 of the Companies Act 2006. So far as the Directors are aware, the close company provisions of the Income and Corporation Taxes Act 1988 do not apply to the Company.

## Business Review

### Activities

The Company is an investment trust. The objective of the Company is set out on page 3 of the report. Its subsidiary undertaking, Wiston Investment Company Limited, operates as an investment dealing company. There was no investment dealing activity in the period.

The Company has an 18.1% interest in Shires Smaller Companies plc, a listed investment trust managed by Aberdeen.

### Results and Dividends

The financial statements for the year ended 31 March 2010 appear on pages 28 to 49. Dividends accounted for in the year amounted to 16.95p.

A third interim dividend of 3.0p per Ordinary share was declared on 30 March 2010 payable on 30 April 2010. A final dividend of 3.0p per Ordinary share is proposed, payable 30 July 2010. Under International Financial Reporting Standards (IFRS) both these dividends will be accounted for in the financial year ended 31 March 2011.

### Current and Future Development

A review of the business is given in the Chairman's Statement and the Investment Managers' Review. Key performance indicators ("KPIs") are shown in the financial information on page 9 with historical performance being shown on pages 10 and 11. These KPIs include net asset value total return, share price total return, and the premium/ discount at which the shares trade. The Board also considers the marketing and promotion of the Company including effective communications with shareholders, which is explained in more detail in the Relations with shareholders section on page 23. 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 Securities Ltd, 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 19 to the financial statements on page 43.

## Investment Policy

### Investment Process

The Manager follows a bottom-up investment process based on a disciplined evaluation of companies through direct visits by its fund Manager. 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 Shires Smaller Companies plc)
- Maximum 5% of quoted investee company's ordinary shares

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

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

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

During the majority of the year under review, the Company's gearing was in the form of a 5% Index-Linked Debenture Stock and bank borrowing, utilising revolving credit facilities. The final tranche of the Index-Linked Debenture was repaid on 5 March 2010. 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.

### Analysis of Portfolio

A comprehensive analysis of the portfolio is given in the Investment Managers' Review on pages 6 to 8, the distribution of assets and liabilities on pages 14 and 15 and the Portfolio of Investments on pages 12 and 13.

### Directors

The Directors are shown on page 16 to 17. All held office throughout the year. Mr A.B. Davidson and Mr D.P. Kidd, having been last re-elected in 2007, retire by rotation and, being eligible, offer themselves for election.

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

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

The Directors at 31 March 2010 had no other interest other than those interests, all of which are beneficial interests, shown below in the share capital of the Company

| | 31 March 2010 Ordinary shares | 31 March 2009 Ordinary shares |
|---|---|---|
| A.B. Davidson | 10,000 | 10,000 |
| M.D. Couve | 2,000 | 2,000 |
| D.P. Kidd | 5,000 | 5,000 |
| A.S. Robson | 3,000 | 3,000 |

No Director had an interest in the 3.5% cumulative preference share capital at any time during the year. There have been no changes in the Directors' interests between 1 April 2010 and 27 May 2010.

## Substantial Interests

As at 27 May 2010 the Company had received notification of the following interests in its Ordinary shares:

| Shareholder | Number of Ordinary shares held | % held |
|---|---|---|
| Axa Investment Management | 3,028,264 | 10.2 |
| Aberdeen Investment Trust Share Plans (non beneficial) | 2,749,023 | 9.3 |
| Legal & General Investment Management | 1,204,149 | 4.1 |

## Annual General Meeting

Among the resolutions being put at the Annual General Meeting of the Company to be held on 9 July 2010, the following resolutions will be proposed:

### (i) Section 551 authority to allot shares

Resolution 8 which is an ordinary resolution, will, if approved, give the Directors a general authority to allot new securities up to an aggregate nominal value of £4,949,596 representing approximately one third of the total Ordinary share capital of the Company in issue as at the date of this document, such authority to expire on 30 September 2011 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 9 is to enable the Directors to issue new shares and to resell shares held in treasury up to an aggregate nominal amount of £1,484,878 (representing approximately 10 per cent of the total Ordinary share capital in issue). Resolution 9, which is a special resolution, will, if approved, give the Directors power to allot Ordinary shares (including Ordinary shares held in treasury) for cash, otherwise than pro rata to existing shareholders, up to a maximum aggregate nominal amount of £1,484,878. Ordinary shares would only be issued for cash at a price not less than the net asset value per share. This authority will expire on 30 September 2011 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 10, which is a special resolution, will be proposed to renew the Company's authorisation to make market purchases of its own shares. The maximum number of Ordinary shares which may be purchased pursuant to the authority shall be 14.99% of the issued share capital of the Company as at the date of the passing of the resolution (approximately 4.45 million Ordinary shares). The minimum price which may be paid for an Ordinary share (exclusive of expenses) shall be 50p. The maximum price for an Ordinary share (again exclusive of expenses) shall be an amount being not more than the higher of (i) 105% of the average of the middle market quotations for the Company's Ordinary shares for the five business days immediately preceding the date of purchase and (ii) the higher of the price of the last independent trade and the highest current independent bid relating to an Ordinary share on the trading venue where the purchase is carried out.

This authority, if conferred, will only be exercised if to do so would enhance the net asset value per share and is in the best interests of shareholders generally. Shares so repurchased will be held in treasury. Any purchase of shares will be made within guidelines established from time to time by the Board. This authority will expire on 30 September 2011 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) Articles of Association

The law in relation to companies has been undergoing a number of changes following the introduction of new companies legislation in the United Kingdom under the Companies Act 2006. The changes have been implemented in stages and the final parts came into effect on 1 October 2009.

The Company last updated its Articles in 2008. Accordingly, resolution 11 (ii) to be proposed at the Annual General Meeting is a special resolution relating to the adoption of new Articles of Association ("New Articles") in order to reflect the latest provisions of the Act.

The principal changes proposed to be made to the existing Articles of Association to incorporate these changes ("Existing Articles") at the Company's Annual General Meeting are summarised in the Appendix at the back of this Annual Report. The proposed New Articles showing the changes are available for inspection at the Company's registered office from the date of this Annual Report until the close of the Annual General Meeting.

### (v) Notice Period for General Meetings

This resolution is required to reflect the coming into force of the Shareholders' Rights Regulations. The Shareholders' Rights Regulations, as they amend the Companies Act 2006, increase the notice period for general meetings of the Company to 21 days. The Company's Articles of Association, to be adopted as above, enable the Company to call general meetings (other than an Annual General Meeting) on 14 clear days' notice. In order for this to be effective, the shareholders must also approve annually the calling of meetings other than Annual General Meetings on 14 days' notice. Resolution 12 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), offering facilities for all shareholders to vote by electronic means 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 20,000 Ordinary shares.

## Going Concern

The Company's assets comprise mainly readily realisable securities which can be sold to meet funding commitments if necessary. The Board believes that the Company will be able to secure an offer of an appropriate level of facilities on commercial terms to renew the revolving credit facilities which mature on 28 February 2011. The Board considers that the Group has adequate financial resources to continue in operational existence for the foreseeable future.

## Payment Policy

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

## Auditors

The Directors confirm that, so far as each of the Directors is aware, there is no relevant audit information of which the Company's auditors are 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 auditors are aware of that information.

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

By Order of the Board
**Aberdeen Asset Management PLC**
Secretaries
27 May 2010

# Statement of Corporate Governance

The Board has in place Corporate Governance arrangements which it believes are appropriate for an investment trust company and enable the Company to comply with the relevant principles set out in the Combined Code on Corporate Governance ("the Combined Code") issued in June 2008 and the AIC Code of Corporate Governance (the "AIC Code") which was re-issued in March 2009.

## The Board

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

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

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

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

During the year ended 31 March 2010 the Board met eight times. In addition, the Audit Committee met twice, the Nominations Committee twice and the Management Engagement Committee twice

Directors have attended Board and Committee meetings during the year ended 31 March 2010 as follows (with their eligibility to attend the relevant meeting in brackets):

| Director | Board Meetings | Audit Committee Meetings | Nominations Committee Meetings | Management Engagement Committee Meetings |
|---|---|---|---|---|
| A.B. Davidson | 8 (8) | 2 (2) | 2 (2) | 2 (2) |
| M.D. Couve | 8 (8) | 2 (2) | 2 (2) | 2 (2) |
| D.P. Kidd | 8 (8) | 2 (2) | 2 (2) | 2 (2) |
| A.S. Robson | 8 (8) | 2 (2) | 2 (2) | 2 (2) |

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

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 request from Aberdeen and will also be available at the Annual General Meeting.

