Standard Life Equity Income Trust plc

Half Yearly Report
31 March 2017

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 also invest in convertible preference shares, convertible loan stocks, gilts and corporate bonds.

The Directors have delegated responsibility to the Manager for the operation of the gearing level within the parameters of between 5% net cash and 15% net gearing.

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.

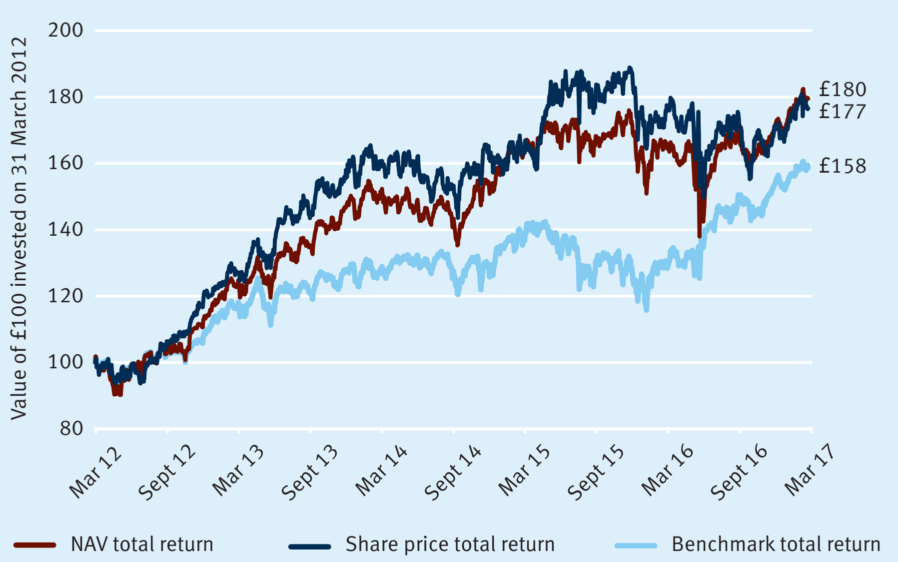
Financial Highlights

	Six months ended 31 March 2017
Net asset value total return	7.2%
Benchmark total return	8.1%
Share price total return	2.5%

The Net Asset Value total return is calculated with reference to the diluted NAV per share at 30 September 2016. Total return assumes that the dividends paid to shareholders are re-invested in ordinary shares at the time the ordinary shares are quoted ex-dividend.
The benchmark is the FTSE All-Share Index.

Earnings and Dividends - for six months ended	31 March 2017	31 March 2016	% change
Revenue return per ordinary share			
Basic	8.08p	7.92p	2.0%
Diluted	8.08p	7.68p	5.2%
Interim dividends:			
First quarterly dividend paid	3.80p	3.40p	11.8%
Second quarterly dividend payable	3.80p	3.40p	11.8%

Five Years of Strong Performance



Source: Thomson Datastream

Financial Highlights

Capital	31 March 2017	30 September 2016	% change
Net asset value per ordinary share			
Basic	452.0p	441.1p	2.5%
Diluted	452.0p	431.5p	4.8%
Ordinary share price	413.5p	412.4p	0.3%
Subscription share price	n/a	79.5p	n/a
Discount of ordinary share price to net asset value			
Basic	-8.5%	-6.5%	
Diluted	-8.5%	-4.4%	
Total assets	£249.9m	£226.3m	10.4%
Shareholders' funds	£222.2m	£199.7m	11.3%
Ordinary shares in issue	49,162,782	45,282,829	8.6%

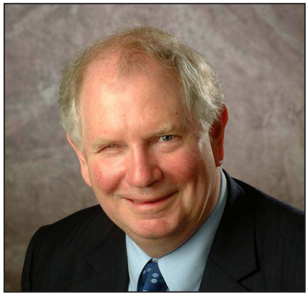
Ten Largest Holdings at 31 March 2017	%		%
Aviva	4.0	Sage	2.5
Rio Tinto	3.2	Close Brothers	2.4
Imperial Brands	3.0	DS Smith	2.4
Prudential	2.7	Tyman	2.4
Micro Focus International	2.6	Legal & General	2.3

Strategic Report

Chairman's Statement

Performance

In the six months to 31 March 2017 our net asset value total return was 7.2% and the share price total return was 2.5%. This compares with the benchmark total return of 8.1%. Despite the underperformance we have experienced since June 2016, the longer-term numbers remain strong.



