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Shires Income PLC

Annual Report and Accounts
31 March 2009

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Aberdeen

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THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the action you should take, you are recommended to seek your own independent financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 if you are in the United Kingdom or, if not, from another appropriately authorised financial adviser. If you have sold or otherwise transferred all your Ordinary shares in Shires Income PLC please forward this document, together with the accompanying documents immediately to the purchaser or transferee, or to the stockbroker, bank or agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

About Your Company

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 £54.7 million as at 31 March 2009. 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, £35.5 million was invested in Ordinary shares, £1.3 million in convertible securities and £17.9 million in preference shares. The Company's investments will therefore tend to perform well when ordinary shares rise, particularly when higher yielding ordinary shares do better than lower or nil paying ordinary shares, and vice versa. Convertibles will tend to rise or fall with equities but to a lesser degree. Preference shares will tend to be more sensitive to interest rate movements; rising in value as rates fall or falling in value as rates rise.

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.

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 14.9p per share (after providing for the IFRS dividend adjustment of 10.95p), 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. Shires Income utilises two methods of borrowing. The first is a debenture, which has its interest cost and capital repayment linked to inflation (RPI). The second tranche of this debenture was redeemed on 6 March 2009 with the final tranche due to be redeemed on 6 March 2010. The other is by bank borrowing utilising revolving credit facilities.

Financial Summary

	2009	2008
Net asset value total return	**–47.8%**	**–20.4%**
Share price total return	**–44.7%**	**–24.4%**
Dividend per share	**19.75p**	**19.75p**

Financial Calendar

3 July 2009	Annual General Meeting
31 July 2009	Ordinary shares final dividend 2008/2009 payable
30 September 2009	3.5% Preference shares half-year dividend payable
30 October 2009	Ordinary shares first interim dividend 2009/2010 payable
November 2009	Interim results announced
November 2009	Interim Report published
29 January 2010	Ordinary shares second interim dividend 2009/2010 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
5% Index-Linked Debenture 2010	£9,942,000

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

In my first year as Chairman of your Company, we have faced some of the most unpredictable and difficult times in investment markets for decades. The global financial crisis spread faster and deeper than anyone expected and has pushed the global economy into a significant downturn due to a unique combination of a worldwide liquidity crisis, a rapid deterioration in the economic environment and a failure of financial institutions to manage systemic risk. Corporate governance and financial regulation were not up to the mark and the knock-on effect is likely to be felt for years to come.

During this unprecedented period, almost all investments, apart from government bonds and cash, declined in value. In the UK, the FTSE All Share index declined by 32.2% in capital terms. The decline in the Company's net assets reflects the harsh environment and the negative impact from gearing in falling markets.

However, despite the conditions, I am pleased to report that your Company is proposing a maintained full year dividend payment at 19.75p per share, almost entirely covered by income generated from the portfolio. If approved at the AGM, a final dividend of 6.55p (2008 – 6.55p) will be paid on 31 July 2009 to shareholders on the register at 3 July 2009.

Investment Returns

Given the background, shareholders will appreciate why the asset value fell during the year but the scale of decline was compounded by the Company being geared into falling markets. It is very disappointing to report that in the year under review, the total return on net assets was -47.8% while the total return on the share price was -44.7% compared to -29.3% from our benchmark, the FTSE All Share. The performance was adversely affected by the impact of gearing, weakness in preference shares as well as equities and exposure to medium and smaller sized companies.

The total return on share price was better than that on net assets because your Company's discount improved during the year. Over the twelve months to 31 March 2009, the discount closed from 8.5% to move on to a small premium of 1.1% as demand for investment trusts with above average yields increased as savings rates declined.

Earnings and Dividends

At the interim stage, the Board indicated that dividend cuts from underlying equity investments were likely to increase as the year progressed. That has indeed turned out to be the case as some companies have reduced dividends in order to conserve cash and rebuild their balance sheets. The Board has monitored income generation closely and in particular examined the Company's long term sustainable revenue flows. We believe it is sensible to place less emphasis on securing income through options trading though it has been, and will remain, an element of our strategy using the carefully designed controls we have in place.

The Board appreciates how important high yield is to shareholders but has to balance this against forecast revenue, prudent investment principles and the objective of achieving capital growth over the longer term. After careful consideration of the Company's projected income generation, the Board anticipates that the Company should be able to pay a dividend of 12.0p per share in the year to 31 March 2010. The Board believes this level of dividend is more sustainable in the current economic climate and more consistent with the objective of achieving growth in both capital and income. A dividend of 12.0p is equivalent to a yield of 8.8% on the current share price of 136p. This is expected to be covered by revenue return per share in the year to 31 March 2010 and is underpinned by revenue reserves (net of the third interim and the final dividend) equivalent to 14.9p per share.

Clearly, these statements about future dividends are subject to market conditions and the absence of unforeseen circumstances.

Portfolio Profile and Gearing

Historically, the Company has had a high level of structural gearing by way of index-linked debenture stock to enhance income generation. This has proved to be both inflexible and expensive in times of rising inflation and decreasing interest rates and the average cost of this borrowing in the financial year has been approximately 9%. Moreover, as equity values declined last year, the gearing increased from 27.5% to 55.2% and the proportion invested in preference shares increased as they performed relatively better than equities. Gearing was monitored carefully throughout the year. The second tranche of the index-linked debenture stock was repaid on 6 March 2009 by recourse to existing facilities, including a £10 million revolving credit facility which was renewed until March 2010 and selective portfolio realisations. The remaining and final tranche of the index-linked debenture will be repaid on 6 March 2010.

AIC/JP Morgan Claverhouse VAT Test Case

I am pleased to advise that we have recognised the sum of £284,000 in these accounts in respect of the settlement of VAT paid on investment management fees between 2004 and 2007. In accordance with our accounting policy this has been recognised equally between capital and income.

Outlook

The UK economy is expected to contract by at least 3.5% this year. However, investors should take comfort from the swift intervention by both governments and central banks to resolve the financial crisis and restore confidence in the banking sector. Financial markets are showing tentative signs of stabilisation, especially after the introduction of quantitative easing policies in both the UK and USA. In the last month, some forward looking economic indicators suggest that the rate of deceleration is easing.

The recessionary conditions continue to feed through to company results causing profits downgrades, rights issues and some dividend cuts; trends we expect to remain in place for most of this year. But, as in past recessions, the stock market has discounted much of the negative news-flow and equity valuations are in many cases at undervalued levels. We believe that equity and preference shares will eventually recover and that there are opportunities to invest selectively at historically undervalued levels.

Anthony B. Davidson
Chairman
26 May 2009

Manager's Review

Background

The year to 31 March 2009, was dominated by the unfolding global financial crisis. The problems which originated in the US sub prime mortgage market were repeated in the UK and across Europe. Low interest rates, inappropriate lending practices and poor risk management resulted in the failure of major banks and financial institutions and, ultimately, required government intervention to bail out the sector. The uncertainty created by the crisis, possibly the worst since the 1930s, was negative for virtually all investment classes bar government bonds and cash. In the UK, the FTSE All Share index declined by 29.3%, in total return terms. The outcome was even worse for small and medium sized companies which returned -44.6% and -34.0% respectively. Corporate bonds were affected by heightened concerns about default risk and declined by 13.5%. The only positive returns were found in UK gilts and cash which delivered 10.3% and 3.6% respectively.

Portfolio Strategy

As equity values declined last year, the Company's gearing increased from 27.5% to 55.2% and affected the proportions invested in preference shares and equities with the former increasing from 33.5% to 50.7% of net assets. A net £2.1m was disinvested from preference shares. The main equity portfolio activity was to sell the small, often AIM listed and nil yielding holdings and establish new investments in better quality companies which also broadened the sector exposures and reduced the concentration in financials. The Manager monitored gearing carefully throughout the year and raised some cash towards the £9.9m repayment of the second tranche of the index-linked debenture stock in March 2009.

Revenue Account

The table below details the main sources of the Company's income over the last five years. In the year to end March 2009, equities accounted for around half of the revenue generated followed by holdings in preference shares. 19% came from traded options premiums generated by writing puts and calls on individual stocks. There was also a small balance from interest earned on cash on deposit. Compared to the previous year, the negative impact from the trading subsidiary was significantly reduced and losses will not recur as all of the subsidiary's investments were sold in 2008.

