Standard Life Equity Income Trust PLC

Annual Report and Accounts
30 September 2012

Contents

Financial Calendar

14 November 2012	Announcement of Annual Financial Report for year ended 30 September 2012
18 December 2012	Annual General Meeting
21 December 2012	Payment of final dividend of 9.00p per ordinary share
May 2013	Announcement of Half Yearly Financial Report for six months ending 31 March 2013
March, June and September 2013	Payment of interim dividends for 2013

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the action you should take, you are recommended to seek your own independent financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 if you are in the United Kingdom or, if not, from another appropriately authorised financial adviser. If you have sold or otherwise transferred all your Ordinary shares in Standard Life Equity Income Trust PLC, please forward this document, together with the accompanying documents immediately to the purchaser or transferee, or to the stockbroker, bank or agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Corporate Summary

Investment Objective	The objective of Standard Life Equity Income Trust is to provide shareholders with an above average income from their equity investment while also providing real growth in capital and income.
Investment Policy	The Directors intend to achieve the investment objective by investing in a diversified portfolio consisting mainly of quoted UK equities. The portfolio will normally comprise between 50 and 70 individual equity holdings. In order to reduce risk in the Company without compromising flexibility: • no holding within the portfolio will exceed 10% of net assets; and • the top ten holdings within the portfolio will not in aggregate exceed 50% of net assets The Company may invest in convertible preference shares, convertible loan stocks, gilts and corporate bonds. The Directors have set parameters of between 95% and 115% for the level of gearing that can be employed. The maximum level of borrowings will therefore represent 15% of net assets and the maximum cash position will be equivalent to 5% of net assets. The Directors have delegated responsibility to the Manager for the operation of the gearing level within the above parameters. The Manager's investment process combines asset allocation, stock selection, portfolio construction, risk management and dealing. The investment process is research-intensive and is driven by a distinctive focus on change which recognises that different factors drive individual stocks and markets at different times in the cycle. This flexible but disciplined investment process ensures that the Manager has the opportunity to perform in different market conditions.
Benchmark	The Company's benchmark is the FTSE All-Share Index.
Equity shareholders' funds	£119.3 million at 30 September 2012.
Market capitalisation	£111.6 million at 30 September 2012.
Capital structure	Standard Life Equity Income Trust is a conventional investment trust with Ordinary shares of 25p each. There were 37,959,305 Ordinary shares in issue (and 1,807,328 treasury shares) at 30 September 2012. There were also 7,557,134 Subscription shares of 0.01p, with no voting rights, in issue as at the same date.
Independent Board	The Directors, all of whom are independent of the management company, meet regularly with the Manager to consider investment strategy and monitor performance.
Manager	During the financial year ending 30 September 2012, the Company was managed by Standard Life Investments with Thomas Moore as the fund manager.
ISA status	The Company's shares are eligible for ISAs and ISA transfers.
Buying shares	The process of buying shares through the Standard Life Investments Share Plan or ISA is shown in 'How to make investments' on page 52 of this report.
AIC membership	The Company is a member of the Association of Investment Companies.
Website	The Company's website may be accessed from the Manager's Investment Trust website which may be found at **www.standardlifeinvestments.com/its** and offers investors comprehensive information on the Company including the latest share price and net asset value, performance figures, charts and commentary as well as details on how to invest in the Company.

Financial Highlights

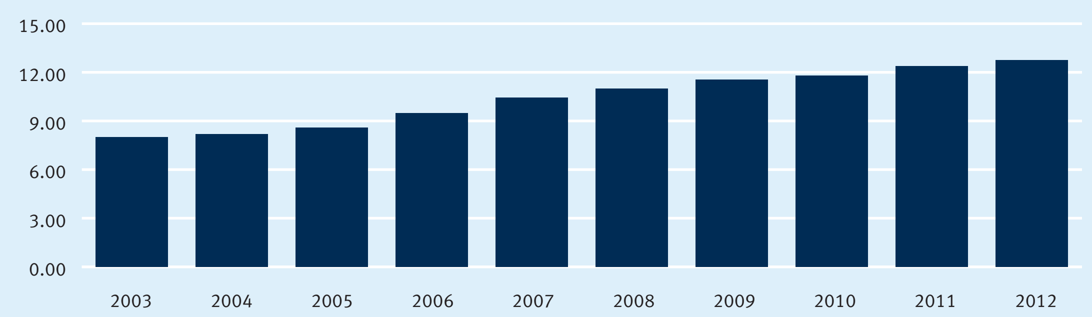
At 30 September 2012	%
Total Return	
Net asset value per ordinary share	22.3
FTSE All-Share Index	17.2

At 30 September 2012	2012	2011	% change
Net asset value per ordinary share (including net revenue)	314.2p	269.9p	16.4
Net asset value per ordinary share (excluding net revenue)	304.4p	260.6p	16.8
Ordinary share price (mid market)	294.0p	276.5p	6.3
(Discount)/premium to net asset value (including net revenue)	(6.4)%	2.4%	n/a
(Discount)/premium to net asset value (excluding net revenue)	(3.4)%	6.1%	n/a
Subscription share price (mid market)	28.0p	23.5p	19.1
FTSE All-Share Index	2,998.9	2,654.4	13.0
Total assets	£135.3m	£117.7m	15.0
Total shareholders' funds	£119.3m	£102.4m	16.5
Ongoing Charges Ratio[A]	0.99%	0.96%	n/a
Revenue return per ordinary share	13.53p	12.86p	5.2
Dividend yield	4.3%	4.5%	n/a
Total dividends for the year (net)	12.75p	12.40p	2.8
Ordinary shares in issue (with voting rights)	37,959,305	37,954,058	—

Gearing	2012	2011
Net gearing ratio	5.7%	6.0%
Gross gearing ratio	12.6%	14.6%

[A] Ongoing charges ratio calculated in accordance with guidance issued by the AIC as the total of the investment management fee and administrative expenses divided by the average cum income net asset value throughout the year. The figures for 2011 have been restated.

Ten year dividend growth record for Company (pence per share)



Charles Wood OBE

I am pleased to report that the performance of the Company for the year ended 30 September 2012 has been strong. The Company's net asset value total return for the year was 22.3% compared with a 17.2% total return for the FTSE All Share Index and a total return of 16.1% for the FTSE 350 High Yield Index.

Income and Dividends

The revenue return per share for the year ended 30 September 2012 rose by 5.2% to 13.53p (2011 – 12.86p). Last year the Company benefited from 1.28p in respect of VAT refunds and related interest received from HMRC. Removing the effect of this, the underlying revenue return increased by 16.8%.

Strong dividend growth from the Company's underlying portfolio during 2012 has resulted in a 14.3% increase in investment income over the reporting year, including special dividends from Vodafone and Severn Trent.

An interim dividend of 3.75p was paid on 22 June 2012, an increase of 5.6% on the previous year's interim reflecting the Board's aim of rebalancing the interim and final dividends. The Board is now recommending a 1.7% increase in the final dividend to 9.00p bringing total dividends for the year to 12.75p, an increase of 2.8%. Subject to shareholder approval, the final dividend will be paid on 21 December 2012 to shareholders on the register on 30 November 2012 with an associated ex-dividend date of 28 November 2012.

Since launch in 1991, the Company has achieved a real growth in income, with dividends increasing by 270%. This compares with an increase of 80% in the Retail Price Index, and a 57% increase in the Consumer Price Index over the same period.

Quarterly Dividends

Following discussions with our major shareholders, the Board has decided that with effect from March 2013 the Company will pay quarterly dividends. Had we paid quarterly dividends in 2012 the timetable and amounts would have been as follows:

Year ended 30/9/12	Pay Date	Amount (p) per share*
Quarter 1	March 2012	3.15p
Quarter 2	June 2012	3.15p
Quarter 3	September 2012	3.15p
Quarter 4	December 2012	3.30p

* Indicative, based on total dividend for year ended 30 September 2012

Performance

The sharp improvement in relative performance compared to 2011 coincides with the selective changes that have been made to the investment portfolio over the course of the year. The portfolio has been shifted gradually to introduce a number of mid cap holdings where the investment manager has a high conviction whilst at the same time reducing the concentration risk of the top ten income contributors. The impact of the changes can be seen in the tables below.

Portfolio spread	30 September 2012	31 March 2012	30 September 2011
FTSE 100	63.3%	70.4%	76.0%
FTSE 250	35.8%	27.8%	23.9%
FTSE Small Cap	0.9%	1.8%	0.1%

Dividend concentration	30 September 2012	31 March 2012	30 September 2011
Top 10 investments	44.6%	47.4%	50.3%

Source: Standard Life Investments

Despite the volatility in the market, the UK corporate sector has proved resilient and offers attractive valuations together with strong balance sheets and dividend cover. The Manager remains focused on the long term performance of the Company and the opportunities the UK market affords.

The long term performance of your Company against its peers is shown in the table below:

UK Growth & Income Peer Group	Three Months Total Return	One Year Total Return	Five Years Total Return
SLEIT	7/21	8/21	10/20

Source: JP Morgan Cazenove

The Company's share price total return for the year ended 30 September 2012 was 11.6%. The discount widened over the year, ending at 6.4% having started the year at a premium of 2.4%.

Chairman's Statement

The Manager's Report on pages 8 to 10 provides further information on the UK economy and equity market as well as a review of the portfolio of investments and activity during the year.

Gearing

The Company has a £20m three year revolving loan facility at a margin of 125bps above LIBOR. This expires in February 2014. The all-in interest cost is approximately 2% per annum, and as such provides effective income gearing for the Company. For the majority of the year the Company drew down £15m of this facility and over the reporting period gearing has been in the range of 5% to 12%.

Governance and Management

After serving over nine years on the Board Chris Rowlands has decided to retire at the AGM in December. I would like to thank Chris for his wise counsel as a director, deploying his wide experience while serving as our Audit Committee Chairman. Jo Dixon has now assumed the latter role; and Richard Burns has now been appointed your Senior Independent Director.

Your Board has again conducted a full annual review of strategy. It has also carried out an evaluation of itself, and did not feel that an external assessment was required at this time.

Your Board continues to consider that the main service providers to the Company perform well and are fairly rewarded. In the year there have been several changes; firstly, within the investment manager team the appointment of Tom Moore as the lead fund manager since November 2011 has gone smoothly and we consider the Company continues to be well supported by both Standard Life Investments in its broadest context and the individual strengths of Tom; secondly, on the Company secretarial side Maven Capital Partners have taken over the reins from Aberdeen Asset Management very efficiently following the latter company's departure from this area of business.

Retail Distribution Review (RDR) and Marketing

The Manager has been very active marketing the Company's ordinary shares over recent months particularly when the discount widened to over 10% in July. This provided an attractive buying opportunity for existing and new shareholders. Indeed a number of the directors bought additional shares. Importantly our management team also bought additional shares.

The implementation of the RDR in February 2013 presents an ideal opportunity for investment trusts to communicate their benefits to a wider investor universe since independent advisers will have to consider the full range of investment products for clients. The investment trust industry can demonstrate an investment track record at lower cost than most mutual funds, and it is hoped that our trust will in time benefit from this opportunity.

The Manager meets regularly with private client and wealth managers. In addition, the Board is always pleased to welcome private investors to the Company's AGM, to be held this year on Tuesday 18 December 2012 at the 34th floor of our Manager's London office at 30 St Mary Axe, London EC3A 8EP (the Gherkin). The meeting will start at 11am and will include a presentation from the managers.

Alternative Investment Fund Manager Directive (AIFMD)

Additional European regulation is almost upon us with implementation into UK legislation by July 2013. In essence, investment and asset managers will be obliged to set up risk management frameworks that are independent of portfolio managers. This will affect the relationship of your Board with its Manager. It will also affect the contractual relationship between the Company and the custodian. I have commented before that this is an unnecessary regulation of conventional investment trusts which are already regulated and are limited companies. With only a few months before the countries in the EU are obliged to put the Directive into law, key detail is still not available, and a central decision will have to be made by your Board as to responsibility. Some higher costs are indicated, but the Board will ensure that these are kept to the minimum possible.

The Board has arranged to take legal advice as to the best interests of your Company.

New Investment Trust Rules and Changes to Articles

The Board has noted the changes this year to the taxation rules and the Companies Act.

The new rules permit the distribution of capital profits to shareholders by way of dividend, allowing greater flexibility in managing dividends in the future. Under previous tax and company law such distributions were prohibited and this prohibition was required to be included in the

Articles of Association. Your Board believes it is prudent to be in a position to take advantage of the new regulations as and when such distributions are considered to be in the best interests of shareholders. To this end Resolution 11 in the Notice of Meeting is being proposed as a special Resolution seeking shareholders' approval to amend the Articles of Association of the Company to remove the current restriction on the distribution of realised capital profits. It should be stressed that it is not intended to change the Company's current dividend policy but these changes will provide flexibility in the future.

Outlook

Stock markets have recovered strongly since midsummer, further encouraged by the recent round of quantitative easing. Overall corporate dividends in the UK have continued their recovery from the low point of two years ago.

Your Board is conscious that well into this protracted economic cycle many uncertainties remain as to the outcome of economic policies, not least the vast distortion of official interest rates.

However we also believe that by increasing our holding of medium sized companies, where dividends have been growing well, and being selective about defensive sectors, our manager has improved the long term prospects of the Company. The process is not yet complete. This additional and selective focus will help underpin our mandate to secure long term growth of income and capital.

Our manager has delivered an excellent result over the year and your Company is well positioned.

Charles Wood OBE
Chairman

13 November 2012

Board of Directors

Charles Wood OBE
Chairman
Appointed to the Board in 2003, he is chairman of Northcliffe Trustees Limited and a member of the Investment Committee of the Daily Mail and General Trust plc Pension Scheme. He is also a director of Cazenove Capital Management Pension Trustee Limited.

Richard Burns
Director
Appointed to the Board in 2006, he is chairman of the Remuneration & Management Engagement Committee. He is currently a non-executive director of JPMorgan Indian Investment Trust plc, The Bankers Investment Trust PLC, EP Global Opportunities Trust PLC and Mid Wynd International Investment Trust PLC and a former non-executive director of The Baillie Gifford Japan Trust PLC. He was, until May 2006, Joint Senior Partner of Baillie Gifford. Mr Burns was designated as the Senior Independent Director on 5 September 2012.

Josephine Dixon
Director
Appointed to the Board in 2011, she is a Chartered Accountant whose career includes a number of years in a variety of roles in the Nat West Group, Finance Director of Newcastle United plc, Serco Group where she was Commercial Director of UK Europe and the Middle East, and on various advisory Boards in the education and charity sector. She is currently Interim Financial Director for the Eden Project Cornwall, and is a director of Worldwide Healthcare Trust PLC and Baring Emerging Europe PLC. Ms Dixon was appointed as chairperson of the Audit Committee on 5 September 2012.

Keith Percy
Director
Appointed to the Board in 1991, he is chairman of the Nomination Committee. He is chairman of Brunner Investment Trust PLC and also a non-executive director of JPMorgan Japanese Investment Trust PLC, The Henderson Smaller Companies Investment Trust PLC, and F&C Asset Management PLC.

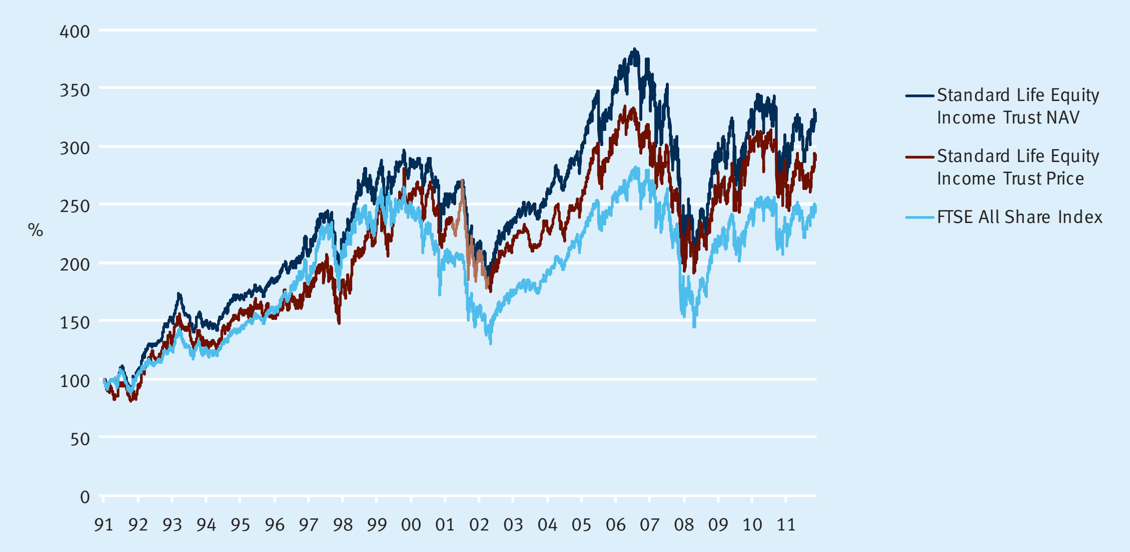
Chris Rowlands
Director
Appointed to the Board in 2003, Mr Rowlands has served as the Senior Independent Director and chairman of the Audit Committee. A Chartered Accountant, he is currently involved in business angel activity and was formerly chief executive of The Television Corporation PLC and HTV Group PLC.

