08

Shires Income Plc

Annual Report and Accounts
31 March 2008

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 independent financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 if you are in the United Kingdom or, if not, from another appropriately authorised financial adviser. If you have sold or otherwise transferred all your Ordinary shares in Shires Income plc please forward this document, together with the accompanying documents immediately to the purchaser or transferee, or to the stockbroker, bank or agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

About Your Company

Trust Objective

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

Assets

Portfolio Assets

Shires Income had total investments of £95.3 million as at 31 March 2008. These investments were invested by the Manager, Glasgow Investment Managers Limited ("Glasgow") and subsequently Aberdeen Asset Managers Limited ("Aberdeen"), in what they believe is the appropriate way of achieving the Company's objectives. Of the total investments, £68.9 million was invested in Ordinary shares, £1.4 million in convertible securities and £25.0 million in preference shares. The Company's investments will therefore tend to perform well when ordinary shares rise, particularly when higher yielding Ordinary shares do better than lower or nil paying ordinary shares, and vice versa. Convertibles will tend to rise or fall with equities but to a lesser degree. Preference shares will tend to be more sensitive to interest rate movements; rising in value as rates fall or falling in value as rates rise.

Shires Smaller Companies plc

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

Earnings and Dividends

The Company aims to provide a high level of income. Based on the proposed final dividend, the Company will have declared dividends for the March 2008 financial year totalling 19.75p. Using the share price at the end of the year of 220.0p this gives a yield of 9.0%. Given that the UK equity market currently yields around 3.5%, the assets of Shires Income have to yield a great deal more for the dividend to be paid from the surplus of income over expenses. There is, therefore, a bias in the portfolio to high yielding ordinary shares. One of the reasons 27.8% of total investments are invested in convertible securities and preference shares is that they typically provide more income than ordinary shares.

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

Income can also be derived from owning appreciating shares in the dealing subsidiary, Wiston Investment Company Limited. On an occasional basis, the Manager identify stocks that may rise in the short term. This activity is deemed to be trading and gains are treated as income rather than capital.

The Directors and Manager put a great deal of emphasis on being able to maintain the current level of dividend. This would, however, be put at risk if the dividends paid by UK companies in general declined, or the Manager were not able to take advantage of option writing opportunities, or trading profits were not generated in Wiston. There is a sizeable revenue reserve, equivalent to 16.0p per share (excluding IFRS dividend adjustment of 10.95p), which could be drawn on if required.

Gearing

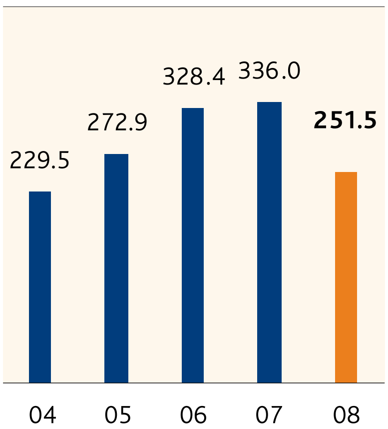
In the long term, to help income generation and capital growth, the Company has borrowed to invest in the assets described above. This is undertaken in the belief that the assets will produce a greater total return than the cost of the borrowing over time. Shires Income utilises two methods of borrowing. The first is a debenture, which has its interest cost and capital repayment linked to inflation (RPI). The first tranche of this debenture was redeemed on 6 March 2008 with the next two tranches due to be redeemed in 2009 and 2010. The other is by bank loans and overdrafts. At 31 March 2008 the total gearing was 27.5% with no equity gearing.

Financial Highlights

	2008	2007
Net asset value total return	**–20.4%**	+8.9%
Share price total return	**–24.4%**	+5.5%
Dividend per share	**19.75p**	19.25p
Dividend yield	**9.0%**	6.2%

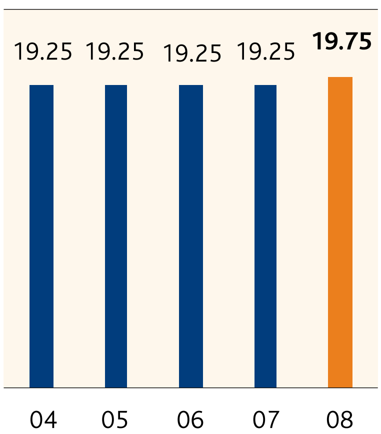
Net Asset Value per Ordinary share

At 31 March – pence



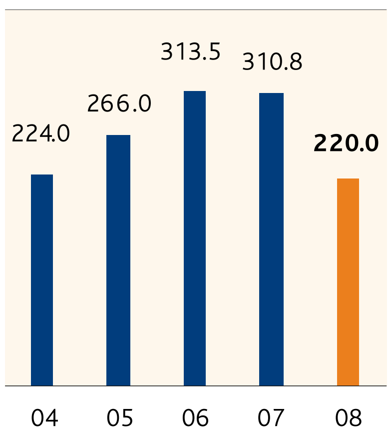
Dividends per Ordinary share

pence



Mid-market price per Ordinary share

At 31 March – pence



Financial Calendar

4 July 2008	Annual General Meeting
31 July 2008	Ordinary shares final dividend 2007/2008 payable
30 September 2008	3.5% Preference shares half-year dividend payable
31 October 2008	Ordinary shares first interim dividend 2008/2009 payable
November 2008	Interim results announced
November 2008	Interim Report published

Corporate Summary

Objective

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

Investment policy

The Company invests principally in UK quoted companies and convertibles and preference shares with above average yields. The Manager selects stocks via a bottom-up investment process based on a disciplined evaluation of companies through direct visits by its fund Manager.

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

Benchmark

FTSE All-Share Index (Total Return).

Capital Structure and Voting Rights

Number of Ordinary shares of 50p each in issue	29,697,580
3.5% Cumulative Preference shares of £1 each	50,000
5% Index-Linked Debenture 2008/2010	£19,033,000

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

Dividends

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

Continuation Vote

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

Management Company and Fee

Aberdeen Asset Managers Limited ("Aberdeen") acts as Manager to the Company under a management contract which is terminable by one year's notice on either side. The fee is 0.45% for funds up to £100 million and 0.40% for funds over £100 million (see note 3 to the financial statements on page 34).

SIPPs and ISAs

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

AIC

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

Price and Net Asset Value Information

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

Share Register Enquiries

The Company's Registrars, Equiniti Limited, maintains the share register. In the event of queries regarding your shares, please contact the Registrars on 0871 384 2030. Changes of name or address must be notified in writing to Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6ZR.

Shareview Website

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

Shares Held in Nominee Names

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

Company Secretary

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

Websites

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

Chairman's Statement

J. Martin Haldane
Chairman

Highlights

After four years of growth your Company declined in value in the year to 31 March 2008. While the Company underperformed in the year, as explained below, over a five year period the total return has been slightly ahead of the FTSE All-Share Index, the Company's benchmark.

I am pleased to say that the Company is in a position to increase its dividend. If approved by Shareholders, a final dividend of 6.55p will be paid on 31 July 2008 to Shareholders on the register at the close of business on 4 July 2008. This will result in the dividend in respect of the financial year to 31 March 2008 totalling 19.75p, an increase of 2.6% over that for the previous year. This dividend represents a yield of 9% on the share price at 31 March 2008, significantly higher than the yield on the FTSE All-Share Index at the same date of 3.8% and on that of the FTSE 350 High Yield Index of 5.3%.

Investment Returns

Against a background of increasing stockmarket volatility, primarily caused by the credit crisis emanating from the Unites States, your Company, after four years of continuous growth, declined in value. The Company's total return on net assets was -20.4% in the year to 31 March 2008 compared to the FTSE All-Share Index total return of -7.7%. This underperformance was mainly due to two factors:

- The portfolio has a large percentage invested in financials, both in equities and fixed interest securities. While the holdings in financials are critical for the income generation of the Company, these stocks, particularly banks, have been badly affected by the credit crisis. This is demonstrated by the recent rights issues announced by The Royal Bank of Scotland and HBOS to strengthen their capital base.
- The smaller companies sector has also been badly hit in the recent volatility, with the FTSE Small Cap Index (excluding Investment Companies) falling 29.0% on a total return basis in the year to 31 March 2008. This has affected the price of smaller companies securities held in the portfolio, particularly Shires Smaller Companies plc which is one of the largest holdings, the discount on the net assets of which widened to 18.0% over the year. It should be noted however that Shires Smaller Companies plc continues to provide a high and increasing level of income for the Company.

The rating of the Company's shares in the stockmarket dropped in the year with the discount standing at 8.5% at 31 March 2008 compared to 4.5% a year earlier. As a result the share price total return was -24.4% in the year. It should be noted however that over five years the Company has outperformed the benchmark both in relation to NAV and share price total return.

Earnings and Dividends

The revenue return per share was 20.29p for the year to 31 March 2008. Dividends paid in the financial year amounted to 19.25p. This comprises the third interim dividend and final dividend of the 2006/07 financial year totalling 10.45p, and the first and second interim dividends of the 2007/08 financial year totalling 8.80p. The third interim dividend for 2007/08 paid on 30 April 2008 and the proposed final dividend for the 2007/08 financial year payable on 31 July 2008 will be included in the financial statements for the year ended 31 March 2009.

Portfolio Profile

Total gearing decreased in the year from 38.8% to 27.5% with equity gearing also falling from 8.8% to no equity gearing at the end of the year. The reduction in gearing was a result of the Manager not wishing to be significantly geared in the equity market in such turbulent times. All the gearing is invested in high yielding fixed interest securities which contribute a high proportion of the income distributed to Shareholders.

The gearing structure of the Company also changed during the year with the repayment of the first tranche of the 5% Index-linked Debenture Stock on 6 March 2008. This tranche was replaced by a £10 million revolving credit facility which should give the Manager cheaper, more flexible gearing.

Outlook

Investment markets are currently dominated by the global credit crunch, its impact on financial institutions and possible consequences for the wider economy. In the current year we expect to see further intervention by Central Banks to resolve the problems by reducing interest rates and improving liquidity.

In the UK, the Bank of England has recently reduced interest rates to 5% but continues to make clear it is concerned about inflation. Inflationary pressures have been building up due to a mixture of higher energy, food and metals prices. As global growth slows, inflation should begin to moderate. Although the UK economy is slowing down, this slow down is concentrated in the consumer related areas such as housing and retail where there are well recognised excesses which are now being addressed.

During the rest of this year, stockmarkets are likely to remain volatile but that should generate opportunities for long term investors. The Manager intend taking advantage of such conditions to invest selectively in companies of suitable quality which are undervalued and offer sustainable dividend yields.

In relation to the dividend it is expected that the dividend for the forthcoming year should be maintained, subject to any unforeseen circumstances. This should not be taken as a forecast of profits. However, given recent well publicised dividend cuts by major financial institutions, the Board will keep this matter under close review in the forthcoming year. It should be noted however, that the Company has revenue reserves of 16.0p per share (excluding IFRS dividend adjustment) which it can utilise should the need arise.

AIC/JP Morgan Claverhouse VAT Test Case

As referred to in the Interim Report, the decision made by the European Court of Justice ("ECJ") on the case brought by the AIC and JP Morgan Claverhouse against Her Majesty's Revenue and Customs ("HMRC") will result in the Company not being subject to VAT on its management fees going forward. In addition the Company should be able to recover at least some of the VAT suffered in the past. The Board is currently in discussion with the Manager on this issue, and a number of legal and procedural matters still require to be resolved. In addition a recent decision by the House of Lords to allow potentially such claims to go back to 1990 has further added to the complexity of calculating any repayment due. Given these uncertainties no asset is yet being recognised in the financial statements.

Investment Manager

As explained in the Interim Report, Aberdeen acquired Glasgow Investment Managers Limited on 24 August 2007. On 14 April 2008 the Company announced that Susan Anderson and Ed Beal had been appointed as co-managers of the Company. Susan previously worked with GIM as part of the Company's investment management team and will provide continuity in the management of the Company. Ed Beal is an investment manager in Aberdeen's Pan European equity team, joining the Aberdeen group in 2000, and has considerable experience in managing investment trust portfolios.

As part of the transition to Aberdeen the management contract and the secretarial function of the Company were formally transferred to the Aberdeen group on 16 May 2008.

Board

I am very sorry to say that Mrs Davidson, as a result of ill health, is not offering herself for re-election at the forthcoming AGM on 4 July 2008 and as such will retire from the Board on this date. Mrs Davidson has been a valuable member during her time on the Board and her contribution was particularly helpful in relation to GIM Holdings, the parent company of Glasgow Investment Managers Limited, on the Board of which she sat. Her input will be greatly missed, and we wish her a speedy recovery.

In addition I would like to take this opportunity to inform Shareholders of my intention to retire from the Board at the end of this calendar year. My time at Shires Income plc has been a challenging but enjoyable experience and I would like to thank Shareholders and colleagues for the support I have received throughout my time as a Director and Chairman of the Company. The Board has agreed that my replacement as Chairman will be Mr Anthony Davidson who has contributed significantly to the deliberations of the Board in the short time he has been a Director and I have no doubt he will prove to be an excellent Chairman.

Given my impending retirement, the Nominations Committee met several times throughout the year and, with the help of an independent recruitment company, recommended Mr Andrew Robson's appointment to the Board effective from 16 May 2008. Mr Robson has considerable experience in both the investment industry and elsewhere and will widen the skills base of the Board as a whole. The Board recommends the election of Mr Robson at the forthcoming Annual General Meeting.

J. Martin Haldane
Chairman
28 May 2008

Manager's Review

Background

The year to 31 March 2008 covered a period of sharp correction in equity and bond markets as the problems in the US sub prime mortgage market spread out to affect the global banking industry. In the twelve months to 31 March, the FTSE All-Share Index declined by 7.7 % in total return terms. The outcome for medium and smaller sized companies was worse because they are regarded as higher risk and during the same period, their total returns were -12.3% and -29.0% respectively. The downward trends were repeated in other global markets with the US and Japan declining. Only the fast growing developing markets, such as China and India, escaped. For UK investors the best returns during the year came from cash at 5.8% and Government bonds which returned 7.6%. The problems in credit markets affected the valuation of UK corporate bonds which made a total return of -3.8%.