	2009 %	2008 %	2007 %	2006 %	2005 %
Ordinary dividends	41.5	47.5	50.6	44.3	45.5
Preference dividends	28.1	29.0	28.6	25.6	26.9
Shires Smaller Companies plc	8.7	7.4	7.2	11.2	11.4
Fixed interest and bank interest	2.9	1.1	1.6	1.9	1.5
Preference share switching	0.0	0.0	0.0	0.0	6.5
Dealing subsidiary	(0.5)	(7.0)	3.1	2.2	(1.5)
Traded option premiums	19.3	22.0	8.9	14.8	9.7
	100.0	**100.0**	**100.0**	**100.0**	**100.0**
Total income (£'000s)	**6,929**	**8,117**	**8,062**	**7,741**	**7,611**

Despite the difficult investment conditions, the Company's assets generated 94.4% of the recommended distribution of 19.75p per share with the balance of 1.1p coming from revenue reserves.

Equities

At the start of the year in April 2008, the portfolio had an over weight position in smaller companies, some of which were highly illiquid AIM listed and nil yielding shares. The Manager also sold a legacy unquoted holding, Submersible Television Surveys, and loan notes in a US listed small cap stock called Fuel Tech. The Mackintosh High Income fund was wound up at the end of June 2008 and the Company's units were redeemed at 73p per share. At a sector level, the portfolio at end March 2008 had no exposure to the Oil & Gas sector but was very concentrated in Financials. Over the course of the year, these imbalances were addressed and new holdings initiated in larger, better quality companies which also broadened the portfolio's sector exposures.

An initial weight was established in the Oil & Gas sector with three new holdings added in BP, Royal Dutch Shell and Venture Production, the North Sea oil & gas producer. In early 2009, the Manager sold the investment in Venture Production to Centrica at a significant premium to other comparable oil and gas companies. In Industrials, BAE Systems performed well and its valuation increased sharply. The holding was progressively reduced and the profits recycled into new and cheaper industrial holdings such as GKN, Rolls Royce and Tomkins. The holding in Rentokil was sold after continual disappointment with the company's results.

In General Retail, the holding in Topps Tiles was sold due to balance sheet and trading concerns and replaced by Marks & Spencer which is supported by its property assets and caters to a broader range of consumer expenditure. In tough times, consumers continue to spend on food but also seek out value for money. A new investment which fits that category was Wm Morrison, the supermarket chain, which has gained market share from its competitors as consumers have tightened their belts. Other companies involved in Consumer Services were added to the portfolio and included the budget hotel operator, Whitbread and Arriva, the UK bus and rail company. Both companies are beneficiaries of value for money trends in consumer and business spending. In the more defensive parts of the stock market, new investments were made into the food manufacturers, ABF and Unilever. Together with investments in the tobacco groups BATs and Imperial Group, these companies generate strong cash flows that in turn support reliable and growing dividends to shareholders.

The Financials sector covers a wide variety of companies and encompasses banks, insurance and property. To redress the overweight exposure in the portfolio, the Manager sold the small cap property companies such as Carpathian and replaced them with one holding in Land Securities. In insurance the holding in Jardine Lloyd Thomson was sold, Chesnara was reduced and Highway Insurance was sold after a cash takeover by Liverpool Victoria. The portfolio benefited from being underweight to banks and during the year the holdings in Barclays, Lloyds TSB and RBS were sold and switched into HSBC and Standard Chartered. The Manager subscribed to the £12.9bn rights issue announced by HSBC in early March 2009. As a result of the changes described, the exposure to financial companies declined from almost 40% to 20.6% of the equity portfolio.

By the end of March 2009, the number of listed holdings had been expanded from 34 to 40 while the sector exposures were successfully diversified away from dependence on financials to a broader based exposure.

Preference Shares

The preference share portfolio is an important contributor to the Company's revenue and as equity markets fell, increased as a proportion of invested assets from 26.3% to 32.7%. The main activity was to trim the holdings in Royal Sun Alliance and General Accident and switch part of the Standard Chartered preference share holding into ordinary shares which will provide better long term growth prospects for the portfolio.

Investment Performance Analysis

In the year to end March 2009, the total return on net assets was -47.8% compared to our benchmark, the FTSE All Share index which declined by 29.3%. The underperformance versus the benchmark was caused by a combination of gearing into falling equity and preference share values; a higher than benchmark exposure to smaller and medium sized companies and the negative impact from stock selection in Consumer Services and Financials. The table below details the contributions from the Company's assets to the NAV total return.

Equities (inc Shires Smaller Companies)	-40.6
Fixed income portfolio, total return	-7.5
Unlisted investments	0.9
Option writing	2.2
Cash	0.1
Index-Linked Debenture Stock	-2.6
Other financing costs and expenses	-0.3
Total return on Net Assets	**-47.8**

Prospects

Stock markets have recovered some lost ground in March and April as the pace of the economic downturn as evidenced by forward looking indicators, e.g. UK retail sales and export orders, has slowed. Certainly, investment sentiment has been helped by these trends together with better than feared news flow from the banks, both here and in the USA. Very low interest rates and quantitative easing programmes are further reasons to hope the worst point in the financial crisis is past.

The first quarter of 2009 has seen a series of rights issues and re-financing by companies. Dividends have been cut to conserve cash and companies are cutting costs rapidly to match lower levels of activity. Stock market valuations are attractive, even after the recent rally. The yield on the FTSE All Share index over the next twelve months, including announced dividend cuts, is estimated to be around 5.0% compared to the yield on a ten year UK gilt of 3.7%.With interest rates at historically low levels, equities and preference shares look attractive for income investors and, long term, should offer capital appreciation.

Aberdeen Asset Managers Limited
26 May 2009

Results

Financial Summary

	31 March 2009	31 March 2008	% change
Total investments	£54,731,000	£95,296,000	–42.6
Shareholders' funds	£35,271,000	£74,687,000	–52.8
Market capitalisation	£32,370,362	£65,334,676	–50.5
Net asset value per share	118.77p	251.49p	–52.8
Share price (mid market)	109.00p	220.00p	–50.5
Discount/(Premium) to adjusted NAV[A]	(1.1%)	8.5%	
Gearing	55.2%	27.5%	
Total expense ratio	1.1%	1.1%	
Dividends and earnings			
Revenue return per share[B]	18.64p	20.29p	–8.1
Dividends per share[C]	19.75p	19.75p	–
Dividend cover	0.93	1.03	
Revenue reserves[D]	£7,668,000	£7,999,000	

[A] Based on IFRS NAV above reduced by dividend adjustment of 10.95p (2008 – 10.95p).

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

[C] The figures for dividends per share reflect the years in which they were earned (see note 9 on page 34).

[D] The revenue reserve figure does not take account of the third or final interim dividend amounting to £3,252,000 (2008 – £3,252,000).