Financial Record

	Gross revenue £'000	Revenue available for ordinary shareholders £'000	Revenue earnings per share p	Dividends per share p	Net asset value per share [3] p	Shareholders' funds £'000	Share price p	(Discount)/ premium %	Net gearing ratio [4]	Gross gearing ratio [5]
2002	3,555	2,779	6.99	7.60	187.0	74,373	189.5	1.3	0.94	1.00
2003	4,207	3,532	8.88	8.00	212.8	84,613	211.0	(0.8)	0.98	1.00
2004	3,688	2,926	7.36	8.20	235.1	93,495	231.0	(1.7)	0.97	1.05
2005 [1]	4,917	3,992	10.04	8.60	286.2	113,718	256.0	(10.5)	1.01	1.06
2006 [2]	4,843	4,161	10.47	9.50	325.1	129,171	297.5	(8.5)	1.07	1.08
2007	5,404	4,606	11.99	10.45	348.9	132,333	311.0	(10.9)	1.07	1.10
2008	5,479	4,782	12.61	11.00	262.5	99,573	241.0	(8.2)	0.96	1.15
2009	4,922	4,836	12.75	11.55	280.3	106,302	253.5	(9.6)	1.08	1.08
2010	4,715	4,189	11.04	11.80	299.8	113,701	286.8	(4.3)	1.10	1.11
2011	5,257	4,877	12.86	12.40	269.9	102,422	276.5	2.4	1.06	1.15
2012	5,780	5,136	13.53	12.75	314.2	119,273	294.0	(6.4)	1.06	1.13

[1] The figures for 2005 for Shareholders' funds, Net Asset Value and premium/(discount) have been restated to reflect the changes in accounting policies arising from revisions to UK GAAP. The figures for dividends have not been restated and still reflect the dividends for the years in which they were earned.
[2] From 1 October 2005, the Directors have established that 70% (previously 30% - see (1) above) of the total of finance costs and investment management fees are charged against the capital reserve.
[3] Net Asset Values include net revenue for the period, where applicable.
[4] Total assets less current liabilities excluding all debt being used for investment purposes (irrespective of how long the debt has to run until repayment) less all cash and fixed interest assets divided by shareholders' funds.
[5] Total assets less current liabilities excluding all debt being used for investment purposes (irrespective of how long the debt has to run until repayment) divided by shareholders' funds.

Historic Performance Analysis (rebased to 100 from 14 November 1991)



Source: Thomson Datastream

Manager's Report

Thomas Moore

Market Review

Against a backdrop of the ongoing Euro-zone debt crisis, a stagnant domestic economy and a patchy global economic recovery, UK equities made good progress in the 12 months to September 2012 as investors focused on the continued strong health of the UK listed corporate sector.

The first three months of the Company's financial year were broadly positive for UK equities, largely as a result of rising expectations for more concerted efforts toward resolving the Euro-zone's debt difficulties. In particular, the market welcomed liquidity injections from the European Central Bank (ECB), which eased anxieties that a funding crisis could lead to a major seizure across the Euro-zone's financial system.

The resulting revival in investor risk appetite ensured that UK equities enjoyed a strong start to 2012. However, investor confidence was subsequently undermined when concerns about the Euro-zone again took centre stage in the second quarter of 2012. These concerns focused in particular on the ramifications of a possible Greek exit from the Euro-zone, banking sector strains and rising tensions in the bond markets of both Italy and Spain. Investor unease was further exacerbated by evidence that the UK economy had moved into recessionary territory and also by growing unease about the resilience of the global economic recovery. The end result was that UK equities fell back in the second quarter of 2012, with May in particular witnessing a sharp sell-off. By the early summer, some sense of equilibrium had been restored, with an EU Summit convened in late June making more progress than had been expected.

UK equities made steady gains throughout the final three months of the period, with the FTSE All-Share Index delivering positive returns in July, August and September. In particular, the market gained confidence from a range of stimulus initiatives from central banks across the globe. In July, risk appetite was bolstered by a speech from ECB President Mario Draghi in which he stated the ECB would do 'whatever it takes' to support the euro. The resulting rally was sustained into the autumn, with equities gaining a further boost from the Federal Reserve's announcement of a third round of quantitative easing in September.

The domestic economy remained sluggish for most of the Company's financial year, although there was some positive news, including surprisingly robust private sector employment trends suggesting that the UK economy returned to growth in the third quarter of 2012. CPI inflation moved lower over the 12-month period, falling to 2.5% in August 2012 from a peak of over 5% in September 2011 providing a benign backdrop for further stimulus measures from the Bank of England.

Performance

For the year to 30 September 2012, the Company's net asset value total return was 22.3%, outperforming the FTSE All Share Index total return of 17.2% (source: Thomson Datastream). Over the reporting period, the share price rose from 276.5p to 294p.

Key positive contributors to performance included several of the Company's engineering and industrial stocks, including Bodycote and Fenner, which benefited from upgrades to earnings forecasts over the 12-month period as analysts refocused from bearish macro-economic views to strengthening corporate fundamentals. Packaging company DS Smith outperformed as it reported solid trading and a positive outlook, while also announcing the earnings-enhancing acquisition of its Swedish rival SCA's packaging assets. Telecoms company Talktalk was another strong performer, making gains on the back of good results and a positive outlook statement. Not holding Tesco was also beneficial, as the food retail group warned of tough trading conditions and operational difficulties that appear likely to affect its profit generating ability for some time.

On the negative side, insurance group Admiral reported disappointing results and an increased level of provisions, raising fears that its management had been growing the business too aggressively. We sold our holding over the period. Shares in Tullett Prebon, an inter-dealer broker, also lagged in an environment of weakening volumes due to low levels of volatility and ongoing financial sector deleveraging. In addition, our exposure to mining group Rio Tinto detracted from performance given mounting evidence that China's fixed asset investment programme is slowing more rapidly than had been anticipated. This has put pressure on the price of iron ore, to which Rio Tinto has significant exposure. However, this negative was more than offset by our lack of exposure to other mining companies, including Anglo American.

Activity

Significant purchases over the period included various Travel & Leisure stocks including cinema operator Cineworld, betting company Ladbrokes and pub operators Greene King and Marstons. All of these companies have reported better-than-expected trading and also offer attractive dividend yields underpinned by strong cash flow generation. The outlook for domestically orientated companies is showing some signs of improvement, in particular due to the increase in private sector employment. The low valuations of many of these domestic stocks would appear to suggest that these improving trends have been overlooked by the market.

During the period we also increased exposure to the fixed line telecoms sector through purchases of BT and Talktalk, both of which are benefiting from the backdrop of a benign competitive landscape. We also started a new holding in satellite telecommunications operator Inmarsat, where results showed solid operating trends in existing markets and new capital expenditure is set to accelerate growth over the medium term.

Significant sales over the period included various large cap defensive holdings where share price strength induced by the flight to safety at a time of macro risk aversion had not been matched by underlying operating progress. We reduced exposure to Vodafone, where there is evidence of some deterioration in Western European mobile and data trends. We also reduced our holding in Imperial Tobacco, which is suffering from some volume pressure due to toughening regulation and heavy exposure to the continental European market.

We reduced exposure to the utilities sector having received proceeds from the successful takeover of International Power by French utility GDF Suez. We also sold out of National Grid given our concerns around the risks from regulatory reviews in the UK and US, coupled with its stretched balance sheet.

We reduced our weighting in the mining sector during the course of the 12 month period, including Xstrata and BHP Billiton, given our concerns around the impact of slowing fixed asset investment in China and the impact of heavy capex on companies' dividend paying ability.

The net effect of our portfolio activity, as the Chairman has noted, has been to increase the Company's exposure to mid and small cap holdings that offer the prospect of superior dividend and capital growth, at the expense of large cap holdings that offer more limited growth potential and also appear to be more fully valued. We believe that this approach will benefit the Company's total return prospects over the medium term, whilst diversifying the Company's income sources and thereby reducing its reliance on some of the largest stocks in the market.

Manager's Report

Outlook

In the current environment of subdued economic growth, we believe that successful equity income investing requires a selective approach.

Investors remain apprehensive as a result of ongoing uncertainties stemming from the Euro-zone crisis, but they are beginning to recognise the resilience of UK corporate earnings and balance sheets, as well as the attractive valuations and dividend yields on offer. We currently see the investment opportunities as particularly rich among mid and small cap companies.

Thomas Moore
Standard Life Investments

13 November 2012

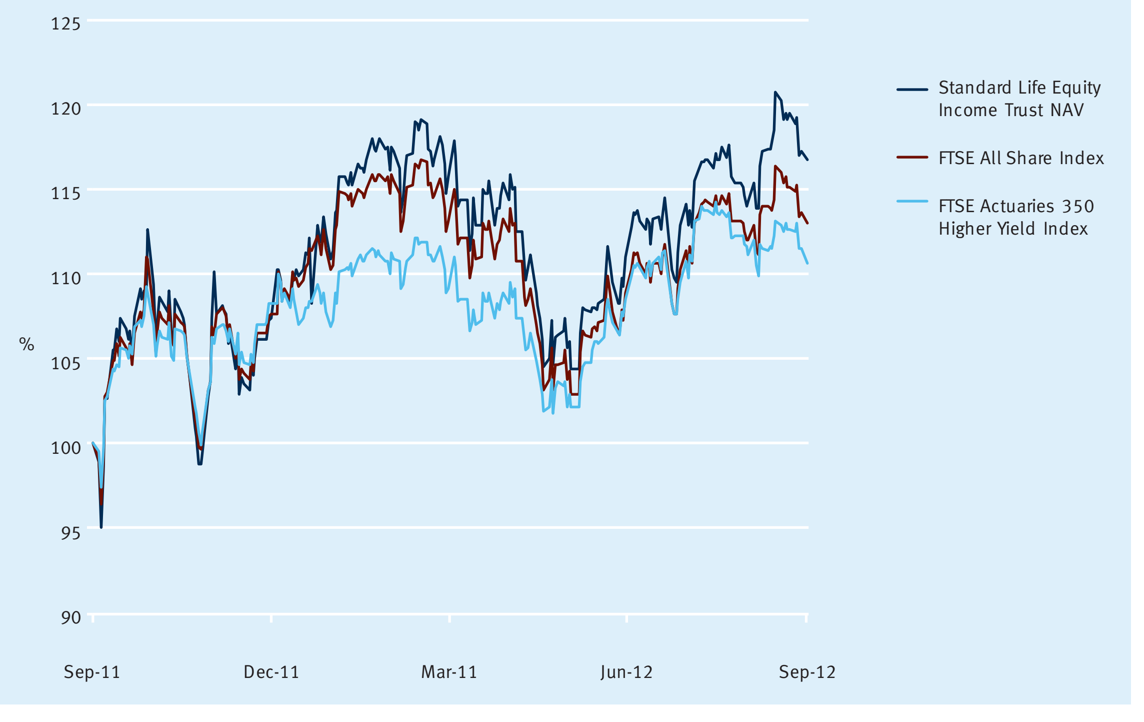
Relative Performance Attribution*	%
Stock Selection	2.0
Gearing	2.2
Interest	-0.4
Expenses	-0.4
Total	3.4

*based upon capital return NAV

Top 5 Stock Level Contributors	Relative Position (%)	Contribution (%)
DS Smith	2.3	0.7
Anglo American	-1.8	0.6
Tesco	-1.6	0.4
BG	-2.7	0.4
Bodycote	1.0	0.3

Bottom 5 Stock Level Contributors	Relative Position (%)	Contribution (%)
Diageo	-2.2	-0.5
Admiral	0.1	-0.3
Carillion	0.7	-0.3
SSE	-0.2	-0.2
Tullett Prebon	0.8	-0.2

Index Performance: year to 30 September 2012 (re-based to 100)



Source: Thomson Datastream

Top Twenty Investments

As at 30 September 2012

Stock	Key Business	Valuation as at 30 September 2012 £'000	Weight %	Valuation as at 30 September 2011 £'000
HSBC Holdings	Banks	7,137	5.7	6,186
Royal Dutch Shell*	Oil & Gas Producers	6,496	5.2	8,781
Vodafone	Mobile Telecommunications	6,114	4.9	7,045
BP	Oil & Gas Producers	5,633	4.5	5,277
GlaxoSmithKline	Pharmaceuticals & Biotechnology	5,132	4.1	6,891
BT	Telecommunications	4,058	3.2	1,004
British American Tobacco	Tobacco	3,955	3.2	3,394
DS Smith	General Industrials	3,659	2.9	1,622
Inmarsat	Mobile Telecommunications	2,628	2.1	—
Petrofac	Oil Equipment & Services	2,575	2.1	479
Top ten investments		**47,387**	**37.9**	
Rio Tinto	Mining	2,533	2.0	3,857
Legal & General	Life Insurance/Assurance	2,473	2.0	1,308
GKN	Automobiles & Parts	2,381	1.9	1,857
Easyjet	Travel & Leisure	2,301	1.8	—
Close Brothers	Financial Services	2,186	1.8	950
Standard Chartered	Banks	2,158	1.7	949
Rolls Royce	Aerospace & Defence	2,150	1.7	—
Barclays	Banks	2,131	1.7	690
AstraZeneca	Pharmaceuticals & Biotechnology	1,873	1.5	2,691
RSA Insurance	Non-life Insurance	1,860	1.5	1,183
Top twenty investments		**69,433**	**55.5**	
Other investments		55,770	44.5	
Total investments		**125,203**	**100.0**	

All investments are equity investments.

* Valuation is for combined holdings in 'A' and 'B' shares.

Classification of Investments

At 30 September 2012

	2012 £'000	Total portfolio 2012 %	FTSE All-Share Index 2012 %	Total portfolio 2011 %
UK Equities				
Oil & Gas		**13.0**	**17.2**	**14.5**
Oil & Gas Producers		10.9		
BP	5,633			
Royal Dutch Shell A	4,086			
Royal Dutch Shell B	2,410			
Tullow Oil	1,474			
Oil Equipment Services & Distribution		2.1		
Petrofac	2,575			
Basic Materials		**4.2**	**9.8**	**8.1**
Chemicals		0.9		
Johnson Matthey	1,125			
Forestry & Paper		0.6		
Mondi	742			
Mining		2.7		
Rio Tinto	2,533			
Glencore	904			
Industrials		**16.6**	**9.1**	**16.7**
Construction & Materials		2.5		
Kier	1,624			
Balfour Beatty	1,491			
Aerospace & Defence		2.4		
Rolls Royce	2,150			
Senior	789			
General Industrials		2.9		
DS Smith	3,659			
Electronic & Electrical Equipment		0.8		
Spectris	608			
Morgan Crucible	394			
Industrial Engineering		4.1		
Bodycote	1,740			
Fenner	917			
Weir	877			
IMI	868			
Melrose	691			
Support Services		3.9		
Howden Joinery	1,749			
Babcock International	1,073			
G4S	877			
De la Rue	722			
Carillion	457			

Classification of Investments

At 30 September 2012

	2012 £'000	Total portfolio 2012 %	FTSE All-Share Index 2012 %	Total portfolio 2011 %
Consumer Goods		**7.2**	**13.7**	**8.3**
Automobiles & Parts		1.9		
GKN	2,381			
Household Goods & Home Construction		0.8		
Bovis Homes	1,007			
Tobacco		4.5		
British American Tobacco	3,955			
Imperial Tobacco	1,706			
Health Care		**6.5**	**7.4**	**9.6**
Health Care Equipment & Services		0.9		
Smith & Nephew	1,065			
Pharmaceuticals & Biotechnology		5.6		
GlaxoSmithKline	5,132			
AstraZeneca	1,873			
Consumer Services		**12.0**	**9.4**	**7.1**
General Retailers		0.5		
Inchcape	676			
Media		1.2		
Informa	1,467			
Travel & Leisure		10.3		
Easyjet	2,301			
Stagecoach	1,554			
Whitbread	1,549			
Marstons	1,510			
Compass	1,320			
Ladbrokes	1,276			
Greene King	1,179			
Cineworld	1,156			
Restaurant	745			
International Consolidated Airlines	354			
Telecommunications		**11.2**	**6.3**	**7.4**
Fixed Line Telecommunications		4.2		
BT	4,058			
Talktalk Telecom	1,206			
Mobile Telecommunications		7.0		
Vodafone	6,114			
Inmarsat	2,628			
Utilities		**3.2**	**4.0**	**7.6**
Gas, Water & Multiutilities		3.2		
Severn Trent	1,396			
United Utilities	1,281			
Pennon	782			
Centrica	520			

Classification of Investments

At 30 September 2012

	2012 £'000	Total portfolio 2012 %	FTSE All-Share Index 2012 %	Total portfolio 2011 %
Financials		**25.9**	**21.7**	**20.6**
Banks		9.1		
HSBC Holdings	7,137			
Standard Chartered	2,158			
Barclays	2,131			
Non-life Insurance		4.1		
RSA Insurance	1,860			
Hiscox	1,802			
Jardine Lloyd Thompson	1,501			
Life Insurance/Assurance		2.6		
Legal & General	2,473			
Prudential	821			
Real Estate Investment Trusts		2.2		
Segro	1,693			
Hammerson	1,048			
Financial Services		7.9		
Close Brothers	2,186			
International Personal Financial	1,430			
IG	1,100			
Tullett Prebon	917			
Aberdeen Asset Management	803			
3i	767			
Brewin Dolphin	669			
F&C Asset Management	615			
Provident Financial	609			
Ashmore	608			
Rathbone Brothers	224			
Technology		**0.2**	**1.4**	**0.1**
Software & Computer Services		0.2		
Computacenter	282			
Total Portfolio	**125,203**	**100.0**	**100.0**	**100.0**

All investments are equity investments.

