

Shires Income plc



Investment objective

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

Benchmark

FTSE All-Share Index total return.

Cumulative performance (%)

	as at 31/12/09	1 month	3 months	6 months	1 year	3 years	5 years
Share Price	170.8p	(1.0)	7.0	34.9	37.5	(29.1)	(2.9)
NAV ^A	174.3p	3.0	4.1	44.8	30.7	(28.4)	0.9
FTSE All-Share		4.3	5.5	29.1	30.1	(4.0)	36.8

Discrete performance (%)

Year ending:	31/12/09	31/12/08	31/12/07	31/12/06	31/12/05
Share Price	37.5	(38.0)	(16.8)	15.8	18.2
NAV ^A	30.7	(39.9)	(8.9)	15.9	21.6
FTSE All-Share	30.1	(29.9)	5.3	16.8	22.0

Total return, NAV to NAV net income reinvested. GBP. Share price total return is on a mid-to-mid basis. NAV returns based on NAVs with debt valued at par.

Dividend calculations are to reinvest as at the ex-dividend date.

Source: Aberdeen Asset Managers Limited, Factset and Morningstar.

^A Excluding current year revenue.

Past performance is not a guide to future performance. The value of shares may go down as well as up and an investor may not get back the amount invested.

Fund managers' report

December was a fairly quiet month. Macroeconomic news flow was mixed. The markets chose to focus on the positives and equities generated further positive returns. The FTSE All-Share Index returned 4.3% and large companies outperformed their smaller counterparts with the FTSE 100 Index rising 4.4%. This ensured that the major indices ended 2009 at their year highs. There was positive news when it was announced that Dubai World would receive a US\$10bn bail out from neighbouring Abu Dhabi. This removed the fear that the Emirate's problems would trigger further difficulties in the global economy. The potential for further negative shocks was demonstrated by the decision to downgrade Greece's credit rating and to revise Spain's downwards.

In both the UK and US, employment data was better than had been expected though in the UK at least it was the more volatile part-time rather than full-time jobs that boosted the overall numbers in employment. The Bank of England made no changes either to interest rates or the programme of quantitative easing.

One new holding was added to the portfolio during the month. Cobham, which operates in the aerospace and defence industry. It is focused in a number of niches that are critical to the development of many major future platforms. It combines a high level of long-term recurring income, significant intellectual property backing and a strong balance sheet. Features which appear to be being largely ignored by the market as it focuses on the uncertainty surrounding future levels of defence spending.

Fund managers' report continues overleaf

The risks outlined overleaf relating to gearing and single country market exposure are particularly relevant to this trust but should be read in conjunction with all warnings and comments given.

Ten largest equity holdings

	%
Shires Smaller Companies	5.1
British American Tobacco	4.6
BP	3.5
Royal Dutch Shell 'B'	3.5
Centrica	3.0
HSBC	3.0
Vodafone	2.8
AstraZeneca	2.7
National Grid	2.5
GlaxoSmithKline	2.4
Total	33.1
Total number of investments	55

Fixed Income holdings

	%
Ecclesiastical Insurance 8 5/8%	6.2
Royal & Sun Alliance 7.375%	5.9
General Accident 7.875%	5.0
Abbey National 10.375%	4.7
Standard Chartered 8.25%	4.6
Barclays 14%	2.3
Rea Holdings 9%	1.5
Balfour Beatty 10.75%	0.9
Premier Farnell 89.2p	0.8
Total	31.9

Sector allocation

	%
Financials	44.5
Consumer Goods	12.0
Consumer Services	10.7
Oil & Gas	7.9
Industrials	7.8
Utilities	5.7
Health Care	5.5
Telecommunications	2.9
Basic Materials	2.9
Technology	0.1
Total	100.0

Figures may not add up to 100 due to rounding.

Further information

Private investors **0500 00 00 40**
 Institutional investors **Kenneth Harper**
+44 (0)131 528 4000
 Website **www.shiresincome.co.uk**

Receive the factsheet of your choice by email as soon as they are available by registering at www.investments.co.uk/ITemail

All sources (unless indicated): Aberdeen Asset Managers Limited 31 December 2009.

Shires Income plc

Fund managers' report – continued

Markets continue to rise, appetite for risk is at above-average levels and negative news flow appears to have an impact only in the short term. However, it is the case that the highly stimulatory conditions currently being experienced globally will have to be withdrawn eventually. In the UK there is a clear need for very significant fiscal tightening, monetary policy may be able to accommodate some of this but the outlook is difficult. Investors would seem to be pricing in future positive news flow, and the reaction to announcements that companies expect to exceed market expectations are often muted at best. It is unclear if we face the threat of inflation, deflation or neither, but it is clear that the potential for disappointment to cause a set back in the markets is real.

We will continue to focus on investing in good quality companies with sound balance where we regard the valuations to be attractive in the long term.

Key information

Calendar		
Year end	31 March	
Accounts published	June	
Dividend paid	January, April, July, October	
AGM	July	
Established	1929	
Fund manager		
	Susan Anderson Ed Beal	
Total expense ratio		
	1.1%	
Annual management fee		
	0.45% for funds up to £100m and 0.4% for funds over £100m	
Premium/(Discount)		
	(2.1)%	
Yield (Historic)		
	9.9%	
Gearing		
Equities ^B	(7.0)%	
Total ^C	33.8%	
Assets		
	£'000	%
Equities	49,830	93.0
Fixed Income	21,857	40.8
Total investments	71,687	133.8
Other assets	1,696	3.2
Debt	(19,797)	(37.0)
Net assets	53,586	100.0
^B Expressed as a percentage of total equities held divided by Shareholders' funds.		
^C Expressed as a percentage of total investments divided by Shareholders' funds.		
Capital structure		
Ordinary shares	29,697,580	
Allocation of expenses and interest		
Capital	50%	
Revenue	50%	
Trading details		
Bloomberg/Epic/Reuters code	SHRS	
Stockbroker	J.P. Morgan Cazenove	
Market makers	CANA, CAZR, CSCS, WINS	

Important information

Risk factors you should consider prior to investing:

- In common with most investment companies, investment trusts may borrow to finance further investment (gearing). The use of gearing is likely to lead to volatility in the Net Asset Value (NAV) meaning that a relatively small movement, down or up, in the value of a trust's assets will result in a magnified movement, in the same direction, of that NAV.
- In order to maintain the high level of dividend paid by the Trust some of the assets selected for the underlying portfolio may be liable to diminish in capital value over time.
- The value of shares and the income from them can go down as well as up and you may get back less than the amount invested.
- Past performance is not a guide to the future.
- Exposure to a single country market increases potential volatility.
- There is no guarantee that the market price of shares in the Trust will fully reflect their underlying Net Asset Value.
- As with all stock exchange investments the value of investment trust shares purchased will immediately fall by the difference between the buying and selling prices, the bid-offer spread.
- High income investments, in order to meet their income objectives, may charge expenses to capital which in turn may erode the capital value of the investment to less than the amount invested.
- In certain circumstances, the Manager may enter into derivatives transactions in order to manage risk in the portfolio and generate income.
- The market in these instruments can be highly volatile and there is a high risk of loss.
- Derivatives may only be used subject to the restrictions set out for the Trust.

Other Important Information:

Issued by Aberdeen Asset Managers Limited which is authorised and regulated by the Financial Services Authority in the United Kingdom. Registered Office: 10 Queen's Terrace, Aberdeen AB10 1YG. Registered in Scotland No. 108419. A member of the Aberdeen Asset Management group of companies. An investment trust should be considered only as part of a balanced portfolio. Under no circumstances should this information be considered as an offer or solicitation to deal in investments.