Richard Burns

Our Subscription shares expired on 31 December 2016, as detailed below, and as a result 3,895,838 new shares were issued at a price of 320p. This conversion means that from now on we will no longer report diluted and non-diluted figures for our net asset value and earnings per share. In this report, we compare our current figures with the diluted figures from six months or one year ago, as appropriate.

	6 months	1 year	3 years p.a.	5 years p.a.
Net asset value total return (%)	7.2	7.8	6.2	12.4
Share price total return (%)	2.5	0.4	3.2	12.0
Benchmark total return (%)	8.1	22.0	7.7	9.7
Peer group ranking	13/22	21/22	17/22	11/22

Sources: Thomson Reuters DataStream and JP Morgan Cazenove 31 March 2017

Earnings growth

The revenue return over the six months is encouraging, with earnings per share of 8.08p, up 5.2% on the 7.68p earned in the six months to 31 March 2016, and our estimates for the second half of the year indicate a further rise on the figure achieved last year.

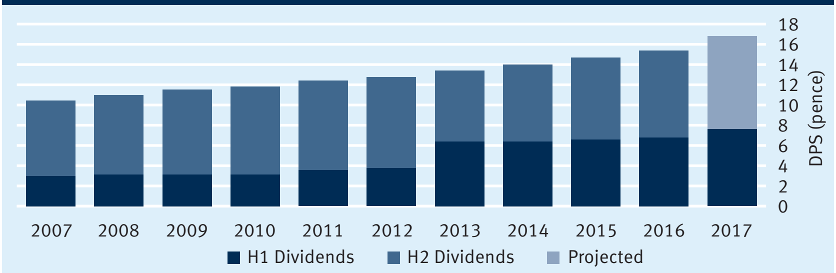
The Manager's Report on pages 9 to 13 provides further information on the UK economy and equity market, as well as a review of the portfolio of investments and market activity during the period.

Chairman's Statement (continued)

Dividends

The Board has declared a second quarterly dividend of 3.80p per share, which together with the first quarterly dividend brings total dividends for the six months to 31 March 2017 to 7.60p per share, an increase of 11.8% on the 6.80p paid for the six months to 31 March 2016. This second quarterly dividend of 3.80p will be paid on 23 June 2017 to shareholders on the register on 2 June 2017, with an associated ex-dividend date of 1 June 2017.The Board's intention is that the third quarterly dividend, payable in October, will be at least 4.00p per share and that the final dividend, in January 2018, will be at least 5.20p per share. Cumulatively, this would make a minimum total dividend of 16.80p for 2017, a rise of 9.1% on the previous year's total, which is expected to be paid out of current year earnings.

Dividend Per Share (DPS) History



Strategic Report

Chairman's Statement (continued)

Gearing

The Company has a £30m bank facility with Scotiabank (Ireland) Limited. This facility was in use throughout the period and £27m was drawn at the end of March 2017. The average cost of borrowing during the six months equated to an annualised cost of 1.12%. At 31 March 2017, borrowings amounted to 11.4% of net assets (31 March 2016: 11.9%).

Subscription Shares

As noted above, the Subscription shares expired on 31 December 2016. Holders had the opportunity to purchase one Ordinary share for each Subscription share held at a price of 320 pence per share. At that date, 3,895,938 Subscription shares remained unconverted. While 1,754,114 applications to convert were received, 2,141,824 Subscription shares lapsed and were converted into Ordinary shares. 70.588 pence per share was paid to the holders of the lapsed shares. The transaction resulted in an increase in the Net Assets of the Company of almost £12.5m and the number of shares in issue increased by 8.6%.

