Shires Income PLC

Half Yearly Report
for the six months ended 30 September 2014

Aberdeen

Contents

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.

Highlights, Performance and Financial Calendar

Highlights

	30 September 2014	31 March 2014	% change
Equity shareholders' funds (£'000)	73,947	74,502	–0.7
Net asset value per share	246.51p	248.36p	–0.7
Share price (mid-market)	242.00p	252.25p	–4.1
(Discount)/premium to NAV	(1.83)%	1.57%	
Dividend yield	4.96%	4.76%	

Performance (total return)

	6 months ended 30 September 2014	1 year ended 30 September 2014	3 years ended 30 September 2014	5 years ended 30 September 2014
Net asset value	+1.6%	+9.5%	+67.7%	+91.4%
Share price	–1.8%	+9.6%	+63.0%	+101.1%
FTSE All-Share Index	+1.2%	+6.1%	+47.9%	+59.1%

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

Financial Calendar

17 November 2014	Announcement of unaudited half yearly results for the six months ended 30 September 2014
30 January 2015	Second interim dividend 2014/15 payable
30 April 2015	Third interim dividend 2014/15 payable
May 2015	Announcement of results for year ending 31 March 2015
June 2015	Annual Report posted to shareholders
8 July 2015	Annual General Meeting in London (12 noon)
31 July 2015	Fourth interim dividend 2014/15 payable

Interim Board Report

Background

The financial year started well with markets rising and the recovery in the UK accelerating. Indeed by May the FTSE All-Share index had posted a new all-time high when measured on a total return basis. By midway through the half year, the economy in the UK had regained its previous peak level of output, achieved in the first quarter of 2008. Unemployment was at its lowest level for five years, though the lack of wage inflation remained puzzling. Investors looked at inflation readings and began to anticipate an increase in interest rates. Mark Carney, the Governor of the Bank of England did his best to dampen such expectations.

The data for the first quarter growth in the US was surprisingly negative. However, the authorities were able to see beyond what was largely a weather related slowdown and continued to signal their belief in the recovery by continuing with their programme of tapering. That belief proved well founded as the second quarter's GDP reading was a very strong 4%. Management teams were becoming increasingly confident and this was evidenced by Pfizer's bid for AstraZeneca and GlaxoSmithKline's sizable transaction involving the buyout of Novartis' vaccines business. Consumer confidence was also rising buoyed by a strong housing market. Indeed, although regional, house price inflation was sufficiently strong to cause the Bank of England to introduce affordability and lending restrictions in an effort to prevent a bubble from forming.

Geopolitical news flow deteriorated during the half year with a worsening of the situation in Ukraine, Gaza and Israel again in conflict, and Islamic State terrorising Iraq. Investors chose to focus on the improving economic data and markets were largely unmoved by these events.

As we progressed through the half year we concluded the first half year company reporting period. The most notable features were slowing demand in many emerging markets and the negative impact of the strengthening US dollar. This latter factor was impacting both end market demand and the translation of sales and profits that were made in dollars. This was weighing on earnings expectations and for the third consecutive year analysts' forecasts were being downgraded across much of the market.

In a continuation of the trend witnessed over recent years, Europe still struggled. Indeed the ECB was so concerned about the threat of deflation that they reduced interest rates to their lowest ever level and made deposit rates negative. They also indicated that they were prepared to countenance some form of quantitative easing in order to stimulate lending growth, especially to small and medium sized enterprises. By August, the Committee had reduced interest rates further and indicated that they did not believe there to be scope for additional reductions. They also launched an Asset Backed Securities stimulation programme. However, the initial take up of the third long term re-financing operation by the banks was less than anticipated, suggesting that an imminent pick up in lending was unlikely. Germany was now registering negative growth whilst France was also failing to grow. Rising nervousness was pushing investors into perceived safer assets and fixed interest yields continued to decline. The German 10 year bund yield fell below 1% for the first time in history.

Ultimately, despite a positive start and some volatility during August that saw initial losses recouped, equity markets finished the half year broadly flat compared to their levels at the start of the period.

Investment Performance

In the half year ended 30 September 2014, the Company's net assets per share decreased by 0.7% from 248.36p to 246.51p. The total return on net assets, which includes dividends, increased by 1.6%, which during the period was 0.4% ahead of our benchmark, the FTSE All-Share Index, which reported a total return of 1.2%. The total return of the Company's share price was -1.8%, with the share price declining from a premium of 1.6% to a discount of 1.8%.