## Audit Committee

The Audit Committee comprises all of the Directors of the Company. The Audit Committee meets at least twice a year to coincide with the annual and interim reporting and audit cycle. Mr A. S. Robson assumed the Chairmanship of the Committee with effect from 28 January 2009. The principal role of the Audit Committee is to review the annual and interim financial statements and the accounting policies applied therein and ensure compliance with financial and regulatory reporting requirements. The external auditors, KPMG Audit Plc, whose continued appointment is also reviewed and ratified by the Audit Committee, attend at least one meeting of the Audit Committee a year. In addition the Audit Committee reviews the independence of the external auditors 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 they have 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 auditors. 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. The Management Engagement Committee met twice in the past year. The purpose of the Committee is to review the terms of the agreements with the Manager including, but not limited to, the management fee and also to review the performance of the Manager in relation to the achievement of the Company's objectives. These reviews have been conducted during the year and the outcomes are noted below.

## Investment Management Agreement

The key terms of the Investment Management Agreement are set out in the Corporate Summary on page 3 and details of the fee charged by Aberdeen in the financial year and how it is calculated are set out in note 3 to the financial statements. The Board believes the fee charged by Aberdeen is competitive with reference to other investment trusts with a similar investment mandate and is priced appropriately given the level of service provided by Aberdeen. The Board focuses its review on medium to long-term performance and considers the continuing appointment of the Manager to be in the best interests of shareholders at this time. The notice period was reduced to six months with effect from 1 July 2009.

## Nominations Committee

The Nominations Committee comprises all Directors of the Company. The Nominations Committee considers appointments of new Directors, undertaking a thorough and open process involving, where appropriate, professional recruitment consultants and committee interviews with candidates identified, with the intention that the composition of the Board reflects a breadth of commercial, professional and industrial experience. The Nominations Committee met twice during the year.

## Board Composition

Under the Articles of Association:

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

## Relations with Shareholders

The Board regularly monitors the shareholder profile of the Company and the Company reports formally to shareholders twice a year by way of the Annual and Interim reports. All shareholders have the opportunity to attend and vote at Annual General Meetings at which Directors and representatives of the Manager are available to discuss key issues affecting the Company. The Manager has also conducted a series of meetings with shareholders throughout the year to discuss issues relating to the Company and also to give them the opportunity to meet the Board, if requested.

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.

## Internal Control

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

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

The Board has delegated certain functions. The main service providers are Aberdeen, the Manager and Secretaries; 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. An independent custodian, HSBC Bank plc, 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.

## Responsibilities as an Institutional Shareholder

The Institutional Shareholders' Committee, of which the AIC is a member, published a Statement of Principles in October 2002 (updated in 2005 and 2007) setting out best practice guidelines designed to enable institutional shareholders to derive the best possible value out of the companies in which they invest. The following General Policy is a statement of the procedures and policies followed by the Board in discharging its responsibilities over all investee companies.

## 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 Aberdeen, and for monitoring the performance and activities of investee companies. Aberdeen 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 Company's voting rights in respect of investee companies are delegated to the Manager, who vote at all general meetings of UK companies. The Manager 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.

## 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.

## Shires Smaller Companies plc

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

# Statement of Directors' Responsibilities

The Directors are responsible for preparing the Report and Accounts and the group and parent company financial statements (the "financial statements"), in accordance with applicable law and regulations. Company law requires the Directors to prepare group and parent company financial statements for each financial year. Under the law they are required to prepare the group financial statements in accordance with IFRSs as adopted by the EU and have elected to prepare the parent company financial statements on the same basis.

The financial statements are required by law and IFRSs, as adopted by the EU, to present fairly the financial position of the group and the parent company and performance of the group; the Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

In preparing each of the group and parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU subject to any material departures disclosed and explained in the Notes to the Financial Statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

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

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

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

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

We confirm to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- 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 Robson**
Chairman of the Audit Committee
27 May 2010

# 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. This limit, which was last adjusted by special resolution at the Annual General Meeting of the Company held on 30 June 2000, is £70,000 per annum, subject to annual upward adjustment on 1 April each year in line with the change in the Retail Prices Index from March 2000 and also subject to a pro-rata adjustment should the number of Directors be increased either temporarily or permanently. The limit for the year ended 31 March 2010 was £88,745.

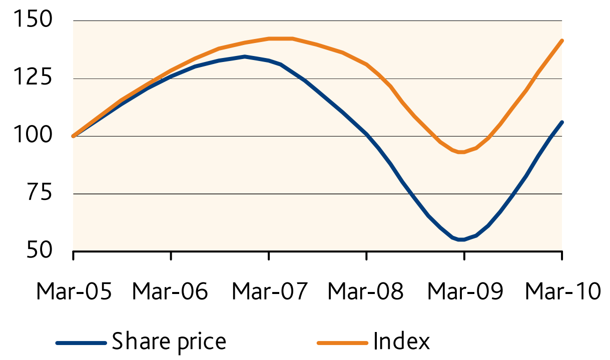
The Board considers that the present policy to remunerate Directors exclusively by fixed fees in cash is appropriate and adequate for the Company in its present and foreseeable circumstances and there are no plans to introduce additional or alternative remuneration schemes.

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

## Directors' Remuneration Rates

The annual rates of remuneration with effect from 1 April 2008 were £21,000 for the Chairman, £16,000 for the Audit Committee Chairman and £14,000 for each other Director. These rates applied during the year ended 31 March 2010. Following a review by the Nomination Committee, it was agreed that with effect from 1 April 2010, the annual rates of remuneration will be £23,000 for the Chairman, £18,000 for the Audit Committee Chairman and £16,000 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 2010.




## Audited Information

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

| | Group and Company | |
|---|---|---|
| | 2010 £ | 2009 £ |
| A.B. Davidson | 21,000 | 17,250 |
| M.D. Couve | 14,000 | 14,000 |
| D.P. Kidd | 14,000 | 14,000 |
| A.S. Robson (appointed 16 May 2008) | 16,000 | 12,234 |
| J.M. Haldane (resigned 31 December 2008) | - | 15,558 |
| J.R. Davidson (resigned 4 July 2008) | - | 3,523 |
| | **65,000** | **76,565** |

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

Approved by the Board of Directors on 27 May 2010 and signed on its behalf.

By order of the Board
**Aberdeen Asset Management PLC**
Secretary

# Independent Auditors' Report to the Members of Shires Income PLC

We have audited the financial statements of Shires Income PLC for the year ended 31 March 2010 which comprise the Group Statement of Comprehensive Income, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements, the Group and Parent Company Statements of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

## Respective Responsibilities of Directors and Auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 25, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

## Scope of the Audit of the Financial Statements

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

## Opinion on Financial Statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 March 2010 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

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

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- information given in the Corporate Governance Statement set out on pages 22 to 24 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

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

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

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

Under the Listing Rules we are required to review:

- the Directors' Statement, set out on page 20, in relation to going concern; and
- the part of the Corporate Governance Statement on pages 22 to 24 relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

