

Shires Income PLC

Half Yearly Report

For the six months ended 30 September 2015



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Investment Objective

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

Highlights, Performance and Financial Calendar

Highlights

	30 September 2015	31 March 2015	% change
Equity shareholders' funds (£'000)	70,123	77,832	–9.9
Net asset value per share	233.76p	259.46p	–9.9
Share price (mid-market)	224.75p	252.00p	–10.8
Discount to net asset value	(3.85)%	(2.88)%	
Dividend yield	5.45%	4.86%	

Performance (total return)

	6 months ended 30 September 2015	1 year ended 30 September 2015	3 years ended 30 September 2015	5 years ended 30 September 2015
Net asset value	–7.7%	–0.4%	+35.4%	+64.4%
Share price	–8.5%	–2.3%	+25.6%	+57.7%
FTSE All-Share Index	–7.2%	–2.3%	+23.3%	+38.2%

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

Financial Calendar

29 January 2016	Second interim dividend 2015/16 payable
29 April 2016	Third interim dividend 2015/16 payable
May 2016	Announcement of results for year ending 31 March 2016
June 2016	Annual Report posted to shareholders
6 July 2016	Annual General Meeting in London (12 noon)
29 July 2016	Final dividend 2015/16 payable

Interim Board Report

Background

This has been a difficult six months for markets despite the financial year starting well with equities rising during April and May. The recovery continued on both sides of the Atlantic. The services side of the domestic economy was doing fine, whilst other areas were finding life more difficult. Unemployment approached the 5.5% level indicated by the Bank of England as being a pre requisite for an interest rate increase. Domestic inflation fell to -0.1%, the first time deflation has been present in the economy since 1960, as growth in prices was dampened by the low oil price and the increasing strength of sterling. Large company merger and acquisition activity was again to the fore with Shell announcing a recommended £47 billion offer for BG Group and bid rumours emerged suggesting a potential deal between Vodafone and Liberty International.

The May election in the UK produced a generally unpredicted result with a Conservative majority. Investors responded positively to this with utilities in particular benefiting. Oil and gas producers fared less well as the oil price continued to weaken. The Chinese equity markets had been remarkably strong during the latter part of 2014 and early 2015. Whilst perhaps unsurprising, the subsequent 30% decline in prices added to the perception that the economy was slowing faster than the authorities wanted. However, investors' attention was very much focused on Greece. The decision by Prime Minister Tsipras to call a referendum on the latest restructuring proposal surprised the markets.

These events manifested themselves in a weakening of sentiment during June. The FTSE All-Share declined steeply registering its worst monthly performance for three years.

Greece dominated the headlines for most of the summer. Subsequent negotiations secured a third bailout package and short term emergency funding that allowed the country's banks to re-open.

In the UK the second quarter Gross Domestic Product reading was a solid 2.6%. The Governor of the Bank of England, Mark Carney, indicated that an increase in interest rates was moving closer, although inflation remained an absent feature of the economy, with the Consumer Prices Index reading of 0%.

The weakness in emerging markets, and China in particular, was placing further pressure on commodity prices and shares in the miners and those businesses that provide services to them were particularly weak. A similar dynamic was evident in the shares of oil producers and their suppliers.

The first half reporting season saw results that were largely as forecast. With one or two notable exceptions, that include the Rolls Royce profit warning and Standard

Chartered dividend cut, the companies in the portfolio traded in line with your manager's expectations, though the impact of foreign exchange on reported earnings was a recurrent theme.

August was a turbulent month for equities as the FTSE 100 recorded its largest single day decline since March 2009. The genesis for these moves was the surprise decision by the Peoples' Bank of China to allow the yuan to devalue against the dollar. However, investors became concerned that it was a sign that Chinese growth was weaker than markets had believed and that this weakness would necessarily impact upon global growth. The subsequent reduction in interest rates served to remind us that they do retain some monetary flexibility to try and provide support for their economy. The declines in markets continued through to the end of the period. Elsewhere the recovery made further progress with US second quarter growth being revised upwards to 3.7% and signs that in aggregate the Eurozone economies were performing more strongly than expected. In the UK inflation remained at zero as the inflationary impact of rising wages was offset by growth in productivity.

