Standard Life Equity Income Trust plc

Half Yearly Report
31 March 2015

Contents

Investment Objective

The objective of Standard Life Equity Income Trust plc is to provide shareholders with an above average income from their equity investment while also providing real growth in capital and income.

Investment Policy

The Directors intend to achieve the investment objective by investing in a diversified portfolio consisting mainly of quoted UK equities. The portfolio will normally comprise between 50 and 70 individual equity holdings. In order to reduce risk in the Company without compromising flexibility:

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

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

The Directors have set parameters of between 5% net cash and 15% net gearing for the level of gearing that can be employed. The Directors have delegated responsibility to the Manager for the operation of the gearing level within the above parameters.

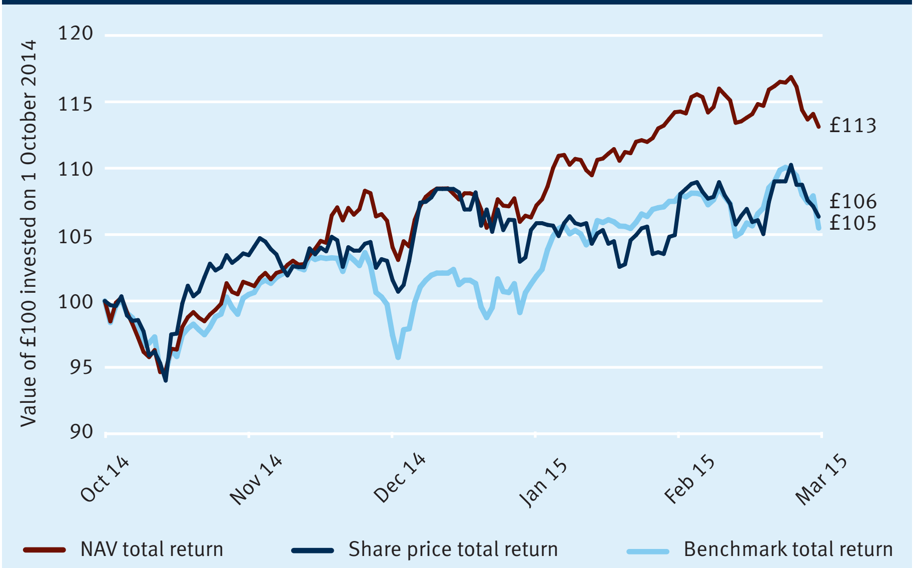
The Manager's investment process combines asset allocation, stock selection, portfolio construction, risk management and dealing. The investment process is research-intensive and is driven by a distinctive focus on change which recognises that different factors drive individual stocks and markets at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

Financial Highlights

	Six months ended 31 March 2015
Net asset value total return (diluted)	12.8%
Share price total return	5.7%
Benchmark total return	5.3%

The benchmark is the FTSE All-Share Index
Total return assumes dividends paid to shareholders are re-invested in shares at the time the shares are quoted ex dividend

Strong Net Asset Value performance over the six month period



Ten Largest Investments at 31 March 2015

	Market value £'000	%		Market value £'000	%
BT	8,417	4.1	Cineworld	4,324	2.1
Legal & General	6,052	2.9	Rightmove	4,186	2.0
DS Smith	5,999	2.9	Britvic	4,158	2.0
Vodafone	5,195	2.5	Barclays	3,979	1.9
Close Brothers	4,920	2.4	GKN	3,975	1.9

Financial Highlights

Capital	31 March 2015	30 September 2014	Change
Net asset value per ordinary share			
Basic	455.4p	411.0p	10.8%
Diluted[1]	436.3p	397.9p	9.7%
Ordinary share price	408.8p	394.0p	3.8%
Subscription share price	90.5p	86.5p	4.6%
Benchmark capital return	3,663.6	3,533.9	3.7%
Discount of ordinary share price to net asset value			
Basic	-10.2%	-4.1%	
Diluted	-6.3%	-1.0%	
Total assets	£212.5m	£190.4m	11.6%
Shareholders' funds	£185.2m	£166.5m	11.2%
Ordinary shares in issue	40,665,943	40,505,994	0.4%

Gearing	31 March 2015	30 September 2014
Gearing	12.5%	13.2%

Earnings and Dividends - for six months ended	31 March 2015	31 March 2014	Change
Revenue return per ordinary share			
Basic	7.00p	7.10p	-1.4%
Diluted	6.77p	6.88p	-1.6%
Interim dividends:			
First quarterly dividend paid	3.2p	3.2p	
Second quarterly dividend payable	3.4p	3.2p	+6.3%
Dividend yield	3.4%	3.4%	

Expenses	31 March 2015	30 September 2014
Ongoing charges	0.98%	0.94%

[1] Diluted net asset value is calculated in accordance with AIC guidelines (assuming all subscription shares in issue are exercised).

