

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. When considering what action you should take, you are recommended to seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant, fund manager or other appropriately qualified independent financial adviser authorised under the Financial Services and Markets Act 2000 immediately.

This document comprises a prospectus relating to Standard Life Equity Income Trust PLC prepared in accordance with the Prospectus Rules made under section 84 of the Financial Services and Markets Act 2000 in order to make an offer of transferable securities to the public and to admit the transferable securities to trading on the London Stock Exchange. This document has been approved by and filed with the Financial Services Authority in accordance with the Prospectus Rules. This document and the information herein relates expressly to the Subscription Shares.

If you sell or have sold or otherwise transferred all of your Ordinary Shares, please send this document, together with the accompanying document, at once to the purchaser or transferee or to the bank, stockbroker or other agent through whom or by whom the sale or transfer was made, for delivery to the purchaser or transferee. The distribution of this document and/or the accompanying documents in jurisdictions other than the UK, including the United States, Australia, Canada, Japan, New Zealand or the Republic of South Africa, may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any of those restrictions. Any failure to comply with any of those restrictions may constitute a violation of the securities laws of any such jurisdiction.

Application will be made to the Financial Services Authority for the Subscription Shares to be admitted to the Official List with a Standard Listing. Application will also be made to the London Stock Exchange for all such Subscription Shares to be admitted to trading on the London Stock Exchange's main market for listed securities.

J.P. Morgan Cazenove, which is authorised and regulated by the Financial Services Authority, is acting for the Company as financial adviser and sponsor in connection with the Bonus Issue and the contents of this document and will not be responsible to anyone other than the Company for providing the protections afforded to customers of J.P. Morgan Cazenove or for advising any such person in connection with the Bonus Issue and the contents of this document. J.P. Morgan Cazenove is not responsible for the contents of this document. This does not exclude or limit any responsibility which J.P. Morgan Cazenove may have under the Financial Services and Markets Act 2000 or the regulatory regime established thereunder.

STANDARD LIFE EQUITY INCOME TRUST PLC

*(Incorporated in England and Wales with company number 02648152 and registered
as an investment company under section 833 of the Companies Act 2006)*

BONUS ISSUE OF UP TO 7,948,000 SUBSCRIPTION SHARES

AND

NOTICE OF GENERAL MEETING TO CONSIDER PROPOSALS FOR THE BONUS ISSUE AND THE ADOPTION OF NEW ARTICLES OF ASSOCIATION

This document is to be read in conjunction with all documents which are incorporated by reference and should be read in its entirety before making any decision. In particular, your attention is drawn to the letter from the Chairman of the Company that is set out on pages 14 to 19 of this document. Your attention is also drawn to the Risk Factors section set out in this document.

It is expected that Admission will become effective and that dealings in the Subscription Shares on the London Stock Exchange's main market for listed securities will commence on or around 20 December 2010.

Notice of a General Meeting of the Company to be held at J.P. Morgan Cazenove's offices, 20 Moorgate, London EC2R 6DA on 17 December 2010 at 11.00 a.m. or as soon thereafter as the Annual General Meeting has concluded or been adjourned, is set out at the end of this document. The Bonus Issue described in this document is conditional upon Shareholder approval of the Continuation Resolution at the AGM to be held the same day as the General Meeting and of the Resolution at the General Meeting. Shareholders are requested to complete and return their Form(s) of Proxy and/or Voting Instruction Form(s). To be valid, Forms of Proxy for use at the General Meeting must be completed and returned in accordance with the instructions printed thereon to the Company's Registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, or delivered by hand during office hours only, to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8AE as soon as possible and in any event so as to arrive by not later than 11.00 a.m. on 15 December 2010.

Voting Instruction Forms are enclosed for use by individuals who hold some or all of their Ordinary Shares through the Savings Schemes. To be valid, Voting Instruction Forms must be completed and returned in accordance with the instructions printed thereon to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY as soon as possible and in any event so as to arrive by not later than 11.00 a.m. on 10 December 2010.

The Ordinary Shares are not, and the Subscription Shares will not be, registered under the Securities Act or under the relevant laws of any State of the United States or any state, province or territory of Australia, Canada, Japan, New Zealand or the Republic of South Africa. Subject to certain exceptions, the Subscription Shares issued under the Bonus Issue may not, directly or indirectly, be offered, sold, taken up, delivered or transferred in or into the United States, Australia, Canada, Japan, New Zealand or the Republic of South Africa or to, or for the account or benefit of, US Persons (as defined in Regulation S of the Securities Act). The Subscription Shares have not been approved or disapproved by the US Securities and Exchange Commission, any State securities commission in the United States or any other US regulatory authority, nor have any of the foregoing authorities passed comment upon or endorsed the merits of the Bonus Issue or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States. The attention of Overseas Shareholders and other recipients of this document who are residents or citizens of any country outside the EEA is drawn to the section entitled "Overseas Shareholders" in Part I of this document.

Prospective investors should inform themselves as to (a) the possible tax consequences; (b) the legal requirements; and (c) any foreign exchange restrictions or exchange control requirements, which they might encounter under the laws of the countries of their citizenship, residence or domicile, and which might be relevant to the subscription for, holding or disposal of Subscription Shares or the exercise of the Subscription Share Rights.

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SUMMARY

This summary section should be read as an introduction to the Prospectus which comprises the whole of this document. Any decision to invest in the Company's securities should be based on a consideration of the Prospectus as a whole by the investor. Where a claim relating to the information contained in a prospectus is brought before a court, a plaintiff investor might, under the national legislation of the EEA States, have to bear the costs of translating the Prospectus before the legal proceedings are initiated. Civil liability attaches to those persons who are responsible for this summary, including any translation of the summary, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus.

Introduction

The Company is proposing a bonus issue of up to 7,948,000 Subscription Shares free of payment on the basis of one Subscription Share for every five Ordinary Shares held on the Record Date. The Company is also proposing to amend the Articles to provide for the creation of the Subscription Shares and to adjust the continuation votes to reflect the exercise period for the Subscription Shares.

The Company

The Company is a UK investment trust with an indefinite life, which was listed on 14 November 1991.

Investment Objective

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.

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 holdings within the portfolio will exceed 10 per cent. of net assets and the top ten holdings within the portfolio will not in aggregate exceed 50 per cent. of net assets.

Convertible preference shares, convertible loan stocks, gilts and corporate bonds may make up the balance of the portfolio.

The Directors have set parameters of between 95 per cent. and 115 per cent. for the level of gearing that can be employed. The maximum level of borrowings will therefore represent 15 per cent. of net assets and the maximum cash position will be equivalent to 5 per cent. of net assets. The Directors have delegated responsibility to the Manager for the operation of the gearing levels 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.

The Manager

The Company is managed by Standard Life Investments (Corporate Funds) Limited. The Manager is part of the Standard Life group of companies. As at 30 September 2010, Standard Life Investments had total assets under management exceeding £153.7 billion. Karen Robertson is the fund manager.

Investment Outlook

For the financial year to 30 September 2010, the Company's NAV (total return) increased by 11.8 per cent., underperforming the FTSE All-Share Index, the Company's benchmark, which increased by 12.5 per cent. and outperforming the FTSE 350 High Yield Index by 6.3 per cent. which rose by 5.2 per cent. Over the year, the Share price total return was 18.0 per cent. outperforming the FTSE All-Share

Index by 4.9 per cent. Over the five years ended 30 September 2010 the Company has outperformed its benchmark on a total return basis and has a top quartile performance ranking against the UK Growth & Income sector over the three years and five years to 30 September 2010.

Over the last 12 months, UK equities generally continued the rally that began in mid-March 2009 although the market remained volatile on concerns over the sustainability of the global economic recovery. UK equities remain attractively valued both on a historical basis and when compared to bonds and cash. The market continues to be macro data driven at times, reflecting a lack of confidence in the sustainability of the economic recovery. The Board remains confident in the outlook for the UK equity market given strong corporate earnings momentum and generally strong balance sheets. The Board believes that the Manager's investment approach leaves the Company well positioned to take advantage of investment opportunities as they arise.

The Bonus Issue

The Company is proposing to issue Subscription Shares to Qualifying Shareholders on the basis of one Subscription Share for every five Ordinary Shares held on the Record Date.

Each Subscription Share will confer the right (but not the obligation) to subscribe for one Ordinary Share upon exercise of the Subscription Share Rights and on payment of the Subscription Price as set out below.

The Subscription Share Rights may be exercised to have effect on the last business day of June and December in each year commencing in June 2011 and finishing on the last business day in December 2016, after which the Subscription Share Rights will lapse.

The Subscription Price will be equal to a one per cent. premium to the published NAV per Ordinary Share as at 5.00 p.m. on 15 December 2010, rounded up to the nearest whole penny.

The Directors believe that the Bonus Issue will have the following advantages:

- following the exercise of any Subscription Share Rights, the Company will have an increased number of Ordinary Shares in issue, which may in due course improve the liquidity in the market for its Ordinary Shares;
- on any exercise of the Subscription Share Rights, the capital base of the Company will increase, allowing operating costs to be spread across a larger number of Ordinary Shares and this should cause the total expense ratio to fall;
- Qualifying Shareholders will receive securities with a monetary value which may be traded in a similar fashion to their Existing Ordinary Shares or converted into Ordinary Shares; and
- Qualifying Shareholders will receive securities which are qualifying investments for the purposes of a stocks and shares ISA and permitted investments for the purposes of a SIPP.

The Company's expenses in connection with the Bonus Issue are estimated to amount to £285,000 (inclusive of VAT). These expenses will be chargeable against the capital reserves of the Company. In the event that the Bonus Issue does not proceed, the Company will incur abort costs of approximately £130,000 (inclusive of VAT) and these costs will be charged against the revenue reserves of the Company.

In due course, upon the Subscription Share Rights being exercised, the Directors intend to invest the net proceeds of such subscriptions in accordance with the Investment Policy.

General Meeting

The Bonus Issue and amendments to the Articles are conditional on, amongst other things, the passing of the Resolution. A General Meeting of the Company has been scheduled for 17 December 2010 to be held immediately after the conclusion of the AGM which has been convened for the same day.

Continuation vote

Under the Articles, the Board is required to propose an ordinary resolution to approve the continuation of the Company as an investment trust at the annual general meeting in 2011 and five yearly thereafter. In the light of the Bonus Issue and the exercise period for the Subscription Shares up to the last Business Day of December 2016, the Board is proposing a continuation vote at this year's AGM. Assuming the Continuation Resolution is passed at the AGM and the Resolution to approve the Bonus Issue and the amendments to the Articles is approved at the General Meeting then the Board will not be required to propose a further continuation resolution at the annual general meeting in 2011 and the next continuation resolution will be proposed at the annual general meeting in 2016.

The Bonus Issue is conditional on the Continuation Resolution being passed at the AGM.

Risk Factors

The principal risk factors affecting the Company and the Subscription Shares which are known to the Directors are:

General

Investment in the Company should not be regarded as short term in nature. There can be no guarantee that any appreciation in the value of the Company's investments will occur or that the investment objective of the Company will be achieved. Investors may not get back the value of their investment.

The market price of, and the income derived from, the Ordinary Shares can go down as well as up.

Risks Relating to the Company

The price of the Ordinary Shares will be determined by the interaction of supply and demand in the market as well as the NAV per Ordinary Share. The market price of an Ordinary Share is therefore likely to fluctuate and may represent either a discount or premium to the NAV per Ordinary Share.

Subscription Shares

The market price of the Subscription Shares may go down as well as up. Movements in the price of Subscription Shares may not be in line with movements in the price of the Ordinary Shares.

Subscription Shares represent a geared investment, so a relatively small movement in the market price of the Ordinary Shares may result in a disproportionately large movement, unfavourable or favourable, in the market price of the Subscription Shares.

In the case of any Subscription Shares whose Subscription Share Rights have not been exercised on or before the final date for exercising such rights, such Subscription Shares may cease to have any value to holders after that date.

The Subscription Shares will not be entitled to receive any dividends paid by the Company.

The Subscription Shares, in so far as they give an entitlement to subscribe for Ordinary Shares, will be affected by the same risk factors as the Ordinary Shares.

Dividends

The Company may only pay dividends to the extent that it has distributable revenue profits for that purpose, which will largely depend on the amount of income which the Company receives on its investments and the timing of such receipt. The amounts of dividends paid by the Company may fluctuate and there is no certainty the Company will maintain its current level of dividends.

Dilution

The allotment of the Subscription Shares will mean that the equivalent of 20 per cent. of the Company's issued ordinary share capital is under option immediately following the Bonus Issue. On each occasion the Subscription Share Rights are exercised this will dilute the ordinary shareholding of any Ordinary Shareholders who do not exercise a corresponding proportion of the Subscription Share Rights attaching to their Subscription Shares or who have sold their Subscription Shares. However, if a Shareholder continues to hold the Subscription Shares issued to him pursuant to the Bonus Issue

and exercises his Subscription Share Rights before their expiry, that Shareholder's percentage interest in the ordinary share capital of the Company will not ultimately be reduced below his percentage interest in the ordinary share capital of the Company immediately prior to the Bonus Issue. On the basis that the NAV per Ordinary Share at the time of exercise of the Subscription Share Rights will exceed the Subscription Price, the issue of the Ordinary Shares upon such exercise will also have a dilutive effect on the NAV per Ordinary Share.

Borrowings

Prospective investors should be aware that, whilst the use of borrowings should enhance the NAV per Ordinary Share where the value of the Company's underlying assets is rising at a rate greater than the interest rate on the borrowings, it will have the opposite effect where the underlying asset value is falling or is rising at a rate lower than the interest rate on the borrowings.

Taxation

The Company must comply with Chapter 4 of Part 24 of the Corporation Tax Act 2010 (or section 842 of the Taxes Act where applicable). Were the Company to breach Chapter 4 (or section 842), it might lose investment trust status and capital gains within the Company's portfolio might become subject to tax. Changes in taxation could adversely affect Shareholders.

RISK FACTORS

Shareholders should carefully consider all the information in this document, including the risks described below. The Directors have identified these risks as the material risks relating to the Company, an investment in the Ordinary Shares and the Subscription Shares, and investing in equities, of which the Directors are aware as at the date of this document. Additional risks and uncertainties not presently known to the Directors, or that the Board considers immaterial, may also adversely affect the Company's business, results of operations or financial condition. If any or a combination of the following risks materialise, the Company's business, financial condition, operational performance and the Ordinary Share price and Subscription Share price could be materially adversely affected. In that case, the trading price of the Ordinary Shares and Subscription Shares could decline and investors could lose some or all of their investment in the Company.

For the avoidance of doubt, none of the risk factors detailed below seeks to qualify the working capital statement set out in paragraph 4 of Part III of this document.

General

An investment in the Company is only suitable for investors capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss which may result from the investment. A prospective investor should consider with care whether an investment in the Company is suitable for him in the light of his personal circumstances and the financial resources available to him.

Investment in the Company should not be regarded as short term in nature. There can be no guarantee that any appreciation in the value of the Company's investments will occur or that the investment objective of the Company will be achieved. Investors may not get back the value of their investment.

The market prices of, and the income derived from, the Ordinary Shares can go down as well as up. Past performance of the Company, and of investments managed by the Manager, is not necessarily indicative of future performance.

Changes in economic conditions (including, for example, economic growth rates, interest rates, currency exchange rates and rates of inflation), industry conditions, competition, political and diplomatic events and trends, tax laws and other factors can substantially and adversely affect the value of investments and therefore the Company's performance and prospects.

Risks Relating to the Company

An investment in the Company may not be suitable for all recipients of this document. Before making any investment decision, prospective investors are strongly advised to consult an independent financial adviser authorised under FSMA who specialises in advising upon investments.

The Company invests predominantly in UK equities. A fall in the value of UK equities would have an adverse impact on the value of the Company's Shares.

The price of the Ordinary Shares will be determined by the interaction of supply and demand in the market as well as the NAV per Ordinary Share. The market price of the Ordinary Shares is therefore likely to fluctuate and may represent either a discount or premium to the NAV per Ordinary Share.

The exercise of Subscription Share Rights at a time when the NAV per Ordinary Share is greater than the prevailing Subscription Price would cause the NAV per Ordinary Share to be diluted and the perceived risk of dilution may cause the market price of the Ordinary Shares to reflect a lesser sensitivity to any increase in the NAV per Ordinary Share than might otherwise be expected.

Subscription Shares

Investment in the Subscription Shares may not be suitable as a short term investment. The value of a Subscription Share may go down as well as up.

Subscription Shares represent a geared investment, so a relatively small movement in the market price of the Ordinary Shares may result in a disproportionately large movement, unfavourable or favourable,

in the market price of the Subscription Shares. The market price of the Subscription Shares may therefore be volatile.

In the case of any Subscription Shares whose Subscription Share Rights have not been exercised on or before the final date for exercising such rights, such Subscription Shares will cease to have any value unless a trustee appointed by the Company determines that the net proceeds of sale of the Ordinary Shares that would arise on the exercise of such rights after deduction of all the costs and expenses of sale would exceed the costs of exercise of such rights. In such circumstances, the trustee would either exercise all the outstanding Subscription Share Rights and sell the Ordinary Shares issued on such exercise in the market, or, if it appears to the trustee that doing so is likely to raise greater net proceeds, it may accept any offer available to the Subscription Shareholders for the purchase of the outstanding Subscription Shares. The net proceeds of any such sale (after deducting the costs of exercising the Subscription Share Rights, if applicable, and any other costs and expenses incurred in relation to such sale) will be remitted to the Subscription Shareholders unless the amount to which a Subscription Shareholder is entitled is less than £5, in which case such sum shall be retained for the benefit of the Company.

Although Subscription Shares are tradable securities, the market liquidity of Subscription Shares may be less than the market liquidity of Ordinary Shares. It is possible that there may not be a liquid market in the Subscription Shares and investors may have difficulty in selling such securities.

The Subscription Shares will not be entitled to receive any dividends paid by the Company. Any increase in the dividends paid by the Company above the level of income received by it from investments or any change in the Company's policies on the charging of expenses to income and capital could erode the NAV of an Ordinary Share which would have an adverse affect on the value of a Subscription Share.

The intrinsic value of a Subscription Share at any time will be the prevailing market price of an Ordinary Share less the price payable on the exercise of the Subscription Share Rights and, as such, it is expected to rise or fall depending on whether the market price of an Ordinary Share rises or falls. The market price of a Subscription Share may be higher than the intrinsic value of a Subscription Share, reflecting the potential geared returns available from an investment in the Subscription Shares. However, the market price of the Subscription Shares will be determined by market forces and there is no guarantee that they will have a market value.

The Subscription Shares, in so far as they give an entitlement to subscribe for Ordinary Shares, are affected by the same risk factors as the Ordinary Shares as set out in this section headed "Risk Factors".

Investment strategies

The success of the Company will depend on the performance of the UK stockmarket and the Manager's ability to identify attractive investments and to realise them in accordance with the Company's investment objective. Any factor which would make it more difficult to buy or sell investments may have an adverse affect on the profitability of the Company. No assurance can be given that the Company will be able to invest its capital on attractive terms or to generate returns for Shareholders or that the strategies to be used will be successful under all or any market conditions.

The performance of the Company's investment programme depends to a great extent on the correct assessments of the future course of price movements of securities and other investments selected by the Manager. There can be no assurance that the Manager will accurately predict these price movements.

Liquidity

The Company is a closed-ended vehicle. Accordingly, Shareholders have no right to have their Ordinary Shares or Subscription Shares repurchased by the Company at any time. Shareholders wishing to realise their investments in the Company will therefore be required to dispose of their Ordinary Shares or Subscription Shares on the stockmarket.

Market liquidity in the shares of investment trusts is frequently inferior to the market liquidity in shares issued by larger companies traded on the London Stock Exchange. There can be no guarantee that a

liquid market in the Ordinary Shares will be maintained or will exist for the Subscription Shares. Accordingly, Shareholders may be unable to realise their Ordinary Shares at the quoted market price (or at the prevailing NAV per Ordinary Share) or their Subscription Shares at the quoted market price or, in either case, at all.

Dividends

The Company may only pay dividends to the extent that it has distributable revenue profits available for that purpose, which will largely depend on the amount of income which the Company receives on its investments and the timing of such receipt. The amount of dividends paid by the Company may fluctuate. Under the Articles, the Company may not pay a dividend out of its capital reserves.

If under UK law or accounting rules and standards applicable to the Company there were to be a change to the basis upon which dividends could be paid by companies, this could have a negative effect on the Company's ability to pay dividends.

Apportionment of costs

As a result of the Company's policy of charging 70 per cent. of management fees and borrowing costs to capital, maintenance of its net asset value requires that the Company's portfolio achieves capital growth equivalent to the total amount of such costs charged to capital and that all other costs are covered by income. Any increase in the amount of such costs that are charged to capital and an increase in level of dividends paid would have an adverse affect on the NAV of an Ordinary Share and may have an adverse affect on the market price of a Subscription Share.

Dilution

The allotment of the Subscription Shares will mean that the equivalent of 20 per cent. of the Company's issued ordinary share capital is under option immediately following the Bonus Issue. On each occasion the Subscription Shares Rights are exercised this will dilute the ordinary shareholding of any Ordinary Shareholders who do not exercise a corresponding proportion of the Subscription Share Rights attaching to their Subscription Shares or who have sold their Subscription Shares. However, if a Shareholder continues to hold the Subscription Shares issued to him pursuant to the Bonus Issue and exercises his Subscription Share Rights before their expiry, that Shareholder's percentage interest in the ordinary share capital of the Company will not ultimately be reduced below his percentage interest in the ordinary share capital of the Company immediately prior to the Bonus Issue. On the basis that the NAV per Ordinary Share at the time of exercise of the Subscription Share Rights will exceed the Subscription Price, the issue of the Ordinary Shares upon such exercise will also have a dilutive effect on the NAV per Ordinary Share. The extent of such dilution will depend on the number of Subscription Shares in respect of which the Subscription Share Rights are exercised on each occasion and the difference between the Subscription Price and the NAV per Ordinary Share prevailing at the time the new Ordinary Shares are issued pursuant to the exercise of the Subscription Share Rights.