Portfolio Profile

Three new holdings were added to the portfolio. Ultra Electronics is an aerospace and defence business. They have particular strength in the areas of cyber security and battle space IT. Both of these markets are expected to exhibit long term structural growth despite pressures in more conventional defence expenditure. Inchcape distributes premium vehicles for automotive manufacturers into a range of international markets. The exclusivity and long term nature of the agreements provide significant barriers to entry. Their presence in a number of emerging markets should allow them to benefit from the structural growth that is occurring in these territories. Croda is a speciality chemicals company with niche products that are sold into the consumer, personal and crop care markets. The high value nature of these products allows the company to deliver margins materially ahead of those normally seen in the industry. In each case an initial position was purchased alongside the sale of put options. All three companies yield less than the average for the equity portfolio but all have good track records of above inflation growth in their dividends.

Your Manager exited one holding during the period. The food retail sector in the UK has suffered from the well documented problems of intense competition at a time of weak consumer demand. Morrisons has struggled in this environment and your Manager took the decision to sell the holding and re-invest the proceeds in companies that are believed to have better long term prospects.

The Company participated in a placing that was conducted by Cobham to aid their acquisition of Aeroflex, broadening their commercial testing capabilities.

Gearing is broadly unchanged having increased slightly from 18.9% to 19.7% and there have been no significant changes to the overall allocations in the portfolio. Equities represent approximately 69% of gross assets with the remainder comprised of preference shares, convertibles and cash. This is a decrease from last year's value of 72%. The most significant factor has been the good performance of the preference shares which has seen them increase as a proportion of the total. In addition the Company holds slightly more cash at the current half year end compared to the prior first half period. No new investments were made in preference shares or convertibles during the period.

Investment Income

There has been some good dividend growth during the period. Nine companies in the portfolio increased their distributions by 10% or more. These were spread across a broad array of sectors ranging from Aerospace and Defence, through Oil and Gas, Catering, Financial Services and Technology. There were particularly notable increases from the likes of Schroders who followed strong growth last year with a 50% uplift in their interim payout. Wood Group raised their dividend by 29%. Prudential had a good set of results and surprised investors with a 15% increase. Even a higher yielding company like Provident Financial posted an 11% increase in their final distribution. There were some disappointments, such as the cut in Tesco's dividend, the effect of which will be felt in the second half of the year. However, overall corporate dividend growth has been encouraging.

In my statement accompanying the final results I noted that dollar weakness would weigh on the dividends received by UK holders of companies that declare their dividends in dollars. A good example is BP who declared an uplift of over 8% in dollars for dividends in their first half. This manifested itself in a near 3% reduction in the amount actually received by the Company. Dollar dividends represent approximately 29% of the equity portfolio's earnings and 18% of total earnings. That is well below the 40% or so of all dividends in the UK that are declared in dollars.

Outlook

Uncertainty and volatility have returned to the fore. Recent data from Germany has been poor and given its role as the engine of European growth, weakness here makes it less likely that the region can return to growth without structural reform and a pick-up in bank lending. China, although still delivering growth well ahead of that emanating from developed markets, is slowing. Its economy is also transitioning and this effect can been seen in the decline in many commodity prices. The Federal Reserve is expected to raise interest rates during 2015. A similar situation exists in the UK, though the MPC is coy about giving clear guidance. Whether investors will concentrate upon the positives; namely that this suggests a more established economic recovery rather than the negative of extraordinarily cheap money being removed, remains to be seen. Investors are currently very focussed on the threat of deflation in Europe and the belief that the ECB can avert this via some form of quantitative easing programme. It is unclear what form such stimulus would take. If this is not delivered as expected it is likely to be taken negatively by markets.

Much has been written about the impact that dollar strength is having on corporate profits. It is worth remembering that unless it strengthens further, the effect of this move is now beginning to annualise. Additionally it is one of the factors weighing on the oil price. I would not care to attempt to forecast the future direction of the oil price but it is currently providing a very significant amount, by some estimates in excess of $2.5bn daily, of stimulus for the global economy. Importantly this is directly benefitting both companies and consumers.

Your Manager will continue to invest in the kind of high quality companies that the Company currently owns. These are businesses that should be able to deliver growth in earnings and hence dividends through the economic cycle. They are supported by strong balance sheets that give them flexibility in difficult times and options when conditions are more favourable.