Investment Performance

In the half year ended 30 September 2015, the Company's net asset value per share decreased by 9.9% from 259.5p to 233.8p. The total return on net assets, which includes dividends, decreased by 7.7%, which during the period was a small underperformance of our benchmark, the FTSE All-Share Index, which reported a total return of -7.2%. The total return of the Company's share price was -8.5% and the discount widened slightly from 2.9% to 3.9%.

Portfolio Profile

Three new holdings were introduced during the period. Elementis is a global leader in rheological additives for coatings and other speciality markets. The company has opportunities to grow as it widens both its product portfolio and geographical presence. Its goods are critical to the performance of the end product which serves to give the business pricing power. Barriers to entry are significant especially for its hectorite derived products where it owns the world's only commercial mine. Rotork is a global leader in the supply of actuators. These are required for the automated control of valves in a wide range of end markets. As market leader they benefit from brand strength which confers pricing power. The business has a track record of delivering attractive returns, aided by their asset light assembly model allied to a strong balance sheet. Capita is a Business Process Outsourcer, providing mainly white collar IT services. The company benefits from long term growth in markets that have the potential to increase to be a multiple of their current size. They also have a growing international opportunity. With an average contract length of 7 – 8 years

and a 90%+ retention rate they benefit from excellent visibility. One small holding was sold. A position was inherited in South 32 following its demerger from BHP Billiton. This was sold and the proceeds were reinvested into BHP Billiton which has a portfolio of better quality assets and a more favourable dividend profile.

The Company participated in a placing conducted by GKN to help fund their acquisition of Fokker Technologies, a supplier to the aerospace industry.

Gearing increased during the period from 19.4% to 24.1%. The primary cause of this has been the decline in net assets since the year end. Additionally there has been a relatively small increase to net debt as your manager has introduced the three new investments referred to above and sought to take advantage of share prices that have declined. There has been no significant change 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 broadly comparable with last year's split as the equities and preference shares have delivered broadly equivalent returns. No new investments were made in preference shares or convertibles during the period.

Investment Income

Growth in the dividends received by the Company has been mixed during the period. There have been some pleasing performances particularly from the more recent introductions. These include Aveva who raised their final payment by almost 14% and Elementis which paid an additional special dividend that was 28% above the one paid in the previous financial year; this was in addition to a 13% increase in their final. Inchcape's total dividend was 14% higher than the prior year. Among the more established holdings, Wood Group delivered an uplift in its total distribution of 19%, whilst Compass Group raised its interim by 11%. Provident Financial paid a final dividend that was up 18%, whilst Prudential increased its interim by 10%.

Clearly there have been some high profile dividend reductions that have impacted the revenues received during the period. I referenced the cuts announced by Centrica and Tesco in my statement accompanying the full year results. In addition Standard Chartered declared a halving of their payout during the period under review.

Outlook

There are two related factors that are concerning investors currently. The slowing of China and the potential knock on effect on global growth and the impact this is having on the timing of interest rate increases on both sides of the Atlantic. The Chinese authorities have options that remain available to

them in their endeavours to deliver a controlled slowing of their economy. However, it would not be surprising to see further weakness in their growth and currency prior to the achievement of stability. Investors are concerned that the impact of this could become deflationary for Western economies.

Interest rates have been very low for a prolonged period of time. Although market participants have known that they would have to rise at some point there is considerable uncertainty as to when this will happen and what the impact will be. Investors were surprised that US rates were not increased in September and some concluded that the deferral was symptomatic of the Federal Reserve's concerns that the outlook for the global economy was deteriorating. Uncertainty is unwelcome in markets and there is likely to be an enhanced degree of volatility until the outlook becomes clearer.