Directors' Responsibility Statement

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

- the condensed Financial Statements have been prepared in accordance with the Accounting Standards Board's statement "Half-Yearly Financial Reports"; and
- the Interim Management Report includes a fair review of the information required by 4.2.7R and 4.2.8R of the Financial Conduct Authority's Disclosure and Transparency Rules.

The Half-Yearly Financial Report, for the six months ended 31 March 2015, comprises an Interim Management Report in the form of the Strategic Report, the Directors' Responsibility Statement and a condensed set of Financial Statements, and has not been audited or reviewed by the auditors pursuant to the APB guidance on Review of Interim Financial Information.

For and on behalf of the Directors of Standard Life Equity Income Trust plc

Richard Burns
Chairman

13 May 2015

Chairman's Statement

Performance

I am pleased to report that the Company has produced strong results for the six months ended 31 March 2015. Over the reporting period the Company produced a diluted net asset value total return of 12.8% compared with the benchmark total return of 5.3%.

Richard Burns

The Company's portfolio has performed well but the discount has widened during the period in common with a number of the Company's peers. As a result, the Company's share price total return for the reporting period was 5.7%. The share price ended the period on a discount to diluted NAV of 6.3%. The average peer group discount was 3.7%. At 13 May 2015 the share price was 419.00p, with the Company's shares offering a yield of 3.3%.

The revenue return per ordinary share for the six months ended 31 March 2015 was 7.0p per share. Underlying dividend income increased by 15% during the period, after adjusting for special dividends. Special dividends received in the six months to 31 March 2015 amounted to £397,000 (2014: £688,000).

Since the Board agreed a change in strategy in November 2011 to include a larger proportion of medium sized stocks where the manager has a high conviction, the net asset value total return has been 82.9% compared with the benchmark total return of 47.7%.

Portfolio spread	31 March 2015	30 September 2014	11 November 2011
FTSE 100	33.3%	38.0%	75.8%
FTSE 250	48.1%	47.5%	22.3%
FTSE smallcap/other	18.6%	14.5%	1.9%

Dividend concentration	31 March 2015	30 September 2014	11 November 2011
Top 10 investments	28.9%	34.5%	50.3%

Chairman's Statement (continued)

Your Company ranked fourth out of 21 peers in the UK Equity Income sector based on net asset value total return for the six months ended 31 March 2015. The long term ranking against the peer group is shown in the table below:

UK Equity Income Peer Group	Six Months Total Return	Three Years Total Return	Five Years Total Return
SLEIT	4/21	7/21	9/20

Source: JP Morgan Cazenove, periods to 31 March 2015

The Manager's Report on pages 11 to 15 provides further information on the UK economy and equity market as well as a review of the portfolio of investments and activity during the period.

Dividends

The Board is declaring a second quarterly dividend of 3.40p per share which together with the first quarterly dividend of 3.20p per share brings total dividends for the six months to 31 March 2015 to 6.60p per share.

The second quarterly dividend of 3.40p per share will be paid on 26 June 2015 to shareholders on the register on 5 June 2015, with an associated ex-dividend date of 4 June 2015.

It is the Board's intention to continue to provide real growth in dividends over the long term.

Gearing

The Company has actively deployed borrowings of £23m reflecting a positive view on the outlook for the long term prospects for the portfolio. Net gearing has remained in a relatively narrow range of between 10% and 13% depending on market and cash levels and is presently 11%. Gearing has had a positive impact on performance in this period of 1.4%.

Shareholder Relations

The Manager has continued to engage actively with existing and potential shareholders over the period.

Planholders in the Standard Life Savings ('SLS') products will have been notified that the administration is being transferred to Alliance Trust Savings ('ATS'). As stated in the SLS communication, given the very short notice period provided to planholders, ATS have agreed that they will not charge planholders to transfer their ISA or share plan to another provider if, following the transfer to ATS on 29 May 2015, they receive the transfer instruction by 24 July 2015.

Chairman's Statement (continued)

This arrangement also applies to non-ISA planholders wishing to transfer to the Company's direct share register. Planholders should contact ATS on 01382 573737 after 29 May 2015 if they wish to make transfer arrangements. The Company's direct share register offers a dividend re-investment plan, details of which can be obtained from the Company's registrar, Computershare on 0870 7071150.

Subscription Shares

During the period the Company issued 159,949 new ordinary shares at 320p per share resulting from the exercise of subscription shares. As a reminder the new shares can be taken up at 320p per subscription share by giving notice each June and December until 31 December 2016.

Governance and Board

I would like to express my thanks to Charles Wood, immediate past chairman, who retired after last year's AGM. Charles worked tirelessly on behalf of shareholders and we have all benefited from his wise counsel and diligent commitment. We all wish him a very happy retirement. Keith Percy has intimated that he will stand down from the board at the AGM following the 30 September 2016 year end.