Governance and Board

Keith Percy stood down from the Board at the AGM in December 2016 after 25 years. Caroline Hitch was appointed to the Board on 1 January 2017. Caroline has over 30 years of experience in the investment management business, most recently with HSBC, where she is a member of the senior investment team. We look forward to working with her. She will stand for election at the AGM in January 2018.

Merger between Standard Life and Aberdeen Asset Management

On 6 March 2017, the Boards of Standard Life plc and Aberdeen Asset Management plc announced their intention to merge the companies. This decision is subject to approval by the shareholders of the two companies, which is due to take place on 19 June 2017, and to complete in September 2017. Your Board is paying close attention to this event and any possible implications for the management of your Company. We will be in a position to report in more detail in the Annual Report.

Chairman's Statement (continued)

Outlook

The political background has been generally unsettled over the period under review, with the election of President Trump in the United States being followed by a less than smooth bedding-in period for his new Administration, a succession of international mini-crises in the Middle and Far East and, most recently, the surprise calling of a General Election in the UK. By contrast, economic news has on the whole been favourable, with growth picking up in most areas and interest rates remaining low.

Our portfolio continued to lag the market in the last quarter of 2016. However, it has performed much better in the first four months of 2017 and the revenue account in particular is producing strong growth. This gives the Board confidence that our manager's investment approach is sound, and well suited to delivering your Company's long-term strategic objective.

Richard Burns
Chairman

23 May 2017

Strategic Report

Principal Risks and Uncertainties

The Board has an ongoing process for identifying, evaluating and managing the principal risks and uncertainties of the Company. The process is regularly reviewed by the Board.

Most of the Company's principal uncertainties and risks are market related and no different from those of other investment trusts that invest primarily in the UK listed market. Risks may vary in significance from time to time. The Board considers the following to be the principal risks and uncertainties faced by the Company:

Investment Performance

The Board recognises that market risk is significant in achieving performance and your Board reviews strategy and investment guidelines to ensure that these are appropriate. Regular reports are received from the Manager on stock selection, asset allocation, gearing and costs of running the Company. The performance is reviewed in detail and discussed with the Manager at each Board meeting.

The Board regularly reviews the impact of geopolitical issues on market risk. The Board is mindful of the continuing uncertainty following the UK's referendum decision to leave the EU and, along with the Manager, is closely monitoring the situation.

Operational Risk

In common with most investment trusts the Board delegates the operation of the business to third parties, the principal delegate being the Manager. As part of the assessment of key third party service providers, the internal control reports of the service providers are reviewed on a regular basis.

Discount/Premium to NAV

A significant share price discount or premium to net asset value per share could lead to high levels of uncertainty and could potentially reduce shareholder confidence. The Board keeps the level of the Company's discount/premium under continual review.

Regulatory Risk

The Company operates in an environment with significant regulation, including the UKLA Listing Rules, the Companies Act 2006, the Corporation Tax Act 2010, the Alternative Investment Fund Managers Directive (AIFMD) and the Market Abuse Regulation (MAR). A breach of any of these regulations could lead to a number of detrimental outcomes and reputational damage.

Manager's Report

Thomas Moore

Market review

The UK market, as represented by the FTSE All-Share Index, generated a total return of 8.1% in the six months to the end of March 2017, helped by improving confidence in the domestic and overseas economic outlook.

Sentiment turned particularly sharply in the US where Donald Trump's surprise US election victory sparked a global 'reflation trade', buoyed by his campaign pledges to cut taxes, increase infrastructure spending and roll back regulation. Following President Trump's election the Federal Reserve started to normalise monetary policy by raising interest rates in December and March. Rising inflation expectations and higher bond yields consequently drove a rotation out of 'bond proxies' and into cyclicals and financials. This lost impetus after Mr. Trump's administration failed to pass key policies, leading to doubts on whether tax and spending measures could be enacted in a timely manner. Oscillating confidence in global reflation was reflected in sharp swings in commodity prices during the period. Furthermore, the oil price climbed on OPEC's decision to cap production in December, before falling in early 2017 on evidence of rising US output.