At a sector level, the strength in energy and commodity prices was reflected in the outperformance of sectors such as Mining, Industrial Metals and Oil & Gas. Merger and acquisition activity also played a part in the outperformance of these sectors with BHP announcing a bid for Rio Tinto. The weakest areas of performance were those exposed to consumer spending including Leisure and General Retailers and the Banks which were hit by write downs and provisions on mortgage related securities and debts.

Portfolio Strategy

During the year, equity investments in listed ordinary shares were reduced from 101.6% to 90.7% of net assets through net sales of £16m. The equity sales brought the overall gearing of the trust down from 38.8% to 27.5%, a more cautious level of gearing given the volatility in investment markets. As a result of the change in equity exposure, the proportion invested in preference shares increased from 30.0% to 33.5% of net assets.

Revenue Account

The table across sets out the main sources of the Company's income for the last five years:

	2008 %	2007 %	2006 %	2005 %	2004 %
Ordinary dividends	47.5	50.6*	44.3	45.5	51.5
Preference dividends	29.0	28.6	25.6	26.9	16.4
Shires Smaller Companies plc	7.4	7.2	11.2	11.4	11.7
Fixed interest and bank interest	1.1	1.6	1.9	1.5	3.0
Preference share switching	0.0	0.0	0.0	6.5	6.8
Dealing subsidiary	(7.0)	3.1	2.2	(1.5)	7.1
Traded option premiums	22.0	8.9	14.8	9.7	3.5
	100.0	**100.0**	**100.0**	**100.0**	**100.0**
Total income (£'000s)	**8,117**	**8,062**	**7,741**	**7,611**	**7,392**

* includes special dividends: 2007 – 3.5% of total income.

The Revenue Account table identifies the sources of the Company's annual income and the percentage generated by each area. In 2008, equities continued to be the main source of income, followed by preference shares. Together with dividends from the holding in Shires Smaller Companies, these investments generated 83.9% of the total revenue. In the previous year, these same sources of revenue made up 86.4% of the annual income. The balance of 16.1% came from traded options premiums, fixed interest and bank interest offset by the loss in the dealing subsidiary. As forecast last year, a higher proportion of income was generated from writing traded options.

The total income generated by the portfolio increased from £8.06m to £8.12m during the year.

Equities

Over the year to end March, the equity portfolio remained overweight in medium and smaller companies and underweight in FTSE 100 stocks. There was little change to sector weightings with the portfolio continuing to be overweight in Financials and Industrials and underweight in Oil & Gas. The exposure to Basic Materials was reduced with sales of mining related stocks. The weighting in Telecoms was increased and a new position established in the Health Care sector. Consumer services moved from a modest underweight to slightly overweight position. It was a healthy year for takeover activity; the holding in Scottish & Newcastle was acquired by a consortium of Carlsberg and Heineken in a £7.8bn deal. After Rio Tinto received a bid approach from BHP Billiton, that holding was reduced. The holding in EMI was sold following a bid from the private equity group Terra Firma.

During the year a number of holdings were sold to achieve the desired reduction in gearing and these included Babcock International, BBA Aviation, Bradford and Bingley, Clapham House, Griffin Mining, HBOS, Provident Financial, Tate & Lyle and Weir Group. The holding in Mackintosh High Income fund was also reduced.

Some of these holdings were low yielding shares and the decline in the stockmarket increased the number of higher income opportunities. A new holding was established in AstraZeneca, the pharmaceutical, biologics and vaccines company. After recent underperformance, the shares were on an attractive valuation and had a yield of around 5%. In the Construction & Building Materials sector two new holdings were added in Persimmon, the national house builder and Wolseley, an international distributor of building and plumbing supplies. Both companies have suffered a derating due to concerns about interest rates and housing demand. At current levels, these companies are undervalued and offer an above average level of yield. The portfolio maintained a low exposure to banks throughout the year and sold its holdings in Bradford & Bingley and switched HBOS into a new holding in Barclays Bank. Finally, a holding in BT was added to the Telecoms exposure which offers reliable and growing dividends backed by utility style earnings.

Preference Shares

Preference shares are an important contributor of income to the Company and in 2008 generated 29% of the total revenue. However, last year, the capital performance was adversely affected by the problems in financial markets. The UK preference share market tends to be dominated by issues from financials such as Banks and Insurance companies. As the preference share market is also quite small, the limited liquidity exacerbated the sell off. During the year under review, the preference share holdings were weak performers because of their exposure to financials and consequently, the value of the preference share portfolio fell from £30.0m to £25.0m. Despite the fall in value, the proportion of revenue derived from preference shares was similar to the previous year.

During the year, the holdings in Aviva 8.75% and National Westminster 9% preference shares were sold and replaced with two new investments in Ecclesiastical Insurance 8.625% and REA 9% preference shares. Since the year end, conditions in the preference share market have improved and should continue to follow the recovery in the financial sectors.

Investment Performance Analysis

Equities (inc Shires Smaller Companies)	-14.0
Fixed income portfolio, total return	-5.5
Unlisted investments	0.7
Option writing	1.7
Cash	0.1
Index-Linked Debenture Stock	-2.3
Other financing costs and expenses	-1.1
Total return on Net Assets	**-20.4**

In the year to end March 2008, the total return was -20.4% versus the benchmark return of -7.7% on the FTSE All-Share index. The analysis demonstrates that the main reason for the weak return was the equity portfolio. Equity investments were overweight in smaller companies and during the year the FTSE Small cap index return of -29% was significantly below that of the benchmark. The Company holds most of its smaller company exposure through a holding in Shires Smaller Companies and the discount on that trust, and indeed most small cap investment trusts, widened sharply as investors switched into lower risk assets. The other drag on performance came from preference shares. The shares are an important source of income but the preference share sector is dominated by financials and their prices suffered disproportionately as markets declined.

Prospects

Over the last few months, Central Banks have made concerted efforts to improve liquidity and bring stability to global credit markets. In the UK, the Bank of England remains concerned about the level of inflation and may not have much scope for further cuts in interest rates. During the recent results season, banks and other financials made significant write downs and provisions and the rights issues from Royal Bank of Scotland and HBOS are a sign that capital ratios will be rebuilt in the banking sector. Although rights issues may be unwelcome news for equity investors, their appearance should, along with the Bank of England's special liquidity scheme, restore stability and confidence to credit markets. Apart from financials, most UK companies have continued to deliver growing dividends and profits even in a slowing economic environment. The investment conditions favour careful stock selection with the focus on aspects such as strong cash flow and asset backing. The stockmarket is likely to remain volatile but there are undervalued opportunities and the Manager will seek to broaden the number of companies and sectors in the portfolio as conditions allow.

Results

Financial Highlights

	31 March 2008	31 March 2007	% change
Total investments	£95,296,000	£138,572,000	(31.2)
Shareholders' funds	£74,687,000	£99,820,000	(25.2)
Market capitalisation	£65,334,676	£92,285,230	(29.2)
Net asset value per share	251.49p	336.12p	(25.2)
Share price (mid market)	220.00p	310.75p	(29.2)
Discount to adjusted NAV[A]	8.5%	4.5%	
Gearing	27.5%	38.8%	
Total expense ratio	1.1%	0.9%	
Dividends and earnings			
Revenue return per share[B]	20.29p	20.16p	0.7
Dividends per share[C]	19.75p	19.25p	2.6
Dividend cover	1.03	1.05	
Revenue reserves[D]	£7,999,000	£7,690,000	

[A] Based on IFRS NAV above reduced by dividend adjustment of 10.95p (2007 – 10.45p).

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

[C] The figures for dividends per share reflect the years in which they were earned (see note 9 on page 36).

[D] The revenue reserve figure does not take account of the third or final interim dividend amounting to £3,252,000 (2007 – £3,103,000).

Performance (total return)

	1 year % return	3 year % return	5 year % return
Net asset value	–20.4	+11.7	+101.6
Share price (based on mid price)	–24.4	+0.5	+127.3
FTSE All-Share Index	–7.7	+31.3	+98.7

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

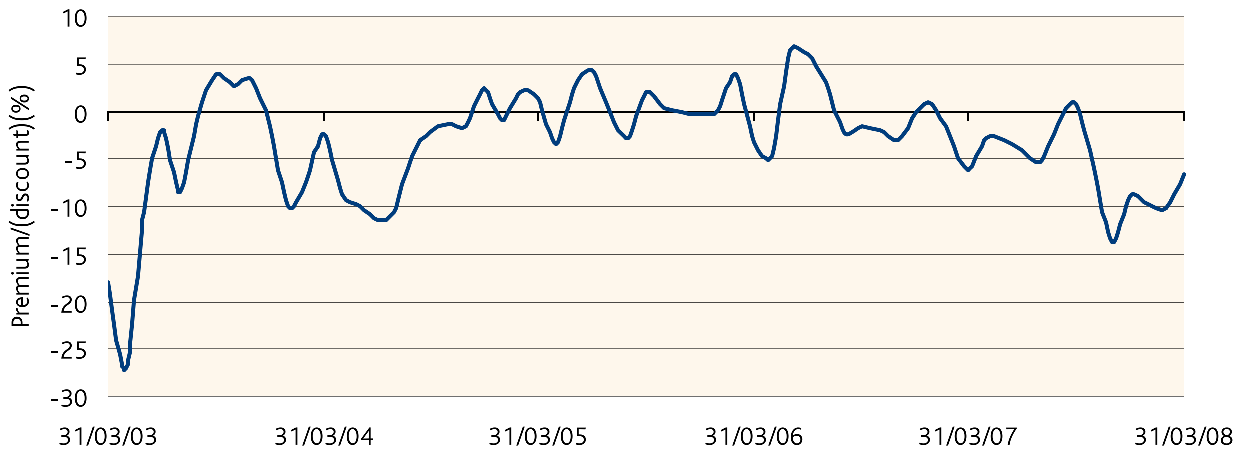
Dividends

	Rate per share	xd date	Record date	Payment date
First interim dividend	4.40p	3 October 2007	5 October 2007	31 October 2007
Second interim dividend	4.40p	2 January 2008	4 January 2008	31 January 2008
Third interim dividend	4.40p	9 April 2008	11 April 2008	30 April 2008
Final dividend	6.55p	2 July 2008	4 July 2008	31 July 2008
2007/08	**19.75p**			
First interim dividend	4.40p	4 October 2006	6 October 2006	31 October 2006
Second interim dividend	4.40p	3 January 2007	5 January 2007	31 January 2007
Third interim dividend	4.40p	11 April 2007	13 April 2007	30 April 2007
Final dividend	6.05p	4 July 2007	6 July 2007	31 July 2007
2006/07	**19.25p**			

Performance

Ordinary Share Price Premium/(Discount) to Diluted NAV

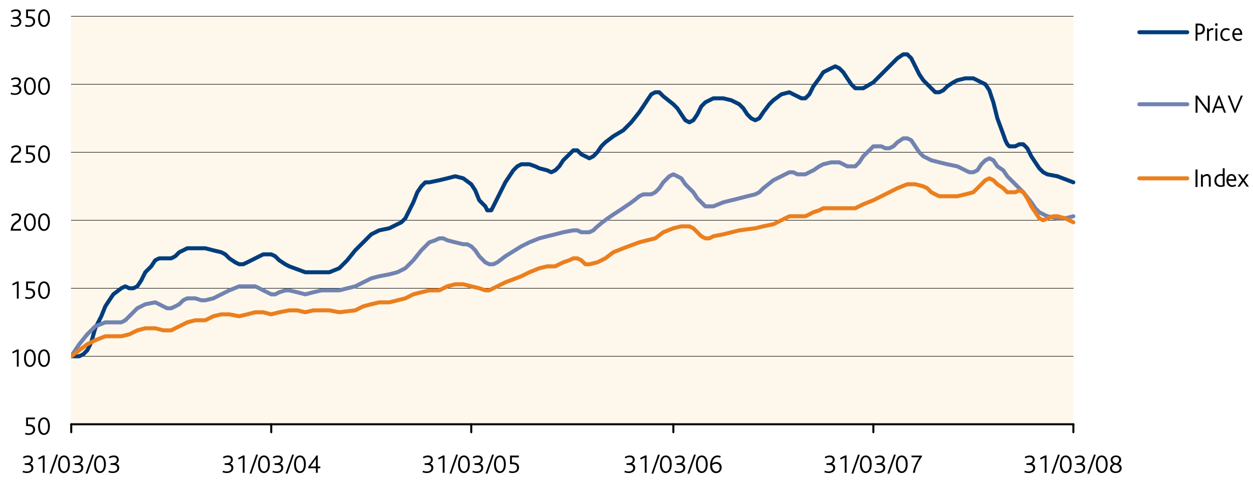
Five years to 31 March 2008



Source: Fundamental Data

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

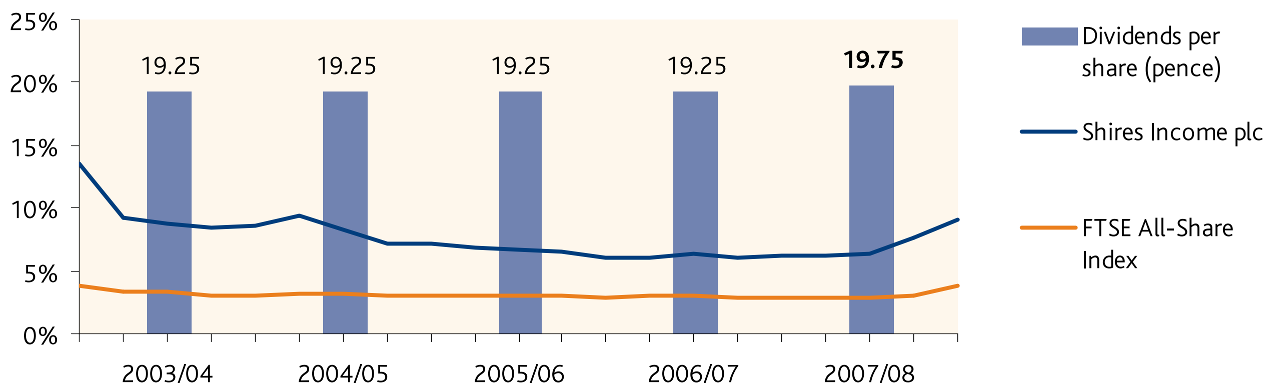
Figures are total return and have been rebased to 100 at 31 March 2003



