



Standard Life Equity Income Trust PLC

Annual Report and Accounts 30 September 2011

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Financial Calendar

14 November 2011	Announcement of Annual Financial Report for year ended 30 September 2011
15 December 2011	Annual General Meeting
21 December 2011	Payment of final dividend of 8.85p per ordinary share
May 2012	Announcement of Half Yearly Financial Report for six months ending 31 March 2012

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.

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	<p>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:</p> <ul style="list-style-type: none"> • 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 <p>The Company may invest in convertible preference shares, convertible loan stocks, gilts and corporate bonds.</p> <p>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.</p> <p>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.</p>
Benchmark	The Company's benchmark is the FTSE All-Share Index.
Equity shareholders' funds	£102.4 million at 30 September 2011.
Market capitalisation	£104.9 million at 30 September 2011.
Capital structure	Standard Life Equity Income Trust is a conventional investment trust with Ordinary shares of 25p each. There were 37,954,058 Ordinary shares in issue (and 1,807,328 treasury shares) at 30 September 2011. There were also 7,562,381 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 2011, the Company was managed by Standard Life Investments with Karen Robertson 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 future investments' on page 47 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.

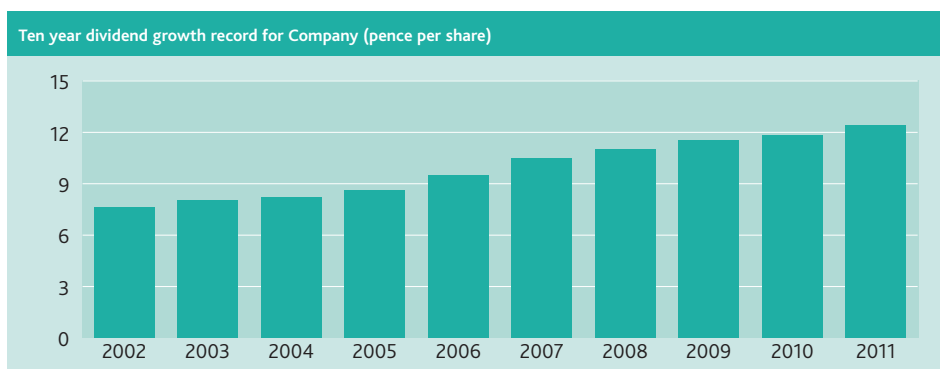
Financial Highlights

At 30 September 2011	%
Total Return	
Net asset value per ordinary share	-6.8
FTSE All-Share Index	-4.4

At 30 September	2011	2010	% change
Capital Return			
Net asset value per ordinary share (including net revenue)	269.9p	299.8p	-10.0
Net asset value per ordinary share (excluding net revenue)	260.6p	291.9p	-10.7
Ordinary share price (mid market)	276.5p	286.8p	-3.6
Premium/(discount) of share price to net asset value (including net revenue)	2.4%	-4.3%	n/a
Premium/(discount) of share price to net asset value (excluding net revenue)	6.1%	-1.8%	n/a
FTSE All-Share Index	2,654.4	2,867.6	-7.4

At 30 September	2011	2010	% change
Total assets	£117.7m	£127.3m	-7.5
Total shareholders' funds	£102.4m	£113.7m	-9.9
Total expense ratio (AIC method)	1.0%	1.0%	n/a
Revenue return per ordinary share	12.86p	11.04p	16.5
Dividend yield	4.5%	4.1%	n/a
Total dividends for the year (net)	12.40p	11.80p	5.1
Ordinary shares in issue (with voting rights)	37,954,058	37,930,579	—

Gearing (ratio of net borrowings to net assets)	2011	2010
Actual gearing ratio	6.0%	9.5%
Potential gearing ratio	14.6%	11.5%





Charles Wood OBE

Income and Dividends

The revenue return per share for the year ended 30 September 2011 rose by 16.5% to 12.86p (2010 – 11.04p). The Company benefited from 1.28p (2010 – 0.30p) in respect of VAT refunds and related interest received from HMRC. Removing the effect of this, the underlying revenue return increased by 7.8%.

Whilst the revenue account lost some ground at the end of 2010 due to the suspension of dividends from BP, strong dividend growth from the Company's underlying portfolio during 2011 has resulted in a 10.2% increase in investment income over the reporting year.

An interim dividend of 3.55p was paid on 24 June 2011, an increase of 12.7% on the previous year's interim reflecting the Board's aim of rebalancing the interim and final dividends. The Board is now recommending a 2.3% increase in the final dividend to 8.85p bringing total dividends for the year to 12.40p, an increase of 5.1%. Subject to shareholder approval, the final dividend will be paid on 21 December 2011 to shareholders on the register on 25 November 2011 with an associated ex-dividend date of 23 November 2011.

Since launch in 1991, the Company has achieved a real growth in income, with dividends increasing by 259%. This compares with an increase of 76% in the Retail Price Index, and a 53% increase in the Consumer Price Index over the same period.

VAT on Investment Management Fees

Following negotiations between HMRC and our former manager, Deutsche Asset Management, the Board is pleased to report that a further VAT repayment of £291,000 was received in March 2011, in respect of the period since the Company's inception in 1991 to 1996. This VAT refund has been allocated to revenue, in accordance with how the VAT was originally charged in the respective financial years. In addition,

the Company has received a further £193,000 of interest from HMRC in relation to the VAT refunds and this interest has also been allocated to revenue.

Performance

In contrast to a robust result on the income account, the capital performance of our investment portfolio was disappointing. For the year ended 30 September 2011, the Company's net asset value total return was -6.8% compared with a -4.4% total return for the FTSE All-Share Index and a positive total return of 2.1% for the FTSE 350 High Yield Index.

The last three months of the reporting period proved to be very difficult for the stock market in general and your Company in particular. A downgrade of US debt by ratings agency Standard & Poor's and concerns over the payment of sovereign debt in the Eurozone were the principal negative drivers for the market. The Company suffered a sharp decline in its performance during August and September. Exposure to cyclical stocks and an underweight position in defensive companies caused the Company to underperform as the UK market sold off sharply during this period.

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

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

UK Growth & Income Peer Group	Three Year Total Return	Five Year Total Return
SLEIT	14/19	10/19

The Company's share price total return for the year ended 30 September 2011 was 0.4%. The discount narrowed over the year and the Company ended the reporting period on a premium of 2.4%.

Chairman's Statement

The Manager's Report on pages 7 to 8 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

In January 2011, the Manager increased the Company's borrowings to £15m and maintained a net gearing level of 10% for the first half of 2011. This level was reduced over the latter part of the reporting period, to 6% at 30 September 2011, as the Manager retained cash rather than re-investing into the market during a period of extreme volatility.

The Company renewed its bank loan facility in February 2011 and put in place a £20m three year credit facility at 125bps above LIBOR.

Bonus Issue of Subscription Shares

Following shareholder approval at the General Meeting held on 17 December 2010, the Company issued subscription shares to qualifying shareholders on the basis of one subscription share for every five ordinary shares held. Each subscription share confers the right to subscribe for one ordinary share and may be exercised on the last business day of June and December, up to 2016, at a price of 320p per share. A reminder notice will be sent out to subscription shareholders in advance of each exercise date.

Following the exercise of any subscription shares, the Company will have an increased number of ordinary shares in issue and this should improve the liquidity in the market for the ordinary shares. The capital base of the Company will also be increased, allowing operating costs to be spread over a larger number of ordinary shares and reducing the total expense ratio.

New Director

The Board is pleased to welcome Jo Dixon as an independent, non-executive Director to the Company. Jo was appointed on 1 May 2011 and is a Chartered Accountant whose career has included a variety of roles in the Nat West Group, Finance Director of Newcastle United plc and Commercial Director of Serco Group. Jo is also a director of Worldwide Healthcare Trust plc and Baring Emerging Europe plc.