Anthony B. Davidson
Chairman
14 November 2014

Interim Board Report continued

Principal Risks and Uncertainties

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's gearing comprises short-term borrowings from banking institutions and bears interest at floating rates. The profile of financing costs is managed as part of overall investment strategy. The current loan expires in May 2015. The employment of gearing magnifies the impact on net assets of both negative and positive changes in the value of the Company's portfolio of investments. 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. Information on each of these areas is given in the Strategic Report within the Annual Report and Accounts for the year ended 31 March 2014.

Going Concern

The Company's assets comprise mainly readily realisable securities which can be sold to meet funding commitments if necessary. The Board considers that the Company has adequate financial resources to continue in operational existence for the foreseeable future.

Alternative Investment Fund Managers Directive

The Alternative Investment Fund Managers Directive (the "Directive"), proposed by the EU to enhance shareholder protection, was fully implemented in the UK on 22 July 2014. This Directive required the Company to appoint an authorised Alternative Investment Fund Manager and a depositary, the latter overlaying the current custody arrangements.

The Company has now appointed Aberdeen Fund Managers Limited ("AFML"), following its authorisation by the FCA, to act as the Company's Alternative Investment Fund Manager, entering a new management agreement with AFML on 17 July 2014. Under this agreement the AFML delegates portfolio management services to Aberdeen Asset Managers Limited, which continues to act as the Company's Investment Manager. There is no change in the commercial arrangements from the previous investment management agreement.

In addition, the Company entered into a depositary agreement with AFML and BNP Paribas Securities Services on 17 July 2014. The appointment of a depositary is a new requirement under the Directive and, as previously reported, this will increase costs over and above the previous custody arrangements.

Directors' Responsibility Statement

The Directors are responsible for preparing the Half-Yearly Financial Report, in accordance with applicable law and regulations. The Directors confirm that to the best of their knowledge:

- the condensed set of interim financial statements within the Half-Yearly Financial Report have been prepared in accordance with IAS 34;

- the Chairman's Statement (constituting the interim management report) includes a fair review of the information required by rules 4.2.7R of the Disclosure and Transparency Rules (being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements and a description of the principal risks and uncertainties for the remaining six months of the financial year) and 4.2.8R (being related party transactions that have taken place during the first six months of the financial year and that have materially affected the financial position of the Company during that period; and any changes in the related party transactions described in the last annual report that could so do).

The Half-Yearly Financial Report for the six months ended 30 September 2014 comprises the Interim Board Report, the Directors' Responsibility Statement and a condensed set of financial statements.

For and on behalf of the Board of Shires Income PLC

Anthony B. Davidson
Chairman
14 November 2014

Investment Portfolio – Ordinary Shares

As at 30 September 2014

Company	Valuation 2014 £'000	Total portfolio %
Aberdeen Smaller Companies High Income Trust	5,882	6.7
Royal Dutch Shell 'A'	3,681	4.2
AstraZeneca	3,220	3.7
British American Tobacco	3,064	3.5
HSBC Holdings	2,824	3.2
Centrica	2,823	3.2
Unilever	2,637	3.0
Pearson	2,542	2.9
GlaxoSmithKline	2,487	2.8
Prudential	2,436	2.7
Ten largest investments	**31,596**	**35.9**
Close Brothers	2,433	2.8
BHP Billiton	2,401	2.7
Chesnara	2,315	2.7
National Grid	2,247	2.6
Vodafone	2,005	2.3
BP	1,968	2.2
Standard Chartered	1,866	2.1
Cobham	1,614	1.8
Sage Group	1,443	1.6
Compass	1,407	1.6
Twenty largest investments	**51,295**	**58.3**
Schroders	1,284	1.5
Land Securities	1,196	1.3
Tesco	1,117	1.3
GKN	990	1.1
Inmarsat	960	1.1
Rolls Royce	926	1.1
Weir Group	926	1.1
Provident Financial	886	1.0
Associated British Foods	804	0.9
Wood Group (John)	684	0.8
Thirty largest investments	**61,068**	**69.5**
Experian	639	0.7
Croda International	595	0.7
BG Group	581	0.6
Ultra Electronic Holdings	336	0.4
Inchcape	335	0.4
Total Ordinary shares	**63,554**	**72.3**