Source: Fundamental Data & Factset

Net Dividend Yield

Five years to 31 March 2008



Performance continued

Ten Year Financial Record

Year to 31 March	1999	2000	2001	2002	2003	2004[A]	2005	2006	2007	2008
Revenue available for ordinary dividends (£'000)	5,344	5,797	5,713	5,739	5,853	5,770	5,770	5,792	5,987	6,026
Per share										
Net revenue return (p)	17.6	19.6	19.3	19.4	19.7	19.5	19.6	19.5	20.2	20.3
Net dividends paid/proposed (p)	18.00	18.65	19.00	19.25	19.25	19.25	19.25	19.25	19.25	19.75
Total return (p)	33.1	(6.3)	(8.7)	(38.9)	(175.0)	76.0	52.5	74.8	26.8	(65.4)
Net asset value per share										
Basic (p)	490.7	452.8	425.1	366.9	172.7	229.5	272.9	328.4	336.0	251.5
Diluted (p)	477.7	452.8	425.1	366.9	172.7	229.5	272.9	328.4	336.1	251.5
Shareholders' funds (£m)	139.0	134.3	126.0	108.9	51.2	68.1	81.1	97.5	99.8	74.7

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

Cumulative Performance

Rebased to 100 at 31 March 1999

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

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

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

Investment Portfolio

As at 31 March 2008

Company	Valuation 2008 £'000	Total portfolio %	Valuation 2007 £'000
Shires Smaller Companies	6,000	6.3	11,780
Prudential	4,372	4.6	4,710
Arriva	3,430	3.6	3,718
British American Tobacco	3,404	3.6	3,970
Persimmon	3,213	3.4	–
Royal Bank of Scotland	3,035	3.2	2,975
Vodafone	3,018	3.2	5,723
BT	2,972	3.1	–
Severn Trent	2,838	3.0	3,691
BAE Systems	2,806	2.9	–
Ten largest investments	**35,088**	**36.9**	
Barclays	2,718	2.9	–
ATH Resources	2,375	2.5	2,434
Legal & General	2,302	2.4	5,562
Mackintosh High Income OEIC	2,124	2.2	4,567
Rentokil Initial	1,945	2.0	3,255
Pennon	1,943	2.0	4,906
Aviva	1,852	1.9	–
Jardine Lloyd Thomson	1,851	1.9	2,199
Lloyds TSB	1,804	1.9	5,175
Millennium & Copthorne Hotels	1,660	1.8	–
Twenty largest investments	**55,662**	**58.4**	
Chesnara	1,618	1.7	1,790
AstraZeneca	1,602	1.7	–
Highway Insurance	1,553	1.6	1,691
Dawnay Day Carpathian	1,485	1.6	2,635
Rio Tinto	1,356	1.4	3,626
Wolseley	1,325	1.4	–
Holidaybreak	1,261	1.3	1,758
Titan Europe	814	0.9	1,808
Topps Tiles	591	0.6	1,564
Bulgarian Land Development	360	0.4	538
Thirty largest investments	**67,627**	**71.0**	
Fuel Tech [A]	72	0.1	88
Friends Provident	34	–	–
Mylan Inc [A]	1	–	–
Total Ordinary shares	**67,734**	**71.1**	

[A] Listed in the USA.

Investment Portfolio – Other Investments

As at 31 March 2008

Company	Valuation 2008 £'000	Total portfolio %	Valuation 2007 £'000
Convertibles			
Balfour Beatty Cum Conv 10.75%	640	0.7	803
Premier Farnell 89.2p Cum Conv	638	0.7	753
Fuel Tech Conv Unsec Loan Notes [A]	156	0.2	193
Total Convertibles	**1,434**	**1.6**	
Preference shares			
General Accident 7.875%	5,119	5.4	6,641
Sun Alliance 7 3/8%	4,700	4.9	5,788
Ecclesiastical Insurance Office 8 5/8%	4,643	4.9	–
Standard Chartered 8.25%	3,521	3.7	4,348
Abbey National 10.375%	3,146	3.3	4,112
HBOS 6.475%	1,284	1.3	740
REA Holdings 9%	1,071	1.1	–
General Accident 8.875%	1,040	1.1	1,307
HBOS 9.25%	513	0.5	726
Total Preference shares	**25,037**	**26.2**	
Unlisted investments (3)[B]	**1,091**	**1.1**	
Total Other Investments	**27,562**	**28.9**	
Total Investments	**95,296**	**100.0**	

[A] Listed in the USA.

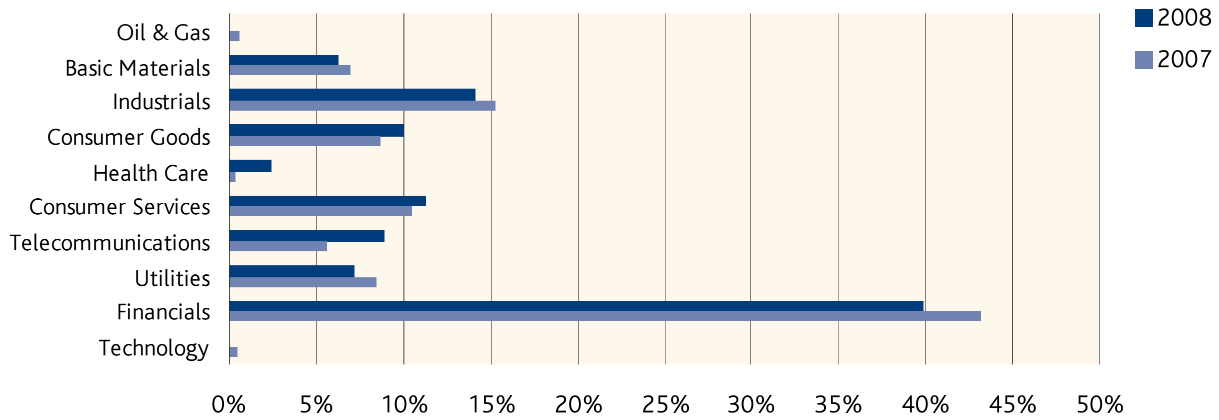
[B] USA securities.

All other investments are listed on the London Stock Exchange (Sterling based), with the exception of the holding in Mackintosh High Income OEIC, which, although not listed on the London Stock Exchange has its price of units quoted on a daily basis in the Financial Times.

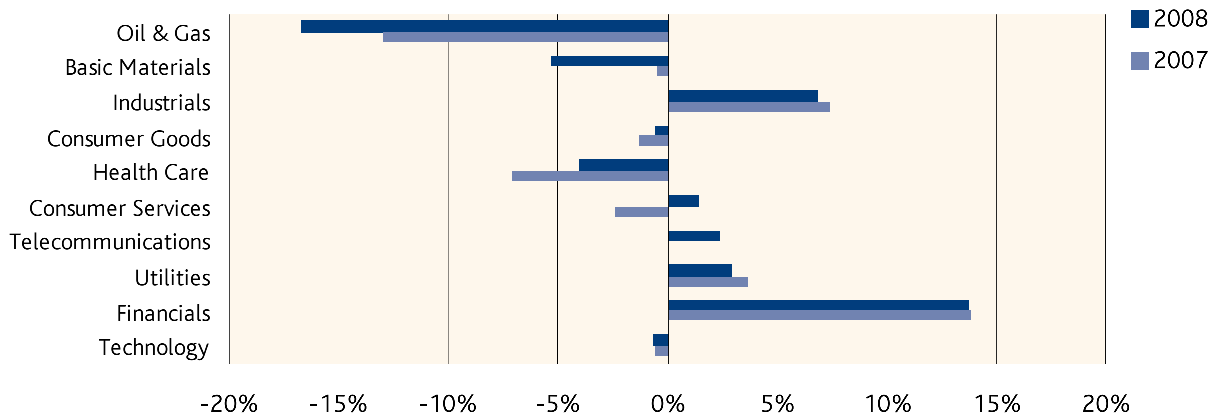
Distribution of Assets and Liabilities

	Valuation at 31 March 2007 £'000	%	Movement during the year Purchases £'000	Sales £'000	Other £'000	Gains/ (losses) £'000	Valuation at 31 March 2008 £'000	%
Listed investments								
Ordinary shares	101,458	101.6	41,469	(57,329)	–	(17,864)	67,734	90.7
Convertibles	2,677	2.7	–	(597)	–	(646)	1,434	1.9
Preference shares	29,974	30.0	9,815	(8,907)	(265)	(5,580)	25,037	33.5
	134,109	134.4	51,284	(66,833)	(265)	(24,090)	94,205	126.1
Unlisted investments	4,463	4.5	–	(4,196)	–	824	1,091	1.4
	138,572	138.8	51,284	(71,029)	(265)	(23,266)	95,296	127.5
Current assets	4,019	4.0					5,961	8.0
Current liabilities	(24,465)	(24.5)					(17,054)	(22.8)
Non current liabilities	(18,306)	(18.3)					(9,516)	(12.7)
Net assets	**99,820**	**100.0**					**74,687**	**100.0**
Net asset value per Ordinary share	**336.1p**						**251.5p**	

Analysis of Listed Equity Portfolio



Shires Income plc relative to the FTSE All-Share Index



Your Board of Directors

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

J. Martin Haldane C.A.

Status: Independent Non-Executive Director - Chairman
Age: 66.
Length of Service: 12 years, joined the Board in February 1996.
Experience: Chairman since 1 January 2003. He was formerly Senior Partner in Chiene & Tait, Chartered Accountants, and Deputy Chairman of The Scottish Life Assurance Company. Also a director of other companies which are unlisted.
Last re-elected to the Board: 6 July 2007.
Committee membership: Audit Committee, Nominations Committee (Chairman), Management Engagement Committee (Chairman).
Remuneration for the financial year: £20,250 per annum.
All other public company directorships: Currently Chairman of Investors Capital Trust plc.
Employment by the Manager: None.
Other connections with Company or Manager: None.
Shared Directorships with any other Company Directors: None.
Shareholding in Company: 16,000 Ordinary shares.

Mervyn D. Couve

Status: Independent Non-Executive Director.
Age: 60.
Length of Service: 4 years, joined the Board in October 2003.
Experience: Currently a Consultant with Speechly Bircham Solicitors where he was previously Managing Partner and Senior Partner. Also a Trustee of English National Opera Trust. He is a former member of the CBI Smaller Firms Council and the CBI Company Law Panel.
Last re-elected to the Board: 6 July 2007.
Committee membership: Audit Committee, Nominations Committee, Management Engagement Committee.
Remuneration for the financial year: £13,500 per annum.
All other public company directorships: Non-executive director of Ecclesiastical Insurance Company plc.
Employment by the Manager: None.
Other connections with Company or Manager: None.
Shared Directorships with any other Company Directors: None.
Shareholding in Company: 2,000 Ordinary shares.

Anthony B. Davidson C.A.

Status: Senior Independent Non-Executive Director.
Age: 60.
Length of Service: 1 year, joined the Board in February 2007
Experience: Currently a non-executive Director of Sun Life Assurance Company of Canada (UK) Limited and a number of life companies within Pearl Group plc. He was previously Chief Executive of Provincial Insurance plc and a Senior Executive Director of TSB Scotland plc.
Last re-elected to the Board: 6 July 2007
Committee membership: Audit Committee (Chairman), Nominations Committee, Management Engagement Committee
Remuneration for the financial year: £13,500 per annum
All other public company directorships: Non-executive director of JPMorgan European Fledgeling Investment Trust plc.
Employment by the Manager: None
Other connections with Company or Manager: None
Shared Directorships with any other Company Directors: None
Shareholding in Company: 5,000 Ordinary shares

The Hon. Mrs Joanna R. Davidson

Status: Independent Non-Executive Director.
Age: 50.
Length of Service: 8 years, joined the Board in March 2000.
Experience: Currently Head of Corporate Responsibility for The RBS Group, she was also a director of GIM Holdings Limited. Previously Marketing Director of the Chitty Food Group plc and Dawkins International Limited. She was also a non-executive director of The UA Group plc.
Last re-elected to the Board: 6 July 2007.
Committee membership: Attender of the Audit Committee, Nominations Committee and Management Engagement Committee.
Remuneration for the financial year: £13,500 per annum.
All other public company directorships: None.
Employment by the Manager: A Director of GIM Holdings Limited, the parent company of Glasgow Investment Managers Limited until 24 August 2007 (the date on which Aberdeen acquired GIM Holdings).
Other connections with Company or Manager: None.
Shared Directorships with any other Company Directors: None.
Shareholding in Company: 4,000 Ordinary shares.

David P. Kidd

Status: Independent Non-Executive Director.
Age: 48.
Length of Service: 4 years, joined the Board in February 2004.
Experience: He has twenty five years experience in investment management, of which three quarters has been in the role of Chief Investment Officer. Currently Chief Investment Officer of the private bank, Arbuthnot Latham & Co. Limited and a non executive director of The Salvation Army International Trustee Company. Previously Chief Investment Officer with Chiswell Associates Limited and with The Royal Bank of Scotland's investment management arm.
Last re-elected to the Board: 6 July 2007.
Committee membership: Audit Committee, Nominations Committee, Management Engagement Committee.
Remuneration for the financial year: £13,500 per annum.
All other public company directorships: Non-executive director of Martin Currie Portfolio Investment Trust plc.
Employment by the Manager: None
Other connections with Company or Manager: None.
Shared Directorships with any other Company Directors: None.
Shareholding in Company: 5,000 Ordinary shares.

Andrew Robson C.A.