The Directors present their Report and the audited financial statements of the Company for the year ended 30 September 2012.

Incorporation and Listing

The Company was incorporated as a public limited company on 24 September 1991 and its Ordinary shares were listed on the London Stock Exchange on 14 November 1991. The Company's registration number is 2648152.

Business Review

In conjunction with the rest of the Annual Report and Financial Statements, in particular, the Chairman's Statement and Manager's Report, this Business Review is intended to provide information about the Company's business and its results for the year.

Status and Principal Activity

The Company is an investment company within the meaning of Section 833 of the Companies Act 2006 and carries on business as an investment trust. The Company is a member of The Association of Investment Companies.

The Company has been approved by HM Revenue & Customs as an investment trust for the purposes of Section 1158-1159 of the Corporation Tax Act 2010 for the year ended 30 September 2011. The Directors are of the opinion that the Company has conducted its affairs so as to be able to continue to obtain approval as an investment trust under Sections 1158-1159 of the Corporation Tax Act 2010 for the year ended 30 September 2012. In accordance with recent changes to the Corporation Tax Act 2010, the Company will, prior to 30 September 2013, seek ongoing approval as an investment trust for all accounting periods commencing on or after 1 October 2012. It is the Directors' intention that the Company should continue to manage its affairs so as to be a qualifying investment for inclusion in the stocks and shares component of an Individual Savings Account.

Investment Objective

The Company's investment objective is to provide shareholders with an above average income from their equity investment while also providing real growth in capital and income.

Investment Policy

The Directors intend to achieve the investment objective by investing in a diversified portfolio consisting mainly of quoted UK equities which will normally comprise between 50 and 70 individual equity holdings.

In order to reduce risk in the Company without compromising flexibility:

- no holding within the portfolio will exceed 10% of aggregate net assets; and
- the top ten holdings within the portfolio will not exceed 50% of net assets

The Company may invest in convertible preference shares, convertible loan stocks, gilts and corporate bonds.

The Directors have set parameters of between 95% and 115% for the level of gearing that can be employed. The maximum level of borrowings will therefore represent 15% of net assets. The Directors have delegated responsibility to the Manager for the operation of the gearing level within the above parameters.

The Manager's investment process combines asset allocation, stock selection, portfolio construction, risk management and dealing. The investment process is research intensive and is driven by the Manager's distinctive 'Focus on Change' which recognises that different factors drive individual stocks and markets at different times in the cycle. This flexible but disciplined investment process ensures that the Manager has the opportunity to perform in different market conditions.

Performance

The investment portfolio at the year end is set out on pages 12 to 14 and the top twenty investments are listed on page 11. In the year ended 30 September 2012, the Company's net asset value total return was 22.3%, outperforming the FTSE All Share Index total return of 17.2%. Further details on future trends and factors that may impact on the future performance of the Company are included in the Chairman's Statement and Manager's Report.

Results and Dividend

Details of the Company's results are shown in the Financial Highlights on page 2.

The total revenue return attributable to Ordinary shareholders for the year ended 30 September 2012 amounted to £ 5,136,000 (2011: £4,877,000).

An interim dividend of 3.75 pence per share was paid to eligible shareholders on 22 June 2012 (2011 –3.55 pence) and the Directors are now recommending to shareholders that a final dividend per share of 9.00 pence (2011 – 8.85 pence) be paid on 21 December 2012 to shareholders on the share register as at the close of business on 30 November 2012. The ex-dividend date is 28 November 2012.

Details of the dividends paid during the year ended 30 September 2012 may be found in note 7 to the Financial Statements on page 41.

In respect of the financial year to 30 September 2013, the Board intends to pay quarterly dividends. It is expected that such interim dividends will be paid in March, June and September and that a final dividend will be paid in December. This change should benefit shareholders' cash flow and also brings the Company into line with the approach taken by a number of its peers. The first quarterly interim dividend will be paid in March 2013.

An outline of the Company's performance, market background, investment activity and portfolio strategy during the year under review, as well as the Manager's investment outlook, is provided in the Manager's Report which may be found on pages 8 to 10.

Monitoring Performance – Key Performance Indicators

The key performance indicators (KPIs) shown below have been identified by the Directors to determine the progress of the Company and a record of these measures, with comparatives, is disclosed in the Financial Highlights on page 2:

- Net asset value (total return) relative to the Company's benchmark (FTSE ALL-Share Index total return)
- Share price (capital return)
- Premium or Discount to net asset value

At each Board meeting, the Directors consider a number of performance measures, including the KPIs, to assess the Company's success in achieving its investment objective.

Principal Risks and Uncertainties

The Directors regularly review the principal risks which they have identified and the Directors have set out delegated controls designed to manage those risks. Key risks within investment and strategy, for example inappropriate stock selection or gearing, are managed through investment policy, guidelines and restrictions and by the process of oversight at each Board meeting.

The principal risks and uncertainties which give rise to specific risks which are associated with the Company, as identified by the Directors, are as follows:

- Objective and Strategy risk: the Company and its investment objective become unattractive to investors. The Directors review regularly the Company's investment objective and investment policy in light of investor sentiment and monitor closely whether the Company should continue in its present form. The Directors, through the Manager, hold regular discussions with major shareholders. A resolution to continue the Company in its present form will be next considered at the Annual General Meeting ("AGM") in 2016 and every fifth subsequent AGM.
- Shareholder Profile risk: Activist shareholders, whose interests are not consistent with the long term objectives of the Company, may be attracted to the shareholder register. The Manager provides a shareholder analysis to the Directors at every meeting for their consideration of any action required in addition to regular reporting by the Company's stockbroker.
- Resource risk: In common with most investment trusts, the Company has no employees. The Company therefore relies upon services provided by third parties. This particularly includes the Manager, to whom responsibility for the management of the Company has been delegated under an investment management agreement, further details of which may be found on page 18. The Directors review the performance of the Manager on a regular basis.
- Investment and market risk: The Company is exposed to the effect of variations in security prices due to the nature of its business. A fall in the value of its investment portfolio will have an adverse effect on the value of shareholders' funds.
- Capital structure and gearing risk: The Company's capital structure at 30 September 2012 consisted of equity share capital comprising Ordinary shares, Subscription shares and debt in the form of a revolving credit facility with the Royal Bank of Scotland plc for up to £20m. In rising markets, the effect of the borrowings would be beneficial but in falling markets the gearing effect would adversely affect returns to shareholders. The Manager is able to increase or decrease the

gearing level by repaying or drawing down periodically from the bank facility subject to Directors' overall restrictions on gearing. The bank facility is subject to regular monitoring by the Royal Bank of Scotland plc and covenants are supplied quarterly to the bank by the Company.

- Income and dividend risk: In view of the Company's investment objective, to provide for shareholders an above average income from their equity investment, the Manager is required to strike a balance more in favour of income return over capital growth. The Directors have adopted an accounting policy which permits 70% of the aggregate of the finance costs and investment management fees to be charged to the capital account within the Income Statement as opposed to the revenue account. This policy is reviewed regularly by the Directors in light of the expected long term split of returns between income and capital. The Directors receive frequent updates as to the progress made by the Manager towards the achievement of the income requirements of the Company's investment objective.
- Regulatory risk: The Company operates in a regulated environment and faces a number of regulatory risks. A breach of Sections 1158-1159 of the Corporation Tax Act 2010 (formerly Section 842 of the Income and Corporation Taxes Act 1988) would result in the Company being subject to capital gains tax on any portfolio investment gains. Breaches of other regulations, including the UKLA Listing Rules or the UKLA Disclosure and Transparency Rules, could lead to a number of detrimental outcomes and reputational damage. Breaches of controls by service providers such as the Manager and Company Secretary could also lead to reputational damage or loss.

  There is also a further regulatory risk in the form of the Alternative Investment Fund Managers Directive ("AIFMD") which is due to be enacted in the national laws of member states of the European Union by July 2013. The AIFMD will introduce a new authorisation and supervisory regime for all investment trust fund managers and investment companies in the European Union. This is expected to create some additional regulatory costs for the Company.
- Financial instruments and derivatives risk: further information relating to these risks may be found in Note 16 to the Financial Statements on pages 45 to 47.

Directors' Report – General

The names and short biographies of the Directors of the Company at the date of this Report, all of whom served throughout the year ended 30 September 2012, are shown on page 6.

The Directors' interests in the share capital of the Company at 30 September 2012 and 1 October 2011 are shown in Table 1.

	Shares held at 30 September 2012		Shares held at 1 October 2011	
	Ords 25p	Sub Shares	Ords 25p	Sub Shares
C.A. Wood, OBE	18,000	2,500	12,500	2,500
R.R.J. Burns	140,000	18,000	90,000	18,000
C.J. Rowlands	9,956	1,991	9,956	1,991
K. E Percy	21,850	4,370	21,850	4,370
J. Dixon	4,050	—	—	—

Table 1: Directors' interests in Ordinary shares and Subscription shares

Mr C.A Wood and Mr K.E. Percy will have served as Directors for more than nine years from the date of their first election as at the date of the next AGM and as such will retire at the next AGM in accordance with the provisions of the AIC Code. Both Mr C.A Wood and Mr K.E. Percy being eligible, offer themselves for annual re-election.

Mr C.J. Rowlands is retiring at the next AGM and will not seek re-election.

The other Directors have reviewed the skills and experience of both Mr C.A. Wood and Mr K.E. Percy, and have no hesitation in recommending to shareholders their individual re-election at the AGM. The relevant resolutions may be found in the Notice of AGM on page 53 of this report.

No contract or arrangement subsisted during the year in which any of the Directors is or was materially interested. The Directors' interests in the share capital of the Company at 30 September 2012 were unchanged as at the date of this report.

Directors' Indemnity

The Company maintains insurance in respect of Directors' and Officers' liabilities in relation to their acts on behalf of the Company. The Directors also have the benefit of the indemnity provision contained in the Company's Articles of Association. This provides, subject to UK legislation, for the Company to indemnify Directors in respect of costs which they may incur relating to the defence of any proceedings brought against them arising out of their positions as Directors in which judgement is given in their favour or they are acquitted. The Company has granted indemnities to the Directors on this basis.

Additional Information

The rules governing the appointment of Directors are set out in the Statement of Corporate Governance on pages 23 to 29. The Company's Articles of Association may only be amended by a special resolution at a general meeting of shareholders.

The Company is not aware of any significant agreements to which it is a party which take effect, alter or terminate upon a change of control of the Company following a takeover.

The Directors review each year the principal contracts and other arrangements in place between the Company and third parties. Other than the investment management agreement with the Manager, further details of which are set out below, the Company is not aware of any contractual or other agreements which are essential to its business which ought to be disclosed in the Directors' Report.

Bank Facilities

The Company has agreed a £20m revolving Sterling bank facility ("the facility") with the Royal Bank of Scotland plc. During the year, funds were periodically repaid or drawn down from the facility as determined by the Manager. As at 30 September 2012, £15m was drawn down. Additional information may be found in the "Gearing" section of the Chairman's Statement on page 4.

Share Capital and Voting Rights

The Company did not buy back any shares into treasury or for cancellation during the year ended 30 September 2012 (2011: nil).

The total number of ordinary shares of 25p of the Company in issue as at 30 September 2012 was 37,959,305 (excluding treasury shares) with each share holding one voting right. The Company also holds 1,807,328 shares in treasury. There were also 7, 557, 134 Subscription shares of 0.01p, with no voting rights, in issue as at the same date.

During the year, shareholders exercised their right to convert 5,247 Subscription shares into Ordinary shares for a total consideration of £17,000.

Each shareholder is entitled to one vote on a show of hands and, on a poll, to one vote for every share held. There are no restrictions on the transfer of Ordinary shares in the Company other than certain restrictions which may from time to time be imposed by law (for example, insider trading law). The Company is not aware of any agreements between shareholders which may result in restriction in the transfer of securities and/or voting rights.

Investment Management

Since 24 November 2005, investment management services have been provided to the Company by Standard Life Investments under an investment management agreement dated 18 October 2005 which is terminable by either party on not less than six months' notice. Company secretarial and administrative services are provided under a separate agreement with the Manager. Up to 29 June 2012 the company secretarial and administrative services were provided by Aberdeen Asset Management PLC. With effect from 29 June 2012 company secretarial and administrative services are provided by Maven Capital Partners UK LLP.

The investment management fee is calculated at 0.65% per annum of total assets payable quarterly in arrears and is chargeable 30% to revenue. The management fees charged during the year are shown in Note 3 to the Financial Statements.

The Directors believe that, in their collective opinion and for the reasons set out on page 26, the continuing appointment of the Manager, on the terms agreed, is in the best interests of shareholders as a whole.

Social, Community, Employee Responsibilities and Environmental Policy

As an investment trust, the Company has no direct social community, employee or environmental responsibilities. Its principal responsibility to shareholders is to ensure that the investment portfolio is properly managed and invested. The Company has no employees and accordingly no requirement to separately report in this area as the management of the portfolio has been delegated to the Manager. The Manager engages with the Company's underlying investee companies in relation to their corporate governance practices and in developing their policies on social, community and environmental matters and further information may be found in the Statement of Corporate Governance.

Corporate Governance

The statement of Corporate Governance which forms part of the Directors' Report is shown on pages 23 to 29.

Going Concern

After enquiry, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. In considering this, the Directors took into account the diversified portfolio of readily realisable securities which can be used to meet short-term funding commitments, and the ability of the Company to meet all of its liabilities and ongoing expenses. Accordingly, it is reasonable for the Financial Statements to continue to be prepared on a going concern basis.

Substantial Interests in Shares

Table 2 sets out the declarations of interests in the voting rights of the Company, as at 30 September 2012, which have been notified to the Company under the UKLA's Disclosure and Transparency Regulations.

Name of shareholder	Number of Ordinary Shares	%
Brewin Dolphin	6,874,212	18.11
Company Share Plan	5,110,335	13.46
Charles Stanley	3,064,465	8.07
Alliance Trust Savings	2,163,565	5.70
Investec Wealth & Investment	1,733,406	4.57
Smith & Williamson	1,470,765	3.87
Legal & General Investment Management	1,305,868	3.44
Rathbones	1,142,102	3.01

Table 2: Substantial interests

The Board is aware of the following changes in the substantial interests as at the date of this report.

Name of shareholder	Number of Ordinary Shares	%
Brewin Dolphin	6,651,470	17.53
Company Share Plan	5,097,708	13.43
Charles Stanley	3,331,751	8.78
Alliance Trust Savings	2,166,507	5.70
Investec Wealth & Investment	1,982,571	5.22
Smith & Williamson	1,469,740	3.87
Legal & General Investment Management	1,305,868	3.44
Rathbones	1,136,552	2.99

Creditor Payment Policy

It is the policy of the Company to settle all investment transactions in accordance with the terms and conditions of the relevant market in which it operates. All other expenses are paid on a timely basis in the ordinary course of business. The Directors do not consider any creditors to represent trade creditors.

Independent Auditor

The Company's Independent Auditor, Grant Thornton UK LLP, is willing to continue in office and resolution 6 will be proposed at the Annual General Meeting to re-appoint the Auditor and to authorise the Directors to fix the Independent Auditor's remuneration. There were no non audit fees paid during the year to Grant Thornton UK LLP (2011: £27,000). The Directors have sought assurances from the Auditor that they remain independent and objective. The Directors have also reviewed the Auditor's procedures in connection with the provision of non-audit services and remain satisfied that objectivity and independence is being safeguarded by Grant Thornton UK LLP.

Directors' Disclosure of Information to the Auditor

The Directors who held office at the date of approval of this Report have confirmed that, so far as they are each aware, there is no relevant audit information needed of which the Company's Independent Auditor was unaware, and that each Director had taken all the steps that they might reasonably be expected to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's Independent Auditor was aware of that information.