Outlook

The performance of your Company has been very good, both absolutely and relatively over the reporting period. We remain confident that our investment strategy will continue to add value for shareholders over the long term and deliver real growth in capital and income.

Richard Burns
Chairman

13 May 2015

Principal Risks and Uncertainties

The Directors regularly review the principal risks which they have identified and the Directors have agreed 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.
- **Resource Risk:** in common with most investment trusts, the Company has no employees. The Company therefore relies upon the services and control environments 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. 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 the share prices of the companies in which it invests. A fall in the value of its investment portfolio will have an adverse effect on the value of shareholders' funds.
- **Currency risk:** The Company invests in companies whose shares are almost entirely sterling denominated. Many of these companies operate globally and in some cases pay dividends other than in sterling. The Company is therefore exposed to currency risk when it receives dividends in currencies other than sterling. The current policy is not to hedge this risk. This policy is kept under constant review.

Principal Risks and Uncertainties (continued)

- **Capital Structure and Gearing Risk:** The Company's capital structure at 31 March 2015 consisted of equity share capital comprising Ordinary shares, Subscription shares and debt in the form of a £30 million sterling revolving credit facility with Scotiabank (Ireland) Limited. In rising markets, the effect of the borrowings should be beneficial but in falling markets the gearing effect may 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.

- **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 between income and capital growth. 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 complex regulatory environment and faces a number of regulatory risks. A breach of Sections 1158-1159 of the Corporation Tax Act 2010 would result in the Company being subject to capital gains tax on any portfolio investment gains. Breaches of other regulations, including the UKLA Listing Rules or the UKLA Disclosure and Transparency Rules, could lead to a number of detrimental outcomes and reputational damage. Breaches of controls by service providers such as the Manager and Company Secretary could also lead to reputational damage or loss.

  There is also a further regulatory risk in ensuring compliance with the Alternative Investment Fund Managers Directive ("AIFMD") which was fully implemented with effect from 22 July 2014. The AIFMD introduces a new authorisation and supervisory regime for all investment trust fund managers and investment companies in the European Union. To comply with the requirements of the Alternative Investment Fund Managers

Principal Risks and Uncertainties (continued)

('AIFM') Directive, the Company has appointed Standard Life Investments (Corporate Funds) Limited as its AIFM and BNP Paribas Securities Services as its Depositary. The Board has put in place controls in the form of regular reporting from the AIFM and the depositary to ensure both are meeting their regulatory responsibilities in relation to the Company.

- The Directors have adopted a robust framework of controls designed to identify and 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.

Going Concern

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. The Directors also considered whether there were any material uncertainties to the Company's ability to continue to adopt this approach over a period of at least twelve months from the date of approval of the financial statements. No material uncertainties were identified and accordingly, it is reasonable for the Financial Statements to continue to be prepared on a going concern basis.

Market Review

UK equities made solid progress over the period, helped by loose monetary policy and further signs of economic recovery in both the US and UK. The UK economy remained resilient in the face of challenges such as weakness in Eurozone data, political change in Greece and geopolitical tensions in the Middle East and Ukraine. Indeed, in 2014 the UK economy grew at the fastest pace since 2007 and was also the fastest growing advanced economy.

While sluggish Eurozone growth remained a drag on the UK economy in 2014, the European Central Bank's announcement in January 2015 of a larger than expected quantitative easing programme provided hope of stabilisation for a key export market for UK goods. This unconventional monetary policy helped boost risk appetite in the aftermath of the announcement, although it remains to be seen whether it will succeed in stimulating the Eurozone economy.

One of the most significant market events during the period was the precipitous decline in the oil price, which resulted from a combination of growing supply and subdued demand. At its November 2014 meeting OPEC had been expected to defend the oil price in response to the threat of surging US shale production. Financial markets were therefore surprised by the decision to maintain production in order to protect its market share.

The weak oil price had a mixed impact on UK equities, supporting the earnings of consumer-facing sectors, while damaging the prospects of the energy sector. Travel and Leisure companies performed particularly well, as they are set to benefit from both lower input costs and increased demand resulting from a pick-up in disposable income. Financials were notable for their strength, as the improved economic outlook resulted in higher activity levels and lower impairments. Low bond yields resulting from loose monetary policy also helped support the performance of more defensive bond-like sectors such as Consumer Staples, Pharmaceuticals and Utilities.

Performance

For the six months to 31 March 2015, the Company's net asset value (capital return only) rose by 9.7%, outperforming the FTSE All-Share Index which rose by 3.7%.

Manager's Report

Over the same period, the share price rose by 3.8% from 394.0p to 408.8p as the discount widened.