However, there are reasons for optimism. The economies of the US and UK are still recovering and in the Eurozone there are signs of life. The falls in commodity and oil prices are providing a real stimulus for those countries that are net importers of these goods. Any change in the interest rate cycle is likely to be gradual with the authorities focussed on the dangers of moving too far or too fast.

The portfolio contains good quality businesses with balance sheets that can see them through difficult periods and that over the longer term are expected to prosper.

Anthony B Davidson

Chairman

17 November 2015

Principal Risks and Uncertainties

The Board regularly reviews the principal risks and uncertainties faced by the Company and has adopted a matrix of the key risks that affect its business. An explanation of the principal risks and controls established to manage these risks is set out below.

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

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

- Adherence to the investment process in order to minimise investments in poor quality companies and/or overpaying.
- Diversification of investment - seeking to invest in a wide variety of companies with strong balance sheets and the earnings power to pay increasing dividends. In addition, investments are diversified by sector in order to reduce the risk of a single large exposure. The Company invests mainly in equities, preference shares and convertibles.
- The Board has laid down absolute limits on maximum holdings and exposures in the portfolio at the time of acquisition. These can only be over-ridden with Board approval. These include the following:
 - Maximum 7.5% of assets invested in the securities of one company (excluding Aberdeen Smaller Companies High Income Trust PLC).
 - Maximum 5% of quoted investee company's ordinary shares (excluding Aberdeen Smaller Companies High Income Trust PLC).

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

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

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

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

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

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

The management of the Company has been delegated to Aberdeen under a management agreement. The performance of Aberdeen, in particular the Investment Manager, is regularly reviewed by the Board. Its compliance with the management agreement is also formally reviewed on an annual basis.

Income/dividend risk: The level of the Company's dividends and future dividend growth will depend on the performance

of the underlying portfolio. Any change in the tax treatment of the dividends or interest received by the Company (including as a result of withholding taxes or exchange controls) may reduce the level of dividends received by shareholders. The Board monitors these risks through the receipt of detailed income forecasts and considers the level of income at each meeting. However, the Company may draw upon revenue reserves if required.

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

The Directors regularly review this holding (currently 7.6% of the Company's portfolio). All of the directors of Aberdeen Smaller Companies High Income Trust PLC are independent of Shires Income PLC. The Investment Manager does not charge any management fee in respect of the amount of the Company's assets attributable to this holding.

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

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

An explanation of other risks relating to the Company's investment activities, specifically market risk, liquidity risk and credit risk, and a note of how these risks are managed, are contained in note 16 to the financial statements in the Annual Report for the year ended 31 March 2015. The Company's principal risks and uncertainties have not changed materially since the date of that Report and are not expected to change materially for the remainder of the Company's financial year.

Going Concern

The Company's assets comprise mainly readily realisable securities which can be sold to meet funding commitments if necessary. The Board has set limits for borrowing and regularly reviews actual exposures, cash flow projections and compliance with banking covenants. Borrowings of £20 million are committed to the Company until 19 December 2017. The Directors believe that the Company has adequate resources to continue in operational existence for the foreseeable future and has the ability to meet its financial obligations as they fall due for a period of at least twelve months from the date of approval of this Report. For these reasons, they continue to adopt the going concern basis in preparing the financial statements.

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 financial statements within the Half-Yearly Financial Report has been prepared in accordance with IAS 34 "Interim Financial Reporting"; and
- the Interim Board Report (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 2015 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