The UK economy held up far better than anticipated after the EU referendum, prompting the Bank of England to revise up its 2017 growth outlook. Domestically-focused stocks that had slumped in the wake of the referendum continued their steady recovery as investors became more confident

Manager's Report

in their earnings and dividend prospects. Sentiment towards UK assets was volatile during this period, which was reflected in the Sterling exchange rate, as investors scrutinised political announcements. These culminated in the triggering of Article 50 in March 2017, thereby officially starting two-year negotiations for the UK to leave the EU.

Performance

For the six months ending 31 March 2017, the portfolio's gross total return, before administration and other costs, was 7.6%, slightly underperforming the FTSE All-Share Index total return of 8.1%.

The six month period can be split into two distinct phases. During the three months to December 2016, we struggled to keep pace with the wider market as the 'reflation trade' favoured large cap cyclical sectors such as Mining, Oil & Gas and Banks, where we had limited exposure. However, performance picked up sharply in the three months to March 2017 as sentiment towards small and mid-cap companies increased.

At the stock level, life assurance company **Aviva** was the largest contributor to performance thanks to better than expected results, which supported our view that the restructuring programme will result in a more strongly capitalised and faster growing business. The holding in mining company **Rio Tinto** benefited performance as investors recognised the improved outlook for cash flows and dividends resulting from the higher iron ore price.

Performance also benefited from strong performance in many of the portfolio's small and mid-cap holdings. Asset management company **River & Mercantile** was a major contributor as the market responded positively to encouraging results that highlighted persistently strong fund flows, particularly in the P-Solve division, which helps pension funds to manage their liabilities. Staffing business **Staffline** soared after it announced strong full-year results, providing further evidence of the company's growth potential. The share price of heat-treatment business **Bodycote** rose sharply on encouraging results that pointed to an inflection point in demand, with organic growth turning positive for the first time in two years.

The biggest detractor to performance was accounting software business **Sage Group** whose valuation came under pressure as rising bond yields caused a sector rotation away from high-growth software stocks. Performance was also hit by the holding in **BT** whose shares fell sharply due to the announcement of improper accounting in their Italian division and a weakening in the outlook for UK public sector and international corporate markets. The holding in **International Personal Finance** hit performance after the release of proposals by the Polish Ministry of Justice that would limit non-interest charges on consumer loans. The holding in support services business **Babcock International** detracted from performance as the stock fell in response to an announcement by the UK Nuclear Decommissioning Authority of the early termination of the Magnox decommissioning contract. Performance relative to the benchmark was impacted by our not holding oil major **Royal Dutch Shell**, which had rallied strongly after OPEC member states agreed to cut production, resulting in improved confidence in the sustainability of the dividend.

Activity

We started a new holding in banking group **HSBC**. We believe that revenues have reached an inflection point as management turn their focus to growing the loan book after many years of retrenchment, at the same time as it benefits from external tailwinds such as an improving global economy and rising rates. HSBC's capital position has now been rebuilt, as reflected in the PRA's recent decision to authorise a share buyback. The combination of improved top line, reduced costs and more effective capital deployment should result in a rising Return on Equity.

We bought a new holding in mining business **Glencore** whose prospects have transformed since the nadir of the commodity cycle in 2015. Glencore has reinstated its dividend, having reassured the market about the quality of its assets, the performance of its marketing division and its balance sheet risk. The industry backdrop is now far more benign, as all the big mining companies have now committed themselves to a more cautious approach to capex, which should be supportive of commodity prices.

We also started a new holding in **Ashmore**, a specialist emerging markets asset management company, whose fund flows are set to benefit from improved sentiment towards the asset class. Ashmore's dividend prospects look particularly

Manager's Report

solid given its strong cash flow and balance sheet.

Three significant sales helped fund these purchases. We reduced the holding in **BT**. Although the Italian accounting scandal can be seen as an isolated problem, the reduction in earnings guidance for the corporate business is of greater concern as it leaves much less margin for error before BT's dividend policy comes into question. Whereas previously BT had plenty of scope to increase capex or pension contributions, it is now tighter on cash flow, limiting its ability to increase the dividend payout ratio.

We also sold the Company's holding in IT and analytics group **RELX** (formerly Reed Elsevier), whose strong visibility and low cyclicality are now better reflected in its valuation after a period of very strong share price performance.