Status: Independent Non-Executive Director.
Age: 49.
Length of Service: Joined the Board in May 2008.
Experience: He is a Chartered Accountant, with many years of experience in investment banking and as a Finance Director. He was a Director of Robert Fleming & Co Limited and SG Hambros. He was Finance Director at eFinancialGroup Limited and the National Gallery. He has 10 years of experience on the Boards of a number of quoted Investment Trusts. He is currently a business adviser, working with smaller UK companies.
Last re-elected to the Board: N/a
Committee membership: Audit Committee, Nominations Committee, Management Engagement Committee.
Remuneration for the financial year: Nil.
All other public company directorships: Non-executive director of M&G Equity Investment Trust plc and JP Morgan Smaller Companies Investment Trust plc.
Employment by the Manager: None
Other connections with Company or Manager: Previously a Director of Edinburgh UK Smaller Companies Tracker Trust plc, managed by Aberdeen until liquidated in December 2006.
Shared Directorships with any other Company Directors: None.
Shareholding in Company: None

Directors' Report

Status of the Company

The Company, which was incorporated in 1929, has received approval as an investment trust by the Inland Revenue for all accounting periods up to and including 31 March 2007 and has since conducted its affairs so as to enable it to retain such approved status. It is a member of the Association of Investment Companies. The Company is an investment company within the meaning of Section 266 of the Companies Act 1985. So far as the Directors are aware, the close company provisions of the Income and Corporation Taxes Act 1988 do not apply to the Company.

Business Review

Activities

The Company is an investment trust. Its subsidiary undertaking, Wiston Investment Company Limited, operates as an investment dealing company. The objective of the Company is set out on page 3 of the report.

The Company has an 18.1% interest in Shires Smaller Companies plc, a listed investment trust managed by Aberdeen. It also has a holding in the Mackintosh High Income OEIC which is also managed by Aberdeen. Further details on this investment can be found in note 2 to the financial statements on page 34.

Results and Dividends

The financial statements for the year ended 31 March 2008 appear on pages 27 to 47. Dividends declared and paid in the year amounted to 19.25p.

A third interim dividend of 4.4p was declared on 6 March 2008 payable on 30 April 2008. A final dividend of 6.55p per ordinary share is proposed. Under International Financial Reporting Standards (IFRS) both these dividends will be accounted for in the financial year ended 31 March 2009.

Current and Future Development

A review of the business is given in the Chairman's Statement and the Investment Managers' Review. Key performance indicators ("KPIs") are shown in the Financial information on page 8 with historical performance being shown on page 10.These KPIs include net asset value total return, share price total return, and the premium/discount at which the shares trade. The Board also considers the marketing and promotion of the Company including effective communications with Shareholders, which is explained in more detail in the Relations with Shareholders section on page 22. The Board considers the future direction of the Company at an annual strategy meeting where a wide discussion takes place on development and strategic direction. The Company's brokers, JP Morgan Cazenove, present to the Board during the course of the year and cover the topics of sector development, perception of the Company and relevant strategic issues.

Principal Risks and Uncertainties

The principal risks facing the Company relate to the Company's investment activities and include market risk, interest rate risk, credit risk and liquidity risk. An explanation of these risks and how they are managed is contained in note 19 to the financial statements on page 42.

Investment Policy

Investment Process

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

Investment Risk

The investment risk within the portfolio is managed by investing in different categories of investments and by the Manager adhering to various guidelines set by the Board and to which the Manager would need to report with reasons to the Board should they not be adhered to. The Company invests in equities and preference shares.

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

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

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

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

- Call options written to be covered by stock
- Put options written to be covered by net current assets/borrowing facilties
- Call options not to be written on more than 100% of a holding of stock
- Call options not to be written on more than 20% of the UK equity portfolio
- Put options not be written on more than 20% of the UK equity portfolio

The Company's gearing is in the form of a 5% Index Linked Debenture Stock and up to £26.5 million of short-term borrowing facilities. The gearing risk of the Company is actively managed with the Manager able to increase or decrease the short term borrowings in line with their view of the stockmarket. In addition, the 135% equity gearing limit constrains the amount of gearing that can be invested in equities which are more volatile than the fixed interest part of the portfolio.

Analysis of Portfolio

A comprehensive analysis of the portfolio is given in the Investment Managers' Review on pages 6 and 7, the distribution of assets and liabilities on page 13 and the Portfolio of Investments on pages 11 and 12.

Directors

The Directors are shown on page 14 to 15. All held office throughout the year with the exception of A Robson. J. M. Haldane, having served as a Director since 1996 retires, and being eligible, offers himself for re-election. As explained in the Chairman's Statement, Mrs J. R. Davidson will not offer herself for re-election. A Robson, having been appointed since the last Annual General Meeting and, being eligible, offers himself for election.

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

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

The Directors at 31 March 2008 had no other interest other than those interests, all of which are beneficial interests, shown below in the share capital of the Company

	Beneficial Interest		Non-beneficial interest	
	31 March 2008	**31 March 2007**	**31 March 2008**	**31 March 2007**
M. D. Couve	2,000	2,000	–	–
A. B. Davidson	5,000	5,000	–	–
J. R. Davidson	4,000	4,000	–	–
J. M. Haldane	16,000	11,800	–	720
D. P. Kidd	5,000	1,000	–	–

No Director had an interest in the 3.5% cumulative preference share capital at any time during the year. There have been no changes in the Directors' interests between 1 April 2008 and 19 May 2008.

Substantial Interests

As at 19 May 2008 the Company had received notification of the following interests in its ordinary shares:

	Number of Shares	**% of total**
AXA S.A	3,081,838	10.4
Legal & General Group Plc	1,201,675	4.0
In addition, the Company is aware of the following substantial interests in its ordinary shares as at 19 May 2008:		
Aberdeen Investment Trust Savings Plan	2,366,124	8.0

Special Business at the Annual General Meeting

Authority to Allot Shares

At the Annual General Meeting in 2007, Shareholders gave Directors the authority under Section 80 of the Companies Act 1985 to allot shares in the Company. Although that authority does not expire until 2012 it is considered that it would be appropriate to renew it at the forthcoming Annual General Meeting for a further five year period as permitted by the Companies Act 1985. Accordingly Resolution 7 will be proposed as an ordinary resolution giving the Directors general authority to allot shares in the Company up to a maximum nominal amount of £4,949,596 being one-third of the Company's issued ordinary share capital as at 19 May 2008. The Directors have no present intention to use the Section 80 authority, but will do so if a suitable opportunity arises in the future.

As at 19 May 2008, none of the Company's issued shares is held in treasury.

Authority to Disapply Statutory Pre-emption Rights

The power given to Directors at the last Annual General Meeting to allot shares for cash otherwise than in accordance with the statutory pre-emption rights expires on the date of the forthcoming Annual General Meeting. Since in certain circumstances it may be in the best interests of the Company to issue shares for cash otherwise than pro rata to existing Shareholders, the Directors consider that it is appropriate for this power to be renewed at the forthcoming Annual General Meeting. Accordingly, Resolution 8 will be proposed as a special resolution giving the Directors power to allot for cash, as if Section 89(1) of the Companies Act 1985 did not apply, equity securities in connection with a rights issue or other offer of equity securities to Shareholders and, provided the shares are issued at a price not less than their underlying fully diluted net asset value, in other cases up to an aggregate nominal amount of £742,439, which is equivalent to approximately 5% of the issued ordinary share capital of the Company as at 19 May 2008. This power will require to be renewed at the Annual General Meeting in 2009. This disapplication of pre-emption rights also applies in respect of treasury shares which the Company may sell.

Authority to Buy Back Shares

The resolution passed at the last Annual General Meeting to authorise the Company to make market purchases of up to 14.99% of its own ordinary shares expires on the date of the forthcoming Annual General Meeting. Accordingly, Resolution 9 will be proposed as a special resolution to renew this authority for a further year. The Directors may cancel these shares or hold them in treasury. The Directors have no present intentions for the Company to purchase its own equity shares. Resolution 9 sets out the lowest and highest prices that the Company can pay for its ordinary shares.

The Directors have proposed the undernoted resolutions to update the Articles in line with the Companies Act 2006 (the "2006 Act") in relation to directors' conflicts of interest and directors' indemnities. The Directors expect to propose the adoption of a new set of Articles fully updated to reflect the repeal of the Act and its replacement by the 2006 Act, either at next year's Annual General Meeting or the next following Annual General Meeting, depending on ultimate timing of all sections of the 2006 Act coming into force.

Directors' Conflicts of Interest

This Resolution is being proposed in light of new provisions in relation to directors' conflicts of interest which are to be introduced by the 2006 Act with effect from 1 October 2008.

The 2006 Act contains a general statement of directors' duties which largely codifies the previous law but with some changes. Under the 2006 Act, a director will be required to avoid situations in which he has, or can have, a direct or indirect interest that conflicts, or may possibly conflict, with a company's interests. It is arguable that this requirement is broader than the existing common law duty to avoid conflicts of interest. It may, for example, apply if a director becomes a director of another company where there is no immediate conflict of interest but there is the possibility of future conflicts.

The 2006 Act will, however, permit the directors of a public company to authorise a director's conflict or potential conflict of interest provided that the company's constitution includes provision enabling the directors to give such authorisation. Under the previous law, only shareholders could approve a conflict of interest.

Resolution 10 is therefore being proposed to amend the Company's Articles to include such provision. If the amendment is not made then when the sections of the 2006 Act dealing with conflicts of interest come into force, expected to be on 1 October 2008, the Company may be required to seek shareholder approval every time there is a situation where a Director has an interest which may conflict with the Company's interests. This is not considered to be practical.

There are safeguards in the 2006 Act which will apply when Directors decide whether to authorise a conflict or potential conflict of interest. Firstly, only independent Directors (i.e. those who have no interest in the matter being considered) will be able to take the decision and, secondly, in taking the decision, the Directors will have to act in a way they consider, in good faith, will be most likely to promote the Company's success for the benefit of shareholders as a whole. The Directors will also be able to impose limits or conditions when giving authorisation if they think this is appropriate.

The Directors would report to Shareholders on the Board's authorisation of conflicts of interest on an annual basis.

Directors' Indemnity Provisions

In accordance with s236 of the 2006 Act, the Company discloses that it has in place in its Articles provision for a director to be indemnified against liability incurred to a person other than the Company or an associated company.

Recent legislation, culminating in the 2006 Act, has widened the scope of the powers of a company to indemnify directors and to fund expenditure incurred in connection with certain actions against directors. Changes brought into force in 2005 for the first time permitted directors to be indemnified against costs and liabilities incurred in relation to claims by third parties, even if the claim was successful. Following the 2006 Act a company can now indemnify a director against liability incurred in connection with the activities of a company which acts as a trustee of an occupational pension scheme. In addition, the existing exemption to directors' loan restrictions to directors' loan restrictions allowing a company to provide money for the purpose of funding a director's defence in court proceedings now expressly covers regulatory proceedings and applies to associated companies.

The proposed amendments to the Articles in Resolution 11 provide that the Directors be indemnified by the Company in connection with the carrying out of their duties to the fullest extent allowed under current law. This is considered to be beneficial to enable the Company to attract and retain the right directors.

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 also intends to enter into separate deeds of indemnity with the Directors reflecting the scope of the indemnity in the revised Articles.

The above resolutions will give Directors additional flexibility going forward and the Directors consider that it will be in the best interests of the Company and its Shareholders as a whole, consistent with the Directors' duty to act in the way most likely to promote the success of the Company for the benefit of its Shareholders as a whole, that such powers be available. Accordingly, the Directors recommend that Shareholders vote in favour of resolutions 7, 8, 9, 10 and 11. Such powers will only be implemented when, in the view of the Directors, to do so will be for the benefit of all Shareholders.

Going Concern

The Board considers that the Group has adequate financial resources to continue in operational existence for the foreseeable future.

Payment Policy

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

Auditors

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

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

By Order of the Board
Aberdeen Asset Management PLC
Secretaries
28 May 2008

Statement of Corporate Governance

The Board has in place Corporate Governance arrangements which it believes are appropriate for an investment trust company and enable the Company to comply with the relevant principles set out in the AIC Code of Corporate Governance (the "AIC Code") which was issued in February 2006 (amended in May 2007) and has been endorsed by the Financial Reporting Council.

The Board

The Board currently consists of six non-executive Directors. There is no Chief Executive position within the Company as day to day management of the Company's affairs has been delegated to the Manager, Aberdeen Asset Managers Limited (previously Glasgow Investment Managers Limited ("GIM"). Biographies of the Directors appear on pages 14 and 15 which demonstrate the wide range of skills and experience each bring to the Board. Each Director has signed a letter of appointment to formalise in writing the terms of their engagement as a non-executive Director. Copies of these letters are available for inspection at the registered office of the Company during normal business hours and will also be available for fifteen minutes prior to and during the Annual General Meeting.

Each of the Directors is entitled to be indemnified by the Company against all costs, charges, losses, damages and expenses incurred or arising out of any contract, act, deed, matter or thing which is made, done, entered into or executed by the Directors respectively on the Company's behalf. The Directors shall be reimbursed by the Company for all reasonable expenses incurred by them in relation to legal proceedings or arbitration on account of the Company, or in the carrying out of their respective offices. However, this indemnity does not extend to costs, losses and expense occurring as a result of the Directors' respective negligence, default, breach of duty or breach of trust. Each Director is chargeable only for the amount of money he actually receives. A Director shall be liable for his own acts, receipts, neglects or defaults, but not those of his fellow Directors. The Directors are not respectively answerable for (1) any banker, broker, collector or other person with whom or into whose hands any of the Company's property or monies may be deposited or come; (2) the insufficient title to any security or investment acquired from time to time by or on behalf of the Company; (3) the insufficiency of any investment or security in which any of the Company's monies are placed by order of or under the Directors' authority; or (4) any loss or damage which occurs in the execution of their respective offices, unless through their own respective negligence, default or breach of duty or trust. The foregoing rights are included in the Articles of Association of the Company, a copy of which is available for inspection at the same times and in the same manner as the Directors' letters of appointment.

The Board regularly reviews the independence of its members and, having due regard to the definitions and current AIC guidelines on independence, considers all Directors to be independent of the Company's Manager. J. R. Davidson was deemed by the AIC Code to be connected with GIM for the period in which the Company had a 49.9% minority interest in GIM Holdings Limited, the parent undertaking of GIM as she was a non-executive Director of GIM Holdings Limited up until the date the company was acquired by Aberdeen. The Chairman, J. M. Haldane, has sat on the Board for twelve years. The Board has considered the independence of Mr Haldane with particular care. The AIC Code indicates that long serving Directors are able to be deemed as independent irrespective of length of service. The Board feels Mr Haldane displays all the characteristics of independence and can be relied upon so to act at all times. As referred to in the Directors' Report Mrs Davidson will not be seeking re-election to the Board

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

During the year ended 31 March 2008 the Board met nine times. In addition, the Audit Committee met twice the Nominations Committee three times and the Management Engagement Committee, once.