Subsequent Events

There have been no events since 30 September 2012 requiring disclosure.

Electronic Proxy Voting

Legislation is in force which permits shareholders to submit proxy forms electronically.

To submit a proxy form via the internet, an internet-enabled PC with Internet Explorer 4 or Netscape 4 or above will be required. Shareholders will also need their shareholder reference number (SRN) and Personal Identification Number (PIN), which can be found on the personalised proxy form which accompanies this report, to access this service. Before a proxy can be appointed, shareholders will be asked to agree to the terms and conditions for electronic proxy appointment. The use of the electronic proxy appointment service offered through Computershare Investor Services Limited, the Company's registrars, is entirely voluntary. Shareholders can continue to submit their proxy form by post if they wish. Further information on this service may be found under "Information for Investors" on pages 50 and 51.

Annual General Meeting

The Notice of the AGM, which will be held this year at 11.00 a.m. on Tuesday 18 December 2012, may be found on pages 53 to 56.

Authority of Directors to allot shares (Ordinary Resolution 7)

The Directors cannot allot further shares in the capital of the Company without the prior authorisation of the shareholders in general meeting under section 551 of the Companies Act 2006. If resolution 7 is passed, the Directors will have the authority to allot unissued share capital up to a maximum nominal amount of £3,131,642 which represents approximately one –third of the Company's issued share capital (excluding shares held in treasury) as at 13 November 2012 (the latest practicable date before the printing of this document).

As at that date the Company held 1,807,328 ordinary shares in treasury which represents approximately 4.8% of the Company's issued Share capital (excluding treasury shares). If given, this authority will expire at the conclusion of the next AGM of the Company, or, if earlier, on 17 March 2014.

The Directors intend to seek a renewal of such power at each AGM. The Directors consider that the authority proposed to be granted by resolution 7 is necessary to retain flexibility, although they do not at the present time have any intention of exercising such authority.

Disapplication of pre-emption rights (Special Resolution 8)

If the Directors wish to exercise the authority under resolution 7 and offer unissued shares for cash, the Companies Act 2006 requires that, unless shareholders have given specific authority for the waiver of the statutory pre-emption rights, the new shares are offered first to existing shareholders. In certain circumstances, it may be in the best interests of the Company to allot new shares, to grant rights over shares or to sell shares held in treasury for cash without first offering them to existing shareholders in proportion to their holdings. The passing of resolution 8 would disapply the strict statutory pre-emption provisions.

This would provide the Directors with a degree of flexibility to act in the best interests of the Company so that (i) the Company can follow normal practice in the event of a rights issue or other offer of securities in favour of the existing shareholders in proportion to their shareholdings; and (ii) shares may be issued for cash to persons other than existing shareholders up to a nominal value of £948,983, which represents approximately 10% of the Company's issued share capital as at 13 November 2012. The Directors' could, if necessary, use this power to satisfy demand from participants in the Investment Trust Share Plan and Individual Savings Account managed by the Company's Manager if they believe it advantageous to participants and the Company's shareholders to do so. Under no circumstances would the Directors use the power to issue shares at a price which is less than the net asset value per Ordinary share at the time of issue. If given, this authority will expire at the conclusion of the next AGM of the Company or, if earlier, on 17 March 2014.

The Directors intend to seek a renewal of such power at each AGM.

Authority for the Company to purchase its own shares (Special Resolutions 9 and 10)

The Company's Articles of Association permit the purchase by the Company of its own Ordinary and Subscription shares subject to shareholders' prior approval being obtained. The Company's buy back authority was last renewed at the AGM and General Meeting of the Company on 15 December 2011. Resolutions 9 and 10, if passed, would authorise the Company to buy back up to 5,690,100 Ordinary shares and 1,132,814 Subscription shares which represents approximately 14.99% of the Company's issued ordinary share capital (excluding shares held in treasury and 14.99% of the Company's Subscription shares as at 13 November 2012 respectively. If given, these authorities will expire at the conclusion of the next AGM of the Company or, if earlier on 17 March 2014. The Directors intend to seek a renewal of such powers at each AGM.

The resolutions specify the maximum and minimum prices at which shares may be bought, reflecting the requirements of the Companies Act 2006 and the Listing Rules. Any buy back would only be made on the London Stock Exchange.

Any purchases of Ordinary shares will be made within guidelines established from time to time by the Directors, but they will only exercise the authority if, in their opinion, it would be in the interests of the Company to do so and would result in an increase in net asset value per Ordinary share for the remaining shareholders and if it is in the best interests of shareholders generally. Such purchases will only be made at prices below the prevailing net asset value per Ordinary share and within the price constraints set out in paragraphs (b) and (c) of the resolution.

Under the Companies Act 2006, the Company is allowed to hold its own Ordinary shares in treasury following a buy back, instead of cancelling them. This gives the Company the ability to re-issue treasury shares quickly and cost-effectively and provides the Company with additional flexibility in the management of its capital base. Shares held in treasury may be resold for cash but all rights attaching to them, including voting rights and any right to receive dividends, are suspended while they are held in treasury. If the Directors exercise the authority conferred by resolution 9, the Company will have the option of either holding in treasury or of cancelling any of its own shares purchased pursuant to the authority and will decide at the time of purchase which option to pursue. The Directors will have regard to any guidelines issued by investor groups at the time of any such purchase, holding or re-sale of treasury shares, but the Directors would not in any circumstances sell treasury shares at less than net asset value per Ordinary share prevailing at the time of sale.

Purchases of Subscription shares will only be made through the Market at prices where the Directors believe such purchases will enhance Ordinary shareholder value and within the price constraints set out in paragraphs (b) and (c) of the resolution. Any Subscription shares repurchased by the Company will be cancelled and will not be held in treasury for reissue or resale.

Amendment of Articles (Special Resolution 11)
Over the past year, and since the articles of association (the "Articles") were last amended in 2010, there have been a number of changes to the UK tax rules concerning investment trusts. As a result of the new tax rules the Companies Act 2006 has also been amended to remove the prohibition on the distribution of realised capital profits by investment companies allowing such companies to now pay dividends out of capital profits. In the light of these changes to UK law the Company is proposing to adopt new articles of association removing such prohibition which will bring the Articles into line with the Companies Act 2006. The Board has no current intention to pay dividends out of capital profits.

In addition, the Company is also proposing to amend the provisions of the Articles that relate to the subscription shares issued in November 2010. The Directors understand that HM Revenue & Customs has recently indicated that where the subscription rights attached to the subscription shares have lapsed such shares must remain admitted to trading on a regulated market. The Board is therefore proposing an amendment to the Articles so that, on the date that the rights attaching to the subscription shares lapse, such subscription shares will be converted into deferred shares and such deferred shares will then immediately be repurchased by the Company for a nominal amount. Following the repurchase of such shares, in respect of which the subscription shares rights have lapsed, they will cease to exist.

A copy of the New Articles will be available for inspection at the registered office of the Company at 30 St Mary Axe London EC3A 8EP during normal business hours on any weekday (public holidays excepted) from the date of the notice of the AGM until the conclusion of the AGM and on the date of the AGM at the meeting venue itself from 9.00 a.m. until the conclusion of the meeting.

Subscription Shareholder Class Meeting
As the proposed amendment to the Articles vary the rights attached to the subscription shares, the passing of Resolution 11 at the AGM is conditional on the approval of subscription shareholders in a separate class meeting. Only subscription shareholders are entitled to attend and vote at this class meeting. The notice of the subscription shareholder class meeting, which will be held

at 11.15 a.m. on Tuesday 18 December 2012, or as soon as the annual general meeting of the Company convened for 11.00 a.m. on the same day has concluded or been adjourned, may be found on pages 57 and 58.

The quorum for the Class Meeting is not less than two persons present (in person or by proxy) holding at least one-third of the nominal amount paid up on the subscription shares in issue. If a quorum is not present at the time and place for which the Class Meeting has been convened, the Class Meeting will be adjourned until 11 January 2013 when one person holding Subscription Shares (whatever the number of shares held) who is present in person or by proxy will constitute a quorum.

Recommendation

The Directors unanimously recommend that shareholders vote in favour of each resolution to be put to the AGM on 18 December 2012 and subscription shareholders vote in favour of the resolution to be proposed at the Class Meeting.

By order of the Board,
Maven Capital Partners UK LLP
Company Secretary

London, 13 November 2012

Statement of Corporate Governance

Introduction

The Board is accountable to the Company's shareholders for high standards of corporate governance and this statement describes how the Company applies the main principles identified in the UK Corporate Governance Code ("the Governance Code") issued in June 2010 and which was first in effect for the Company's year ended 30 September 2011. The Governance Code is available from the website of the Financial Reporting Council at www.frc.org.uk. The Association of Investment Companies ("the AIC") has published its own Code on Corporate Governance ("the AIC Code"), by reference to the AIC Corporate Governance Guide for Investment Companies ("the AIC Guide"), both revised in October 2010, which provide a comprehensive guide to best practice in certain areas of governance where the specific characteristics of investment trusts suggest alternative approaches to those set out in the Governance Code. Both the AIC Code and AIC Guide are available from the AIC website at www.theaic.co.uk.

This Statement of Corporate Governance forms part of the Directors' Report.

Application of the Main Principles of the Governance Code and the AIC Code

This statement describes how the main principles identified in the Governance Code and the AIC Code ("the Codes") have been applied by the Company throughout the year as is required by the Listing Rules of the UK Listing Authority. In instances where the Governance Code and AIC Code differ, an explanation will be given as to which governance code has been applied, and the reason for that decision.

The Board is of the opinion that the Company has complied fully with the main principles identified in the Codes except as set out below:

- the role of the chief executive – Code provision A2.1; and
- executive directors' remuneration – Code provisions D2.1, D2.2, and D2.4.

For the reasons set out in the AIC Guide, and as explained in the Governance Code, the Board considers that these provisions are not relevant to the Company, being an externally managed investment company. The Company has therefore not reported further in respect of these provisions.

The Board

The Board currently consists of a non- executive Chairman, Mr C.A. Wood, OBE and four non-executive Directors. The names and biographies of those Directors who held office at 30 September 2012 and at the date of this Report appear on page 6 and indicate their range of investment, industrial, commercial and professional experience. During the year Mr C.J. Rowlands served as Senior Independent Director up to 5 September 2012. With effect from that date Mr R.R.J. Burns was appointed as Senior Independent Director.

All Directors are considered under the Codes to be independent of Standard Life Investments (Corporate Funds) Limited ("the Manager") and free of any relationship which could materially interfere with the exercise of their independent judgement on issues of strategy, performance, resources and standards of conduct.

The Board sets the Company's values and objectives and ensures that its obligations to its shareholders are met. It has formally adopted a schedule of matters which are required to be brought to it for decision, thus ensuring that it maintains full and effective control over appropriate strategic, financial, operational and compliance matters.

These matters include:

- the maintenance of clear investment objectives and risk management policies;
- the monitoring of business activities of the Company ranging from analysis of investment performance through to review of quarterly management accounts;
- monitoring of Disclosure and Transparency Rules requirements such as approval of Interim Management Statements, the Half -Yearly Financial Report and Annual Report and Financial Statements and approval and recommendation of any dividend;
- setting the range of gearing in which the Manager may operate;
- major changes relating to the Company's structure including share buy-backs and share issuance;
- Board appointments and removals and the related terms;
- authorisation of Directors' conflicts or possible conflicts of interest;

- terms of reference and membership of Board Committees;
- appointment and removal of the Manager and the terms and conditions of the Investment Management Agreement relating thereto; and
- Stock Exchange/UK Listing Authority/Financial Services Authority - responsibility for approval of all circulars, listing particulars and other releases concerning matters decided by the Board.

The Board has a procedure in place to deal with a situation where a Director has a conflict of interest. As part of this process, the Directors prepare a list of other positions held and all other conflict situations that may need authorising either in relation to the Director concerned or his/her connected persons. The Board considers each Director's situation and decides whether to approve any conflict, taking into consideration what is in the best interests of the Company and whether the Director's ability to act in accordance with his or her wider duties is affected. Each Director is required to notify the Company Secretary of any potential or actual conflict situations which require authorising by the Board. Authorisations given by the Board will be reviewed at each Board meeting.

Following implementation of the Bribery Act 2010, the Board adopted appropriate procedures designed to prevent bribery.

There is an agreed procedure for Directors to take independent professional advice, if necessary, at the Company's expense. The Directors have access to the advice and services of the Company Secretary through its appointed representative who is primarily responsible to the Board:

- for ensuring that Board procedures are complied with;
- under the direction of the Chairman, for ensuring good information flows with the Board and its Committees, as well as facilitating induction and assisting with professional development as required; and
- for advising through the Chairman, on all corporate governance matters.

The Board meets formally at least five times a year, and more frequently where business needs require. The Board met on five occasions during the year ended 30 September 2012. Details of the attendance by each of the Directors and Committee members at these Board and other Committee meetings are shown in Table 3. Between meetings, the Board maintains regular contact with the Manager.

	Board Meetings	Audit Committee Meetings	Nomination Committee	Remuneration & Management Engagement Committee
C.A.Wood, OBE	5 (5)	2 (2)	1 (1)	1 (1)
J.Dixon	5 (5)	2 (2)	1 (1)	1 (1)
R.R.J. Burns	5 (5)	2 (2)	1 (1)	1 (1)
K.E. Percy	5 (5)	2 (2)	1 (1)	1 (1)
C.J. Rowlands	4 (5)	2 (2)	1 (1)	1 (1)

Table 3: Directors' attendance at Board and Committee meetings with the number of meetings which they were eligible to attend in brackets.

The primary focus at regular Board meetings is a review of investment performance and associated matters including gearing, marketing and investor relations and industry issues. To enable the Board to function effectively and allow Directors to discharge their responsibilities, full and timely access is given to all relevant information. In the case of Board meetings this consists of a comprehensive set of papers including the Manager's report and discussion documents regarding specific matters.

External Agencies

The Board has contractually delegated the following services to external firms;

- shareholder registration services;
- custody services (which includes the safeguarding of assets);
- the management of the investment portfolio, and
- the day to day accounting, company secretarial and administration services of the Company.

The contracts, including the investment management agreement with the Manager, were entered into after full and proper consideration by the Directors of the quality and cost of services offered, including the financial control systems in operation in so far as they relate to the affairs of the Company. These contracts are also reviewed regularly by the Remuneration and Management Engagement Committee. Key staff from the Manager and the Company Secretary regularly attend appropriate Board meetings to brief the Directors on the nature and extent of the risks facing the Company. Both written and oral reports are received throughout the year from the firms to which services are subcontracted, detailing, in each case, the internal control objectives and procedures adopted.

Board Committees

The Directors have appointed a number of Committees as set out below. Copies of their terms of reference, which clearly define the responsibilities and duties of each Committee, are available on request from the Company Secretary or via the download area of the Company's webpage, hosted by the Manager, at www.standardlifeinvestments.com/its

Audit Committee

The Directors have established an Audit Committee comprising the full Board. This was chaired by Mr C.J. Rowlands up to 5 September 2012. In light of Mr Rowlands' decision to retire at the 2012 AGM, Ms J Dixon was appointed as Chairman of the Committee with effect from 5 September 2012.

The Directors have satisfied themselves that at least one of the Committee's members has recent and relevant financial experience.

The Committee meets not less than twice per year. The main responsibilities of the Committee are:

- monitoring the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance, and reviewing significant financial reporting judgements contained in them;
- reviewing the Company's internal financial controls and the Company's internal controls and risk management systems;
- reviewing an annual statement from the Manager detailing the arrangements in place whereby the Manager's staff may, in confidence escalate concerns about possible improprieties in matters of financial reporting or other matters;
- making recommendations to the Board, for it to put to shareholders for their approval in general meeting, in relation to the appointment of the external auditor and to approve the remuneration and terms of engagement of the external auditor;
- reviewing the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;
- developing and implementing policy on the engagement of the external auditor to supply non audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm; and
- reporting to the Board, identifying any matters in respect of which the Committee considers that action or improvement is needed, and making recommendations as to the steps to be taken.

During the year ended 30 September 2012, the external auditor, Grant Thornton UK LLP, received no non-audit fees (2011: £27,000). Grant Thornton UK LLP, in accordance with regulatory requirements rotates the Senior Statutory Auditor responsible for the audit every five years and the Committee considers that the external auditor is independent of the Company.

Nomination Committee

The Directors have established a Nomination Committee comprising the full Board with Mr K.E. Percy as Chairman.

