

SHIRES INCOME PLC (the “Company”)

INVESTMENT POLICY

The Company’s investment policy is to invest principally in the ordinary shares of UK quoted companies, and in preference shares, convertibles and other fixed income securities with above average yields. The Company generates income primarily from ordinary shares, preference shares, convertibles and other fixed income securities. It may also use derivatives to enhance income generation.

Gearing

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

Diversification of Risk and Investment Restrictions

In order to ensure adequate diversification, limits are set within the investment policy which the AIFM and Investment Manager must operate. All of these limits are measured at the point of acquisition of investments, unless otherwise stated, as follows:

General Investment Limits

- a maximum of 20% of total assets may be invested in the equity securities of overseas companies;
- a maximum of 7.5% of total assets may be invested in the securities of one company;
- any investment must not represent more than 5% of a quoted investee company’s ordinary shares; and
- a maximum of 10% of total assets may be invested directly in AIM holdings.

Limits in Relation to Preference Shares

- a maximum of 7.5% of total assets may be invested in the preference shares of any one company; and
- the Company may not hold more than 10% of any investee company’s preference shares.

Limits in Relation to Traded Option Contracts

There are principal guidelines put in place to manage the risks associated with these contracts, including:

- call options written are to be covered by stock;
- put options written are to be covered by net current assets/borrowing facilities;
- call options are not to be written on more than 10% of the equity portfolio; and
- put options are not to be written on more than 10% of the equity portfolio.

The Board assesses on a regular basis with the Investment Manager the applicability of these investment limits, the use of gearing and risk diversification, whilst aiming to meet the overall investment objectives of the Company.

In accordance with the Listing Rules, the Company will not make any material change to its published investment policy without the prior approval of the FCA and the approval of its shareholders by ordinary resolution.