Another notable sale was that of **Jardine Lloyd Thompson** whose impressive track record of delivering top-line growth has been let down by patchy operational execution, especially in its Employee Benefits division.

Outlook

The Company's objective is to provide shareholders with an above average income from their equity investment while also providing real growth in capital and income. Our index-agnostic approach allows us to focus on identifying companies with the potential for superior dividend and capital growth over the long term. We believe that this approach will, over time, prove significantly more rewarding to shareholders than a more traditional approach concentrating on slow-growth mega-cap stocks whose dividend growth potential is more limited.

It is pleasing to be able to report a 5.2% increase in earnings per share, reflecting the encouraging dividend announcements of our underlying holdings. We remain confident that superior dividend growth will be one of the key benefits of our differentiated approach to UK equity income.

While we have good visibility over the cashflow generation and the dividend-paying ability of our holdings, we cannot always have the same level of visibility in the political and economic drivers that affect share prices. This was particularly apparent in 2016 when share price volatility increased due to political events such as the EU referendum and the US election.

As stock pickers, we welcome the recent shift in the market's focus from macro to micro-level analysis, resulting in more benign market conditions and a recovery in many of our small and mid-cap holdings. Having underperformed after the EU referendum on fears of an economic recession, we see the potential for a significant recovery in the valuation of UK domestic stocks from very depressed levels. Conversely, there appears to be more limited potential for many overseas-earning large-cap stocks to outperform given their high valuations.

Politics will remain an important driver of the UK equity market in the months ahead, notably various European and National elections and the ongoing negotiations of the UK's EU exit. It is encouraging that growth in both the UK economy and corporate earnings are remaining far more resilient than had been anticipated immediately after the EU referendum. While we are aware that political events can cause short-term swings in valuations, we remain convinced that a successful approach to income investing will involve a focus on stock-level fundamentals, most importantly on the cash flows generated by companies that are used to pay dividends. On this basis we are encouraged by the strong cashflow and dividend announcements of our underlying holdings and we remain confident in the total return prospects for the portfolio.

Thomas Moore
Standard Life Investments

23 May 2017

List of Holdings

As at 31 March 2017

UK Equities		£'000	%
Basic Materials			
Oil & Gas Producers	BP	3,480	1.4
Chemicals	Johnson Matthey	2,081	0.8
Mining	Rio Tinto	7,783	3.2
	Glencore	4,510	1.8
Industrials			
Construction & Materials	Tyman	5,798	2.4
	Galliford Try	3,862	1.6
	Kier	3,265	1.3
	Volution	2,538	1.0
	Ibstock	1,330	0.5
Aerospace & Defence	BAE Systems	2,736	1.1
General Industrials	DS Smith	5,968	2.4
Industrial Engineering	Bodycote	3,460	1.4
Support Services	Babcock International	4,101	1.7
	Staffline	3,576	1.4
	Connect	2,388	1.0
Consumer Goods			
Beverages	Britvic	5,342	2.2
Household Goods & Home Construction	Persimmon	2,566	1.0
	Bovis Homes	1,896	0.8
	MJ Gleeson	173	0.1
Personal Goods	Supergroup	4,237	1.7
Tobacco	Imperial Brands	7,493	3.0
	British American Tobacco	3,040	1.2

List of Holdings

As at 31 March 2017

UK Equities		£'000	%
Consumer Services			
General Retailers	Safestyle	4,844	2.0
	Saga	4,499	1.8
	Inchcape	4,184	1.7
	DFS Furniture	3,613	1.5
	Majestic Wine	1,840	0.7
Media	ITV	3,177	1.3
	Moneysupermarket.com	3,063	1.2
Travel & Leisure	Carnival	5,260	2.1
	National Express	4,599	1.9
	TUI	4,236	1.7
	GVC	3,012	1.2
	Ladbrokes Coral	283	0.1
Telecommunications			
Fixed Line Telecommunications	Manx Telecom	3,132	1.3
	Zegona Communications	1,932	0.8
	BT	1,702	0.7
Mobile Telecommunications	Vodafone	3,369	1.4
Utilities			
Gas Water & Multiutilities	Pennon	2,786	1.1
	National Grid	1,896	0.8
Financials			
Banks	HSBC	5,068	2.1
	Virgin Money	2,901	1.2
Non-life Insurance	Beazley	4,938	2.0
	Direct Line Insurance	3,808	1.5
	Hastings	2,541	1.0
	Hiscox	2,429	1.0
	Novae	1,590	0.6