Appointment of Joint Investment Manager

The Board is pleased to announce the appointment of Thomas Moore as joint investment manager to the Company. Thomas joined Standard Life Investments in

2002, after four years in the industry. He has been an Investment Director in the UK Equities Team since 2006. Thomas has built up a successful track record with the Standard Life UK Equity Income Unconstrained Fund and was voted number one Pan European buy side Speciality & Other Finance analyst in both 2008 and 2010 (Thomson Extel Survey).

Thomas has assisted Karen Robertson with the management of the Company's portfolio for the past two years, attending both Board meetings and the Annual General Meeting and regularly presenting to existing and potential shareholders. The intention is that Thomas will become the lead manager during the course of the next year. The Board will be working closely with the Manager to determine the detailed timing of the transition.

Marketing and Shareholder Communication

The Manager meets with private client and wealth managers on an ongoing basis. In addition, the Board is always pleased to welcome private investors to the Company's AGM, to be held this year on Thursday 15 December 2011 at the offices of J.P. Morgan Cazenove, 20 Moorgate, London, EC2R 6DA. The meeting will start at 11am and will include a joint presentation from Karen and Thomas.

Outlook

The last two months of your Company's financial year were an uncomfortable period. Rapid loss of confidence in political and economic management both in the US and in Europe drove market volatility to much higher levels. Your Board has said for some time that it believes that this is an unusually protracted economic cycle: present political uncertainties have probably extended that.

Our Managers, however, report that they continue to see confidence in demand across many sectors at their regular meetings with companies. More widely, it is still expected that overall company earnings in non banking sectors will continue to grow.

Your Company holds a range of companies expected to generate value and consistent income growth over time. The Board has been able to build up reserves which has enabled us to recommend again an increased dividend.

Charles Wood OBE
Chairman

11 November 2011



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.



Chris Rowlands
Director

Appointed to the Board in 2003, he has been designated as the Senior Independent Director and is 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.



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.



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 a director of Worldwide Healthcare Trust PLC and Baring Emerging Europe PLC.



Keith Percy
Director

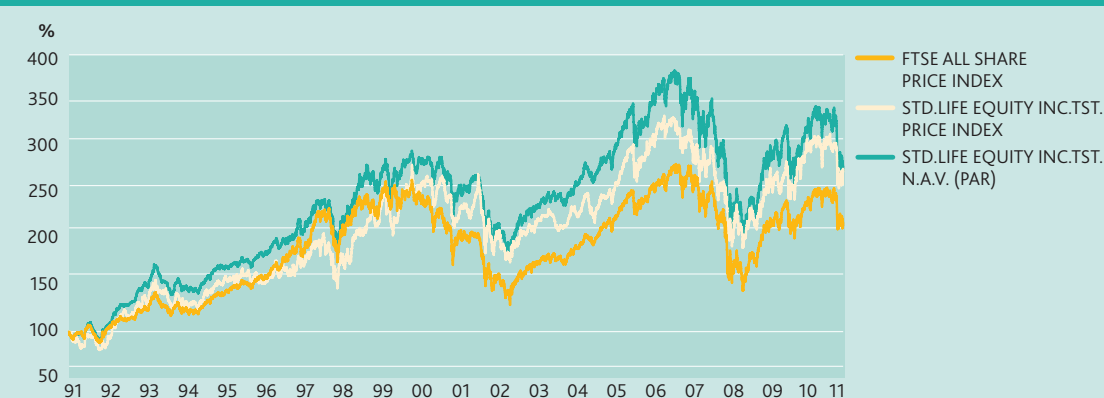
Appointed to the Board in 1991, he is chairman of the Nomination Committee. He is chairman of Brunner Investment Trust PLC and also non-executive director of JPMorgan Japanese Investment Trust PLC, The Henderson Smaller Companies Investment Trust PLC and of The Children's Mutual.

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 %	Actual gearing ratio ⁽⁴⁾	Potential gearing ratio ⁽⁵⁾
2001	4,041	3,228	8.12	7.55	226.8	90,190	219.0	(3.4)	0.95	1.00
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

- (1) The figures for 2005 for Shareholders' funds, Net Asset Value and (discount)/premium 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 realised 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)





Karen Robertson

Market Review

Against a backdrop of concerns over the global recovery, a stagnant domestic economy and the ongoing Euro-zone debt crisis, the 12-month review period was particularly volatile for UK equities.

The first quarter of the Company's financial year started well, driven by broadly positive corporate results. There was also increased confidence over the pace of the global economic recovery, and 2010 ended on a reasonably positive note. During this time though, there were signs of foreboding - November in particular saw anxiety grow over debt problems in peripheral European countries.

UK equities retreated as we moved into 2011, with investor sentiment negatively affected by the surprise news that the UK economy had shrunk during the fourth quarter of 2010. Investors were also subject to geopolitical shocks emanating from the Middle East and North Africa as well as natural disasters in Japan. As the year progressed, investor sentiment continued to exhibit sharp swings with concerns about macroeconomic conditions, UK consumer spending as well as the ability of Euro-zone members to service their sovereign debts. However, there was positive news at this time from the corporate sector which demonstrated its resilience, with many companies continuing to post strong results.

Global economic events again exerted a malign influence over the final three months of the reporting period. In particular, sentiment was dealt a blow by news that the US had lost its coveted S&P AAA credit rating, while fears over European sovereign debt contagion continued to reverberate. European leaders did agree further financial aid for Greece, but the time taken to finalise the package's details, together with the lack of a lasting resolution, did not help to calm investors' nerves. The UK economy continued to exhibit sluggish growth, with interest rates not expected to rise until next summer.

Performance

For the year to 30 September 2011, the Company's net asset value total return was -6.8%, underperforming the FTSE All-Share Index total return of -4.4% (source: Thomson Datastream). Over the reporting period, the share price fell from 286.8p to 276.5p, a decrease of 3.6%.

Performance was impacted by an overweight exposure to mining company Vedanta Resources, which suffered due to ongoing delays to the proposed acquisition of a controlling stake in Cairn India. Another mining stock, Xstrata, also disappointed due to concerns over a possible slow down in China and a decline in metal prices. The Company's underweight position in defensive companies, such as Diageo, detracted from performance due to increased risk aversion within the market. In addition, Hays also underperformed on concerns over a slowdown in the UK recruitment market. Transport services group Wincanton disappointed due to its French distribution business.

The Company's exposure to GKN proved beneficial over the year as its share price bounced back strongly after retreating amid fears that the Japanese earthquake might disrupt its trade. Our exposure to industrial engineer Melrose was also positive when it reported stronger-than-expected trading as a result of recovering corporate capital expenditure. In addition, industrial company Fenner performed well as demand for its products continued to improve. DS Smith, the paper and packaging company, added further value when it produced good results, reflecting a cyclical upturn as well as the strategic changes being implemented by the new management team.

Activity

Purchases during the period included engineer Weir Group, where there was potential for earnings upgrades, and oil and gas services provider Petrofac, where earnings are expected to double over the next five years. We also bought shares in Marks & Spencer as there is potential for margin improvement in their food business given new management.

A position was initiated in Close Brothers, which will benefit from decreased competition from the mainstream banks. Industrial business Cookson Group was another purchase, as it was priced for a sharp contraction in global steel demand which we do not expect to occur. In addition, we bought shares in Babcock International as the Strategic Defence Review increases outsourcing opportunities and therefore top line growth.

Manager's Report

We reduced the Company's exposure to integrated energy company Centrica as a result of the increasing competition facing its home services business and pressures in the US. Other sales over the period included Micro Focus, following earnings downgrades, and Barratt Developments, in the wake of increasingly negative news emanating from the UK housing market.