The main responsibilities of the Committee include:

- regularly reviewing the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board;
- undertaking succession planning , taking into account the challenges and opportunities facing the Company and identifying candidates to fill vacancies;
- recruiting new directors, undertaking open advertising or engaging external advisers to facilitate the search, as appropriate, with a view to considering candidates from a range of backgrounds, on merit, and with due regard for the benefits of diversity on the Board, including gender, taking care to ensure that appointees have enough time available to devote to the position;
- ensuring that new appointees receive a formal letter of appointment and suitable induction and on-going training;

Statement of Corporate Governance

- arranging for annual Board performance evaluation to ensure that Directors are able to commit the time required to properly discharge their duties;
- making recommendations to the Board as to the position of Chairman, Senior Independent Director, Chairman of the Nomination Committee and Chairman of the Remuneration and Management Engagement Committee;
- assessing, on an annual basis, the independence of Directors; and approving the re-appointment of any Director or the re-election, subject to the Codes, or the Articles of Association, of any Director at the AGM, having due regard to their performance, ability to continue to contribute to the Board in the light of the knowledge, skills and experience required and the need for progressive refreshing of the Board.

Remuneration and Management Engagement Committee

The Directors have established a Remuneration and Management Engagement Committee comprising the full Board with Mr R.R.J. Burns as Chairman.

The Committee meets at least annually to agree the remuneration of the Directors and also to review the contractual arrangements with external firms.

The Company Secretary, who also supplies accounting, secretarial and administrative services to the Company, provides comparative peer group information when the Committee considers the level of Directors' remuneration. The Directors also have access to independent advice where they consider it appropriate.

The Company's policy on Directors' remuneration, together with details of the remuneration of each Director, is detailed in the Directors' Remuneration Report on pages 31 and 32.

At its meeting in May 2012, the Committee reviewed the performance of the Manager. The performance for the Company's financial year has also been reviewed and the Directors consider the Manager's performance satisfactory. Accordingly, it was agreed that the continued appointment of the Manager, on the present terms, was in the continued best interest of shareholders as a whole.

Tenure Policy

Directors' appointments are reviewed formally every three years by the Board as a whole. Any Director may resign by notice in writing to the Board at any time. None of the Directors has a service contract with the Company. There are no set notice periods and no compensation is payable to Directors on leaving office.

The Articles of Association and the terms of the Directors' appointment provide that a Director shall retire and be subject to election at the first AGM after appointment and at the third AGM after the AGM at which he/she was last elected.

The Board's policy on tenure is that Directors need not serve on the Board for a limited period of time only. The Board does not consider that the length of service of a Director is as important as the contribution he or she has to make, and therefore the relevance of individual length of service will be determined on a case by case basis.

Pursuant to the UK Code Provision B.7.1, both Mr C.A.Wood and Mr K.E.Percy will stand for re-election as Directors at the forthcoming AGM. Notwithstanding that Mr Wood and Mr Percy have served as Directors for more than nine years from the date of their first appointment, the other Directors are firmly of the view that their independence has not been compromised by this length of service. In considering Mr Wood and Mr Percy's independence, the Committee considered a number of factors including their experience, integrity and judgement of character. The Committee also recognised that neither Mr Wood nor Mr Percy has any connection with the Manager, is not a professional adviser who has provided services to the Manager or the Board, does not serve on any other board of a company managed by the Manager or serve as a director on a company with any of the other directors of the Company. For these reasons the Nomination Committee (excluding Mr Wood and Mr Percy) believes that Mr Wood and Mr Percy remain independent and has no hesitation in recommending their re-election as Directors.

Performance Evaluation

A performance evaluation of the effectiveness of the Board as a whole, and of each individual Director was carried out during the year. This sought to identify whether the Board demonstrates sufficient collective skill and experience and that each Director exhibits the commitment required for the Company to achieve its objectives. An evaluation of the Chairman, in his absence, was also carried out by the other Directors led by Mr R.R.J Burns as the Senior Independent Director. The Board is satisfied with the resulting performance evaluation of the Board, each individual Director and the Chairman.

Internal Control and Risk Management

The Board is ultimately responsible for the Company's system of internal controls and risk management and for reviewing its effectiveness.

Following publication by the Financial Reporting Council of "Internal Control: Revised Guidance for Directors on the Combined Code" ("the FRC Guidance"), the Board confirms that there is an on-going process for identifying, evaluating and managing the significant risks faced by the Company.

This process has been in place for the year under review and up to the date of approval of this Annual Report and Financial Statements and is regularly reviewed by the Board and accords with the FRC Guidance. Further information on the principal risks may be found in the Business Review on pages 15 to 17 of the Directors' Report.

The Board has delegated the investment management of the Company's assets to the Manager within overall guidelines and this embraces implementation of the system of internal control, including financial, operational and compliance controls and risk management.

The Board has reviewed the effectiveness of the Manager's system of internal control and risk management and, in particular, they have reviewed the process for identifying and evaluating the significant risks faced by the Company and the policies and procedures by which these risks are managed.

Risks are identified and documented through a risk management framework by each function within the manager's activities. Risk is considered in the context of the FRC Guidance and includes financial, regulatory, market, operational and reputational risk.

This helps the internal audit risk assessment model identify those functions for review. Any weaknesses identified are reported to the Board and timetables are agreed for implementing improvements to systems. The implementation of any remedial action required is monitored and feedback provided to the Board. The key components designed to provide effective internal control for the year under review, and up to the date of this report, are outlined below:

- the Manager prepares forecasts and management accounts which allow the Board to assess the Company's activities and review its investment performance;
- the Directors and the Manager have agreed clearly defined investment criteria, specified levels of authority and exposure limits. Reports on these issues, including performance statistics and investment valuations, are regularly submitted to the Board. The Manager's evaluation procedure and financial analysis of the companies concerned include detailed appraisal and due diligence;
- as a matter of course the compliance department of the Manager continually reviews the Manager's operations;
- written agreements are in place which specifically define the roles and responsibilities of the Manager and other third party service providers; and
- twice a year the Board, via the Audit Committee, carries out an assessment of internal controls by considering documentation from the Manager and the Company Secretaries, including the internal audit and compliance functions and taking account of events since the relevant period end.

The system of internal control and risk management is designed to meet the Company's particular needs and the risks to which it is exposed. Accordingly, the system of internal control and risk is designed to manage, rather than eliminate the risk of failure to achieve business objectives and, by their nature, can provide reasonable but not absolute assurance against material misstatement or loss.

As the Company has no employees it does not have a formal policy concerning the raising in confidence of any concerns about possible improprieties, whether in matters of financial reporting or otherwise, for appropriate investigation. The Board reviews each year the Manager's and the Company Secretary's policies on this matter.

Communication with Shareholders

The Company reports formally to shareholders twice a year by way of the Half-Yearly Financial Report and the Annual Report which each include an analysis of the risks and uncertainties facing the Company. A quarterly factsheet is also published on the website of the Manager and is available to all shareholders on request: see Key Contacts (page 49) for details. An Interim Management Statement is also published via the London Stock Exchange for the quarters ended 30 June and 31 December each year. The Company's net asset value is published each business day.

The Directors are always available to discuss issues of concern or areas of uncertainty with any shareholders and key contacts for the Company may be found on page 49.

Statement of Corporate Governance

The Company has adopted a process which ensures that, where notification has been received in advance, nominee operators will be provided with copies of shareholder communications for distribution to their customers. Nominee investors may attend general meetings and are entitled to speak at meetings.

Members of the Standard Life Investments Savings Share Plan or Individual Savings Account, whose shares are held in nominee names of the scheme or plan administrator, are given the opportunity to vote by means of an individual Form of Direction enclosed with the Annual Report. These Forms of Direction are forwarded to the scheme or plan administrator who counts the votes and prepares a proxy form on behalf of the scheme/plan member(s) which is forwarded to the Company's registrars for inclusion in the voting figures. Those members who attend the AGM and who wish to speak are entitled to do so provided that they are in possession of a representation letter issued by the scheme or plan administrator. Further information on how to obtain a representation letter may be found in the Form of Direction.

The Company's AGM provides a forum for communication primarily with private shareholders and is attended by the Chairman of the Board and by the Chairmen of the Audit, Remuneration and Management Engagement and Nomination Committees. The Manager makes a presentation to the meeting and the Chairman announces the level of proxies lodged on each resolution, and the balance for and against and votes withheld, where relevant, after the resolution has been pit to a show of hands. Each person attending the AGM as a proxy is entitled to vote on a show of hands. A separate resolution is proposed in respect of each substantially separate issue. In order to ensure that detailed discussion of key issues is possible, the Company normally aims to circulate to shareholders the Annual Report and the notice of the AGM not less than 20 working days before the date of the meeting.

Corporate Governance, Stewardship and Proxy Voting

The Financial Reporting Council ("FRC") published the UK Stewardship Code "the Code") for institutional shareholders on 2 July 2010. The purpose of the Code is to enhance the quality of engagement between institutional investors and companies to help improve long-term returns to shareholders and assist institutional investors with the efficient exercise of their governance responsibilities. The FRC is encouraging institutional investors to make a statement of their commitment to the Code.

The Board has reviewed the Manager's statement of compliance with the Code, which appears on the Manager's website, at http://www.standardlifeinvestments.com/corporate_governance_sustainable_and_responsible_investing/the_uk_stewardship_code/index.html.

The Board has delegated responsibility for actively monitoring the activities of portfolio companies to the Manager. The board has reviewed and accepts the Manager's corporate governance principles and policies ("the Principles and Policies"), which may be found on the Manager's website at http://www.standardlifeinvestments.com/corporate_governance_sustainable_and_responsible_investing/what_is_corporate_governance/principles_and_policies.html. These Principles and Policies set out the Manager's framework on corporate governance, proxy voting and shareholder engagement in relation to the companies in which the Manager has invested or is considering investing.

The Manager is responsible for reviewing, on a regular basis, the annual reports, circulars and other publications produced by portfolio companies and for attending company meetings. The Manager, in the absence of explicit instruction from the Board, is empowered to use discretion in the exercise of the Company's voting rights.

The Board recognises and supports the Manager's policy of active engagement with investee companies and the voting of all of the shares held by the Company. The Board receives from the Manager regular reports on the exercise by the Manager of the Company's voting rights and discusses with the Manager any issues arising. It is the Board's view that having an active voting policy and a process for the monitoring by the Board of the Manager's exercise of those votes, especially in relation to controversial issues, aids the efficient exercise of the Company's governance responsibilities.

The Board is aware of its duty to act in the interests of the Company. The Directors, through the Manager encourage companies in which investments are made to adhere to best practice in the area of corporate governance. The Manager believes that this can best be achieved by entering into a dialogue with company management, where practicable, to encourage them where necessary, to improve their policies in this area.

Socially Responsible Investment Policy

The Manager undertakes constructive engagement with investee companies on issues of social, community and environmental responsibility in order to influence positively developments in these areas.

The Manager's specific policies are outlined in their Corporate Governance UK Guidelines which may be found on the Manager's website at http://www.standardlifeinvestments.com/CG_Corporate_Governance_Booklet/getLatest.pdf

The Manager believes that a company run in the long-term interests of its shareholders should manage its relationships with its employees, suppliers and customers and behave responsibly towards the environment and society as a whole. Companies that demonstrate a commitment to environmental and social responsibility are considered by the Manager to be likely to enjoy comparative advantage in the long run.

Accountability and Audit

The Statement of Directors' Responsibilities in respect of the Financial Statements is on page 30 and the Statement of Going Concern is included in the Directors' Report on page 19. The Independent Auditor's Report is on page 33.

By order of the Board,
Maven Capital Partners UK LLP
Company Secretary

London, 13 November 2012

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations. Company law requires the Directors to prepare Financial Statements for each financial year. Under that law they have elected to prepare the Financial Statements in accordance with UK Accounting Standards. The Financial Statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements.

The Directors are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its Financial Statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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

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

Directors' Responsibility Statement
Each Director confirms, to the best of his or her knowledge, that:

- the Financial Statements have been prepared in accordance with UK Accounting Standards, give a true and fair view of the assets, liabilities, financial position and profit; and that
- the Directors' Report includes a fair review of the development and performance of the business and the position of the Company together with a description of the principal risks and uncertainties that the Company faces.

For and on behalf of the Board of Standard Life Equity Income Trust PLC

Charles Wood, OBE
Chairman

13 November 2012

The Board has prepared this report in accordance with the requirements of Section 421 of the Companies Act 2006. An ordinary resolution for the approval of this report will be put to shareholders at the AGM. The law requires the Company's auditor to audit certain of the disclosures provided in this report. Where disclosures have been audited, they are indicated as such and the auditor's audit opinion is included in their report to shareholders on page 33.

Remuneration Committee

The Company has five non-executive Directors at the date of this report. All Directors who served during the year ended 30 September 2012 are listed in Table 4. As the Company is an investment trust and all its Directors are non-executive, the Company is not required to comply with the Principles of the UK Code on Corporate Governance in respect of executive directors' remuneration.

Remuneration Policy

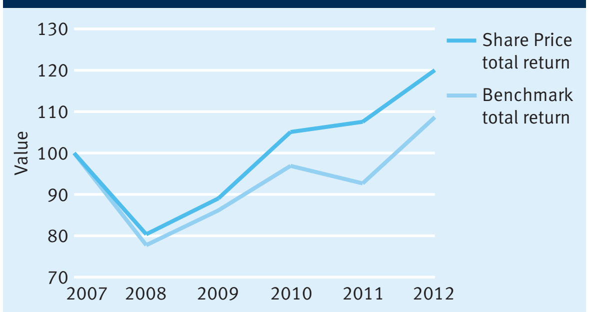
The Company's remuneration policy provides that fees payable to the Directors should reflect the time spent by the Board on the Company's affairs and the responsibilities borne by the Directors and should be sufficient to enable candidates of high calibre to be recruited. Directors are remunerated in the form of fees payable quarterly in arrears. There are no long term incentive schemes, share option schemes or pension arrangements and the fees are not specifically related to the Directors' performance, either individually or collectively. Directors' remuneration comprises solely of Directors' fees, details of which are shown in Table 4 and also in Note 4 to the Financial Statements.

The Board consists entirely of non-executive Directors whose appointments are reviewed formally every three years by the Board as a whole. None of the Directors has a service contract with the Company and any Director may resign by notice in writing to the Board at any time; there are no set notice periods and no compensation is payable to a Director on leaving office.

The Company's Articles of Association limit the fees payable to Directors to £150,000 per annum. The policy is for the Chairman of the Board and of each Committee to be paid a fee which is proportionate to the additional responsibilities involved in the position. At the most recent review in May 2012, it was agreed that the following fees would be payable to Directors each year, with effect from 1 May 2012: Chairman £26,250, (formerly £25,000), Chairman of the Audit Committee £22,500 (formerly £22,500), Chairman of the Renumeration & Management Engagement Committee £19,500 (formerly £19,000), Chairman of the Nomination Committee £19,000 (formerly £18,500) and £18,000 (formerly £17,500) for each other director. As at 30 September 2012, the Directors' fees were therefore paid at the following annual rates: Mr C.A. Wood (Chairman) £26,250, Mr R.R.J. Burns £19,500, Ms J. Dixon £18,000, Mr K.E. Percy £19,000 and Mr C.J. Rowlands £22,500. As at the date of this report, the Directors' fees paid to Ms J. Dixon and Mr C.J. Rowlands have changed to reflect the change in their responsibilities in relation to the Audit Committee. Ms J. Dixon receives £22,500 and Mr C.J. Rowlands receives £18,000.

It is the intention of the Board that the above remuneration policy will continue to apply in the forthcoming financial year and subsequent years. Directors' and Officers' liability insurance cover is maintained by the Company on behalf of the Directors. The graph below compares the Company's share price total return to ordinary shareholders with the total return on the FTSE All-Share Index over the last five years with the assumption that all dividends are reinvested on the ex-dividend date. This index was chosen for comparison purposes only as it is a widely used indicator for the equity market of which the Company is a constituent.

Five year Total Return Performance (rebased to 30 September 2007)



Directors' Remuneration Report

Audited Information

Directors' Fees

The Directors, as at the date of this report, and who all served throughout the year, received the fees listed in Table 4 which exclude any employers' national insurance contributions, if applicable.

	Date of Appointment to the Board	2012 £	2011 £
Chairman of the Board: Mr C.A. Wood	3 November 2003	25,521	25,000
Chairman of Remuneration and Management Engagement Committee: Mr R.R.J. Burns	23 May 2006	19,208	19,000
Ms J. Dixon	1 May 2011	17,708	7,000
Chairman of Nomination Committee: Mr K.E. Percy	8 October 1991	18,708	18,500
Chairman of Audit Committee: Mr C.J. Rowlands	19 March 2003	22,500	22,500
		103,645	**92,000**

* As at the date of this report Ms J. Dixon's annual directors' fee is £22,500 and Mr C.J. Rowland's annual directors' fee is £18,000.

Table 4: Directors' fees

Approval

This Directors' Remuneration Report was approved by the Board of Directors on 13 November 2012 and signed on its behalf by:

By order of the Board

Richard Burns
Director

London, 13 November 2012

Independent Auditor's Report to the Members of Standard Life Equity Income Trust PLC

We have audited the financial statements of Standard Life Equity Income Trust Plc for the year ended 30 September 2012 which comprise the income statement, the balance sheet, the reconciliation of movements in shareholders' funds, the cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditor

As explained more fully in the Statement of Directors' Responsibilities on page 30 the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc. org.uk/apb/scope/private.cfm.

