Shires Income PLC

Annual Report
31 March 2015

Aberdeen

Contents

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 financial advice from your stockbroker, bank manager, solicitor, accountant or other financial adviser authorised under the Financial Services and Markets Act 2000 (as amended by the Financial Services Act 2012) if you are in the United Kingdom or, if not, from another appropriately authorised financial adviser.

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

Front cover
The Kelpies is a 30 metre sculpture in Falkirk, Scotland.
Created by sculptor Andy Scott.
Photo by Nisbet Wylie Photography Ltd.

Strategic Report – Company Summary

The Company
The Company is an investment trust and its Ordinary shares are listed on the premium segment of the Official List of the UK Listing Authority and traded on the London Stock Exchange. An investment trust enables savers to make a single investment in a diversified portfolio.

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

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

Investment Manager
Aberdeen Asset Managers Limited ("Investment Manager" or "AAM").
Authorised and regulated by the Financial Conduct Authority

Alternative Investment Fund Manager
Aberdeen Fund Managers Limited ("Manager", "AFML" or "the AIFM").
Authorised and regulated by the Financial Conduct Authority

Management Arrangements Provided by Aberdeen Group
To comply with the Alternative Investment Fund Managers Directive ("AIFMD"), the Company has appointed Aberdeen Fund Managers Limited ("AFML"), a wholly owned subsidiary of Aberdeen Asset Management PLC, as its alternative investment fund manager ("Manager" or "AIFM"). The management agreement with AFML complies with the new AIFMD regulatory regime and under this arrangement, AFML has been appointed to provide investment management, risk management, administration and company secretarial services as well as promotional activities. The Company's portfolio will be managed by Aberdeen Asset Managers Ltd ("Investment Manager" or "AAM") by way of a group delegation agreement in place between AFML and AAM. In addition, AFML has sub-delegated promotional activities to AAM and administrative and secretarial services to Aberdeen Asset Management PLC.

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

Pre-investment Disclosure Document (PIDD)
The Alternative Investment Fund Managers Directive requires AFML, as the alternative investment fund manager of Shires Income PLC, to make available to investors certain information prior to such investors' investment in the Company. The Company's PIDD is available for viewing on the Company's website.

Strategic Report – Financial Highlights and Calendar

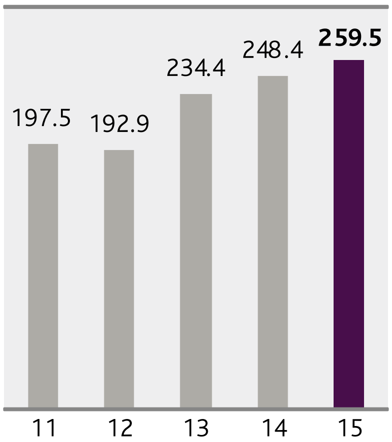
Financial Highlights

	2015	2014
Net asset value total return	+9.7%	+11.5%
Share price total return	+4.9%	+14.0%
Benchmark total return	+6.6%	+8.8%
Earnings per share (revenue)	12.92p	12.63p
Dividend per share	12.25p	12.00p
Dividend yield	4.9%	4.8%

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

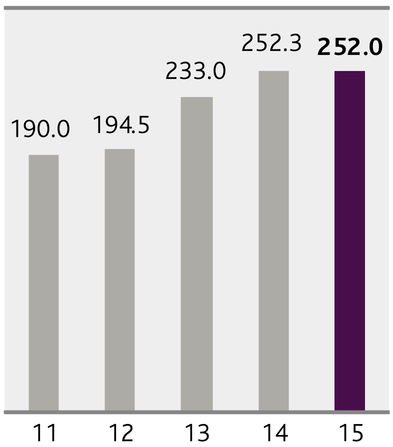
Net Asset Value per Ordinary share*

At 31 March – pence



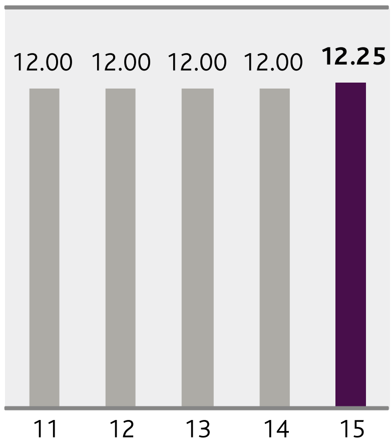
Share price per Ordinary share

At 31 March – pence



Dividends per Ordinary share

For year to 31 March - pence



* The NAV figures for 2011-15 are for the Company only, following the dissolution of the subsidiaries in May 2011.

Financial Calendar

8 July 2015	Annual General Meeting in London (12 noon)
31 July 2015	Ordinary shares final dividend 2014/2015 payable
30 September 2015	3.5% Preference shares half year dividend payable
30 October 2015	Ordinary shares first interim dividend 2015/2016 payable
November 2015	Half-Yearly Financial Report announced and Half-Yearly Report published
29 January 2016	Ordinary shares second interim dividend 2015/2016 payable
29 April 2016	Ordinary shares third interim dividend 2015/2016 payable

Strategic Report – Overview of Strategy

Introduction

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

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

Objective

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

Business Model

Investment Policy

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

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

The Company generates income primarily from ordinary shares, convertibles and preference shares. It also achieves income by writing call and put options on shares owned, or shares the Investment Manager would like to own. By doing so, the Company generates premium income.

Investment Process

The Investment Manager follows a bottom-up investment process based on a disciplined evaluation of companies through direct visits by its fund managers. Stock selection is intended as the major source of added value. No stock is bought without the Investment Manager having first met management. The Investment 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 Investment Manager's portfolio construction, with diversification rather than formal controls guiding stock and sector weights.

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

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

Principal Risks and Uncertainties

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

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

Investment risk: Investment risk within the portfolio is managed in three ways:

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

  - Maximum 7.5% of assets invested in the securities of one company (excluding Aberdeen Smaller Companies High Income Trust PLC);
  - Maximum 5% of quoted investee company's ordinary shares (excluding Aberdeen Smaller Companies High Income Trust PLC).

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. Issue sizes are normally relatively small and associated low volumes of trading could give rise to a lack of liquidity. The maximum holding in preference shares is managed by the first guideline referred to above. In addition, the Company cannot hold more than 10% of any investee company's preference shares.

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

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

Gearing risk: In the long-term, to help income generation and capital growth, the Company has borrowed to invest in the assets. This is undertaken in the belief that the assets will produce a greater total return than the cost of the borrowing over time. However, if asset values decline, that fall is exacerbated by gearing. During the year under review, the Company's borrowing was exclusively bank borrowing, utilising a revolving credit and term loan facility. The bank borrowings have certain associated covenants which are monitored by the Manager and Board. The gearing risk of the Company is actively managed and monitored with the Manager able to increase or decrease the short-term borrowings in line with their view of the stock market. As stated earlier, the maximum equity gearing limit, set by the Board, is 35% which constrains the amount of gearing that can be invested in equities which are more volatile than the fixed interest part of the portfolio.

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

Operational risk: In common with most other investment trust companies, the Company has no employees. The Company therefore relies upon the services provided by third parties and is dependent on the control systems of the Aberdeen Group, BNP Paribas Securities Services (the Depositary), Equiniti Limited (the registrar) and BNP Paribas, who maintain the Company's accounting records. The security of the Company's assets, dealing procedures, accounting records and maintenance of regulatory and legal requirements, depend on the effective operation of these systems. The effectiveness of the controls and systems is monitored by the Board on a regular basis.

The management of the Company has been delegated to the Aberdeen Group under a management agreement (further details of which are set out on page 22). The performance of the Aberdeen Group, in particular the Investment Manager, is regularly reviewed by the Board. Its compliance with the management agreement is also formally reviewed on an annual basis.

Income/dividend risk: The level of the Company's dividends and future dividend growth will depend on the performance of the underlying portfolio. Any change in the tax treatment of the dividends or interest received by the Company (including as a result of withholding taxes or exchange controls) may reduce the level of dividends received by shareholders. The Board monitors these risks through the receipt of detailed income forecasts and considers the level of income at each meeting. However, the Company may draw upon dividend reserves if required.

Investment in smaller companies: Rather than the Company holding a number of smaller companies shares, Shires Income invests indirectly in this part of the equity market through one holding in Aberdeen Smaller Companies High Income Trust PLC, which is also managed by the Investment Manager.

The Directors regularly review this holding (currently 6.6% of the Company's portfolio). All of the directors of Aberdeen Smaller Companies High Income Trust PLC are independent of Shires Income PLC. The Investment Manager does not charge any management fee in respect of the amount of Shires Income's assets attributable to this holding.

Share price discount to NAV risk*:* The Company's shares may trade at a discount to the underlying NAV per share. The discount (or premium) at which the Company's shares may trade is influenced by the supply of shares and the number of buyers and sellers of the Company's shares in the market. The Board regularly reviews the Company's discount/premium.

Regulatory risk: The Company operates in a complex regulatory environment and faces a number of regulatory risks. Breaches of regulations, such as Section 1158 of the Corporation Tax Act 2010, the UK Listing Rules, the Disclosure and Transparency Rules, the Companies Act 2006 and Alternative Investment Fund Managers Directive, could lead to a number of detrimental outcomes and reputational damage including additional tax obligations. The Board and Manager monitor changes in government policy and legislation which may have an impact on the Company and the Audit Committee monitors compliance with regulations by reviewing internal control reports from the Manager.

Performance and Outlook

The strategic direction and development of the Company is regularly discussed as part of Board meeting agendas. At each Board meeting, the Directors consider a number of performance measures to assess the Company's success in achieving its objectives. The Board also considers the future direction of the Company at an annual strategy meeting where a wide discussion takes place on development and strategic direction. The Company's brokers, 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. The Board also considers the efficacy of the promotional activities of the Company, including communications with shareholders, which is explained in more detail on page 59.

A review of the Company's activities and performance during the year ended 31 March 2015 and future developments is detailed in the Chairman's Statement and the Investment Manager's Review. This covers market background, investment activity, portfolio strategy, dividend and gearing policy and investment outlook. A comprehensive analysis of the portfolio is provided on pages 16 to 19.

Key Performance Indicators (KPIs)

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

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

Details of the Company's results are provided on pages 13 to 15.

Board Diversity

The Board recognises the importance of having a range of skilled, experienced individuals with relevant knowledge in order to allow it to fulfill its obligations. The Directors' statement on diversity is set out on page 29. At 31 March 2015, there were three male Directors and one female Director. The Company has no employees.

Employee and Socially Responsible Policies

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

Global Greenhouse Gas Emissions

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

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

Anthony B. Davidson
Chairman
29 May 2015

Strategic Report - Chairman's Statement

Anthony B. Davidson
Chairman

Dear Shareholder

Results Review

The outcome for the year to the end of March 2015 was an increase in the Company's net asset value per share of 9.7% on a total return basis. This compares to a rise in our benchmark, the FTSE All-Share Index, of 6.6%. The total return from the share price was 4.9%.

The preference share portfolio has performed well, delivering a return of 17.9%, some way ahead of that produced by the benchmark. The gearing is notionally deployed into this element of the portfolio; the rationale being that these investments should deliver a solid revenue stream but with a lower level of volatility than would be expected from equities.

The Board is proposing a full year dividend of 12.25p per share. This is 1.06 times covered by the revenue generated by the portfolio. If approved at the Annual General Meeting a final dividend of 3.25p per share will be paid on 31 July 2015 to shareholders on the register as at 3 July 2015.

Historically, the three interim and final dividends have been equal amounts. It should not be assumed that this will be the case in the future. Subject to unforeseen circumstances it is proposed to continue to pay quarterly interim dividends of 3.00p each and the Board will decide on next year's final dividend having reviewed the full year results.

The year has seen a continued recovery in the economies of the UK and US. Indeed in the US the recovery has been sufficiently strong that the authorities have been able to terminate their asset purchase programme. Europe has performed less well. Although growth is now expected to accelerate over this year and next, the European Central Bank has found itself having to reduce interest rates to their lowest ever level and commence its own version of quantitative easing.

The Investment Manager's Review on pages 8 to 12 details the investment activity during the year.

Performance

Pearson delivered pleasing performance over the year as the repositioning of the business began to bear fruit. The portfolio is overweight Life Insurance and this was beneficial as the holdings in Prudential and Chesnara both performed well. In line with previous years there was an underweight position relative to the mining sector and this was again beneficial as these businesses struggled in the face of the decline in commodity prices. Although Pfizer's bid for AstraZeneca ultimately failed, it did demonstrate the inherent value in the business and the Company benefitted from this. Other investments that performed well include Schroders, Provident Financial and Close Brothers. Whilst they are all financial companies they have very different fundamental drivers.

Aberdeen Smaller Companies High Income Trust has been the Company's most successful investment over the last five years. However, this year it has been less so despite the actual performance of the trust being ahead of its benchmark. The decline in its share price was caused by a move in the discount that the shares trade at relative to its net asset value.

Earnings and Dividends

I noted last year that, special dividends aside, it seemed reasonable to expect dividend growth to slow over the year. That turned out to be the case with underlying growth of 1.4% in the UK market during 2014. Pleasingly the equity portfolio did better than this, delivering growth of over 5%. There were eight investments that increased their dividends by 10% or more over the year. Tesco and Centrica both announced dividend cuts, though the majority of the impact on the Company's earnings will be felt during the current financial year. Expectations are for a pick-up in the rate of dividend growth, excluding the impact of special distributions, in the UK this year. In part this is caused by the weakening of sterling relative to the dollar.

Portfolio Profile and Gearing

On 19 December 2014, the Company renewed its £20 million loan facility with Scotiabank Europe. £8.5 million was rolled over under the revolving facility and £10 million was drawn down under the term loan facility, the latter at a fixed interest rate of 2.103% for three years.

The Company's gearing increased slightly during the year from 18.9% to 19.4%. The Board continually monitors the level of gearing in the Company. Although the absolute level of gearing looks high, I remind shareholders that it is being deployed notionally in fixed interest securities which bring an element of diversification to the Company's total revenue stream.

Alternative Investment Fund Managers Directive

The Company reported the changes made to its arrangements with Aberdeen in July last year as a result of the implementation of the AIFMD in the UK. This resulted in the appointments of a new alternative investment fund manager (AIFM), Aberdeen Fund Managers Limited (AFML), and a depositary, BNP Paribas Securities Services. These regulatory changes have also placed additional periodic disclosure requirements on the Company's AIFM, AFML. As a result, your Annual Report for 2015 contains an additional un-audited disclosure page which you will find at the end of this document.

Corporate Governance

During the year the Nomination Committee, with the assistance of an external facilitator, evaluated the operations of the Board, individual Directors and the Chairman. The Management Engagement Committee undertook a formal review of the Manager, covering the investment management, company secretarial, administrative and promotional services provided to the Company. The review took into account the Investment Manager's investment performance record, management processes, investment style, resources and risk control mechanisms. I am pleased to report that the Board agreed with the Committee's recommendation that the continued appointment of the Manager is very much in the interests of shareholders as a whole.

The Board

The Directors have discussed succession planning for the Board and, following a process which used an external search consultant, we welcome Robert Talbut, who joined the Board on 1 April 2015. Robert has over 30 years of financial services experience. He will stand for appointment at the Annual General Meeting in July.

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

Annual General Meeting

The Company's Annual General Meeting takes place in London, on 8 July 2015, and I look forward to seeing as many of you there as possible. The Investment Manager will make a presentation covering the past year and give their outlook for the current year. Shareholders are invited to join the Board and the Investment Manager for lunch following the Annual General Meeting, when there will be opportunities for informal questions.

If at any other time you wish to contact the Chairman or any other member of the Board, please write c/o the Company Secretary at 40 Princes Street, 7th Floor, Edinburgh, EH2 2BY. I can assure you that all correspondence is forwarded accordingly.

Outlook

Recovery is continuing in both the domestic economy and the United States. Unemployment is falling in both countries, disposable incomes are increasing and growth is approaching trend levels. Europe is also showing signs of improvement, though it should be remembered that some extraordinary policy measures, including negative deposit rates and a stimulus programme equating to €60bn per month, have been required to get to this position.

The decline in the oil price should act as an additional form of stimulus for most economies. If however the reduced price does not drive additional demand then it may instead prove to be deflationary. That would hinder continuing recovery.

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

Anthony B. Davidson
Chairman
29 May 2015

Strategic Report – Investment Manager's Review

Highlights

- Performance – Net asset value total return of 9.7%, outperforms the benchmark.
- Good growth in earnings per share.
- Volatility creates opportunities for a range of new introductions.
- Portfolio well positioned for the longer term, shorter term risks from geopolitical events especially given relatively full valuations of many businesses.

Portfolio Strategy

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

Gearing has risen slightly from 18.9% to 19.4%, as the growth in shareholders' funds has been offset by a slight increase in net debt. The gearing is notionally invested in the preference share portfolio. This part of the portfolio provides a core level of high income and would in normal conditions, be expected to be more resilient than equities in the event of a fall in the market.