Investment Portfolio - Other Investments

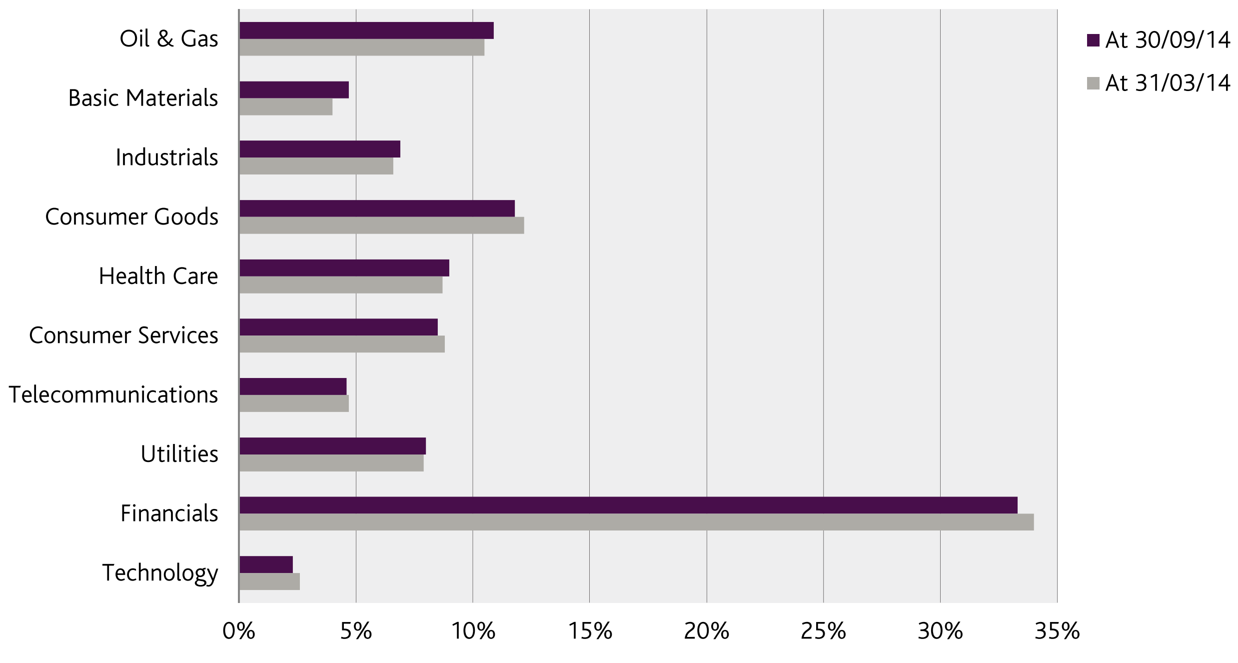
Company	Valuation 2014 £'000	Total portfolio %
Convertibles		
Premier Farnell 89.2p Cum Conv	764	0.9
Balfour Beatty Cum Conv 10.75%	550	0.6
Total Convertibles	**1,314**	**1.5**
Preference shares		
Ecclesiastical Insurance Office 8 5/8%	5,364	6.1
Royal & Sun Alliance 7 3/8%	5,024	5.7
General Accident 7.875%	4,169	4.7
Santander 10.375%	3,817	4.4
Standard Chartered 8.25%	3,504	4.0
REA Holdings 9%	1,176	1.3
Total Preference shares	**23,054**	**26.2**
Total other investments	**24,368**	**27.7**
Total investments	**87,922**	**100.0**

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

Distribution of Assets and Liabilities

	Valuation at 31 March 2014 £'000	%	Movement during the period: Purchases £'000	Sales £'000	Gains/ (losses) £'000	Valuation at 30 September 2014 £'000	%
Listed investments							
Ordinary shares	64,361	86.4	1,667	(913)	(1,561)	63,554	85.9
Convertibles	1,354	1.8	–	–	(40)	1,314	1.8
Preference shares	22,120	29.7	–	–	934	23,054	31.2
	87,835	117.9	1,667	(913)	(667)	87,922	118.9
Current assets	5,380	7.2				4,765	6.4
Current liabilities	(18,713)	(25.1)				(18,740)	(25.3)
Net assets	**74,502**	**100.0**				**73,947**	**100.0**
Net asset value per Ordinary share	**248.4p**					**246.5p**	

Analysis of Listed Equity Portfolio



Note: Financials include the Company's investment in Aberdeen Smaller Companies High Income Trust.