Opinion on Financial Statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2012 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules, we are required to review:

- the Directors' statement, set out on page 19 in relation to going concern;
- the part of the Statement of Corporate Governance relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to the shareholders by the Board on Directors' remuneration.

Julian Bartlett
Senior Statutory Auditor

For and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants

London, 13 November 2012

Income Statement

For the year ended 30 September

		2012			2011		
	Notes	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Net gains/(losses) on investments at fair value	9	—	17,278	17,278	—	(10,471)	(10,471)
Income	2	5,780	—	5,780	5,257	—	5,257
Investment management fee	3	(252)	(587)	(839)	(255)	(596)	(851)
VAT recovered on investment management fees	3	—	—	—	291	—	291
Administrative expenses	4	(275)	—	(275)	(283)	(289)	(572)
NET RETURN BEFORE FINANCE COSTS AND TAXATION		5,253	16,691	21,944	5,010	(11,356)	(6,346)
Finance costs	5	(93)	(216)	(309)	(107)	(251)	(358)
RETURN ON ORDINARY ACTIVITIES BEFORE TAXATION		5,160	16,475	21,635	4,903	(11,607)	(6,704)
Taxation	6	(24)	—	(24)	(26)	—	(26)
RETURN ON ORDINARY ACTIVITIES AFTER TAXATION		5,136	16,475	21,611	4,877	(11,607)	(6,730)
RETURN PER ORDINARY SHARE	8	13.53p	43.41p	56.94p	12.86p	(30.60p)	(17.74p)

The total column of this statement represents the profit and loss account of the Company.

A Statement of Total Recognised Gains and Losses has not been prepared as all gains and losses are recognised in the Income Statement.

No operations were acquired or discontinued in the year.

All revenue and capital items in the above statement derive from continuing operations.

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

Balance Sheet

As at 30 September

	Notes	2012 £'000	2012 £'000	2011 £'000	2011 £'000
FIXED ASSETS					
Investments designated at fair value through profit or loss	9		125,203		108,228
CURRENT ASSETS					
Debtors	10	1,950		677	
AAA money market funds		8,130		8,810	
Cash and short term deposits		32		—	
		10,112		9,487	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR					
Bank loan	11	(15,000)		(15,000)	
Other creditors	11	(1,042)		(293)	
		(16,042)		(15,293)	
NET CURRENT LIABILITIES			(5,930)		(5,806)
NET ASSETS			119,273		102,422
CAPITAL AND RESERVES					
Called-up share capital	12		9,943		9,942
Share premium account			20,457		20,441
Capital redemption reserve			12,615		12,615
Capital reserve			69,697		53,222
Revenue reserve			6,561		6,202
EQUITY SHAREHOLDERS' FUNDS			119,273		102,422
NET ASSET VALUE PER ORDINARY SHARE	13		314.2p		269.9p

The financial statements on pages 34 to 48 were approved by the Board of Directors and authorised for issue on 13 November 2012 and were signed on its behalf by:

C A Wood OBE *Chairman*

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

Reconciliation of Movements in Shareholders' Funds

For the year ended 30 September 2012

	Notes	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve - realised £'000	Revenue reserve £'000	Total £'000
Balance at 30 September 2011		9,942	20,441	12,615	53,222	6,202	102,422
Issue of ordinary shares on conversion of subscription shares		1	16	—	—	—	17
Return on ordinary activities after taxation		—	—	—	16,475	5,136	21,611
Dividends paid	7	—	—	—	—	(4,777)	(4,777)
BALANCE AT 30 SEPTEMBER 2012		9,943	20,457	12,615	69,697	6,561	119,273

For the year ended 30 September 2011

	Notes	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 30 September 2010		9,935	20,373	12,615	64,829	5,949	113,701
Bonus issue of subscription shares		1	(1)	—	—	—	—
Issue of ordinary shares on conversion of subscription shares		6	69	—	—	—	75
Return on ordinary activities after taxation		—	—	—	(11,607)	4,877	(6,730)
Dividends paid	7	—	—	—	—	(4,624)	(4,624)
BALANCE AT 30 SEPTEMBER 2011		9,942	20,441	12,615	53,222	6,202	102,422

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

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

Cash Flow Statement

For the year ended 30 September

	Notes	2012 £'000	2012 £'000	2011 £'000	2011 £'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	14		4,586		4,123
NET CASH OUTFLOW FROM SERVICING OF FINANCE			(313)		(359)
FINANCIAL INVESTMENT					
Purchases of investments		(48,312)		(21,123)	
Sales of investments		48,156		26,542	
NET CASH (OUTFLOW)/INFLOW FROM FINANCIAL INVESTMENT			(156)		5,419
EQUITY DIVIDENDS PAID			(4,777)		(4,624)
			(660)		4,559
MANAGEMENT OF LIQUID RESOURCES					
Purchase of AAA Money Market funds		(31,633)		(26,373)	
Sale of AAA Money Market funds		32,313		19,258	
NET CASH INFLOW/(OUTFLOW) FROM MANAGEMENT OF LIQUID RESOURCES			680		(7,115)
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING			20		(2,556)
FINANCING					
Proceeds from exercise of subscription shares		17		75	
Drawdown of loan		—		2,250	
NET CASH INFLOW FROM FINANCING			17		2,325
INCREASE/(DECREASE) IN CASH			37		(231)
RECONCILIATION OF NET CASH FLOW TO MOVEMENTS IN NET DEBT					
Increase/(decrease) in cash as above		37		(231)	
Net change in liquid resources		(680)		7,115	
Drawdown of loan		—		(2,250)	
MOVEMENT IN NET DEBT IN YEAR			(643)		4,634
Opening net debt			(6,195)		(10,829)
CLOSING NET DEBT	15		(6,838)		(6,195)

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

Notes to the Financial Statements

For the year ended 30 September 2012

1. Accounting policies

(a) Basis of accounting

The financial statements have been prepared in accordance with the applicable UK Accounting Standards and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' (issued in January 2009).

They have also been prepared on the assumption that approval as an investment trust will continue to be granted. The financial statements have been prepared on a going concern basis. The Directors believe this is appropriate for the reasons outlined in the Directors' Report on page 19.

All values are rounded to the nearest thousand pounds (£000) except where indicated otherwise.

(b) Valuation of investments

The Company's business is investing in financial assets with a view to profiting from their total return in the form of income and capital growth. This portfolio of financial assets is managed and its performance evaluated on a fair value basis, in accordance with a documented investment strategy, and information about the portfolio is provided internally on that basis to the Company's Board of Directors. Accordingly, upon initial recognition the Company designates the investments 'at fair value through profit or loss'. They are included initially at fair value, which is taken to be their cost (excluding expenses incidental to the acquisition which are written off in the Income Statement, and allocated to 'capital' at the time of acquisition). Subsequent to initial recognition, investments are valued at fair value through profit or loss. For listed investments, this is deemed to be bid market prices or closing prices for SETS stocks sourced from the London Stock Exchange. SETS is the London Stock Exchange electronic trading service covering most of the market including all FTSE 100 constituents and the most liquid constituents of the FTSE 250 Index along with some other securities.

Gains and losses arising from changes in fair value are included in net profit or loss for the period as a capital item in the Income Statement and are ultimately recognised in the capital reserve.

(c) AAA money market funds

The AAA money market funds are used by the Company to provide additional short term liquidity. As they are not listed on a recognised exchange and due to their short term nature, they are recognised in the financial statements as a current asset and are included at fair value through profit or loss.

(d) Income

Income from equity investments (other than special dividends), including taxes deducted at source, is included in revenue by reference to the date on which the investment is quoted ex-dividend. Special dividends are credited to revenue or capital according to the circumstances. Foreign income is converted at the exchange rate applicable at the time of receipt. Interest receivable on short term deposits is accounted for on an accruals basis.

(e) Expenses and interest payable

Expenses are accounted for on an accruals basis. Expenses are charged to capital when they are incurred in connection with the maintenance or enhancement of the value of investments. In this respect, the investment management fee and relevant finance costs are allocated between revenue and capital in line with the Board's expectation of returns from the Company's investments over the long term in the form of revenue and capital respectively (see notes 3 and 5).

Transaction costs incurred on the purchase and disposal of investments are recognised as a capital item in the Income Statement.

(f) Dividends payable

In accordance with FRS21, dividends that are declared and approved by the Company after the Balance Sheet date are not recognised as a liability of the Company at the Balance Sheet date.

(g) Capital reserves

Gains or losses on realisation of investments and changes in fair values of investments are included within the capital reserve. The capital element of the management fee along with any associated irrecoverable VAT and relevant finance costs are also included in this reserve. Any associated tax relief is also included in this reserve.

(h) Taxation

Deferred taxation is recognised in respect of all temporary differences that have originated but not reversed at the Balance Sheet date where transactions or events that result in an obligation to pay more or a right to pay less tax in future have occurred at the Balance Sheet date measured on an undiscounted basis and based on enacted tax rates. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying temporary differences can be deducted. Temporary differences are differences arising between the Company's taxable profits and its results as stated in the accounts which are capable of reversal in one or more subsequent periods.

Owing to the Company's status as an investment trust company, and the intention to continue meeting the conditions required to obtain approval in the foreseeable future, the Company has not provided deferred tax on any capital gains and losses arising on the revaluation or disposal of investments.

2. Income

	2012 £'000	2011 £'000
Income from investments		
Franked investment income	5,088	4,496
Overseas and unfranked investment income	535	401
Stock dividends	105	114
	5,728	5,011
Other income		
AAA money market interest	39	23
Interest from HMRC	—	193
Underwriting commission	13	30
	52	246
Total income	5,780	5,257

3. Investment management fee

	2012 £'000	2011 £'000
Investment management fee	839	851
Charged to capital	(587)	(596)
	252	255

The Company has an agreement with Standard Life Investments (Corporate Funds) Limited for the provision of management services. The contract is terminable by either party on not less than six months notice.

The fee is based on 0.65% of total assets, payable quarterly in arrears and is chargeable 30% to revenue and 70% to capital (see note 1(e)).

Notes to the Financial Statements

On 5 November 2007, the European Court of Justice ruled that management fees should be exempt from VAT. HMRC announced its intention not to appeal against this case to the UK VAT Tribunal and therefore protective claims which have been made in relation to the Company have now been processed by HMRC.

The VAT charged on the investment management fees has been refunded by Deutsche Asset Management (UK) Limited, the former Investment Manager, in stages. An amount of £609,000 (excluding simple interest) relating to the period 2001 to 2005 (date of termination) was recognised in the financial statements for the year ended 30 September 2009. A further amount of £291,000 (excluding simple interest) was recognised in the financial statements for the year ended 30 September 2011, which represents the VAT charged on investment management fees for the period 1991 to 1996. These repayments were allocated to revenue and capital in line with the accounting policy of the Company for the periods in which the VAT was charged.

A refund of £204,000 of VAT relating to the period 2006 to 2007 was made to the Company by Standard Life Investments (Corporate Funds) Limited in the year to 30 September 2008. This repayment was allocated to revenue and capital in line with the accounting policy of the Company for the periods in which the VAT was charged.

Interest of £21,000, £112,000 and £193,000 on the repaid VAT was recognised in the financial statements for the years ended 30 September 2009, 30 September 2010 and 30 September 2011, respectively.

4. Administrative expenses

	2012 £'000	2011 £'000
Directors' fees	104	92
Fees payable to the Company's Auditor (excluding VAT):		
- for the audit of the annual financial statements	20	19
Professional fees	12	41
Other expenses	139	131
	275	283

In addition, during the year ended 30 September 2011, the Company incurred capital expenses amounting to £289,000 in connection with the issue of Subscription shares, including £27,000 (excluding VAT) payable to the Company's auditors for services on reporting accounts.

With the exception of fees payable to the Company's auditor, irrecoverable VAT has been included under the relevant expense line above. Irrecoverable VAT on fees payable to the Company's auditor is included within other expenses.

Additional information concerning Directors' fees can be found in the Directors' Remuneration Report on pages 31 and 32.

5. Finance costs

	2012 £'000	2011 £'000
On bank loans and overdrafts:		
Charged to revenue	93	107
Charged to capital	216	251
	309	358

Finance costs are chargeable 30% to revenue and 70% to capital (see note 1(e)).

6. Taxation	2012 £'000	2011 £'000
(a) Analysis of charge for the year		
Overseas withholding tax	24	26

(b) Factors affecting current tax charge for the year

The corporation tax rate was 26% until 31 March 2012 and 24% from 1 April 2012 giving an effective rate of 25%. The tax assessed for the year is lower than that resulting from applying the standard rate of corporation tax in the UK.

A reconciliation of the Company's current tax charge is set out below:

	2012 £'000	2011 £'000
Total return on ordinary activities before taxation	21,635	(6,704)
Return on ordinary activities at the UK standard rate of corporation tax 25% (2011 - 27%)	5,409	(1,810)
Effects of:		
(Gains)/losses on investments not taxable	(4,320)	2,827
Non-taxable income	(1,409)	(1,339)
Excess management expenses and loan relationship debit expenses	319	322
Overseas withholding tax	24	26
Total taxation	24	26

At 30 September 2012, the Company had unutilised management expenses and loan relationship losses of £14,233,000 (2011–£12,956,000). No deferred tax asset has been recognised on the unutilised management expenses and loan relationship losses as it is unlikely there will be suitable taxable profits from which the future reversal of the deferred tax asset could be deducted.

7. Dividends on Ordinary shares	2012 £'000	2011 £'000
Amounts recognised as distributions to equity holders in the year:		
Final dividend for 2011 of 8.85p per share (2010 - 8.65p)	3,359	3,281
Interim dividend for 2012 of 3.75p per share (2011 - 3.55p)	1,423	1,346
Return of unclaimed dividends	(5)	(3)
	4,777	4,624

The proposed final dividend for 2012 is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

We set out below the total dividends paid and proposed in respect of the financial year, which is the basis on which the requirements of Sections 1158-1159 of the Corporation Tax Act 2010 are considered. The revenue available for distribution by way of dividend for the year is £5,136,000 (2011 - £4,877,000).

	2012 £'000	2011 £'000
Interim dividend for 2012 of 3.75p per share (2011 - 3.55p)	1,423	1,346
Proposed final dividend for 2012 of 9.00p per share (2011 - 8.85p)	3,416	3,359
	4,839	4,705

Notes to the Financial Statements

8. Return per Ordinary share

	2012 £'000	2012 p	2011 £'000	2011 p
The returns per Ordinary share have been based on the following figures:				
Revenue return	5,136	13.53	4,877	12.86
Capital return	16,475	43.41	(11,607)	(30.60)
Total return	21,611	56.94	(6,730)	(17.74)
Weighted average number of Ordinary shares in issue[A]		37,956,373		37,936,175

On the basis set out in Financial Reporting Standard 22 "Earnings per Share", there is no dilutive effect on net revenue or net capital per share arising from the exercise of the Subscription shares at 30 September 2012 or 30 September 2011, as detailed in note 12.

[A] Calculated excluding shares held in Treasury.

9. Investments

	2012 £'000	2011 £'000
Fair value through profit or loss		
Opening book cost	108,582	112,650
Opening fair value (losses)/gains on investments held	(354)	11,672
Opening fair value	108,228	124,322
Movements in the year:		
Purchases at cost	49,038	20,603
Sales – proceeds	(49,341)	(26,226)
– realised gains on sales	3,364	1,555
Current year fair value gains/(losses) on investments held	13,914	(12,026)
Closing fair value	125,203	108,228
Closing book cost	111,643	108,582
Closing fair value gains/(losses) on investments held	13,560	(354)
Closing fair value	125,203	108,228
Gains on investments held at fair value through profit or loss		
Gains on sales	3,364	1,555
Increase/(decrease) in fair value gains on investments held	13,914	(12,026)
	17,278	(10,471)

Transaction costs

During the year, expenses were incurred in acquiring or disposing of investments classified as fair value through profit or loss. These have been expensed through capital and are included within gains/(losses) on investments in the Income Statement. The total costs were as follows:

	2012 £'000	2011 £'000
Purchases	278	113
Sales	74	36
Total	352	149

10. Debtors: amounts falling due within one year

	2012 £'000	2011 £'000
Amounts due from brokers	1,195	10
Net dividends and interest receivable	692	608
Other debtors	63	59
	1,950	677

11. Creditors: amounts falling due within one year

	2012 £'000	2011 £'000
Bank loan	15,000	15,000
Other creditors		
Bank overdraft	—	5
Amounts due to brokers	726	—
Investment management fee payable	219	192
Sundry creditors	97	96
	1,042	293

As at 30 September 2012, the Company had drawn down £15 million (2011 - £15 million) of the £20 million loan facility arranged with The Royal Bank of Scotland plc, at an interest rate of 1.77125% per annum maturing on 31 October 2012. Subsequent to the year end, the £15 million loan was rolled over from 31 October 2012 to 30 November 2012 at an interest rate of 1.7571%.