Outlook

Our contact with company management suggests continued solid trading, with little sign of a widespread fall in demand. Rather, we are seeing only isolated pockets of weakness in areas most sensitive to deferral of investment decisions due to uncertainty over future demand.

While we recognise that business confidence remains fragile, the market has already priced in a significant downward correction in earnings forecasts, which should provide some cushion if the macroeconomic outlook deteriorates further. This is a supportive environment for active stock picking and we will continue to be alert to opportunities.

Karen Robertson

Standard Life Investments

11 November 2011

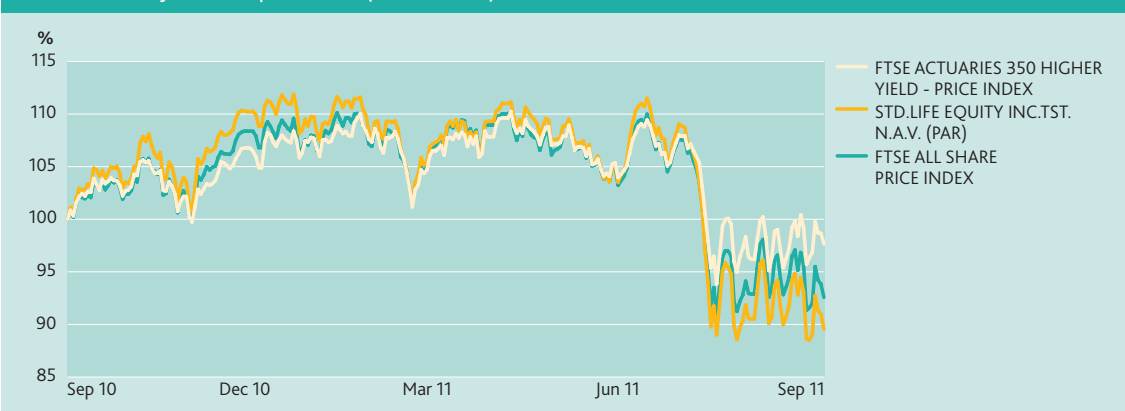
Relative Performance Attribution*	%
Stock Selection	-0.8
Gearing	-1.7
Interest	-0.4
Expenses	-0.4
Total	-3.3

* based upon capital return NAV

Top 5 Stock Level Contributors	Relative Position (%)	Contribution (%)
Fenner	1.5	0.6
Barclays	-0.9	0.4
Northumbrian Water	0.7	0.4
Imperial Tobacco	1.6	0.4
Melrose	1.6	0.3
Bottom 5 Stock Level Contributors	Relative Position (%)	Contribution (%)
Vedanta Resources	1.2	-0.6
BG	-2.6	-0.4
Diageo	-1.7	-0.3
Hays	0.7	-0.3
Wincanton	0.3	-0.3

Source: Standard Life Investments

Index Performance: year to 30 September 2011 (re-based to 100)



Source: Thomson Datastream

Twenty Largest Investments

at 30 September 2011

Stock	Key Business	Valuation as at 30 September 2011 £'000	Weight %	Valuation as at 30 September 2010 £'000
Royal Dutch Shell ^A	Oil & Gas Producers	8,781	8.1	6,056
Vodafone	Mobile Telecommunications	7,045	6.5	6,657
GlaxoSmithKline	Pharmaceuticals & Biotechnology	6,891	6.4	6,485
HSBC	Banks	6,186	5.7	8,293
BP	Oil & Gas Producers	5,277	4.9	6,685
Rio Tinto	Mining	3,857	3.6	4,969
Imperial Tobacco	Tobacco	3,792	3.5	3,309
British American Tobacco	Tobacco	3,394	3.1	3,781
AstraZeneca	Pharmaceuticals & Biotechnology	2,691	2.5	3,034
Xstrata	Mining	2,076	1.9	4,268
Top ten investments		49,990	46.2	
GKN	Automobiles & Parts	1,857	1.7	2,071
Aviva	Life Insurance	1,778	1.6	2,707
Melrose	Industrial Engineering	1,644	1.5	1,969
Smith DS	General Industrials	1,622	1.5	1,384
SSE	Electricity	1,611	1.5	2,061
BBA Aviation	Industrial Transportation	1,579	1.5	1,619
Kier	Construction & Materials	1,532	1.4	1,413
Severn Trent	Gas, Water & Multiutilities	1,461	1.4	1,243
IMI	Industrial Engineering	1,425	1.3	1,541
Fenner	Industrial Engineering	1,380	1.3	2,117
Top twenty investments		65,879	60.9	
Other investments (51)		42,349	39.1	
Total investments		108,228	100.0	

All investments are equity investments.

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

Classification of Investments

at 30 September 2011

	2011 £'000	Total portfolio 2011 %	FTSE All-Share Index 2011 %	Total portfolio 2010 %
UK EQUITIES				
Oil & Gas		14.5	18.3	11.2
Oil & Gas Producers		14.1		
BP	5,277			
Royal Dutch Shell A	4,857			
Royal Dutch Shell B	3,924			
Tullow Oil	1,209			
Oil Equipment Services & Distribution		0.4		
Petrofac	479			
Basic Materials		8.1	11.0	10.6
Forestry & Paper		0.5		
Mondi	494			
Mining		7.6		
Rio Tinto	3,857			
Xstrata	2,076			
BHP Billiton	1,312			
Vedanta Resources	922			
Industrials		16.7	7.4	14.2
Construction & Materials		2.6		
Kier	1,532			
Balfour Beatty	1,255			
Aerospace & Defence		0.6		
BAE Systems	649			
General Industrials		2.8		
Smith DS	1,622			
Smiths	1,010			
Cookson	387			
Electronic & Electrical Equipment		0.9		
Domino Printing	610			
Morgan Crucible	358			
Industrial Engineering		4.8		
Melrose	1,644			
IMI	1,425			
Fenner	1,380			
Weir	712			
Industrial Transportation		1.6		
BBA Aviation	1,579			
Wincanton	127			
Support Services		3.4		
Carillion	1,195			
Howden Joinery	1,082			
Babcock International	763			
Hays	679			

Classification of Investments

at 30 September 2011

	2011 £'000	Total portfolio 2011 %	FTSE All-Share Index 2011 %	Total portfolio 2010 %
Consumer Goods		8.3	13.1	9.6
Automobiles & Parts		1.7		
GKN	1,857			
Tobacco		6.6		
Imperial Tobacco	3,792			
British American Tobacco	3,394			
Health Care		9.6	7.9	7.7
Pharmaceuticals & Biotechnology		9.6		
GlaxoSmithKline	6,891			
AstraZeneca	2,691			
Shire	784			
Consumer Services		7.1	9.7	8.6
General Retailers		0.8		
Marks & Spencer	824			
Media		2.6		
Daily Mail & General Trust	943			
UBM	804			
Aegis	616			
Informa	450			
Travel & Leisure		3.7		
Compass	1,218			
Whitbread	1,062			
Stagecoach	815			
Marston's	602			
International Consolidated Airlines	364			
Telecommunications		7.4	6.6	5.4
Fixed Line Telecommunications		0.9		
BT	1,004			
Mobile Telecommunications		6.5		
Vodafone	7,045			
Utilities		7.6	4.1	8.6
Electricity		1.5		
SSE	1,611			
Gas, Water & Multiutilities		6.1		
Severn Trent	1,461			
National Grid	1,334			
United Utilities	1,116			
International Power	1,027			
Centrica	936			
Pennon	731			

Classification of Investments

at 30 September 2011

	2011 £'000	Total portfolio 2011 %	FTSE All-Share Index 2011 %	Total portfolio 2010 %
Financials		20.6	20.4	23.1
Banks		7.2		
HSBC	6,186			
Standard Chartered	949			
Barclays	690			
Non-life Insurance		3.2		
Hiscox	1,257			
RSA Insurance	1,183			
Admiral	1,064			
Life Insurance/Assurance		2.9		
Aviva	1,778			
Legal & General	1,308			
Real Estate Investment Trusts		2.1		
Hammerson	1,297			
Segro	936			
Financial Services		5.2		
Tullett Prebon	1,044			
Close Brothers	950			
Man	842			
Ashmore	830			
3i	636			
Aberdeen Asset Management	496			
Brewin Dolphin	476			
Intermediate Capital	400			
Technology		0.1	1.5	1.0
Software & Computer Services		0.1		
Computacenter	118			
Total Portfolio	108,228	100.0	100.0	100.0

All investments are equity investments.