Directors have attended Board and Committee meetings during the year ended 31 March 2008 as follows (with their eligibility to attend the relevant meeting in brackets). Mr Robson did not become a Director until 16 May 2008, hence is not included in the table:

Director	Board Meetings	Audit Committee Meetings	Nominations Committee Meetings	Management Engagement Committee Meetings
J M Haldane	9 (9)	2 (2)	2 (2)	1 (1)
M.D. Couve	8 (9)	2 (2)	1 (2)	1 (1)
A.B. Davidson	8 (9)	2 (2)	2 (2)	1 (1)
J.R. Davidson[1]	3 (9)	1 (2)	- (2)	- (1)
D.P. Kidd	7 (9)	1 (2)	2 (2)	1 (1)

[1]Mrs Davidson attended Committee meetings.

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

The Board has appointed three committees to cover specific operations as set out on the following pages. Copies of the terms of reference of each committee are available on request from Aberdeen and will also be available at the Annual General Meeting.

Audit Committee

The Audit Committee comprises all of the Directors of the Company, with the exception of Mrs J. R. Davidson. Mrs Davidson does not currently sit on the Audit Committee due to her previous connection with Glasgow. The Audit Committee meets at least twice per year to coincide with the annual and interim reporting and audit cycle. The Chairman is A. B. Davidson. The principal role of the Audit Committee is to review the annual and interim financial statements and the accounting policies applied therein and ensure compliance with financial and regulatory reporting requirements. The external auditors, KPMG Audit Plc, whose continued appointment is also reviewed and ratified by the Audit Committee, attend at least one meeting of the Audit Committee per year. In addition the Audit Committee reviews the independence of the external auditors in relation to the audit of the annual financial statements. In completing this review, the Audit Committee has taken into account the standing, experience and tenure of the audit Director, the nature and level of service provided and confirmation that they have complied with relevant UK independence guidelines. The Audit Committee considers KPMG Audit Plc to be independent both of the Company and the Manager in all respects.

The Audit Committee has also reviewed the provision of non-audit services by the auditors, which were provided in relation to taxation services. The fees for non-audit services, specifically taxation services, amounted to £14,000 for the financial year and the Audit Committee considers these to be cost effective and in no way an impediment to the independence of the auditors.

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

Management Engagement Committee

The Management Engagement Committee comprises all Directors of the Company with the exception of Mrs J. R. Davidson. Mrs Davidson does not currently sit on the Management Engagement Committee due to her previous connection with Glasgow. The Management Engagement Committee met once in the past year. The purpose of the Committee is to review the terms of the agreements with the Manager including, but not limited to, the management fee and also to review the performance of the Manager in relation to the achievement of the Company's objectives. These reviews have been conducted during the year and the outcomes are noted below.

Investment Management Agreement

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

Performance

The objective of the Company is to provide for Shareholders a high level of income together with growth of both income and capital. The benchmark is the FTSE All-Share Index (Total Return).

The combination of providing a high level of income together with capital growth while matching the benchmark represents a demanding mandate. Performance statistics are shown on page 8, and page 10 contains details of the ten year historical record. The outperformance and underperformance have in certain years been considerable.

However, while recognising the underperformance in the past two years which has been discussed with the Manager, the Board is encouraged by the outperformance of both the net asset value and share price total return over the last five years. This has been achieved while maintaining a yield on the assets which is significantly above the yield on the Company's benchmark.

Summary

Taking the above factors into account and bearing in mind the recent change of Manager, it is the opinion of the Board that the continuing appointment of Aberdeen, on the terms agreed, is in the interest of the Shareholders as a whole.

Nominations Committee

The Nominations Committee comprises all Directors of the Company with the exception of Mrs J. R. Davidson, due to her previous connection with Glasgow. The Nominations Committee considers appointments of new Directors undertaking a thorough and open process involving, where appropriate, professional recruitment consultants and committee interviews with candidates identified, with the intention that the composition of the Board reflects a breadth of commercial, professional and industrial experience. The Nominations Committee met three times during the year resulting in the appointment of Mr Robson on 16 May 2008.

Board Composition

Under the Articles of Association:

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

Relations with Shareholders

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

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

Internal Control

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

Under the AIC Code, it is a requirement that the Board reviews the effectiveness of the Company's system of internal controls at least annually, comprising all controls including financial, operational, compliance and risk management. To achieve this, the Board has in place regular review procedures for the identification, evaluation and management of significant risks to the Company, to enable full compliance with guidance issued in September 1999 by the Turnbull Committee. This process has been in place throughout the year under review and up to the date of approval of the Annual Report.

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

Going Concern

The Board considers that the Group has adequate financial resources to continue in operational existence for the foreseeable future. For this reason it continues to apply the going concern basis in preparing the financial statements.

Responsibilities as an Institutional Shareholder

In October 2002, The Institutional Shareholders' Committee, of which the AIC is a member, published a Statement of

Principles setting out best practice guidelines designed to enable institutional Shareholders to derive the best possible value out of the companies in which they invest. The following General Policy is a statement of the procedures and policies followed by the Board in discharging its responsibilities over all investee companies.

General Policy

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

The Company's voting rights in respect of investee companies are delegated to the Manager, who vote at all general meetings of UK companies. The Manager consider each case on its individual merits with the primary aim of the use of voting rights being to ensure a satisfactory return from investments.

Social, Ethical and Environmental Policy

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

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

More specifically, they expect companies to demonstrate ethical conduct, effective management of their stakeholder relationships, responsible management and mitigation of social and environmental impacts, as well as due regard for wider societal issues.

Shires Smaller Companies plc

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

Mackintosh High Income OEIC (the "OEIC")

The Company has a minority interest in the Mackintosh High Income OEIC which is also managed by Aberdeen in the same manner as stated in the General Policy. Aberdeen does not charge any management fee in respect of the amount of Shires Income plc's net assets attributable to this holding. Due to the uneconomic size of the OEIC it is proposed to wind up this fund in due course and invest the redemption proceeds received in line with the Company's objective.

Statement of Directors' Responsibilities

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

The group and parent company financial statements are required by law and IFRSs, as adopted by the EU, to present fairly the financial position of the group and the parent company and performance of the group; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

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

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

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

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

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

Directors' Remuneration Report

The Board has prepared this report in accordance with the requirements of Schedule 7A to the Companies Act 1985. A separate resolution for the approval of the Directors' Remuneration Report will be put to the members at the forthcoming Annual General Meeting. The outcome of the vote on this resolution has no particular legal effect and its sole function is to enable Shareholders to demonstrate whether or not they are in agreement with the Board's policies in this matter. Accordingly Resolution 2 will be proposed as an ordinary resolution to enable Shareholders to show whether they approve or not of the contents of the Directors' Remuneration Report. As the Board of Directors is comprised solely of non-executive Directors, it is exempt under the Listing Rules from appointing a Remuneration Committee. The determination of the Directors' fees is a matter dealt with by the whole Board on an annual basis. This Report has been divided into separate sections for unaudited and audited information.

Unaudited Information

Remuneration Policy

The Articles of Association of the Company set a maximum aggregate limit within a financial year for non-executive directors' remuneration. This limit, which was last adjusted by special resolution at the Annual General Meeting of the Company held on 30 June 2000, is £70,000 per annum, subject to annual upward adjustment on 1 April each year in line with the change in the Retail Price Index from March 2000 and also subject to a pro-rata adjustment should the number of Directors be increased either temporarily or permanently. The limit for the year ended 31 March 2008 was £84,964.

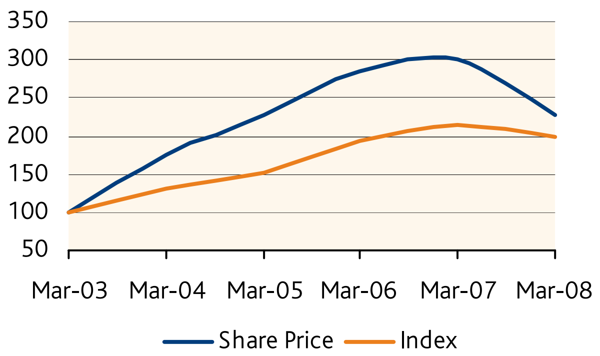
The Board considers that the present policy to remunerate Directors exclusively by fixed fees in cash is appropriate and adequate for the Company in its present and foreseeable circumstances and there are no plans to introduce additional or alternative remuneration schemes.

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

Directors' Remuneration Rates

The annual rates of remuneration with effect from 1 April 2007 were £20,250 for the Chairman and £13,500 for each other Director. The rates for the forthcoming year commencing 1 April 2008 are £21,000 for the Chairman, £16,000 for the Audit Committee Chairman and £14,000 for each other Director.

The chart shown below illustrates the total Shareholder return for a holding in the Company's shares as compared to the total return on the FTSE All-Share Index (excluding Investment Companies) for the five year period to 31 March 2008.



Audited Information

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

	Group and Company	
	2008	**2007**
	£	**£**
J. M. Haldane	20,250	19,500
H. N. Buchan (resigned 7 July 2006)	-	3,500
M. D. Couve	13,500	13,000
A. B. Davidson (appointed 21 February 2007)	13,500	1,400
J. R. Davidson	13,500	13,000
D. P. Kidd	13,500	13,000
	74,250	**63,400**

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

Approved by the Board of Directors on 28 May 2008 and signed on its behalf.

J. Martin Haldane
Chairman

Independent Auditors' Report to the Members of Shires Income plc

We have audited the Consolidated and Company financial statements (the "financial statements") of Shires Income plc (the "Company") for the year ended 31 March 2008 which comprise the Consolidated Income Statement, the Group and the Company Balance Sheets, the Consolidated and the Company Statements of Changes in Equity, the Group and the Company Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

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

Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report and the group financial statements in accordance with applicable UK law and International Financial Reporting Standards (IFRSs) as adopted by the EU, are set out in the Statement of Directors' Responsibilities on page 23.

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

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and whether, in addition, the group financial statements have been properly prepared in accordance with Article 4 of the IAS Regulation. We also report to you if, in our opinion, the Directors' Report is consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

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

Basis of audit opinion

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

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

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the group's affairs as at 31 March 2008 and of the group's profit for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the parent company's affairs as at 31 March 2008;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the group financial statements, Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG Audit Plc
Chartered Accountants
Registered Auditor
28 May 2008
Edinburgh

Consolidated Income Statement

	Notes	Year ended 31 March 2008 Revenue £'000	Capital £'000	Total £'000	Year ended 31 March 2007 Revenue £'000	Capital £'000	Total £'000
(Losses)/gains on investments at fair value	11	–	(23,445)	(23,445)	–	3,843	3,843
Investment income							
Dividend income		6,106	–	6,106	6,962	–	6,962
Interest income from investments		728	(265)	463	115	(96)	19
Traded option premiums		1,785	–	1,785	715	–	715
Deposit interest		92	–	92	16	–	16
Other income		2	–	2	–	–	–
Other revenue of Financial Assets held for trading		–	–	–	4	–	4
(Loss)/gain of dealing subsidiary		(595)	–	(595)	250	–	250
	2	8,118	(23,710)	(15,592)	8,062	3,747	11,809
Expenses							
Investment management fee	3	(253)	(253)	(506)	(268)	(268)	(536)
Other administrative expenses	4	(410)	–	(410)	(340)	–	(340)
Finance costs of borrowings	6	(1,429)	(1,479)	(2,908)	(1,467)	(1,518)	(2,985)
		(2,092)	(1,732)	(3,824)	(2,075)	(1,786)	(3,861)
Profit before tax		6,026	(25,442)	(19,416)	5,987	1,961	7,948
Tax expense	7	–	–	–	–	–	–
Profit/(loss) attributable to equity holders of the Company		**6,026**	**(25,442)**	**(19,416)**	**5,987**	**1,961**	**7,948**
Earnings/(loss) per Ordinary share (pence)		**20.29**	**(85.67)**	**(65.38)**	**20.16**	**6.61**	**26.77**

The total column of this statement represents the Group's Income Statement, prepared in accordance with IFRS. The supplementary revenue return and capital columns are both prepared as explained in the accounting policies on page 31. All items in the above statement derive from continuing operations.

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

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

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

	Year to 31 March 2008[A] £'000	Year to 31 March 2007[B] £'000
Revenue	6,026	5,987
Dividends declared	(5,865)	(5,713)
	161	**274**

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

[B]Dividends declared relates to first three interim dividends (each 4.40p) and the final dividend (6.05p) declared in respect of financial year 2006/07.

Balance Sheets

		Group		Company	
	Notes	As at 31 March 2008 £'000	As at 31 March 2007 £'000	As at 31 March 2008 £'000	As at 31 March 2007 £'000
Non-current assets					
Ordinary shares		67,734	101,458	67,734	101,458
Convertibles		1,434	2,677	1,434	2,677
Other fixed interest		25,037	29,974	25,037	29,974
Unlisted investments		1,091	4,463	1,091	4,463
Securities at fair value	11	95,296	138,572	95,296	138,572
Current assets					
Trade and other receivables		144	904	479	1,255
Accrued income and prepayments		2,082	2,038	2,082	2,038
Financial assets of dealing subsidiary		452	1,047	–	–
Cash and cash equivalents		3,283	30	3,283	30
	13	5,961	4,019	5,844	3,323
Total assets		101,257	142,591	101,140	141,895
Current liabilities					
Trade and other payables		(337)	(456)	(347)	(466)
Short-term borrowings		(7,200)	(14,856)	(7,200)	(14,856)
Index-Linked Debenture stock	15	(9,517)	(9,153)	(9,517)	(9,153)
	14	(17,054)	(24,465)	(17,064)	(24,475)
Non-current liabilities					
Index-Linked Debenture stock	15	(9,516)	(18,306)	(9,516)	(18,306)
Net assets		**74,687**	**99,820**	**74,560**	**99,114**
Issued capital and reserves attributable to equity holders of the parent					
Called up share capital	16	14,899	14,899	14,899	14,899
Share premium account	17	18,887	18,937	18,887	18,937
Capital reserve	18	32,902	58,294	32,893	58,285
Revenue reserve	18	7,999	7,690	7,881	6,993
		74,687	**99,820**	**74,560**	**99,114**
Net asset value per Ordinary share (pence):	10	**251.49**	**336.12**	**251.06**	**333.74**

The financial statements were approved by the Board of Directors and authorised for issue on 28 May 2008 and were signed on its behalf by:

J. Martin Haldane
Chairman

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

Consolidated Statement of Changes in Equity

Year ended 31 March 2008

	Share capital £'000	Share premium account £'000	Capital reserve £'000	Retained revenue reserve £'000	Total £'000
As at 31 March 2007[A]	14,899	18,937	58,294	7,690	99,820
Revenue profit for the year	–	–	–	6,026	6,026
Capital losses for the year	–	(50)	(25,392)	–	(25,442)
Equity dividends (see note 9)	–	–	–	(5,717)	(5,717)
As at 31 March 2008	**14,899**	**18,887**	**32,902**	**7,999**	**74,687**

[A] Prior year comparitives have been reclassified to conform with the current year's presentation.