The Company's assets are invested in equities, preference shares and convertible shares. At the year end, 69.2% of the portfolio's assets were invested in equities, 25.8% in preference shares and the remainder in convertible shares and cash.

Revenue Account

Earnings per share increased by 2.3% over the year to 12.92p. The equity portfolio delivered earnings growth of almost 5.5%. There were a number of factors that impacted the earnings during the year. The significant return of capital by Vodafone in February the prior year reduced the size of our holding. Vodafone is one of the higher yielding companies in the FTSE 100 and we were unable to redeploy the proceeds at such a high yield. Tesco was the sole holding to cut the dividend that it paid during the financial year. The timing of the distributions relative to the Company's year end will result in a further reduction in 2016. Currencies had an impact with sterling's strength against the dollar reducing the dividends received from businesses like HSBC, Shell and BP in the early part of the year, though this gradually reversed over the period. Conversely the euro consistently weakened against the pound and consequently the dividends received from Unilever declined slightly. Lastly there was the impact of special dividends. Compass declared a special distribution and this more than offset the impact of the non-recurrence of a special dividend from Sage.

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

	2015 %	2014 %	2013 %	2012 %	2011 %
Ordinary dividends	54.6	52.5	49.8	48.5	44.1
Preference dividends	35.0	36.1	38.2	39.6	44.4
Aberdeen Smaller Companies	4.3	4.9	5.7	5.5	6.9
Fixed interest and bank interest	0.2	0.2	0.3	0.3	0.6
Traded option premiums	5.9	6.3	6.0	6.1	4.0
	100.0	**100.0**	**100.0**	**100.0**	**100.0**
Total income (£'000s)	**4,665**	**4,534**	**4,275**	**4,352**	**4,153**

There were some pleasing dividend increases from our investments over the year, with eight raising their payouts by 10% or more. Wood Group demonstrated their confidence in the future with a 25% uplift and an indication that they expect to be able to produce at least a double digit increase this year. That comes on the back of a 25% raise in 2013. Schroders and Prudential were both acknowledged in this section of our report in 2014 and they feature again this year having produced a 34% and 10% increase in their respective dividends. Other investments that delivered significant uplifts included: Compass Group who also declared a sizeable special dividend, Provident Financial and one of our new holdings, automotive distribution business Inchcape. It is also worth remembering that just over one third of the Company's revenues comes from fixed interest instruments, which deliver no growth in dividends.

Equities

As we entered the Company's financial year, two themes that were apparent were the continuation of the US and UK economic recoveries.

The UK recovery continued apace in 2014 with a first quarter GDP reading of 3.1%, whilst unemployment reached its lowest level for five years. Despite this, Mark Carney, the Governor of the Bank of England was keen to dampen expectations of an imminent increase in domestic interest rates. The US economy actually registered a contraction though that was related to the harsh weather, timing and a run down of inventories and the markets shrugged it off. Indeed the Federal Reserve felt sufficiently comfortable about the economy's future prospects to announce a further $10 billion of tapering. Markets were in a bullish mood and by mid May the FTSE All-Share had registered a new all-time high in total return terms.

Prospects were less rosy in Europe. Recovery was anaemic and in many instances the peripheral nations were now outperforming the core. Consequently the ECB felt it necessary to reduce interest rates to their lowest ever level and to introduce negative deposit rates. The authorities also made it clear for the first time that they were prepared to countenance some form of quantitative easing in order to stimulate lending.

There was a significant amount of corporate news flow, particularly from the pharmaceuticals sector and the Company was a beneficiary of much of this. AstraZeneca announced that they had received an approach from Pfizer. Meanwhile, GlaxoSmithKline bought Novartis's vaccines business and simultaneously injected their over the counter business into a joint venture with Novartis that should allow both companies to benefit from the strengths of the other. Whilst merger and acquisition activity was a prominent feature, it was noticeable how disappointing the performance of many IPOs was.

The clearest theme to emerge from the first half reporting season was that sterling was strengthening against both the dollar and euro. In many instances this had a beneficial impact in that it was helping to reduce inflationary pressure on costs. However, in aggregate this was being more than offset by the negative impact on the translation of profits and in some cases on overseas demand. This weighed on earnings expectations and hence downgrades to analysts' profit forecasts continued to outnumber upgrades by a factor of almost 2.5:1.

By the summer, geopolitical events had moved to the fore. Tensions were rising between Russia and Ukraine and ISIS was a growing force in Iraq. Investors were unperturbed, remaining focussed on the improving economic fundamentals. They were rewarded with data that showed US second quarter GDP ahead of expectations at 4% and the UK economy surpassing its previous peak level of output. This may have been the slowest recovery for 100 years but it was a recovery.

Europe was still showing no signs of improvement and by August the German economy was contracting, France was not growing and deflation was increasingly seen as a risk. As Mario Draghi sought to provide reassurance that the ECB would act to provide additional stimulus, bond markets reacted with a further contraction in yields. Yields on German 10 year bunds fell through 1% for the first time ever. The same trend was evident in UK and US government issues. Equity markets followed suit as investors focussed on the benefits of additional stimulus rather than on the conditions that were making such activity necessary.

As autumn began markets started to decline. Macroeconomic newsflow remained mixed with the US and UK still performing well. Indeed the US was able to announce the termination of its asset purchase programme. However, China acknowledged for the first time that they might fail to achieve their targeted level of growth. The ECB made deposit rates even more negative and launched its Third Long Term Refinancing Operation, designed to support SMEs. Take up was surprisingly low suggesting that it would be some time before lending accelerated. The threat of deflation in the region was an increasing concern and many investors were frustrated that there was so little clarity on the likely scale of any stimulus package.

The stand-out event was the collapse in oil prices. Supply now exceeded demand and with Saudi Arabia making it clear that they would prefer to protect their market share rather than cut production the price fell dramatically. Share prices of oil service and small independent oil exploration and production companies were hit hard. The oil majors held up rather better, though there were questions raised about their ability to sustain their dividends.

The year finished with investors trying to determine the likely second and third order impacts of the falling oil price. Would the US economy really be a net beneficiary? Would the impact in the UK boost corporate profitability but with accompanying deflation? Would that mean a delay to interest rate increases in both economies? If it was deflationary in Europe would that serve to increase the likelihood of quantitative easing? And most pressing of all, how big would any European stimulus programme be?

Markets started 2015 strongly, indeed February was the best month for equities in a year and the FTSE 100 index achieved an all-time high surpassing the 6930 level last seen in 1999. There were two particularly important events. The ECB announced that it would commence quantitative easing amounting to €60bn per month for at least 18 months. The scale was a positive surprise for investors. The second event was the success of the anti-austerity party Syriza in the Greek elections. This served to reignite fears about sovereign indebtedness and the possibility of a Greek exit from the euro.

The Spring corporate reporting season saw results broadly in line with expectations, albeit ones that had been downgraded quite markedly over the course of 2014.

Our long term approach to investing means that the core features of the portfolio tend to be in place for a number of years and change tends to be evolutionary.

Consequently many of the aspects that we have discussed in previous reports have remained in place over the course of the year. The portfolio is constructed in a bottom up manner based on the fundamental analysis of the companies in question. Sectoral overweight and underweight positions are therefore an output of the portfolio construction process rather than a determinant of which businesses we invest in. With that in mind it is important to note the somewhat imbalanced nature of the index in the UK with a small number of companies having very large weights. If we are to have, what is to our mind a sensibly diversified portfolio, we are likely therefore to be structurally underweight to these businesses and sectors.

Over the course of the year our underweight position relative to the Oil & Gas sector has declined as the collapse in the oil price has reduced these companies' importance in the benchmark. Our underweight to Basic Materials has also declined quite markedly. Two factors have been at play here; firstly the miners have been impacted by declining commodity prices and hence they now represent less of the index. Secondly the introductions of Croda and Elementis have given the portfolio exposure to Chemicals where previously there was none. Similarly, there is a larger overweight in Technology, due to the introduction of Aveva. We have moved from a slight overweight to a slight underweight position with respect to Healthcare. It is interesting that our weight in the portfolio remains identical to that at the end of the previous year but the weightings in the index have changed. In Telecommunications we now have a small overweight position arising as we have built our holding in Inmarsat. As in previous years there is a sizeable though reduced overweight in Financials. The majority of this results from the investment in Aberdeen Smaller Companies High Income Trust. The widening of the discount on the trust lies behind the reduced relative position. We remain underweight the UK domestic banks where we still have concerns about the potential impact of government ownership. We are overweight Life Assurance and Financial Services, two sectors that have provided the Company with some attractive dividend increases.

Five new holdings were added to the portfolio. Ultra Electronics is an aerospace and defence business. They have particular strengths in the areas of cyber security and battle space IT. Both of these markets are expected to exhibit long term structural growth despite pressures in more conventional defence expenditure. The company has a broad portfolio of products and end market exposures which, allied with a strong balance sheet has allowed them to be relatively resilient during a period of significant reductions in US and UK defence expenditure. Inchcape distributes premium vehicles for automotive manufacturers into a range of international markets. The exclusivity and long term nature of the agreements provide significant barriers to entry. Indeed they have never lost such a contract. Their presence in a number of emerging markets will allow them to benefit from the structural growth that is occurring in these territories. We introduced two speciality chemicals companies during the year. Croda produce niche naturally derived products that are sold into the personal care, life sciences and crop care markets. The high value nature of these products allows the company to deliver margins materially ahead of those normally seen in the industry. Some temporary weakness in demand created an opportunity for us to initiate a position. Elementis is a global leader in rheological additives for the coatings and other speciality markets. The company has opportunities to grow as they widen both their product portfolio and geographical presence. Their products are critical to the performance of the end product which serves to give the business pricing power. Barriers to entry are significant especially for their hectorite derived products where they own the world's only commercial mine. Finally, Aveva produce three-dimensional design software for large and complex infrastructure in the shipping, nuclear and energy markets. Their business benefits from a high level of recurring revenues, often with very long term contracts, high technical barriers to entry, pricing power and a net cash balance sheet. They do however have exposure to the oil and gas end markets and as such their share price has been adversely affected. This has provided us with an opportunity to buy an initial position in a company that we have followed for many years. Each of Inchcape, Elementis and Aveva have increased their dividends by more than 10% per year over the last three years. Indeed in the case of Elementis, if we include their policy of paying out half their net cash each year in addition to an ordinary dividend their distribution has risen by more than 30% per year in recent times.

Morrisons was the only holding from which we exited. The industry's travails are well documented with the growing presence of the hard discounters, falling real estate values and a wary consumer combining to result in a requirement for a structural resetting of margins and returns. In addition this company had fallen behind the competition in the areas of convenience stores and online sales – two areas of the market that are growing. We commented in last year's review that we had sold half our position in recognition of these facts. During the autumn we decided to exit the remainder of the holding and to concentrate our focus on the potential rewards available if our other holding in this arena, Tesco, can be successfully turned round.

In more general portfolio activity we topped up holdings that came under pressure due to weakening commodity prices, these include Wood Group, Weir Group and BHP Billiton. We also topped up Rolls Royce following their profits warning. We supported Cobham when they had a small placing to help fund their acquisition of Aeroflex. The shares subsequently performed well and we top sliced the holding later in the year. We bought a little more Vodafone following the return of the Verizon cash and associated share consolidation which had had the effect of reducing our holding. We also bought some more Schroders which continues to trade strongly. We top sliced the holdings in Associated British Foods, Prudential and Pearson all of which had performed well over the year.

Lastly we exchanged the holding of Royal Dutch Shell A shares for B shares. The company's decision to cease payment of a scrip dividend on the A shares meant that the Company would face Dutch withholding tax on the dividends that it received. The move into the B shares mitigates some of the impact.

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

Investment Performance Analysis

In the year to the end of March 2015, the total return on net assets was 9.7% compared to our benchmark, the FTSE All-Share Index which returned 6.6%.

Having been a detractor from performance in 2013, Pearson was the most significant positive contributor this year with the share price registering a gain of 43%. Prudential and Schroders were again important contributors with Prudential delivering growth in its Asian operations and Schroders benefiting from rising markets and the acquisition of the Cazenove private wealth business. Both companies declared significant dividend increases. The Company has a sizeable investment in AstraZeneca and that was helpful when the company was bid for by Pfizer. Although the bid subsequently failed, the approach served to illustrate some of the value in the company's pipeline and the shares finished the year with a gain of 24%. At the sector level the Company remained underweight Mining companies and this aided performance as share prices fell on the back of declining demand for commodities from China in particular. Not owning Rio Tinto and Anglo American in particular helped. Other notable successes included Inmarsat, whose Global Express programme is rolling out successfully whilst the potential for gains from their US spectrum has increased in likelihood, as well as Compass, whose steady compounding returns profile has found favour with investors, and Land Securities, that has benefited from a strong London office market in keeping with other similar businesses.

Unsurprisingly there are holdings in the portfolio that have had a less good year.

Having been a strong positive contributor over recent years, Aberdeen Smaller Companies High Income Trust had the most significant negative impact last year. It is worth noting that the company actually outperformed its benchmark over the year and that the negative impact was caused by the widening of the discount that its shares trade at relative to its net asset value. This effect was witnessed across the small company investment trust universe.

Standard Chartered announced a pick up in impairment charges as some clients were impacted by weakening commodity prices. We believe that their problems are resolvable. They have already announced sweeping management changes and a $400 million cost saving plan. As we wait for these to take effect we note that it retains its unique positioning as an emerging markets focussed lender, benefiting from significant barriers. It is also now trading below book value.

Tesco's travails are well known. The new CEO, Dave Lewis, has outlined a credible recovery plan, though this won't happen rapidly. The company was one of two investments to announce dividend cuts during the year.

Declining commodity prices, especially oil, negatively impacted Weir Group, Wood Group and BHP Billiton. We believe that these remain high quality companies that have some flexibility to adapt to the current environment and that commodity prices are unlikely to remain at current depressed levels into the long term.

Lastly, Centrica had a tough year as they faced falling oil and electricity prices, political interference, warm weather and the higher costs of the US polar vortex. This culminated in the decision by the new CEO, Ian Conn to reduce the dividend. The impact from this will not be felt until the Company's 2016 financial year.

The portfolio is constructed to deliver growth in both capital and earnings over time. The success of this strategy can be seen in the performance which at the year-end had exceeded that delivered by its benchmark over each of one, three and five years. Capital and earnings growth are unlikely to progress either smoothly or in line with each other. We are however very aware of the desirability of growth in the portfolio's earnings.

Prospects

Equity markets appear good value when compared to fixed interest. However, it is increasingly accepted that fixed income markets are being driven to uncomfortably high levels by the actions of central banks around the world. Without wishing to suggest when this might reverse it seems fair to observe that the yields on hopefully risk free assets no longer provide a sound touchstone for the determination of fundamental equity valuations. It is notable though that although they were a solid contributor to performance last year, the preference shares have not moved to the same level of valuations as the rest of the fixed interest market. Although they will likely be affected by a rising interest rate environment, their more equity like characteristics mean that the impact is likely to be less than that experienced by conventional fixed interest instruments.

We are in an environment where creditors have to pay to lend money to the Swiss Government and the Mexican authorities can issue 100 year euro denominated debt. In effect investors who want any semblance of yield or the possibility of capital appreciation are forced to buy equities. This has driven the valuations, especially of high quality companies, to levels that are increasingly difficult to justify unless the current environment is indeed the "new normal".

After four years of low or no aggregate earnings growth across Europe it would be easy to be pessimistic about the outlook for corporate profitability. In fact there are some reasons for optimism. The US and UK are still recovering. Growth in both these economies is forecast to accelerate this year. Unemployment is falling and wages are beginning to rise which should be good for demand. Dollar strength will aid companies exporting to the US. The lower cost of energy should feed through to demand and profit growth. There are signs that the European economy is picking up, boosted by quantitative easing, but improving all the same. GDP is now expected to rise over the next two years. Credit conditions are easing as both demand and availability increase. Eurozone earnings momentum has turned positive for the first time in four years as analysts' forecasts have not been subject to the downgrades that have been so familiar over recent times.

Corporate balance sheets are strong; this gives management teams options. Therefore it would not be surprising to see merger and acquisition activity continue. Shell's proposed acquisition of BG and Heinz's merger with Kraft are examples. If such deals are done for the right reasons they can deliver value.

Less positively, with the Eurozone already experiencing deflation there are increasing concerns that the fall in the oil price may not be accompanied by an increase in demand. In such a scenario the benefit of cheaper energy may be outweighed by the impact of deflation. However, the market is currently pricing in an increase in inflation across the region. Falling commodity prices and currencies have prompted interest rate cuts in a range of countries from Australia and Canada to Denmark. Expectations for interest rate increases in the UK have been pushed out to 2016 and whilst the US is still likely to increase rates sometime this year it will be difficult for them to do so at a time when most other regions are reducing rates. This points to the second significant risk, namely that the benefits of European quantitative easing are diluted as countries around the world seek to counter the threat of deflation by devaluing their currencies.