The Directors present their Annual Report and the audited Financial Statements of the Company for the year ended 30 September 2011.

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 Sections 1158-1159 of the Corporation Tax Act 2010 for the year ended 30 September 2010. The Directors are of the opinion, under advice, that the Company has conducted its affairs for the year ended 30 September 2011 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 that year. The Company intends to manage its affairs so as to be a qualifying investment for inclusion in the stocks and shares component of an Individual Savings Account and it is the Directors' intention that the Company should continue to be a qualifying investment.

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 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 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 10 to 12 and the top twenty investments are listed on page 9. In the year ended 30 September 2011, the Company's net asset value (capital, including income) decreased by 10.0% and the FTSE All-Share Index fell by 7.4%. 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 Dividends

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

Directors' Report

The total revenue return attributable to ordinary shareholders for the year ended 30 September 2011 amounted to £4,877,000 (2010 - £4,189,000). An interim dividend of 3.55p per share was paid to eligible shareholders on 24 June 2011 (2010 – 3.15p) and the Directors are now recommending to shareholders that a final dividend per share of 8.85p (2010 – 8.65p) be paid on 21 December 2011 to shareholders on the share register as at the close of business on 25 November 2011. The ex-dividend date is 23 November 2011.

Details of the dividends paid during the year ended 30 September 2011 may be found in Note 7 to the Financial Statements on page 36.

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 7 and 8.

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)
- 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 the 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 16. 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 2011 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.

The Directors have adopted a robust framework of controls which is designed to monitor the principal risks facing the Company and to provide a monitoring system to enable the Directors to mitigate these risks as far as possible. A full analysis of the Directors' system of internal controls is set out in the Statement of Corporate Governance on page 22.

- Financial instruments and derivatives risk: further information relating to these risks may be found in Note 16 to the Financial Statements on pages 40 to 42.

Directors' Report - General

The names and short biographies of the Directors of the Company as at the date of signing of this report, may be found on page 5.

	Ordinary shares held at			
	30 September 2011		1 October 2010	
	Ords 25p	Sub Shares	Ords 25p	Sub Shares
C.A. Wood, OBE	12,500	2,500	12,500	2,500
J. Dixon	–	–	–	–
R.R.J. Burns	90,000	18,000	90,000	18,000
K.E. Percy	21,850	4,370	21,850	4,370
C.J. Rowlands	9,956	1,991	9,956	1,991

Table 1: Directors' interests in the shares of the Company

The Directors' interests in the share capital of the Company, as at 30 September 2011 and 1 October 2010 are listed in Table 1.

Mr R.R.J. Burns retires from the Board and offers himself for re-election at the next AGM in accordance with the Company's Articles of Association which require that each Director shall retire from office at the third AGM after the AGM at which he was last elected. Mr K.E. Percy, having served as a Director for more than nine years from the date of his first election, retires at the next AGM in accordance with the provisions of the AIC Code and, being eligible, offers himself for re-election.

Ms J. Dixon was appointed to the Board on 1 May 2011 and, in accordance with the Articles of Association, offers herself for election to the Board at the AGM.

The other Directors have reviewed the skills and experience of both Mr R.R.J. Burns 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 48 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 2011 were unchanged as at the date of this report.

Directors' 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 judgment 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 20 to 24. 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 to or drawn down from the facility as determined by the Manager. As at 30 September 2011, £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 2011 (2010: nil).

The total number of ordinary shares of 25p of the Company in issue at 30 September 2011 was 37,954,058 (excluding treasury shares) with each share holding one

voting right. The Company also holds 1,807,328 shares in treasury. There were also 7,562,381 Subscription shares of 0.01p, with no voting rights, in issue as at the same date.

During the year, shareholders have exercised their right to convert 23,479 Subscription shares into Ordinary shares for a total consideration of £75,000.

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 on 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 by Aberdeen Asset Management PLC under a separate agreement with the Manager.

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 21, the continuing appointment of the Manager, on the terms agreed, is in the 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 20 to 24.

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 the date of this report, which have been notified to the Company under the UKLA's Disclosure and Transparency Regulations.

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 auditor, Grant Thornton UK LLP have expressed their willingness to continue in office and an ordinary resolution will be put to shareholders at the AGM seeking approval of the re-election of Grant Thornton UK LLP as auditor and to authorise the Directors to fix their remuneration. There were non-audit fees of £27,000 paid during the year to Grant Thornton UK LLP (2010: nil) which related to reporting accounts in respect of the issue of Subscription shares. 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 such non-audit services and remain satisfied that objectivity and independence is being safeguarded by Grant Thornton UK LLP.

Name of Shareholder	No. of Ordinary Shares	% of Ordinary Shares
Brewin Dolphin	6,118,959	13.3
Legal & General Investment Management	1,339,462	3.5
Investec Wealth & Investment Ltd	1,278,337	3.4

Table 2: Declarations of interests in voting rights notified to the Company

Directors' Disclosure of Information to the Auditor

The Directors were all Directors at the date of approval of this Directors' Report. Each confirms that, so far as he or she (hereinafter referred to as "he") is aware, there is no relevant audit information of which the Company's auditor was unaware and that each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor was aware of that information.

Important Events

Important events during the year and between 30 September 2011 and the date of this report are set out in detail in the Chairman's Statement and Manager's Report.

Electronic Proxy Voting

Legislation has been passed 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 45 and 46.

Directors' Report

Annual General Meeting

The Notice of the AGM, which will be held this year at 11.00 a.m. on Thursday 15 December 2011, may be found on pages 48 to 51.

Authority of Directors to allot shares (Ordinary Resolution 8)

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 8 is passed, the Directors will have authority to allot unissued share capital up to a maximum nominal amount of £3,131,210, which represents approximately one-third of the Company's issued share capital (excluding shares held in treasury) as at 10 November 2011 (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 after the passing of the resolution or, if earlier, on 14 March 2013. 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 8 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 9)

If the Directors wish to exercise the authority under resolution 8 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 proportion to their existing shareholdings. 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 9 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 an aggregate nominal value of £948,851, which represents approximately 10% of the Company's issued share capital as at 10 November 2011. 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 after the passing of the resolution or, if earlier, on 14 March 2013. The Directors intend to seek a renewal of such power at each AGM.

Authority for the Company to purchase its own shares (Special Resolutions 10 and 11)

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 17 December 2010. Resolutions 10 and 11, if passed, would authorise the Company to buy back up to 5,689,313 Ordinary shares and 1,133,601 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 10 November 2011 respectively. If given, these authorities will expire at the conclusion of the next AGM of the Company after the passing of the resolutions or, if earlier, on 14 March 2013. 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 10, 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 the 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.

The Directors unanimously recommend that shareholders vote in favour of each resolution to be put to the AGM.

By order of the Board,

Aberdeen Asset Management PLC

Secretary

London, 11 November 2011

Statement of Corporate Governance

Corporate Governance

This Statement of Corporate Governance forms part of the Directors' Report which is shown on pages 13 to 19.