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

Chartered Accountants
Edinburgh,
27 May 2010

# Consolidated Statement of Comprehensive Income

| | Notes | Year ended 31 March 2010 Revenue £'000 | Capital £'000 | Total £'000 | Year ended 31 March 2009 Revenue £'000 | Capital £'000 | Total £'000 |
|---|---|---|---|---|---|---|---|
| **Gains/(losses) on investments at fair value** | 11 | – | 22,416 | 22,416 | – | (37,832) | (37,832) |
| **Investment income** | | | | | | | |
| Dividend income | | 3,080 | – | 3,080 | 4,618 | – | 4,618 |
| Interest income from investments | | 803 | (134) | 669 | 731 | (143) | 588 |
| Stock dividend | | 31 | – | 31 | 81 | – | 81 |
| Traded option premiums | | 212 | – | 212 | 1,338 | – | 1,338 |
| Deposit interest | | – | – | – | 39 | – | 39 |
| Money market interest | | – | – | – | 129 | – | 129 |
| Other income | | 75 | – | 75 | 26 | 16 | 42 |
| Loss of dealing subsidiary | | – | – | – | (33) | – | (33) |
| | 2 | 4,201 | 22,282 | 26,483 | 6,929 | (37,959) | (31,030) |
| **Expenses** | | | | | | | |
| Investment management fee | 3 | (149) | (149) | (298) | (165) | (165) | (330) |
| VAT recoverable on investment management fees | 21 | 74 | 74 | 148 | 142 | 142 | 284 |
| Other administrative expenses | 4 | (244) | (3) | (247) | (308) | – | (308) |
| Finance costs of borrowings | 6 | (370) | (385) | (755) | (1,071) | (1,103) | (2,174) |
| | | (689) | (463) | (1,152) | (1,402) | (1,126) | (2,528) |
| **Profit/(loss) before tax** | | 3,512 | 21,819 | 25,331 | 5,527 | (39,085) | (33,558) |
| Taxation | 7 | – | – | – | 9 | – | 9 |
| **Profit/(loss) attributable to equity holders of the Company** | | **3,512** | **21,819** | **25,331** | **5,536** | **(39,085)** | **(33,549)** |
| **Earnings/(loss) per Ordinary share (pence)** | 10 | **11.83** | **73.48** | **85.31** | **18.64** | **(131.61)** | **(112.97)** |

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

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

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

All items in the above statement derive from continuing operations.

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

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

| | Year to 31 March 2010[A] £'000 | Year to 31 March 2009[B] £'000 |
|---|---|---|
| Revenue | 3,512 | 5,536 |
| Dividends declared | (3,564) | (5,865) |
| | **(52)** | **(329)** |

[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 2009/10.

[B] Dividends declared relates to first three interim dividends (each 4.4p) and the final dividend (6.55p) declared in respect of financial year 2008/09.

# Balance Sheets

| | Notes | Group As at 31 March 2010 £'000 | Group As at 31 March 2009 £'000 | Company As at 31 March 2010 £'000 | Company As at 31 March 2009 £'000 |
|---|---|---|---|---|---|
| **Non-current assets** | | | | | |
| Ordinary shares | | 49,190 | 33,527 | 49,190 | 33,527 |
| Convertibles | | 1,313 | 1,265 | 1,313 | 1,265 |
| Other fixed interest | | 22,048 | 17,886 | 22,048 | 17,886 |
| Unlisted investments | | 472 | 2,053 | 472 | 2,053 |
| **Securities at fair value** | 11 | 73,023 | 54,731 | 73,023 | 54,731 |
| **Current assets** | | | | | |
| Trade and other receivables | | 357 | 313 | 357 | 313 |
| Accrued income and prepayments | | 1,206 | 1,099 | 1,206 | 1,099 |
| Financial assets of dealing subsidiary | | – | – | – | – |
| Cash and cash equivalents | | 1,150 | 1,495 | 1,150 | 1,495 |
| | 13 | 2,713 | 2,907 | 2,713 | 2,907 |
| **Total assets** | | 75,736 | 57,638 | 75,736 | 57,638 |
| **Current liabilities** | | | | | |
| Trade and other payables | | (163) | (175) | (257) | (269) |
| Short-term borrowings | | (20,000) | (12,250) | (20,000) | (12,250) |
| Index-Linked Debenture stock | 15 | – | (9,942) | – | (9,942) |
| | 14 | (20,163) | (22,367) | (20,257) | (22,461) |
| **Net assets** | | **55,573** | **35,271** | **55,479** | **35,177** |
| **Issued capital and reserves attributable to equity holders of the parent** | | | | | |
| Called up share capital | 16 | 14,899 | 14,899 | 14,899 | 14,899 |
| Share premium account | 17 | 18,840 | 18,855 | 18,840 | 18,855 |
| Capital reserve | 18 | 15,683 | (6,151) | 15,674 | (6,160) |
| Revenue reserve | 18 | 6,151 | 7,668 | 6,066 | 7,583 |
| | | **55,573** | **35,271** | **55,479** | **35,177** |
| **Net asset value per Ordinary share (pence):** | 10 | **187.13** | **118.77** | **186.81** | **118.45** |

The financial statements were approved by the Board of Directors and authorised for issue on 27 May 2010 and were signed on its behalf by:

**Anthony B. Davidson**
Chairman

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

# Consolidated Statement of Changes in Equity

**Year ended 31 March 2010**

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

**Year ended 31 March 2009**

| | Share capital £'000 | Share premium account £'000 | Capital reserve £'000 | Retained revenue reserve £'000 | Total £'000 |
|---|---|---|---|---|---|
| As at 31 March 2008 | 14,899 | 18,887 | 32,902 | 7,999 | 74,687 |
| Revenue profit for the year | – | – | – | 5,536 | 5,536 |
| Capital losses for the year | – | (32) | (39,053) | – | (39,085) |
| Equity dividends (see note 9) | – | – | – | (5,867) | (5,867) |
| **As at 31 March 2009** | **14,899** | **18,855** | **(6,151)** | **7,668** | **35,271** |

# Company Statement of Changes in Equity

**Year ended 31 March 2010**

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

**Year ended 31 March 2009**

| | Share capital £'000 | Share premium account £'000 | Capital reserve £'000 | Retained revenue reserve £'000 | Total £'000 |
|---|---|---|---|---|---|
| As at 31 March 2008 | 14,899 | 18,887 | 32,893 | 7,881 | 74,560 |
| Revenue profit for the year | – | – | – | 5,569 | 5,569 |
| Capital losses for the year | – | (32) | (39,053) | – | (39,085) |
| Equity dividends (see note 9) | – | – | – | (5,867) | (5,867) |
| **As at 31 March 2009** | **14,899** | **18,855** | **(6,160)** | **7,583** | **35,177** |

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

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

# Group and Company Cash Flow Statement

| | Year ended 31 March 2010 £'000 | £'000 | Year ended 31 March 2009 £'000 | £'000 |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| Investment income received | | 3,987 | | 6,368 |
| Deposit interest received | | – | | 51 |
| Money Market Interest Received | | – | | 123 |
| Investment management fee paid | | (288) | | (366) |
| VAT on investment management fees recovered | | 431 | | – |
| Other cash receipts | | 215 | | 1,363 |
| Other cash expenses | | (269) | | (376) |
| **Cash generated from operations** | | 4,076 | | 7,163 |
| Interest paid | | (905) | | (1,320) |
| Tax recovered | | 7 | | 9 |
| **Net cash inflows from operating activities** | | 3,178 | | 5,852 |
| **Cash flows from investing activities** | | | | |
| Purchases of investments | (10,299) | | (31,549) | |
| Sales of investments | 14,012 | | 34,304 | |
| Sales of dealing subsidiary | – | | 419 | |
| Repayment of Index-Linked Debenture Stock | (9,957) | | (9,997) | |
| **Net cash outflow from investing activities** | | (6,244) | | (6,823) |
| **Cash flows from financing activities** | | | | |
| Equity dividends paid | (5,029) | | (5,867) | |
| **Net cash outflow from financing activities** | | (5,029) | | (5,867) |
| **Net decrease in cash and cash equivalents** | | (8,095) | | (6,838) |
| Cash and cash equivalents at start of period | | (10,755) | | (3,917) |
| **Cash and cash equivalents at end of period** | | **(18,850)** | | **(10,755)** |
| | | | | |
| **Cash and cash equivalents comprise:** | | | | |
| Cash and cash equivalents | | 1,150 | | 1,495 |
| Short-term borrowings | | (20,000) | | (12,250) |
| | | **(18,850)** | | **(10,755)** |

## 1. Accounting policies

### (a) Basis of accounting

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

The financial statements have been prepared under the historical cost convention, as modified to include the revaluation of investments and in accordance with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' (issued in January 2009). The adoption of the SORP had no effect on the financial statements of the Company, other than the requirement to separately disclose capital reserves that relate to the revaluation of investments held at the reporting date. These are disclosed in note 18. This requirement replaces the previous requirement to disclose the value of the capital reserve that was unrealised. The Directors have sought to prepare the financial statements on a basis compliant with the recommendations of the SORP except as referred to in paragraph (d) below. The financial statements have also been prepared on the assumption that approval as an investment trust will continue to be granted. The financial statements have been prepared on a going concern basis. The Directors believe this is appropriate for the reasons outlined in the Directors' Report on page 18.