China's growth is slowing, its economy is having to transition. Chinese demand for commodities is reducing and that can be seen in commodity prices that have been falling for some time. This decline in demand may serve to push deflation across the emerging markets, and this would surely impact the developed markets as well.

Clearly a Greek exit from the euro has the potential to cause uncertainty. There will be pinch points as the staged repayments and renegotiations progress. It seems more likely than not that all parties involved will ultimately come to a sensible agreement. However, the process of reaching a settlement has the potential to cause significant volatility in markets.

The risk from geopolitical events seems to be rising. This could create additional volatility during the year.

However, investors should take care to look at individual company valuations rather than relying on aggregate valuations. There is a very broad spread of valuations across different market sectors accompanied by wide ranging variances in expectations for earnings growth, and in some cases contraction. Although we recognise that the valuations of many quality companies are full rather than cheap, we remain positive about the long term prospects for the businesses that we have invested in.

Aberdeen Asset Managers Limited
29 May 2015

Strategic Report - Results

Financial Summary

	31 March 2015	31 March 2014	% change
Total investments	£92,181,000	£87,835,000	+4.9
Shareholders' funds	£77,832,000	£74,502,000	+4.5
Market capitalisation	£75,594,000	£75,669,000	–0.1
Net asset value per share	259.46p	248.36p	+4.5
Share price (mid-market)	252.00p	252.25p	–0.1
(Discount)/premium to NAV	(2.9%)	1.6%	
Gearing (see page 63 for definitions)			
Net gearing	19.4%	18.9%	
Equity gearing	18.4%	17.9%	
Dividend and earnings			
Revenue return per share[A]	12.92p	12.63p	+2.3
Dividend per share[B]	12.25p	12.00p	
Dividend cover	1.06	1.05	
Revenue reserves[C]	£6,313,000	£6,031,000	
Operating costs			
Ongoing charges ratio[D]	1.01%	1.00%	

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

[B] The figures for dividend per share reflect the years in which they were earned (see note 8 on page 46).

[C] The revenue reserve figure does not take account of the third interim or final dividend amounting to £1,874,849 (2014 – £1,799,855) combined.

[D] Ongoing charges ratio calculated in accordance with guidance issued by the AIC as the total of the management fee and administrative expenses divided by the average cum income net asset value throughout the year.

Performance (total return)

	1 year % return	3 year % return	5 year % return
Net asset value	+9.7	+57.9	+85.3
Share price (based on mid-market)	+4.9	+52.1	+83.1
FTSE All-Share Index	+6.6	+35.4	+49.3

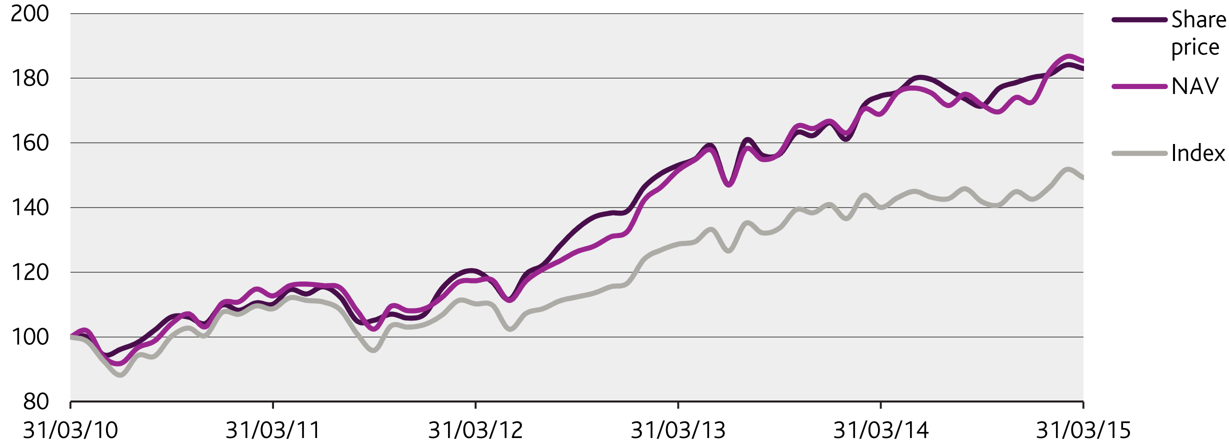
All figures are for total return and assume re-investment of net dividends excluding transaction costs.

Dividends

	Rate per share	xd date	Record date	Payment date
First interim dividend	3.00p	1 October 2014	3 October 2014	31 October 2014
Second interim dividend	3.00p	2 January 2015	5 January 2015	30 January 2015
Third interim dividend	3.00p	2 April 2015	7 April 2015	30 April 2015
Proposed final dividend	3.25p	2 July 2015	3 July 2015	31 July 2015
2014/15	**12.25p**			
First interim dividend	3.00p	2 October 2013	4 October 2013	31 October 2013
Second interim dividend	3.00p	31 December 2013	3 January 2014	31 January 2014
Third interim dividend	3.00p	2 April 2014	4 April 2014	30 April 2014
Final dividend	3.00p	2 July 2014	4 July 2014	31 July 2014
2013/14	**12.00p**			

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

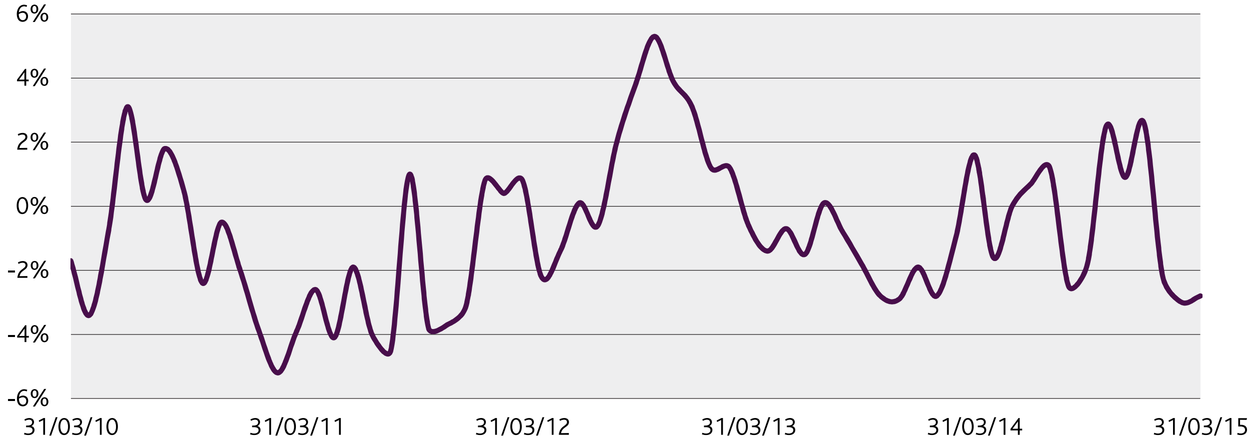
Figures are total return and have been rebased to 100 at 31 March 2010



Source: Aberdeen Asset Management, Morningstar & Factset

Ordinary Share Price Premium/(Discount) to NAV

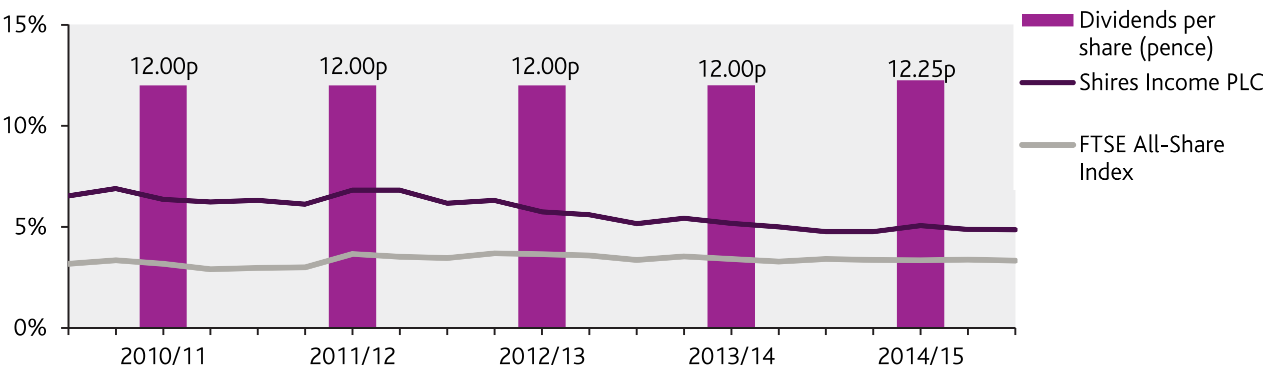
Five years to 31 March 2015



Source: Morningstar

Net Dividend Yield

Five years to 31 March 2015



Ten Year Financial Record

Year to 31 March	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenue available for ordinary dividends (£'000)	5,792	5,987	6,026	5,536	3,512	3,292	3,615	3,556	3,789	3,877
Per share (p)										
Net revenue return	18.9	19.3	22.2	18.8	11.8	11.1	12.2	11.9	12.6	12.9
Net dividends paid/proposed	19.25	19.25	19.75	19.75	12.00	12.00	12.00	12.00	12.00	12.25
Total return	74.2	25.9	(63.4)	(112.9)	85.3	22.6	7.4	53.5	26.0	23.1
Net asset value	327.1	334.0	251.1	118.5	186.8	197.5	192.9	234.4	248.4	259.5
Share price (mid-market)	313.50	310.75	220.00	109.00	184.00	190.00	194.50	233.00	252.25	252.00
Shareholders' funds (£m)	97.1	99.1	74.6	35.2	55.5	58.6	57.3	70.3	78.7	77.8

The figures for 2011 to 2015 are for the Company only, following the dissolution of the subsidiaries in May 2011.

Cumulative Performance

Rebased to 100 at 31 March 2005

As at 31 March	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
NAV	100.0	120.3	123.1	92.2	43.5	68.5	72.4	70.7	85.9	91.0	95.1
NAV total return[A]	100.0	128.9	140.3	111.7	58.3	103.2	116.3	121.1	156.3	174.3	191.2
Share price performance	100.0	117.9	116.8	82.7	41.0	69.2	71.4	73.1	87.6	94.8	94.7
Share price total return[A]	100.0	126.2	133.0	100.5	55.6	106.0	116.8	127.6	162.3	185.1	194.1
Benchmark performance	100.0	124.0	133.6	119.1	80.7	118.4	124.8	122.2	137.6	144.7	149.1
Benchmark total return[A]	100.0	128.0	142.3	131.3	92.8	141.3	153.6	155.7	181.9	197.9	210.9

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

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

Investment Portfolio – Ordinary Shares

As at 31 March 2015

Company	Valuation 2015 £'000	Total portfolio %	Valuation 2014 £'000
Aberdeen Smaller Companies High Income Trust	6,124	6.6	6,865
Royal Dutch Shell	3,063	3.3	3,380
AstraZeneca	3,030	3.3	2,810
British American Tobacco	2,896	3.1	2,935
GlaxoSmithKline	2,721	3.0	2,801
Unilever	2,702	2.9	2,612
Prudential	2,625	2.8	2,550
HSBC Holdings	2,589	2.8	2,690
Centrica	2,452	2.7	3,024
Pearson	2,351	2.6	2,179
Ten largest investments	**30,553**	**33.1**	
BHP Billiton	2,328	2.5	2,582
Chesnara	2,238	2.4	2,002
Vodafone	2,163	2.4	2,038
Schroders	2,150	2.3	1,365
Standard Chartered	2,095	2.3	1,993
Close Brothers	2,011	2.2	2,400
National Grid	1,928	2.1	2,080
BP	1,895	2.1	2,083
Cobham	1,883	2.0	1,564
Sage Group	1,675	1.8	1,651
Twenty largest investments	**50,919**	**55.2**	
Compass	1,467	1.6	1,373
Tesco	1,451	1.6	1,772
Inmarsat	1,268	1.4	995
Land Securities	1,267	1.4	1,176
Provident Financial	1,118	1.2	823
GKN	1,112	1.2	1,211
Rolls Royce	1,058	1.1	1,031
Weir Group	987	1.1	938
Croda International	986	1.1	–
Wood Group (John)	972	1.0	690
Thirty largest investments	**62,605**	**67.9**	
Experian	726	0.8	703
Associated British Foods	676	0.7	1,085
BG Group	605	0.7	570
Aveva	548	0.6	–
Inchcape	413	0.4	–
Ultra Electronic Holdings	405	0.4	–
Elementis	155	0.2	–
Total Ordinary shares	**66,133**	**71.7**	

Investment Portfolio – Other Investments

As at 31 March 2015

Company	Valuation 2015 £'000	Total portfolio %	Valuation 2014 £'000
Convertibles			
Premier Farnell 89.2p Cum Conv	774	0.9	769
Balfour Beatty Cum Conv 10.75%	572	0.6	585
Total Convertibles	**1,346**	**1.5**	
Preference shares			
Ecclesiastical Insurance Office 8 5/8%	5,851	6.3	5,130
Royal & Sun Alliance 7 3/8%	5,340	5.8	4,720
General Accident 7.875%	4,683	5.1	4,063
Santander 10.375%	4,039	4.4	3,680
Standard Chartered 8.25%	3,583	3.9	3,391
R.E.A. Holdings 9%	1,206	1.3	1,136
Total Preference shares	**24,702**	**26.8**	
Total other investments	**26,048**	**28.3**	
Total investments	**92,181**	**100.0**	

Purchases and/or sales effected during the year result in 2014 and 2015 values not being directly comparable.

Distribution of Assets and Liabilities

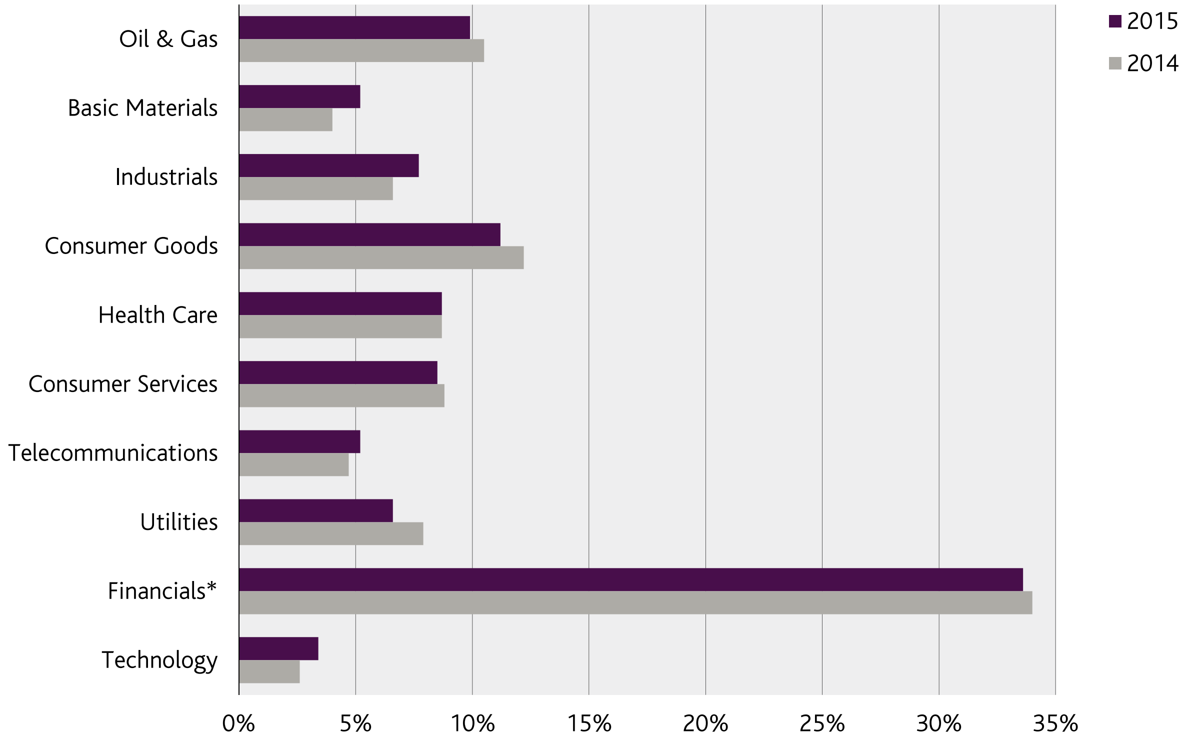
As at 31 March 2015

	Valuation at 31 March 2014 £'000	%	Movement during the year Purchases £'000	Sales £'000	Other £'000	Gains/ (losses) £'000	Valuation at 31 March 2015 £'000	%
Listed investments								
Ordinary shares	64,361	86.4	8,587	(7,630)	–	815	66,133	85.0
Convertibles	1,354	1.8	–	–	(10)	2	1,346	1.7
Preference shares	22,120	29.7	–	–	(83)	2,665	24,702	31.7
Total investments	87,835	117.9	8,587	(7,630)	(93)	3,482	92,181	118.4
Current assets	5,380	7.2					4,418	5.7
Current liabilities	(18,713)	(25.1)					(8,767)	(11.3)
Non current liabilities	–	–					(10,000)	(12.8)
Net assets	**74,502**	**100.0**					**77,832**	**100.0**
Net asset value per Ordinary share	**248.4p**						**259.5p**	