Rights of Subscription Shares on liquidation

In the event of the winding-up of the Company prior to the exercise of the Subscription Share Rights, Subscription Shareholders may receive a payment out of the assets which would otherwise be available for distribution amongst the Ordinary Shareholders. However, such payment may not fully compensate such Shareholders for the value that they would attribute to the outstanding period from the winding up date to the final exercise date of the Subscription Shares.

Borrowings

The Company employs gearing in seeking to enhance returns to shareholders by borrowing funds for investment. Where the Company is geared, its NAV and price performance would be expected to represent an amplification of any upward and downward movement in the Company's portfolio as a result of price changes of the investments contained therein. The Board imposes borrowing limits in an attempt to ensure gearing levels are appropriate to market conditions.

Whilst the use of borrowings within the limits prescribed by the Board should enhance the NAV per Ordinary Share where the value of the Company's underlying assets is rising at a rate greater than the

interest rate on the borrowings, it will have the opposite effect where the underlying asset value is falling or is rising at a rate lower than the interest rate on the borrowings. This may increase the volatility of the NAV per Ordinary Share.

Taxation

Any change in the Company's tax status, including failure to satisfy the conditions of Chapter 4 of Part 24 of the Corporation Tax Act 2010 (or section 842 of the Taxes Act where applicable), or any change in tax legislation, could affect the market value of the investments held by the Company, affect the Company's ability to provide returns to Shareholders, or alter the post-tax returns to Shareholders.

The levels of, and reliefs from, taxation may change. The tax reliefs referred to in this document are those currently available and their value depends on the individual circumstances of investors. If you are in any doubt as to your tax position, you should consult an appropriate independent professional adviser.

Financial Statements

The Company prepares its financial statements in accordance with the 2006 Act and UK GAAP and with the AIC SORP. UK GAAP, the AIC SORP and the resulting accounting treatments are subject to change and this may affect the Company's calculation of NAV and may have an adverse effect on the market price of an Ordinary Share and a Subscription Share.

The Directors do not consider that the foregoing factors are necessarily exhaustive. Accordingly, and as noted above, additional risks and uncertainties not currently known to the Directors, or that the Directors do not currently deem material, may also have an adverse effect on the Company's business, its financial condition or its investment performance. If potential investors are in any doubt as to the consequences of their acquiring, holding or disposing of Ordinary Shares or of exercising the Subscription Share Rights, they should consult their stockbroker, bank manager, solicitor, accountant or other independent financial adviser.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

2010

Latest time and date for receipt of Voting Instruction Forms from Savings Scheme Participants	11.00 a.m. on 10 December
Latest time and date for receipt of Forms of Proxy	11.00 a.m. on 15 December
Record Date for the Bonus Issue	5.00 p.m. on 15 December
Subscription Price of Subscription Shares calculated	close of business on 15 December
Annual General Meeting	10.30 a.m. on 17 December
General Meeting	11.00 a.m. on 17 December or as soon thereafter as the Annual General Meeting has concluded or been adjourned
Announcement of the Subscription Price	17 December
Admission of the Subscription Shares to the Official List and dealings in the Subscription Shares commence	8.00 a.m. on 20 December
Crediting of CREST stock accounts in respect of the Subscription Shares	week commencing 20 December
Share certificates despatched in respect of the Subscription Shares	week commencing 27 December

Notes:

- (1) The times and dates set out in the Expected Timetable of Principal Events above and mentioned throughout this document may be adjusted by the Company, in which event details of the new times and dates will be notified, as required, to the UK Listing Authority and the London Stock Exchange, and, where appropriate, to Shareholders.
- (2) All references to time in this document are references to London time.

DEALING CODES

The dealing codes for the Subscription Shares will be as follows:

ISIN	GB00B3NWXM64
SEDOL	B3NWXM6
Ticker	SLES

IMPORTANT NOTICES

Shareholders should not treat the contents of this document as advice relating to legal, taxation, investment or any other matters. Shareholders should inform themselves as to: (a) the legal requirements within their own countries for the holding, transfer or other disposal of Subscription Shares and the exercise of the Subscription Share Rights; (b) any foreign exchange restrictions applicable to the holding, transfer or other disposal of Subscription Shares and the exercise of the Subscription Share Rights which they might encounter; and (c) the income and other tax consequences which may apply in their own countries as a result of the holding, transfer or other disposal of Subscription Shares or the exercise of the Subscription Share Rights. Shareholders must rely upon their own representatives, including their own legal advisers and accountants, as to legal, tax, investment or any other related matters concerning the Company and an investment therein.

Statements made in this document are based on the law and practice currently in force in England and Wales and are subject to changes therein.

FORWARD LOOKING STATEMENTS

This Prospectus contains forward looking statements including, without limitation, statements containing the words “believes”, “estimates”, “anticipates”, “expects”, “intends”, “may”, “will”, or “should” or, in each case, their negative or other variations or similar expressions. Such forward looking statements involve unknown risks, uncertainties and other factors which may cause the actual results, performance or achievement of the Company, or industry results, to be materially different from future results, performance or achievements expressed or implied by such forward looking statements.

Given these uncertainties, Shareholders are cautioned not to place any undue reliance on such forward looking statements. These forward looking statements apply only as at the date of this Prospectus. Subject to its legal and regulatory obligations (including under the Listing Rules, the Prospectus Rules and the Disclosure and Transparency Rules), the Company expressly disclaims any obligations to update or revise any forward looking statement contained herein to reflect any change in expectations with regard thereto or any change in events, conditions or circumstances on which any statement is based unless required to do so by any appropriate regulatory authority or by law, including FSMA, the Listing Rules, the Prospectus Rules and the Disclosure and Transparency Rules.

Nothing in the preceding two paragraphs should be taken as limiting the working capital statement in paragraph 4 of Part III of this document.

DIRECTORS, MANAGER AND ADVISERS

Directors	Charles Wood OBE (<i>Chairman</i>) Christopher Rowlands (<i>Senior Independent Director</i>) Richard Burns Keith Percy
Registered office	30 St. Mary Axe London EC3A 8EP
Manager	Standard Life Investments (Corporate Funds) Limited 1 George Street Edinburgh EH2 2LL
Company Secretary	Aberdeen Asset Management PLC 7th Floor 40 Princes Street Edinburgh EH2 2BY
Financial Adviser and Sponsor	J.P. Morgan Securities Ltd. 125 London Wall London EC2Y 5AJ
Legal Advisers to the Company	Dickson Minto W.S. Broadgate Tower 20 Primrose Street London EC2A 2EW
Auditor	Grant Thornton UK LLP 30 Finsbury Square London EC2P 2YU
Registrars	Computershare Investor Services PLC The Pavilions Bridgwater Road Bristol BS13 8AE
Custodian	BNP Paribas Securities Services S.A 55 Moorgate London EC2R 6PA
Bankers	The Royal Bank of Scotland plc 135 Bishopsgate London EC2M 3UR

PART I

CHAIRMAN'S LETTER

STANDARD LIFE EQUITY INCOME TRUST PLC

(Incorporated in England and Wales with company number 02648152 and registered as an investment company under section 833 of the Companies Act 2006)

Directors:

Charles Wood OBE (*Chairman*)
Christopher Rowlands
Richard Burns
Keith Percy

Registered Office:

30 St. Mary Axe
London EC3A 8EP

19 November 2010

Dear Shareholder

Proposed Bonus Issue of up to 7,948,000 Subscription Shares and the Adoption of New Articles of Association

Introduction

The Company announced today that the Board is proposing a bonus issue of Subscription Shares to existing Shareholders and I am now writing to give you details of the Bonus Issue. To become effective the proposals will be subject to Shareholders approving certain changes to the Articles to provide for the rights of the Subscription Shares, the Company obtaining approval to allot the Subscription Shares and Shareholders passing the Continuation Vote at the forthcoming AGM. The Bonus Issue is also conditional on the admission of the Subscription Shares to the Official List and to trading on the main market for listed securities of the London Stock Exchange.

This letter explains the background to, and the benefits of, the proposed Bonus Issue and the reasons why the Board are recommending that you vote in favour of the Resolution to be proposed at the forthcoming General Meeting. This letter also sets out the action you should take. You should read this letter together with the rest of this document which sets out the details of the Subscription Shares.

A notice convening the General Meeting, which will be held immediately following the AGM convened for the same day, to consider the Resolution to approve the Bonus Issue is set out at the end of this document.

Investment Outlook

For the financial year to 30 September 2010, the Company's NAV (total return) increased by 11.8 per cent., underperforming the FTSE All-Share Index, the Company's benchmark, which increased by 12.5 per cent. and outperforming the FTSE 350 High Yield Index by 6.3 per cent. which rose by 5.2 per cent. Over the year, the Share price total return was 18.0 per cent. outperforming the FTSE All-Share Index by 4.9 per cent. Over the five years ended 30 September 2010 the Company has outperformed its benchmark on a total returns basis and has a top quartile performance ranking against the UK Growth & Income sector over the three years and five years ending 30 September 2010.

Over the last 12 months, UK equities generally continued the rally that began in mid-March 2009 although the market remained volatile on concerns over the sustainability of the global economic recovery. UK equities remain attractively valued when compared to bonds and cash. The market continues to be macro data driven at times, reflecting a lack of confidence in the sustainability of the economic recovery. The Board remains confident in the outlook for the UK equity market over the medium term given strong corporate earnings momentum and generally strong balance sheets. The Board believes that the Manager's investment approach leaves the Company well positioned to take advantage of investment opportunities as they arise.

The Bonus Issue

The Company is proposing to issue Subscription Shares to Qualifying Shareholders on the basis of one Subscription Share for every five Ordinary Shares held on the Record Date, subject to the passing of the Resolution set out in the Notice of General Meeting. The Subscription Shares will be issued by way of a bonus issue to Qualifying Shareholders.

Each Subscription Share will confer the right (but not the obligation) to subscribe for one Ordinary Share upon exercise of the Subscription Share Rights and on payment of the Subscription Price, as set out below.

The Subscription Share Rights may be exercised to have effect on the last business day of June and December in each year commencing in June 2011 and finishing on the last business day in December 2016, after which the Subscription Share Rights will lapse. The Ordinary Shares arising on exercise of the Subscription Share Rights will be allotted within ten Business Days of the relevant exercise date and will rank *pari passu* with the existing Ordinary Shares on the date of issue. To be exercised, a notice of exercise must be received by the Registrars no later than ten Business Days prior to the relevant exercise date. It is expected that the Company will pay the interim dividend and final dividend in each year in June and December respectively, i.e. immediately prior to the next exercise date for the Subscription Shares.

Qualifying Shareholders' entitlements will be assessed against the register of members on the Record Date, which is expected to be 5.00 p.m. on 15 December 2010.

Subscription Shares will rank equally with each other and will not carry the right to receive any dividends from the Company or the right to attend and vote at general meetings of the Company.

The Subscription Price will be equal to the published NAV per Ordinary Share as at 5.00 p.m. on 15 December 2010, plus a one per cent. premium to such NAV per Ordinary Share, rounded up to the nearest whole penny.

The NAV for the purpose of calculating the Subscription Price will be the unaudited value of the Company's assets calculated in accordance with the Company's accounting policies (including revenue items for the current financial year) less all prior charges and other creditors at their fair value (including the costs of the Bonus Issue and the final dividend for the financial year ended 30 September 2010).

The New Articles provide that the Subscription Price is subject to adjustment upon the occurrence of certain corporate events by or affecting the Company before the last business day of December 2016. The relevant corporate events include consolidations or sub-divisions of share capital, pre-emptive offers of securities to Ordinary Shareholders, takeover offers and the liquidation of the Company. Such adjustments seek to protect either the intrinsic value or the time value of the Subscription Shares or both. The next continuation vote, if the Continuation Resolution being proposed at the AGM is passed, is to be proposed at the annual general meeting in 2016.

It is expected that an announcement setting out the Subscription Price will be made on 17 December 2010. Fractions of Subscription Shares will not be allotted or issued and entitlements will be rounded down to the nearest whole number of Subscription Shares.

Rationale of the Bonus Issue

The Directors believe that the Bonus Issue of Subscription Shares will have the following advantages:

- following the exercise of any Subscription Shares Rights, the Company will have an increased number of Ordinary Shares in issue, which should in due course improve the liquidity in the market for its Ordinary Shares;
- on any exercise of the Subscription Share Rights, the capital base of the Company will increase, allowing operating costs to be spread across a larger number of Ordinary Shares and this should cause the total expense ratio to fall;
- Qualifying Shareholders will receive securities with a monetary value which may be traded in a similar fashion to their Existing Ordinary Shares or converted into Ordinary Shares; and

- Qualifying Shareholders will receive securities which are qualifying investments for the purposes of a stocks and shares ISA and permitted investments for the purposes of a SIPP.

Implementation of the Bonus Issue

Implementation of the Bonus Issue requires Shareholders to approve the Resolution to be proposed at the General Meeting. The Resolution, on which all Shareholders may vote, is necessary to obtain certain authorities required in terms of the 2006 Act. If passed, the Resolution will:

- approve the adoption of the New Articles containing the rights attaching to the Subscription Shares;
- authorise the Directors to allot the Subscription Shares pursuant to the Bonus Issue and Ordinary Shares pursuant to the exercise of the Subscription Share Rights;
- waive statutory pre-emption rights in relation to the grant of the Subscription Rights and the allotment of Ordinary Shares pursuant to the exercise of the Subscription Share Rights;
- authorise the capitalisation of sums standing to the credit of the Company's share premium account, capital redemption reserve, special reserve and any other applicable reserve (excluding the revenue reserve) in paying up the Subscription Shares to be issued pursuant to the Bonus Issue;
- authorise the consolidation, sub-division or redemption of any share capital in connection with the exercise of the Subscription Share Rights so as to enable conversion of the Subscription Shares into Ordinary Shares in accordance with the Subscription Share Rights; and
- authorise the repurchase by the Company of Subscription Shares representing up to 14.99 per cent. of the Company's issued subscription share capital following Admission (subject to certain conditions), as more fully described below.

Authority to repurchase Subscription Shares

In order to allow the Company to repurchase Subscription Shares, the Resolution will also grant the Company authority to buy back up to 14.99 per cent. of the issued subscription share capital following Admission.

Repurchases of Subscription Shares will be made at the discretion of the Board, and will only be made when market conditions are considered to be appropriate and in accordance with the Listing Rules. Purchases through the market will not be at prices (exclusive of expenses) that exceed the higher of (i) five per cent. above the average of the middle market quotations (as derived from the London Stock Exchange Daily Official List) for the five consecutive dealing days ending on the dealing day immediately preceding the date on which the purchase is made, and (ii) the higher of the price quoted for (a) the last independent trade of, or (b) the highest current independent bid for, any number of Subscription Shares on the trading venue where the purchase is carried out. Repurchases will only be made when they will result in an increase in the fully diluted NAV per Ordinary Share. Any Subscription Shares repurchased by the Company will be cancelled and will not be held in treasury for reissue or resale.

It is anticipated that authorisation for repurchases of Subscription Shares will be sought at the Company's annual general meetings in 2011 and beyond.

New Articles

If the Resolution is approved, the New Articles will be adopted. The New Articles will set out the rights attaching to the Subscription Shares and remove the requirement for a continuation vote to be proposed at the annual general meeting of the Company in 2011. The New Articles will not otherwise vary from the existing Articles.

The New Articles will be on display at the registered office of the Company from the date of this document until the end of the General Meeting and at the General Meeting itself for the duration of the meeting and for at least 15 minutes prior to the General Meeting.

Continuation Vote

Under the Articles, the Company is required to propose a continuation vote as an ordinary resolution at every fifth AGM. If a continuation vote is not passed the Directors are required to convene a general meeting within three months, at which proposals for the winding up or other reconstruction of the Company would be considered.

The last continuation vote took place at the annual general meeting in December 2006 and the next is due at the annual general meeting to be held in 2011. In the light of the Bonus Issue and the exercise period for the Subscription Shares up to December 2016, the Board is proposing a continuation vote at this year's AGM. Assuming the Continuation Resolution is passed at the AGM and the Resolution to approve the Bonus Issue and the amendments to the Articles is approved at the General Meeting then the Board will not be required to propose the continuation resolution at the annual general meeting in 2011 and the next continuation resolution will be proposed at the annual general meeting in 2016.

The Bonus Issue is conditional on the Continuation Resolution being passed at the AGM.

Admission and Dealings

The Subscription Shares will be in registered form and may be issued either in certificated or uncertificated form. No temporary documents of title will be issued. Pending despatch of definitive certificates, transfers of Subscription Shares in certificated form will be certified against the Register. All documents or remittances sent by or to Shareholders will be sent through the post at the risk of Shareholders.

Applications will be made to the UK Listing Authority for the Subscription Shares to be admitted to the Official List with a Standard Listing and to the London Stock Exchange for such shares to be admitted to trading on its main market for listed securities. It is expected that Admission will occur, and that dealings will commence, on 20 December 2010. On Admission, the Subscription Shares will confer rights to subscribe for new Ordinary Shares representing, in aggregate, up to 20 per cent. of the then issued ordinary share capital of the Company.

The Ordinary Shares resulting from the exercise of the Subscription Share Rights will rank *pari passu* with the Ordinary Shares then in issue (save for any dividends or other distributions declared, made or paid on the Ordinary Shares by reference to a record date prior to the allotment of the relevant Ordinary Shares).

Overseas Shareholders

The issue of the Subscription Shares to persons who have a registered or mailing address in countries outside the EEA may be affected by the law or regulatory requirements of the relevant jurisdiction.

The Subscription Shares to be issued under the Bonus Issue are not being issued to Overseas Shareholders. The Board will allot any Subscription Shares due under the Bonus Issue to Overseas Shareholders to a market maker who will sell such Subscription Shares promptly at the best price obtainable. The proceeds of sale will be paid to the Overseas Shareholders entitled to them save that entitlements of less than £5 per Overseas Shareholder will be retained by the Company for its own account.

Notwithstanding any other provision of this document, the Company reserves the right to permit any Shareholder to take up Subscription Shares under the Bonus Issue if the Company, in its sole and absolute discretion, is satisfied at any time prior to the General Meeting that the transaction in question is exempt from, or not subject to, the legislation or regulations giving rise to the restrictions in question.

Overseas Shareholders who believe that they are entitled to take up Subscription Shares under the Bonus Issue should contact the Company as soon as possible to discuss the matter.

Any Shareholder who is in any doubt as to his position should consult an appropriate independent professional adviser without delay.

Taxation

The attention of Shareholders is drawn to the summary of United Kingdom tax matters set out in paragraph 10 of Part V of this document.

Shareholders should note that the Subscription Shares are qualifying investments for a stocks and shares ISA and will constitute permitted investments for the purposes of a SIPP. The exercise of Subscription Share Rights may affect the annual subscription limit available for further investment into an ISA in the relevant year. Shareholders who are in any doubt about their tax position or who may be subject to tax in a jurisdiction other than the United Kingdom should consult their independent professional adviser.

Costs of the Bonus Issue

The Company's expenses in connection with the Bonus Issue are estimated to amount to approximately £285,000 (inclusive of VAT). These expenses will be chargeable against the capital reserves of the Company. In the event that the Bonus Issue does not proceed, the Company will incur abort costs of approximately £130,000 (inclusive of VAT) and these costs will be charged against the revenue reserves of the Company.

Net Proceeds from Subscription Shares

Although there can be no certainty as to whether any or all of the Subscription Share Rights will be exercised, if the Bonus Issue proceeds and all of the Subscription Share Rights are exercised, the net proceeds that could arise on such exercise would be approximately £25.0 million, based on the NAV of 311.7 pence per Ordinary Share on 17 November 2010, the latest practicable date prior to the publication of this document, and assuming 7,948,000 Subscription Shares are issued pursuant to the Bonus Issue. It should be noted, however, that the Subscription Price will be calculated as at the Record Date and therefore the above figures are illustrative only.

General Meeting

A General Meeting of the Company has been convened for 11.00 a.m. on 17 December 2010, or as soon thereafter as the Annual General Meeting convened for 10.30 a.m. the same day has concluded or been adjourned, at the offices of J.P. Morgan Cazenove, 20 Moorgate, London EC2R 6DA at which the Resolution will be proposed.

All Shareholders are entitled to attend and vote at the General Meeting. In accordance with the Articles, all Shareholders present in person or by proxy shall upon a show of hands have one vote and upon a poll shall have one vote in respect of every Share held.

Individuals who hold their Ordinary Shares through the Savings Schemes are entitled to attend the General Meeting and may vote by completing the Voting Instruction Form addressed to the nominee companies in whose names the Shares are registered and held on their behalf.

The formal notice convening the General Meeting is set out on pages 66 to 68 of this document.

Action to be Taken

The only action that you are requested to take is to complete and return the accompanying Form of Proxy and/or, if you hold Ordinary Shares through the Savings Schemes, the accompanying Voting Instruction Form, for use at the General Meeting.

Shareholders, other than Savings Scheme Participants, are asked to complete and return the Form of Proxy in accordance with the instructions printed thereon to the Company's Registrars, Computershare Investor Services PLC, at The Pavilions, Bridgwater Road, Bristol BS99 6ZY, or deliver them by hand during office hours to Computershare Investor Services PLC, at The Pavilions, Bridgwater Road, Bristol BS13 8AE so as to be received as soon as possible and in any event by not later than 11.00 a.m. on 15 December 2010.