Introduction

The Company is committed to high standards of corporate governance and the Board is accordingly accountable to the Company's shareholders. The Board has considered the principles and recommendations of the AIC Code of Corporate Governance dated October 2010 ('AIC Code') which is available on the AIC's website: www.theaic.co.uk, by reference to the AIC Corporate Governance Guide for Investment Companies ('AIC Guide'). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in Section 1 of the UK Corporate Governance Code ('UK Code') which is available on the Financial Reporting Council's website: www.frc.org.uk, as well as setting out additional principles and recommendations on issues that are of specific relevance to investment trusts.

The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the UK Code), would provide better information to shareholders. The Company considers that it has complied with the recommendations of the AIC Code and the relevant provisions of Section 1 of the UK Code, except as set out below, throughout the year under review.

The UK Code includes provisions relating to:

- the role of the chief executive
- executive directors' remuneration
- the need for an internal audit function

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

The Board

The Board is comprised of wholly independent non-executive Directors. Their biographical details, set out on page 5, demonstrate a breadth of investment, commercial and professional experience. Mr C.J. Rowlands has been designated as the Senior Independent Director. The Board has assessed the independence of the Directors against the criteria set out in the Codes, and has concluded that they are all independent of 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 Directors meet not less than five times per year and additional meetings are arranged as necessary. The Board has formally adopted a schedule of matters reserved to it for decision and the requirement for Board approval on these matters is communicated direct to the senior staff of the Manager. Such matters include strategy, Company structure, risk, reviewing the Manager, borrowings, treasury, dividend, and corporate governance policy. Prior to each meeting, Directors are provided with Board papers containing information on the Company's periodic transactions, financial position and performance as well as receiving specific investment reports from the Manager. At each meeting, the Directors review the overall business of the Company by monitoring compliance with the Company's investment objective and investment policy and by considering any other matters reserved to the Board from time to time. At least once a year the Directors also hold a strategy meeting and a meeting without the Chairman being present and such meetings occurred during the year. The Directors have access to the advice and services of the Company Secretary and additional independent professional advice may be sought at any time by the Directors at the expense of the Company. Attendance by individual Directors at meetings held during the year may be found in Table 3.

There is a formal process for the consideration and authorisation by the Board of Directors' reported actual and potential conflicts of interest, a full analysis of the Directors' appointments and interests having been considered at that meeting. In accordance with the Company's Articles of Association and relevant legislation, each Director abstains from approval of his own position. The Board will continue to monitor and review potential conflicts of interests on a regular basis.

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

	Board Meeting	Audit Committee	Nomination Committee	Remuneration & Management Engagement Committee
C.A. Wood, OBE	6 (6)	2 (2)	1 (1)	1 (1)
J. Dixon ^A	3 (3)	1 (1)	0 (0)	1 (1)
R. R. J. Burns	6 (6)	2 (2)	1 (1)	1 (1)
K.E. Percy	6 (6)	2 (2)	1 (1)	1 (1)
C.J. Rowlands	4 (6)	2 (2)	1 (1)	1 (1)

Table 3: Attendance by Directors with eligibility to attend in brackets

^A Ms J. Dixon attended all meetings since her appointment in May 2011.

Statement of Corporate Governance

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 with Mr C.J. Rowlands as Chairman. Other members of the Committee are Mr R.R.J. Burns, Ms J. Dixon, Mr K.E. Percy and Mr C.A. Wood.

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 and reviews the adequacy of accounting systems and controls, accounting policies and the contents of external financial reports. Both the Chairman of the Committee and the Committee as a whole also meet at least once a year with the Company's auditor without the presence of the Manager. In addition, the Committee reviews the auditor's objectivity and independence, their terms of appointment and remuneration including the provision by them of any non-audit services as well as the quality of the services provided to the Company. The Committee has direct access to the senior executives of the Manager and the Company Secretary and also to the Company's auditor who regularly attend and report at its meetings.

The Chairman of the Audit Committee will be present at the AGM to deal with questions relating to the Financial Statements.

Nomination Committee

The Directors have established a Nomination Committee with Mr K.E. Percy as Chairman. Other members of the Committee are Mr R.R.J. Burns, Ms J. Dixon, Mr C.J. Rowlands and Mr C.A. Wood. Appointments of new Directors are considered by the Nomination Committee taking into account the need to maintain a balanced Board. The Nomination Committee will consider the use of an external search consultant depending on circumstances at the appropriate time and in the case of the recent recruitment of Ms Dixon, the Committee employed the services of such a consultant. New Directors appointed to the Board will be given a formal induction meeting with the Manager and will be provided with all relevant information regarding their duties as Directors, together with relevant background information on the Company. Consistent with the recommendation of the AIC Code, appropriate training is arranged for new and current Directors where necessary.

Remuneration and Management Engagement Committee

The Directors have established a Remuneration and Management Engagement Committee with Mr R.R.J. Burns as Chairman. Other members of the Committee are Ms J. Dixon, Mr K.E. Percy, Mr C.J. Rowlands and Mr C.A. Wood.

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.

At its meeting in May 2011, 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 interests 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 was last elected. Accordingly, Mr R.R.J. Burns retires and offers himself for re-election as a Director at the forthcoming AGM and Ms J. Dixon who was appointed to the Board on 1 May 2011 offers herself for election to the Board at the AGM.

The Board has reviewed the skills and experience of Ms Dixon and Mr Burns and has no hesitation in recommending to shareholders their election and re-election at the AGM. Ms Dixon has a broad business background with particular knowledge and expertise in financial matters and Mr Burns has an extensive investment background.

Statement of Corporate Governance

Notwithstanding that Mr K.E. Percy has served as a Director for more than nine years from the date of his first election, the other Directors are firmly of the view that his independence has not been compromised by his length of service, and that experience as well as a long-term perspective can add significant value to a well-balanced investment trust company board comprising of non-executive directors. In considering Mr Percy's independence, the Committee considered a number of factors including Mr Percy's experience, integrity and judgement of character. The Committee also recognised that Mr Percy has no 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 Company's directors. For these reasons the Nomination Committee (excluding Mr Percy) believes Mr Percy remains independent notwithstanding his length of service and has no hesitation in recommending the re-election of Mr Percy.

Board

A performance evaluation involving private discussions with the Chairman of the effectiveness of the Board as a whole, and of each individual Director, was carried out during the year which sought to identify that the Board demonstrates sufficient collective skill and experience and that each Director exhibited 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 C.J. Rowlands 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 Directors have overall responsibility for the Company's system of internal control and risk management and for reviewing its effectiveness. The Directors confirm that there is an ongoing process for identifying, evaluating and managing the principal risks faced by the Company, that has been in place for the full year under review and up to the date of approval of the Financial Statements, and that this process is regularly reviewed by the Directors and accords with the FRC guidance. Further information on the principal risks may be found in the Business Review on pages 14 and 15 of the Directors' Report.

The Directors have 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 Directors have 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 "Revised Guidance for Directors on the Combined Code" 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 Directors and timetables are agreed for implementing improvements to systems. The implementation of any remedial action required is monitored and feedback provided to the Directors. 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 Directors. 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

Statement of Corporate Governance

- twice a year, the Board, via the Audit Committee, carries out an assessment of internal controls by considering documentation from the Manager's Head of Internal Audit and the Company Secretary, including their internal audit and compliance functions and taking account of events since the relevant period end.

The Directors have contractually delegated to external firms: (i) shareholder registration services; (ii) custody services (which includes the safeguarding of the assets); (iii) the management of the investment portfolio, and (iv) the day to day accounting, company secretarial and administration services of the Company. These 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.