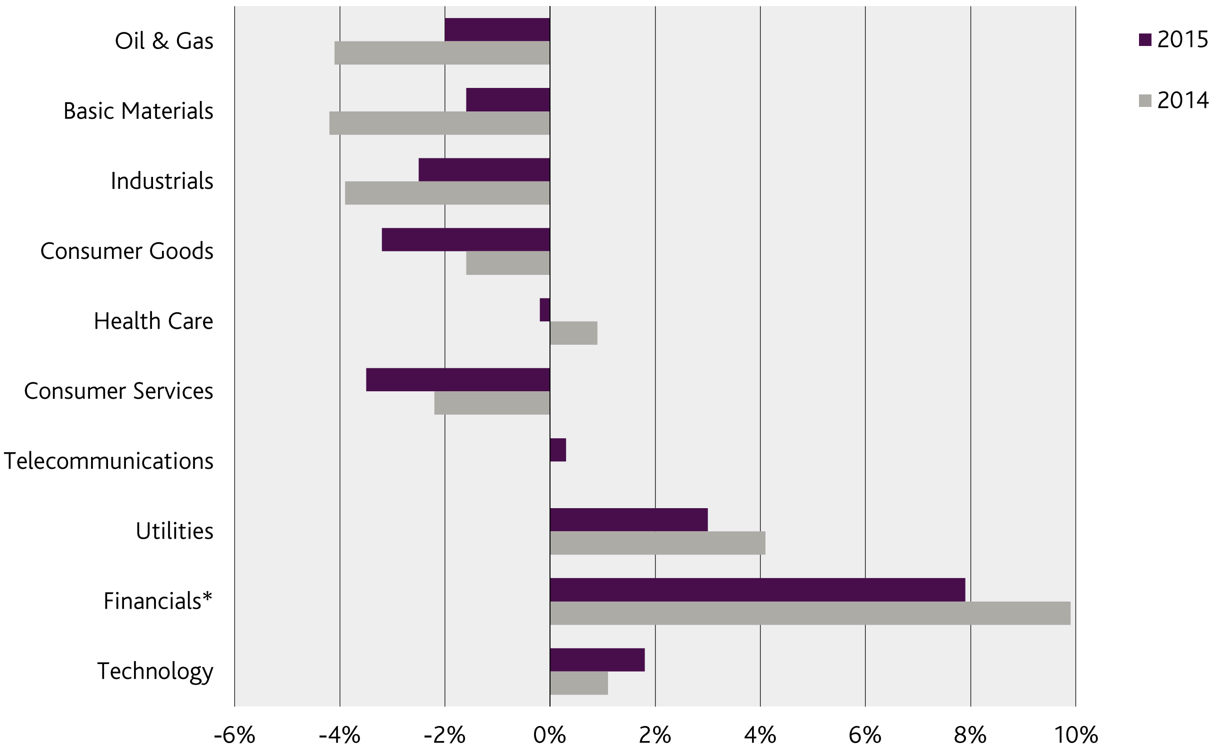
Sector Analysis

As at 31 March 2015

Analysis of Listed Equity Portfolio



Shires Income PLC relative to the FTSE All-Share Index



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

Your Board of Directors

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

Anthony B. Davidson C.A.

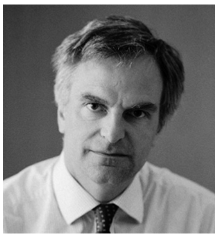
Status: Independent Non-Executive Director - Chairman.
Length of Service: 8 years, joined the Board in February 2007.
Experience: Currently a non-executive director of a number of life companies within the Phoenix Group. He was previously chief executive of Provincial Insurance plc and a senior executive director of TSB Scotland plc.
Last re-appointed to the Board: 11 July 2013.
Committee membership: Audit Committee, Nomination Committee (Chairman), Management Engagement Committee (Chairman).
Remuneration for the financial year: £29,000.
All other publicly listed company directorships: Non-executive director of JPMorgan European Smaller Companies Trust plc.
Employment by the Aberdeen Group: None.
Other connections with Company or Aberdeen Group: None.
Shared Directorships with any other Company Directors: None.
Shareholding in Company: 10,000 Ordinary shares.

Marian Glen

Status: Independent Non-Executive Director.
Length of Service: 2 years, joined the Board in January 2013.
Experience: Currently a member of the audit committee of the Water Industry Commission for Scotland and a non-executive director of Financial Services Compensation Scheme Limited. She was a non-executive director of Friends Life Group Limited and certain other companies in the Friends Life group of companies. She was formerly the General Counsel of AEGON UK and prior to that was a corporate partner and head of funds and financial services at Shepherd+ Wedderburn. She was a non-executive director of Murray Income Trust PLC.
Last appointed to the Board: 11 July 2013.
Committee membership: Audit Committee, Nomination Committee, Management Engagement Committee.
Remuneration for the financial year: £20,500.
All other publicly listed company directorships: None
Employment by the Aberdeen Group: None.
Other connections with Company or Aberdeen Group: None.
Shared Directorships with any other Company Directors: None.
Shareholding in Company: 3,000 Ordinary shares.

David P. Kidd

Status: Independent Non-Executive Director.
Length of Service: 11 years, joined the Board in February 2004.
Experience: He has 25 years experience in investment management, of which three quarters was in the role of chief investment officer. Currently a director of The Law Debenture Pension Trust Corporation plc and a non-executive director of The Salvation Army International Trustee Company. Previously chief investment officer of the private bank, Arbuthnot Latham & Co. Limited, Chiswell Associates Limited and with The Royal Bank of Scotland's investment management arm.
Last re-appointed to the Board: 3 July 2014.
Committee membership: Audit Committee, Nomination Committee, Management Engagement Committee.
Remuneration for the financial year: £20,500.
All other publicly listed company directorships: Non-executive director of Martin Currie Global Portfolio Trust plc.
Employment by the Aberdeen Group: None.
Other connections with Company or Aberdeen Group: None.
Shared Directorships with any other Company Directors: None.
Shareholding in Company: 5,000 Ordinary shares.



Andrew S. Robson C.A.

Status: Independent Non-Executive Director.
Length of Service: 7 years, joined the Board in May 2008.
Experience: He is a Chartered Accountant, with many years of experience in investment banking and as a finance director. He was a director of Robert Fleming & Co Limited and SG Hambros. He was finance director at eFinancialGroup Limited and the National Gallery. He has over 15 years of experience on the Boards of a number of quoted investment trusts. He is currently a business adviser, working with smaller UK companies.
Last re-appointed to the Board: 3 July 2014.
Committee membership: Audit Committee (Chairman), Nomination Committee, Management Engagement Committee.
Remuneration for the financial year: £23,000.
All other publicly listed company directorships: Non-executive director of British Empire Securities and General Trust plc, JP Morgan Smaller Companies Investment Trust plc, Mobeus Income & Growth 4 PLC and Witan Pacific Investment Trust PLC.
Employment by the Aberdeen Group: None.
Other connections with Company or Aberdeen Group: See page 25.
Shared Directorships with any other Company Directors: None.
Shareholding in Company: 5,500 Ordinary shares.

Robert Talbut

Status: Independent Non-Executive Director.
Length of Service: joined the Board in April 2015.
Experience: He was formerly the Chief Investment Officer of Royal London Asset Management and has over 30 years of financial services experience. He has represented the asset management industry through the Chairmanship of both the ABI Investment Committee and the Asset Management Committee of the Investment Association. He has also been a member of the Audit & Assurance Council of the FRC and the Financial Conduct Authority's Listing Authority Advisory Panel.
Last re-appointed to the Board: n/a.
Committee membership: Audit Committee, Nomination Committee, Management Engagement Committee.
Remuneration for the financial year: n/a
All other publicly listed company directorships: None
Employment by the Aberdeen Group: None.
Other connections with Company or Aberdeen Group: None.
Shared Directorships with any other Company Directors: None.
Shareholding in Company: 5,000 Ordinary shares.

Directors' Report

Introduction

The Board of Directors, Mr A.B. Davidson (Chairman), Ms M. Glen, Mr D.P. Kidd and Mr A.S. Robson held office throughout the whole year under review. Mr R. Talbut was appointed to the Board effective 1 April 2015. The Directors present their report and audited financial statements for the year ended 31 March 2015.

The Company and its Objective

The Company is an investment trust and its Ordinary shares are listed on the premium segment of the Official List of the UK Listing Authority and traded on the London Stock Exchange. The Company's objective is to provide for shareholders a high level of income, together with growth of both income and capital from a portfolio substantially invested in UK equities. In pursuit of the Company's objective, the Company invests principally in the ordinary shares of UK quoted companies, and in convertible and preference shares with above average yields. A review of the Company's activities is given in the Strategic Report. This includes the overall strategy of the business of the Company and its principal activities, main risks faced by the Company, likely future developments of the business and the recommended dividend.

Status

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

The Company has been accepted by HM Revenue & Customs as an investment trust subject to the Company continuing to meet the relevant eligibility conditions of Section 1158 of the Corporation Tax Act 2010 and the ongoing requirements of Part 2 Chapter 3 Statutory Instrument 2011/2999 for all financial years commencing on or after 1 April 2012. The Directors are of the opinion that the Company has conducted its affairs for the year ended 31 March 2015 so as to enable it to comply with the ongoing requirements for investment trust status.

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

Results and Dividends

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

The financial statements for the year ended 31 March 2015 appear on pages 38 to 57. Dividends paid and proposed for the year amounted to 12.25p.

A third interim dividend of 3.0p per Ordinary share was declared on 20 March 2015 and paid on 30 April 2015. A final dividend of 3.25p per Ordinary share is proposed, payable on 31 July 2015 to shareholders on the register on 3 July 2015. The ex-dividend date is 2 July 2015. Under International Financial Reporting Standards (IFRS) both these dividends will be accounted for in the financial year ended 31 March 2016.

Management Agreement

To comply with the Alternative Investment Fund Managers Directive, the Company's investment management arrangements with the Aberdeen Group have been reorganised. The Company has appointed Aberdeen Fund Managers Limited, a wholly owned subsidiary of Aberdeen Asset Management PLC, as its alternative investment fund manager with effect from 17 July 2014. In order to facilitate this appointment, the Company terminated its existing investment management agreement with Aberdeen Asset Managers Limited and entered into a new management agreement with AFML. The new management agreement with AFML is on the same commercial terms as the previous agreement with AAM and complies with the new AIFMD regulatory regime. Under the new arrangements, AFML has been appointed to provide investment management, risk management, administration and company secretarial services to the Company as well as carry out promotional activities on the Company's behalf. The Company's portfolio will continue to be managed by AAM by way of a group delegation agreement in place between AFML and AAM. In addition, AFML has sub-delegated promotional activities to AAM and administrative and secretarial services to Aberdeen Asset Management PLC. Fees payable are shown in note 4 to the financial statements.

The management fee, details of which are shown in note 3 to the financial statements is 0.45% for funds up to £100 million and 0.40% for funds over £100 million, excluding commonly managed funds. The management agreement is terminable on not less than six months' notice. The terms and conditions of the AIFM's appointment and its performance are reviewed by the Management Engagement Committee on an annual basis. The Committee's conclusions regarding the continued appointment of the AIFM are dealt with in detail in the Chairman's Statement on page 7 and in the Statement of Corporate Governance on page 28.

Corporate Governance

The Statement of Corporate Governance which forms part of the Directors' Report is shown on pages 25 to 31.

Going Concern

The Company's assets comprise mainly readily realisable securities which can be sold to meet funding commitments if necessary. The Board has set limits for borrowing and regularly reviews actual exposures, cash flow projections and compliance with banking covenants. Borrowings of £20 million are committed to the Company until 19 December 2017. The Directors believe that the Company has adequate resources to continue in operational existence for the foreseeable future and, for the above reasons, they continue to adopt the going concern basis in preparing the financial statements.

Accountability and Audit

The respective responsibilities of the Directors and the auditor in connection with the financial statements appear on pages 35 to 37.

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

Annual General Meeting ("AGM")

Among the resolutions being put to the AGM of the Company to be held on 8 July 2015, the following resolutions will be proposed:

(i) Section 551 Authority to Allot Shares

Resolution 7, which is an ordinary resolution, will, if approved, give the Directors a general authority to allot new securities up to an aggregate nominal value of £4,999,596 representing approximately one third of the total Ordinary share capital of the Company in issue as at the date of this document, such authority to expire on 30 September 2016 or, if earlier, at the conclusion of the next AGM of the Company (unless previously revoked, varied or extended by the Company in general meeting).

(ii) Disapplication of Pre-emption Provisions

Resolution 8 is to enable the Directors to issue new shares and to resell shares held in treasury up to an aggregate nominal amount of £1,499,879 (representing approximately 10% of the total Ordinary share capital in issue). Resolution 8, which is a special resolution, will, if approved, give the Directors power to allot Ordinary shares (including Ordinary shares held in treasury) for cash, otherwise than pro rata to existing shareholders, up to a maximum aggregate nominal amount of £1,499,879. Ordinary shares would only be issued for cash at a premium to the net asset value per share. This authority will expire on 30 September 2016 or, if earlier, at the conclusion of the next AGM of the Company (unless previously revoked, varied or extended by the Company in general meeting). As noted, this disapplication of pre-emption rights also applies in respect of treasury shares which the Company may sell. The Company has no shares held in treasury as at the date of this report.

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

Resolution 9, which is a special resolution, will be proposed to renew the Company's authorisation to make market purchases of its own shares. The maximum number of Ordinary shares which may be purchased pursuant to the authority is 14.99% of the issued share capital of the Company as at the date of the passing of the resolution (approximately 4.49 million Ordinary shares). The minimum price which may be paid for an Ordinary share (exclusive of expenses) is 50p. The maximum price for an Ordinary share (again exclusive of expenses) is an amount being not more than the higher of (i) 105% of the average of the middle market quotations for the Company's Ordinary shares for the five business days immediately preceding the date of purchase and (ii) the higher of the price of the last independent trade and the highest current independent bid relating to an Ordinary share on the trading venue where the purchase is carried out.

This authority, if conferred, will only be exercised if to do so would enhance the net asset value per share and is in the best interests of shareholders generally. Shares so repurchased will be held in treasury. Any purchase of shares will be made within guidelines established from time to time by the Board. This authority will expire on 30 September 2016 or, if earlier, at the conclusion of the next AGM of the Company (unless previously revoked, varied or extended by the Company in general meeting).

(iv) Notice Period for General Meetings

The Company's Articles of Association enable the Company to call general meetings (other than an AGM) on 14 clear days' notice. In order for this to be effective, the shareholders must also annually approve the calling of meetings on 14 days' notice by separate resolution. Resolution 10, which is a special resolution, seeks such approval. The approval will be effective until the Company's next AGM, when it is intended that a similar resolution will be proposed. The Company will also need to meet the requirements for electronic voting under the 2006 Act (as amended by the Shareholders' Rights Regulations) before it can call a general meeting on 14 days' notice.

Recommendation

The Directors believe that the resolutions to be proposed at the AGM are in the best interests of the Company and would promote the success of the Company for the benefit of its shareholders as a whole, and recommend that shareholders vote in favour of the resolutions, as the Directors intend to do in respect of their own beneficial shareholdings totalling 28,500 Ordinary shares.

By order of the Board
Aberdeen Asset Management PLC
Secretary, 29 May 2015

Statement of Corporate Governance

Corporate Governance

This Statement of Corporate Governance forms part of the Directors' Report which is shown on pages 22 to 24.

Compliance

The Company is committed to high standards of corporate governance. The Board is accountable to the Company's shareholders for good governance and this statement describes how the Company applies the principles identified in the UK Corporate Governance Code ("UK Code") which is available on the Financial Reporting Council's website: www.frc.org.uk.

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

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

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

The UK Code includes provisions relating to:

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

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

The Board of Directors

The Board currently consists of five non-executive Directors, led by an independent Chairman, Mr A. B. Davidson. There is no chief executive position within the Company as day-to-day management of the Company's affairs has been delegated to the Manager. Biographies of the Directors appear on pages 20 and 21 and these demonstrate the wide range of skills and experience each brings to the Board. Each Director has signed a letter of appointment to formalise in writing the terms of their engagement as a non-executive Director. Copies of these letters are available for inspection at the registered office of the Company during normal business hours and will also be available for fifteen minutes prior to and during the AGM.