The Company's strong NAV performance during the period can be attributed to our index-agnostic approach to income investing, allowing the Company to gain exposure to under-valued stocks with the potential to surprise positively on earnings and dividend growth. The strong NAV performance can be attributed to the strength of various mid-cap holdings, combined with the avoidance of various under-performing large-cap stocks.

The Company's exposure to consumer-facing businesses boosted performance during the period. **Cineworld** performed well as the company provided upward guidance on its profit, driven by strong cinema admission growth and cost savings from its acquisition of Cinema City International. **Howden Joinery** also performed well as the market responded favourably to evidence of increased demand, allowing investment in new depots at the same time as significant dividend growth. The holding in **Rightmove** also contributed to performance as the market responded favourably to evidence of its resilience in the face of new competition.

The Company also benefited from its exposure to various industrial stocks. Packaging firm **DS Smith** was a strong performer. This company is benefiting from the cyclical recovery taking hold in its key European markets, while it continues its strategy of consolidating the European corrugated packaging industry. The acquisition of the remaining Eastern European assets of Austrian peer Duropack was well received. Shares in chemicals business **Synthomer** responded to the arrival of a new chief executive, who revealed a strategy to boost returns through acquisitions, whilst continuing to release cash in the form of dividends.

The Company's performance benefited from its limited exposure to the Oil & Gas and Mining sectors at a time of widespread declines in commodity prices. The decision to avoid **Royal Dutch Shell** was particularly helpful, as the market began to price in the impact of the low oil price on the cash flows of its upstream division, which was underscored by an announcement that the company would re-introduce the scrip dividend programme from Q1 2015. Royal Dutch Shell has subsequently announced a takeover proposal for BG, which further increases its gearing to the oil price.

Partially offsetting these positives, the holding in **Soco International** declined on the announcement of a downgrade to its reserve estimates, stemming partly from lower future investment assumptions linked to the plans of one of its field partners.

The holding in **Babcock** also detracted from performance as the market became nervous about the outlook for recently acquired business Avincis, which provides mission-critical aviation services to a number of industries, including the offshore oil industry. We remain confident that the group's diversity will enable it to generate substantial growth in profit and cash flows.

Activity

Despite market levels hitting new highs during the period, we continued to identify opportunities to build holdings in strong businesses at attractive valuations.

The Company added to its holding in **Vodafone**, where we have increased confidence that a benign regulatory backdrop is helping drive sector consolidation and improve pricing trends, which should be supportive for the profitability of its European operations. This should in time support the rationale for Vodafone's heavy investment in its 4G network, a project that is entitled Project Spring.

The Company bought shares in software group **Sage**, where we have confidence in the ability of talented new CEO Stephen Kelly to deliver for shareholders. Kelly has an exceptional track record of execution, both in the private and public sector. We would expect Sage to achieve its growth and margin targets in the near term, with the potential medium term for operational efficiencies and an acceleration in revenue growth.

The Company started a new holding in **Real Estate Investors**, which acquires and manages commercial and industrial properties mainly in the West Midlands, where management is taking advantage of high rental yields in a region where market conditions are

Manager’s Report

improving significantly. We expect the NAV to move ahead sharply in the coming years through a combination of lower yields, rising capital values, rental growth and asset management.

The collapsing oil price allowed us to build holdings in two high quality businesses that got caught in the cross-fire, **RPS** and **IMI**. Support services business RPS has the potential to build on its track record of double digit earnings growth in a large and highly fragmented market. The opportunity to build a holding at a low valuation resulted from the market’s recent concerns over the company’s exposure to the oil & gas sector. Under a new management team, specialist engineer IMI has an ambitious strategic plan to double earnings over five years. Like RPS, weakness in the IMI share price reflected the market’s caution on its oil & gas exposure, which represents only 15% of revenues and is mainly related to LNG and downstream petrochemicals.

To raise funds to take advantage of these robust growth opportunities, the Company reduced its exposure to stocks whose growth prospects are more subdued. We sold shares in **HSBC**, where reduced financial targets reflect structural cost and cyclical top-line pressures, which are set to hamper profit and dividend growth in the years ahead. The Company also sold **BP**, whose cost cutting efforts, whilst laudable, are likely to hamper production growth in the years ahead.

While the Company is positioned to benefit from the improving prospects of consumer-facing sectors, it took the opportunity to reduce its holdings in stocks where improving news flow had already been fully priced in by the market. Hence the Company sold its holding in auto distributor **Inchcape**, whose recovery potential is now better appreciated. The Company took profits in spread-betting company **IG Group** after strong performance as volumes benefited from high levels of financial market volatility.

Outlook

We remain confident in the Company’s positioning and in our ability to identify attractive valuation opportunities. The Company continues to favour consumer-facing areas of the market, in anticipation of a sharp pick-up in domestic consumer demand resulting from a lower cost of living, higher employment levels and rising real wages. We view the lower oil price as a source of economic stimulus, lending a helping hand to the consumer and corporate earnings. We remain confident in the fundamental earnings and dividend outlook of our consumer-related holdings to emerge in strong shape after a period of political uncertainty in the run-up to the UK General Election.