In order better to reflect the activities of an investment trust company and in accordance with guidance issued by the AIC, supplementary information which analyses the Statement of Comprehensive Income between items of a revenue and capital nature has been presented alongside the Statement of Comprehensive Income. In accordance with the Company's status as a UK investment company under Section 833 of the Companies Act 2006 (previously s266 of the Companies Act 1985), net capital returns may not be distributed by way of dividend. Additionally, the net revenue of the Company is the measure the Directors believe appropriate in assessing the Group's compliance with certain requirements set out in Section 842 of the Income and Corporation Taxes Act 1988.

The Group adopted the extended disclosure requirements within IFRS 7 for accounting periods beginning on or after 1 January 2009. The extended disclosure requirements introduced a fair value hierarchy and this is disclosed in note 20.

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

IFRS 9 – Financial Instruments: Classification and Measurement (effective for annual periods beginning on or after 2013). This standard has not yet been adopted by the EU.

Amendments to IFRS1 – First-time Adoption of IFRSs and Additional Exemptions for First-time adopters (effective for annual periods beginning on or after 1 July 2009 and 1 January 2010 respectively)

Amendments to IFRS 2 – Group Cash-settled Share-based payments (effective for annual periods beginning on or after 1 January 2010)

Amendments to IFRS 3 and IAS 27 – Business Combinations (effective for annual periods beginning on or after 1 July 2009)

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

Amendments to IAS 32 – Classification of Rights Issues (effective for annual periods beginning on or after 1 February 2010)

Amendments to IAS 39 – Eligible Hedged Items (effective for annual periods beginning on or after 1 July 2009)

IFRIC 17 – Distributions of Non-cash assets to Owners (effective for annual periods beginning on or after 1 July 2009)

IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July 2009)

Amendments to IFRIC 14 – Prepayments of a Minimum Funding Requirement (effective for annual periods beginning on or after 1 July 2009)

The Directors do not anticipate that the adoption of these Standards and Interpretations in future periods will materially impact the Group's financial results in the period of initial application although there will be revised presentations to the Primary Financial Statements and additional disclosures. Any future business combinations will be affected. The Group intends to adopt the standards in the reporting period when they become effective.

**(b) Consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 March each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. All intra-group transactions, balances, income and expenses are eliminated on consolidation. The Company has availed itself of the relief from showing a Statement of Comprehensive Income for the parent company, granted under Section 408 of the Companies Act 2006 (previously section 230 of the Companies Act 1985).

**(c) Investments**

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

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

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

**(d) Income**

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

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

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

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

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

**(e) Expenses**

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

**(f) Short-term borrowings**

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

**(g) Index-Linked Debenture stock**

The Index-Linked adjustments to the redemption value of the Index-Linked Debenture stock, and the interest payable on the Debenture are aggregated. The total is then charged 50% to capital and 50% to revenue. The amortisation of discounts and expenses of issue are charged wholly to share premium.

This allocation between capital and revenue reflects the expected long-term split of returns as mentioned in note (e).

**(h) Taxation**

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

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

**(i) 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**

| | 2010 | | 2009 | |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| **Income from listed investments** | | | | |
| Dividend income | | 3,080 | | 4,618 |
| Interest income from investments | | 803 | | 731 |
| Money Market Interest | | – | | 129 |
| Stock dividend | | 31 | | 81 |
| | | 3,914 | | 5,559 |
| **Other income from investment activity** | | | | |
| Deposit interest | | – | | 39 |
| Traded option premiums | | 212 | | 1,338 |
| Sales of investments in dealing subsidiary | – | | 419 | |
| Cost of sales in dealing subsidiary | – | | (452) | |
| | | – | | (33) |
| Interest on VAT recoverable on investment management fees | | 55 | | – |
| Other income | | 20 | | 26 |
| | | 287 | | 1,370 |
| **Total income** | | **4,201** | | **6,929** |

| **Total income comprises:** | 2010<br>£'000 | 2009<br>£'000 |
|---|---|---|
| Dividends and interest from investments | 3,914 | 5,559 |
| Deposit interest | – | 39 |
| Interest on VAT recoverable on investment management fees | 55 | – |
| Other income from investment activity | 232 | 1,331 |
| **Total income** | **4,201** | **6,929** |

All dividend income was received from UK companies. The amount of £134,000 (2009 – £143,000) included in the capital column of Investment Income represents the write off of the premium or discount on acquisition of debt securities referred to in note 1(d). An amount of £nil (2009 – £16,000) was received by way of consent payment and has been treated as capital.

**3. Investment Management fees**

| | 2010 | | | 2009 | | |
|---|---|---|---|---|---|---|
| | Revenue<br>£'000 | Capital<br>£'000 | Total<br>£'000 | Revenue<br>£'000 | Capital<br>£'000 | Total<br>£'000 |
| Investment management fees | **149** | **149** | **298** | **165** | **165** | **330** |

For the year ended 31 March 2010 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 | 2010 £'000 | 2009 £'000 |
|---|---|---|
| Directors' remuneration | 65 | 77 |
| Fees payable to auditors and associates | | |
| – fees payable to the Company's auditors for the audit of the annual accounts | 21 | 20 |
| Marketing contribution paid to Aberdeen | 10 | 63 |
| Professional fees | 8 | 38 |
| Other administrative expenses | 140 | 110 |
| | **244** | **308** |

**5. Directors' remuneration**

The Company had no employees during the year (2009 – nil). No pension contributions were paid for Directors (2009 – £nil). Further details on Directors' Remuneration can be found in the Directors Remuneration Report on page 26.

| 6. Finance costs and borrowings | 2010 Revenue £'000 | 2010 Capital £'000 | 2010 Total £'000 | 2009 Revenue £'000 | 2009 Capital £'000 | 2009 Total £'000 |
|---|---|---|---|---|---|---|
| Bank loans and overdrafts repayable within five years | 194 | 194 | 388 | 159 | 159 | 318 |
| 5% Index-Linked Debenture Stock 2008/2010 | 176 | 176 | 352 | 912 | 912 | 1,824 |
| Amortisation of issue expenses on Debenture Stock | – | 15 | 15 | – | 32 | 32 |
| | **370** | **385** | **755** | **1,071** | **1,103** | **2,174** |

**7. Taxation**

At 31 March 2010 the Company had surplus management expenses and loan relationship debits with a tax value of £6,298,000 (2009 – £6,286,000) in respect of which a deferred tax asset has not been recognised. This is because the Company is not expected to generate taxable income in a future period in excess of the deductible expenses of that future period and, accordingly, it is unlikely that the Company will be able to reduce future tax liabilities through the use of existing surplus expenses.

The following table is a reconciliation of current taxation to the charges/credits which would arise if all ordinary activities were taxed at the standard UK corporation tax rate of 28% (2009 – 28%).

| | 2010 Revenue £'000 | 2010 Capital £'000 | 2010 Total £'000 | 2009 Revenue £'000 | 2009 Capital £'000 | 2009 Total £'000 |
|---|---|---|---|---|---|---|
| Profit/(loss) before tax | 3,512 | 21,819 | 25,331 | 5,527 | (39,085) | (33,558) |
| Taxation of return on ordinary activities at the standard rate of corporation tax | 983 | 6,109 | 7,092 | 1,548 | (10,944) | (9,396) |
| Effects of: | | | | | | |
| UK dividend income not liable to further tax | (862) | – | (862) | (1,309) | – | (1,309) |
| Non taxable stock dividends | (9) | – | (9) | – | – | – |
| Prior year adjustment | – | – | – | (9) | – | (9) |
| Non-taxable write off of debt security premium/discount | – | 38 | 38 | – | 40 | 40 |
| Brought forward management expenses utilised | (125) | – | (125) | (239) | – | (239) |
| Current year management expenses not utilised | 13 | 130 | 143 | – | 311 | 311 |
| Non-taxable realisation (gains)/losses | – | (6,277) | (6,277) | – | 10,593 | 10,593 |
| Taxation charge for the year | **–** | **–** | **–** | **(9)** | **–** | **(9)** |

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

The revenue and capital gain attributable to equity holders of the Group for the financial year includes £25,331,000 (2009 – loss £33,516,000) which has been dealt with in the Company's financial statements.