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

Mr R. Talbut was appointed to the Board on 1 April 2015 and, in accordance with the Articles of Association, offers himself for appointment to the Board at the AGM. After eleven years of service, Mr D. P. Kidd will retire from the Board with effect from the conclusion of the AGM.

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

Mr A. S. Robson is a non-executive director of Witan Pacific Investment Trust PLC ("WPC"). WPC's executive manager is Witan Investment Services Limited. WPC operates a multi-manager structure, and Aberdeen Asset Management Asia Limited, part of the Aberdeen Group, manages a part of WPC's assets. Despite his consequent involvement in two investment trusts (including this one) where Aberdeen has an investment management relationship, the remainder of the Board is unanimous in its opinion that Mr Robson remains independent in his role as a Director of the Company.

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

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

There is a formal process for the consideration and authorisation by the Board of Directors' reported actual and potential conflicts of interest, a full analysis of the Directors' appointments and interests having been considered at each Board meeting. In accordance with the Company's Articles of Association and relevant legislation, each Director abstains from approval of their own positions. The Board will continue to monitor and review potential conflicts of interest on a regular basis.

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

The Board has five scheduled Board meetings a year with additional ad hoc meetings held as necessary. In addition, there were two Audit Committee meetings, one Management Engagement Committee meeting and two Nomination Committee meetings. The Chairman encourages open and constructive debate to enable the Board and Manager to operate in a supportive and co-operative environment. Between meetings, the Board maintains regular contact with the Manager.

Directors have attended the scheduled Board and Committee meetings during the year ended 31 March 2015 as shown in the following table (with their eligibility to attend the relevant meeting in brackets).

Director	Board Meetings	Audit Committee Meetings	Nomination Committee Meetings	Management Engagement Committee Meetings
A.B. Davidson	5 (5)	2 (2)	2 (2)	1 (1)
M. Glen	5 (5)	2 (2)	2 (2)	1 (1)
D.P. Kidd	5 (5)	2 (2)	2 (2)	1 (1)
A.S. Robson	5 (5)	2 (2)	2 (2)	1 (1)

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

There is an agreed procedure for Directors to take independent professional advice if necessary and at the Company's expense. This is in addition to the access which every Director has to the advice of Aberdeen Asset Management PLC as Secretary of the Company.

External Agencies

The Board has contractually delegated to external agencies, including the AIFM and through sub-delegation the Aberdeen Group and other service providers, certain services: the management of the investment portfolio, the depositary services (which include the safeguarding of the assets), the share registration services and the day-to-day accounting and company secretarial requirements. Each of these contracts was entered into after full and proper consideration by the Board of the quality and cost of services offered in so far as they relate to the affairs of the Company. The Board receives and considers reports from the Aberdeen Group on a regular basis. In addition, ad hoc reports and information are supplied to the Board as requested. In view of the controls that are in place, the Directors do not consider that there is any need for an internal audit function.

Internal Control

The Board confirms that as at 31 March 2015 there is a process for identifying, evaluating and managing the Company's significant business and operational risks, that it has been in place for the year ended 31 March 2015 and up to the date of approval of the Annual Report, that it is regularly reviewed by the Board and accords with the internal control guidance for directors in the UK Code.

The Board has overall responsibility for ensuring that there is a system of internal controls in place and a process for reviewing its effectiveness. Any system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

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

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

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

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

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

- the Board and Manager have agreed clearly defined investment criteria, specified levels of authority and exposure limits. Reports on these issues, including performance statistics and investment valuations, are regularly submitted to the Board and there are meetings with the Manager and Investment Manager as appropriate;
- written agreements are in place which specifically define the roles and responsibilities of the Manager and other third party service providers;
- the Manager prepars forecasts and management accounts which allow the Board to assess the Company's activities and review its performance; the emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception;
- as a matter of course the Aberdeen Group's compliance department continually reviews the Aberdeen Group's operations; and
- at its May 2015 meeting, the Board carried out an annual assessment of internal controls for the year ended 31 March 2015 by considering documentation from the Aberdeen Group including the internal audit and compliance functions and taking account of events since 31 March 2015.

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

Board Committees

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

Audit Committee

The Audit Committee comprises all of the Directors of the Company with Mr A.S. Robson acting as Audit Committee Chairman. The Directors have satisfied themselves that at least one of the Committee's members has recent and relevant financial experience – Mr Robson is a fellow of the Institute of Chartered Accountants in England and Wales. The Audit Committee meets at least twice a year to coincide with the annual and half-yearly reporting and audit cycle.

Significant Accounting Matters

During the review of the financial statements, the most important accounting matter considered by the Committee during the year related to the valuation, existence and ownership of investments. The investments have been valued in accordance with the stated accounting policies. The value of all investments had been agreed to external price sources and 100% of the portfolio holdings agreed to confirmations from the Company's Depositary, BNP Paribas Securities Services, who has been appointed as custodian and depositary to safeguard the assets of the Company. All of the investments are in quoted securities in active markets, are considered to be liquid and have been categorised as Level 1 within the IFRS 7 fair value hierarchy. The Depositary checks the consistency and accuracy of its records on a monthly basis and reports its findings to the Manager. The portfolio is also reviewed and verified by the Manager on a regular basis and any exceptions are reported to the Board. Separately, the investment portfolio is reconciled regularly by the Manager and management accounts including a full portfolio listing are prepared for each Board meeting.

Other accounting matters considered by the Committee included:

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

Review of Auditor

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

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

KPMG are also auditor to the Aberdeen Group.

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

KPMG LLP, or various KPMG entities ("KPMG"), has held office as auditor for 20 years. In accordance with present professional guidelines the audit director is rotated after no more than five years and the year ended 31 March 2015 will be the fourth year for which the present director has served. The Audit Committee is aware that impending EU legislation will require listed companies to rotate their auditor. Under the transitional arrangements for firms that had been audited by the same auditor for over 20 years there will be a grace period of six years after the enactment of the EU legislation. Accordingly, based upon the new legislation, KPMG will not be able to audit the Company after the 31 March 2020 year end.

During the year, the Directors carried out a thorough review of the auditor, including a peer group comparison of the services and fees provided by the auditors and review of the auditor's latest audit quality inspection report. Based on this review, the Audit Committee is satisfied that KPMG performed well, remained competitive on pricing, and is independent and that it would not be appropriate to put the audit appointment out to tender at the present time. The audit will however be put out to tender when the current audit director is due to rotate following the 2016 year end having completed five year end audits of the Company. The Audit Committee therefore supports the recommendation to the Board that the re-appointment of KPMG be put to shareholders for approval at the AGM.

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

Management Engagement Committee

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

The key terms of the management agreement are set out on page 22 and details of the fee charged by the AIFM 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 the AIFM is competitive with reference to other investment trusts with a similar investment mandate and is priced appropriately given the level of service provided by the Aberdeen Group. The Board reviews the performance of the AIFM and the Investment Manager annually. The Board is satisfied with the performance of the Investment Manager in the year under review, and believes the Investment Manager has positioned the portfolio well in order to achieve good medium-term and long-term performance in line with the Company's objectives. It considers the continuing appointment of the AIFM (and therefore the Investment Manager) to be in the best interests of shareholders at this time. The notice period is six months.

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

Nomination Committee

The Nomination Committee consists of the whole Board and is chaired by Mr A.B. Davidson. Terms of reference include reviewing the Board, appraisal, succession planning, appointments, training and remuneration policy. Further details of the latter are provided in the Directors' Remuneration Report on page 32.

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. Although the Company is not a FTSE 350 company, it intends to comply with certain of the Code provisions which apply to FTSE 350 companies, where the Board believes it is in the best interests of shareholders to do so. The Board had been keeping under review the requirement for FTSE 350 companies to carry out, at least every three years, externally facilitated evaluation of the Board, and this year in order to review its effectiveness, the Directors employed the services of Fletcher Jones to assist with Board evaluation. Apart from being retained as the external search consultant in the recent appointment of Mr R. Talbut, Fletcher Jones does not have any other relationships with the Company.

During the Board evaluation process, one to one meetings took place between each Director and Fletcher Jones and a list of questions was answered by each Director. A summary of these meetings was reviewed and considered by the Committee. To complete the Board evaluation process, the Chairman also held one-to-one meetings with each Director.

This enabled the Directors to consider how the Board functions as a whole and also review the individual performance of its members.

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

The Board evaluation process confirmed the continuing independent and objective judgement of the Directors. It also confirmed that the Directors continued to devote sufficient time to their roles and to perform effectively.

The Nomination Committee considers appointments of new Directors, undertaking a thorough and open process involving, where appropriate, professional recruitment consultants and committee interviews with candidates identified, with the intention that the composition of the Board reflects a breadth of commercial, professional and industrial experience to complement existing Directors. In the case of Mr Talbut's appointment, the Committee employed the services of consultants, Fletcher Jones. Apart from being retained to assist with Board evaluation, Fletcher Jones does not have any other relationships with the Company. In considering appointments, the Committee also takes into account the need to have a balance of skills, experience, independence, diversity, including gender, and knowledge of the Company within the Board. However the Committee's overriding priority is to appoint the most appropriate candidates, regardless of gender or other forms of diversity. Therefore, the Committee has not set any measurable objectives in relation to the diversity of the Board. One of the current five Directors is female, and following the conclusion of the AGM, when there will be four Directors, one will be female.

Following the above process, Mr R. Talbut, who has over 30 years of financial services experience, was appointed to the Board, and the Directors recommend to shareholders his appointment at the forthcoming AGM.

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

Relations with Shareholders

The Directors place a great deal of importance on communication with shareholders. Shareholders and investors may obtain up to date information on the Company through the Company's website and the Manager's information service. The Annual Report is widely distributed to other parties who have an interest in the Company's performance.

The Board's policy is to communicate directly with shareholders and their representative bodies without the involvement of the management group (including the Company Secretary, the AIFM or the Investment Manager) in situations where direct communication is required and representatives from the Board meet with major shareholders on an annual basis in order to gauge their views.

In addition the Company Secretary only acts on behalf of the Board, not the AIFM or the Investment Manager, and there is no filtering of communication. The Board receives at each Board meeting full details of any communication from shareholders to which the Chairman responds personally as appropriate.

At the Company's AGM, all shareholders have the opportunity to put questions to the Board and a presentation from the Investment Manager covers the investment performance and strategy during the financial year and the outlook for the year ahead. The Board hopes that as many shareholders as possible will be able to attend the meeting.

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 20 working days' notice to shareholders of the AGM.

Share Capital and Voting Rights

The issued Ordinary share capital at 31 March 2015 consisted of 29,997,580 Ordinary shares of 50p and 50,000 3.5% Cumulative Preference Shares of £1 each. At the date of this report, these numbers were unchanged.

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

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

Substantial Interests

At 31 March 2015 the following had notified the Company as being interested in 3% or more of the Company's Ordinary share capital:

Name of shareholder	Number of Ordinary shares held	% of Ordinary shares held
AAM Investment Trust Share Plans (non beneficial)	4,114,971	13.7

There have been no changes notified in respect of the above holdings and no new holdings notified, since the end of the year.

Responsibilities as an Institutional Shareholder

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

General Policy

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

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

Socially Responsible Investment Policy

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

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

Directors' Remuneration Report

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

(i) A Remuneration Policy which was subject to a binding shareholder vote at the 2014 AGM and thereafter every three years. Should the Board wish to vary the Remuneration Policy during this interval, then shareholder approval will be sought; and
(ii) An annual Implementation Report which provides information on how the Remuneration Policy has been applied during the year and will be subject to an advisory vote.

The law requires the Company's auditor to audit certain of the disclosures provided in the Remuneration Report. Where disclosures have been audited, they are indicated as such. The auditor's opinion is included in the report on pages 36 and 37.

The principles remain the same as for previous years. There have been no changes to the Directors' Remuneration Policy during the period of this Report nor are there any proposals for the foreseeable future.

Remuneration Policy

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

Directors' Fees

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

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

	31 March 2015 £	31 March 2014 £
Chairman	29,000	28,500
Audit Committee Chairman	23,000	22,500
Director	20,500	20,000

Appointment

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

Performance, Service Contracts, Compensation and Loss of Office

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

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

The above Remuneration Policy, effective for three years, was approved at the AGM on 3 July 2014.

Implementation Report

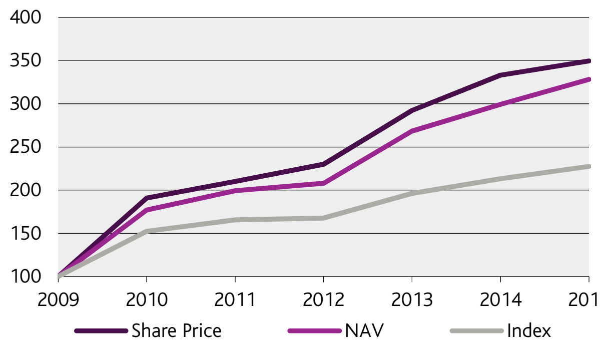
Directors' Fees Increase

The Board carried out a review of the level of Directors' fees during the year and concluded that the Audit Committee Chairman's fee should be increased to £24,000 and the fee payable to Directors to £21,000 with effect from 1 April 2015. It was agreed that the Chairman's fee would remain at £29,000. There are no further fees to disclose as the Company has no employees, chief executive or executive directors.

Company Performance

Also during the year the Board carried out a review of investment performance. The graph below shows the share price and NAV total return (assuming all dividends are reinvested) to Ordinary shareholders compared to the total return from the FTSE All-Share Index for the six year period to 31 March 2015 (rebased to 100 at 31 March 2009). This Index was chosen for comparison purposes, as it is the benchmark used for investment performance measurement purposes.

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



Statement of Voting at General Meeting

At the Company's last AGM, held on 3 July 2014, shareholders approved the Directors' Remuneration Report (other than the Directors' Remuneration Policy) and the Directors' Remuneration Policy in respect of the year ended 31 March 2014 and the following proxy votes were received on the resolutions:

Resolution	For	Discretionary	Against	Withheld
2. Receive and Adopt Directors' Rem Report	7.54m (96.8%)	77,161 (1.0%)	175,426 (2.2%)	81,340
3. Receive and Adopt Directors' Rem Policy	7.52m (96.5%)	77,161 (1.0%)	195,055 (2.5%)	87,316

Spend on Pay

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

Audited Information

Fees Payable

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

Director	2015 £	2014 £	Taxable Benefits 2015	Taxable Benefits 2014
A.B. Davidson	29,000	28,500	-	-
M.D. Couve*	n/a	5,591	-	-
M. Glen	20,500	20,000	-	-
D. P. Kidd	20,500	20,000	-	-
A.S Robson	23,000	22,500	-	-
Total	**93,000**	**96,591**	**-**	**-**

*retired 11 July 2013

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

Directors' Interests in the Company

The Directors are not required to have a shareholding in the Company. The Directors (including their connected persons) at 31 March 2015 and 1 April 2014 had no interest in the share capital of the Company other than those interests, all of which are beneficial interests, shown in the table overleaf.

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

Directors' Remuneration Report continued

	31 March 2015 Ordinary shares	31 March 2014 Ordinary shares
A.B. Davidson	10,000	10,000
M. Glen	3,000	-
D.P. Kidd	5,000	5,000
A.S. Robson	5,500	5,500

Mr R. Talbut who joined the Company on 1 April 2015 purchased 5,000 shares on 25 March 2015.

The above interests were unchanged as at the date of this report.

Annual Statement

In accordance with Part 2 of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, the Board confirms that the above Remuneration Report summarises, as applicable, for the year ended 31 March 2015:

- the major decisions on Directors' remuneration;
- any substantial changes relating to Directors' remuneration made during the year; and
- the context in which the changes occurred and decisions have been taken.

The Directors' Remuneration Report was approved by the Board of Directors on 29 May 2015 and signed on its behalf by:

Anthony B. Davidson
Chairman
29 May 2015

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements, in accordance with applicable law and regulations.

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

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

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

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

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

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

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

We confirm that to the best of our knowledge:

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

For and on behalf of Shires Income PLC
Anthony B. Davidson
Chairman
29 May 2015

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

Opinions and conclusions arising from our audit

Our opinion on the financial statements is unmodified

We have audited the financial statements of Shires Income PLC for the year ended 31 March 2015 set out on pages 38 to 57. In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Our assessment of risks of material misstatement

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

Carrying amount of quoted investments (£92.2 m)
Refer to page 27 (Audit Committee section of the Statement of Corporate Governance), page 42 (accounting policy) and pages 38 to 57 (financial disclosures).