List of Holdings

As at 31 March 2017

UK Equities		£'000	%
Life Insurance	Aviva	9,817	4.0
	Prudential	6,681	2.7
	Legal & General	5,633	2.3
	Chesnara	3,737	1.5
Real Estate Investment & Services	Real Estate Investors	3,205	1.3
Real Estate Investment Trusts	Newriver Retail	4,119	1.7
	Hansteen	3,857	1.6
	Assura	1,525	0.6
Financial Services	Close Brothers	6,040	2.4
	River & Mercantile	5,553	2.3
	TP ICAP	4,679	1.9
	John Laing	4,130	1.7
	Ashmore	3,125	1.3
	Premier Asset Management	2,574	1.0
	Rathbone Brothers	2,115	0.9
	Investec	1,799	0.7
	Hargreaves Lansdown	1,324	0.5
	International Personal Finance	1,255	0.5
	Polar Capital	843	0.3
Technology			
Software & Computer Services	Micro Focus International	6,306	2.6
	Sage	6,063	2.5
Total UK Equities		**246,705**	**100.0**

Condensed Statement of Comprehensive Income

	Notes	Revenue £'000	Capital £'000	Total £'000
		Six months ended 31 March 2017 (unaudited)		
Net gains/(losses) on investments at fair value		—	11,067	11,067
Income	2	4,215	—	4,215
Investment management fee		(230)	(537)	(767)
Administrative expenses		(119)	—	(119)
Currency (losses)/gains		—	(1)	(1)
NET RETURN BEFORE FINANCE COSTS AND TAXATION		3,866	10,529	14,395
Finance costs		(45)	(105)	(150)
RETURN ON ORDINARY ACTIVITIES BEFORE TAXATION		3,821	10,424	14,245
Taxation	3	(31)	—	(31)
RETURN ON ORDINARY ACTIVITIES AFTER TAXATION		**3,790**	**10,424**	**14,214**
RETURN PER ORDINARY SHARE	4			
BASIC		**8.08p**	**22.23p**	**30.31p**
DILUTED		**8.08p**	**22.23p**	**30.31p**

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 Condensed Statement of Comprehensive Income.

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

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

Condensed Statement of Comprehensive Income

Six months ended 31 March 2016 (unaudited)		
Revenue £'000	Capital £'000	Total £'000
—	(2,061)	(2,061)
3,998	—	3,998
(224)	(524)	(748)
(222)	—	(222)
—	7	7
3,552	(2,578)	974
(59)	(137)	(196)
3,493	(2,715)	778
(24)	—	(24)
3,469	**(2,715)**	**754**
7.92p	**(6.20p)**	**1.72p**
7.68p	**(6.01p)**	**1.67p**

Condensed Statement of Changes in Equity

Six months ended 31 March 2017 (unaudited)

	Note	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000
Balance at 30 September 2016		11,321	40,550	12,616
Issue of ordinary shares on conversion of Subscription shares		974	11,493	–
Purchase of own shares for treasury		(4)	–	4
Return on ordinary activities after taxation		–	–	–
Dividends paid	5	–	–	–
BALANCE AT 31 MARCH 2017		**12,291**	**52,043**	**12,620**

Six months ended 31 March 2016 (unaudited)

	Note	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000
Balance at 30 September 2015		10,745	32,473	12,616
Issue of ordinary shares on conversion of Subscription shares		182	2,148	–
Issue of ordinary shares from treasury		251	4,238	–
Return on ordinary activities after taxation		–	–	–
Dividends paid	5	–	–	–
BALANCE AT 31 MARCH 2016		**11,178**	**38,859**	**12,616**