Performance (total return)

	1 year % return	3 year % return	5 year % return
Net asset value	–47.8	–54.8	–27.8
Share price (based on mid price)	–44.7	–56.0	–28.2
FTSE All-Share Index	–29.3	–27.5	+7.2

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	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**			
First interim dividend	4.40p	3 October 2007	5 October 2007	31 October 2007
Second interim dividend	4.40p	2 January 2008	4 January 2008	31 January 2008
Third interim dividend	4.40p	9 April 2008	11 April 2008	30 April 2008
Final dividend	6.55p	2 July 2008	4 July 2008	31 July 2008
2007/08	**19.75p**			

Performance (continued)

Ten Year Financial Record

Year to 31 March	2000	2001	2002	2003	2004[A]	2005	2006	2007	2008	2009
Revenue available for ordinary dividends (£'000)	5,797	5,713	5,739	5,853	5,770	5,770	5,792	5,987	6,026	5,536
Per share										
Net revenue return (p)	19.6	19.3	19.4	19.7	19.5	19.6	19.5	20.2	20.3	18.6
Net dividends paid/proposed (p)	18.65	19.00	19.25	19.25	19.25	19.25	19.25	19.25	19.75	19.75
Total return (p)	(6.3)	(8.7)	(38.9)	(175.0)	76.0	52.5	74.8	26.8	(65.4)	(113.0)
Net asset value per share										
Basic (p)	452.8	425.1	366.9	172.7	229.5	272.9	328.4	336.0	251.5	118.8
Diluted (p)	452.8	425.1	366.9	172.7	229.5	272.9	328.4	336.1	251.5	118.8
Shareholders' funds (£m)	134.3	126.0	108.9	51.2	68.1	81.1	97.5	99.8	74.7	35.3

[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 1999

As at 31 March	1999	2000	2001	2002	2003	2004[A]	2005	2006	2007	2008	2009
NAV – diluted	100.0	94.8	89.0	76.8	36.2	48.0	55.0	66.2	67.7	50.7	23.9
NAV total return[B]	100.0	97.5	95.4	86.5	43.8	63.8	79.0	101.9	110.9	88.3	46.1
Share price performance	100.0	89.5	92.6	74.6	31.7	50.2	59.6	70.3	69.7	49.3	24.4
Share price total return[B]	100.0	92.3	99.9	84.4	38.6	67.6	87.3	110.2	116.2	87.8	48.5
Benchmark performance	100.0	107.5	93.7	88.3	60.0	75.9	84.9	105.3	113.4	101.1	68.5
Benchmark total return[B]	100.0	109.9	98.1	95.0	66.6	87.3	100.9	129.2	143.6	132.4	93.6

[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 2009

Company	Valuation 2009 £'000	Total portfolio %	Valuation 2008 £'000
British American Tobacco	2,807	5.1	3,404
Shires Smaller Companies	1,880	3.4	6,000
AstraZeneca	1,723	3.2	1,602
Vodafone	1,694	3.1	3,018
Centrica	1,638	3.0	–
British Petroleum	1,556	2.9	–
Royal Dutch Shell	1,531	2.8	–
National Grid	1,424	2.6	–
Arriva	1,251	2.3	3,430
Prudential	1,220	2.2	4,372
Ten largest investments	16,724	30.6	
Chesnara	1,073	2.0	1,618
GlaxoSmithKline	1,005	1.8	–
Tesco	977	1.8	–
Persimmon	957	1.8	3,213
BT	869	1.6	2,972
Marks & Spencer	844	1.5	–
Tomkins	824	1.5	–
Morrison	823	1.5	–
Imperial Tobacco	815	1.5	–
Unilever	792	1.4	–
Twenty largest investments	25,703	47.0	
Millennium & Copthorne Hotels	727	1.3	1,660
Whitbread	707	1.3	–
Aviva	649	1.2	1,852
Rolls Royce	647	1.2	–
Ladbrokes	640	1.2	–
Friends Provident	613	1.1	34
HSBC Holdings	499	0.9	–
Land Securities	486	0.9	–
Holidaybreak	460	0.8	1,261
Daily Mail & General Trust	454	0.8	–
Thirty largest investments	31,585	57.7	
Diageo	393	0.7	–
Rio Tinto	350	0.6	1,356
GKN	328	0.6	–
Associated British Foods	320	0.6	–
Legal & General	249	0.5	2,302
Standard Chartered	247	0.5	–
ATH Resources	53	0.1	2,375
Mylan Inc [A]	2	0.0	1
Total Ordinary shares	**33,527**	**61.3**	

[A] Listed in the USA.

Investment Portfolio – Other Investments

As at 31 March 2009

Company	Valuation 2009 £'000	Total portfolio %	Valuation 2008 £'000
Convertibles			
Balfour Beatty Cum Conv 10.75%	677	1.2	640
Premier Farnell 89.2p Cum Conv	588	1.1	638
Total Convertibles	**1,265**	**2.3**	
Preference shares			
Ecclesiastical Insurance Office 8 5/8%	3,912	7.2	4,643
Sun Alliance 7 3/8%	3,549	6.5	4,700
General Accident 7.875%	2,909	5.3	5,119
Standard Chartered 8.25%	2,688	4.9	3,521
Abbey National 10.375%	2,180	4.0	3,146
Barclays Bank 14%	939	1.7	0
REA Holdings 9%	932	1.7	1,071
Lloyds Banking Group 6.475%	561	1.0	1,284
Lloyds Banking Group 9.25%	216	0.4	513
Total Preference shares	**17,886**	**32.7**	
Unlisted investments (3)[B]	**2,053**	**3.7**	
Total Other Investments	**21,204**	**38.7**	
Total Investments	**54,731**	**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 2009

	Valuation at 31 March 2008 £'000	%	Movement during the year Purchases £'000	Sales £'000	Other £'000	Gains/ (losses) £'000	Valuation at 31 March 2009 £'000	%
Listed investments								
Ordinary shares	67,734	90.7	30,329	(30,539)	–	(33,997)	33,527	95.1
Convertibles	1,434	1.9	–	(67)	–	(102)	1,265	3.6
Preference shares	25,037	33.5	1,300	(3,398)	(143)	(4,910)	17,886	50.7
	94,205	126.1	31,629	(34,004)	(143)	(39,009)	52,678	149.4
Unlisted investments	1,091	1.4	–	(186)	–	1,148	2,053	5.8
	95,296	127.5	31,629	(34,190)	(143)	(37,861)	54,731	155.2
Current assets	5,961	8.0					2,907	8.2
Current liabilities	(17,054)	(22.8)					(22,367)	(63.4)
Non current liabilities	(9,516)	(12.7)					–	–
Net assets	**74,687**	**100.0**					**35,271**	**100.0**
Net asset value per Ordinary share	**251.5p**						**118.8p**	

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.
Age: 61.
Length of Service: 2 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 Pearl Group plc. 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 (Chairman – part year), Nominations Committee (Chairman), Management Engagement Committee (Chairman)
Remuneration for the financial year: £17,250 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.
Age: 61.
Length of Service: 5 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: 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 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.
Age: 49.
Length of Service: 5 years, joined the Board in February 2004.
Experience: He has twenty five years experience in investment management, of which three quarters has been in the role of Chief Investment Officer. Currently a Director of 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.
Age: 50.
Length of Service: 1 year, 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 Chair, appointed 28 January 2009, Nominations Committee, Management Engagement Committee.
Remuneration for the financial year: £12,234.
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

Directors' Report

Status of the Company

The Company, which was incorporated in 1929, has received approval as an investment trust by the Inland Revenue for all accounting periods up to and including 31 March 2008 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. Its subsidiary undertaking, Wiston Investment Company Limited, operates as an investment dealing company. The objective of the Company is set out on page 3 of the report.

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 2009 appear on pages 25 to 45. Dividends declared and paid in the year amounted to 19.75p.

A third interim dividend of 4.4p was declared on 4 February 2009 payable on 30 April 2009. A final dividend of 6.55p per ordinary share is proposed. Under International Financial Reporting Standards (IFRS) both these dividends will be accounted for in the financial year ended 31 March 2010.

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 8 with historical performance being shown on pages 9 and 10. 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 20. 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, JP Morgan Cazenove, present to the Board during the course of the year and cover the topics of sector development, perception of the Company and relevant strategic issues.

Principal Risks and Uncertainties

The principal risks facing the Company relate to the Company's investment activities and gearing and include market risk, liquidity risk and credit risk. An explanation of these risks and how they are managed is contained in note 19 to the financial statements on page 40.

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 and to which the Manager would need to report with reasons to the Board should they not be adhered to. The Company invests in equities and preference shares.

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

The Company's gearing is in the form of a 5% Index Linked Debenture Stock and bank borrowing, utilising revolving credit facilities. 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 and 7, the distribution of assets and liabilities on page 13 and the Portfolio of Investments on pages 11 and 12.

Directors

The Directors are shown on page 14 to 15. With the exception of A. S. Robson who was appointed on 16 May 2008, all held office throughout the year. J. M. Haldane, having served as a Director since 1996, retired with effect from 31 December 2008. Mrs J. R. Davidson did not offer herself for re-election at the 2008 AGM and retired with effect from 4 July 2008. Under the terms of the Articles, at each AGM one-third of the Directors (or, if their number is not a multiple of three, the number nearest to but not greater than one-third) shall retire from office. The Directors to retire by rotation shall be those who have been longest in office since their last appointment or re-appointment but as between persons who became or were last re-appointed on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. By agreement, Mr M D Couve retires by rotation, and, being eligible, offers himself for election.