17 November 2015

Investment Portfolio – Ordinary Shares

As at 30 September 2015

Company	Valuation 2015 £'000	Total portfolio %
Aberdeen Smaller Companies High Income Trust	6,615	7.6
British American Tobacco	3,024	3.5
AstraZeneca	2,739	3.2
Unilever	2,579	3.0
HSBC Holdings	2,447	2.8
Centrica	2,294	2.7
Royal Dutch Shell	2,281	2.6
GlaxoSmithKline	2,228	2.6
Chesnara	2,194	2.5
Prudential	2,188	2.5
Ten largest investments	28,589	33.0
Pearson	2,141	2.5
National Grid	2,049	2.4
Vodafone	2,045	2.4
Close Brothers	1,926	2.2
BHP Billiton	1,910	2.2
Sage Group	1,792	2.0
Cobham	1,768	2.0
Schroders	1,536	1.8
BP	1,450	1.7
Inmarsat	1,345	1.5
Twenty largest investments	46,551	53.7
Compass	1,318	1.5
Standard Chartered	1,277	1.5
Wood Group (John)	1,175	1.4
Provident Financial	1,052	1.2
Rolls Royce	934	1.1
Experian	920	1.1
Tesco	918	1.0
Croda International	894	1.0
GKN	839	1.0
Aveva	753	0.9
Thirty largest investments	56,631	65.4
Elementis	730	0.8
BG Group	694	0.8
Weir Group	679	0.8
Inchcape	669	0.8
Ultra Electronic Holdings	668	0.8
Land Securities	644	0.7
Associated British Foods	635	0.7
Capita	311	0.4
Rotork	250	0.3
Total Ordinary shares	61,911	71.5

Investment Portfolio - Other Investments

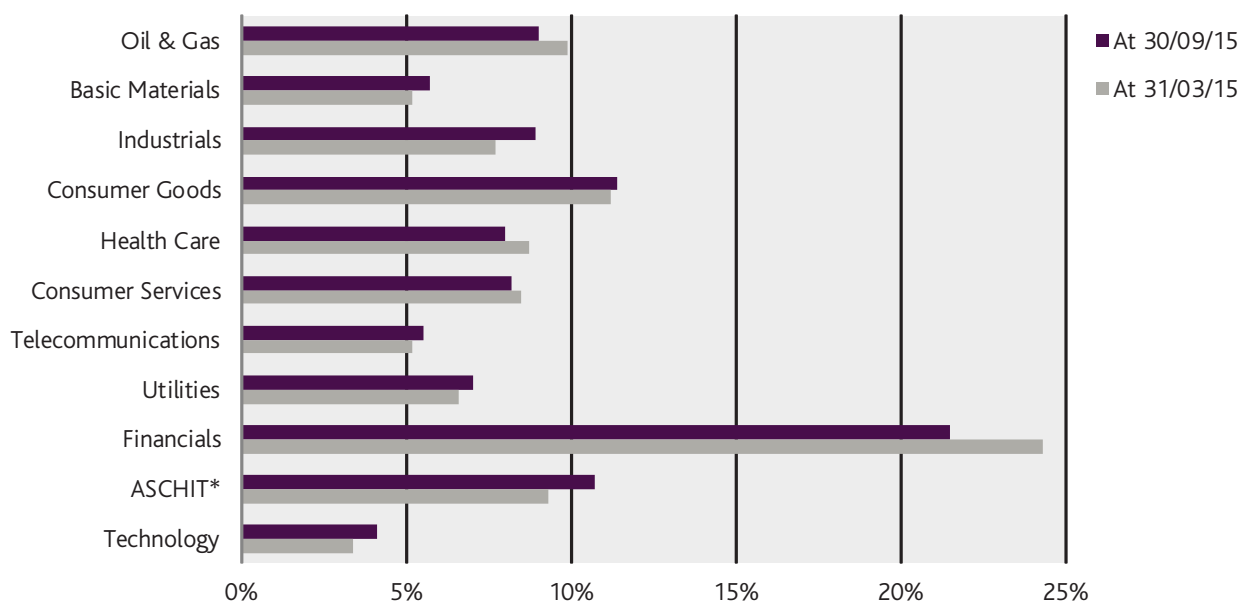
Company	Valuation 2015 £'000	Total portfolio %
Convertibles		
Premier Farnell 89.2p Cum Conv	767	0.9
Balfour Beatty Cum Conv 10.75%	557	0.6
Total Convertibles	1,324	1.5
Preference shares		
Ecclesiastical Insurance Office 8 5/8%	5,703	6.6
Royal & Sun Alliance 7 3/8%	5,111	5.9
General Accident 7.875%	4,293	5.0
Santander 10.375%	4,031	4.7
Standard Chartered 8.25%	3,340	3.8
REA Holdings 9%	917	1.0
Total Preference shares	23,395	27.0
Total other investments	24,719	28.5
Total investments	86,630	100.0