Savings Scheme Participants are requested to complete their Voting Instruction Form and return them to Computershare Investor Services PLC at The Pavillions, Bridgwater Road, Bristol BS99 6ZY, in accordance with the instructions printed thereon, so as to be received as soon as possible and in any event by not later than 11.00 a.m. on 10 December 2010.

Shareholders and Savings Scheme Participants are requested to complete and return a Form of Proxy, or Voting Instruction Form, as appropriate, whether or not they wish to attend the General Meeting. Any Shareholders who have any questions regarding the Subscription Shares or the completion of their Form of Proxy or Voting Instruction Form can call Computershare Investor Services PLC on 0870 707 1150 or if calling from overseas +44 870 707 1150. Computershare Investor Services PLC cannot give investment or tax advice.

Recommendation

The Board, which has received financial advice from J.P. Morgan Cazenove, considers that the passing of the Resolution is in the best interests of the Company and its Shareholders as a whole. In providing its financial advice, J.P. Morgan Cazenove has relied on the Board's commercial assessment of the effects of the Bonus Issue. Accordingly, the Board unanimously recommends that Shareholders vote in favour of the Resolution to be proposed at the General Meeting. The Directors intend to vote in favour of the Resolution in respect of the Ordinary Shares they hold in the Company, amounting to 134,306 Ordinary Shares in aggregate (representing approximately 0.34 per cent. of the issued ordinary share capital of the Company as at the date of this document).

Yours faithfully,

Charles Wood OBE
(Chairman)

PART II

INFORMATION ON THE COMPANY

Introduction

The Company is a UK investment trust with an indefinite life, which was listed on 14 November 1991.

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.

As at 17 November 2010 (being the latest practicable date prior to the publication of this document), the Company had net assets of £118.2 million and the unaudited NAV of the Company was 311.7 pence per Ordinary Share.

Current 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 holdings within the portfolio will exceed 10 per cent. of net assets and the top ten holdings within the portfolio will not in aggregate exceed 50 per cent. of net assets.

Convertible preference shares, convertible loan stocks, gilts and corporate bonds may make up the balance of the portfolio.

The Directors have set parameters of between 95 per cent. and 115 per cent. for the level of gearing that can be employed. The maximum level of borrowings will therefore represent 15 per cent. of net assets and the maximum cash position will be equivalent to 5 per cent. of net assets. The Directors have delegated responsibility to the Manager for the operation of the gearing levels 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.

The Board

The Directors are responsible for determining the Company's Investment Policy and have overall responsibility for the Company's activities.

The Board consists of four non-executive Directors, all of whom are considered to be independent of the Manager, including the Chairman.

The Directors of the Company are as follows:

Charles Wood OBE (Chairman) Appointed as a Director on 3 November 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.

Christopher Rowlands Appointed as a Director on 19 March 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 Appointed as a Director on 23 May 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 & Co.

Keith Percy Appointed as a Director on 8 October 1991, he is chairman of the Nominations Committee. He is chairman of Brunner Investment Trust PLC and also a non-executive director of JPMorgan Japanese Investment Trust plc, The Henderson Smaller Companies Investment Trust plc and The Children's Mutual.

The Manager

The Company is managed by Standard Life Investments (Corporate Funds) Limited. The Manager is part of the Standard Life group of companies. As at 30 September 2010, Standard Life Investments had total assets under management of £153.7 billion.

Karen Robertson has been managing the Company's portfolio since November 2005 when Standard Life Investments (Corporate Funds) Limited was appointed as the Company's manager. Karen Robertson joined Standard Life as UK Investment Analyst in 1990 after graduating in Economics (BA Hons) from Strathclyde University. She is an Associate of the Society of Investment Professionals (formerly AII MR).

Performance

Given the Company's stated objective and strategy, the Board has identified key performance indicators against which performance can be measured, as detailed below:

	<i>Year ended</i> <i>30 September</i> <i>2010</i> <i>%</i>	<i>Three years</i> <i>ended</i> <i>30 September</i> <i>2010</i> <i>%</i>	<i>Five years</i> <i>ended</i> <i>30 September</i> <i>2010</i> <i>%</i>
NAV Total Return ⁽¹⁾	11.8	-3.3	24.8
Share Price Total Return ⁽¹⁾	18.0	5.1	36.0
FTSE All-Share Total Return Index ⁽¹⁾	12.5	-3.1	24.7
FTSE 350 High Yield Total Return Index ⁽¹⁾	5.2	-14.0	4.5
Peer Group Ranking ⁽²⁾	16/21	5/21	4/21

⁽¹⁾ Source: Datastream

⁽²⁾ Source: J.P. Morgan Cazenove

Dividend Policy

For the year ended 30 September 2010 the Board has recommended a final dividend per Share of 8.65p. which would bring total dividends per Share for that year to 11.8p. This would represent a rise of 2.2 per cent. over the total dividends paid in respect of the previous financial year. The Company has revenue reserves as at 30 September 2010 of £5.9 million (15.7p per Share), representing dividend cover of 1.3 times, based on the proposed total dividends in respect of the year to 30 September 2010. It is the Board's objective, in the absence of unforeseen circumstances, to increase dividends in real terms over time.

Gearing

The Directors have set parameters of between 95 per cent. and 115 per cent. for the level of gearing that can be employed. The maximum level of borrowings will therefore represent 15 per cent. of net assets and the maximum cash position will be equivalent to 5 per cent. of net assets. The Directors have delegated responsibility to the Manager for the operation of the gearing levels within the above parameters. As at 30 September 2010 the gearing level was 9.5 per cent. of the Company's net assets with borrowings of £12.8 million drawn down.

Administration and Company Secretarial Arrangements

Under the Management Agreement, the Manager has agreed to provide company secretarial, accounting and administrative services to the Company and the Manager has delegated the provision of these services to Aberdeen Asset Management PLC. The Manager receives an aggregate fee for all

its services provided under the Management Agreement including the discretionary management of the Company's assets. Full details of the fees provided for by the Management Agreement are contained in paragraph 9.1 of Part V of this document. The Manager pays the fees due to Aberdeen Asset Management PLC.

Financial Statements

The Company prepares its financial statements in accordance with the 2006 Act and UK GAAP and with the AIC SORP. UK GAAP, the AIC SORP and the resulting accounting treatments are subject to change and this may affect the Company's calculation of NAV. Changes in the Company's accounting policies could also adversely affect Shareholders.

Reports to Shareholders and AGMs

The Company's annual report and financial statements are prepared up to 30 September each year. The Company's annual general meetings are usually held in December of each year.

PART III

FINANCIAL INFORMATION (INCLUDING PORTFOLIO INFORMATION)

1. Introduction

Statutory accounts of the Company for the three financial years ended 30 September 2010, in respect of which the Company's auditors, Grant Thornton UK LLP of 30 Finsbury Square, London EC2P 2YU, who are members of the Institute of Chartered Accountants in England and Wales, made reports under section 495 or section 497 of the 2006 Act, have been delivered to the Registrar of Companies in England and Wales and such reports did not contain any statements under sections 498(2) or (3) of the 2006 Act. Copies of the statutory accounts of the Company for the three financial years ended 30 September 2010, are available for inspection during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the offices of Dickson Minto W.S., Broadgate Tower, 20 Primrose Street, London EC2A 2EW.

2. Historical financial information

2.1. Historical financial information

The published annual reports and audited financial statements for the Company for the three financial years ended 30 September 2010, which have been incorporated into this document by reference, included, on the pages specified in the table below, the following information:

<i>Nature of Information</i>	<i>Annual report and financial statements for the year ended 30 September</i>		
	<i>2008 Page No(s)</i>	<i>2009 Page No(s)</i>	<i>2010 Page No(s)</i>
Income statement	29	29	29
Reconciliation of movements in Shareholders' funds	31	31	31
Balance sheet	30	30	30
Cash flow statement	32	32	32
Accounting policies	33	33-34	33-34
Notes to the financial statements	33-41	33-42	33-43
Independent auditor's report	27-28	28	28
Chairman's statement	3-4	3-4	3-4
Investment Manager's report	7-8	7-8	7-8
Directors' report	13-19	13-19	13-19

2.2. Selected financial information

The key audited figures that summarise the Company's financial condition in respect of the three financial years ended 30 September 2010, which have been extracted without material adjustment from the historical financial information referred to in paragraph 2.1 of this Part III, are set out in the following table:

	<i>As at or for the year ended 30 September</i>		
	<i>2008</i>	<i>2009</i>	<i>2010</i>
Net assets (£'000)	99,573	106,302	113,701
NAV per share (pence)	262.51	280.25	299.76
<i>Revenue</i>			
Net return on ordinary activities after taxation (£'000)	4,782	4,836	4,189
Return per share basic (pence)	12.61	12.75	11.04
Return per share diluted (pence)	—	—	—
<i>Total</i>			
Net return/(loss) on ordinary activities after taxation (£'000)	(28,739)	10,898	11,778
Return/(loss) per share basic (pence)	(75.77)	28.73	31.05
Return per share diluted (pence)	—	—	—
Dividend per share (pence)	11.00	11.55	11.80

2.3. Operating and financial review

The Company's published audited annual reports and financial statements for the three financial years ended 30 September 2010 included, on the pages specified in the table below, descriptions of the Company financial condition (in both capital and revenue terms), details of the Company's investment activity and portfolio exposure and changes in its financial condition for each of those years.

<i>Nature of Information</i>	<i>Annual report and financial statements for the year ended 30 September</i>		
	<i>2008</i>	<i>2009</i>	<i>2010</i>
	<i>Page No(s)</i>	<i>Page No(s)</i>	<i>Page No(s)</i>
Chairman's statement	3-4	3-4	3-4
Investment Manager's report	7-8	7-8	7-8
Portfolio analyses	9-12	9-12	9-12
Performance, discount and financial record	6	6	6

2.4 Significant change

Since 30 September 2010 (being the end of the last financial period of the Company for which financial information has been published), there has been no significant change in the financial or trading position of the Company.

2.5 Significant gross change

The issue of the Subscription Shares itself has no impact on the Company's assets, earnings or liabilities. Where Subscription Shares Rights are exercised into Ordinary Shares by Shareholders, the total assets of the Company will increase by that number of Ordinary Shares multiplied by the Subscription Price. Were the Subscription Share Rights to have been exercised at the date of this document and if the subscription price of the Subscription Shares were to be calculated using the NAV as at 17 November 2010, the latest practicable date prior to the publication of this document, and assuming 7,948,000 Subscription Shares are issued pursuant to the Bonus Issue, the effect of this would have been to increase the net assets by £25.0 million. It is not expected that there will be any material impact on the earnings and liabilities per Ordinary Share as the net proceeds resulting from any subscription for Ordinary Shares are expected to be invested in accordance with the investment objective and policy of the Company.

3. Capitalisation and Indebtedness

The following table shows the Company's indebtedness (distinguishing between guaranteed and unguaranteed, secured and unsecured indebtedness) as at 30 September 2010.

	<i>30 September 2010 £'000</i>
<i>Total Current Debt</i>	
Guaranteed	—
Secured	—
Unguaranteed/unsecured	12,750
<i>Total Non-Current Debt</i>	
Guaranteed	—
Secured	—
Unguaranteed/unsecured	—

The following table shows the capitalisation of the Company as at 30 September 2010 being the last date in respect of which the Company has published financial information.

	<i>As at 30 September 2010 £'000</i>
<i>Shareholder equity</i>	
Share capital	9,935
Other reserves (excluding profit and loss)	—
Legal reserves (capital redemption reserve and share premium account)	32,988

The following table shows the Company's net indebtedness as at 30 September 2010.

	<i>30 September 2010 £'000</i>
A. Cash	226
B. Cash Equivalent	—
C. Trading securities	1,695
D. Liquidity (A+B+C)	1,921
E. Current financial receivable	—
F. Current bank debt	12,750
G. Current portion of non-current debt	—
H. Trading securities payable	—
I. Other current financial debt	—
J. Current financial debt (F+G+H+I)	12,750
K. Net current financial indebtedness (J-E-D)	10,829
L. Non-current bank loans	—
M. Bonds issued	—
N. Other non-current loans	—
O. Non-current financial indebtedness (L+M+N)	—
P. Net financial indebtedness (K+O)	10,829

4. Working Capital

In the Company's opinion, the Company has sufficient working capital for its present requirements, that is, for at least the twelve months following the date of this document.

5. Portfolio Investments

As at 17 November 2010, the Company's portfolio comprised of 77 investments with an aggregate unaudited value, calculated in accordance with the Company's accounting policies, of £129.2 million. The following tables show the distribution of the portfolio by region, sector, asset class and currency as at 10 November 2010 (being the latest practicable date prior to the publication of this document for the breakdown of the portfolio).

The Company's 20 largest holdings, as at 10 November 2010, were as follows:

<i>Stock</i>	<i>Key Business</i>	<i>Valuation £'000</i>	<i>% of Investments</i>
HSBC Holdings	Banks	8,866	6.7
Vodafone Group	Mobile Communications	7,348	5.5
BP	Oil & Gas	6,961	5.2
Royal Dutch Shell ¹	Oil & Gas	6,491	4.9
Glaxosmithkline	Pharmaceuticals & Biotechnology	6,400	4.8
Rio Tinto	Mining	5,786	4.4
Xstrata	Mining	4,795	3.6
British American Tobacco	Tobacco	3,847	2.9
Imperial Tobacco	Tobacco	3,500	2.6
Astrazeneca	Pharmaceuticals & Biotechnology	2,875	2.2
Top Ten Investments		<u>56,869</u>	<u>42.8</u>
Aviva	Life Insurance	2,827	2.1
Fenner	Industrial Engineering	2,568	2.0
GKN	Automobiles & Parts	2,155	1.6
Centrica	Gas, Water & Multiutilities	2,147	1.6
Scottish & Southern Energy	Electricity	2,139	1.6
Melrose	Industrial Engineering	2,127	1.6
Lloyds Banking Group	Banks	2,021	1.5
Vedanta Resources	Mining	1,959	1.5
Britvic	Beverages	1,858	1.4
BHP Billiton	Mining	1,819	1.4
Top Twenty Investments		<u>78,489</u>	<u>59.1</u>

¹ Valuation is for combined holdings in 'A' and 'B' shares.

All investments are equity investments.

Unless otherwise indicated, the information as set out above is unaudited and has been extracted from internal management accounts maintained by the Company.

Sector Breakdown

	<i>% of Total Investments as at 10 November 2010</i>
Financials	22.7
Industrials	15.6
Basic Materials	11.3
Oil & Gas	11.0
Consumer Goods	9.0
Utilities	8.5
Consumer Services	8.4
Health Care	7.0
Telecommunications	5.5
Technology	1.0
	<u>100.00</u>

Currency Breakdown

	<i>% of Total Investments as at 10 November 2010</i>
Sterling	<u>100.00</u>

Geographical Breakdown

	<i>% of Total Investments as at 10 November 2010</i>
United Kingdom	<u>100.00</u>

Asset Breakdown

	<i>% of Total Investments as at 10 November 2010</i>
Equities	<u>100.00</u>

PART IV

PARTICULARS OF THE SUBSCRIPTION SHARES

Conditional upon the passing of the Continuation Resolution at the AGM, the Resolution at the General Meeting and Admission, the Subscription Shares are expected to be issued on 20 December 2010 and will carry the rights described below. The Articles will be replaced with the New Articles which will incorporate these rights.

1. Subscription Share Rights

- (a) A registered holder for the time being of a Subscription Share (a "Subscription Shareholder") shall have a right (the "Subscription Share Right") exercisable on the last business day of June and December in each year commencing in June 2011 (any date on which exercise occurs being described as a "Subscription Date") and finishing on the last business day in December 2016 (the "Final Subscription Date") to subscribe for all or any of the Ordinary Shares to which his Subscription Shares relate at the price per Ordinary Share to be determined by the Company as being equal to a one per cent. premium to the published NAV per Ordinary Share as at 5.00 p.m. on 15 December 2010, rounded up to the nearest whole penny (the "Subscription Price").

The Subscription Price shall be payable in full in Sterling on subscription.

Each Subscription Share relates to one Ordinary Share, but the Subscription Price (and/or the number of Subscription Shares outstanding) will be subject to adjustment as provided in paragraph 2 below.

The NAV for the purpose of calculating the Subscription Price means the unaudited value of all the Company's assets calculated in accordance with the Company's accounting policies (including revenue items for the current financial year) less all prior charges and other creditors at their fair value (including the costs of the Bonus Issue and the final dividend for the financial year ended 30 September 2010).

It is expected that the Subscription Price will be announced via a Regulatory Information Service on or around 17 December 2010.

- (b) Subscription Shares will be issued in registered form and may be held in either certificated form (the "Certificated Subscription Shares") or uncertificated form (the "Uncertificated Subscription Shares"). In the case of:
- (i) Certificated Subscription Shares, a Subscription Shareholder will be entitled to a share certificate in respect of his holding of Subscription Shares; and
 - (ii) Uncertificated Subscription Shares, a Subscription Shareholder's title to such Subscription Shares will be recorded in the relevant register as being held in such form as will by virtue of the Uncertificated Securities Regulations enable the transfer of title to the Subscription Shares to be effected without a written instrument by means of a relevant electronic system (a "Relevant Electronic System").
- (c) In order to exercise, in whole or in part, the Subscription Share Rights which are conferred by any Certificated Subscription Shares, the Subscription Shareholder must lodge the relevant Subscription Share certificate(s) (or such other document(s) as the Directors may, in their absolute discretion, accept) at the office of the Registrars no later than 5.00 p.m. on the day falling ten business days before the relevant Subscription Date, having completed the notice of exercise of Subscription Share Rights thereon (or by giving such other notice of exercise of Subscription Share Rights as the Directors may, in their absolute discretion, accept) ("Subscription Notice"), accompanied by a remittance for the aggregate Subscription Price for the Ordinary Shares in respect of which the Subscription Share Rights are being exercised. The Directors may accept as valid, Subscription Notices which are received after the relevant Subscription Date provided they are accompanied by the correct remittance, as described above, otherwise the Subscription Notice shall be deemed to have been given in respect of the next following Subscription Date. Once lodged, a Subscription Notice shall be irrevocable save with the consent of the Directors. To be effective, compliance must also be made with any statutory and regulatory requirements for the time being applicable.

- (d) The Subscription Share Rights which are conferred by any Uncertificated Subscription Shares on the relevant Subscription Date shall be exercisable, in whole or in part, (and treated by the Company as exercised) on the relevant Subscription Date if, not later than 5.00 p.m. on the relevant Subscription Date, (i) an Uncertificated Subscription Notice is received as referred to below and (ii) a remittance for the aggregate Subscription Price for the Ordinary Shares in respect of which the Subscription Share Rights are being exercised is received by the Company (or by such person as it may require for these purposes). For these purposes, an Uncertificated Subscription Notice shall mean a properly authenticated dematerialised instruction and/or other instruction or notification received by the Company (or by such person as it may require for these purposes) in such form and subject to such terms and conditions as may from time to time be prescribed by the Directors (subject always to the regulations and the facilities, rules and requirements of the Relevant Electronic System). The Directors may, in addition but subject to the regulations and facilities and requirements of the Relevant Electronic System, determine when any such properly authenticated dematerialised instruction and/or other instruction or notification and any such remittance is to be treated as received by the Company or by such person as it may require for these purposes. Without prejudice to the generality of the foregoing, the effect of the Uncertificated Subscription Notice may be such as to divest the holder of the Subscription Shares concerned of the power to transfer such Subscription Shares to another person. Once lodged, an Uncertificated Subscription Notice shall be irrevocable save with the consent of the Directors. To be effective, compliance must also be made with any statutory and regulatory requirements for the time being applicable.
- (e) Not later than 30 days before the Final Subscription Date, the Company shall give notice in writing to the holders of the outstanding Subscription Shares reminding them of their Subscription Share Rights and, in relation to any Uncertificated Subscription Shares, stating the form of Uncertificated Subscription Notice prescribed by the Directors.
- (f) Ordinary Shares issued pursuant to the exercise of Subscription Share Rights which are conferred by any Certificated Subscription Shares will be allotted within ten Business Days of the relevant Subscription Date subject to the receipt by the Registrars of cleared funds. The Ordinary Shares arising on subscription shall be allotted with effect from the relevant Subscription Date (and not the date upon which the notice of exercise is given or deemed given in accordance with paragraph 1(c) above). Certificates in respect of such Ordinary Shares, together, if applicable, with a new certificate for the balance of any Certificated Subscription Shares in respect of which the Subscription Share Rights have not been exercised, will be despatched (at the risk of the person(s) entitled thereto) not later than 28 days after the relevant allotment date to the person(s) in whose name(s) the Subscription Share is registered at the date of exercise (and, if more than one, to the first-named, which shall be sufficient despatch for all) or (subject as provided by law and to the payment of stamp duty reserve tax or any other tax as may be applicable) to such other person(s) (not being more than four in number) as may be named in the form of nomination available for the purpose from the Registrars (and, if more than one, to the first-named, which shall be sufficient despatch for all).
- (g) Ordinary Shares issued pursuant to the exercise of Subscription Share Rights which are conferred by any Uncertificated Subscription Shares will be allotted within ten Business Days of the relevant Subscription Date subject to the receipt by the Registrars of cleared funds. The Ordinary Shares arising on subscription shall be allotted with effect from the relevant Subscription Date (and not the date upon which the Uncertificated Subscription Notice is given in accordance with paragraph 1(d) above). The Company shall procure that the appropriate instructions are given to enable such Ordinary Shares to be credited in uncertificated form to the relevant account within the Relevant Electronic System of the person(s) in whose name(s) the Subscription Shares in respect of which Subscription Share Rights have been exercised were registered as at the date of such exercise or (subject as provided by law, to the payment of stamp duty reserve tax or any other tax as may be applicable, to such terms and conditions as the Directors may from time to time prescribe for this purpose, to the regulations, and the facilities, rules and requirements of the Relevant Electronic System) to such other person(s) (not being more than four in number) as may be named in the properly authenticated dematerialised instruction and/or other instruction or notification in such form.