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

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 2009 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 2009 Ordinary shares	31 March 2008 Ordinary shares
A.B. Davidson	10,000	5,000
M. D. Couve	2,000	2,000
D.P. Kidd	5,000	5,000
A. S. Robson	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 2009 and 26 May 2009.

Substantial Interests

As at 26 May 2009 the Company had received notification of the following interests in its ordinary shares:

Shareholder	Number of Ordinary shares held	% held
Axa Investment Management	3,059,462	10.3
Aberdeen Investment Trust Share Plans (non beneficial)	2,524,977	8.5
Legal & General Investment Management	1,252,815	4.2

Special Business at the Annual General Meeting

Authority to Allot Shares

Resolution 7 will be proposed as an ordinary resolution giving the Directors general authority to allot shares in the Company up to a maximum nominal amount of £4,949,596 being one-third of the Company's issued ordinary share capital as at 26 May 2009. The authority conferred by this resolution will expire at the AGM to be held in 2010 or after a period of 15 months from the date of the passing of the resolution, whichever is earlier. The Directors have no present intention to use the Section 80 authority, but will do so if a suitable opportunity arises in the future.

Authority to Disapply Statutory Pre-emption Rights

In certain circumstances it may be in the best interests of the Company to issue shares for cash otherwise than pro rata to existing Shareholders. Accordingly, Resolution 8 will be proposed as a special resolution giving the Directors power to allot for cash, as if Section 89(1) of the Companies Act 1985 did not apply, equity securities in connection with a rights issue or other offer of equity securities to Shareholders and, provided the shares are issued at a price not less than their underlying fully diluted net asset value, in other cases up to an aggregate nominal amount of £742,439, which is equivalent to approximately 5% of the issued ordinary share capital of the Company as at 26 May 2009. The authority conferred by this resolution will expire at the AGM to be held in 2010 or after a period of 15 months from the date of the passing of the resolution, whichever is earlier. This disapplication of pre-emption rights also applies in respect of treasury shares which the Company may sell.

Authority to Buy Back Shares

Resolution 9 will be proposed as a special resolution to authorise the Company to make market purchases of up to 14.99% of its own ordinary shares. The Directors may cancel these shares or hold them in treasury. The Directors have no present intention for the Company to purchase its own equity shares. Resolution 9 sets out the lowest and highest prices that the Company can pay for its ordinary shares. The authority conferred by this resolution will expire at the AGM to be held in 2010 or after a period of 15 months from the date of the passing of the resolution, whichever is earlier.

As at 26 May 2009, none of the Company's issued shares is held in treasury. No shares were bought back in the period.

Articles of Association

The Directors expect to propose the adoption of a new set of Articles fully updated to reflect the repeal of the Companies Act and its replacement by the 2006 Act at the 2010 Annual General Meeting by which time all sections of the 2006 Act will have come into force.

Going Concern

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 bank facilities. 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
26 May 2009

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") and the AIC Code of Corporate Governance (the "AIC Code").

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. Biographies of the Directors appear on pages 14 and 15 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 2009 the Board met six times. In addition, the Audit Committee met twice the Nominations Committee once and the Management Engagement Committee, once.

Directors have attended Board and Committee meetings during the year ended 31 March 2009 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	6 (6)	2 (2)	1 (1)	1 (1)
M. D. Couve	6 (6)	2 (2)	1 (1)	1 (1)
D. P. Kidd	6 (6)	2 (2)	1 (1)	1 (1)
A. S. Robson	4 (4)	1 (1)	- (-)	- (-)

The Board has appointed Aberdeen to manage the Company's investment portfolio within guidelines set by the Board and to provide it with accounting and secretarial services. Aberdeen provides the Board with monthly reports on the Company's activities. The Board has a formal schedule of matters specifically reserved to it for decision including an annual review of the Manager and the 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 from Mr A. B. Davidson with effect from 28 January 2009. The principal role of the Audit Committee is to review the annual and interim financial statements and the

Statement of Corporate Governance (continued)

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 once in the past year. The purpose of the Committee is to review the terms of the agreements with the Manager including, but not limited to, the management fee and also to review the performance of the Manager in relation to the achievement of the Company's objectives. These reviews have been conducted during the year and the outcomes are noted below.

Investment Management Agreement

The key terms of the Investment Management Agreement are set out in the Corporate Summary on page 3 and details of the fee charged by Aberdeen in the financial year and how it is calculated are set out in note 3 to the financial statements. The Board believes the fee charged by Aberdeen is competitive with reference to other investment trusts with a similar investment mandate and is priced appropriately given the level of service provided by Aberdeen. Aberdeen became the Manager in August 2007 and on 14 April 2008 the Company announced that Susan Anderson and Ed Beal had been appointed as co-managers of the Company. These co-managers have managed the portfolio for just over a year, and, while performance has been disappointing, the Board recognises that it has taken time to re-align the portfolio in difficult market conditions. 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 has been 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 once 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, (ii) all Directors retire in rotation with the selection criteria set out in the Articles and (iii) a Director who has reached the age of seventy must retire at the end of the next Annual General Meeting following his/her seventieth birthday. 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 1985 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 1985. 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
26 May 2009

Directors' Remuneration Report

The Board has prepared this report in accordance with the requirements of Schedule 7A to the Companies Act 1985. 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 particular 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 2009 was £84,964.

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.

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 2009.

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	
	2009	**2008**
	£	**£**
A. B. Davidson	17,250	13,500
M. D. Couve	14,000	13,500
D. P. Kidd	14,000	13,500
A. S. Robson (appointed 16 May 2008)	12,234	-
J. M. Haldane (resigned 31December 2008)	15,558	20,250
J. R. Davidson (resigned 4 July 2008)	3,523	13,500
	76,565	**74,250**

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 26 May 2009 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 group and parent company financial statements (the "financial statements") of Shires Income PLC (the "Company") for the year ended 31 March 2009 which comprise the Consolidated Income Statement, the Group and the Company Balance Sheets, the Group and the Company Statements of Changes in Equity, the Group and the Company Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's Members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's Members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report and the group financial statements in accordance with applicable UK law and International Financial Reporting Standards (IFRSs) as adopted by the EU, are set out in the Statement of Directors' Responsibilities on page 22.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and whether, in addition, the group financial statements have been properly prepared in accordance with Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2006 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the group's affairs as at 31 March 2009 and of the group's loss for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the parent company's affairs as at 31 March 2009;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the group financial statements, Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG Audit Plc KPMG Audit Plc
Chartered Accountants
Registered Auditor
26 May 2009

Consolidated Income Statement

	Notes	Year ended 31 March 2009 Revenue £'000	Capital £'000	Total £'000	Year ended 31 March 2008 Revenue £'000	Capital £'000	Total £'000
Loss on investments at fair value	11	–	(37,832)	(37,832)	–	(23,445)	(23,445)
Investment income							
Dividend income		4,618	–	4,618	6,106	–	6,106
Interest income from investments		731	(143)	588	728	(265)	463
Stock dividend		81	–	81	–	–	–
Traded option premiums		1,338	–	1,338	1,785	–	1,785
Deposit interest		39	–	39	92	–	92
Money market interest		129	–	129	–	–	–
Other income		26	16	42	2	–	2
Loss of dealing subsidiary		(33)	–	(33)	(595)	–	(595)
	2	6,929	(37,959)	(31,030)	8,118	(23,710)	(15,592)
Expenses							
Investment management fee	3	(165)	(165)	(330)	(253)	(253)	(506)
VAT recoverable on investment management fees	20	142	142	284	–	–	–
Other administrative expenses	4	(308)	–	(308)	(410)	–	(410)
Finance costs of borrowings	6	(1,071)	(1,103)	(2,174)	(1,429)	(1,479)	(2,908)
		(1,402)	(1,126)	(2,528)	(2,092)	(1,732)	(3,824)
Profit before tax		5,527	(39,085)	(33,558)	6,026	(25,442)	(19,416)
Taxation	7	9	–	9	–	–	–
Profit/(loss) attributable to equity holders of the Company		**5,536**	**(39,085)**	**(33,549)**	**6,026**	**(25,442)**	**(19,416)**
Earnings/(loss) per Ordinary share (pence)		**18.64**	**(131.61)**	**(112.97)**	**20.29**	**(85.67)**	**(65.38)**

The total column of this statement represents the Group's Income Statement, prepared in accordance with IFRS. The supplementary revenue return and capital columns are both prepared as explained in the accounting policies on page 29. All items in the above statement derive from continuing operations.