We see some grounds for caution for the wider UK market. In addition to ongoing geopolitical risk, the UK market may continue to suffer from mixed earnings momentum at the sector level, with ongoing earnings downgrades afflicting such sectors as Mining and Oil & Gas, which make up a significant proportion of the index. Furthermore, record low bond yields have lifted the share prices of many bond-like sectors. These sectors appear to have become crowded with yield-seeking investors, which has led to valuations that have become stretched in relation to underlying fundamentals. This situation has the potential to reverse quickly should a reversal in bond yields drive out the same investors.

The above factors may constrain overall index progress, but should allow the benefits of our active process to become clear. Our approach is to remain focused on under-valued stocks with the greatest potential for positive fundamental surprise.

Thomas Moore
Standard Life Investments

13 May 2015

List of Holdings

As at 31 March 2015

UK Equities	£'000
Basic Materials	
Chemicals	
Synthomer	2,302
Industrials	
Construction & Materials	
Tyman	3,879
Galliford Try	3,557
Kier	1,685
Aerospace & Defence	
Senior	2,637
Cobham	2,573
General Industrials	
DS Smith	5,999
Electronic & Electrical Equipment	
Hellermanntyton	2,574
Industrial Engineering	
Bodycote	2,357
IMI	2,141
Industrial Transportation	
DX	1,012
Support Services	
Berendsen	3,794
Howden Joinery	3,785
Babcock International	3,309
Travis Perkins	3,091
RPS	2,646
WS Atkins	2,488

UK Equities	£'000
Connect	2,298
Northgate	2,207
Staffline	2,181
Essentra	1,862
Consumer Goods	
Automobiles & Parts	
GKN	3,975
Beverages	
Britvic	4,158
Household Goods & Home Construction	
Bovis Homes	3,037
Tobacco	
British American Tobacco	2,016
Consumer Services	
General Retailers	
Safestyle	2,881
DFS Furniture	2,358
Game Digital	1,252
Media	
Rightmove	4,186
Reed Elsevier	3,867
ITV	3,001
Daily Mail	2,711
Moneysupermarket.com	2,381

List of Holdings

As at 31 March 2015

UK Equities	£'000
Travel & Leisure	
Cineworld	4,324
Playtech	3,742
Whitbread	2,739
Restaurant Group	2,666
Telecommunications	
Fixed Line Telecommunications	
BT	8,417
Manx Telecom	2,789
Mobile Telecommunications	
Vodafone	5,195
Utilities	
Gas Water & Multiutilities	
National Grid	3,862
Financials	
Banks	
Barclays	3,979
Virgin Money	1,976
Non-life Insurance	
Beazley	2,692
Jardine Lloyd Thompson	2,552
Hiscox	2,282
Direct Line Insurance	1,932
Life Insurance/Assurance	
Legal & General	6,052
Friends Life	3,911
Prudential	3,901
Chesnara	2,717
Aviva	2,493

UK Equities	£'000
Real Estate Investment & Services	
Real Estate Investors	3,679
Real Estate Investment Trusts	
Hansteen	3,947
Newriver Retail	3,692
Assura	2,093
Financial Services	
Close Brothers	4,920
River & Mercantile	3,060
International Personal Finance	2,917
Provident Financial	2,787
Paragon	2,604
Rathbone Brothers	2,479
Polar Capital	1,857
Technology	
Software & Computer Services	
Sage	3,760
Micro Focus International	3,269
Total UK Equities	**203,485**
German Equities	
Consumer Services	
Travel & Leisure	
TUI	3,446
Total German Equities	**3,446**
Total Portfolio	**206,931**

Income Statement

	Notes	Six months ended 31 March 2015 (unaudited) Revenue £'000	Capital £'000	Total £'000
Net gains on investments at fair value		—	19,046	19,046
Income	2	3,300	—	3,300
Investment management fee		(200)	(467)	(667)
Administrative expenses		(200)	—	(200)
Currency gains/(losses)		—	2	2
NET RETURN BEFORE FINANCE COSTS AND TAXATION		2,900	18,581	21,481
Finance costs		(59)	(138)	(197)
RETURN ON ORDINARY ACTIVITIES BEFORE TAXATION		2,841	18,443	21,284
Taxation	3	—	—	—
RETURN ON ORDINARY ACTIVITIES AFTER TAXATION		**2,841**	**18,443**	**21,284**
RETURN PER ORDINARY SHARE	4			
BASIC		**7.00p**	**45.46p**	**52.46p**
DILUTED		**6.77p**	**43.92p**	**50.69p**

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 period.