- (h) For the avoidance of doubt, unless the Directors otherwise determine or unless the regulations or the facilities, rules or requirements of the Relevant Electronic System otherwise require, the Ordinary Shares issued on the exercise of any Subscription Share Rights shall be issued in certificated form where such Subscription Share Rights were conferred by Certificated Subscription Shares and in uncertificated form where such Subscription Share Rights were conferred by Uncertificated Subscription Shares.
- (i) Ordinary Shares allotted pursuant to the exercise of Subscription Share Rights will not rank for any dividends or other distributions declared, paid or made on the Ordinary Shares by reference to a record date prior to the relevant allotment date but, subject thereto, will rank in full for all dividends and other distributions declared, paid or made on the Ordinary Shares and otherwise will rank *pari passu* in all other respects with the Ordinary Shares in issue at the relevant allotment date.
- (j) For so long as the Company's Ordinary Shares are admitted to the Official List and to trading on the London Stock Exchange's market for listed securities, it is the intention of the Company to apply (i) to the UK Listing Authority for the Ordinary Shares allotted pursuant to any exercise of Subscription Share Rights to be admitted to the Official List and (ii) to the London Stock Exchange for such Shares to be admitted to trading on the London Stock Exchange's main market for listed securities. The Ordinary Shares arising pursuant to any exercise of Subscription Share Rights will be allotted subject to admission to the Official List and to trading on the London Stock Exchange's main market for listed securities.
- (k) Each notice of exercise of Subscription Share Rights and each Uncertificated Subscription Notice will be deemed to contain a representation that, at the time of submission to the Company, the holder of the Subscription Shares concerned is not a US Person (as defined in paragraph 1(l) below) or a person in Canada, Australia, Japan, New Zealand or the Republic of South Africa or, if he is such a person, his exercise of Subscription Share Rights is permitted by, and will not infringe, the securities laws of the relevant jurisdiction.
- (l) Without prejudice to the generality of the final sentences of paragraphs 1(c) and 1(d) above, the exercise of Subscription Share Rights by any Subscription Shareholder or beneficial owner of the Subscription Shares who is a US Person or a person in Canada, Australia, Japan, New Zealand or the Republic of South Africa or the right of such a Subscription Shareholder or beneficial owner to receive the Ordinary Shares falling to be issued to him following the exercise of his Subscription Share Rights, will be subject to such requirements, conditions, restrictions, limitations or prohibitions as the Company may at any time impose, in its sole discretion, for the purpose of complying with (or for avoiding any requirement which would otherwise arise to comply with) the securities laws of the United States (including, without limitation, the Securities Act, the United States Investment Company Act of 1940, as amended, and any rules or regulations promulgated under such Acts) and the laws of Canada, Australia, Japan, New Zealand and the Republic of South Africa. As used herein, "US Person" means any person or entity defined as such in Rule 902(o) of the Securities Act and, without limiting the generality of the foregoing, US Person includes a natural person resident in the United States, a corporation, partnership or other entity created, organised or incorporated under the laws of the United States (including any State thereof) and an estate or trust, if any executor, administrator or trustee is a US Person, but shall not include a branch or agency of a US Person located outside the United States if such agency or branch operates for valid business reasons and is engaged in the business of insurance or banking and is subject to substantive insurance or banking regulation, respectively, in the jurisdiction where located, and United States means the United States of America (including the States thereof and the District of Columbia), its territories and possessions or other areas subject to its jurisdiction.

2. Adjustments of Subscription Share Rights

The Subscription Price (and/or the number of Subscription Shares outstanding) shall from time to time be adjusted in accordance with the provisions of this paragraph 2:

- (a) If and whenever there shall be an alteration on a date (or by reference to a record date) on or before the Final Subscription Date in the nominal amount of the Ordinary Shares as a result of a consolidation or sub-division, the Subscription Price in force immediately prior to such alteration

shall be adjusted by multiplying it by a fraction of which (x) the numerator shall be the nominal amount of one such Ordinary Share immediately after such alteration and (y) the denominator shall be the nominal amount of one such Ordinary Share immediately prior to such alteration, and such adjustment shall become effective on the date the alteration takes effect.

- (b) If and whenever the Company shall allot to holders of Ordinary Shares any Ordinary Shares credited as fully paid by way of capitalisation of reserves or profits (other than Ordinary Shares paid up out of distributable reserves and issued in lieu of a cash dividend) on a date (or by reference to a record date) on or before the Final Subscription Date, the Subscription Price in force immediately prior to such allotment shall be adjusted by multiplying it by a fraction of which (x) the numerator shall be the aggregate nominal amount of the issued Ordinary Shares immediately before such allotment and (y) the denominator shall be the aggregate nominal amount of the issued and allotted Ordinary Shares immediately after such allotment and such adjustment shall become effective as at the date of allotment of such Ordinary Shares.
- (c) If on a date (or by reference to a record date) on or before the Final Subscription Date, the Company makes any offer or invitation (whether by way of rights issue, open offer or otherwise but not being an offer made in connection with scrip dividend arrangements) to the holders of the Ordinary Shares (subject to such exclusions as may be necessary to deal with legal, regulatory or practical problems in any jurisdiction) to subscribe for new Ordinary Shares or for securities convertible into or exchangeable for Ordinary Shares or conferring rights to subscribe for Ordinary Shares, or any offer or invitation (not being an offer to which paragraph 3(f) below applies) is made to such holders otherwise than by the Company, then the Company shall, so far as it is able, procure that at the same time the same offer or invitation is made to the then Subscription Shareholders as if their Subscription Share Rights had been exercised on the date immediately preceding the record date for such offer or invitation on the terms (subject to any adjustment made previously pursuant to paragraphs 2(a) to (f)) on which the same could have been exercised on that date, provided that, if the Directors so resolve in the case of any such offer or invitation made by the Company, the Company shall not be required to procure that the same offer or invitation is made to the then Subscription Shareholders but the Subscription Price shall be adjusted:
- (i) in the case of an offer of new Ordinary Shares for subscription by way of a rights issue at a price less than the market price at the date of announcement of the terms of the offer, by multiplying the Subscription Price by a fraction of which (x) the numerator is the number of Ordinary Shares in issue on the date of such announcement plus the number of Ordinary Shares which the aggregate amount payable for the total number of new Ordinary Shares comprised in such rights issue would purchase at such market price and (y) the denominator is the number of Ordinary Shares in issue on the date of such announcement plus the aggregate number of Ordinary Shares offered for subscription; and
- (ii) in any other case, in such manner as the financial advisers appointed by the Board (the "Financial Advisers") shall report in writing to be fair and reasonable.

Any such adjustments shall become effective, in the case of (i) above, as at the date of allotment of the new Ordinary Shares which are the subject of the offer or invitation and, in the case of (ii) above, as at the date determined by the Financial Advisers. For the purposes of this paragraph "market price" shall mean the average of the middle market quotations (as derived from the London Stock Exchange Daily Official List) for one Ordinary Share for the five consecutive dealing days ending on the dealing day immediately preceding the day on which the market price is to be ascertained.

- (d) No adjustment will be made to the Subscription Price pursuant to paragraphs 2(a), (b) or (c) above (other than by reason of a consolidation of Ordinary Shares as referred to in paragraph 2(a) above) if it would result in an increase in the Subscription Price and, in any event, no adjustment will be made if such adjustment would (taken together with the amount of any adjustment carried forward under the provisions of this paragraph 2(d)) be less than one per cent. of the Subscription Price then in force and on any adjustment the adjusted Subscription Price will be rounded down to the nearest whole penny. Any adjustment not so made and any amount by which the Subscription Price is rounded down will be carried forward and taken into account in any subsequent adjustment.

- (e) Whenever the Subscription Price is adjusted as provided in accordance with paragraphs 2(a) to (d) above (other than by reason of and to reflect a consolidation of Ordinary Shares as referred to in paragraph 2(a) above), the Company shall issue, for no payment, additional Subscription Shares to each Subscription Shareholder at the same time as such adjustment takes effect and the nominal value of such shares shall be paid up in full in accordance with paragraph 8(i)(v). The number of additional Subscription Shares to which a holder of Subscription Shares will be entitled shall be the number of existing Subscription Shares held by him before such adjustment multiplied by the following fraction:

$$\frac{X - Y}{Y}$$

where:

X = the Subscription Price immediately before the adjustment of the Subscription Price; and

Y = the Subscription Price immediately after the adjustment of the Subscription Price.

Fractions of Subscription Shares will not be allotted to holders of Subscription Shares but all such fractions will be aggregated and, if practicable, sold in the market. The net proceeds will be paid to the Subscription Shareholders entitled thereto at the risk of such persons, save that amounts of less than £5 will be retained for the benefit of the Company. Subscription Share certificates relating to such additional Certificated Subscription Shares will be issued within 21 days of the said adjustment taking effect or the Company will procure that appropriate instructions are given to enable such additional Uncertificated Subscription Shares to be credited to the relevant account within the Relevant Electronic System of the person(s) in whose name(s) the Subscription Shares are registered as at the date of the adjustment.

- (f) Whenever the Subscription Price is adjusted in accordance with this paragraph by reason of a consolidation of Ordinary Shares as referred to in paragraph 2(a) above, the number of Ordinary Shares into which each holder of Subscription Shares is entitled to convert such Subscription Shares will be reduced accordingly.
- (g) The Company shall give notice to holders of Subscription Shares within 28 days of any adjustment made pursuant to paragraphs 2(a) to (f) above.
- (h) If a holder of Subscription Shares shall become entitled to exercise his Subscription Share Rights pursuant to paragraph 3(f) below, the Subscription Price payable on such exercise (but not otherwise) shall be reduced by an amount determined by the Financial Advisers in accordance with the following formula:

A = (B + C) – D where:

A = the reduction in the Subscription Price;

B = the Subscription Price which would, but for the provisions of this paragraph 2(h), be applicable (having taken into account any adjustments previously made pursuant to paragraphs 2(a) to (f) above) on the date on which the Company shall become aware as provided in paragraph 3(f) below;

C = the average of the middle market quotations (as derived from the London Stock Exchange Daily Official List) for one Subscription Share for the ten consecutive dealing days ending on the dealing day immediately preceding the date of the announcement of the offer referred to in paragraph 3(f) below (or, where such offer is a revised offer, the original offer) or, if applicable and earlier, the date of the first announcement of the intention to make such offer or original offer or of the possibility of the same being made; and

D = the average of the middle market quotations (as derived from the London Stock Exchange Daily Official List) for one Ordinary Share for the ten consecutive dealing days ending on the dealing day immediately preceding the date of the announcement of the offer referred to in paragraph 3(f) below (or, where such offer is a revised offer, the original offer) or, if applicable and earlier, the date of the first announcement of the intention to make such offer or original offer or of the possibility of the same being made, provided that:

- (i) the Subscription Price shall not be reduced so as to cause the Company to be obliged to issue Ordinary Shares at a discount to nominal value and, if the application of the above formula would, in the absence of this proviso (i), have reduced the Subscription Price to below the nominal value of an Ordinary Share, the number of Ordinary Shares for which a holder of a Subscription Share may subscribe pursuant to paragraph 3(f) below shall be adjusted in such manner as the Financial Advisers shall report to be appropriate to achieve the same economic result for the Subscription Shareholders as if the Subscription Price had been reduced without regard to this proviso (i); and
- (ii) no adjustment shall be made to the Subscription Price where the value of D exceeds the aggregate value of B and C in the above formula.

The notice required to be given by the Company under paragraph 3(f) below shall give details of any reduction in the Subscription Price pursuant to this paragraph 2(h).

- (i) Notwithstanding the provisions of paragraphs 2(a) to 2(h) above, in any circumstances where the Directors shall consider that an adjustment to the Subscription Price provided for under the said provisions should not be made or should be calculated on a different basis or that an adjustment to the Subscription Price should be made notwithstanding that no such adjustment is required under the said provisions or that an adjustment should take effect on a different date or with a different time from that provided under the said provisions, the Company may appoint the Financial Advisers to consider whether for any reason whatsoever the adjustment to be made (or the absence of adjustment) would or might not appropriately reflect the relative interests of the persons affected thereby and, if the Financial Advisers shall consider this to be the case, the adjustment shall be modified or nullified, or another adjustment made instead, or no adjustment made, in such manner including, without limitation, making an adjustment calculated on a different basis and/or to take effect from such other date and/or time as shall be reported by the Financial Advisers to be in their opinion appropriate.

3. Other Provisions

So long as any Subscription Share Rights remain capable of exercise:

- (a) the Company shall not (except with the sanction of a special resolution of the Subscription Shareholders):
 - (i) make, pay or declare any distribution of capital profits or capital reserves except by means of a capitalisation issue in the form of fully paid Ordinary Shares;
 - (ii) issue securities by way of capitalisation of profits or reserves except fully paid Ordinary Shares issued to the holders of its Ordinary Shares or the issue of further Subscription Shares to the Subscription Shareholders in accordance with the rights attaching to the Subscription Shares; or
 - (iii) on or by reference to a record date falling within the period of six weeks ending on the Final Subscription Date, make any such allotment as is referred to in paragraph 2(b) above or any such offer or invitation as is referred to in paragraph 2(c) above (except by extending to the Subscription Shareholders any such offer or invitation as may be made by a third party);
- (b) the Company shall not (except with the sanction of a special resolution of the Subscription Shareholders) in any way modify the rights attached to its Existing Ordinary Shares as a class, or create or issue any new class of equity share capital (as defined in section 548 of the 2006 Act) except for shares which carry, as compared with the rights attached to the Existing Ordinary Shares, rights which are not more advantageous as regards voting, dividend or return of capital (save as to the date from which such shares shall rank for dividends or distributions), provided that nothing herein shall restrict the right of the Company to increase, consolidate or sub-divide its share capital or to issue further Ordinary Shares which carry, as compared to the rights attached to the Existing Ordinary Shares, rights which are not more advantageous as regards voting, dividends or return of capital;
- (c) the Company shall not issue any Ordinary Shares credited as fully paid by way of capitalisation of profits or reserves nor make any such offer as is referred to in paragraph 2(c) above if, in either

case, the Company would on any subsequent exercise of the Subscription Share Rights be obliged to issue Ordinary Shares at a discount to nominal value;

- (d) the Company shall not (except with the sanction of a special resolution of the holders of the Subscription Shares or in connection with a purchase of shares made in accordance with paragraph 3(i) below or for a reduction not involving any payment to Shareholders) reduce any of its share capital or any uncalled or unpaid liability in respect of any of its share capital;
- (e) except in the circumstances where paragraph 2(c) above applies, the Company shall not grant (or agree to grant) any option in respect of, or create any rights of subscription for, or conversion into, any Ordinary Shares, the nominal amount of which, together with the aggregate nominal amount of any Ordinary Shares over which options or rights of subscription or conversion (including those of the Subscription Shares) shall be subsisting at the date of such grant or creation, would exceed in the aggregate 20 per cent. of the nominal amount of the Ordinary Shares (excluding any treasury shares) then in issue, nor (except with the sanction of a special resolution of the Subscription Shareholders) will the Company grant (or offer or agree to grant) any such option in respect of, or create any such rights of subscription for, or issue any securities or loan capital carrying rights of conversion into, Ordinary Shares if the price at which any such option or right is exercisable is lower than the Subscription Price for the time being;
- (f) subject as provided in paragraph 3(g) below, if at any time an offer is made to all Shareholders (or all such holders other than the offeror and/or any company controlled by the offeror and/or persons acting in concert with the offeror) to acquire the whole or any part of the issued ordinary share capital of the Company and the Company becomes aware on or before the Final Subscription Date that as a result of such offer the right to cast a majority of the votes which may ordinarily be cast on a poll at a general meeting of the Company has or will become vested in the offeror and/or such companies or persons as aforesaid, the Company shall give notice to the Subscription Shareholders of such vesting or pending vesting within fourteen days of its becoming so aware, and each such Subscription Shareholder shall be entitled, at any time within the period of 30 days immediately following the date of such notice, to exercise his Subscription Share Rights on the terms (having taken into account any adjustments pursuant to paragraphs 2(a) to (f) and 2(h) above) on which the same could have been exercised if they had been exercised on the date on which the Company shall become aware as aforesaid. The publication of a scheme of arrangement under sections 895 to 901 of the 2006 Act providing for the acquisition by any person of the whole or any part of the issued ordinary share capital of the Company shall be deemed to be the making of an offer for the purposes of this paragraph 3(f) and reference herein to such an offer shall be read and construed accordingly;
- (g) if under any offer as referred to in paragraph 3(f) above the consideration shall consist solely of the issue of ordinary shares of the offeror and the offeror shall make available an offer of securities to subscribe for ordinary shares in the offeror in exchange for the Subscription Shares, which offer the Financial Advisers to the Company (acting as experts and not as arbitrators) shall consider to be fair and reasonable (having regard to the terms of the offer and any other circumstances which may appear to such Financial Advisers to be relevant), then a Subscription Shareholder shall not have the right to exercise his Subscription Share Rights on the basis referred to in paragraph 3(f) above and, subject to the offer as referred to in paragraph 3(f) above becoming or being declared wholly unconditional and the offeror being in a position to acquire compulsorily the whole of the then issued ordinary share capital of the Company not already owned by it or its associates (as defined in section 988 of the 2006 Act), any Director shall be irrevocably authorised as attorney for the holders of Subscription Shares who have not accepted the offer of securities to subscribe for ordinary shares in the offeror in exchange for the relevant Subscription Shares and who have not exercised the Subscription Share Rights attaching to their Subscription Shares before such offer becomes or is declared unconditional and the offeror being in a position to acquire compulsorily the whole of the then issued ordinary share capital of the Company not already owned by it or its associates:
 - (i) to execute a transfer of the Subscription Shares held by such holders in favour of the offeror in consideration of the issue of securities to subscribe for ordinary shares in the offeror as aforesaid, whereupon all the Subscription Share Rights shall lapse; and
 - (ii) to do such acts and things as may be necessary or appropriate in connection therewith;

- (h) if an order is made or an effective resolution is passed for winding up the Company (except for the purpose of reconstruction, amalgamation or unitisation on terms sanctioned by a special resolution of the Subscription Shareholders), each Subscription Shareholder shall be entitled to receive out of the assets available in the liquidation, *pari passu* with the holders of the Ordinary Shares and *pro rata* to their holding of Subscription Shares as at the commencement of the liquidation, such proportion of the assets available for distribution and distributed in the liquidation as is equal to the greater of:

(i) $(MP \times N)/SA$

where:

MP= the average of the middle market quotations (as derived from the London Stock Exchange Daily Official List) for one Subscription Share for the five consecutive dealing days ending on the dealing day immediately preceding the date of the presentation of the petition for such order or of the notice convening the meeting at which such resolution shall be passed (as the case may be) or, if applicable and earlier, the date of the first announcement of the presentation of such petition or the convening of a meeting (as the case may be) or that the same is proposed

N= the number of Subscription Shares in issue immediately prior to the commencement of the liquidation

SA = the surplus assets available in the liquidation; and

(ii) $(IV \times N)/SA$

where:

IV = the excess of the Diluted NAV per Ordinary Share over the Subscription Price immediately prior to the commencement of the liquidation

N = the number of Subscription Shares in issue immediately prior to the commencement of the liquidation

SA =the surplus assets available in the liquidation

For the avoidance of doubt, the entitlement of Subscription Shareholders pursuant to this paragraph 3(h) shall be payable out of the assets available in the liquidation without the Subscription Shareholders having to make any subscription or payment. Subject to the foregoing, all Subscription Share Rights shall lapse on liquidation of the Company.

Notwithstanding the foregoing provisions of this paragraph 3(h), where the Directors, in their reasonable opinion, shall consider that the economic result produced by the application of such provisions would or might not fairly and appropriately reflect the relative interests of the persons affected thereby, the Directors may appoint the Financial Advisers to consider and report on what (if any) adjustments should be made to such provisions so as to produce an economic result which, in the opinion of the Financial Advisers, fairly and appropriately reflects the relative interests of the persons affected thereby, and in the event of any such report by the Financial Advisers the provisions of this paragraph 3(h) shall be deemed to be varied and take effect accordingly.

- (i) Notwithstanding paragraphs 3(a) to (h) above, the Company may, without the sanction of special resolution of the Subscription Shareholders:

(i) issue new Ordinary Shares at a premium to NAV;

(ii) purchase any of its own equity share capital (whether by tender, by private treaty or through the market);

(iii) hold its Ordinary Shares in treasury and sell any such Ordinary Shares held in treasury; and

(iv) effect a reduction in its share premium account or capital redemption reserve in accordance with the provisions of the 2006 Act.

- (j) For the purposes of paragraph 3(h) above:

the “Diluted NAV per Ordinary Share” shall be the amount calculated in accordance with the following formula:

$$\text{DNAV} = \frac{(A + B)}{(C + D)} \text{ where:}$$

DNAV = the diluted NAV per Ordinary Share;

A = the net assets of the Company as at the close of business on the business day immediately preceding the pricing date;

B = an amount equal to the product of (x) the number of new Ordinary Shares which would fall to be issued by the Company if the rights conferred by all relevant securities were exercisable and had been exercised in full on the business day immediately preceding the pricing date at the conversion, exchange or subscription price (as the case may be) applicable on the next occasion on which such rights are then capable of exercise and (y) such conversion, exchange or subscription price (as the case may be);

C = the number of Ordinary Shares in issue as at the pricing date;

D = the number of new Ordinary Shares that would result from the exercise in full (on the basis set out in B above) of all the rights conferred by the relevant securities.