Condensed Statement of Changes in Equity

Capital reserve £'000	Revenue reserve £'000	Total £'000
127,096	8,147	199,730
—	—	12,467
(64)	—	(64)
10,424	3,790	14,214
—	(4,132)	(4,132)
137,456	**7,805**	**222,215**

Capital reserve £'000	Revenue reserve £'000	Total £'000
132,933	6,881	195,648
—	—	2,330
—	—	4,489
(2,715)	3,469	754
—	(3,540)	(3,540)
130,218	**6,810**	**199,681**

Condensed Statement of Financial Position

	Notes	As at 31 March 2017 (unaudited) £'000	As at 30 September 2016 (audited) £'000
FIXED ASSETS			
Investments at fair value through profit or loss		246,705	214,024
CURRENT ASSETS			
Debtors		1,514	1,259
AAA money market funds		1,280	10,754
Cash and short term deposits		404	287
		3,198	12,300
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Bank loan		(27,000)	(26,000)
Other creditors		(688)	(594)
		(27,688)	(26,594)
NET CURRENT LIABILITIES		(24,490)	(14,294)
NET ASSETS		**222,215**	**199,730**
CAPITAL AND RESERVES			
Called-up share capital	6	12,291	11,321
Share premium account		52,043	40,550
Capital redemption reserve		12,620	12,616
Capital reserve	7	137,456	127,096
Revenue reserve		7,805	8,147
EQUITY SHAREHOLDERS' FUNDS		**222,215**	**199,730**
NET ASSET VALUE PER ORDINARY SHARE	8		
BASIC		**452.00p**	**441.07p**
DILUTED		**452.00p**	**431.48p**

The financial statements on pages 18 to 30 were approved by the Board of Directors and authorised for issue on 23 May 2017 and were signed on its behalf by:

Richard Burns
Chairman

Notes to the Financial Statements

1. Accounting policies

(a) Basis of accounting

The condensed financial statements have been prepared in accordance with Financial Reporting Standard 104 (Interim Financial Reporting) and with the Statement of Recommended Practice for 'Financial Statements of Investment Trust Companies and Venture Capital Trusts'. They have also been prepared on a Going Concern basis and on the assumption that approval as an investment trust will continue to be granted.

The interim financial statements and the net asset value per share figures have been prepared in accordance with FRS 102 using the same accounting policies as the preceding annual accounts.

(b) Dividends payable

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

(c) Going Concern

The statement of Going Concern was set out in the Directors' Report of the Company's Annual Report and Financial Statements to 30 September 2016. As at 31 March 2017, there have been no significant changes to this. The Directors continue to have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least the next 12 months, taking 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.

Notes to the Financial Statements

2. Income

	Six months ended 31 March 2017 £'000	Six months ended 31 March 2016 £'000
Income from investments		
UK investment income		
Ordinary dividends	3,401	2,907
Special dividends	32	199
	3,433	3,106
Overseas and Property Income Distribution investment income		
Ordinary dividends	537	601
Special dividends	168	259
	705	860
	4,138	3,966
Other income		
AAA money market interest	23	28
Stock dividends	49	—
Underwriting commission	5	4
	77	**32**
	4,215	**3,998**

3. Taxation on ordinary activities

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

4. Return per ordinary share	Six months ended 31 March 2017 p	Six months ended 31 March 2016 p
Basic		
Revenue return	8.08	7.92
Capital return	22.23	(6.20)
Total	**30.31**	**1.72**

The figures above are based on the following figures:

	£'000	£'000
Revenue return	3,790	3,469
Capital return	10,424	(2,715)
Total	**14,214**	**754**
Weighted average number of ordinary shares*	**46,882,217**	**43,813,625**
Diluted		
Revenue return	8.08	7.68
Capital return	22.23	(6.01)
Total	**30.31**	**1.67**
Number of dilutive shares	**–**	**1,327,204**
Weighted Average Diluted shares in issue	**46,882,217**	**45,140,829**

* Calculated excluding shares in treasury. At 31 March 2017 there were 15,985 shares in treasury (2016: nil).