## 9. Dividends

| | 2010 £'000 | 2009 £'000 |
|---|---|---|
| Amounts recognised as distributions to equity holders in the period: | | |
| Third interim dividend for the year ended 31 March 2009 of 4.4p (2008 – 4.4p) per share | 1,306 | 1,306 |
| Final dividend for the year ended 31 March 2009 of 6.55p (2008 – 6.55p) per share | 1,946 | 1,946 |
| First two interim dividends for the year ended 31 March 2010 totalling 6.0p (2009 – 8.8p) per share | 1,782 | 2,613 |
| Refund of unclaimed dividends from previous periods | (7) | – |
| | **5,027** | **5,865** |
| 3.5% Cumulative preference shares | **2** | **2** |

The third interim dividend of 3.0p for the year to 31 March 2010 paid on 30 April 2010 and the proposed final dividend for the year to 31 March 2010 payable on 30 July 2010 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 Section 842 of the Income and Corporation Taxes Act 1988 are considered:

| | 2010 £'000 | 2009 £'000 |
|---|---|---|
| Three interim dividends for the year ended 31 March 2010 totalling 9.0p (2009 – 13.2p) per share | 2,673 | 3,920 |
| Final proposed dividend for the year ended 31 March 2010 of 3.0p (2009 – 6.55p) per share | 891 | 1,945 |
| | **3,564** | **5,865** |

## 10. Return and net asset value per share

The gains/(losses) per share are based on the following figures:

| | 2010 £'000 | 2009 £'000 |
|---|---|---|
| Revenue return | 3,512 | 5,536 |
| Capital return | 21,819 | (39,085) |
| Net return | **25,331** | **(33,549)** |
| Weighted average number of Ordinary shares | **29,697,580** | **29,697,580** |

Net asset value per Ordinary share is based on net assets attributable to Ordinary shareholders of £55,573,000 (2009 – £35,271,000) and on the 29,697,580 (2009 – 29,697,580) Ordinary shares in issue at 31 March 2010.

## 11. Non current assets – Securities at fair value

| | Group & Company 2010 £'000 | Group & Company 2009 £'000 |
|---|---|---|
| Listed on recognised stock exchanges: | | |
| United Kingdom | 72,547 | 52,676 |
| Overseas | 4 | 2 |
| | 72,551 | 52,678 |
| Unlisted – overseas | 472 | 2,053 |
| | **73,023** | **54,731** |

**Group**

| | 2010 Listed investments £'000 | 2010 Unlisted investments £'000 | 2010 Total £'000 | 2009 Listed investments £'000 | 2009 Unlisted investments £'000 | 2009 Total £'000 |
|---|---|---|---|---|---|---|
| Cost at 31 March 2009 | 79,799 | 648 | 80,447 | 101,105 | 827 | 101,932 |
| Investment holdings (losses)/gains at 31 March 2009 | (27,121) | 1,405 | (25,716) | (6,900) | 264 | (6,636) |
| Fair value at 31 March 2009 | 52,678 | 2,053 | 54,731 | 94,205 | 1,091 | 95,296 |
| Purchases | 10,299 | – | 10,299 | 31,629 | – | 31,629 |
| Sales – proceeds | (14,314) | – | (14,314) | (34,004) | (186) | (34,190) |
| – realised (losses)/ gains on sales | (4,822) | – | (4,822) | (18,788) | 7 | (18,781) |
| Amortised cost adjustments to debt securities[A] | (134) | – | (134) | (143) | – | (143) |
| Fair value movement in the year | 28,844 | (1,581) | 27,263 | (20,221) | 1,141 | (19,080) |
| Fair value at 31 March 2010 | **72,551** | **472** | **73,023** | **52,678** | **2,053** | **54,731** |

[A] Charged to capital.

| | 2010 | | | 2009 | | |
|---|---|---|---|---|---|---|
| | Listed investments £'000 | Unlisted investments £'000 | Total £'000 | Listed investments £'000 | Unlisted investments £'000 | Total £'000 |
| Cost at 31 March 2010 | 70,828 | 648 | 71,476 | 79,799 | 648 | 80,447 |
| Investment holdings gains/(losses) at 31 March 2010 | 1,723 | (176) | 1,547 | (27,121) | 1,405 | (25,716) |
| Fair value at 31 March 2010 | **72,551** | **472** | **73,023** | **52,678** | **2,053** | **54,731** |

**Company**

| | 2010 | | | 2009 | | |
|---|---|---|---|---|---|---|
| | Listed investments £'000 | Unlisted investments £'000 | Total £'000 | Listed investments £'000 | Unlisted investments £'000 | Total £'000 |
| Cost at 31 March 2009 | 79,799 | 648 | 80,447 | 101,105 | 827 | 101,932 |
| Investment holdings (losses)/gains at 31 March 2009 | (27,121) | 1,405 | (25,716) | (6,900) | 264 | (6,636) |
| Fair value at 31 March 2009 | 52,678 | 2,053 | 54,731 | 94,205 | 1,091 | 95,296 |
| Purchases | 10,299 | – | 10,299 | 31,629 | – | 31,629 |
| Sales – proceeds | (14,314) | – | (14,314) | (34,004) | (186) | (34,190) |
| – realised (losses)/ gains on sales | (4,822) | – | (4,822) | (18,788) | 7 | (18,781) |
| Amortised cost adjustments to debt securities[A] | (134) | – | (134) | (143) | – | (143) |
| Fair value movement in the year | 28,844 | (1,581) | 27,263 | (20,221) | 1,141 | (19,080) |
| Fair value at 31 March 2010 | **72,551** | **472** | **73,023** | **52,678** | **2,053** | **54,731** |

[A] Charged to capital.

| | 2010 | | | 2009 | | |
|---|---|---|---|---|---|---|
| | Listed investments £'000 | Unlisted investments £'000 | Total £'000 | Listed investments £'000 | Unlisted investments £'000 | Total £'000 |
| Cost at 31 March 2010 | 70,828 | 648 | 71,476 | 79,799 | 648 | 80,447 |
| Investment holdings gains/(losses) at 31 March 2010 | 1,723 | (176) | 1,547 | (27,121) | 1,405 | (25,716) |
| Fair value at 31 March 2010 | **72,551** | **472** | **73,023** | **52,678** | **2,053** | **54,731** |

| | Group & Company | |
|---|---|---|
| **Gains/(losses) on investments** | 2010 £'000 | 2009 £'000 |
| Net realised (losses)/ gains on sales of investments | (4,784) | (17,660) |
| Call options exercised | (38) | (1,121) |
| Net realised losses on sales | (4,822) | (18,781) |
| Movement in fair value of investments | 27,253 | (18,785) |
| Put options assigned | 10 | (295) |
| Movement in (appreciation)/depreciation of traded options held | (25) | 29 |
| | **22,416** | **(37,832)** |

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 £212,000 (2009 – £1,338,000) have been dealt with in the revenue account.

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

As at 31 March 2010, the Company had pledged collateral equal to 964% of the market value of the traded options in accordance with standard commercial practice. The carrying amount of financial assets pledged equated to £2,043,000 all in the form of securities. The collateral position, which has not been adjusted down in line with the reduced traded option activity, is monitored on a daily basis, which then determines if further assets are required to be pledged over and above those already pledged.

During the year expenses were incurred in acquiring or disposing of investments classified as fair value through profit or loss. These have been expensed through capital and are included within gains on investments in the Statement of Comprehensive Income. The total costs on the purchases and sales of investments in the year was £78,000 (2009 – £225,000).