12. Called up share capital

	2012 £'000	2011 £'000
Issued and fully paid:		
Ordinary shares of 25p each		
Opening balance of 37,954,058 (2011 - 37,930,579) Ordinary shares	9,489	9,483
Issue of 5,247 (2011 - 23,479) Ordinary shares on conversion of Subscription shares	1	6
Closing balance of 37,959,305 (2011 - 37,954,058) Ordinary shares	9,490	9,489
Subscription shares of 0.01p each		
Opening balance of 7,562,381 (2011 - 7,585,863) Subscription shares	1	1
Conversion of 5,247 (2011 - 23,479) Subscription shares into Ordinary shares	—	—
Closing balance of 7,557,134 (2011 - 7,562,381) Subscription shares	1	1
Treasury shares		
Opening and closing balance of 1,807,328 Treasury shares	452	452
	9,943	9,942

On 17 December 2010 the Company issued 7,585,860 Subscription shares of 0.01p each by way of a bonus issue to the Ordinary shareholders on the basis of one Subscription share for every five Ordinary shares. Each Subscription share confers the right, but not the obligation, to subscribe for one Ordinary share on any subscription date, being the final business day of June and December in each year commencing June 2011 and finishing on the last business day of December in 2016, after which the rights under the Subscription shares will lapse. The exercise price is determined as being 320p.

During the year, shareholders have exercised their right to convert 5,247 (2011 - 23,479) Subscription shares into ordinary shares for a total consideration of £17,000 (2011 - £75,000).

There were no shares repurchased during the year. The total shares held in Treasury is 1,807,328. Shares held in Treasury represents 4.5% of the Company's total issued share capital at 30 September 2012 (2011 - 4.5%). The number of Subscription shares in issue at 30 September 2012 is 7,557,134 (2011 - 7,562,381).

13. Net asset value

The net asset value per share and the net asset value attributable to the Ordinary shares at the year end calculated in accordance with the Articles of Association were as follows:

	2012	2011
Total shareholders' funds	£119,273,000	£102,422,000
Number of Ordinary shares in issue at year end[A]	37,959,305	37,954,058
Net asset value per share	314.2p	269.9p

On the basis set out in Financial Reporting Standard 22 "Earnings per Share", there is no dilutive effect on net revenue or net capital per share arising from the exercise of the Subscription shares at 30 September 2012 or 30 September 2011, as detailed in note 12.

[A] Excludes shares in issue held in Treasury.

14. Reconciliation of net return before finance costs and taxation to net cash inflow from operating activities

	2012 £'000	2011 £'000
Net return before finance costs and taxation	21,944	(6,346)
Adjustments for:		
Net (gains)/losses on investments at fair value	(17,278)	10,471
(Increase)/decrease in accrued income	(84)	68
Decrease in other debtors	8	—
Increase/(decrease) in other creditors	32	(20)
Net overseas tax paid	(36)	(50)
Net cash inflow from operating activities	4,586	4,123

15. Analysis of changes in net debt

	At 30 September 2011 £'000	Cashflow £'000	At 30 September 2012 £'000
Cash at bank and in hand	(5)	37	32
AAA money market funds	8,810	(680)	8,130
Bank loan	(15,000)	—	(15,000)
Net debt	(6,195)	(643)	(6,838)

16. Financial instruments

Risk management

The Company's financial instruments comprise securities and other investments, cash balances, loans and debtors and creditors that arise directly from its operations; for example, in respect of sales and purchases awaiting settlement, and debtors for accrued income. The Company also has the ability to enter into derivative transactions for the purpose of managing currency and market risks arising from the Company's activities.

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 Board regularly reviews and agrees policies for managing each of these risks. The Manager's policies for managing these risks are summarised below and have been applied throughout the year.

(i) Market risk

The fair value or future cash flows of a financial instrument held by the Company may fluctuate because of changes in market prices.

This market risk comprises three elements - interest rate risk, currency risk and other price risk.

Interest rate risk
Interest rate movements may affect:

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

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

It is the Company's policy to increase its exposure to equity market price risk through the judicious use of borrowings. When borrowed funds are invested in equities, the effect is to magnify the impact on Shareholders' funds of changes - both positive and negative - in the value of the portfolio.

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

As at 30 September 2012	**Weighted average period for which rate is fixed Years**	**Weighted average interest rate %**	**Fixed rate £000**	**Floating rate £000**
Assets				
AAA Money Market funds	—	0.58	—	8,130
Cash deposits	—	—	—	32
Total assets	—	0.58	—	8,162
Liabilities				
Bank loans	0.1	1.77	15,000	—
Total liabilities	0.1	1.77	15,000	—
As at 30 September 2011				
Assets				
AAA Money Market funds	—	0.87	—	8,810
Total assets	—	0.87	—	8,810
Liabilities				
Bank overdraft	—	1.48	—	5
Bank loans	0.1	1.94	15,000	—
Total liabilities	0.1	1.94	15,000	5

The weighted average interest rate is based on the current yield of each asset, weighted by its market value. The weighted average interest rate on bank loans is based on the interest rate payable, weighted by the total value of the loans.

The floating rate assets consist of AAA Money Market Funds and cash deposits on call earning interest at prevailing market rates.

All financial liabilities are measured at amortised cost.

Maturity profile

The Company did not hold any assets at 30 September 2012 or 30 September 2011 that had a maturity date. As detailed in note 11, the loan drawn down had a maturity date of 31 October 2012 at the Balance Sheet date. (2011 : 24 October 2011).

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates at the Balance Sheet date and with the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates.

If interest rates had been 100 basis points higher or lower and all other variables were held constant, the Company's :

- profit for the year ended 30 September 2012 would decrease / increase by £68,000 (2011 : decrease / increase by £62,000). This is mainly attributable to the Company's exposure to interest rates on its fixed rate borrowings and floating rate cash balances.

Currency risk
All of the Company's investments are in Sterling and therefore this risk is not seen as material.

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

It is the Board's policy to hold a spread of investments in the portfolio in order to reduce the risk arising from factors specific to a particular sector. The allocation of assets and the stock selection process, as detailed on page 15, both act to reduce market risk. The Manager actively monitors market prices throughout the year and reports to the Board, which meets regularly in order to review investment strategy.

Other price risk sensitivity
If market prices at the Balance Sheet date had been 10% higher or lower while all other variables remained constant, the return attributable to ordinary shareholders and equity for the year ended 30 September 2012 would have increased/decreased by £12,520,000 (2011 - increase/decrease of £10,823,000). This is based on the Company's equity portfolio held at each year end.

(ii) Liquidity risk

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

Liquidity risk is not considered to be significant as the Company's assets comprise mainly readily realisable securities, which can be sold to meet funding commitments if necessary. Short-term flexibility is achieved through the use of loan and overdraft facilities (note 11).

(iii) Credit risk

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

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

- where the investment manager makes an investment in a bond, corporate or otherwise, the credit rating of the issuer is taken into account so as to minimise the risk to the Company of default;
- investment transactions are carried out with a large number of brokers, whose credit standing and credit rating is reviewed periodically by the investment manager, and limits are set on the amount that may be due from any one broker;
- cash and money invested in AAA money market funds are held only with reputable banks with high quality external credit enhancements.

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

Credit risk exposure

In summary, compared to the amount in the Balance Sheet, the maximum exposure to credit risk at 30 September was as follows:

	2012		2011	
Current assets	Balance Sheet £'000	Maximum exposure £'000	Balance Sheet £'000	Maximum exposure £'000
Debtors	1,950	1,950	677	677
AAA Money Market funds (indirect exposure)	8,130	8,130	8,810	8,810
Cash and short term deposits	32	32	—	—
	10,112	10,112	9,487	9,487

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

Fair values of financial assets and financial liabilities
The fair value of borrowings is not materially different to the accounts value in the financial statements of £15,000,000 (note 11).

17. Fair Value hierarchy

FRS 29 'Financial Instruments:Disclosures', requires an entity to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (ie as prices) or indirectly (ie derived from prices); and
- Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

The quoted equities and AAA money market funds held by the Company at 30 September 2012 and 30 September 2011 were all Level 1.

Notes to the Financial Statements

18. Capital management policies and procedures

The Company's capital management objectives are:

- to ensure that the Company will be able to continue as a going concern; and
- to maximise the income and capital return to its equity shareholders through an appropriate balance of equity capital and debt. The Board normally seeks to limit gearing to 15% of net assets. At the year end the Company had gearing of 5.7% of net assets (2011 - 6.0%)

The Board monitors and reviews the broad structure of the Company's capital on an ongoing basis. This review includes the nature and planned level of gearing, which takes account of the Manager's views on the market and the extent to which revenue in excess of that which is required to be distributed should be retained.

The Company's objectives, policies and processes for managing capital are unchanged from the preceding accounting period any year end positions are presented in the Balance Sheet.

Key Contacts

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Information for Investors

Shareholders who hold their shares in certificated form can check their shareholding with the registrars, Computershare Investor Services PLC, via www.uk.computershare.com/investor

Please note that to gain access to your details on the Computershare site you will need the holder reference number on the top left hand corner of your share certificate or on your tax voucher.

Notifications of changes of address and all enquiries regarding certificates or dividend cheques should be sent in writing to the registrars.

Disability Act

Copies of this Annual Report or other documents issued by the Company are available from the Company Secretary.

If needed, copies can be made available in larger type.

Our registrars have installed text phones to allow speech and hearing impaired people who have their own text phone to contact them directly without the need for an intermediate operator. Specially trained operators are available during normal business hours to answer queries via this service. The number for this is 0870 702 0005.

Alternatively, you may use a “type talk” operator (provided by the Royal National Institute for the Deaf) on 0800 731 1888.

Share Information

The Company’s shares are listed on the London Stock Exchange. Prices are quoted daily in the Financial Times and The Daily Telegraph.

Details of the Company may also be found on the Manager’s website which can be found at:

www.standardlifeinvestments.com/its and on TrustNet, website address: www.trustnet.co.uk

Ordinary shares may be purchased or sold directly through a stockbroker or through your bank, solicitor, accountant, or other professional adviser or through the Company’s registrars or the Company’s Savings Plan or Individual Savings Account.

The net asset value per ordinary share is calculated on a daily basis and is published on the London Stock Exchange where the latest live ordinary share price is also displayed, subject to a delay of 15 minutes. “SLET” is the Code for the ordinary shares which may be accessed at www.londonstockexchange.com

Capital Gains Tax

To assist those shareholders who invested in the Company at its launch in the calculation of capital gains, the apportionment of cost between ordinary shares and warrants on 6 December 1991, the first day on which dealing in ordinary shares and warrants took place separately, is 95.2% and 4.8% respectively.

The apportionment of cost between the ordinary shares and warrants arising out of the conversion of C shares on 14 February 1994, the first day on which dealings took place, is 93.1% and 6.9% respectively.

The apportionment of cost between the ordinary shares and subscription shares on the first day of dealing in the subscription shares (20 December 2010) is 97.5% and 2.5% respectively.

Other Information

The Company is a member of the Association of Investment Companies (AIC). The AIC publishes a Monthly Information Service which contains a wide range of detailed information including statistical and performance data on all its members. A sample copy can be obtained free of charge from The AIC, 9th Floor, 24 Chiswell Street, London EC1Y 4YY (telephone 020 7282 5555) along with full details of other publications available from the AIC. Alternatively, visit their website on www.theaic.co.uk

Dividend Reinvestment Plan

The Company, in conjunction with Computershare Investor Services PLC, the Company’s registrars, has established a Dividend Reinvestment Plan through which shareholders who hold their shares outside our Savings Plan or ISA can use their dividends to purchase further shares in the Company. Full details of the Plan are available from the Company’s registrars:

Computershare Investor Services PLC

The Pavilions

Bridgwater Road

Bristol BS99 7NH

Telephone: 0870 707 1150

Electronic Communications
The Company is now able to send you annual reports and notices of meetings electronically. Full details are given below.

Reports to shareholders are made available on the Manager's website as soon as they are published. As a result of new legislation, we are now allowed to send information, including our Annual Report, to registered shareholders by e-mail and over the internet, rather than in paper form.

How does this work?
Once you register for the electronic communication option an e-mail is sent to you when a document is available. The e-mail provides a link to a website where you will be able to access and download the document.

What documents are typically available?
The documents which are available include the Annual Report and Accounts, Half Yearly Report, notices of general meetings and any other notices to shareholders.

What are the advantages?
If your shares are held in a designated nominee account you can request that the nominee holder registers you to receive the information electronically. Advantages of this facility include documents which can be accessed quickly, nominees who currently receive excess unwanted copies of documents can eliminate waste and cost savings can be made through reduced use of paper handling and storage.

What about Terms and Conditions?
Before you register, you will be asked to agree to the Terms and Conditions for Electronic Communication with Shareholders which will be displayed on the registration screens. It is important that you read them carefully as they set out the basis on which electronic communications will be sent to you.

Do I have to use this service?
No. The use of electronic communications is voluntary. If you wish to continue to receive communications in paper form you should take no action.

What equipment will I need to make use of this service?
An internet-enabled PC with Internet Explorer 4 or Netscape 4 or above. Your browser must be configured to accept cookies.

Who will have access to my e-mail address?
Your e-mail address will not form part of the information that we are required to make public by law. It will be held separately and securely and will not be used by the Company or by its registrars for any purpose other than communication with you as a shareholder. Your details will not be given to any other party.

What about computer viruses?
Every precaution will be taken to ensure that all messages sent to you are free from computer viruses. However, it is possible for e-mail messages to be intercepted by someone else. In choosing to receive electronic communications you are agreeing that neither the Company nor the registrars will be under any liability for losses that may arise as a result of interference by a third party.

What happens if I do not receive a specific electronic communication?
It is possible that there will be a small number of cases where electronic communication is unsuccessful. Although the Company's obligation is satisfied by sending the e-mail to the address provided by you, the Company will make every effort to make sure that every delivery is successful. When a transmission failure is notified, a further attempt will be made at electronic delivery. If delivery is not successful details on how to re-register for electronic shareholder communications will be sent through the post within 48 hours of the original message.

Can I change my e-mail address?
Yes. As with your postal address you will need to inform the registrars of any changes to your e-mail address. This can be done at www-uk.computershare.com/investor

How do I register?
If you wish to receive notice of future communications by e-mail please log on to www-uk.computershare.com/investor and follow these four easy steps to complete the formal registration process. You will need to have your shareholder reference number, which can be found on your tax voucher or share certificate, available when you first log in:

1. Select the "Electronic Shareholder Communications" option
2. Select "STANDARD LIFE EQUITY INCOME TRUST PLC" from the Company list
3. Enter your shareholder details (Shareholder Reference Number and Postcode)
4. Select the Communication Details option
5. Enter your e-mail address

How To Make Investments in Standard Life Equity Income Trust

Introduction

Investors may subscribe to the Standard Life Equity Income Trust PLC through Standard Life's Savings Scheme, Individual Savings Account ('ISA') or Individual Savings Account transfer ('ISA transfer').

Alternatively, investors may buy shares in the Company directly through a stockbroker or indirectly through a lawyer, accountant or financial adviser.

Investment Trust Savings Scheme

Standard Life's Savings Scheme is a straightforward way to invest in the Standard Life Equity Income Trust PLC. The minimum investment through Standard Life's Savings Scheme is £100 per month or a £1,000 lump sum. 0.5% Government stamp duty, which is currently payable on all share purchases is deducted from each investment made. There is no maximum amount that can be invested in the Company through Standard Life's Savings Scheme and **there is no initial or annual management charge.**

Investment Trust ISA

Standard Life's Stocks and Shares ISA is a tax efficient savings vehicle as investors pay no additional income tax or capital gains tax on any money generated by their investments. Investors will have the opportunity to invest in the Company's ISA up to £11,280 in the tax year 2012/2013. Like the Savings Scheme, the minimum investment in Standard Life's ISA is a £1,000 lump sum or £100 per month. 0.5% Government stamp duty is deducted from each investment made, however, **there is no initial or annual management charge.**

Investment Trust ISA Transfer

Investors may also gain access to the Company by transferring any existing ISA investments to a Standard Life ISA. As with the Standard Life ISA, 0.5% Government stamp duty is deducted from each investment made, however, **there is no initial or annual management charge.**

How to invest

For further information on how to invest and an application pack containing full details of the products and their charges, please call Standard Life Investments on 0845 60 24 247. Lines are open from 9 a.m. to 5 p.m. Monday to Friday.

For information on Standard Life Investments' range of Investment Trusts and Standard Life's views on the markets, please call 0845 60 60 062.

This is not a recommendation to buy, sell or hold shares in Standard Life Equity Income Trust PLC. Shareholders who are unsure of what action to take should contact a financial adviser authorised under the Financial Services and Markets Act 2000. Share values may go down as well as up which may result in a shareholder receiving less than he/she originally invested.