Notes to the Financial Statements

The calculation of the diluted total, revenue and capital returns per Ordinary share is carried out in accordance with IAS 33, "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. There were no Subscription shares in issue at 31 March 2017.

5. Dividends	**Six months ended 31 March 2017 £'000**	**Six months ended 31 March 2016 £'000**
Ordinary dividends on equity shares deducted from reserves:		
Fourth quarterly dividend for 2016 of 5.00p per share (2015 - 4.70p)	2,264	2,020
First quarterly dividend for 2017 of 3.80p (2016 - 3.40p)	1,868	1,520
	4,132	**3,540**

6. Called-up share capital

	Number	£'000
Issued and fully paid:		
Ordinary shares 25p each		
Balance at 30 September 2016	45,282,829	11,321
Issue of Ordinary shares on conversion of Subscription shares	3,895,938	974
Buyback of Ordinary shares	(15,985)	(4)
Balance at 31 March 2017	49,162,782	12,291
Subscription shares of 0.01p each		
Balance at 30 September 2016	3,895,938	–
Conversion of Subscription shares into Ordinary shares	(3,895,938)	–
Balance at 31 March 2017	–	–
Called-up share capital at 31 March 2017		**12,291**

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 conferred 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, the conversion price was determined as being 320p. The final Subscription date was on the last business day of December in 2016, after which the rights under the Subscription shares lapsed.

Notes to the Financial Statements

During the six months ended 31 March 2017, shareholders exercised their right to convert 3,895,938 Subscription shares into ordinary shares (31 March 2016 - 782,215) for a consideration of £12,467,001 (31 March 2016 - £2,330,288). No other Ordinary Shares (31 March 2016 - 1,005,000) were issued for a consideration of £nil (31 March 2016 - £4,489,392).

During the six months ended 31 March 2017, 15,985 ordinary shares (31 March 2016 - nil) were repurchased for a consideration of £63,742 (31 March 2016 - £nil).

7. Capital reserve

The capital reserve figure reflected in the Condensed Statement of Financial Position includes investment holdings gains at the period end of £42,507,679 (30 September 2016 - gains of £37,303,519).

8. Net asset value per ordinary share

	As at 31 March 2017	As at 30 September 2016
Basic:		
Attributable net assets (£'000)	222,215	199,730
Number of ordinary shares in issue*	49,162,782	45,282,829
NAV per ordinary share (p)	452.00	441.07
Diluted:		
Attributable net assets assuming exercise of subscription shares (£'000)	222,215	212,197
Number of potential ordinary shares in issue*	49,162,782	49,178,767
NAV per ordinary share (p)	452.00	431.48

* Excludes shares in issue held in treasury. At 31 March 2017 there were 15,985 shares in treasury (2016: nil).

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/(losses) on investments in the Condensed Statement of Comprehensive Income. The total costs were as follows:

	Six months ended 31 March 2017 £'000	Six months ended 31 March 2016 £'000
Purchases	298	261
Sales	36	33
	334	**294**

10. Fair Value Hierarchy

FRS 102 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 shall have the following classifications:

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).

Notes to the Financial Statements

All of the Company's investments are in quoted equities (30 September 2016 – same) that are actively traded on recognised stock exchanges, with their fair value being determined by reference to their quoted bid prices at the reporting date. The total value of the investments have therefore been deemed as Level 1 (30 September 2016 - same).

11. 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 2017 and 31 March 2016 has not been audited.

The information for the year ended 30 September 2016 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.

12.

This Half-Yearly Financial Report was approved by the Board on 23 May 2017.

Directors' Responsibility Statement

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

- the condensed set of Financial Statements 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 2017, comprises an Interim Management Report in the form of the Strategic Report, the Directors' Responsibility Statement and a condensed set of Financial Statements, which has not been audited or reviewed by the auditors pursuant to the Auditing Practices Board guidance on Review of Interim Financial Information.

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

Richard Burns
Chairman

23 May 2017

Company Information and Contact Details

Directors
Richard Burns (Chairman)
Josephine Dixon
Caroline Hitch (appointed 1 January 2017)
Keith Percy (resigned 15 December 2016)
Jeremy Tigue
Mark White

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