Statement of Comprehensive Income

		Six months ended 30 September 2014 (unaudited)			Six months ended 30 September 2013 (unaudited)			Year ended 31 March 2014 (audited)		
	Note	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Losses)/gains on investments at fair value		–	(635)	(635)	–	553	553	–	4,387	4,387
Investment income										
Dividend income		2,003	–	2,003	1,876	–	1,876	3,399	–	3,399
Interest income from investments		286	(47)	239	286	(47)	239	579	(93)	486
Stock dividend		56	–	56	98	–	98	260	–	260
Traded option premiums		137	–	137	141	–	141	286	–	286
Money market interest		5	–	5	5	–	5	10	–	10
Exchange gains		–	–	–	–	–	–	–	2	2
		2,487	(682)	1,805	2,406	506	2,912	4,534	4,296	8,830
Expenses										
Investment management fees		(99)	(99)	(198)	(90)	(90)	(180)	(186)	(186)	(372)
Other administrative expenses		(192)	–	(192)	(186)	–	(186)	(347)	–	(347)
Finance costs of borrowings		(82)	(82)	(164)	(84)	(84)	(168)	(160)	(160)	(320)
		(373)	(181)	(554)	(360)	(174)	(534)	(693)	(346)	(1,039)
Profit/(loss) before tax		2,114	(863)	1,251	2,046	332	2,378	3,841	3,950	7,791
Taxation	2	(21)	16	(5)	(22)	22	–	(52)	52	–
Profit/(loss) attributable to equity holders	3	**2,093**	**(847)**	**1,246**	**2,024**	**354**	**2,378**	**3,789**	**4,002**	**7,791**
Earnings per Ordinary share (pence)	4	**6.97**	**(2.82)**	**4.15**	**6.75**	**1.18**	**7.93**	**12.63**	**13.34**	**25.97**

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

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

All items in the above statement derive from continuing operations.

Balance Sheet

	Note	As at 30 September 2014 (unaudited) £'000	As at 30 September 2013 (unaudited) £'000	As at 31 March 2014 (audited) £'000
Non-current assets				
Ordinary shares		63,554	64,015	64,361
Convertibles		1,314	1,322	1,354
Other fixed interest		23,054	20,556	22,120
Securities at fair value		87,922	85,893	87,835
Current assets				
Trade and other receivables		24	23	19
Accrued income and prepayments		803	797	956
Cash and cash equivalents		3,938	2,417	4,405
		4,765	3,237	5,380
Total assets		92,687	89,130	93,215
Current liabilities				
Trade and other payables		(240)	(247)	(213)
Short-term borrowings		(18,500)	(18,000)	(18,500)
		(18,740)	(18,247)	(18,713)
Net assets		**73,947**	**70,883**	**74,502**
Share capital and reserves attributable to equity holders				
Called-up share capital		15,049	15,049	15,049
Share premium account		19,308	19,308	19,308
Capital reserve	5	33,267	30,466	34,114
Revenue reserve		6,323	6,060	6,031
Equity shareholders' funds		**73,947**	**70,883**	**74,502**
Net asset value per Ordinary share (pence)		**246.51**	**236.30**	**248.36**

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

Statement of Changes in Equity

Six months ended 30 September 2014 (unaudited)

	Note	Share capital £'000	Share premium account £'000	Capital reserve £'000	Retained revenue reserve £'000	Total £'000
As at 31 March 2014		15,049	19,308	34,114	6,031	74,502
Revenue profit for the period		–	–	–	2,093	2,093
Capital loss for the period		–	–	(847)	–	(847)
Equity dividends	3	–	–	–	(1,801)	(1,801)
As at 30 September 2014		**15,049**	**19,308**	**33,267**	**6,323**	**73,947**

Six months ended 30 September 2013 (unaudited)

	Note	Share capital £'000	Share premium account £'000	Capital reserve £'000	Retained revenue reserve £'000	Total £'000
As at 31 March 2013		15,049	19,308	30,112	5,837	70,306
Revenue profit for the period		–	–	–	2,024	2,024
Capital profit for the period		–	–	354	–	354
Equity dividends	3	–	–	–	(1,801)	(1,801)
As at 30 September 2013		**15,049**	**19,308**	**30,466**	**6,060**	**70,883**