4. Issue of C Shares

- (a) Notwithstanding the provisions of paragraph 3 above, a Qualifying C Share Issue (as defined in paragraph 4(b) below) shall not constitute an alteration or abrogation of the rights attached to the Subscription Shares (and shall not require the sanction of a special resolution of the Subscription Shareholders), even though it may involve modification of the rights attached to the Existing Ordinary Shares of the Company or the creation or issue of a new class of equity share capital, if the Directors are of the opinion (having regard to all the circumstances) that such issue should not have any material dilutive effect on the NAV per Ordinary Share.
- (b) For this purpose, a “Qualifying C Share Issue” means an issue by the Company of shares which will, within one year of the date of issue thereof, be converted into Ordinary Shares ranking *pari passu* in all respects with the Ordinary Shares then in issue (other than, if the case requires, as regards dividends or other distributions declared, paid or made in respect of the financial year in which the conversion takes place) and may include the issue in connection therewith of subscription shares or warrants (whether on the same terms and conditions as the Subscription Shares or otherwise) and any matters reasonably incidental to the process by which such shares are converted into Ordinary Shares, including but not limited to the creation, issue, sub-division, consolidation, redesignation, purchase, redemption or cancellation of any share capital of the Company, including share capital with preferred or deferred rights.

5. Modification of Rights

All or any of the rights for the time being attached to the Subscription Shares and any of these terms and conditions may from time to time (whether or not the Company is being wound up) be altered or abrogated with the sanction of a special resolution of the Subscription Shareholders.

6. Purchase

Subject to the provisions of the 2006 Act the Company (or any of its subsidiaries) shall have the right to purchase Subscription Shares in the market, by tender or by private treaty but:

- (a) such purchases will be limited to a maximum price per Subscription Share which (other than in the case of purchases by tender) will not exceed the higher of (i) 5 per cent. above the average of the middle market quotations (as derived from the London Stock Exchange Daily Official List) for a Subscription Share for the five consecutive dealing days ending on the dealing day immediately preceding the date on which the purchase is made and (ii) the value of a Subscription Share calculated on the basis of the higher of the price quoted for (a) the last independent trade

of, or (b) the highest current independent bid for, any number of Subscription Shares on the trading venue where the purchase is carried out; and

- (b) if such purchases are by tender, such tender will be available to all Subscription Shareholders alike.

All Subscription Shares so purchased shall forthwith be cancelled and shall not be available for reissue or resale.

7. Transfer

Each Subscription Share will be in registered form and will be transferable:

- (a) in the case of Certificated Subscription Shares, by an instrument of transfer in any usual or common form, or in any other form which may be approved by the Directors; and
- (b) in the case of Uncertificated Subscription Shares, by giving the appropriate instructions for transfer by means of the Relevant Electronic System.

No transfer of a fraction of a Subscription Share may be effected.

8. General

- (a) The Company will, concurrently with the issue of the same to the holders of the Ordinary Shares, send to each Subscription Shareholder (or, in the case of joint holders, to the first named) a copy of each published annual report and financial statements of the Company (or such abbreviated or summary financial statement sent to holders of Ordinary Shares in lieu thereof), together with all documents required by law to be annexed thereto, and a copy of every other statement, notice or circular issued by the Company to holders of Ordinary Shares.
- (b) For the purposes of the rights attaching to Subscription Shares, a special resolution of the Subscription Shareholders means a resolution proposed at a meeting of the Subscription Shareholders duly convened and passed by a majority consisting of not less than 75 per cent. of the votes cast, whether on a show of hands or on a poll.
- (c) Any determination or adjustment made pursuant to the rights attaching to Subscription Shares by the Financial Advisers shall be made by them as experts and not as arbitrators and any such determination or adjustment made by them shall be final and binding on the Company and each of the Subscription Shareholders.
- (d) Any references in the rights attaching to Subscription Shares to a statutory provision shall include that provision as from time to time modified or re-enacted.
- (e) Subject and without prejudice to paragraph 3(h) above, Subscription Shares carry no right to any dividend or other distribution by the Company and (save to the extent that the Directors elect in connection with an exercise of Subscription Share Rights as provided in paragraph 8(i) below) no right to be redeemed (although the Company may elect to purchase Subscription Shares pursuant to paragraph 6). Subscription Shareholders are not entitled to attend or vote at meetings of Ordinary Shareholders and have no right to share in any surplus in the event of liquidation beyond the right to be repaid the sum of 0.01 pence, being the nominal value of each Subscription Share (in respect of which Subscription Share Rights have not been exercised) held (which right ranks immediately after the right of the Ordinary Shareholders to be repaid the nominal value of twenty five pence for each Ordinary Share), but subject and without prejudice to paragraph 3(h) above.
- (f) If, immediately after any Subscription Date (other than the Final Subscription Date) and after taking account of any Subscription Share Rights exercised on that date, Subscription Share Rights shall have been exercised or cancelled in respect of 75 per cent. or more of the Subscription Shares originally issued (subject to the adjustment of the number of Subscription Shares in accordance with paragraph 2 above (excluding any Ordinary Shares to which Subscription Share Rights attached to Subscription Shares purchased by the Company or any of its subsidiaries relate but including any further Subscription Shares issued in accordance with the Articles)), the Company shall be entitled at any time within the next following fourteen days to

serve notice in writing on the holders of the Subscription Shares then outstanding of its intention to appoint a trustee for the purposes set out in this paragraph 8(f) (the “Early Subscription Trustee”) upon the expiry of 21 days from the date of such notice (the “Notice Period”) and for this purpose the Notice Period shall expire at 3.00 p.m. on the twenty-first day from the date of such notice. Such notice shall set out the final Subscription Date (determined in accordance with this paragraph 8(f)) and will include all necessary details and instructions to enable the exercise of the Subscription Share Rights. Forthwith after the expiry of the Notice Period, the Company shall appoint the Early Subscription Trustee who, provided that in such trustee’s opinion the net proceeds of sale after deduction of all costs and expenses incurred by, and any fee payable to, such trustee will exceed the costs of exercising the Subscription Share Rights, shall within the period of fourteen days following the expiry of the Notice Period either:

- (i) exercise all the Subscription Share Rights which shall not have been exercised on the terms on which the same could have been exercised immediately prior to the expiry of the Notice Period and had been exercised (having taken into account any adjustments previously made pursuant to paragraph 2 above) and sell in the market the Ordinary Shares resulting from such exercise; or
- (ii) (if it appears to the Early Subscription Trustee that doing so is likely to realise greater net proceeds for Subscription Shareholders) accept any offer available to Subscription Shareholders for the purchase of the outstanding Subscription Shares.

The Early Subscription Trustee shall distribute *pro rata* the net proceeds of any such sale or acceptance of any such offer less, in either case, such costs of exercising the Subscription Share Rights and such other fees, costs and expenses to the persons entitled thereto at the risk of such persons as soon as practicable after such sale and in any event within 28 days after the expiry of the Notice Period, provided that entitlements of under £5 shall be retained for the benefit of the Company. Following the expiry of the Notice Period, if the Early Subscription Trustee shall not exercise the Subscription Share Rights then outstanding within the period of fourteen days following such expiry as set out in this paragraph 8(f) (and such trustee’s decision in respect thereof shall be final and binding on all holders of outstanding Subscription Shares), all Subscription Share Rights shall lapse on the expiry of such period of fourteen days.

- (g) Within seven days following the Final Subscription Date the Company shall appoint a trustee (the “Final Subscription Trustee”) who, provided that in such trustee’s opinion the net proceeds of sale after deduction of all costs and expenses incurred by, and any fee payable to, such trustee will exceed the costs of exercising the Subscription Share Rights, shall within the period of fourteen days following the Final Subscription Date, either:
 - (i) exercise all the Subscription Share Rights which shall not have been exercised on the terms on which the same could have been exercised on the Final Subscription Date (having taken into account any adjustments previously made pursuant to paragraph 2 above) and sell in the market the Ordinary Shares resulting from such exercise; or
 - (ii) (if it appears to the Final Subscription Trustee that doing so is likely to realise greater net proceeds for Subscription Shareholders) accept any offer available to Subscription Shareholders for the purchase of the outstanding Subscription Shares.

The Final Subscription Trustee shall distribute *pro rata* the net proceeds of any such sale or acceptance of any such offer less, in either case, such costs of exercising the Subscription Share Rights and such other fees, costs and expenses to the persons entitled thereto at the risk of such persons within 56 days of the Final Subscription Date, provided that entitlements of under £5 shall be retained for the benefit of the Company. If the Final Subscription Trustee shall not exercise the Subscription Share Rights within the period of fourteen days following the Final Subscription Date as set out in this paragraph 8(g) (and such trustee’s decision in respect thereof shall be final and binding on all holders of outstanding Subscription Shares), all Subscription Share Rights shall lapse.

- (h) The Early Subscription Trustee or the Final Subscription Trustee (as appropriate) shall have no liability of any nature whatsoever where such trustee has acted honestly and reasonably and shall have no responsibility for the safe custody of, or to earn any interest on, any unpaid or unclaimed money.

- (i) The exercise of the Subscription Share Rights shall be effected in accordance with this paragraph 8(i) or in such manner as may be authorised by law. For the purposes of this paragraph 8(i) the “Relevant Shares” shall mean those Subscription Shares in respect of which Subscription Share Rights are exercised.
- (i) To enable such subscription to be effected, the Directors may determine to redeem at par the Relevant Shares on any Subscription Date out of profits of the Company which would otherwise be available for distribution. In the event that the Directors determine to redeem the same at par out of such profits, a Relevant Share shall confer upon the holder thereof the right to subscribe for, and such holder shall be deemed to have appointed the Secretary of the Company (or any other person appointed for the purpose by the Directors) to subscribe as agent on such holder’s behalf for, one Ordinary Share at such price as shall represent the aggregate of:
- (a) the Subscription Price; and
 - (b) the amount of the redemption monies to which the holder is entitled;
- and in any such case, the Subscription Notice given by such holder shall be deemed irrevocably to authorise and instruct such agent to apply the redemption moneys payable to such holder in subscribing for such Ordinary Shares at such price.
- (ii) To enable such subscription to be effected, the Directors may determine to redeem at par the Relevant Shares on any Subscription Date out of the proceeds of a fresh issue of Ordinary Shares. In the event that the Directors determine to redeem the same at par out of such proceeds, a Relevant Share shall confer upon the holder thereof the right to subscribe for, and such holder shall be deemed to have authorised the Secretary of the Company (or any other person appointed for the purpose by the Directors) to subscribe as agent on such holder’s behalf for, one Ordinary Share at such price as shall represent the aggregate of:
- (a) the Subscription Price; and
 - (b) the amount of the redemption moneys to which the holder is entitled;
- and in any such case, the Subscription Notice given by such holder shall be deemed irrevocably to authorise and instruct such agent to apply the redemption moneys payable to such holder in subscribing for such Ordinary Shares at such price.
- (iii) To enable such subscription to be effected, the Directors may determine to effect such subscription by means of a consolidation and sub-division of the Relevant Shares. In such case the requisite consolidation and sub-division shall be effected pursuant to the authority given by the resolution adopting the New Articles by consolidating into one share all the Relevant Shares held by any holder or joint holders and in respect of which a Subscription Notice shall have been given in respect of the relevant Subscription Date (treating holdings of the same holders or joint holders in certificated form and uncertificated form as separate holdings, unless the Directors otherwise determine) and, if the Directors so determine, any shares allotted to such holder or joint holder pursuant to paragraph 8(i)(iv) and converting (and, if necessary, sub-dividing) such consolidated share into Ordinary Shares of twenty five pence each (or such other nominal amount as may be appropriate as a result of any consolidation or sub-division of Ordinary Shares) of which one share for every complete twenty-five pence (or such other nominal amount as may be appropriate as a result of any consolidation or sub-division of Ordinary Shares) of the nominal amount of the consolidated share shall be Ordinary Shares (fractional entitlements to an Ordinary Share being disregarded) and the balance (if any) of such consolidated share shall be deferred shares which shall carry the limited rights set out in the Articles but in particular will be capable of being redeemed by the Company without further authorisation.
- (iv) In relation to any Relevant Shares that are to be redeemed in accordance with paragraphs 8(i)(i) or 8(i)(ii) and that are, on the Subscription Date concerned, in uncertificated form, the Directors shall be entitled in their absolute discretion to determine the procedures for the redemption of such Relevant Shares (subject always to the regulations and the facilities, rules and requirements of the Relevant Electronic System). Without prejudice to the

generality of the foregoing, the procedures for the redemption of any such Relevant Shares may involve or include the sending by the Company or by any person on its behalf of an issuer instruction to the operator of the Relevant Electronic System requesting or requiring the deletion of any computer based entries in the relevant system concerned that relate to the holding of the Relevant Shares concerned, and/or the Company may, if the Directors so determine (by notice in writing to the holder concerned), require the holder of the Relevant Shares concerned to change the form of the Relevant Shares from uncertificated form to certificated form prior to the Subscription Date concerned (and in each case the Directors shall determine the procedure for such redemption).

- (v) To enable any subscription to be effected in accordance with paragraph 8(i)(i) or 8(i)(ii) above or the issue of any additional Subscription Shares pursuant to paragraph 2(e) above, the resolution adopting the New Articles will authorise the Directors to capitalise any part of the amount then standing to the credit of any of the Company's reserve accounts (whether or not the same would lawfully be distributable by way of cash dividend) or to the credit of the share premium account, capital redemption reserve, special reserve, revenue reserve or otherwise available for the purpose and the same shall be applied in paying up in full at par shares to be allotted and issued, credited as fully paid, to and amongst the holders of the Subscription Shares exercising their Subscription Share Rights in accordance with their respective entitlements or otherwise to the holders of Subscription Shares in accordance with paragraph 2(e) above. The restrictions and limitations in the New Articles relating to capitalisation issues generally shall not apply to any capitalisation or creation or issue of shares pursuant to paragraph 8(i) or paragraph 2(e) above which shall instead be effected pursuant to the authority given by the resolution adopting the New Articles.
- (vi) For the avoidance of doubt the Subscription Share Rights attached to a Subscription Share shall be capable of being exercised on one occasion only and with effect from the exercise of the Subscription Share Right attached to such Subscription Share the Directors shall be entitled to redesignate such Subscription Share as a deferred share which shall carry the limited rights set out in the Articles but in particular will be capable of being redeemed or transferred by the Company without further authorisation.

PART V

GENERAL INFORMATION

1. Responsibility

The Company, whose registered office appears at paragraph 2.1.7 of this Part V, and the Directors, whose names and functions appear on page 13 of this document, accept responsibility for the information contained in this document. To the best of the knowledge of the Company and the Directors (each of whom has taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and contains no omission likely to affect the import of such information.

2. The Company and the Manager

2.1. Incorporation

2.1.1 The Company was incorporated in England and Wales on 24 September 1991. The Company is registered as an investment company under section 833 of the 2006 Act with registered number 02648152. The Company has no subsidiaries.

2.1.2 The Articles contain provisions requiring the Directors to put a proposal for continuation of the Company to the Shareholders at the Company's annual general meeting in 2011 and thereafter at five yearly intervals. In the light of the Bonus Issue and the exercise period for the Subscription Shares up to the last Business Day of December 2016, the Board is proposing a Continuation Vote at this year's AGM as described on page 17.

2.1.3 The Company has at all times in the last ten years conducted its affairs so as to enable it to qualify as an investment trust for the purposes of Chapter 4 of Part 24 of the Corporation Tax Act 2010 (or section 842 of the Taxes Act where applicable).

2.1.4 As an investment trust the Company is not regulated as a collective investment scheme or authorised by the Financial Services Authority. However, as a company listed on the Official List, it is subject to the Listing Rules and the Disclosure and Transparency Rules.

2.1.5 The Company's Ordinary Shares are listed on the Official List and admitted to trading on the London Stock Exchange's main market for listed securities. The ISIN of the Ordinary Shares is GB0006039597.

2.1.6 The principal legislation under which the Company operates is the 2006 Act and regulations promulgated thereunder. The Company is domiciled in England and Wales.

2.1.7 The registered office of the Company is 30 St. Mary Axe, London EC3A 8EP. Its principal place of business is 1 George Street, Edinburgh EH2 2LL.

2.2. Principal Activities of the Company

The principal object of the Company is to carry on business as an investment trust company.

2.3. The Manager

The Manager is a private limited company, incorporated in Scotland on 7 June 1988 under company number SC111488. The Manager is authorised and regulated by the Financial Services Authority. The principal legislation under which the Manager operates is FSMA. The address of the registered office of the Manager is 1 George Street, Edinburgh EH2 2LL with telephone number 0131 225 2345.

3. Share Capital

3.1. The following table shows the issued share capital (including 1,807,328 shares held in treasury) of the Company as at 30 September 2010 (being the last date in respect of which the Company has published financial information) and as at 17 November 2010 (being the latest practicable date prior to the publication of this document):

	<i>30 September 2010</i>		<i>17 November 2010</i>	
	<i>Nominal Value (£)</i>	<i>Number of Ordinary Shares</i>	<i>Nominal Value (£)</i>	<i>Number of Ordinary Shares</i>
Issued share capital (fully paid)	9,934,476.75	39,737,907	9,934,476.75	39,737,907

3.2 Save for the proposed Bonus Issue of Subscription Shares described in this document, no share or loan capital of the Company is under option or agreed conditionally or unconditionally to be put under option.

3.3 With effect from Admission, all of the Subscription Shares will be in registered form and, subject to the Subscription Shares being admitted to and accordingly enabled for settlement in CREST, the Subscription Shares will be capable of being held in both certificated and uncertificated form. No temporary documents of title will be issued. All of the Ordinary Shares issued or to be issued by the Company will be in registered form and are capable of being held in certificated and uncertificated form.

3.4 The Company's issued share capital history during the last three financial years ended 30 September 2010 and since 1 October 2010 is as follows:

- (i) in the financial year ended 30 September 2008, the Company did not issue any new Ordinary Shares and the Company did not buy back any shares into treasury or for cancellation. As at 30 September 2008, the Company had 39,737,907 Ordinary Shares in issue, 1,807,328 of which were held in treasury;
- (ii) in the financial year ended 30 September 2009, the Company did not issue any new Ordinary Shares and the Company did not buy back any shares into treasury or for cancellation. As at 30 September 2009, the Company had 39,737,907 Ordinary Shares in issue, 1,807,328 of which were held in treasury;
- (iii) in the financial year ended 30 September 2010, the Company did not issue any new Ordinary Shares and the Company did not buy back any shares into treasury or for cancellation. As at 30 September 2010, the Company had 39,737,907 Ordinary Shares in issue, 1,807,328 of which were held in treasury; and
- (iv) in the period from 1 October 2010 to 17 November 2010 (being the latest practicable date prior to the publication of this document), the Company did not issue any new Ordinary Shares nor did it repurchase any Ordinary Shares (into treasury or otherwise). As at 17 November 2010 (being the latest practicable date prior to publication of this document), the Company had 39,737,907 Ordinary Shares in issue, 1,807,328 of which were held in treasury.

3.5 At the General Meeting Shareholders will be asked to pass the Resolution, which contains the following operative provisions, some of which will, if the Resolution is passed, affect the Company's share capital:

- (i) to adopt the New Articles to provide for the rights attaching to the Subscription Shares and to adjust the continuation votes to reflect the exercise period for the Subscription Shares;
- (ii) to authorise the Directors to allot shares pursuant to the Bonus Issue (including pursuant to the exercise of the Subscription Share Rights);
- (iii) to authorise the Directors to capitalise any amount standing to the credit of any of the share premium account, the capital redemption reserve, special reserve and any other

applicable reserve (excluding the revenue reserve) otherwise available in order to pay up up to 7,948,000 Subscription Shares to be issued pursuant to the Bonus Issue and any Ordinary Shares to be issued upon the exercise of the Subscription Share Rights or any additional Subscription Shares required to be issued in accordance with the rights attaching to the Subscription Shares;

- (iv) to authorise the Directors to consolidate, sub-divide or redeem share capital to give effect to the rights of the holders of Subscription Shares; and
- (v) to authorise the Company to make market purchases of the Subscription Shares up to 14.99 per cent. of the issued subscription share capital.

3.6 The Subscription Shares will have the rights described in Part IV of this document. The Subscription Shares will be denominated in Sterling.

4. Summary of the Company's Articles

4.1. General

The Articles were adopted on 16 December 2009 by way of special resolution and contain, *inter alia*, the provisions as summarised below. If the Resolution is passed at the General Meeting the New Articles will be adopted to incorporate the rights attaching to the Subscription Shares (these rights are summarised in Part IV of this document) and to adjust the continuation votes to reflect the exercise period for the Subscription Shares as summarised in paragraph 4.6 of this Part V.

In this paragraph 4 of Part V, "Statutes" means the 2006 Act and every statute (including any orders, regulations or other subordinate legislation made under the 2006 Act) from time to time in force concerning companies in so far as they apply to the Company.

4.2. Unrestricted objects

The Company's objects are unrestricted.

4.3. Variation of rights

4.3.1. Subject to the provisions of the Statutes, all or any of the rights attached to any class of shares issued may be varied either with the written consent of the holders of not less than three-fourths in nominal value of the issued shares of that class (excluding any shares of that class held as treasury shares) or with the sanction of a special resolution passed at a separate general meeting of the holders of those shares.

4.3.2. The necessary quorum for such meeting shall be two persons present, or represented by proxy holding not less than one-third in nominal value of the issued shares of the relevant class (excluding any shares of that class held as treasury shares) but so that at any adjourned meeting one holder present in person or by proxy shall be a quorum. Every holder of shares of the relevant class present in person or by proxy:

- (a) shall be entitled on a poll to one vote for every share of that class held by him (subject to any rights or restrictions attached to any class of shares); and
- (b) may demand a poll.

4.3.3. These provisions apply to the variation of the special rights which only attach to certain shares of a particular class as if shares carrying that special right formed a separate class.