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 independent investigation. The Directors review each year the Manager's and Company Secretary's policies on this matter.

Relations with Shareholders

The Company's net asset value is published each business day. The Company also reports formally to shareholders twice a year by way of the Half Yearly 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. An Interim Management Statement is also published via the London Stock Exchange for the quarters ended 30 June and 31 December each year.

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 44.

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 the 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 on 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 the Chairmen of the Audit, Remuneration and Management Engagement and Nomination Committees. The Manager makes a presentation to the meeting and the Chairman

Statement of Corporate Governance

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 put 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.

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 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

11 November 2011

Directors' Remuneration Report

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 next 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 28.

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 2011 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

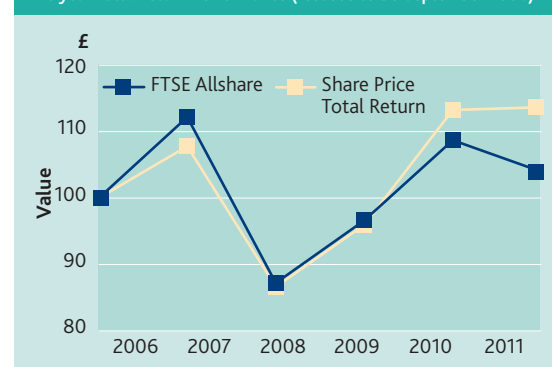
The Company's remuneration policy provides that fees payable to the Directors should reflect the time spent by the Board on the Company's affairs and the responsibilities borne by the Directors and should be sufficient to enable candidates of high calibre to be recruited. Directors are remunerated in 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, it was agreed that the fees payable to the Chairman and each Director should remain the same at £25,000 and £17,500, respectively. The Chairmen of the Audit Committee, Remuneration & Management Engagement Committee and Nomination Committee are paid an additional £5,000, £1,500 and £1,000 respectively. As at 30 September 2011 and the date of this report, the Directors' fees were therefore paid at the following annual rates: Mr C.A. Wood (Chairman) £25,000, Mr R.R.J. Burns £19,000, Ms J. Dixon £17,500, Mr K.E. Percy £18,500 and Mr C.J. Rowlands £22,500.

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 2006)



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.

Approval

This Directors' Remuneration Report was approved by the Board of Directors on 11 November 2011 and signed on its behalf by:

By order of the Board

Richard Burns
Director

London, 11 November 2011

	Date of Appointment to the Board	2010 £'000	2011 £'000
Chairman of the Board:			
Mr C.A. Wood	3 November 2003	24.0	25.0
Chairman of Remuneration and Management Engagement Committee:			
Mr R.R.J. Burns	23 May 2006	18.0	19.0
Ms J. Dixon	1 May 2011	–	7.0
Chairman of Nomination Committee:			
Mr K.E. Percy	8 October 1991	18.0	18.5
Chairman of Audit Committee:			
Mr C.J. Rowlands	19 March 2003	21.0	22.5
		81.0	92.0

Table 4: Director's fees

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 2011 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 25 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 2011 and of its loss 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 17, 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, 11 November 2011

Income Statement

for the year ended 30 September

	Notes	Revenue £'000	2011 Capital £'000	Total £'000	Revenue £'000	2010 Capital £'000	Total £'000
Net (losses)/gains on investments at fair value	9	—	(10,471)	(10,471)	—	8,261	8,261
Income	2	5,257	—	5,257	4,715	—	4,715
Investment management fee	3	(255)	(596)	(851)	(234)	(545)	(779)
VAT recovered on investment management fees	3	291	—	291	—	—	—
Administrative expenses	4	(283)	(289)	(572)	(226)	—	(226)
NET RETURN BEFORE FINANCE COSTS AND TAXATION		5,010	(11,356)	(6,346)	4,255	7,716	11,971
Finance costs	5	(107)	(251)	(358)	(55)	(127)	(182)
RETURN ON ORDINARY ACTIVITIES BEFORE TAXATION		4,903	(11,607)	(6,704)	4,200	7,589	11,789
Taxation	6	(26)	—	(26)	(11)	—	(11)
RETURN ON ORDINARY ACTIVITIES AFTER TAXATION		4,877	(11,607)	(6,730)	4,189	7,589	11,778
RETURN PER ORDINARY SHARE	8	12.86p	(30.60p)	(17.74p)	11.04p	20.01p	31.05p

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

at 30 September

		2011		2010	
	Notes	£'000	£'000	£'000	£'000
FIXED ASSETS					
Investments designated at fair value through profit or loss	9		108,228		124,322
CURRENT ASSETS					
Debtors	10	677		1,036	
AAA money market funds		8,810		1,695	
Cash and short term deposits		—		226	
		<u>9,487</u>		<u>2,957</u>	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR					
Bank loan	11	(15,000)		(12,750)	
Other creditors	11	(293)		(828)	
		<u>(15,293)</u>		<u>(13,578)</u>	
NET CURRENT LIABILITIES			<u>(5,806)</u>		<u>(10,621)</u>
NET ASSETS			<u>102,422</u>		<u>113,701</u>
CAPITAL AND RESERVES					
Called-up share capital	12		9,942		9,935
Share premium account			20,441		20,373
Capital redemption reserve			12,615		12,615
Capital reserve			53,222		64,829
Revenue reserve			<u>6,202</u>		<u>5,949</u>
EQUITY SHAREHOLDERS' FUNDS			<u>102,422</u>		<u>113,701</u>
NET ASSET VALUE PER ORDINARY SHARE	13		<u>269.86p</u>		<u>299.76p</u>

The Financial Statements on pages 29 to 43 were approved by the Board of Directors and authorised for issue on 11 November 2011 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 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

for the year ended 30 September 2010

	Notes	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 30 September 2009		9,935	20,373	12,615	57,240	6,139	106,302
Return on ordinary activities after taxation		—	—	—	7,589	4,189	11,778
Dividends paid	7	—	—	—	—	(4,379)	(4,379)
BALANCE AT 30 SEPTEMBER 2010		9,935	20,373	12,615	64,829	5,949	113,701

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

		2011		2010	
	Notes	£'000	£'000	£'000	£'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	14		4,123		3,498
NET CASH OUTFLOW FROM SERVICING OF FINANCE			(359)		(177)
FINANCIAL INVESTMENT					
Purchases of investments		(21,123)		(29,270)	
Sales of investments		26,542		27,754	
NET CASH INFLOW/(OUTFLOW) FROM FINANCIAL INVESTMENT			5,419		(1,516)
EQUITY DIVIDENDS PAID			(4,624)		(4,379)
			4,559		(2,574)
MANAGEMENT OF LIQUID RESOURCES					
Purchase of AAA Money Market funds		(26,373)		(25,083)	
Sale of AAA Money Market funds		19,258		24,125	
NET CASH OUTFLOW FROM MANAGEMENT OF LIQUID RESOURCES			(7,115)		(958)
NET CASH OUTFLOW BEFORE FINANCING			(2,556)		(3,532)
FINANCING					
Proceeds from exercise of subscription shares		75		—	
Drawdown of loan		2,250		3,750	
NET CASH INFLOW FROM FINANCING			2,325		3,750
(DECREASE)/INCREASE IN CASH			(231)		218
RECONCILIATION OF NET CASH FLOW TO MOVEMENTS IN NET DEBT					
(Decrease)/increase in cash as above		(231)		218	
Net change in liquid resources		7,115		958	
Drawdown of loan		(2,250)		(3,750)	
MOVEMENT IN NET DEBT IN YEAR			4,634		(2,574)
Opening net debt			(10,829)		(8,255)
CLOSING NET DEBT	15		(6,195)		(10,829)

The accompanying notes are an integral part of the Financial Statements.

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 17.