Company Statement of Changes in Equity

Year ended 31 March 2008

	Share capital £'000	Share premium account £'000	Capital reserve £'000	Retained revenue reserve £'000	Total £'000
As at 31 March 2007[A]	14,899	18,937	58,285	6,993	99,114
Revenue profit for the year	–	–	–	6,605	6,605
Capital losses for the year	–	(50)	(25,392)	–	(25,442)
Equity dividends (see note 9)	–	–	–	(5,717)	(5,717)
As at 31 March 2008	**14,899**	**18,887**	**32,893**	**7,881**	**74,560**

[A] Prior year comparitives have been reclassified to conform with the current year's presentation.

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

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

Group and Company Cash Flow Statement

	Year ended 31 March 2008 £'000	Year ended 31 March 2008 £'000	Year ended 31 March 2007 £'000	Year ended 31 March 2007 £'000
Cash flows from operating activities				
Investment income received		6,768		6,689
Deposit interest received		81		19
Investment management fee paid		(551)		(534)
Purchases of dealing subsidiary		–		(447)
Sales of dealing subsidiary		–		151
Other cash receipts		1,616		884
Other cash expenses		(426)		(392)
Cash generated from operations		7,488		6,370
Interest paid		(1,850)		(2,015)
Net cash inflows from operating activities		5,638		4,355
Cash flows from investing activities				
Purchases of investments	(51,284)		(55,781)	
Sales of investments	71,789		51,272	
Sales of hedge instruments	–		83	
Repayment of Index-Linked Debenture Stock	(9,517)			
Net cash inflow/(outflow) from investing activities		10,988		(4,426)
Cash flows from financing activities				
Proceeds from share issues	–		63	
Equity dividends paid	(5,717)		(5,715)	
Net cash outflow from financing activities		(5,717)		(5,652)
Net increase/(decrease) in cash and cash equivalents		10,909		(5,723)
Cash and cash equivalents at start of period		(14,826)		(9,103)
Cash and cash equivalents at end of period		**(3,917)**		**(14,826)**
Cash and cash equivalents comprise:				
Cash and cash equivalents		3,283		30
Short-term borrowings		(7,200)		(14,856)
		(3,917)		**(14,826)**

Notes to the Financial Statements For the year ended 31 March 2008

1. Accounting policies

(a) Basis of accounting

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

The financial statements have been prepared under the historical cost convention as modified to include the revaluation of securities held at fair value and on the assumption that approval as an investment trust will continue to be granted. The principal accounting policies adopted are set out below. These policies have been applied consistently throughout the year. Where presentational guidance set out in the Statement of Recommended Practice ("SORP") for investment trusts issued by the Association of Investment Companies in December 2005 is consistent with the requirements of IFRS, the Directors have sought to prepare the financial statements on a basis compliant with the recommendations of the SORP except as referred to in paragraph (d) below.

In order better to reflect the activities of an investment trust company and in accordance with guidance issued by the AIC, supplementary information which analyses the Income Statement between items of a revenue and capital nature has been presented alongside the Income Statement. In accordance with the Company's status as a UK investment company under Section 266 of the Companies Act 1985, net capital returns may not be distributed by way of dividend. Additionally, the net revenue of the Company is the measure the Directors believe appropriate in assessing the Group's compliance with certain requirements set out in Section 842 of the Income and Corporation Taxes Act 1988.

The Company has adopted the following standards and interpretations during the year 2007/08:

– IFRS 7 Financial Instruments: Disclosures

– IAS 1 Amendment – Presentation of Financial Statements

These standards primarily concern the disclosure of Capital, Financial Instruments and risks. These disclosures can be found primarily in note 19.

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

– IAS 1 Presentation of Financial Statements – Comprehensive revision including requiring a statement of comprehensive income (effective for annual periods beginning on or after 1 January 2008)

– IFRIC 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after 1 January 2008)

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

– IAS 27 Consolidated and Separate Financial Statements – Consequential amendments arising to IFRS 3 (effective for annual periods beginning on or after 1 July 2010)

– IFRS 2 Share Based Payments – amendments relating to vesting conditions and cancellations (effective for annual periods beginning on or after 1 January 2009)

– IFRS 3 Business Combinations – Comprehensive revision on applying the acquisition method (effective for annual periods beginning on or after 1 January 2010)

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

(b) Consolidation

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

(c) Investments

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

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

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

(d) Income

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

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

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

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

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

(e) Expenses

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

(f) Short-term borrowings

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

(g) Index-Linked Debenture stock

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

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

(h) Taxation

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

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

(i) Foreign currencies

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

	2008		2007	
2. Income	**£'000**	**£'000**	**£'000**	**£'000**
Income from listed investments				
Dividend income		6,106		6,962
Interest income from investments		728		115
		6,834		7,077

Other income from investment activity	2008 £'000	2008 £'000	2007 £'000	2007 £'000
Deposit interest		92		16
Traded option premiums		1,785		715
Sales of investments in dealing subsidiary	–		151	
Cost of sales in dealing subsisdiary	–		(116)	
Increase/(decrease) in fair value of investments	(595)		215	
		(595)		250
Other income		2		4
		1,284		985
Total income		**8,118**		**8,062**

Total income comprises:	2008 £'000	2007 £'000
Dividends and interest from investments	6,834	7,077
Deposit interest	92	16
Other income from investment activity	1,192	969
Total income	**8,118**	**8,062**

UK dividend income includes special dividends totalling of £nil (2007 – £285,000). All dividend income was received from UK companies. The amount of £265,000 (2007 – £96,000) included in the capital column of Investment Income represents the write off of the premium or discount on acquisition of debt securities referred to in note 1(d).

Included in dividend income are distributions received from the Mackintosh High Income OEIC of £198,000 (the "OEIC"). Shires Income plc held over 50% of the units in issue of the OEIC from 1 April 2006 to 31 March 2007 and during this period became entitled to £267,000 of income from the OEIC.

3. Management fees

For the year ended 31 March 2008 Glasgow Investment Managers Limited ("Glasgow") acted as investment managers and secretaries to the Company under a contract terminable by one year's notice on either side. The fee payable is based on shareholders' funds plus long-term indebtedness. The annual fee rate since 1 April 1993 has been fixed at 0.45% for funds up to £100 million and 0.40% for funds over £100 million. The fee is subject to proportionate reductions to reflect the Company's investments in Glasgow (up to 24 August 2007), Shires Smaller Companies plc and the Mackintosh High Income OEIC which were managed by Glasgow and now managed by Aberdeen.

The fee for the year ended 31 March 2008 was £506,000 (2007 – £536,000) inclusive of VAT. The fee is in respect of investment management and is allocated 50% to capital and 50% to revenue. From 1 October 2007 the Company has paid an annual marketing fee of £89,000 (including VAT). This fee is wholly allocated to revenue.

Note 20 provides further information on the current status of VAT charged on management fees and its implications for the Company

4. **Administrative expenses**	**2008 £'000**	**2007 £'000**
Directors' remuneration	74	64
Fees payable to auditors and associates		
– fees payable to the Company's auditors for the audit of the annual accounts	19	18
– fees payable to the Company's auditors and its associates for other services:		
– taxation services	7	9
– other services pursuant to legislation	7	–
Other management expenses	303	249
	410	**340**

5. Directors' remuneration

The Company had no employees during the year (2007 – nil). No pension contributions were paid for Directors (2007 – £nil). Further details on Directors' Remuneration can be found in the Directors Remuneration Report on page 25.

6. **Finance costs and borrowings**	**2008 Revenue £'000**	**2008 Capital £'000**	**2008 Total £'000**	**2007 Revenue £'000**	**2007 Capital £'000**	**2007 Total £'000**
Bank loans and overdrafts repayable within five years	217	217	434	332	332	664
5% Index-Linked Debenture Stock 2008/2010	1,212	1,212	2,424	1,135	1,135	2,270
Amortisation of issue expenses on Debenture Stock	–	50	50	–	51	51
	1,429	**1,479**	**2,908**	**1,467**	**1,518**	**2,985**

7. Taxation

At 31 March 2008 the Company had surplus management expenses and loan relationship debits with a tax value of £6,425,000 (2007 – £6,340,000) 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. Effective from 1 April 2008 the corporation tax rate of 30% has been revised to be 28%. The unrecognised debits as at 31 March 2008 have been calculated at the tax rate 28% (2007 – 30%).

The following table is a reconciliation of current taxation to the charges/credits which would arise if all ordinary activities were taxed at the standard UK corporation tax rate of 30% (2007 – 30%).

	2008 Revenue £'000	**2008 Capital £'000**	**2008 Total £'000**	**2007 Revenue £'000**	**2007 Capital £'000**	**2007 Total £'000**
Profit/(loss) before tax	6,026	(25,442)	(19,416)	5,987	1,961	7,948
Taxation of return on ordinary activities at the standard rate of corporation tax	1,808	(7,633)	(5,825)	1,796	588	2,384
Effects of:						
UK dividend income not liable to further tax	(1,832)	–	(1,832)	(2,087)	–	(2,087)
Non-taxable write off of debt security premium/discount	–	80	80	–	29	29
Current year losses not utilised	24	519	543	291	534	825
Non-taxable realisation (gains)	–	7,034	7,034	–	(1,151)	(1,151)
Taxation charge for the year	–	–	–	–	–	–

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

The revenue and capital loss attributable to equity holders of the Group for the financial year includes £18,837,000 (2007 – profit of £7,692,000) which has been dealt with in the Company's financial statements.

9. Dividends	**2008 £'000**	**2007 £'000**
Amounts recognised as distributions to equity holders in the period:		
Third interim dividend for the year ended 31 March 2007 of 4.4p (2006 – 4.4p) per share	1,306	1,306
Final dividend for the year ended 31 March 2007 of 6.05p (2006 – 6.05p) per share	1,796	1,795
First two interim dividends for the year ended 31 March 2008 totalling 4.4p (2007 – 8.8p) per share	2,613	2,612
	5,715	**5,713**
3.5 % Cumulative preference shares	**2**	**2**

The third interim dividend of 4.4p for the year to 31 March 2008 paid on 30 April 2008 and the proposed final dividend for the year to 31 March 2008 payable on 31 July 2008 have not been included as liabilities in these financial statements.

We also set out below the total ordinary dividends payable in respect of the financial year, which is the basis on which the requirements of Section 842 of the Income and Corporation Taxes Act 1988 are considered:

	2008 £'000	**2007 £'000**
Three interim dividends for the year ended 31 March 2008 totalling 13.2p (2007 – 13.2p) per share	3,920	3,918
Final proposed dividend for the year ended 31 March 2008 of 6.55p (2007 – 6.05p) per share	1,945	1,795
	5,865	**5,713**

10. Return and net asset value per share

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

	2008 £'000	**2007 £'000**
Revenue return	6,026	5,987
Capital return	(25,442)	1,961
Net return	**(19,416)**	**7,948**
Weighted average number of Ordinary shares	**29,697,580**	**29,689,122**

Net asset value per Ordinary share is based on net assets attributable to Ordinary Shareholders of £74,687,000 (2007 – £99,770,000) and on the 29,697,580 (2007 – 29,697,580) Ordinary shares in issue at 31 March 2008.

	Group & Company	
11. Non current assets – Securities at fair value	**2008 £'000**	**2007 £'000**
Listed on recognised stock exchanges:		
United Kingdom	93,976	133,828
Overseas	229	281
	94,205	134,109
Unlisted – overseas	1,091	4,463
	95,296	**138,572**

	Group					
	2008			2007		
	Listed investments £'000	Unlisted investments £'000	Total £'000	Listed investments £'000	Unlisted investments £'000	Total £'000
Cost at 31 March 2007	114,280	1,516	115,796	106,070	1,516	107,586
Unrealised appreciation at 31 March 2007	19,829	2,947	22,776	22,146	1,982	24,128
Fair value at 31 March 2007	134,109	4,463	138,572	128,216	3,498	131,714
Purchases	51,284	–	51,284	55,474	–	55,474
Sales – proceeds	(66,833)	(4,196)	(71,029)	(52,229)	–	(52,229)
– realised gains on sales	2,375	3,892	6,267	5,061	–	5,061
Amortised cost adjustments to debt securities[A]	(265)	–	(265)	(96)	–	(96)
Movement in fair value during the year	(26,465)	(3,068)	(29,533)	(2,317)	965	(1,352)
Fair value at 31 March 2008	**94,205**	**1,091**	**95,296**	**134,109**	**4,463**	**138,572**

[A] Charged to capital.