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

Distribution of Assets and Liabilities

	Movement during the period							
	Valuation at		Purchases	Sales	Other	Gains/ (losses)	Valuation at	
	31 March 2015						30 September 2015	
	£'000	%	£'000	£'000	£'000	£'000	£'000	%
Listed investments								
Ordinary shares	66,133	85.0	3,824	(1,827)	–	(6,219)	61,911	88.3
Convertibles	1,346	1.7	–	–	(5)	(17)	1,324	1.9
Preference shares	24,702	31.7	–	–	(42)	(1,265)	23,395	33.4
Total investments	92,181	118.4	3,824	(1,827)	(47)	(7,501)	86,630	123.6
Current assets	4,418	5.7					2,888	4.1
Current liabilities	(8,767)	(11.3)					(9,395)	(13.4)
Non-current liabilities	(10,000)	(12.8)					(10,000)	(14.3)
Net assets	77,832	100.0					70,123	100.0
Net asset value per Ordinary share	259.5p						233.8p	

Analysis of Listed Equity Portfolio



*The Company's investment in Aberdeen Smaller Companies High Income Trust PLC ("ASCHIT") is classified under "Financials" for FTSE classification purposes.

Condensed Statement of Comprehensive Income

	Note	30 September 2015 (unaudited)			30 September 2014 (unaudited)			31 March 2015 (audited)		
		Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
(Losses)/gains on investments at fair value		–	(7,552)	(7,552)	–	(635)	(635)	–	3,470	3,470
Investment income										
Dividend income		1,694	–	1,694	2,003	–	2,003	3,737	–	3,737
Interest income from investments		285	(47)	238	286	(47)	239	578	(93)	485
Stock dividends		230	–	230	56	–	56	65	–	65
Traded option premiums		101	–	101	137	–	137	275	–	275
Money market interest		4	–	4	5	–	5	10	–	10
		2,314	(7,599)	(5,285)	2,487	(682)	1,805	4,665	3,377	8,042
Expenses										
Investment management fees		(98)	(98)	(196)	(99)	(99)	(198)	(198)	(198)	(396)
Other administrative expenses		(184)	–	(184)	(192)	–	(192)	(384)	–	(384)
Finance costs of borrowings		(84)	(84)	(168)	(82)	(82)	(164)	(164)	(163)	(327)
		(366)	(182)	(548)	(373)	(181)	(554)	(746)	(361)	(1,107)
Profit/(loss) before tax		1,948	(7,781)	(5,833)	2,114	(863)	1,251	3,919	3,016	6,935
Taxation	2	(8)	8	–	(21)	16	(5)	(42)	32	(10)
Profit/(loss) attributable to equity holders	3	1,940	(7,773)	(5,833)	2,093	(847)	1,246	3,877	3,048	6,925
Earnings per Ordinary share (pence)	4	6.47	(25.91)	(19.44)	6.97	(2.82)	4.15	12.92	10.16	23.08

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.