4.4. Uncertificated shares

The Company may in accordance with the Uncertificated Securities Regulations 2001 (as amended from time to time) permit title to shares to be evidenced otherwise than by certificate and for title to be transferred by means of a relevant system.

4.5. ***Restriction on votes of shareholders***

No Shareholder shall, unless the Board otherwise decides, be entitled, in respect of any share held by him, to vote (either personally or by proxy) at any general meeting of the Company or at any separate general meeting of the holders of any class of shares in the Company in respect of any share unless all calls or other sums presently payable by him in respect of that share have been paid.

Pursuant to the 2006 Act, the Company may send a notice to any person whom the Company knows or believes to be interested in the Company's shares requiring that person to confirm whether he has such an interest and if so details of that interest.

Where the holder of any shares in the Company, or any other person appearing to be interested in those shares, fails to comply within a period of fourteen days with any statutory notice in respect of those shares, the Company may give the holder of those Shares a restriction notice, which imposes restrictions on those shares while the default continues, which restrictions may include disenfranchisement to attend or vote at any general meeting of the Company or at any separate general meeting of the holders of the shares of that class, in person or by proxy, or to exercise any privilege as a Shareholder in relation to meetings of the Company. In respect of a person with a 0.25 per cent. or more interest in the issued ordinary share capital of the Company, the Directors may direct in the restriction notice that, such to certain exceptions, no transfers of shares held by such person (in certificated or uncertificated form) shall be registered and that any dividends or other payments on the shares shall be retained by the Company pending receipt by the Company of the information requested by the Directors.

4.6. ***Duration and winding-up***

The Board shall procure that at its fifth annual general meeting (and at five yearly intervals thereafter) an ordinary resolution will be proposed to the effect that the Company shall continue in being as an investment trust. If such resolution is not passed, the Board shall within 180 days of such meeting, convene a general meeting to propose a special resolution for the reorganisation or reconstruction of the Company or to wind-up the Company voluntarily.

If the Company shall be wound-up, the liquidator may, with the authority of a special resolution and subject to any provision sanctioned in accordance with the 2006 Act, divide among the members *in specie* the whole or any part of the assets of the Company or may, with the like sanction, vest the whole or any part of the assets in trustees on such terms as the like sanction shall determine for the benefit of the members but no member shall be compelled to accept any shares whereon there is liability.

In the light of the Bonus Issue and the exercise period for the Subscription Shares up to the last Business Day of December 2016, the Board is proposing a continuation vote at this years AGM and the next continuation vote will be proposed at the annual general meeting held in 2016.

4.7. ***Representatives of corporations***

Any corporation (other than the Company itself) which is a shareholder of the Company may by resolution of its board or other governing body authorise such person or persons as it thinks fit to act as its representative or representatives at any meeting of the Company or at any separate meeting of the holders of any class of shares and, subject to the terms of the Statutes, such corporation shall for the purposes of the Articles be deemed to be present in person at any such meeting at which a person or persons so authorised is or are present.

4.8. ***Redeemable shares***

Subject to the provisions of the Statutes and to the rights attached to existing shares, shares may be issued on terms that they are to be redeemed or, at the option of the Company or the holder, are liable to be redeemed.

4.9. **General meetings**

- 4.9.1. The Board shall convene and the Company shall hold annual general meetings in accordance with the requirements of the Statutes. Subject to the Statutes, the Board may convene a general meeting whenever it thinks fit.
- 4.9.2. An annual general meeting shall be convened by not less than 21 clear days' notice in writing. Subject to the Statutes, all other general meetings shall be convened by not less than 14 clear days' notice in writing.
- 4.9.3. No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the choice or appointment of a chairman which shall not be treated as part of the business of the meeting. Save as otherwise provided by the Articles, two members present in person or by proxy or by a duly authorised corporate representative and entitled to vote shall be a quorum.

4.10. **Electronic communications**

The Articles permit the Company to deliver, *inter alia*, notices of meetings and any other documentation (which will include the Company's annual report and accounts) to Shareholders either in electronic form or by publishing such notices or documentation on the Company's website in accordance with the Statutes. The Articles also provide that the Directors may, from time to time, permit appointments of a proxy to be made in electronic form, in the form of an uncertificated proxy instruction.

4.11. **Dividends**

- 4.11.1. Subject to the provisions of the Statutes and the terms on which any class of share of the Company has been issued (i) the Company may by ordinary resolution from time to time declare dividends in accordance with the respective rights of the shareholders, but no dividend shall exceed the amount recommended by the Board; and (ii) the Board may pay such interim dividends as appear to the Board to be justified by the financial position of the Company and may also pay any dividend payable at a fixed rate at intervals settled by the Board whenever the financial position of the Company, in the opinion of the Board, justifies its payment.
- 4.11.2. Except in so far as the rights attaching to, or the terms of issue of, any share otherwise provide (i) all dividends shall be declared and paid according to the amounts paid up on the share in respect of which the dividend is paid (excluding amounts paid up on a share in advance of a call); and (ii) all dividends shall be apportioned and paid *pro rata* according to the amounts paid up on the share during any portion or portions of the period in respect of which the dividend is paid. Dividends may be declared or paid in any currency.
- 4.11.3. The Board may deduct from any dividend or other moneys payable to a shareholder by the Company on or in respect of any shares all sums of money (if any) presently payable by the Shareholder to the Company in respect of shares of the Company. Sums so deducted can be used to pay amounts owing to the Company in respect of the shares.
- 4.11.4. Subject to the rights attaching to, or to the terms of issue of, any shares, no dividend or other moneys payable by the Company on or in respect of any shares shall bear interest against the Company.
- 4.11.5. Any dividend unclaimed after a period of twelve years from the date when it was declared or became due for payment shall be forfeited and shall revert to the Company.

4.12. **Untraced shareholders**

The Company may sell any certificated shares in the Company on behalf of the holder of, or person entitled by transmission to, the shares by instructing their sale on the London Stock Exchange, or on any other stock exchange outside the United Kingdom on which the

Company's shares are normally traded, at the best price reasonably obtainable at the time of the sale if:

- 4.12.1. at least three cash dividends have become payable on the shares during the period of twelve years ending on the date of the advertisements referred to in paragraph 4.12.4 of this Part V (or of the first of the two advertisements if published on different dates) and all dividends or other moneys payable on or in respect of such shares during that period remain unclaimed (the "Qualifying Period");
- 4.12.2. no cash dividend payable on the shares has either been claimed by presentation to the paying bank of the relevant cheque or warrant or been satisfied by the transfer of funds to a bank account designated by the holder of, or person entitled by transmission to, the shares or by the transfer of funds by means of a relevant system at any time during the relevant period which begins on the commencement of the Qualifying Period and ends when all the requirements detailed in paragraph 4.12.1 of this Part V have been satisfied (the "Relevant Period");
- 4.12.3. so far as the Directors are aware at the end of the Relevant Period, the Company has not at any time during the Relevant Period received any communication from the holder of, or person entitled by transmission to, the shares;
- 4.12.4. the Company has caused two advertisements to be published, one in a newspaper with a national circulation and the other in a newspaper circulating in the area in which the last known address of the holder of, or person entitled by transmission to, the shares is located (or the address at which the service of notices may be effected under the Articles is located), giving notice of its intention to sell the shares and the Company has not in the period of twelve years ending on the date of such advertisement (or the last of the two advertisements if published on different days), nor in the three months following such date, received any communication from the shareholder or any person entitled to the shares by transmission; and
- 4.12.5. the Company has given notice to a Regulatory Information Service of its intention to make the sale.

4.13. ***Distributions of assets otherwise than in cash***

Subject to the Statutes, the provisions of the Articles and any terms on which any class of share of the Company has been issued, if the Company shall be wound up (whether the liquidation is voluntary or by the Court) the liquidator may, with the authority of a special resolution, divide among the shareholders *in specie* or in kind the whole or any part of the assets of the Company and whether or not the assets shall consist of property of one kind or shall consist of properties of different kinds, and may for such purposes set such value as he deems fair upon any one or more class or classes of property and may determine how such division shall be carried out as between the shareholders or different classes of shareholders. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of shareholders as the liquidator with the like authority shall think fit, and the liquidation of the Company may be closed and the Company dissolved, but so that no contributor shall be compelled to accept any shares or other property in respect of which there is a liability.

4.14. ***Reduction of capital***

Subject to the Statutes, the provisions of the Articles and any terms on which any class of share of the Company has been issued, the Company may by special resolution reduce its share capital, any capital redemption reserve, any share premium account or any other undistributable reserve.

4.15. ***Transfer of shares***

4.15.1. Any shareholder may:

- (a) transfer all or any of his uncertificated shares by means of a relevant system as provided for under the Uncertificated Securities Regulations 2001; and

- (b) transfer all or any of his certificated shares by an instrument of transfer in any usual form or in any other form which the Board may approve. The instrument of transfer shall be executed by or on behalf of the transferor and (in the case of a partly paid share) the transferee, and the transferor shall be deemed to remain the holder of the share concerned until the name of the transferee is entered in the register of members as the holder of that share.
- 4.15.2. The Board may, in its absolute discretion, decline to register any transfer of any share which is not a fully paid share provided that where such share is admitted to the Official List such discretion may not be exercised in such a way as to prevent dealings in shares of that class from taking place on an open and proper basis.
- 4.15.3. The Board may only decline to register a transfer of an uncertificated share in the circumstances set out in the Uncertificated Securities Regulations 2001 and where, in the case of a transfer to joint holders, the number of joint holders to whom the uncertificated share is to be transferred exceeds four.
- 4.15.4. The Board may decline to register any transfer of a certificated share unless:
 - (a) the instrument of transfer is left with the Company accompanied by the certificate for the share and such other evidence as the Board may reasonably require to show the right of the person executing the instrument of transfer to make the transfer;
 - (b) the instrument of transfer is duly stamped or adjudged or certified as not chargeable to stamp duty (if stamp duty is generally chargeable on transfers of certificated shares);
 - (c) the instrument of transfer is in respect of only one class of share; and
 - (d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four.

4.16. **Transmission of shares**

If a shareholder dies, the survivor or survivors, where he was a joint holder, and his personal representatives, where he was a sole holder or the only survivor of joint holders, shall be the only persons recognised by the Company as having any title to his shares; but nothing contained in the Articles shall release the estate of a deceased holder from any liability in respect of any share held by him solely or jointly with other persons.

4.17. **Directors**

- 4.17.1. Unless otherwise determined by ordinary resolution of the Company, the number of Directors (disregarding alternate Directors) shall be not less than three and no more than ten.
- 4.17.2. Unless otherwise determined from time to time by ordinary resolution of the Company, the fees for the services of the Directors shall not exceed, in aggregate, £150,000 per annum and such remuneration shall be divided between the Directors as the Board shall agree or, failing agreement, equally.
- 4.17.3. The Board, or any committee authorised by the Board, may from time to time appoint one or more Directors to hold any employment or executive office with the Company for such period (subject to the provisions of the Statutes) and upon such other terms as the Board or any committee authorised by the Board may in its discretion decide. Any Director who is appointed to any executive office may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board or any committee authorised by the Board may in its discretion decide.
- 4.17.4. Each Director may be paid his reasonable travelling, hotel and incidental expenses of attending and returning from Board meetings, Board committee meetings or general meetings of the Company or any other meeting which as a Director he is entitled to

attend and shall be paid all other costs and expenses properly and reasonably incurred by him in the conduct of the Company's business or in the discharge of his duties as a Director.

4.17.5. At every annual general meeting any director:

- (a) appointed by the Board since the last annual general meeting; or
- (b) who held office at the time of the two preceding annual general meetings and who did not retire at either of them,

shall retire from office and may offer himself for re-appointment by the members.

4.17.6. Except as detailed below, a Director shall not vote on, nor be counted in the quorum in relation to, any resolution of the Board in respect of any contract in which he has an interest which (taken together with any interest of any person connected with him) is to his knowledge an interest which he is aware, or ought reasonably to be aware, does conflict, or can reasonably be regarded as likely to give rise to a conflict, with the interests of the Company and, if he shall do so, his vote shall not be counted. These prohibitions shall not apply to any resolution concerning any of the following matters:

- (a) the giving to him of any guarantee, indemnity or security in respect of money lent or obligations undertaken by him or any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings;
- (b) the giving to a third party of any guarantee, indemnity or security in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
- (c) the underwriting by him of any securities of the Company or any of its subsidiaries;
- (d) any contract in which he is interested by virtue of his interest in shares or debentures or other securities of the Company or by reason of any other interest in or through the Company;
- (e) any contract concerning any other company (not being a company in which the Director to his knowledge holds an interest of one per cent. or more) in which he is interested directly or indirectly whether as an officer, shareholder, creditor or otherwise howsoever;
- (f) any contract concerning the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates both to directors and employees of the Company or of any of its subsidiary undertakings and does not provide in respect of any director as such any privilege or advantage not accorded to the employees to which the fund or scheme relates;
- (g) any contract for the benefit of the employees of the Company or of any of its subsidiary undertakings under which he benefits in a similar manner to the employees and which does not accord to any director as such any privilege or advantage not accorded to the employees to whom the contract relates; and
- (h) any contract for the purchase or maintenance of insurance against any liability for, or for the benefit of, any director or directors, or for the benefit of, persons who include directors.

4.17.7. In respect of any situation in which a Director has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interest of the Company, the Board may authorise the matter provided that:

- (a) the Director has declared the full nature and extent of the situation to the Board; and

- (b) it is proposed (either by the Director in question or another) that the Board authorise the matter and upon the resolution to do so the requirement for the quorum is met without counting the Director in question and the resolution was agreed to without such Director voting or would have been agreed if his vote had not been counted.

4.18. **Borrowing powers**

- 4.18.1. The Board may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital, and to issue debentures and other securities.
- 4.18.2. The Board shall restrict the borrowings of the Company and exercise all voting and other rights exercisable by the Company in relation to its subsidiaries (if any) so as to procure that, save with the consent of the Company in general meeting, the aggregate principal amount outstanding of all net borrowings by the Company and/or any of its subsidiaries (excluding amounts borrowed by any such company from any other of them) shall not at any time, exceed an amount equal to the adjusted capital and reserves.

4.19. **Record dates**

The Company or the Board may fix any date as the record date for any dividend, distribution, allotment or issue and such record date may be on or at any time before or after any date on which the dividend, distribution, allotment or issue is declared, paid or made.

4.20. **Reserves**

- 4.20.1. The Board shall establish a reserve to be called the “capital reserve”, and shall either carry to the credit of such reserve all capital profits or appreciations arising on the sale, transposition, payment off of or revaluation of any investment or other capital asset of the Company in excess of the book value thereof or apply the same in providing for depreciation or contingencies.
- 4.20.2. Any losses realised on the sale, transposition, payment off of or revaluation of any investment or other capital asset and any other expense, loss or liability (or provision therefor) considered by the Board to be of a capital nature may be carried to the debit of the capital reserve except in so far as the Board may in its discretion decide to make good the same out of other funds of the Company.

4.21. **Liability of shareholders**

The liability of the shareholders of the Company is limited to the amount, if any, unpaid on the shares held by them.

4.22. **Indemnity**

Subject to the provisions of the Statutes, the Company may indemnify any Director, or other officer (or any person who was at any time a Director, or other officer of the Company, or its predecessor in business, or of a holding undertaking or subsidiary undertaking of the Company) against any liability and may purchase and maintain for any such person insurance against any loss or liability, whether in connection with any proven or alleged negligence, default, breach of duty or breach of trust by him or otherwise in relation to the Company. Subject to those provisions but without prejudice to any indemnity to which the person concerned may otherwise be entitled, every Director, former Director or other officer of the Company shall be indemnified out of the assets of the Company against any loss or liability incurred by him in the execution of his duties in relation to the affairs of the Company, provided that the Articles shall be deemed not to provide for, or entitle any such person to, indemnification to the extent that it would cause the Articles, or any Article, or of such indemnification, to be treated as void under the Statutes.

5. Mandatory Bids, Squeeze-out and Sell-out Rules Relating to the Ordinary Shares

5.1 *Mandatory Bid*

The City Code on Takeovers and Mergers (the “City Code”) applies to the Company. Under Rule 9 of the City Code, if:

- (i) a person acquires an interest in shares in the Company which, when taken together with shares already held by him or persons acting in concert with him, carry 30 per cent. or more of the voting rights in the Company; or
- (ii) a person who, together with persons acting in concert with him, is interested in not less than 30 per cent. and not more than 50 per cent. of the voting rights in the Company acquires additional interests in shares which increase the percentage of shares carrying voting rights in which that person is interested, the acquiror and, depending on the circumstances, his concert parties, would be required (except with the consent of the Panel on Takeovers and Mergers) to make a cash offer for the outstanding shares in the Company at a price not less than the highest price paid for any interests in the Ordinary Shares by the acquiror or his concert parties during the previous twelve months.

5.2 *Compulsory Acquisition*

Under sections 974 to 991 of the 2006 Act, if an offeror acquires or contracts to acquire (pursuant to a takeover offer) not less than 90 per cent. of the shares (in value and by voting rights) to which such offer relates it may then compulsorily acquire the outstanding shares not assented to the offer. It would do so by sending a notice to outstanding holders of shares telling them that it will compulsorily acquire their shares and then, six weeks later, it would execute a transfer of the outstanding shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for the outstanding holders of shares. The consideration offered to the holders whose shares are compulsorily acquired under the 2006 Act must, in general, be the same as the consideration that was available under the takeover offer.

In addition, pursuant to section 983 of the 2006 Act, if an offeror acquires or agrees to acquire not less than 90 per cent. of the shares (in value and by voting rights) to which the offer relates, any holder of shares to which the offer relates who has not accepted the offer may require the offeror to acquire his shares on the same terms as the takeover offer.

The offeror would be required to give any holder of shares notice of his right to be bought out within one month of that right arising. Sell-out rights cannot be exercised after the end of the period of three months from the last date on which the offer can be accepted or, if later, three months from the date on which the notice is served on the holder of shares notifying them of their sell-out rights. If a holder of shares exercises his/her rights, the offeror is bound to acquire those shares on the terms of the takeover offer or on such other terms as may be agreed.

Other than as provided by the 2006 Act, there are no rules or provisions relating to squeeze-out and sell-out rules in relation to the shares.

6. Valuation Policy

The NAV per Ordinary Share is calculated each Business Day by the Manager. For the purposes of calculating the NAV per Ordinary Share, the Company’s listed investments are valued at bid prices. Where trading in the securities of an investee company is suspended, the investment is valued at the Board’s estimate of its net realisable value. Where premiums are payable by foreign investors, the market value, for the purpose of the financial statements, includes the premium. Unlisted investments are valued by the Board. In making its valuations the Board takes into account, where appropriate, latest dealing prices, valuations from reliable sources, asset values and other relevant factors.

The calculation of the NAV per Ordinary Share will only be suspended in circumstances where the underlying data necessary to value the investments of the Company cannot readily, or without undue expenditure, be obtained. Details of any suspension in making such calculations will be announced through a Regulatory Information Service.

7. Interests of Directors, Major Shareholders and Related Party Transactions

7.1 *Directors' Interests*

As at 17 November 2010 (being the latest practicable date before the publication of this document), the Directors or their immediate families and related trusts, had the following interests in the issued share capital of the Company (all of which are beneficial unless otherwise stated) and will, if the Bonus Issue is approved have the following interests (all of which will be beneficial unless otherwise stated) in the share capital of the Company (a) which are required to be notified to the Company pursuant to the Disclosure and Transparency Rules; or (b) being interests of a person connected (within the meaning given in the Disclosure and Transparency Rules) with the Director which would, if such connected person were a Director be required to be disclosed under (a) above and the existence of which was known to or could, with reasonable diligence, be ascertained by the Director:

	<i>Number of Ordinary Shares</i>	<i>% of issued ordinary share capital⁽¹⁾ %</i>	<i>Number of Subscription Shares to be issued under the Bonus Issue</i>	<i>% of subscription share capital⁽²⁾ %</i>
Charles Wood	12,500	0.03	2,500	0.03
Christopher Rowlands	9,956	0.03	1,991	0.03
Richard Burns ⁽³⁾	90,000	0.24	18,000	0.24
Keith Percy	21,850	0.06	4,370	0.06

(1) The percentages shown above are calculated after excluding the 1,807,328 Ordinary Shares held in treasury.

(2) The percentages shown above are calculated on the basis on 7,948,000 Subscription Shares being issued.

(3) This holding consists of 60,000 Ordinary Shares held in the name of Richard Burns and 30,000 Ordinary Shares held in the name of the AEB Charitable Trust of which Mr Burns is a trustee. Following the Bonus Issue Richard Burns will hold 12,000 Subscription Shares and 6,000 will be held in the name of the AEB Charitable Trust.

7.2 Save as disclosed in paragraph 7.1 above, immediately following Admission, no Director will have any interest, whether beneficial or non-beneficial, in the share or loan capital of the Company.

7.3 *Directors' Contracts with the Company*

7.3.1 None of the Directors provides his services to the Company pursuant to a service contract with the Company. Their appointments are subject to the terms of their letters of appointment.

Charles Wood is engaged by the Company as a non-executive Director and Chairman. Mr Wood commenced in the office of Director on 3 November 2003.

Christopher Rowlands is engaged by the Company as a non-executive Director and Chairman of the Audit Committee and Senior Independent Director. Mr Rowlands commenced in the office of Director on 19 March 2003.

Richard Burns is engaged by the Company as a non-executive Director and Chairman of the Remuneration & Management Engagement Committee. Mr Burns commenced in the office of Director on 23 May 2006.

Keith Percy is engaged by the Company as a non-executive Director and Chairman of the Nominations Committee. Mr Percy commenced in the office of Director on 8 October 1991.