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

At 31 March 2010 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 % |
|---|---|---|---|---|
| Shires Smaller Companies plc | Scotland | 4,000,000 | ordinary | 18.1% |
| Sierra Monitor Corporation | USA | 1,549,134 | common stock | 13.5% |
| REA Holdings | England | 996,720 | 9% cum pref | 6.1% |
| Ecclesiastical Insurance Office | England | 4,240,000 | 7% cum pref | 6.4% |
| Royal Sun Alliance | England | 4,350,000 | 7% cum pref | 3.5% |
| General Accident | Scotland | 3,548,000 | 7% cum pref | 3.2% |

## 12. Subsidiary undertakings

As at 31 March 2010, the Company owned the whole of the issued ordinary share capital of its two subsidiary undertakings, Topshire Limited and Wiston Investment Company Limited, both of which are investment dealing companies registered in England. Topshire Limited has been dormant since 1989.

| | Group | | Company | |
|---|---|---|---|---|
| **13. Current assets** | **2010 £'000** | **2009 £'000** | **2010 £'000** | **2009 £'000** |
| Investment sales | 302 | – | 302 | – |
| Accrued income & prepayments | 1,206 | 1,099 | 1,206 | 1,099 |
| Other debtors | 55 | 313 | 55 | 313 |
| Cash at bank | 1,150 | 1,495 | 1,150 | 1,495 |
| | **2,713** | **2,907** | **2,713** | **2,907** |

None of the above amounts is overdue.

| 14. Current liabilities | Group 2010 £'000 | Group 2009 £'000 | Company 2010 £'000 | Company 2009 £'000 |
|---|---|---|---|---|
| Bank loans | 20,000 | 12,250 | 20,000 | 12,250 |
| Due to subsidiary undertakings | – | – | 94 | 94 |
| Other creditors | 163 | 175 | 163 | 175 |
| 5% Index-Linked Debenture Stock 2008/2010: | | | | |
| – due in less than one year | – | 9,942 | – | 9,942 |
| | **20,163** | **22,367** | **20,257** | **22,461** |

Included above are the following amounts owed to Aberdeen, the Manager and Secretaries:

| | | | | |
|---|---|---|---|---|
| Other creditors | **79** | **69** | **79** | **69** |

In February 2010 the Company renewed an agreement with The Royal Bank of Scotland to provide a loan facility for up to £20,000,000. At the year end £18,000,000 had been drawn down at an all-in interest rate of 2.7735% which matured on 9 April 2010. At 27 May 2010 the principal amount was £16,000,000 at an all-in interest rate of 2.8035%.

The terms of The Royal Bank of Scotland facility contain a covenant that gross borrowings may not exceed 40% of adjusted net assets (previously 50%). The Company met this covenant throughout the period and until the date of this Report.

In December 2008 the Company entered into an agreement with HSBC to provide a loan facility for up to £3,500,000. At the year end £2,000,000 had been drawn down at an all-in interest rate of 1.8000% which matured on 9 April 2010. At 27 May 2010 the principal amount was unchanged as was the all-in interest rate.

The terms of the HSBC facility contain a covenant that net assets are not less than £35 million. The Company has met this covenant throughout the period and until the date of this Report.

| 15. Index Linked Debenture Stock | Group and Company 2010 £'000 | Group and Company 2009 £'000 |
|---|---|---|
| Due within 1 year | – | **9,942** |

**5% Index-Linked Debenture Stock 2008/2010**

On 5th March 2010 the balance of the 5% stock was repaid in full. In order to finance this repayment, the Company's loan facility was increased.

The discount on issue was amortised annually to the share premium account over the life of the Stock.

This Stock was unlisted and was secured by a floating charge over the whole of the assets of the Company and its dealing subsidiary undertakings.

The terms of the deed specify that the Group's aggregate borrowings must not exceed shareholders' funds and the market value of total assets requires to be at least three times the Group's secured indebtedness. The only secured indebtedness is the Index-Linked Debenture Stock. The Company met these covenants throughout the period and until the date of repayment.

The Directors' opinion of the total fair value of this Stock at 31 March 2009, determined with reference to the current interest profile of similar instruments, was £10,107,000. This value is given for disclosure purposes only.

Interest on the 5% Stock is paid on 6 March and 6 September each year at an annual rate of 5% as adjusted by the movement in the UK General Index of Retail Prices (RPI) over the period from July 1989 to the month eight months prior to the month in which interest is paid.

The capital amount to be repaid on the 5% Stock on 6 March in each of the years 2008 to 2010 is one third of the nominal amount as adjusted by the movement in the RPI over the period from July 1989 to the month eight months prior to the month in which repayment is made.

The amounts outstanding at 31 March 2010 comprise:

| | Group and Company | |
|---|---|---|
| | **2010** | **2009** |
| | **£'000** | **£'000** |
| Nominal amounts | – | 5,333 |
| Discounts on issue | – | (15) |
| | – | 5,318 |
| Index-linked adjustments | – | 4,624 |
| | **–** | **9,942** |

The movements during the year were as follows:

| | Group and Company | |
|---|---|---|
| | **2010** | **2009** |
| | **£'000** | **£'000** |
| Amounts outstanding at 31 March 2009 | 9,942 | 19,033 |
| Amortisation of discounts (note 17) | 15 | 32 |
| Capital repaid | (9,854) | (9,997) |
| Index-linked adjustments | (103) | 874 |
| Amounts outstanding at 31 March 2010 | **–** | **9,942** |

| | **2010** | | **2009** | |
|---|---|---|---|---|
| **16. Called up share capital** | **Number** | **£'000** | **Number** | **£'000** |
| **Authorised** | | | | |
| Ordinary shares of 50 pence each | 39,800,000 | 19,900 | 39,800,000 | 19,900 |
| 3.5% Cumulative Preference shares of £1 each | 100,000 | 100 | 100,000 | 100 |
| | | **20,000** | | **20,000** |

| | **2010** | | **2009** | |
|---|---|---|---|---|
| | **Number** | **£'000** | **Number** | **£'000** |
| **Allotted, called up and fully paid** | | | | |
| Ordinary shares of 50 pence each | 29,697,580 | 14,849 | 29,697,580 | 14,849 |
| 3.5% Cumulative Preference shares of £1 each | 50,000 | 50 | 50,000 | 50 |
| | | **14,899** | | **14,899** |

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

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

The Company does not have any externally imposed capital requirements.

| 17. Share premium account | 2010 £'000 | 2009 £'000 |
|---|---|---|
| At 31 March 2009 | 18,855 | 18,887 |
| Amortisation of expenses and discounts on issue of Debenture Stock (note 15) | (15) | (32) |
| At 31 March 2010 | **18,840** | **18,855** |

| 18. Retained earnings | Group 2010 £'000 | Company 2010 £'000 | Group 2009 £'000 | Company 2009 £'000 |
|---|---|---|---|---|
| **Capital reserve** | | | | |
| At 31 March 2009 | (6,151) | (6,160) | 32,902 | 32,893 |
| Net gains on sales of investments during year | (4,822) | (4,822) | (18,781) | (18,781) |
| Movement in fair value gains on investments | 27,263 | 27,263 | (19,080) | (19,080) |
| Amortised cost adjustment charged to capital | (134) | (134) | (143) | (143) |
| Investment management fees | (149) | (149) | (165) | (165) |
| VAT recoverable on investment management fees | 74 | 74 | 142 | 142 |
| Bank loans and overdrafts repayable within five years | (194) | (194) | (159) | (159) |
| Index-Linked Debenture costs | (176) | (176) | (912) | (912) |
| Traded options | (25) | (25) | 29 | 29 |
| Other | (3) | (3) | 16 | 16 |
| At 31 March 2010 | **15,683** | **15,674** | **(6,151)** | **(6,160)** |

| Revenue reserve | Group 2010 £'000 | Company 2010 £'000 | Group 2009 £'000 | Company 2009 £'000 |
|---|---|---|---|---|
| At 31 March 2009 | 7,668 | 7,583 | 7,999 | 7,881 |
| Revenue | 3,512 | 3,512 | 5,536 | 5,569 |
| Dividends paid | (5,029) | (5,029) | (5,867) | (5,867) |
| At 31 March 2010 | **6,151** | **6,066** | **7,668** | **7,583** |

## 19. Risk management, financial assets and liabilities

### Risk management

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

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

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

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

Manager's Performance Review Committee which is chaired by the Manager's Chief Investment Officer. The department's responsibility is to review and monitor ex-ante (predicted) portfolio risk and style characteristics using best practice, industry standard multi-factor models.

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

**Financial assets and liabilities**

The Group's financial assets include investments, cash at bank and short-term debtors. Financial liabilities consist of the Index-Linked Debenture stock, short-term borrowings (together "Gearing"), and other short-term creditors.

**Gearing**

During the year, the Group had in issue an Index-Linked Debenture on which the interest payable and the capital sum to be repaid on maturity were linked to the Retail Prices Index. This was repaid in full on 5th March 2010. Short-term borrowing consisting of revolving credit facilities from banking institutions is also used and bears interest at floating rates. The gearing risk is actively managed and monitored as part of the overall investment strategy. The employment of gearing magnifies the impact on net assets of both positive and negative changes in the value of the Group's portfolio of investments.