All income and losses are attributable to the equity holders of the parent company. There are no minority interests.

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 Consolidated Income Statement.

	Year to 31 March 2009^ £'000	Year to 31 March 2008* £'000
Revenue	5,536	6,026
Dividends declared	(5,865)	(5,865)
	(329)	**161**

^Dividends declared relates to first three interim dividends (each 4.40p) and the final dividend (6.55p) declared in respect of financial year 2008/09.

*Dividends declared relates to first three interim dividends (each 4.40p) and the final dividend (6.55p) declared in respect of financial year 2007/08.

Consolidated Balance Sheet

	Notes	Group As at 31 March 2009 £'000	Group As at 31 March 2008 £'000	Company As at 31 March 2009 £'000	Company As at 31 March 2008 £'000
Non-current assets					
Ordinary shares		33,527	67,734	33,527	67,734
Convertibles		1,265	1,434	1,265	1,434
Other fixed interest		17,886	25,037	17,886	25,037
Unlisted investments		2,053	1,091	2,053	1,091
Securities at fair value	11	54,731	95,296	54,731	95,296
Current assets					
Trade and other receivables		313	144	313	479
Accrued income and prepayments		1,099	2,082	1,099	2,082
Financial assets of dealing subsidiary		–	452	–	–
Cash and cash equivalents		1,495	3,283	1,495	3,283
	13	2,907	5,961	2,907	5,844
Total assets		57,638	101,257	57,638	101,140
Current liabilities					
Trade and other payables		(175)	(337)	(269)	(347)
Short-term borrowings		(12,250)	(7,200)	(12,250)	(7,200)
Index-Linked Debenture stock	15	(9,942)	(9,517)	(9,942)	(9,517)
	14	(22,367)	(17,054)	(22,461)	(17,064)
Non-current liabilities					
Index-Linked Debenture stock	15	–	(9,516)	–	(9,516)
Net assets		**35,271**	**74,687**	**35,177**	**74,560**
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	18,855	18,887	18,855	18,887
Capital reserve	18	(6,151)	32,902	(6,160)	32,893
Revenue reserve	18	7,668	7,999	7,583	7,881
		35,271	**74,687**	**35,177**	**74,560**
Net asset value per Ordinary share (pence):	10	**118.77**	**251.49**	**118.45**	**251.06**

The financial statements were approved by the Board of Directors and authorised for issue on 26 May 2009 and were signed on its behalf by:

Chairman

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

Consolidated Statement of Changes in Equity

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 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 2009 £'000	£'000	Year ended 31 March 2008 £'000	£'000
Cash flows from operating activities				
Investment income received		6,368		6,768
Deposit interest received		51		81
Money Market Interest Received		123		–
Investment management fee paid		(366)		(551)
Other cash receipts		1,363		1,616
Other cash expenses		(376)		(426)
Cash generated from operations		7,163		7,488
Interest paid		(1,320)		(1,850)
Tax paid		9		–
Net cash inflows from operating activities		5,852		5,638
Cash flows from investing activities				
Purchases of investments	(31,549)		(51,284)	
Sales of investments	34,304		71,789	
Sales of dealing subsidiary	419		–	
Repayment of Index-Linked Debenture Stock	(9,997)		(9,517)	
Net cash(outflow)/inflow from investing activities		(6,823)		10,988
Cash flows from financing activities				
Equity dividends paid	(5,867)		(5,717)	
Net cash outflow from financing activities		(5,867)		(5,717)
Net (decrease)/increase in cash and cash equivalents		(6,838)		10,909
Cash and cash equivalents at start of period		(3,917)		(14,826)
Cash and cash equivalents at end of period		**(10,755)**		**(3,917)**

Cash and cash equivalents comprise:		
Cash and cash equivalents	1,495	3,283
Short-term borrowings	(12,250)	(7,200)
	(10,755)	(3,917)

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 applicable UK Accounting Standards and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' (issued in January 2009 and adopted early). The early adoption of the January 2009 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 new 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 Income Statement between items of a revenue and capital nature has been presented alongside the Income Statement. 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.

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

Amendment to IAS 1 – Presentation of Financial Statements : comprehensive revision including requiring a statement of comprehensive income (effective for annual periods beginning on or after 1 January 2009)

Amendment to IAS1 – Presentation of Financial Statements : a Revised Presentation relating to disclosure of puttable instruments and obligations arising on liquidation (effective for annual periods beginning on or after 1 January 2009)

Amendment to IAS 7 – Statement of Cash Flows (effective for annual periods beginning on or after 1 January 2010)

Amendment to IAS 23 – Borrowing Costs (effective for annual periods beginning on or after 1 January 2009)

Amendment to IAS 27 – Consolidated and Separate Financial Statements : consequential amendments arising to IFRS 3 (effective for annual periods beginning on or after 1 July 2009)

Amendment to IAS 29 – Financial Reporting in Hyperinflationary Economies (effective for annual periods beginning on or after 1 January 2009)

Amendment to IAS 32 – Financial Instruments (effective for annual periods beginning on or after 1 January 2009)

Amendment to IAS 36 – Impairment of Assets : amendments resulting from May 2008 Annual Improvements to IFRSs (effective for annual periods beginning on or after 1 January 2009)

Amendment to IAS 36 – Impairment of Assets : amendments resulting from April 2009 Annual Improvements to IFRSs (effective for annual periods beginning on or after 1 January 2010)

Amendment to IAS 39 – Financial Instruments : amendments for eligible hedged items (effective for annual periods beginning on or after 1 July 2009)

Amendment to IAS 39 – Financial Instruments : amendments for embedded derivatives when reclassfying financial instruments (effective for annual periods beginning on or after 30 June 2009)

Amendment to IAS 39 – Financial Instruments : amendments resulting from April 2009 Annual Improvements to IFRSs (effective for annual periods beginning on or after 1 January 2010)

Revised IFRS 1 – First-time Adoption of International Financial Reporting Standards (effective for annual periods beginning on or after 1 January 2009)

Revised IFRS 7 – Financial Instruments (effective for annual periods beginning on or after 1 January 2009)

IFRS 8 – Operating Segments (effective for annual periods beginning on or after 1 January 2009)

Revised IFRS 8 – Operating Segments : amendments resulting from April 2009 Annual Improvements to IFRSs (effective for annual periods beginning on or after 1 January 2010)

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 an Income Statement 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 Income Statement as "(Losses)/gains 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 unrealised 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 Income Statement, 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 Income Statement 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	2009 £'000	£'000	2008 £'000	£'000
Income from listed investments				
Dividend income		4,618		6,106
Interest income from investments		731		728
Money Market Interest		129		–
Stock dividend		81		–
		5,559		**6,834**

Other income from investment activity	2009 £'000	£'000	2008 £'000	£'000
Deposit interest		39		92
Traded option premiums		1,338		1,785
Sales of investments in dealing subsidiary	419		–	
Cost of sales in dealing subsidiary	(452)		–	
Decrease in fair value of investments of subsidiary	–		(595)	
		(33)		(595)
Other income		26		2
		1,370		1,284
Total income		**6,929**		**8,118**

Total income comprises:	2009 £'000	2008 £'000
Dividends and interest from investments	5,559	6,834
Deposit interest	39	92
Other income from investment activity	1,331	1,192
Total income	**6,929**	**8,118**

All dividend income was received from UK companies. The amount of £143,000 (2008 – £265,000) 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 £16,000 (2008 – £nil) was received by way of consent payment and has been treated as capital.