Condensed Balance Sheet

	Note	As at 30 September 2015 (unaudited) £'000	As at 30 September 2014 (unaudited) £'000	As at 31 March 2015 (audited) £'000
Non-current assets				
Ordinary shares		61,911	63,554	66,133
Convertibles		1,324	1,314	1,346
Other fixed interest		23,395	23,054	24,702
Securities at fair value		86,630	87,922	92,181
Current assets				
Trade and other receivables		21	24	11
Accrued income and prepayments		760	803	1,005
Cash and cash equivalents		2,107	3,938	3,402
		2,888	4,765	4,418
Total assets		89,518	92,687	96,599
Current liabilities				
Trade and other payables		(395)	(240)	(267)
Short-term borrowings		(9,000)	(18,500)	(8,500)
		(9,395)	(18,740)	(8,767)
Net current liabilities		(6,507)	(13,975)	(4,349)
Total assets less current liabilities		80,123	73,947	87,832
Non-current liabilities				
Long-term borrowings		(10,000)	–	(10,000)
Net assets		70,123	73,947	77,832
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	29,389	33,267	37,162
Revenue reserve		6,377	6,323	6,313
Equity shareholders' funds		70,123	73,947	77,832
Net asset value per Ordinary share (pence)	4	233.76	246.51	259.46

Condensed Statement of Changes in Equity

Six months ended 30 September 2015 (unaudited)

		Share capital	Share premium account	Capital reserve	Retained revenue reserve	Total
	Note	£'000	£'000	£'000	£'000	£'000
As at 31 March 2015		15,049	19,308	37,162	6,313	77,832
Revenue profit for the period		–	–	–	1,940	1,940
Capital loss for the period		–	–	(7,773)	–	(7,773)
Equity dividends	3	–	–	–	(1,876)	(1,876)
As at 30 September 2015		15,049	19,308	29,389	6,377	70,123

Six months ended 30 September 2014 (unaudited)

		Share capital	Share premium account	Capital reserve	Retained revenue reserve	Total
	Note	£'000	£'000	£'000	£'000	£'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

Year ended 31 March 2015 (audited)

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

Condensed Cash Flow Statement

	Six months ended 30 September 2015 (unaudited) £'000	Six months ended 30 September 2014 (unaudited) £'000	Year ended 31 March 2015 (audited) £'000
Cash flows from operating activities			
Investment income received	2,359	2,443	4,266
Money market interest received	5	6	11
Management fee paid	(203)	(196)	(391)
Other cash expenses	(202)	(199)	(399)
Cash generated from operations	1,959	2,054	3,487
Interest paid	(171)	(156)	(318)
Taxation	–	(2)	(5)
Net cash inflows from operating activities	1,788	1,896	3,164
Cash flows from investing activities			
Purchases of investments	(3,746)	(1,610)	(8,461)
Sales of investments	2,039	1,048	7,889
Net cash outflow from investing activities	(1,707)	(562)	(572)
Cash flows from financing activities			
Equity dividends paid	(1,876)	(1,801)	(3,595)
Net cash outflow from financing activities	(1,876)	(1,801)	(3,595)
Net decrease in cash and cash equivalents	(1,795)	(467)	(1,003)
Reconciliation of net cash flow to movements in cash and cash equivalents			
Decrease in cash and cash equivalents as above	(1,795)	(467)	(1,003)
Net cash and cash equivalents at start of period	(15,098)	(14,095)	(14,095)
Cash and cash equivalents at end of period	(16,893)	(14,562)	(15,098)
Net cash and cash equivalents comprise:			
Cash and cash equivalents	2,107	3,938	3,402
Short-term borrowings	(9,000)	(18,500)	(8,500)
Long-term borrowings	(10,000)	–	(10,000)
	(16,893)	(14,562)	(15,098)

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 2015 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 Condensed Statement of Comprehensive Income is calculated at a rate of 20%, 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 2015 £'000	Six months ended 30 September 2014 £'000	Year ended 31 March 2015 £'000
Revenue	1,940	2,093	3,877
Dividends declared	(900) ^A	(900) ^B	(3,675) ^C
	1,040	1,193	202

^A First interim dividend (3.00p) declared in respect of the financial year 2015/16.

^B First interim dividend (3.00p) declared in respect of the financial year 2014/15.

^C First three interim dividends (each 3.00p) and the final dividend (3.25p) declared in respect of the financial year 2014/15.