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

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

Income Statement

Six months ended 31 March 2014 (unaudited)			Year ended 30 September 2014 (audited)		
Revenue £'000	**Capital £'000**	**Total £'000**	**Revenue £'000**	**Capital £'000**	**Total £'000**
—	16,552	16,552	—	6,706	6,706
3,215	—	3,215	7,084	—	7,084
(186)	(434)	(620)	(373)	(870)	(1,243)
(179)	—	(179)	(353)	—	(353)
—	(4)	(4)	—	(4)	(4)
2,850	16,114	18,964	6,358	5,832	12,190
(60)	(140)	(200)	(118)	(276)	(394)
2,790	15,974	18,764	6,240	5,556	11,796
(14)	—	(14)	(26)	—	(26)
2,776	**15,974**	**18,750**	**6,214**	**5,556**	**11,770**
7.10p	**40.87p**	**47.97p**	**15.69p**	**14.03p**	**29.72p**
6.88p	**39.56p**	**46.44p**	**15.12p**	**13.52p**	**28.64p**

Reconciliation of Movements in Shareholders' Funds

Six months ended 31 March 2015 (unaudited)

	Note	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000
Balance at 30 September 2014		10,127	24,084	12,615
Issue of ordinary shares on conversion of subscription shares		40	472	—
Issue of ordinary shares from treasury		—	—	—
Return on ordinary activities after taxation		—	—	—
Dividends paid	5	—	—	—
BALANCE AT 31 MARCH 2015		**10,167**	**24,556**	**12,615**

Six months ended 31 March 2014 (unaudited)

	Note	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000
Balance at 30 September 2013		10,033	21,576	12,615
Issue of ordinary shares on conversion of subscription shares		57	679	—
Issue of ordinary shares from treasury		—	796	—
Return on ordinary activities after taxation		—	—	—
Dividends paid	5	—	—	—
BALANCE AT 31 MARCH 2014		**10,090**	**23,051**	**12,615**

Reconciliation of Movements in Shareholders' Funds

Capital reserve £'000	Revenue reserve £'000	Total £'000
113,900	5,746	166,472
—	—	512
—	—	—
18,443	2,841	21,284
—	(3,083)	(3,083)
132,343	**5,504**	**185,185**

Capital reserve £'000	Revenue reserve £'000	Total £'000
102,772	4,841	151,837
—	—	736
3,264	—	4,060
15,974	2,776	18,750
—	(2,743)	(2,743)
122,010	**4,874**	**172,640**

Reconciliation of Movements in Shareholders' Funds

Year ended 30 September 2014 (audited)

	Note	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000
Balance at 30 September 2013		10,033	21,576	12,615
Issue of ordinary shares on conversion of subscription shares		94	1,117	—
Issue of ordinary shares from treasury		—	1,391	—
Return on ordinary activities after taxation		—	—	—
Dividends paid	5	—	—	—
BALANCE AT 30 SEPTEMBER 2014		**10,127**	**24,084**	**12,615**

Reconciliation of Movements in Shareholders' Funds

Capital reserve £'000	Revenue reserve £'000	Total £'000
102,772	4,841	151,837
—	—	1,211
5,572	—	6,963
5,556	6,214	11,770
—	(5,309)	(5,309)
113,900	**5,746**	**166,472**

Balance Sheet

	Notes	As at 31 March 2015 (unaudited) £'000	As at 31 March 2014 (unaudited) £'000	As at 30 September 2014 (audited) £'000
FIXED ASSETS				
Investments designated at fair value through profit or loss		206,931	190,176	188,277
CURRENT ASSETS				
Debtors		1,208	1,097	1,103
AAA money market funds		4,356	6,259	959
Cash and short term deposits		20	7	54
		5,584	7,363	2,116
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR				
Bank loan		(23,000)	(23,000)	(23,000)
Other creditors		(4,330)	(1,899)	(921)
		(27,330)	(24,899)	(23,921)
NET CURRENT LIABILITIES		(21,746)	(17,536)	(21,805)
NET ASSETS		**185,185**	**172,640**	**166,472**
CAPITAL AND RESERVES				
Called-up share capital	6	10,167	10,090	10,127
Share premium account		24,556	23,051	24,084
Capital redemption reserve		12,615	12,615	12,615
Capital reserve	7	132,343	122,010	113,900
Revenue reserve		5,504	4,874	5,746
EQUITY SHAREHOLDERS' FUNDS		**185,185**	**172,640**	**166,472**
NET ASSET VALUE PER ORDINARY SHARE	8			
BASIC		**455.38p**	**435.41p**	**410.98p**
DILUTED		**436.33p**	**418.16p**	**397.87p**

The financial statements on pages 18 to 31 were approved by the Board of Directors and authorised for issue on 13 May 2015 and were signed on its behalf by:

RRJ BURNS
Chairman

Cash Flow Statement

	Six months ended 31 March 2015 (unaudited) £'000	Six months ended 31 March 2014 (unaudited) £'000	Year ended 30 September 2014 (audited) £'000
NET RETURN ON ORDINARY ACTIVITIES BEFORE FINANCE COSTS AND TAXATION	21,481	18,964	12,190
Adjustments for:			
Gains on investments at fair value	(19,046)	(16,552)	(6,706)
Net currency (gains)/losses	(2)	4	4
REVENUE BEFORE FINANCE COSTS AND TAXATION	2,433	2,416	5,488
(Increase)/decrease in accrued income	(440)	(348)	36
Increase in other debtors	(8)	—	(3)
(Decrease)/increase in other creditors	(263)	55	381
NET CASH INFLOW FROM OPERATING ACTIVITIES	1,722	2,123	5,902
Net cash outflow from servicing of finance	(193)	(191)	(390)
Net tax paid	(25)	(15)	(46)
Net cash inflow/(outflow) from financial investment	4,428	(1,439)	(11,053)
Equity dividends paid	(3,083)	(2,743)	(5,309)
Net cash outflow from management of liquid resources	(3,397)	(5,616)	(316)
NET CASH OUTFLOW BEFORE FINANCING	(548)	(7,881)	(11,212)
Net cash inflow from financing	512	7,796	11,174
DECREASE IN CASH	**(36)**	**(85)**	**(38)**
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT			
Decrease in cash as above	(36)	(85)	(38)
Net change in liquid resources	3,397	5,616	316
Drawdown of loan	—	(3,000)	(3,000)
Currency movements	2	(4)	(4)
MOVEMENT IN NET DEBT IN THE PERIOD	3,363	2,527	(2,726)
Opening net debt	(21,987)	(19,261)	(19,261)
CLOSING NET DEBT	**(18,624)**	**(16,734)**	**(21,987)**
REPRESENTED BY:			
Cash and short term deposits	20	7	54
AAA money market funds	4,356	6,259	959
Bank loan	(23,000)	(23,000)	(23,000)
	(18,624)	**(16,734)**	**(21,987)**

Notes to the Financial Statements

1. Accounting policies

(a) Basis of accounting

The accounts have been prepared in accordance with applicable UK Accounting Standards, with pronouncements on half-yearly reporting issued by the Accounting Standards Board and with the Statement of Recommended Practice for "Financial Statements of Investment Trust Companies and Venture Capital Trusts". They have also been prepared on the assumption that approval as an investment trust will continue to be granted.

The financial statements and the net asset value per share figures have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) and using the same accounting policies as the preceding annual accounts.

(b) Dividends payable

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

2. Income	Six months ended 31 March 2015 £'000	Six months ended 31 March 2014 £'000	Year ended 30 September 2014 £'000
Income from investments			
Franked investment income	2,766	2,334	5,602
Overseas and unfranked investment income	519	839	1,430
Stock dividends	–	25	25
	3,285	3,198	7,057
Other Income	7	7	17
AAA money market interest	8	10	10
Underwriting commission	15	17	27
	3,300	**3,215**	**7,084**
Special dividends included in income from investments	397	688	990

Notes to the Financial Statements

3. Taxation on ordinary activities

The taxation charge for the period represents withholding tax suffered on overseas dividend income.

4. Return per ordinary share	Six months ended 31 March 2015 p	Six months ended 31 March 2014 p	Year ended 30 September 2014 p
Basic			
Revenue return	7.00	7.10	15.69
Capital return	45.46	40.87	14.03
Total return	**52.46**	**47.97**	**29.72**

The figures above are based on the following figures:

	£'000	£'000	£'000
Revenue return	2,841	2,776	6,214
Capital return	18,443	15,974	5,556
Total return	**21,284**	**18,750**	**11,770**
Weighted average number of ordinary shares*	**40,574,544**	**39,083,275**	**39,609,718**
Diluted			
Revenue return	6.77	6.88	15.12
Capital return	43.92	39.56	13.52
Total return	**50.69**	**46.44**	**28.64**
Number of dilutive shares	**1,412,220**	**1,291,234**	**1,483,865**
Diluted shares in issue	**41,986,764**	**40,374,509**	**41,093,583**

* Calculated excluding shares held in treasury where applicable.

Notes to the Financial Statements

The calculation of the diluted total, revenue and capital returns per Ordinary share is carried out in accordance with Financial Reporting Standard No. 22 "Earnings per Share". For the purposes of calculating diluted total, revenue and capital returns per Ordinary share, the number of Ordinary shares is the weighted average used in the basic calculation plus the number of Ordinary shares deemed to be issued for no consideration on exercise of all Subscription shares by reference to the average share price of the Ordinary shares during the period.