3. Investment Management fees	2009 Revenue £'000	2009 Capital £'000	2009 Total £'000	2008 Revenue £'000	2008 Capital £'000	2008 Total £'000
Investment management fees	165	165	330	232	232	464
VAT paid	–	–	–	21	21	42
	165	**165**	**330**	**253**	**253**	**506**

For the year ended 31 March 2009 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.

The fee for the year ended 31 March 2009 was exclusive of VAT whereas the fee for 2008 included VAT up to the quarter ended 30 September 2007. Note 20 provides further information on the status with regard to the recoverability of VAT previously charged on investment management fees and its implications for the Company.

4. Administrative expenses

	2009 £'000	2008 £'000
Directors' remuneration	77	74
Fees payable to auditors and associates		
– fees payable to the Company's auditors for the audit of the annual accounts	20	19
– fees payable to the Company's auditors and its associates for other services:		
– taxation services	–	7
– other services pursuant to legislation	–	7
Marketing contribution paid to Aberdeen	63	52
Professional fees	38	37
Other administrative expenses	110	214
	308	**410**

5. Directors' remuneration

The Company had no employees during the year (2008 – nil). No pension contributions were paid for Directors (2008 – £nil). Further details on Directors' Remuneration can be found in the Directors Remuneration Report on page 23.

6. Finance costs and borrowings

	2009 Revenue £'000	2009 Capital £'000	2009 Total £'000	2008 Revenue £'000	2008 Capital £'000	2008 Total £'000
Bank loans and overdrafts repayable within five years	159	159	318	217	217	434
5% Index-Linked Debenture Stock 2008/2010	912	912	1,824	1,212	1,212	2,424
Amortisation of issue expenses on Debenture Stock	–	32	32	–	50	50
	1,071	**1,103**	**2,174**	**1,429**	**1,479**	**2,908**

7. Taxation

At 31 March 2009 the Company had surplus management expenses and loan relationship debits with a tax value of £6,286,000 (2008 – £6,425,000) 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%. (2008 – 30%)

	Revenue £'000	2009 Capital £'000	Total £'000	Revenue £'000	2008 Capital £'000	Total £'000
Profit/(loss) before tax	5,527	(39,085)	(33,558)	6,026	(25,442)	(19,416)
Taxation of return on ordinary activities at the standard rate of corporation tax	1,548	(10,944)	(9,396)	1,808	(7,633)	(5,825)
Effects of:						
UK dividend income not liable to further tax	(1,309)	–	(1,309)	(1,832)	–	(1,832)
Prior year adjustment	(9)	–	(9)	–	–	–
Non-taxable write off of debt security premium/discount	–	40	40	–	80	80
Brought forward management expenses utilised	(239)	–	(239)	24	519	543
Current year management expenses not utilised	–	311	311	–	–	–
Non-taxable realisation (gains)	–	10,593	10,593	–	7,034	7,034
Taxation charge for the year	(9)	–	(9)	–	–	–

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

The revenue and capital loss attributable to equity holders of the Group for the financial year includes £33,516,000 (2008 – £18,837,000) which has been dealt with in the Company's financial statements.

9. Dividends	2009 £'000	2008 £'000
Amounts recognised as distributions to equity holders in the period:		
Third interim dividend for the year ended 31 March 2008 of 4.4p (2007 – 4.4p) per share	1,306	1,306
Final dividend for the year ended 31 March 2008 of 6.55p (2007 – 6.05p) per share	1,946	1,796
First two interim dividends for the year ended 31 March 2009 totalling 8.8p (2008 – 8.8p) per share	2,613	2,613
	5,865	**5,715**
3.5 % Cumulative preference shares	2	2

The third interim dividend of 4.4p for the year to 31 March 2009 paid on 30 April 2009 and the proposed final dividend for the year to 31 March 2009 payable on 31 July 2009 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:

	2009 £'000	2008 £'000
Three interim dividends for the year ended 31 March 2009 totalling 13.2p (2008 – 13.2p) per share	3,920	3,920
Final proposed dividend for the year ended 31 March 2009 of 6.55p (2008 - 6.55p) per share	1,945	1,945
	5,865	**5,865**

10. Return and net asset value per share

The losses per share are based on the following figures:

	2009 £'000	2008 £'000
Revenue return	5,536	6,026
Capital return	(39,085)	(25,442)
Net return	**(33,549)**	**(19,416)**
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 £35,271,000 (2008 – £74,687,000) and on the 29,697,580 (2008 – 29,697,580) Ordinary shares in issue at 31 March 2009.

11. Non current assets – Securities at fair value

	Group & Company 2009 £'000	Group & Company 2008 £'000
Listed on recognised stock exchanges:		
United Kingdom	52,676	93,976
Overseas	2	229
	52,678	94,205
Unlisted – overseas	2,053	1,091
	54,731	**95,296**

	Group 2009 Listed investments £'000	2009 Unlisted investments £'000	2009 Total £'000	2008 Listed investments £'000	2008 Unlisted investments £'000	2008 Total £'000
Cost at 31 March 2008	101,105	827	101,932	114,280	1,516	115,796
Unrealised (depreciation)/ appreciation at 31 March 2008	(6,900)	264	(6,636)	19,829	2,947	22,776
Fair value at 31 March 2008	94,205	1,091	95,296	134,109	4,463	138,572
Purchases	31,629	–	31,629	51,284	–	51,284
Sales – proceeds	(34,004)	(186)	(34,190)	(66,833)	(4,196)	(71,029)
– realised (losses)/ gains on sales	(18,788)	7	(18,781)	2,375	3,892	6,267
Amortised cost adjustments to debt securities[A]	(143)	–	(143)	(265)	–	(265)
Movement in fair value during the year	(20,221)	1,141	(19,080)	(26,465)	(3,068)	(29,533)
Fair value at 31 March 2009	**52,678**	**2,053**	**54,731**	**94,205**	**1,091**	**95,296**

[A] Charged to capital.

	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
Unrealised (depreciation)/appreciation 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**

	Company					
	2009			2008		
	Listed investments £'000	Unlisted investments £'000	Total £'000	Listed investments £'000	Unlisted investments £'000	Total £'000
Cost at 31 March 2008	101,105	827	101,932	114,545	1,131	115,676
Unrealised appreciation at 31 March 2008	(6,900)	264	(6,636)	19,564	3,332	22,896
Fair value at 31 March 2008	94,205	1,091	95,296	134,109	4,463	138,572
Purchases	31,629	–	31,629	51,284	–	51,284
Sales – proceeds	(34,004)	(186)	(34,190)	(66,833)	(4,196)	(71,029)
– realised (losses)/ gains on sales	(18,788)	7	(18,781)	2,375	3,892	6,267
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Fair value at 31 March 2009	**52,678**	**2,053**	**54,731**	**94,205**	**1,091**	**95,296**

[A] Charged to capital.

	2009			2008		
	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
Unrealised (depreciation)/appreciation 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**

	Group & Company	
Loss on investments	**2009 £'000**	**2008 £'000**
Net realised (losses)/ gains on sales of investments	(17,660)	6,757
Call options exercised	(1,121)	(490)
Net realised losses on sales	(18,781)	6,267
Fees paid in relation to sale of the holding in Glasgow Investment Managers	–	(45)
Movement in fair value of investments	(18,785)	(28,687)
Put options assigned	(295)	(846)
Movement in unrealised (appreciation)/depreciation of traded options	29	(134)
Loss on investments	(37,832)	(23,445)

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 £1,338,000 (2008 – £1,785,000) 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(e) and has been charged to the capital reserve.

As at 31 March 2009, the Company had pledged collateral equal to 139% of the market value of the traded options in accordance with standard commercial practice. The carrying amount of financial assets pledged equated to £1,861,000 all in the form of securities. The collateral position is monitored on a daily basis, which then determines if further assets are required to be pledged over and above those already pledged.

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 Income Statement. The total costs on the purchases and sales of investments in the year was £225,000 (2008 – £439,000).