Cost at 31 March 2008	101,105	827	101,932	114,280	1,516	115,796
Unrealised (depreciation) /appreciation at 31 March 2008	(6,900)	264	(6,636)	19,829	2,947	22,776
Fair value at 31 March 2008	**94,205**	**1,091**	**95,296**	**134,109**	**4,463**	**138,572**

	Company					
	2008			2007		
	Listed investments £'000	Unlisted investments £'000	Total £'000	Listed investments £'000	Unlisted investments £'000	Total £'000
Cost at 31 March 2007	114,545	1,131	115,676	106,335	1,131	107,466
Unrealised appreciation at 31 March 2007	19,564	3,332	22,896	21,881	2,367	24,248
Fair value at 31 March 2007	134,109	4,463	138,572	128,216	3,498	131,714
Purchases	51,284	–	51,284	55,474	–	55,474
Sales – proceeds	(66,833)	(4,196)	(71,029)	(52,229)	–	(52,229)
– realised gains on sales	2,375	3,892	6,267	5,061	–	5,061
Amortised cost adjustments to debt securities[A]	(265)	–	(265)	(96)	–	(96)
Movement in fair value during the year	(26,465)	(3,068)	(29,533)	(2,317)	965	(1,352)
Fair value at 31 March 2008	**94,205**	**1,091**	**95,296**	**134,109**	**4,463**	**138,572**

[A] Charged to capital.

	2008 Listed investments £'000	2008 Unlisted investments £'000	2008 Total £'000	2007 Listed investments £'000	2007 Unlisted investments £'000	2007 Total £'000
Cost at 31 March 2008	101,105	827	101,932	114,545	1,131	115,676
Unrealised (depreciation) /appreciation at 31 March 2008	(6,900)	264	(6,636)	19,564	3,332	22,896
Fair value at 31 March 2008	**94,205**	**1,091**	**95,296**	**134,109**	**4,463**	**138,572**

(Losses)/gains on investments	Group & Company 2008 £'000	Group & Company 2007 £'000
Net realised gains on sales of investments	6,757	5,736
Call options exercised	(490)	(675)
Net realised gains on sales	6,267	5,061
Fees paid in relation to sale of the holding in Glasgow	(45)	–
Movement in fair value of investments	(28,687)	(1,132)
Put options assigned	(846)	(220)
Movement in unrealised depreciation of traded options	(134)	134
(Losses)/gains on investments	**(23,445)**	**3,843**

The cost of the exercising of call options and the assigning of put options is the difference between the market price of the underlying shares and the strike price of the options. The premiums earned on options expired, exercised or assigned of £1,785,000 (2007 – £715,000) have been dealt with in the revenue account.

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

During the year expenses were incurred in acquiring or disposing of investments classified as fair value through profit or loss. These have been expensed through capital and are included within gains on investments in the Income Statement. The total costs on the purchases and sales of investments in the year was £439,000 (2007 – £524,000).

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

At 31 March 2008 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 %
ATH Resources plc	England	1,250,000	ordinary	3.1
Shires Smaller Companies plc	Scotland	4,000,000	ordinary	18.1
Sierra Monitor Corporation	USA	1,549,134	common stock	13.9
Submersible Television Surveys Limited	Scotland	186,490	8% cum red pref	40.8
Mackintosh High Income OEIC	–	2,549,011	units	45.0

At 31 March 2008 Shires Income plc held 2,549,011 (2007 – 4,249,011) units of the Mackintosh High Income OEIC representing 45.0% (2007 – 49.5%) of the units in issue. The total capital losses on the Mackintosh High Income OEIC during the year were £1,095,000 (2007 – £372,000).

12. Subsidiary undertakings

As at 31 March 2008, the Company owned the whole of the issued ordinary share capital of its two subsidiary undertakings, Topshire Limited and Wiston Investment Company Limited, both of which are investment dealing companies registered in England. Topshire Limited has been dormant since 1989.

In the opinion of the Directors, the values of its investments in these subsidiary undertakings are not less than cost.

13. Current assets

	Group		Company	
	2008 £'000	**2007 £'000**	**2008 £'000**	**2007 £'000**
Investment sales	114	874	114	874
Accrued income & prepayments	2,082	2,038	2,082	2,038
Due from subsidiary undertakings	–	–	335	351
Investments of dealing subsidiary at fair value	452	1,047	–	–
Other debtors	30	30	30	30
Cash at bank	3,283	30	3,283	30
	5,961	**4,019**	**5,844**	**3,323**

Included above are the following amounts owed by GIM Holdings:

Other debtors	**30**	**30**	**30**	**30**

None of the above amounts are overdue.

14. Current liabilities

	Group		Company	
	2008 £'000	**2007 £'000**	**2008 £'000**	**2007 £'000**
Bank loans and overdrafts	7,200	14,856	7,200	14,856
Due to subsidiary undertakings	–	–	10	10
Traded options at fair value	–	70	–	70
Other creditors	337	386	337	386
5% Index-Linked Debenture Stock 2008/2010:				
– due in less than one year	9,517	9,153	9,517	9,153
	17,054	**24,465**	**17,064**	**24,475**

Included above are the following amounts owed to Glasgow, the Managers and Secretaries:

Other creditors	**105**	**151**	**105**	**151**

Interest on short-term bank loans and overdrafts is at floating rates related to LIBOR and UK base rates respectively. The bank overdraft facility is repayable on demand. The short-term bank loan facilities are reviewed on an annual basis.

15. Non-current liabilities

	Group and Company	
	2008 £'000	**2007 £'000**
5% Index-Linked Debenture Stock 2008/2010:		
Due in 1-2 years	9,516	9,153
Due in 2-5 years	–	9,153
	9,516	**18,306**

5% Index-Linked Debenture Stock 2008/2010

This Stock is unlisted and is secured by a floating charge over the whole of the assets of the Company and its dealing subsidiary undertakings. The total liability of the Index -Linked Debenture Stock is £19,033,000 represented by £9,517,000 due in one year which is included in current liabilities and £9,516,000 included in non-current liabilities.

The Directors' opinion of the total fair value of this Stock at 31 March 2008, determined with reference to the current interest profile of similar instruments, was £21,158,000 (2007- £28,907,000). This value is given for disclosure purposes only.

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

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

On 6th March 2008, £9,517,000 of capital was repaid.

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

The amounts outstanding at 31 March 2008 comprise:

	Group and Company	
	2008	**2007**
	£'000	**£'000**
Nominal amounts	10,666	16,000
Discounts on issue	(46)	(979)
Amortisation of discounts	–	881
	10,620	15,902
Index-linked adjustments	8,413	11,557
	19,033	**27,459**
The movements during the year were as follows:		
Amounts outstanding at 31 March 2007	27,459	26,499
Amortisation of discounts (note 17)	50	51
Capital repaid (including indexation of £5,333)	(9,517)	–
Index-linked adjustments	1,041	909
Amounts outstanding at 31 March 2008	**19,033**	**27,459**

	2008		2007	
16. Called up share capital	**Number**	**£'000**	**Number**	**£'000**
Authorised				
Ordinary shares of 50 pence each	39,800,000	19,900	39,800,000	19,900
3.5% Cumulative Preference shares of £1 each	100,000	100	100,000	100
		20,000		**20,000**

	2008 Number	2008 £'000	2007 Number	2007 £'000
Allotted, called up and fully paid Ordinary shares of 50 pence each				
At 1 April 2007	29,697,580	14,849	29,676,982	14,838
Issue of new shares	–	–	20,598	11
At 31 March 2008	29,697,580	14,849	29,697,580	14,849
3.5% Cumulative Preference shares of £1 each	50,000	50	50,000	50
		14,899		**14,899**

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

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

The Company does not have any externally imposed capital requirements.

17. Share premium account	2008 £'000	2007 £'000
At 31 March 2007	18,937	18,936
Issue of new Ordinary shares	–	52
Amortisation of expenses and discounts on issue of Debenture Stocks (note 15)	(50)	(51)
At 31 March 2008	**18,887**	**18,937**

18. Retained earnings	Group 2008 £'000	Company 2008 £'000	Group 2007 £'000	Company 2007 £'000
Capital reserve – realised				
At 31 March 2007	35,451	35,323	32,667	32,539
Net gains on sales of investments during year	6,222	6,222	7,033	7,033
Net losses on hedge positions closed in year	–	–	(1,972)	(1,972)
Management fee	(253)	(253)	(268)	(268)
Bank loans and overdrafts repayable within five years	(217)	(217)	(332)	(332)
Index-Linked Debenture costs	(1,212)	(1,212)	(1,135)	(1,135)
Transfer from unrealised capital reserve	(333)	(333)	(542)	(542)
At 31 March 2008	39,658	39,530	35,451	35,323

Capital reserve – unrealised	Group 2008 £'000	Company 2008 £'000	Group 2007 £'000	Company 2007 £'000
At 31 March 2007	22,843	22,962	23,615	23,734
Movement in fair value gains on investments	(29,533)	(29,533)	(3,046)	(3,046)
Hedge instruments	–	–	1,694	1,694
Traded options	(134)	(134)	134	134
Amortised cost adjustment charged to capital	(265)	(265)	(96)	(96)
Transfer to realised capital reserve	333	333	542	542
At 31 March 2008	(6,756)	(6,637)	22,843	22,962
Total capital reserve	**32,902**	**32,893**	**58,294**	**58,285**

The above split in capital reserve is shown in accordance with provisions of the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies'.

Capital reserves are comprised of gains and losses on realisation of investments included in the 'capital reserve – realised' together with changes in fair value of investments which are readily convertible to cash, without accepting adverse terms, as included in the 'capital reserve – unrealised'.

Revenue reserve

	Group Realised 2008 £'000	Group Unrealised 2008 £'000	Company Realised 2008 £'000
At 31 March 2007	7,414	276	6,993
Revenue	6,026	–	6,605
Dividends paid	(5,717)	–	(5,717)
At 31 March 2008	**7,723**	**276**	**7,881**

	Group Realised 2007 £'000	Group Unrealised 2007 £'000	Company Realised 2007 £'000
At 31 March 2006	7,142	276	6,978
Revenue	5,987	–	5,730
Dividends paid	(5,715)	–	(5,715)
At 31 March 2007	**7,414**	**276**	**6,993**

19. Risk management, financial assets and liabilities

Risk management

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

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

The Manager has a dedicated investment management process, as disclosed in the Directors' Report on page 16, which ensures that the investment objective explained on page 3 is achieved. Stock selection procedures are in place based on the active portfolio management and identification of stocks. The portfolio is reviewed on a periodic basis by a Senior Investment Manager and also by the Manager's Investment Committee.

The Company's Manager has an independent Investment Risk department for reviewing the investment risk parameters of all core equity, balanced, fixed income and alternative asset classes on a regular basis. The department reports to the Manager's Performance Review Committee which is chaired by the Manager's Chief Investment Officer. The department's responsibility is to review and monitor ex-ante (predicted) portfolio risk and style characteristics using best practice, industry standard multi-factor models.

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

Financial assets and liabilities

The Group's financial assets include investments, cash at bank and short-term debtors. Financial liabilities consist of bank loans and overdrafts, other short-term creditors and long-term creditors arising from option contracts and a fixed rate term loan.

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

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

(i) Market price risk

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

Interest rate risk

Interest rate movements may affect:

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

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

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

Interest rate profile

The interest rate risk profile of the portfolio of financial assets and liabilities at the Balance Sheet date was as follows:

As at 31 March 2008	Weighted average period for which rate is fixed Years	Weighted average interest rate %	Fixed rate £'000	Floating rate £'000	Non–interest bearing £'000
Assets					
UK irredeemable preference shares	–	8.00	21,377	–	–
UK preference shares	28.00	10.22	3,660	–	–
Cash	–	–	–	3,284	–
Total assets	–	–	**25,037**	**3,284**	–
Liabilities					
Short-term bank loan	0.08	5.93	(7,200)	–	–
Index-Linked Debenture	–	–	–	(19,033)	–
Total liabilities	–	–	**(7,200)**	**(19,033)**	–

As at 31 March 2007	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	–	8.07	25,136	–	–
UK preference shares	29.00	10.21	4,838	–	–
Cash	–	–	–	30	–
Total assets	**–**	**–**	**29,974**	**30**	**–**
Liabilities					
Short-term bank loan	0.08	5.79	(14,856)	–	–
Index-Linked Debenture	–	–	–	(27,459)	–
Total liabilities	**–**	**–**	**(14,856)**	**(27,459)**	**–**

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 maturity dates of the Company's loans are shown in notes 14 and 15 to the financial statements.

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

The UK irredeemable preference shares assets have no maturity date.

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

Maturity profile

The maturity profile of the Company's financial assets at the Balance Sheet date was as follows:

At 31 March 2008	Within 1 year £'000	Within 1-2 years £'000	Within 2-3 years £'000	Within 3-4 years £'000	Within 4-5 years £'000	More than 5 years £'000
Fixed rate						
UK irredeemable preference shares	–	–	–	–	–	21,377
UK preference shares	–	–	–	–	–	3,660
Short-term bank loan	(7,200)	–	–	–	–	–
	(7,200)	–	–	–	–	25,037
Floating rate						
Index-Linked Debenture	(9,517)	(9,516)	–	–	–	–
Cash	3,284	–	–	–	–	–
	(6,233)	(9,516)	–	–	–	–
Total	**(13,433)**	**(9,516)**	**–**	**–**	**–**	**25,037**

At 31 March 2007	Within 1 year £'000	Within 1-2 years £'000	Within 2-3 years £'000	Within 3-4 years £'000	Within 4-5 years £'000	More than 5 years £'000
Fixed rate						
UK irredeemable preference shares	–	–	–	–	–	25,136
UK preference shares	–	–	–	–	–	4,838
Short-term bank loan	(14,856)	–	–	–	–	–
	(14,856)	–	–	–	–	29,974

Floating rate	Within 1 year £'000	Within 1-2 years £'000	Within 2-3 years £'000	Within 3-4 years £'000	Within 4-5 years £'000	More than 5 years £'000
Index-Linked Debenture	(9,153)	(9,153)	(9,153)	–	–	–
Cash	30	–	–	–	–	–
	(9,123)	(9,153)	(9,153)	–	–	–
Total	**(23,979)**	**(9,153)**	**(9,153)**	**–**	**–**	**29,974**

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 2008 would increase / decrease by £33,000 (2007 – £nil). 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 2008 would increase / decrease by £468,000 (2007 – increase / decrease by £556,000). This is also mainly attributable to the Company's exposure to interest rates on its fixed interest securities. This is based on a Value at Risk ('VaR') calculated at a 99% confidence level.

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

Other price risk

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

It is the Board's policy to hold an appropriate spread of investments in the portfolio in order to reduce the risk arising from factors specific to a particular sector. The allocation of assets to specific sectors and the stock selection process, as detailed on pages 16 and 17, both act to reduce market risk. The Manager actively monitors market prices throughout the year and reports to the Board, which meets regularly in order to review investment strategy. The investments held by the Company are listed on the London Stock Exchange.