The risk: The Company's portfolio of quoted investments makes up 95.4% of the Company's total assets (by value) and is considered to be the key driver of operations and performance results. We do not consider these investments to be at high risk of significant misstatement, or to be subject to a significant level of judgement because they comprise liquid, quoted investments. However, due to their materiality in the context of the financial statements as a whole, they are considered to be one of the areas which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.

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

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

The materiality for the financial statements as a whole was set at £966,000 determined with reference to a benchmark of total assets (of which it represents 1%).

In addition, we applied materiality of £196,000 to income from investments for which we believe misstatements of lesser amounts than materiality for the financial statements as a whole could be reasonably expected to influence the Company's members' assessment of the financial performance of the Company.

We report to the Audit Committee any corrected and uncorrected identified misstatements exceeding £48,300, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality level specified above and was all performed at the BNP Paribas head office in Dundee.

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

In our opinion:

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

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

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

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

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

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or

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

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 23, in relation to going concern; and
- the part of the Corporate Governance Statement on pages 25 to 31 relating to the Company's compliance with the ten provisions of the 2012 UK Corporate Governance Code specified for our review.

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

Scope and responsibilities

As explained more fully in the Directors' Responsibilities Statement set out on page 35, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the Company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2014a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

Philip Merchant (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

29 May 2015

Statement of Comprehensive Income

	Notes	Year ended 31 March 2015 Revenue £'000	Capital £'000	Total £'000	Year ended 31 March 2014 Revenue £'000	Capital £'000	Total £'000
Gains on investments at fair value	10	–	3,470	3,470	–	4,387	4,387
Investment income							
Dividend income		3,737	–	3,737	3,399	–	3,399
Interest income/(expense)		578	(93)	485	579	(93)	486
Stock dividends		65	–	65	260	–	260
Traded option premiums		275	–	275	286	–	286
Money market interest		10	–	10	10	–	10
Exchange gains		–	–	–	–	2	2
	2	4,665	3,377	8,042	4,534	4,296	8,830
Expenses							
Management fee	3	(198)	(198)	(396)	(186)	(186)	(372)
Other administrative expenses	4	(384)	–	(384)	(347)	–	(347)
Finance costs of borrowings	6	(164)	(163)	(327)	(160)	(160)	(320)
		(746)	(361)	(1,107)	(693)	(346)	(1,039)
Profit before taxation		3,919	3,016	6,935	3,841	3,950	7,791
Taxation	7	(42)	32	(10)	(52)	52	–
Profit attributable to equity holders of the Company		**3,877**	**3,048**	**6,925**	**3,789**	**4,002**	**7,791**
Earnings per Ordinary share (pence)	9	**12.92**	**10.16**	**23.08**	**12.63**	**13.34**	**25.97**

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

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

All items in the above statement derive from continuing operations.

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

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

	Year to 31 March 2015[A] £'000	Year to 31 March 2014[B] £'000
Revenue	3,877	3,789
Dividends declared	(3,675)	(3,600)
	202	**189**

[A] Dividends declared relates to first three interim dividends (each 3.00p) and the proposed final dividend (3.25p) declared in respect of financial year 2014/15.

[B] Dividends declared relates to first three interim dividends (each 3.00p) and the final dividend (3.00p) declared in respect of financial year 2013/14.

Balance Sheet

	Notes	As at 31 March 2015 £'000	As at 31 March 2014 £'000
Non-current assets			
Ordinary shares		66,133	64,361
Convertibles		1,346	1,354
Other fixed interest		24,702	22,120
Securities at fair value	10	92,181	87,835
Current assets			
Trade and other receivables		11	19
Accrued income and prepayments		1,005	956
Cash and cash equivalents		3,402	4,405
	11	4,418	5,380
Total assets		96,599	93,215
Creditors: amounts falling due within one year			
Trade and other payables		(267)	(213)
Short-term borrowings		(8,500)	(18,500)
	12	(8,767)	(18,713)
Net current assets		(4,349)	(13,333)
Total assets less current liabilities		87,832	74,502
Non-current liabilities			
Long-term borrowings	12	(10,000)	–
Net assets		**77,832**	**74,502**
Issued capital and reserves attributable to equity holders			
Called-up share capital	13	15,049	15,049
Share premium account	14	19,308	19,308
Capital reserve	15	37,162	34,114
Revenue reserve	15	6,313	6,031
Equity shareholders' funds		**77,832**	**74,502**
Net asset value per Ordinary share (pence)	9	**259.46**	**248.36**

The financial statements were approved by the Board of Directors and authorised for issue on 29 May 2015 and were signed on its behalf by:

Anthony B. Davidson
Chairman

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

Statement of Changes in Equity

Year ended 31 March 2015

	Share capital £'000	Share premium account £'000	Capital reserve £'000	Retained revenue reserve £'000	Total £'000
As at 31 March 2014	15,049	19,308	34,114	6,031	74,502
Revenue profit for the year	–	–	–	3,877	3,877
Capital profit for the year	–	–	3,048	–	3,048
Equity dividends (see note 8)	–	–	–	(3,595)	(3,595)
As at 31 March 2015	**15,049**	**19,308**	**37,162**	**6,313**	**77,832**

Year ended 31 March 2014

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

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

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

Cash Flow Statement

	Year ended 31 March 2015		Year ended 31 March 2014	
	£'000	£'000	£'000	£'000
Cash flows from operating activities				
Investment income received		4,266		3,956
Money market interest received		11		10
Management fee paid		(391)		(365)
Other cash expenses		(399)		(358)
Cash generated from operations		3,487		3,243
Interest paid		(318)		(320)
Overseas tax recoverable		(5)		–
Net cash inflows from operating activities		3,164		2,923
Cash flows from investing activities				
Purchases of investments	(8,461)		(6,240)	
Sales of investments	7,889		8,841	
Net cash (outflow)/inflow from investing activities		(572)		2,601
Cash flows from financing activities				
Equity dividends paid	(3,595)		(3,595)	
Net cash outflow from financing activities		(3,595)		(3,595)
Net (decrease)/increase in cash and cash equivalents		**(1,003)**		**1,929**
Reconciliation of net cash flow to movements in cash and cash equivalents				
(Decrease)/increase in cash and cash equivalents as above		(1,003)		1,929
Net cash and cash equivalents at start of year		(14,095)		(16,026)
Exchange movements		–		2
Net cash and cash equivalents at end of year		**(15,098)**		**(14,095)**
Net cash and cash equivalents comprise:				
Cash and cash equivalents		3,402		4,405
Short-term borrowings		(8,500)		(18,500)
Long-term borrowings		(10,000)		–
		(15,098)		**(14,095)**

1. Accounting policies

(a) Basis of accounting

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

The financial statements have been prepared under the historical cost convention, as modified to include the revaluation of investments and in line with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts'. The Directors have sought to prepare the financial statements on a basis consistent with the recommendations of the SORP except as referred to in paragraph (c) below. The financial statements have also been prepared on the assumption that approval as an investment trust will continue to be granted. The financial statements have been prepared on a going concern basis. The Directors believe this is appropriate for the reasons outlined in the Directors' Report on page 23.

In order to better reflect the activities of an investment trust company and in accordance with guidance issued by the AIC, supplementary information which analyses the Statement of Comprehensive Income between items of a revenue and capital nature has been presented alongside the Statement of Comprehensive Income. Additionally, the net revenue of the Company is the measure the Directors believe appropriate in assessing the Company's compliance with certain requirements set out in Sections 1158-1159 of the Corporation Tax Act 2010.

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

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

- IFRS 9 Financial Instruments (effective 1 January 2018);
- Investment Entities – Amendments to IFRS 10, IFRS 12 & IAS 28 – (effective 1 January 2016).

(b) Investments

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

The fair value of the financial instruments is based on their quoted bid price at the Balance Sheet date, without deduction for any estimated future selling costs.

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

(c) Income

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

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

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

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

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

(d) Expenses

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

(e) 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.

Long-term borrowings of the Company are stated at the amount of the net proceeds immediately after issue plus cumulative finance costs less cumulative payments made in respect of the debt. The finance costs of such borrowings are accounted for on an accruals basis using the effective interest rate method

The finance costs borrowings are accounted for on an accruals basis and are charged 50% to revenue and 50% to capital in the Income Statement to reflect the Company's investment policy and prospective income and capital growth.

(f) Taxation

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

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

(g) Foreign currencies

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

2. Income	2015 £'000	2014 £'000
Income from listed investments		
Dividend income	3,737	3,399
Interest income from investments	577	579
Money market interest	10	10
Stock dividend	65	260
	4,389	4,248
Other income from investment activity		
Deposit interest	1	–
Traded option premiums	275	286
	276	286
Total income	**4,665**	**4,534**

Total income comprises:	2015 £'000	2014 £'000
Dividends and interest from investments	4,389	4,248
Deposit interest	1	–
Other income from investment activity	275	286
Total income	**4,665**	**4,534**

All dividend income was received from UK companies. The amount of £(93,000) (2014 – £(93,000)) included in the capital column of Investment Income represents the write off of the premium or discount on acquisition of debt securities referred to in note 1(c).

	2015			2014		
3. Management fees	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Management fees	198	198	396	186	186	372

For the year ended 31 March 2015 management and secretarial services were provided by Aberdeen Asset Managers Limited ("AAM") until 13 July 2014 and thereafter by Aberdeen Fund Managers Limited ("AFML"). There were no changes to the commercial arrangements. Under the terms of an agreement effective from 14 July 2014 (which replaced the existing arrangements with AAM), the Company has appointed AFML to provide management, accounting, administrative and secretarial duties.

The management fee is based on 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 agreement is terminable on six month's notice. The total of the fees paid and payable during the year to 31 March 2015 was £396,000 (2014 – £372,000) and the balance due to AFML at the year end was £101,000 (2014 – £96,000). The Company held an interest in commonly managed fund Aberdeen Smaller Companies High Income Trust PLC in the portfolio during the year to 31 March 2015 (2014 – same). The value attributable to this holding is excluded from the calculation of management fee payable by the Company.

4. Administrative expenses	2015 £'000	2014 £'000
Directors' remuneration	93	97
Audit fees (net of VAT)	18	18
Promotional activities	84	73
Professional fees	53	17
Directors & Officers' liability insurance	10	10
Trade subscriptions	25	27
Share Plan costs	16	18
Registrars fees	32	29
Printing, postage and stationery	26	23
Other administrative expenses	27	35
	384	**347**

The management agreement with AFML also provides for the provision of promotional activities, which AFML has delegated to AAM. The total fees paid and payable under the management agreement in relation to promotional activities were £84,000 (2014 – £73,000). The Company's management agreement with AFML also provides for the provision of company secretarial and administration services to the Company; no separate fee is charged to the Company in respect of this agreement.

5. Directors' remuneration

The Company had no employees during the year (2014 – nil). No pension contributions were paid for Directors (2014 – £nil). Further details on Directors' Remuneration can be found in the Directors' Remuneration Report on page 33.

	2015			2014		
	Revenue	Capital	Total	Revenue	Capital	Total
6. Finance costs and borrowings	£'000	£'000	£'000	£'000	£'000	£'000
Bank loans and overdrafts repayable within five years	**164**	**163**	**327**	**160**	**160**	**320**

	2015			2014		
	Revenue	Capital	Total	Revenue	Capital	Total
7. Taxation	£'000	£'000	£'000	£'000	£'000	£'000
(a) Analysis of the charge for the year						
UK corporation tax	32	(32)	–	52	(52)	–
Overseas tax	10	–	10	–	–	–
Total current tax	**42**	**(32)**	**10**	**52**	**(52)**	**–**

(b) Factors affecting the tax charge for the year

The tax assessed for the year is lower than the effective rate of corporation tax in the UK. The differences are explained in the reconciliation below:

	2015			2014		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Profit before taxation	3,919	3,016	6,935	3,841	3,950	7,791
Corporation tax at an effective rate of 21% (2014 – 23%)	823	633	1,456	883	908	1,791
Effects of:						
UK dividend income not liable to further tax	(755)	–	(755)	(768)	–	(768)
Non-taxable stock dividends	(13)	–	(13)	(60)	–	(60)
Expenses not utilised	–	43	43	–	28	28
Overseas withholding tax	10	–	10	–	–	–
Non-taxable overseas dividends	(23)	–	(23)	(3)	–	(3)
Gains on investments not taxable	–	(729)	(729)	–	(1,009)	(1,009)
Disallowed expenses	–	21	21	–	21	21
	42	**(32)**	**10**	**52**	**(52)**	**–**

At 31 March 2015 the Company had surplus management expenses and loan relationship debits with a tax value of £4,652,000 (2014 – £4,618,000) in respect of which a deferred tax asset has not been recognised. This is because the Company is not expected to generate taxable income in a future period in excess of the deductible expenses of that future period and, accordingly, it is unlikely that the Company will be able to reduce future tax liabilities through the use of existing surplus expenses.

8. Dividends	2015 £'000	2014 £'000
Amounts recognised as distributions to equity holders in the period:		
Third interim dividend for the year ended 31 March 2014 of 3.00p (2013 – 3.00p) per share	900	900
Final dividend for the year ended 31 March 2014 of 3.00p (2013 – 3.00p) per share	900	900
First two interim dividends for the year ended 31 March 2015 totalling 6.00p (2014 – 6.00p) per share	1,800	1,800
Refund of unclaimed dividends from previous periods	(7)	(7)
	3,593	**3,593**
3.5% Cumulative Preference shares	2	2

The third interim dividend of 3.0p for the year to 31 March 2015 paid on 30 April 2015 and the proposed final dividend for the year to 31 March 2015 payable on 31 July 2015 have not been included as liabilities in these financial statements.

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

	2015 £'000	2014 £'000
Three interim dividends for the year ended 31 March 2015 totalling 9.00p (2014 – 9.00p) per share	2,700	2,700
Proposed final dividend for the year ended 31 March 2015 of 3.25p (2014 – 3.00p) per share	975	900
	3,675	**3,600**

9. Return and net asset value per share

The gains per share are based on the following figures:

	2015 £'000	2014 £'000
Revenue return	3,877	3,789
Capital return	3,048	4,002
Net return	**6,925**	**7,791**
Weighted average number of Ordinary shares	**29,997,580**	**29,997,580**

Net asset value per Ordinary share is based on net assets attributable to Ordinary shareholders of £77,832,000 (2014 – £74,502,000) and on the 29,997,580 (2014 – 29,997,580) Ordinary shares in issue at 31 March 2015.

10. Non–current assets – Securities at fair value	2015 £'000	2014 £'000
Listed on recognised stock exchanges:		
United Kingdom	**92,181**	**87,835**

	2015			2014		
	Listed investments £'000	Restricted investments £'000	Total £'000	Listed investments £'000	Restricted investments £'000	Total £'000
Cost at 31 March 2014	71,547	139	71,686	71,417	139	71,556
Investment holdings gains/(losses) at 31 March 2014	16,288	(139)	16,149	14,207	(139)	14,068
Fair value at 31 March 2014	87,835	–	87,835	85,624	–	85,624
Purchases	8,587	–	8,587	6,500	–	6,500
Sales – proceeds	(7,630)	–	(7,630)	(8,569)	–	(8,569)
Sales – net realised gains	1,683	(139)	1,544	2,292	–	2,292
Amortised cost adjustments to debt securities[A]	(93)	–	(93)	(93)	–	(93)
Fair value movement in the year	1,799	139	1,938	2,081	–	2,081
Fair value at 31 March 2015	**92,181**	–	**92,181**	**87,835**	–	**87,835**

[A] Charged to capital.

Notes to the Financial Statements continued

	2015			2014		
	Listed investments £'000	Restricted investments £'000	Total £'000	Listed investments £'000	Restricted investments £'000	Total £'000
Cost at 31 March 2015	74,094	–	74,094	71,547	139	71,686
Investment holdings gains/(losses) at 31 March 2015	18,087	–	18,087	16,288	(139)	16,149
Fair value at 31 March 2015	**92,181**	**–**	**92,181**	**87,835**	**–**	**87,835**

Gains on investments	2015 £'000	2014 £'000
Net realised gains on sales of investments	1,685	2,492
Call options exercised	(141)	(200)
Net realised gains on sales	1,544	2,292
Movement in fair value of investments	2,043	2,203
Put options assigned	(105)	(122)
Movement in appreciation of traded options held	(12)	14
	3,470	**4,387**

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 £275,000 (2014 – £286,000) have been dealt with in the revenue account.

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

As at 31 March 2015, the Company had pledged collateral equal to nil% (2014 – nil%) of the market value of the traded options in accordance with standard commercial practice. The carrying amount of financial assets pledged equated to £nil (2014 – £nil) all in the form of securities. The collateral position is monitored on a daily basis.

During the year expenses were incurred in acquiring or disposing of investments classified as fair value through profit or loss. These have been expensed through capital and are included within gains on investments in the Statement of Comprehensive Income. The total costs on the purchases and sales of investments in the year was £53,000 (2014 – £44,000).