4. Return and net asset value per share

	Six months ended 30 September 2015 £'000	Six months ended 30 September 2014 £'000	Year ended 31 March 2015 £'000
Returns are based on the following attributable assets:			
Revenue return	1,940	2,093	3,877
Capital return	(7,773)	(847)	3,048
Total return	(5,833)	1,246	6,925
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 £70,123,000 (30 September 2014 – £73,947,000; 31 March 2015 – £77,832,000) and on 29,997,580 (30 September 2014 – 29,997,580; 31 March 2015 – 29,997,580) Ordinary shares in issue at the period end.

Notes to the Financial Statements *continued*

5. Capital reserve

The capital reserve reflected in the Condensed Balance Sheet at 30 September 2015 includes gains of £10,071,000 (30 September 2014 – gains of £15,358,000; 31 March 2015 – gains of £18,087,000) 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 through profit or loss. These have been expensed through capital and are included within (losses)/gains on investments at fair value in the Condensed Statement of Comprehensive Income. The total costs were as follows:

	Six months ended 30 September 2015 £'000	Six months ended 30 September 2014 £'000	Year ended 31 March 2015 £'000
Purchases	16	8	46
Sales	2	2	7
	18	10	53

7. Transactions with the Manager

The Company has an agreement with Aberdeen Fund Managers Limited ("AFML") for the provision of management, secretarial, accounting and administration services and for the carrying out of promotional activities in relation to the Company.

The management fee is based on 0.45% for funds up to £100 million and 0.40% for funds over £100 million, calculated monthly and paid quarterly. The fee is allocated 50% to revenue and 50% to capital. The agreement is terminable on six months' notice. The total of the fees paid and payable during the period to 30 September 2015 was £196,000 (30 September 2014 – £198,000; 31 March 2015 – £396,000) and the balance due to AFML at the period end was £94,000 (30 September 2014 – £98,000; 31 March 2015 – £101,000). The Company held an interest in commonly managed fund Aberdeen Smaller Companies High Income Trust PLC in the portfolio during the period to 30 September 2015 (30 September 2014 and 31 March 2015 – same). The value attributable to this holding is excluded from the calculation of the management fee payable by the Company.

The total fees paid and payable under the management agreement in relation to promotional activities were £44,000 (30 September 2014 – £41,000; 31 March 2015 – £84,000) and the balance due to AFML at the period end was £23,000 (30 September 2014 – £22,000; 31 March 2015 – £22,000). The Company's management agreement with AFML also provides for the provision of company secretarial and administration services to the Company; no separate fee is charged to the Company in respect of these services.

8. Commitments, contingencies and post Balance Sheet events

At 30 September 2015 there were no contingent liabilities in respect of outstanding underwriting commitments or uncalled capital (30 September 2014 and 31 March 2015 – £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 2015 and 30 September 2014 has not been reviewed or audited by the Company's independent auditor.

The information for the year ended 31 March 2015 has been extracted from the latest published audited financial statements which have been filed with the Registrar of Companies. The report of the independent auditor on those accounts contained no qualification or statement under Section 498 (2), (3) or (4) of the Companies Act 2006.

10. This Half Yearly Financial Report was approved by the Board on 17 November 2015.

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 Trust Share Plan, Aberdeen's Investment Plan for Children, Investment Trust ISA or ISA Transfer.

Suitable for Retail

The Company's shares are intended for investors primarily in the UK, including retail investors, professionally-advised private clients and institutional investors who are seeking an 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, and intends to continue to do so for the foreseeable future, in order 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 ("NMPs").

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

Aberdeen's Investment Trust Share Plan

Aberdeen Asset Managers Limited ("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%). Selling costs are £10 + VAT. There is no restriction on how long an investor need invest in a Plan, and regular savers can stop or suspend participation by instructing AAM in writing at any time.