Other price sensitivity

If market prices at the Balance Sheet date had been 10% higher or lower while all other variables remained constant, the profit before tax attributable to Ordinary Shareholders for the year ended 31 March 2008 would have increased/decreased by £6,773,000 (2007 – increase/decrease of £10,146,000). This is based on the Company's equity portfolio held at each year end.

(ii) Liquidity risk

This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities.

Liquidity risk is not considered to be significant as the Company's assets comprise mainly readily realisable securities, which can be sold to meet funding commitments if necessary. Short-term flexibility is achieved through the use of loan and overdraft facilities (notes 14 and 15).

(iii) Credit risk

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

The risk is not significant, and is managed as follows:

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

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

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

Credit risk exposure

In summary, compared to the amounts in the Balance Sheet, the maximum exposure to credit risk at 31 March 2008 was as follows:

	2008		2007	
	Balance Sheet £'000	**Maximum exposure £'000**	**Balance Sheet £'000**	**Maximum exposure £'000**
Non-current assets				
Securities at fair value through profit or loss	1,434	1,434	2,677	2,677
Current assets				
Trade and other receivables	144	144	904	904
Accrued income	2,067	2,067	2,028	2,028
Cash and cash equivalents	3,283	3,283	30	30
	6,928	**6,928**	**5,639**	**5,639**

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

Fair value of financial assets and liabilities

The book value of cash at bank and bank loans and overdrafts included in these financial statements approximate to fair value because of their short-term maturity. Investments held as dealing investments are valued at fair value. The carrying values of fixed asset investments are stated at their fair values, which have been determined with reference to quoted market prices. For details of bond maturities and interest rates, see page 12. Traded options contracts are valued at fair value which have been determined with reference to quoted market values of the contracts. The contracts are tradeable on a recognised exchange. For all other short-term debtors and creditors, their book values approximate to fair values because of their short-term maturity.

Gearing

The Group's gearing comprises both long and short-term borrowings. It has in issue an Index-Linked Debenture on which the interest payable and the capital sum to be repaid on maturity are linked to the Retail Prices Index. Short-term borrowing from banking institutions is also used and bears interest at floating rates. The profile of financing costs is managed as part of overall investment strategy. The employment of gearing magnifies the impact on net assets of both positive and negative changes in the value of the Group's portfolio of investments.

20. Commitments, contingencies and post Balance Sheet events

At 31 March 2008 there were no contingent liabilities in respect of outstanding underwriting commitments or uncalled capital (2007 – £nil).

On 5 November 2007, the European Court of Justice ruled that management fees should be exempt from VAT. HMRC has announced its intention not to appeal against this case to the UK VAT Tribunal and therefore protective claims which have been made in relation to the Company will be processed in due course. The Board is currently in the process of quantifying the potential repayment that should be due. However, the amount the Company will receive, the period to which it will refer, and the timescale for receipt are all uncertain and hence the Company has made no provision in these financial statements for any such repayment.

Marketing Strategy

Shires Income plc will contribute to the marketing programme run by the Aberdeen Group on behalf of a number of investment trusts under its management in the forthcoming year. Under this agreement the Company's contribution is matched by Aberdeen Asset Managers ("Aberdeen").

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

Aberdeen 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

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

The Marketing Programme is under the direction of Aberdeen's Head of Investor Relations for Investment Trusts, who has considerable experience in the marketing and communications of investment products. He is supported by a team of marketing professionals.

Internet

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

Shires Income plc 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 the Head of Investor Relations for Investment Trusts 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 Aberdeen Customer Services Department (direct private investors) on 0500 00 00 40 or our Broker Desk on 0800 592 487 (Institutions and IFAs). Alternatively, internet users may email Aberdeen at inv.trusts@aberdeen-asset.com or write to Aberdeen Investment Trusts, Block C, Western House, Lynchwood Business Park, Peterborough PE2 6BP.

How to Invest in Shires Income plc

Direct

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

Aberdeen's Investment Plan for Children

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

Aberdeen's Investment Trust Share Plan

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

Stocks and Shares ISA

An investment of up to £7,200 in Shires Income plc can be made in the tax year 2008/2009.

There are no brokerage or initial charges for the ISA, although investors will suffer the bid-offer spread, which can be a significant amount. Investors only pay Government Stamp Duty (currently 0.5%) on purchases. Selling costs are £15 + VAT. The annual ISA administration charge is £24 + VAT, calculated six monthly and deducted from income. Under current legislation, investments in ISAs can grow free of capital gains tax. Following changes in the way that ISAs and PEPs are regulated from April 2008 PEPs will be treated as Stocks and Shares ISA Accounts.

ISA Transfer

You can choose to transfer previous tax year investments to us which can be invested in Shires Income plc while retaining your ISA wrapper. The minimum lump sum for a 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. Stockmarket and currency movements may cause the value of shares and the income from them to fall as well as rise and investors may not get back the amount they originally invested.

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

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

Trust Information

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

Keeping You Informed

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

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

How to Invest in Shires Income plc continued

For information concerning your shareholding, please contact

Registrar

Equiniti Limited
Aspect House
Spencer Road, Lancing
West Sussex BN99 6DA
Telephone: 0871 384 2441*
Textphone: 0871 384 2255*
Website: www.shareview.co.uk

* Calls to this/these numbers are charged at 8p per minute from a BT landline. Other telephony providers' costs may vary.

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

For information on the Investment Plan for Children, Share Plan, ISA or ISA Transfer, please contact:
Aberdeen Investment Trust Administration
Block C, Western House
Lynchwood Business Park
Peterborough, PE2 6BP
Telephone 0500 00 00 40

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

Glossary of Terms and Definitions

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

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

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

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

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

Gearing
Total gearing is the proportion of the Group's net assets financed by borrowings. It is used to increase exposure to securities, with the aim of magnifying the impact on net assets of rises in the value of the portfolio, and to augment the investment base from which income is received. The employment of gearing magnifies the impact on net assets of both positive and negative changes in the value of the portfolio of investments. A level expressed either as 100% or 0% indicates there is no gearing.

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

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

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

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

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

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

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

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

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

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the eightieth Annual General Meeting of the Members of Shires Income plc ("the Company") will be held at Trinity House, Tower Hill, London EC3N 4DH on 4 July 2008 at 12 noon to transact the following business:

Ordinary Business

1. To receive and adopt the Directors' Report and audited financial statements of the Company for the year ended 31 March 2008 together with the Auditors' Report thereon.
2. To receive and adopt the Directors' Remuneration Report for the year ended 31 March 2008.
3. To declare a final dividend of 6.55 pence per ordinary share in respect of the year ended 31 March 2008.
4. To re-elect Mr J. M. Haldane as a Director of the Company.
5. To elect Mr A. Robson as a Director of the Company.
6. To re-appoint KPMG Audit Plc as auditors of the Company to hold office from the conclusion of the Meeting to the conclusion of the next meeting at which accounts are laid before the Company and to authorise the Directors to determine their remuneration.

Special Business

To consider and, if thought fit, pass the following resolution which will be proposed as an ordinary resolution:

7. That with effect from the time of the passing of this Resolution the Directors be and are hereby generally and unconditionally authorised, pursuant to Section 80 of the Companies Act 1985 as amended ("the Act"), to exercise all the powers of the Company to allot relevant securities (as defined in Section 80(2) of the Act) up to a maximum nominal amount of £4,946,596, being equal to approximately one third of the ordinary shares in issue, to such persons and at such times and on such terms as they think proper provided that this authority shall (unless previously revoked, varied or reviewed by the Company) expire five years from the date of passing this Resolution and provided that the Company may, prior to such expiry, make any offer, agreement or other arrangement which would or might require relevant securities to be allotted after such expiry and the Directors of the Company may allot relevant securities pursuant to any such offer, agreement or other arrangement as if the authority conferred hereby had not expired. This authority is in substitution for all previous authorities conferred upon the Directors pursuant to Section 80 of the Act, but without prejudice to the allotment of any relevant securities already made or to be made pursuant to such authorities.

To consider and, if thought fit, pass the following Resolutions which will be proposed as special resolutions:

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

   and shall, unless revoked, renewed or varied prior to such time, expire on the conclusion of the Annual General Meeting of the Company in 2009 but so that this power shall enable the Company to make offers or agreements before the expiry of this power which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offers or agreements as if the power conferred hereby had not expired and for this purpose words and expressions defined in or for the purpose of Part IV of the Act shall bear the same meanings in this Resolution.

9. That the Company be and it is hereby generally and unconditionally authorised to make market purchases (within the meaning of section 163(3) of the Act) of any of its own ordinary shares in such manner and upon such terms as the Directors of the Company may from time to time determine, provided that:
   (i) the maximum aggregate nominal value of the Ordinary shares hereby authorised to be acquired shall be limited to £2,225,833, being equal to approximately 14.99% of the ordinary shares in issue;
   (ii) the maximum price which may be paid for any ordinary share under this authority shall not exceed an amount equal to 105% of the average of the middle market value of such ordinary share as derived from the Daily Official List of the London Stock Exchange for the five business days before the purchase is made and the minimum price which may be paid for any such ordinary share shall be 50p (in each case exclusive of expenses of purchase payable by the Company); and
   (iii) the authority hereby conferred shall expire (unless previously revoked, renewed or varied) at the close of business on 4 July 2009 or at the conclusion of the next Annual General Meeting of the Company held after passing of this Resolution, whichever is the later, provided that the Company may before such expiry make any contract of purchase for ordinary shares which would or might be executed wholly or partly after the expiry of such authority and the Company may make such a purchase in pursuance of such contract as if the authority hereby conferred had not expired.

10. That the Articles of Association of the Company be amended by the insertion of the following as a new Article 81:

    "81 Subject to the provisions of the Act and as contemplated by section 175 of the Companies Act 2006, the Directors may authorise, in such manner and on such terms and subject to such limits and conditions as they see fit, any matter in which a Director has, or can have, a direct or indirect interest which conflicts, or possibly may conflict, with the interests of the Company. The Director concerned shall not vote on (or if he does vote, his vote shall not be counted), or be counted as part of the quorum in relation to, any resolution of the Directors concerning any such matter. This Article does not apply to a conflict of interest arising in respect of a transaction or arrangement with the Company. For the purpose of this Article 81, a conflict of interest includes a conflict of interest and duty and a conflict of duties"

    and by amending the numbering of the remainder of the Articles (and any references thereto in the Articles) accordingly; and by the insertion of "Article 81 and" following "Subject to the provisions of" in Article 82 (as renumbered); and by the insertion of "Subject to the provisions of Article 81," at the beginning of Article 83 (as renumbered) and the deletion of the final sentence of that Article.

11. The Articles of Association of the Company be amended by the deletion of Article 150 and the insertion of the following as a new Article 150:

    "150 (A) Subject to the provisions of the Companies Act 2006 and Article 150(B) below, but without prejudice to any indemnity to which he may otherwise be entitled, every Director or Secretary of the Company or of any associated company shall be indemnified out of the assets of the Company against all costs, charges, losses, expenses and liabilities which he may sustain or incur in the execution or purported execution or discharge of his duties or in the exercise or purported exercise of his powers or otherwise in relation to or in connection with his duties, powers or office. "

    "150 (B) Article 150(A) shall not operate to provide an indemnity against any liability attaching to a Director in connection with any negligence, default, breach of duty or breach of trust in relation to the Company except as permitted by the Companies Act 2006 . "

By Order of the Board
Aberdeen Asset Management PLC
Secretaries
28 May 2008

Notes:

1. As a Member, you are entitled to appoint a proxy or proxies to exercise all or any of your rights to attend, speak and vote at the Meeting. A proxy need not be a Member of the Company. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise the rights attached to any one share. A Form of Proxy is enclosed.
2. To be valid, any Form of Proxy or other instrument of proxy and any power of attorney or other authority, if any, under which they are signed or a notarially certified copy of that power of attorney or authority should be sent to Equiniti Limited, the Company's Registrars at Aspect House, Spencer Road, Lancing, West Sussex, BN99 6ZR so as to arrive not less than forty eight hours before the time fixed for the Meeting.
3. The return of a completed Form of Proxy or other instrument of proxy will not prevent you attending the Meeting and voting in person if you wish to do so.
4. In accordance with Regulation 41 of the Uncertified 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 by not later than forty eight hours before the time fixed for the Meeting (or, in the event that the Meeting is adjourned, forty eight hours 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.
5. As at 28 May 2008, the Company's issued share capital comprised 29,697,580 ordinary shares of 50 pence each. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 28 May 2008 is 29,697,580.
6. In order to facilitate voting by corporate representatives at the Meeting, arrangements will be put in place at the Meeting so that (i) if a corporate Member has appointed the Chairman of the Meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that Member at the Meeting, then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate Member attends the Meeting but the corporate Member has not appointed the Chairman of the Meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate members are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives – www.icsa.org.uk –for further details of this procedure. The guidance includes a sample form of representation letter if the Chairman is being appointed as described in (i) above.
7. The following documents are available for inspection on any day (except Saturdays, Sundays and Bank Holidays) from the date of sending this Notice of Annual General Meeting up to and including the date of the Meeting during usual business hours at the registered office of the Company and will, on the date of the Meeting, be available for inspection at the venue of the Meeting from 11.45 am until the conclusion of the Meeting:
   (i) The Memorandum of Association of the Company
   (ii) The Articles of Association of the Company together with the Articles of Association as proposed to be amended by Resolutions 10 and 11.
   (iii) The existing terms of appointment of the non-executive Directors of the Company.

Corporate Information

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

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

Registered Office
Aberdeen Asset Management PLC
One Bow Churchyard
London
EC4M 9HH

Auditors
KPMG Audit Plc

Solicitors
Maclay Murray & Spens LLP

Bankers
Royal Bank of Scotland plc
HSBC Bank Plc

Registrars and Transfer Office
Equiniti Limited (formerly Lloyds TSB Registrars)
PO Box 28448
Finance House
Orchard Brae
Edinburgh EH4 1WQ
Telephone 0871 384 2030

Company Registration Number
386561 (England)