5. Dividends	**Six months ended 31 March 2015 £'000**	**Six months ended 31 March 2014 £'000**	**Year ended 30 September 2014 £'000**
Ordinary dividends on equity shares deducted from reserves:			
Fourth quarterly dividend for 2014 of 4.40p per share (2013 - 3.80p)	1,782	1,474	1,473
First quarterly dividend for 2015 of 3.20p (2014 - 3.20p)	1,301	1,269	1,269
Second quarterly dividend for 2014 of 3.20p	—	—	1,271
Third quarterly dividend for 2014 of 3.20p	—	—	1,296
	3,083	**2,743**	**5,309**

6. Called-up share capital

	Number	£'000
Issued and fully paid:		
Ordinary shares 25p each		
Balance at 30 September 2014	40,505,994	10,126
Issue of Ordinary shares on conversion of Subscription shares	159,949	40
Issue of Ordinary shares from Treasury	—	—
Balance at 31 March 2015	40,665,943	10,166
Subscription shares of 0.01p each		
Balance at 30 September 2014	6,817,773	1
Conversion of Subscription shares into Ordinary shares	(159,949)	—
Balance at 31 March 2015	6,657,824	1
Called up share capital at 31 March 2015		**10,167**

On 17 December 2010 the Company issued 7,585,860 subscription shares 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 last 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 conversion price has been determined as being 320p.

Notes to the Financial Statements

During the six months ended 31 March 2015, shareholders exercised their right to convert 159,949 Subscription shares into Ordinary shares (31 March 2014 - 230,219; 30 September 2014 - 378,725) for a consideration of £512,000 (31 March 2014 - £736,000; 30 September 2014 - £1,211,000).

7. Capital reserve

The capital reserve figure reflected in the Balance Sheet includes investment holdings gains at the period end of £50,955,000 (31 March 2014 - gains of £46,051,000; 30 September 2014 - gains of £33,347,000).

8. Net asset value per ordinary share

	Six months ended 31 March 2015	Six months ended 31 March 2014	Year ended 30 September 2014
Basic:			
Attributable net assets (£'000)	185,185	172,640	166,472
Number of ordinary shares in issue*	40,665,943	39,650,160	40,505,994
NAV per ordinary share (p)	455.38	435.41	410.98
Diluted:			
Attributable net assets assuming exercise of subscription shares (£'000)	206,490	194,932	188,289
Number of potential ordinary shares in issue*	47,323,767	46,616,439	47,323,767
NAV per ordinary share (p)	436.33	418.16	397.87

* Excludes shares in issue held in treasury where applicable.

The diluted net asset value per Ordinary share has been calculated in accordance with guidelines issued by the Association of Investment Companies, and assumes that all outstanding subscription shares were converted into ordinary shares at the period end.

9. Transaction costs

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

	Six months ended 31 March 2015 £'000	Six months ended 31 March 2014 £'000	Year ended 30 September 2014 £'000
Purchases	188	165	397
Sales	54	39	77
	242	**204**	**474**

10. Half Yearly Report

The financial information contained in this Half-Yearly Financial Report does not constitute statutory accounts as defined in Sections 434-436 of the Companies Act 2006. The financial information for the six months ended 31 March 2015 and 31 March 2014 has not been audited.

The information for the year ended 30 September 2014 has been extracted from the latest published audited financial statements which have been filed with the Registrar of Companies. The report of the auditors on those accounts contained no qualification or statement under Section 498 (2), (3) or (4) of the Companies Act 2006.

11.

This Half-Yearly Financial Report was approved by the Board on 13 May 2015.

Company Information and Contact Details

Directors
Richard Burns (Chairman)
Josephine Dixon
Keith Percy
Jeremy Tigue
Mark White

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

Investment Manager
Standard Life Investments Limited
1 George Street
Edinburgh EH2 2LL
(Authorised and regulated by the Financial Conduct Authority)
www.standardlifeinvestments.co.uk/its

Company Secretary
Maven Capital Partners UK LLP
Kintyre House
205 West George Street
Glasgow G2 2LW
Telephone 0141 306 7400

Auditor
Grant Thornton UK LLP
30 Finsbury Square
London EC2P 2YU

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

Lenders
Scotiabank (Ireland) Limited
I.F.S.C. House
Custom House Quay
Dublin 1
Ireland

Stockbrokers
J.P. Morgan Cazenove
29th Floor
25 Bank Street
London E14 5JP

Depositary and Custodian
BNP Paribas Securities
55 Moorgate
London EC2R 6PA

Managed by:
Standard Life Investments Limited
1 George Street
Edinburgh EH2 2LL
Investment trust website:
www.standardlifeinvestments.co.uk/its

(Authorised and regulated by the
Financial Conduct Authority)

Registered Office
30 St Mary Axe
London EC3A 8EP