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

At 31 March 2015 the Company held the following investments comprising more than 3% of the class of share capital held:

Company	Country of incorporation	Number of shares held	Class of shares held	Class held %
Aberdeen Smaller Companies High Income Trust PLC	Scotland	3,120,476	ordinary	14.1
Ecclesiastical Insurance Office	England	4,240,000	8 5/8% cum pref	4.0
Royal & Sun Alliance	England	4,350,000	7 3/8% cum pref	3.5
General Accident	Scotland	3,548,000	7.875% cum pref	3.2

11. Current assets	2015 £'000	2014 £'000
Accrued income and prepayments	1,005	956
Other debtors	11	19
Cash and cash equivalents	3,402	4,405
	4,418	**5,380**

None of the above amounts is overdue.

12. Current liabilities	2015 £'000	2014 £'000
Short-term bank loan	8,500	18,500
Option contracts	11	22
Other creditors	256	191
	8,767	**18,713**

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

	2015 £'000	2014 £'000
Other creditors	**224**	**115**

Non-current liabilities	2015 £'000	2014 £'000
Long-term bank loan	**10,000**	**–**

The Company currently has an agreement with Scotiabank Europe PLC to provide a loan facility to 19 December 2017 for up to £20,000,000. At the year end £8,500,000 had been drawn down at an all-in interest rate of 1.41405%, maturing on 20 April 2015. At the date of signing this report the amount drawn down was unchanged at £8,500,000 with an all-in interest rate of 1.4128%, maturing on 22 June 2015. A £10,000,000 fixed rate loan facility was drawn down on 19 December 2014 at a rate of 2.103000%. This rate is fixed until 19 December 2017.

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

13. Called up share capital	2015 Number	2015 £'000	2014 Number	2014 £'000
Allotted, called up and fully paid				
Ordinary shares of 50 pence each	29,997,580	14,999	29,997,580	14,999
3.5% Cumulative Preference shares of £1 each	50,000	50	50,000	50
		15,049		**15,049**

During the year nil (2014 – nil) Ordinary shares were issued by the Company at a total consideration received, including transaction costs of £nil (2014 – £nil).

14. Share premium account	2015 £'000	2014 £'000
At 31 March 2015 and 2014	**19,308**	**19,308**

15. Retained earnings	2015 £'000	2014 £'000
Capital reserve		
At 31 March 2014	34,114	30,112
Net gains on sales of investments during year	1,544	2,292
Movement in fair value gains on investments	1,938	2,081
Amortised cost adjustment charged to capital	(93)	(93)
Management fees	(198)	(186)
Interest on bank loans and overdrafts repayable within five years	(163)	(160)
Tax relief obtained by expenses capitalised	32	52
Foreign exchange movement	–	2
Traded options	(12)	14
At 31 March 2015	**37,162**	**34,114**

Revenue reserve	2015 £'000	2014 £'000
At 31 March 2014	6,031	5,837
Revenue	3,877	3,789
Dividends paid	(3,595)	(3,595)
At 31 March 2015	**6,313**	**6,031**

16. Financial instruments

Risk management

The Company's investment activities expose it to various types of financial risk associated with the financial instruments and markets in which it invests. The Company's financial instruments comprise securities and other investments, cash balances, loans and debtors and creditors that arise directly from its operations; for example, in respect of sales and purchases awaiting settlement, and debtors for accrued income. The Company may from time to time use FTSE options for protection of the loss of value to the portfolio at modest cost.

Subject to Board approval, the Company also has the ability to enter into derivative transactions, in the form of traded options, for the purpose of enhancing income returns and portfolio management. During the year, the Company entered into certain derivative contracts. As disclosed in note 2, the premium received and fair value changes in respect of options written in the year were £275,000. Positions closed during the year realised a loss of £246,000. The largest position in derivative contracts held during the year at any given time was £108,000 (2014 – £97,000). The Company had open positions in derivative contracts at 31 March 2015 valued at a liability of £11,000 as disclosed in note 12.

The Board has delegated the risk management function to AFML under the terms of its management agreement with AFML (further details of which are included under note 3). The Board regularly reviews and agrees policies for managing each of the key financial risks identified with the Manager. The types of risk and the Manager's approach to the management of each type of risk, are summarised below. Such approach has been applied throughout the year and has not changed since the previous accounting period. The numerical disclosures exclude short-term debtors and creditors.

Risk management framework

The directors of Aberdeen Fund Managers Limited collectively assume responsibility for AFML's obligations under the AIFMD including reviewing investment performance and monitoring the Company's risk profile during the year.

AFML is a fully integrated member of the Aberdeen Group, which provides a variety of services and support to AFML in the conduct of its business activities, including in the oversight of the risk management framework for the Company. The AIFM has delegated the day to day administration of the investment policy to Aberdeen Asset Managers Limited, which is responsible for ensuring that the Company is managed within the terms of its investment guidelines and the limits set out in its pre-investment disclosures to investors (details of which can be found on the Company's website). The AIFM has retained responsibility for monitoring and oversight of investment performance, product risk and regulatory and operational risk for the Company.

The Group's Internal Audit Department is independent of the Risk Division and reports directly to the Group CEO and to the Audit Committee of the Group's Board of Directors. The Internal Audit Department is responsible for providing an independent assessment of the Group's control environment.

The Manager conducts its risk oversight function through the operation of the Group's risk management processes and systems which are embedded within the Group's operations. The Group's Risk Division supports management in the identification and mitigation of risks and provides independent monitoring of the business. The Division includes Compliance, Business Risk, Market Risk, Risk Management and Legal. The team is headed up by the Group's Head of Risk, who reports to the Chief Executive Officer of the Group. The Risk Division achieves its objective through embedding the Risk Management Framework throughout the organisation using the Group's operational risk management system ("SWORD").

The Group's corporate governance structure is supported by several committees to assist the board of directors of Aberdeen, its subsidiaries and the Company to fulfil their roles and responsibilities. The Group's Risk Division is represented on all committees, with the exception of those committees that deal with investment recommendations. The specific goals and guidelines on the functioning of those committees are described on the committees' terms of reference.

Risk management

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

(i) Market risk

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

Interest rate risk

Interest rate movements may affect:

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

Management of the risk

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 imposes borrowing limits to ensure gearing levels are appropriate to market conditions and reviews these on a regular basis. Borrowings comprise fixed rate, revolving, and uncommitted facilities. The fixed rate facilities are used to finance opportunities at low rates and, the revolving and uncommitted facilities to provide flexibility in the short-term. Current bank covenant guidelines state that the gross borrowings will not exceed one-third of adjusted net assets.

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

Interest rate profile

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

As at 31 March 2015	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	–	8.46	24,702	–	–
Cash and cash equivalents	–	0.25	–	3,402	–
Total assets	–	–	**24,702**	**3,402**	–
Liabilities					
Short-term bank loan	0.08	1.41	(8,500)	–	–
Long-term bank loan	3.00	2.10	(10,000)		
Total liabilities	–	–	**(18,500)**	–	–

As at 31 March 2014	Weighted average period for which rate is fixed Years	Weighted average interest rate %	Fixed rate £'000	Floating rate £'000	Non–interest bearing £'000
Assets					
UK irredeemable preference shares	–	8.47	22,120	–	–
Cash and cash equivalents	–	0.28	–	4,405	–
Total assets	–	–	**22,120**	**4,405**	–
Liabilities					
Short-term bank loan	0.08	1.64	(18,500)	–	–
Total liabilities	–	–	**(18,500)**	–	–

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

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

The UK irredeemable preference shares assets have no maturity date.

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

Maturity profile

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

At 31 March 2015	Within 1 year £'000	Within 1-5 years £'000	More than 5 years £'000
Fixed rate			
UK irredeemable preference shares	–	–	24,702
Short-term bank loan	(8,500)	–	–
Long-term bank loan	–	(10,000)	–
	(8,500)	(10,000)	24,702
Floating rate			
Cash and cash equivalents	3,402	–	–
Total	**(5,098)**	**(10,000)**	**24,702**

At 31 March 2014	Within 1 year £'000	Within 1-5 years £'000	More than 5 years £'000
Fixed rate			
UK irredeemable preference shares	–	–	22,120
Short-term bank loan	–	(18,500)	–
	–	(18,500)	22,120
Floating rate			
Cash and cash equivalents	4,405	–	–
Total	**4,405**	**(18,500)**	**22,120**

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 2015 would increase/decrease by £34,000 (2014 – £44,000). 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 2015 would increase/decrease by £469,000 (2014 – increase/decrease by £869,000). This is mainly attributable to the Company's exposure to interest rates on its fixed interest securities. This is based on a Value at Risk ('VaR') calculated at a 99% confidence level.

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

Price risk

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.

Management of the risk

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

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 2015 would have increased/decreased by £6,613,000 (2014 – increase/decrease of £6,436,000). 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.

Management of the risk

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 loan facilities, details of which can be found in note 12. Under the terms of the loan facility, the Manager provides the lender with loan covenant reports on a monthly basis, to provide the lender with assurance that the terms of the facility are not being breached. The Manager will also review the credit rating of a lender on a regular basis.

The Board imposes borrowing limits to ensure gearing levels are appropriate to market conditions and reviews these on a regular basis. Borrowings comprise a revolving loan facility and a fixed term loan facility. The Board has imposed a maximum equity gearing of 35% which constrains the amount of gearing that can be invested in equities which are more volatile than the fixed interest part of the portfolio. Details of borrowings at 31 March 2015 are shown in note 12.

Liquidity risk exposure

At each of 31 March 2015 and 31 March 2014 the Company's bank loans amounted to £18,500,000.

(iii) Credit risk

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

Management of the risk

- where the Investment Manager makes an investment in a bond, corporate or otherwise, the credit rating of the issuer is taken into account so as to minimise the risk to the Company of default;
- investments in quoted bonds are made across a variety of industry sectors so as to avoid concentrations of credit risk;
- transactions involving derivatives are entered into only with investment banks, the credit rating of which is taken into account so as to minimise the risk to the Company of default;
- investment transactions are carried out with a large number of brokers, whose credit-standing is reviewed periodically by the investment manager, and limits are set on the amount that may be due from any one broker;

- the risk of counterparty exposure due to failed trades causing a loss to the Company is mitigated by the review of failed trade reports on a daily basis. In addition, both stock and cash reconciliations to Custodian's records are performed on a daily basis to ensure discrepancies are investigated on a timely basis. The Aberdeen Group's Compliance department carries out periodic reviews of the Custodian's operations and reports its finding to the Aberdeen Group's Risk Management Committee and to the Board of the Company. This review will also include checks on the maintenance and security of investments held;
- transactions involving derivatives, structured notes and other arrangements wherein the creditworthiness of the entity acting as broker or counterparty to the transaction is likely to be of sustained interest are subject to rigorous assessment by the Investment Manager of the credit worthiness of that counterparty. The Company's aggregate exposure to each such counterparty is monitored regularly by the Board; and
- cash is held only with reputable banks with high quality external credit enhancements.

It is the Investment 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 2015 was as follows:

	2015		2014	
	Balance Sheet £'000	Maximum exposure £'000	Balance Sheet £'000	Maximum exposure £'000
Non-current assets				
Securities at fair value through profit or loss	92,181	92,181	87,835	87,835
Current assets				
Trade and other receivables	11	11	19	19
Accrued income	1,005	1,005	956	956
Cash and cash equivalents	3,402	3,402	4,405	4,405
	96,599	**96,599**	**93,215**	**93,215**

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 approximates 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 17. 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 approximates to fair values because of their short-term maturity.

17. Fair value hierarchy

IFRS 7 'Financial Instruments: Disclosures' require an entity to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

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

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

The financial assets and liabilities measured at fair value in the statement of financial position are grouped into the fair value hierarchy at 31 March 2015 as follows:

	Note	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit or loss					
Quoted investments	a)	92,181	–	–	92,181
Financial liabilities at fair value through profit or loss					
Derivatives	b)	(9)	(2)	–	(11)
Net fair value		**92,172**	**(2)**	–	**92,170**

As at 31 March 2014	Note	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit or loss					
Quoted investments	a)	87,835	–	–	87,835
Financial liabilities at fair value through profit or loss					
Derivatives	b)	(21)	(1)	–	(22)
Net fair value		**87,814**	**(1)**	–	**87,813**

a) Quoted investments

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

b) Derivatives

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

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

18. Capital management policies and procedures

The Company's capital management objectives are:

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

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

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

19. Related party transactions and transactions with the Manager

Fees payable during the year to the Directors and their interests in shares of the Company are disclosed within the Directors' Remuneration Report on pages 33 and 34.

The Company has an agreement with Aberdeen Fund Managers Limited for the provision of management, secretarial, accounting and administration services and for the carrying out of promotional activities in relation to the Company. Details of transactions during the year and balances outstanding at the year end disclosed in notes 3 and 4.

Information about the Investment Manager

Shires Income PLC

The Company's Investment Manager is Aberdeen Asset Managers Limited, a subsidiary of Aberdeen Asset Management PLC, whose group companies as at 31 March 2015 had approximately £330.7 billion of assets under management. It manages assets on behalf of a wide range of clients including 74 investment companies and other closed-ended funds, which had combined total assets of over £15.2 billion.

The Investment Manager has its headquarters in Aberdeen and invests globally, operating from over 33 offices in 27 different countries. Its investment teams are generally based in the markets or regions in which they invest; in the UK its main investment centres are in London and Edinburgh.

The Senior Investment Manager

Ed Beal

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

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

The Investment Process

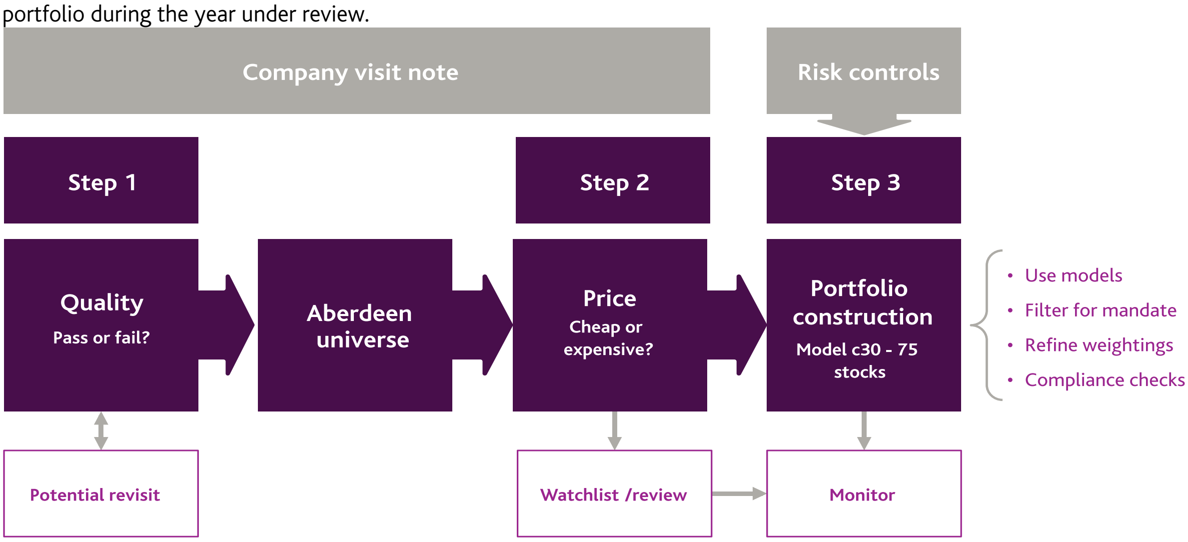
Philosophy and Style

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

Risk Controls

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

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



Promotional Strategy

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

The purpose of the Programme is to communicate effectively with existing shareholders and gain more new shareholders, thus improving liquidity and thereby enhancing the value and rating of the Company's shares.

These aims can be met in several ways:

Investor Relations Programme

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

Newsletter

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

Public Relations

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

Shareholder Services

AAM runs an investment help desk for retail enquirers and investors. Enquirers or investors will be sent any relevant literature on request and have queries answered immediately.

The promotional programme is under the direction of AAM's Group Head of Brand, who has considerable experience in the promotion and communications of investment products. He is supported by a team of marketing professionals.

Internet

The AAM Investment Trusts web site contains details of closed end funds and investment companies managed or advised by the Aberdeen Group.

Shires Income also has its own dedicated website: www.shiresincome.co.uk. This allows web users to access information on the Company's share price performance, capital structure, stock exchange announcements and monthly reports. The site is continuously being evaluated for improvement.

It is intended that ongoing programme activities in these various fields, both proactive and supportive, will assist the Company to increase and maintain its shareholder base, improve liquidity and sustain ratings.

The Company is committed to a close monitoring of the programme and AAM's Group Head of Brand reports to the Board and provides a written summary quarterly.