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

At 31 March 2009 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	13.6%
REA Holdings	England	996,720	9% cum pref	6.7%
Ecclesiastical Insurance Office	England	4,240,000	7% cum pref	6.4%
Royal Sun Alliance	England	4,450,000	7% cum pref	3.6%
General Accident	Scotland	3,548,000	7% cum pref	3.2%
Standard Chartered	England	3,125,000	8% non-cum pref	3.2%

At 31 March 2009 Shires Income PLC held no units (2008 – 2,549,011) of the Mackintosh High Income OEIC. The total capital losses on the sale of the Mackintosh High Income OEIC during the year were £700,000 (2008 – £1,095,000).

12. Subsidiary undertakings

As at 31 March 2009, 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.

13. Current assets

	Group 2009 £'000	Group 2008 £'000	Company 2009 £'000	Company 2008 £'000
Investment sales	–	114	–	114
Accrued income & prepayments	1,099	2,082	1,099	2,082
Due from subsidiary undertakings	–	–	–	335
Investments of dealing subsidiary at fair value	–	452	–	–
Other debtors	313	30	313	30
Cash at bank	1,495	3,283	1,495	3,283
	2,907	**5,961**	**2,907**	**5,844**

None of the above amounts is overdue.

	Group 2009 £'000	Group 2008 £'000	Company 2009 £'000	Company 2008 £'000
14. Current liabilities				
Bank loans	12,250	7,200	12,250	7,200
Due to subsidiary undertakings	–	–	94	10
Other creditors	175	337	175	337
5% Index-Linked Debenture Stock 2008/2010:				
– due in less than one year	9,942	9,517	9,942	9,517
	22,367	**17,054**	**22,461**	**17,064**
Included above are the following amounts owed to Aberdeen, the Manager and Secretaries:				
Other creditors	**69**	**105**	**69**	**105**

In March 2009 the Company renewed an agreement with The Royal Bank of Scotland to provide a loan facility for up to £10,000,000. At the year end £8,750,000 had been drawn down at an all-in interest rate of 3.6537% which matured on 3 April 2009. At 7 May 2009 the principal amount was £8,800,000 at an all-in interest rate of 3.6036%.

The terms of The Royal Bank of Scotland facility contain a covenant that gross borrowings may not exceed 50% of adjusted net assets. 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 £3,500,000 had been drawn down at an all-in interest rate of 1.05% which matured on 3 April 2009. At 7 May 2009 the principal amount was unchanged at an all-in interest rate of 1.05%.

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.

	Group and Company 2009 £'000	Group and Company 2008 £'000
15. Index Linked Debenture Stock		
Due within 1 year	9,942	9,517
Due in 1 -2 years	–	9,516
	9,942	**19,033**

5% Index-Linked Debenture Stock 2008/2010

This Stock is unlisted and is secured by a floating charge over the whole of the assets of the Company and its dealing subsidiary undertakings. The total liability of the Index-Linked Debenture Stock is £9,942,000 which is included in current liabilities.

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 this Report.

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 (2008- £21,158,000). 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.

On 6th March 2009, £9,997,000 of capital was repaid.

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

The amounts outstanding at 31 March 2009 comprise:

	Group and Company	
	2009 £'000	**2008 £'000**
Nominal amounts	5,333	10,666
Discounts on issue	(15)	(46)
Amortisation of discounts	–	–
	5,318	10,620
Index-linked adjustments	4,624	8,413
	9,942	**19,033**

The movements during the year were as follows:

	Group and Company	
	2009 £'000	**2008 £'000**
Amounts outstanding at 31 March 2008	19,033	27,459
Amortisation of discounts (note 17)	32	50
Capital repaid (including indexation of £5,333)	(9,997)	(9,517)
Index-linked adjustments	874	1,041
Amounts outstanding at 31 March 2009	**9,942**	**19,033**

16. Called up share capital

	2009 Number	2009 £'000	2008 Number	2008 £'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**

	2009 Number	2009 £'000	2008 Number	2008 £'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	2009 £'000	2008 £'000
At 31 March 2008	18,887	18,937
Amortisation of expenses and discounts on issue of Debenture Stock (note 15)	(32)	(50)
At 31 March 2009	**18,855**	**18,887**

18. Retained earnings	Group 2009 £'000	Company 2009 £'000	Group 2008 £'000	Company 2008 £'000
Capital reserve				
At 31 March 2008	32,902	32,893	58,294	58,285
Net gains on sales of investments during year	(18,781)	(18,781)	6,222	6,222
Movement in fair value gains on investments	(19,080)	(19,080)	(29,533)	(29,533)
Amortised cost adjustment charged to capital	(143)	(143)	(265)	(265)
Investment management fees	(165)	(165)	(253)	(253)
VAT recoverable on investment management fees	142	142	–	–
Bank loans and overdrafts repayable within five years	(159)	(159)	(217)	(217)
Index-Linked Debenture costs	(912)	(912)	(1,212)	(1,212)
Traded options	29	29	(134)	(134)
Other	16	16	–	–
At 31 March 2009	**(6,151)**	**(6,160)**	**32,902**	**32,893**

Revenue reserve

	Group 2009 £'000	Company 2009 £'000	Group 2008 £'000	Company 2008 £'000
At 31 March 2008	7,999	7,881	7,690	6,993
Revenue	5,536	5,569	6,026	6,605
Dividends paid	(5,867)	(5,867)	(5,717)	(5,717)
At 31 March 2009	**7,668**	**7,583**	**7,999**	**7,881**

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 16, 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

The Group has in issue an Index-Linked Debenture on which the interest payable and the capital sum to be repaid on maturity are linked to the Retail Prices Index. 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:

Notes to the Financial Statements (continued)

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)**	–

As at 31 March 2008	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	–	8.00	21,377	–	–
UK preference shares	28.00	10.22	3,660	–	–
Cash	–	4.00	–	3,284	–
Total assets	–	–	**25,037**	**3,284**	–
Liabilities					
Short-term bank loan	0.08	5.93	(7,200)	–	–
Index-Linked Debenture	–	–	–	(19,033)	–
Total liabilities	–	–	**(7,200)**	**(19,033)**	–

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 2009	Within 1 year £'000	Within 1-2 years £'000	Within 2-3 years £'000	Within 3-4 years £'000	Within 4-5 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**

At 31 March 2008	Within 1 year £'000	Within 1-2 years £'000	Within 2-3 years £'000	Within 3-4 years £'000	Within 4-5 years £'000	More than 5 years £'000
Fixed rate						
UK irredeemable preference shares	–	–	–	–	–	21,377
UK preference shares	–	–	–	–	–	3,660
Short-term bank loan	(7,200)	–	–	–	–	–
	(7,200)	–	–	–	–	25,037

Floating rate	Within 1 year £'000	Within 1-2 years £'000	Within 2-3 years £'000	Within 3-4 years £'000	Within 4-5 years £'000	More than 5 years £'000
Index-Linked Debenture	(9,517)	(9,516)	–	–	–	–
Cash	3,284	–	–	–	–	–
	(6,233)	(9,516)	–	–	–	–
Total	**(13,433)**	**(9,516)**	**–**	**–**	**–**	**25,037**

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 2009 would increase/decrease by £15,000 (2008 – £33,000). 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 2009 would increase / decrease by £501,000 (2008 – increase / decrease by £468,000). 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 16, 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 2009 would have increased/decreased by £3,353,000 (2008 – increase/decrease of £6,773,000). 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 2009 was as follows:

	2009		2008	
	Balance Sheet £'000	Maximum exposure £'000	Balance Sheet £'000	Maximum exposure £'000
Non-current assets				
Securities at fair value through profit or loss	54,731	54,731	95,296	95,296
Current assets				
Trade and other receivables	313	313	144	144
Accrued income	1,099	1,099	2,067	2,067
Cash and cash equivalents	1,495	1,495	3,283	3,283
	57,638	**57,638**	**100,790**	**100,790**

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 12. 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. 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. HMRC has announced its intention not to appeal against this ruling to the UK VAT Tribunal and therefore protective claims which have been made in relation to the Company will be processed by HMRC in due course.