7.3.2 In the financial year ended 30 September 2010, Charles Wood received a Director's fee of £24,000, Christopher Rowlands received a Director's fee of £21,000, and Richard

Burns and Keith Percy each received a Director's fee of £18,000. The Directors were not paid any amount of remuneration by way of benefits in kind, pension contributions or any contingent or deferred compensation by the Company for their services in all capacities to the Company. Accordingly, there are no amounts set aside or accrued by the Company to provide pension, retirement or similar benefits to the Directors.

- 7.3.3 The Company has not made any loans to the Directors which are outstanding, nor has it ever provided any guarantees for the benefit of any Director or the Directors collectively.

7.4 **Other Interests**

Over the five years preceding the date hereof, the Directors have held the following directorships (apart from their directorships of the Company) and/or partnerships:

Charles Wood

Current directorships: Cazenove Capital Management Pension Trustee Limited, DMGT Pension Trustees Limited and Northcliffe Trustees Limited.

Past directorships: Associated Newspapers Trustees Limited.

Christopher Rowlands

Current directorships: 91 Lexham Gardens Limited, Emmaus Bristol and Emmaus Bristol CWM Maethlon Limited.

Past directorships: Content Ventures Limited.

Richard Burns

Current directorships/partnerships: JPMorgan Indian Investment Trust plc, The Bankers Investment Trust PLC, EP Global Opportunities Trust PLC, Mid Wynd International Investment Trust PLC and Seraphim Capital (General Partner) LLP.

Past directorships/partnerships: Baillie Gifford Life Limited, Guardian Baillie Gifford Limited, Mitsubishi UFJ Baillie Gifford Asset Management Limited, The Baillie Gifford Japan Trust PLC, The Association of Investment Companies, The Patrons of the National Galleries of Scotland, Tartan TV Limited, A.E. Investments Limited, A.E. Patents Limited, Adaptive Venture Managers Limited and Ballie Gifford & Co.

Keith Percy

Current directorships: Brunner Investment Trust PLC, JPMorgan Japanese Investment Trust PLC, The Henderson Smaller Companies Investment Trust plc, Woodford Green Preparatory School Limited and The Children's Mutual.

Past directorships: Société Générale Asset Management S.A. and GLG Partners UK Group Limited.

- 7.5 None of the Directors, members of any administrative, management and supervisory body, nor any senior manager has any conflict of interest between any duties to the Company and to his private interest or to any other duties.

- 7.6 Save as disclosed in paragraph 7.7 of this Part V, in the five year period prior to the date of this document, none of the Directors:

7.6.1 had any convictions in relation to fraudulent offences;

7.6.2 was associated with any bankruptcies, receiverships or liquidations of any partnership or company through acting in the capacity as a member of the administrative, management or supervisory body or as a partner, founder or senior manager of such partnership or companies referred to in paragraph 7.4 of this Part V; or

7.6.3 received any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies) and has not been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of any issuer or from acting in the management or conduct of the affairs of any issuer.

7.7 Charles Wood was a director of Associated Newspapers Trustees Limited which was dissolved on 22 September 2009. Richard Burns was a director of Tartan TV Limited which was dissolved on 6 February 2009, A.E. Investments Limited which was dissolved on 28 May 2010 and A.E. Patents Limited which was dissolved on 9 April 2010. Upon dissolution none of the companies were subject to insolvency proceedings. Richard Burns was also a director of Adaptive Venture Managers Limited which was placed into liquidation on 10 September 2009. Chris Rowlands was a director of Steadfast Television Limited and Steadfast International Limited which were placed into administration on 12 November 2010.

7.8 **Major Shareholders**

7.8.1 As at 17 November 2010 (being the latest practicable date before publication of this document) insofar as known to the Company, the following parties had declared a notifiable interest in the Company's voting rights (under the Disclosure and Transparency Rules):

	<i>Number of Ordinary Shares</i>	<i>% of voting rights</i>
Brewin Dolphin	4,659,086	12.3
Barclays Wealth	1,866,016	4.9
Legal & General Investment Management	1,461,158	3.9
Rensburg Sheppards Investment Management	1,307,820	3.5

7.8.2 All Shareholders have the same voting rights in respect of the share capital of the Company.

7.8.3 The Company and the Directors are not aware of any person, who directly or indirectly, jointly or severally, exercises or could exercise control over the Company.

7.8.4 The Company and the Directors are not aware of any arrangements, the operation of which may at a subsequent date result in a change in control of the Company.

7.9 **Related Party Transactions**

Save for the Management Agreement (described in paragraph 9.1 of this Part V), the Company was not a party to, nor had any interest in, any related party transaction at any time during the three financial years ended 30 September 2010 or during the period 30 September 2010 to 17 November 2010 (being the latest practicable date before publication of this document).

7.10 **Other Material Interests**

Save as disclosed, none of the Directors has any conflict of interest between any duties to the Company and his private interests and any other duties. The Manager, the Secretary, their respective directors, officers, employees, agents and affiliates and the Directors and any person or company with whom they are affiliated or by whom they are employed (each an "Interested Party") may be involved in other financial, investment or other professional activities which may cause conflicts of interest with the Company. In particular, Interested Parties may provide services similar to those provided to the Company to other entities and shall not be liable to account for any profit from any such services. For example, an Interested Party may acquire on behalf of a client an investment in which the Company may invest.

8. Investment Restrictions

The Company is subject to the Listing Rules which apply to closed-ended investment funds.

As required under Listing Rule 15.4.2, the Company will at all times invest and manage its assets in a way which is consistent with its objective of spreading investment risk and in accordance with its published Investment Policy as set out on page 20 of this document.

In accordance with Listing Rule 15.2.3A, the Company (and, if applicable, any subsidiary undertakings) will not conduct any trading activity which is significant in the context of the Company and any such subsidiary undertakings as a whole, but this rule does not prevent the businesses forming part of the Company's investment portfolio from conducting trading activities themselves.

In addition, in order to comply with Listing Rule 15.2.5, the Company will not invest more than 10 per cent., in aggregate, of the value of its total assets (calculated at the time of any relevant investment) in other closed-ended investment funds admitted to the Official List (save to the extent that those closed-ended investment funds have stated investment policies to invest no more than 15 per cent. of their gross assets in such other closed-ended investment funds).

In order to gain approval as an investment trust under Chapter 4 of Part 24 of the Corporation Tax Act 2010, the Company is required to operate under certain constraints. These include the following limits on investments and operations:

- no single investment may exceed 15 per cent. of the value of the Company's total assets at the time of investment;
- the Company may not retain more than 15 per cent. of its eligible investment income;
- at least 70 per cent. of income must be eligible investment income, consisting of income deriving from shares and securities or eligible rental income but not bank deposit income; and
- the Company may not distribute capital profits by way of dividend.

In the event of any material breach of the investment restrictions applicable to the Company, Shareholders will be informed of the actions to be taken by the Manager through an announcement via a Regulatory Information Service.

9. Material Contracts

Save as described below, the Company has not (i) entered into any material contracts (other than contracts in the ordinary course of business) within the two years immediately preceding the publication of this document; or (ii) entered into any contracts that contain provisions under which the Company has any obligation or entitlement that is material to the Company as at the date of this document.

9.1 Management Agreement

An investment management agreement dated 18 October 2005, as amended by agreements dated 29 November 2007 and 31 March 2010, was made between the Company and the Manager, under which the Manager has agreed to provide investment management and administration services for a fee of an amount equal to 0.65 per cent. per annum of the Total Assets (as defined in the Management Agreement, which excludes investments which are managed by the Manager or any other Group Company). Such remuneration shall be calculated by reference to the Total Assets as at the last date of each calendar quarter.

The Management Agreement may be terminated by either party by giving six months' written notice. The Management Agreement may, however, be terminated without compensation as a result of a material breach of the Management Agreement by the Manager, if the Manager ceases to be authorised under FSMA or on the insolvency of the Manager.

In addition, if the Management Agreement is terminated and the Company's name contains any reference to the Standard Life group of companies, then the Company must convene a general meeting and recommend to its shareholders that the Company name be changed within 30 days of the termination.

Under the Management Agreement, the Manager has agreed to provide company secretarial, accounting and administrative services to the Company and the Manager has delegated the provision of these services to Aberdeen Asset Management PLC. The Manager receives an aggregate fee for all its services provided under the Management Agreement including the discretionary management of the Company's assets.

9.2 Custody Agreement

Pursuant to the terms of the Custody Agreement entered into between the Company and BNP Paribas Securities Services S.A. dated 16 August 2010, the Custodian is entrusted with the safe custody of the assets of the Company. In particular, it carries out all usual duties relating to cash

and securities and, in addition, may delegate such duties to sub-custodians. The Custodian will use reasonable care in the selection and appointment of sub-custodians.

The Custody Agreement commenced on 16 August 2010 and will continue in full force and effect for a minimum period of two years from such date (the "Minimum Term"). After the expiry of the Minimum Term, the Custody Agreement may be terminated by the Custodian upon giving ninety days' notice in writing to the Company or by the Company upon giving thirty days' notice in writing to the Custodian. The Custody Agreement is subject to earlier termination by either party in the event of the other party's liquidation or insolvency. In the event that the Custodian terminates the Custody Agreement in the event of the Company's insolvency then the Company will be liable to pay to the Custodian an amount equal to the fees payable for the duration of the Minimum Term that has not yet been paid at the date of termination. No such payment is required if the Company terminates the Custody Agreement in the event of the Custodian's insolvency. The Company may also terminate with immediate effect if the Custodian commits an unremedied material breach of contract.

The Company will pay and the Custodian will receive a fee for its services under the Custody Agreement, together with the Custodian's reasonable out-of-pocket or incidental expenses. The amount payable by the Company is £17,000 per annum for the duration of the Minimum Term and is payable in monthly instalments. Any increase in fees must be agreed in writing between the parties. After the expiry of the Minimum Term a safekeeping fee of 0.3 basis points will be payable and transactions will be charged at £12 per transaction plus £15 for manual transactions.

The Custody Agreement contains provisions for the indemnification by the Company of the Custodian, the sub-custodians and their respective nominees, directors, officers, agents and employees (together, the "Custody Indemnified Party") against any costs, claims, losses, liabilities, damages, expenses, fines, penalties, taxes and other matters that may be imposed on, incurred by or asserted against the Custody Indemnified Party by reason of the Custody Indemnified Party acting pursuant to the Custody Agreement or by their status as a holder of records of securities, except to the extent that they result from the fraud, negligence or wilful default of the Custodian or from the action of the Custody Indemnified Party for which the Custodian is liable to under the Custody Agreement.

9.3 *Sponsor's Agreement*

Pursuant to the terms of a sponsor's agreement dated 19 November 2010 between the Company and J.P. Morgan Cazenove, J.P. Morgan Cazenove agreed to act as the Company's sponsor in relation to the applications for Admission. Under the agreement which may be terminated by J.P. Morgan Cazenove in certain circumstances prior to Admission, certain warranties and indemnities have been given to J.P. Morgan Cazenove by the Company. These warranties and indemnities are customary for an agreement of this nature.

10. **UK Taxation**

10.1 *Introduction*

The following statements are based upon current UK tax law and what is understood to be the current practice of HMRC, both of which are subject to change, possibly with retrospective effect. The statements are intended only as a general guide and may not apply to certain Shareholders, such as dealers in securities, insurance companies, collective investment schemes or Shareholders who have (or are deemed to have) acquired their shares by virtue of an office or employment, who may be subject to special rules. They apply only to Shareholders resident and ordinarily resident for UK tax purposes in the UK (except in so far as express reference is made to the treatment of non-UK residents), who hold Shares as an investment rather than trading stock and who are the absolute beneficial owners of those Shares.

The information contained in this Prospectus relating to taxation matters is a summary of the taxation matters which the Directors consider should be brought to the attention of Shareholders and is based upon the law and practice currently in force and is subject to changes therein. All Shareholders, and in particular those who are in any doubt about their tax position, or who are resident or otherwise subject to taxation in a jurisdiction outside the UK,

should consult their own professional advisers on the potential tax consequences of holding, transferring or otherwise disposing of Subscription Shares or exercising the Subscription Share Rights under the laws of their country and/or state of citizenship, domicile or residence.

10.2 *The Company*

It is the intention of the Directors to conduct the affairs of the Company so that it satisfies and continues to satisfy the conditions necessary for it to be approved by HMRC as an investment trust under Chapter 4 of Part 24 of the Corporation Tax 2010 (or section 842 of the Taxes Act as the case may be). However, neither the Manager nor the Directors can guarantee that this approval will be maintained. One of the conditions for a company to qualify as an investment trust is that it is not a close company. The Directors consider that the Company should not be a close company immediately following the issue of the Subscription Shares pursuant to the Bonus Issue. In respect of each accounting period for which the Company continues to be approved by HMRC as an investment trust the Company will be exempt from UK taxation on its capital gains. The Company will, however, be liable to UK corporation tax on its income in the normal way. From 1 July 2009 the rules relating to the taxation of foreign profits were revised such that overseas dividend income received after that date will in most cases be exempt from UK corporation tax. Income arising from any overseas investments may be subject to foreign withholding tax at the relevant jurisdiction's applicable rate, but relief may be available under the terms of an applicable double tax treaty.

10.3 *Shareholders*

10.3.1 For the purposes of United Kingdom capital gains tax and corporation tax on chargeable gains ("CGT"), the receipt of the Subscription Shares arising from the Bonus Issue will be a re-organisation of the share capital of the Company. Accordingly, the Subscription Shares will be treated as the same asset as the Shareholder's holding of Ordinary Shares and as having been acquired at the same time as the Shareholder's holding of Ordinary Shares was acquired. As a result of the Bonus Issue the Shareholder's original base cost in his or her Ordinary Shares will be apportioned between his or her Ordinary Shares and the Subscription Shares by reference to their respective market values on the day on which the Subscription Shares are admitted to trading on the London Stock Exchange's market for listed securities. That is to say, the base cost of such a Shareholder's Ordinary Shares is deemed to be the actual base cost to the Shareholder of those Ordinary Shares multiplied by a fraction whose numerator is A and whose denominator is (A+B), where A is the market value of the Ordinary Shares on the day on which the Subscription Shares are admitted to trading, and B is the market value of the Subscription Shares on the same date. The base cost of the Subscription Shares is deemed to be the actual base cost of the Ordinary Shares less the deemed base cost of the Ordinary Shares calculated as described above.

On the exercise of the right to convert any Subscription Shares into Ordinary Shares, the Ordinary Shares issued pursuant to the Subscription Share Rights will be treated as the same asset as the Subscription Shares in respect of which the Subscription Share Rights are exercised. The base cost of each such Ordinary Share will be the deemed base cost of the Subscription Share that it replaces, calculated as described above, plus the applicable Subscription Price.

10.3.2 *Taxation of capital gains*

Individual Shareholders who are resident or ordinarily resident in the UK for tax purposes will generally be subject to CGT at the flat rate of 18 per cent. in respect of any gain arising on a disposal or deemed disposal of their Ordinary Shares or Subscription Shares. No indexation allowance will be available to such Shareholders. However, each individual has an annual exemption, such that capital gains tax is chargeable only on gains arising from all sources during the tax year in excess of this figure. The annual exemption is £10,100 for the tax year 2010/2011.

Shareholders who are individuals and who are temporarily non-resident in the UK may, under anti-avoidance legislation, still be liable to UK tax on any capital gain realised

(subject to any available exemption or relief). Corporate Shareholders who are resident in the UK for tax purposes will generally be subject to corporation tax on chargeable gains arising on a disposal of their Shares. The indexation allowance may reduce the amount of chargeable gain that is subject to corporation tax but may not create or increase any allowable loss.

Capital losses realised on a disposal of Ordinary Shares or Subscription Shares must be set as far as possible against chargeable gains for the same tax year (or accounting period in the case of a Corporate Shareholder), even if this reduces an individual Shareholder's total gain below the annual exemption. Any balance of losses is carried forward without time limit and set off against net chargeable gains (that is, after deducting the annual exemption) in the earliest later tax year. Losses cannot generally be carried back, with the exception of losses accruing to an individual Shareholder in the year of his death.

10.3.3 *Taxation of dividends*

Under current tax law, the Company will not be required to withhold tax at source when paying a dividend.

An individual Shareholder who is resident in the UK for tax purposes and who receives a dividend from the Company should generally be entitled to a tax credit which may be set off to the appropriate extent against the Shareholder's total income tax liability on the dividend. An individual UK resident Shareholder will be liable to income tax on the sum of the tax credit and the dividend (the "gross dividend") which will be treated as the top slice of the individual's income for UK income tax purposes. The tax credit equals 10 per cent. of the gross dividend. The tax credit therefore also equals one-ninth of the cash dividend received.

A UK resident individual Shareholder who is liable to income tax at the basic rate will be subject to tax on the dividend at the rate of 10 per cent. of the gross dividend. This means that the tax credit will satisfy in full such a Shareholder's liability to income tax on the dividend.

The rate of income tax applied to dividends received by a UK resident individual Shareholder liable to income tax at the higher rate will be 32.5 per cent. to the extent that such dividends, when treated as the top slice of the Shareholder's income, fall above the threshold for higher rate income tax. In the case of such Shareholder's liability, the tax credit will be set against, but will not fully match, his tax liability on the gross dividend. After taking account of the 10 per cent. tax credit, such Shareholder will have to account for additional tax equal to 22.5 per cent. of the gross dividend (which equals 25 per cent. of the cash dividend received) to the extent that it falls above the threshold for higher rate income tax.

An additional rate of income tax of 50 per cent. applies, with effect from 6 April 2010, to UK resident individuals with taxable non-savings and savings income above £150,000. On and after the date on which the new rate takes effect, if and to the extent that the gross dividend received by a UK resident individual falls above the threshold for income tax at the new 50 per cent. rate, that individual will be subject to tax on the gross dividend at the rate of 42.5 per cent. If the new rate of tax is applied in the same way as the existing rates, that individual would be able to set the tax credit off against part of this liability and the effect of that set-off of the tax credit would be that such an individual would have to account for additional tax equal to 32.5 per cent. of the gross dividend (which is also equal to 36.1 per cent. of the cash dividend received), to the extent that the gross dividend fell above the threshold for the new 50 per cent. rate of income tax.

There will be no repayment of all or part of the tax credit to an individual Shareholder whose liability to income tax on all or part of the gross dividend is less than the amount of the tax credit. This will include a Shareholder who holds the Ordinary Shares or the Subscription Shares through an ISA.

UK resident taxpayers who are not liable to UK tax on dividends, including pension funds and charities, will not be entitled to claim a repayment of the tax credit attaching to dividends paid by the Company.

UK resident corporate Shareholders will generally not be subject to corporation tax on dividends paid by the Company but will not be able to claim a repayment of the tax credit attaching to the dividends.

Following the Finance Act 2009, most UK and overseas dividends received by UK corporate shareholders (subject to specific anti avoidance rules) will be exempt from UK corporation tax. Shareholders within the charge to UK corporation tax are however advised to consult their independent professional tax advisers in relation to the implications of the legislation.

Non-UK resident Shareholders will not generally be able to claim repayment from HMRC of any part of the tax credit attaching to dividends paid by the Company. A Shareholder resident outside the UK may also be subject to foreign taxation on dividend income under local law. It is particularly important that Shareholders who are not resident in the UK for tax purposes obtain their own tax advice concerning tax liabilities on dividends received from the Company.

10.3.4 ***Stamp duty and stamp duty reserve tax***

Transfers on the sale of Ordinary Shares or Subscription Shares will generally be subject to UK stamp duty at the rate of 0.5 per cent. of the consideration given for the transfer. The purchaser normally pays the stamp duty.

An agreement to transfer Ordinary Shares or Subscription Shares will normally give rise to a charge to stamp duty reserve tax ("SDRT") at the rate of 0.5 per cent. of the amount or value of the consideration payable for the transfer. If a duly stamped transfer in respect of the agreement is produced within six years of the date on which the agreement is made (or, if the agreement is conditional, the date on which the agreement becomes unconditional) any SDRT paid is repayable, generally with interest, and otherwise the SDRT charge is cancelled. SDRT is, in general, payable by the purchaser.

Paperless transfers of Ordinary Shares or Subscription Shares within the CREST system are generally liable to SDRT, rather than stamp duty, at the rate of 0.5 per cent. of the amount or value of the consideration payable. CREST is obliged to collect SDRT on relevant transactions settled within the CREST system. Deposits of shares into CREST will not generally be subject to SDRT, unless the transfer into CREST is itself for consideration.

10.3.5 ***ISAs***

The Subscription Shares and the Ordinary Shares arising on the exercise of the Subscription Share Rights should be eligible to be held in a stocks and shares ISA, subject to applicable annual subscription limits (£10,200 for the 2010/2011 tax year). Investments held in ISAs will be free of UK tax on both capital gains and income. The opportunity to invest in Subscription Shares or Ordinary Shares through an ISA is restricted to certain UK resident individuals aged 18 or over. The Subscription Price paid upon any exercise of the right to convert Subscription Shares into Ordinary Shares would contribute towards the annual subscription limit in the year in which the Subscription Share Right was exercised, unless the Subscription Price were paid out of cash already within the Shareholder's stocks and shares ISA, or with cash subscribed in the same tax year to a cash ISA held by the Shareholder and transferred to the Shareholder's stocks and shares ISA. Sums received by a Shareholder on a disposal of Subscription Shares or Ordinary Shares would not count towards the Shareholder's annual limit; but a disposal of Subscription Shares or Ordinary Shares held in an ISA will not serve to make available again any part of the annual subscription limit that has already been used by the Shareholder in that tax year. Individuals wishing to invest in Subscription Shares through an ISA should contact their professional advisers regarding their eligibility.

10.3.6 *Self-Invested Personal Pensions (SIPPs)*

The Ordinary Shares and Subscription Shares in the Company will constitute permitted investments for SIPPs.