Year ended 31 March 2014 (audited)

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

Cash Flow Statement

	Six months ended 30 September 2014 (unaudited) £'000	Six months ended 30 September 2013 (unaudited) £'000	Year ended 31 March 2014 (audited) £'000
Cash flows from operating activities			
Investment income received	2,443	2,328	3,956
Money market interest received	6	5	10
Investment management fee paid	(196)	(180)	(365)
Other cash expenses	(199)	(201)	(358)
Cash generated from operations	2,054	1,952	3,243
Interest paid	(156)	(169)	(320)
Taxation	(2)	–	–
Net cash inflows from operating activities	1,896	1,783	2,923
Cash flows from investing activities			
Purchases of investments	(1,610)	(2,241)	(6,240)
Sales of investments	1,048	2,702	8,841
Net cash (outflow)/inflow from investing activities	(562)	461	2,601
Cash flows from financing activities			
Equity dividends paid	(1,801)	(1,801)	(3,595)
Net cash outflow from financing activities	(1,801)	(1,801)	(3,595)
Net cash inflow/(outflow) from financing	–	–	–
Net (decrease)/increase in cash and cash equivalents	(467)	443	1,929
Cash and cash equivalents at start of period	(14,095)	(16,026)	(16,026)
Exchange movements	–	–	2
Cash and cash equivalents at end of period	**(14,562)**	**(15,583)**	**(14,095)**
Cash and cash equivalents comprise:			
Cash and cash equivalents	3,938	2,417	4,405
Short-term borrowings	(18,500)	(18,000)	(18,500)
	(14,562)	**(15,583)**	**(14,095)**

Notes to the Financial Statements

1. **Accounting policies**

(a) **Basis of accounting**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) 34 – 'Interim Financial Reporting', as adopted by the International Accounting Standards Board (IASB), and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB (IFRIC). They have also been prepared using the same accounting policies applied for the year ended 31 March 2014 financial statements, which received an unqualified audit report.

(b) **Dividends payable**

Dividends are recognised in the period in which they are paid.

2. **Taxation**

The taxation expense reflected in the Statement of Comprehensive Income is calculated at a rate of 21%, which is based on management's best estimate of the weighted average annual corporation tax rate expected for the full financial year.

3. **Dividends**

The following table shows the revenue for each period less the dividends declared in respect of the financial period to which they relate.

	Six months ended 30 September 2014 £'000	Six months ended 30 September 2013 £'000	Year ended 31 March 2014 £'000
Revenue	2,093	2,024	3,789
Dividends declared	(900)[A]	(900)[B]	(3,595)[C]
	1,193	**1,124**	**194**

[A] First interim dividend (3.00p) declared in respect of the financial year 2014/15.
[B] First interim dividend (3.00p) declared in respect of the financial year 2013/14.
[C] First three interim dividends (each 3.00p) and the final dividend (3.00p) declared in respect of the financial year 2013/14.

4. **Return and net asset value per share**	Six months ended 30 September 2014 £'000	Six months ended 30 September 2013 £'000	Year ended 31 March 2014 £'000
Returns are based on the following attributable assets:			
Revenue return	2,093	2,024	3,789
Capital return	(847)	354	4,002
Total return	**1,246**	**2,378**	**7,791**
Weighted average number of Ordinary shares in issue	**29,997,580**	**29,997,580**	**29,997,580**

The net asset value per Ordinary share is based on net assets attributable to Ordinary shareholders of £73,947,000 (30 September 2013 – £70,883,000; 31 March 2014 – £74,502,000) and on 29,997,580 (30 September 2013 – 29,997,580; 31 March 2014 – 29,997,580) Ordinary shares in issue at the period end.

5. Capital reserve

The capital reserve reflected in the Balance Sheet at 30 September 2014 includes gains of £15,358,000 (30 September 2013 – gains of £14,001,000; 31 March 2014 – gains of £16,149,000) which relate to the revaluation of investments held at the reporting date.

6. Transaction costs

During the period expenses were incurred in acquiring or disposing of investments classified as fair value though profit or loss. These have been expensed through capital and are included within gains on investments at fair value in the Statement of Comprehensive Income. The total costs were as follows:

	Six months ended 30 September 2014 £'000	Six months ended 30 September 2013 £'000	Year ended 31 March 2014 £'000
Purchases	8	12	34
Sales	2	4	10
	10	**16**	**44**

7. Related party disclosures

There were no related party transactions during the period.