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 most liquid FTSE 250 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. 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 disposal 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 charged to this reserve. Any associated tax relief is also credited to this reserve.

Notes to the Financial Statements

1. Accounting policies (continued)

(h) Taxation

Deferred taxation is recognised in respect of all timing 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 timing differences can be deducted. Timing 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	2011 £'000	2010 £'000
Income from investments		
Franked investment income	4,496	4,398
Overseas and unfranked investment income	401	151
Stock dividends	114	—
	<u>5,011</u>	<u>4,549</u>
Other income		
AAA Money Market interest	23	9
Interest from HMRC	193	112
Underwriting commission	30	45
	<u>246</u>	<u>166</u>
Total income	<u>5,257</u>	<u>4,715</u>
3. Investment management fee	2011 £'000	2010 £'000
Investment management fee	851	779
Charged to capital reserve	(596)	(545)
	<u>255</u>	<u>234</u>

The Company has an agreement with Standard Life (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)).

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.

3. Investment management fee (continued)

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) has been recognised in these financial statements 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 (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 and £112,000 on the repaid VAT was recognised in the financial statements for the years ended 30 September 2009 and 30 September 2010, respectively. A further amount of £193,000 has been recognised in these financial statements.

4. Administrative expenses

	2011 £'000	2010 £'000
Directors' fees	92	81
Fees payable to the Company's Auditor (excluding VAT):		
- for the audit of the annual Financial Statements	19	18
Professional fees	41	36
Other expenses	131	91
	<u>283</u>	<u>226</u>

In addition, during the year ended 30 September 2011, the Company incurred capital expenses amounting to £289,000 (2010 - nil) in connection with the issue of Subscription shares, including £27,000 (excluding VAT) payable to the Company's auditor 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 26 and 27.

5. Finance costs

	2011 £'000	2010 £'000
On bank loans and overdrafts:		
Allocated to revenue reserve	107	55
Allocated to capital reserve	251	127
	<u>358</u>	<u>182</u>

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

Notes to the Financial Statements

6. Taxation

2011
£'000

2010
£'000

(a) Analysis of charge for the year

Overseas withholding tax

26

11

(b) Factors affecting current tax charge for the year

The corporation tax rate was 28% until 31 March 2011 and 26% from 1 April 2011 giving an effective rate of 27%. 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:

Total return on ordinary activities before taxation

(6,704)

11,789

Return on ordinary activities at the UK standard rate of corporation tax 27% (2010 - 28%)

(1,810)

3,301

Effects of:

Losses/(gains) on investments not taxable

2,827

(2,313)

Non-taxable income

(1,339)

(1,248)

Excess management expenses and loan relationship debit expenses

322

260

Overseas withholding tax

26

11

Total taxation

26

11

At 30 September 2011, the Company had unutilised management expenses and loan relationship losses of £12,956,000 (2010-£12,052,000). 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

2011
£'000

2010
£'000

Amounts recognised as distributions to equity holders in the year:

Final dividend for 2010 of 8.65p per share (2009 - 8.40p)

3,281

3,186

Interim dividend for 2011 of 3.55p per share (2010 - 3.15p)

1,346

1,195

Return of unclaimed dividends

(3)

(2)

4,624

4,379

The proposed final dividend for 2011 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 £4,877,000 (2010 - £4,189,000).

Interim dividend for 2011 of 3.55p per share (2010 - 3.15p)

1,346

1,195

Proposed final dividend for 2011 of 8.85p per share (2010 - 8.65p)

3,359

3,281

4,705

4,476

Notes to the Financial Statements

	2011		2010	
8. Return per Ordinary share	£'000	p	£'000	p
The returns per Ordinary share have been based on the following figures:				
Revenue return	4,877	12.86	4,189	11.04
Capital return	(11,607)	(30.60)	7,589	20.01
Total return	(6,730)	(17.74)	11,778	31.05
Weighted average number of Ordinary shares in issue ^A	37,936,175		37,930,579	

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, as detailed in note 12.

There was no dilution to the return per ordinary share at 30 September 2010 as there were no dilutive potential Ordinary shares in issue at that date.

^A Calculated excluding shares held in treasury.

9. Investments	2011 £'000	2010 £'000
Fair value through profit or loss		
Opening book cost	112,650	109,652
Opening fair value gains on investments held	11,672	4,534
Opening fair value	124,322	114,186
Movements in the year:		
Purchases at cost	20,603	29,645
Sales - proceeds	(26,226)	(27,770)
- realised gains on sales	1,555	1,123
Current year fair value (losses)/gains on investments held	(12,026)	7,138
Closing fair value	108,228	124,322
Closing book cost	108,582	112,650
Closing fair value (losses)/gains on investments held	(354)	11,672
Closing fair value	108,228	124,322
(Losses) /gains on investments held at fair value through profit or loss		
Gains on sales	1,555	1,123
(Decrease)/increase in fair value of investments held	(12,026)	7,138
	(10,471)	8,261

Notes to the Financial Statements

9. Investments (continued)	2011 £'000	2010 £'000
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 (losses)/gains on investments in the Income Statement. The total costs were as follows:		
Purchases	113	175
Sales	36	36
Total	149	211
10. Debtors: amounts falling due within one year	2011 £'000	2010 £'000
Amounts due from brokers	10	326
Net dividends and interest receivable	608	568
Other debtors	59	142
	677	1,036
11. Creditors: amounts falling due within one year	2011 £'000	2010 £'000
Bank loan	15,000	12,750
Other creditors		
Bank overdraft	5	—
Amounts due to brokers	—	520
Investment management fee payable	192	207
Sundry creditors	96	101
	293	828
As at 30 September 2011, the Company had drawn down £15 million (2010 - £12.75 million) of the £20 million loan facility (2010 - £15 million) arranged with The Royal Bank of Scotland plc, at an interest rate of 1.93714% per annum maturing on 24 October 2011. Subsequent to the year end, the £15 million loan was rolled over from 24 October 2011 to 24 November 2011 at an interest rate of 1.96076%.		
12. Called-up share capital	2011 £'000	2010 £'000
Issued and fully paid:		
Ordinary shares of 25p each		
Opening balance of 37,930,579 (2010 - 37,930,579) Ordinary shares	9,483	9,483
Issue of 23,479 (2010 - nil) Ordinary shares on conversion of Subscription shares	6	—
Closing balance of 37,954,058 (2010 - 37,930,579) Ordinary shares	9,489	9,483

Notes to the Financial Statements

12. Called-up share capital (continued)	2011 £'000	2010 £'000
Subscription shares of 0.01p each		
Bonus issue of 7,585,860 Subscription shares	1	—
Conversion of 23,479 Subscription shares into Ordinary shares	—	—
	<u>1</u>	<u>—</u>
Treasury shares		
Opening and closing balance of 1,807,328 Treasury shares	452	452
	<u>9,942</u>	<u>9,935</u>

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 subscription price has been determined as being 320p.

During the year, shareholders have exercised their right to convert 23,479 Subscription shares into ordinary shares for a total consideration of £75,000.

There were no shares repurchased during the year. The total shares held in treasury is 1,807,328. Shares held in treasury represent 4.8% of the Company's total issued share capital at 30 September 2011 (2010 - 4.5%). The number of Subscription shares in issue at 30 September 2011 is 7,562,381.

13. Net asset value	2011	2010
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:		
Total shareholders' funds	£102,422,000	£113,701,000
Number of Ordinary shares in issue at year end ^A	37,954,058	37,930,579
Net asset value per share	269.86p	299.76p

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, as detailed in note 12.

There was no dilution to the net asset value at 30 September 2010 as there were no dilutive potential Ordinary shares in issue at that date.

^A Excludes shares in issue held in treasury.