The Company has accepted the Manager's offer to refund £284,000 to the Company, representing all VAT charged on investment management fees for the period 1 January 2004 to 30 September 2007; this has been recognised in these financial statements and has been allocated to revenue and capital respectively, in accordance with the accounting policy of the Company for the periods in which the VAT was charged. The amount for earlier periods, any interest due on recoverable amounts (including the period from 1 January 2004 to 30 September 2007) and the timescale for receipt are at present uncertain and the Company has therefore taken no account in these financial statements of any such repayment.

It is expected that repayments will be made by HMRC to the Manager in respect of VAT which has been charged on the Company's investment management fees in periods prior to 1 January 2004. The Manager has undertaken to pass these amounts on to the Company, including any interest received, without undue delay. The Manager is at present awaiting HMRC's confirmation of the amounts to be received and these are expected to come in two further tranches, one for VAT paid from 2001 to 2003 and the second covering the period from 1990 to 1996. The timing of these payments is not certain, although we would expect the total amount, covering both those earlier periods, to be in excess of £100,000 plus interest, which will, once again, be split in accordance with the prevailing accounting policy.

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 £7,200 in Shires Income PLC can be made through Aberdeen's Stocks and Shares ISA in the tax year 2009/2010 and up to £10,200 in the tax year 2010/2011. Between 6 October 2009 and 5 April 2010, an additional £3,000 may be invested in an ISA (tax year 2009/2010) provided that the ISA holder is aged 50 years or over at the date of the additional investment

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.

How to Invest in Shires Income PLC continued

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 2441*
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 telephony providers' costs may vary.

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. A level expressed either as 100% or 0% indicates there is no gearing.

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 3 July 2009 at 12 noon to transact the following business:

Ordinary Business

1. To receive and adopt the Directors' Report and audited financial statements of the Company for the year ended 31 March 2009 together with the Auditors' Report thereon.
2. To receive and adopt the Directors' Remuneration Report for the year ended 31 March 2009.
3. To declare a final dividend of 6.55 pence per Ordinary share in respect of the year ended 31 March 2009.
4. To re-elect Mr M D Couve as a Director of the Company.
5. 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.
6. To authorise the Directors to determine the remuneration of KPMG Audit Plc as auditors of the Company.

Special Business

As special business to consider and, if thought fit, pass the following resolution which will be proposed as an ordinary resolution:

7. That with effect from the time of the passing of this Resolution the Directors be and are hereby generally and unconditionally authorised, pursuant to Section 80 of the Companies Act 1985 as amended ("the Act"), to exercise all the powers of the Company to allot relevant securities (as defined in Section 80(2) of the Act) up to a maximum nominal amount of £4,949,596, being equal to approximately one third of the ordinary shares in issue, to such persons and at such times and on such terms as they think proper provided that this authority shall (unless previously revoked, varied or reviewed by the Company) expire at the conclusion of the next Annual General Meeting of the Company or 2 October 2010 (whichever is earlier), provided that the Company may, prior to such expiry, make any offer, agreement or other arrangement which would or might require relevant securities to be allotted after such expiry and the Directors of the Company may allot relevant securities pursuant to any such offer, agreement or other arrangement as if the authority conferred hereby had not expired. This authority is in substitution for all previous authorities conferred upon the Directors pursuant to Section 80 of the Act, but without prejudice to the allotment of any relevant securities already made or to be made pursuant to such authorities.

As special business to consider and, if thought fit, pass the following Resolution which will be proposed as a special resolution:

8. That the Directors be and are hereby empowered pursuant to Section 95 of the Act to exercise all powers of the Company to allot equity securities (within the meaning of Section 94(2) of the Act) wholly for cash pursuant to the authority conferred by Resolution 7 considered at this Meeting and/or in respect of an allotment of equity securities by virtue of Section 94(3A) of the Act as if Section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:
   (i) the allotment of equity securities in connection with a rights issue or open offer or otherwise where such securities have been offered to the holders of the ordinary shares of 50p each in the capital of the Company in proportion (as nearly as may be) to their respective holdings of such ordinary shares on a record date fixed by the Directors but subject to the Directors having the right to make such exclusions or other arrangements as they deem necessary or expedient to deal with any legal or practical problems under the laws of any territory or the requirements of any regulatory body or any Stock Exchange in any territory or in connection with fractional entitlements; and
   (ii) the allotment (otherwise than pursuant to (i) above) of ordinary shares up to an aggregate nominal amount of £742,439 being equal to approximately 5% of the ordinary shares in issue, at a price per share not less than the fully diluted net asset value of an ordinary share in the Company calculated as at the close of business on the immediately preceding business day,

   and shall, unless revoked, renewed or varied prior to such time, expire on the conclusion of the next Annual General Meeting of the Company or 2 October 2010 (whichever is earlier) but so that this power shall enable the Company to make offers or agreements before the expiry of this power which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offers or agreements as if the power conferred hereby had not expired and for this purpose words and expressions defined in or for the purpose of Part IV of the Act shall bear the same meanings in this Resolution.

As special business to consider and, if thought fit, pass the following Resolution which will be proposed as a special resolution:

9. That the Company be and it is hereby generally and unconditionally authorised to make market purchases (within the meaning of section 163(3) of the Act) of any of its own ordinary shares in such manner and upon such terms as the Directors of the Company may from time to time determine, provided that:
   (i) the maximum aggregate nominal value of the Ordinary shares hereby authorised to be acquired shall be limited to £2,225,833, being equal to approximately 14.99% of the ordinary shares in issue;
   (ii) the maximum price which may be paid for any ordinary share under this authority shall not exceed an amount equal to 105% of the average of the middle market value of such ordinary share as derived from the Daily Official List of the London Stock Exchange for the five business days before the purchase is made and the minimum price which may be paid for any such ordinary share shall be 50p (in each case exclusive of expenses of purchase payable by the Company); and
   (iii) the authority hereby conferred shall expire (unless previously revoked, renewed or varied) at the conclusion of the next Annual General Meeting of the Company or 2 October 2010 (whichever is earlier), provided that the Company may before such expiry make any contract of purchase for ordinary shares which would or might be executed wholly or partly after the expiry of such authority and the Company may make such a purchase in pursuance of such contract as if the authority hereby conferred had not expired.

By Order of the Board
Aberdeen Asset Management PLC
Secretaries
26 May 2009

Notes:

(i) A member entitled to attend and vote is entitled to appoint a proxy or proxies to attend, speak and vote instead of him. A proxy need not be a member of the Company. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise the rights attached to any one share. A reply-paid form of proxy is enclosed.

(ii) Forms of proxy and the power of attorney or other authority, if any, under which they are signed or a notarially certified copy of that power of attorney or authority, should be sent to the address noted on the form of proxy so as to arrive not less than 48 hours before the time fixed for the meeting. The return of a completed proxy form or other instrument of proxy will not prevent you attending the meeting and voting in person if you wish to do so.

(iii) In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, to have the right to attend and vote at the meeting referred to above a member must first have his or her name entered in the Company's register of members by not later than 48 hours before the time fixed for the meeting (or in the event that the meeting be adjourned on the register of members 48 hours before the time of the adjourned meeting). Changes to entries on that register after that time (or, in the event that the meeting is adjourned, on the register of members less than forty eight hours before the time of any adjourned meeting) shall be disregarded in determining the rights of any member to attend and vote at the meeting referred to above.

(iv) No Director has a service contract with the Company. Copies of the Directors' letter of appointment are available for inspection at the Company's registered office and for 15 minutes prior to, and at, the meeting.

(v) The Register of Directors' Interests kept by the Company in accordance with Section 325 of the Companies Act 1985 will be open for inspection at the meeting.

(vi) As at 26 May 2009, the latest practicable date prior to publication of this document, the Company had 29,697,580 Ordinary shares in issue with a total of 29,697,580 voting rights.

(vii) 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 Disclosure and Transparency Rules.

(viii) In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the Chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the Chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives — www.icsa.org.uk — for further details of this procedure. The guidance includes a sample form of representation letter if the Chairman is being appointed as described in (i) above.

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

Corporate Information

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EH2 2BY
Registration Number: 3106339

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Auditors
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Solicitors
Maclay Murray & Spens LLP

Bankers
Royal Bank of Scotland plc
HSBC Bank Plc

Stockbroker
J P Morgan Cazenove

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