If you have any questions about your Company, the Manager or performance, please telephone the AAM Customer Services Department (direct private investors) on 0500 00 00 40. Alternatively, internet users may email AAM at inv.trusts@aberdeen-asset.com or write to Aberdeen Investment Trusts, PO Box 11020, Chelmsford, Essex CM99 2DB.

How to Invest in Shires Income PLC

Direct

Investors can buy and sell shares in the Company directly through a stockbroker or indirectly through a lawyer, accountant or other professional adviser. Many have online facilities. Alternatively, for retail clients, shares may be bought directly through Aberdeen's Investment Plan for Children, Investment Trust Share Plan and Investment Trust ISA.

Suitable for Retail/NMPI Status

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

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

The Company's shares are excluded from the Financial Conduct Authority's restrictions which apply to NMPIs because they are shares in an investment trust.

Aberdeen's Investment Plan for Children

Aberdeen Asset Managers Limited ("AAM") runs an Investment Plan for Children (the "Children's Plan") which covers a number of investment companies under its management including Shires Income PLC. Anyone can invest in the Children's Plan (subject to the eligibility criteria as stated within the terms and conditions), including parents, grandparents and family friends. All investments are free of dealing charges on the initial purchase of shares, although investors will suffer the bid-offer spread, which can, on some occasions, be a significant amount. Lump sum investments start at £150 per trust, while regular savers may invest from £30 per month. Investors simply pay Government Stamp Duty (currently 0.5%) on purchases. 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.

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 purchases. 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.

Aberdeen Investment Trust ISA

An investment of up to £15,240 can be made in the tax year 2015/16.

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

Nominee Accounts and Voting Rights

In common with other schemes of this type, all investments in AAM's Investment Trust Share Plan, Investment Plan for Children and Investment Trust ISA are held in nominee accounts and investors have full voting and other rights of share ownership.

ISA Transfer

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

Note

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

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

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

Literature Request Service

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

Keeping You Informed

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

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

Contact

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

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

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

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

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

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

Tel International: +44 121 415 7047

Online Dealing Providers

Investor Information

There are a number of other ways in which you can buy and hold shares in the Company.

Online Dealing

There are a number of online dealing platforms for private investors that offer share dealing, ISAs and other means to invest in the Company. Real-time execution-only stockbroking services allow you to trade online, manage your portfolio and buy UK listed shares. These sites do not give advice. Some comparison websites also look at dealing rates and terms. Some well-known online providers, which can be found through internet search engines, include:

AJ Bell You Invest
Alliance Trust Savings
Barclays Stockbrokers
Charles Stanley Direct
Halifax Share Dealing
Hargreave Hale
Idealing
Selftrade
The Share Centre
Stocktrade
Hargreaves Lansdown
TD Direct
Interactive Investor

Discretionary Private Client Stockbrokers

If you have a large sum to invest, you may wish to contact a discretionary private client stockbroker. They can manage your entire portfolio of shares and will advise you on your investments. To find a private client stockbroker visit the Wealth Management Association at www.thewma.co.uk

Financial Advisers

To find an adviser who makes recommendations on investment trusts, visit www.unbiased.co.uk

Regulation of Stockbrokers

Before approaching a stockbroker, always check that they are regulated by the Financial Conduct Authority:
Tel: 0800 111 6768 or at www.fca.org.uk/firms/systems-reporting/register/search
Email: register@fca.org.uk

How to Invest in Shires Income PLC continued

Investor Warning

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

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

The above information on pages 60 to 62 has been approved for the purposes of Section 21 of the Financial Services and Markets Act 2000 (as amended by the Financial Services Act 2012) by Aberdeen Asset Managers Limited which is authorised and regulated by the Financial Conduct Authority.

Glossary of Terms and Definitions

Aberdeen Group	Aberdeen Asset Management PLC group of companies.
AIFM or AFML or Manager	Aberdeen Fund Managers Limited is a wholly owned subsidiary of Aberdeen Asset Management PLC and acts as the alternative investment fund manager for the Company. AFML is authorised and regulated by the Financial Conduct Authority.
AIFMD	The Alternative Investment Fund Managers Directive - The AIFMD is European legislation which created a European-wide framework for regulating managers of 'alternative investment funds' (AIFs). It is designed to regulate any fund which is not a UCITS fund and which is managed and/or marketed in the EU. The Company has been designated as an AIF.
Benchmark	A market index, which averages the performance of the share prices of companies in any given sector, thus providing an indication of movements in the stock market. The benchmark used in this Annual Report is the FTSE All-Share Index, a recognised and respected index, which measures the performance of the largest 750 quoted UK companies.
Convertibles	Fixed income securities, which can be converted into equity shares at a future date.
Discount	The amount by which the market price per share of an investment trust is lower than the net asset value per share. The discount is normally expressed as a percentage of the net asset value per share.
Dividend Cover	Earnings per share divided by dividend per share expressed as a ratio.
Dividend Yield	The annual dividend expressed as a percentage of the share price.
Gearing	Net gearing is borrowings calculated by dividing total assets less cash or cash equivalents by shareholders' funds expressed as a percentage. It is used to increase exposure to securities, with the aim of magnifying the impact on net assets of rises in the value of the portfolio, and to augment the investment base from which income is received. The employment of gearing magnifies the impact on net assets of both positive and negative changes in the value of the portfolio of investments. Equity gearing is the sum of the investments in ordinary shares, both listed and unlisted and convertibles expressed as a proportion of the Company's net assets.
Investment Manager	Aberdeen Asset Managers Limited
Leverage	For the purposes of the Alternative Investment Fund Managers Directive, leverage is any method which increases the Company's exposure, including the borrowing of cash and the use of derivatives. It is expressed as a ratio between the Company's exposure and its net asset value and can be calculated on a gross and a commitment method. Under the gross method, exposure represents the sum of the Company's positions after the deduction of sterling cash balances, without taking into account any hedging and netting arrangements. Under the commitment method, exposure is calculated without the deduction of sterling cash balances and after certain hedging and netting positions are offset against each other.
Net Asset Value ("NAV")	The value of total assets less liabilities. Liabilities for this purpose included current and long-term liabilities. The net asset value divided by the number of shares in issue produces the net asset value per share.
Ongoing Charges	Ratio of expenses as a percentage of average daily shareholders' funds calculated as per the AIC's industry standard method.
Preference Shares	These entitle the holder to a fixed rate of dividend out of the profits of a company, to be paid in priority to other classes of shareholder.
Premium	The amount by which the market price per share of an investment trust exceeds the net asset value per share. The premium is normally expressed as a percentage of the net asset value per share.
Prior Charges	The name given to all borrowings including debentures, long and short-term loans and overdrafts that are to be used for investment purposes, reciprocal foreign currency loans, currency facilities to the extent that they are drawn down, index-linked securities, and all types of preference or preferred capital and the income shares of split capital trusts, irrespective of the time until repayment.

Total 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 Company on the date to which that dividend was earned, e.g. quarter end, half year or year end date.
UCITS	UCITS stands for Undertakings for Collective Investments in Transferable Securities and relates to mutual funds located in the European Union.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the eighty-seventh Annual General Meeting of the Members of Shires Income PLC ("the Company") will be held at the offices of Aberdeen Asset Management PLC, Bow Bells House, 1 Bread Street, London, EC4M 9HH on Wednesday 8 July 2015 at 12 noon to transact the following business:

To consider and, if thought fit, pass the following as Ordinary Resolutions:

1. To receive and adopt the Directors' Report and audited financial statements of the Company for the year ended 31 March 2015 together with the Auditor's Report thereon.
2. To receive and adopt the Directors' Remuneration Report (excluding Directors' Remuneration Policy).
3. To approve a final dividend of 3.25p per Ordinary share in respect of the year ended 31 March 2015.
4. To appoint Mr R. Talbut as a Director of the Company.
5. To re-appoint KPMG LLP as auditor of the Company.
6. To authorise the Directors to determine the remuneration of the auditor for the year to 31 March 2016.

Section 551 Authority to Allot

7. That, in substitution for any pre-existing power to allot or grant rights to subscribe for or to convert any security into shares in the Company, but without prejudice to the exercise of any such authority prior to the date of this resolution, the Directors be and are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 to exercise all the powers of the Company to allot shares in the Company ("relevant securities") up to an aggregate nominal amount of £4,999,596, being equal to approximately one third of the Ordinary shares in issue, such authority to expire on 30 September 2016 or, if earlier, at the conclusion of the next Annual General Meeting of the Company to be held after the passing of this resolution, unless previously revoked, varied or extended by the Company in general meeting, save that the Company may, at any time prior to the expiry of such authority, make an offer or enter into an agreement which would or might require relevant securities to be allotted after the expiry of such authority, and the Directors may allot relevant securities in pursuance of such an offer or agreement as if such authority had not expired.

To consider and, if thought fit, pass the following as Special Resolutions:

Disapplication of Pre-emption Provisions

8. That, subject to the passing of resolution 7 in the notice convening the meeting at which this resolution is to be proposed (the "notice of meeting") and in substitution for all existing powers, the Directors be and are hereby generally empowered pursuant to Section 570 of the Companies Act 2006 (the "Act") to allot equity securities (as defined in Section 560 (1) of the Act) for cash pursuant to the authority under Section 551 of the Act conferred by resolution 7 in the notice of meeting as if Section 561 of the Act did not apply to any such allotment, provided that this power:
   (i) expires on 30 September 2016 or, if earlier, at the conclusion of the next Annual General Meeting of the Company, but the Company may make an offer or agreement which would or might require equity securities to be allotted after expiry of this power and the Directors may allot equity securities in pursuance of that offer or agreement as if that power had not expired; and
   (ii) shall be limited to the allotment of equity securities for cash up to an aggregate nominal amount of £1,499,879 being equal to approximately 10% of the Ordinary shares in issue.

   This power applies in relation to the sale of shares which is an allotment of equity securities that immediately before the allotment are held by the Company as treasury shares as if in the opening paragraph of this resolution the words "subject to the passing of resolution 7 in the notice convening the meeting at which this resolution is to be proposed ("the notice of meeting")" and "pursuant to the authority under Section 551 of the Act conferred by resolution 7 in the notice of meeting" were omitted.

Purchase of the Company's own Ordinary Shares

9. That, in substitution for any existing authority but without prejudice to the exercise of any such authority prior to the date hereof, the Company be generally and unconditionally authorised, in accordance with Section 701 of the Companies Act 2006 (the "Act"), to make market purchases (within the meaning of Section 693(4) of the Act) of fully paid Ordinary shares of 50p each in the capital of the Company ("shares") provided that:
   (i) the maximum aggregate nominal value of the Ordinary shares hereby authorised to be purchased shall be limited to £2,248,318 being equal to approximately 14.99% of the issued Ordinary share capital of the Company as at the date of the passing of this resolution;

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

(iii) the maximum price (exclusive of expenses) which may be paid for a share shall be an amount being not more than the higher of:

a) 105% of the average of the middle market quotations (as derived from the Daily Official List of the London Stock Exchange) for the shares for the five business days immediately preceding the date of purchase; or

b) the higher of the price of the last independent trade and the highest current independent bid relating to a share on the trading venue where the purchase is carried out.

(iv) unless previously varied, revoked or renewed, the authority hereby conferred shall expire on 30 September 2016 or, if earlier, at the conclusion of the next Annual General Meeting of the Company to be held after the passing of this resolution, save that the Company may, at any time prior to such expiry, enter into a contract or contracts to purchase shares under such authority which would or might be completed or executed wholly or partly after the expiration of such authority and may make a purchase of shares pursuant to any such contract or contracts as if the authority conferred hereby had not expired.

Notice Period for General Meetings

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

By order of the Board
Aberdeen Asset Management PLC
Secretary
5 June 2015

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

Notes:

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

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

(iii.) In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, to have the right to attend and vote at the Meeting a member must first have his or her name entered in the Company's register of members at 6.00 p.m. on 6 July 2015 (or, in the event that the Meeting is adjourned, at 6.00 p.m. on the day which is two business days before the time of the adjourned meeting). Changes to entries on that register after that time shall be disregarded in determining the rights of any member to attend and vote at the Meeting.

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

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

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

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

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

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

(x.) As at close of business on 29 May 2015 (being the latest practicable date prior to publication of this document), the Company's issued share capital comprised 29,997,580 Ordinary shares of 50p each and 50,000 Preference shares of £1.00. Accordingly, the total number of voting rights in the Company as at 29 May 2015 is 30,047,580.

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

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

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

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

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

a) answering the question would interfere unduly with the preparation for the Meeting or involve the disclosure of confidential information;

b) the answer has already been given on a website in the form of an answer to a question; or

c) it is undesirable in the interests of the Company or the good order of the Meeting that the question be answered.

(xvi.) Shareholders are advised that, unless otherwise stated, any telephone number, website or e-mail address which may be set out in this notice of Annual General Meeting or in any related documents (including the proxy form) is not to be used for the purposes of serving information or documents on, or otherwise communicating with, the Company for any purposes other than those expressly stated.

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

Corporate Information

Directors
Anthony B. Davidson
Marian Glen
David P. Kidd
Andrew S. Robson
Robert Talbut (appointed 1 April 2015)

Company Secretary
Aberdeen Asset Management PLC
40 Princes Street
Edinburgh, EH2 2BY
Telephone: 0131 528 4000
Email: company.secretary@invtrusts.co.uk

Investment Manager
Aberdeen Asset Managers Limited
40 Princes Street
Edinburgh, EH2 2BY
Telephone: 0131 528 4000
Authorised and regulated by the Financial Conduct Authority

Alternative Investment Fund Manager
Aberdeen Fund Managers Limited
Bow Bells House
1 Bread Street
London, EC4M 9HH
Authorised and regulated by the Financial Conduct Authority

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

Customer Services
Freephone: 0500 00 00 40
Overseas number: +44 1268 448 222
(open Monday - Friday 9 a.m. – 5 p.m.)
Email: inv.trusts@aberdeen-asset.com

Website
www.shiresincome.co.uk

Company Registration Number
00386561 (England & Wales)

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

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

Overseas helpline number: +44 121 415 7047

Depositary
BNP Paribas Securities Services, London Branch
55 Moorgate
London EC2R 6PA

Stockbroker
JPMorgan Cazenove
25 Bank Street
London E14 5JP

Auditor
KPMG LLP
Chartered Accountants
Saltire Court
20 Castle Terrace
Edinburgh EH1 2EG

Solicitors
Maclay Murray & Spens LLP

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

Foreign Account Tax Compliance Act ("FATCA")
IRS Registration Number (GIIN): 4PPXT6.99999.SL.826

Alternative Investment Fund Managers Directive Disclosures (Unaudited)

Aberdeen Fund Managers Limited ("AFML") and the Company are required to make certain disclosures available to investors in accordance with the Alternative Investment Fund Managers Directive ('AIFMD'). Those disclosures that are required to be made pre-investment are included within a pre-investment disclosure document ('PIDD') which can be found on the Company's website. There have been no material changes to the disclosures contained within the PIDD since first publication in July 2014.

The periodic disclosures as required under the AIFMD to investors are made below:

- Information on the investment strategy and sector investment focus and principal stock exposures are included in the Strategic Report.

- None of the Company's assets are subject to special arrangements arising from their illiquid nature.

- The Strategic Report, note 16 to the Financial Statements and the PIDD together set out the risk profile and risk management systems in place. There have been no changes to the risk management systems in place in the period under review and no breaches of any of the risk limits set, with no breach expected.

- There are no new arrangements for managing the liquidity of the Company or any material changes to the liquidity management systems and procedures employed by AFML.

- All authorised Alternative Investment Fund Managers are required to comply with the AIFMD Remuneration Code. In accordance with the Remuneration Code, the Company's AIFM remuneration policy is available from the Company's Secretary, Aberdeen Asset Management PLC on request (see contact details on page 69 and the numerical remuneration in the disclosures in respect of the AIFM's first relevant reporting period (year ended 30 September 2015) will be made available in due course).

Leverage

The table below sets out the current maximum permitted limit and actual level of leverage for the Company:

As a percentage of net	**Gross method**	**Commitment method**
Maximum level of leverage	2.50:1	2.00:1
Actual level at 31 March 2015	1.42:1	1.47:1

There have been no breaches of the maximum level during the period and no changes to the maximum level of leverage employed by the Company. There have been no changes to the circumstances in which the Company may be required to post assets as collateral and no guarantees granted under the leveraging arrangement. Changes to the information contained either within this Annual Report or the PIDD in relation to any special arrangements in place, the maximum level of leverage which AFML may employ on behalf of the Company; the right of use of collateral or any guarantee granted under any leveraging arrangement; or any change to the position in relation to any discharge of liability by the Depositary will be notified via a regulatory news service without undue delay in accordance with the AIFMD.

The information on this page has been approved for the purposes of Section 21 of the Financial Services and Markets Act 2000 (as amended by the Financial Services Act 2012) by Aberdeen Fund Managers Limited which is authorised and regulated by the Financial Conduct Authority in the United Kingdom.

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