Notes to the Financial Statements

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

	2011 £'000	2010 £'000
Net return before finance costs and taxation	(6,346)	11,971
Adjustments for:		
Net losses/(gains) on investments at fair value	10,471	(8,261)
Decrease/(increase) in accrued income	68	(200)
Increase in other debtors	—	(2)
(Decrease)/increase in other creditors	(20)	7
Net overseas tax paid	(50)	(17)
Net cash inflow from operating activities	4,123	3,498

15. Analysis of changes in net debt

	At 30 September 2010 £'000	Cashflow £'000	At 30 September 2011 £'000
Cash at bank and in hand	226	(231)	(5)
AAA money market funds	1,695	7,115	8,810
Bank loan	(12,750)	(2,250)	(15,000)
Net debt	(10,829)	4,634	(6,195)

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:

16. Financial instruments (continued)

	Weighted average period for which rate is fixed Years	Weighted average interest rate %	Fixed rate £000	Floating rate £000
As at 30 September 2011				
<i>Assets</i>				
AAA money market funds	—	0.87	—	8,810
Total assets	—	0.87	—	8,810
<i>Liabilities</i>				
Bank overdraft	—	1.48	—	5
Bank loans	0.1	1.94	15,000	—
Total liabilities	0.1	1.94	15,000	5
As at 30 September 2010				
<i>Assets</i>				
AAA money market funds	—	0.56	—	1,695
Cash deposits	—	0.05	—	226
Total assets	—	0.50	—	1,921
<i>Liabilities</i>				
Bank loans	0.1	1.57	12,750	—
Total liabilities	0.1	1.57	12,750	—

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 2011 or 30 September 2010 that had a maturity date. As detailed in note 11, the loan drawn down had a maturity date of 24 October 2011 at the Balance Sheet date. (2010 : 18 October 2010 and 27 October 2010).

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 2011 would increase/decrease by £62,000 (2010: increase/decrease by £108,000). 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.

Notes to the Financial Statements

16. Financial instruments (continued)

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 an appropriate 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 13, 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. The investments held by the Company are listed on the London Stock Exchange.

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 2011 would have increased/decreased by £10,823,000 (2010 - increase/decrease of £12,432,000). 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 counter party 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:

	2011		2010	
	Balance Sheet £'000	Maximum exposure £'000	Balance Sheet £'000	Maximum exposure £'000
Current assets				
Debtors	677	677	1,036	1,036
AAA Money Market funds (indirect exposure)	8,810	8,810	1,695	1,695
Cash and short term deposits	—	—	226	226
	<u>9,487</u>	<u>9,487</u>	<u>2,957</u>	<u>2,957</u>

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

16. Financial instruments (continued)*Fair values of financial assets and financial liabilities*

The fair value of borrowings has been calculated at £15,012,000 as at 30 September 2011 (2010 - £12,757,000) compared to an accounts value in the Financial Statements of £15,000,000 (2010 - £12,750,000) (note 11). The fair value of each loan is determined by aggregating the expected future cash flows for that loan discounted at a rate comprising the borrower's margin plus an average of market rates applicable to loans of a similar period of time and currency. All other assets and liabilities of the Company are included in the Balance Sheet at amortised cost which is equivalent to fair value.

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 financial assets and liabilities measured at fair value in the Balance Sheet are grouped into the fair value hierarchy at 30 September 2011 as follows:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
30 September 2011				
Financial assets at fair value through profit or loss				
Quoted equities	108,228	—	—	108,228
AAA money market funds	8,810	—	—	8,810
Net fair value	117,038	—	—	117,038
30 September 2010				
Financial assets at fair value through profit or loss				
Quoted equities	124,322	—	—	124,322
AAA money market funds	1,695	—	—	1,695
Net fair value	126,017	—	—	126,017

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 6.0% of net assets (2010 - 9.5%)

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 and year end positions are presented in the Balance Sheet.

Key Contacts

Investment Manager

Standard Life Investments
1 George Street
Edinburgh EH2 2LL
(Authorised and regulated by the Financial Services Authority)

Website Address:

www.standardlifeinvestments.com/its

Investor Services

Telephone: 0845 60 24 247
(Monday to Friday, 9 a.m. – 5 p.m.)

Savings Scheme and ISA Plan administrator

Standard Life Savings
12 Blenheim Place
Edinburgh EH7 5JH
Telephone: 0845 60 24 247
(Authorised and regulated by the Financial Services Authority)

Company Secretary

Aberdeen Asset Management PLC
7th Floor
40 Princes Street
Edinburgh EH2 2BY
Telephone: 0131 528 4000

Registered Office

30 St Mary Axe
London EC3A 8EP
Registered in England & Wales No. 2648152

Independent Auditor

Grant Thornton UK LLP
30 Finsbury Square
London EC2P 2YU

Custodian

BNP Paribas Securities
55 Moorgate,
London, EC2R 6PA

Bankers

The Royal Bank of Scotland plc
135 Bishopsgate
London EC2M 3UR

Stockbrokers

J.P.Morgan Cazenove
10 Aldermanbury
London EC2V 7RF

Registrars

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ
Telephone: 0870 707 1150
www.investorcentre.co.uk

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

Information for Investors

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 Future 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. A commission payment to a financial adviser of up to 3% of each investment may also be deducted at an investor's request. 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. An ISA allows investors to maximise the amounts placed in stocks and shares. Investors will have the opportunity to invest in the Company's ISA up to £10,680 in the tax year 2011/2012. 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 of Annual General Meeting

NOTICE IS HEREBY GIVEN that the twentieth Annual General Meeting of the Company will be held at J.P.Morgan Cazenoves's offices, 20 Moorgate, London, EC2R 6DA on Thursday, 15 December 2011 at 11.00 a.m. for the purposes of considering and if thought fit passing the following resolutions, of which resolutions 1 to 8 inclusive will be proposed as ordinary resolutions, and resolutions 9 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 2011, 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 2011.
- 3 To approve a final dividend for the year ended 30 September 2011 of 8.85p per Ordinary share.
- 4 To re-elect Mr R.R.J Burns, who retires pursuant to Article 95 of the Company's Articles of Association 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 elect Ms J. Dixon as a Director of the Company.
- 7 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.
- 8 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 £3,131,210, 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.

- 9 That, subject to the passing of resolution number 8 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 724 of the Act) for cash pursuant to the authority given by resolution number 8 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

Notice of Annual General Meeting

£948,851 being approximately 10% of the nominal value of the issued share capital of the Company, as at 10 November 2011.

- 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 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 5,689,313;
 - (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 14 March 2013 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.

- 11 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 1,133,601;
 - (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 14 March 2013 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.

By order of the Board

Aberdeen Asset Management PLC
Company Secretary

Registered office:
30 St Mary Axe
London EC3A 8EP

21 November 2011

Notice of Annual General Meeting

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. 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 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.
- 5 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 13 December 2011 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.
- 6 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.

Notice of Annual General Meeting

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.

- 7 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.
- 8 If you wish to attend the meeting in person, there will be a Members' register for you to sign on arrival.
- 9 Information regarding the AGM, including information required by Section 311A of the Companies Act 2006, is available from www.standardlifeinvestments.com/its
- 10 Members have the right to ask questions at the meeting in accordance with section 319A of the Companies Act 2006.
- 11 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.
- 12 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, Aberdeen Asset Managers Ltd, 40 Princes Street, Edinburgh, EH2 2BY.
- 13 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.
- 14 As at 10 November 2011 (the latest practicable date before the printing of this document), the Company's total capital consisted of 39,761,386 Ordinary shares of 25p each, of which 1,807,328 were held in treasury, with a resulting total of 37,954,058 Ordinary Shares with voting rights.
- 15 No Director has a service agreement with the Company.