11. Corporate Governance

The Company is committed to high standards of corporate governance. The Board has put in place a framework for corporate governance which it believes is suitable for an investment trust and which will enable the Company to comply with the Combined Code and the AIC Code. Save as disclosed below, the Company complies with the provisions of the Combined Code and the AIC Code.

The Combined Code includes provisions relating to:

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

For the reasons set out in the AIC Corporate Governance Guide and in the preamble to the Combined Code, the Board considers that these provisions are not relevant to the Company, being an externally managed investment company.

The Board, currently chaired by Charles Wood, consists of four non-executive Directors, all of whom are regarded by the Board as independent of the Manager, including the Chairman.

Mr Christopher Rowlands was appointed by the Board as Senior Independent Director.

All appointments to the Board and replacements of Directors take place in accordance with the 2006 Act and the Articles. The Nomination Committee is responsible for identifying possible candidates for consideration by the Board. Any proposal for a new Director will be discussed and approved by the entire Board. External consultants may be used to identify potential candidates.

11.1 *The Audit Committee*

The Audit Committee consists of all of Directors and Christopher Rowlands chairs this Committee. The Directors have satisfied themselves that at least one of the members of the Committee has sufficient recent and relevant financial experience.

The Committee's authority and duties are clearly defined in its written terms of reference which are available on request from the Company Secretary or via the download area of the Company's webpage, hosted by the Manager (www.standardlifeinvestments.co.uk/its). These include responsibility for reviewing the half-yearly financial statements and annual reports and financial statements, reviewing the scope and results of the audit and the effectiveness and cost of the audit process and reviewing the Company's internal financial controls. They also include responsibility for reviewing and monitoring the external Auditor's independence and objectivity with particular regard to the provision of non-audit services taking into consideration relevant UK professional and regulatory requirements. No work other than the audit was carried out by the Company's Auditor during the year ended 30 September 2010.

The Audit Committee of the Board meets not less than two times a year and with the Auditor without the presence of the Manager at least once a year to review these and other appropriate matters.

11.2 *The Nomination Committee*

All appointments to the Board and replacements of Directors take place in accordance with the Companies Acts and the Company's Articles of Association. The Company complies with the AIC Code in respect of appointments to the Board. The Nomination Committee consists of all of the Directors and is chaired by Keith Percy. The Committee meets on an annual basis and at such other times as may be required. The Committee has written terms of reference and is responsible, amongst other things, for identifying and nominating, for the approval of the Board, candidates to fill Board vacancies taking into account the need to maintain a balanced Board.

Care is taken to ensure the appointees have enough time to devote to the role. External consultants may be used to identify future potential candidates. However, it is felt that due to the nature of the Company's business the Board had access to a sufficiently wide pool of candidates in respect of the most recent appointments. The Committee also considers whether Directors should be recommended for re-appointment by Shareholders.

The Committee's terms of reference are available on request from the Company Secretary or via the download area of the Company's webpage, hosted by the Manager (www.standardlifeinvestments.co.uk/its).

11.3 *The Remuneration and Management Engagement Committee*

The Remuneration Management Engagement Committee consists of all of the Directors, and Richard Burns chairs the Committee. The Remuneration and Management Engagement Committee is charged with reviewing and monitoring the performance of the Manager in respect of its contract and the fees it is paid. This Remuneration and Management Engagement Committee meets at least once a year and reports to the Board of Directors, making recommendations where appropriate.

The level of remuneration of the Manager is determined by the Remuneration and Management Engagement Committee; it relates to the investment management function, on which a percentage of the funds under management is paid (thereby relating this part of its remuneration to performance) and to the administrative function. The Board is mindful that the amounts paid to the Manager should be sufficient to ensure that both the portfolio manager and the administrators within the management house appointed to look after its affairs are highly skilled and that those individuals should be largely focused on the Company's business.

At its meeting in May 2010, the Remuneration and Management Engagement Committee reviewed the performance of the Manager. The performance for the Company's financial year has also been reviewed and although the Portfolio slightly under performed the FTSE All-Share Index the Company ranks fifth out of 21 peers in the UK Growth and Income sector based on net asset value total return over the three years ended 30 September 2010. 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.

The Remuneration and Management Engagement Committee's terms of reference are available on request from the Company Secretary or via the download area of the Company's webpage, hosted by the Manager (www.standardlifeinvestments.co.uk/its). Details of the Management Agreement appear at paragraph 9.1 of this Part V.

12. **Third Party Information and Consents**

- 12.1 J.P. Morgan Cazenove has given and not withdrawn its written consent to the issue of this document with the inclusion in it of references to its name in the form and context in which they appear.
- 12.2 In relation to information provided by third parties, the Company confirms that the information has been accurately reproduced, the source of such information has been identified and, as far as the Company is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the information reproduced inaccurate or misleading.

13. **General**

- 13.1 The Company does not conduct any significant trading activity. The Company has no subsidiaries. The Company has no employees and owns no premises.
- 13.2 The Company is not dependent on patents or licences, industrial, commercial or financial contracts or new manufacturing processes which are material to the Company's business or profitability.

- 13.3 The Auditor to the Company for the three financial years ended 30 September 2010 was Grant Thornton UK LLP of 30 Finsbury Square, London EC2P 2YU. The most recent annual fees of the Auditor for audit services were £17,000 (excluding VAT). Apart from the fees payable to the Manager and the Custodian as disclosed in paragraphs 9.1 and 9.2 of this Part V there are no other material fees payable by the Company.
- 13.4 The typical investors for whom an investment in the Company is intended are professionally advised private investors, or institutional investors, seeking long term capital growth from investment in a diversified portfolio consisting mainly of quoted UK entities. An investment in the Company may also be suitable for financially sophisticated private investors who are not professionally advised but are capable of evaluating the risks and merits of an investment in the Company and who have sufficient resources to bear any loss that may result from such an investment. However, such investors should consider consulting an independent financial adviser authorised under FSMA before investing.
- 13.5 There have been no governmental, legal or arbitration proceedings (and no such proceedings are pending or threatened of which the Company is aware) in the previous twelve months which may have, or have had in the recent past, significant effects on the Company's financial position or profitability.

14. Documents on Display

- 14.1 The following documents will be available for inspection during usual business hours on any day (Saturdays, Sundays and public holidays excepted) at the offices of Dickson Minto W.S., Broadgate Tower, 20 Primrose Street, London EC2A 2EW and at the registered office of the Company, 30 St. Mary Axe, London EC3A 8EP for so long as this document remains valid:
- 14.1.1 this Prospectus;
 - 14.1.2 the Memorandum of Association of the Company, the Articles and the New Articles; and
 - 14.1.3 the audited financial statements of the Company for the three financial years ended 30 September 2010 respectively.
- 14.2 Copies of this document are available for inspection www.hemscott.com/nsm.do and, until 20 December 2010, are available for collection, free of charge, from the offices of Dickson Minto W.S., Broadgate Tower, 20 Primrose Street, London EC2A 2EW and from the registered office of the Company, 30 St. Mary Axe, London EC3A 8EP.

Dated: 19 November 2010

PART VI

DEFINITIONS

2006 Act	the Companies Act 2006
Admission	the admission of the Subscription Shares to the Standard Segment of the Official List and to trading on the London Stock Exchange's main market for listed securities becoming effective in accordance with the Listing Rules and the Admission and Disclosure Standards
Admission and Disclosure Standards	the admission and disclosure standards of the London Stock Exchange for securities admitted or seeking to be admitted to trading, as amended from time to time
AGM	annual general meeting of the Company convened for 17 December 2010 at J.P. Morgan Cazenove's offices, 20 Moorgate, London EC2R 6DA or any adjournment thereof
AIC Code	the Association of Investment Companies Code of Corporate Governance, as amended from time to time
AIC SORP	the AIC Statement of Recommended Practice for Investment Trust Companies and Venture Capital Trusts issued in January 2009
Articles	the Articles of Association of the Company, as amended from time to time
Auditor	Grant Thornton UK LLP
Board or Directors	the board of Directors of the Company or any duly constituted committee thereof
Bonus Issue	the issue to Qualifying Shareholders of Subscription Shares on the basis of one Subscription Share for every five Existing Ordinary Shares held at the Record Date
Business Day	any day on which banks are open for business in London (excluding Saturdays, Sundays and public holidays)
City Code	the City Code on Takeovers and Mergers
Combined Code	The UK Corporate Governance Code published by the Financial Reporting Council
Companies Acts	every statute (including any orders regulations or other subordinate legislation made under it) from time to time in force concerning companies in so far as it applies to the Company
Company	Standard Life Equity Income Trust PLC
Continuation Resolution	the ordinary resolution to be proposed at the Company's AGM to approve the continuation of the Company as an investment trust
CREST	the system for the paperless settlement of trades in securities and the holding of uncertificated securities operated by Euroclear in accordance with the Uncertificated Securities Regulations
Custodian	BNP Paribas Securities Services S.A., a company registered at the Companies Register of Paris

Custody Agreement	the agreement between the Custodian and the Company regarding the custody of the assets of the Company dated 16 August 2010
Disclosure and Transparency Rules	the disclosure rules and transparency rules made by the FSA under Part VI of the FSMA
EEA	the European Economic Area
EEA State	member state of the EEA
Euroclear	Euroclear UK & Ireland Limited, being the operator of CREST
Existing Ordinary Shares	the Ordinary Shares in issue on the Record Date
Financial Services Authority or FSA	the single regulatory authority for the UK financial services industry
Form of Proxy	the form of proxy provided with this document for use in connection with the General Meeting by Shareholders
FSMA	the Financial Services and Markets Act 2000
General Meeting	the general meeting of the Company to consider the Resolution, convened for 17 December 2010 at J.P. Morgan Cazenove's offices, 20 Moorgate, London EC2R 6DA or any adjournment thereof
HMRC	HM Revenues & Customs
Investment Policy	the investment policy of the Company as determined by the Directors from time to time and published in the Company's annual report and financial statements
ISA	an individual savings accounts maintained in accordance with the UK Individual Savings Account Regulations 1998 (as amended from time to time)
J.P. Morgan Cazenove	J.P. Morgan Securities Ltd. (which conducts its UK investment banking business as J.P. Morgan Cazenove)
Listing Rules	the listing rules issued by the UK Listing Authority
London Stock Exchange	London Stock Exchange plc
Management Agreement	the agreement dated 18 October 2005 between the Manager and the Company, as amended from time to time
Manager	Standard Life Investments (Corporate Funds) Limited
Memorandum of Association	the Memorandum of Association of the Company
NAV	net asset value as calculated in accordance with the Company's accounting policies and the Articles or the value of the net assets per Ordinary Share, as the context requires
New Articles	the Articles of Association of the Company as proposed to be adopted at the General Meeting
Notice of General Meeting	the notice of General Meeting as set out in this document
Official List	the Official List maintained by the UK Listing Authority
Ordinary Share	an ordinary share of 25 pence each in the capital of the Company with ticker: SLET and ISIN: GB 0006039597

Overseas Shareholders	Shareholders who are resident in territories outside the EEA
Prospectus	this document
Prospectus Rules	the rules and regulations made by the FSA under Part V of the FSMA (as amended from time to time)
Qualifying Shareholders	Shareholders whose names are entered on the Register at the close of business on the Record Date
Record Date	the date on which Qualifying Shareholders' entitlements to the Bonus Issue will be assessed against the Register, expected to be 5.00 p.m. on 15 December 2010
Register	the register of members of the Company
Registrars	Computershare Investor Services PLC, or such other persons from time to time acting as the Company's registrar
Regulatory Information Service	a service authorised by the UK Listing Authority to release regulatory announcements to the London Stock Exchange
Resolution	the special resolution to be proposed at the General Meeting relating to the Bonus Issue
Savings Schemes	the SLI Savings Scheme and the SLI ISA
Savings Scheme Participant	a holder of Shares through either of the Savings Schemes
Secretary	Aberdeen Asset Management PLC
Securities Act	the US Securities Act of 1933, as amended
Shareholder	a holder of Ordinary Shares and/or Subscription Shares, as the context requires
Shares	the Ordinary Shares and/or the Subscription Shares, as the context requires
SIPP	self-invested personal pension
SLI ISA	Standard Life's Stocks and Shares ISA
SLI Savings Scheme	Standard Life's Savings Scheme
SSAS	small self-administered pension scheme
Standard Life Investments	the Manager and the other members of Standard Life plc's group
Sterling	lawful currency of the United Kingdom
Subscription Price	the price at which the Subscription Share Rights are exercised in accordance with the rights attaching to the Subscription Shares (and subject to adjustment in accordance with those rights)
Subscription Shareholders	holders of Subscription Shares
Subscription Share Rights	the right conferred by each Subscription Share to subscribe for one Ordinary Share as detailed in Part IV of this Prospectus and contained in the New Articles
Subscription Shares	the subscription shares of 0.01 pence each in the capital of the Company with Ticker: SLES and ISIN: GB00B3NWXM64 to be issued pursuant to the Bonus Issue

Taxes Act	the Income and Corporation Taxes Act 1988
UK or United Kingdom	the United Kingdom of Great Britain and Northern Ireland
UK GAAP	United Kingdom Generally Accepted Accounting Principles
UK Listing Authority	the Financial Services Authority acting in its capacity as the competent authority for the purposes of admissions to the Official List
Uncertificated Securities Regulations	the Uncertificated Securities Regulations 2001
VAT	UK value added tax
Voting Instruction Form	the voting instruction form provided with this document for use in connection with the General Meeting by Shareholders who hold Ordinary Shares through either of the Savings Schemes

PART VII

NOTICE OF GENERAL MEETING

STANDARD LIFE EQUITY INCOME TRUST PLC

*(Incorporated and registered in England and Wales under the Companies Act 1985 with registered number 02648152)
(An investment company within the meaning section 833 of the Companies Act 2006)*

Notice is hereby given that a General Meeting (the "Meeting") of Standard Life Equity Income Trust PLC (the "Company") will be held at J.P. Morgan Cazenove's offices, 20 Moorgate, London EC2R 6DA on Friday 17 December 2010 at 11.00 a.m. (or such later time as the Company's annual general meeting convened for the same day shall have concluded or been adjourned) for the purpose of considering and, if thought fit, approving the following resolution which is proposed as a special resolution:

SPECIAL RESOLUTION

"THAT:

- (A) the articles of association produced to the Meeting and signed by the Chairman of the Meeting for the purposes of identification be adopted as the Company's Articles in substitution for, and to the exclusion of, the existing articles of association of the Company;
- (B) in addition to any existing authority under section 551 of the Companies Act 2006 (the "2006 Act") granted to the Directors prior to the passing of this special resolution, the Directors be and are generally and unconditionally authorised to exercise all powers of the Company to allot Subscription Shares pursuant to the Bonus Issue and Ordinary Shares pursuant to the exercise of the rights attaching to the Subscription Shares to subscribe for such shares (the "Subscription Share Rights") as set out in the new articles of association to be adopted pursuant to subparagraph (A) of this special resolution, up to a maximum aggregate nominal amount of (a) £794.80 in respect of the allotment of Subscription Shares and (b) £1,987,000 in respect of the allotment of Ordinary Shares pursuant to the exercise of the Subscription Share Rights, provided that such authority shall expire at the conclusion of the Company's annual general meeting to be held in 2011, save that the Company may prior to the expiry of such period make any offer or agreement which would or might require such Subscription Shares and/or such Ordinary Shares to be allotted after such expiry and the Directors may allot such Subscription Shares and/or such Ordinary Shares in pursuance of any such offer or agreement as if the authority conferred hereby had not expired;
- (C) in addition to any existing power and authority granted to the Directors under sections 570 to 573 of the 2006 Act prior to the passing of this special resolution, the Directors be empowered and authorised in accordance with sections 570 and 571 of the 2006 Act to grant Subscription Share Rights and to allot Ordinary Shares for cash, pursuant to the authority conferred by subparagraph (B) of this special resolution, as if section 561(1) of the 2006 Act did not apply to any such grant of rights or allotment, provided that this power shall be limited to the grant of the Subscription Share Rights and allotment of Ordinary Shares pursuant to the exercise of the Subscription Share Rights up to a maximum aggregate nominal amount of £1,987,000 provided that such power shall expire at the conclusion of the Company's annual general meeting to be held in 2011, save that the Company may, before such expiry make offers or agreements which would or might require such Ordinary Shares to be allotted after such expiry and the Directors may allot such Ordinary Shares in pursuance of any such offer or agreement notwithstanding that the power conferred by this special resolution has expired;
- (D) the Directors be and are hereby empowered to capitalise any part of the amount then standing to the credit of any of the share premium account, the capital redemption reserve, special reserve and any other applicable reserve (excluding the revenue reserve) otherwise available for the purpose of paying up in full at par up to 7,948,000 Subscription Shares to be issued pursuant to the Bonus Issue, such shares to be allotted and distributed credited as fully paid up to and among such holders in the proportion of one new Subscription Share for every five Existing Ordinary Shares held (fractions of a Subscription Share being ignored) and, to the extent necessary, paying up in full any Ordinary Shares to be allotted in accordance with the provisions of the New Articles

of the Company as adopted by sub-paragraph (A) of this special resolution relating to the exercise of Subscription Share Rights and any additional Subscription Shares required to be issued to holders of Subscription Shares in accordance with the Subscription Share Rights;

- (E) any consolidation, sub-division or redemption of share capital required in the opinion of the Directors to give effect to the rights of the holders of Subscription Shares be hereby approved;
- (F) in addition to any existing authority under section 701 of the 2006 Act granted to the Company prior to the passing of this special resolution, the Company be generally and, subject as hereinafter appears, unconditionally authorised in accordance with section 701 of the 2006 Act to make market purchases (within the meaning of section 693(4) of the 2006 Act) of its issued Subscription Shares for cancellation, provided that:
 - (i) the maximum number of Subscription Shares hereby authorised to be purchased shall be 1,191,405 or if less, that number of Subscription Shares which is equal to 14.99 per cent. of the Company's issued Subscription Share capital immediately following Admission (as defined in the Prospectus);
 - (ii) the minimum price which may be paid for a Subscription Share is 0.01 pence;
 - (iii) the maximum price (exclusive of expenses) which may be paid for a Subscription Share will not exceed the higher of: (i) five per cent. above the average of the middle market quotations (as derived from the London Stock Exchange Daily Official List) for the five consecutive 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;
 - (iv) the authority hereby conferred shall expire at the conclusion of the Company's next annual general meeting or on 16 March 2012 whichever is earlier; and
 - (v) the Company may make a contract to purchase Subscription Shares under the authority hereby conferred prior to the expiry of such authority and may make a purchase of Subscription Shares pursuant to any such contract notwithstanding such expiry."

BY ORDER OF THE BOARD

Aberdeen Asset Management PLC,
Company Secretary

Registered Office:
30 St. Mary Axe
London EC3A 8EP

Date: 19 November 2010

Notes:

- (i) A member entitled to attend, speak and vote at the Meeting is entitled to appoint one or more proxies to exercise all or any of the rights of the member to attend and speak and vote in his place. A proxy need not be a member of the Company. 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.
- (ii) A form of proxy is provided with this notice for members. To be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed (or a notorially certified copy of such authority) must be completed and returned in accordance with the instructions printed thereon to the Company's Registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, or delivered by hand during office hours to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8AE as soon as possible and in any event by 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.
- (iii) Any person receiving a copy of this Notice as a person nominated by a member to enjoy information rights under section 146 of the Companies Act 2006 (a "Nominated Person") should note that the provisions in Notes (i) to (ii) above concerning the appointment of a proxy or proxies to attend the Meeting in place of a member, do not apply to a Nominated Person as only Shareholders have the right to appoint a proxy. However, a Nominated Person may have a right under an agreement between the Nominated Person and the member by whom he or she was nominated to be appointed, or to have someone else appointed, as a proxy for the Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may have a right under such an agreement to give instructions to the member as to the exercise of voting rights at the Meeting.
- (iv) Nominated Persons should also remember that their main point of contact in terms of their investment in the Company remains the member who nominated the Nominated Person to enjoy information rights (or perhaps the custodian or broker who administers the investment on their behalf). Nominated Persons should continue to contact that member, custodian or broker (and not the Company) regarding any changes or queries relating to the Nominated Person's personal details and interest in the Company (including any administrative matter). The only exception to this is where the Company expressly requests a response from a Nominated Person.

- (v) Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, only Shareholders registered on the register of members of the Company by not later than 6.00 p.m. on 15 December 2010 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 such time. Changes to the register of members after the relevant times shall be disregarded in determining the rights of any person to attend and vote at the Meeting.
- (vi) 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) of it by following 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 (ii) above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
- (vii) 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 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 per cent. 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 and Transparency Rules, need not make a separate notification to the Company and the Financial Services Authority. Any person holding 3% of the total voting right 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 Disclosure and Transparency Rules.
- (viii) If you wish to attend the Meeting in person, there will be a Member's register for you to sign on arrival.
- (ix) Information regarding the Meeting, including information required by section 311A of the Companies Act 2006, is available from www.standardlifeinvestments.com/its
- (x) Members have the right to ask questions at the Meeting in accordance with section 319A of the Companies Act 2006.
- (xi) As at 18 November 2010, being the last Business Day prior to the printing of this Notice, the Company's issued capital consisted of 39,737,907 Ordinary Shares carrying one vote each (including 1,807,328 shares held in treasury). Therefore, the total voting rights in the Company as at 18 November 2010 are 37,930,579 Ordinary Shares carrying one vote each.
- (xii) The proposed New Articles are available for inspection at the registered office of the Company, 30 St. Mary Axe, London EC3A 8EP during usual business hours on any weekday (Saturdays, Sundays and public holidays excluded) from the date of this Notice until the conclusion of the Meeting and will be available for inspection at the place of the Meeting for at least 15 minutes prior to and during the Meeting.
- (xiii) Shareholders are advised that, unless otherwise stated, any telephone number, website or email address which may be set out in this notice of Meeting 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.