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

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

**(i) Market risk**

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

**Interest rate risk**

Interest rate movements may affect:

–the fair value of the investments in fixed interest rate securities;

–the level of income receivable on cash deposits;

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

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

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

**Interest rate profile**

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

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

| As at 31 March 2009 | 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 | – | 8.06 | 14,766 | – | – |
| UK preference shares | 30.90 | 11.47 | 3,120 | – | – |
| Cash | – | 0.05 | – | 1,495 | – |
| **Total assets** | **–** | **–** | **17,886** | **1,495** | **–** |
| **Liabilities** | | | | | |
| Short-term bank loan | 0.01 | 2.91 | (12,250) | – | – |
| Index-Linked Debenture | – | – | – | (9,942) | – |
| **Total liabilities** | **–** | **–** | **(12,250)** | **(9,942)** | **–** |

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

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

The UK irredeemable preference shares assets have no maturity date.

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

**Maturity profile**

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

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

| At 31 March 2009 | Within 1 year £'000 | Within 1-5 years £'000 | More than 5 years £'000 |
|---|---|---|---|
| **Fixed rate** | | | |
| UK irredeemable preference shares | – | – | 14,766 |
| UK preference shares | – | – | 3,120 |
| Short-term bank loan | (12,250) | – | – |
| | (12,250) | – | 17,886 |
| **Floating rate** | | | |
| Index-Linked Debenture | (9,942) | – | – |
| Cash | 1,495 | – | – |
| | (8,447) | – | – |
| **Total** | **(20,697)** | **–** | **17,886** |

**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 2010 would increase/decrease by £12,000 (2009 – £15,000). 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 2010 would increase/decrease by £536,000 (2009 – increase / decrease by £501,000). This is also mainly attributable to the Company's exposure to interest rates on its fixed interest securities. This is based on a Value at Risk ('VaR') calculated at a 99% confidence level.

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

**Other price risk**

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

It is the Board's policy to hold an appropriate spread of investments in the portfolio in order to reduce the risk arising from factors specific to a particular sector. The allocation of assets to specific sectors and the stock selection process, as detailed on page 18, both act to reduce market risk. The Manager actively monitors market prices throughout the year and reports to the Board, which meets regularly in order to review investment strategy. The investments held by the Company are listed on the London Stock Exchange.

**Other price sensitivity**

If market prices at the Balance Sheet date had been 10% higher or lower while all other variables remained constant, the profit before tax attributable to Ordinary shareholders for the year ended 31 March 2010 would have increased/decreased by £4,919,000 (2009 – increase/decrease of £3,353,000). 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 revolving credit facilities (note 14).

**(iii) Credit risk**

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

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

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

It is the Manager's policy to trade only with A- and above (Long Term rated) and A-1/P-1 (Short Term rated) counterparties.

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

### Credit risk exposure

In summary, compared to the amounts in the Balance Sheet, the maximum exposure to credit risk at 31 March 2010 was as follows:

| | 2010 | | 2009 | |
|---|---|---|---|---|
| | Balance Sheet £'000 | Maximum exposure £'000 | Balance Sheet £'000 | Maximum exposure £'000 |
| **Non-current assets** | | | | |
| Securities at fair value through profit or loss | 73,023 | 73,023 | 54,731 | 54,731 |
| **Current assets** | | | | |
| Trade and other receivables | 357 | 357 | 313 | 313 |
| Accrued income | 1,206 | 1,206 | 1,099 | 1,099 |
| Cash and cash equivalents | 1,150 | 1,150 | 1,495 | 1,495 |
| | **75,736** | **75,736** | **57,638** | **57,638** |

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

### Fair value of financial assets and liabilities

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

## 20. Fair value hierarchy

The Group adopted the amendments to IFRS 7 'Financial Instruments: Disclosures' effective from 1 January 2009. These amendments require an entity to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy shall have the following levels:

– Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

– Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (ie as prices) or indirectly (ie derived from prices); and

– Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The financial assets and liabilities measured at fair value in the statement of financial position are grouped into the fair value hierarchy at 31 March 2010 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) | 72,551 | – | – | 72,551 |
| Unlisted equities | b) | – | 472 | – | 472 |
| Total | | 72,551 | 472 | – | 73,023 |
| **Financial liabilities at fair value through profit or loss** | | | | | |
| Derivatives | c) | (10) | – | – | (10) |
| **Net fair value** | | **72,541** | **472** | **–** | **73,013** |

**a) Quoted equities**

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

**b) Unlisted equities**

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

**c) Derivatives**

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

**21. Commitments, contingencies and post Balance Sheet events**

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

The Manager has refunded £284,000 to the Company, representing all VAT charged on investment management fees for the period 1 January 2004 to 30 September 2007. This sum was included in the financial statements for the year ended 31 March 2009. In addition a further £148,000 (excluding interest) has been refunded by the Manager in the current year. The repayment relates to VAT charged on investment management fees for the period 1 January 2001 to 31 December 2003. This repayment has been allocated to revenue and capital in line with the accounting policy of the company for the period in which the VAT was charged. Interest totalling £55,000 in relation to the above periods has been received in the current year.

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

# 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, Investment Trust ISA or ISA transfer.

## Aberdeen's Investment Plan for Children

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

## Aberdeen's Investment Trust Share Plan

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

## Stocks and Shares ISA

An investment of up to £10,200 in Shires Income PLC can be made through Aberdeen's Stocks and Shares ISA in the tax year 2010/2011.

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

## ISA Transfer

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

## Note

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

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

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

## Trust Information

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

## Keeping You Informed

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

## Literature Request Service

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

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

## Contact Us

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

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

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

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

* Calls to this/these numbers are charged at 8p per minute from a BT landline, other providers' costs may vary. Lines are open 8.30am to 5.30pm, Monday to Friday.

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

# Glossary of Terms and Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

# Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the eighty first Annual General Meeting of the Members of Shires Income PLC ("the Company") will be held at Trinity House, Tower Hill, London EC3N 4DH on Friday 9 July 2010 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 2010 together with the Auditors' Report thereon.
2. To receive and adopt the Directors' Remuneration Report for the year ended 31 March 2010.
3. To approve a final dividend of 3.00 pence per Ordinary share in respect of the year ended 31 March 2010.
4. To re-elect Mr A. B. Davidson as a Director of the Company.
5. To re-elect Mr D. P. Kidd as a director of the Company.
6. To re-appoint KPMG Audit Plc as auditors 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.
7. To authorise the Directors to determine the remuneration of KPMG Audit Plc as auditors of the Company.
8. That, in substitution for any pre-existing power to allot or grant rights to subscribe for or to convert any security into shares in the Company, but without prejudice to the exercise of any such authority prior to the date of this resolution, the Directors be and are hereby generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 to exercise all the powers of the Company to allot shares in the Company ("relevant securities") up to an aggregate nominal amount of £4,949,596, being equal to approximately one third of the Ordinary shares in issue, such authority to expire on 30 September 2011 or, if earlier, at the conclusion of the next annual general meeting of the Company to be held after the passing of this resolution, unless previously revoked, varied or extended by the Company in general meeting, save that the Company may, at any time prior to the expiry of such authority, make an offer or enter into an agreement which would or might require relevant securities to be allotted after the expiry of such authority, and the Directors may allot relevant securities in pursuance of such an offer or agreement as if such authority had not expired.

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

9. That, subject to the passing of resolution 8 in the notice convening the meeting at which this resolution is to be proposed (the "notice of meeting") and in substitution for all existing powers, the Directors be and are hereby generally empowered pursuant to section 570 of the Companies Act 2006 (the "Act") to allot equity securities (as defined in section 560 (1) of the Act) for cash pursuant to the authority under section 551 of the Act conferred by resolution 8 in the notice of meeting as if section 561 of the Act did not apply to any such allotment, provided that this power:

   (i) expires on 30 September 2011 or, if earlier, at the conclusion of the next annual general meeting of the Company, but the Company may make an offer or agreement which would or might require equity securities to be allotted after expiry of this power and the Directors may allot equity securities in pursuance of that offer or agreement as if that power had not expired; and

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

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

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

    (i) the maximum aggregate nominal value of the Ordinary shares hereby authorised to be purchased shall be limited to £2,225,833 being equal to approximately 14.99% of the issued Ordinary share capital of the Company as at the date of the passing of this resolution;

    (ii) the minimum price which may be paid for a share shall be 50p (exclusive of expenses);

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

unless previously varied, revoked or renewed, the authority hereby conferred shall expire on 30 September 2011 or, if earlier, at the conclusion of the next annual general meeting of the Company to be held after the passing of this resolution, save that the Company may, at any time prior to such expiry, enter into a contract or contracts to purchase shares under such authority which would or might be completed or executed wholly or partly after the expiration of such authority and may make a purchase of shares pursuant to any such contract or contracts as if the authority conferred hereby had not expired.