8. Commitments, contingencies and post Balance Sheet events

At 30 September 2014 there were no contingent liabilities in respect of outstanding underwriting commitments or uncalled capital (30 September 2013 and 31 March 2014 – £nil).

9. The financial information contained in this Half–Yearly Financial Report does not constitute statutory accounts as defined in Sections 434 – 436 of the Companies Act 2006. The financial information for the six months ended 30 September 2014 and 30 September 2013 has not been audited.

The information for the year ended 31 March 2014 has been extracted from the latest published audited financial statements which have been filed with the Registrar of Companies. The report of the auditor on those accounts contained no qualification or statement under Section 498 (2), (3) or (4) of the Companies Act 2006.

This report has not been reviewed or audited by the Company's auditor.

10. This Half-Yearly Financial Report was approved by the Board on 14 November 2014.

How to Invest in Shires Income PLC

Direct

Investors can buy and sell shares in Shires Income PLC (the "Company") directly through a stockbroker or indirectly through a lawyer, accountant or other professional adviser. Alternatively, for retail clients shares can be bought directly through Aberdeen's Investment Plan for Children, Aberdeen's Investment Trust Share Plan and Investment Trust ISA.

Suitable for Retail/NMPI Status

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

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

The Company's shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust.

Pre-investment Disclosure Document (PIDD)

The Alternative Investment Fund Manager Directive ("AIFMD") requires Aberdeen Fund Managers Limited, as the alternative investment fund manager of Shires Income PLC, to make available to investors certain information prior to such investors' investment in the Company.

The AIFMD is intended to offer increased protection to investors in investment products that do not fall under the existing European Union regime for regulation of investment products known as "UCITS".

The Company's PIDD is available for viewing at http://www.invtrusts.co.uk/doc.nsf/Lit/PressReleaseUKClosedshiresalternativeinvestmentfundmanagersdirectivepidd

Aberdeen's Investment Plan for Children

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

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

Stocks and Shares ISA

In the tax year 2014/2015, an investment of up to £11,880 could be made until 30 June 2014 through the AAM Investment Trust ISA. From 1 July 2014 the annual ISA limit increased to £15,000.

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 annually and applied on 31 March (or the last business day in March) and collected soon thereafter either by direct debit or, if there is no valid direct debit mandate in place, from the available cash in the Plan prior to the distribution or reinvestment of any income, or, where there is insufficient cash in the Plan, from the sale of investments held in the Plan. Under current legislation, investments in ISAs can grow free of capital gains tax.

ISA Transfer

You can choose to transfer the management of previous tax year investments to Aberdeen for investment in the Company while retaining your ISA wrapper. The minimum lump sum transfer is £1,000, subject to a minimum per trust of £250.

Note

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

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

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

Company Information

If investors would like details of Shires Income PLC or information on the Children's Plan, Share Plan, or ISA please telephone 0500 00 00 40 or write to Aberdeen Investment Trusts, PO Box 11020, Chelmsford, Essex, CM99 2DB or e-mail at inv.trusts@aberdeen-asset.com. Details are also available on www.invtrusts.co.uk.

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

Keeping You Informed

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

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

Contact Details

For information on the Investment Plan for Children, Share Plan, ISA or ISA Transfer please contact:

Aberdeen Investment Trusts
PO Box 11020,
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Essex, CM99 2DB

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Email: inv.trusts@aberdeen-asset.com

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

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

Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex,
BN99 6DA

Telephone: 0871 384 2508
Fax: 0871 342 2100
Shareview Enquiry Line: 0871 384 2233
Textel/hard of hearing: 0871 384 2255

(Calls to the above Equiniti number will be charged at 8 pence per minute plus network extras. Lines open 8.30 a.m. to 5.30 p.m., Monday to Friday).

Tel International: (+44 121 415 7047)

Investor Warning

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

These callers do not work for Aberdeen and any third party making such offers has no link with Aberdeen. Aberdeen never makes these types of offers and does not 'cold-call' investors in this way. If investors have any doubt over the veracity of a caller, do not offer any personal information, end the call and contact Aberdeen's investor services centre using the details provided on 0500 00 00 40.

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

Corporate Information

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