Risk Warnings – General

- Past performance is no guarantee of future performance.
- The value of your investment and any income from it may go down as well as up and you may not get back the amount invested. This is because the share price is determined by the changing conditions in the relevant stockmarkets in which the Company invests and by the supply and demand for the Company's shares.
- As the shares in an investment trust are traded on a stockmarket, the share price will fluctuate in accordance with supply and demand and may not reflect the underlying net asset value of the shares; where the share price is less than the underlying value of the assets, the difference is known as the 'discount'. For these reasons, investors may not get back the original amount invested.
- Although the Company's Financial Statements are denominated in sterling, it may invest in stocks and shares that are denominated in currencies other than sterling and to the extent they do so, they may be affected by movements in exchange rates. As a result, the value of your investment may rise or fall with movements in exchange rates.
- Investors should note that tax rates and reliefs may change at any time in the future.
- The value of ISA tax advantages will depend on personal circumstances. The favourable tax treatment of ISAs may not be maintained.

NOTICE IS HEREBY GIVEN that the twenty-first Annual General Meeting of the Company will be held at 30 St Mary Axe, London EC3A 8EP on Tuesday 18 December 2012 at 11.00 a.m. for the purposes of considering and if thought fit passing the following resolutions, of which resolutions 1 to 7 inclusive will be proposed as ordinary resolutions, and resolutions 8 to 11 inclusive will be proposed as special resolutions:

1 To receive the report of the Directors and the audited accounts of the Company for the year ended 30 September 2012, together with the report of the auditor on those audited accounts and the auditable part of the Directors' Remuneration Report.

2 To receive and approve the Directors' Remuneration Report for the year ended 30 September 2012.

3 To approve a final dividend for the year ended 30 September 2012 of 9.00p per Ordinary share.

4 To re-elect Mr C.A. Wood, who retires pursuant to the UK Code Provision B.7.1 and who, being eligible, offers himself for re-election as a Director of the Company.

5 To re-elect Mr K.E. Percy, who retires pursuant to the UK Code Provision B.7.1 and who, being eligible, offers himself for re-election as a Director of the Company.

6 To re-appoint Grant Thornton UK LLP as auditor of the Company to hold office from the conclusion of the meeting to the conclusion of the next meeting at which accounts are laid before the Company and to authorise the Directors to fix the remuneration of the auditor.

7 That, in substitution for any existing authority, but without prejudice to the exercise of any such authority prior to the date hereof, the Directors of the Company be and they are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company ("Securities") provided that such authority shall be limited to the allotment of shares and the grant of rights in respect of shares with an aggregate nominal value of up to £3,131,642, such authority to expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or on the expiry of 15 months from the passing of this resolution, whichever is the earlier, unless previously revoked, varied or extended by the Company in a general meeting, save that the Company may at any time prior to the expiry of this authority make an offer or enter into an agreement which would or might require Securities to be allotted or granted after the expiry of such authority and the Directors shall be entitled to allot or grant Securities in pursuance of such an offer or agreement as if such authority had not expired.

8 That, subject to the passing of resolution number 7 above, and in substitution for any existing power but without prejudice to the exercise of any such power prior to the date hereof, the Directors of the Company be and they are hereby generally empowered, pursuant to Section 570 of the Companies Act 2006 (the "Act"), to allot equity securities (as defined in Section 560 of the Act), including the grant of rights to subscribe for, or to convert securities into Ordinary shares held by the Company as treasury shares (as defined in Section of the Act) for cash pursuant to the authority given by resolution number 7 above as if Section 561(1) of the Act did not apply to any such allotment of equity securities, provided that this power:

(a) expires at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or on the expiry of 15 months from the passing of this resolution, whichever is the earlier, save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement as if the power conferred hereby had not expired; and

(b) shall be limited to the allotment of equity securities up to an aggregate nominal value of £948,983 being approximately 10% of the nominal value of the issued share capital of the Company, as at 13 November 2012.

9 That, in substitution for any existing authority but without prejudice to the exercise of any such authority prior to the date hereof, the Company be and is hereby generally and unconditionally authorised, pursuant to and in accordance with section 701 of the Companies Act 2006 (the "Act") to make market purchases (within the meaning of section 693(4) of the Act) of fully

paid Ordinary shares of 25p each in the capital of the Company ("Ordinary shares") (either for retention as treasury shares for future reissue, resale, transfer or cancellation), provided that:

(a) the maximum aggregate number of Ordinary shares hereby authorised to be purchased is 5,690,100;

(b) the minimum price (excluding expenses) which may be paid for each Ordinary share is 25p;

(c) the maximum price (excluding expenses) which may be paid for each Ordinary share shall not be more than the higher of:

(i) 5% above the average closing price on the London Stock Exchange of an Ordinary share over the five business days immediately preceding the date of purchase; and

(ii) the higher of the last independent trade and the highest current independent bid on the London Stock Exchange; and

(d) unless previously varied, revoked or renewed by the Company in a general meeting, the authority hereby conferred shall expire at the conclusion of the Company's next Annual General Meeting or on the expiry of 15 months from the passing of this Resolution, whichever is the earlier, save that the Company may, prior to such expiry, enter into a contract to purchase Ordinary shares under such authority which will or might be completed or executed wholly or partly after the expiration of such authority and may make a purchase of Ordinary shares pursuant to any such contract.

10 That, in substitution for any existing authority but without prejudice to the exercise of any such authority prior to the date hereof, the Company be and is hereby generally and unconditionally authorised, pursuant to and in accordance with section 701 of the Companies Act 2006 (the "Act") to make market purchases (within the meaning of section 693(4) of the Act) of fully paid Subscription shares of 0.01p each in the capital of the Company ("Subscription shares") for cancellation, provided that:

(a) the maximum aggregate number of Subscription shares hereby authorised to be purchased is 1,132,814

(b) the minimum price (excluding expenses) which may be paid for each Subscription share is 0.01p;

(c) the maximum price (excluding expenses) which may be paid for each Subscription share shall not be more than the higher of:

(i) 5% above the average closing price on the London Stock Exchange of a Subscription share over the five business days immediately preceding the date of purchase; and

(ii) the higher of the last independent trade and the highest current independent bid on the London Stock Exchange; and

(d) unless previously varied, revoked or renewed by the Company in a general meeting, the authority hereby conferred shall expire at the conclusion of the Company's next Annual General Meeting or on the expiry of 15 months from the passing of this Resolution, whichever is the earlier, save that the Company may, prior to such expiry, enter into a contract to purchase Subscription shares under such authority which will or might be completed or executed wholly or partly after the expiration of such authority and may make a purchase of Subscription shares pursuant to any such contract.

11 That, subject to and conditional upon the passing of the special resolution set out in the notice dated 13 November 2012 convening a meeting of the holders of the subscription shares of 0.01p in the Company, the draft regulations produced to the meeting and, for the purpose of identification initialled by the Chairman of the meeting be accepted as the articles of association of the Company in substitution for, and to the entire exclusion of the existing articles of association of the Company.

By order of the Board
Maven Capital Partners UK LLP
Company Secretary

Registered office:
30 St Mary Axe
London EC3A 8EP

13 November 2012

Notes:

1 A member is entitled to appoint one or more proxies to exercise all or any of the member's rights to attend, speak and vote at the meeting. A proxy need not be a member of the Company. If a member appoints more than one proxy to attend the meeting, each proxy must be appointed to exercise the rights attached to a different share or shares held by the member. If a member wishes to appoint more than one proxy, the member should follow the instructions in the form of proxy accompanying this notice.

2 Any person receiving a copy of this notice as a person nominated by a member to enjoy information rights under the Companies Act 2006 (a "nominated person") should note that the provisions in this notice concerning the appointment of a proxy or proxies to attend the meeting in place of a member do not apply to a nominated person. However, a nominated person may have a right under an agreement between the nominated person and the member by whom he or she was nominated to be appointed, or to have someone else appointed, as a proxy for the meeting. If a nominated person has no such right or does not wish to exercise it, he/she may have a right under such an agreement to give instructions to the member as to the exercise of voting rights at the meeting.

3 A form of proxy is provided with this notice for members. Completion and return of the form of proxy will not prevent a member from attending the meeting and voting in person. To be effective, the form of proxy and any power of attorney or other authority under which it is signed (or a notarially certified copy of such authority) must be deposited with the Company's registrars, Computershare Investor Services PLC, not less than 48 hours (excluding non-working days) before the time of the holding of the meeting or any adjournment thereof. Alternatively, a proxy may be appointed online at www.investorcentre.co.uk/eproxy by that time. Completion and submission of the form of proxy will not preclude shareholders from attending and voting at the meeting should they wish to do so.

4 In the event of joint holders, where one or more of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of joint holders appear in the Company's register of members in respect of the joint holders (the first named being the most senior)

5 The statements of the rights of shareholders in relation to the appointment of proxies in Notes 1 and 3 above do not apply to nominated persons. These rights can only be exercised by members of the Company.

6 A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same store.

7 Pursuant to Regulation 41(1) of the Uncertificated Securities Regulations 2001 (SI 2001 No 3755), the Company has specified that only those members registered on the register of members of the Company at 6.00 p.m. on 14 December 2012 or, if the meeting is adjourned, at 6.00 p.m. on the day two days (excluding non-working days) prior to the adjourned meeting shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to the register of members after the relevant time shall be disregarded in determining the rights of any person to attend and vote at the meeting.

8 CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) thereof by utilising the procedures described in the CREST Manual and/or by logging on to www.euroclear.com/CREST

CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID 3RA50) by the latest time(s) for receipt of proxy appointments specified in Note 3 above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

9 If the Chairman, as a result of any proxy appointments, is given discretion as to how the votes the subject of those proxies are cast and the voting rights in respect of those discretionary proxies, when added to the interests in the Company's securities already held by the Chairman, result in the Chairman holding such number of voting rights that he has a notifiable obligation under the Disclosure Rules and Transparency Rules, the Chairman will make the necessary notifications to the Company and the Financial Services Authority. As a result, any member holding 3% or more of the voting rights in the Company who grants the Chairman a discretionary proxy in respect of some or all of those voting rights and so would otherwise have a notification obligation under the Disclosure Rules and Transparency Rules, need not make a separate notification to the Company and the Financial Services Authority.

10 If you wish to attend the meeting in person, there will be a Members' register for you to sign on arrival.

11 Information regarding the AGM, including information required by Section 311A of the Companies Act 2006, is available from www.standardlifeinvestments.com/its

12 Members have the right to ask questions at the meeting in accordance with section 319A of the Companies Act 2006.

13 Any person holding 3% of the total voting rights in the Company who appoints a person other than the Chairman as his or her proxy(ies) will need to ensure that both he or she and such proxy(ies) comply with their respective disclosure obligations under the UK Disclosure and Transparency Rules.

14 The members of the Company may require the Company to publish, on its website, without payment a statement which is also passed to the auditor setting out any matter relating to the audit of the Company's accounts, including the auditor's report and the conduct of the audit, which they intend to raise at the next meeting of the Company. The Company will be required to do so once it has received such requests from either (i) members representing at least 5% of the total voting rights of the Company or (ii) at least 100 members who have a relevant right to vote and hold shares in the Company on which there has been paid up an average sum per member of at least £100. Such requests must be made in writing and must state the members full name and address and be sent to the Company Secretary, Maven Capital Partners UK LLP, 1st Floor, Kintrye House, 205 West George Street, Glasgow, G2 2LW.

15 Shareholders are advised that, unless otherwise stated, any telephone number, website or e-mail address which may be set out in this notice of AGM or in any related documents (including the proxy form) is not to be used for the purposes of serving information or documents on, or otherwise communicating with, the Company for any purposes other than those expressly stated.

16 As at 13 November 2012 (the latest practicable date before the printing of this document), the Company's total capital consisted of 39,766,633 Ordinary shares of 25p each, of which 1,807,328 were held in treasury, with a resulting total of 37,959,305 Ordinary Shares with voting rights.

17 No Director has a service agreement with the Company.

18. The following documents will be available for inspection at the registered office of the Company from 13 November 2012 until the conclusion of the AGM and at the meeting venue itself for at least 15 minutes prior to the meeting until the conclusion of the meeting:

1. copies of the letter of appointment of the non-executive directors of the Company; and
2. a copy of the proposed new articles of association of the Company, register with a copy of the existing articles of association of the Company marked to show the changes being proposed.

Notice of Separate Meeting of Subscription Shareholders

NOTICE IS HEREBY GIVEN that a separate general meeting of the holders of subscription shares of 0.01p each in the capital of the Company (the "Subscription Shares") will be held at 30 St Mary Axe, London EC3A 8EP on Tuesday, 18 December 2012 at 11.15 a.m. or as soon as the annual general meeting of the Company convened for 11.00 a.m. on the same day has concluded or been adjourned, and if such separate class meeting is adjourned due to a lack of quorum notice is hereby given that any such adjourned meeting shall be held on 11 January 2013 at 11 a.m. at 30 St Mary Axe, London EC3A 8EP, for the purpose of considering and, if thought fit, passing the following resolution, which will be proposed as a special resolution, namely:

Special Resolution

That, this meeting of the holders of Subscription Shares hereby sanctions and consents to every alteration, modification, variation or abrogation of the special rights, privileges and restrictions attaching to the Subscription Shares to be effected by the passing and implementation of the special resolution of the Company numbered 11 in the notice of the annual general meeting of the Company contained in the annual report and accounts of the Company dated 13 November 2012, a copy of which has been initialled by the chairman of the meeting for the purpose of identification and produced to the meeting.

By order of the Board
Maven Capital Partners UK LLP
Company Secretary

13 November 2012

Registered Office
30 St Mary Axe
London
EC3A 8EP

Notes:

1. Only holders of Subscription Shares are entitled to attend and vote at the meeting. Holders of Ordinary Shares are not entitled to attend and vote at the meeting unless they also hold Subscription Shares. A Subscription Shareholder may appoint one or more proxies to exercise all or any of the rights of the member to attend and speak and vote in his place. A proxy need not be a member of the Company. A Subscription Shareholder may appoint more than one proxy provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. If a Subscription Shareholder wishes to appoint more than one proxy and so requires additional proxy forms, the shareholder should contact the Company's Registrars, Computershare Investor Services PLC.

2. A form of proxy is enclosed for use by Subscription Shareholders. To be valid, the form of proxy and any power of attorney or other authority (if any) under which it is signed (or a notarially certified copy thereof) must be deposited with the Company's Registrars, Computershare Investor Services PLC at Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY or (by hand during normal business hours only) to the same address not later than 11.15 a.m. on Friday, 14 December 2012 or, if the meeting is adjourned, 48 hours before the time of the adjourned meeting. Alternatively, a proxy may be appointed online at www.investorcentre.co.uk/eproxy by that time. Completion and return of a form of proxy (including online) will not preclude a Subscription Shareholder from attending and voting at the meeting if he or she wishes to do so.

3. The Company has specified that only those Subscription Shareholders entered on the register of members of the Company as at 6.00 p.m. on 14 December 2012 or, if the meeting is adjourned, on the register of members 48 hours before the time of the adjourned meeting shall be entitled to attend and vote at the meeting in respect of the number of Subscription Shares registered in their name at that time. Changes to the register of members after 6.00 p.m. on 14 December 2012 or, if the meeting is adjourned, after 48 hours before the time of the adjourned meeting will be disregarded in determining the rights of any person to attend and vote at the meeting or adjourned meeting (as the case may be).

Notice of Separate Meeting of Subscription Shareholders

4. Any person receiving a copy of this Notice as a person nominated by a member to enjoy information rights under section 146 Companies Act 2006 (a Nominated Person) should note that the provisions in Notes 1 and 2 above concerning the appointment of a proxy or proxies to attend the meeting in place of a member, do not apply to a Nominated Person, as only shareholders have the right to appoint a proxy. However, a Nominated Person may have a right under an agreement between the Nominated Person and the member by whom he or she was nominated to be appointed, or to have someone else appointed, as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may have a right under such an agreement to give instructions to the member as to the exercise of voting rights at the meeting.

5. Terms used in this notice shall have the same meaning as in the annual reports and accounts for the year ending 30 September 2012 unless otherwise defined.

6. Information regarding the meeting, including information required by Section 311A of the Companies Act 2006, is available from www.standardlifeinvestments.com/its.

7. As at 13 November 2012 (the latest practicable date before the printing of this document) the Company's total subscription share capital consisted of 7,557,134 subscription shares of 0.01p each with voting rights for this meeting. On a poll, each Subscription Shareholder shall be entitled to one vote for every subscription share held by them.

8. Subscription Shareholders have the right to ask questions at the meeting in accordance with Section 319A of the Companies Act 2006.

MIX
Paper from
responsible sources
FSC® C005739

Managed by
Standard Life Investments
1 George Street
Edinburgh EH2 2LL
Website: www.standardlifeinvestments.com/its
Investor Services: 0845 60 24 247
(Monday to Friday, 9 a.m. – 5 p.m.)

Registered Address
30 St Mary Axe
London EC3A 8EP