11. That:

(i) the Articles of Association of the Company be amended by deleting all of the provisions of the Company's Memorandum of Association which, by virtue of section 28 of the Companies Act 2006, are to be treated as part of the Company's Articles of Association; and

(ii) the Articles of Association produced to the meeting and, for the purposes of identification, initialled by the chairman of the meeting be adopted as the Articles of Association of the Company in substitution for, and to the entire exclusion of, the existing Articles of Association.

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.

By order of the Board
**Aberdeen Asset Management PLC**
**Secretary**
27 May 2010

## Notes:

(i) A member is entitled to appoint a proxy or proxies to exercise all or any of their rights to attend, speak and vote on their behalf. A proxy need not be a member of the Company. A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. A member may not appoint more than one proxy to exercise rights attached to any one share. If a member wishes to appoint more than one proxy, they should contact the Company's Registrars on 0871 384 2508 (Calls to this number are charged at 8p per minute from a BT landline, other providers' costs may vary. Lines are open 8.30am to 5.30pm, 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 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 6.00pm on 7 July 2010 (or, in the event that the Meeting is adjourned, at 6.00pm 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) no later than 48 hours before the time of the meeting or any adjournment. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the Company's Registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

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

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

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

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

(x) As at close of business on 27 May 2010 (being the latest practicable date prior to publication of this document), the Company's issued share capital comprised 29,697,580 Ordinary shares of 50p each. The total number of voting rights in the Company as at 27 May 2010 is 29,697,580.

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

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

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

# Appendix to Notice of Annual General Meeting

## Explanatory note of principal changes to the Articles of Association of the Company

This summary sets out the principal differences between the Existing Articles and the New Articles. Those differences set out immediately below are recommended as a result of the implementation of the 2006 Act.

### The Company's Objects

The provisions regulating the operations of the Company are currently set out in the Company's memorandum and articles of association. The Company's memorandum contains, among other things, the objects clause which sets out the scope of the activities the Company is authorised to undertake. This is drafted to give a wide scope.

The 2006 Act significantly reduces the constitutional significance of a company's memorandum and provides that a memorandum will record only the names of subscribers and the number of shares each subscriber has agreed to take in the company. Under the 2006 Act the objects clause and all other provisions which are contained in a company's memorandum are deemed to be contained in the company's articles of association but the company can remove these provisions by special resolution. Further the 2006 Act states that unless a company's articles provide otherwise, a company's objects are unrestricted. This abolishes the need for companies to have objects clauses. For this reason the Company is proposing to remove its objects clause together with all the other provisions of its memorandum which, by virtue of the 2006 Act, are treated as forming part of the Company's articles of association as of 1 October 2009. Resolution 11(i) confirms the removal of these provisions for the Company. As the effect of this resolution will be to remove the statement currently in the Company's memorandum of association regarding limited liability, the New Articles also contain an express statement regarding the limited liability of shareholders.

### Articles which duplicate Statutory Provisions

Provisions in the Existing Articles which replicate provisions contained in the 2006 Act are in the main to be removed in the New Articles. This is in line with the approach advocated by the Government that statutory provisions should not be duplicated in a company's constitution.

### Change of Name

Under the Companies Act 1985, a company could only change its name by special resolution. Under the 2006 Act a company will be able to change its name by other means provided for by its articles. To take advantage of this provision, the New Articles permit the Company to change its name by resolution of the Directors.

### Authorised Share Capital and Unissued Shares

The 2006 Act abolishes the requirement for a company to have an authorised share capital and the New Articles reflect this. Directors will still be limited as to the number of shares they can at any time allot because allotment authority continues to be required under the 2006 Act, save in respect of employee share schemes.

### Redeemable Shares

Under the Companies Act 1985, if a company wished to issue redeemable shares, it had to include in its articles the terms and manner of redemption. The 2006 Act enables directors to determine such matters instead provided they are so authorised by the articles. The New Articles contain such an authorisation. The Company has no plans to issue redeemable shares but if it did so the directors would need shareholders' authority to issue new shares in the usual way.

### Authority to Purchase Own Shares and reduce Share Capital

Under the Companies Act 1985, a company required specific enabling provisions in its articles to purchase its own shares and to reduce its share capital or other undistributable reserves as well as shareholder authority to undertake the relevant action. The Existing Articles include these enabling provisions. Under the 2006 Act a company will only require shareholder authority to do any of these things and it will no longer be necessary for articles to contain enabling provisions. Accordingly the relevant enabling provisions have been removed in the New Articles.

### Suspension of Registration of Share Transfers

The Existing Articles permit the directors to suspend the registration of transfers. Under the 2006 Act share transfers must be registered as soon as practicable. The power in the Existing Articles to suspend the registration of transfers is inconsistent with this requirement. Accordingly, this power has been removed in the New Articles.

### Voting by Proxy on a Show of Hands

The Regulations have amended the 2006 Act so that it now provides that each proxy appointed by a member has one vote on a show of hands unless the proxy is appointed by more than one member in which case the proxy has one vote for and one vote against if the proxy has been instructed by one or more members to vote for the resolution and by one or more members to vote against the resolution. The New Articles have been drafted to reflect these changes.

### Deposit of Proxy

At present, under the Existing Articles the Company is required to include non-working days (for example weekends and public holidays) in setting the cut-off time by which a form of proxy is required to be deposited prior to a meeting, currently 48 hours prior to the time of the meeting. The 2006 Act now provides the companies may exclude non-working days from such 48 hour period. As a consequence, the New Articles therefore permit the Directors to exclude non-working days when setting the cut-off time for depositing a form of proxy in order for such appointment to be valid.

### Voting by Corporate Representatives

The Regulations have amended the 2006 Act in order to enable multiple representatives appointed by the same corporate member to vote in different ways on a show of hands and a poll. The New Articles contain provisions which reflect these amendments.

### Electronic Conduct of Meetings

Amendments made to the 2006 Act by the Regulations specifically provide for the holding and conducting of electronic meetings. The New Articles have been amended to reflect more closely the relevant provisions.

### Chairman's Casting Vote

The New Articles remove the provision giving the chairman a casting vote in the event of an equality of votes as this is no longer permitted under the 2006 Act.

### Notice of General Meetings

The Regulations amend the 2006 Act to require the company to give 21 clear days' notice of general meetings unless the company offers members an electronic voting facility and a special resolution reducing the period of notice to not less than 14 days has been passed. Annual general meetings must be held on 21 clear days' notice. The New Articles amend the provisions of the Existing Articles to be consistent with the new requirements.

### Adjournments for Lack of Quorum

Under the 2006 Act as amended by the Regulations, general meetings adjourned for lack of quorum must be held at least 10 clear days after the original meeting. The New Articles have been drafted to reflect this requirement.

### Voting Record Date

Under the 2006 Act as amended by the Regulations the Company must determine the right of members to vote at a general meeting by reference to the register not more than 48 hours before the time for the holding of the meeting, not taking account of days which are not working days. The New Articles have been drafted to reflect this requirement.

### General

Generally the opportunity has been taken to bring clearer language into the New Articles and therefore non-material changes and stylistic amendments have also been made to the Existing Articles.

# Corporate Information

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

**Secretaries**
Aberdeen Asset Management PLC
40 Princes Street
Edinburgh
EH2 2BY
Registration Number: 3106339

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

**Auditors**
KPMG Audit Plc

**Solicitors**
Maclay Murray & Spens LLP

**Bankers**
Royal Bank of Scotland plc
HSBC Bank Plc

**Stockbroker**
J. P. Morgan Securities Ltd.

**Registrars and Transfer Office**
Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA
Telephone 0871 384 2508

**Company Registration Number**
386561 (England)

FSC
Mixed Sources
Product group from well-managed
forests and other controlled sources
www.fsc.org Cert no. TT-COC-002454
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