Aberdeen's Investment Plan for Children

AAM 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, including parents, grandparents and family friends (subject to the eligibility criteria as stated within the terms and conditions). 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%). Selling costs are £10 + VAT. There is no restriction on how long an investor need invest in the Children's Plan, and regular savers can stop or suspend participation by instructing AAM in writing at any time. In common with other schemes of this type, all investments are held in nominee accounts.

Stocks and Shares ISA

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

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. There is no restriction on how long an investor need invest in an ISA, and regular savers can stop or suspend participation by instructing AAM in writing at any time.

Nominee Accounts and Voting Rights

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

ISA Transfer

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

Note

Please remember that past performance is not a guide to the future. Stock market and currency movements may cause the value of shares and the income from them to fall as well as rise and investors may not get back the amount they originally invested. As with all equity investments, the value of investment trusts purchased will immediately be reduced by the difference between the buying and selling prices of the shares, the market maker's spread. Investors should

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

Further Information

If investors would like details on Shires Income PLC or information on the Share Plan, Children's Plan ISA or ISA Transfers, please e-mail inv.trusts@aberdeen-asset.com or telephone 0500 00 00 40 or write to –

Aberdeen Investment Trusts
PO Box 11020
Chelmsford
Essex CM99 2DB

Details are also available on www.invtrusts.co.uk

Terms and Conditions

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

Literature Request Service

For literature and application forms for AAM's investment trust products, including the relevant terms and conditions, please contact:

Telephone: 0500 00 00 40
Email: aam@lit-request.com

Keeping You Informed

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

For internet users, detailed data on 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). Alternatively, you can call 0500 00 00 40 for information.

Online Dealing

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

AJ Bell You Invest
Alliance Trust Savings
Barclays Stockbrokers

Charles Stanley Direct
Halifax Share Dealing
Hargreave Hale
Hargreaves Lansdown
Idealing
Interactive Investor
Selftrade
Stocktrade
The Share Centre
TD Direct

Discretionary Private Client Stockbrokers

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

Financial Advisers

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

Regulation of Stockbrokers

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

Investor Warning: Be alert to share fraud and boiler room scams

We have been contacted by investors informing us that they have received telephone calls and emails from people who have offered to buy their investment company shares, purporting to work for Aberdeen Asset Management or for third party firms. We have also been notified of emails claiming that certain investment companies under our management have issued claims in the courts against individuals. These may be scams which attempt to gain your personal information with which to commit identity fraud or could be 'boiler room' scams where a payment from you is required to release the supposed payment for your shares. These callers/senders do not work for Aberdeen and any third party making such offers/claims has no link with Aberdeen. Aberdeen Asset Management does not 'cold-call' investors in this way. If you have any doubt over the veracity of a caller, do not offer any personal information, end the call and contact our investor services centre using the details on our Contact Us page.

The Financial Conduct Authority provides advice with respect to share fraud and boiler room scams:
www.fca.org.uk/consumers/scams

Pre-Investment Disclosure Document

In accordance with Article 23 of the Alternative Investment Fund Managers Directive and Rule 3.2.2 of the FCA FUND Sourcebook, the Company's Manager is required to make available certain disclosures for potential investors in the Company. These disclosures are available on the Company's website:

www.aberdeen-asset.com/doc.nsf/Lit/PressReleaseUKClosedAlternativeInvestmentFundManagersDirectivePre-investmentDisclosureDirective

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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Marian Glen
Andrew S Robson
Robert Talbut

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Alternative Investment Fund Manager

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Investment Manager

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Edinburgh EH2 2BY

Customer Services Department and Aberdeen Children's Plan, Share Plan and ISA enquiries

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(*Lines open 8.30 a.m. to 5.30 p.m., Monday to Friday excluding bank holidays. Charges for calling telephone numbers starting with '03' are determined by the caller's service provider.)

Overseas helpline number: +44 (0)121 415 7047

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Independent Auditor

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Chartered Accountants
Saltire Court
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United States Internal Revenue Service FATCA Registration Number (GIIN)

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